



## **MEETING of the Finance Committee of the Clean Power Alliance of Southern California**

**Tuesday, July 9, 2019**

**11:00 a.m.**

**555 W. 5th Street, 35<sup>th</sup> Floor**

**Los Angeles, CA 90013**

*Meetings are accessible to people with disabilities. Individuals who need special assistance or a disability-related modification or accommodation to participate in this meeting, or who have a disability and wish to request an alternative format for the meeting materials, should contact Christian Cruz, at least two (2) working days before the meeting at [ccruz@cleanpoweralliance.org](mailto:ccruz@cleanpoweralliance.org) or (213) 269-5870. Notification in advance of the meeting will enable us to make reasonable arrangements to ensure accessibility to this meeting and the materials related to it.*

***PUBLIC COMMENT POLICY:*** *The General Public Comment item is reserved for persons wishing to address the Committee on any Clean Power Alliance-related matters not on today's agenda. Public comments on matters on today's Consent Agenda and Regular Agenda shall be heard at the time the matter is called. Comments on items on the Consent Agenda are consolidated into one public comment period. As with all public comment, members of the public who wish to address the Committee are requested to complete a speaker's slip and provide it to Clean Power Alliance staff at the beginning of the meeting but no later than immediately prior to the time an agenda item is called.*

*Each speaker is customarily limited to two (2) minutes (in whole minute increments) per agenda item with a cumulative total of five (5) minutes to be allocated between the General Public Comment, the entire Consent Agenda, or individual items in the Regular Agenda. Please refer to Clean Power Alliance Policy No. 8 – Public Comments for more information.*

*In addition, members of the Public are encouraged to submit written comments on any agenda item to [PublicComment@cleanpoweralliance.org](mailto:PublicComment@cleanpoweralliance.org). To enable an opportunity for review, written comments should be submitted at least 72 hours but no later than 24 hours in advance of the noticed Committee meeting date. Any written materials submitted thereafter will be distributed to the Committee at the Committee*

Clean Power Alliance Finance Committee  
July 9, 2019

*meeting. Any written submissions must specify the Agenda Item by number, otherwise they will be considered General Public Comment.*

*Members of the public may also participate in this meeting remotely at the following addresses:*

Beverly Hills City Hall  
4th Floor, Conference Room 4B  
455 N. Rexford Drive, Beverly Hills, CA 90210

Camarillo City Hall  
Executive Conference Room  
601 Carmen Drive, Camarillo, CA 93010

Carson City Hall  
Executive Conference Room  
701 E. Carson Street  
Carson, CA 90745

Rolling Hills Estates City Hall  
4045 Palos Verdes Drive N.  
Rolling Hills Estates, CA 90274

**I. WELCOME & ROLL CALL**

**II. GENERAL PUBLIC COMMENT**

**III. CONSENT AGENDA**

1. Approve Minutes from May 22, 2019 Finance Committee Meeting
2. Receive and file April 2019 Monthly Financial Dashboard
3. Receive and file June 2019 Risk Management Team Report

**IV. REGULAR AGENDA**

4. Report from the Chief Financial Officer
5. Review Results of Request for Proposals for Financial Audit Services and Authorize Staff to Negotiate a Contract for Financial Audit Services with Baker Tilly

**V. COMMITTEE MEMBER COMMENTS**

**VI. ADJOURN**

*Public Records: Public records that relate to any item on the open session agenda for a Committee Meeting are available for public inspection. Those records that are distributed less than 72 hours prior to the meeting are available for public inspection at the same time they are distributed to all, or a majority of, the members of the Committee. The Board has designated Clean Power Alliance, 555 W. 5th Street, 35th Floor, Los Angeles, CA 90013, as the location where those public records will be available for inspection. The documents are also available online at [www.cleanpoweralliance.org](http://www.cleanpoweralliance.org).*

MEETING of the Finance Committee of the  
Clean Power Alliance of Southern California

Wednesday, May 22, 2019, 11:00 a.m.

**MINUTES**

*555 W. 5th Street, 35<sup>TH</sup> Floor  
Los Angeles, CA 90013*

*Beverly Hills City Hall  
4PthP Floor, Conference Room 4B  
455 N. Rexford Drive, Beverly Hills, CA  
90210*

*Carson City Hall  
Executive Conference Room  
701 E. Carson Street  
Carson, CA 90745*

*Camarillo City Hall  
601 Carmen Drive, Camarillo, CA 93010*

*Rolling Hills Estates City Hall  
4045 Palos Verdes Drive N., Rolling Hills  
Estates, CA 90274*

**I. WELCOME & ROLL CALL**

Chair Julian Gold called the meeting to order and the Interim Board Secretary Christian Cruz conducted roll call.

<b>Roll Call</b>			
<b>Beverly Hills</b>	Julian Gold	Committee Chair	Remote
<b>Camarillo</b>	Tony Trembley	Committee Member	Remote
<b>Carson</b>	Reata Kulcsar	Committee Member	Remote
<b>Rolling Hills Estates</b>	Steve Zuckerman	Committee Member	Remote
<b>Santa Monica</b>	Pam O'Connor	Committee Member	Present

**II. GENERAL PUBLIC COMMENT**

The following individual provided general public comments: Harvey Eder (Public Solar Power Coalition).

**III. CONSENT AGENDA**

1. Approved Minutes from April 24, 2019 Finance Committee Meeting
2. Received and filed March 2019 Monthly Financial Dashboard

3. Received and filed May 2019 Risk Management Team Report

The following individual provided comments on the Consent Agenda: Harvey Eder (Public Solar Power Coalition).

Motion: Committee Member Trembly, Camarillo

Second: Committee Member Zuckerman, Rolling Hills Estates

Vote: Items 1 through 3 were approved by a unanimous roll call vote.

#### IV. REGULAR AGENDA

4. Received report from the Chief Financial Officer

David McNeil, Chief Financial Officer, provided a summary of CPA's March financial results, which look positive. CPA's cash flow analysis indicates that there will be a comfortable amount of room on the CPA line of credit through the summer. Mr. McNeil is developing an RFP for auditing services for the current fiscal year. The RFP will be released in the next 30 days and staff will be recommending an auditor to the Finance Committee in July. Additionally, Mr. McNeil reviewed the June rate setting activities and fiscal impacts.

The following individual provided comments on this item: Harvey Eder (Public Solar Power Coalition).

This item was for informational purposes only.

5. Recommended the Board of Directors Adopt Draft Fiscal Year 2019/20 Annual Budget and Authorized Staff to Make Adjustments Based on Updated Rate and Load Information Prior to the June 6, 2019 Board Meeting

Mr. McNeil provided a review of the Draft Fiscal Year 2019/20 Budget. Mr. McNeil indicated that staff is still waiting for additional load forecasting based on updated information from SCE and for additional modeling to be completed, and as such would make further adjustments as necessary to incorporate this new information.

Mr. McNeil then presented information on how CPA's financial outlook compares to CCAs across the state and discussed overall budget priorities looking ahead, summarizing that CPA is in good financial standing.

The following individual provided comments on this item: Harvey Eder (Public Solar Power Coalition).

Motion: Committee Member O'Connor, Santa Monica

Second: Committee Member Zuckerman, Rolling Hills Estates

Vote: Item 5 was approved by a unanimous roll call vote.

**V. COMMITTEE MEMBER COMMENTS**

There were no additional Committee Member comments.

**VI. ADJOURNED**

Chair Gold adjourned the meeting.



## Financial Dashboard

### Summary of Financial Results

YTD  
April  
2019

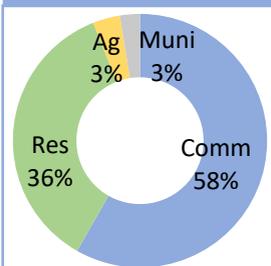
Active Accounts

920,000

Opt-Out %

3.1%

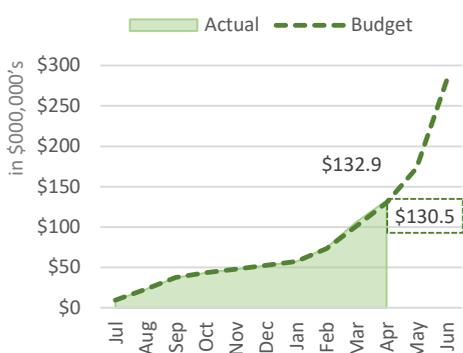
YTD Sales Volume  
2,238 GWh



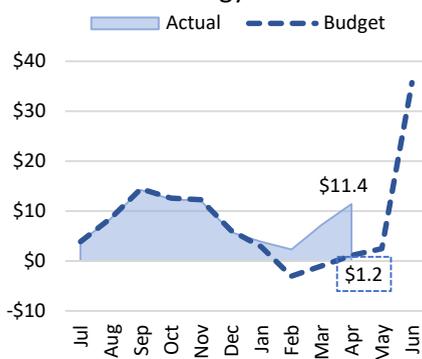
in \$,000,000's	April				Year-to-Date			
	Actual	Budget	Variance	%	Actual	Budget	Variance	%
Energy Revenues	\$26.6	\$28.0	-\$1.4	-5%	132.9	130.5	2.5	2%
Cost of Energy	\$22.4	\$25.9	-\$3.6	-14%	121.5	129.3	-7.8	-6%
Net Energy Revenue	\$4.2	\$2.1	\$2.1	104%	11.4	1.2	10.3	885%
Operating Expenditures	\$1.8	\$2.4	-\$0.6	-26%	8.4	10.1	-1.7	-17%
Net Income	\$2.4	-\$0.4	\$2.8		3.1	-8.9	12.0	

- CPA recorded positive financial results for the period. Expenditures remain within authorized budget limits.
- Year-to-date Revenues of \$132.9 million were 2% above amended budget revenues.
- Cost of energy of \$121.5 million were 6% below budgeted energy costs.
- Operating expenditures of \$8.4 million were 17% lower than budgeted primarily due to lower than budgeted staffing, Legal services, and Data & SCE service fees.
- Net income of \$3.1M was \$12 million greater than budgeted net loss of \$8.9M.
- Management believes that available liquidity and bank lines of credit are sufficient for CPA to continue to meet its obligations.

