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

Wednesday, November 24, 2021

11:00 a.m.

SPECIAL NOTICE: Pursuant to the Proclamation of the State of Emergency by Governor Newsom on March 4, 2020 (September 20, 2021), AB 361, and enacting Resolutions, and as a response to mitigating the spread of COVID19, the Finance Committee will conduct this meeting remotely.

To Listen to the Meeting:
https://us06web.zoom.us/j/87015901096
or
Dial: (720) -707-2699 Meeting ID: 870 1590 1096

Click here to view a Live Stream of the Meeting on YouTube
*There may be a streaming delay of up to 60 seconds. This is a view-only live stream.

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 (323) 640-7664. 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 October 27, 2021 Finance Committee Meeting
2. Receive and File October 2021 Risk Management Team Report
3. Receive and File October 2021 CPA Investment Report
4. Receive and File First Quarter Financial Report for the three months ending September 30, 2021

REGULAR AGENDA

5. Receive report from the Independent Auditor and Review Fiscal Year 2020-2021 Financial Statements and Fiscal Year 2020-2021 Budget to Actual Report
6. CFO Report

COMMITTEE MEMBER COMMENTS

ADJOURN – NEXT MEETING DECEMBER 22, 2021

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.*

MINUTES

MEETING of the Finance Committee of the

Clean Power Alliance of Southern California

Wednesday, October 27, 2021, 11:00 a.m.

Pursuant to the Proclamation of the State of Emergency by Governor Newsom on March 4, 2020, AB 361, and enacting Resolutions, and as a response to mitigating the spread of COVID19, the Finance Committee will conduct this meeting remotely.

CALL TO ORDER & ROLL CALL

Chair Julian Gold called the meeting to order at 11:00 a.m. and Interim Clerk of the Board, Susan Caputo, conducted roll call.

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

All votes are unanimous unless otherwise stated.

GENERAL PUBLIC COMMENT

There was no public comment.

CONSENT AGENDA

1. Approve Minutes from the August 25, 2021 Finance Committee Meeting
2. Receive and File August & September 2021 Risk Management Team Reports
3. Receive and File August & September 2021 CPA Investment Reports
4. Receive and File August 2021 Financial Dashboard

Motion: Committee Member Zuckerman, Rolling Hills Estates
Second: Committee Member Kulcsar, Carson
Vote: The consent agenda was approved by a roll call vote.

REGULAR AGENDA

5. Report from Chief Financial Officer

David McNeil, Chief Financial Officer, provided an update on CPA's year end close, noting that CPA is awaiting determination from the state on the amount of funding it will receive from the California Arrearage Payment Program (CAPP), which is an input in the determination of bad debt expense. Staff will present year-end financial statements to the Finance Committee in November.

Mr. McNeil estimates that CPA customers are expected to receive approximately $12 million in relief. Mr. McNeil added that financial results for both July and August are better

than budget due to moderate temperatures in July and August, in addition to lower prices in the CAISO as compared to forward price curves for the same period. CPA's cash balances have continued to grow through the third quarter of the year.

In response to Committee Member Zuckerman's question regarding the JPMorgan agreement, Mr. McNeil explained that the agreement does include an adverse material clause. CPA will gather feedback from rating agencies concerning the adverse material clause and then if needed, work with JPMorgan to amend the banking agreement accordingly.

5. Presentation on Clean Energy Prepayment Financing

Mr. McNeil provided a presentation of the item, noting that the topic is intended to be introductory, and staff hopes to gather feedback on the subject. Prepayment financings ("prepays") are financing mechanisms that allow municipal utilities to leverage their status as issuers of non-taxable debt to reduce costs on existing power purchase agreements (PPAs). Mr. McNeil noted that most recently, three northern California CCAs facilitated the issuance of prepayment bonds. Prepays offer the opportunity to reduce existing renewable energy PPA costs by 5-10%. Mr. McNeil reviewed the origins and purpose of prepay transactions. Mr. McNeil discussed the assignment of rights and obligations to a bank under an existing PPA in which a CCA continues to receive energy, but pays a discounted PPA price to the bank; the bank acts as an intermediate energy supplier to CPA. Mr. McNeil summarized the bond issuance and proceeds, where the prepay transactions involve the sale of a non-taxable bond to investors by a conduit issuer, not by CPA. The conduit issuer transfers the bond proceeds from the investors to a bank. In a prepaid transaction, the bank makes regular payments to the renewable energy project owner; CPA pays a discounted price to the bank. The reason for the discounted price provided to CPA is that it is realizing interest cost savings by paying a lower "tax free" interest rate to bond holders, who accept a lower interest rate on the prepayment bond because the interest payments are non-taxable. The bank passes on a portion of the interest cost savings to CPA through a discount to regular PPA payments. Mr. McNeil briefly presented an example of a prepayment transaction and reviewed the risks associated with prepayments, noting that CPA is not responsible for the payment of interest or repayment of bond principle. If the program terminates, the PPA reverts to the status quo, where CPA is required to make its regular PPA payments to the energy supplier. CPA's risk is primarily operational but in the event of an unexpected crisis, CPA also faces a risk that the discount on the PPA payment suddenly disappears. Mr. McNeil reviewed a typical PPA flowchart and a prepay program flowchart, illustrating how the transaction changes under a prepayment transaction. Mr. McNeil reviewed key players in the prepayment structure; CPA will not incur any direct expense, except for the PPA contracts counsel and operating costs. The estimated size of an initial bond issuance would be approximately $1 billion, which represents the discounted value of a 50MW to 100 MW project over the 30-year life of the program, with an interest rate reset every 5-10 years. Banks have an option to terminate the program as well. CPA expects to save $1.5 to $2 million in the initial period. The market constraint on prepayment opportunities is the demand for prepaid bonds and rate differentials; however, market dynamics may change, and CPA should move forward expeditiously to take advantage of savings opportunities in the current market. Lastly, Mr. McNeil summarized some next steps, including continuing research of prepay structures, evaluation and selection of participants, and Board approval of parameters for prepay transactions to be completed in the next 6-9 months.

Committee Member Kulcsar stated that enough savings should be generated from these transactions to offset the staff time spent and risks; asked about the invoicing process and expressed some concern that rates would be based on expected savings generated from existing PPAs under prepayment transactions, with the risk that those programs can terminate. Mr. McNeil clarified that administrative details have not yet been discussed but, the CAISO will independently verify the volume of energy that suppliers will invoice. Matt Langer, Chief Operating Officer, added that CPA has access to the CAISO meter data and will also double check meter data for accuracy. Mr. McNeil also clarified that should there be an interest rate reset anticipated to occur within an upcoming fiscal year, CPA would assume in its rate setting and budgeting for the risk that the prepayments transaction will not continue. Committee Member Zuckerman asked about the use of the prepayment mechanism for new or existing PPAs; if the terms of other CCAs' prepay transactions reflect their credit rating status, and if prepay transactions require amending PPA agreements. Mr. McNeil clarified that these transactions would apply to existing PPAs. With regard to amendments, some PPAs already include language that allow it to be used under one of these transactions and therefore amendments may not be required. Mr. McNeil stated that he understands that bondholders are not relying on CPA to make payments, and CCA credit is not a factor in these transactions, noting that further research is required. Chair Gold commented on some of the issues the City of Beverly Hills has faced regarding concerns around JPAs and joint liability, and how that would affect CPA. Nancy Whang, General Counsel, clarified that there would be no recourse against a JPA's member agencies, as those agreements should insulate member agencies from liability.

COMMITTEE MEMBER COMMENTS

Committee Member Zuckerman asked if CPA plans to contribute to the fiscal stabilization fund since revenue projections are better than previously thought. Mr. McNeil indicated that staff would evaluate that contribution further into the fiscal year.

ADJOURN

Committee Chair Gold adjourned the meeting at 12:10 p.m.

Staff Report – Agenda Item 2

To:	Finance Committee
From:	Matthew Langer, Chief Operating Officer
Approved by:	Ted Bardacke, Executive Director
Subject:	Risk Management Team Report
Date:	November 24, 2021

October 2021 RMT REPORT

Key Actions

- Discussed September 2021 market performance
- Reviewed energy positions and approved 2021-2023 hedges
- Reviewed positions for RPS, carbon free, and Resource Adequacy

Policy Compliance

No policy deviations were reported for October.

ATTACHMENT

None.

Staff Report – Agenda Item 3

To:	Clean Power Alliance (CPA) Finance Committee
From:	David McNeil, Chief Financial Officer
Approved by:	Ted Bardacke, Executive Director
Subject:	CPA Investment Report
Date:	November 24, 2021

RECOMMENDATION

Receive and File.

ATTACHMENT

1) October 2021 Investment Report

Clean Power Alliance
Investment Report
October 2021

Fund Name:	**Local Agency Investment Fund**
Beginning Balance	15,678
Interest Paid (1)	9
Deposits	
Withdrawals	-
Ending Balance	15,688
Interest Earned (2)	418
Average Monthly Effective Yield	0.203%

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 yield published by LAIF

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:	First Quarter Financial Report for the three months ending September 30, 2021
Date:	November 24, 2021

RECOMMENDATION

Receive and file.

ATTACHMENT

1. First Quarter Financial Report for the three months ending September 30, 2021

Financial Dashboard

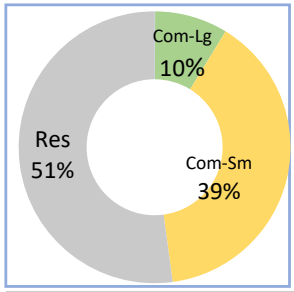
YTD
Sept
2021

Active Accounts
998,986

Participation Rate
95.65%

YTD Sales Volume
3,355 GWh

Sept Sales Volume
1,045 GWh



Summary of Financial Results

	September				Year- to- Date			
in $000,000's	Actual	Budget	Var	%	Actual	Budget	Var	%
Energy Revenues	$94.1	95.9	-1.8	-2%	297.8	303.5	-5.7	-2%
Cost of Energy	$87.4	99.3	-11.8	-12%	281.7	327.2	-45.5	-14%
Net Energy Revenue	$6.6	-3.3	10.0	300%	16.1	-23.7	39.8	168%
Operating Expenditures	$2.4	3.0	-0.6	-19%	6.8	8.6	-1.7	-20%
Net Income	$4.2	-6.3	10.5	166%	9.2	-32.3	41.5	129%

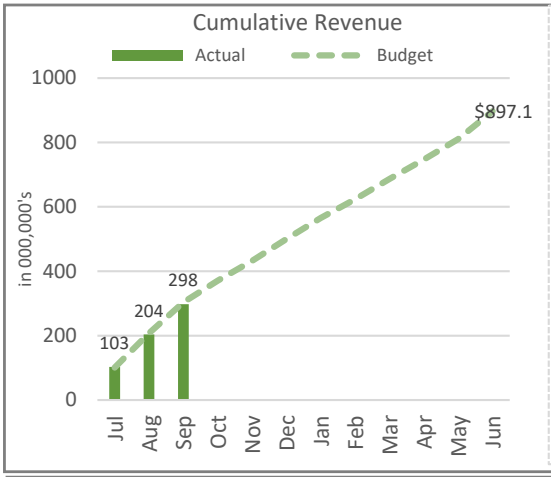
Note: *Numbers may not sum up due to rounding.*

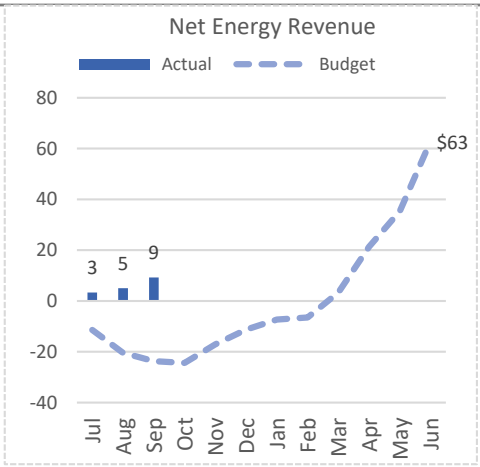
CPA recorded a $4.2 million gain in September 2021. The gain in September was $10.5 million above the budgeted net loss of $6.3 million. For the year to date, CPA recorded a $9.2 million gain, $41.5 million above a budgeted net loss of $32.5 million for the first quarter.

