CLEAN ENERGY ALLIANCE **AGENDA**

Board of Directors Special Meeting Agenda (Revised 12/16/21)
December 17, 2021, 2:00 p.m.
Virtual Meeting

Pursuant to Government Code Section 54953(3) (Assembly Bill 361), and in the interest of public health and safety, Clean Energy Alliance (CEA) is temporarily taking actions to prevent and mitigate the effects of the COVID-19 pandemic by holding CEA 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 CEA Joint Powers Authority Board of Directors.

Members of the public can watch the meeting live through the You Tube Live Stream Link at:
https://thecleanenergyalliance.org/agendas-minutes/
or
https://www.youtube.com/channel/UCGXJILzlTUJOCZwVGpYoC8Q
This is a view-only live stream. If the You Tube live stream experiences difficulties members of the public should access the meeting via the Zoom link below.

Members of the public can observe and participate in the meeting via Zoom by clicking:
https://us06web.zoom.us/j/81376410530
or telephonically by dialing:
(253) 215-8782
Meeting ID: 813 7641 0530

Members of the public can provide public comment in writing or orally as follows:

Written Comments: If you are unable to connect by Zoom or phone and you wish to make a comment, you may submit written comments prior to and during the meeting via email to: Secretary@thecleanenergyalliance.org. Written comments received up to an hour prior to the commencement of the meeting will be announced at the meeting and become part of the meeting record. Public comments received in writing will not be read aloud at the meeting.

Oral Comments: You can participate in the meeting by providing oral comments either: (1) online by using the raise hand function and speaking when called upon or (2) using your telephone by pressing *9 to raise your hand and speaking when called upon.

If you are an individual with a disability and need a reasonable modification or accommodation pursuant to the Americans with Disabilities Act ("ADA"), please contact Secretary@thecleanenergyalliance.org prior to the meeting for assistance.

CALL TO ORDER

ROLL CALL

FLAG SALUTE

OATH OF OFFICE – CITY OF ESCONDIDO BOARD MEMBER AND ALTERNATE BOARD MEMBER

BOARD COMMENTS & ANNOUNCEMENTS

PRESENTATIONS

1) Fiscal Year 2020/2021 Annual Comprehensive Financial Report Presentation – Ryan Domino, Sr. Manager, Lance, Sol & Lunghard, LLP

2) Update from Community Advisory Committee Chair

PUBLIC COMMENT

Consent Calendar

Item 1: **Reconsideration of the Circumstances of the COVID-19 State of Emergency to Determine Whether the Legislative Bodies of Clean Energy Alliance will Continue to Hold Meetings Via Teleconferencing and Making Findings Pursuant to Government Code Section 54943(e)**

RECOMMENDATION
To continue meetings by teleconferencing pursuant to Government Code Section 54943(e), finding that: (1) the Board has reconsidered the circumstances of the state of emergency created by the COVID-19 pandemic; and (2) the state of emergency continues to directly impact the ability of the members to meet safely in person.

Item 2: **Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2021**

RECOMMENDATION
Receive and file Clean Energy Alliance's (CEA) Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2021.

New Business

Item 3: **Adopt Resolution 2021-015 Authorizing the City of San Marcos to Become a Party to the Joint Powers Agreement and a Member of the Clean Energy Alliance and find that**

the addition of the City of San Marcos to the Clean Energy Alliance is exempt pursuant to 14 Cal. Code Regs. § 15378(b)(5) from the requirements of the California Environmental Quality Act

RECOMMENDATION
1) Adopt Resolution No. 2021-015 authorizing the City of San Marcos to Become a party to the Joint Powers Agreement and a member of the Clean Energy Alliance.
2) Find that the addition of the City of San Marcos to the Clean Energy Alliance is exempt from the requirements of the California Environmental Quality Act ("CEQA"), as it involves organizational and administrative activities of government that will not in direct or indirect physical changes on the environment, and therefore is not considered a "project". (14 CAL. Code Regs § 15378(b)(5)).

Item 4: **Receive Update on Proposed Changes to San Diego Gas & Electric Net Energy Metering Tariffs and Consideration of Sending a Letter Commenting on the Proposed Changes**

RECOMMENDATION
Direct staff to draft a letter for Board Chair signature commenting on the California Public Utilities Commission proposed changes to the San Diego Gas & Electric Net Energy Metering Tariffs, to be delivered to Governor Newsom and California Public Utilities Commissioners.

BOARD MEMBER REQUESTS FOR FUTURE AGENDA ITEMS

ADJOURN

NEXT MEETING: Regular Board Meeting December 30, 2021, 2:00 p.m., hosted by City of Solana Beach, Virtual

CLEAN ENERGY ALLIANCE

Staff Report

DATE: December 17, 2021

TO: Clean Energy Alliance Board of Directors

FROM: Barbara Boswell, Chief Executive Officer

ITEM 1: Reconsideration of the circumstances of the COVID-19 state of emergency to determine whether the legislative bodies of Clean Energy Alliance will continue to hold meetings via teleconferencing and making findings pursuant to Government Code Section 54953(e)

RECOMMENDATION

To continue meetings by teleconferencing pursuant to Government Code Section 54953(e), find that: (1) the Board has reconsidered the circumstances of the state of emergency created by the COVID-19 pandemic; and (2) the state of emergency continues to directly impact the ability of the members to meet safely in person.

BACKGROUND AND DISCUSSION

On September 16, 2021, Governor Newsom signed AB 361 amending the Brown Act to allow local agencies to meet remotely during declared emergencies under certain conditions. AB 361 authorizes local agencies to continue meeting remotely without following the Brown Act's standard teleconferencing provisions, including the requirement that meetings be conducted in physical locations, under specified conditions. Namely, the meeting is held during a state of emergency proclaimed by the Governor and either of the following applies: (1) state or local officials have imposed or recommended measures to promote social distancing; or (2) the agency has already determined or is determining whether, as a result of the emergency, meeting in person would present imminent risks to the health or safety of attendees.

The Board of Directors and CEA's other legislative bodies have met using teleconferencing throughout the COVID-19 pandemic to protect the health and safety of the public and staff. On October 28, 2021, the Board of Directors determined that the factual circumstances exist for CEA to continue to hold meetings pursuant to AB 361. Specifically, on March 4, 2020, Governor Newsom declared a State of Emergency in response to the COVID-19 pandemic (the "Emergency"). The Emergency continues to exist. In addition, the Centers for Disease Control and Prevention continue to advise that COVID-19 spreads more easily indoors than outdoors and that people are more likely to be exposed to COVID-19 when they are closer than six feet apart from others for longer periods of time. Based on this advice and as a result of the Emergency, the Board determined that meeting in person presents imminent risks to the health or safety of attendees.

To continue meeting remotely pursuant to AB 361, an agency must make periodic findings that: (1) the body has reconsidered the circumstances of the declared emergency; and (2) the emergency impacts the ability of the body's members to meet safely in person, or state or local officials continue to impose or recommend measures to promote social distancing. These findings should be made not later than 30 days after teleconferencing for the first time pursuant to AB 361, and every 30 days thereafter.

Due to the ongoing Emergency, the need to promote social distancing to reduce the likelihood of exposure to COVID-19, and the imminent risks to the health or safety of meeting attendees, staff recommends that the legislative bodies of CEA hold public meetings via teleconferencing pursuant to Government Code Section 54953(e) and make the requisite findings to continue to do so.

Recommendation: To continue meetings by teleconferencing pursuant to Government Code Section 54953(e), find that: (1) the Board has reconsidered the circumstances of the state of emergency created by the COVID-19 pandemic; and (2) the state of emergency continues to directly impact the ability of the members to meet safely in person.

FISCAL IMPACT

There is no fiscal impact by this action.

ATTACHMENTS

None.

CLEAN ENERGY ALLIANCE

Staff Report

DATE:	December 17, 2021
TO:	Clean Energy Alliance Board of Directors
FROM:	Marie Marron Berkuti, Interim Treasurer
ITEM 2:	Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2021

RECOMMENDATION:

Receive and File Clean Energy Alliance's (CEA) Annual Comprehensive Financial Report (Attachment A) for the Fiscal Year Ended June 30, 2021.

BACKGROUND AND DISCUSSION:

The CEA's annual audit for the period July 1 ,2020, through June 30, 2021, has been completed.

Lance, Soll & Lunghard, LLC (LSL) has audited CEA's financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of CEA for the fiscal year ended June 30, 2021, are free of material misstatement. As part of CEA's annual audit, reviews are made to determine the adequacy of the internal control structure as well as to determine that CEA has complied with applicable laws and regulations. The Statement of Auditing Standards (SAS) No. 115, Communication of Internal Control Related Matters Identified in an Audit (Attachment B), received from the auditor's states that there were no material instances of noncompliance, no material weaknesses in internal controls, and no reportable conditions. The independent auditor concluded there was a basis for rendering an unmodified opinion and CEA's financial statements are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP). The independent auditor's report is presented as the first component of the financial section of this Report.

FISCAL IMPACT

There is no fiscal impact associated with these items.

ATTACHMENTS:

Attachment A - Clean Energy Alliance Annual Comprehensive Financial Report for the Fiscal Year ended June 30, 2021

Attachment B - The Statement of Auditing Standards No. 115, Communication of Internal Control Related Matters Identified in an Audit

ATTACHMENT A

CLEAN ENERGY ALLIANCE

CARLSBAD, CALIFORNIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Prepared by the Interim Treasurer/Chief Financial Officer

CLEAN ENERGY ALLIANCE

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

TABLE OF CONTENTS

INTRODUCTORY SECTION

December 9, 2021

To the Clean Energy Alliance Board of Directors (Board) and Residents/Businesses within CEA territory:

We are pleased to submit the Annual Comprehensive Financial Report (Report) of Clean Energy Alliance (CEA) for the fiscal year ended June 30, 2021.

The Interim Treasurer/Chief Financial Officer prepared the data in this Report. Lance, Soll & Lunghard, LLP (LSL) independently audited the financial statements and related notes. Nonetheless, CEA bears the responsibility for the accuracy of all data presented in this Report. We, CEA's Chief Executive Officer and Interim Treasurer/Chief Financial Officer, assume the responsibility for the Report's completeness and fairness of presentation including all disclosures. We affirm that, to the best of our knowledge and belief, information in the Report provides an accurate and fair representation of CEA's financial position and the status of its operations during the fiscal year ended June 30, 2021. We believe that this Report contains all information and disclosures needed to clearly understand CEA's Fiscal Year 2021 financial activities.

LSL has issued an unmodified opinion on CEA's financial statements for the fiscal year ended June 30, 2021. The independent auditors' report is located at the front of the financial section of this Report.

Management's discussion and analysis immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. CEA's management's discussion and analysis complements this letter of transmittal and should be read in conjunction with it.

BACKGROUND

California Assembly Bill 117 allows local governments to form Community Choice Aggregations (CCAs), which are also referred to as Community Choice Energy (CCE) programs, that offer an alternative electric power option to constituents currently served electric power by investor owned utilities (IOUs). Under the CCE model, local governments purchase and manage their community's electric power supply by sourcing power from a preferred mix of traditional and renewable generation sources, while the incumbent IOU continues to provide distribution service. CCEs face the same requirements for renewable energy purchases as the incumbent IOUs and public utilities; however, many CCE programs can offer power content that has a greater share of renewable energy compared with the incumbent utility and at lower retail rates.

1200 Carlsbad Village Drive | Carlsbad, CA 92008 | 760-434-2808
thecleanenergyalliance.org

Marin County was the first to create a California CCE utility in 2008. Today there are 24 CCE programs operating throughout California. In San Diego County, Solana Beach began using this model in 2018 with Solana Energy Alliance (SEA), and other cities are currently exploring CCE formations. The cities of Chula Vista, Encinitas, Imperial Beach, La Mesa, and San Diego formed a CCE named San Diego Community Power (SDCP). The IOU for both CEA and SDCP is San Diego Gas and Electric (SDG&E).

GOVERNMENT PROFILE

A feasibly study was completed in April 2019 that evaluated the financial feasibility of a potential CCE, and based on this study, the cities of Carlsbad, Del Mar, and Solana Beach partnered in November 2019 to form CEA. CEA is organized under the Joint Powers Act (California Government Code 6500 et seq). By law, as a joint powers authority (JPA), CEA is a separate legal entity from its member agencies. Its budget is separate from the member cities' general funds. In addition, CEA is funded by program revenues and reserves.