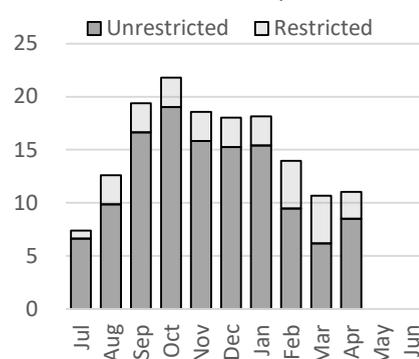
Cumulative Revenue



Net Energy Revenue



Cash & Cash Equivalents



**Definitions:**

Accounts: Active Accounts represent customer accounts of active customers served by CPA

Opt-out %: Customer accounts opted out divided by eligible CPA accounts

YTD Sales Volume: Year to date sales volume represents the amount of energy (in gigawatt hours) sold to retail customers

Revenues: Retail energy sales less allowance for doubtful accounts

Cost of energy: Cost of energy includes direct costs incurred to serve CPA's load

Operating expenditures: Operating expenditures include general, administrative, consulting, payroll and other costs required to fund operations

Net income: Net income represents the difference between revenues and expenditures before depreciation and capital expenditures

Cash and Cash Equivalents: Includes cash held as bank deposits.

Year to date (YTD): Represents the fiscal period beginning July 1, 2018



## Staff Report – Agenda Item 3

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**To:** Clean Power Alliance (CPA) Finance Committee  
**From:** Matthew Langer, Chief Operating Officer  
**Approved by:** Ted Bardacke, Executive Director  
**Subject:** June 2019 Risk Management Team Report  
**Date:** July 9, 2019

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### **SUMMARY**

#### **Key Actions**

- Reviewed load forecast scenario and positions reflecting CPA’s latest opt out projections.
- Approved transactions for 2019, 2020, and 2021 energy hedges.
- Discussed proposed amendments to the Energy Risk Management Policy (ERMP), including new transaction types, to be presented to the Board of Directors for consideration in July 2019.

#### **Policy Compliance**

<b>Policy Deviation</b>	<b>Required Action</b>
Due to CPA’s revised load forecast, CPA is long PCC1 and carbon free in 2019.	CPA will sell excess PCC1 and carbon free for the balance of 2019.



## Staff Report – Agenda Item 4

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**To:** Clean Power Alliance (CPA) Finance Committee  
**From:** David McNeil, Chief Financial Officer  
**Subject:** Report from the Chief Financial Officer  
**Date:** July 9, 2019

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The CFO will provide an oral report on current CPA fiscal activities.



## Staff Report – Agenda Item 5

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**To:** Clean Power Alliance (CPA) Finance Committee

**From:** David McNeil, Chief Financial Officer

**Approved by:** Ted Bardacke, Executive Director

**Subject:** Review Results of Request for Proposals for Financial Audit Services and Authorize Staff to Select Baker Tilly to provide Financial Audit Services

**Date:** July 9, 2019

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### **RECOMMENDATION**

Select Baker Tilly as the Independent Auditor for CPA's Fiscal Year 2018/2019 financial statements and authorize staff to enter into contract negotiations for financial audit services with Baker Tilly.

### **SUMMARY**

Following the end of its fiscal year, CPA produces annual audited financial statements. CPA requires an independent auditor to audit its financial statements for the year ending June 30, 2019. Pursuant to the CPA Bylaws;

*The Finance Committee shall select an Independent Auditor who shall perform a financial audit of accounts of the Alliance on an annual basis. The Independent Auditor shall be accredited in the State of California and provide independent, accurate, and timely assessments of the Alliance's financial activities in compliance with generally accepted government auditing standards.*

On May 29, 2019, staff released an RFP for Audit Services (provided as Attachment 1). The RFP outlined the following evaluation criteria:

- 1) Proposer's qualifications and references (50%)
- 2) Proposer's approach to providing audit services and proposed timeline (25%)
- 3) Price (25%)

CPA posted the RFP on its website and notified five audit firms known to meet the minimum qualifications. CPA received two proposals, from Baker Tilly and Watson Rice. KPMG (no reason given) and Virchow Krause (insufficient capacity) declined to bid. Vavrinek, Trine, Day did not respond.

After carefully reviewing the proposals, staff recommends that the Finance Committee select Baker Tilly for the following reasons:

- Baker Tilly has national practice auditing electric utilities and has deep electric utility industry expertise
- Baker Tilly has CCA auditing experience and currently serves as the auditor of Moody's rated Marin Clean Energy
- Baker Tilly has extensive knowledge of California energy markets. It currently performs audit services for Sacramento Municipal Utilities District, Northern California Power Agency and Modesto Irrigation District
- Baker Tilly offered the lowest price (\$30,000)

**Attachments:**      1) Request for Proposals for Financial Audit Services  
                             2) Proposal for Audit Services – Baker Tilly



## REQUEST FOR PROPOSALS FINANCIAL AUDIT SERVICES

The Clean Power Alliance of Southern California (“CPA”, or “Clean Power Alliance”) is seeking proposals from qualified Proposers for the financial audit of its Fiscal Year (FY) 2018-19 financial statements for the year ending June 30, 2019.

CPA is a Joint Powers Authority (“JPA”) formed for the purpose of administering a Community Choice Aggregation Program (“CCA” or “CCA Program”) in Southern California Edison (“SCE”) territory. SCE is the Investor Owned Utility (“IOU”) that provides CPA customers with electric transmission and delivery service, while CPA provides retail electric generation service to residential and commercial customers located within its service territory. CPA’s service territory includes the unincorporated portions of Los Angeles and Ventura counties and 29 cities within those two counties. Additional background information on the program can be found on our website at [www.cleanpoweralliance.org](http://www.cleanpoweralliance.org).

During FY 2017-18 CPA’s accounting and financial reporting functions were performed by the County of Los Angeles (the “County”). The audit of CPA’s FY 2017/18 accounts was performed by BCA Watson Rice under the general direction of the County. The audited FY 2017/18 financial statements are available in the “Key Documents” section of CPA’s website.

Beginning on July 1, 2018 the accounting and financial reporting functions of CPA have been performed by Maher Accountancy located in San Rafael, California.

CPA operates as an enterprise fund. Financial accounting is maintained on the accrual basis of accounting. Budgets are prepared on the modified accrual basis. Employees are eligible to participate in a defined contribution retirement plan and there is no obligation for other post-employment benefits. CPA does not own physical assets apart from office equipment.

Responsive proposals *must* address all specified services as described herein.

This RFP will be conducted in accordance with the schedule set forth below. Final selection will be contingent upon the approval of Finance Committee who are directors of Clean Power Alliance’s Board of Directors. Proposers should be available to meet by phone with the Finance Committee between 11:00AM and 12:00PM Pacific Time on June 26, 2019.

### 1. Minimum Qualifications



All proposers should be legally certified to perform financial auditing services for government agencies within the State of California. In addition, the firm should affirm all staff to be assigned to the project are properly licensed and legally able to practice in California.

- All proposers should be able to show the following minimum insurance requirements will be maintained through the duration of the project:
- \$1,000,000 of Commercial General Liability and a general aggregate limit of \$2,000,000 per project or location
- \$1,000,000 of Automobile Liability for any owned, non-owned, or hired vehicle to be used in connection with the performance of this project
- \$1,000,000 of Worker's Compensation as required by the State of California
- \$2,000,000 of Professional Liability/Errors & Omissions

## 2. Timetable

The timetable for this RFP is as follows:

Release RFP	May 29, 2019
Deadline for Question Submittal	June 12, 2019
Responses to Questions Released	June 14, 2019
Proposals Due	June 19, 2019
Selection Process Final	June 26, 2019
Begin Contract Negotiations	June 27, 2019
Contract Approval by Executive Director	July 12, 2019
Execution of Contract	July 19, 2019
Commencement of Work	July 24, 2019

## 3. Proposer Questions

Proposers may submit questions regarding this RFP by email to David McNeil, CFO [dmcneil@cleanpoweralliance.org](mailto:dmcneil@cleanpoweralliance.org). All questions must be received by 5:00 pm Pacific Time on **Wednesday, June 12, 2019**. When submitting questions, please specify which section of the RFP you are referencing and quote the language that prompted the question. CPA reserves the right to group similar questions when providing answers. Questions may address issues or concerns that the evaluation criteria and/or business requirements would unfairly disadvantage proposers or, due to unclear instructions, may result in CPA not receiving the best possible responses from proposer.

## 4. Proposal Submission

The final proposal should be submitted by email to [dmcneil@cleanpoweralliance.org](mailto:dmcneil@cleanpoweralliance.org) by 5:00 pm Pacific Time on **Wednesday, June 19, 2019**. Please include the subject line "PROPOSAL FOR AUDIT SERVICES."



It is the sole responsibility of the submitting proposer to ensure that its proposal is received before the submission deadline. Submitting proposers shall bear all risks associated with delays in delivery. Any proposals received after the scheduled closing date and time for receipt of proposals will not be accepted.

