



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

Wednesday, May 25, 2022

11:00 a.m.

SPECIAL NOTICE: 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.

[Click here to view a Live Stream of the Meeting on YouTube](#)

If the YouTube stream is not working, please use the zoom link.

*There may be a streaming delay of up to 60 seconds. This is a view-only live stream.

To Listen to the Meeting:

<https://us06web.zoom.us/j/87015901096>

or

Dial: (720) 707-2699 Meeting ID: 870 1590 1096

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 at 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) and agenda item 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 preferred, you may also submit written comments during the meeting via email to: clerk@cleanpoweralliance.org. The written comments will be shared with the Committee.

*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."

Clean Power Alliance Finance Committee
May 25, 2022

Meetings are accessible to persons 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 least two (2) working days before the meeting 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 Board 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. Members of the public who wish to address the Board are requested to contact the Board Clerk, as specified above, at the beginning of the meeting but no later than immediately prior to the time an agenda item is called. Each speaker is 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 [Policy No. 8 – Public Comment](#) for additional information.*

CALL TO ORDER & ROLL CALL

GENERAL PUBLIC COMMENT

CONSENT AGENDA

1. Approve Minutes from the April 27, 2022 Finance Committee Meeting
2. Receive and File April 2022 Risk Management Team Report
3. Receive and File April 2022 CPA Investment Report
4. Receive and File Fiscal Year Q3 Financial Report
5. Approve Continuation of Baker Tilly as the Independent Financial Auditor for CPA's Fiscal Year 2021/2022 Financial Statements and Required Single Audit of California Arrearage Payment Program (CAPP) Funds

REGULAR AGENDA

6. Report from the Chief Financial Officer
7. Recommend Approval of Proposed Fiscal Year 2022/2023 Budget to the Board of Directors

COMMITTEE MEMBER COMMENTS

ADJOURN – NEXT MEETING JUNE 22, 2022

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

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

Wednesday, April 27, 2022, 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 conducted this meeting remotely.

CALL TO ORDER & ROLL CALL

Committee Chair Julian Gold called the meeting to order at 11:00 a.m. and, Raynette Tom, Board Clerk, conducted roll call.

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

All votes are unanimous unless otherwise stated.

GENERAL PUBLIC COMMENT

There was no public comment.

CONSENT AGENDA

1. Approve Minutes from the March 23, 2022 Finance Committee Meeting
2. Receive and File March 2022 Risk Management Team Report
3. Receive and File March 2022 CPA Investment Report
4. Receive and File February 2022 Financial Dashboard

Motion: Committee Member Zuckerman, Rolling Hills Estates

Second: Committee Member O'Connor, Santa Monica

Vote: The consent agenda was approved by a roll call vote.

REGULAR AGENDA

5. Report from the Chief Financial Officer
David McNeil, Chief Financial Officer, provided an oral update on CPA's treasury operations and financial performance. Mr. McNeil noted that CPA holds about \$85 million of unrestricted cash as of the end of the third quarter and will receive about \$1 million of additional CAPP funding that will be applied to inactive residential accounts. Mr. McNeil added that CPA has an \$80 million line of credit with only a \$147,000 letter of credit drawn. CPA repaid \$10 million towards the \$30 million L.A. County loan in February. A \$20 million final payment is due in June 2022. Mr. McNeil specified that a more complete review of the quarterly performance will be provided in the following month, but noted CPA recorded a loss in February due to an over-accrual of revenue in January.

In response to Committee Member Zuckerman, Mr. McNeil clarified that the total over-accrual was \$7.2 million, with \$1.2 million attributed to restatement of energy usage by customers in January and the other \$6 million due to a miscalculation of the January revenue. Chair Gold asked about the status of accounts receivables (AR) aging and anticipated customer behavior. Mr. McNeil indicated that another \$1.2 million of CAPP funds will be applied to some of the older AR, but the resumption of disconnections that will begin in May/June 2022 will provide better indication of how much of the AR is paid back and how much will need to be written off. Chair Gold requested a future discussion on AR to better understand how CPA will move forward. At the request of Committee Member Kulcsar, Ted Bardacke, CEO, provided an update on the underbilled accounts, stating that all catch-up bills have been distributed and six opt-outs were received. Mr. Bardacke added that staff will start tracking any customer financial problems with these bills once their due date passes.

6. Review Fiscal Year 2022/2023 Budget Priorities and Draft Operating Expenses

Mr. McNeil provided a presentation on the FY 2022/23 budget priorities and draft operating expenses budget. Mr. McNeil outlined 2022/2023 operational priorities, including achieving financial targets, talent acquisition and staff retention, and establishment of processes. Consistent with operational priorities, Mr. McNeil discussed increases in staffing costs, key staffing priorities, customer programs, communications, and G&A.

Regarding operational priorities, Chair Gold opined that CPA, as the largest provider of green energy in the country, should endeavor to have an impact beyond the state level. In response to Committee Member Kulcsar's question regarding staffing costs, Mr. McNeil clarified that the budget reflects an annualized cost, but staffing all vacant and new positions by July 1 is unlikely. The budget reflects both costs for new hires and current staff. Mr. Bardacke addressed Committee Member Zuckerman's question regarding expansion, noting that CPA's plans for customer acquisition involves member agency expansion as well as enrolling current customers in new programs such as Power Share and Power Response. Mr. Bardacke clarified that CPA plans to hire a director of customer care and a senior director of data and systems to improve customer experience and to reexamine the role of the data manager when the opportunity arises. Chair Gold commented that it would be important for the Board to have a clear understanding of the correlation between the increase in staff salaries and the consultants' budgets; Mr. McNeil noted that the data can be shared with the Finance Committee at its next meeting. Chair Gold inquired about future staff growth; Mr. Bardacke explained that staffing needs for FY 2022/2023 are finalized but acknowledged that growth in customer programs will be the biggest new driver of staffing needs; evolving regulatory and market developments could also be a driver of future staff needs. Chair Gold opined that a staffing budget should reflect a not-to-exceed amount so that the CEO may determine staffing levels as needed throughout the fiscal year. At the request of Committee Member Zuckerman, Mr. Bardacke clarified that the Building Electrification Codes Incentives program is in development and involves covering member agency costs of adjusting 'reach codes' that require electrification in building or transportation. Model codes may also be explored in collaboration with Southern California Edison (SCE). Committee Member Kulcsar requested additional information about FY 2022/23 rates.

COMMITTEE MEMBER COMMENTS

None.

ADJOURN

Committee Chair Gold adjourned the meeting at 11:52 a.m.



Staff Report – Agenda Item 2

To: Clean Power Alliance (CPA) Finance Committee
From: Geoff Ihle, Director of Market Risk
Approved by: Ted Bardacke, Chief Executive Officer
Subject: April 2022 Risk Management Team Report
Date: May 25, 2022

April 2022 RMT REPORT

Key Actions

- Discussed March 2022 market performance.
- Reviewed energy positions and approved 2022-2025 hedges.
- Reviewed positions for RPS, carbon free, and Resource Adequacy.

Policy Compliance

There were no policy deviations reported for March 2022.

ATTACHMENT

None.



Staff Report – Agenda Item 3

To: Clean Power Alliance (CPA) Finance Committee
From: David McNeil, Chief Financial Officer
Approved by: Ted Bardacke, Chief Executive Officer
Subject: CPA Investment Report
Date: May 25, 2022

RECOMMENDATION

Receive and File.