Senate Bill 350, adopted in 2015, mandates a reduction in greenhouse gas emissions to 40 percent below 1990 levels by 2030 and to 80 percent below 1990 levels by 2050. In 2018, the State Legislature adopted SB 100, which directs the Renewable Portfolio Standard to be increased to 60% renewable by 2030 and establishes a policy for eligible renewable energy resources and zero-carbon resources to supply 100 percent of electricity retail sales to California end-use customers by 2045. Each city has adopted a Climate Action Plan to help the city meet the state goals for reducing greenhouse gasses and a CCA is expected to help the cities meet those goals.

Among other goals, the agreement seeks to meet the following objectives:

- Default energy product from a minimum 50% renewable sources, increasing to 100% renewable by 2035.
- Voluntary 100% renewable energy service at a premium above the default service rate.
- Default rates that are set to provide a minimum target of 2% discount below San Diego Gas & Electric (SDG&E) comparable service offerings.

Each member city has equal voting power and JPA board meetings are held monthly, rotating between the cities of Carlsbad, Del Mar and Solana Beach. CEA is operated under the direction of a Chief Executive Officer (CEO) appointed by the Board, with legal and regulatory support provided by a Board-appointed General Counsel. In the future, CEA's service area may expand to include additional regional agencies.

There are approximately 58,000 eligible customer accounts within CEA's boundaries as shown in the table below:

Residential	50,400
Commercial & Agriculture	8,300
Street Lighting & Traffic	200
	58,900

BUDGETARY PROCESS AND CONTROLS

An annual budget is adopted by the Board before the fiscal year begins and can be amended during the fiscal year by the Board as needed. All expenditures are made in accordance with the approved budget.

While CEA's year of operations reported a deficit net position of $2,707,414, as explained in Note 2 to the financial statements, the reason for the deficit is that CEA has not yet established a revenue stream selling energy to customers that has exceeded operating expenses associated with startup costs. In the fiscal year ended June 30, 2021, these startup costs were funded by a short-term line of credit with JPMorgan Chase of $5 million. From a budgetary comparison, the budget to actual variance was a net positive variance of $1,301,772 as shown in the schedule on the following page.

CLEAN ENERGY ALLIANCE
BUDGETARY COMPARISON SCHEDULE
For the twelve months ended June 30, 2021

	BUDGET	ACTUALS	VARIANCE
Operating Revenues			
Energy Sales	**$ 8,000,000**	**$ 7,309,663**	**$ 690,337**
Operating Expenses			
Power Supply	8,000,000	8,388,484	(388,484)
Professional Services			
Legal	320,000	414,633	(94,633)
Technical/Power Consultant	198,200	265,902	(67,702)
Data Manager	105,400	119,193	(13,793)
Forecasting and Scheduling	24,800	24,800	-
Marketing	102,238	101,440	798
SDG&E Service Fees & Deposit	83,800	17,118	66,682
Other	9,562	24,851	(15,289)
Total Professional Services	844,000	967,937	(123,937)
General and Administrative	329,500	300,376	29,124
Total Operating Expenses	**9,173,500**	**9,656,797**	**(483,297)**
Operating (Loss)	**(1,173,500)**	**(2,347,134)**	**1,173,634**
Nonoperating Expenses			
Interest Expense	(10,000)	(81,596)	71,596
Other Sources and Uses			
Sources			
JPMorgan Revolving Credit Agreement	5,000,000	5,000,000	-
Calpine Promissory Note	650,000	-	650,000
Total Sources	5,650,000	5,000,000	650,000
Uses			
CCA Bond(Financial Security Reqmt-FSR)	47,000	147,000	(100,000)
CAISO Deposit	500,000	500,000	-
Lock Box Reserves/Cash Flow	2,500,000	-	2,500,000
Calpine Promissory Note Repayment	650,000	-	650,000
Collateral Deposits-SDG&E	585,000	585,000	-
Financial Security Requirement	147,000	-	147,000
Total Uses	4,429,000	1,232,000	3,197,000
Total Sources and Uses	1,221,000	3,768,000	(2,547,000)
Net Increase (Decrease) in Available Fund Balance	$ 37,500	$ 1,339,270	$ (1,301,770)

INTERNAL CONTROLS

The management of CEA is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of CEA are protected from loss, theft, or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the costs of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. The internal control structure is subject to periodic evaluation by the management of CEA.

ANNUAL AUDIT

LSL has audited CEA's financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of CEA for the fiscal year ended June 30, 2021, are free of material misstatement. As part of CEA's annual audit, reviews are made to determine the adequacy of the internal control structure as well as to determine that CEA has complied with applicable laws and regulations.

The results of CEA's annual audit for the fiscal year ended June 30, 2021, provided no instances of material weaknesses in the internal control structure and no violations of applicable laws and regulations. The independent auditor concluded there was a basis for rendering an unmodified opinion and CEA's financial statements are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this Report.

ADMINISTRATIVE AND OPERATIONAL POLICIES

The policies listed below were approved by the end of the fiscal year and are based on government code or regulatory requirements and best practices of successfully operational CCAs:

- Unsolicited Proposal Policy
- Non-Energy Procurement Policy
- Inclusive and Sustainable Workforce Policy
- Financial Reserve Policy
- 2020 Legislative and Regulatory Platform
- Records Retention Schedule
- Bid Evaluation Criteria Policy
- Energy Risk Management Policy
- Social Media Policy
- Debt Management Policy
- Conflict of Interest Code
- Renewable Energy Self-Generation Bill Credit Transfer Program Policy
- New Member Addition Policy

IMPLEMENTATION TIMELINE AND LAUNCH

To meet the goal of a May 2021 launch, pertinent action items needed to be completed by the end of the fiscal year. These tasks were tracked on a timeline to ensure they were being completed on time and in compliance with regulatory requirements. The action items were grouped into four general categories:

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

Board Actions and Activity tasks included actions specific to the operations of CEA, such as adoption of policies and procedures, approving line of credit to cover startup costs, and rate setting. Staff and Consultant activities included tasks related to systems testing with SDG&E, establishing a call center with scripting, interactive voice response systems, and customer enrollment notices. Marketing and Customer Outreach included various communication mechanisms including the required noticing of new customers. CCA launch activities were steps taken to begin CEA's enrollment of customers and providing electrical service to the.

By the end of the fiscal year, all actions listed on the timeline were successfully completed as shown in the schedule below:

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
09/01/20	Marketing/Customer Outreach Plan Development & Kickoff	Complete						
	Marketing Strategic Plan	Complete						
	Logo Design	Complete						
	Website Refresh	Complete						
09/17/20	Bid Evaluation and Criteria Scoring System	Complete						
09/17/20	Award Scheduling Coordinator Services	Complete						
11/19/20	Introduce/Adopt Energy Risk Management Policy	Complete						
10/15/20	Records Retention Policy	Complete						
	System Testing with SDG&E	Complete						
01/21/21	Credit Solution	Complete						
01/21/21	CEA Default Products/programs/renewable energy policies	Complete						
02/01/21	Create Customer Pre- and Post-Enrollment Notices	Complete						
01/21/21	Social Media Policy	Complete						
01/21/21	Debt Issuance Policy	Complete						
02/01/21	Set up Call Center/Scripting/IVR Recordings	Complete						
02/18/21	Rate Setting	Complete						
02/18/21	Investment Policy	Complete						
	Energy Supply Procurement - Short Term Renewable & Conventional	Complete						
03/01/21	Customer Noticing	Complete						
05/01/21	Launch- 2 phases May & June 2021	Complete						

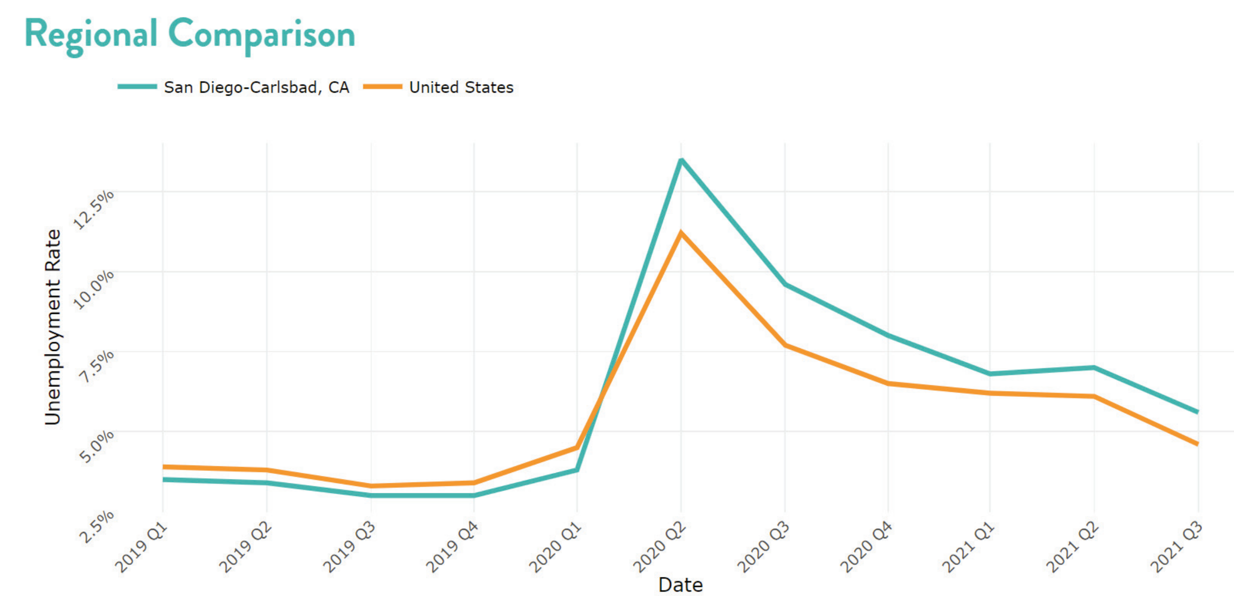
Key:
- Board Actions/Activity
- Staff/Consultant Activity
- Marketing/Customer Outreach
- CCA Launch

CEA began enrolling customers in May 2021 and completed the mass enrollment of its customers in June 2021.

LOCAL ECONOMY

The San Diego economy is rebounding after the effects of the COVID-19 pandemic that began in March 2019 but there are areas of concern.