## **5. Proposal Evaluation and Criteria**

Proposals will be evaluated using the following criteria:

- *Proposer's Qualifications & References (50%)*

Proposer will be evaluated on their experience, knowledge, financial viability, capability, and capacity to perform the required services based on information provided in the proposal. Operational experience of the proposer's organization and subcontractors, and of key personnel, including similar services, number of times the firm has provided the same or substantially similar services, years of experience and volume of energy supplied, experience providing similar services in California, and experience and familiarity with California CCAs.

Proposer and any subcontractors will be evaluated on the verification of references of the proposal. In addition to the references provided, a review of terminated contracts will be conducted which may result in point deductions.

- *Proposer's Approach to Providing Required Services and Proposed Timeline (25%)*

The proposer will be evaluated on the description of the approach to meeting CPA's requirements based on information provided in the proposal.

- *Cost Proposal Evaluation Criteria (25%)*

The maximum number of possible points will be awarded to the lowest cost proposal. All other proposals will be compared to the lowest cost and points awarded proportionally.

### **Exceptions to Terms and Conditions of Sample Contract and/or Requirements of the Statement of Work**

Proposer will also be evaluated on their willingness to accept the Terms and Conditions and the Statement of Work. CPA may deduct rating points or disqualify the proposal in its entirety if the exceptions are material enough to deem the proposal non-responsive. Proposers are further notified that CPA may disqualify any proposer with whom CPA cannot satisfactorily negotiate a contract.



False, misleading, incomplete, or deceptively unresponsive statements in connection with a proposal shall be sufficient cause for rejection of the proposal. The evaluation and determination in this area shall be at CPA's sole judgment and their judgment shall be final.

## **6. Selection Process**

CPA reserves the sole right to judge the contents of the proposals submitted pursuant to this RFP and to review, evaluate and select the successful proposal. The selection process will begin immediately following the proposal submission deadline.

Evaluation of the proposals will be made by an Evaluation Team selected by CPA. The Team will evaluate the proposals and will use the evaluation approach to select a prospective contractor. All proposals will be evaluated based on the criteria listed in Attachment A. All proposals will be scored and ranked in numerical sequence from high to low. The Evaluation Team will make a recommendation to Finance Committee. The Finance Committee will select a proposer and authorize staff to negotiate a contract.

After a proposer has been selected, CPA and the prospective contractor will negotiate a contract for execution by CPA. If a satisfactory contract cannot be negotiated, CPA may, at its sole discretion, begin contract negotiations with the next qualified proposer who submitted a proposal, as determined by CPA.

## **7. Reservation of Rights**

This RFP is a solicitation for proposals only and is not intended as an offer to enter into a contract or as a promise to engage in any formal competitive bidding or negotiations. CPA may, at its sole discretion, reject any or all proposals submitted in response to this RFP. CPA also may, in its sole discretion, make no award for this RFP or cancel this RFP in its entirety. In addition, CPA may, at its sole discretion, only elect to proceed with contract negotiations for some of the services included in the proposal.

CPA shall not be liable for any costs incurred by the proposer in connection with the preparation and submission of any proposal. CPA reserves the right to waive inconsequential disparities in a submitted proposal. CPA has the right to amend the RFP, in whole or in part, by written addendum, at any time. CPA is responsible only for that which is expressly stated in the solicitation document and any authorized written addenda. Such addendum shall be made available to each person or organization which CPA records indicate has received this RFP. Should such addendum require additional information not previously requested, failure to address the requirements of such addendum may result in the proposal being found non-responsive and not being considered, as determined in the sole discretion of CPA. CPA is not responsible for and shall not be bound by any representations otherwise made by any individual acting or purporting to act on its behalf. CPA has the right to reissue the RFP at a future date.



## 8. Confidentiality and Public Records

Responses to this solicitation shall become the exclusive property of CPA. CPA is subject to the California Public Records Act (CPRA). The recommended proposer's proposal will become a matter of public record when contract negotiations are complete and CPA receives a letter from the recommended proposer's authorized officer that the negotiated contract is the firm offer of the recommended proposer or when an agreement is executed by CPA. Exceptions to disclosure may be available to those parts or portions of proposals that are justifiably and reasonably defined as business or trade secrets, and plainly marked by the proposer as "Trade Secret", "Confidential", or "Proprietary". CPA shall not, in any way, be liable or responsible for the disclosure of any such record or any parts thereof, if disclosure is required or permitted under the CPRA or otherwise by law. In the event CPA receives a CPRA request for any of the aforementioned documents, information, books, records, and/or contents of a proposal marked "Confidential", "Trade Secrets", or "Proprietary", proposer agrees to defend and indemnify CPA from all costs and expenses, including reasonable attorneys' fees, incurred in connection with any action, proceedings, or liability arising in connection with the CPRA request pursuant to the Letter Agreement attached as Attachment I. The executed Letter Agreement must be submitted with the Proposal.

A blanket statement of confidentiality or the marking of each page of the proposal as confidential shall not be deemed sufficient notice of a CPRA exemption, and a proposer who indiscriminately and without justification identifies most or all of its proposal as exempt from disclosure or submits a redacted copy may be deemed non-responsive.

## 9. Conflicts of Interest

CPA is governed by the Political Reform Act, Government Code Section 1090, Government Code Section 84308, and other requirements governing conflicts, campaign contributions, and gifts. Proposers are required to review all applicable conflict of interest laws.

Pursuant to Government Code 84308, you or your agent are prohibited from making a campaign contribution of more than \$250 to any Director of the CPA Board while this solicitation is pending and three (3) months after the Board takes action on any contract arising from this RFP. **You must disclose any campaign contributions to any Director of the CPA Board that you or your agent have made in the 12 months preceding this RFP to that Director.** If a campaign contribution in violation of Section 84308 is discovered, CPA shall, in its sole discretion, disqualify your proposal from further consideration.

You may not contact or receive information outside of this RFP process. If it is discovered that the proposer contacted and received information from any CPA personnel, CPA Director, or panel selection members other than the person specified above, regarding this solicitation, CPA may, in its sole discretion, disqualify your proposal from further consideration.



All contact regarding this RFP or any matter relating thereto must be in writing and may be emailed to:

David McNeil  
Clean Power Alliance  
[ttardif@cleanpoweralliance.org](mailto:ttardif@cleanpoweralliance.org)

Thank you for your interest in doing business with Clean Power Alliance of Southern California.

Sincerely,

TED BARDACKE  
Executive Director  
Clean Power Alliance of  
Southern California

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#### ATTACHMENTS

- Attachment A – Statement of Work
- Attachment B – Format of the Proposal
- Attachment C – Sample Contract
- Attachment D – Prospective Contractor References
- Attachment F – Prospective Contractor List of Terminated Contracts
- Attachment G – Prospective Contractor List of Lawsuits/Claims/Disputes
- Attachment H – Vendor Campaign Contribution Disclosure Form
- Attachment I – Indemnity and Defense Agreement

## **ATTACHMENT A STATEMENT OF WORK**

### **I. Scope of Work:**

The Provider is desired to express an opinion on CPA's basic financial statements in conformity with generally accepted accounting principles. CPA will provide the Provider with full disclosure to all relevant financial information including financial statements presented in accordance with current Governmental Accounting Standards Board pronouncements, as well as any subsequent pronouncements over the course of the agreement term. CPA will prepare supporting schedules and required documentation for use by the auditors.

#### **1. REPORTS TO BE ISSUED**

Following the completion of the audit, the Provider shall issue for CPA a report on the fair presentation of the financial statements in conformity with generally accepted accounting principles. The financial statements shall include, at a minimum, Management's Discussion and Analysis, the Basic Financial Statements, and Notes to the Basic Financial Statements.

If applicable, the Provider shall issue a report, a letter, or a discussion of any deficiencies in internal controls.

#### **2. CONFERENCES AND MEETING ATTENDANCE**

The Provider may be required to meet with the Finance Committee independently of CPA staff to discuss details of scope, intent, or expectations on behalf of the Board. This may be done by phone or video conference. Sufficient advance notice will be provided by CPA staff.

#### **3. WORKING PAPER RETENTION AND ACCESS TO WORKING PAPERS**

All working papers and reports must be retained, at the Provider's expense, for a minimum of seven (7) years, unless the firm is notified in writing by CPA of the need to extend the retention period. The Provider will be required to make working papers available, upon request, to CPA or its designees.

### **II. Project Timeline**

The audit must be completed by October 31, 2019. The following is CPA's expected timeline to ensure project completion.

- July 24, 2019; Kick off meeting with Provider
- September 30, 2019: End of audit and beginning of report development
- October 11, 2019: Draft submission of audit report(s) to CPA management for review
- October 18, 2019: Completion of draft audit report(s)
- October 23, 2019: Presentation of audit results to Finance Committee
- October 31, 2019: Completion of Audit

CPA is open to proposals with alternative timelines, as long as they are reasonable in execution and ensure final submission not to exceed absolute deadline above.

### **III. Term of Agreement**

The initial term of the Agreement(s) shall be for one year. CPA reserves the right to extend the agreement(s) for 2 additional years.



# Clean Power Alliance

Financial audit services  
from public power industry specialists

June 19, 2019



Baker Tilly Virchow Krause, LLP  
10 Terrace Court  
Madison, WI 53718  
tel 608 249 6622  
fax 608 249 8532  
bakertilly.com

June 19, 2019

Mr. David McNeil  
Chief Financial Officer  
Clean Power Alliance

Dear Mr. McNeil:

Baker Tilly Virchow Krause, LLP (Baker Tilly) appreciates the opportunity to respond to the Clean Power Alliance of Southern California (CPA) regarding your request for proposals for financial audit services.