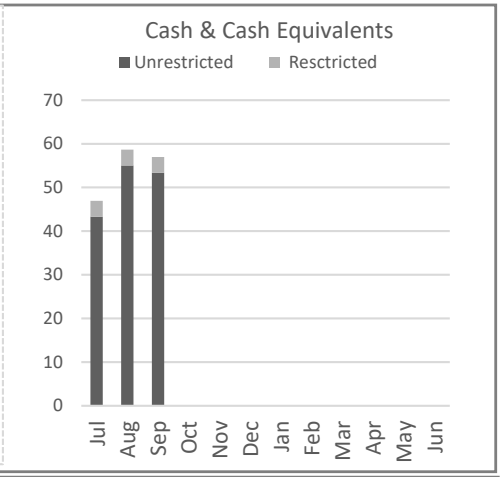
September and year to date revenue was slightly lower than budget due to cooler than normal weather in coastal areas of CPA's service territory and higher than budgeted bad debt expense. Cost of energy was favorably impacted by lower than budgeted energy use, CAISO spot market prices that were significantly lower than energy forward prices that were used for budgeting purposes, and the absence of significant heat events or price spikes in CPA's service area. Operating costs were lower than budget due to lower than budgeted customer programs costs and the non utilization of contingencies.

As of September 30, 2021 CPA had $53 million in unrestricted cash and cash equivalents, and $80 million available on its bank line of credit. In August 2021 CPA received proceeds of a $30 million term loan from the County of Los Angeles. In September 2021 CPA opened an $80 million line of credit with JPMorgan Chase expiring in November 2023. The JPMorgan borrowing facility replaced CPA's $37 million borrowing facility with River City Bank.

CPA is in compliance with its bank and other credit covenants and is in sound financial health.







Definitions:
Accounts: Active Accounts represent customer accounts of active customers served by CPA per Calpine Invoice.
Participation Rate %: Participation Rate represent active accounts 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, 2021

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA
STATEMENT OF NET POSITION
As of September 30

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	$ 53,357,388	$ 70,434,141
Accounts receivable, net of allowance	131,919,867	94,931,787
Accrued revenue	55,978,851	61,173,104
Market settlements receivable	-	-
Other receivables	3,453,783	497,970
Prepaid expenses	3,580,033	5,448,055
Deposits	17,894,808	3,857,150
Restricted cash	3,614,700	4,897,000
Total current assets	269,799,430	241,239,207
Noncurrent assets		
Capital assets, net of depreciation	608,858	452,554
Deposits	88,875	188,875
Total noncurrent assets	697,733	641,430
Total assets	270,497,163	241,880,637
LIABILITIES		
Current liabilities		
Accounts payable	4,611,547	3,889,340
Accrued cost of electricity	127,308,417	134,185,154
Other accrued liabilities	2,020,200	3,169,990
User taxes and energy surcharges due to other governments	8,353,140	6,658,602
Loans payable to County of Los Angeles	30,000,000	9,945,750
Supplier security deposits	5,769,400	1,963,500
Unearned program funds	2,005,420	-
Total current liabilities	180,068,125	159,812,336
Noncurrent liabilities		
Loans payable to County of Los Angeles	-	-
Loans payable to River City Bank	-	-
Supplier security deposits	6,904,000	2,662,400
Deferred rent	183,855	-
Total noncurrent liabilities	7,087,855	2,662,400
Total liabilities	187,155,980	162,474,736
DEFERRED INFLOWS OF RESOURCES		
Fiscal Stabilization Fund	-	27,000,000
NET POSITION		
Investment in capital assets	608,858	452,554
Restricted for collateral	3,614,700	4,897,000
Unrestricted	79,117,626	47,056,347
Total net position	$ 83,341,183	$ 52,405,901

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
July 1 through September 30

	2021	2020
OPERATING REVENUES		
Electricity sales, net	$ 297,566,657	$ 276,701,958
Revenue transferred from/(to) Fiscal Stabilization Fund	-	4,407,035
Other revenue	225,638	-
Total operating revenues	297,792,295	281,108,993
OPERATING EXPENSES		
Cost of electricity	281,724,860	261,834,703
Contract services	4,340,088	4,431,000
Staff compensation	2,004,434	1,417,789
General and administration	505,528	238,232
Total operating expenses	288,574,910	267,921,724
Operating income (loss)	9,217,385	13,187,269
NONOPERATING REVENUES (EXPENSES)		
Interest income	8,746	92,644
Interest and related expenses	(114,247)	(36,779)
Other revenue	-	-
Total nonoperating revenues (expenses)	(105,501)	55,865
CHANGE IN NET POSITION	9,111,884	13,243,134
Net position at beginning of period	74,229,299	46,585,635
Net position at end of period	$ 83,341,183	$ 59,828,769

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA
STATEMENT OF CASH FLOWS
July 1 through September 30

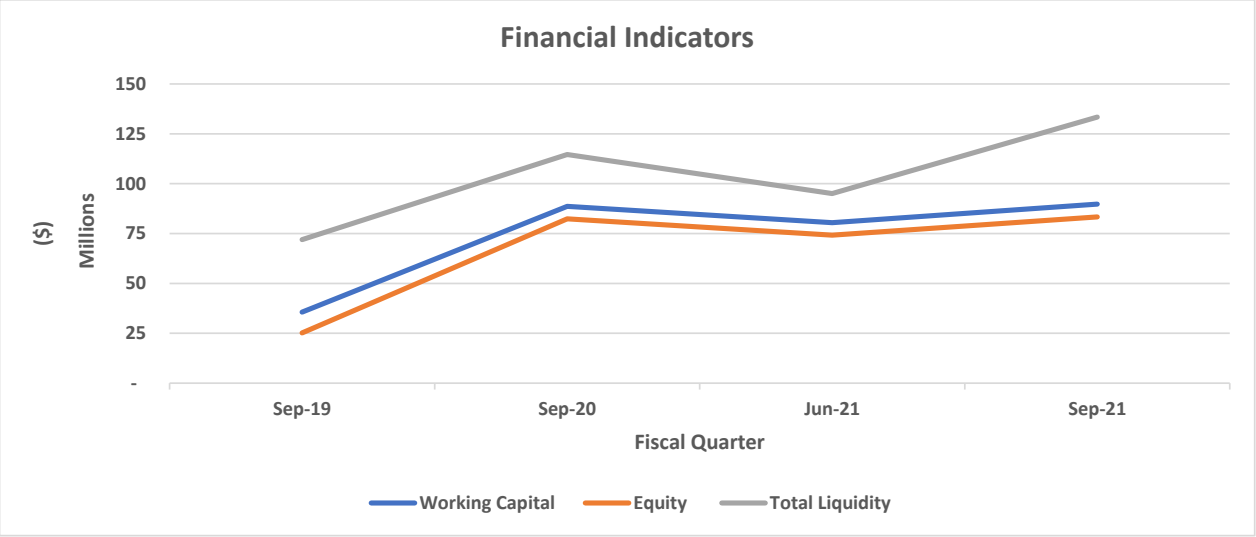
	2021	2020
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Net operating income (loss)	$ 9,217,385	$ 16,890,154
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation expense	27,470	3,057
Revenue adjusted for allowance for uncollectible accounts	4,696,311	848,836
Expenses paid directly from loan proceeds		
(Increase) decrease in:		
Accounts receivable	(48,392,277)	(18,684,246)
Energy market settlements receivable	-	(2,932,908)
Other receivables	(1,040,730)	262,497
Accrued revenue	(79,787)	(2,869,284)
Prepaid expenses	608,171	143,185
Deposits	(4,567,966)	(580,165)
Increase (decrease) in:		-
Accounts payable	(172,600)	(745,871)
Energy market settlements payable	(6,719,550)	-
Accrued cost of electricity	45,869,635	23,085,815
Other accrued liabilities	295,746	(46,475)
User taxes due to other governments	3,024,040	746,496
Loans payable	-	-
Fiscal stabilization fund	-	-
Supplier security deposits	(37,789,000)	(150,000)
Unearned program funds	407,433	-
Net cash provided (used) by operating activities	$ (34,615,719)	$ 15,971,091
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Loan proceeds	30,000,000	-
Principal payments on loan	-	-
Interest and related expense payments	(81,492)	(7,708)
Net cash provided (used) by non-capital financing activities	29,918,508	(7,708)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments to acquire capital assets	(146,415)	(413,137)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificate of deposit	-	-
Interest income received	8,746	33,210
Net cash provided (used) by investing activities	8,746	33,210
Net change in cash and cash equivalents	(4,834,880)	15,583,456
Cash and cash equivalents at beginning of period	61,806,968	61,055,767
Cash and cash equivalents at end of period	$ 56,972,088	$ 76,639,224
Reconciliation to the Statement of Net Position		
Cash and cash equivalents (unrestricted)	53,357,388	71,742,224
Investment in Los Angeles County Investment Pool	-	-
Restricted cash	3,614,700	4,897,000
Cash and cash equivalents	$ 56,972,088	$ 76,639,224

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA
BUDGETARY COMPARISON SCHEDULE
July 1, 2021 through September 30, 2021

