

Board of Directors Meeting Agenda

December 17, 2020, 2 p.m.

City of Carlsbad | Virtual Meeting

Per State of California Executive Order N-29-20, and in interest of public health and safety, we are temporarily taking actions to prevent and mitigate the effects of the COVID-19 pandemic by holding Clean Energy Alliance Joint Powers Authority meetings electronically or by teleconferencing. All public meetings will comply with public noticing requirements in the Brown Act and will be made accessible electronically to all members of the public seeking to observe and address the Clean Energy Alliance Joint Powers Authority Board of Directors.

Members of the public can watch the meeting live at: www.carlsbadca.gov.

You can participate in the meeting by e-mailing your comments to the Secretary at secretary@thecleanenergyalliance.org 1 hour prior to commencement of the meeting. If you desire to have your comment read into the record at the meeting, please indicate so in the first line of your e-mail and limit your e-mail to 500 words or less. These procedures shall remain in place during the period in which state or local health officials have imposed or recommended social distancing measures.

CALL TO ORDER

ROLL CALL

FLAG SALUTE

BOARD COMMENTS & ANNOUNCEMENTS

Item 1: Declare Clean Energy Alliance Board Chair Position Vacant and Elect Board Chair for term through June 30, 2021

RECOMMENDATION

Declare the Board Chair position vacant and elect a Board Chair to fill term through June 30, 2021, pursuant to Section 5.2 of the Clean Energy Alliance Joint Powers Agreement.

PRESENTATIONS: Update from Community Advisory Committee Chair
Clean Energy Alliance Website Refresh Presentation

PUBLIC COMMENT

APPROVAL OF MINUTES

Minutes of the Regular Meeting held November 19, 2020

Consent Calendar

Item 2: Clean Energy Alliance Treasurer’s Report

RECOMMENDATION

Receive and File Clean Energy Alliance Treasurer’s Report.

Item 3: Ratify Execution of Letter of Credit in Satisfaction of California Public Utilities Commission Resolution E-5059 Setting an Update Financial Security Requirement

RECOMMENDATION

Ratify execution of a Letter of Credit, in the amount of \$147,000, with U.S. Bank, in satisfaction of the California Public Utilities Commission Resolution E-5059 setting an updated Financial Security Requirement.

Item 4: Fiscal Year 20/21 Budget Amendment for CCA Operations

RECOMMENDATION

Approve Fiscal Year 20/21 Budget Amendment for CCA Operations, increasing revenue by \$9,643,500 and expenditures by \$9,459,000.

New Business

Item 5: Clean Energy Alliance Interim Chief Executive Officer Report & Regulatory Affairs Update

RECOMMENDATION

- 1) Receive and file Clean Energy Alliance Interim Chief Executive Officer Report.
- 2) Receive and file Clean Energy Alliance Regulatory Affairs Update Report.

Item 6: Clean Energy Alliance Pro-Forma Update

RECOMMENDATION

Receive presentation on the updated Clean Energy Alliance Pro-Forma.

Item 7: Approve Terms and Conditions and Product Branding of Clean Energy Alliance Initial Default Energy Product Options and Programs

RECOMMENDATION

- 1) Approve energy product options to offer at launch, or other alternatives as determined by the Clean Energy Alliance Board:
 - * 50% Renewable Energy Product – Minimum Default Energy Product

- * 100% Renewable Energy Product – Alternative Default Energy Product Option for Member Agencies; Voluntary Opt-Up Product for customers at a rate premium
- * Minimum State Renewable Portfolio Standards Product – Voluntary Opt-Down for Customers at a reduced rate

- 2) Approve Product Names, or other alternatives as determined by the CEA Board:
 - Green Impact – 50% Renewable Energy Product
 - Clean Impact – 100% Renewable Energy Product
 - Local Impact – Meets State Required Renewable Energy Standards (If Approved by Board)
 - Personal Impact – Net Energy Metering Program
- 3) Approve CEA Terms and Conditions – General Service and Net Energy Metering

Item 8: Authorize Credit Solution with JPMorgan for Clean Energy Alliance Start-up and Work Capital

RECOMMENDATION

Authorize Interim Chief Executive Officer to Execute All Documents and take all necessary actions to secure CEA’s financing with JPMorgan, subject to General Counsel Approval, for the following amounts, or other alternatives as determined by the CEA Board:

- a) \$5,000,000 for start-up and working capital costs;
- b) \$5,000,000 (subject to credit approval and CEA Board Authorization) for liquidity via Standby Letters of Credit or cash postings for power contracts;
- c) \$5,000,000 (subject to credit approval and CEA Board Authorization) available upon launch for additional working capital or liquidity support for power purchase agreements.

BOARD MEMBER REQUESTS FOR FUTURE AGENDA ITEMS

ADJOURN

NEXT MEETING: January 21, 2021, 2 p.m., hosted by City of Del Mar (Virtual Meeting)

Reasonable Accommodations

Persons with a disability may request an agenda packet in appropriate alternative formats as require by the Americans with Disabilities Act of 1990. Reasonable accommodations and auxiliary aids will be provided to effectively allow participation in the meeting. Please contact the Carlsbad City Clerk’s Office at 760-434-2808 (voice), 711 (free relay service for TTY users), 760-720-9461 (fax) or clerk@carlsbadca.gov by noon on the Monday before the Board meeting to make arrangements.

Written Comments

To submit written comments to the Board, please contact the Carlsbad City Clerk’s office at secretary@thecleanenergyalliance.org. Written materials related to the agenda that are received by 5:00 p.m. on the day before the meeting will be distributed to the Board in advance of the meeting and posted on the Authority webpage. To review these materials during the meeting, please contact the Board Secretary.

**Clean Energy Alliance – Board of Directors
Meeting Minutes
November 19, 2020 - 2 p.m.
City of Solana Beach
635 S. Highway 101, Solana Beach, CA 92075
Teleconference Locations per State of California Executive Order N-29-20**

CALL TO ORDER: Chair Haviland called to order the regular meeting of the Clean Energy Alliance (CEA) at 2:00 p.m.

ROLL CALL: Board Member Schumacher, Vice Chair Becker, Chair Haviland

FLAG SALUTE: The flag salute was led by Vice Chair Becker.

CLOSED SESSION: General Counsel Gregory Stepanicich made an announcement regarding the Closed Session items and the Board recessed to Closed Session at 2:05 p.m.

1. Conference with Legal Counsel—Existing Litigation

Government Code Section 54956.9(d)(1)

Expedited Application of San Diego Gas & Electric Company (U 902 E) Under the Power Charge Indifference Adjustment Account Trigger Mechanism, Application (A.) 20-07-009, filed July 10, 2020 with and pending before the California Public Utilities Commission

2. Conference with Legal Counsel—Initiation of Litigation

Government Code Section 54956.9(a)(4)

Number of cases: Two

RECONVENE TO OPEN SESSION: The Board reconvened to open session at 2:44 p.m.

REPORT FROM CLOSED SESSION: General Counsel Gregory Stepanicich announced that no action was taken in closed session that was required to be reported.

BOARD COMMENTS & ANNOUNCEMENTS: Board Member Schumacher and Vice Chair Becker extended gratitude to outgoing Chair Haviland for her service.

PRESENTATIONS: None

PUBLIC COMMENT: None

APPROVAL OF MINUTES:

Minutes of the Regular Meeting held September 17, 2020

Minutes of the Regular Meeting held October 15, 2020

Motion by Board Member Schumacher, second by Vice Chair Becker, to approve the minutes as submitted. Motion carried unanimously, 3/0.

Consent Calendar

Item 1: Clean Energy Alliance Interim Treasurer's Report

RECOMMENDATION: Receive and File Clean Energy Alliance Interim Treasurer's Report.

Item 2: Clean Energy Alliance Energy Risk Management Policy Approval

RECOMMENDATION: Approve Clean Energy Alliance Energy Risk Management Policy.

Item 3: Resolution Amending Conflict of Interest Code Adding Community Advisory Committee Members and Clarifying the Disclosure Categories

RECOMMENDATION: Adopt Resolution 2020-006 amending Conflict of Interest Code adding Community Advisory Committee Members and clarifying the disclosure categories.

Motion by Board Member Schumacher, second by Vice Chair Becker, to approve the Consent Calendar. Motion carried unanimously, 3/0.

New Business

Item 4: Clean Energy Alliance Interim Chief Executive Officer Report & Regulatory Affairs Update

Interim Chief Executive Officer Barbara Boswell presented the item and updated the Board regarding notice to the Solana Energy Alliance customers with regards to transitioning to the Clean Energy Alliance; the new Clean Energy Alliance website due to go live December 1; the first Community Advisory Committee meeting scheduled for December 3; and the completion of the CEA's resource adequacy procurements.

Special Regulatory Attorney Ty Tosdal updated and answered questions of the Board regarding Power Charge Indifference Adjustment (PCIA) Trigger Application proceeding; San Diego Gas & Electric (SDG&E) Energy Resource Recovery Account (ERRA) proceeding; Arrearage Management Plan (AMP) to assist eligible low-income residential customers who are behind on their utility bills; and the CEA's Financial Security Requirement due on December 8, 2020.

RECOMMENDATION: 1) Receive and file Clean Energy Alliance Interim Chief Executive Officer Report. 2) Receive and file Clean Energy Alliance Regulatory Affairs Update Report.

Reports received and filed.

Item 5: Clean Energy Alliance Pro-Forma Update

Interim Chief Executive Officer Barbara Boswell commented regarding the SDG&E ERRA Rate Application challenges and issues not allowing for reliable information in which to provide the Pro-Forma Update along with the outstanding items for PCIA Trigger Application that will impact CEA and its customers.

Ms. Boswell commented that forthcoming clarity will allow for the update at the December CEA JPA meeting.

RECOMMENDATION: Receive presentation on the updated Clean Energy Alliance Pro-Forma.

Item 6: Authorize Execution of Escrow Agreement and Establishment of Secured Account to Satisfy the Updated Financial Security Requirement

Interim Chief Executive Officer Barbara Boswell presented the item and updated the Board on the new requirements.

Vice Chair Becker inquired regarding the FSR funds being held in escrow during the entirety of the CCA and Board Member Schumacher inquired regarding the return of funds to the CEA and how they would be handled. Ms. Boswell clarified that the funds are held in escrow and calculated every six months with the potential to increase but stated that the cost of procurement would be offset by revenue and clarified that the Board would decide how to handle during budget discussions.

RECOMMENDATION

- 1) Authorize the Interim Chief Executive Officer to execute an escrow agreement with River City Bank and San Diego Gas & Electric and establishment of a new account with River City Bank in satisfaction of the new Financial Security Requirement, subject to General Counsel approval.
- 2) Appropriate \$147,000 for the Financial Security Requirement, to be funded by an increase in the loan from Calpine Energy Solutions.

Motion by Vice Chair Becker, second by Board Member Schumacher, to authorize the Interim Chief Executive Officer to execute an escrow agreement with River City Bank and San Diego Gas & Electric and establishment of a new account with River City Bank in satisfaction of the new Financial Security Requirement, subject to General Counsel approval, and appropriate \$147,000 for the Financial Security Requirement, to be funded by an increase in the loan from Calpine Energy Solutions. Motion carried unanimously, 3/0.

Item 7: Approve Increase in Promissory Note with Calpine Energy Solutions

Interim Chief Executive Officer Barbara Boswell presented the item giving justification for the increase consideration.

Ms. Boswell clarified that the additional \$250k is to provide funding for additional cash collateral required by an energy supplier to meet the resource energy compliance requirement in response to Board Member Schumacher's inquiry.

RECOMMENDATION

Authorize increase in promissory note with Calpine Energy Solutions from \$400,000 to the maximum \$650,000 to cover the Financial Security Requirement and Resource Adequacy collateral requirements.

Motion by Vice Chair Becker, second by Board Member Schumacher, to authorize increase in promissory note with Calpine Energy Solutions from \$400,000 to the maximum \$650,000 to cover the Financial Security Requirement and Resource Adequacy collateral requirements.

Motion carried unanimously, 3/0.

Item 8: Authorize Interim Chief Executive Officer to Negotiate Terms for Clean Energy Alliance Credit Solution

Interim Chief Executive Officer Barbara Boswell presented the item updating the Board on initial cashflow needs of the CEA and credit solution.

The Board commented and extended gratitude for the extra work on this item resulting in better terms being offered.

RECOMMENDATION

Authorize Interim Chief Executive Officer to negotiate terms for Clean Energy Alliance credit solution.

Motion by Vice Chair Becker, second by Board Member Schumacher, to authorize Interim Chief Executive Officer to negotiate terms for Clean Energy Alliance credit solution.

Motion carried unanimously, 3/0.

BOARD MEMBER REQUESTS FOR FUTURE AGENDA ITEMS: Board Member Schumacher requested that the AMP Program be returned to the Board as the agenda allows and Interim Chief Executive Officer deems appropriate.

ACKNOWLEDGEMENT OF DEPARTING BOARD MEMBER: Chair Haviland commented and was recognized for her service on the CEA JPA Board.

ADJOURN: Chair Haviland adjourned the meeting at 3:21 p.m.

Susan Caputo, MMC
Interim Board Clerk

Clean Energy Alliance

JOINT POWERS AUTHORITY

Staff Report

DATE: December 17, 2020

TO: Clean Energy Alliance Board of Directors

FROM: Marie Marron Berkuti, Interim Treasurer

ITEM 2: Clean Energy Alliance Treasurer's Report

RECOMMENDATION

Receive and File Clean Energy Alliance (CEA) Interim Treasurer's Report for November 2020

BACKGROUND AND DISCUSSION

Generally Accepted Accounting Principles (GAAP) requires local governments, like the CEA, to use the enterprise fund type to account for "business-type activities" – activities similar to those found in the private sector. Financial statements in the Treasurer's Report for November have been updated, or new ones added, to incorporate the enterprise fund, or full accrual basis, type of accounting in reporting financial activity for the CEA through November 30, 2020:

- Statement of Financial Position – Reports assets, liabilities, and financial position of the CEA as of November 30, 2020 **(updated report format)**
- Statement of Revenues, Expenses and Changes in Net Position for the five months ended November 30, 2020 **(new report)**
- Budget to Actuals Comparison Schedule – Reports actual revenues and expenditures compared to the adopted budget as of November 30, 2020 **(updated report format to move non-revenue and non-expense category transactions to sources and uses of funds e.g., financing activities)**
- Budget Reconciliation to Statement of Revenues, Expenses and Changes in Net Position **(new report that reconciles the net increase (decrease) per the Budget to Actuals Comparison Schedule to Net Position)**
- List of Payments Issued – Reports payments issued for November 30, 2020 **(no change)**

As of November 30, 2020, liabilities represent invoices received for services, but not yet paid. The noncurrent accounts payable are amounts due to the cities of Carlsbad, Del Mar and Solana Beach for the \$150,000 advance made by each member agency for start-up costs and services provided to the CEA for the period November 2019 to June 2020. These invoices are scheduled to be paid once the CEA is operational.

NOVEMBER 30, 2020 REPORTS**STATEMENT OF FINANCIAL POSITION**

**CLEAN ENERGY ALLIANCE
STATEMENT OF NET POSITION
As of November 30, 2020**

ASSETS**Current Assets**

| | |
|------------------------|--------------|
| Cash Operating Account | \$ 47,519.39 |
|------------------------|--------------|

| | |
|-----------------------------|------------------|
| Total Current Assets | <u>47,519.39</u> |
|-----------------------------|------------------|

Noncurrent Assets

Deposits

| | |
|----------|------------|
| CCA Bond | 100,000.00 |
|----------|------------|

| | |
|--------------------------------|-------------------|
| Cash Collateral Deposits-SDG&E | <u>240,000.00</u> |
|--------------------------------|-------------------|

| | |
|--------------------------------|-------------------|
| Total Noncurrent Assets | <u>340,000.00</u> |
|--------------------------------|-------------------|

| | |
|---------------------|------------|
| Total Assets | 387,519.39 |
|---------------------|------------|

LIABILITIES**Current Liabilities**

| | |
|------------------|------------------|
| Accounts Payable | <u>81,939.49</u> |
|------------------|------------------|

| | |
|----------------------------------|-----------|
| Total Current Liabilities | 81,939.49 |
|----------------------------------|-----------|

Noncurrent Liabilities

Due to Member Agencies

| | |
|-------------------------|------------|
| Due to City of Carlsbad | 186,571.79 |
|-------------------------|------------|

| | |
|------------------------|------------|
| Due to City of Del Mar | 151,892.97 |
|------------------------|------------|

| | |
|-----------------------------|-------------------|
| Due to City of Solana Beach | <u>165,552.69</u> |
|-----------------------------|-------------------|

| | |
|-------------------------------------|-------------------|
| Total Due to Member Agencies | <u>504,017.45</u> |
|-------------------------------------|-------------------|

| | |
|-------------------------|------------|
| Calpine Promissory Note | 373,968.75 |
|-------------------------|------------|

| | |
|-------------------------------------|-------------------|
| Total Noncurrent Liabilities | <u>877,986.20</u> |
|-------------------------------------|-------------------|

| | |
|--------------------------|------------|
| Total Liabilities | 959,925.69 |
|--------------------------|------------|

NET POSITION

| | |
|------------------------|---------------------|
| Unrestricted (deficit) | <u>(572,406.30)</u> |
|------------------------|---------------------|

| | |
|---------------------------|-----------------|
| Total Net Position | \$ (572,406.30) |
|---------------------------|-----------------|

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FINANCIAL POSITION

**CLEAN ENERGY ALLIANCE
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
For the five months ended November 30, 2020**

| | |
|--------------------------------------|---------------------|
| Operating Revenues | \$ - |
| Operating Expenses | |
| Professional Services | 266,026.36 |
| Marketing | 27,695.57 |
| Total Operating Expenses | <u>293,721.93</u> |
| Operating Income (Loss) | <u>(293,721.93)</u> |
| Change in Net Position | (293,721.93) |
| Net Position at beginning of period | <u>(278,684.37)</u> |
| Net Position at end of period | \$ (572,406.30) |

BUDGET TO ACTUALS COMPARISON SCHEDULE

At its August 20, 2020 board meeting, the CEA Board approved a Promissory Note with Calpine Energy Solutions for \$400,000 to provide funding for the FY 2020/21 budget through February 2021. A second Promissory Note with Calpine for \$250,000 was approved by the CEA Board at the November 19, 2020 board meeting to provide funding for the Financial Security Requirement and the cash collateral deposits required as part of the resource adequacy procurements. Total drawdowns against the Promissory Notes as of November 2020 equal \$373,968.75. CEA is still working towards obtaining the remaining CEA start-up funding from the proposed credit solution.