ATTACHMENT

1. April 2022 Investment Report

**Clean Power Alliance
Investment Report
April 2022**

Fund Name: Local Agency Investment Fund

Beginning Balance	15,697
Interest Paid (1)	12
Deposits	
Withdrawals	-
Ending Balance	15,709
Interest Earned (2)	7
Average Monthly Effective Yield	0.523%

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, Chief Executive Officer
Subject: Third Quarter Financial Report
Date: May 25, 2022

RECOMMENDATION

Receive and file.

ATTACHMENTS

1. March 2022 Financial Dashboard
2. March 2022 Financial Report

Financial Dashboard

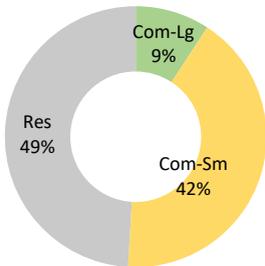
YTD
Mar
2022

Active Accounts
998,795

Participation Rate
95.60%

YTD Sales Volume
8,684 GWh

Mar Sales Volume
870 GWh



Summary of Financial Results

in \$000,000's	March				Year-to-Date			
	Actual	Budget	Var	%	Actual	Budget	Var	%
Energy Revenues	59.3	63.1	-3.8	-6%	656.9	686.5	-29.6	-4%
Cost of Energy	47.5	53.3	-5.8	-11%	604.9	683.1	-78.3	-11%
Net Energy Revenue	11.8	9.8	2.0	21%	52.0	3.4	48.6	
Operating Expenses	2.4	2.8	-0.4	-15%	20.6	24.4	-3.8	-16%
Net Operating Income	9.4	7.0	2.4	35%	31.4	-21.0	52.4	

Note: Numbers may not sum up due to rounding.

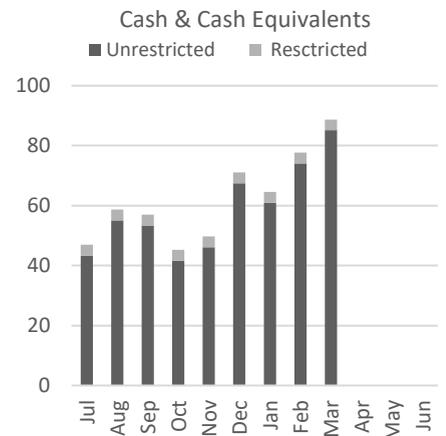
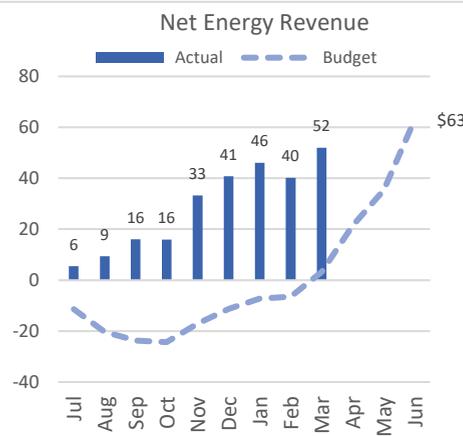
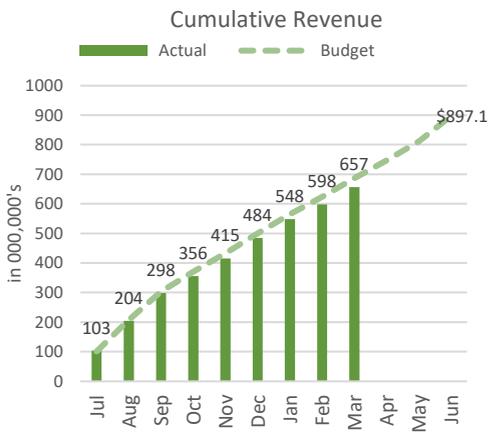
CPA recorded operating income of \$9.4 million in Mar 2022 which was \$2.4 more than budgeted operating income of \$7 million. For the year to date, CPA recorded operating income of \$31.4 million, \$52.4 million more than the budgeted year-to-date operating loss of \$21 million.

Year to date results were impacted by the following factors:

- Revenue was \$656.9 million, \$29.6 million or 4% lower than budget due to cooler than normal temperatures in CPA's service area in the summer of 2021 which resulted in lower electricity use by CPA customers.
- Cost of energy was \$604.9 million, \$78.3 million or 11% lower than budget primarily as a result of lower energy use and wholesale energy prices and costs than budgeted, higher CRR sales in the November 2021 annual auction than budgeted, and higher bilateral sales of energy than budgeted.
- Operating costs were lower than the budgeted operating costs primarily because of lower staffing costs resulting from delayed hiring and staff turnover, the performance of services later in the year than budgeted, and the non-utilization of contingencies.

As of March 31, 2022, CPA had \$85 million in unrestricted cash and cash equivalents, and \$79.853 million available on its bank line of credit. CPA has a \$20 million loan outstanding due for repayment in June 2022.

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



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

Net operating income, also known as earnings before interest, depreciation and amortization (EBIDA), represents the difference between revenues and expenditures before depreciation expense, interest income and expense, 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
July 1 through March 31

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 85,085,627	\$ 56,883,382
Accounts receivable, net of allowance	94,222,512	65,342,208
Accrued revenue	35,819,365	30,654,440
Other receivables	2,835,722	3,090,307
Prepaid expenses	2,111,968	1,350,724
Deposits	11,064,754	7,386,767
Restricted cash	3,600,000	4,826,700
Total current assets	234,739,948	169,534,528
Noncurrent assets		
Capital assets, net of depreciation	645,437	497,610
Intangibles - Office Lease, net of amortization	2,680,378	-
Deposits	88,875	188,875
Total noncurrent assets	3,414,691	686,486
Total assets	238,154,639	170,221,013
LIABILITIES		
Current liabilities		
Accounts payable	4,975,049	1,984,596
Accrued cost of electricity	82,199,576	77,964,100
Other accrued liabilities	2,983,879	1,415,130
User taxes and energy surcharges due to other governments	5,996,396	5,983,145
Loans payable to County of Los Angeles	20,000,000	-
Supplier security deposits	1,087,150	8,024,000
Unearned program funds	3,028,735	1,146,733
Lease liability, current	295,759	-
Counterparty Collateral Deposit	2,750,000	-
Total current liabilities	123,316,544	96,517,704
Noncurrent liabilities		
Loans payable to River City Bank	-	-
Supplier security deposits	6,904,000	6,724,000
Deferred rent	-	1,667
Lease liability, noncurrent	2,757,643	-
Total noncurrent liabilities	9,661,643	6,725,667
Total liabilities	132,978,188	103,243,371
DEFERRED INFLOWS OF RESOURCES		
Fiscal Stabilization Fund	-	17,392,965
NET POSITION		
Investment in capital assets	645,437	497,610
Restricted for collateral	3,600,000	4,826,700
Unrestricted	100,931,014	44,260,367
Total net position	\$ 105,176,451	\$ 49,584,677