This proposal is based on our substantial experience serving public power utilities throughout the United States, including community choice aggregation programs (CCAs) like CPA. Our commitment to the industry will allow us to assist CPA as you navigate through the complexities of an evolving energy landscape as well as changing accounting and reporting standards.

The following key factors differentiate our firm and make us the right choice for your audit needs:

- Nationally recognized energy and utility specialization and audit expertise
- California presence and commitment to our utility clients, serving major public power utilities throughout the state
- Large firm resources with responsive, personalized client service
- Seamless audit transition and a fresh perspective
- Comprehensive services from our consulting team

Selecting a firm that provides quality service and understands the operating environment of your industry is important to the continued success of your organization. We believe Baker Tilly is that firm and our proposal details how our specialized team will provide an audit that will help you meet your business needs.

If you have any questions or would like further information, please do not hesitate to contact me at 608 240 2382 or via email at [bethany.ryers@bakertilly.com](mailto:bethany.ryers@bakertilly.com). We look forward to discussing our proposal and approach in detail.

Sincerely,

BAKER TILLY VIRCHOW KRAUSE, LLP

A handwritten signature in cursive script that reads "Bethany L. Ryers".

Bethany L. Ryers | Firm Director

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This document contains confidential material that is proprietary to Baker Tilly Virchow Krause, LLP, and other related entities (collectively referred to herein as Baker Tilly). The materials, ideas, and concepts contained herein are to be used exclusively to evaluate the capabilities of Baker Tilly. The confidential information and ideas herein may not be disclosed to anyone outside parties and may not be used for purposes other than the evaluation of Baker Tilly’s capabilities.



# I. Introduction and executive summary

*Baker Tilly's dedicated energy and utilities team offers you specialized expertise in providing audit services and industry guidance to CCAs and numerous similar organizations throughout the United States and California.*

## Understanding your needs

CPA is committed to providing clean renewable energy at competitive rates to customers across Los Angeles and Ventura counties. Your goals extend to reducing greenhouse gas emissions, stimulating renewable energy development, implementing distributed energy resources, promoting energy efficiency and demand reduction programs, and sustaining long-term rate stability for residents and businesses through local control.

Selecting an audit firm that supports your mission, provides quality service and understands the operating environment of the energy industry is important to the continued success of CPA. You should insist on a responsive advisor with significant expertise who is willing to support you year-round beyond the audit. **Baker Tilly is that firm** and we are delighted to have this opportunity to help you accomplish your audit goals.

## Achieving your objectives

As a national CPA firm with significant utility audit expertise, Baker Tilly offers you comprehensive knowledge and insights gained from serving many similar organizations throughout the country and will support you with strategic guidance to enhance your operations. As you evaluate professional service providers, we encourage you to consider how the unique combination of our strengths makes us the right fit to serve you.

### Energy and utility specialization

Baker Tilly provides accounting and advisory services to more than 600 energy and utility organizations. You will be served by our dedicated energy and utilities team — a nationally recognized group of **60 professionals specializing in your industry**. Our utility professionals are also committed to leading the industry as educators by serving as speakers at industry association meetings and authors of thought leadership. We understand the issues facing CPA and have the knowledge and resources to help you navigate your challenges and opportunities.

### California presence and commitment to our utility clients in your state

Our past and current **California utility clients** include Marin Clean Energy, Sacramento Municipal Utility District, Modesto Irrigation District/M-S-R Public Power Agency, Imperial Irrigation District, Northern California Power Agency, Transmission Agency of Northern California, San Diego Gas & Electric, Riverside Public Utilities, Burbank Water and Power, Glendale Utilities, Pasadena Water and Electric, Anaheim Public Utilities, Trinity Public Utility District, Lassen Municipal Utility District, Colton Electric Utility, Balancing Authority of Northern California and the California Public Utilities Commission, among others.

## I. Introduction and executive summary

With experience extending across more than 40 states, location is not a factor in delivering Exceptional Client Service to our California clients. To better serve our growing number of clients in your state, we now also operate **offices in Los Angeles, Orange County, San Diego, San Francisco and San Diego**. In addition to the core team serving your engagement, you will have access to these local resources as needed.

### Large firm resources with responsive, personalized client service

We are large enough to offer CPA the professional capabilities you need, yet we have the focus of a smaller firm that ensures you receive responsive, personalized attention. Baker Tilly's partners are actively involved in every client engagement to ensure timely, responsive service and your highest level of satisfaction. You will receive **thoughtful strategic guidance from partners who see the "big picture"** and work with you to enhance and strengthen your organization over the long term

### Seamless audit transition and a fresh perspective

You want to work with an experienced team of assurance advisors who can drive an efficient process. Baker Tilly is prepared to deliver from day one. As evidence, we ask clients who have made the move to our firm to tell us about their transition experience. Their answers speak volumes, with one common theme: **greater satisfaction with Baker Tilly versus their previous firm**. Your decision to change firms will not only offer a fresh perspective but also provide you with personalized service including significant partner involvement. In addition, Baker Tilly's fee quote does not include any hours for our work on the audit transition — we absorb those hours as part of our investment in our professional relationship with you.

### Comprehensive utility advisory services from our consulting team

Over time, your objectives may broaden or change. Baker Tilly's professionals can help you meet your most complex challenges. Beyond traditional audit services, we provide proven, practical solutions through the **comprehensive resources** of our audit and assurance team, our energy and utilities consulting team, and other industry and service specialists.

I. Introduction and executive summary

About Baker Tilly

Baker Tilly is a nationally recognized firm with a proven track record of serving clients across the United States — and internationally. With clients located in essentially every part of the country, our locations enjoy brand recognition among our peers and the public. And as a member of Baker Tilly International, the world’s 10<sup>th</sup> largest accountancy and business advisory network, we are able to extend our reach through trusted relationships with other member firms around the world.

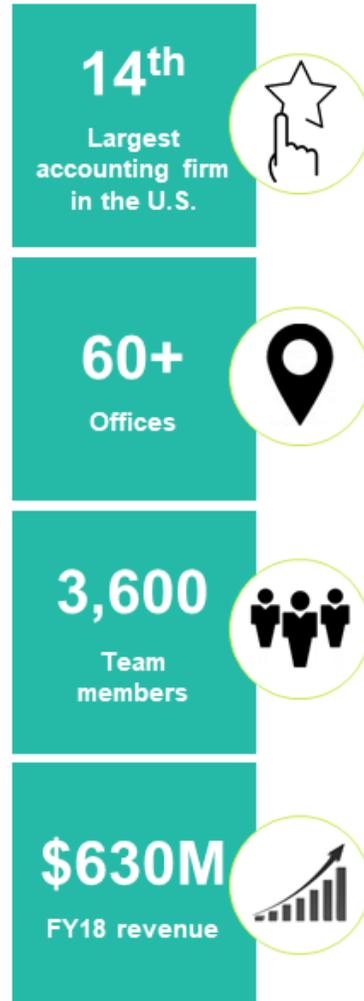
Baker Tilly was founded in 1931 with one central objective: use our industry specialization to help our clients improve their businesses. And that objective still holds true today. We will assemble an integrated team to serve CPA, blending our utility-focused professionals with experienced specialists in the areas that are most important to you. This combination of financial, business and industry-specific specialization ensures you will be working with knowledgeable professionals who understand your organization and the challenges you face — and can create innovative solutions to help you overcome them. And because CPA will be working with a tailored engagement team, you can expect to receive consistent, efficient and Exceptional Client Service.

For more than 88 years, Baker Tilly has understood that our business demands absolute integrity, a belief in the value of trusted relationships and a willingness to collaborate with every client. We will strive to deepen and enhance our relationship with CPA as your Valued Business Advisor.

We serve our clients from 60 offices nationwide — including five California locations — and employ a professional staff of over 3,600. This includes a team of more than 420 professionals dedicated entirely to serving governmental clients and 60 professionals specializing in the energy and utility sector. *Clients across the nation have consistently praised our responsiveness and accessibility, regardless of their location.* We have selected the engagement team for CPA based upon the unique needs of your organization. Led by Firm Director Bethany Ryers and Senior Accountant Ryan Theiler, each person on your team possesses individual strengths that will directly benefit CPA and complement your work environment.

Top 15 nationally recognized firm

Baker Tilly is one of the top 15 U.S. accounting and advisory firms according to *Accounting Today*. Our goal is to become America’s finest professional services firm. Our growth means new geographies, new services, new influence and greater opportunity to deliver exceptional results for our clients as Valued Business Advisors.



I. Introduction and executive summary

Financial strength and stability

With more than \$630 million in fiscal year 2018 net revenues, Baker Tilly has the stability and resources to address CPA’s needs. Here are some key points to consider regarding the financial strength and stability of Baker Tilly:

- Baker Tilly ranks as one of the top 15 certified public accounting firms in the United States according to *Accounting Today’s* 2018 "Top 100 Firms" list.
- We serve both privately held and publicly traded clients ranging in size from \$1 million to multiple billions in revenues.
- Baker Tilly has more than doubled its annual revenues since 2014, both organically and through strategic combinations.

The table below shows our firm’s net revenues for the past three years.

	2018	2017	2016
Net revenue	\$630 million*	\$546 million	\$522 million

\* Includes annualized results for recent combinations with RGL Forensics and MiddletonRaines+Zapata

More details about the firm’s success and growth trajectory are available in our annual report, published online at [bakertilly.com/annualreport2018](http://bakertilly.com/annualreport2018).

Our values

Throughout our relationship with CPA, we will be guided by our firm’s core values — principles that guide our behavior and help us strive for excellence in everything we do.