	2021/22 YTD Budget	2021/22 YTD Actual	2021/22 YTD Budget Variance (Under) Over	2021/22 YTD Actual / Budget %	2021/22 Budget	2021/22 Remaining Budget	2021/22 Remaining Budget %
Operating revenues							
Revenue - electricity, net	$ 303,047,556	$ 297,566,658	$ (5,480,898)	98%	$ 895,246,680	$ 597,680,022	67%
Revenue transferred from/(to) Fiscal Stabilization	-	-	-		-	-	
Other revenues	466,000	225,638	(240,362)	48%	1,868,000	1,642,362	88%
Total operating revenues	303,513,556	297,792,295	(5,721,260)	98%	897,114,680	599,322,385	67%
Energy costs							
Energy procurement	327,233,632	281,724,860	(45,508,772)	86%	834,281,512	552,556,652	66%
Total energy costs	327,233,632	281,724,860	(45,508,772)	86%	834,281,512	552,556,652	66%
Operating revenues less energy costs	(23,720,076)	16,067,436	39,787,512	-68%	62,833,168	46,765,732	74%
Operating Expenditures							
Staffing	2,473,200	2,004,434	(468,766)	81%	9,893,000	7,888,566	80%
Technical services	282,500	287,355	4,855	102%	1,184,000	896,645	76%
Legal services	456,400	195,523	(260,877)	43%	1,237,000	1,041,477	84%
Other professional services	573,050	218,326	(354,724)	38%	1,612,000	1,393,674	86%
Communications and outreach	437,572	291,852	(145,720)	67%	1,505,000	1,213,148	81%
Mailers	484,000	63,476	(420,524)	13%	797,000	733,524	92%
Billing data manager	2,604,100	2,582,756	(21,344)	99%	10,417,000	7,834,244	75%
SCE services	504,000	480,000	(24,000)	95%	2,016,000	1,536,000	76%
Customer programs	231,000	220,800	(10,200)	96%	1,872,000	1,651,200	88%
General and administrations	373,570	370,067	(3,503)	99%	1,584,000	1,213,933	77%
Occupancy	136,975	107,991	(28,984)	79%	548,000	440,009	80%
Total operating expenditures	8,556,367	6,822,581	(1,733,786)	80%	32,665,000	25,842,419	79%
Operating income	(32,276,443)	9,244,855	41,521,299	-29%	30,168,168	20,923,313	69%
Non-operating revenues (expenditures)							
Interest income	36,000	8,746	(27,254)	24%	144,000	135,254	94%
Finance and interest expense	(193,987)	(114,247)	79,740	59%	(287,000)	(172,753)	60%
Depreciation	(39,000)	(27,470)	11,530	70%	(156,000)	(128,530)	82%
Total non-operating revenues (expenditures)	(196,987)	(132,970)	64,017	68%	(299,000)	(166,030)	
Change in net position	(32,473,430)	9,111,885	41,585,315		29,869,168	20,757,283	69%
Other uses							
Capital outlay	198,000	44,149	(153,851)	22%	297,000	252,851	85%
Depreciation	(39,000)	(27,470)	11,530	70%	(156,000)	(128,530)	82%
Total other uses	159,000	16,679	(142,321)	10%	141,000	124,321	88%
Change in fund balance	$ (32,632,430)	$ 9,095,206	$ 41,727,636	-28%	$ 29,728,168	$ 20,632,963	

Select Financial Indicators

Note		Sep-19	Sep-20	Jun-21	Sep-21
1	Working Capital	35,632,454	88,675,360	80,451,054	89,731,305
2	Current Ratio	1.21	1.58	1.55	1.50
3	Days Sales Outstanding	31	32	40	40
4	Equity	25,214,527	82,421,734	74,229,299	83,341,183
5	Equity to Assets %	13%	34%	33%	31%
6	Available Cash	35,940,412	78,579,868	58,192,268	53,357,388
7	Available Line of Credit	36,030,000	36,030,000	36,853,000	80,000,000
8	Total Liquidity	71,970,412	114,609,868	95,045,268	133,357,388
9	Days Liquidity on Hand (TTM)	55	58	44	60
10	Gross Margin	5%	7%	6.4%	5.4%
11	Net Margin	3%	5%	3.4%	3.1%
	Percentage Change from Prior Quarter				
	Working Capital			9%	12%
	Current Ratio			-12%	-4%
	Days Sales Outstanding			37%	0%
	Equity			10%	12%
	Equity to Assets %			-17%	-6%
	Available Cash			2%	-8%
	Available Line of Credit			0%	117%
	Total Liquidity			1%	40%
	Days Liquidity on Hand (TTM)			-3%	37%



Note	Description	Note	Description
1	Current Assets less Current Liabilities	7	Total Line of Credit less Borrowing and Letters of Credit
2	Current Assets divided by Current Liabilities	8	Sum of Available Cash and Line of Credit
3	Accounts receivable divided by Sales divided by 365	9	Total Liquidity divided by trailing 12 month expenses divided by 365
4	Net Position plus Fiscal Stabilization Fund	10	Operating revenue less energy cost divided by operating revenue
5	Equity (Net Position + FSF) divided by Total Assets	11	Change in net position divided by operating revenue
6	Unrestricted cash and cash equivalents		

Staff Report – Agenda Item 5

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 and Review Fiscal Year 2020-2021 Financial Statements and Fiscal Year 2020-2021 Budget to Actual Report

Date: November 24, 2021

RECOMMENDATION

Receive report from the Independent Auditor and review FY 2020-2021 Financial Statements and FY 2020-2021 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 2021, the Finance Committee selected Baker Tilly to perform an audit of CPA's Fiscal Year (FY) 2020-21 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 2020-21 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 2020-21 Financial Statements "present fairly, in all material respects, the financial position of Clean Power Alliance of Southern California as of June 30, 2021 and 2020, 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". The Auditors' Report contains what is generally regarded as an unqualified or "clean" audit opinion.

The Auditors' audit results letter states that they did not identify any deficiencies in internal control that they consider to be material weakness.

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

Financial Highlights

- CPA faced challenges in FY 2020-21 arising from extreme heat events in the summer of 2020, increased costs to procure electric capacity to meet regulatory requirements associated with the Resource Adequacy program, and the impacts of slowing customer payments arising from the moratorium on disconnections and late payment fees mandated by the CPUC and the Covid-19 induced economic recession.
- CPA was able to meet its financial objectives by transferring $27 million of deferred revenues accumulated in the prior year (and held in the Fiscal Stabilization Fund) to revenues in FY 2020-21 consistent with its Fiscal Stabilization Fund Policy. CPA's financial results also benefited from the application of CPA's $15.7 million California Arrearage Payment Program (CAPP) allocation to eligible past due balances which reduced bad debt expense by approximately $8 million.
- CPA increased its net position by $27.6 million or 3.4% of revenues.
- As of June 30, 2021, CPA had no outstanding loans or bank debt and apart from

the issuance of a $147,000 letter of credit, CPA's $37 million line of credit was unutilized.

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

Key financial metrics and additional analysis of FY 2020-21 results are presented in the Presentation of FY 2020-21 Financial Results (attachment 5).

FY 2020-21 Budget to Actual Report

The FY 2020-21 Budget to Actual Report compares actual results for the 12 months ending June 30, 2021, with the FY 2020-21 Budget as amended by the Board at its May 26, 2021 meeting. Budget to Actual highlights include:

- Operating revenues less energy cost (gross margin) was $810k and $10.2 million below the Amended and Base budget due to the above-normal temperatures in summer of 2020 which required CPA to serve load at high spot market prices, higher electric capacity (Resource Adequacy) costs, and lower than budgeted Congestion Revenue Rights (CRR) revenue.
- Operating expenses were 23% under the Base budget primarily due to non-utilization of contingencies, conservative use of funds, delays occupying the new office due to COVID-19 health risks, and lower than budgeted distribution of local program incentives. Staffing was 16% under the Base budget as a result of the competitive job market and staff departures.
- Energy costs exceeded the amended budget by 0.78% largely as a result of accelerated timing issues associated with the delivery of renewable energy.
- CPA finished the year within Budget limits for operating expense items established by the FY 2020-21 Budget as amended by the Board in May 2021.

Additional analysis of Budget to Actual results, including a comparison of actual FY 2020-21 results with the FY 2020-21 Amended Budget approved by the Board in May 2021, appears in the Presentation of FY 2020-21 Financial Results (attachment 5).

Summary

CPA's financial results for the year ending June 30, 2021 reflect the challenges of both the COVID-19 pandemic and climate change, but we were still able to achieve our financial objectives. 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) Audit Results Letter
3) FY 2020-21 Financial Statements
4) FY 2020-21 Budget to Actual Report
5) Presentation of FY 2020-21 Financial Results

Reporting and insights from 2021 audit: Clean Power Alliance of Southern California

November 24, 2021

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.

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CPA CLEAN POWER ALLIANCE

Locally powered energy innovation.

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Audit Discussion

Agenda

- Audit Results
- Required communication to Governing Body
- Impact of future standards
- Discussion

RESPONSIBILITIES

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 those charged with governance:
  - 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

AUDIT OBJECTIVES

Our responsibilities

We are also required to communicate significant matters related to our audit that are relevant to the responsibilities of the 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

AUDIT OBJECTIVES

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 in the Audit Results report for a copy of management's representations

Planned scope and timing

Audit focus

Based on our understanding of CPA and the 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, if any

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

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	Testing approach	Conclusion
Cash and investments	Revenues and receivables	General disbursements
Net position calculations	Financial reporting and required disclosures	

Audit Approach and 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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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

No material adjustments to the financial statements

No audit findings or concerns

ACCOUNTING CHANGES RELEVANT TO CPA

Future accounting standards update

GASB Statement Number	Description	Potentially Impacts You	Effective Date
87	Leases	✓	6/30/22
89	Accounting for Interest Incurred before the End of a Construction Period		6/30/22
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

Further information on upcoming GASB pronouncements.

Discussion

CLIENT SERVICE TEAM

Client service team

Bethany Ryers, CPA
Director
Bethany.Ryers@bakertilly.com

Ryan Theiler, CPA
Manager
Ryan.Theiler@bakertilly.com

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Reporting and insights from 2021 audit:

Clean Power Alliance of Southern California

June 30, 2021

Executive summary

November 17, 2021

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

We have completed our audit of the financial statements of Clean Power Alliance of Southern California (CPA) for the year ended June 30, 2021, and have issued our report thereon dated November 17, 2021. 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 CPA's 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, Manager: Ryan.Theiler@bakertilly.com or +1 (608) 240 2571

Sincerely,

Baker Tilly US, LLP

Bethany Ryers, CPA
Firm Director

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Audit approach and results 9
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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.

