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

Wednesday, October 28, 2020

11:00 a.m.

SPECIAL NOTICE: Pursuant to Paragraph 11 of Executive Order N-29-20, executed by the Governor of California on March 17, 2020, and as a response to mitigating the spread of COVID-19, the Finance Committee will conduct this meeting remotely.

Members of the public may participate in the meeting remotely in one of two ways.

To Participate on Your Computer:

https://zoom.us/j/97706728869

To Listen to the Meeting by Phone:

Dial: (669) 900-9128

Meeting ID: 977 0672 8869

PUBLIC COMMENT: Members of the public may submit their comments by one of the following options:

- Email Public Comment: Members of the public are encouraged to submit written comments on any agenda item to clerk@cleanpoweralliance.org up to four hours before the meeting. Written public comments will be announced at the meeting and become part of the meeting record. Public comments received in writing will not be read aloud at the meeting.
- Provide Public Comment During the Meeting: Please notify staff via email to clerk@cleanpoweralliance.org at the beginning of the meeting but no later than immediately before the agenda item is called.
    - You will be asked for your name and phone number (or other identifying information) similar to filling out a speaker card so that you can be called on when it is your turn to speak.
    - You will be called upon during the comment section for the agenda item on which you wish to speak on. When it is your turn to speak, a staff member will unmute your phone or computer audio.
    - You will be able to speak to the Committee for the allotted amount of time. Please be advised that all public comments must otherwise comply with our Public Comment Policy.
    - Once you have spoken, or the allotted time has run out, you will be muted during the meeting.

If unable to connect by Zoom or phone and you wish to make a comment, you may submit written comments via email to: clerk@cleanpoweralliance.org.

*While downloading the Zoom application may provide a better meeting experience, Zoom does not need to be installed on your computer to participate. After clicking the webinar link above, click “start from your browser.”

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 the Clerk of the Board at clerk@cleanpoweralliance.org or (213) 713-5995. 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.*

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.

CALL TO ORDER & ROLL CALL

GENERAL PUBLIC COMMENT

CONSENT AGENDA

1. Approve Minutes from the August 26, 2020 Finance Committee Meeting
2. Receive and File August and September 2020 Risk Management Team Report
3. Receive and File August and September 2020 CPA Investment Report

REGULAR AGENDA

4. Receive Report from the Independent Auditor and Review Fiscal Year 2019-2020 Financial Statements and Fiscal Year 2019-2020 Budget to Actual Report
5. Report from the Chief Financial Officer

COMMITTEE MEMBER COMMENTS

ADJOURN – NEXT MEETING NOVEMBER 25, 2020

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. Public records are available for inspection online at www.cleanpoweralliance.org/agendas.*

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MEETING of the Finance Committee of the

Clean Power Alliance of Southern California

Wednesday, August 26, 2020, 10:45 a.m.

MINUTES

The Finance Committee conducted this meeting remotely, in accordance with California Governor Newsom's Executive Order N-29-20 and COVID-19 pandemic protocols.

WELCOME & ROLL CALL

Chair Julian Gold called the meeting to order at 10:45 a.m. and Clerk of the Board, Gabriela Monzon, conducted roll call.

Roll Call			
Beverly Hills	Julian Gold	Committee Chair	Remote
Carson	Reata Kulcsar	Committee Member	Remote
Claremont	Corey Calaycay	Committee Member	Remote
Rolling Hills Estates	Steve Zuckerman	Committee Member	Absent
Santa Monica	Pam O'Connor	Committee Member	Remote

All votes are unanimous unless otherwise stated.

GENERAL PUBLIC COMMENT

There was no public comment.

CONSENT AGENDA

1. Approve Minutes from the July 22, 2020 Finance Committee Meeting
2. Receive and File June and July 2020 Risk Management Team Report
3. Receive and File July CPA Investment Report

Motion: Committee Member O'Connor, Santa Monica
Second: Committee Member Calaycay, Claremont
Vote: The consent agenda was approved by a roll call vote.

REGULAR AGENDA

4. Report from the Chief Financial Officer
David McNeil, Chief Financial Officer, provided an update on the organization's financial performance in the 2019-2020 fiscal year (FY), noting that audit results will be presented to the Finance Committee in October. Mr. McNeil also discussed the impact of the recent heat waves on CPA's financial performance, indicating a probable increase in revenue due to retail sales of energy and demand charges, but also an increase in costs. However, Mr. McNeil stated that the organization's hedging strategy performed well and allowed

CPA to mitigate some of the negative impacts from the increase in cost of energy during the heat waves.

Mr. McNeil reported on treasury operations, highlighting an accumulation in cash on hand that will allow CPA to repay a $10 million dollar loan to Los Angeles County at the end of September. Lastly, Mr. McNeil reviewed the payment dashboard, which demonstrated an increase in accounts receivable (AR) aging.

CPA Board Chair Diana Mahmud asked for clarification on the figures listed in the AR aging graph. Mr. McNeil noted that the days of aging are not cumulative and stated that the deterioration of AR and bad debt expense are two of many variables that contribute to CPA's profitability. Mr. McNeil explained that the allowance for bad debt is an accounting concept that represents CPA's estimate of the amount of accounts receivables will not be collected. The $10.2 million allowance for bad debt is an estimate of accounts receivable that CPA does not expect to collect as of July 31, 2020.

5. Review and Recommend Board Adoption of Proposed Resolution Creating a Fiscal Stabilization Fund and Fiscal Stabilization Fund Policy

Mr. McNeil discussed the proposed creation of a stabilization fund and stated that once approved, staff plans to defer revenues into the fund that would otherwise be recorded in the fiscal year ending June 30, 2020. Mr. McNeil described the features and mechanics of the fund, noting that stabilizations funds are commonly used in state and local governments for sound financial management; and noted that CPA's banks, credit rating agencies, and CPA's independent auditor, Baker Tilly, view the stabilization fund positively from a credit, accounting, and control perspective. Mr. McNeil stated that the policy would authorize the Executive Director to make transfers to and from the Fund provided that an increase in net position falls below or exceed 4% of revenues, the fund balance must be positive in order to transfer amounts to revenues, and the fund balance is capped at 10% of CPA revenues. Lastly, Mr. McNeil emphasized that the policy does not authorize the expenditure of funds and will help to mitigate potential adverse impacts on CPA financial performance arising from bad debt, energy markets and CPA's cost of energy, and rate competitiveness.

Mr. McNeil and Matt Langer, Chief Operating Officer, discussed the 2020 Power Charge Indifference Adjustment (PCIA) undercollection and emphasized how falling prices can increase the PCIA fee paid by CPA customers to offset Southern California Edison's revenue shortfall. Additionally, the increase in PCIA may exceed the positive impact low prices have on CPA's cost of energy and reduce CPA rate competitiveness. This situation can benefit from the use of the stabilization fund, which will help maintain rate competitiveness in the dynamic energy market.

Chair Gold commented that the City of Beverly Hills has an established stabilization fund that is used to prudently manage risk. Committee Member Kulcsar asked if the stabilization fund will affect when and how quickly CPA contributes to the reserve target and the reason for not using the reserves to address risk. Chair Gold noted that the Stabilization Fund can be thought of as a "first line of defense" in the event of adverse fiscal events. Mr. McNeil explained that CPA will defer revenues into a stabilization fund and still meet its 4% target, starting with FY 19/20 where it will defer approximately $20 million. Additionally, Mr. McNeil noted that that the stabilization fund would allow CPA to use transfers from the fund to increase revenue and that only once the fund is exhausted would it be necessary to draw on reserves under adverse circumstances. Mr. McNeil noted that the Reserve Policy will be reviewed in January 2021.

Motion: Committee Chair Gold, Beverly Hills
Second: Committee Member Calaycay, Claremont
Vote: Item 5 was approved by a roll call vote.

COMMITTEE MEMBER COMMENTS

None.

ADJOURN

Committee Chair Gold adjourned the meeting at 11:48 a.m.

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Staff Report – Agenda Item 2

To: Clean Power Alliance (CPA) Finance Committee

From: Matthew Langer, Chief Operating Officer

Approved by: Ted Bardacke, Executive Director

Subject: August and September 2020 Risk Management Team Report

Date: October 28, 2020

RECOMMENDATION

Receive and File.

AUGUST 2020 RMT REPORT

Key Actions

- Reviewed short-term energy position for balance of month September through December and approved energy hedge solicitations.
- Reviewed long-term energy position and approved energy hedge solicitations for 2021 – 2022.
- Reviewed renewable energy and carbon free positions and approved a solicitation for PCC1 and PCC2 renewable energy products for 2020-2023.
- Discussed California Air Resources Board (CARB) Greenhouse Gas (GHG) Mandatory Reporting and procurement of carbon allowances for CPA's 2019 energy imports.
- Reviewed Resource Adequacy (RA) position and discussed compliance strategy.

Policy Compliance

Policy Deviation	Required Action
Prompt 1-4 Quarters Minimum Hedge Percentage was not met.	Increase monthly hedge amounts for 2021 to catch up to quarterly hedge targets.

SEPTEMBER 2020 RMT REPORT

Key Actions

- Discussed historical market performance, including impact of September 2020 heat wave events.
- Discussed October load forecast update and ongoing load forecast timeline.
- Reviewed short-term energy position for balance of month October through December and approved energy hedge solicitations.
- Reviewed long-term energy position and approved energy hedge solicitations for 2021 – 2023.
- Reviewed renewable energy and carbon free positions, including impact of SCE hydro allocation, and approved potential transactions.
- Reviewed Resource Adequacy (RA) position and discussed potential changes to RA program rules.

Policy Compliance

No new policy compliance issues to report.

ATTACHMENT

None.

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Staff Report – Agenda Item 3

To:	Clean Power Alliance (CPA) Finance Committee
From:	David McNeil, Chief Financial Officer
Subject:	August and September 2020 CPA Investment Report
Date:	October 28, 2020

RECOMMENDATION

Receive and File.

ATTACHMENT

1) August and September 2020 Investment Reports

Clean Power Alliance
Investment Report
August 2020

Fund Name:	**Local Agency Investment Fund**
Beginning Balance	2,502,207
Interest Paid (1)	-
Deposits	-
Withdrawals	-
Ending Balance	2,502,207
Interest Earned (2)	1,667
Average Monthly Effective Yield	0.784%

1. Interest is paid quarterly effective 15 days following the end of the quarter
2. Interest earned is based on daily compounding, account balances and monthly effective yeilds published by LAIF

Clean Power Alliance
Investment Report
September 2020

Fund Name:	**Local Agency Investment Fund**
Beginning Balance	2,502,207
Interest Paid (1)	-
Deposits	-
Withdrawals	-
Ending Balance	2,502,207
Interest Earned (2)	1,409
Average Monthly Effective Yield	0.685%

1. Interest is paid quarterly effective 15 days following the end of the quarter
2. Interest earned is based on daily compounding, account balances and monthly effective yeilds published by LAIF

Return to Agenda

Staff Report – Agenda Item 4

To:	Clean Power Alliance (CPA) Finance Committee
From:	David McNeil, Chief Financial Officer
Approved by:	Ted Bardacke, Executive Director
Subject:	Report from the Independent Auditor, Fiscal Year (FY) 2019-20 Financial Statements and FY 2019-20 Budget to Actual Report
Date:	October 28, 2020

RECOMMENDATION

Receive report from the Independent Auditor and review FY 2019-2020 Financial Statements and FY 2019-2020 Budget to Actual report.

BACKGROUND

Each year CPA publishes fiscal year-end financial statements. CPA's Bylaws require the Finance Committee to select an independent auditor to perform a financial audit of the accounts of CPA on an annual basis. In May 2020, the Finance Committee selected Baker Tilly to perform an audit of CPA's Fiscal Year 2019-20 financial statements.

Staff is responsible for the preparation and fair presentation of the financial statements. The independent auditor performs tests to assure that the financial statements are free from material misstatement. The FY 2019-20 Financial Statements (attachment 3) consist of the following:

- Independent Auditors' Report (Auditors' Report)
- Management's Discussion and Analysis
- Financial Statements – Statements of Net Position, Revenues and Expenses and Changes in Net Position, Statements of Cash Flows
- Notes to the Financial Statements

DISCUSSION

Auditors' Report

The Auditors' Report includes its opinion that CPA's FY 2019-20 Financial Statements "present fairly, in all material respects, the financial position of Clean Power Alliance as of June 30, 2019…in accordance with accounting principles generally accepted in the United States of America." The Auditors' report contains what is generally regarded as an unqualified or "clean" audit opinion.

The Auditors' communication to the Finance Committee (attachment 2) states that the Auditor observed no material issues with CPA's reporting or controls.

Representatives from Baker Tilly will present their audit findings and answer questions during the meeting.

