

ORANGE COUNTY POWER AUTHORITY
Staff Report – Item 7

To: Orange County Power Authority Board of Directors

From: Power Authority Staff

Subject: APPROVAL OF CAPITAL LOAN AGREEMENT TO FUND AUTHORITY OPERATIONS

Date: December 16, 2020

RECOMMENDATION

1. Approve Capital Loan Agreement between Authority and City of Irvine.
2. Delegate authority to Chair or Vice Chair to execute agreement.

BACKGROUND

Attachment 1, Exhibit D of the Orange County Power Authority Joint Powers Agreement (Agreement), provides for a capital loan from the City of Irvine to the Orange County Power Authority (Authority) for pre-launch and launch efforts. The Authority needs to execute the Capital Loan Agreement in order to effectuate the City of Irvine's loan to the Authority and ensure proper funding for Community Choice Energy (CCE) program implementation.

ANALYSIS AND DIRECTION

The City of Irvine is providing the necessary funding for the Authority to launch the CCE program on behalf of the Authority's members. The funding takes the form of a Capital Loan Agreement, as defined in Section 5.5 of the Agreement. The Capital Loan Agreement provides for and defines three tranches of funding, including (1) Formation Costs, (2) Pre-launch Costs, and (3) Launch Costs. The City of Irvine has budgeted for and expended certain Formation Costs to explore CCE feasibility, peer review, consultants, legal counsel, and Authority formation costs including drafting and filing the Implementation Plan with the California Public Utilities Commission, in an amount not to exceed \$250,000. The City of Irvine has also committed \$2,500,000 for Pre-launch Costs for working capital needed by the Authority for staffing and consultants to prepare for a projected launch of the CCE program in 2022, with such funds to be transferred to the Authority on January 1, 2021. Lastly, the City of Irvine is committed to provide the necessary cash collateral required in order to obtain a credit facility, projected to be a \$8,000,000-\$20,000,000 loan, needed for additional working capital and collateral necessary for power procurement. The cash collateral to be posted by the City of Irvine