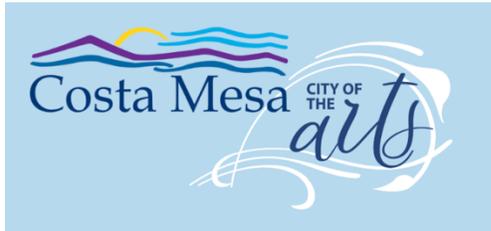


Are city General Funds exposed to Orange County Power Authority (OCPA)?



City of Costa Mesa

July 16, 2024

https://costamesa.granicus.com/player/clip/4153?view_id=14&redirect=true



OCPA CEO Joe Mosca

(Elapsed time 1:57:41): “There is no financial impact on the City of Costa Mesa. You would be joining a Joint Powers Authority (JPA) which shields your general fund from any liability. Plus, we have... we have ample reserves in the bank. So, there would be no – uh, and we’re in the money in all of our energy contracts – so there would be no liability. But the JPA also does limit your liability.”

Note: There are no stated financial liability limits, either by formula or text, in the OCPA Joint Powers Membership document.

There is financial firewall language -- Subsection 5.7 Obligations of the Authority -- which supposedly insulates all city members from combined liability if the JPA ceases to operate, (must be agreed to by the contract counterparty). However, Section 5.7 does not apply to an individual *withdrawing* city’s on-going liability to OCPA (Subsection 6.3).

###

See next page...

Are city General Funds exposed to Orange County Power Authority (OCPA)?

OCPA's [Joint Powers Agreement](#) language (effective November 20, 2020), **Subsection 6.3 Continuing Liability; Refund** confuses and misleads:

“In the implementation of this subsection 6.3, the Parties **intend**, to the maximum extent possible, without compromising the viability of ongoing Authority operation, that any claims, demands, damages, or liabilities covered hereunder, **be funded from the rates paid by CCA Program customers located within** the service territory of the withdrawing Party, and **not from the general fund** of the withdrawing Party itself. The liability of the withdrawing Party under this subsection shall be only to the Authority and not to any other Party.”

OCPA's **Subsection 6.3 Continuing Liability; Refund** should be read in proper context:

1. OCPA has no stranded-cost recapture mechanism for paying departing city's Power Purchase Agreements (PPAs) and other energy contract debt that is similar to SCE's Power Charge Indifference Adjustment (PCIA).
City general fund would pay the on-going liabilities (PPA) to OCPA.
2. OCPA “intends” that a withdrawing city's liability be paid by customers located within withdrawing city's boundaries. However, customers did not execute an agreement with OCPA, nor with their withdrawing city, to assume their city's unknown exit liability.
City general fund would pay the on-going liabilities (PPA) to OCPA.
3. What happens after “intend” is exhausted?
City general fund would pay the on-going liabilities (PPA) to OCPA.