Financial Highlights

- Operating revenues increased to $752 million in FY 2019-20 from $254 million in FY 2018-19 reflecting the full year impact of Phase 3 and 4 enrollments that occurred in February and May 2019, respectively.
- FY 2019-20 operating revenues include a $521 million increase in electricity sales arising from the enrollment of new customers in the prior fiscal year, a $27 million increase in the Fiscal Stabilization Fund recorded as negative operating revenue pursuant to CPA's Fiscal Stabilization Fund Policy approved by the Board in September 2020 and; proceeds from a settlement with Southern California Edison.
- Operating expenses increased to $722 million in FY 2019-20 from $223 million in 2018-19. The increase arises from the enrollment of new customers and the build out of the agency's staff and operational capabilities.
- The net position increased by $30.6 million in FY 2019-20 bringing the net position to $46.6 million at the close of the year. The increase in net position is consistent with CPA's Board approved Reserve Policy.
- As of June 30, 2020, debt consisted of a $9.9 million loan payable to the County of Los Angeles, which was repaid in September 2020, CPA had no bank debt

outstanding and $970,000 of letters of credit issued to various suppliers.

- The financial results comply with CPA's credit covenants.

Key financial metrics and additional analysis of FY 2019-20 results are presented in the Presentation of FY 2019-20 Financial Results (attachment 4).

FY 2019-20 Budget to Actual Report

The FY 2019-20 Budget to Actual Report compares actual results for the 12 months ending June 30, 2020 with the FY 2019-20 Budget as amended by the Board at its June 30, 2020 meeting. CPA was within approved limits for all budget line items. The increase in net position of $30.6 million exceeded the $28.263 million budget target.

Additional analysis of Budget to Actual results, including a comparison of actual FY 2019/20 results with the FY 2019-20 Base Budget approved by the Board in June 2019, appears in the Presentation of FY 2019-20 Financial Results (attachment 4).

Summary

Staff views CPA's financial results for the year ending June 30, 2020 as positive. CPA is in sound financial health and is well positioned to serve its customers and deliver on its mission.

ATTACHMENTS

1) Presentation from the Independent Auditor
2) Communication by the Independent Auditor to those Charged with Governance and Management
3) FY 2019-20 Financial Statements
4) FY 2019-20 Budget to Actual Report
5) Presentation of FY 2019-20 Financial Results

CPA CLEAN POWER ALLIANCE

Locally powered energy innovation.

Clean Power Alliance
2020 Financial Statement Audit
Auditor's Report to Governing Body

October 28, 2020

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CPA
Audit Discussion

Agenda

- What was covered by this year's audit
- Required communication to Governing Body
- Impact of future standards
- Discussion

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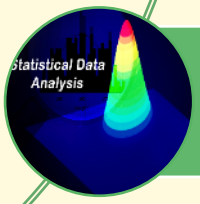
CPA
Testing methods

Evaluating and assessing risk

Interviewing employees and documenting business processes

Testing business processes for weaknesses and adherence to policies



Statistical sampling

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CPA
What were the audit results?

Audit performed in accordance with *Generally Accepted Auditing Standards*

Audit objective - reasonable assurance that financial statements are free from material misstatement

Financial statements of CPA received an *Unmodified Opinion*

There were no material weaknesses or significant deficiencies in controls

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CPA
Auditor communication to those charged with governance

Auditor responsibility & independence

Board responsibility

Accounting policies and estimates

Baker Tilly agrees with CPA's accounting policies and disclosures

There were no adjustments to the financial statements

No audit findings or concerns

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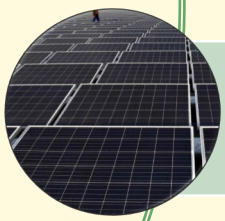
CPA
Upcoming accounting impacts

GASB84 – Fiduciary Activities – FY2021

GASB87 – Leases – FY 2022



GASB94 – Partnerships and Available Payment Arrangements – FY 2023

GASB96 – Subscription-Based Information Technology Arrangements – FY 2023

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We appreciate the help of the CPA / Maher Accountancy in preparing for and assisting in the audit!

Contact Info

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Reporting and insights from 2020 audit:

Clean Power Alliance of Southern California

June 30, 2020

Executive summary

We have completed our audit of the financial statements of Clean Power Alliance of Southern California (CPA) for the year ended June 30, 2020, and have issued our report thereon to be dated October 23, 2020. This letter presents communications required by our professional standards.

Your audit should provide you with confidence in your financial statements. The audit was performed based on information obtained from meetings with management, data from your systems, knowledge of your operating environment and our risk assessment procedures. We strive to provide you clear, concise communication throughout the audit process and of the final results of our audit.

Additionally, we have included information on key risk areas CPA should be aware of in your strategic planning. We are available to discuss these risks as they relate to your organization's financial stability and future planning.

If you have questions at any point, please connect with us:

- Bethany Ryers, Firm Director: Bethany.Ryers@bakertilly.com or +1 (608) 240 2382
- Ryan Theiler, Senior Associate: Ryan.Theiler@bakertilly.com or +1 (608) 240 2571

Sincerely,

Baker Tilly US, LLP (formerly known as Baker Tilly Virchow Krause, LLP)

Bethany Ryers, CPA
Firm Director

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THIS COMMUNICATION IS INTENDED SOLELY FOR THE INFORMATION AND USE OF THOSE CHARGED WITH GOVERNANCE, AND, IF APPROPRIATE, MANAGEMENT, AND IS NOT INTENDED TO BE AND SHOULD NOT BE USED BY ANYONE OTHER THAN THESE SPECIFIED PARTIES.

Audit objectives

Audit objectives

Our responsibilities

As your independent auditor, our responsibilities include:

- Planning and performing the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high level of assurance.
- Assessing the risks of material misstatement of the financial statements, whether due to fraud or error. Included in that assessment is a consideration of CPA's internal control over financial reporting.
- Performing appropriate procedures based upon our risk assessment.
- Evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management.
- Forming and expressing an opinion based on our audit about whether the financial statements prepared by management, with the oversight of Board of Directors:
  - Are free from material misstatement
  - Present fairly, in all material respects, and in accordance with accounting principles generally accepted in the United States of America

We are also required to communicate significant matters related to our audit that are relevant to the responsibilities of Board of Directors, including:

- Qualitative aspects of CPA's accounting practice including policies, accounting estimates and financial statement disclosures
- Significant difficulties encountered
- Disagreements with management
- Corrected and uncorrected misstatements
- Internal control matters
- Significant estimates
- Other findings or issues arising from the audit

Management's responsibilities

Management	Auditor
Prepare and fairly present the financial statements	Our audit does not relieve management or the Board of Directors of their responsibilities
Establish and maintain effective internal control over financial reporting	An audit includes consideration of internal control over financial reporting, but not an expression of an opinion on those controls
Provide us with written representations at the conclusion of the audit	See Appendix B for a copy of management's representations

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Audit status

Audit status

Significant changes to the audit plan

There were no significant changes made to either our planned audit strategy or to the significant risks and other areas of emphasis identified during the performance of our risk assessment procedures.

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Audit approach and results

Audit approach and results

Planned scope and timing

Audit focus

Based on our understanding of CPA and environment in which you operate, we focused our audit on the following key areas:

- Key transaction cycles
- Areas with significant estimates
- Implementation of new accounting standards

Our areas of audit focus were informed by, among other things, our assessment of materiality. Materiality in the context of our audit was determined based on specific qualitative and quantitative factors combined with our expectations about CPA's current year results.

Key areas of focus and significant findings

Significant risks of material misstatement

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's professional judgment, requires special audit consideration. Within our audit, we focused on the following areas below.

Significant risk areas	Testing approach	Conclusion
Management override of controls	Incorporate unpredictability into audit procedures, emphasize professional skepticism and utilize audit team with industry expertise	Procedures identified provided sufficient evidence for our audit opinion
Improper revenue recognition due to fraud	Validation of certain revenues supplemented with detailed predictive analytics based on non-financial data and substantive testing of related receivables	Procedures identified provided sufficient evidence for our audit opinion
Potential for inaccurate billing data from SCE	Review Calpine SOC report and perform walkthrough to assess the procedures established to validate the data	Procedures identified provided sufficient evidence for our audit opinion

Other key areas of emphasis

We also focused on other areas that did not meet the definition of a significant risk, but were determined to require specific awareness and a unique audit response.

Other key areas of emphasis		
Cash and investments	Revenues and receivables	General disbursements
Net position calculations	Financial reporting and required disclosures	

Internal control matters

We considered CPA's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements. We are not expressing an opinion on the effectiveness of CPA's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A material weakness is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

Required communications

Qualitative aspect of accounting practices

- Accounting policies: Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we have advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by CPA are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing accounting policies was not changed during fiscal year 2020. We noted no transactions entered into by CPA during the year for which accounting policies are controversial or for which there is a lack of authoritative guidance or consensus or diversity in practice.

- Accounting estimates: Accounting estimates, including fair value estimates, are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements, the degree of subjectivity involved in their development and because of the possibility that future events affecting them may differ significantly from those expected. The following estimates are of most significance to the financial statements:

Estimate	Management's process to determine	Baker Tilly's conclusions regarding reasonableness
Unbilled revenue	Evaluation of the actual usage data that is submitted to CAISO	Reasonable in relation to the financial statements as a whole
Allowance for doubtful accounts	Evaluation of historical data based on comparable utility probability profile and an additional 75% factor to account for COVID-19 impact on increased delinquency	Reasonable in relation to the financial statements as a whole

  There have been changes to the estimation of allowance for doubtful accounts based on use of primary local utility probability profile which provides a greater depth of historical analysis of the customer base delinquency. In the current year, an additional factor has been included to account for the impact that the COVID-19 pandemic is having on customer delinquency due to worsened economic conditions and regulations prohibiting disconnection of service for unpaid balances. The reserve appears reasonable in relation to aging receivables and to the financial statements as a whole.

- Financial statement disclosures: The disclosures in the financial statements are neutral, consistent and clear.

Significant unusual transactions

There have been no significant transactions that are outside the normal course of business for CPA or that otherwise appear to be unusual due to their timing, size or nature.

Difficulties encountered during the audit

We encountered no significant difficulties in dealing with management and completing our audit.

Disagreements with management

Professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management's consultations with other accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, with the exception of CPA's engagement with Maher Accountancy, there were no consultations with other accountants regarding auditing or accounting matters.

Written communications between management and Baker Tilly

The Appendix includes copies of other material written communications, including a copy of the engagement letter.

Uncorrected misstatements and corrected misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no misstatements identified

Compliance with laws and regulations

We did not identify any non-compliance with laws and regulations during our audit.

Fraud

We did not identify any known or suspected fraud during our audit.

Going concern

Pursuant to professional standards, we are required to communicate to you, when applicable, certain matters relating to our evaluation of CPA's ability to continue as a going concern for a reasonable period of time but no less than 12 months from the date the financial statements are issued or available to be issued, including the effects on the financial statements and the adequacy of the related disclosures, and the effects on the auditor's report. No such matters or conditions have come to our attention during our engagement.

Independence

We are not aware of any relationships between Baker Tilly and CPA that, in our professional judgment, may reasonably be thought to bear on our independence.

Related parties

We did not have any significant findings or issues arise during the audit in connection with CPA's related parties.

Other audit findings or issues

We encountered no other audit findings or issues that require communication at this time.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as CPA's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other matters

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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Accounting changes relevant to Clean Power Alliance

Accounting changes relevant to Clean Power Alliance

Future accounting standards updates

GASB Statement Number	Description	Potentially Impacts you	Effective Date
84	Fiduciary Activities	✓	6/30/21*
87	Leases	✓	6/30/22*
89	Accounting for Interest Incurred before the End of a Construction Period		6/30/22*
90	Majority Equity Interests and amendment of GASB Statements No. 14 and No. 61		6/30/21*
91	Conduit Debt		6/30/23*
92	Omnibus 2020		6/30/22*
93	Replacement of Interfund Bank Offered Rates		6/30/22*
94	Public-Private and Public-Public Partnerships and Availability Payment Arrangements	✓	6/30/23
96	Subscription-based Information Technology Arrangements	✓	6/30/23
97	Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans	✓	6/30/22

*****The statements listed above through Statement No. 93 had their required effective dates postponed by one year with the issuance of Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*, with the exception of Statement No. 87 which was postponed by one and a half years. The effective date reflected above is the required revised implementation date.

Further information on upcoming GASB pronouncements

Preparing for the new lease standard

GASB's new single model for lease accounting will be effective for the upcoming year. This standard will require governments to identify and evaluate contracts that convey control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Contracts meeting the criteria for control, term and other items within the standard will result in recognizing a right to use asset and lease liability or a receivable and deferred inflow of resources.