At its June 18, 2020 board meeting, the CEA Board adopted the Fiscal Year (FY) 2020/21 budget approving \$4,006,500 in total operating expenses and uses of funds. The CEA Board approved an amendment to the budget at its November 19, 2020 board meeting to cover the Financial Security Requirement amount of \$147,000 bringing the amended adopted budget total to \$4,153,500.

Of its approved \$4,153,500 amended budgeted operating expenditures and uses of funds, \$533,721.93 has been expended, leaving \$3,619,778.07

CLEAN ENERGY ALLIANCE
BUDGET TO ACTUALS COMPARISON SCHEDULE
For the five months ended November 30, 2020

| | AMENDED BUDGET | ACTUALS | VARIANCE |
|--|-------------------|-----------------|---------------|
| Operating Expenses | | | |
| Professional Services | | | |
| Administrative | \$ 120,000.00 | \$ 49,142.43 | \$ 70,857.57 |
| Legal | 320,000.00 | 114,581.68 | 205,418.32 |
| Technical | 198,200.00 | 100,702.25 | 97,497.75 |
| Marketing | 92,238.00 | 27,695.57 | 64,542.43 |
| Audit | 40,000.00 | - | 40,000.00 |
| Other | 19,562.00 | 1,600.00 | 17,962.00 |
| Total Professional Services | 790,000.00 | 293,721.93 | 496,278.07 |
| Print/Mail Services | 132,000.00 | - | 132,000.00 |
| Membership Dues | 15,000.00 | - | 15,000.00 |
| Graphic Design Services | 10,000.00 | - | 10,000.00 |
| Advertising | 10,000.00 | - | 10,000.00 |
| Website Maintenance | 2,500.00 | - | 2,500.00 |
| Total Operating Expenses | 959,500.00 | 293,721.93 | 665,778.07 |
| Other Sources and Uses | | | |
| Sources | | | |
| Credit Solution | 3,606,500.00 | - | 3,606,500.00 |
| Calpine Promissory Note | 650,000.00 | 373,968.75 | 276,031.25 |
| Total Sources | 4,256,500.00 | 373,968.75 | 3,882,531.25 |
| Uses | | | |
| CCA Bond | 47,000.00 | - | 47,000.00 |
| CAISO Deposit | 500,000.00 | - | 500,000.00 |
| Lock Box Reserves/Cash Flow | 2,500,000.00 | - | 2,500,000.00 |
| Collateral Deposits-SDG&E | - | 240,000.00 | (240,000.00) |
| Financial Security Requirement | 147,000.00 | - | 147,000.00 |
| Total Uses | 3,194,000.00 | 240,000.00 | 2,954,000.00 |
| Total Sources and Uses | 1,062,500.00 | 133,968.75 | 928,531.25 |
| Net Increase (Decrease) in Available Fund Balance | \$ 103,000.00 | \$ (159,753.18) | \$ 262,753.18 |
| Total Operating Expenses and Uses of Funds | 4,153,500.00 | 533,721.93 | 3,619,778.07 |

BUDGET RECONCILIATION TO STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

CLEAN ENERGY ALLIANCE
BUDGET RECONCILIATION TO STATEMENT OF
REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the five months ended November 30, 2020

| | |
|--|------------------------|
| Net Increase (Decrease) in Available Fund Balance per Budgetary Comparison Schedule | \$ (159,753.18) |
| Adjustments needed to reconcile to the changes in Net Position in the Statement of Revenues, Expenses, and Changes in Net Position | |
| Subtract Advances from Calpine Promissory Note | (373,968.75) |
| Add back Collateral Deposits-SDG&E | 240,000.00 |
| Change in Net Position | <u>\$ (293,721.93)</u> |

LIST OF PAYMENTS ISSUED

The report below provides the detail of payments issued by CEA for November 2020. All payments were within approved budget.

Clean Energy Alliance
List of Payments Issued November 2020

| <u>Date</u> | <u>Via</u> | <u>Vendor</u> | <u>Description</u> | <u>Amount</u> |
|-------------|------------|-----------------------------------|---|----------------------|
| 11/05/2020 | Wire | SDG&E | Cash Collateral Deposits | \$ 100,000.00 |
| 11/05/2020 | Wire | SDG&E | Cash Collateral Deposits | 140,000.00 |
| 11/30/2020 | ACH | Richards, Watson & Gershon | Sep 2020 General Counsel Svcs | 5,996.50 |
| 11/30/2020 | ACH | Tosdal APC | Oct 2020 Regulatory Counsel Svcs | 6,022.96 |
| 11/30/2020 | ACH | Hall Energy Law PC | Oct 2020 Energy Procurement Counsel Svc | 4,641.00 |
| 11/30/2020 | ACH | Pacific Energy Advisors, Inc | Oct 2020 Technical Consulting Svcs | 23,600.00 |
| 11/30/2020 | ACH | Keyes & Fox LLP | Oct ERRA Forecast Counsel Services | 4,061.50 |
| 11/30/2020 | ACH | Tripepi, Smith & Associates, Inc. | Oct 2020 Retainer | 9,223.75 |
| 11/30/2020 | ACH | Bayshore Consulting Group, Inc | Oct CEO Services | 1,912.50 |
| | | | Total November Payments | <u>\$ 295,458.21</u> |

FISCAL IMPACT

There is no fiscal impact associated with this item.

Staff Report

DATE: December 17, 2020

TO: Clean Energy Alliance Board of Directors

FROM: Barbara Boswell, Interim Chief Executive Officer

ITEM 3: Ratify Execution of Letter of Credit in Satisfaction of California Public Utilities Commission Resolution E-5059 Setting an Updated Financial Security Requirement

RECOMMENDATION

Ratify Execution of a Letter of Credit, in the amount of \$147,000, with U.S. Bank, in satisfaction of California Public Utilities Commission Resolution E-5059 setting an updated Financial Security Requirement.

BACKGROUND AND DISCUSSION

In 2018, the CPUC issued Decision 18-05-022 (Decision) which established reentry fees and financial security requirements (FSR) for CCAs. The purpose of the FSR instrument is to cover costs borne by SDG&E in the event of a mass involuntary return of CEA customers to the SDG&E, such as the decertification of CEA or a CCA failure. SDG&E may only withdraw funds from the financial security instrument for unpaid administrative or procurement costs associated with the return of CEA customers to the IOU. Any withdrawal of those funds must first be approved by the CPUC.

Under the Decision, Investor-Owned Utilities (IOUs), including SDG&E, were required to submit advice letters implementing the FSR requirements. Those advice letters were submitted in August 2018; however, they were suspended by the CPUC until final implementation issues could be resolved. On October 8, 2020, the CPUC adopted the Resolution finalizing the implementation of the IOU advice letters and setting the minimum FSR at \$147,000. To date, CCAs have been operating under an interim amount of \$100,000, which was submitted to the CPUC as part of the CEA's CCA registration process. The FSR can be satisfied in three ways: Letter of Credit, Surety Bond, or Cash Deposit with 3rd Party Financial Institution Subject to an Escrow Agreement.

At its last Board meeting on November 19, the Board approved execution of an escrow agreement to satisfy the FSR requirement. Subsequent to that approval, CEA staff and its legal team began working with SDG&E to come to an agreement on the form of escrow agreement. After several meetings, CEA and SDG&E were not able to come to agreement on the form. As a result, staff changed direction to execute a letter of credit (Attached). Due to timing related to the deadline to file the advice letter showing compliance with the requirement, staff was not able to bring this change to the Board prior to execution. The letter of credit is for \$147,000, in line with the amount the Board approved for the escrow agreement.

FISCAL IMPACT

The \$147,000 Financial Security Requirement has been funded by an increase in the loan from Calpine

Energy Solutions. The advice letter filed with the CPUC included a request for reimbursement of the original \$100,000 deposit that CEA made in March 2020 as part of its CCA Registration process.

ATTACHMENTS

Redacted Standby Letter of Credit



U.S. Bank National Association
Global Documentary Services
555 S.W. Oak Street, Suite 400-P
Portland, Oregon U.S.A. 97204
Fax: (503) 464-4125
Phone: (503) 464-3700

Issue Date: December 7, 2020

IRREVOCABLE STANDBY LETTER OF CREDIT NO. [REDACTED]

BENEFICIARY:

San Diego Gas & Electric Company
Quantitative Risk and Major Markets Credit
8326 Century Park Court CP21C
San Diego, CA 92123

APPLICANT:

Clean Energy Alliance
1200 Carlsbad Village Drive
Carlsbad, CA 92008

AMOUNT:

US\$ 147,000.00

EXPIRATION DATE:

December 7, 2021 at our counters

Ladies and Gentlemen:

We have been informed that this Letter of Credit is issued as financial security pursuant to California Public Utilities Code section 394.25(e), California Public Utilities Commission Decision (D.) 18-05-022 and Resolution E-5059 by which the Commission established reentry fees, and financial security requirements ("FSR") applicable to Community Choice Aggregation (CCA) programs, and SDG&E Rule 27, which implements Reentry fees and Financial Security Requirements for CCA programs. Reentry fees include investor-owned utility (IOU) administrative costs and procurement costs resulting from a mass involuntary return of CCA customers to IOU service, and the financial security requirements must cover those potential costs.

We hereby establishes our irrevocable standby Letter of Credit Number [REDACTED] in favor of San Diego Gas & Electric Company ("Beneficiary"), by order and for account of Clean Energy Alliance ("Applicant"), available at sight upon demand at our counters, at 555 SW Oak Street, Suite 400-P, Portland, Oregon 97204, Attn: Global Documentary Services, for an amount of US\$ 147,000.00 (One Hundred Forty Seven Thousand Dollars), effective immediately.

Funds under this Letter of Credit are available to Beneficiary by presentation on or before 5:00 p.m. Oregon time, on or before the Expiration Date of the following documents:

1. Statement signed by a person purported to be an authorized representative of Beneficiary stating that: "Under terms of the SDG&E Rule 27, Beneficiary is entitled to draw under Letter of Credit No. [REDACTED] the sum of U.S.\$ _____ (_____) owed by Clean Energy Alliance for the payment of Reentry Fees."

or

***This page forms an integral part of credit [REDACTED]



2. Statement signed by a person purported to be an authorized representative of Beneficiary stating that: "As of the close of business on _____ [insert date, which is less than 90 days prior to the expiration date of the Letter of Credit] you have provided written notice to us indicating your election not to permit extension of this Letter of Credit beyond its current expiry date. The amount due to Beneficiary, whether or not a triggering event under SDG&E Rule 27 has occurred, is U.S. \$ _____ (_____)."

Special Conditions:

All costs and banking charges pertaining to this Letter of Credit are for the account of Applicant.

Partial and multiple drawings are permitted.

Fax of Document 1 or 2 above acceptable.

This Letter of Credit expires on December 7, 2021 at our counters.

Such payment documents, notices and communications must be sent either (but not both) by: (a) Courier mail to U.S. Bank National Association, 555 SW Oak Street, Suite 400-P, Portland, Oregon 97204, Attn: Global Documentary Services, or (b) Facsimile to facsimile number (503) 464-4125, Attn: Global Documentary Services; provided, however, that such address and facsimile number may be amended by us upon the provision of written notice of such amendment to you. Beneficiary shall use best efforts to give telephonic notification of a demand for payment at either (866) 359-2503 (extension 3620) or (503) 464-3620.

We hereby engage with Beneficiary that upon presentation of a document as specified under and in compliance with the terms and conditions of this Letter of Credit, this Letter of Credit will be duly honored in the amount stated in Document 1 or 2 above. If a complying document is so presented by 10:00 am Pacific Time on Oregon banking day, we will honor the same in full in immediately available funds on the next succeeding Oregon banking day and, if so presented after 10:00 am Pacific Time on Oregon banking day, we will honor the same in full in immediately available funds by noon on the second succeeding Oregon banking day.

It is a condition of this Letter of Credit that it shall be deemed automatically extended without an amendment for a one year period beginning on the present expiry date hereof and upon each anniversary of such date, unless at least ninety (90) days prior to any such expiry date we have sent you written notice by regular and registered mail or courier service that we elect not to permit this Letter of Credit to be so extended beyond, and will expire on its then current expiry date. No presentation made under this Letter of Credit after such expiry date will be honored.

We agree that if this Letter of Credit would otherwise expire during, or within 30 days after, an interruption of our business caused by an act of god, riot, civil commotion, insurrection, act of terrorism, war or any other cause beyond our control or by any strike or lockout, then this Letter of Credit shall expire on the 30th day following the day on which we resume our business after the cause of such interruption has been removed or eliminated and any drawing on this Letter of Credit which could properly have been made but for such interruption shall be permitted during such extended

***This page forms an integral part of credit [REDACTED]



period.


This Letter of Credit is subject to the Uniform Customs and Practice for Documentary Credits (2007 Revision) International Chamber of Commerce, Publication No. 600 ("UCP"), except to the extent that the terms hereof are inconsistent with the provisions of the UCP, including but not limited to Articles 14(b) and 36 of the UCP, in which case the terms of this Letter of Credit shall govern. Matters not covered by the UCP shall be governed and construed in accordance with the laws of the State of California.

U.S. Bank National Association



Authorized Signature

Lori E. Rowell
Vice President

***This page forms an integral part of credit 

Clean Energy Alliance

JOINT POWERS AUTHORITY

Staff Report

DATE: December 17, 2020

TO: Clean Energy Alliance Board of Directors

FROM: Barbara Boswell, Interim Chief Executive Officer

ITEM 4: Approve Fiscal Year 20/21 Budget Amendment for CCA Operations

RECOMMENDATION

Approve Fiscal Year 20/21 Budget Amendment for CCA Operations, increasing revenue by \$9,643,500 and expenditures by \$9,459,000.

BACKGROUND AND DISCUSSION

At its June 18, 2020 regular meeting, the Clean Energy Alliance Board adopted its fiscal year 20/21 budget for start-up related costs. CCA operations related costs were anticipated to be brought before the Board for consideration at a point in time when those costs could be better estimated.

Based on current market conditions, resource adequacy contracts executed, and current rate information, staff recommends the Board amend the budget as follows:

**Clean Energy Alliance
Proposed Budget Amendment
Fiscal Year 20/21**

| | Adopted FY 20/21 | Proposed FY 20/21 Amendment | NOTES |
|------------------------------|-----------------------------|--|--|
| Revenue | | | |
| Energy Sales Revenue | \$ - | \$ 8,000,000 | |
| Funds provided by Financing | 4,006,500 | 1,643,500 | |
| TOTAL REVENUE | | 9,643,500 | |
| Expenditures | | | |
| Power Supply | \$ - | \$ 8,000,000 | Resource adequacy commitments beginning January 2021; Power Supply May & June 2021 |
| Data Management | | 130,200 | |
| SDGE Service Fees & Deposit | | 83,800 | |
| Staffing/Consultants | - | | |
| Legal Services | 320,000 | | |
| Professional Services | 430,000 | | |
| CCA Bond | 194,000 | | |
| CAISO Fee | 500,000 | | |
| CalCCA Membership & Dues | 15,000 | | |
| Print/Mail Services | 132,000 | | |
| Advertising | 10,000 | | |
| Graphic Design Services | 10,000 | | |
| Website Maintenance | 2,500 | | |
| Audit Services | 40,000 | | |
| Cash Collateral Payments | | 585,000 | |
| Debt Service Repayment | | 660,000 | |
| Cash Flow & Lockbox Reserves | 2,500,000 | | |
| TOTAL EXPENDITURES | 4,153,500 | 9,459,000 | |

Revenues are proposed to be increased by \$9,643,500, which reflects increasing funds provided by financing by \$1,643,500, for a total financing of \$5,650,000 and expenditures increase by \$9,459,000. The majority of the increase is related to power supply costs, including resource adequacy which begin being incurred in January 2021. The difference between the revenue increase and expenditure will provide funds for cash flow needs. Based on the typical electric billing cycle, cash related to energy sales would not start to be received until late June/early July.

FISCAL IMPACT

The increase in expenditures is to be funded through financing and energy sales revenue.

ATTACHMENTS

None

Clean Energy Alliance

JOINT POWERS AUTHORITY

Staff Report

DATE: December 17, 2020

TO: Clean Energy Alliance Board of Directors

FROM: Barbara Boswell, Interim Chief Executive Officer

ITEM 5: Clean Energy Alliance Operational, Administrative and Regulatory Affairs Update

RECOMMENDATION

- 1) Receive and File Community Choice Aggregation Update Report from Interim CEO.
- 2) Receive Community Choice Aggregation Regulatory Affairs Report from Special Counsel.

BACKGROUND AND DISCUSSION

This report provides an update to the Clean Energy Alliance (CEA) Board regarding the status of the operational, administrative and regulatory affairs activities.