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
July 1 through March 31

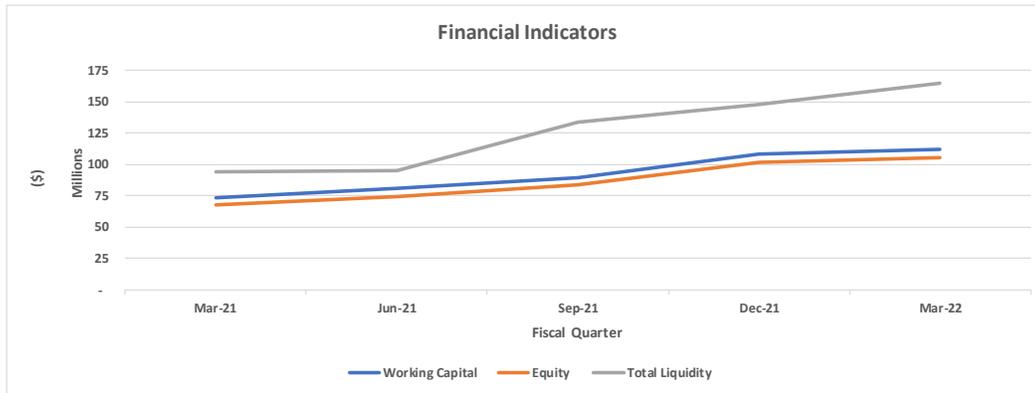
	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
Electricity sales, net	\$ 656,153,817	\$ 607,619,632
Revenue transferred from/(to) Fiscal Stabilization Fund	-	9,607,035
Other revenue	718,014	119,479
Total operating revenues	<u>656,871,831</u>	<u>617,346,146</u>
OPERATING EXPENSES		
Cost of electricity	604,861,713	596,103,440
Contract services	13,068,850	12,468,958
Staff compensation	6,245,107	4,755,947
General and administration	1,278,669	1,114,991
Total operating expenses	<u>625,454,339</u>	<u>614,443,336</u>
Operating income (loss)	31,417,492	2,902,810
NONOPERATING REVENUES (EXPENSES)		
Interest income	35,091	207,605
Interest and related expenses	<u>(483,917)</u>	<u>(111,373)</u>
Total nonoperating revenues (expenses)	<u>(448,825)</u>	<u>96,232</u>
CHANGE IN NET POSITION	30,968,667	2,999,042
Net position at beginning of period	<u>74,229,299</u>	<u>46,585,635</u>
Net position at end of period	<u>\$ 105,197,966</u>	<u>\$ 49,584,677</u>

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA
BUDGETARY COMPARISON SCHEDULE
July 1 through March 31

	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	\$ 685,064,098	\$ 656,153,817	\$ (28,910,280)	96%	\$ 895,246,680	\$ 239,092,863	27%
Revenue transferred from/(to) Fiscal Stabilization F	-	-	-		-	-	
Other revenues	1,398,000	718,014	(679,986)	51%	1,868,000	1,149,986	62%
Total operating revenues	686,462,098	656,871,832	(29,590,266)	96%	897,114,680	240,242,848	27%
Energy costs							
Energy procurement	683,145,002	604,861,713	(78,283,289)	89%	834,281,512	229,419,798	27%
Total energy costs	683,145,002	604,861,713	(78,283,289)	89%	834,281,512	229,419,798	27%
Operating revenues less energy costs	3,317,096	52,010,118	48,693,023	1568%	62,833,168	10,823,050	17%
Operating Expenditures							
Staffing	7,419,600	6,245,107	(1,174,493)	84%	9,893,000	3,647,893	37%
Technical services	955,500	870,858	(84,642)	91%	1,184,000	313,142	26%
Legal services	922,600	372,131	(550,469)	40%	1,237,000	864,869	70%
Other professional services	1,395,700	683,306	(712,394)	49%	1,612,000	928,694	58%
Communications and outreach	1,143,699	822,941	(320,758)	72%	1,505,000	682,059	45%
Mailers	622,000	460,789	(161,211)	74%	797,000	336,211	42%
Billing data manager	7,812,700	7,672,396	(140,304)	98%	10,417,000	2,744,604	26%
SCE services	1,512,000	1,485,798	(26,202)	98%	2,016,000	530,202	26%
Customer programs	1,055,000	700,630	(354,370)	66%	1,872,000	1,171,370	63%
General and administrations	1,170,970	880,683	(290,287)	75%	1,584,000	703,317	44%
Occupancy	410,975	5,816	(405,159)	1%	548,000	542,184	99%
Total operating expenditures	24,420,744	20,200,455	(4,220,289)	83%	32,665,000	12,464,545	38%
Operating income	(21,103,648)	31,809,663	52,913,311	-151%	30,168,168	(1,641,495)	-5%
Non-operating revenues (expenditures)							
Interest income	108,000	35,091	(72,909)	32%	144,000	108,909	76%
Finance and interest expense	(255,989)	(483,917)	(227,928)	189%	(287,000)	196,917	-69%
Depreciation	(117,000)	(104,990)	12,010	90%	(156,000)	(51,010)	33%
Amortization	-	(287,181)	(287,181)		-	287,181	
Total non-operating revenues (expenditures)	(264,989)	(840,996)	(576,007)	317%	(299,000)	541,996	
Change in net position	(21,368,637)	30,968,667	52,337,304		29,869,168	(1,099,499)	-4%
Other uses							
Capital outlay	264,000	260,514	(3,486)	99%	297,000	36,486	12%
Depreciation	(117,000)	(104,990)	12,010	90%	(156,000)	(51,010)	33%
Total other uses	147,000	155,525	8,525	106%	141,000	(14,525)	-10%
Change in fund balance	\$ (21,515,637)	\$ 30,813,142	\$ 52,328,780	-143%	\$ 29,728,168	\$ (1,084,974)	

Select Financial Indicators

Note		Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
1	Working Capital	73,552,500	80,451,054	89,731,305	107,892,204	111,423,404
2	Current Ratio	1.76	1.55	1.50	1.80	1.90
3	Days Sales Outstanding	29	40	40	39	39
4	Equity	67,513,318	74,229,299	83,341,183	101,176,027	105,176,451
5	Equity to Assets %	40%	32.78%	31%	42%	44%
6	Available Cash	56,883,382	58,192,268	53,357,388	67,450,194	85,085,627
7	Available Line of Credit	36,853,000	36,853,000	80,000,000	79,853,000	79,853,000
8	Total Liquidity	93,736,382	95,045,268	133,357,388	147,303,194	164,938,627
9	Days Liquidity on Hand (TTM)	45	44	60	67	75
10	Gross Margin	4%	6.4%	5.4%	8.4%	7.9%
11	Net Margin	-4%	3.4%	3.1%	5.6%	4.7%
Percentage Change from Prior Quarter						
	Working Capital	-7%	9%	12%	20%	3%
	Current Ratio	0%	-12%	-4%	20%	6%
	Days Sales Outstanding	9%	37%	0%	-4%	1%
	Equity	-8%	10%	12%	21%	4%
	Equity to Assets %	0%	-17%	-6%	35%	6%
	Available Cash	-10%	2%	-8%	26%	26%
	Available Line of Credit	0%	0%	117%	0%	0%
	Total Liquidity	-6%	1%	40%	10%	12%
	Days Liquidity on Hand (TTM)	-9%	-3%	37%	12%	11%



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: Hui Lisano, Controller

Approved by: Ted Bardacke, Chief Executive Officer

Subject: Approve Continuation of Baker Tilly as the Independent Financial Auditor for CPA's FY 2021/22 Financial Statements and CPA's Required Single Audit of CAPP Funds

Date: May 25, 2022

RECOMMENDATION

Select Baker Tilly as the Independent Financial Auditor for:

- a) CPA's FY 2021/22 financial statements.
- b) CPA's required Single Audit of California Arrearage Payment Program (CAPP) funds.