We recommend CPA review this standard and start planning now as to how this will affect your financial reporting. We recommend that you begin by completing an inventory of all contracts that might meet the definition of a lease. The contract listing should include key terms of the contracts such as:

- Description of contract
- Underlying asset
- Contract term
- Options for extensions and terminations
- Service components, if any
- Dollar amount of lease

In addition, CPA should begin to establish a lease policy to address the treatment of common lease types, including a dollar threshold for each lease. We are available to discuss this further and help you develop an action plan.

Learn more about GASB 87.

Appendix A: Client service team

Client service team

Bethany Ryers, CPA

Firm Director

10 Terrace Ct
Madison, WI 53707
United States

T +1 (608) 240 2382
bethany.ryers@bakertilly.com

Ryan Theiler, CPA

Senior Associate

10 Terrace Ct
Madison, WI 53707
United States

T +1 (608) 240 2571
ryan.theiler@bakertilly.com

Appendix B: Management representation letter

October 23, 2020

Baker Tilly US, LLP
10 Terrace Court
Madison, WI 53703

Dear Baker Tilly US, LLP:

We are providing this letter in connection with your audit of the financial statements of the Clean Power Alliance of Southern California as of June 30, 2020 and 2019 and for the years then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position of the Clean Power Alliance of Southern California and the respective changes in financial position and cash flows in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter.

2. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and include all properly classified funds and other financial information of the primary government and all component units required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.

3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5. Significant assumptions we used in making accounting estimates, if any, are reasonable.

6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of accounting principles generally accepted in the United States of America.

7. All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America require adjustment or disclosure have been adjusted or disclosed. No other events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

8. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

9. There are no known or probable litigation, claims, and assessments whose effects should be considered when preparing the financial statements. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with accounting principles generally accepted in the United States of America.

Information Provided

10. We have provided you with:

    a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters.
    b. Additional information that you have requested from us for the purpose of the audit.
    c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
    d. Minutes of the meetings of Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.

11. We have disclosed to you results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

12. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:

    a. Management,
    b. Employees who have significant roles in internal control, or
    c. Others where the fraud could have a material effect on the financial statements.

13. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others.

14. We have no knowledge of known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

15. We have disclosed to you all known related parties and all the related party relationships and transactions of which we are aware.

Other

16. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

17. We have identified to you any previous financial audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

18. The Clean Power Alliance of Southern California has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

19. We are responsible for compliance with federal, state, and local laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits, debt contracts, and IRS arbitrage regulations; and we have identified and disclosed to you all federal, state, and local laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

20. There are no:

    a. Violations or probable violations of budget ordinances, federal, state, and local laws or regulations (including those pertaining to adopting, approving and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance, except those already disclosed in the financial statement, if any.

    b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America.

    c. Rates being charged to customers other than the rates as authorized by the applicable authoritative body.

    d. Violations of restrictions placed on revenues as a result of bond resolution covenants such as revenue distribution or debt service funding.

21. The Clean Power Alliance of Southern California has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

22. The Clean Power Alliance of Southern California has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.

23. The financial statements properly classify all funds and activities.

24. Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified.

25. The Clean Power Alliance of Southern California has no derivative financial instruments such as contracts that could be assigned to someone else or net settled, interest rate swaps, collars or caps.

26. Provisions for uncollectible receivables have been properly identified and recorded.

27. Deposits and investments are properly classified, valued, and disclosed (including risk disclosures, collateralization agreements, valuation methods, and key inputs, as applicable).

28. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated/amortized. Any known impairments have been recorded and disclosed.

29. We have appropriately disclosed the Clean Power Alliance of Southern California's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position were properly recognized under the policy.

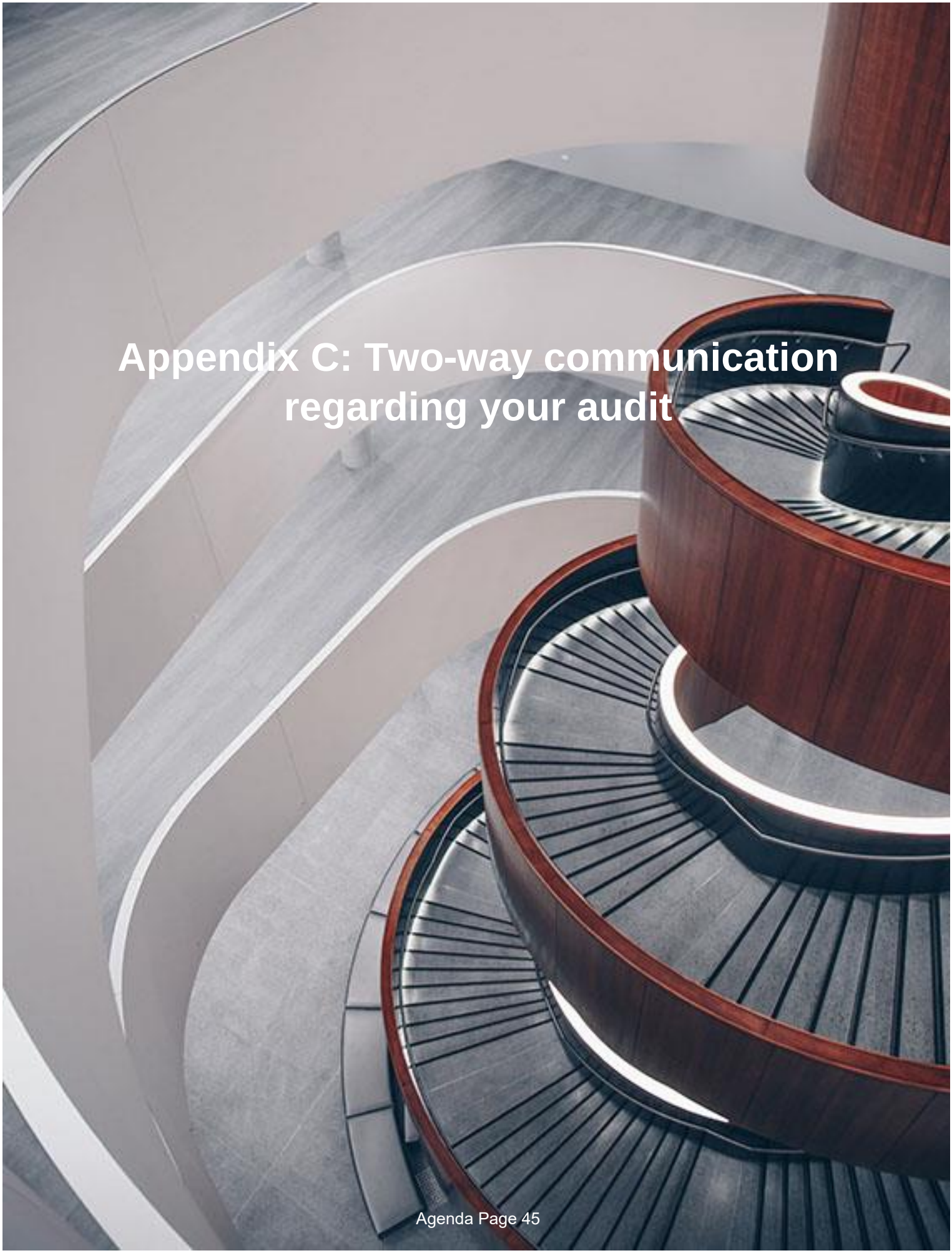
30. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

Sincerely,

Clean Power Alliance of Southern California

Signed: _____
Theodore Bardacke
Executive Director

Signed: _____
David McNeil
Chief Financial Officer



Appendix C: Two-way communication regarding your audit

As part of our audit of your financial statements, we are providing communications to you throughout the audit process. Auditing requirements provide for two-way communication and are important in assisting the auditor and you with more information relevant to the audit.

As this past audit is concluded, we use what we have learned to begin the planning process for next year's audit. It is important that you understand the following points about the scope and timing of our next audit:

a. We address the significant risks of material misstatement, whether due to fraud or error, through our detailed audit procedures.

b. We will obtain an understanding of the five components of internal control sufficient to assess the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures. We will obtain a sufficient understanding by performing risk assessment procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented. We will use such knowledge to:

   - Identify types of potential misstatements.
   - Consider factors that affect the risks of material misstatement.
   - Design tests of controls, when applicable, and substantive procedures.

c. We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations, and provisions of contracts or grant programs.

d. The concept of materiality recognizes that some matters, either individually or in the aggregate, are important for fair presentation of financial statements in conformity with generally accepted accounting principles while other matters are not important. In performing the audit, we are concerned with matters that, either individually or in the aggregate, could be material to the financial statements. Our responsibility is to plan and perform the audit to obtain reasonable assurance that material misstatements, whether caused by errors or fraud, are detected.

Our audit will be performed in accordance with auditing standards generally accepted in the United States of America.

We are very interested in your views regarding certain matters. Those matters are listed here:

a. We typically will communicate with your top level of management unless you tell us otherwise.

b. We understand that the governing board has the responsibility to oversee the strategic direction of your organization, as well as the overall accountability of the entity. Management has the responsibility for achieving the objectives of the entity.

c. We need to know your views about your organization's objectives and strategies, and the related business risks that may result in material misstatements.

d. We anticipate that CPA will receive an unmodified opinion on its financial statements.

e. Which matters do you consider warrant particular attention during the audit, and are there any areas where you request additional procedures to be undertaken?

f. Have you had any significant communications with regulators or grantor agencies?

g. Are there other matters that you believe are relevant to the audit of the financial statements?

Also, is there anything that we need to know about the attitudes, awareness, and actions of the governing body concerning:

a. The entity's internal control and its importance in the entity, including how Board of Directors oversee the effectiveness of internal control?

b. The detection or the possibility of fraud?

We also need to know if you have taken actions in response to developments in financial reporting, laws, accounting standards, governance practices, or other related matters, or in response to previous communications with us.

With regard to the timing of our audit, here is some general information. If necessary, we may do preliminary financial audit work during the months of April - June, and sometimes early July. Our final financial fieldwork is scheduled during the summer to best coincide with your readiness and report deadlines. After fieldwork, we wrap up our financial audit procedures at our office and may issue drafts of our report for your review. Final copies of our report and other communications are issued after approval by your staff. This is typically 6-12 weeks after final fieldwork, but may vary depending on a number of factors.

Keep in mind that while this communication may assist us with planning the scope and timing of the audit, it does not change the auditor's sole responsibility to determine the overall audit strategy and the audit plan, including the nature, timing, and extent of procedures necessary to obtain sufficient appropriate audit evidence.

We realize that you may have questions on what this all means, or wish to provide other feedback. We welcome the opportunity to hear from you.

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

Basic Financial Statements with Independent Auditor's Report

For the Fiscal Years Ended June 30, 2020 and 2019

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA
YEARS ENDED JUNE 30, 2020 AND 2019

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Clean Power Alliance of Southern California
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of Clean Power Alliance of Southern California, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Clean Power Alliance of Southern California's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Clean Power Alliance of Southern California's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Clean Power Alliance of Southern California's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Clean Power Alliance of Southern California as of June 30, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

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

Baker Tilly US, LLP

Baker Tilly US, LLP (formerly known as Baker Tilly Virchow Krause, LLP)
Madison, Wisconsin
October 23, 2020

The Management's Discussion and Analysis provides an overview of Clean Power Alliance of Southern California's (CPA) financial activities as of and for the years ended June 30, 2020, and 2019. The information presented here should be considered in conjunction with the audited financial statements.

Contents of this Report

This report is divided into the following sections:

- Management's discussion and analysis.
- The Basic Financial Statements:
  - The *Statements of Net Position* include all of CPA's assets, liabilities, and net position and provide information about the nature and amount of resources and obligations at a specific point in time.
  - The *Statements of Revenues, Expenses, and Changes in Net Position* report all of CPA's revenue and expenses for the years shown.
  - The *Statements of Cash Flows* report the cash provided and used by operating activities, as well as other sources and uses, such as non-capital financing activities.
  - Notes to the Basic Financial Statements, which provide additional details and information related to the Basic Financial Statements.

BACKGROUND

CPA was formed pursuant to California Assembly Bill 117 which enables communities to purchase power on behalf of their residents and businesses and creates retail choice for electric generation services.

CPA, formerly Los Angeles Community Choice Energy (LACCE), was created as a California Joint Powers Authority on June 27, 2017. CPA was established to study, promote, develop, conduct, operate and manage energy programs in Southern California. Governed by an appointed board of directors (Board), CPA has the authority to set rates for the services it furnishes, incur indebtedness, and issue bonds or other obligations. CPA acquires electricity from commercial suppliers and delivers it through existing physical infrastructure and equipment managed by the California Independent System Operator (CAISO) and Southern California Edison (SCE).