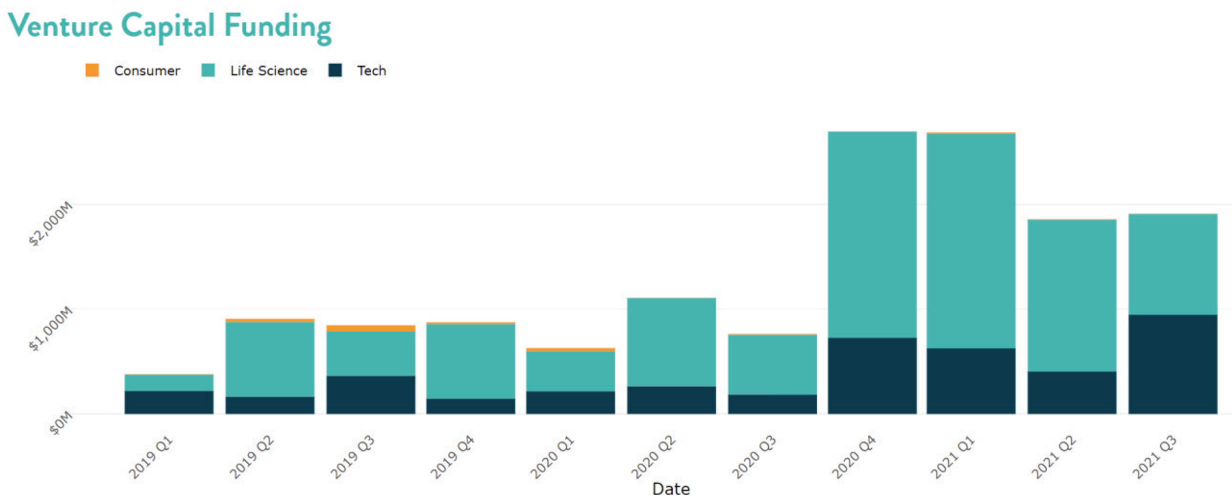
The local unemployment rate has come down from a high of 13.5% in the 2nd quarter 2020 to 5.6% in the 3rd quarter 2021 though the employment rates were still higher than the national figures at 11.2% and 4.6% for the 2nd quarter 2020 and 3rd quarter 2021, respectively, as illustrated in the following graph:



Source: San Diego Regional Economic Development Corporation

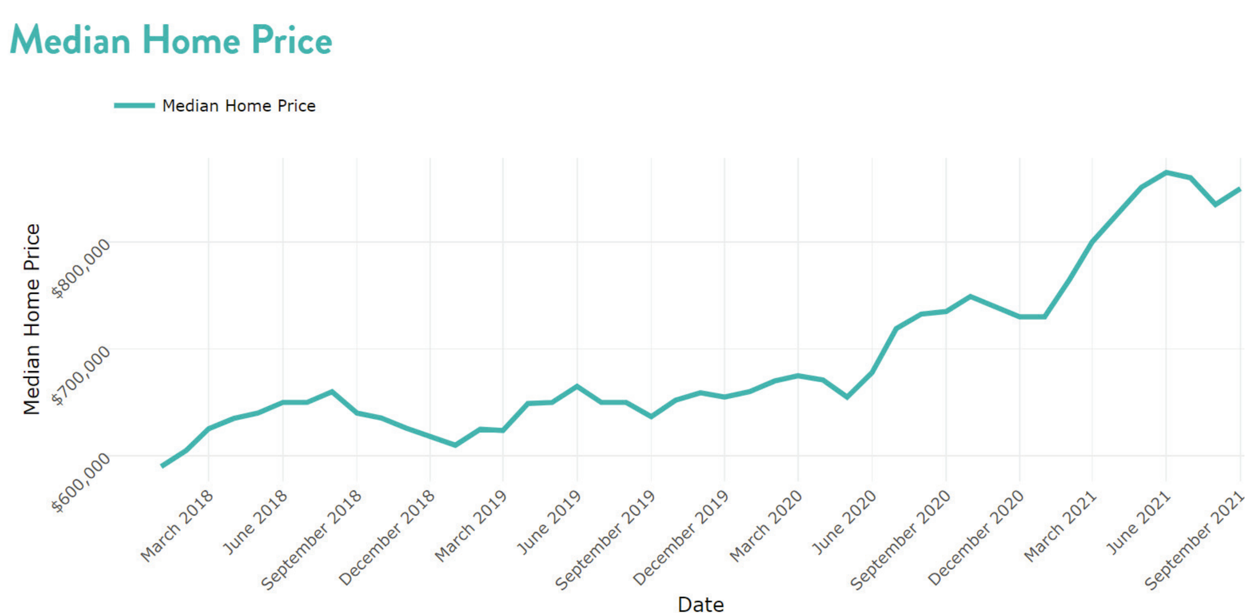
Total nonfarm employment increased by 6,200 during the 3rd quarter 2021 and is up 51,300 compared to a year ago, however, gains are not consistent across all industries. The sector with the largest increase in jobs was Leisure and Hospitality with 7,900 jobs as hotels and restaurants expanded their availability to the general public. Another industry with a positive outlook on hiring was Professional and Business with 3,200 jobs being added to the local economy.

A factor driving local hiring in some sectors was the infusion of venture capital financing into life sciences and technology companies. In the 3rd quarter 2021, San Diego companies attracted $1.9 billion, an increase of $52 million compared to the 2nd quarter 2021, and $1.1 billion more than the same quarter last year. Life sciences companies attracted almost $1 billion via 23 agreements and twenty technology companies brought in more than $940 million. An illustration of the increase in venture capital financing in the region can be seen in the graph on the following page:



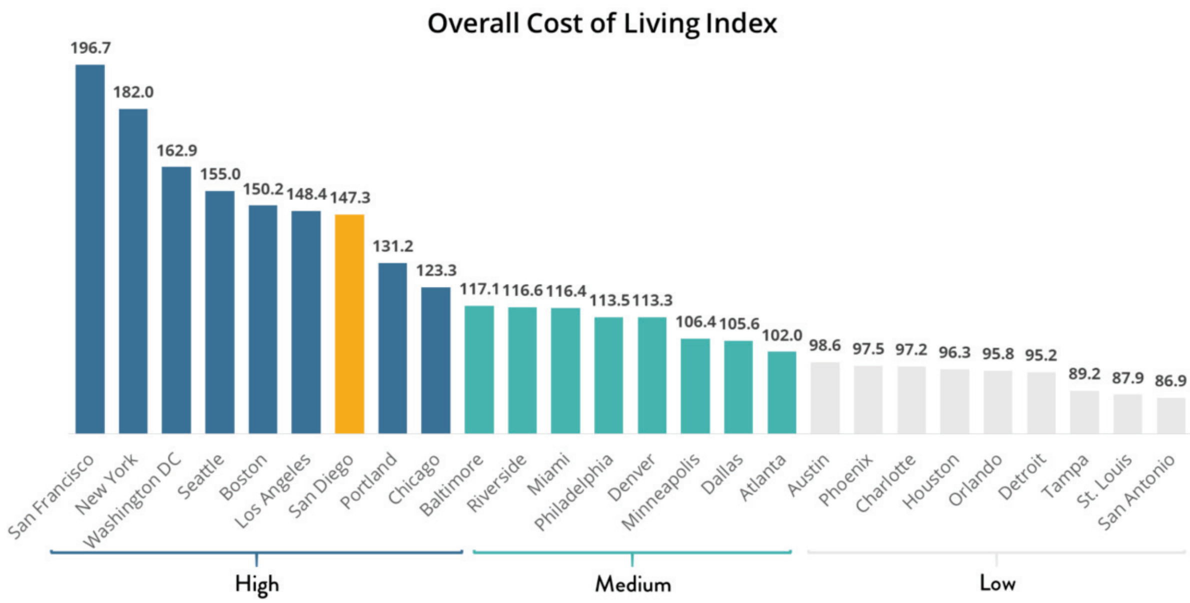
Historically low mortgage rates, and a lack of housing inventory on the market, have driven housing prices in the San Diego to increase over the last two years at rates that are close to the highest in the nation. In September 2019, the medium home price in the region was $636,750, and twelve months later, it had increased to $735,000 or by 15%. By September 2021, another 15% increase raised the medium home price by $115,000 to $850,000. These historically high annual increases do not appear to dissuade prospective home buyers. Through the past summer, over 45% of available homes in the area were selling above list price. It is not just the low inventory that is pushing up the cost of buying a house. The construction of new housing units is low and it is uncertain if construction figures will improve.

The dramatic rise of median home prices in San Diego is illustrated in the following graph:



Source: San Diego Regional Economic Development Corporation

San Diego has the fifth highest medium home price in the nation which is a main contributor to the region having the seventh highest overall cost of living as shown in the graph below:



Source: San Diego Regional Economic Development Corporation

These statistics, along with other economic factors such as a lack of transportation options and long commute times, and a shortage of childcare, is creating an affordability gap in the region. Local economists are concerned that this affordability gap may act as a barrier for attracting new talent and businesses to the region and impact the area's economic competitiveness.

FUTURE GOALS AND PLANS

Expansion of CEA

Interest in joining CEA continues to be high, with the City of Escondido City Council considering membership at its October 27 meeting, the City of San Marcos discussing joining CEA at a workshop on November 3, both looking at a 2023 CCE implementation. The City of Vista is considering joining CEA with a potential 2024 CCE implementation. At its October 19 meeting, the City of San Clemente City Council selected CEA as the option to bring community choice energy to their community, which would also be a 2024 launch.

On October 27, 2021, the City of Escondido voted to partner with CEA to bring community choice energy to their city's residents and local businesses. The CEA Board authorized the City of Escondido to join CEA at its November 18, 2021, special Board meeting. Similarly, on November 9, 2021, the City of San Marcos adopted a resolution to join CEA and the Board will consider authorizing the addition of the City of San Marcos to join CEA at its December 17, 2021 special meeting. The addition of the two cities to CEA will require CEA to develop and submit an Amendment Implementation Plan to the California Public Utilities Commission by January 1, 2022, for a 2023 CCE implementation. Both programs are expected to launch in Escondido in Spring 2023.

CEA may recruit additional North County cities in the near future. This process is already underway, as two other cities in North San Diego County—Oceanside and Vista—are considering joining CEA and launching programs in 2024. Additionally, the City of San Clemente has expressed interest in joining CEA, with a potential launch in 2024.

Acknowledgments

We would like to thank the Board of Directors for their continued support for maintaining the highest standards of professionalism in the management CEA's finances and acknowledge the professional work and advice of Lance, Soll & Lunghard, LLP.

Respectfully submitted,

Barbara Boswell
Chief Executive Officer

Respectfully submitted,

Marie Marron Berkuti
Interim Treasurer/Chief Financial Officer

CLEAN ENERGY ALLIANCE

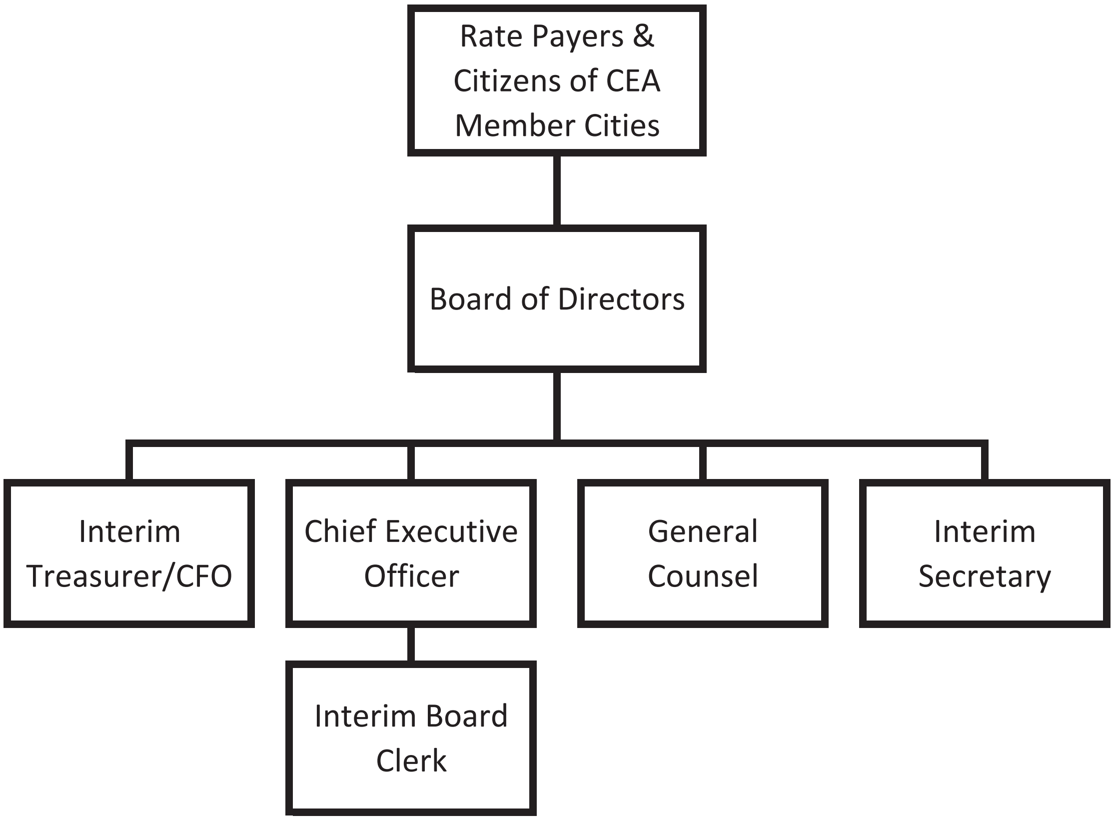
Members and officers of the Board of Directors on June 30, 2021

Member Agency	Representative	Alternate
City of Carlsbad	Priya Bhat-Patel - Vice Chair Council Member	Teresa Acosta Council Member
City of Del Mar	Dave Druker Council Member	Dwight Worden Council Member
City of Solana Beach	Kristi Becker - Chair Deputy Mayor	David A. Zito Council Member

CEA Staff

Barbara Boswell – Chief Executive Officer
Gregory W. Stepanicich – General Counsel
Marie Marron Berkuti – Interim Treasurer/Chief Financial Officer
Sheila Cobian – Interim Board Secretary
Susan Caputo – Interim Board Clerk

CLEAN ENERGY ALLIANCE
ORGANIZATION CHART



FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Clean Energy Alliance
Carlsbad, California

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of Clean Energy Alliance (CEA) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise CEA's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CEA as of June 30, 2021, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the date of the financial statements.