<p><b>COLLABORATION</b></p> <p>We are at our best when we all work together. We build on collective strength to achieve better results than we could as individuals.</p> 	<p><b>INTEGRITY</b></p> <p>We do the right thing for the right reason — no matter what. Honesty, trust and the fulfillment of our promises to you are the keys to mutually beneficial success.</p> 
<p><b>PASSION</b></p> <p>We put forth our best effort every single day for the benefit of our clients, our people and our firm. We love what we do, so we take great pride in a job well done.</p> 	<p><b>STEWARDSHIP</b></p> <p>We invest in the future with the intention of leaving everything better than we found it. By making a positive difference, we plan to leave a proud legacy for our firm.</p> 

## I. Introduction and executive summary

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### Commitment to sustainability

At Baker Tilly, we recognize that sustainability is good for the planet, good for our clients and good for the bottom line. Through green policies within our offices and an investment in technology, we seek to promote an environmentally conscious culture across our firm.

**Renewable energy projects.** Baker Tilly professionals focusing on tax and regulatory issues in the renewable energy sector provide clients with informed recommendations on project development and finance. As members of the energy and utilities team, they leverage their deep industry knowledge to provide strategic advice on investments in wind, solar, biomass, geothermal and other sustainable technologies.

**Waste minimization.** Our investment in technology has made it possible for us to conduct virtually paperless and, when appropriate, remote engagements. These streamlined, technology-enabled methods can lead to a more time and cost-efficient approach for our clients. Baker Tilly offices also promote waste minimization by encouraging recycling and providing recycling bins for each desk and in common use areas. We reduce the use of paper by sharing newsletters, memos and other internal and external communications via email and intranet/internet posts. We use paperless fax machines and when printing is needed, most copiers default to double-sided printing, thereby minimizing the overall use of paper.

**Water efficiency.** Baker Tilly offices provide water coolers using filtered tap water instead of bottled water and offer employees and visitors reusable glassware. Additionally, faucets and restrooms are furnished with low-flow equipment and sensors to reduce overall water usage.

**Energy efficiency.** Baker Tilly is continuously moving toward a more energy efficient way of conducting business. To reduce our carbon footprint, we are installing lighting retrofits, photo sensor switches and Energy Star rated appliances and equipment wherever possible.

**Green initiatives.** Baker Tilly looks for ways to drive sustainability and reduce our carbon footprint within each of our offices, from large projects to smaller scale initiatives. For example, when we upgraded our Madison, Wisconsin data center, we assessed room layout and airflow dynamics with the dual goal of reducing the total cooling capacity required and increasing efficiency. As part of the project, we installed locally built “heat recovery chillers” to distribute the heat generated in the data center throughout the building, rather than into the atmosphere.

**Staff.** Baker Tilly’s staff is encouraged to adopt a sustainable lifestyle. We support sustainable practices by offering public transit benefits, telecommuting options and bicycle accommodations. We are committed to encouraging green habits throughout the firm.

### No subcontractors

Baker Tilly only uses highly specialized in-house energy and utility professionals to deliver the type of services required by CPA. We have the required expertise to complete this project and do not intend to work with subcontractors on your engagement.

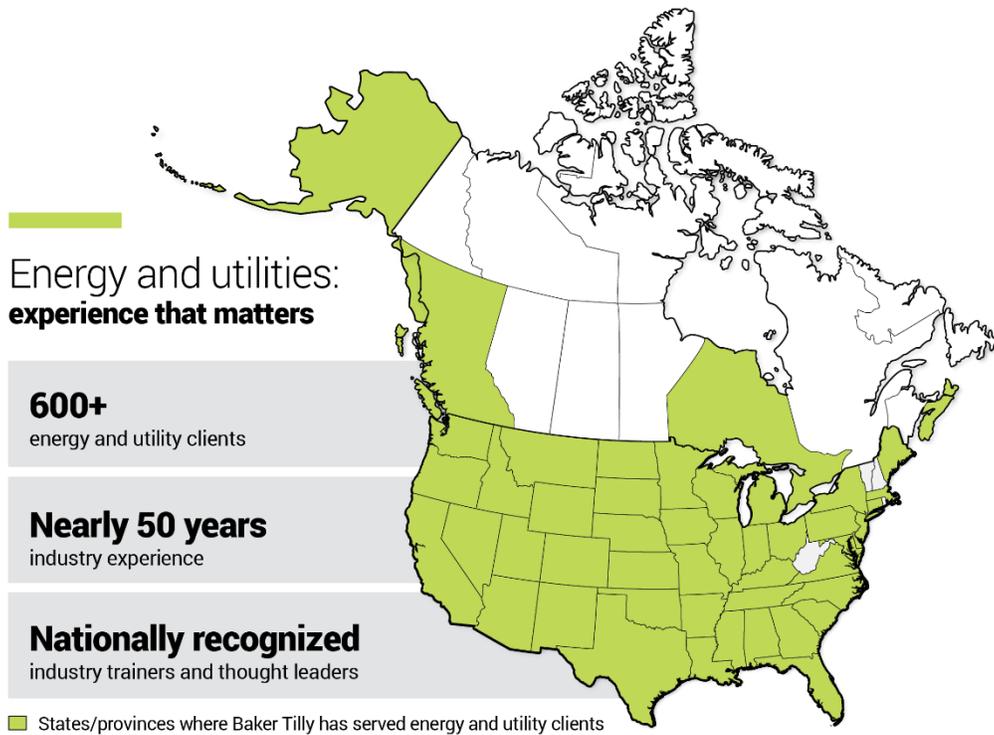
## II. Financial, technical and operational qualifications

*Baker Tilly’s commitment to providing Exceptional Client Service to our energy industry clients means we will deliver value beyond the audit year-round.*

### Proposer’s background and operational experience

#### Nationally recognized utility specialization

Baker Tilly provides services to more than 600 utilities throughout the United States and has a thorough understanding of utility business process, financial and operational areas. As energy and utility specialists and your Valued Business Advisor, our goal will be to support CPA as you serve your customers and their communities. We will honor this commitment by providing assurances to key stakeholders that the financial statements of CPA accurately reflect its financial condition and controls have been properly evaluated.



Our services cover a wide range of financial and compliance issues faced by the industry and include:

- Financial audits and agreed-upon procedures engagements
- Federal and state single audits
- Internal audit outsourcing

## II. Financial, technical and operational qualifications

- Business process evaluation and internal control review
- Department of Energy grant management and reporting support
- Contract performance compliance reviews
- Construction project audits
- Renewable resources, project consulting and financing
- Industry accounting and financial training
- Technical accounting research and guidance to address the unique requirements of utility industry accounting

With our level of industry experience and specialization, you can be assured of on-target advice and a quality audit that provides value.

***“Baker Tilly has consistently exceeded our expectations for its exceptional client service and industry knowledge. They have helped LCRA work through complex accounting transactions by providing expertise on our specific situations. LCRA’s accounting staff feels that Baker Tilly is a partner and collaborator rather than just an auditor. Baker Tilly has also provided services beyond our annual audit, such as agreed-upon procedures and bond offering reviews, which have also proven to be efficient, high quality and cost effective.”***

— Lower Colorado River Authority

Our focus on industry specialization means Baker Tilly’s energy and utilities team brings a balance of technical skill, industry insight and common sense to our work with you. *How do we apply these skills and insights to help your organization?* In collaboration with your team, Baker Tilly will:

- Offer value-added information and recommendations that will allow for informed decision making
- Educate your staff members about practical ways to comply with regulatory and financial reporting requirements, including upcoming Governmental Accounting Standards Board (GASB) pronouncements
- Provide services efficiently and with minimal disruption to your operations
- Create continuity of service through a productive relationship with well-informed individual team members dedicated to serve your needs over the long term
- Communicate timely, relevant information as appropriate throughout the year
- Provide you with the benefit of knowledge and perspectives gained from our work with energy and utility clients, especially those with similar concerns
- Provide qualified continuing professional education (CPE) training opportunities to CPA staff

## II. Financial, technical and operational qualifications

### Specialized audit services from our practice group

Baker Tilly provides audit teams with considerable experience delivering specific audit and assurance services to energy and utility organizations. Our emphasis on the review and evaluation of internal controls ensures our clients of an effective, cost-efficient audit and improves our understanding of your systems by documenting the flow of accounting transactions. Our audit professionals also identify key indicators critical to your operation and provide value-added feedback to allow for informed decision making.

The energy and utilities team brings an objective and independent approach to our audit services. We will work with you to improve CPA's operations, increase efficiencies and strengthen internal controls and processes. Our specialists have experience auditing utility-specific information, including:

- Restricted asset requirements, such as those restricted through debt resolutions and regulatory bodies
- Advance refunding, crossover refunding and other debt alternatives
- Unbilled revenue methodologies
- Capitalized interest methodologies
- Asset impairments, asset retirement obligations and intangible assets
- Environmental remediation liabilities
- Complex, multi-system software implementations
- IT processes, controls and associated risks
- Wholesale water billing and rate reviews
- Single and multi-employer defined benefit and contribution pension plans
- Accounting and reporting for employee benefit plans and other postemployment benefits (OPEB) trust funds
- Implementation of new accounting standards
- Accounting for long-term leases funded with capital grants
- Derivatives related to interest rate, power and gas contracts and fair value accounting
- Compliance and regulatory audits (OMB Uniform Guidance, benefit plans)

***“We have been very pleased with the service provided by Baker Tilly with our annual audit and other services provided. Our goal was to work with an auditor that has substantial focus and expertise in large public utility accounting, financial reporting and controls. Baker Tilly has lived up to the expectations of our Board, Management and City Auditor. We believe we have substantially reduced financial risks, have a better knowledge of industry financial development and trends and have better relationships with finance and accounting staffs from other large public utilities. We hope to continue our relationship with Baker Tilly as our auditor and advisor for a very long time.”***

— Colorado Springs Utilities

**II. Financial, technical and operational qualifications**

At Baker Tilly, we base our audit methodology on direct and frequent communication. First, we define engagement objectives and create a client service plan based on our understanding of your operation. After developing and implementing the audit plan, Baker Tilly’s utility auditors facilitate discussions with senior leadership, taking an active role in executive management and audit committee meetings that address risk areas for your organization.