OPERATIONAL UPDATE

CEA is meeting its milestones for the implementation of its community choice aggregation (CCA) program and is on track to begin serving customers in May 2021/June 2021. (Attachment A - Clean Energy Alliance Timeline of Implementation Action Items).

CEA Launch Schedule

San Diego Gas & Electric (SDG&E) has been working over the past several years on their Customer Information System replacement program, known as Envision. They had committed to, and were on track, for a January 4, 2021 go live, despite the challenges of working remote in the COVID-19 environment. With a January 2021 go live, SDG&E committed to supporting the CEA launch of May 2021. On Friday July 10, CEA staff, its regulatory attorney Ty Tosdal and data manager Calpine Energy Solutions participated in a call with San Diego Community Power and SDG&E regarding the recently approved California Public Utilities Commission (CPUC) Decision D. 20-06-003, which requires the Investor Owned Utilities (IOU) to adopt rules and policy changes designed to reduce the number of residential disconnections, provide assistance with debt forgiveness and offer extended payment plans. The decision is required to be implemented by the IOUs April 2021. This timing has presented a challenge to SDG&E to keep its go live date of January 4, 2021 while also meeting the requirements of the decision. SDG&E submitted a letter to the CPUC requesting an extension to September 30, 2021 for implementing the new procedures and policies required by the decision. This request was denied by the CPUC, resulting in SDG&E postponing implementation of its Envision project to April 2021. The postponement of the Envision go live date impacts CEA's implementation.

CEA and its consultants have been working diligently with SDG&E to develop a launch schedule that minimized impact to CEA while also minimizing the risk of incorrect bills being sent to customers. SDG&E and CEA have agreed to a two-phased schedule with accounts transitioning to CEA in May and June 2021, and the Board authorized the Interim Chief Executive Officer to enter into a letter agreement with SDG&E memorializing the phased approach. The May 2021 Phase 1 would include the transition of Solana Energy Alliance customers to CEA as well as customers in Carlsbad and Del Mar who do not have complex billing plans. Those customers who have been identified with complex billing plans would

transition in June 2021. Staff continues to work with Calpine and SDG&E to fine tune the customer list for each phase.

CEA Communications and Marketing Update

Work continues on CEA's communications and marketing initiatives. The updated website went live on December 1, 2020. Next deliverables include Brand Standards (letterhead, email signatures, etc.); establishing social media presence; creation of communications tools (FAQs, information sheets); and development of customer notices.

Community Advisory Committee

The first meeting of the CEA Community Advisory Committee took place on December 3. Alternate Board Member Dwight Worden was ratified as CAC Chair, pursuant to Board identification that the Board Alternate appointment would serve as CAC Chair, and Dr. Don Mosier was elected Vice Chair. The CAC is very enthused and look forward to working on programs to support CEA's success.

Expansion of Clean Energy Alliance

CEA staff was contacted by City of Oceanside staff for an update on how CEA is doing with its implementation efforts. An updated was provided as well as an offer to set up a call to further discuss Oceanside's interest in CEA.

Discussions with Key Potential CEA Customers

Staff has continued its discussions with San Diego County Water Agency (SDCWA) regarding Clean Energy Alliance and implications to SDCWA of its electric accounts within CEA territory becoming customers. SDCWA staff anticipates a SDCWA Board discussion regarding CCA at an upcoming Board meeting. CEA staff has also had discussions with Walmart regarding CEA and its products and services as compared to SDG&E.

Resource Adequacy Compliance

As a load serving entity serving customers in 2021, CEA has an obligation to procure Resource Adequacy (RA), based on quantities allocated by CPUC and California Independent System Operator (CAISO). RA procurements do not supply any energy to CEA or its customers, rather it commits the seller to be available to supply energy to the grid if called upon by the CAISO and reduce the possibility of outages. This process is key to ensuring grid reliability. CEA successfully procured all its RA requirements and is fully compliant with its RA obligation.

Long-Term Renewable Procurement

As a load serving entity, CEA will be required to procure 65% of its minimum state required renewable portfolio standards in contracts of 10-years or longer. To ensure compliance with this requirement, CEA's initial renewable energy solicitation is underway. The solicitation process, from beginning through final execution can be lengthy, particularly in light of the impacts of COVID-19 on the renewable development industry. The solicitation opened on July 1, 2020 with proposals due July 27, 2020. CEA's consultant, Pacific Energy Advisors, has identified a short list of projects and negotiations are proceeding. It is anticipated final contracts will be before the Board in first quarter 2021.

Administrative and Operational Policies

During the coming months as CEA prepares for its implementation and operation, policies will be brought to the Board for consideration in future Board meetings. The policies as proposed will be based on Government Code or regulatory requirements and best practices of successfully operational CCAs.

The policies and timeline as currently anticipated are:

January 21 Board Meeting

- Investment Policy
- Social Media Policy

Contracts \$50,000 - \$100,000 entered into by Interim Chief Executive Officer

| VENDOR | DESCRIPTION | AMOUNT |
|--------|-------------|--------|
| None | | |

REGULATORY UPDATE

See the attached regulatory report (Attachment B) from Tosdal APC for updates on the following:

SDG&E ERRR Forecast Proceeding (A.20-04-014)

Annual proceeding in which SDG&E sets its energy generation and Power Charge Indifference Adjustment rates for the coming year.

San Diego Gas & Electric Advice Letter 3257-E, Regarding CCA Financial Security Requirement (R.03-10-003)

CEA has executed a letter of credit and has filed the required advice letter in compliance with the new Financial Security Requirement. Included in the advice letter is the request for CPUC to refund the originally posted \$100,000. CEA has protested the updated FSR calculation filed by SDG&E that resulted in an incorrect increased FSR for CEA.

San Diego Gas & Electric PCIA Trigger Application (A.20-07-009)

SDG&E's application in which it proposed to recover \$8.92M Power Charge Indifference Adjustment (PCIA) undercollection through PCIA rates to CCA and Direct Access customers and simultaneously refund that amount to bundled customers over a 6-month amortization period beginning January 1, 2021.

FISCAL IMPACT

There is no fiscal impact by this action.

ATTACHMENTS

Attachment A - Clean Energy Alliance Timeline of Implementation Action Item

Attachment B – Tosdal APC Regulatory Update Report

Attachment A

**Clean Energy Alliance
 Timeline of Action Items
 CCA Program Related**

| Timing | Description | Status | 3rd Qtr '20 | 4th Qtr '20 | 1st Qtr '21 | Apr-21 | May-21 | Jun-21 | Jul-21 |
|----------|---|----------|-------------|---------------|-------------|--------|--------|--------|--------|
| 9/1/20 | Marketing/Customer Outreach Plan Development & Kickoff | | | | | | | | |
| 9/17/20 | Bid Evaluation and Criteria Scoring System | Complete | | | | | | | |
| 9/17/20 | Award Scheduling Coordinator Services | Complete | | | | | | | |
| 11/19/20 | Introduce/Adopt Energy Risk Management Policy | Complete | | 10/15 & 11/19 | | | | | |
| 10/15/20 | Records Retention Policy | Complete | | | | | | | |
| | System Testing with SDG&E | | | | | | | | |
| | Set up Call Center/Scripting/IVR Recordings | | | | | | | | |
| 12/17/20 | Credit Solution | | | | | | | | |
| 12/17/20 | CEA Default Products/programs/renewable energy policies | | | | | | | | |
| 1/1/21 | Create Customer Pre- and Post-Enrollment Notices | | | | | | | | |
| 1/21/21 | Policies - Investment & Social Media | | | | | | | | |
| 2/1/21 | Rate Setting | | | | | | | | |
| 3/1/21 | Customer Noticing | | | | | | | | |
| 5/1/21 | Launch - 2 phases May & June 2021 | | | | | | | | |

Key:

| |
|-----------------------------|
| Board Actions/Activity |
| Staff/Consultant Activity |
| Marketing/Customer Outreach |
| CCA Launch |

ENERGY REGULATORY UPDATE

To: Barbara Boswell, Interim CEO, Clean Energy Alliance

From: Ty Tosdal, Regulatory Counsel, Tosdal APC

Re: Energy Regulatory Update

Date: December 11, 2020

The energy regulatory update summarizes important decisions, orders, notices and other developments that have occurred at the California Public Utilities Commission (“Commission”) and that may affect Clean Energy Alliance (“CEA”). The summary describes high priority developments and is not an exhaustive list of the regulatory proceedings that are currently being monitored or the subject of active engagement by CEA. In addition to the proceedings discussed below, Tosdal APC monitors a number of other regulatory proceedings as well as related activity by San Diego Gas & Electric (“SDG&E”) and other Investor-Owned Utilities (“IOUs”). Relevant documents discussed below may be accessed via [this Dropbox link](#).

1. SDG&E ERRR Forecast Application (A. 20-04-014)

Following briefing and ex parte meetings requested by CEA and other local CCA programs, the Commission issued a Proposed Decision that directs SDG&E to update its billing determinants using the methodology put forward by CEA and SDCP and agrees with the CCAs that SDG&E failed to support its position that it is required to rely on an outdated sales forecast that will result in inaccurate rates. The Proposed Decision states that adoption of an updated sales forecast would lead to a 2.06 percent reduction in class average rates, rather than a 12.35 percent reduction in rates under SDG&E’s original proposal. The Proposed Decision also agrees with CEA and SDCP that SDG&E should routinely provide greater data transparency and directs SDG&E to provide more detailed information in monthly ERRR reports and in testimony supporting future ERRR Applications. The Commission declined to address issues surrounding the CAPBA balance refund and how the CAPBA adder will be apportioned to certain vintages. The Proposed Decision states these issues are more suitably addressed in other proceedings.

Special counsel for CEA and SDCP submitted comments supporting the Proposed Decision’s position on the billing determinants and data transparency issues and requesting the Commission to reconsider the CAPBA refund in this proceeding. SDG&E also submitted comments on the PD in which it largely reiterated its position on the billing determinants issue without providing any additional legal justification or proposed alternatives. SDG&E also states that updating its billing determinants would be difficult and time-consuming to develop and adoption of the PD would lead to rate volatility. Additionally, Cal Advocates submitted

comments in support of SDG&E's position that billing determinants cannot be updated with a more accurate sales forecast. Counsel for SDCP and CEA is currently preparing Reply Comments on the PD due to be filed December 11. SDG&E's Application scheduled to be heard and decided at the Commission's meeting on December 17, 2020.

2. Financial Security Requirements (FSR) for CCAs (R. 03-10-003)

Clean Energy Alliance submitted a protest to CPUC Energy Division Director Edward Randolph on November 30, 2020, pointing out that SDG&E's FSR calculation applied costs but not revenue for certain procurement costs during months that CEA was operational and failed to reflect mutually agreed upon adjustments meant to accommodate SDG&E. These errors result in an FSR amount that significantly exceeds potential reentry fees in violation of D. 18-05-022. SDG&E's response acknowledged some of the issues raised, but stated that it had followed the prescribed methodology for calculating the FSR amount.

CEA also sent a letter to CPUC Acting Executive Director Rachel Peterson requesting an extension of time to comply with Resolution E-5059 to allow for settlement of disputes surrounding SDG&E's calculation of CEA's FSR amount and requesting clarification regarding conflicting FSR due date language between Resolution 5059-E and SDG&E AL 3646. Director Peterson has granted CEA an extension of time to comply Resolution E-5059 until 30 days after the Commission approves a FSR calculation submitted by SDG&E. The issues around the advice letter may be able to be resolved following additional discussions with the Energy Division.

Finally, CEA submitted Advice Letter 20-1 CCA Financial Security Requirement Instrument, in compliance with Resolution 5059-E, on December 8, 2020 which includes CEA's Pro Forma Letter of Credit. As directed in D. 18-05-022, CEA's Advice Letter 20-1 also requests the return of CEA's initial bond of \$100,000 from SDG&E.

3. SDG&E PCIA Trigger Application (A. 20-07-009)

Following the issuance of the Proposed Decision, The San Diego CCAs, CalCCA, and SDG&E entered a Joint Stipulation by which SDG&E agrees to propose to recover the CAPBA undercollection over a 36-month amortization period beginning January 1, 2021 and ending December 31, 2023. This extended amortization period will reduce the PCIA rate increase from roughly \$7.50 per month to \$2.54 per month. SDG&E also agreed as part of the stipulation to clarify that it will not recover the CAPBA balance from customers in PCIA vintage 2020 who will be departing for CCA service in 2021. Finally, if the PCIA Trigger is reached in 2021, SDG&E agrees to propose a 12-month amortization period in its recovery application. In exchange, the San Diego CCAs and CalCCA agreed to affirmatively support the termination of the PCIA cap-and-trigger in a joint petition for modification of D. 18-10-019 in early 2021.

Counsel for CEA, SDCP, and SEA filed Joint Opening Comments on the Proposed Decision in which the CCAs support a 36-month amortization period and request the PD be modified to clarify that the CAPBA balance cannot not be recovered from customers in PCIA

vintage 2020. The Joint Opening Comments also urge the Commission to consider addressing the CAPBA refund in this proceeding to ensure that bundled customers who depart for CCA service in 2021 will receive their full refund.

Counsel for CEA, SDCP, and SEA also filed Joint Reply Comments on the Proposed Decision reiterating its support for a 36-month amortization period and supporting SDG&E's request for PD clarification that SDG&E may recover the balance by an amount less than 1.9¢/kWh. This revision would provide SDG&E with the ability to implement a reduced rate increase over a longer amortization period. SDG&E's Application is scheduled to be heard and decided at the Commission's meeting on December 17, 2020.

Clean Energy Alliance

JOINT POWERS AUTHORITY

Staff Report

DATE: December 17, 2020

TO: Clean Energy Alliance Board of Directors

FROM: Barbara Boswell, Interim Chief Executive Officer

ITEM 6: Clean Energy Alliance Pro Forma Update

RECOMMENDATION

Receive presentation on the updated Clean Energy Alliance Pro Forma.

BACKGROUND AND DISCUSSION

The financial pro forma uses forecasted customer energy usage, current market information related to energy prices, projected San Diego Gas & Electric (SDG&E) electric generation and Power Charge Indifference Adjustment (PCIA) rates to develop annual financial forecasts. In essence it reflects, what Clean Energy Alliance's (CEA) financial picture would look like if we were to contract for all our energy needs today and set rates today. While best practices recommend not contracting for all energy needs at one point in time, rather to ladder purchases to mitigate risks related to energy price volatility, it does provide a snapshot to gauge CEA's financial outlook.

Changes in Market & Other Conditions affecting CEA Pro Forma

The CEA Board received a presentation on the financial pro forma at its July 16, 2020 meeting. Since July, there have been significant changes in market conditions that are affecting CEA's pro forma. These include projected SDG&E generation and PCIA rates, forward price curve for energy prices and CEA's load projection has been adjusted based on SDG&E's enrollment list and phasing.

SDG&E Generation and PCIA Rate Projections

Since CEA will be directly competing with SDG&E for customers, SDG&E's rates are a key indicator in developing CEA's pro forma. In addition, CEA's Joint Power's Authority Agreement has set a target 2% discount when compared to SDG&E for generation costs. SDG&E sets its generation (SDG&E's "Commodity" rate) in its annual Energy Resource Recovery Account (ERRA) Rate Proceeding. As the Board is aware, in its November update, SDG&E used load forecasts that did not take into account the significant impact to load of the launch of CEA and San Diego Community Power. This error in its rate calculation methodology results in an artificially low per kWh generation rate for 2021. These unrealistically low rates would result in SDG&E not recovering its true energy costs, and the undercollection would need to be collected in the following year. This is a disservice to customers in that they would not be able to have accurate rates comparisons between CEA and SDG&E upon which to select their energy provider. The rates would be so low that CEA could not set its rates to provide customers cost parity and recover its energy costs. CEA has been actively participating in the rate proceeding and urging the California Public Utilities Commission (CPUC) to direct SDG&E to correctly reflect the departing load in its rate setting methodology. The Proposed Decision (PD) in the rate proceeding, issued on December 2, supports CEA's position and directs SDG&E to update its rates to properly account for the departing load. When the CPUC commissioners consider SDG&E's ERRA at its December 17 meeting, it is not guaranteed they will adopt the

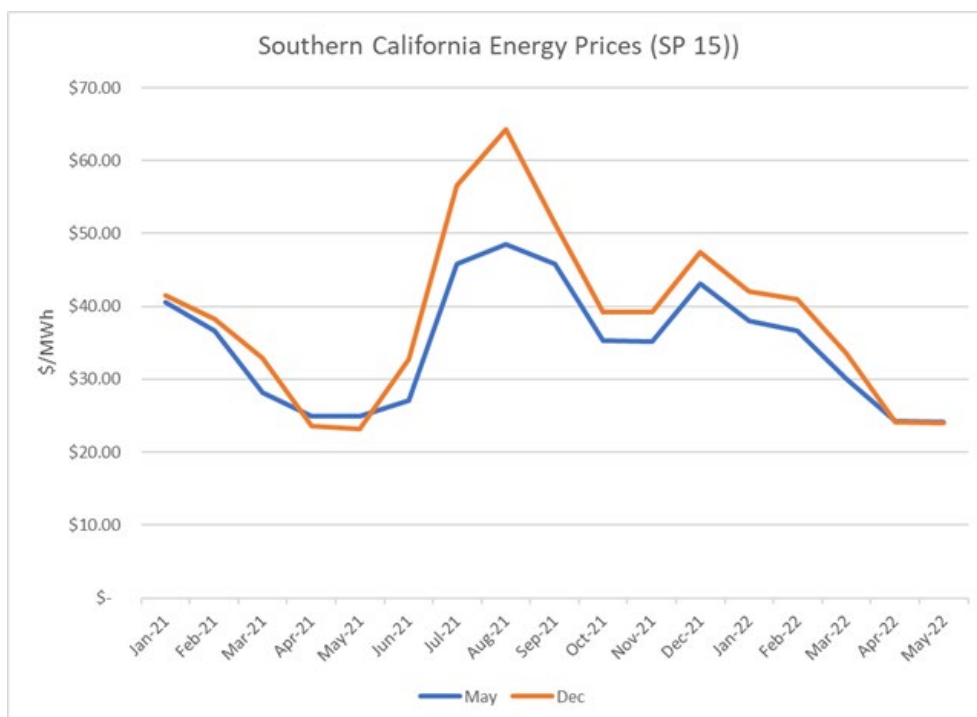
PD. CEA is remaining diligent in its efforts to encourage the CPUC to direct SDG&E to set rates at appropriate levels.