Responsibilities

Responsibilities

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 the 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 the 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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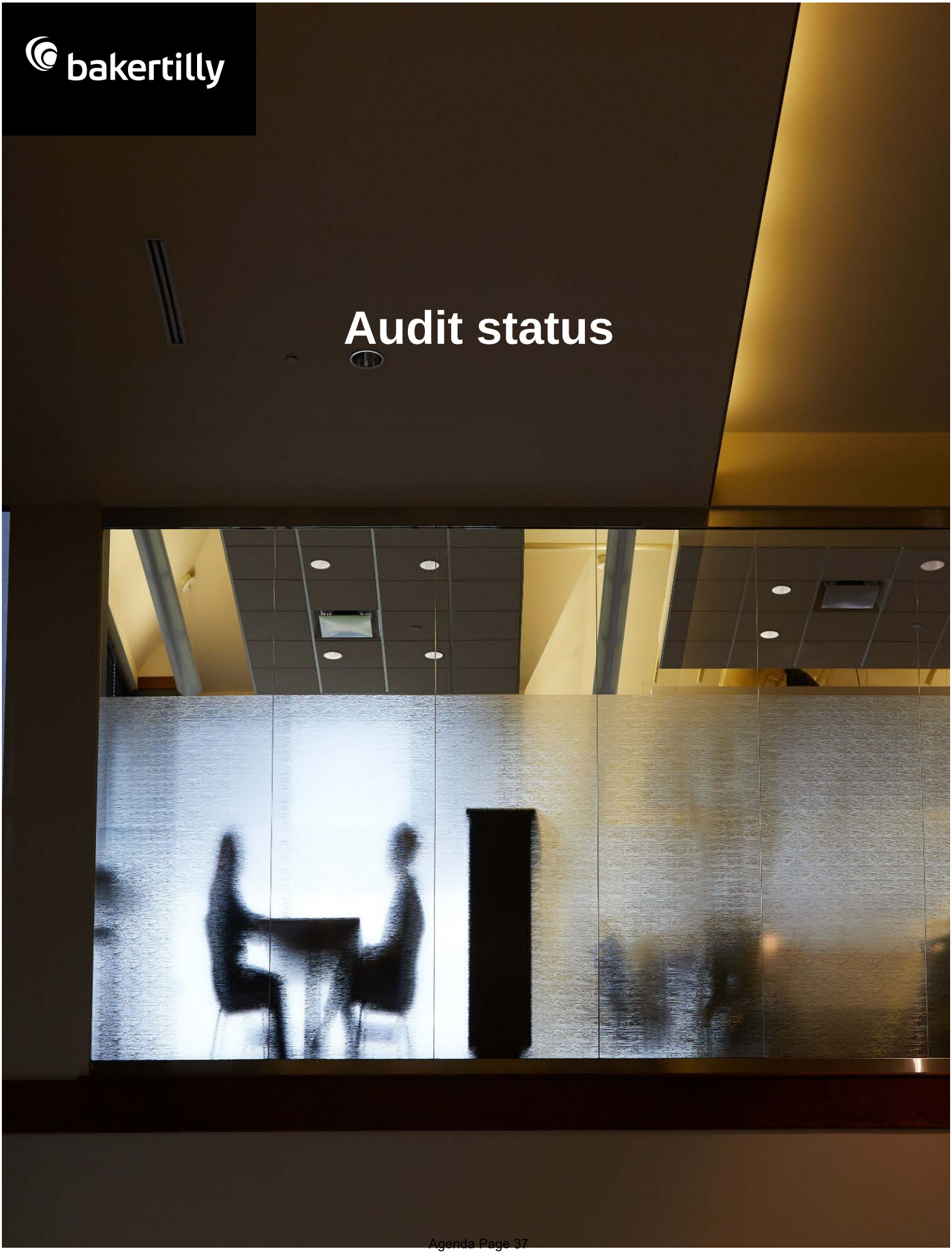
Audit status



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 the 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, if any

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 the 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	Confirmation or 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	Testing approach	
Cash and investments	Revenues and receivables	General disbursements
Net position calculations	Financial reporting and required disclosures	

Internal control matters

We considered the CPA's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing an opinion on the financial statements. We are not expressing an opinion on the effectiveness of the 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 policies was not changed during fiscal year 2021. We noted no transactions entered into by the 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 revenues	Evaluation of 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

  Consistent with the prior year, CPA continues to apply the additional percentage factor in the calculation of the allowance for doubtful accounts estimate in 2021 due to COVID-19 pandemic that is influencing customer delinquency due to worsened economic conditions and regulations prohibiting disconnection of service for unpaid balances. In 2021, the State determined an allocation of CAPP funds to CPA for provider relief in relation to increased delinquency due to COVID. These grant funds became an additional factor when the balance of allowance for doubtful accounts was calculated. 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 difficulties encountered during the audit

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

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 the 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.

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.

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.

Significant unusual transactions

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

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, 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 management representation letter.

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 the 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 the CPA's related parties.

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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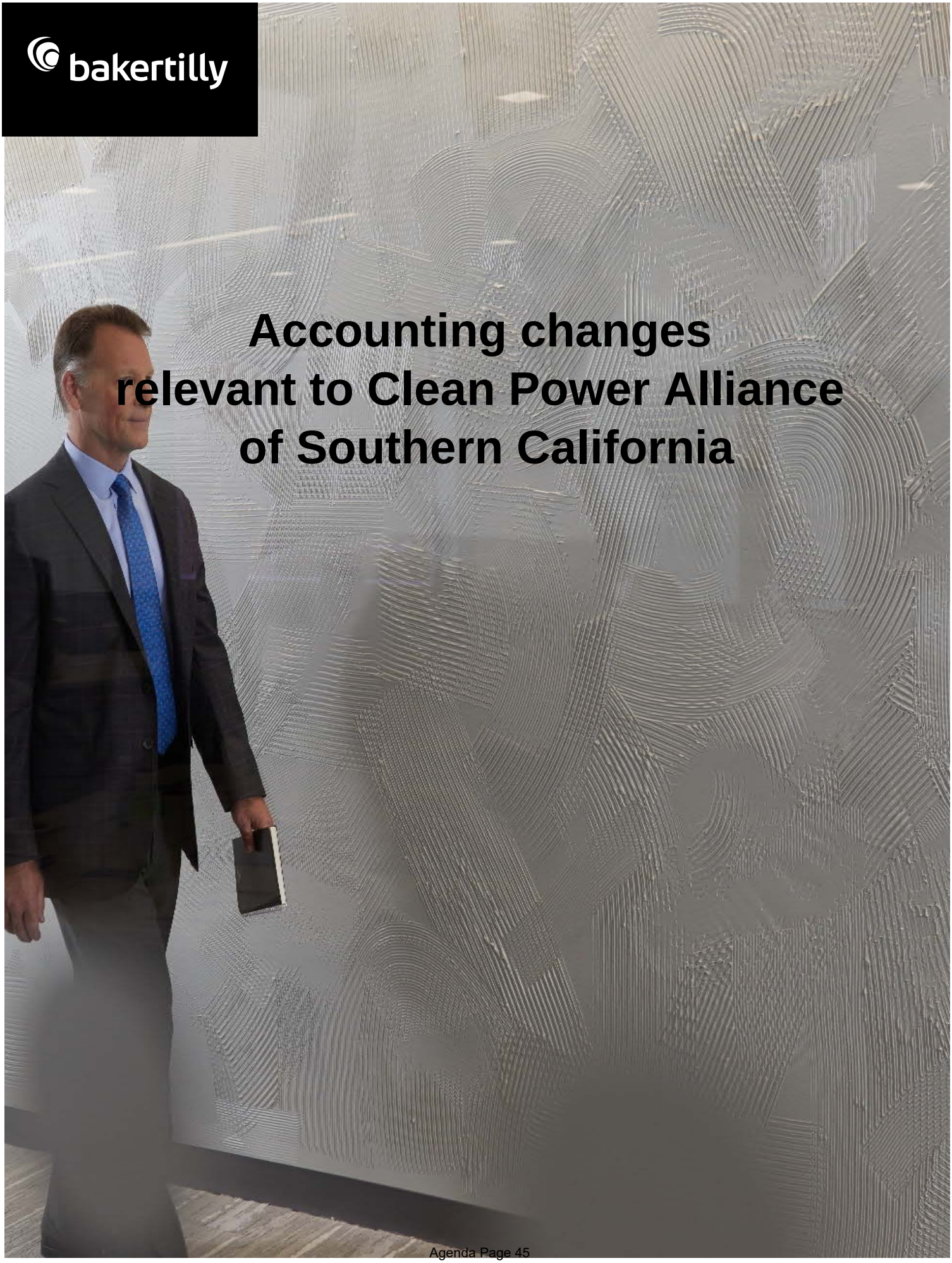
Accounting changes relevant to Clean Power Alliance of Southern California



Accounting changes relevant to Clean Power Alliance of Southern California

Future accounting standards update

GASB Statement Number	Description	Potentially Impacts you	Effective Date
87	Leases	✓	6/30/22*
89	Accounting for Interest Incurred before the End of a Construction Period		6/30/22*
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 Gui*dance, 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 soon. 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.

Future upcoming standards

GASB 91, *Conduit Debt*

Conduit debt includes arrangements where there are three separate parties involved including a third party that is obligated for payment, a debt holder or lender and an issuing party which is often a government. This standard provides additional criteria for identifying and classifying conduit debt with the intent of providing consistency in how the debt is recorded and reported in governmental financial statements. CPA should identify any existing debt arrangements involving third-party obligors and evaluate how those arrangements will be reported under the new standard in order to determine the potential impact of this standard on future financial reporting.

GASB 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*

This standard provides guidance related to public-private and public-public partnerships (PPP) and availability payment arrangements (APA).

A PPP is an arrangement in which an entity contracts with an operator to provide public services by conveying control of the right to operate or use infrastructure or other capital asset. A common example of PPP is a service concession arrangement.

An APA is an arrangement in which an entity compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an asset.

CPA should start to identify any contracts that could meet either definition to ensure they are reviewed for applicability and accounted for correctly when the standard is effective.

GASB 96, *Subscription-Based IT Arrangements*

Subscription-based IT arrangements include contracts that convey control of the right to use another party's IT software. It would not include any licensing arrangements that provide a perpetual license, which would still be accounted for as an intangible asset. Subscription-based IT arrangements are becoming more and more popular with IT vendors. This standard mirrors the new lease standard. CPA will be able to utilize the systems put into place to implement the lease standard to properly account for these contracts. Common examples of these contracts in the utility industry include:

- Leasing space in the cloud
- GIS systems
- SCADA systems
- Some work order or inventory systems

CPA should work with its IT department and department managers to determine a population listing of contracts that would fall under this standard to determine the potential future impact to financial reporting.

Appendix A: Client service team

Client service team

Bethany Ryers, CPA

Firm Director

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Ryan Theiler, CPA

Manager

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Appendix B: Management representation letter

November 17, 2021

Baker Tilly US, LLP
4807 Innovate Lane
Madison, WI 53718

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, 2021 and 2020 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, where applicable, 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 utility 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 financial statement 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 a process to track the status of audit findings and recommendations.

18) 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.

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 possible 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 and, if applicable, approved.

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, if any, 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) Provision, when material, has been made to reduce excess or obsolete inventories to their estimated net realizable value.

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

30) 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.

31) 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: _____

Name David McNeil

Title Chief Financial Officer

Signed: _____

Name Ted Bardacke

Title Executive Director

801 S. Grand Ave., Suite 400, Los Angeles, CA 90017
cleanpoweralliance.org

bakertilly

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 the CPA will receive an unmodified 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 those charged with governance 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 in July. Our final financial fieldwork is scheduled during late summer to early fall 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, 2021 and 2020

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Independent Auditors' Report

To the Board of Directors of
Clean Power Alliance of Southern 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, 2021 and 2020, 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, 2021 and 2020, 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 Management's Discussion and Analysis 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

Madison, Wisconsin
November 17, 2021

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, 2021, and 2020. 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 include:
    - The *Statements of Net Position* which 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* which report all of CPA's revenue and expenses for the years shown.
    - The *Statements of Cash Flows* which 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 2021.

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 40% carbon free energy content, Clean Power provides 50% clean power (40% renewable content and 10% hydroelectricity) 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:

	2021	2020	2019
Current assets	$ 225,858,032	$ 185,855,666	$ 142,619,616
Noncurrent assets			
Capital assets, net	489,912	97,388	35,948
Other noncurrent assets	88,875	188,710	128,000
Total assets	226,436,819	186,141,764	142,783,564
Current liabilities	145,406,977	109,893,729	97,158,978
Noncurrent liabilities	6,800,543	2,662,400	29,635,608
Total liabilities	152,207,520	112,556,129	126,794,586
Deferred inflows of resources	-	27,000,000	-
Net position			
Investment in capital assets	489,912	97,388	35,948
Restricted for collateral	3,614,700	4,897,000	7,952,000
Unrestricted (deficit)	70,124,687	41,591,247	8,001,030
Total net position	$ 74,229,299	$ 46,585,635	$ 15,988,978

Current Assets

Current assets were approximately $225,858,000 at the end of FY 2020-21 and are mostly comprised of $58,192,000 of cash and cash equivalents, $88,224,000 of accounts receivable, $55,899,000 of accrued revenue, $4,188,000 of prepaid expenses, $13,327,000 in deposits and $3,615,000 in restricted cash.