The audit process lends itself to evaluating business processes for potential recommendations for greater efficiencies and ensuring that the use of current accounting standards clearly reports the story of your organization.

In recent audits, we have assisted our clients with recommendations such as:

- Improving specific IT controls to tighten business processes and ensure integrity in processing and reporting data
- Improving materials management processes for greater efficiencies in managing inventory balances and obtaining more accuracy in the work order costing process
- Implementing new accounting standards and developing strategies for cost recovery from customers
- Tightening controls over the purchasing process for greater efficiencies across the organization
- Fully including all costs of construction so that ratepayer rates reflect the full costs of service
- Defining the role of oversight governance to enhance its role in the development and implementation of organizational strategy

We accomplish this through the issuance of required communications to oversight bodies (the management letter), through internal memos to management on control deficiencies and business processes that could be tightened, and through discussions and informal conversations throughout the audit.

**Experience auditing other CCAs**

Baker Tilly’s energy and utilities team performs hundreds of utility financial audits annually and provides numerous utilities with financial and business process consulting services.

In addition to performing audit services for *Marin Clean Energy*, we serve many joint action agencies and other clients with operations similar to CCAs, including the clients listed in the table below. We can provide contact information and further details on any of these engagements upon request.

Joint action agencies and similar entities	Audit	Consulting
Central Municipal Power Agency/Services	X	
Delaware Municipal Electric Corporation	X	
Energy Northwest	X	
Illinois Municipal Electric Agency	X	

**II. Financial, technical and operational qualifications**

Joint action agencies and similar entities	Audit	Consulting
Lower Colorado River Authority		X
Massachusetts Municipal Wholesale Electric Company	X	
Michigan South Central Power Agency	X	
Missouri Basin Power Project	X	X
Missouri River Energy Services	X	
M-S-R Public Power Agency	X	
Northern California Power Agency	X	
Oklahoma Municipal Power Authority	X	
Southern Illinois Power Cooperative	X	
The Energy Authority	X	
WPPI Energy	X	
Wyoming Municipal Power Agency	X	

**Industry involvement**

Baker Tilly’s energy and utilities team is actively engaged in state and national utility associations as authors, speakers, trainers and promoters of the utility industry. Our industry involvement keeps us on the forefront of changes and enables us to better assist you with implementing regulations or adopting new standards.

Our participation in the following organizations means we have the expertise to help CPA meet the challenges you face in providing utility services.

- AICPA Technical Committees
- American Public Power Association (APPA)
- American Wind Energy Association (AWEA)
- Association of Government Accountants
- GASB Technical Committees
- GASB Asset Retirement Obligation Task Force
- Government Finance Officers Association (GFOA)
- Institute of Internal Auditors (IIA)
- ISACA (previously Information Systems Audit and Control Association)
- National Association of Manufacturers (NAM) — Joint Energy Committee
- Nuclear Non-operating Owner’s Group (NNOG)
- Sustainability Accounting Standards Board – Electric industry working group member
- Many state electric, water, wastewater and gas industry associations

## II. Financial, technical and operational qualifications

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### Leading the way in public accounting

To help you respond to and prepare for change, Baker Tilly professionals are actively involved in **AICPA leadership roles** as well as various committees and initiatives. This involvement keeps us on the leading edge of what is happening in the accounting industry and ensures that the interests of our clients are represented.

- Baker Tilly's chief executive officer, Alan Whitman, serves as chairman of the AICPA Political Action committee.
- Our chairman emeritus, Tim Christen, serves as the immediate past chairman of the AICPA board of directors. Tim was also named chairman of Baker Tilly International's Board, serves on the International Integrated Reporting Council (IIRC) and has been recognized as one of the most influential professionals in public accounting.
- Chief information officer V. Allen Smith was recently appointed to the Information Technology Alliance Board of Directors — a community of IT professionals that improve the way companies leverage technology to deliver results for their clients.
- Other Baker Tilly partners serve in varying roles on behalf of the profession, including the ASB, the National Association of State Boards of Accountancy, AICPA's Technical Standards Subcommittee and the AICPA's National Peer Review Committee.

Among our commitments, Susannah Baney, a manager in our public sector practice served as a fellow in the **GASB Practice Fellow Program**. Susannah was selected by GASB for this two-year program. Her responsibilities included direct participation in the standard-setting process as a project manager focused on studying topics on GASB's technical agenda, researching practical implementation issues, contributing to the drafting of standards and following up on implementation complexities post-issuance. Serving in the GASB Practice Fellow Program was a full-time commitment and resulted in an ongoing relationship providing a conduit for communication between Baker Tilly clients and GASB staff.

### Preparedness to implement new accounting standards

Baker Tilly is extremely active in both the AICPA and GASB. Members of our team serve and have served on the AICPA's governmental accounting and auditing committees, technical issues committees and Private Company Practice Section. ***We get in front of issues, researching and proactively informing our clients that new pronouncements may impact them.***

Recent issues our firm has been actively involved in include providing oversight in connection with the exposure draft for GASB Statement No. 87, Leases, serving as task force members for the exposure draft for GASB Statement No. 83, Certain Asset Retirement Obligations and serving Financial Accounting Standards Board (FASB) groups on revenue recognition and lease accounting. Baker Tilly also served on the Sustainability Accounting Standards Board (SASB) working group that developed sustainability accounting standards for electric, water and gas utilities that were released for implementation in 2015.

## II. Financial, technical and operational qualifications

The implementation of recently released GASB 87 will fall during the period of CPA's audit contract and Baker Tilly is working with current clients on evaluating if and to what extent this Statement will affect their operations. We are also in the process of assisting utilities that must follow FASB pronouncements with similar new FASB standards on revenue recognition and lease accounting. While these standards do not pertain to CPA, our relevant experience in helping implement the FASB standard will provide great value to CPA as you implement GASB 87.

We will work with CPA throughout the year to assess the implications of implementing these new accounting treatments in your financial records. We accomplish this via a variety of methods, including discussing new pronouncements with you, reviewing client-prepared accounting memos on proposed treatments, issuing whitepapers, newsletters and web content on pertinent accounting topics or researching a specific client issue. Our goal is to ensure that all relevant issues are identified prior to the audit so that accounting issues do not delay year-end accounting entries that may be needed or the issuance of the audit opinion.

***“Baker Tilly’s experience in the utility industry and expertise in accounting standards is well demonstrated in all levels of their firm. Their responsiveness in providing expertise makes them a valued business partner.”***

— Seattle City Light

### Thought leadership to keep you informed

We regularly provide thought leadership and direction for industry organizations and some of the largest public power utilities in the country, as outlined in detail below.



#### Articles

As industry leaders, we author articles that focus on emerging issues of interest to the utility sector, such as the impact and implementation of new accounting reporting standards. These publications reach a nationwide audience and a sample of recent topics include:

- Regular quarterly GASB update
- GASB financial reporting model project: potential impact on utilities
- GASB issues guidance for recording asset retirement obligations
- Beyond the check box: viewing your annual audit in a new way
- Improve utility performance by using performance audits
- The finance function in the utility of the future
- Utilities leverage key performance indicators to evolve
- Benchmarks and key performance indicators (KPIs) — the hidden gems of financial management tools
- Revenue decoupling mechanisms pursue disincentives to pursue energy efficiency
- Long range planning: balancing costs with customer service
- Extreme utility rate increases and communicating them effectively

## II. Financial, technical and operational qualifications

- How detailed should your utility's asset records be?
- Why are plant costs so important to utilities?
- Are you overpaying for your share of joint generation costs?
- Fixed asset management best practices for utilities
- Baby boomers exit electric utility workforce as new technologies emerge: solutions for filling the skills gap



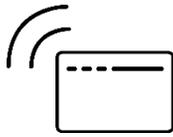
### Utility industry training

We are instructors for APPA's quarterly *Work Order & Asset Management* and *Advanced Public Utility Accounting* courses at various locations across the country. Our team regularly presents workshops and full and half-day seminars on financial and organizational issues in the utility industry at the *APPA National Conference, APPA Business & Financial Conference* and other APPA events.

Presentations made in the last four years for the APPA and other professional associations are listed below.