In addition to generation rates being set in the ERRR the PCIA fee is also established as part of the ERRR. The PCIA is a fee charged to customers who leave SDG&E to take the energy generation from another provider such as CEA. The purpose of the fee is to pay for losses that SDG&E may incur in liquidating energy contracts entered into for customers that have now left their service. Overtime, as these contracts expire, the PCIA should diminish. In reviewing PCIA rates throughout the state, those CCAs that are reaching about 10 years are seeing the PCIA decreasing. It is a fee that is billed and collected by SDG&E and which CEA has no control over, however, it directly impacts the overall energy costs its customers pay. Customers in SDG&E territory who choose to take their energy from another provider, such as CEA, are charged some of the highest PCIA rates in the state. In setting its rates, CEA needs to take into account the PCIA that SDG&E will be assessing its customers.

Energy Forward Price Curve

Nearly 90% of CEA's operating expenditures are related to energy supply costs, which include not only the cost of procuring conventional energy, but also the added costs of mandatory and voluntary renewable energy products and resource adequacy. Until CEA enters into actual contracts, which provides price certainty, the pro forma is subject to fluctuations in the energy cost assumptions in the pro forma results.

Energy assumptions in the pro forma are based on the forward price curve. It looks at what the price would be today if CEA were to enter into contracts for all its energy needs. Since May 2021, the price curve has seen a significant increase in the 2021 forward prices coming out of the summer when grid vulnerabilities were exposed (impact of August heat wave on energy pricing). The current forward curve is up 23% since May as demonstrated in the chart below, which provides a comparison of the SP15 shared energy curve in May and today.



The significant increase in energy pricing for the summer months is evident, from just under \$50/MWh to over \$60/MWh. Since we are not currently actively soliciting or procuring energy to serve our customers, we have the opportunity to monitor the market as we plan for CEA's energy solicitations and procurements.

CEA Customer Usage

Through the process of developing the implementation phasing list with SDG&E, CEA became aware that the Poseidon Desalination Plant had entered into a special billing arrangement whereby credits are earned related to energy generated by the Rancho Peñasquitos Hydroelectric Facility. Should the accounts receiving the benefit of the credits enroll with CEA, they would lose the credits. In recognition of this, CEA staff has begun working with, and continues to with, San Diego County Water Authority (SDCWA) staff to identify opportunities for the two agencies to work together related to Poseidon taking service from CEA without losing the benefits. Since no agreement has yet been reached, it is prudent to adjust pro forma scenarios to exclude the related load.

CEA Pro Forma

The base pro forma presented to the Board in July was based on the following assumptions:

- 50% Renewable Energy Default increasing to 100% by 2035
- Renewable Energy sourced from PCC1 and PCC2 at allowable levels
- Contributing 5% to operating reserve to achieve 20% reserve by 2025
- 90% participation rate
- Cost parity with SDG&E (CEA rates set so customers pay same for generation as they would as SDG&E customer, taking into account SDG&E PCIA fees)

The resulting base pro forma from July 2020 is reflected below:

| Annual DRAFT Pro Forma Projections for a Community Choice Aggregation Program - Parity; 50% Renewable Default to 100% Renewable by 2035 | | | | | | |
|--|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Clean Energy Alliance | | | | | | |
| Fiscal Year Ending: | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| I. Revenue | - | 9,913,235 | 69,767,349 | 71,127,161 | 72,508,987 | 73,913,166 |
| II. Operating Expenses | | | | | | |
| Power Supply | - | 8,988,017 | 60,976,876 | 59,978,716 | 61,512,028 | 62,261,087 |
| Staff | 50,000 | 120,000 | 600,000 | 618,000 | 636,540 | 655,636 |
| Administrative Costs* | 253,000 | 1,223,938 | 2,459,148 | 2,497,813 | 2,558,347 | 2,616,275 |
| Subtotal Operating Expenses | 303,000 | 10,331,956 | 64,036,023 | 63,094,529 | 64,706,915 | 65,532,998 |
| Operating Margin | (303,000) | (418,721) | 5,731,326 | 8,032,632 | 7,802,071 | 8,380,167 |
| III. Financing | | | | | | |
| Interest | - | 123,333 | 146,250 | 116,038 | 69,822 | 22,280 |
| Principal | - | 450,000 | 500,000 | 1,287,015 | 1,332,791 | 1,380,194 |
| Subtotal Financing | - | 573,333 | 646,250 | 1,403,053 | 1,402,613 | 1,402,474 |
| Operating Margin Less Financing | (303,000) | (992,054) | 5,085,076 | 6,629,579 | 6,399,458 | 6,977,693 |
| IV. Cash From Financing | 450,000 | 4,500,000 | - | - | - | - |
| V. Other Uses | | | | | | |
| CPUC and CAISO Deposits | 147,000 | 500,000 | - | - | - | - |
| Collateral Deposits | 0 | 2,500,000 | - | - | - | - |
| Reserve Additions | - | 495,662 | 3,488,367 | 3,556,358 | 3,625,449 | 3,695,658 |
| Subtotal Other Uses | 147,000 | 3,495,662 | 3,488,367 | 3,556,358 | 3,625,449 | 3,695,658 |
| VI. Net Surplus/(Deficit) | - | 12,284 | 1,596,708 | 3,073,221 | 2,774,009 | 3,282,035 |
| VII. Cumulative Reserve | - | 495,662 | 3,984,029 | 7,540,387 | 11,165,837 | 14,861,495 |
| VIII. Cumulative Net Surplus | - | 12,284 | 1,608,993 | 4,682,213 | 7,456,222 | 10,738,257 |
| VI. Combined Cumulative Reserve & Cumulative Net Surplus | - | 507,946 | 5,593,022 | 12,222,601 | 18,622,059 | 25,599,752 |
| * Comprised of Technical and Legal Services, Customer Outreach and Communications, Utility Services Fees, Data Management Services, Uncollectibles | | | | | | |

The following updated pro forma reflects current market conditions for energy forward price curve, SDG&E rates and PCIA, and excludes Poseidon load, with the base assumptions of:

- 50% Renewable Energy Default increasing to 100% by 2035
- Renewable Energy sourced from PCC1 and PCC2 at allowable levels
- Contributing 5% to operating reserve to achieve 20% reserve by 2025
- 90% participation rate
- Cost parity with SDG&E (CEA rates set so customers pay same for generation as they would as SDG&E customer, taking into account SDG&E PCIA fees)

**Annual Pro Forma Projections for a Community Choice Aggregation Program - Parity
Clean Energy Alliance
10-Dec-20**

| Fiscal Year Ending: | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|--|-----------|------------------|-------------|-------------|--------------|--------------|
| I. Revenue | - | 4,714,374 | 38,398,225 | 39,056,596 | 39,730,718 | 40,538,324 |
| Revenue - Voluntary 100% Green | - | - | - | - | - | - |
| Subtotal Revenue | - | 4,714,374 | 38,398,225 | 39,056,596 | 39,730,718 | 40,538,324 |
| II. Operating Expenses | | | | | | |
| Power Supply | - | 6,060,081 | 40,424,629 | 39,774,066 | 38,517,680 | 38,152,022 |
| Staff | 41,900 | 120,000 | 300,000 | 309,000 | 318,270 | 327,818 |
| Administrative Costs | 237,460 | 997,707 | 2,321,597 | 2,357,115 | 2,397,955 | 2,447,281 |
| Subtotal Operating Expenses | 279,360 | 7,177,788 | 43,046,227 | 42,440,181 | 41,233,905 | 40,927,122 |
| Operating Margin | (279,360) | (2,463,414) | (4,648,002) | (3,383,585) | (1,503,188) | (388,797) |
| III. Financing | | | | | | |
| Interest | - | 81,594 | 168,787 | 133,327 | 96,515 | 58,298 |
| Principal | - | 650,000 | 926,553 | 961,902 | 1,532,400 | 1,036,697 |
| Reserve Contribution | - | 235,719 | - | - | - | - |
| Subtotal Financing | - | 967,312 | 1,095,340 | 1,095,229 | 1,628,914 | 1,094,995 |
| Operating Margin Less Financing | (279,360) | (3,430,726) | (5,743,341) | (4,478,815) | (3,132,102) | (1,483,793) |
| IV. Cash From Financing | 450,000 | 5,650,000 | - | - | - | - |
| V. Other Uses | | | | | | |
| CPUC and CAISO Deposits | 147,000 | 500,000 | - | - | - | - |
| Collateral | | 1,000,000 | - | - | - | - |
| Subtotal Other Uses | 147,000 | 1,500,000 | - | - | - | - |
| VI. Net Surplus/(Deficit) | 23,640 | 719,274 | (5,743,341) | (4,478,815) | (3,132,102) | (1,483,793) |
| VII. Cumulative Reserve | - | 235,719 | 235,719 | 235,719 | 235,719 | 235,719 |
| VIII. Cumulative Net Surplus | 23,640 | 719,274 | (5,024,068) | (9,502,882) | (12,634,984) | (14,118,777) |

Based on best information available today, CEA would not be able to set its generation rates to provide customers with cost parity (paying the same for electricity as they would as an SDG&E bundled customer) and cover its operating costs.

If CEA were to set rates today, and purchase all its energy today, CEA would need to set rates that would be lower than SDG&E's generation rates, however, when PCIA is accounted for, the customer's overall bill would be above those of SDG&E. The resulting pro forma is shown below:

**Annual Pro Forma Projections for a Community Choice Aggregation Program - Premium
 Clean Energy Alliance
 10-Dec-20**

| Fiscal Year Ending: | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|--|-----------|-------------|------------|------------|------------|------------|
| I. Revenue | - | 5,620,321 | 46,177,213 | 46,926,067 | 47,695,336 | 48,622,810 |
| Revenue - Voluntary 100% Green | - | - | - | - | - | - |
| Subtotal Revenue | - | 5,620,321 | 46,177,213 | 46,926,067 | 47,695,336 | 48,622,810 |
| II. Operating Expenses | | | | | | |
| Power Supply | - | 6,060,081 | 40,424,629 | 39,774,066 | 38,517,680 | 38,152,022 |
| Staff | 41,900 | 120,000 | 300,000 | 309,000 | 318,270 | 327,818 |
| Administrative Costs | 237,460 | 997,707 | 2,321,597 | 2,357,115 | 2,397,955 | 2,447,281 |
| Subtotal Operating Expenses | 279,360 | 7,177,788 | 43,046,227 | 42,440,181 | 41,233,905 | 40,927,122 |
| Operating Margin | (279,360) | (1,557,467) | 3,130,987 | 4,485,886 | 6,461,431 | 7,695,689 |
| III. Financing | | | | | | |
| Interest | - | 81,594 | 168,787 | 133,327 | 96,515 | 58,298 |
| Principal | - | 650,000 | 926,553 | 961,902 | 1,532,400 | 1,036,697 |
| Reserve Contribution | - | 281,016 | 2,035,647 | 2,346,303 | 2,384,767 | 2,431,141 |
| Subtotal Financing | - | 1,012,610 | 3,130,986 | 3,441,533 | 4,013,681 | 3,526,136 |
| Operating Margin Less Financing | (279,360) | (2,570,076) | 0 | 1,044,354 | 2,447,750 | 4,169,553 |
| IV. Cash From Financing | 450,000 | 5,650,000 | - | - | - | - |
| V. Other Uses | | | | | | |
| CPUC and CAISO Deposits | 147,000 | 500,000 | - | - | - | - |
| Collateral | - | 1,000,000 | - | - | - | - |
| Subtotal Other Uses | 147,000 | 1,500,000 | - | - | - | - |
| VI. Net Surplus/(Deficit) | 23,640 | 1,579,924 | 0 | 1,044,354 | 2,447,750 | 4,169,553 |
| VII. Cumulative Reserve | - | 281,016 | 2,316,663 | 4,662,966 | 7,047,733 | 9,478,873 |
| VIII. Cumulative Net Surplus | 23,640 | 1,579,924 | 1,579,924 | 2,624,278 | 5,072,027 | 9,241,580 |

With this rate assumption, CEA would raise sufficient revenue to cover its costs, establish reserves to meet its 25% operating reserve target and repay its financing in 5 years. The premium to SDG&E in the above pro forma is estimated at 3.6%, or an average \$3.50 for residential customers. To be conservative, based on the cost premium, staff has adjusted opt out rates in the above pro forma to reflect: 10% residential and 20% non-residential opt out rate.

It's important to note:

- CEA is NOT setting its rates today; CEA will consider rates at its February meeting.
- CEA is NOT procuring power today; CEA will be procuring power in spring 2021.
- SDG&E's rates for 2021 have NOT been approved by CPUC; anticipated end of December.

This pro forma scenario reflects a touchpoint for today, it can and will change over the next several months and will be updated as there is more clarity on these issues.

In the past, the CEA Board has requested other pro forma scenarios that consider:

- Achieving 100% PCC1 renewable energy at launch
- Achieving 100% PCC1 renewable energy by 2025

For purposes of today's review, the costs of achieving these goals were not included in the pro forma presented. These scenarios will be included in future scenarios for Board consideration when setting rates in February.

FISCAL IMPACT

No fiscal impact as a result of this item.

ATTACHMENTS

None

Clean Energy Alliance

JOINT POWERS AUTHORITY

Staff Report

DATE: December 17, 2020

TO: Clean Energy Alliance Board of Directors

FROM: Barbara Boswell, Interim Chief Executive Officer

ITEM 7: Approve Energy Product Options, Energy Product and Program Naming, and Terms and Conditions of Service and Programs

RECOMMENDATION:

1) Approve energy product options to offer at launch, or alternatives as determined by the Clean Energy Alliance (CEA) Board:

- 50% Renewable Energy Product – Minimum Default Product Offering
- 100% Renewable Energy Product – Alternative Default Option for Member Agencies and Voluntary Opt-Up for customers at a rate premium
- Minimum State Renewable Portfolio Standards Product – Voluntary Opt-Down for customers at a reduced rate.

2) Approve Product Names, or alternative as determined by CEA Board:

- Green Impact – 50% Renewable Energy Product
- Clean Impact – 100% Renewable Energy Product
- Local Impact – Minimum State Renewable Portfolio Standards Product (If approved above)
- Personal Impact – Net Energy Metering Program

3) Approve CEA Terms and Conditions – General Service and Net Energy Metering

BACKGROUND AND DISCUSSION:

As part of establishing CEA's Community Choice Aggregation (CCA) Program, initial product and program offerings, product naming and terms and conditions of service and program offerings need to be developed. These actions begin to establish CEA's brand for developing marketing materials and baseline offerings for setting rates.

Energy Product Offerings

Section 6.5 of the CEA Joint Powers Agreement (JPA), Power Supply Requirements, states that CEA's base default product will be greater than or equal to 50% qualified renewable resources. It further states that the Board will establish optional product offerings with higher renewable and/or GHG-free content that member agencies may select from as a default for their community.

A survey of CCA product offerings throughout the state found:

- 19 CCAs offer a voluntary 100% renewable energy opt-up product
 - 2 CCAs offer a voluntary 50% renewable energy opt-up product (one of these is 100% carbon free)
-

None of the CCAs surveyed offered a 75% renewable energy product and a 100% renewable energy product. Clean Power Alliance allows its member agencies to select a default energy product from their 36% renewable, 50% renewable and 100% renewable energy product offerings. Individual customers may elect to change their product option at any time (e.g., if their community default is 100% renewable a customer may opt down to 50% renewable or 36% renewable and are charged the rate based on the option selected).

Based on current market conditions and on the results of the CCA survey, staff recommends that CEA offer the following energy products at launch:

- 50% renewable energy as the minimum default energy selection for CEA;
- 100% renewable energy as an option for member agencies to select as a default and for customers to voluntarily opt-up;
- Minimum state required renewable energy (36% in 2021 increasing to 39% in 2022) for customers to voluntarily opt-down.

Offering a product that customers may opt-down to will address cost concerns individual customers may have regarding the higher renewable content default offerings and may serve as an alternative to a customer opting out.

Staff will develop rates for Board consideration in January that would be set to reflect the product offerings, with 100% renewable set at a premium to reflect the higher renewable content costs and the minimum state renewable standards offering at a reduced rate to reflect the lower renewable content costs.

Product Names

Part of developing an identity and brand for CEA is establishing names for its products and programs. The product name should communicate a message to customers about the product. Staff and CEA's marketing and communications team from Tripepi Smith evaluated naming options and felt it best to avoid using renewable content (such as 50 or 100) in the product names to avoid issues if the renewable content were to change.

In brainstorming and talking through CEA's goals, a consistent theme that came up was the priority of the Board to make a difference in their communities, whether by reducing green-house gas emissions, bringing local jobs and supporting local businesses, in short, making an "Impact". From this concept the following names were created:

- Green Impact – 50% Renewable Energy Product
- Clean Impact – 100% Renewable Energy Product
- Local Impact – Minimum State Renewable Portfolio Standards Product (If Board Adopts)
- Personal Impact – Net Energy Metering Program

Staff sees potential in growing the concept of making an "Impact" with naming of future products and programs.

