

Western Riverside Council of Governments

WCE Board of Directors

Minutes

1. CALL TO ORDER

The Joint Meeting of the WCE Board of Directors and Technical Advisory Committee was called to order by Chair Todd Rigby at 8:01 a.m. on May 24, 2021, on the Zoom platform.

2. PLEDGE OF ALLEGIANCE

Chair Rigby led members and guests in the Pledge of Allegiance.

3. ROLL CALL

Board of Directors:

- City of Eastvale - Todd Rigby (Chair)
- City of Hemet - Russ Brown
- City of Jurupa Valley - Chris Barajas
- City of Norco - Ted Hoffman
- City of Wildomar - Ben Benoit

Technical Advisory Committee Members:

- City of Eastvale - Bryan Jones
- City of Hemet - Chris Lopez
- City of Jurupa Valley - Rod Butler
- City of Norco - Andy Okoro
- City of Perris - Clara Miramontes

4. PUBLIC COMMENTS

There were no public comments.

5. CONSENT CALENDAR – (Norco / Wildomar) 5 yes; 0 no; 0 abstention. Items 5.A through 5.C were approved.

A. Summary Minutes from the May 6, 2021, Special Joint Meeting of the WCE Board of Directors and Technical Advisory Committee

Action:

1. Approved the Summary Minutes from the May 6, 2021, Special Joint Meeting of the WCE Board of Directors and Technical Advisory Committee.

B. Summary Minutes from the May 12, 2021, Joint Meeting of the WCE Board of Directors and Technical Advisory Committee

Action:

1. Approved the Summary Minutes from the May 12, 2021, Joint Meeting of the WCE Board of Directors and Technical Advisory Committee.

C. Approval of Engagement and Legal Services Agreement with Weiland Golden Goodrich

Action:

1. Approved as to form and authorized the Executive Director to enter into an Engagement and Legal Services Agreement with Weiland Golden Goodrich, LLP.

6. CLOSED SESSION

Conference with Legal Counsel - Anticipated Litigation
Two potential cases

Conference with Legal Counsel - Anticipated Litigation
Twelve potential cases

There were no reportable actions.

7. REPORTS

A. WCE Declaration of Fiscal Emergency

Dave Wright, WCE Interim General Manager, reported that WCE was formed in 2018 and went into operations in April 2020. There were several contracts for energy Resource Adequacy and renewables and a \$16M credit facility.

In April 2020, the COVID-19 pandemic forced people to shelter at home and the Governor prohibited utilities from turning off customer accounts for non-payment. As a result, delinquencies surged higher than they ever have been for other utilities. WCE's delinquencies have surpassed \$6M.

The summer of 2020 experienced a major heat event, and even though WCE had procured 90% of its required power, the cost of energy increased significantly and cost WCE an additional unanticipated \$12M. These experiences are being felt throughout the state; however, as a new utility, WCE did not have built up reserves as other utilities have.

In February 2021, WCE's lender cut off access to the credit facility. At the same time, there was a freeze in the state of Texas, which affected California energy markets, resulting in an increased cap on energy prices. This Board took actions to increase rates to cover costs and looked at the potential of utilizing COVID-19 relief funds to help WCE with its financial challenges. WCE also hired its own staff instead of utilizing consultants, hoping to experience additional savings.

WCE does not have enough energy to serve customers throughout the summer. A significant amount

needs to be purchased in order to hedge the power supply for the summer; the cost for power has increased significantly. As of today, WCE needs an infusion of over \$40M to make it through one more year of operations. It was determined that WCE cannot utilize COVID-19 relief funds to aid in its operations.

In order for WCE's lender to provide any financial assistance, it required WCE's members to provide at least \$25M. This year's budget is approximately \$125M. There is approximately \$1M in the bank. WCE has \$12M in obligations to Southern California Edison; \$5M to other vendors; \$4M to the lender; and more than \$6M in letters of credit. WCE needs \$10M for anticipated payment and power purchases over the next 30 days. Lastly, rate increases of between 15% and 30% are necessary over the next couple of years.

WCE staff and legal counsel have tried everything possible to avoid declaring a fiscal emergency. WCE just does not have the cash to pay debts coming due.

Action:

1. Adopted Resolution No. 2021-09; A Resolution of the Board of Directors of Western Community Energy declaring a fiscal emergency.

(Wildomar / Norco) 5 yes; 0 no; 0 abstention. Item 7.A was approved.

B. Discussion and Consideration of Potential Bankruptcy

Glen Price, WCE legal counsel, reported that we have been working with Southern California Edison and the lender over the past few months to restructure debt, and attempting to find additional funding to address cashflow needs. This is contingent, however, on WCE's ability to maintain access to cash receipts, and able to obtain a new source of financing. WCE has been able to juggle its cashflow over the past few months with short-term loans from WRCOG and the willingness of certain consultants and creditors to delay payments. Unfortunately there is not enough cash to continue operating that way.

Action:

1. Adopted Resolution No. 2021-10; A Resolution of the Board of Directors of Western Community Energy authorizing the filing of a petition under Chapter 9 of the United States Bankruptcy Code.

(Jurupa Valley / Wildomar) 4 yes; 1 no; 0 abstention. Item 7.B was approved. The City of Hemet representative voted no.

8. NEXT MEETING

The next Joint Meeting of the WCE Board of Directors and Technical Advisory Committee is scheduled for Wednesday, June 9, 2021, at 1:15 p.m., on the Zoom platform. Committee members will have the option of attending this meeting in-person.

9. ADJOURNMENT

The Joint Meeting of the WCE Board of Directors and Technical Advisory Committee adjourned at 10:11 a.m.