BACKGROUND/DISCUSSION

Pursuant to its Joint Powers Agreement, CPA is required to complete an audit of its annual financial statements by an independent auditor. CPA's Bylaws authorize the Finance Committee to:

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

In the spring of 2019 CPA staff undertook a competitive process that included a request for proposals to provide audit services. Baker Tilly was selected by the Finance

Committee to audit CPA's FY 2018/19 financial statements and was subsequently selected by the Finance Committee again to audit the 2019/20 and 2020/21 financial statements.

Staff recommends the selection of Baker Tilly's engagement as an auditor for the following reasons:

- While there is no requirement for government entities to change audit firms, Assembly Bill 1345 requires local governments to rotate the lead audit partner after six consecutive fiscal years. CPA is not a local government but recognizes this as a pertinent guideline. Baker Tilly has three more years, inclusive of the proposed FY 2021/22 engagement before it reaches the six-year threshold
https://www.sco.ca.gov/aud_auditor_rotation_requirements.html
- The Government Finance Officers Association (GFOA) recommends governmental entities enter into multiyear agreements with independent auditors of at least five years in duration. Such agreements allow continuity, help to minimize the potential for disruptions in connection with the independent audit, and help to reduce audit startup costs as compared with single-year contracts.
<https://www.gfoa.org/materials/audit-procurement>
- Baker Tilly has a nationwide practice auditing electric utilities and has deep electric utility industry expertise.
- Baker Tilly has performed CPA's independent financial audit for the last three years, is familiar with CPA's books, and has deep institutional knowledge about CPA.
- Baker Tilly has CCA experience beyond CPA, having also served as the auditor of Moody's rated Marin Clean Energy.
- Baker Tilly has extensive knowledge of California energy markets. It currently performs audit services for Sacramento Municipal Utilities District, Northern California Power Agency, and Modesto Irrigation District.

Staff plans to conduct a competitive solicitation for its Independent Financial Auditor in Spring 2025 following the FY 2023/24 audit. By that time Baker Tilly will have performed the previous six financial audits for CPA consistent with industry best practices.

In 2020 Baker Tilly disclosed to the Finance Committee that they have a small-scope attestation engagement with Southern California Edison (SCE). Baker Tilly describes the SCE engagement as an examination, similar to an audit, to review decommissioning costs at one energy-generating facility to ensure the co-owners are billed appropriately for their correct share of the costs. This engagement with SCE is for 3 years. To maintain its independence, Baker Tilly has segregated and will continue segregating staff working on SCE and CPA engagements. These engagements have undergone internal company review to ensure that independence is maintained.

Due to the receipt of California Arrearage Payment Program (CAPP) funds, CPA is subject to a “Single Audit” in 2022. A single audit is required for any entity that expends \$750,000 or more in federal funds. CAPP is funded by the federal government and the State of California considers the utilities that received the funds as sub-recipients.

FISCAL IMPACT

The estimated cost of the Baker Tilly audit engagement is \$30,000 and the single audit will range between \$10,000 and \$15,000. These costs are included in the FY 2022/23 Budget that will be presented to the Board for approval on June 2, 2022.

ATTACHMENT

None.



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: May 25, 2022

The Chief Financial Officer will provide a verbal update on FY 2022/23 Q3 financial performance, bad debt expense and accounts receivable aging, California Arrearage Payment Program (CAPP), and the California Public Utilities Commission's (CPUC) Financial Security Requirement.



Staff Report – Agenda Item 7

To: Clean Power Alliance (CPA) Finance Committee

From: David McNeil, Chief Financial Officer
Antony Sugiarto, Financial Planning and Analysis Manager

Approved By: Ted Bardacke, Chief Executive Officer

Subject: Proposed FY 2022/2023 Budget

Date: May 25, 2022

RECOMMENDATION

Recommend approval of proposed FY 2022/23 budget to the Board of Directors at its June 2, 2022 meeting.

BACKGROUND

Each year CPA develops an annual budget to govern the receipt of revenues, the incurrence of expenses, and capital expenditures during the upcoming fiscal year. The Proposed Fiscal Year 2022/23 Budget is provided in Attachment 1.

The Proposed FY 2022/23 Budget revenues incorporate the option 3A rate setting approach approved by the Board at its May 11, 2022 Board meeting.

As part of the budget approval, staff plan to seek authorization from the Board to move funds budgeted under General and Administrative expenses to Interest Expense, if necessary, in order to incur expenses associated with the posting of CPA's Financial Security Requirement (FSR). Whether these expenses remain under GA or Interest depends on the financial instrument CPA uses to post the FSR and will enhance flexibility to make the FSR posting without having to request an amendment to the budget.

DISCUSSION

The Draft Budget reflects the following operational and budget priorities presented to the Board on May 11, 2022 including:

1. Achieve financial targets, including IG Credit Rating
2. Investing in customer programs and communications
3. Augmenting staff resources
4. Building energy/data/risk management staff, software, and systems to improve efficiency and accuracy while reducing energy costs over the long term

Proposed FY 2022/23 Operating Expenses were reviewed and discussed by the Finance Committee at its April meeting. Budget priorities have also been presented to the Executive Committee, Finance Committee, Community Advisory Committee and Board of Directors in April and May. A Draft FY 2022/23 was presented to the Executive Committee on May 18, 2022.

The Proposed Budget sets forth changes to the following budget line items:

Revenue – electricity net (+\$215,534,000; 24% increase): Budgeted electricity revenues are based on estimates of customer electricity usage and retail electricity rates. Budgeted revenues include the rate approach approved by the Board on May 11, 2022. Budgeted revenues include an allowance for doubtful accounts equal to 1.2% of revenues or \$13.5 million. Revenues are higher than FY 21/22 budgeted revenues due to an increase in rates and six communities changing their default levels to 100% Green. The additional revenue due to 100% default changes offset additional renewable energy purchasing costs.

Other revenue (+\$874,000; 47% increase): Other revenue includes operating revenue from sources other than retail electricity sales. Other revenue includes funding from the California Public Utilities Commission (CPUC) to support the Power Share program and workforce development funding provided through a renewable energy power purchase agreement. Other revenues offset expenses budgeted in the Customer Programs, Staffing, Technical Services, Legal, and Communications budget line items.

Cost of energy (+\$36,251,000; 4% increase): Cost of energy includes expenses associated with the purchase of system energy, renewable energy, resource adequacy, and charges by the California Independent System Operator (CAISO) for load, and services performed by the CAISO. CAISO charges for load are based on customer energy use and prices at the Default Load Aggregation Point (DLAP). Credits for energy generation scheduled into the CAISO market and revenues arising from Congestion Revenue Rights (CRRs) are netted from the cost of energy. CAISO credits for energy generation are based on wholesale energy deliveries and Locational Margin Prices (LMPs). CRRs are financial instruments created by the CAISO which enable load serving entities, such as CPA, to manage price differences between wholesale energy delivery locations and retail use points.

Staffing (+\$4,083,000; 41% increase): Staffing costs include salaries and benefits payable in accordance with CPA's Board-approved Employee Handbook and salary grades and ranges approved by the Board on March 4, 2021. Almost half of the increase is driven by the full-year impact of positions added mid-year, promotions, and higher than expected mid-year COLA (pegged to the official inflation rate) in the current fiscal year. The staffing budget assumes most new positions are not filled until late Q1 or Q2 of the Fiscal Year. \$500k of staffing expenses are reimbursable via CPUC customer program funding (Power Share).