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, $3,233,000 in deposits and $4,897,000 in restricted cash.

Total current assets increased as of June 30, 2021 compared to the prior year, particularly accounts receivable, accrued revenue and deposits. The combined total of accounts receivable and accrued revenue increased year over year due to an electric rate increase that came into effect in May 2020 and slowing customer payments arising from the Covid-19 induced recession and a moratorium on customer disconnections and late payments fees mandated by the California Public Utilities Commission (CPUC). Deposits increased year over year as a result of collateral postings made to the CAISO pursuant to its operating rules for Scheduling Coordinators. CPA became a Scheduling Coordinator during FY 2020-21. Restricted cash decreased pursuant to credit and security agreements.

In FY 2019-2020, 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. Funds held at LAIF are included in unrestricted cash and cash equivalents.

Total current assets increased as of June 30, 2020 compared to the prior year, particularly cash and cash equivalents, prepaid expenses and deposits. Restricted cash decreased pursuant to credit and security agreements.

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 and security deposits from energy suppliers. Other components include trade accounts payable, taxes and surcharges due to governments, and various other accrued liabilities. Unearned program funds represent funds for customer programs received from the CPUC and not yet spent.

Total current liabilities increased as of June 30, 2021 compared to the prior year, particularly accounts payable, accrued cost of electricity, unearned program funds and security deposits from energy suppliers. Accounts payable and accrued cost of electricity increased as a result of increased operating and energy costs. Security deposits from energy suppliers increased as a result of collateral and other security postings made pursuant to energy supply agreements. Unearned program funds increased due to the launch of CPA's Power Share Program. CPA repaid a loan from the County of Los Angeles in September 2020.

Total current liabilities increased as of June 30, 2020 due to increased energy costs related to new customer enrollments that occurred in FY 2020-19.

Noncurrent Liabilities

Noncurrent liabilities increased as of June 30, 2021 from the prior year as a result of collateral postings made by energy suppliers pursuant to energy supply agreements.

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

Deferred Inflows of Resources

In FY 2019-20 CPA deferred revenue of $27,000,000 to the Fiscal Stabilization Fund pursuant to CPA's Board approved Fiscal Stabilization Fund Policy. Fiscal Stabilization Fund balances may be used when financial results are negatively impacted by uncontrollable events as described in the Policy. Deferring revenue reduces the likelihood of unplanned rate changes that would be necessary to meet CPA's financial objectives.

In FY 2020-21 CPA used $27 million in the Fiscal Stabilization Fund to offset increased costs arising from extreme heat events that occurred in August and September 2020 and increased costs to procure electric capacity to meet regulatory requirements associated with the Resource Adequacy program, and address slowing customer payments arising from the Covid-19 induced recession and the moratorium on customer disconnections and late payment fees mandated by the CPUC.

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:

	2021	2020	2019
Operating revenues	$ 824,104,492	$ 752,070,114	$ 253,919,018
Interest income	227,842	361,022	121,962
Total income	824,332,334	752,431,136	254,040,980
Operating expenses	796,554,063	721,593,329	235,128,858
Nonoperating expenses	134,607	241,150	246,304
Total expenses	796,688,670	721,834,479	235,375,162
Change in net position	$ 27,643,664	$ 30,596,657	$ 18,665,818

Total Income

Operating revenues arise from electricity sales to customers and transfer of proceeds from the Fiscal Stabilization Fund. CPA reports electricity revenues net of an allowance for uncollectable accounts as described in the Notes to the Financial Statements.

Operating revenues increased to approximately $824,104,000 in FY 2020-21 from $752,070,000 in FY 2019-20. Revenue increased as a result of a rate increase that occurred in May 2020, higher customer electricity usage resulting primarily from an increase in the frequency and severity of heat events, and transfers from the Fiscal Stabilization Fund. Revenues were reduced in FY 2020-19 by approximately $1,419,000 of bill credits provided to customers through CPA's Covid-19 Bill Assistance Program.

Operating revenues increased in FY 2019-20 from the prior year as a result of new customer enrollments that occurred in FY 2019-20.

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

Total Expenses

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.

Operating expenses increased to approximately $796,554,000 in FY2020-21 from $721,593,000 in FY 2019-20. Electricity and service provider costs increased in FY 2020-21 as a result increased energy and resource adequacy costs. Staffing and general and administrative costs increased year over year as CPA hired staff and built out its operating capabilities.

Electricity costs and other operating expenses increased in FY 2019-20 from the prior year primarily as a result of the enrollment of new customers in FY 2019-20.

Change in Net Position

The change in net position represents the difference between total income and total expenses in a given fiscal year.

CPA's net position increased by $27,644,000 in FY 2020-21. CPA's net position increased by $30,597,000 in FY 2019-20 and by $18,665,000 in FY 2018-19.

CPA had a lower increase in net position in FY 2020-21 as compared to the prior year due to higher energy costs arising from extreme heat events in August and September 2020 and an increase in resource adequacy costs as described in the preceding paragraphs.

CPA had a greater increase in net position in FY 2019-20 as compared to the prior year due to the enrollment of new customers toward the end of FY 2019-20.

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.

PURCHASE COMMITMENTS AND ECONOMIC OUTLOOK (continued)

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 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 to $5.3 billion as of June 30, 2021 from $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 Newsom'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.

PURCHASE COMMITMENTS AND ECONOMIC OUTLOOK (continued)

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

Since March 4, 2020, California has been under a State of Emergency declaration as a result of the COVID-19 pandemic. In March 2020, SCE, CPA's billing and collections agent, temporarily suspended customer disconnections due to non-payment. On June 24, 2021 the CPUC issued a decision to address energy utility customer bill debt which requires utilities, including SCE, to automatically enroll residential and small business customers with eligible past due balances into Covid-19 relief payment plans. CPA is working closely with SCE's collections team and is closely monitoring customer payment performance.

Due to the economic impact of the COVID-19 pandemic many utility customers have accrued significant energy debt and face potential energy service disconnection if delinquent account balances are not resolved.

In response to the energy debt Californians are facing, the State Budget Act of 2021 appropriated $1 billion from the federal American Rescue Plan Act of 2021 to support the establishment of California Arrearage Payment Program (CAPP). CAPP is designed to provide financial assistance to active and inactive residential and commercial customer accounts reflecting delinquent balances incurred during the COVID-19 pandemic relief period covering March 4, 2020 through June 15, 2021. On November 2, 2021, California Department of Community Services and Development, which is administering the CAPP, issued Program Notice 2021-06-E2 in which it determined that CPA customers would be allocated $15,835,423 to be applied against eligible past due balances.

CPA's allowance for uncollectable accounts as of June 30, 2021 has adjusted to reflect the application of CAPP allocation to eligible customer past due balances. 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, 2021 AND 2020

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	$ 58,192,268	$ 56,158,767
Accounts receivable, net of allowance	88,223,900	65,532,476
Accrued revenue	55,899,064	49,192,550
Market settlements receivable	-	147,873
Other receivables	2,413,053	348,545
Prepaid expenses	4,188,204	6,345,580
Deposits	13,326,842	3,232,875
Restricted cash	3,614,700	4,897,000
Total current assets	225,858,031	185,855,666
Noncurrent assets		
Capital assets, net of depreciation	489,912	97,388
Deposits	88,875	188,710
Total noncurrent assets	578,787	286,098
Total assets	226,436,818	186,141,764
LIABILITIES		
Current liabilities		
Accounts payable	4,784,147	2,303,802
Accrued cost of electricity	88,158,333	86,772,867
Other accrued liabilities	1,799,011	3,144,362
User taxes and energy surcharges due to other governments	5,329,099	4,959,748
Loans payable to County of Los Angeles	-	9,945,750
Security deposits from energy suppliers	43,738,400	2,767,200
Unearned program funds	1,597,986	-
Total current liabilities	145,406,976	109,893,729
Noncurrent liabilities		
Security deposits from energy suppliers	6,724,000	2,662,400
Deferred rent	76,543	-
Total noncurrent liabilities	6,800,543	2,662,400
Total liabilities	152,207,519	112,556,129
DEFERRED INFLOWS OF RESOURCES		
Fiscal Stabilization Fund	-	27,000,000
NET POSITION		
Investment in capital assets	489,912	97,388
Restricted for collateral	3,614,700	4,897,000
Unrestricted	70,124,687	41,591,247
Total net position	74,229,299	$ 46,585,635

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, 2021 AND 2020

	2021	2020
OPERATING REVENUES		
Electricity sales for resale		
Electricity sales, net	$ 796,803,545	$ 774,817,064
Revenue transferred to/from Fiscal Stabilization Fund	27,000,000	(27,000,000)
Other revenue	300,947	4,253,050
Total operating revenues	824,104,492	752,070,114
OPERATING EXPENSES		
Cost of electricity	771,724,047	699,782,409
Contract services	16,738,699	16,680,152
Staff compensation	6,538,815	4,147,412
General and administration	1,552,502	983,356
Total operating expenses	796,554,063	721,593,329
Operating income	27,550,429	30,476,785
NONOPERATING REVENUES (EXPENSES)		
Interest income	227,842	361,022
Interest and related expenses	(134,607)	(241,150)
Total nonoperating revenues (expenses)	93,235	119,872
CHANGE IN NET POSITION	27,643,664	30,596,657
Net position at beginning of year	46,585,635	15,988,978
Net position at end of year	$ 74,229,299	$ 46,585,635

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, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 780,262,706	$ 809,341,073
Receipts from market settlements	7,968,638	32,509,649
Other operating receipts	53,143,513	9,316,250
Payments to suppliers for electricity	(776,509,011)	(737,502,580)
Payments for other goods and services	(18,012,874)	(16,945,753)
Payments for staff compensation	(6,442,770)	(4,023,375)
Tax and surcharge payments to other governments	(29,314,319)	(27,806,549)
Net cash provided (used) by operating activities	11,095,883	64,888,715
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Loan proceeds	-	29,775,000
Principal payments on loan	(9,945,750)	(48,825,000)
Interest and related expense payments	(138,903)	(298,848)
Net cash provided (used) by non-capital financing activities	(10,084,653)	(19,348,848)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments to acquire capital assets	(490,077)	(53,495)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income received	230,049	358,815
Net change in cash and cash equivalents	751,201	45,845,187
Cash and cash equivalents at beginning of year	61,055,767	15,210,580
Cash and cash equivalents at end of year	$ 61,806,968	$ 61,055,767
Reconciliation to the Statement of Net Position		
Cash and cash equivalents (unrestricted)	$ 58,192,268	$ 56,158,767
Restricted cash	3,614,700	4,897,000
Cash and cash equivalents	$ 61,806,968	$ 61,055,767

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, 2021 AND 2020

	2021	2020
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Net operating income (loss)	$ 27,550,429	$ 30,476,785
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation expense	67,359	22,249
Revenue adjusted for allowance for uncollectible accounts	2,706,423	8,285,071
Expenses paid directly from loan proceeds		
(Increase) decrease in:		
Accounts receivable	(25,397,847)	(23,143,499)
Energy market settlements receivable	147,873	5,425,784
Other receivables	(2,066,715)	11,116
Accrued revenue	(6,706,514)	19,586,776
Prepaid expenses	2,157,376	(4,321,030)
Deposits	(9,994,132)	(3,293,585)
Increase (decrease) in:		
Accounts payable	2,140,042	(367,412)
Energy market settlements payable	8,063,431	-
Accrued cost of electricity	(6,307,468)	(2,278,770)
Other accrued liabilities	(1,264,512)	816,519
User taxes due to other governments	369,352	1,989,111
Loans payable	-	-
Fiscal stabilization fund	(27,000,000)	27,000,000
Supplier security deposits	45,032,800	4,679,600
Unearned program funds	1,597,986	-
Net cash provided (used) by operating activities	$ 11,095,883	$ 64,888,715

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, 2021, 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, 2021 and 2020, cash and cash equivalents were held in various interest-earning and non-interest-earning accounts at River City Bank and in the California Local Agency Investment Fund (LAIF). Amounts restricted pursuant to security and lending agreements are included as cash and cash equivalents on the Statement of Cash Flows.