The parties to CPA's Joint Powers Agreement consist of local governments whose governing bodies elect to join CPA. Pursuant to the Public Utilities Code, when new parties join CPA, all electricity customers in its jurisdiction, with the exception of customers served under California's Direct Access Program, automatically become default customers of CPA for electric generation, provided that customers are given the option to "opt out".

CPA began operations by serving approximately 1,800 municipal and commercial accounts in February 2018. In June 2018, it enrolled approximately 28,000 municipal and commercial accounts. In February 2019, CPA enrolled approximately 900,000 residential customer accounts. In May 2019, CPA enrolled approximately 100,000 commercial accounts. CPA enrolled approximately 4,000 residential and commercial accounts from Westlake Village during June 2020.

CPA's goal is to provide customers with competitively priced and affordable electricity with high renewable energy content and low greenhouse gas emissions. CPA offers its customers three electricity services to choose from: Lean Power, Clean Power and 100% Green Power. Lean Power provides 36% renewable energy content, Clean Power provides 50% renewable energy content and 100% Green Power provides 100% renewable energy content.

Financial Reporting

CPA presents its financial statements as a governmental enterprise fund under the economic resources measurement focus and accrual basis of accounting, in accordance with Generally Accepted Accounting Principles (GAAP) for proprietary funds, as prescribed by the Governmental Accounting Standards Board (GASB).

FINANCIAL HIGHLIGHTS

The following table is a summary of CPA's assets, liabilities, deferred inflows of resources and net position, and a discussion of significant changes for the fiscal years (FY) ending June 30:

	2020	2019	2018
Current assets	$ 185,855,666	$ 142,619,616	$ 9,521,793
Noncurrent assets			
Capital assets, net	97,388	35,948	-
Other noncurrent assets	188,710	128,000	107,250
Total assets	186,141,764	142,783,564	9,629,043
Current liabilities	109,893,729	97,158,978	2,470,275
Noncurrent liabilities	2,662,400	29,635,608	9,835,608
Total liabilities	112,556,129	126,794,586	12,305,883
Deferred inflows of resources	27,000,000	-	-
Net position			
Investment in capital assets	97,388	35,948	-
Restricted for collateral	4,897,000	7,952,000	-
Unrestricted (deficit)	41,591,247	8,001,030	(2,676,840)
Total net position	$ 46,585,635	$ 15,988,978	$ (2,676,840)

Current Assets

Current assets were approximately $185,856,000 at the end of FY 2019-20 and are mostly comprised of $56,159,000 of cash and cash equivalents, $65,532,000 of accounts receivable, $49,193,000 of accrued revenue, $6,346,000 of prepaid expenses and $4,897,000 in restricted cash.

Current assets were approximately $142,620,000 at the end of FY 2018-19 and are mostly comprised of $7,259,000 of cash and cash equivalents, $50,674,000 of accounts receivable, $68,779,000 of accrued revenue, $2,025,000 of prepaid expenses and $7,952,000 in restricted cash.

Total current assets increased year-over-year, particularly cash and cash equivalents, prepaid expenses, and deposits. The combined total of accounts receivable and accrued revenue held fairly flat year over year. Restricted cash decreased pursuant to credit and security agreements. In FY 2019-20, CPA deposited funds in the California Local Agency Investment Fund (LAIF) in order to diversify where its funds are held and to earn interest on its unused funds pursuant to its Board approved Investment Policy.

Current Liabilities

Current liabilities consist mostly of the cost of electricity delivered to customers that is not yet due to be paid by CPA to its suppliers. Other components include trade accounts payable, taxes and surcharges due to governments, and various other accrued liabilities. A loan with the County of Los Angeles was previously classified as noncurrent and became current during FY 2019-20.

Current liabilities increased each year mostly due to increased energy costs related to new customer enrollments.

Noncurrent Liabilities

Noncurrent liabilities decreased significantly from FY2018-19 to FY 2019-20. As of June 30, 2019, noncurrent liabilities totaled $29,636,000 compared to $2,662,000 at June 30, 2020. In FY 2018-19 noncurrent liabilities include loans and notes payable to the County of Los Angeles and River City Bank respectively as described in the notes to the financial statements.

Noncurrent liabilities decreased as of June 30, 2020 as a result of the repayment of loans from River City Bank in September 2019 and the reclassification of the loan from the County of Los Angeles as a current liability.

Deferred Inflows of Resources

In 2020 CPA deferred revenue of $27,000,000 to the Fiscal Stabilization Fund pursuant to CPA's Board approved Fiscal Stabilization Fund Policy. The funds may be used in later years when financial results are negatively impacted by uncontrollable events as described in the Policy. Deferring revenue for use in future years reduces the likelihood of unplanned rate changes that would be necessary to meet CPA's financial objectives.

Revenues and Expenses

The following table is a summary of CPA's results of operations and a discussion of significant changes for the years ending June 30:

	2020	2019	2018
Operating revenues	$ 752,070,114	$ 253,919,018	$ 3,382,705
Interest income	361,022	121,962	7,126
Total income	752,431,136	254,040,980	3,389,831
Operating expenses	721,593,329	235,128,858	6,066,671
Nonoperating expenses	241,150	246,304	-
Total expenses	721,834,479	235,375,162	6,066,671
Change in net position	$ 30,596,657	$ 18,665,818	$ (2,676,840)

Total Income

Operating revenues increased from approximately $253,913,000 in FY 2018-19 to $752,070,000 in FY 2019-20. Revenue increased as a result of new customer enrollments as described in the background section of this report. Operating revenues arise from electricity sales to customers reduced by a deferral of revenue to CPA's Fiscal Stabilization Fund. CPA reports electricity revenues net of an allowance for uncollectable accounts as described in the Notes to the Financial Statements. Revenues were reduced in FY 2019-20 by approximately $580,000 of bill credits provided to customers under CPA's Covid-19 Bill Assistance Program.

Year over year changes in interest income reflect higher average balances in interest-earning accounts.

Total Expenses

Operating expenses increased from approximately $235,129,000 in FY 2018-19 to $721,593,000 in FY2019-20. Operating expenses include the cost of energy and electric capacity used to serve CPA's customers and meet its regulatory obligations, contracts with service providers, staff compensation and general and administrative expenses. Non-operating expenses consist primarily of interest and other expenses associated with CPA's credit agreement with River City Bank. Electricity and service provider costs increased in FY 2019-20 as a result of the enrollment of new customers as described in the background section of this report. Operating expenses such as staffing and general and administrative costs increased year over year as CPA hired staff and built out its operating capabilities to serve a larger customer base.

Change in Net Position

The change in net position increased from approximately $18,666,000 in FY 2018-19 to $30,597,000 in FY 2019-20. The increase in the net position in FY 2019-20 arises from increased revenue, and positive operating margins and is consistent with CPA's Board approved Reserve Policy and Fiscal Stabilization Fund Policy. The change in net position in FY 2017-18 reflects the start-up nature of the agency at that time.

PURCHASE COMMITMENTS AND ECONOMIC OUTLOOK

During the normal course of business, CPA enters into various agreements, including renewable energy agreements and other power purchase agreements to purchase power and electric capacity. CPA enters into power purchase agreements in order to comply with state law and voluntary targets for renewable and greenhouse gas (GHG) free products. California law established a Renewable Portfolio Standard (RPS) that requires load-serving entities, such as CPA, to gradually increase the amount of renewable energy they deliver to their customers. In October 2015, the California Governor signed SB 350, the Clean Energy and Pollution Reduction Act of 2015, into law. SB 350 became effective January 1, 2016, and increases the amount of renewable energy that must be

PURCHASE COMMITMENTS AND ECONOMIC OUTLOOK (continued)

delivered by most load-serving entities, including CPA, to their customers from 33% of their total annual retail sales by the end of the 2017-2020 compliance period, to 50% of their total annual retail sales by the end of the 2028-2030 compliance period, and in each three-year compliance period thereafter, unless changed by legislative action. In September 2018, the California Governor signed SB 100, the 100 Percent Clean Energy Act of 2018, into law. SB 100 increases the amount of renewable energy that must be delivered by most load-serving entities, including CPA, to their customers to 60% of their annual retail sales by the end of the 2028-2030 compliance period. SB 100 also further establishes as state policy that eligible renewable energy resources and zero carbon resources supply 100 percent of all retail sales of electricity to California end-use customers and 100 percent of electricity procured to serve all state agencies by December 31, 2045.

SB 100 provides compliance flexibility and waiver mechanisms, including increased flexibility to apply excess renewable energy procurement in one compliance period to future compliance periods. SB 350 requires that for the 2021-24 compliance period, at least 65% of the procurement a retail seller, such as CPA, counts toward the renewables portfolio standard requirement of each compliance period shall be from its contracts of ten years or more in duration.

CPA enters into long term purchase agreements to bring new solar, wind and other renewable energy generating facilities on-line, to meet its regulatory RPS and GHG free targets, to accomplish its mission of providing renewable energy, reducing greenhouse gas emissions, serving its customers and managing energy market risks. CPA manages risks associated with these commitments by aligning purchase commitments with expected demand for electricity and assuring diversity of technologies, geographical locations, and suppliers.

Commitments under power purchase agreements increased from $1.42 billion as of June 30, 2019 to $2.68 billion as of June 30, 2020 consistent with CPA's Board approved Energy Risk Management Policy.

State and local governments in California have taken actions to address the Covid-19 pandemic that are impacting Clean Power Alliance, most notably Governor Newsome's Safer at Home order requiring all individuals living in the State of California to stay home, with certain exceptions.

CPA is conducting its work from home consistent with its business contingency protocol. Apart from staff working remotely, CPA's internal operations have not been affected by the pandemic. CPA has not received any notifications from its bank or suppliers that would impact operations, its ability to serve customers, or meet its compliance and other obligations as agreed.

CPA is actively monitoring the impacts of COVID-19 and related events on its customers. Management believes the impacts of changing customer usage are manageable.

PURCHASE COMMITMENTS AND ECONOMIC OUTLOOK (continued)

In March 2020, SCE, CPA's billing and collections agent, SCE, temporarily suspended customer disconnections due to non-payment. CPA is working closely with SCE's collections team and is closely monitoring customer payment performance. Customer payments that are more than 90 days past due have increased and it is unknown how much of past due payments will ultimately be recovered. Management believes that the allowance for uncollectable accounts reflects a conservative estimate of customer non-payment and that CPA's cash flow and gross margins are sufficient to manage slowing customer payments.

Management intends to continue its conservative use of financial resources and expects to generate ongoing operating surpluses in future years.

REQUEST FOR INFORMATION

This financial report is designed to provide CPA's customers, creditors and other stakeholders with a general overview of the organization's finances and to demonstrate CPA's accountability for the funds under its stewardship.

Please address any questions about this report or requests for additional financial information to Chief Financial Officer, 801 S. Grand Avenue, Suite 400, Los Angeles, CA 90017.

BASIC FINANCIAL STATEMENTS

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

STATEMENTS OF NET POSITION

JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	$ 56,158,767	$ 7,258,580
Accounts receivable, net of allowance	65,532,476	50,674,048
Accrued revenue	49,192,550	68,779,327
Market settlements receivable	147,873	5,573,657
Other receivables	348,545	357,454
Prepaid expenses	6,345,580	2,024,550
Deposits	3,232,875	-
Restricted cash	4,897,000	7,952,000
Total current assets	185,855,666	142,619,616
Noncurrent assets		
Capital assets, net of depreciation	97,388	35,948
Deposits	188,710	128,000
Total noncurrent assets	286,098	163,948
Total assets	186,141,764	142,783,564
LIABILITIES		
Current liabilities		
Accounts payable	2,303,802	2,641,021
Accrued cost of electricity	86,772,867	89,051,637
Other accrued liabilities	3,144,362	2,495,683
User taxes and energy surcharges due to other governments	4,959,748	2,970,637
Loans payable to County of Los Angeles	9,945,750	-
Security deposits from energy suppliers	2,767,200	-
Total current liabilities	109,893,729	97,158,978
Noncurrent liabilities		
Loans payable to County of Los Angeles	-	9,835,608
Note payable to bank	-	19,050,000
Security deposits from energy suppliers	2,662,400	750,000
Total noncurrent liabilities	2,662,400	29,635,608
Total liabilities	112,556,129	126,794,586
DEFERRED INFLOWS OF RESOURCES		
Fiscal Stabilization Fund	27,000,000	-
NET POSITION		
Investment in capital assets	97,388	35,948
Restricted for collateral	4,897,000	7,952,000
Unrestricted	41,591,247	8,001,030
Total net position	$ 46,585,635	$ 15,988,978

The accompanying notes are an integral part of these financial statements.