FY 2022/23 budgeted staffing costs is composed of the following:

	<u>FY 2022/23 Staffing Cost Increase - Detail</u>	<u>\$</u>	<u>% of Incr</u>
A	FY 2021/22 Budget	9,893,000	
	Full Year Impact of 21/22 New Hires	1,958,000	48%
	COLA (7%)	556,000	14%
	Merit Increases (5%)	354,000	9%
	New Positions	1,215,000	30%
B	Subtotal Increase	4,083,000	100%
C=A+B	FY 2022/23 Budget Total	13,976,000	
D=B/A	YOY % Increase	41%	

Technical services (+\$223,000; 18% increase): Technical services comprise professional services for scheduling coordination, short and long-term energy contracting,

risk and portfolio management related, and planning/support for customer programs where engineering or other technical expertise is required. Scheduling coordinators provide a variety of services including scheduling generating and storage assets and customer energy use into the CAISO markets, managing CRR purchases and sales, validating CAISO invoices, and providing risk management and energy contract management software. The increase in technical services arises primarily from a contracted increase in scheduling coordinator fees for the FY 2022/23 and investment in consulting fees to develop a Low Carbon Fuel Standard (LCFS) program.

FY 2022/23 budgeted technical services are composed of the following:

	2021/22	2022/23	Diff \$	Diff %
Scheduling Coordinator	751,000	897,000	146,000	19%
Energy planning & Risk Management	170,000	100,000	(70,000)	-41%
Procurement planning & Support	152,500	152,500	-	0%
Other	139,500	286,500	147,000	105%
Total	1,213,000	1,436,000	223,000	18%

Legal services (+\$162,000; 15% increase): Legal services support CPA's contracting, including energy contracting for short-term and long-term energy, resource adequacy, and non-energy contracting, including banking, finance, and local programs. Legal services also include support for specific regulatory proceedings (e.g., SCE's ERRA Applications, SCE General Rate Case, and other compliance obligations), employment matters, governance, and general liability management. The majority of the budget in this section is shown in the following table:

<u>Legal Service</u>	<u>Major Providers</u>
Energy Contracting	Hall Energy Law Clean Energy Counsel Keyes & Fox Davis, Wright, & Tremaine
Regulatory Compliance and CPUC Advocacy	Braun Blaising Smith Wynne Keyes & Fox
Banking/Finance	Chapman
Employment Law and Compliance	Polsinelli
General Liability and Governance	Burke Williams & Sorensen Jarvis Fay & Gibson

The proposed budget increase is due primarily to carrying over work and projects included in the FY 2021/22 budget that were delayed or replaced due to other priorities or logistical issues.

Other services (+\$446,000; 31% increase): Other services represent professional services not budgeted under Technical or Legal services and include costs associated with energy compliance auditing, financial audits and audit support, rate setting, lobbying services, non-technical assistance for local programs, and staff support services including recruitment, payroll, and benefits administration, IT support, and labor compliance.

The proposed budget increase is due primarily to budgeting for third party collection agent services that would begin performed in accordance with CPA's Board approved Collections Policy, increased services in the regulatory and lobbying areas and increased IT services.

FY 2022/23 budgeted other services expenses are composed of the following:

	2021/22	2022/23	Diff \$	Diff %
Audit & Accounting Services	159,000	138,000	(21,000)	-13%
Prof - Collection Services (NEW)	-	297,000	297,000	0%
Prof - HR & Payroll Consulting	115,000	125,000	10,000	9%
Prof - IT Services	324,000	414,000	90,000	28%
Prof - Legislative/Lobbying	107,000	152,000	45,000	42%
Prof - Strategic Planning	313,000	370,000	57,000	18%
Prof - REC Audit and Registry	82,000	44,000	(38,000)	-46%
Prof - Regulatory Services	100,000	213,000	113,000	113%
Prof - Rate Setting Support	181,000	149,000	(32,000)	-18%
Prof - Other Consultants	75,000		(75,000)	-100%
Total	1,456,000	1,902,000	446,000	31%

Communications and marketing services (+\$513,000; 34% increase): Communications and related services include costs associated with customer outreach, marketing, branding, website management, translation, advertising, special events, and sponsorships. The increase in marketing expenses reflects investments in CPA's website, enhanced digital communications, customer outreach associated with the CPUC funded Power Share program, and outreach to increase brand awareness and reputation enhancement.

FY 2022/23 budgeted communications expenses and offsetting revenue (the latter recorded in the other revenue budget line item) are composed of the following:

	2021/22	2022/23	Diff \$	Diff %
Advertising	668,000	435,000	(233,000)	-35%
Communication Consultants	580,500	1,126,000	545,500	94%
Sponsorships	47,000	100,000	53,000	113%
Website	51,000	144,000	93,000	182%
Communication - Others	96,000	18,000	(78,000)	-81%
Special Events	12,500	25,000	12,500	100%
CBO Grants	50,000	170,000	120,000	240%
Communication & Outreach	1,505,000	2,018,000	513,000	34%
<u>Third Party Funding</u>				
AMP	(160,000)	-	160,000	-100%
Power Share (CPUC Funding)	(506,000)	(366,500)	139,500	-28%
Workforce (Nextera)	-	(25,900)	(25,900)	
Communication Costs net of Funding	839,000	1,625,600	786,600	94%

Staff expect lower than budgeted spending in Communication Consultants depending on the timing of new hires on the communications and marketing team.

Customer notices and mailing services (+\$549,000; 69% increase): Notices and mailing services support required communication with CPA customers and include printing and postage costs. Costs are increasing primarily due additional mailing and communications expenses required to notify approximately 300,000 customers of a default rate change to the 100% Green Power product in October 2022. Each customer experiencing a default change is notified twice by mail.

FY 2022/22 budgeted customer notices and mailing services are composed of the following:

	2021/22	2022/23	Diff \$	Diff %
Enrollment Notices/All mailers	140,000	129,000	(11,000)	-8%
Customer Letters	102,000	595,000	493,000	483%
Joint Rate Comparison Mailer	297,000	219,922	(77,078)	-26%
Power Content Label Mailer	258,000	272,995	14,995	6%
Mailers - Other	-	130,000	130,000	0%
Total Mailers costs	797,000	1,346,917	549,917	69%

Billing data management services (+\$57,000; 1% increase): Billing data manager costs are based on the number of customer meters served by CPA and per-meter rates charged by CPA's billing data manager, Calpine. Increased costs reflect a 2.5% inflation escalator on per-meter charges included in an amendment with Calpine approved by the Board on April 1, 2021.

Service fees – SCE (+\$100,000; 5% increase): Service fees are charged by SCE for a variety of customer billing and administrative services. The increase in service fees results from adding in contingencies to cover unforeseen costs from SCE.

Customer Programs (+\$2,791,000; 149% increase): Customer programs represent direct costs associated with providing energy programs to CPA customers and other related services. Direct costs include both incentives for participation and payments to third parties for program implementation. The FY 2022/23 customer programs budget supports the CPA Power Share program (100% reimbursable from CPUC), Power Response demand response program, CPA's EV charger rebate program which provides matching funds for electric vehicle charger incentives administered by the Center for Sustainable Energy/CALeVIP program, \$350,000 for workforce development funded through a long term, renewable energy power purchase agreement, and incentives for member agencies to adopt enhanced building codes.