Lance, Soll & Lunghard, LLP | 203 N. Brea Blvd., Suite 203 | Brea, CA 92821 | Phone: 714.672.0022

To the Board of Directors
Clean Energy Alliance
Carlsbad, California

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with the GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Responsibilities

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 8 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Board of Directors
Clean Energy Alliance
Carlsbad, California

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2021 on our consideration of CEA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the CEA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CEA's internal control over financial reporting and compliance.

Lance, Soll & Lunghard, LLP

Brea, California
December 8, 2021

This section provides an overview and analysis of key data presented in the basic financial statements for the year ended June 30, 2021. Information within this section should be used in conjunction with the basic financial statements and accompanying notes.

OVERVIEW OF THE FINANCIAL STATEMENTS

Clean Energy Alliance (CEA) accounts for its financial activities within a single proprietary fund and its financial activities are comprised of the purchase and sale of electric energy. In accordance with requirements set forth by the Governmental Accounting Standards Board (GASB), CEA's financial statements employ the accrual basis of accounting in recognizing increases and decreases in economic resources. Accrual accounting recognizes all revenues and expenses incurred during the year, regardless of when cash is received or paid.

The basic financial statements consist of:

Statement of Net Position:

CEA presents its Statement of Net Position using the net position format. The Statement of Net Position reflects the assets, liabilities, and net position (equity) of CEA at year-end. For the fiscal years ended June 30, 2021, net position is reported as unrestricted net position.

Statement of Revenues, Expenses, and Changes in Net Position:

This statement reflects the transactions and events that have increased or decreased CEA's total economic resources during the period. Revenues and expenses are classified as operating or nonoperating based on the nature of the transaction.

Statement of Cash Flows:

The Statement of Cash Flows reflects the sources and uses of cash separated into two categories of activities: operating and noncapital financing.

The notes to the financial statements, presented at the end of the basic financial statements, are considered an integral part of CEA's presentation of financial position, results of operations, and changes in cash flows.

FINANCIAL ANALYSIS

The following table is a summary of CEA's assets, liabilities and net position and a discussion of significant changes for the years ending June 30:

Statements of Net Position

	2021	2020 *
Assets		
Current assets	$ 9,138,544	$ 303,530
Total Assets	9,138,544	303,530
Liabilities		
Current liabilities	11,845,958	582,214
Total Liabilities	11,845,958	582,214
Net position:		
Unrestricted	(2,707,414)	(278,684)
Total net position	$ (2,707,414)	$ (278,684)

* 11/04/19-06/30/20

Current Assets

CEA began operations on November 4, 2019, and at the end of fiscal year 2020, or after approximately eight months of operations, CEA had current assets of $303,530 which consisted of $203,530 in cash and $100,000 in deposits. Each of the three members of CEA - Carlsbad, Del Mar, and Solana Beach - contributed $150,000 each for a total of $450,000 to pay for initial startup costs. As part of CEA's submission of its Community Choice Aggregation (CCA) Implementation Plan and Statement of Intent to the California Public Utilities Commission (CPUC), and subsequent certification by the CPUC, CEA was required to pay a $100,000 CCA bond.

In the fiscal ending June 30, 2021, current assets increased by $8,835,014 to $9,138,544 as compared to the prior fiscal year. Current assets consisted of $710,368 in cash, $7,196,176 in accounts receivable and $1,232,000 in deposits. Cash increased by $506,838 to $710,368 as compared to the previous fiscal year mainly due to the drawdown of funds from the JPMorgan line of credit that was established in February 2021. CEA began providing electricity to its customers in May 2021 and accounts receivable were invoices billed to customers through June 30, 2021, that were still outstanding at the end of the fiscal year and electricity used by customers through the end of the fiscal year that had not yet been invoiced.

Deposits increased by $1,132,000 to $1,232,000 as compared to the previous fiscal year. Part of the increase was due to cash collateral deposits totaling $585,000 paid by CEA to San Diego Gas & Electric (SDG&E) to satisfy credit requirements as part of its Resource Adequacy (RA) procurement. The deposits will be returned once the contracts are complete. A deposit in the amount of $500,000 was paid to the California Independent System Operator Corporation (CASIO) as financial security for CEA to apply as a Candidate Congestion revenue rights (CRR) Holder by CAISO in accordance with the CAISO Tariff.

Current Liabilities

Current liabilities at the end of the fiscal year ended June 30, 2020, equaled $582,214 and consisted of $78,197 in accounts payable and $504,017 as due to member agencies. The accounts payable of $78,197 consisted primarily of amounts due at the end of the fiscal year for administrative and technical and power consultants' costs. The amounts due to the member agencies consisted of the $450,000 in cash advanced by Carlsbad, Del Mar, and Solana Beach at $150,000 by each city and $54,017 in amounts due to the cities for services provided to CEA during the fiscal year for a total of $504,017. The initial cash advance of $450,000 is refundable back to the cities three years after CEA begins providing services to customers.

In the fiscal ending June 30, 2021, current liabilities increased by $11,263,744 to $11,845,958 as compared to the prior fiscal year. Current liabilities primarily consisted of $6,242,455 in accounts payable and $5 million in an amount due to JPMorgan. Accounts payable consists mainly of amounts due for energy delivered to customers that were not yet paid as of the end of the fiscal year and totaled $5,858,502. A line of credit for $6 million at a 3.7 percent interest rate was established with JPMorgan on February 3, 2021. At the fiscal year end, $5 million had been drawn down to finance general operations.

The table on the following page is a summary of CEA's revenues, expenses and changes in net position and a discussion of significant changes for the years ending June 30:

Statements of Revenues, Expenses and Changes in Net Position

	2021	2020 *
Operating Revenues	$ 7,309,663	$ -
Operating Expenses	9,656,797	278,684
Nonoperating Expenses	81,596	-
Total Expenses	9,738,393	278,684
Change in Net Position	(2,428,730)	(278,684)
Net Position - Beginning	(278,684)	-
Net Position - Ending	$ (2,707,414)	$ (278,684)

* 11/04/19-06/30/20

Operating Revenues

CEA began operations on November 4, 2021, and through the end of the fiscal year ending June 30, 2021, received no revenues.

For the fiscal year ending June 30, 2021, revenues increased to $7,309,663 and consisted of sales and service charges to customers. CEA began serving customers in May 2021 with final enrollments being completed in June 2021. Revenues included invoicing through June 30, 2021, and electricity provided to customers through the end of the fiscal year but not yet invoiced.

Operating Expenses

Operating expenses for fiscal year ending June 30, 2020, equaled $278,684 and consisted primarily of costs for technical and power consultants, legal fees, and administrative services.

For the fiscal year ending June 30, 2021, expenses increased by $9,378,113 to $9,656,797 as compared to the prior fiscal year and consisted of costs of sales and services at $8,388,484 which were the cost of electricity delivered to customers, professional services at $967,937 and administrative services at $300,376. Professional services included consultant costs for forecasting and scheduling, data management, technical and power, marketing and legal services and service fees paid to SDG&E.

Nonoperating Expenses

Interest expense at $81,596 for the fiscal year ending June 30, 2021, was interest paid on the JPMorgan borrowing.

ECONOMIC OUTLOOK

CEA serves approximately 92% of all eligible customers in the cities of Carlsbad, Del Mar, and Solana Beach or 58,859 customer accounts. The core mission is to provide electric from minimum 50% renewable sources at stable and competitive electric rates with a target 2% generation savings as compared to San Diego Gas & Electric (SDG&E). The fiscal year ended June 30, 2021, saw CEA reporting a net deficit for the year due to CEA incurring start-up and energy purchase costs during the year with electrical sales to its customers beginning May 1 and completing its enrollment of customers in June. It is expected in future fiscal years that this deficit will be eliminated as CEA becomes fully operational and revenues increase.

The Board has approved an operating budget for fiscal year 2022 which will be CEA's first full year of operation with revenues projected at $53,573,000 and expenses projected at $51,547,500 with a net result of operations projected at $2,025,500. The budget provides funding for a full year of power supply, on-going regulatory compliance requirements and professional and legal services required to support operations. Assumptions used to develop the proposed budget were:

- Revenue based on 7% opt out rate
- Power supply costs based on actual executed contracts and April forward price curves
- Consulting services based on approved contracts
- Reserves to achieve minimum 5% of FY 2022 revenues

Sufficient revenues are projected to cover costs based on the current assumptions. Energy forward price curves have been increasing, driven by concerns about summer reliability, impacts of the Texas winter events on gas prices, low California water reservoir levels and Diablo Canyon Unit 2 concerns. Should this trend continue, CEA rates would need to be adjusted to reflect the increased costs. Staff continues to monitor the market and anticipates bringing forward a market update in late fall, along with an update on SDG&E 2022 rates proceedings.

One of the goals of CEA is to expand and offer its community choice energy service to eligible communities within San Diego Gas & Electric territory. The cities of Escondido and San Marcos have been evaluating options related to bringing community choice energy to residents and businesses with the two cities and the results of those efforts identified joining CEA was the best option for both cities. As part of CEA's evaluation of Escondido and San Marcos joining, CEA received historical electric usage data from SDG&E for Escondido and San Marcos loads. CEA's technical team analyzed the usage, prepared a financial pro forma utilizing CEA's revenue and expense assumptions and an assessment report. The assessment report concluded that CEA expansion into both cities would have a positive financial impact on CEA.

Using a base assumption of enrolling customers in April 2023, which was determined to be the optimal enrollment date, and serving 90% of eligible customers, the assessment concluded that with the additions of Escondido and San Marcos, CEA's net operating margin would increase by approximately 85% and 52%, respectively, beginning in fiscal year ended 2024 which would be the first full fiscal year of service.

CEA currently has 58,859 customer accounts. The addition of Escondido would add potentially another 56,348 customer accounts and the addition of San Marcos would add potentially another 36,820 accounts for a total of 93,168 additional accounts, or a combined 158% increase in accounts as compared to the number of CEA's existing accounts.

Accommodating this expansion will require careful consideration of resource availability, particularly for RA and long-term renewable energy products. When Escondido and San Marcos customers transition to CEA service, SDG&E should have surplus RA and long-term renewable energy supply. CEA intends to work closely with SDG&E to acquire the surplus supply SDG&E holds to ensure CEA can meet its new obligations.

Based on the results of the assessments, the CEA Board approved the addition of Escondido at its November 18, 2021, special meeting and is expected to approve the addition of San Marcos at its December 17, 2021, special meeting.

REQUEST FOR INFORMATION

This financial report is designed to provide CEA's board members, stakeholders, customers, and creditors with a general overview of the CEA's finances and to demonstrate CEA's accountability for the funds under its stewardship. If you have any questions about this report or have requests for additional financial information please contact CEA at 1200 Carlsbad Village Dr, Carlsbad, California 92008.

CLEAN ENERGY ALLIANCE

STATEMENT OF NET POSITION
JUNE 30, 2021

Assets:	
Current Assets:	
Cash and cash equivalents	$ 710,368
Accounts receivable	7,196,176
Deposits	1,232,000
Total Current Assets	9,138,544
Total Assets	**9,138,544**
Liabilities:	
Current Liabilities:	
Accounts payable	6,242,455
Accrued liabilities	12,923
Accrued interest	11,563
Deposits payable	75,000
Due to member agencies	504,017
Short-term debt	5,000,000
Total Current Liabilities	11,845,958
Total Liabilities	**11,845,958**
Net Position:	
Unrestricted	(2,707,414)
Total Net Position	**$ (2,707,414)**

The notes to financial statements are an integral part of this statement.