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
OPERATING REVENUES		
Electricity sales, net	$ 774,817,064	$ 253,913,018
Revenue transferred to Fiscal Stabilization Fund	(27,000,000)	-
Other revenue	4,253,050	6,000
Total operating revenues	752,070,114	253,919,018
OPERATING EXPENSES		
Cost of electricity	699,782,409	223,125,906
Contract services	16,680,152	9,123,988
Staff compensation	4,147,412	2,133,751
General and administration	983,356	745,213
Total operating expenses	721,593,329	235,128,858
Operating income	30,476,785	18,790,160
NONOPERATING REVENUES (EXPENSES)		
Interest income	361,022	121,962
Interest and related expenses	(241,150)	(246,304)
Total nonoperating revenues (expenses)	119,872	(124,342)
CHANGE IN NET POSITION	30,596,657	18,665,818
Net position at beginning of year	15,988,978	(2,676,840)
Net position at end of year	$ 46,585,635	$ 15,988,978

The accompanying notes are an integral part of these financial statements.

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 809,341,073	$ 143,329,272
Receipts from market settlements	32,509,649	13,166,766
Other operating receipts	9,316,250	3,267,750
Payments to suppliers for electricity	(737,502,580)	(155,978,140)
Payments for other goods and services	(16,945,753)	(6,379,399)
Payments for staff compensation	(4,023,375)	(2,108,648)
Tax and surcharge payments to other governments	(27,806,549)	(5,049,249)
Net cash provided (used) by operating activities	64,888,715	(9,751,648)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Loan proceeds	29,775,000	28,100,000
Principal payments on loan	(48,825,000)	(9,050,000)
Interest and related expense payments	(298,848)	(175,132)
Net cash provided (used) by non-capital financing activities	(19,348,848)	18,874,868
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments to acquire capital assets	(53,495)	(37,541)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income received	358,815	127,054
Net change in cash and cash equivalents	45,845,187	9,212,733
Cash and cash equivalents at beginning of year	15,210,580	5,997,847
Cash and cash equivalents at end of year	$ 61,055,767	$ 15,210,580
Reconciliation to the Statement of Net Position		
Cash and cash equivalents (unrestricted)	$ 56,158,767	$ 7,258,580
Restricted cash	4,897,000	7,952,000
Cash and cash equivalents	$ 61,055,767	$ 15,210,580

Noncash Non-Capital Financing Activities during the year ended June 30, 2020

Expenses arising from services performed by the County of Los Angeles in the amount of $110,142 were financed directly from loan proceeds.

The accompanying notes are an integral part of these financial statements.

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

STATEMENTS OF CASH FLOWS
(CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income	$ 30,476,785	$ 18,790,160
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation expense	22,249	7,522
Revenue adjusted for allowance for uncollectible accounts	8,285,071	1,275,944
(Increase) decrease in:		
Accounts receivable	(23,143,499)	(51,306,203)
Market settlements receivable	5,425,784	(5,537,198)
Other receivables	11,116	(304,693)
Accrued revenue	19,586,776	(67,871,779)
Prepaid expenses	(4,321,030)	(1,997,093)
Deposits	(3,293,585)	1,829,250
Increase (decrease) in:		
Accounts payable	(367,412)	1,819,934
Market settlements payable	-	(109,534)
Accrued cost of electricity	(2,278,770)	87,538,939
Other accrued liabilities	816,519	2,411,559
User taxes due to other governments	1,989,111	2,951,544
Fiscal Stabilization Fund	27,000,000	-
Security deposits from energy suppliers	4,679,600	750,000
Net cash provided (used) by operating activities	$ 64,888,715	(9,751,648)

The accompanying notes are an integral part of these financial statements.

1. REPORTING ENTITY

Clean Power Alliance of Southern California (CPA) is a joint powers authority created on June 27, 2017. As of June 30, 2020, parties to its Joint Powers Agreement consist of the following local governments:

Counties	Cities	
Los Angeles	Agoura Hills	Ojai
Ventura	Alhambra	Oxnard
	Arcadia	Paramont
	Beverly Hills	Redondo Beach
	Calabasas	Rolling Hills Estates
	Carson	Santa Monica
	Camarillo	Sierra Madre
	Claremont	Simi Valley
	Culver City	South Pasadena
	Downey	Temple City
	Hawaiian Gardens	Thousand Oaks
	Hawthorne	Ventura
	Malibu	West Hollywood
	Manhattan Beach	Westlake Village
	Moorpark	Whittier

CPA is separate from and derives no on-going financial support from its members. CPA is governed by a Board of Directors whose membership is composed of elected officials representing the parties.

CPA's mission is to provide cost competitive electric services, reduce electric sector greenhouse gas emissions, stimulate renewable energy development, implement distributed energy resources, promote energy efficiency and demand reduction programs, and sustain long-term rate stability for residents and businesses through local control. CPA provides electric service to retail customers as a Community Choice Aggregation Program under the California Public Utilities Code Section (CPUC) 366.2.

Electricity is acquired from commercial suppliers and delivered through existing physical infrastructure and equipment managed by Southern California Edison (SCE).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

CPA's operations are accounted for as a governmental enterprise fund and are reported using the economic resources measurement focus and the accrual basis of accounting – similar to business enterprises. Accordingly, revenues are recognized when they are earned, and expenses are recognized at the time liabilities are incurred. Enterprise fund type operating statements present increases (revenues) and decreases (expenses) in total net position. Reported net position is segregated into three categories – investment in capital assets, restricted, and unrestricted.

When both restricted and unrestricted resources are available for use, it is CPA's policy to use restricted resources first, then unrestricted resources as they are needed.

CASH AND CASH EQUIVALENTS

For purposes of the Statements of Cash Flows, CPA defines cash and cash equivalents to include cash on hand, demand deposits, and short-term investments. As of June 30, 2020, cash and cash equivalents were held in various interest and non-interest earnings accounts at River City Bank and in the California Local Agency Investment Fund (LAIF).

CAPITAL ASSETS AND DEPRECIATION

CPA's policy is to capitalize furniture and equipment valued over $1,000 that is expected to be in service for over one year. Depreciation is computed according to the straight-line method over estimated useful lives of three years for electronic equipment and seven years for furniture. Leasehold improvements are depreciated over the shorter of 1) the useful life of the leasehold improvement, or 2) the remaining years of the lease.

DEPOSITS

Deposits consist primarily of security deposits held by suppliers as required under certain energy contracts entered into by CPA. Deposits are generally held by the energy supplier for the term of the contract. Deposits held by energy suppliers are classified as current or noncurrent assets depending on the length of the time the deposits will be held. While these energy contract related deposits make up the majority of this item, other components of deposits include those for regulatory and other operating purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FISCAL STABILIZATION FUND

In September 2020, CPA created a Fiscal Stabilization Fund to allow CPA to defer revenue in years when financial results are strong to be used in future years when financial results are negatively impacted by uncontrollable events. In accordance with GASB 62, the amount recognized as an addition to the fund is shown as a reduction of operating revenues and reported on the statements of net position as a deferred inflow of resources.

CPA transferred $27,000,000 to the Fiscal Stabilization Fund for the year ended June 30, 2020. The Fiscal Stabilization Fund is fully funded with cash.

NET POSITION

Net position is presented in the following components:

Investment in capital assets: This component of net position consists of capital assets, net of accumulated depreciation and reduced by outstanding borrowings that are attributable to the acquisition, construction, or improvement of those assets. CPA did not have any outstanding borrowings as of June 30, 2020 and 2019 attributable to those assets.

Restricted: This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted: This component of net position consists of net position that does not meet the definition of “investment in capital assets” or “restricted”.

OPERATING AND NON-OPERATING REVENUE

Operating revenues include revenue derived from the provision of energy to retail customers. Electricity sales are reported net of changes to the allowance for uncollectable accounts. Other revenue consists of revenue that is not related to sales of electricity to CPA customers. Operating revenues are decreased (increased) by contributions to (distributions from) the Fiscal Stabilization Fund.

Interest income is considered “non-operating revenue”.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE RECOGNITION

CPA recognizes revenue on the accrual basis. This includes invoices issued to customers during the reporting period and electricity estimated to have been delivered but not yet billed. Management estimates that a portion of the billed amounts will be uncollectible. Accordingly, an allowance for uncollectible accounts has been recorded. During FY 2019-20 CPA changed the methodology used to calculate the allowance for doubtful accounts and increased the allowance for doubtful accounts to account for the impact of the recession and the suspension of customer electricity disconnections and the levy of late payment charges by SCE.

OPERATING AND NONOPERATING EXPENSES

Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. Expenses not meeting this definition are reported as non-operating expenses.

ELECTRICAL POWER PURCHASED

During the normal course of business, CPA purchases electrical power from numerous suppliers. Electricity costs include the cost of energy and capacity arising from bilateral contracts with energy suppliers as well as wholesale sales and generation credits, load and other charges arising from CPA's participation in the CAISO's centralized market. The cost of electricity and capacity is recognized as "Cost of electricity" in the Statements of Revenues, Expenses and Changes in Net Position.

ELECTRICAL POWER PURCHASED (CONTINUED)

To comply with the State of California's Renewable Portfolio Standards (RPS) and other product content targets, CPA acquires RPS eligible renewable energy evidenced by Renewable Energy Certificates (Certificates) recognized by the Western Renewable Energy Generation Information System (WREGIS). CPA obtains Certificates with the intent to retire them and does not sell or build surpluses of Certificates with a profit motive. CPA purchases capacity commitments from qualifying generators to comply with the California Energy Commission's Resource Adequacy Program. The goals of the Resource Adequacy Program are to provide sufficient resources to the CAISO to ensure the safe and reliable operation of the grid in real time and to provide appropriate incentives for the siting and construction of new resources needed for reliability in the future. CPA is in compliance with external mandates and self-imposed benchmarks.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

STAFFING COSTS

CPA pays employees semi-monthly and fully pays its obligation for health benefits and contributions to its defined contribution retirement plan each month. CPA is not obligated to provide post-employment healthcare or other fringe benefits and, accordingly, no related liability is recorded in these financial statements. CPA provides compensated time off, and the related liability is recorded in these financial statements.

SECURITY DEPOSITS FROM ENERGY SUPPLIERS

Various energy contracts entered into by CPA require the supplier to provide CPA with a security deposit. These deposits are generally held for the term of the contract or until the completion of certain benchmarks. Deposits are classified as current or noncurrent depending on the length of the time the deposits will be held.

INCOME TAXES

CPA is a joint powers authority under the provision of the California Government Code and is not subject to federal or state income or franchise taxes.

USER TAXES AND ENERGY SURCHARGES DUE TO OTHER GOVERNMENTS

CPA is required by governmental authorities to collect and remit user taxes on certain customer sales. These taxes do not represent revenues or expenses to CPA.

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

RECLASSIFICATIONS

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation of the current-year financial statements.

3. CASH AND CASH EQUIVALENTS

As of June 30, 2020 CPA, maintains its cash in both interest-bearing and non-interest-bearing bank accounts with River City Bank and in the California Local Agency Investment Fund (LAIF).

California Government Code Section 16521 requires banks to collateralize amounts of public funds in excess of FDIC limit of $250,000 in an amount equal to 110% of deposit balances. CPA's Board approved Investment Policy requires that when managing Funds, CPA's primary objectives, in the following order of importance, shall be to (1) safeguard the principal of the

Funds, (2) meet the liquidity needs of CPA, and (3) achieve a return on investment on Funds in CPA's control. Risk is monitored on an ongoing basis.

CPA maintains cash with LAIF, managed by the State Treasurer, for the purpose of increasing interest earnings through pooled investment activities. These funds are not registered with the Securities and Exchange Commission as an investment company but are required to be invested according to the California State Code. Participants in the pool include voluntary and involuntary participants, such as special districts and school districts for which there are legal provisions regarding their investments. The Local Investment Advisory Board (LIAB) has oversight responsibility for LAIF. LIAB consists of four members as designated by State Statute.

On June 30, 2020, CPA's pooled investment position in LAIF was $2,500,000, which approximates fair value and is the same value of pooled shares. Fair value is based on information provided by the State for LAIF. The balances are available for withdrawal on demand and are based on accounting records maintained by LAIF, which are recorded on an amortized cost basis. Liquidity fees are not charged.

The LAIF pooled investments are not subject to reporting within the hierarchy as described in GASB Statement No. 72, *Fair Value Measurement and Application*.

FAIR VALUE MEASUREMENT

GASB Statement No. 72, *Fair Value Measurement and Application*, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. CPA's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each

3. CASH AND CASH EQUIVALENTS (continued)

asset or liability. Deposits and withdrawals from LAIF are made on the basis of $1 which is substantially equal to fair value.

As of June 30, 2020, CPA held no individual investments subject to classification under the fair value hierarchy.

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed income portfolio to changes in interest rates. The longer the duration of a portfolio, the greater its price sensitivity to changes in interest rates. CPA's Investment Policy governs the management of interest rate risk. The Investment Policy limits interest rate risk by prioritizing the investment objective of preserving principal, prescribing maximum terms to maturity of investments that give rise to interest rate risk and by proscribing certain types of investments.