Presentation	Event
How to meet new GASB standards	- 2018 APPA Business & Financial Conference
Factors in selecting an enterprise resource planning platform	- 2018 APPA Business & Financial Conference
ERM: managing risk and guiding strategy	- 2017 APPA Business & Financial Conference
Establishing a sustainable workforce planning program	- 2017 APPA Business & Financial Conference
Elevating IT in the decision-making process	- 2017 APPA Business & Financial Conference
Strengthening cyber security controls	- 2016 APPA Business & Financial Conference - 2016 APPA National Conference
Managing joint power plant contracts	- 2016 APPA Business & Financial Conference
Establishing a succession planning program in your utility	- 2016 APPA National Conference
Best practices: contract management and vendor oversight	- 2016 ICMA National Conference
Value of water	- 2016 AWWA Wisconsin Section Annual Conference
Long-range planning: why? how? who?	- 2016 AWWA Wisconsin Section Annual Conference
Financial statement analysis	- 2015 APPA Business & Financial Conference
Information technology governance	- 2015 APPA Business & Financial Conference
Sustainability accounting standards	- 2015 APPA Business & Financial Conference
Introduction to public power and the electric industry for non-public power team members	- 2015 APPA Business & Financial Conference

## II. Financial, technical and operational qualifications



### Webinars

We also share our knowledge through webinars. Baker Tilly team members have presented the following webinars:

- Maintaining or improving your utility bond rating
- Maximizing the value of your financial statements
- The finance function in the utility of the future
- Understanding utility finances
- Using regulatory accounting in rate recovery strategies
- Implementing sustainability accounting standards
- Using regulatory accounting in rate recovery strategies
- Public and social media data risks: protecting your organization from hackers
- Information technology governance
- Sustainable cybersecurity management: why it is critical to review your program now
- Playing offense and defense: assessing and managing cyber risk effectively
- What you should know about the new other postemployment benefits standard (GASB 75)

We view this not only as a way of educating the current and next generation of utility finance and accounting professionals, but also as a way to enable utilities in their efforts to continue improving their service to customers and stakeholders.



### Industry textbooks and whitepapers

Baker Tilly authors textbooks and whitepapers as resource materials for the utility industry. Publications include:

- Advanced public utility accounting
- IT governance for electric utilities
- Sustainability reporting for electric utilities
- Effectively managing business risk in utilities
- Preserving a vibrant public power workforce
- Establishing a sustainable utility succession planning program
- Enterprise resource planning system selection best practices

These publications serve as guides based on our industry knowledge and insights. They include common sense applications of industry practices for utilities to follow.

### Key team members aligned with your needs

Your audit team consists of dedicated professionals who are utility industry specialists as well as experienced business advisors, who understand your needs, are proactive in identifying issues and creative and flexible in providing solutions. Each member of the team is deeply committed to providing you with Exceptional Client Service. The table on the following page describes the roles and qualifications of your engagement team members.

**II. Financial, technical and operational qualifications**

Please also refer to the **Appendix: Resumes** for each team member’s resume, including additional information on their education and experience. All team members who are CPAs are properly licensed to practice in California through license mobility and reciprocity rules.

Team member	Role and qualifications	Relevant experience
<p><b>Bethany L. Ryers, CPA, MAS</b> Firm Director</p> 	<p>A firm director on the energy and utilities team, Bethany has been with Baker Tilly for more than 13 years. She specializes in providing auditing, accounting and consulting services to utilities and also serves as an instructor for the APPA. Bethany will serve as your primary contact during the engagement and oversee all aspects of the audit, including planning, fieldwork and reporting.</p>	<ul style="list-style-type: none"> <li>– Marin Clean Energy, CA</li> <li>– Modesto Irrigation District, CA</li> <li>– Northern California Power Agency, CA</li> <li>– Trinity Public Utilities District, CA</li> <li>– Riverside Public Utilities, CA</li> <li>– Roseville Utilities, CA</li> <li>– Energy Northwest, WA</li> <li>– Bonneville Power Administration, OR</li> <li>– Grand River Dam Authority, OK</li> <li>– Lansing Board of Water &amp; Light, MI</li> <li>– Gainesville Regional Utilities, FL</li> <li>– Delaware Municipal Electric Corporation, DE</li> <li>– Lower Colorado River Authority, TX</li> <li>– Colorado Springs Utilities, CO</li> </ul>
<p><b>Ryan Theiler, CPA</b> Senior Accountant</p> 	<p>Ryan has been with Baker Tilly since 2016 and specializes in serving energy and utility clients. He will coordinate audit testing and oversee the audit team on-site. He is also available to CPA’s staff throughout the year.</p>	<ul style="list-style-type: none"> <li>– Marin Clean Energy, CA</li> <li>– Modesto Irrigation District, CA</li> <li>– Southern California Public Power Authority, CA</li> <li>– Gainesville Regional Utilities, FL</li> <li>– Grand River Dam Authority, OK</li> <li>– Massachusetts Municipal Wholesale Electric Company, MA</li> <li>– The Energy Authority, FL</li> </ul>
<p><b>Senior and staff accountants</b></p> 	<p>Your engagement team will be supported by senior and staff accountants from our energy and utilities team. All support personnel are dedicated exclusively to serving utilities and have significant relevant audit experience.</p>	

**Ensuring staff continuity as an employer of choice**

One of the ways we are able to provide our clients with quality audit services is our ability to keep engagement staffing consistent from year to year. We keep turnover low — and engagement teams intact — by striving to be an employer of choice for talented, committed individuals. In fact, Baker Tilly is consistently recognized as one of the best places to work in several of our offices and nationally.

II. Financial, technical and operational qualifications



In fiscal year 2018, *the turnover rate of our energy and utilities team was 6.91 percent, well below the industry average of 13 percent* reported by *Accounting Today*. Our low turnover rate means we can offer a team that is likely to serve you for many years. Our utility clients appreciate the fact that they get to know the Baker Tilly employees they work with year after year and that they do not have to educate new personnel from project to project.

This high level of continuity translates into people who truly understand the intricacies of your organization and are in a position to offer opinions, advice and insight that are more meaningful to CPA. If an employee on your engagement team leaves Baker Tilly, the size of our practice allows us to quickly assign a replacement with a comparable level of industry and service line experience, thereby minimizing any disruption to your engagement.



We attract some of the best and brightest professionals from top universities, industry and national accounting firms because of our unique corporate culture. They come to Baker Tilly to work in an environment that emphasizes the importance of relationships and a Valued Business Advisor approach. To attract and retain our employees we promote an organizational culture that encourages creativity, continuous learning, respect, employee appreciation and — above all — a positive attitude.

*“Baker Tilly has provided the highest level of professional services in the annual audit of CPS Energy’s financial statements. Their staff stays up-to-date on the most recent accounting guidance; and their knowledge of financial systems, leveraging of technology and stability in audit staffing allow them to complete the annual financial audits in an efficient manner for their clients.”*

– CPS Energy

## II. Financial, technical and operational qualifications

### Proposer's references

Baker Tilly serves well over 1,000 public sector clients and more than 600 clients in the energy and utilities industry. Please refer to the **Appendix: Required forms** for the following forms requested in this section of the RFP:

- Attachment D – Prospective Contractor References
- Attachment F – Prospective Contractor List of Terminated Contracts

We encourage you to contact the clients listed in **Attachment D** to learn more about the value of their relationship with Baker Tilly. Each may have a different perspective you may find valuable as you think about your needs.

*“Baker Tilly demonstrated knowledge of potential client issues, awareness of impact on their engagement, and laid out a smart proactive problem-solving approach. **Their readiness to be adaptive and responsive is a key highlight of a business partner.**”*

— *Seattle City Light*

### III. Proposer's approach to provide required services

*Our approach to the audit for CPA is based on what works specifically for you. Because your team has been hand picked for this audit, we are able to set up and meet deadlines that work around your schedule.*

#### Scope of work

CPA is seeking a qualified CPA firm to provide financial auditing services for the 2018-19 fiscal year ending June 30, 2019, with an option to extend the agreement for two additional years. The auditor will express an opinion on CPA's basic financial statements in conformity with generally accepted accounting principles.

Following the completion of the audit, the auditor will issue a report on the fair presentation of the financial statements in conformity with generally accepted accounting principles. The financial statements will, at a minimum, include the Management's Discussion and Analysis, the Basic Financial Statements and Notes to the Basic Financial Statements. If applicable, the auditor will issue a report, a letter or a discussion of any deficiencies in internal controls. The auditor will also be required to attend conferences and meetings as specified in the RFP.

***"We have been very satisfied with our experience with Baker Tilly as our auditor. We are especially appreciative and impressed with the quality of the staff that have worked on the audits. They are very efficient in their audit process and extremely conscientious about meeting our tight deadline. They are also understanding and respectful of the time it requires of our staff. One of the things I like best is how fast and thorough they are at providing feedback when we propose accounting treatment of a difficult transaction and that they cite the appropriate standards. It's nice to have auditors that are easy to work with and that's been our experience with Baker Tilly."***

— Sacramento Municipal Utility District

III. Proposer’s approach to provide required services

Global Focus US — the Baker Tilly audit methodology

CPA needs assurance that your financial statements are fairly stated, risks are aligned with your business and industry, and internal controls are effective. You want an advisor that understands your specific risks and business issues and delivers candid advice. Baker Tilly’s audit professionals spend the time on the front end learning about your business to deliver an accurate and efficient audit.

Benefits for CPA

Efficient audit — spending your time wisely

Benefit from our risk-based audit methodology, Global Focus US, which provides our auditors with streamlined, smart technology — reducing unnecessary audit procedures, increasing data accuracy and enhancing risk assessments and linkage throughout the audit.

- Up-front planning leads to more efficient fieldwork
- Data analysis using efficient technology tools
- Proactive response and solutions to any issues that emerge



Risk assessment — knowing where your true risks lie

Benefit from our understanding of CPA’s situation through value-added analytics and predictive tests that provide sound audit evidence, observations and insights related to these procedures as part of our management letter, and alignment of risks to your business, industry, internal controls structure and processes.

- Quality professionals with strong technical experience
- Effective tests of controls
- Risk-based focus that includes process and control review

Industry tailoring — focusing on your business issues

Benefit from effective and tailored auditing specific to your needs. Your business issues will be our focus. Global Focus US allows our team to tailor audit programs, processes and checklists to your specific industry issues, applicable standards and specific business risks.