CLEAN ENERGY ALLIANCE

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021**

Operating Revenues:	
Sales and service charges	$ 7,309,663
Total Operating Revenues	**7,309,663**
Operating Expenses:	
Cost of sales and services	8,388,484
Professional services	967,937
General and administrative	300,376
Total Operating Expenses	**9,656,797**
Operating (Loss)	(2,347,134)
Nonoperating Expenses:	
Interest expense	(81,596)
Total Nonoperating Expenses	**(81,596)**
Change in Net Position	(2,428,730)
Net Position - Beginning	(278,684)
Net Position - Ending	**$ (2,707,414)**

The notes to financial statements are an integral part of this statement.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

Cash Flows from Operating Activities:	
Cash received from customers and users	$ 188,487
Payments to suppliers and service providers	(4,611,616)
Net Cash (Used for) Operating Activities	**(4,423,129)**
Cash Flows from Noncapital Financing Activities:	
Proceeds from short-term borrowings	5,000,000
Interest paid on short-term borrowings	(70,033)
Net Cash Provided by Noncapital Financing Activities	**4,929,967**
Net Increase in Cash and Cash Equivalents	506,838
Cash and Cash Equivalents, July 1	203,530
Cash and Cash Equivalents, June 30	**$ 710,368**

Reconciliation of Operating (Loss) to Net Cash (Used for) Operating Activites:	
Operating (Loss)	$ (2,347,134)
Adjustments to Reconcile Operating (Loss) to Net Cash (Used for) Operating Activities:	
(Increase) in accounts receivable	(7,196,176)
(Increase) in deposits	(1,057,000)
Increase in accounts payable	6,164,258
Increase in accrued liabilities	12,923
Total Adjustments	(2,075,995)
Net Cash (Used for) Operating Activities	$ (4,423,129)

The notes to financial statements are an integral part of this statement.

Note 1: Summary of Significant Accounting Policies

a. Reporting Entity

Clean Energy Alliance, ("CEA"), is a joint exercise of powers agency organized under the laws of the State of California by agreements dated November 4, 2019, and entered into by the cities of Carlsbad, Del Mar, and Solana Beach, California. CEA was formed to operate a Community Choice Energy program to provide alternative energy resources within those three cities. CEA's powers are exercised through a Board of Directors (the "Board"), which is the governing body of CEA. The Board is responsible for the legislative and executive control of CEA. The governmental reporting entity consists of CEA, which reports no component units.

b. Basis of Presentation

CEA's financial statements are prepared in accordance with accounting principles generally accepted in the U.S (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

c. Basis of Accounting/Measurement Focus

The basic financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows.

The basic financial statements are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

The basic financial statements distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with CEA's principal ongoing operations. The principal operating revenues of CEA are charges to customers for energy sales. Operating expenses include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

d. Net Position Flow Assumption

Sometimes CEA will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is CEA's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Note 1: Summary of Significant Accounting Policies (Continued)

e. Implementation of GASB Statement No. 98

CEA early adopted GASB Statement No. 98, the *Annual Comprehensive Financial Report*, which establishes the term *annual comprehensive financial report* and its acronym *ACFR*. The new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. This statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness.

Note 2: Stewardship, Accountability, and Compliance

At June 30, 2021, CEA reported a deficit net position of $2,707,414. It is not unusual for organizations in early years of operation to report a deficit. The reason for the deficit is that CEA's revenue stream has not exceeded operating expenses associated with continuing startup costs. This deficit is expected to be eliminated in future years as resources are obtained and sales operations increase.

Note 3: Cash and Cash Equivalents

At June 30, 2021, the reported amount of CEA's deposits was $710,368, which equaled the bank balance. Of the bank balance, $250,000 was covered by federal depository insurance and $460,368 was covered by collateral held in the pledging bank's trust department in accordance with California Government Code.

Note 4: Deposits

The CEA deposited $147,000 with the California Public Utilities Commission (CPUC) for the purpose of covering costs borne by San Diego Gas & Electric (SDG&E) in the event of a mass involuntary return of CEA customers to SDG&E, such as the decertification of CEA or a community choice aggregation failure.

The CEA deposited $500,000 with the California Independent System Operator Corporation (CAISO) for the purpose of applying to become a Candidate Congestion Revenue Rights (CRR) Holder. CRR Holders are eligible to participate in the CRR Allocation process which offset congestion charges for the scheduled load serving obligation of the CEA.

The CEA deposited $585,000 with SDG&E pursuant to the CEA's Resource Adequacy Agreement with SDG&E for purposes of collateral in accordance with the agreement.

The total amount of deposits held with other agencies at June 30, 2021 is $1,232,000.

Note 5: Related Party Transactions

CEA received funding from the cities of Carlsbad, Del Mar, and Solana Beach for the initial startup costs associated with commencing operations. These amounts are refundable back to the cities within three years after operating revenues commence. These advances and services are reported as Due to Member Agencies in the basic financial statements. Amounts due to each of the cities are as follows:

Member	Cash Advances	Services Provided	Total
City of Carlsbad	$ 150,000	$ 36,572	$ 186,572
City of Del Mar	150,000	1,893	151,893
City of Solana Beach	150,000	15,552	165,552
Total	$ 450,000	$ 54,017	$ 504,017

Note 6: Short-term Debt

On February 3, 2021, CEA entered into an agreement with JP Morgan Chase Bank for a $6 million 3.7 percent interest rate line of credit. Of the funds borrowed during the year, $5 million was used to finance general operations. At June 30, 2021, the CEA has $1,000,000 in available, but unused line of credit.

Beginning Balance	$ -
Additions	5,000,000
Reductions	-
Ending Balance	$ 5,000,000

STATISTICAL SECTION

Statistical Section

This part of CEA's ACFR presents detailed information as a context for understanding what the information in the accompanying financial statements and notes to the basic financial statements says about CEA's overall financial health.

<u>**Contents**</u>

Financial Trends

These schedules contain trend information to help the reader understand how CEA's financial performance and well-being have changed over time.

* **Net Position by Component**
* **Operating Information**

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting CEA's ability to generate revenue

* **Principal Rate Payers**

Debt Capacity

These schedules present information to help the reader assess the affordability of CEA's current levels of outstanding debt and CEA's ability to issue additional debt in the future.

* **Ratios of Outstanding Debt by Type**

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which CEA's financial activities take place and to help make comparisons over time and with other governments.

* **Demographic and Economic Statistics**
* **Major Employers-San Diego County**

Operating Information

These schedules contain information about CEA's operations and resources to help the reader understand how CEA's financial information relates to the services CEA provides and the activities

* **Two-Year Summary of Retail Sales and Usage by Type of Customer**

CLEAN ENERGY ALLIANCE

Net Position by Component
Last Two Fiscal Years*
(Accrual Basis of Accounting)

	Fiscal Year	
	2020**	**2021*****
Business-type activities		
Unrestricted	(278,684)	(2,707,414)
Total Business-type activities net position	**$ (278,684)**	**$ (2,707,414)**

* 2020 was the first year of operations of CEA. More years will be added to this schedule as they become available.

** Inception (11/4/2019 - 6/30/2020)
*** Delivery of electrical service to customers began May 1, 2021.

Source: Financial Statements

CLEAN ENERGY ALLIANCE

Operating Information
Two-Year Summary of Changes in Net Position*
(Accrual Basis of Accounting)

	2020**	2021***
Operating Revenues		
Sales and service charges	$ -	$ 7,309,663
Operating Expenses		
Cost of sales and services	-	8,388,484
Professional services	156,265	967,937
General and administrative	122,419	300,376
Total Operating Expenses	278,684	9,656,797
Operating Activities	(278,684)	(2,347,134)
Nonoperating Activities		
Interest expense	-	(81,596)
Total Nonoperating Activities	-	(81,596)
Change in Net Position	$ (278,684)	$ (2,428,730)

* 2020 was the first year of operations of CEA. More years will be added to this
** 11/04/19-06/30/20
*** Delivery of electrical service to customers began May 1, 2021

Source: Financial Statements

CLEAN ENERGY ALLIANCE

Principal Rate Payers
Fiscal Year ended June 30 (unaudited)
(in dollars)

Ratepayer's Rate Class[1]		Rank	Retail Sales[2]	Percentage of Total Retail Electric Sales	KWh	Percentage of Total kWh
			2021			
Commercial	AL-TOU-S	1	$ 61,248	1.6%	650,778	1.50%
Commercial	AL-TOU-S	2	38,242	1.0%	422,759	0.98%
Commercial	AL-TOU-2-S	3	35,863	0.9%	380,109	0.88%
Commercial	AL-TOU-2-P	4	34,074	0.9%	368,184	0.85%
Commercial	AL-TOU-2-S	5	32,711	0.8%	356,862	0.82%
Commercial	AL-TOU-S	6	30,515	0.8%	298,106	0.69%
Commercial	TOU-A-S	7	28,988	0.7%	283,212	0.65%
Commercial	AL-TOU-S	8	28,658	0.7%	277,612	0.64%
Commercial	AL-TOU-S	9	28,440	0.7%	288,960	0.67%
Commercial	AL-TOU-S	10	27,850	0.7%	285,632	0.66%
			$ 346,589	9.0%	3,612,214	8.35%
Total all Ratepayers[3]			$ 3,865,824		43,261,773	

(1) To preserve confidentiality, individual ratepayer names are not disclosed
(2) Retail sales are before unbilled revenue
(3) CEA began serving customers in mid-May 2021

for billing rate information go to: www.thecleanenergyalliance.org/billing-rates/

CLEAN ENERGY ALLIANCE

Ratios of Outstanding Debt by Type
Last Two Fiscal Years*
(dollars in thousands, except per capita)

	Business-type Activities		
Fiscal Year	**Short-Term Loans**	**Percentage of Personal Income [a]**	**Per Capita [a]**
2020	$ -	0.00%	-
2021	-	0.00%	-

Notes: Details regarding the CEA's outstanding debt can be found in the notes to the financial statements.

* 2020 was the first year of operations of CEA. More years will be added to this schedule as they become available

[a] See Demographic and Economic Statistics schedule for personal income and poopulation data

CLEAN ENERGY ALLIANCE

Demographic and Economic Statistics
Last Two Calendar Years

Calendar Year	Population: Carlsbad	Population: Del Mar	Population: Solana Beach	Population: Total	Personal Income *(thousands of dollars)*	Per Capita Personal Income	Unemployment Rate
2020	114,664	4,271	13,872	132,807	$ 8,080,642	$ 60,845	3.4%
2021	115,501	4,258	13,827	133,586	8,852,210	66,266	8.0%

Note: Certain economic indicators such as unemployment rate and personal income are not calculated separately for CEA. Therefore, CEA has chosen to use the County of San Diego data, which is representative of the conditions and experiences of CEA

Source: Population - State of California Department of Finance
Per Capita Personal Income and Unemployment Rate - U.S. Bureau of Economic Analysis

CLEAN ENERGY ALLIANCE

25 MAJOR EMPLOYERS - SAN DIEGO COUNTY
AS OF 2020

Employer	Category	Business category
Barona Resort & Casino	1	Casinos
Employee's Association SDG&E	1	Associations
General Dynamics Nassco	1	Ship Builders & Repairers (Mfrs)
Illumina Inc	1	Biotechnology Products & Services
Kaiser Permanente Zion Med C	1	Health Services
Merchants Building Maintenanc	1	Janitor Service
Palomar Medical Ctr Downtown	1	Hospitals
Palomar Pomerodo Health Reh	1	Rehabilitation Services
Rady's Children's Hospital	1	Hospitals
San Diego County Sheriff	1	Police Departments
Scripps Mercy Hospital	1	Hospitals
Scripps Research Institute	1	Laboratories-Research & Development
Sea World-San Diego	1	Amusement & Theme Parks
Sharp Mary Birch Hospital	1	Hospitals
Sharp Memorial Hospital	1	Hospitals
Sony Electronics	1	Electronic Equipment & Supplies-Retail
US Navy Med Ctr- OrthoPedics	1	Clinics
Kaiser Permanente Vandever M	2	Physicians & Surgeons
San Diego Community College	2	Junior-Community College- Tech Institutes
UC San Diego Health	2	Hospitals
32nd St Naval Station	3	Federal Government-National Security
Mccs Mcrd	3	Military Bases
UCSD	3	College & University Placement Svc
University of California	3	University-College Dept/Facility/Office
Univesity-Calfornia Sn Diego	3	University-College Dept/Facility/Office