Product names will be reflected on the CEA website and all customer communications as part of the enrollment notification process.

Terms and Conditions

Program terms and conditions communicate to customers their rights and obligations related to taking service with CEA. Initial terms and conditions for Board consideration include:

- CEA General Operating Terms and Conditions (Attachment A)
- CEA Net Energy Metering Terms and Conditions (Attachment C)

The general operating terms and conditions are based on best practices and recommendations of currently operating CCAs. They provide customers with information on billing, enrollment, discount programs (CARE/FERA, etc.), opting out and failure to pay.

CEA's Net Energy Metering (NEM) Terms and Conditions reflect the operating procedures that will guide the NEM program and is applicable to all CEA customers with self-generation systems such as rooftop solar. Key provisions include:

- Customers will receive credit for system generated energy based on the rate in effect when the energy is generated.
- Customers will receive a charge for energy they use based on the rate in effect when the energy is used.
- Credits earned will offset energy charges in each billing period.
- If the credits are not sufficient to cover charges, the net charge will be reflected on the customer's bill.
- If the customer has excess credits, after offsetting charges, the credits will roll into the next month to offset future charges.
- At the end of the customer's 12-month relevant period, an evaluation of total energy produced by the customer's system (in kWh) and total energy used by the customer (in kWh).
- If the customer was a "net generator" the customer will be eligible for a Net Surplus Compensation payment, to be calculated at the Net Surplus Compensation Rate (as established on the CEA rate schedule) multiplied by the net excess kWh produced by the system.
- CEA will issue checks for Net Surplus Compensation payments in excess of \$100.
- Net Surplus Compensation payments less than \$100 will be credited to the customer's bill to offset future charges.
- All NEM accounts will be reset to zero upon completion of the annual True-Up.

CEA's NEM program is designed to mirror that of SDG&E's program, with the exception of the Net Surplus Compensation Rate, which will be set by the Board during its rate setting process and may be a different rate than that offered by SDG&E.

FISCAL IMPACT

None.

ATTACHMENTS:

Attachment A – Clean Energy Alliance General Terms and Conditions

Attachment B – Clean Energy Alliance Net Energy Metering Terms and Conditions

Attachment A



TERMS AND CONDITIONS OF SERVICE

Clean Energy Alliance (CEA) offers its customers a cleaner energy product at competitive rates. CEA rates are subject to change and will be adopted at duly noticed public meetings of the CEA Board of Directors. Information on current rates can be found on the CEA website at TheCleanEnergyAlliance.org.

As a customer of CEA, San Diego Gas & Electric (SDG&E) continues to be responsible for delivering power to homes or businesses and for providing other related services. SDG&E bills CEA customers for these services, and these charges are the same whether the customer buys electricity from CEA or SDG&E.

SDG&E also charges CEA customers a Power Charge Indifference Adjustment (PCIA or Exit Fee) and a Franchise Fee Surcharge. These fees are calculated on the number of kilowatt hours used each month. The PCIA is intended to ensure that remaining SDG&E customers do not pay for electricity that SDG&E purchased for customers that switch to CEA. The PCIA and Franchise Fee are charged and collected by SDG&E and are not a charge of CEA.

BILLING: CEA customers continue to receive a single monthly bill from SDG&E. This bill includes all electric charges, including CEA's power generation charges and SDG&E's charges for Transmission and Distribution services they provide.

ENROLLMENT: As the default electricity provider for the cities of Carlsbad, Del Mar and Solana Beach beginning May 2021, customers are automatically enrolled into CEA services unless the customer takes action to opt out. The opt out must be received at least 5 business days before the meter read date during the enrollment month. Once enrolled, customer have an additional 60-days to opt-out without being subject to special conditions. See Opt Out below for more information.

100% RENEWABLE ENERGY PRODUCT: CEA offers a 100% Renewable Energy Product that customers may be defaulted into (if their community elected 100% Renewable Energy Product) or may voluntarily enroll in. Customers enrolled in **<Enter 100% Renewable Product Name>** may opt down to another CEA energy product at any time by calling **(###) ###-####** or visiting TheCleanEnergyAlliance.org.

DISCOUNT PROGRAMS: Customers currently enrolled in the California Alternative Rates for Energy (CARE) program, the Family Electric Rate Assistance (FERA) program, Medical Baseline continue to receive the same benefits and discounts as a CEA customer.

OPT OUT: Customers have the right to opt out without penalty at any time. Customers will not be charged any fees by CEA if they opt-out or cancel electric service altogether (for example moving out of the CEA area). However, customers deciding to return to SDG&E after the 60-

day opt out period are subject to SDG&E's one-time account processing fee (currently \$1.12¹). In addition, customers will be required to remain with SDG&E for a minimum of twelve months before they can return to CEA service. By opting out customers are also subject to SDG&E's then current rates and terms of conditions of service. For more information on SDG&E's rates and terms and conditions of service please visit SDGE.com. Customers are not charged any fees if they opt out within the first 60-days after automatic enrollment in CEA or if they cancel service altogether (for example moving out of the CEA area). Customers will be charged for any electricity used before the transfer of service back to SDG&E. Accounts will be transferred on the date the electric meter is read and cannot be transferred during the middle of a billing cycle. In order to ensure timely processing of an opt-out request, the request must be received at least 5 business days prior to the next meter read date. To opt out, please call CEA at (###) ###-#### or visit TheCleanEnergyAlliance.org. Have your electric bill handy to process the request.

FAILURE TO PAY: CEA may transfer your account to SDG&E upon 30 calendar days written notice to you if you fail to pay any portion of the CEA charges on your bill. If your service is transferred, you may be subject to additional requirements by SDG&E.

For more information please call CEA at (###) ###-#### or visit TheCleanEnergyAlliance.org.

¹ SDG&E 's one-time account processing fee is subject to change. Visit SDGE.com for current rates.

NET ENERGY METERING TERMS AND CONDITIONS OF SERVICE

A. PURPOSE

The Purpose of the Net Energy Metering (NEM) Program terms & conditions (T&C) is to provide a process for how Net Energy Metering (commonly referred to as rooftop solar) customers are enrolled with Clean Energy Alliance (CEA) and how the program is administered.

B. APPLICABILITY

Customers enrolled in San Diego Gas & Electric's (SDG&E) Net Energy Metering Program (SDG&E NEM) are automatically enrolled in CEA's NEM Program. The Program is applicable for all NEM customers who have Renewable Generation Facilities such as rooftop solar. The facility must be eligible under SDG&E's Schedule NEM – Net Energy Metering or similar tariff option(s) focused on NEM, which may be amended or replaced by SDG&E from time to time. Each customer's eligible Renewable Generating Facility must fall within the capacity limits described in SDG&E's Schedule NEM and must be located on the customer's owned, leased, or rented premises, must be interconnected and operated in parallel with SDG&E's transmission and distribution systems, and must be intended primarily to offset part or all of the customer's own electrical requirements.

This rate schedule will be available to customers that provide SDG&E with a completed SDG&E NEM Application and comply with all SDG&E NEM requirements as described in SDG&E's Schedule NEM. This includes, but not limited to, customers served by NEM-V (Virtual Net Energy Metering), VNM-A (Virtual Net Energy Metering for Multifamily Affordable Housing), VNEM-SOMAH (Virtual Net Energy Metering - Solar on Multifamily Affordable Housing) and Multiple Tariff facilities as described by SDG&E's Schedule NEM.

C. TERRITORY

Applicable in the CEA service area.

D. RATES

All rates charged under this schedule will be in accordance with the customer's otherwise applicable CEA rate schedule (OAS). A customer served under this schedule is responsible for all charges from its OAS including monthly minimum charges, customer charges, meter charges, facilities charges, demand charges and surcharges, and all other charges owed to CEA or SDG&E. Charges for energy (kWh) supplied by CEA will be based on the net metered usage in accordance with this tariff.

E. BILLING

1. For a customer with Non-Time of Use (TOU) Rates. If the customer is a "Net Consumer," having overall positive usage during a specific billing cycle, the customer will be billed in accordance with the customer's OAS. If the customer is a "Net Generator," having

overall negative usage during a specific billing cycle, any net energy production shall be valued in consideration of the customer's OAS. The calculated value of any net energy production shall be credited to the customer according to the OAS.

2. For a customer with TOU Rates. If the customer is a Net Consumer during any discrete TOU period reflected within a specific billing cycle, the net kWh consumed during such TOU period shall be billed in accordance with applicable TOU period-specific rates / charges, as described in the customer's OAS. If the customer is a Net Generator during any discrete TOU period reflected within a specific billing cycle, any net energy production shall be valued in consideration of the customer's OAS. The calculated value of such net energy production shall be credited to the customer according to the OAS.
3. CEA True-Up & Cash-Out Processes.
 - a. True-Up. At the end of each NEM customer's 12-month relevant period, CEA will determine whether or not each customer has produced net surplus energy, as measured in kWh, over the most recent 12 billing cycles, or the period of time extending from the customer's commencement of participation in CEA's NEM program through the end of their relevant period, whichever is shorter (the "True-Up Period"). If the customer has not produced net surplus NEM energy, as measured in kWh, during the True-Up Period, all NEM credits, if any, generated through participation in CEA's NEM program in excess of currently applicable CEA charges shall be set to zero and any remaining balance will be due and payable. However, if a customer has produced net surplus NEM energy, as measured in kWh, resulting in a credit balance in excess of currently applicable CEA charges, then CEA shall credit such customer a Net Surplus Compensation (NSC) amount equal to the CEA NSC Rate per kWh, as defined in the CEA Rate Schedule, multiplied by the quantity of net surplus NEM energy produced by the customer during the True-Up Period, consistent with CEA's Cash-Out practice. All NEM accounts will be reset to zero kWh upon True-up.
 - b. Cash-Out. At the end of each customer's relevant period, any current customer with a NSC Payment equal to or greater than \$100, as determined during the applicable True-Up process, will be sent a direct payment by check. NSC payments less than \$100 will be rolled over into the next relevant period and used to offset future charges.
 - c. Aggregated NEM. Pursuant to California Public Utilities Commission Section 2827(h)(4)(B), aggregated NEM customers are "permanently ineligible to receive net surplus electricity compensation." Therefore, any excess accrued credits over the course of a year under an aggregated NEM account are ineligible for CEA's Cash-Out as described in Section 5. All other NEM rules apply to aggregated NEM accounts.

F. ACCOUNT CLOSURES

Customers who close their electric account through SDG&E or move outside of the CEA service area prior to the end of their relevant period and have produced net surplus NEM energy, as measured in kWh, resulting in a credit balance in excess of currently applicable CEA charges, shall receive a direct payment equal to the rate per kWh, as defined in the CEA Rate Schedule, multiplied by the net surplus NEM energy.

CEA reserves the right to work with customers on a case-by-case basis to transfer NEM credits.

G. SDG&E NEM SERVICES

Customers are subject to the conditions and billing procedures of SDG&E for their non-generation services, as described in SDG&E's applicable NEM tariffs and options addressing NEM service. Customers should be advised that while CEA may settle out balances for generation on a monthly basis, SDG&E will continue to assess charges for delivery, transmission and other services. Customers are encouraged to review SDG&E's most up-to-date NEM tariffs, which are available at www.sdge.com.

H. RETURN TO SDG&E BUNDLED SERVICE

Customers with NEM service may opt-out and return to SDG&E bundled service at any time, pursuant to SDG&E's Rule 27. CEA will perform a true-up of their account (as described above), at the time of return to SDG&E bundled service, and customers will be subject to SDG&E's then current rates, terms and conditions of service. For details, please visit www.sdge.com.

Clean Energy Alliance

JOINT POWERS AUTHORITY

Staff Report

DATE: December 17, 2020

TO: Clean Energy Alliance Board of Directors

FROM: Barbara Boswell, Interim Chief Executive Officer

ITEM 8: Authorize Credit Solution with JPMorgan for Clean Energy Alliance Start-Up and Working Capital

RECOMMENDATION

Authorize Interim Chief Executive Officer to Execute All Documents and take all necessary actions to secure CEA's financing with JPMorgan, subject to General Counsel approval, for the following amounts, or other alternatives as determined by the CEA Board:

- a) \$5,000,000 for start-up and working capital costs;
- b) \$5,000,000 (subject to credit approval and CEA Board Authorization) for liquidity via Standby Letters of Credit or cash postings for power contracts;
- c) \$5,000,000 (subject to credit approval and CEA Board Authorization) available upon launch for additional working capital or liquidity support for power purchase agreements.

BACKGROUND AND DISCUSSION:

At its regular meeting November 19, 2020, the CEA Board authorized the Interim Chief Executive Officer to work with JP Morgan and River City Bank for CEA's credit solution to provide funding for start-up beginning February 2021 and initial working capital.

Actions taken to date related to pursuing a credit solution include:

| | |
|-------------------|--|
| February 20, 2020 | Considered RFP responses for Credit Solution and put selection on hold until June 2020 |
| June 18, 2020 | Considered Credit Solution offers from JP Morgan and River City Bank. Directed staff to reach out to Member Agencies regarding providing guaranty for River City Bank option for \$2.5M of a total \$4.0M credit solution. |
| July 8, 2020 | City of Solana Beach City Council approved guaranty up to \$175,000 |
| July 14, 2020 | City of Carlsbad City Council directed staff to return with to City Council with potential loan to CEA in lieu of providing guaranty |
| July 20, 2020 | City of Del Mar City Council approved guaranty up to \$75,000 |
| July 28, 2020 | City of Carlsbad City Council considered loan terms and conditions; did not approve making loan to CEA. |
| August 20, 2020 | CEA Board approved executing promissory note with Calpine Energy Solutions for administrative costs through January 2021 |

Since CEA began its efforts related to identifying its start-up credit solution, activities have progressed in support of the May 2021 launch, and as a result there is more clarity into the actual energy supply costs to be incurred prior to launch. Credit needs are detailed below:

Funding Need for Credit Solution

| | |
|----------------------------------|---------------------------|
| Admin Costs February – June 2021 | \$540,000 |
| CAISO Deposit | 500,000 |
| Deposits | 245,000 |
| Energy Supply Costs | 3,125,848 |
| Working Capital | <u>589,152</u> |
| TOTAL FUNDING NEED | <u>\$5,000,000</u> |

CEA has two credit options that have been under consideration, River City Bank and JP Morgan.

River City Bank Option

River City Bank (RCB) currently provides CEA with its operational banking needs, including providing its future lockbox for CCA activity, and is a leader in the CCA industry when it comes to meeting operational banking needs. Terms of the credit solution (Attachment A) offered by RCB are summarized below:

| River City Bank - \$4,000,000 | |
|--------------------------------------|--|
| Credit Facility | Nonrevolving Line of Credit (NRLOC)/Revolving Line of Credit (RLOC) |
| Amount | \$2,500,000 NRLOC \$1,500,000 RLOC |
| Term | 2 years with option to convert both NRLOC and RLOC to term loan for up to an additional 3 years for total 5-year term |
| Security | \$2.5M NRLOC secured by one of the following options: 1) Guarantee from one or all of the JPA Members or other creditworthy party 2) Cash Collateral for 100% of NRLOC loan amount 3) Combination of guarantees and cash collateral at levels acceptable to RCB |
| Interest Rate | NRLOC - One-month US Treasury Bill yield plus 2.5% subject to a 3.00% floor RLOC - One-month US Treasury Bill yield plus 3.0% subject to a 3.50% floor Term Loan – 3-Year US Treasury Note yield plus 3.00% subject to a 3.50% floor |
| Loan Fees | \$15,000 |

In recent conversations with RCB representatives, they have indicated that RCB is willing to reconsider the required guarantee for the \$2.5M Nonrevolving Line of Credit portion due to the financing occurring closer to CEA's launch date.

Pros of the financing solution with RCB include:

- RCB experience working with CCAs & understanding of industry
- Good experience working with RCB on banking needs
- Favorable Interest Rate

Cons of the financing solution with RCB include:

- Available credit solution short of current funding need

- Limited opportunities for other credit facilities such as letters of credit

JP Morgan Credit Option

While newer to the CCA industry, JP Morgan has experience providing credit support to MCE Clean Energy and CleanPowerSF. Terms of the JP Morgan option (Attachment B) include:

| JP Morgan - \$5,000,000 Start-Up & Working Capital | |
|---|---|
| Credit Facility | Revolving Line of Credit (RLOC) |
| Amount | \$5,000,000 |
| Term | Up to 5 Years |
| Security | CEA only – Nonrecourse to the member agencies |
| Interest Rate | One-month or three-month LIBOR plus 3.45% (1-month LIBOR was .15388% last week) |
| Undrawn Fee | 1.95% calculated on the undrawn portion of the \$5.0M RLOC |
| Loan Fees | \$50,000 |

Pros of the JP Morgan Solution:

- Credit facilities available beyond initial start-up and working capital (up to additional \$10M)
 - \$5.0M (subject to credit approval) upon formal request to provide liquidity support via Standby Letters of Credit or cash posting for power contracts
 - \$5.0M (subject to credit approval) available after launch for additional working capital or liquidity for power purchase agreements
- Non-recourse to Member Agencies

Cons of the JP Morgan Solution:

- Covenants includes a rate covenant
 - Terms of rate covenant have improved to be limited to rates required to be set to pay costs not paid from other available sources, and amounts CEA is obligated to pay by law or contract
- Slightly Higher loan costs

Staff has begun the due diligence activities required for the application process, and JP Morgan has notified staff that CEA has full credit approval.

Based on the evaluation of the two credit solutions offered, staff recommends moving forward with the JP Morgan solution.

FISCAL IMPACT

Repayment of the credit solution will come from revenue generated by energy sales. The CEA Pro Forma anticipate sufficient funds to cover the repayments.