CAPITAL ASSETS AND DEPRECIATION

CPA's policy is to capitalize furniture and equipment valued over $5,000 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 of collateral deposits required by CAISO and security deposits held by suppliers as required under certain energy contracts entered into by CPA. Deposits held by energy suppliers and the CAISO are classified as current or noncurrent assets depending on the length of time the deposits will be held.

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. The amount recognized as a reduction to the fund is shown as an increase of operating revenues and reported on the statements of net position as a reduction in deferred inflow of resources.

CPA transferred $27,000,000 to the Fiscal Stabilization Fund for the year ended June 30, 2020. CPA transferred $27,000,000 from the Fiscal Stabilization Fund to revenue during the year ended June 30, 2021 consistent with its Fiscal Stabilization Fund Policy.

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, 2021 and 2020 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 revenues 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. CPA's methodology used to calculate the allowance for doubtful accounts considers the impact of the recession, the suspension of customer electricity disconnections and the levy of late payment charges by SCE, and the application of California Arrearage Payment Program funding to eligible customer past-due accounts receivable balances.

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, and 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. 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 time the deposits will be held.

INCOME TAXES

CPA is a joint powers authority under the provisions 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, 2021, CPA maintains its cash in both interest-earning and non-interest-earning 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 the 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.

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 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, 2021 and 2020, CPA held no individual investments subject to classification under the fair value hierarchy.

3. CASH AND CASH EQUIVALENTS (continued)

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, 2021 and 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, 2021 and 2020, CPA did not hold investments that give rise to credit concentration risk.

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.

3. CASH AND CASH EQUIVALENTS (continued)

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:

	2021	2020
Accounts receivable from customers	$ 100,508,055	$ 75,110,208
Allowance for uncollectible accounts	(12,284,155)	(9,577,732)
Net accounts receivable	$ 88,223,900	$ 65,532,476

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 $0 and $148,000 as of June 30, 2021 and 2020, respectively.

6. CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2021 and 2020, was as follows:

	Furniture & Equipment	Leasehold Improvements	Accumulated Depreciation	Total
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
Additions	50,641	409,243	(67,359)	392,524
Balances at June 30, 2021	$ 159,255	$ 428,398	$ (97,740)	$ 489,912

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, 2020. 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 September 2020 CPA repaid the outstanding loan balance of $9,945,750 to the County of Los Angeles. As of June 30, 2021, there was no outstanding loan balance.

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 expired 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.

7. DEBT (continued)

In April 2021 CPA entered into the Amended and Restated Credit Agreement with River City Bank (Restated Credit Agreement). The Restated Credit Agreement renews the $37 million credit facility and extends the term to March 31, 2022. The interest rate at June 30, 2021 was 1.61%.

As of June 30, 2021, CPA had no notes outstanding under the credit facility and is in compliance with credit covenants.

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

	Beginning	Additions	Payments	Ending
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				$ -
Year ended June 30, 2021				
County of Los Angeles	$ 9,945,750	$ -	$ (9,945,750)	$ -
River City Bank	-	-	-	-
Total	$ 9,945,750	$ -	$ (9,945,750)	$ -
Amounts due within one year				-
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, 2021, there were 34 plan members. CPA contributed $505,000 and $288,000 during the years ended June 30, 2021 and 2020, 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, and 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 counterparties.

10. PURCHASE COMMITMENTS

POWER AND ELECTRIC CAPACITY

In the ordinary course of business, CPA enters into various power purchase and energy storage 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.

10. PURCHASE COMMITMENTS (continued)

CPA enters into power purchase and energy storage 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.

The following table represents the expected, undiscounted, contractual obligations for energy storage, power and electric capacity outstanding as of June 30, 2021:

Year ended June 30,	
2022	$ 685,768,000
2023	$ 506,747,000
2024	$ 360,554,000
2025	$ 303,366,000
2026	$ 279,869,000
2027 - 42	$ 3,156,974,000
	$ 5,293,278,000

As of June 30, 2021, CPA had non-cancelable contractual commitments to professional service providers through July 31, 2025 for services yet to be performed. Fees associated with these contracts are based on volumetric activity and are expected to be approximately $41 million.

11. OPERATING LEASE

Rental expense for CPA's office space was $125,000 and $253,000 for the years ended June 30, 2021 and 2020, respectively. CPA entered into a new eight-year lease agreement in 2020. Obligations arising from the lease agreement commence following the substantial completion of leasehold improvements which started in March 2021. 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,	
2022	$ 401,000
2023	459,000
2024	473,000
2025	487,000
2026	502,000
2027-2028	1,049,000
	$ 3,371,000

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, 2021, $1,419,000 of the bill credits were used and recorded as a revenue reduction.

14. FUTURE GASB PRONOUNCEMENTS

The requirements of the following GASB Statements are effective for future fiscal years ending after June 30, 2021:

GASB has approved GASB Statement No. 87, *Leases*, GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements;* and GASB Statement No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. When they become effective, application of these standards may restate portions of these financial statements. Management is evaluating the effect of these new pronouncements.

15. SUBSEQUENT EVENTS

California Arrearage Payment Program

On July 16, 2021, California Governor Newsom approved Assembly Bill 135 which appropriated $1 billion from the federal American Rescue Plan Act of 2021 to support the establishment of California Arrearage Payment Program (CAPP). CAPP is designed to provide financial assistance to active and inactive residential and commercial customer accounts reflecting delinquent balances incurred during the COVID-19 pandemic relief period covering March 4, 2020 through June 15, 2021.

15. SUBSEQUENT EVENTS (continued)

On November 2, 2021, California Department of Community Services and Development, which is administering CAPP, issued Program Notice 2021-06-E2 in which it determined that CPA customers would be allocated $15,835,423 to be applied against eligible past due balances. The CAPP funding allocation is expected to be provided to CPA customers no later than January 31, 2022 as required by law.

County of Los Angeles Funding Agreement

On August 5, 2021, CPA and the County of Los Angeles entered into a Funding Agreement under which the County of Los Angeles disbursed $30 million to CPA. $10 million of the funding amount is repayable by CPA to the County of Los Angeles on February 28, 2021 and the remaining $20 million plus applicable interest is due for repayment on June 30, 2022. Interest on the funding amount outstanding is accrued daily based on an annualized interest rate of .76%.

JPMorgan Chase Revolving Credit Agreement

On September 22, 2021, CPA entered into an $80 million Revolving Credit Agreement with JPMorgan Chase and terminated its $37 million Restated Credit Agreement with River City Bank. The Revolving Credit Agreement provides a revolving borrowing and letter of credit facility which can be used to post collateral and for working capital purposes. The Revolving Credit Agreement expires on October 31, 2023. Interest on loans is accrued at an annual rate of 1.9% over the applicable benchmark rate.

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA
BUDGETARY COMPARISON SCHEDULE
July 1, 2020 through June 30, 2021

	2020/21 YTD Amended Budget	2020/21 YTD Actual	2020/21 YTD Amended Budget Variance (Under) Over	2020/21 Amended Budget Variance % (Under) Over	2020/21 Annual Amended Budget	2020/21 Remaining Amended Budget	2020/21 Remaining Amended Budget %
Operating revenues							
Revenue - electricity, net	$ 808,235,431	$ 796,803,546	$ (11,431,885)	99%	$ 808,235,431	$ 11,431,885	1%
Revenue transferred from/(to) Fiscal Stabilization Fund	9,607,035	27,000,000	17,392,965	281%	9,607,035	(17,392,965)	-181%
Other revenues	566,000	300,947	(265,053)	53%	566,000	265,053	47%
Total operating revenues	818,408,466	824,104,492	5,696,026	1%	818,408,466	(5,696,026)	-1%
Energy costs							
Energy procurement	765,217,390	771,724,047	6,506,657	101%	765,217,390	(6,506,657)	-1%
Total energy costs	765,217,390	771,724,047	6,506,657	101%	765,217,390	(6,506,657)	-1%
Operating revenues less energy costs	53,191,076	52,380,445	(810,631)	98%	53,191,076	810,631	2%
Operating Expenses							
Communications and outreach	525,000	433,582	(91,418)	83%	525,000	91,418	17%
General and administrations	1,325,000	1,317,574	(7,426)	99%	1,325,000	7,426	1%
Occupancy	516,000	167,569	(348,431)	32%	516,000	348,431	68%
Billing data manager	11,881,000	11,192,248	(688,752)	94%	11,881,000	688,752	6%
SCE services	2,315,000	1,679,264	(635,736)	73%	2,315,000	635,736	27%
Technical services	2,752,000	1,155,699	(1,596,301)	42%	2,752,000	1,596,301	58%
Legal services	1,849,000	565,738	(1,283,262)	31%	1,849,000	1,283,262	69%
Other professional services	1,003,000	830,069	(172,931)	83%	1,003,000	172,931	17%
Mailers	865,000	795,505	(69,495)	92%	865,000	69,495	8%
Staffing	7,791,000	6,538,815	(1,252,185)	84%	7,791,000	1,252,185	16%
Customer programs	1,360,000	86,595	(1,273,405)	6%	1,360,000	1,273,405	94%
Total Operating Expenses	32,182,000	24,762,657	(7,419,343)	77%	32,182,000	7,419,343	23%
Operating Income	21,009,076	27,617,788	6,608,712	131%	21,009,076	(6,608,712)	-31%
Non-operating revenues (expenses)							
Interest income	250,000	227,842	(22,158)	91%	250,000	22,158	9%
Finance and interest expense	(298,000)	(134,607)	163,393	45%	(298,000)	(163,393)	55%
Depreciation	(176,000)	(67,359)	108,641	38%	(176,000)	(108,641)	62%
Total non-operating revenues (expenses)	(224,000)	25,876	249,876	-12%	(224,000)	(249,876)	112%
Change in net position	20,785,076	27,643,664	6,858,589	133%	20,785,076	(6,858,589)	-33%
Other uses							
Capital outlay	1,074,000	459,884	(614,117)	43%	1,074,000	614,117	57%
Depreciation	(176,000)	(67,359)	108,641	38%	(176,000)	(108,641)	62%
Total other uses	898,000	392,524	(505,476)	44%	898,000	505,476	56%
Change in fund balance	$ 19,887,076	$ 27,251,140	$ 7,364,064	137%	$ 19,887,076	$ (7,364,064)	-37%

Item 5
FY 2020-21 Financial Results

November 24, 2021

Summary of Financial Results

- CPA faced challenges in FY 2020-21 arising from extreme heat events in the summer of 2020, increased costs to procure electric capacity to meet regulatory requirements associated with the Resource Adequacy program, and the impacts of slowing customer payments arising from the moratorium on disconnections and late payment fees mandated by the CPUC and the Covid-19 induced economic recession.
- CPA was able to meet its financial objectives by transferring $27 million of deferred revenues accumulated in the prior year (and held in the Fiscal Stabilization Fund) to revenues in FY 2020-21 consistent with its Fiscal Stabilization Fund Policy.
- CPA's financial results also benefited from the application of CPA's $15.7 million California Arrearage Payment Program (CAPP) allocation to eligible past due balances which reduced bad debt expense by approximately $8 million

Summary of Financial Results- Cont.