FY 2022/23 budgeted customer programs expenses are composed of the following:

Program	Expense Type	2021/22	2022/23	Diff \$	Diff %
CalEVIP (LA)	Implementation	35,000	28,000	(7,000)	-20%
CalEVIP (Ventura)	Implementation	33,000	11,000	(22,000)	-67%
Power Response	Implementation	630,000	483,000	(147,000)	-23%
Building Electrification	Implementation	-	275,000	275,000	0%
Sub total	Implementation	698,000	797,000	99,000	14%
CalEVIP (Ventura)	Incentives	340,000	533,000	193,000	57%
CalEVIP (LA)	Incentives	-	300,000	300,000	0%
Building Electrification	Incentives	150,000	125,000	(25,000)	-17%
Power Response	Incentives	434,000	1,144,000	710,000	164%
Workforce Development	Incentives	250,000	349,000	99,000	40%
Power Share	Incentives	-	1,415,000	1,415,000	0%
Sub total	Incentives	1,174,000	3,866,000	2,692,000	229%
Grand Total		1,872,000	4,663,000	2,791,000	149%

General and administration (+\$4,293,000; 271% increase): General and administration costs include office supplies, phone, internet, travel, dues and subscriptions, professional development, and other related expenses. The majority of the proposed budget increase in G&A is in the insurance line item to support the issuance of a financial instrument to meet CPA's Financial Security Requirement (FSR) obligations under California Public Utility Code 394.25(e), increased software costs, and depreciation and amortization expenses formerly budgeted as a separate "Depreciation" budget line item.

	2021/22	2022/23	Diff \$	% of Total Incr
Office Operating Expenses	40,000	155,000	115,000	3%
Software	510,000	1,104,000	594,000	14%
Prof. Development	132,000	506,000	374,000	9%
HR	28,000	133,000	105,000	2%
Insurance	132,000	2,383,000	2,251,000	52%
Phone & Internet	156,000	170,000	14,000	0%
Industry Membership Dues	472,000	492,000	20,000	0%
Depreciation & Amortization	-	684,000	684,000	16%
Others	114,000	250,000	136,000	3%
Total	1,584,000	5,877,000	4,293,000	100%

Occupancy (-\$548,000; 100% decrease): Costs formerly budgeted under Occupancy have been moved to the General and administrative and interest expense budget line items.

Finance and interest expense (-\$8,000; 1% decrease): Finance and interest expenses represent fees, borrowing and letter of credit costs associated with CPA's loan facility. Costs include fees associated with a new credit agreement approved by the Board on September 2, 2021 and a contingency for interest and borrowing costs.

Interest income (+\$342,000; 238% increase): Interest income represents income earned on funds in savings accounts held by River City Bank and other investment accounts. The increase in interest income arises from an increase in interest rates used for budget forecasting purposes as compared to interest rates used in the FY 2020/21 Budget and an expected increase in saving and investment account balances.

Capital outlay (-\$111,000; 33% decrease): Expenditures associated with capital outlay will support and accommodate unforeseen equipment purchases and office improvements as more staff begin to use the office on a regular basis.

ATTACHMENTS

1. Proposed FY 2022/23 Budget
2. Proposed FY 2022/23 Budget Presentation

CLEAN POWER ALLIANCE of SOUTHERN CALIFORNIA

Fiscal Year 2022/2023 Budget

Proposed

	A	B	C	D	E
		FY 2021/22 Amended Budget	FY 2022/23 Budget	Budget Difference (\$)	Budget Difference (%)
1 Revenue - Electricity net		895,247,000	1,110,781,000	215,534,000	24%
2 Other revenue		1,868,000	2,742,000	874,000	47%
3 TOTAL REVENUE		897,115,000	1,113,523,000	216,408,000	24%
4 TOTAL ENERGY COSTS		834,282,000	870,533,000	36,251,000	4%
5 NET ENERGY REVENUE		62,833,000	242,990,000	180,157,000	287%
6					
7 OPERATING EXPENSES					
8 Staffing		9,893,000	13,976,000	4,083,000	41%
9 Technical services		1,213,000	1,436,000	223,000	18%
10 Legal services		1,081,000	1,243,000	162,000	15%
11 Other services		1,456,000	1,902,000	446,000	31%
12 Communications and marketing services		1,505,000	2,018,000	513,000	34%
13 Customer notices and mailing services		797,000	1,346,000	549,000	69%
14 Billing data management services		10,417,000	10,474,000	57,000	1%
15 Service fees - SCE		2,016,000	2,116,000	100,000	5%
16 Customer programs		1,872,000	4,663,000	2,791,000	149%
17 General and administration		1,584,000	5,877,000	4,293,000	271%
18 Occupancy		548,000	-	(548,000)	-100%
19 TOTAL OPERATING EXPENSES		32,382,000	45,051,000	12,669,000	39%
20 OPERATING INCOME		30,451,000	197,939,000	167,488,000	550%
21					
22 Finance and interest expense		570,000	562,000	(8,000)	-1%
23 Depreciation & Amortization		156,000	-	(156,000)	-100%
24 TOTAL NON OPERATING EXPENSES		726,000	562,000	(164,000)	-23%
25					
26 Interest Income		144,000	486,000	342,000	238%
27 TOTAL NON OPERATING REVENUE		144,000	486,000	342,000	238%
28 NON OPERATING REVENUE (EXPENSE)		(582,000)	(76,000)	506,000	-87%
29 CHANGE IN NET POSITION		29,869,000	197,863,000	167,994,000	562%
30 NET POSITION BEGINNING OF PERIOD		74,229,000	104,098,000	29,869,000	40%
31 NET POSITION END OF PERIOD		104,098,000	301,961,000	197,863,000	190%
32 FISCAL STABILIZATION FUND		-	-	-	0%
33 RESERVES END OF PERIOD (Net Position + FSF)		104,098,000	301,961,000	197,863,000	190%
34					
35 <i>Other Uses</i>					
36 Capital Outlay		336,000	225,000	(111,000)	-33%
37 Depreciation		(156,000)	(622,000)	(466,000)	299%
38 CHANGE IN FUND BALANCE		29,689,000	198,260,000	168,571,000	568%
39 <i>Note: Funds may not sum precisely due to rounding</i>					



Proposed FY 2022/23 Budget

May 25, 2022





Recommendation:

Recommend approval of the Proposed Fiscal Year (FY) 2022/23 Budget to the Board of Directors



FY 2022/23 Budget Process

- ✓ January – April 2022 (Staff) – FY 2022/23 Goal Setting, Departmental Budgeting, Rate Design Planning, Energy Cost Projections & Consolidated Budget Planning (ongoing)
- ✓ April 20, 2022 (Executive Committee) – Budget Priorities
- ✓ April 27, 2022 (Finance Committee) – Budget Priorities & Draft FY 2022/23 Operating Expenses Budget
- ✓ May 5, 2022 (Board) – Budget Priorities
- ✓ May 18, 2022 (Executive Committee) – Draft FY 2022/23 Budget
- ⚡ May 25, 2022 (Finance Committee) – Proposed FY 2022/23 Budget
- ⚡ June 2, 2022 (Board) – Proposed FY 2022/23 Budget



FY 2022/23 Budget – Key Takeaways

- ⚡ Revenues reflect rate approach approved by the Board at the May 11, 2022 Board Meeting. Cost of energy reflects increasing market prices for energy and electric capacity.
- ⚡ Investments in operating expense line items reflect FY 2022/23 operating and budget priorities presented to the Executive, Community Advisory and Finance Committees in April 2022 and to the Board at its May 11, 2022 meeting.
- ⚡ Expected increase in the net position allows CPA to achieve its board approved Reserve Policy goals and better positions CPA to achieve an investment grade credit rating which will yield energy cost saving over the long term.