ATTACHMENTS

- Attachment A – River City Bank Revised Term Sheet Dated May 26, 2020
- Attachment B – JP Morgan Revised Term Sheet Dated November 3, 2020



River City Bank

5/26/2020

Barbara Boswell
Interim CEO
Clean Energy Alliance

Re: 1st Revision to Credit Proposal for Clean Energy Alliance

Dear Barbara:

In response to the Request for Proposals for Credit and Banking Services issued on January 15, 2020, River City Bank (“RCB or “Bank”) is pleased to provide you this updated expression of interest term sheet for two credit facilities totaling \$4 million, as detailed below:

Credit Facility #1:

| | |
|-------------------------------------|--|
| Borrower: | Clean Energy Alliance (“CEA” or “Borrower”) |
| Loan Type: | Non-Revolving Line of Credit (“NRLOC”), with option to convert outstanding advances to an amortizing Term Loan at Expiration. |
| Purpose: | To provide seed capital prior to launch of commercial operations, anticipated in May 2021. |
| Loan Amount: | Up to \$2,500,000. |
| Guaranty/Credit Enhancement: | <p>The NRLOC will be secured by one of the following options:</p> <ol style="list-style-type: none"> i. Any one or all of the JPA members, or other creditworthy parties (subject to Bank’s approval), are required to guarantee the loan on a joint and several basis. ii. Cash collateral for an amount equal to 100% of the Loan Amount. Bank will have a perfected security interest in the funds held at the Bank in a restricted account. iii. A combination of guarantees and cash collateral can also be considered at levels acceptable to Bank. |

Note that Bank is amenable to discuss the release of guaranties/cash collateral after CEA has successfully launched operations and provided a track record of operations at to-be-determined levels satisfactory to Bank.

| | |
|-----------------------------|--|
| Expiration/Maturity: | The NRLOC will have a two year Expiration. Any outstanding cash balances on the NRLOC at Expiration can be converted, at Borrower’s option, to an amortizing term loan which matures in up to 3 years from the conversion date. As such, the |
|-----------------------------|--|

Maturity Date will be up to 5 years from the date of NRLOC origination.

Interest Rate:

NRLOC: Floating at the one (1) month US Treasury Bill yield plus 2.50%, subject to a floor rate of 3.00%.

As of May 22, 2020 the one month US Treasury bill yield was 0.09% at close of trading hours, so the Interest Rate would have been 3.00% if set on that day.

Term Loan Option: Fixed for the three (3) year term at the three (3) year US Treasury note yield plus 3.00%, subject to a floor rate of 3.50%, based on the US Treasury note yield existing as of the close of normal market trading hours per www.treasury.gov on the date that the outstanding NRLOC balance converts to a Term Loan.

Bank calculates interest on an actual/360 day basis.

NRLOC: Interest only payments due monthly, with all outstanding principal and interest due at maturity unless the Term Loan Option is exercised.

Term Loan Option: 36 equal monthly principal and interest payments, on a fully amortizing basis.

Loan Fee:

During the NRLOC period, 0.25% of the entire Loan Amount per annum, payable upon loan closing and at the one year anniversary of the NRLOC. All fees can be paid from loan proceeds.

Credit Facility #2:

| | |
|-----------------------------|--|
| Borrower: | Clean Energy Alliance (“CEA” or “Borrower”) |
| Loan Type: | Commercial Revolving Line of Credit (“RLOC”), with option to convert outstanding advances to an amortizing Term Loan at Expiration. |
| Purpose: | To provide i) funding for lockbox account approx. six (6) months prior to launch of commercial operations, ii) working capital post launch of commercial operations, and iii) credit enhancements required for energy purchases in the form of Letters of Credit. |
| Loan Amount: | Up to \$1,500,000. |
| Guaranty: | None |
| Expiration/Maturity: | <p>The RLOC will have a two year Expiration. Any outstanding cash balances on the RLOC at Expiration can be converted, at Borrower’s option, to an amortizing term loan which matures in up to 3 years from the conversion date. As such, the Maturity Date will be up to 5 years from the date of RLOC origination.</p> <p>Letters of Credit issued under the RLOC will have a maximum term of one year from the date of issuance, with annual auto renewal options available.</p> <p>Borrower will provide cash collateral equal to 110% of any outstanding Letters of Credit in the event that any are outstanding at the time of RLOC Expiration.</p> |
| Interest Rate: | <p>RLOC: Floating at the one (1) month US Treasury Bill yield plus 3.00%, subject to a floor rate of 3.50%.</p> <p>As of May 22, 2020 the one month US Treasury bill yield was 0.09% at close of trading hours, so the Interest Rate would have been 3.50% if set on that day.</p> <p>Term Loan Option: Fixed for the three (3) year term at the three (3) year US Treasury note yield plus 3.00%, subject to a floor rate of 3.50%, based on the US Treasury note yield existing as of the close of normal market trading hours per www.treasury.gov on the date that the outstanding RLOC balance converts to a Term Loan.</p> <p>Bank calculates interest on an actual/360 day basis.</p> |
| Repayment: | RLOC: Interest only payments due monthly, with all outstanding principal and |

interest due at maturity unless the Term Loan Option is exercised.

Term Loan Option: 36 equal monthly principal and interest payments, on a fully amortizing basis.

Letters of Credit: In the event of a Letter of Credit draw by a beneficiary, Bank will disperse funds from the RLOC, and Borrower must repay Bank in full within 3 days.

Letter of Credit Fees:

| | |
|-------------------------------------|---------------------------|
| Issuance Fee | 2.00% p.a., minimum \$400 |
| Documentation Fee (at issuance) | \$250 flat |
| Amendment Fee to increase or extend | 2.00% p.a., min. \$400 |

**Note, Letter of Credit fees are subject to change in accordance with market rates.*

Loan Fee:

During the NRLOC period, 0.25% of the entire Loan Amount (\$6,250), per annum, payable upon loan closing and at the one year anniversary of the RLOC. All fees can be paid from loan proceeds.

Applicable to both Credit Facilities:

Collateral:

Perfected security interest in 1st lien position in each of the following:

- Debt Service Reserve Account (“DSRA”) in which Borrower will be required to maintain an amount that represents 10% of aggregate loan amounts (est. \$400,000). DSRA may be funded from loan proceeds.
- A security agreement that covers i) right of set off to all of Borrower’s deposit accounts, and ii) pledge on Borrower revenues not otherwise encumbered by outside liens, such as the lockbox account.
- Resource Adequacy (“RA”) Contracts: Bank shall have a consent to collateral assignment agreement related to any RA contracts executed prior to commercial operations (i.e. before May 2021).

No junior liens will be permitted on any Collateral.

Documentation Fee & Legal costs:

\$5,000, payable upon loan closing, plus actual legal costs charged by Bank’s outside legal counsel (estimated at \$10,000 based on similar transactions). All fees can be paid from loan proceeds.

Bank reserves the right to increase the Documentation Fee if Borrower requires extensive negotiation of standard loan documents.

- Costs & Expenses:** Borrower to pay all out-of-pocket costs and expenses, such as third-party search and order fees and any applicable legal fees (collectively, the “Costs & Expenses”). All fees can be paid from loan proceeds.
- Legal Opinion:** Prior to loan closing, Borrower to obtain a favorable legal opinion confirming the enforceability of the loan agreement as well as confirmation of Borrower’s entity formation.
- Third Party Review:** Prior to loan closing, and once the final financial pro-forma projections have been completed, Bank may engage a third party independent review of the financial pro-forma at Borrowers cost. All fees can be paid from loan proceeds.
- Needs List:** In addition to the conditions set forth in this letter, additional conditions precedent to closing will be those which are usual and customary for transactions of this nature, including but not limited to Bank’s receipt, review and satisfaction with all documents, reports, leases, financial statements, guarantor information, and other information reasonably requested by Bank. Subsequent to Bank’s receipt of this signed term sheet and Deposit, Bank will prepare a needs list summarizing such items.

Additional Requirements

- **Financial Covenants:**

- **Minimum earnings before interest, depreciation, and amortization (“EBIDA”):** Borrower to adhere to a minimum EBIDA requirement on a quarterly basis based on ~80% of final pro-forma figures. As of the May 2020 pro-forma prepared by Pacific Energy Advisors, minimum EBIDA requirements are as follows, based on cumulative year to date figures and Fiscal Year ending 6/30:

| | |
|---------------------------------|---------------------|
| ▪ Fiscal Year ending 6/30/2021: | Minimum \$72,000 |
| ▪ Quarter ending 9/30/2021: | Minimum \$3,000,000 |
| ▪ Quarter ending 12/31/2021: | Minimum \$4,600,000 |
| ▪ Quarter ending 3/31/22: | Minimum \$4,100,000 |
| ▪ Fiscal Year ending 6/30/22: | Minimum \$7,100,000 |
| ▪ Quarter ending 9/30/22: | Minimum \$2,700,000 |
| ▪ Quarter ending 12/31/22: | Minimum \$3,850,000 |
| ▪ Quarter ending 3/31/23: | Minimum \$3,600,000 |
| ▪ Fiscal Year ending 6/30/23: | Minimum \$7,000,000 |

“EBIDA” is hereby defined as change in net position plus depreciation, amortization, and interest expense, for the calculated period. Debt Service is defined as interest expense during the calculated period plus scheduled principal payments during the calculated period.

Bank will require a revised pro-forma prior to launch of commercial operations and after power supply contracts have been finalized. As such, it is anticipated that this covenant will be updated, but not materially weakened.

- **Debt Service Coverage Ratio (For Term Loan Option only).** Borrower to maintain a minimum Debt Service Coverage Ratio ("DSCR") not at any time less than 1.25x, measured annually at fiscal year-end.

DSCR is calculated as EBIDA at fiscal year-end divided by Debt Service for the calculated period.

- **Minimum Unrestricted Net Position:** At levels and on dates to be mutually agreed upon by Bank and Borrower upon review of the final financial pro-forma.
- **RLOC Lock Box Advance Requirements:** If Credit Facility #2 is utilized to fund a lockbox advance prior to commencement of commercial operations, such advance shall not exceed \$1,000,000 and shall not occur earlier than six (6) months prior to scheduled commencement of operations (estimated in May 2021). Borrower must provide Bank with sufficient documentation and status update reports to support the scheduled commercial operation launch date in May, 2021.
- **Deposit Relationship.** Borrower must maintain all of its deposit accounts exclusively with Bank, with automatic monthly loan payments deducted from the account. Failure to adhere to this requirement will result in a 2.00% increase to the Interest Rate so long as this covenant is not satisfied.
- **No Additional Indebtedness/Subordination.** Aside from obligations arising in the ordinary course of business which are not delinquent, Borrower shall not incur additional indebtedness without the prior written consent of Bank. This provision excludes subordinated debt owed to JPA members with terms (such as interest rate, repayment schedule, subordination, etc.) to be acceptable to Bank. Additionally, all indebtedness incurred to date from JPA members or third parties (approx. \$450,000) must be subordinated to Bank.
- **Ongoing Reporting.** During the Term, Borrower will be required to provide:
 - Within 180 days after the close of each annual accounting period, CPA audited financial statements inclusive of a balance sheet, income statement, and cash flows for the period then ended, prepared in accordance with GAAP and in a form acceptable to Bank.
 - Within 45 days after the close of each month end, unaudited financial statements inclusive of a balance sheet and year-to-date income statement of Borrower for the period then ended, prepared in accordance with GAAP and in a form acceptable to Bank.

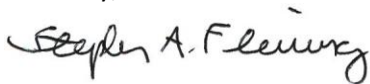
Bank reserves the right to terminate this proposal at any time and this proposal may not be transferred or assigned without prior written consent of Bank.

Please be advised that this letter does not constitute a binding commitment or impose any obligation on Bank, but only reflects proposed terms of a transaction which may become acceptable to the parties. Notwithstanding any other language of agreement that may appear elsewhere in this nonbinding letter of intent, it is expressly understood and agreed that this letter does not and shall not constitute a binding agreement between the parties in any manner, except with respect to: Costs & Expenses. The

undertakings and obligations of Bank with respect to the loan will be subject to, among other things: (i) credit analysis and approval in accordance with Bank's underwriting standards; (ii) the preparation, execution and delivery of mutually acceptable loan documentation containing such terms and conditions as are customary for similar credit facilities; (iii) the accuracy of all representations made and information furnished by Borrower to Bank, and (iv) the absence of any information or other matter being disclosed after the date hereof that is inconsistent in a material and adverse manner with any information or other material disclosed to Bank.

Thank you for considering River City Bank for your financing needs. If you would like us to move forward on the basis proposed, please sign and date the term sheet below:

Sincerely,



Stephen Fleming
President & CEO



Rosa Cucicea
VP & Clean Energy Division Manager

ACKNOWLEDGED AND ACCEPTED BY

Borrower hereby acknowledges and agrees to the presented loan structure, including to any proposed joint borrowing and/or guaranteeing structure.

X _____
By: _____
Its: _____

_____ Date

Attachment B

Clean Energy Alliance
JOINT POWERS AUTHORITY

CLEAN ENERGY ALLIANCE

REQUEST FOR PROPOSALS FOR CREDIT AND BANKING SERVICES

~~April 24, 2020~~ November 3, 2020

Disclaimer

This proposal is intended only as an outline of certain indicative terms of the facility described herein (the “Facility”) and does not purport to be an exhaustive or all-inclusive summary of the conditions, covenants, representations, warranties and other provisions that would be contained in definitive documentation for the Facility. The final documentation may include terms and conditions required by JPMorgan Chase Bank, National Association (together with its affiliates, “JPMorgan”) that are not included in this proposal. This proposal is non-binding, is not a commitment and is subject to final credit approval.

Clean Energy Alliance (“CEA”) acknowledges and agrees that: (i) JPMorgan does not have an advisory or fiduciary relationship with CEA and nothing in this proposal or our services in connection therewith or otherwise will be deemed to create an advisory or fiduciary relationship (irrespective of whether JPMorgan or any of its affiliates has provided other services or is currently providing other services to CEA on other matters); (ii) JPMorgan has no obligations to CEA with respect to the transaction contemplated hereby unless and except to the extent expressly stated in this proposal; and (iii) CEA has consulted with and is relying on its own legal, accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate.

This proposal from JPMorgan for the Facility is entirely independent from any proposal or other agreement from any other affiliate of JPMorgan to provide other services.

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1. Cover Letter

~~April 24, 2020~~ November 3, 2020

Delivery via e-mail

Barbara Boswell
Interim Chief Executive Officer
Email: CEO@TheCleanEnergyAlliance.org

Marie Berkuti
Interim Treasurer
MBerkuti@cosb.org

Dear Ms. Boswell and Ms. Berkuti,

On behalf of JPMorgan Chase Bank, N.A. (“JPMorgan” or the “Bank”), we are pleased to submit this proposal to Clean Energy Alliance (“CEA” or the “Authority”) in response to its solicitation for a bank credit facility to finance start up costs, working capital and posting of liquidity for power procurement contracts. Based on our strong familiarity with the California Community Choice Aggregation (“CCA”) space, we are pleased to be able to provide a multi-use Revolving Line of Credit for up to \$15,000,000 and a tenor of up to ~~three (3)~~ five (5) years.

Since CEA is at the early stages of its launch, we believe that it will benefit greatly by working with a firm with direct experience in the CCA financing space, a large and strongly rated balance sheet (Aa2/A+/AA), clear name recognition for CEA’s future partners (power providers, developers) and a full suite of treasury products and banking services (as further described under separate cover in the Banking Services response, an independent proposal) all under one institution. We currently have an aggregate of \$115 million of exposure to California CCAs which include a \$40 million three (3) year credit facility to Marin Clean Energy and a \$75 million five (5) year credit facility to CleanPowerSF, San Francisco PUC’s CCA program. We believe that there is great insight gained from our involvement with Marin Clean Energy and CleanPowerSF and we can provide this direct experience for the benefit of CEA.

Accordingly, based on the Bank’s review of the provided financial projections and its understanding that each currently committed member plans on committing an additional ~\$450,000 to finance start-up costs of CEA, in our proposal herein we have endeavored to create a structure which we believe will provide the lowest all-in cost to the Authority.

- **Strength:** We are the largest (by balance sheet) and strongest rated (external bank ratings) bank responding to this RFP. By working with JPM rather than a non-rated bank, there is no need to wrap any future Standby Letters of Credit and pay superfluous letter of credit fees for doing so. Furthermore, our strong ratings (Aa2/A+/AA) should further strengthen any ongoing negotiations CEA is having or will have with PPA providers. Having a highly rated credit provider will also be important in the future should CEA seek to get external ratings, similar to Marin Clean Energy and Peninsula Clean Energy, and ultimately seek to develop standalone renewable resources.
- **Size/Flexibility:** We are not capital or tenor constrained unlike some of our smaller colleagues responding to this RFP - our financing approach is designed to grow with the program and we therefore have the ability to upsize credit exposure overtime. Our proposal herein includes capacity for start up needs, Letters of Credit, and an option to upsize when CEA launches to customers. We additionally provide the flexibility to have up to a 5 year tenor if advantageous in the negotiations with PPA providers. We are able to provide a full suite of services for credit and banking needs which would eliminate the need to deal with multiple banks - we are happy to provide banking services but we are not tying the business to credit. Lastly, we provide flexibility to use the facility in the future to repay the City’s funded start up costs subject to the Bank’s approval.
- **Confidence:** There are many moving pieces in getting a CCA program up and running. It starts with the age old conundrum of how do you get customers without power and

how do you get power without customers. The answer is that CEA procures power first using a credit facility backed by our strong ratings and strong balance sheet. We believe it is important for JPMorgan to work with CEA to significantly refine its financing plan and capital requirements not only now but over time. Because of where CEA is in its growth cycle, the amount of capital it seeks to obtain at each stage will affect the cost of that capital much more significantly than when CEA is earning revenue. We have already met with our credit committee regarding this proposal and have received preliminary credit approval.