Source:
State of California- Employee Development Department- Major Employers in San Diego for 2020

Categories

1	1,000-4,999 Employees
2	5,000-9,999 Employees
3	10,000+ Employees

Employer information specific to the juristications in CEA are not readily available*

CLEAN ENERGY ALLIANCE

Two-Year Summary of Retail Sales and Usage (kWh) by Type of Customer
Fiscal Year ended June 30 (unaudited)

	2021**		2020 *	
Type of Customer	**Retail Sales*** **	**Usage (kWh)**	**Retail Sales*** **	**Usage (kWh)**
Residential	$ 1,251,226	15,186,669	$ -	-
Commercial	2,611,655	28,023,204	-	-
Agricultural	2,622	46,028	-	-
Street Lighting	321	5,872	-	-
Total	**$ 3,865,824**	**43,261,773**	**$ -**	**-**

* 11/04/19-06/30/20
** Delivery of electrical service to customers began May 1, 2021
*** Retail sales are before unbilled revenue

Source: Invoice Summary Report

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Clean Energy Alliance
Carlsbad, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Clean Energy Alliance (CEA), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise CEA's basic financial statements, and have issued our report thereon dated December 8, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered CEA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CEA's internal control. Accordingly, we do not express an opinion on the effectiveness of CEA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CEA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Lance, Soll & Lunghard, LLP | 203 N. Brea Blvd., Suite 203 | Brea, CA 92821 | Phone: 714.672.0022

To the Board of Directors
Clean Energy Alliance
Carlsbad, California

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CEA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CEA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lance, Soll & Lunghard, LLP

Brea, California
December 8, 2021

CLEAN ENERGY ALLIANCE

Staff Report

DATE: December 17, 2021

TO: Clean Energy Alliance Board of Directors

FROM: Barbara Boswell, Chief Executive Officer

ITEM 3: Adopt Resolution 2021-015 Authorizing the City of San Marcos to Become a Party to the Joint Powers Agreement and a Member of the Clean Energy Alliance and find that the addition of the City of San Marcos to the Clean Energy Alliance is exempt pursuant to 14 Cal. Code Regs. § 15378(b)(5) from the requirements of the California Environmental Quality Act

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RECOMMENDATION

1) Adopt Resolution No. 2021-015 Authorizing the City of San Marcos to Become a Party to the Joint Powers Agreement and a Member of the Clean Energy Alliance.

2) Find that the addition of the City of San Marcos to the Clean Energy Alliance is exempt from the requirements of the California Environmental Quality Act ("CEQA"), as it involves organizational and administrative activities of government that will not result in direct or indirect physical changes on the environment, and therefore is not considered a "project." (14 Cal. Code Regs. § 15378(b)(5)).

BACKGROUND AND DISCUSSION

The City of San Marcos has been evaluating options related to bringing community choice energy to residents and businesses within San Marcos and the results of those efforts identified joining Clean Energy Alliance (CEA) was the City's best option.

At its November 9, 2021, meeting, the San Marcos City Council adopted a resolution to Join CEA and passed 1st reading of an ordinance to establish a community choice aggregation program. The 2nd reading and adoption of the ordinance occurred at the November 23, 2021 San Marcos City Council meeting, with the Ordinance effective 30-days after second reading.

As part of CEA's evaluation of San Marcos joining, CEA received historical electric usage data from San Diego Gas & Electric (SDG&E) for San Marcos load. CEA's technical team at Pacific Energy Advisors analyzed the usage, prepared a financial pro forma utilizing CEA's revenue and expense assumptions, and an assessment report (Attachment B). The assessment report concluded that CEA expansion into San Marcos would have a positive financial impact on CEA.

The addition of the City of San Marcos to CEA is exempt from the requirements of the California Environmental Quality Act ("CEQA"), as it involves organizational and administrative activities of government that will not result in direct or indirect physical changes on the environment, and therefore is not considered a "project." (14 Cal. Code Regs. § 15378(b)(5)).

Financial Assessment

Using a base assumption of enrolling customers in April 2023, which was determined to be the optimal enrollment date, and serving 90% of eligible customers, the assessment concluded that with the addition of San Marcos, CEA's net operating margin would increase by approximately 52% beginning in FYE 2024, which would be the first full fiscal year of service. The projected incremental revenues, costs, and net operating margin are shown in Table 1 below:

Table 1: Incremental Net Margins from Expansion (in $MM) City of San Marcos

	FYE 2023[1]	FYE 2024	FYE 2025
Revenue	$6.9	$34.1	$34.2
Power Costs	-$5.4	-$28.6	-$27.0
Other Costs	-$0.2	-$0.8	-$0.8
Reserve	-$.35	-$1.71	-$1.71
Net Operating Margin	**$1.05**	**$2.99**	**$4.69**

In addition to evaluating financial impact, the assessment report reviewed impacts to energy product procurements needed to serve the City of San Marcos. These products include Renewable Energy (short-term and long-term), Carbon Free Energy, System Energy and Resource Adequacy capacity.

Accommodating the expansion will require careful consideration of resource availability, particularly for resource adequacy and long-term renewable energy products. When San Marcos customers transition to CEA service, SDG&E should have surplus resource adequacy and long-term renewable energy supply. CEA will need to work closely with SDG&E to acquire surplus supply they have to ensure CEA can meet its new obligations. Staff is confident that SDG&E can work together to reach an agreement for the procurement of power supply and anticipates beginning this process with SDG&E in early 2022 to allow sufficient time to negotiate the procurements.

Based on the results of the assessments, staff recommends CEA Board approve the addition of San Marcos as a new member of CEA and will return to the CEA Board regular meeting December 30, 2021 with an Implementation Plan Amendment reflecting the addition of San Marcos.

FISCAL IMPACT

Pursuant to CEA's policy, the cost of preparation of the Implementation Plan Amendment, up to a not to exceed amount of $50,000, is to be split between cities of San Marcos and Escondido. San Marcos and Escondido will be eligible for reimbursement of the cost within three years of CCA service commencement.

ATTACHMENTS

[1] Reflects partial year of service for fiscal year ending June 30, 2023, with enrollments assumed to commence on April 1, 2023.

Attachment A - Resolution 2021-015 Authorizing the City of San Marcos to Become a Party to the Joint Powers Agreement and a Member of the Clean Energy Alliance
Attachment B - Clean Energy Alliance New Membership Assessment, City of San Marcos

RESOLUTION NO. 2021-015

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CLEAN ENERGY ALLIANCE AUTHORIZING THE CITY OF SAN MARCOS TO BECOME A PARTY TO THE JOINT POWERS AGREEMENT AND A MEMBER OF THE CLEAN ENERGY ALLIANCE

THE BOARD OF DIRECTORS OF THE CLEAN ENERGY ALLIANCE DOES HEREBY FIND, RESOLVE AND ORDER AS FOLLOWS:

WHEREAS, on September 24, 2002, the Governor of California signed into law Assembly Bill 117 (Stat. 2002, Ch. 838; see California Public Utilities Code section 366.2; hereinafter referred to as the "Act"), which authorizes any California city or county, whose governing body so elects, to combine the electricity load of its residents and businesses in a community-wide electricity aggregation program known as Community Choice Aggregation ("CCA"); and

WHEREAS, the Act expressly authorizes participation in a CCA program through a joint powers agency; and on November 4, 2019, the Clean Energy Alliance ("CEA" or "the Agency") was formed under the Joint Exercise of Power Act, California Government Code section 6500 *et seq*., among the Cities of Carlsbad, Solana Beach and Del Mar to work cooperatively to create economies of scale and implement sustainable energy initiatives that reduce energy demand, increase energy efficiency, and advance the use of clean, efficient, and renewable resources in the region for the benefit of all the parties and their constituents, including, but not limited to, establishing and operating a CCA program; and

WHEREAS, on March 16, 2020, the California Public Utilities Commission ("CPUC") certified the "Implementation Plan" of CEA, confirming CEA's compliance with the requirements of the Act; and

WHEREAS, Section 2.4 of the CEA Joint Powers Agreement ("Agreement") sets forth the procedures for the addition of new member jurisdictions; and

WHEREAS, including new member jurisdictions within CEA's Joint Powers Authority can benefit CEA communities, customers, and the general public by 1) expanding access to competitively-priced renewable and carbon-free energy; 2) achieving greater economies of scale while accelerating the reduction of greenhouse gas emissions; 3) enhancing CEA's financial strength through increased revenues and reserves; 4) expanding the opportunities for local renewable energy and decarbonization projects and programs and the creation of local jobs; and 5) empowering local stakeholders with more direct representation before State-level regulators and elected officials; and

WHEREAS, on November 9, 2021, through a unanimous vote of its City Council, the City of San Marcos adopted Resolution No. 2021-8950 authorizing the execution of the Joint Exercise of Powers Agreement of the Clean Energy Alliance and authorizing staff to take other actions necessary for the City of San Marcos to join CEA, and introduced Ordinance No. 2021-1508 ordaining the City Council's decision, pursuant to Public Utilities Code Section 366.2 to implement a CCA program within the jurisdiction of the City of San Marcos by participating in CEA, under the terms and conditions of its Joint Powers Agreement; and

WHEREAS, on November 23, 2021, the City of San Marcos conducted a second reading and adopted ordinance No. 2021-1508 ordaining the City Council's decision, pursuant to Public Utilities Code Section 366.2 to implement a CCA program within the jurisdiction of the City of San Marcos by participating in CEA, under the terms and conditions of its Joint Powers Agreement; and

WHEREAS, Pacific Energy Advisors on behalf of CEA conducted an assessment of the financial and resource planning impacts of adding San Marcos as a member of CEA and concluded that there would be an overall positive financial effect; and

WHEREAS, per CPUC rules, prospective member jurisdictions must join CEA before the end of calendar year 2021 in order to begin customer enrollments in CEA's service options by 2023; and

WHEREAS, Section 2.4 of the Agreement requires the Board of Directors to adopt a resolution by a two-thirds vote of the entire Board authorizing the membership of additional member jurisdictions, and specifying the conditions for membership, if any.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE CLEAN ENERGY ALLIANCE DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. The City of San Marcos is hereby authorized to become a party to the Agreement and a member of CEA, subject to the following conditions:

(a) The Community Choice Aggregation ordinance adopted by the City of San Marcos becoming effective.

(b) The execution of the Agreement by the duly authorized official of the City of San Marcos.

(c) Reimbursement to CEA by City of San Marcos of CEA costs incurred in connection with adding a new agency, including, but not limited to, the cost of analysis of historical usage data using CEA's financial pro forma model to determine impact to CEA of the proposed member; and preparation of an Amended Implementation Plan and related activities of the expansion.

PASSED AND ADOPTED by the Board of Directors of the Clean Energy Alliance this 17th day of December, 2021, by the following vote:

AYES:

NOES:

ABSENT:

____

Kristi Becker, Chair

ATTEST:

____

Sheila Cobian, Interim Board Secretary

Clean Energy Alliance New Membership Assessment

City of San Marcos

November 2021

SUMMARY

The City of San Marcos ("City") has engaged with the Clean Energy Alliance ("CEA") to explore the possibility of joining CEA. On behalf of CEA, Pacific Energy Advisors, Inc. ("PEA") conducted an assessment of the financial and resource planning implications associated with extending CEA service to electric customers within the City (which are currently receiving bundled electric service from the incumbent utility, San Diego Gas & Electric, or "SDG&E"). The assessment involved a study to understand the potential increase in electric load and the additional energy resources that would be needed to serve the City. The study also estimated the incremental revenues that would be derived from electricity sales to City customers, as well as the incremental costs associated with energy resource procurement and other items/services that would be necessary to support CCA service expansion to City customers. These factors were jointly evaluated to determine whether any operating surpluses could be generated, on a projected basis, for the benefit of CEA and its customers.

