CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

Basic Financial Statements with Independent Auditor's Report

For the Fiscal Years Ended June 30, 2021 and 2020

TABLE OF CONTENTS

bakertilly

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

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.