- CPA increased its net position by $27.6 million or 3.4% of revenues

- CPA had no bank debt or loans as of June 30, 2021. Liquidity (cash plus unused bank lines) decreased from $92.2 million to $76.5 million during the fiscal year primarily as a result of slowing customer payments

- CPA finished the year within Budget limits for operating expense items established by the FY 2020-21 Budget as amended by the Board in May 2021. Energy costs exceeded the amended budget by $6.5 million or 0.85% due to the delivery of renewable energy that occurred sooner than budgeted. The expected annual cost of renewable energy in calendar year 2021 remains unchanged.

Balance Sheet Components, as of June 30:

ASSETS	2021	% Total	2020	% Total	% Change
Current assets					
Cash and cash equivalents	$ 58,192,268	25.7%	$ 56,158,767	30.2%	4%
Accounts receivable, net of allowance	88,223,900	39.0%	65,532,476	35.2%	35%
Accrued revenue	55,899,064	24.7%	49,192,550	26.4%	14%
Market settlements receivable	-	0.0%	147,873	0.1%	-100%
Other receivables	2,413,053	1.1%	348,545	0.2%	592%
Prepaid expenses	4,188,204	1.8%	6,345,580	3.4%	-34%
Deposits	13,326,842	5.9%	3,232,875	1.7%	312%
Restricted cash	3,614,700	1.6%	4,897,000	2.6%	-26%
Total current assets	225,858,032	99.7%	185,855,666	99.8%	22%
Noncurrent assets					
Capital assets, net of depreciation	489,912	0.2%	97,388	0.1%	403%
Deposits	88,875	0.0%	188,710	0.1%	-53%
Total noncurrent assets	578,788	0.3%	286,098	0.2%	102%
Total assets	226,436,819	100.0%	186,141,764	100.0%	22%

Balance Sheet Components, as of June 30:

	2021	% Total	2020	% Total	% Change
LIABILITIES					
Current liabilities					
Accounts payable	4,784,147	3.1%	2,303,802	2.0%	108%
Accrued cost of electricity	88,158,333	57.9%	86,772,867	77.1%	2%
Other accrued liabilities	1,799,011	1.2%	3,144,362	2.8%	-43%
User taxes and energy surcharges due to other governments	5,329,099	3.5%	4,959,748	4.4%	7%
Loans payable to County of Los Angeles	-	0.0%	9,945,750	8.8%	-100%
Supplier security deposits	43,738,400	28.7%	2,767,200	2.5%	1481%
Unearned program funds	1,597,986	1.0%		0.0%	
Total current liabilities	145,406,977	95.5%	109,893,729	97.6%	32%
Noncurrent liabilities					
Loans payable to County of Los Angeles	-		-		
Loans payable to River City Bank	-		-		
Supplier security deposits	6,724,000	4.4%	2,662,400	2.4%	153%
Deferred rent	76,543	0.1%	-	0.0%	
Total noncurrent liabilities	6,800,543	4.5%	2,662,400	2.4%	155%
Total liabilities	152,207,520	100.0%	112,556,129	100.0%	35%

Balance Sheet Components, as of June 30:

	2021	% Total	2020	% Total	% Change
DEFERRED INFLOWS OF RESOURCES					
Fiscal Stabilization Fund	-		27,000,000		-100%
NET POSITION					
Investment in capital assets	489,912	0.7%	97,388	0.2%	403%
Restricted for collateral	3,614,700	4.9%	4,897,000	10.5%	-26%
Unrestricted	70,124,687	94.5%	41,591,247	89.3%	69%
Total net position	$ 74,229,299	100.0%	$ 46,585,635	100.0%	59%

Select Financial Indicators

		06/30/2021		06/30/2020	% Change	Description
Working Capital		80,451,054		75,961,937	6%	Current Assets less Current Liabilities
Current Ratio		1.55		1.69	-8%	Current Assets divided by Current Liabilities
Days Sales Outstanding		40		31	31%	Account Receivable divided by Sales times 365 days
Equity		74,229,299		73,585,635	1%	Net Position plus Fiscal Stabilization Fund
Equity to Assets		33%		40%	-17%	Equity (Net Position + FSF) divided by Total Assets
Available Cash	$	58,192,268		56,158,767	4%	Unrestricted cash and cash equivalents
Available Line of Credit		36,853,000		36,030,000	2%	Total Line of Credit less Borrowing & Letters of Credit
Total Liquidity		95,045,268		92,188,767	3%	Sum of Available Cash and Line of Credit
Days Liquidity on Hand (TTM)	$	44	$	47	-7%	Total Liquidity divided by trailing 12 months expenses times 365 days
Gross Margin		6.4%		7.0%	-9%	Operating revenue less Energy Cost divided by Operating Revenue
Net Margin		3.4%		4.1%	-18%	Change in net position divided by Operating Revenue

- CPA increased leverage (equity to assets) and decreased liquidity (days liquidity on hand) as a result of the increase in assets and increase in accounts receivable.

- Both gross and net margins fell due to the extreme heat events in summer 2020, decline in CRR revenues, and increase in resource adequacy costs, offset by $27 million transferred from the Fiscal Stabilization Fund. Days Sales Outstanding (a measure of accounts receivable aging) increased year over year due and increase in accounts receivable which reflected the moratorium of disconnections and the impact of the COVID-19 driven recession

Budget to Actual Analysis

	A	B	C	D	E	F
		2020/21 YTD Amended Budget	2020/21 Budget	2020/21 YTD Actual	2020/21 Base Budget Variance (Under) Over	2020/21 Base Budget Variance % (Under) Over
	Operating revenues					
1	Revenue - electricity, net	$ 808,235,431	745,942,000	$ 796,803,546	$ 50,861,546	7%
2	Revenue transferred from/(to) Fiscal Stabilization Fund	9,607,035	-	27,000,000	27,000,000	
3	Other revenues	566,000	566,000	300,947	(265,053)	-47%
4	Total operating revenues	818,408,466	746,508,000	824,104,492	77,596,492	10%

- Revenue electricity, net was 7% above the Base Budget, but 2% under the amended Budget. Electricity revenue was higher than the Base Budget due to higher temperatures and electricity use in the summer offset by COVID-19 Bill Assistance provided by CPA to its customers totaling $1.4 million
- CPA transferred $27 million from the Fiscal Stabilization Fund to revenue to offset the increasing energy and resource adequacy costs and address slowing customer payments
- Other revenues arise primarily from funding received through the California Public Utilities Commission (CPUC) to offset Power Share Program costs

Budget to Actual Analysis

	A	B	C	D	E	F
		2020/21 YTD Amended Budget	2020/21 Budget	2020/21 YTD Actual	2020/21 Base Budget Variance (Under) Over	2020/21 Base Budget Variance % (Under) Over
	Energy costs					
5	Energy procurement	765,217,390	683,946,000	771,724,047	87,778,047	13%
	Total energy costs	765,217,390	683,946,000	771,724,047	87,778,047	101%
6	**Operating revenues less energy costs**	53,191,076	62,562,000	52,380,445	(10,181,555)	-16%

- Energy procurement costs were $6.5 million or 0.85% above the Amended Budget and 13% over the base budget. Higher energy costs reflect extreme heat events in the summer of 2020 which required CPA to serve load at high spot market prices, higher resource adequacy costs, lower than budgeted Congestion Revenue Rights (CRR) revenue, and the delivery of renewable energy that occurred sooner than budgeted.

- Operating revenue less energy costs (gross margin) was $810K and $10.2 million below the Amended and Base Budgets respectively.

Budget to Actual Analysis

	A	B	C	D	E	F
		2020/21 YTD Amended Budget	2020/21 Budget	2020/21 YTD Actual	2020/21 Base Budget Variance (Under) Over	2020/21 Base Budget Variance % (Under) Over
	Operating Expenses					
7	Communications and outreach	525,000	525,000	433,582	(91,418)	-17%
8	General and administrations	1,325,000	1,325,000	1,317,574	(7,426)	-1%
9	Occupancy	516,000	516,000	167,569	(348,431)	-68%
10	Billing data manager	11,881,000	11,881,000	11,192,248	(688,752)	-6%
11	SCE services	2,315,000	2,315,000	1,679,264	(635,736)	-27%
12	Technical services	2,752,000	2,752,000	1,155,699	(1,596,301)	-58%
13	Legal services	1,849,000	1,849,000	565,738	(1,283,262)	-69%
14	Other professional services	1,003,000	1,003,000	830,069	(172,931)	-17%
15	Mailers	865,000	865,000	795,505	(69,495)	-8%
16	Staffing	7,791,000	7,791,000	6,538,815	(1,252,185)	-16%
17	Customer programs	1,360,000	1,360,000	86,595	(1,273,405)	-94%
18	Total Operating Expenses	32,182,000	32,182,000	24,762,657	(7,419,343)	-23%
19	**Operating Income**	21,009,076	30,380,000	27,617,788	(2,762,212)	-9%

- CPA was under budget in all Operating Expense categories. Overall, CPA was 23% under the Base Budget due primarily to non utilization of contingencies, conservative use of funds, delays occupying the new office due to surge in COVID-19 in US, and slower than budgeted distribution of local program incentives.

- Staffing was 16% under the Base Budget as a result of a competitive job market during the pandemic and unexpected staff departures for various reasons during FY2020/21. CPA increased staffing from 29 to 39 full time employees during the fiscal year versus 43 full time positions that were budgeted

- Operating income was $2.7 million or 9% below the Base Budget and exceeded the Amended Budget by $6.6 million

Budget to Actual Analysis

	A	B	C	D	E	F
		2020/21 YTD Amended Budget	2020/21 Budget	2020/21 YTD Actual	2020/21 Base Budget Variance (Under) Over	2020/21 Base Budget Variance % (Under) Over
	Non-operating revenues (expenses)					
20	Interest income	250,000	250,000	227,842	(22,158)	-9%
21	Finance and interest expense	(298,000)	(298,000)	(134,607)	163,393	-55%
22	Depreciation	(176,000)	(176,000)	(67,359)	108,641	-62%
23	Total non-operating revenues (expenses)	(224,000)	(224,000)	25,876	249,876	-112%
24	**Change in net position**	20,785,076	30,156,000	27,643,664	(2,512,335)	-8%
	Other uses					
25	Capital outlay	1,074,000	1,074,000	459,884	(614,117)	-57%
26	Depreciation	(176,000)	176,000	(67,359)	(243,359)	-138%
27	Total other uses	898,000	1,250,000	392,524	(857,476)	-69%
28	**Change in fund balance**	$ 19,887,076	28,906,000	$ 27,251,140	$ (1,654,860)	-6%

- Interest income was lower than budgeted due to a decrease in cash balances and falling interest rates
- Capital expenditures were lower than budgeted, resulting from lower than budgeted spending on leasehold improvements
- The change in net position represents 3.4% of Operating revenues which was 92% under the Base Budget.