In consideration of the prospective timing associated with amended implementation plan submittal and in accordance with existing regulatory rules, the earliest possible enrollment date for City customers would be January 1, 2023.[1] For this assessment, PEA modeled various enrollment start times in 2023 and found that April 2023 would be optimal from a financial perspective. Thus, enrollment would be expected to occur toward the end of CEA's fiscal year ending 2023; the first full year reflecting City load would be CEA's fiscal year ending 2024.

Under base case assumptions, the analysis indicates that expansion would yield a positive financial impact for CEA: the expansion would be expected to increase CEA net operating margin by approximately 30% per year, beginning in FYE 2024. The projected incremental revenues, costs, and net operating margin (i.e., surplus or contribution to reserves) is shown in Table 1.

Table 1: Incremental Net Margins from Expansion (in $MM)

	FYE 2023[2]	FYE 2024	FYE 2025
Revenue	$6.9	$34.1	$34.2
Power Costs	-$5.4	-$28.6	-$27.0
Other Costs	-$0.2	-$0.8	-$0.8
Reserve	-$.35	-$1.71	-$1.71
Net Operating Margin	**$1.05**	**$2.99**	**$4.69**

[1] Achieving the prospective early enrollment date for City customers would require submittal of an amended CCA implementation plan no later than December 31, 2021.
[2] Reflects partial year of service for fiscal year ending June 30, 2023, with enrollments assumed to commence on April 1, 2023.

Electric resource requirements associated with the expansion would be significant, and close coordination between CEA and SDG&E would be important to achieve an appropriate allocation of resources needed to serve the transferred load. Such coordination and cooperation would be especially important for resource adequacy and long-term renewable energy supply. Without cooperation from SDG&E to sell excess resources, or alternatively, a regulatory mechanism to ensure transfer of resources as load shifts from SDG&E to CEA, it may not be possible for CEA to obtain the necessary resources in the near term to meet its resource adequacy and long-term Renewable Portfolio Standards ("RPS") obligations.

ANALYSIS

PEA conducted an analysis of the City's prospective electric accounts to estimate the revenues and costs associated with extending CEA service to the City. The analysis incorporated historical monthly electric usage data provided by SDG&E for all current electric accounts located within the City. PEA reviewed load data from 2017 and 2018 to formulate its load projections.

Table 2 summarizes the account and electric usage data for the major customer classifications represented within the City. Available data indicate the potential to serve 36,820 new CEA customer accounts, which are expected to use approximately 352,773 MWh of electric energy per year. This would be an approximate 52% increase in size for CEA, relative to the anticipated retail sales volume associated with CEA's current membership. The aggregate peak demand of these prospective accounts is estimated at 80 MW.[3]

Table 2: 2018 City Electric Data

Classification	Accounts	Annual Energy (MWh)	Monthly Per Account (kWh)
Residential	31,708	163,320	429
Small Commercial	4,480	62,809	1,168
Medium and Large Commercial	433	120,580	23,215
Agricultural	83	4,682	4,690
Street Lighting	117	1,382	988
Total	36,820	352,773	798
***Peak Demand (MW)**			80

*Estimate based on CEA customer hourly usage profiles.

As compared to the current CEA customer base, summarized in Table 3 below, the City has a proportionately larger residential sector and a smaller commercial sector. City residential customers tend to be somewhat larger users of energy than those in CEA's current service area, with 15% greater average

[3] The figures inf Table 2 reflect bundled electricity customers of SDG&E and exclude customers taking service from non-utility energy providers (namely, direct access service providers) as well as certain accounts on generation service contracts that are not expected to transition to CEA service. These figures are unadjusted for expected customer attrition (customer elections to "opt-out").

monthly consumption. However, due to the smaller commercial sector, the average usage of all customers in the City is below that of the current CEA area.

Table 3: Projected Annual CEA Electricity Data – Current Membership

Classification	Accounts	Annual Energy (MWh)	Monthly Per Account (kWh)
Residential	50,339	224,061	371
Small Commercial	7,401	105,282	1,185
Medium and Large Commercial	871	281,830	26,964
Agricultural	59	9,410	13,291
Street Lighting	189	3,225	1,422
Total	58,859	623,808	883
Peak Demand (MW)			127

As illustrated in Figures 1 and 2 below, electricity usage within the City shows greater seasonality relative to the current SDCP customer base, with elevated summer peak consumption. These usage characteristics are likely due to cooling loads driven by climate differences between the two geographic areas.

Figure 1: 12-Month Hourly Load Profile (kW) for the City of San Marcos

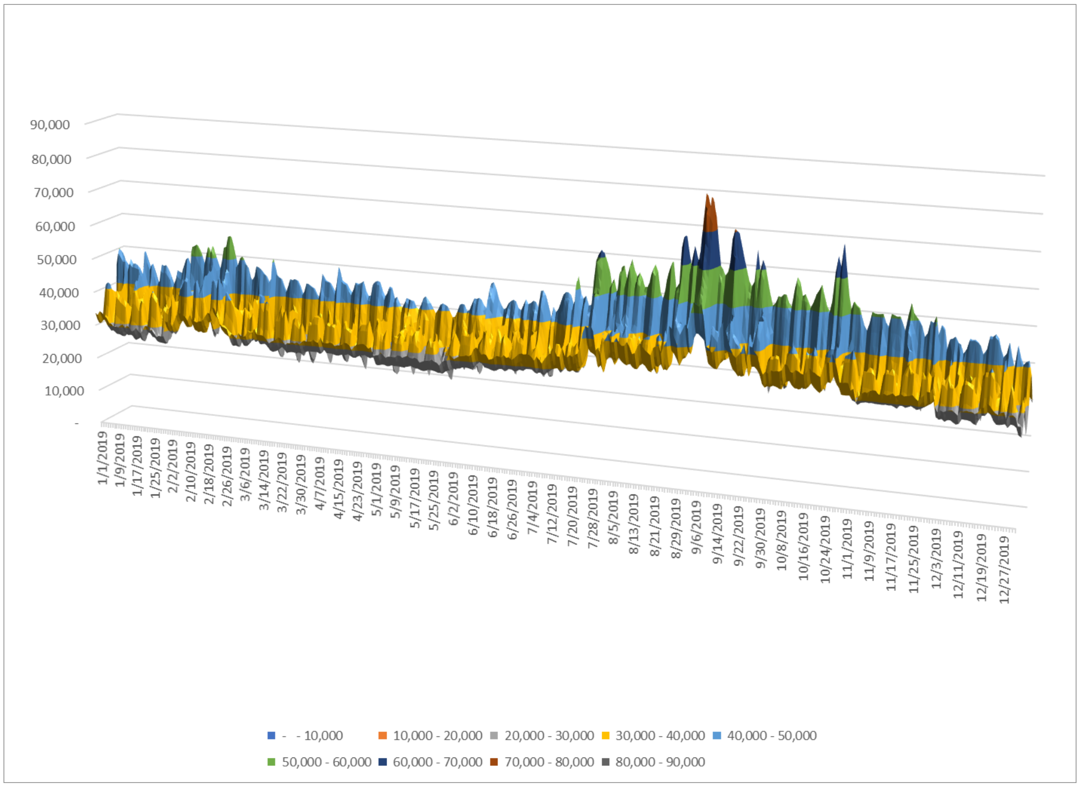
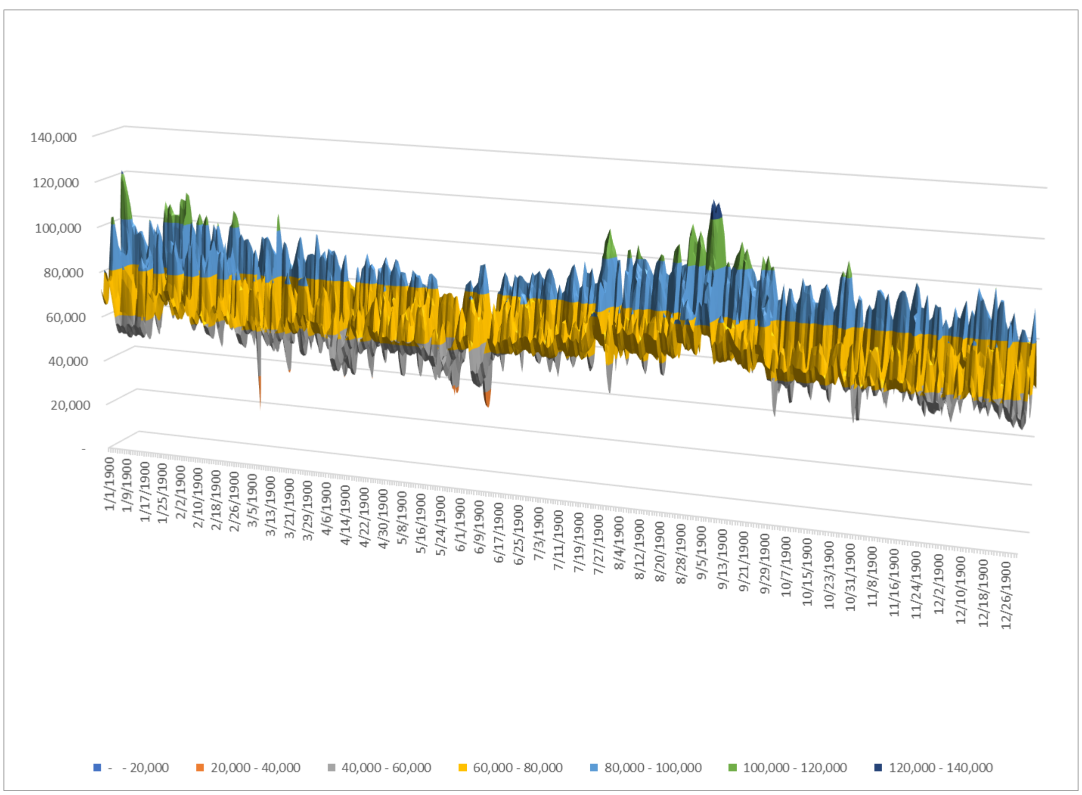


Figure 2: 12-Month Hourly Load Profile (kW) of CEA's Current Customer Base



FISCAL IMPACTS

For purposes of the fiscal impact analysis, it was assumed that service would be initiated to the City in April 2023 and that 90% of eligible accounts would choose to participate (with the remaining 10% electing to opt-out, continuing to receive bundled electric service from the incumbent utility). This would equate to an increase in annual CEA electricity sales of 325 GWh, or approximately 52% relative to pre-expansion sales. In order to quantify anticipated financial impacts to CEA, the incremental revenues and costs associated with the prospective service expansion were examined. More specifically, the year of enrollment and the next two fiscal years following expanded service, i.e., the period beginning April 1, 2023 through June 30, 2025, were analyzed to determine likely fiscal impacts over a multi-year planning period.

The incremental revenue surplus - based on the difference between projected revenues and costs directly related to the addition of City accounts - represents the expected fiscal benefit related to expansion. Incremental revenues were projected based on forecasted electricity sales and projected CEA rates. The incremental cost analysis accounts for requisite power supplies that would be required to serve accounts within the City, increased customer billing charges, customer service support (call center), SDG&E service fees, and required customer notices associated with serving additional customers.

Table 4 reflects the estimated incremental fiscal impact during each of the first three fiscal years commencing with (and immediately following) enrollment of City accounts.

Table 4: Incremental Fiscal Impact Related to Prospective City Expansion

	FYE 2023[4]	FYE 2024	FYE 2025
Revenue ($MM)	$6.9	$34.1	$34.2
Power Costs ($MM)	-$5.4	-$28.6	-$27.0
Other Costs ($MM)	-$0.2	-$0.8	-$0.8
Reserves	-$.35	-$1.71	-$1.71
Net Operating Margin ($MM)	**$1.05**	**$2.99**	**$4.69**
Incremental Sales Volume (MWh)	71,901	326,255	327,886

In consideration of current market conditions, the incremental fiscal impact analysis indicates that adding the City accounts to CEA's current customer base would provide benefits to CEA in the form or incremental surplus revenues that could be used to augment reserves or be applied to other uses. It is estimated that expanding CEA service to the City would increase net program margins by approximately $4.7 million and $6.4 million in FYE 2024 and FYE 2025, respectively. This benefit accrues due to the margins generated by increased retail electricity sales relative to anticipated costs, including certain economies of scale that will result from various fixed administrative cost components (that will be spread over a larger sales base). It is worth noting that power supply costs may change over time, and to the extent such changes occur, actual net revenues could materially differ from the net revenue projections reflected in Table 4 (above).