As of June 30, 2020, CPA did not hold cash or investments that give rise to material interest rate risk.

CREDIT RISK

State law limits investments in various securities to a certain level of risk ratings issued by nationally recognized statistical rating organizations. It is CPA's policy to comply with State law regarding security risk ratings. The State Investment Pool was unrated.

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributed to the concentration of CPA's investment in a single issuer.

CPA's Investment Policy governs the management of credit concentration risk. The Investment Policy limits credit concentration risk by prescribing the maximum percent of the portfolio that may be invested in securities that give rise to credit risk and by prescribing the maximum percent of the portfolio that can be invested in the securities of a single issuer that would give rise to interest rate risk.

As of June 30, 2020, CPA did not hold investments that give rise to credit concentration risk.

3. CASH AND CASH EQUIVALENTS (continued)

CUSTODIAL CREDIT RISK

For deposits, custodial risk is the risk that in the event of a bank failure, CPA's deposits may not be returned to it. CPA's policy for deposits is that they be insured by the FDIC. CPA maintains cash in bank accounts, which at times may exceed federally insured limits. Bank accounts are guaranteed by the FDIC up to $250,000. CPA has not experienced any losses in such accounts. CPA manages custodial credit risk for bank deposits during the normal course of business and consistent with its Investment Policy.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, CPA would not be able to recover the value of the investment or collateral securities that are in possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in CPA's name, and held by the counterparty. CPA does not believe it is exposed to significant custodial credit risk for investments arising from its investments in LAIF.

4. ACCOUNTS RECEIVABLE

Accounts receivable were as follows:

	2020	2019
Accounts receivable from customers	$ 75,110,208	$ 51,966,709
Allowance for uncollectible accounts	(9,577,732)	(1,292,661)
Net accounts receivable	$ 65,532,476	$ 50,674,048

The majority of account collections occur within the first few months following customer invoicing. CPA estimates that a portion of the billed amounts will not be collected. The allowance for uncollectible accounts at the end of a period includes amounts billed during the current fiscal year.

5. MARKET SETTLEMENTS RECEIVABLE

During the normal course of business, CPA receives generation scheduling and other services from a registered CAISO scheduling coordinator. Market settlements due from the scheduling coordinator were $148,000 and $5,574,000 as of June 30, 2020 and 2019, respectively.

6. CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2020 and 2019, was as follows:

	Furniture & Equipment	Leasehold Improvements	Accumulated Depreciation	Total
Balances at June 30, 2018	$ -	$ -	$ -	$ -
Additions	44,080	-	(8,132)	35,948
Balances at June 30, 2019	44,080	-	(8,132)	35,948
Additions	64,534	19,155	(22,249)	61,440
Balances at June 30, 2020	$ 108,614	$ 19,155	$ (30,381)	$ 97,388

Depreciation expense is included under general and administration on the Statements of Revenues, Expenses and Changes in Net Position.

7. DEBT

In August 2017, CPA and the County of Los Angeles executed a memorandum of understanding (MOU) to provide a non-interest-bearing loan to CPA in an amount not to exceed $10 million to be repaid June 30, 2018. In April 2018, the County's Board of Supervisors approved an extension of the repayment term of the loan to June 30, 2019. In August 2018, County's Board of Supervisors approved a further extension of repayment of the loan to September 30, 2020. The purpose of the loan was to investigate the feasibility of implementing a community choice aggregation program as well as to provide for other working capital needs.

In August 2018 CPA entered into a $20 million Credit Agreement with River City Bank. The Credit Agreement is a revolving credit facility that CPA uses to provide letters of credit and to borrow funds to provide working capital. The Credit Agreement expires in August 2019.

In April 2019 CPA entered into the First Amendment to the Credit Agreement with River City Bank (First Amendment). The First Amendment increases available credit facility amount from $20 million to $37 million, extends the term of the agreement through March 31, 2021, reduces the interest rate on borrowing from 2% over the one-month London Interbank Borrowing Rate (Libor) to 1.75% over one-month Libor, adjusts the amount required to be held as cash collateral from 10% of the credit facility amount to 10% of the outstanding balance and updates the credit covenants. The First Amendment is intended to provide CPA with greater working capital and financial flexibility and contribute to the financial strength of the agency. The interest rate at June 30, 2020 was 1.92%.

The credit covenants were amended in September 2019.

7. DEBT (continued)

As of June 30, 2020, CPA had no notes outstanding under the credit facility and is in compliance with credit covenants. As of June 30, 2019 CPA, had notes outstanding under the credit facility in the amount of $19.05 million.

Loan principal activity and balances were as follows for the following direct borrowings:

	Beginning	Additions	Payments	Ending
Year ended June 30, 2019				
County of Los Angeles	$ 9,835,608	$ -	$ -	$ 9,835,608
River City Bank	19,050,000		-	19,050,000
Total	$ 28,885,608	$ -	$ -	$ 28,885,608
Amounts due within one year				-
Amounts due after one year				$ 28,885,608
Year ended June 30, 2020				
County of Los Angeles	$ 9,835,608	$ 110,142		$ 9,945,750
River City Bank	19,050,000	29,775,000	(48,825,000)	-
Total	$ 28,885,608	$ 29,885,142	$ (48,825,000)	$ 9,945,750
Amounts due within one year				9,945,750
Amounts due after one year				$ -

8. DEFINED CONTRIBUTION RETIREMENT PLAN

The Clean Power Alliance of Southern California Plan (Plan) is a defined contribution retirement plan established by CPA to provide benefits at retirement to its employees. The Plan is administered by Nationwide Retirement Solutions. In July 2018 CPA adopted the Employee Handbook which included an employer contribution to the Plan equal to 3.5% of the employee salary. In September 2019 CPA amended its Employee Handbook to increase the employer contribution from 3.5% to 6% of the employee salary and added a 4% employer match contribution, for a maximum annual employer contribution to the Plan equal to 10% of the employee salary. As of June 30, 2020, there were 29 plan members. CPA contributed $288,000 and $152,000 during the years ended June 30, 2020 and 2019, respectively. Plan provisions and contribution requirements are established and may be amended by the Board of Directors.

9. RISK MANAGEMENT

CPA is exposed to various insurable risks of loss related to: torts; theft of, damage to, and destruction of assets; and errors and omissions. During the year, CPA purchased insurance policies from investment grade commercial carriers to mitigate risks that include those associated with earthquakes, theft, general liability, errors and omissions, and property damage. Settled claims have not exceeded the commercial liability in any of the past three years. There were no significant reductions in coverage compared to the prior year.

On July 12, 2018 CPA's Board adopted the Energy Risk Management Policy (ERMP). The ERMP establishes CPA's Energy Risk Program and applies to all power procurement and related business activities that may impact the risk profile of CPA. The ERMP documents the framework by which CPA staff and consultants will identify and quantify risk, develop and execute procurement strategies, develop controls and oversight and monitor, measure and report on the effectiveness of the ERMP. Risks covered by the ERMP include market price risk, credit risk, volumetric risk, operational risk, opt-out risk, legislative and regulatory risk and other risks arising operating as a Community Choice Aggregation and participating in California energy markets.

CPA maintains other risk management policies, procedures and systems that help mitigate and manage credit, liquidity, financial, regulatory and other risks not covered by the ERMP.

Credit guidelines include a preference for transacting with investment grade counterparties, evaluating counterparties' financial condition and assigning credit limits as applicable. These credit limits are established based on risk and return considerations under terms customarily available in the industry. In addition, CPA enters into netting arrangements whenever possible and where appropriate obtains collateral and other performance assurances from counter parties.

10. PURCHASE COMMITMENTS

POWER AND ELECTRIC CAPACITY

In the ordinary course of business, CPA enters into various power purchase agreements in order to acquire renewable and other energy and electric capacity. The price and volume of purchased power may be fixed or variable. Variable pricing is generally based on the market price of electricity at the date of delivery. Variable volume is generally associated with contracts to purchase energy from as-available resources such as solar, wind and hydro-electric facilities.

CPA enters into power purchase agreements in order to comply with state law and elective targets for renewable and greenhouse gas (GHG) free products and to ensure stable and competitive electric rates for its customers.

10. PURCHASE COMMITMENTS (continued)

The following table represents the expected, undiscounted, contractual obligations for power and electric capacity outstanding as of June 30, 2020:

Year ended June 30,	
2021	598,465,012
2022	428,670,607
2023	222,225,427
2024	116,567,304
2025	100,802,239
2026-41	1,216,151,486
	$ 2,682,882,075

As of June 30, 2020, CPA had noncancelable contractual commitments to professional service providers through July 31, 2022 for services yet to be performed. Fees associated with these contracts are based on volumetric activity and are expected to be approximately $23,000,000.

11. OPERATING LEASE

Rental expense for CPA's office space was $253,000 and $134,000 for the years ended June 30, 2020 and 2019, respectively. CPA entered into a new eight-year lease agreement. Obligations arising from the lease agreement commence following the substantial completion of leasehold improvements which are expected to occur in November 2020. CPA has an option to extend the lease for two additional years. The table below represents the scheduled future lease payments under this agreement.

Year ended June 30,	
2021	$ 32,436
2022	299,711
2023	439,727
2024	468,317
2025	482,367
2026-2028	1,713,097
	$ 3,435,656

12. LEGAL SETTLEMENTS

CPA entered into a settlement agreement with SCE in January 2020 arising from a dispute concerning services SCE provided to CPA under SCE's tariffs and received a payment of $3.5M in March 2020. This was recorded as an offset to the cost of electricity under operating expenses. In June 2020, CPA entered into another settlement agreement with SCE for enrollment data errors which resulted in missing revenue for CPA. CPA received a settlement amount from SCE of $4.25M in June 2020. This amount was recorded as other income under operating revenue.

13. COVID-19 RELIEF FUND

In June 2020, the CPA Board authorized expenditure of up to $2 million for bill assistance to residential and small business customers impacted by the economic downturn. This assistance is available in the form of credits on customer bills for customers who sign up for CARE/FERA/Medical Baseline programs, and for existing CARE/FERA/Medical Baseline and small business customers who sign up for extended payment plans. As of June 30, 2020, $580,773 of the bill credits were used and recorded as a revenue reduction.

14. FUTURE GASB PRONOUNCEMENTS

The requirements of the following GASB Statement are effective for future fiscal years ending after June 30, 2020:

GASB has approved GASB Statement No. 84, Fiduciary Activities, GASB Statement No. 87, *Leases*, GASB 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements, GASB 96, Subscription-Based Information Technology Arrangements;* and GASB No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Management is evaluating the effect of these new pronouncements.

15. SUBSEQUENT EVENTS

In December 2019, a novel strain of coronavirus disease ("COVID-19") was first reported in Wuhan, China. Less than four months later, on March 11, 2020, the World Health Organization declared COVID-19 a pandemic. The response to and impacts of Covid-19 have resulted in changing patterns of electricity usage and slowing of customer payments. The extent to which the ongoing response to and impacts of COVID-19 will affect CPA's operational and financial performance are unknown at this time and will be monitored by management.

15. SUBSEQUENT EVENTS (continued)

In July 2020 CPA's Board approved amendments to the Energy Risk Management Policy.

In September 2020 CPA repaid the outstanding loan balance of $9,945,750 to the County of Los Angeles.