Thank You! Questions?

CPA CLEAN POWER ALLIANCE

Staff Report – Agenda Item 6

To:	Clean Power Alliance (CPA) Finance Committee
From:	David McNeil, Chief Financial Officer
Subject:	Report from the Chief Financial Officer
Date:	November 24, 2021

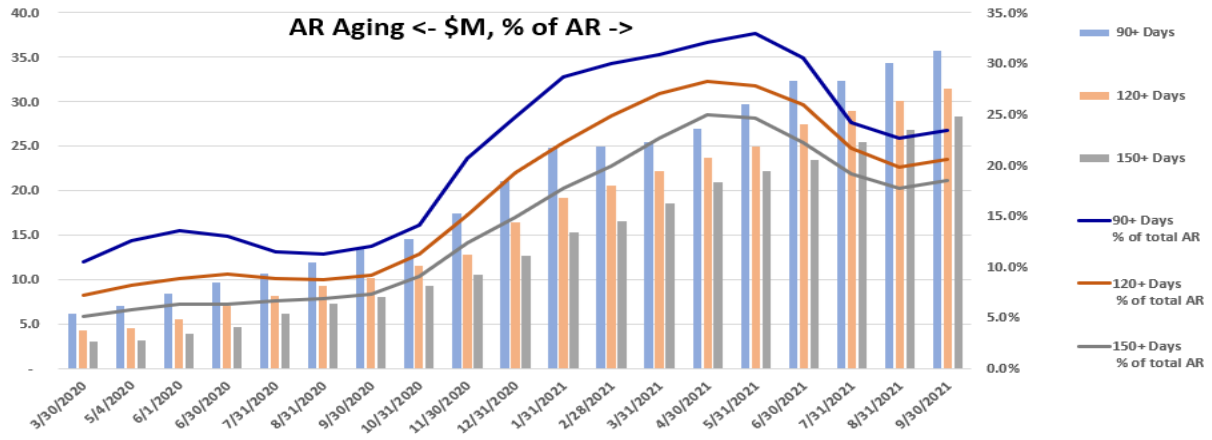
The Chief Financial Officer will provide a report on the following items:

- First Quarter Financial Performance for the Three Months Ending September 30, 2021

ATTACHMENTS

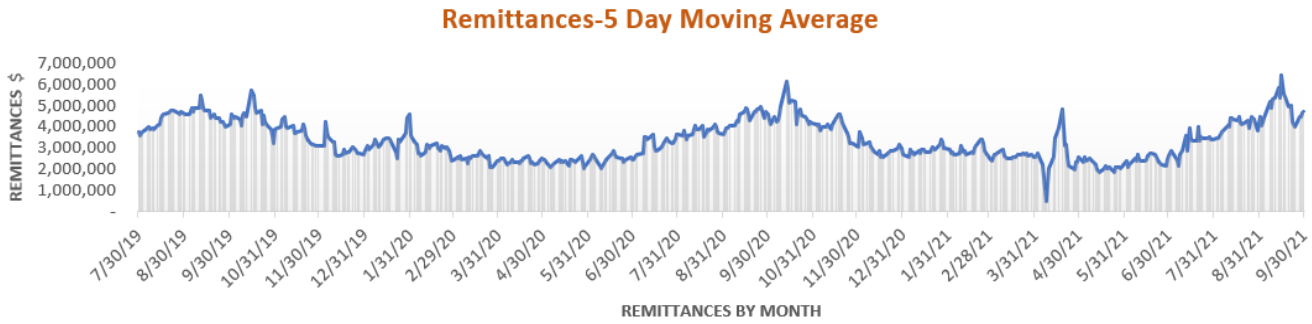
1. October 31, 2021 Customer Payment Dashboard
2. FY 2021/22 Q1 Financial Performance Presentation

Clean Power Alliance
Customer Payment Dashboard
Updated: 9/30/2021



AR Aging Commerical/Residential Split
9/30/2021

	90+ Days		120+ Days		150+ Days		Total Category AR	90+ Days - % of Category AR	Increase in 90+ Day since SIP	
Residential	$ 25,628,000	72%	$ 23,052,000	73%	$ 20,906,000	74%	$ 73,445,000	34.9%	$ 21,881,000	73%
Commercial	$ 10,087,000	28%	$ 8,413,000	27%	$ 7,391,000	26%	$ 79,330,000	12.7%	$ 8,246,000	27%
Total	$ 35,715,000	100%	$ 31,465,000	100%	$ 28,297,000	100%	$ 152,775,000		$ 30,127,000	



Item 6
FY 2021/22 Q1 Financial Results for the period ending September 30, 2021

November 24, 2021

Summary of Financial Results

- CPA recorded a $9.2 million gain in the first quarter, $41.5 million above a budgeted net loss for the first quarter of $32.5 million. Financial results were favorably impacted energy costs that were 14% of below budget.

- Lower energy costs arose from lower than budgeted load, from CAISO spot market prices that were significantly lower than energy forward prices that were used for budgeting purposes and the absence of significant heat events or price spikes in CPA's service area. Average on-peak forward prices at the SP-15 trading hub averaged $100MWh for July to September 2021, 38% higher than the comparable Day Ahead prices ($72MWh) for the same period. Operating costs were lower than budget due to lower than budgeted customer programs costs and the non utilization of contingencies.

	September				Year- to- Date			
in $000,000's	Actual	Budget	Var	%	Actual	Budget	Var	%
Energy Revenues	$94.1	95.9	-1.8	-2%	297.8	303.5	-5.7	-2%
Cost of Energy	$87.4	99.3	-11.8	-12%	281.7	327.2	-45.5	-14%
Net Energy Revenue	$6.6	-3.3	10.0	300%	16.1	-23.7	39.8	168%
Operating Expenditures	$2.4	3.0	-0.6	-19%	6.8	8.6	-1.7	-20%
Net Income	$4.2	-6.3	10.5	166%	9.2	-32.3	41.5	129%

Summary of Financial Results Continued…

- Year over year financial results for the first quarter also improved as a result of moderate temperatures in Q1'21 as compared to extreme heat events in the Q1'20 and a rate increase that went into effect on July 1, 2021.

Comparison of Q1 2021 and Adjusted Q1 2020 Financial Results				
	Q1 2020 (1)	Q1 2021	Diff $	Diff %
Revenue	276,702,000	297,792,295	21,090,295	8%
Cost of Energy	272,416,000	281,724,860	9,308,860	3%
Gross Margin	4,286,000	16,067,435	11,781,435	275%
Operating Costs	6,124,000	6,850,050	726,050	12%
Non Operating Revenues (Expenses)	69,000	(105,501)	(174,501)	
Net Income	(1,907,000)	9,111,884	11,018,884	

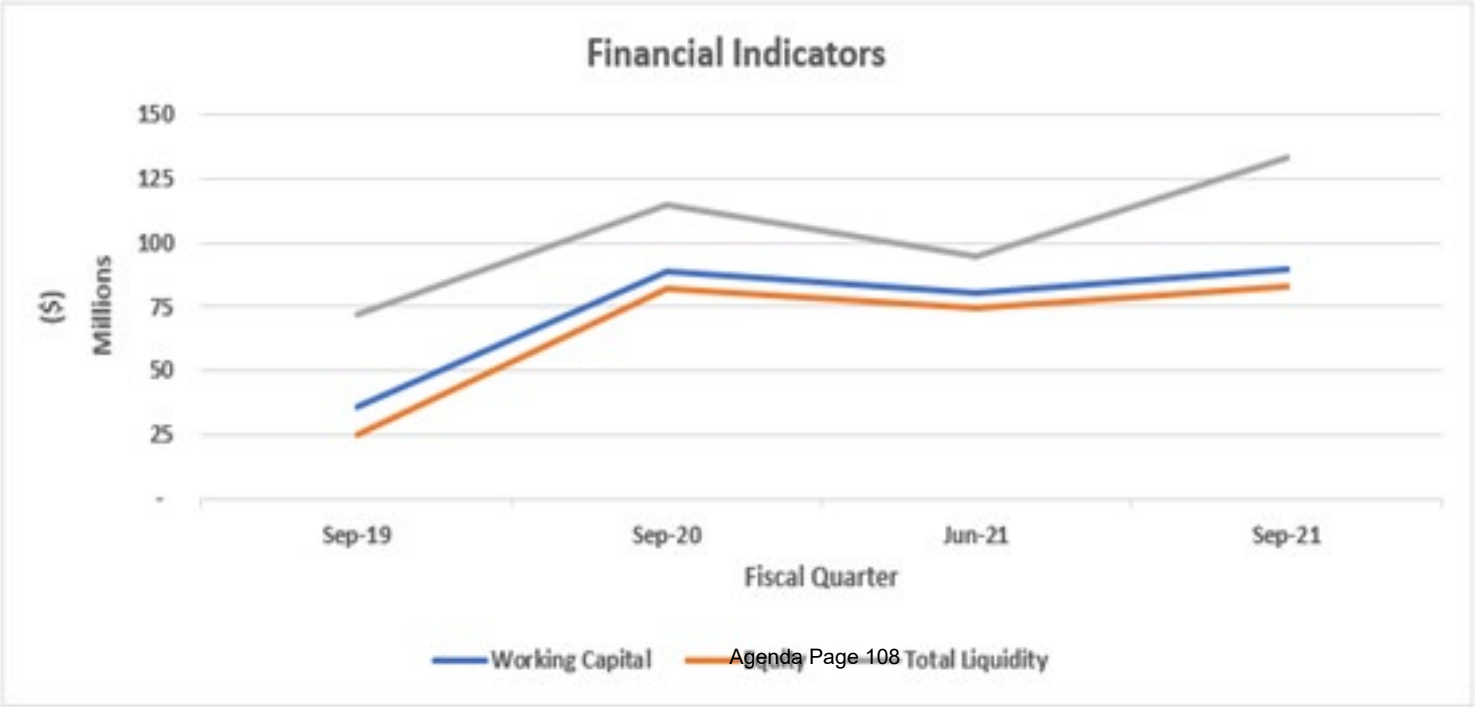
(1) Financial Results for Q1 2020 are adjusted for illustrative purposes to reverse transfers from the Fiscal Stabilization Fund ($4.4m) and add back CAISO charges for the period received after September 2020 month end close ($10.7m)

Liquidity and Key Financial Indicators

- In August 2021 CPA received proceeds of a $30 million term loan from the County of Los Angeles. In September 2021 CPA opened an $80 million line of credit with JPMorgan Chase expiring in November 2023 which replaced CPA's $37 million borrowing facility with River City Bank.

- As of September 30, 2021 CPA had $53 million in unrestricted cash and cash equivalents, and $80 million available on its bank line of credit. CPA's days liquidity on hand reached 60 days, the highest level in CPA's history and key financial indicators returned to an upward trend in Q1'21.

- CPA is in compliance with its bank and other credit covenants and is well positioned to complete the current fiscal year within or ahead of budget



Thank You! Questions?

CPA CLEAN POWER ALLIANCE