Net Energy Revenue

	Proposed				
	A	B	C	D	E
		FY 2021/22 Amended Budget	FY 2022/23 Budget	Budget Difference (\$)	Budget Difference (%)
1 Revenue - Electricity net		895,247,000	1,110,781,000	215,534,000	24%
2 Other revenue		1,868,000	2,742,000	874,000	47%
3 TOTAL REVENUE		897,115,000	1,113,523,000	216,408,000	24%
4 TOTAL ENERGY COSTS		834,282,000	870,533,000	36,251,000	4%
5 NET ENERGY REVENUE		62,833,000	242,990,000	180,157,000	287%

- ⚡ Budgeted revenues include the rate approach approved by the Board on May 11, 2022 (Lean -1%, Clean parity, 100% Green +3% compared to SCE base rates, CARE rate freeze until October) and include a bad debt expense equal to 1.2% of revenues or \$13.5 million
- ⚡ Revenues are higher than FY 21/22 budgeted revenues due to an increase in rates and six communities changing their default levels to 100% Green. Additional revenue from default rate changes offset additional renewable energy purchasing costs
- ⚡ Energy costs (+4%) reflect higher energy and capacity costs arising from increasing market prices and constrained energy supply in the west

FY 2022/23 Operating Expense Highlights

	A	B	C	D	E	F	G
	FY 2021/22 Amended Budget	FY 2022/23 Budget	Budget Difference (\$)	Budget Difference (%)	% of Revenue	% of Operating Expenses	
7 OPERATING EXPENSES							
8 Staffing	9,893,000	13,976,000	4,083,000	41%	1.3%	31%	
9 Technical services	1,213,000	1,436,000	223,000	18%	0.1%	3%	
10 Legal services	1,081,000	1,243,000	162,000	15%	0.1%	3%	
11 Other services	1,456,000	1,902,000	446,000	31%	0.2%	4%	
12 Communications and marketing services	1,505,000	2,018,000	513,000	34%	0.2%	4%	
13 Customer notices and mailing services	797,000	1,346,000	549,000	69%	0.1%	3%	
14 Billing data management services	10,417,000	10,474,000	57,000	1%	0.9%	23%	
15 Service fees - SCE	2,016,000	2,116,000	100,000	5%	0.2%	5%	
16 Customer programs	1,872,000	4,663,000	2,791,000	149%	0.4%	10%	
17 General and administration	1,584,000	5,877,000	4,293,000	271%	0.5%	13%	
18 Occupancy	548,000	-	(548,000)	-100%	0.0%	0%	
19 TOTAL OPERATING EXPENSES	32,382,000	45,051,000	12,669,000	39%	4.0%	100.0%	

⚡ Proposed operating expenses are budgeted to increase by \$12.7 million or 39% (see next slide for CCA comparisons)

⚡ Increase in Staffing expense reflects budget priorities presented to the Board at its May Board meeting. COLA assumption is 7% based on April 2022 annual inflation rate. New staff positions are assumed to start between July and December 2023. Annualized cost of new positions/COLA/merit increases is ~\$625,000 and will be reflected in the 23/24 Budget.

⚡ Increase in G&A includes \$2.1 million to support the potential issuance of a Surety Bond to meet the CPUC's Financial Security Requirement. The proposed budget would authorize staff to transfer up to \$2.1 million from G&A to interest expense to fund the issuance of the letter of credit in lieu of a Surety Bond as needed.

⚡ Increase to customer notices and mailing services (+69%) costs arise from noticing ~300,000 customers of default rate changes in the fall of 2022. Occupancy costs (row 18) are budgeted under G&A and Interest expense. Communications consultant costs may be reduced by up to \$190k if CPA is able to hire new staff expeditiously

Select CCA Metrics and Comparisons

FY2022/23 Budget (\$000)	CPA (Proposed)	CCA Avg	MCE	Sonoma	3CE	EBCE (Draft)
Total Revenue	1,113,523	547,034	628,693	249,151	439,000	871,290
Total Energy Cost	870,533	392,841	495,310	171,380	339,000	565,675
Net Energy Revenue	242,990	154,192	133,383	77,771	100,000	305,615
Staffing	13,976	12,307	16,167	7,650	9,700	15,712
Other Operating Expenses	31,075	24,609	20,344	20,348	24,000	33,744
Total Operating Expenses	45,051	36,916	36,511	27,998	33,700	49,456
Net Income	197,939	117,276	96,872	49,773	66,300	256,159
Staffing (% of...)						
Revenue	1.3%	2.2%	2.6%	3.1%	2.2%	1.8%
Cost of Energy	2%	3%	3%	4%	3%	3%
Net Energy Revenue	6%	8%	12%	10%	10%	5%
Total Operating Expenses	31%	33%	44%	27%	29%	32%
Net Income	7%	10%	17%	15%	15%	6%
Operating Expense (% of...)						
Revenue	3%	4%	3%	8%	5%	4%
Cost of Energy	4%	6%	4%	12%	7%	6%
Net Energy Revenue	13%	16%	15%	26%	24%	11%
Net Income	23%	31%	38%	56%	51%	19%
Gross Margin	22%	28%	21%	31%	23%	35%
Net Margin	18%	21%	15%	20%	15%	29%

⚡ CPA's metrics for operating expenses and staffing costs compare favorably with industry averages

FY 2022/23 Operating Income and Reserves

	A	B	C	D	E
		FY 2021/22 Amended Budget	FY 2022/23 Budget	Budget Difference (\$)	Budget Difference (%)
TOTAL OPERATING EXPENSES		32,382,000	45,051,000	12,669,000	39%
OPERATING INCOME		30,451,000	197,939,000	167,488,000	550%
NON OPERATING REVENUE (EXPENSE)		(582,000)	(76,000)	506,000	-87%
CHANGE IN NET POSITION		29,869,000	197,863,000	167,994,000	562%
NET POSITION BEGINNING OF PERIOD		74,229,000	104,098,000	29,869,000	40%
NET POSITION END OF PERIOD		104,098,000	301,961,000	197,863,000	190%
FISCAL STABILIZATION FUND		-	-	-	0%
RESERVES END OF PERIOD (Net Position + FSF)		104,098,000	301,961,000	197,863,000	190%

- ⚡ CPA projects a \$197.9 million increase to the net position in FY 2022/23, increasing the budgeted net position from \$104 million as of June 30, 2022, to \$301.9 million as of June 30, 2023

Reserve Policy Targets

“CPA shall grow reserves to maintain a minimum reserve target equal to 30% of total operating budget expenditures, with a goal of increasing the reserve to a maximum reserve target of 50% of total operating budget expenditures. Reserves shall not exceed 60% of total operating budget expenditures. Reserves shall support the goal of securing 120 days liquidity on hand.” CPA Reserve Policy

		A	B	C	D	E
Table A				FY 2020/21	FY 2021/22 (Projected)	FY 2022/23 (Projected)
A	Reserve target %			30%	30%	30%
B	Reserve target maximum			50%	50%	50%
C=AxM	Reserve target minimum (\$)			238,946,000	235,500,000	274,675,000
D=BxM	Reserve target maximum			398,243,000	392,500,000	457,792,000
E	Net Position			74,229,299	145,000,000	301,961,000
F	Fiscal Stabilization Fund			-	-	-
G=E+F	Reserves			74,229,299	145,000,000	301,961,000
H=E/M	Reserves %			9.3%	18.5%	33.0%
I	Unrestricted cash and investments			74,081,048	73,151,030	260,261,670
J	Unused bank lines of credit			36,853,000	79,853,000	79,853,000
K=I+J	Total Liquidity			110,934,048	153,004,030	340,114,670
L=Kx365/M	Days Liquidity on Hand (Goal: 120 Days)			51	71	136
M	Annual operating expenses			796,486,704	785,000,000	915,584,000



Recommendation:

Recommend approval of the Proposed Fiscal Year (FY) 2022/23 Budget to the Board of Directors



Questions?