Notwithstanding the foregoing, please note that this proposal is subject to normal due diligence, formal credit approval, satisfactory documentation and agreement on terms and conditions, and is not a commitment at this time. Nothing expressed or implied herein constitutes any commitment of JPMorgan, or any of its affiliates, to lend or provide any other financial services in connection with the transaction; such obligations would arise only under separate written agreement(s) mutually acceptable to CEA and JPMorgan. Although this is not a formal commitment, if JPMorgan is mandated to provide the Facility, we will seek credit approval promptly and expect to have no issues meeting CEA's anticipated financing timeline.

Yours sincerely,



Allyson Goetschius, *Executive Director*
JPMorgan Chase Bank, N.A.

Cc: Will Frymann, *Executive Director*, JPMorgan Securities LLC
Janice Fong, *Associate*, JPMorgan Chase Bank, N.A.
Yolanda Mates, *Vice President*, JPMorgan Chase Bank, N.A.
Sean Haugh, *Vice President*, JPMorgan Chase Bank, N.A.
William O'Brien, *Associate*, JPMorgan Chase Bank, N.A.

2. Overview of the Firm

a) Provide a brief description of your firm.

JPMorgan has been a market leader in providing public finance issuers with liquidity and credit products for over 35 years. Our firm's Public Finance Credit Origination Group, which sits within the Investment Banking Division and the Public Finance Group, currently manages approximately \$203 billion of credit commitments across more than 160 clients of which \$1.46 billion is outstanding to issuers in California and \$115 million is outstanding to CCAs.

b) Provide your firm's total capital and total net assets for 2019, 2018 and 2017 year-ending.

With more than \$264.3 billion in total capital as of September 30, 2019, JPMorgan Chase & Co. is one of the largest financial institutions in the world. Below we have outlined our annual capital position, which demonstrates our strength and stability. Our significant balance sheet allows the Public Finance Credit Origination Team to provide proposals that our competitors often cannot match in terms of both size and tenor.

| (\$mm) | JPMorgan Chase & Co. | | | | |
|---------------------------|----------------------|---------|---------|---------|---------|
| | Q3-2019 | Q2-2019 | Q1-2019 | 2018 | 2017 |
| Total Capital | 264,348 | 263,215 | 259,837 | 256,515 | 255,693 |
| Equity Capital | 235,985 | 236,222 | 232,844 | 230,447 | 229,625 |
| Net Capital | -* | -* | -* | -* | -* |
| Excess Net Capital | -* | -* | -* | -* | -* |
| Total Net Assets | 264,348 | 263,215 | 259,837 | 256,515 | 255,693 |

Source: JPM 10K and 10Q. As of September 30, 2019; *JPMorgan Chase & Co. does not disclose net capital and excess net capital.

c) Provide your firm's current Long-term and Short-term credit ratings as well as Outlooks, if available.

As a highly rated credit provider, JPMorgan has the ability to offer a full suite of credit products including Lines of Credit, Term Loans, Standby Letters of Credit for energy procurement collateral support, as well as Construction Loans and Tax Equity for renewable energy projects.

JPMorgan Chase Bank N.A.'s credit ratings and outlooks by Moody's, S&P, and Fitch are as follows:

| Credit Ratings | | | |
|----------------|-----------|------------|---------|
| Rating Agency | Long-Term | Short-Term | Outlook |
| Moody's | Aa2 | P-1 | Stable |
| S&P | A+ | A-1 | Stable |
| Fitch | AA | F1+ | Stable |

d) Provide your firm's credit rating, if available.

Please reference Section (c).

e) Submittal of Proposals Acknowledgment.

JPMorgan acknowledges California Government Code Section 4552: In submitting a bid to a public purchasing body, the bidder offers and agrees that if the bid is accepted, it will assign to the purchasing body all rights, title, and interest in and to all causes of action it may have under Section 4 of the Clayton Act (15 U.S.C. Sec. 15) or under the Cartwright Act (Chapter 2, commencing with Section 16700, of Part 2 of Division 7 of the Business and Professions Code), arising from purchases of goods, materials, or services by the bidder for sale to the purchasing body pursuant to the bid. Such assignment shall be made and become effective at the time the purchasing body tenders final payment to the bidder.

JPMorgan expressly acknowledges that it is aware that if a false claim is knowingly submitted (as the terms “claim” and “knowingly” are defined in the California False Claims Act, Cal. Gov. Code, §12650 et seq.), CEA will be entitled to civil remedies set forth in the California False Claim Act. It may also be considered fraud and the Contractor may be subject to criminal prosecution.

JPMorgan certifies that it is, at the time of bidding, and shall be throughout the period of the contract, licensed by the State of California to do the type of work required under the terms of the Contract Documents. Bidder further certifies that it is regularly engaged in the general class and type of work called for in the Bid Documents.

3. Qualifications

a) Provide a description of your firm's experience in the government sector. What, if any, experience does your firm have with the members of CEA?

JPMorgan is an experienced and well capitalized credit provider with approximately \$203 billion of commitments outstanding from the Public Finance credit book including \$1.46 billion of credit commitments to California issuers.

Please note the list below is as of February 7, 2020.

| Size (mm) | Pricing Date | Issuer | Series | JPM Role |
|-----------|--------------|---|---|----------|
| 313.2 | 09/22/2010 | San Diego County Regional Airport Authority | Series 2010A | Co |
| 44.1 | 09/22/2010 | San Diego County Regional Airport Authority | Series 2010B | Co |
| 215.4 | 09/22/2010 | San Diego County Regional Airport Authority | Series 2010C BABs | Co |
| 98.0 | 07/27/2011 | San Diego County Water Authority | Water Revenue Refunding Bonds, Series 2011A | |
| 94.5 | 09/07/2011 | San Diego County Water Authority | Series 2011B | Co |
| 65.4 | 03/01/2012 | San Diego Unified School District | GO Series 2012R1 | Co |
| 150.0 | 05/09/2012 | San Diego Unified School District | 2012 General Obligation Bonds | Co |
| 420.6 | 05/23/2012 | San Diego County Regional Transportation Commission | Sales Tax Revenue Bonds 2012A | Co |
| 203.2 | 12/13/2012 | San Diego County Water Authority | Series 2012 Pipeline Bonds | Lead |
| 530.3 | 12/13/2012 | San Diego County Water Authority | Series 2012 Plant Bonds | Lead |
| 107.3 | 01/16/2013 | San Diego County Regional Airport Authority | Series 2013A (Non AMT) | Co |
| 272.3 | 01/16/2013 | San Diego County Regional Airport Authority | Series 2013B (AMT) | Co |
| 299.1 | 02/13/2013 | San Diego County Water Authority | 2013A Water Revenue Refunding | Lead |
| 52.5 | 04/02/2013 | San Diego Unified School District | Election of 2012, Series A | Co |
| 60.5 | 04/02/2013 | San Diego Unified School District | Election of 2012, Series B | Co |
| 3.0 | 04/18/2013 | San Diego Unified School District | Election of 2012, A-1 Taxable | Co |
| 414.0 | 04/18/2013 | San Diego Unified School District | Election of 2012, Series C | Co |
| 29.4 | 02/05/2014 | San Diego County Regional Airport Authority | Series 2014A Bonds | Co |
| 275.9 | 02/05/2014 | San Diego County Regional Airport Authority | Series 2014B Bonds | Co |
| 91.7 | 08/19/2014 | County Of San Diego | 2014A | Co |
| 2.1 | 08/19/2014 | County Of San Diego | 2014B | Co |
| 350.0 | 08/20/2014 | San Diego Association Of Governments | 2014 Series A | Co |
| 75.4 | 09/30/2015 | San Diego Unified School District | Series D (Federally Taxable) | Co |
| 79.0 | 09/30/2015 | San Diego Unified School District | Series E | Co |
| 370.6 | 11/18/2015 | San Diego Unified School District | Series F | Co |
| 100.0 | 11/18/2015 | San Diego Unified School District | Series G (Green Bonds) | Co |
| 30.0 | 2/24/2016 | Carlsbad Municipal School District No. 20 | 2016 | Co |
| 56.2 | 03/22/2016 | California Public Works Board | Lease Revenue Refunding Bonds (Department of General Services), 2016 Series B (San Diego Office Building Complex) | Lead |
| 126.1 | 04/20/2016 | San Diego Unified School District | Series R-5 | Lead |
| 39.4 | 05/05/2016 | San Diego Unified School District | Series J-2 | Lead |
| 5.6 | 05/06/2016 | San Diego Unified School District | Series J-1 | Co |
| 325.0 | 08/03/2016 | San Diego Association Of Governments | Sales Tax Revenue Bonds 2016A | Co |
| 441.0 | 10/18/2017 | San Diego Unified School District | 2017 GO Bonds Series I | Co |
| 59.0 | 10/18/2017 | San Diego Unified School District | 2017 GO Green Bonds Series J | Co |
| 194.1 | 11/08/2017 | San Diego Association Of Governments | 2017 Series A | Lead |
| 183.2 | 01/29/2019 | San Diego County Water Authority | Series 2019 Pipeline Bonds | Lead |
| 85.0 | 6/27/2019 | Carlsbad Unified School District | 2018A | Lead |
| 210.0 | 07/30/2019 | San Diego Association Of Governments | Series 2019A (Green Bonds) | Co |
| 125.0 | 07/30/2019 | San Diego Association Of Governments | Series 2019B (Green Bonds) | Co |
| 19.7 | 08/27/2019 | County Of San Diego | Certificates of Participation, Series 2019 (Justice Facilities Refunding) | Co |

On the credit side, JPMorgan has provided a \$1.0 million working capital facility to Poseidon Water LLC, the developer and facility manager of the Claude "Bud" Lewis Carlsbad Desalination Plant, since 2017.

b) Provide a description of your firm's experience in the CCA sector.

In November 2019, JPMorgan closed on a \$40 million three (3) year multi-use revolving line of credit with Marin Clean Energy. This program provides the flexibility to draw for working capital and capital expenditures related to development or acquisition of new assets, as well as to issue Standby Letters of Credit to secure power purchase agreements. Additionally, in

2018, JPMorgan closed on a \$75 million five (5) year facility with a similar structure with CleanPowerSF, San Francisco PUC's CCA program, in support of its Phase 2 expansion plan. This program is a new enterprise fund for SFPUC and we have currently issued 5 different Standby Letters of Credit to secure power obligations on behalf of CleanPowerSF. We also initially provided a Standby Letter of Credit (\$13.9 million) to the SFPUC under its Power Enterprise which was used to support CleanPower's Phase 1 expansion plan.

JPMorgan's strong balance sheet gives the Bank flexibility to grow its credit capacity overtime as a CCA's financing needs increase whether due to customer growth, increased contracting needs, or a transition to standalone power resources development. Public Finance also has the ability to provide project level financing for greenfield and brownfield renewable assets in support of a CCA's transition to power project development and ownership.

We are keen to continue to expand our footprint in the Community Choice Aggregation market and the broader renewables space and have been actively monitoring the development of CCAs across the U.S. and in California particularly. It is also important to note that Public Finance Credit Origination and its credit risk team are extremely familiar with CCAs and have received credit risk approval to provide credit proposals for other non-rated CCAs including San Diego Energy District, Silicon Valley Clean Energy Authority, East Bay Community Energy Authority, San Jose Community Energy, and Clean Power Alliance.

c) *For firms without direct experience in the CCA sector, please provide your experience in related sectors or with other unrated entities.*

Please see (b) above.

d) *What assurances can you provide CEA on your firm's ability to transact organizationally?*

Please see (b) above.

e) *Provide any other qualifications you believe are relevant to CEA related to the Scope.*

JPMorgan's Public Finance Credit Origination team has extensive experience extending credit to non-rated entities especially in the project finance, infrastructure and high-yield spaces. Our group has provided non-rated loans for projects in renewable energy, healthcare and stadium financing. Across all of these transactions, our group has also either acted as lead arranger or agent bank and in some circumstances construction monitoring agent.

- \$460.0 million bridge loan commitment for a municipal electric utility to purchase a biomass fired plant
- \$400.0 million line of credit for a non-rated windstorm insurance company
- \$300.0 million construction term loan for a non-rated performance venue
- \$224.7 million direct purchase of bonds for a managed toll lane project
- \$149.7 million term loan for a non-rated wood pellet facility
- \$150.0 million working capital facility for a rail transit project
- \$125.0 million construction term loan for a non-rated arena financing
- \$100.0 million line of credit for a non-rated windstorm insurance company
- \$86.6 million exit facility for a formerly bankrupt toll road
- \$81.8 million term loan for a non-rated bridge
- \$75.2 million construction loan for a non-rated proton therapy center
- \$75.0 million revolving line of credit for a non-rated airport terminal improvement project
- \$40.0 million construction loan for a non-rated arena financing
- \$36.5 million construction loan for a non-rated soccer stadium financing

- \$19.5 million term loan for a non-rated biofuel plant
- \$12.1 million term loan for the construction of a gas plant

4. Key Personnel

Bid responses shall identify the lead contact and include a complete list of all key personnel associated with the RFP. This list must include all key personnel who will provide services/training to CEA staff and all key personnel who will provide credit and support services. For each person on the list, the following information shall be included:

- a) The person's relationship with the Bidder, including job title and years of employment with Bidder;*
- b) The role that the person will play in connection with the RFP;*
- c) Address, telephone, fax numbers, and e-mail address; and*
- d) Person's relevant experience, certifications, and/or merits.*

Credit Underwriting and Provision of Balance Sheet Support

Allyson Goetschius, Executive Director

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 New York, NY 10179
 Phone: (212) 270-0335
 Facsimile: (917) 849-0272
 Email: allyson.l.goetschius@jpmorgan.com

Allyson Goetschius joined JPMorgan in 2010 and has over 10 years of experience in the financial services industry. Allyson is responsible for originating, structuring, and executing credit transactions with municipalities and not-for-profit issuers across the U.S. and specifically focuses on infrastructure, renewables and more structured project finance transactions. She has worked closely with numerous municipal clients across the country on direct loan, letter of credit, line of credit, and construction financing facilities. Allyson received her BS in Economics with Concentrations in Finance, Real Estate and Spanish at The Wharton School at the University of Pennsylvania.

Allyson will lead the pitching and transaction execution credit process for CEA, including structuring and documentation.

Janice Fong, Associate

383 Madison Avenue, 3rd Floor
 New York, NY 10179
 Phone: (212) 270-3762
 Facsimile: (917) 464-0884
 Email: janice.r.fong@jpmorgan.com

Janice Fong joined JPMorgan in 2013. Janice is primarily responsible for supporting Credit Origination coverage of municipal and not for profit issuers across the country. Janice received a B.A. in Economics from Barnard College.

Janice will provide support throughout the life of the credit process with CEA.

Day to Day Treasury/Banking Services

Yolanda Mates, Vice President

300 S Grand Avenue, 3rd Floor
 Los Angeles, CA 90071
 Phone: (213) 621-8335
 Email: yolanda.a.mates@jpmorgan.com

As a Government Banker in the Pacific-West region, Yolanda coordinates the delivery of the Bank's treasury management, liquidity and investment management, equipment financing, credit and merchant services solutions based on the client's goals, priorities and objectives. Yolanda has 14 years of experience in the financial and banking industry, with 10 years directly serving Government agencies. Yolanda is an active member of the California Municipal Treasurers Association, California Society of Municipal Finance Officers, and Women in Public Finance.

Yolanda will lead CEA's relationship team focusing on the quality and delivery of our treasury services. She will be responsible for the overall satisfaction of the banking relationship. She will:

- Serve as your primary point of contact for the bank's full treasury services capabilities
- Recommend products and services that meet CEA's needs and goals, including treasury management and other banking services
- Oversee delivery of products and services including treasury services and other financial services
- Address your overall satisfaction with the JPMorgan banking relationship

Sean Haugh, Vice President

8181 Communications Parkway
 Building B, 6th Floor
 Plano, TX 75024
 Phone: (214) 965-3186
 Email: sean.haugh@jpmorgan.com

Sean Haugh supports public sector entities on the West Coast. He has over 15 years of diverse experience in the financial industry, focusing on relationship management and financial strategy. His focus is to deliver solutions to clients across government agencies to ensure the proper alignment of strategies and credit capacity for all treasury services products.

Sean holds both a Bachelor of Business Administration in Finance and an MBA in Strategic Management.

Sean will assist CEA in resolving working capital and efficiency challenges by providing information and offering ideas from the JPMorgan's Treasury Services team. He will:

- Recommend cash flow optimization strategies, including ways to streamline financial processes
- Assist CEA in realizing day-to-day operational efficiencies in alignment with your treasury goals
- Provide targeted information to you about new products, market developments and industry trends
- Monitor CEA's implementation for successful service delivery

Marilyn Hardney, Senior Client Service Professional

201 North Central Avenue, 21st Floor
 Phoenix, AZ 85004
 Phone: (602) 221-1036
 Facsimile: (866) 917-3954
 Email: marilyn.k.hardney@jpmorgan.com

Marilyn Hardney has over 20 years of experience with JPMorgan and has held several positions across the organization. She is committed to providing value-added service and has effective problem-solving skills. Additionally, her knowledge of fraud prevention products will provide you with excellent direction on how best to protect your company. Marilyn is a graduate of LeTourneau University and holds a bachelor's degree in Business Management.