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA
BUDGETARY COMPARISON SCHEDULE
July 1, 2019 through June 30, 2020

A	B	C	D	E	F	G	H
	2019/20 Amended Budget	2019/20 Actual	2019/20 Amended Budget Variance (Under) Over	2019/20 Amended Budget Variance (Under) Over	2019/20 Annual Amended Budget	2019/20 Remaining Amended Budget	2019/20 Remaining Amended Budget %
Operating Revenues							
Revenue - electricity, net	$ 794,725,000	$ 774,817,064	$ (19,907,937)	97%	$ 794,725,000	$ 19,907,937	3%
Transfer to Fiscal Stabilization Fund	-	(27,000,000)	(27,000,000)		n/a	n/a	
Other revenues	10,000	4,253,050		42531%	10,000	(4,243,050)	-42431%
Total Operating Revenues	794,735,000	752,070,114	(42,664,887)	95%	794,735,000	15,664,887	2%
Energy Costs							
Energy procurement	738,943,000	699,782,409	(39,160,589)	95%	738,943,000	39,160,589	5%
Operating Revenues less Energy Costs	55,792,000	52,287,702	(3,504,298)	94%	55,792,000	3,504,298	6%
Operating Expenses							
Staffing	4,646,000	4,147,412	(498,587)	89%	4,646,000	498,587	11%
Technical services	1,677,000	1,470,982	(206,018)	88%	1,677,000	206,018	12%
Legal services	1,099,000	743,848	(355,152)	68%	1,099,000	355,152	32%
Other services	942,000	705,397	(236,603)	75%	942,000	12,603	1%
Communications and marketing	248,000	146,551	(101,449)	59%	248,000	101,449	41%
Customer notices and mailing	400,000	227,268	(172,732)	57%	400,000	172,732	43%
Data management services	11,930,000	11,396,227	(533,773)	96%	11,930,000	533,773	4%
Service fees- SCE	2,215,000	1,765,877	(449,123)	80%	2,215,000	449,123	20%
Local Programs	1,450,000	224,000	(1,226,000)	15%	1,450,000	1,450,000	100%
Covid-19 Bill Assistance (1)	2,000,000	-	(2,000,000)	0%	2,000,000	2,000,000	100%
General and administration	757,000	703,535	(53,465)	93%	757,000	53,465	7%
Occupancy	414,000	257,572	(156,428)	62%	414,000	156,428	38%
Total Operating Expenditures	27,778,000	21,788,670	(5,989,330)	78%	27,778,000	5,989,330	22%
Operating Income	28,014,000	30,499,032	2,485,032	109%	28,014,000	(2,485,032)	-9%
Non-Operating and Other Revenues (Expenses)							
Interest income	649,000	361,022	(287,978)	56%	649,000	287,978	44%
Finance and interest expense	(388,000)	(241,150)	146,850	62%	(388,000)	(146,850)	38%
Depreciation	(12,000)	(22,248)	(10,248)	185%	(12,000)	10,248	-85%
Total Non-Operating Revenues (Exper	249,000	97,624	(151,376)	39%	249,000	151,376	61%
Change in Net Position	28,263,000	30,596,657	2,333,656	108%	28,263,000	(2,333,656)	-8%
Other Uses							
Capital outlay	1,074,000	83,689	(990,311)	8%	1,074,000	990,311	92%
Depreciation	(12,000)	(22,248)	(10,248)	185%	(12,000)	10,248	-85%
Total Other Uses	1,062,000	61,441	(1,000,559)	6%	1,062,000	1,000,559	94%
Change in Fund Balance	$ 27,201,000	$ 30,535,215	$ 3,334,215	112%	$ 27,201,000	$ (3,334,215)	-12%

(1) Covid-19 Bill Assistance is recorded as a reduction in Revenue -electricity, net. Credits applied to customer bills totalled $580,773 in FY 2019-20.

CLEAN POWER ALLIANCE
Locally powered energy innovation.

Item 5
FY 2019-20 Financial Results

October 28, 2020

Summary of Financial Results

- CPA met its financial objectives in FY 2019-20 and entered the current fiscal year in sound financial health
- CPA increased the net position by $30.6 million or 4.07% of revenues and added $27 million to the recently created Fiscal Stabilization Fund. Equity, consisting of the net position plus the Fiscal Stabilization Fund, increased from $15 million at the beginning of FY 2019-20 to $73.6 million by June 30, 2020
- CPA paid off its bank debt during FY 2019-20 reducing financial leverage and interest expenses and increased its liquidity (cash plus unused bank lines) from $24.5 million to $92.2 million during the fiscal year
- CPA finished the year within budget limits established by the FY 2019-20 Budget as amended by the Board in June 2020

Balance Sheet Components, as of June 30:

	2020	% Ttl	2019	% Ttl	% Ch
ASSETS					
Current assets					
Cash and cash equivalents	$ 56,158,767	30.2%	$ 7,258,580	5.1%	674%
Accounts receivable, net of allowance	65,532,476	35.2%	50,674,048	35.5%	29%
Accrued revenue	49,192,550	26.4%	68,779,327	48.2%	-28%
Market settlements receivable	147,873	0.1%	5,573,657	3.9%	-97%
Other receivables	348,545	0.2%	357,454	0.3%	-2%
Prepaid expenses	6,345,580	3.4%	2,024,550	1.4%	213%
Deposits	3,232,875	1.7%	-	0.0%	
Restricted cash	4,897,000	2.6%	7,952,000	5.6%	-38%
Total current assets	185,855,666	99.8%	142,619,616	99.9%	30%
Noncurrent assets					
Capital assets, net of depreciation	97,388	0.1%	35,948	0.0%	171%
Deposits	188,710	0.1%	128,000	0.1%	47%
Total noncurrent assets	286,098	0.2%	163,948	0.1%	75%
Total assets	186,141,764	100.0%	142,783,564	100.0%	30%

Balance Sheet Components, as of June 30:

	2020	% Ttl	2019	% Ttl	% Ch
LIABILITIES					
Current liabilities					
Accounts payable	2,303,802	2%	2,641,021	2%	-13%
Accrued cost of electricity	86,772,867	77%	89,051,637	70%	-3%
Other accrued liabilities	3,144,362	3%	2,495,683	2%	26%
User taxes and energy surcharges due to other	4,959,748	4%	2,970,637	2%	67%
Loans payable to County of Los Angeles	9,945,750	9%	-	0%	
Security deposits from energy suppliers	2,767,200	2%	-	0%	
Total current liabilities	109,893,729	98%	97,158,978	77%	13%
Noncurrent liabilities		0%		0%	
Loans payable to County of Los Angeles	-	0%	9,835,608	8%	-100%
Note payable to bank	-	0%	19,050,000	15%	-100%
Security deposits from energy suppliers	2,662,400	2%	750,000	1%	255%
Total noncurrent liabilities	2,662,400	2%	29,635,608	23%	-91%
Total liabilities	112,556,129	100%	126,794,586	100%	-11%

Balance Sheet Components, as of June 30:

	2020	% Ttl	2019	% Ttl	% Ch
DEFERRED INFLOWS OF RESOURCES					
Fiscal Stabilization Fund	27,000,000		-		
NET POSITION					
Investment in capital assets	97,388	0%	35,948	0%	171%
Restricted for collateral	4,897,000	11%	7,952,000	50%	-38%
Unrestricted	41,591,247	89%	8,001,030	50%	420%
Total net position	$ 46,585,635	100%	$ 15,988,978	100%	191%

Select Financial Indicators

	6/30/2020	6/30/2019	% Ch	Description
Working Capital	75,961,937	45,460,638	67%	Current Assets less Current Liabilities
Current Ratio	1.69	1.47	15%	Current Assets divided by Current Liabilities
Days Sales Outstanding	31	73	-58%	Accounts receivable divided by Sales divided by 365
Equity	73,585,635	15,988,978	360%	Net Position plus Fiscal Stabilization Fund
Equity to Assets	40%	11%	253%	Equity (Net Position + FSF) divided by Total Assets
Available Cash	56,158,767	7,258,580	674%	Total cash less restricted cash
Available Line of Credit	36,030,000	17,250,000	109%	Total Line of Credit less Borrowing and Letters of Credit
Total Liquidity	92,188,767	24,508,580	276%	Sum of Available Cash and Line of Credit
Days Liquidity on Hand (TTM)	47	12	276%	Total Liquidity divided by trailing 12 month expenses divided by 365
Gross Margin	7.0%	12.1%	-43%	Operating revenue less energy cost divided by operating revenue
Net Margin	4.1%	6.3%	-35%	Change in net position divided by operating revenue

- CPA reduced leverage (equity to assets) and increased liquidity (days liquidity on hand) as a result of the increase in net position and by holding most surplus assets in cash and cash equivalents
- Gross and net margins fell largely because the timing of enrollments in FY 2018-19 increased margins beyond normal operating levels. Days sales outstanding as of 6/30/2019 were inflated for similar reasons

Budget to Actual Analysis

	A	B	C	D	E	F
		2019/20 Amended Budget	2019/20 Base Budget	2019/20 Actual	2019/20 Base Budget Variance (Under) Over	2019/20 Base Budget Variance % (Under) Over
	Operating Revenues					
1	Revenue - electricity, net	$ 794,725,000	$ 743,350,000	$ 774,817,064	$ 31,467,064	4%
2	Transfer to Fiscal Stabilization Fund	-		(27,000,000)	(27,000,000)	n/a
3	Other revenues	10,000	10,000	4,253,050	4,243,050	42431%
4	Total Operating Revenues	794,735,000	743,360,000	752,070,114	8,710,114	1%

- Revenue electricity, net was 4% above the Base Budget. Factors increasing electricity revenue were lower than budgeted opt-outs arising from CPA's May 2019 enrollment and a small rate increase in September 2019, offset by increasing bad debt expenses beginning in March 2020.
- Operating revenues were reduced by a $27 million transfer to the Fiscal Stabilization Fund pursuant to CPA's Board approved Fiscal Stabilization Fund Policy
- Other revenues are primarily composed of proceeds from a settlement with SCE

Budget to Actual Analysis

	A	B	C	D	E	F
		2019/20 Amended Budget	2019/20 Base Budget	2019/20 Actual	2019/20 Base Budget Variance (Under) Over	2019/20 Base Budget Variance % (Under) Over
	Energy Costs					
5	Energy procurement	738,943,000	687,568,000	699,782,409	12,214,409	2%
6	**Operating Revenues less Energy Costs**	55,792,000	55,792,000	52,287,702	(3,504,298)	-6%

- Energy procurement costs were 2% above the base budget reflecting lower than budgeted opt outs and higher load, and the over procurement of energy in calendar Q3 2019 resulting from data errors coupled with a subsequent drop in energy market prices. Energy procurement costs were reduced by the sale of CRRs in the annual auction in November 2019 and from lower than budgeted energy prices in calendar Q4 2019 and the first half of 2020

- Operating revenue less energy costs (gross margin) was $3.5 million below the Base budget largely as a function of the transfer to the Fiscal Stabilization Fund. Reduced gross margin was offset by operating expenses that were $3.9 million below budget as described in the next slide

Budget to Actual Analysis

	A	B	C	D	E	F
		2019/20 Amended Budget	2019/20 Base Budget	2019/20 Actual	2019/20 Base Budget Variance (Under) Over	2019/20 Base Budget Variance % (Under) Over
	Operating Expenses					
7	Staffing	4,646,000	4,852,000	4,147,412	(704,588)	-15%
8	Technical services	1,677,000	1,777,000	1,470,982	(306,018)	-17%
9	Legal services	1,099,000	1,195,000	743,848	(451,152)	-38%
10	Other services	942,000	539,000	705,397	166,397	31%
11	Communications and marketing	248,000	349,000	146,551	(202,449)	-58%
12	Customer notices and mailing	400,000	300,000	227,268	(72,732)	-24%
13	Data management services	11,930,000	11,930,000	11,396,227	(533,773)	-4%
14	Service fees- SCE	2,215,000	2,215,000	1,765,877	(449,123)	-20%
15	Local Programs	1,450,000	1,450,000	224,000	(1,226,000)	-85%
22	Covid-19 Bill Assistance (1)	2,000,000		-	-	
23	General and administration	757,000	757,000	703,535	(53,465)	-7%
24	Occupancy	414,000	414,000	257,572	(156,428)	-38%
25	Total Operating Expenses	27,778,000	25,778,000	21,788,670	(3,989,330)	-15%

- Actual results were within Base Budget for all line items with the exception of Other services.
- Staffing was 15% under the Base Budget as a result of delayed hiring and the non utilization of continencies. CPA increased staffing from 16 to 29 full time employees during the year
- COVID-19 Bill Assistance totaling $581,000 was netted from operating revenue
- Total operating expenditures were 15% below base budget due primarily to non utilization of contingencies, conservative use of funds, and slow distribution of local program incentives

Budget to Actual Analysis

	A	B	C	D	E	F
		2019/20 Amended Budget	2019/20 Base Budget	2019/20 Actual	2019/20 Base Budget Variance (Under) Over	2019/20 Base Budget Variance % (Under) Over
26	**Operating Income**	28,014,000	30,014,000	30,499,032	485,032	2%
	Non-Operating and Other Revenues (Expenditures)					
27	Interest Income	649,000	849,000	361,022	(487,978)	-57%
28	Finance and interest expense	(388,000)	(588,000)	(241,150)	346,850	-59%
29	Depreciation	(12,000)	(12,000)	(22,248)	(10,248)	85%
30	Total Non-Operating Revenues (Exper	249,000	249,000	97,624	(151,376)	-61%
31	**Change in Net Position**	28,263,000	30,263,000	30,596,657	333,657	1.1%
	Other Uses					
32	Capital outlay	1,074,000	574,000	83,689	(490,311)	-85%
33	Depreciation	(12,000)	(12,000)	(22,248)	(10,248)	85%
34	Total Other Uses	1,062,000	562,000	61,441	(500,559)	-89%
	Change in Fund Balance	$ 27,201,000	29,701,000	$ 30,535,215	834,215	3%

- Operating income was within 2% of the base budget target
- Interest income was lower than budgeted due to lower than planned income and cash flow in Q3 2019 and falling interest rates beginning in March 2020
- Capital expenditures were lower than budgeted as a result of construction timing pushing leasehold improvements to CPA's new office into FY 2020-21
- The change in net position represents 4.1% of Operating revenues and was 1.1% over the Base budget

Thank You! Questions?