- Specialized audit programs
- Individualized risk audit processes
- Industry-specified templates aligned to applicable standards

### III. Proposer's approach to provide required services

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#### Cost management — driving value for you

Benefit from flexible work arrangements that leverage your internal resources wherever possible, helping to manage your costs and streamline communication.

- Experienced audit teams with a utility industry focus
- Tailored audit timeline based on your input

#### Continuous communication — knowing what is happening as it happens

Benefit from active communication of findings and relevant insights through open dialogue, providing you with timely insight and advice while at the same time building our file for your year-end compliance work.

- Open communication in all phases of audit
- Frequent status updates with CPA's management to avoid surprises
- Industry trends and challenges shared in our thought leadership

#### Focus on technology

*Global Focus US* technology helps our staff identify exceptions, perform high-end analytics and ensure risks are correctly audited. CPA will benefit from its streamlined, industry-tailored audit procedures with greater insight into specific risks and a single point of entry for data, cutting out manual entry errors across the audit.

- **Visualization tools.** Auditors can assess financial statement accounts and related risks in a visual format that illustrates the linkage between risks, controls and procedures performed. Embedded project management enable teams to manage engagements more effectively. These enhanced features allow team members to view different aspects of the engagement in new ways.
- **Continuous innovation.** Our software and methodology is in a continuous state of enhancement and innovation. Its flexibility and adaptability will allow for assurance engagements to evolve as standards change, requirements shift and technology transforms.
- **Data conversion and compilation.** IDEA software creates compatibility between your data and our systems to effectively convert and compile information.
- **Secure cloud collaboration.** Huddle, a cloud collaboration software, allows for secure collaboration anywhere, anytime and on any device, making it easy for our internal teams at Baker Tilly and at CPA to come together, share and edit files, assign tasks, and track activity in a secure shared environment.

Our investment in technology supports real-time communication — both internally at Baker Tilly and with CPA — and provides a seamless trail from initial planning through the final financial statement issuance.

#### Four-phased approach

Audit professionals at Baker Tilly utilize a risk-based model that relies on a detailed understanding CPA's business, your industry and internal controls. Our service teams use the latest in audit technology and software to identify exceptions and perform high-end analytics. These tests form the basis for the opinions we provide on financial statements. They also give us valuable perspectives we apply in helping you better manage your business.

### III. Proposer’s approach to provide required services

Baker Tilly’s accounting and assurance services stem from core values of integrity, passion, stewardship and collaboration shared across the firm. These values create a business culture that motivates us to develop audits that are objective, independent and provided in a manner that is mutually agreeable to you as our client.

Our audit methodology is based on a foundation of communication and is executed in four phases:



#### Phase 1 — define engagement timeline and create a client service plan

You define success uniquely; therefore, the first phase of our audit methodology involves establishing a client service plan that clearly matches our audit timeline to your service and communication expectations. The client service plan is updated every year through discussions with your management.

These discussions will also enable key CPA personnel to become more comfortable with Baker Tilly. The increased level of trust and understanding will allow us to more readily anticipate your needs rather than simply react to requests, avoiding last-minute surprises through proper planning, communication and execution.

### III. Proposer's approach to provide required services

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#### Phase 2 — understand your business and develop the audit plan

During the planning phase, we will identify specific areas in which we will require your assistance during the audit, working with management on your timeline and building our files.

#### Phase 3 — execute the audit plan

Our execution of the audit plan will be based on the mutually developed and approved audit timeline established in Phase 1 as well as the groundwork performed during the planning phase. We will continue to communicate with key CPA personnel as we develop and execute the audit plan.

Throughout the audit process, we will discuss progress and open items with your management and communicate issues as they arise to ensure there will be no surprises at the conclusion of the audits. Our goal is to make each audit as efficient as possible through open communication and effective project management.

#### Phase 4 — conclude audit and collect performance feedback

We will communicate the results of our audit to CPA management and those charged with governance. Because we regard our relationship as one of continuous improvement, we will meet with you upon completion of the audit engagement and solicit your feedback.

#### Working collaboratively with Maher Accounting, CPA management and staff

As part of our annual financial audit for Marin Clean Energy, we have worked directly with Maher Accounting and developed a successful relationship. We use Huddle, a secure online file sharing site, to seamlessly share relevant information with the Maher Accounting team.

Our team members will regularly communicate with CPA management and staff and make themselves available for frequent consultations. We will readily respond to the reasonable inquiries of any successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

#### Staff to be assigned to your audit

For details on the proposed staff to be assigned to your audit, please refer to section **II. Financial, technical and operational qualifications** and the **Appendix: Resumes**.

#### Detailed audit timeline

One of the key ways Baker Tilly adds value to the audit is by moving through the process in systematic, ongoing steps. We work with your administrative team to stay focused on the tasks and provide our final deliverables within the agreed-upon timeframe.

### III. Proposer’s approach to provide required services

The chart below represents our proposed timeline for your 2018-19 audit, in line with your requirements described in the RFP.

Proposed 2019 audit timeline for CPA					
Description of tasks	Date	Jul	Aug	Sep	Oct
Kick-off meeting	July 24				
End of audit and beginning of report development	September 30				
Draft submission of audit report(s) to CPA management for review	October 11				
Completion of draft audit report(s)	October 18				
Presentation of audit results to Finance Committee	October 23				
Completion of audit	October 31				

*“We are on schedule to meet our reporting deadlines and the transition has been smooth, transparent and professional.”*

— Lansing Board of Water & Light

### Acceptance of or exceptions to terms and conditions

Baker Tilly accepts all requirements listed in **Attachment A – Statement of Work**.

If selected, we would request the ability to negotiate mutually agreeable revisions to select terms of **Attachment C – Sample Contract** prior to executing a final agreement. Please refer to the **Appendix: Exceptions to terms and conditions** for suggested redline changes to start our discussions. We are confident we would be able to reach mutually acceptable terms.

## IV. Cost proposal

*With Baker Tilly, you never need to question the value you receive. Compared to larger international accounting firms, we offer equivalent services at a more affordable price. Compared to smaller firms, we offer greater thought leadership and industry specialization, resulting in increased efficiency and value beyond the audit.*

### Value for fees

Our proposed all-inclusive maximum fee estimate for CPA based on the needs and objectives you have shared with us as well as on our experience conducting similar engagements with many audit clients in the utility industry. Our estimate allows for thorough and insightful advice and services from experienced professionals, without unnecessary add-ons.

CPA will receive service from dedicated, experienced staff to work with you toward your goals, providing the highest value. The projected number of hours to complete your audit by classification of employees and their hourly rates are as follows:

Classification	Hours	Rate	Total
Director	25	\$325	\$8,125
Concurring reviewer	4	\$325	\$1,300
Senior	45	\$180	\$8,100
Staff	85	\$135	\$11,475
Admin	8	\$125	\$1,000
<b>2019 NOT-TO-EXCEED FEES</b>			<b>\$30,000</b>

*Baker Tilly will not bill CPA for routine phone calls or for first-year start-up time. We will invest in excess of 40 hours in the start-up phase of the engagement.*

If CPA exercises its right to extend the agreement, fees for two additional years would be as follows:

Fiscal year	Not-to-exceed fees
2020	\$30,600
2021	\$31,200

In the event a unique or complex issue arises, we will work with you to determine the level of assistance required and arrange an appropriate fee for our services. We will always tell you if the assistance you require is outside the scope of our agreed-upon engagement.

## IV. Cost proposal

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### Assumptions

Our estimate is based on the assumptions detailed below. Should any of these change during the engagement, we will bring the matter to CPA's attention immediately and prepare a change order detailing the new requirements and corresponding budget impact. We will not undertake additional work without CPA's written approval.

Assumptions include:

- Adequate support, preparedness and cooperation from CPA's management
- Organized books and records
- Fees are based upon current auditing, accounting and tax standards
- No significant changes in scope

### Additional benefits included in your audit

During each year of the engagement, we will provide CPA with the following additional benefits and advisory services at no cost.

- **Our staff is available to CPA at any time**, not just during "usual business hours." We understand that issues you deal with generally require quick answers and will give you immediate access to the utmost in technical expertise. Your engagement team will respond promptly to your inquiries and concerns and return emails and phone calls within one business day.
- We will provide **4 hours annually of accounting advice or other related services for no additional fees**. In addition to whitepapers on industry topics or new accounting standards we will serve you with timely responses to your technical questions. Should you have accounting advice needs that result in a more structured and involved engagement, we would provide an estimate of hours in consultation with you and provide you with an estimate of the fees for the services.
- New standards are issued on a regular basis by standard-setting bodies. To better prepare our clients for the resulting changes and to share best practices, we offer **frequent client-training webinars**. Baker Tilly is an accredited professional training organization under the requirements of the National Association of State Boards of Accountancy (NASBA). Our webinars qualify for CPE on financial accounting and utility management topics and are free to our clients. We archive these webinars for your convenience on our website at [bakertilly.com](http://bakertilly.com).
- We issue regular communications to notify our clients of relevant developments affecting the utilities sector and ensure you remain current with any developments that may affect your business. CPA will receive our **newsletters** and **breaking industry news emails** to assist your staff in staying informed of industry or regulatory changes. Your audit team is also available throughout the year to consult on GASB implementations or the treatment of new, unique or complex transactions.
- We provide **industry whitepapers** and **thought leadership** articles on areas of impact to the utility industry. These reference materials are also posted on the Baker Tilly energy and utilities webpage at [bakertilly.com/industries/energy-and-utilities/](http://bakertilly.com/industries/energy-and-utilities/).
- We also share breaking news of interest and other information with nearly 1,000 group members through our **LinkedIn Group, Energy and Utilities Advisory Issues** at [linkedin.com/groups/2546046](http://linkedin.com/groups/2546046).