Marilyn will serve as the primary point of contact and as a proactive resource for CEA's banking needs. With her understanding of all aspects of JPMorgan's Treasury Services' product functionality and technology, Marilyn will facilitate the timely resolution of all service issues. For day-to-day matters, she will:

- Resolve CEA's inquiries including credit/debit confirmations, cancellations of payments, amendments of payment instructions, funds transfer inquiries and other treasury services matters
- Identify and resolve operational issues in a timely manner
- Share her specialized knowledge of fraud prevention tools and provide advice on asset and data protection strategies
- Facilitate the opening of additional accounts
- Marilyn works with a team of client service professionals who will provide consistent, reliable and timely service support.

Investment Banking Coverage

Will Frymann, Executive Director

500 Mission Street, 3rd Floor
 San Francisco, CA 94105
 Phone: (415) 315-3901
 Facsimile: (415) 692-4653
 Email: will.frymann@jpmorgan.com

Will Frymann works closely with many of JPMorgan's municipal clients throughout the country, with particular emphasis on public power clients. Will joined JPMorgan's Public Finance department in September 2015 and has spent more than 12 years working with municipal water, wastewater, power and gas utility clients throughout the US and has focused particularly on California.

At JPMorgan, Will works as part of the firm's Infrastructure Group and is focused on power enterprises, structured financings, project finance and public private partnerships. Prior to joining JPMorgan, Will was a financial advisor on over \$15 billion in financings. He has worked closely with the Los Angeles Department of Water and Power, Metropolitan Water District, Southern California Public Power Authority, Northern California Power Agency, Anaheim Public Utilities, San Francisco Public Utilities Commission, CPS Energy, Sacramento Municipal Utility District, and the City of Redding, among others. Will graduated from UCLA with a BS in Cognitive Science and from UC Berkeley with an MBA.

5. Banking Services Proposal

Provide a proposal which details the costs, terms and conditions for providing the Banking services as outlined in the Scope of Services above in the RFP.

Please reference the Banking Services Proposal, sent under the same cover.

Please note that it is an independent proposal and not tied to the credit proposal.

Please note: While the Commercial Bank (see separate Banking Services response) cannot act as collateral agent – the Investment Bank (credit provider) does have the ability to act as collateral agent on collateral accounts.

6. Credit Proposal

Terms and Conditions for a Revolving Line of Credit Proposal

Borrower: Clean Energy Alliance (“CEA”), which currently includes the City of Solana Beach, the City of Del Mar, and the City of Carlsbad (together, the “Member Agencies”).

Facility Provider: JPMorgan Chase Bank, N.A. (“JPMorgan” or the “Bank”).

Facility: Revolving Line of Credit Agreement (the “Revolving Line” or the “Facility”) to be used for general corporate purposes of CEA including start-up costs and working capital (collectively referred to as the “Loans”) as well as to provide liquidity support and/or collateral support for energy procurement contracts. Under the Facility, CEA can request the Bank to issue Standby Letters of Credit (“LOCs”) for power contracts or post cash collateral for power contracts. Loan amounts repaid may be re-borrowed again prior to the maturity date of the Facility.

Closing Date: ~~TBD. On or around late June/ early July 2020.~~
On or around February 1, 2021.

Facility Amount: Up to \$15.0 million total commitment which will be made available under a ‘phase-in’ approach as requested by CEA, further detailed below:

- Up to \$10.0 million at financial closing split into two sublimits:
 - \$5.0 million immediately available for start-up and working capital costs, and
 - \$5.0 million to be made available (subject to credit approval) upon formal request to provide liquidity support either via Standby Letters of Credit or cash postings exclusively for power contracts.
- An additional \$5.0 million may be made available (subject to credit approval) upon launch to customers (on or around May 2021) for additional working capital or liquidity support for power purchase agreements.

Note: The Bank is also open to discussing other sizing amounts with CEA overtime should it end up adding additional members under the JPA.

Facility Term: The Facility will have a final maturity date that is either one (1), two (2), ~~or three (3)~~, four (4), or five (5) years from the Closing Date at CEA’s election (the “Maturity Date”). Loan amounts repaid may be re-borrowed again prior to the Maturity Date of the Facility.

Security: The Revolving Line will be a special limited obligation of CEA only and therefore nonrecourse to the (general fund of the) Member Agencies, or any other members of CEA. The Revolving Line will be secured by a net revenue pledge of CEA.

The Bank understands the CEA’s desire that any initial extension of credit prior to the estimated May 2021 launch will be unsecured until revenues are generated/collected. Our ability to meet this desired structure will require additional due diligence as set forth on Page 13-14.

The Revolving Line will be senior to the Member Agencies' or Calpine Subordinate Loan (the "Subordinate Loan") to CEA of \$450,000.

Upfront Fee: None.

Undrawn Fee: CEA agrees to pay to JPMorgan a nonrefundable undrawn fee (the "Undrawn Fee") during the period from and including the effective date of the Facility, to and including the Maturity Date or termination date of the Facility (calculated on the basis of a 360 day year and actual days elapsed) at a rate per annum equal to the Undrawn Fee (shown in the table below) on the Undrawn Facility Amount. The Undrawn Fee shall be payable quarterly in arrears and on the expiration date or termination date of the Facility.

| Facility Term | Undrawn Fee |
|-----------------------|---------------|
| One (1) Year | 1.750% |
| Two (2) Years | 1.850% |
| Three (3) Years | 1.950% |
| Four (4) Years | 2.050% |
| Five (5) Years | 2.150% |

For clarification – the Undrawn Fee will only be calculated on the undrawn portion of the initial up to \$5 million.

"Undrawn Facility Amount" means the Facility Amount minus the sum of (a) the aggregate amount of Loans and (b) the aggregate amount of Letters of Credit issued under the Facility and (c) the aggregate amount of LOC disbursements, if any.

Interest Rate on Loans:

Prior to the Maturity Date, subject to no Default or Event of Default having occurred or being then continuing and all representations and warranties of CEA then being true and correct, all Loans will accrue interest at a rate per annum equal to the one month or three month, at the election of CEA, ("Interest Period") LIBO Rate or a successor reference rate for the Interest Period, subject to availability, plus the Applicable Margin below.

In the event the LIBO Rate is unavailable for any reason, or if CEA so elects, the Loans will bear interest at the Base Rate plus the Applicable Margin set forth in the pricing grid below.

"LIBO Rate" means, for any Interest Period, the London interbank offered rate as administered by the ICE Benchmark Administration (or any other Person that takes over the administration of such rate) for U.S. Dollars for a period equal in length to such Interest Period as displayed on pages LIBOR01 or LIBOR02 of the Reuters screen that displays such rate (or, in the event such rate does not appear on the Reuters pages or screen, on any successor or substitute page on such screen that displays such rate, or on the appropriate page of such other information service that publishes such rate from time to time as selected by the Bank in its reasonable discretion) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for dollar deposits in the London interbank market with a maturity comparable to such Interest Period. Notwithstanding the foregoing, if the LIBO Rate shall be less than zero, the LIBO Rate used to calculate interest for the Loan(s) shall be zero. The LIBO Rate shall adjust upon the

expiration of each Interest Period. Libor floor to be discussed. Please note that the documentation will contain language regarding the phasing out of LIBOR.

“Base Rate” means, for any given day, the highest of: (i) the Prime Rate, (ii) the Federal Fund Effective Rate plus 0.5% p.a., or (iii) the LIBO Rate plus 1.0%. Notwithstanding the foregoing, the Base Rate shall not be less than zero, plus 0.5% p.a. and (iii) an Adjusted LIBO Rate plus 1.0% p.a.

Applicable Margin: The initial Applicable Margin shall correspond to the selected Facility Term of the Facility as listed below:

| Facility Term | Applicable Margin* |
|-----------------------|--------------------|
| One (1) Year | 3.250% |
| Two (2) Years | 3.300% |
| Three (3) Years | 3.350% |
| <u>Four (4) Years</u> | <u>3.400%</u> |
| <u>Five (5) Years</u> | <u>3.450%</u> |

Note: As of ~~April 24~~November 3, 2020 the 1-Month LIBO Rate is 0.~~44~~14% bps and the 3-Month LIBO Rate is 0.~~88~~22% bps.

Standby Letter of Credit Fees: CEA agrees to pay the Bank a Standby Letter of Credit (“Standby LOC”) Fee for any issued Standby LOCs (calculated on the basis of a 360 day year and actual days elapsed), at a rate per annum based on the applicable Standby LOC term listed below. The Standby LOC Fee shall be payable quarterly in arrears and on the expiration or termination date of the representative Standby LOC.

The Standby LOC Fee for any issued LOCs will replace the all-in drawn interest rate under the Facility and not be an additional charge.

| Facility Term | Standby LOC Fee |
|-----------------------|-----------------|
| One (1) Year | 3.250% |
| Two (2) Years | 3.300% |
| Three (3) Years | 3.350% |
| <u>Four (4) Years</u> | <u>3.400%</u> |
| <u>Five (5) Years</u> | <u>3.450%</u> |

Standby Letters of Credit Issuance Fees: \$500 per issuance of a Standby Letter of Credit.

Standby LOC Disbursements: If the Bank makes a Standby LOC disbursement (a “LOC Disbursement”) with respect to a Standby LOC, CEA shall reimburse such LOC disbursement immediately on the date such LOC disbursement is made. If the Borrower fails to reimburse the Bank on such disbursement date, the unreimbursed amount shall convert to a LOC Reimbursement Loan, shall bear interest at the applicable rate for Loans, and be due and payable the earlier of the selected Facility Term and the Maturity Date, provided that no Default or Event of Default shall have occurred.

Pricing Grid: None.

Borrowing CEA must provide written notice at least three (3) business days prior

| | |
|---|--|
| Notice: | to a LIBO Advance. |
| Repayment of Loans: | Loans shall be due and payable in full, together with all accrued interest thereon, on the Maturity Date of the Facility. |
| Prepayment Penalty: | None, with respect to Loans if paid on an interest payment date. Standard LIBO Rate breakage provisions would apply to prepayments made on a date other than the last day of any LIBO Rate interest period. |
| Default Rate: | If at any time an Event of Default shall have occurred and be continuing under the Facility, any outstanding LIBO Rate Loans or Standby LOCs shall immediately bear interest at the Default Rate. The Default Rate will be calculated at a rate per annum equal to the applicable LIBO Rate, plus the Applicable Margin, plus 3% in the case of a LIBO Rate Loan or the Standby LOC Fee plus 3%. Interest accruing at the Default Rate shall be payable on demand. |
| Termination/Reduction Fee: | Should CEA select a two (2), or three (3) , <u>four (4), or five (5)</u> year facility, in the event CEA elects to terminate the Facility or otherwise permanently reduce the principal amount of the Facility prior to the date that would be the one (1) year anniversary from the Closing Date, CEA will be required to pay JPMorgan a termination or reduction fee equal to the Undrawn Fee which would have accrued on the full Facility Amount, or in the case of a reduction, the amount being permanently reduced, from the date of termination or reduction through the maturity date. All fees and any other amounts owed to the Bank will be due and payable on or prior to the effectiveness of any such termination or reduction, as applicable. |
| Calculation and Payment of Interest: | <p>All interest on Loans (calculated by reference to the LIBO Rate) shall be calculated on the basis of a year of 360-days and the actual number of days elapsed and will be payable at the end of each LIBO Rate interest period and upon repayment of such Advance.</p> <p>Loans bearing interest with reference to the Base Rate will be calculated on the basis of the actual number of days elapsed in a 365- or 366-day year, and shall be payable monthly in arrears and upon repayment of such Loan (whether at scheduled maturity or otherwise).</p> |
| Clawback Amounts: | JPMorgan will require the inclusion of a customary clawback provision as protection against the possibility of the interest rate payable on Loans and exceeding the maximum legal rate payable by CEA. Upon termination of the Facility, CEA shall pay to the Bank a fee equal to the amount of all unpaid deferred excess interest. |
| Extension of Maturity Date / Renewal Provisions: | A renewal request may be made in writing no more than 120 days prior to the then current Maturity Date. A written response will be delivered by the Bank within 30 days of receipt of such request. All renewals will be at the sole and absolute discretion of JPMorgan. A failure of JPMorgan to respond to a request for renewal will constitute a denial of such request. |
| Conditions Precedent to each Loan / Standby LOC: | Timely delivery of duly completed request for Loans/Standby LOCs, the aggregate outstanding principal amount of the Loans/Standby LOCs will not exceed the amount of the unutilized commitment, no event of default has occurred and is continuing, and the continued |

accuracy of all representations and warranties in the revolving credit agreement as of the date of the borrowing.

Additional Due Diligence Requirements / Conditions Precedent to Closing of the Facility:

Given the long lead time between the expected financial closing of the Facility and May 2021 launch to customers and the request to provide financing on an unsecured basis during that timeframe, the Bank will need to perform additional diligence as detailed below outside of its customary and usual items which will include the following:

- due diligence call related to the impacts of COVID-19;
- satisfactory review of a final implementation timeline and implementation budget (including startup costs, resource adequacy requirements, etc.);
- receipt/satisfactory review of a near final draw-down schedule for the implementation budget;
- in-person or virtual meeting with CEA and the Member Agencies to discuss its commitment to moving forward with launching CEA in FY2021 and any major risks that could lead the CEA and the Member Agencies to terminate the program pre-launch to customers;
- CEA shall have adopted operating rules and regulations satisfactory to the Bank;
- evidence that CEA shall have established policies around the funding of an operating reserve;
- CEA shall have delivered to the Bank copies of any executed Power Purchase Agreements;
- evidence that the Bank has a security interest in the net revenues, after payments to power providers and O&M payments;
- completion of satisfactory legal documentation,
- delivery of satisfactory opinions of counsel which will include counsel to CEA; and
- Board approval of the Facility and definitive documents.

Documentation:

Documentation will include inter alia, a Revolving Line of Credit Agreement (the "Agreement") between JPMorgan and CEA. The Agreement will include, but not be limited to, the terms and conditions outlined herein as well as JPMorgan's standard provisions with respect to representations and warranties, covenants, events of default, remedies, indemnification (gross negligence standard), OFAC, anti-terrorism and anti-corruption, exculpation waiver of jury trial/reference, and full protection against increased costs and changes in capital adequacy requirements (including, without limitation, in connection with the Dodd Frank Act and Basel III).

Covenants:

CEA will be required to comply with the following covenants:

- CEA shall establish an operating reserve sized at a minimum of 90 days of operating costs which will be funded on a TBD schedule overtime (to be further discussed upon finalizing the pro-forma model),
- CEA shall set rates to pay, to the extent not paid from other available monies, any and all amounts CEA is obligated to pay or set aside from revenues by law or contract—cover operating and debt service costs,
- CEA shall be required to maintain a minimum Debt Service

Coverage Ratio of 1.40x, tested quarterly on a rolling last twelve months basis of which such covenant may be waived at any time by the Bank,

- CEA may not issue any new during the term of the Facility other than an upsize of this Facility as referenced in “Facility Amount” above and/or any additional increments above the total Facility Amount to be approved by the Bank debt or other than the Member Agency Subordinate Loans.

“Debt Service Coverage Ratio” or “DSCR” shall be defined as the ratio of (a) Net Revenues divided by (b) total Debt Service (including interest and fees on Loans/LOC issuances as well as a five (5) amortization timeframe for any Loans or LOC Reimbursement Loan). “Net Revenues” shall be defined as gross revenues less operating expenses.

As discussed with CEA on November 3, 2020, JPMorgan is open to discussions about a carve out for a rate subsidy program.

Financial Reporting:

In addition to the delivery of annual audited financial statements, the Bank will require delivery of the following:

Quarterly Unaudited Financial Statements: CEA will covenant to provide quarterly unaudited financial statements prepared by management within 60 days of the end of the first three (3) fiscal quarters of each year.

Monthly Unaudited Operating Report: CEA will covenant to provide monthly operating information within 45 days of the end of the month which will include customer enrollments, opt-outs and total revenues.

Annual Budget: CEA will covenant to provide its annual operating budget for the upcoming fiscal year within 45 days of its adoption but in no event later than the start of the fiscal year.

Legal Fees:

Nathan Odem, Partner, from Chapman and Cutler LLP will serve as bank counsel. Legal fees are estimated at \$50,000. His contact information is below.

Chapman and Cutler LLP
111 West Monroe Street
Chicago, IL 60603

Nathan Odem, Partner
Telephone: (312) 845-3782
Facsimile: (312) 516-1982
Email: naodem@chapman.com

Governing Law:

This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of California; provided, however, that the obligations of the Bank under the Agreement shall be governed by the laws of the State of New York.

Credit Approval:

JPMorgan has received preliminary credit approval to provide the Facility. Notwithstanding the foregoing, please note that this proposal is subject to normal due diligence, final credit approval, satisfactory documentation and agreement on structure, terms, and conditions, and is not a commitment at this time. Nothing expressed or implied herein constitutes any commitment of JPMorgan, or any of its affiliates, to lend or provide any other financial services in connection

with the transaction; such obligations would arise only under separate written agreement(s) mutually acceptable to CEA and JPMorgan.

If JPMorgan is mandated to provide the Facility, we will seek final credit approval promptly within ten (10) business days of receipt of all necessary information. We expect to close within 4-5 weeks from formal mandate.

Proposal Expiry:

~~May 21, 2020~~November 19, 2020, if not accepted by CEA by this date. Any extensions of this date shall be at the sole and absolute discretion of JPMorgan.

7. References

San Francisco Public Utilities Commission, CleanPowerSF

Richard Morales, Debt Manager
525 Golden Gate Avenue
San Francisco, CA 94102
Phone: (415) 551-2973
Email: rmorales@sfgwater.org

Marin Clean Energy

Vicken Kasarjian, Chief Operating Officer
1125 Tamalpais Avenue
San Rafael, CA 94901
Phone: (415) 464-6659
Email: vkasarjian@mceCleanEnergy.org