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Staff Report – Agenda Item 5

To:	Clean Power Alliance (CPA) Finance Committee
From:	David McNeil, Chief Financial Officer
Subject:	Report from the Chief Financial Officer
Date:	October 28, 2020

The Chief Financial Officer will provide an oral report on the following items:

- August 2020 and Year to Date Financial Results
- Borrowing and treasury operations
- Customer payments and accounts receivable aging

ATTACHMENTS

1) August 2020 Financial Dashboard
2) September 30, 2020 Customer Payment Dashboard
3) July and August 2020 Most Expensive Hours

CPA CLEAN POWER ALLIANCE

Financial Dashboard

YTD Aug 2020

Active Accounts

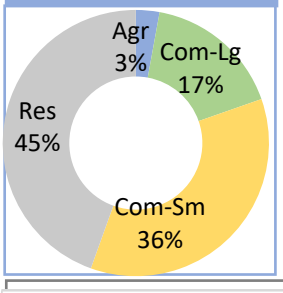
1,006,000

Opt-Out %

6.1%

YTD Sales Volume

3,325 GWh



Summary of Financial Results

	August				Year- to- Date			
in $000,000's	Actual	Budget	Variance	%	Actual	Budget	Variance	%
Energy Revenues	$96.2	$92.0	$4.2	5%	186.3	185.1	1.2	1%
Cost of Energy	$105.8	$84.8	$21.1	25%	177.3	162.7	14.6	9%
Net Energy Revenue	-$9.6	$7.2	-$16.8	-233%	9.0	22.4	-13.4	-60%
Operating Expenditures	$2.2	$2.5	-$0.3	-10%	4.0	5.1	-1.1	-22%
Net Income	-$11.9	$4.7	-$16.6	-351%	5.0	17.3	-12.3	-71%

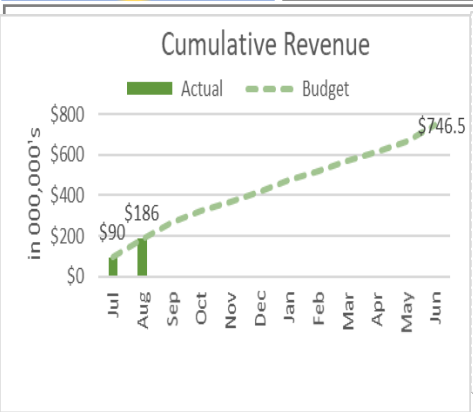
Note: *Numbers may not sum up due to rounding.*

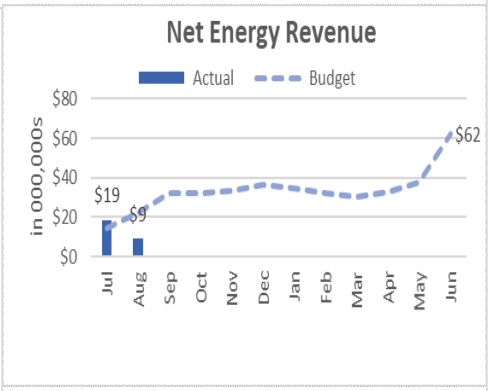
CPA recorded a loss of $11.86 million in August 2020, reducing year to date net income to $5m.

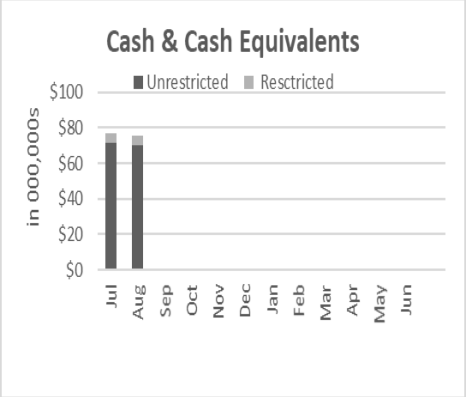
The loss in August was driven by the following factors:

- A $2.4 million overestimation of prior month revenue was reversed in August. Absent this reversal, revenue and net income would have been $98.6m and -$9.5m respectively.
- A sustained heat wave in mid-August exposed CPA to high spot market prices. Day ahead load costs exceeded hedge revenues by $16.5m in August 2020 up from $1.6m in July 2020. CPA spent $8.4m serving the 10 most expensive hours in August as compared to $1.6m in July.
- The heat wave increased CAISO charges for grid operation more than seven-fold to $7.5m in August up from $1m in July. CPA's share of CAISO charges for grid operation averaged $1.1m per month over the prior 12 months.
- Lower than expected commercial revenue.

CPA had $70.4 million in cash and cash equivalents and $36 million available on its line of credit as of August 31, 2020. Management believes the August results do not materially reduce CPA's ability to meet it obligations as agreed.



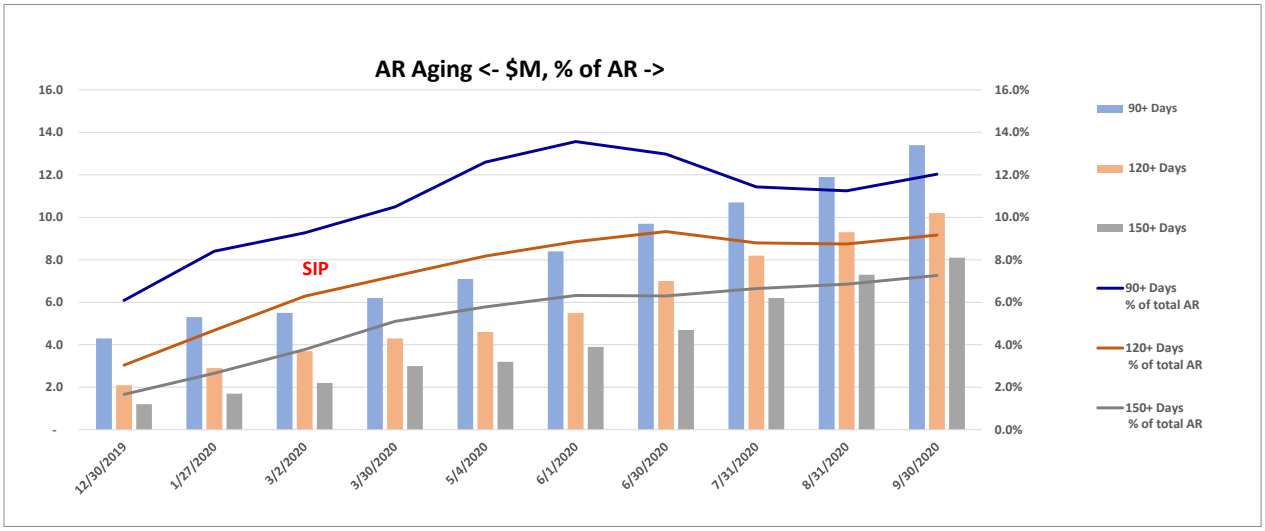


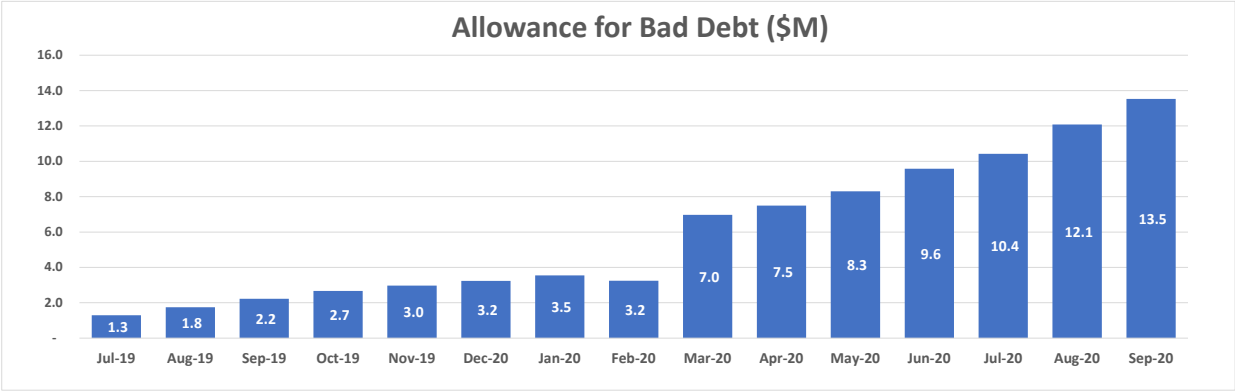


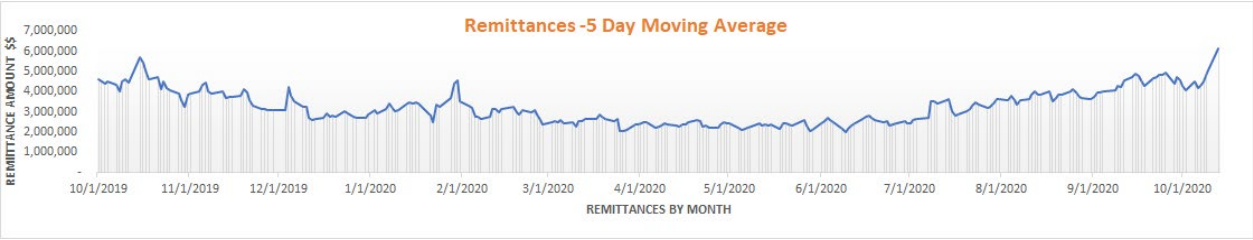
Definitions:

Accounts: Active Accounts represent customer accounts of active customers served by CPA per Calpine Invoice.
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, 2020

Clean Power Alliance
Customer Payment Dashboard
Updated: 10/8/2020







9/30/2020	90+ Days		120+ Days		150+ Days		Total AR	90+Days- % of Total AR	Increase in 90+ Day since SIP	
Residential	$ 9,652,000	72%	$ 7,495,000	74%	$ 5,787,000	72%	$ 57,803,000	16.7%	$ 5,905,000	77%
Commercial	$ 3,714,000	28%	$ 2,683,000	26%	$ 2,280,000	28%	$ 53,263,000	7.0%	$ 1,723,000	23%
Total	$ 13,366,000	100%	$ 10,178,000	100%	$ 8,067,000	100%	$ 111,067,000		$ 7,628,000	

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July and August 2020: 10 Most Expensive Hours

	Date	HE	TOU	DA LMP ($/MWh)	DA Long/Short %	Net Energy Cost/Credit ($)	Net Energy Cost/Credit ($/MWh)	Cumulative Net Energy Cost/Credit ($)
	August 2020							
1	Tuesday, August 18, 2020	17	ON	1,509	-28%	1,407,712	506	1,407,712
2	Tuesday, August 18, 2020	18	ON	1,557	-26%	1,402,606	518	2,810,318
3	Tuesday, August 18, 2020	19	ON	1,549	-19%	940,882	380	3,751,200
4	Tuesday, August 18, 2020	16	ON	1,100	-25%	937,377	349	4,688,577
5	Tuesday, August 18, 2020	20	ON	1,554	-16%	799,987	334	5,488,565
6	Thursday, August 20, 2020	19	ON	1,056	-20%	755,131	304	6,243,696
7	Tuesday, August 18, 2020	15	ON	1,088	-20%	731,858	292	6,975,553
8	Monday, August 17, 2020	19	ON	1,073	-16%	611,545	256	7,587,098
9	Tuesday, August 18, 2020	21	ON	1,132	-13%	529,769	228	8,116,868
10	Tuesday, August 18, 2020	22	ON	1,057	-6%	309,644	144	8,426,512
	July 2020							
1	Thursday, July 30, 2020	20	ON	243	-12%	191,520	85	191,520
2	Thursday, July 30, 2020	19	ON	172	-18%	187,129	79	378,649
3	Sunday, July 12, 2020	20	OFF	154	-40%	186,403	90	565,052
4	Friday, July 31, 2020	19	ON	174	-15%	178,549	77	743,601
5	Friday, July 31, 2020	20	ON	237	-9%	171,584	79	915,186
6	Sunday, July 12, 2020	19	OFF	120	-44%	170,117	78	1,085,303
7	Saturday, July 11, 2020	20	ON	119	-9%	130,274	60	1,215,577
8	Friday, July 10, 2020	20	ON	150	-5%	127,359	62	1,342,937
9	Monday, July 13, 2020	20	ON	150	-3%	120,522	59	1,463,459
10	Wednesday, July 29, 2020	20	ON	155	-2%	115,644	58	1,579,103

DA LMP: Day Ahead Locational Marginal Price - CAISO Sport Market Price

Net Energy Cost / Credit: CPA load cost + bilateral contract costs (energy only) less CAISO credits for CPA hedges

End of Document