WHOLESALE POWER PRICE SENSITIVITY

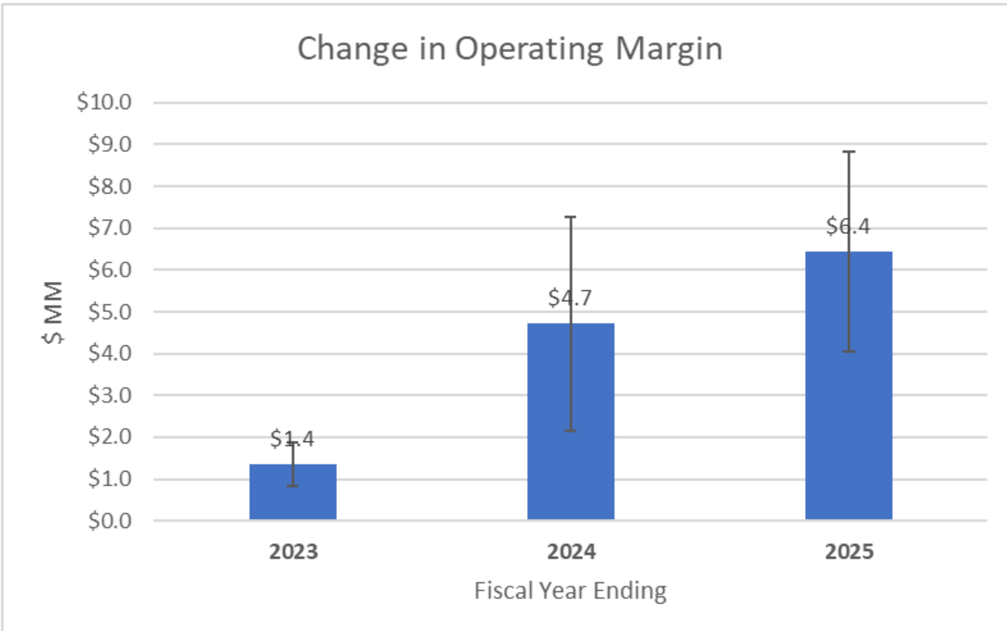
Changes in market prices for electricity represent the single greatest uncertainty that could impact the projected benefits related to expansion. Electricity is a commodity, traded in a highly volatile market, and prices could materially change before CEA is ready to contract for the power supply needed to serve anticipated City electric loads. Commodity price risk is inherent in the electric utility industry and is not unique to expansion, but expansion imposes challenges with respect to the timing of electricity purchases as well as the timing associated with a final/definitive determination regarding the expansion itself. This is not unlike the challenges CEA (or any Community Choice Aggregator) faced during its initial startup period. CEA utilizes professional risk management approaches and forward hedging contracts to mitigate commodity price risk for its existing customers; however, adverse price movements that may occur before CEA initiates power purchases for the City load could drive up costs and result in negative margins.

Utilizing historical volatility in wholesale power market prices, a likely range of potential power supply costs and resulting net margins can be calculated. Figure 3 shows the base case operating margins and error bars representing one standard deviation in power supply costs, assuming CEA does not initiate procurement until March 2022, the month during which the CPUC would be expected to certify CEA's Implementation Plan amendment addressing expansion to the City. Over this four-month period

[4] Reflects partial year of service for fiscal year ending June 20, 2023, with enrollments assumed to commence on April 1, 2023.

(between the date of this Expansion Assessment and March 2022), the estimated change in market prices at one standard deviation of variation is approximately 10% relative to base case assumptions. As reflected in Figure 3 (below), the likely range of net margin outcomes is wide, but consistently positive under this range of power price variability.

Figure 3: Net Surplus Sensitivity to Changes is Power Prices



RESOURCE IMPACTS

Similar to the procurement approach used to support CEA's current customers, CEA would need to acquire various energy products to serve the City – it is assumed that the proportionate acquisition of such resources would occur over time through the application of a laddered hedging strategy, as followed under CEA's risk management program. These energy products include Renewable Energy, Other Carbon Free Energy (e.g., large hydro-electric), System Energy, and Resource Adequacy capacity. The quantities will vary over time and are summarized in Table 5 below for a representative year.

Table 5: Summary of Resources Needed to Serve San Marcos

Product	Quantity	Units	Notes
Renewable Energy	200 GWh	GWh Per Year	Approx. half must be from long-term commitments (>= 10 years) per RPS rules
Other Carbon Free	45 to 85 GWh	GWh Per Year	Higher end of range would be needed to offset emissions attributed to PCC2 renewable energy products; lower use of PCC2 products will reduce need for Other Carbon Free volumes
Resource Adequacy, System	70 MW	MW per Month, September Peak	

Product	Quantity	Units	Notes
Resource Adequacy, Local	65 MW	MW Per Month	

Put into more concrete terms, the 200 GWh of annual renewable energy shown above is generally equivalent to the energy produced by a 75 MW solar or wind generation facility or a 25 MW Geothermal facility.

Under California's RPS rules, a significant portion of renewable energy purchases must be secured through contractual commitments of at least ten years in duration. Compliance with the RPS program is measured over multi-year compliance periods, and the expansion would occur during Compliance Period 4 (2021-2024). As shown below, RPS compliance would require an increase in renewable energy purchases during Compliance Period 4 of 246 GWh, of which 161 GWh would have to be associated with long-term commitments. Note that CEA has voluntarily adopted higher renewable energy targets than required by the RPS program, so the total renewable energy needed to meet CEA policy is greater than the figures shown below.

Current CEA Membership					
Compliance Period 4	**2021**	**2022**	**2023**	**2024**	**Total**
Retail Sales (GWh)	394	624	624	627	2,268
Gross RPS %	35.8%	38.5%	41.3%	44.0%	*40.8%*
Required RPS (GWh)	141	240	258	276	915
Gross RPS LT %	65.0%	65.0%	65.0%	65.0%	65.0%
Gross LT RPS	***92***	***156***	***167***	***179***	***594***

Current CEA Membership Plus City					
Compliance Period 4	**2021**	**2022**	**2023**	**2024**	**Total**
Retail Sales (GWh)	394	624	873	954	2,844
Gross RPS %	35.8%	38.5%	41.3%	44.0%	*40.8%*
Required RPS (GWh)	141	240	360	420	1,161
Gross RPS LT %	65.0%	65.0%	65.0%	65.0%	65.0%
Gross LT RPS	***92***	***156***	***234***	***273***	***755***

RESOURCE AVAILABILITY

Accommodating City expansion will require careful consideration of resource availability, particularly for resource adequacy and long-term renewable energy products. An important element of resource procurement will be the ability to access resources currently held by SDG&E for the benefit of City customers. When City customers transition to CEA service, SDG&E should have surplus resource adequacy and long-term renewable energy supply, so CEA will need to arrange for the acquisition of such supply to facilitate applicable compliance mandates. If no transfer of resources occurs, either by sale or some form of allocation, CEA would risk being unable to meet its regulatory obligations associated with the increased load associated with City expansion.

Under existing regulation, SDG&E is required to have 100% of the local resource adequacy capacity associated with its current customer base two years forward and 50% in the third year. With the well-known shortages of local resource adequacy capacity in the San Diego/Imperial Valley area, this virtually assures that accessing local RA resources held by SDG&E will be required if CEA is to meet its increased local RA obligations associated with the City load.

With respect to renewable energy availability, the resource constraint would primarily relate to the long-term renewable energy requirement for Compliance Period 4. PEA understands that CEA will soon have an opportunity to pursue an allocation of SDG&E's existing RPS portfolio, as described in Commission Decision 21-05-030, which was adopted on May 20, 2021. Participation in this allocation process is voluntary and certain volumes would be eligible to satisfy long-term renewable energy procurement mandates pertaining to CEA. Additional details related to this process are forthcoming with initial allocations expected to occur during the 2023 calendar year. To the extent that CEA can arrange such an allocation to address the increased renewable energy requirements relating to City expansion, incremental procurement obligations would be somewhat diminished. If CEA chooses to forgo the aforementioned allocation opportunity, CEA would need to enter into long-term contracts for renewable energy starting in 2023, coincident with (or shortly after) the enrollment of City customers. Development timelines for new renewable generating projects, however, would likely extend a minimum of 24 to 36 months following the administration of a related solicitation for such supply. Depending on how early CEA begins its procurement efforts, this could mean that new-build renewable projects may not commence operation until the 2024 or 2025 calendar years (if CEA waited until it received the CPUC's implementation plan certification before pursuing long-term renewable energy solicitation efforts related to City expansion). If long-term renewable deliveries were to commence in 2024, CEA would require the full 161 GWh incremental Compliance Period 4 long-term renewable energy obligation to be delivered in that year, and that commitment would extend for the next nine (or more) years. This may result in a higher proportion of renewable energy under long-term contracts than CEA would normally desire; it is generally beneficial to have a mix of short-, medium-, and long-term contract commitments to diversify risk. Of course, if the earliest delivery for new long-term contracts occurs after 2024, associated renewable energy deliveries could not be used in Compliance Period 4. The RPS program makes no accommodations for significant load increases, and there are severe penalties for not meeting the long-term contracting obligation.

In light of the resource availability issues described above, it would be advisable to engage with SDG&E early in the process to ensure that appropriate resource transfers and/or the previously described renewable energy allocation process can be timely accommodated.

CAPITAL AND LIQUIDITY IMPACTS

Although relatively minimal, additional costs related to the prospective expansion would be incurred during the fiscal year preceding enrollment of City accounts. These costs would relate to marketing and outreach activities, customer noticing, regulatory and legal representation, internal operations, resource planning and electric procurement activities that would be necessary to successfully integrate the City and its customers in CEA's organization. There would also be increased working capital requirements to address changes in cash flow. CEA is projected to have sufficient cash liquidity to internally fund pertinent activities related to the prospective expansion.

CONCLUSIONS

This assessment concludes that under base case assumptions extending service to the City would have an overall positive financial benefit to CEA in the form of additional net surpluses that could be used to augment reserves or applied to other purposes. Due to wholesale market volatility, the likely range of outcomes is wide, but margins are expected to be positive for scenarios reflecting typical power price variability. Extending service to the City would increase CEA's sales volume by approximately 52% and would require a meaningful increase in CEA resource acquisition. Advance coordination with SDG&E for resource adequacy and long-term renewable energy resource transfers would be strongly advised to ensure CEA has the resources necessary to meet its regulatory obligations associated with an increase in load. Among other resource implications, the expansion would increase CEA's long-term RPS compliance obligations, and meeting these heightened obligations during Compliance Period 4, which spans 2021-2024, would be of immediate importance. It is highly likely that local resource adequacy and long-term renewable energy would need to be obtained from SDG&E to facilitate the transfer of customers to CEA.

CLEAN ENERGY ALLIANCE

Staff Report

DATE: December 17, 2021

TO: Clean Energy Alliance Board of Directors

FROM: Barbara Boswell, Chief Executive Officer

ITEM 4: Receive Update on Proposed Changes to San Diego Gas & Electric Net Energy Metering Tariffs and Consideration of Sending a Letter Commenting on the Proposed Changes

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RECOMMENDATION

Direct staff to draft a letter for Board Chair signature commenting on the California Public Utilities Commission proposed changes to San Diego Gas & Electric Net Energy Metering Tariffs, to be delivered to Governor Newsom and the California Public Utilities Commission.

BACKGROUND AND DISCUSSION

On August 27, 2020, a proceeding was initiated with the California Public Utilities Commission (CPUC), commonly known as NEM 3.0, for the purpose of revisiting current Investor-Owned Utilities (IOU) (including San Diego Gas & Electric) net energy metering (NEM) tariffs. Since that time, the CPUC has heard various proposals related to changes to the NEM tariffs. A proposed decision (PD) on the proceeding was submitted on December 13, 2021, and the earliest the PD can be heard by the CPUC is January 27, 2022.

CEA Board will be provided a summary of the PD and may consider sending a letter to the Governor and CPUC commenting on the PD.

FISCAL IMPACT

There is no fiscal impact by this action.

ATTACHMENTS

None