Appendices

Staffing – Key Priorities

- ⚡ 2021/22: Budgeted headcount of 55 – plus 4 added mid-year w/n budget. Currently have 50 staff.

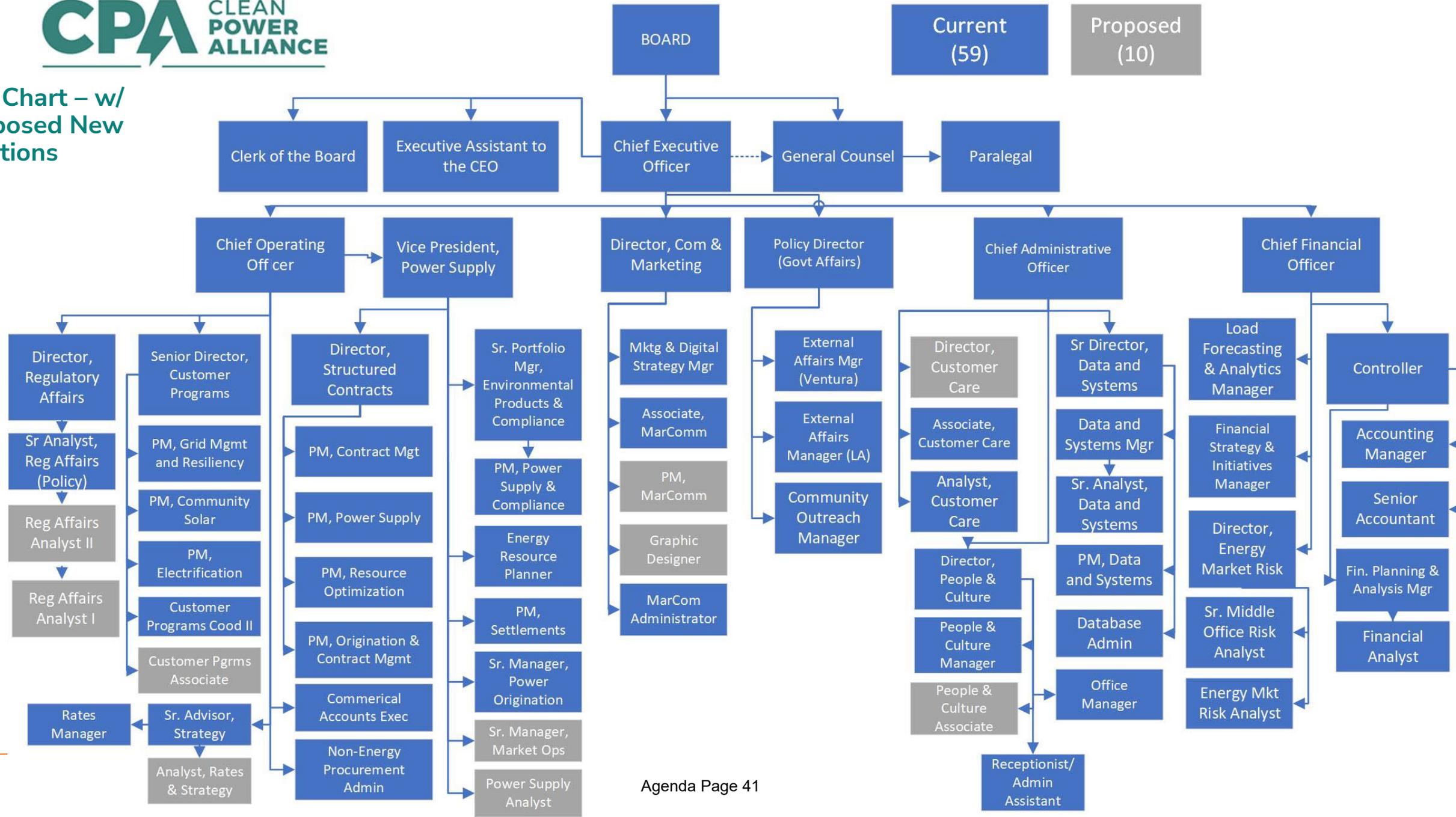
FY 2022/23 New Positions

<u>Work Area</u>	<u>Count</u>	<u>Position/Title</u>
Customer Care	1	Director, Customer Care
Customer Programs	1	Program Associates
Communications & Marketing	2	Project Manager, Graphic Designer
Human Resources	1	Associate, People and Culture
Procurement	2	Sr. Manager, Energy Market Operations, Power Supply Analyst
Rate & Strategy	1	Analyst, Rates and Strategy
Regulatory Affairs	2	Analyst I, Analyst II
Total	10	

Staffing Priorities

- ⚡ Build out mid-levels of the organization to ensure coverage during staff absences and inevitable vacancies, reduce burnout, build for the future, and plan for succession.
- ⚡ In-source regulatory, rate setting, and communications activities while deepening resources in energy procurement to manage newly commissioned renewable energy and storage resources
- ⚡ Invest in human resources staff, professional development (G&A), and recruiting (Other Services) to attract and retain staff

Org Chart – w/ Proposed New Positions



Customer Programs Detail

- Expenses related to customer programs fall into Customer Programs (customer incentives and implementer costs), Communications, Technical Services and Staffing budget line items.
- Costs associated with Workforce development and the PowerShare/Community Solar programs are funded by third parties
- Customer programs related expenses (ex Staffing) fall in the following categories:

	A	B	C	D	E	F	G
	Budget Line Item			Total	% of Total	Reimbursable costs / 3rd party Funding	Customer Program Expenses, Net
	Customer Programs	Communications	Technical Services				
100% Reimbursable							
⚡ Power Share/Community Solar (CPUC)	1,415,000	367,000		1,782,000	31%	1,782,000	-
⚡ Electrification Workforce Development (Nextera)	349,000	26,000		375,000	7%	375,000	-
Leverage State Resources							
⚡ Electric Vehicle Charging	872,000	85,000		957,000	17%	-	957,000
Strategic with long-term ROI or community benefits potential							
⚡ Power Response/Demand Response	1,627,000	364,000		1,991,000	35%	-	1,991,000
⚡ Power Ready/Backup Power		40,000	30,000	70,000	1%	-	70,000
⚡ Building Electrification Code Incentives	400,000	26,000		426,000	7%	-	426,000
⚡ Low Carbon Fuel Standard credit for EV charger operators			150,000	150,000	3%	-	150,000
Total	4,663,000	908,000	180,000	5,751,000	100%	2,157,000	3,594,000

Communications Detail

	2021/22	2022/23	Diff \$	Diff %
Advertising	668,000	435,000	(233,000)	-35%
Communication Consultants	580,500	1,126,000	545,500	94%
Sponsorships	47,000	100,000	53,000	113%
Website	51,000	144,000	93,000	182%
Communication - Others	96,000	18,000	(78,000)	-81%
Special Events	12,500	25,000	12,500	100%
CBO Grants	50,000	170,000	120,000	240%
Communication & Outreach	1,505,000	2,018,000	513,000	34%
<u>Third Party Funding</u>				
AMP	(160,000)	-	160,000	-100%
Power Share (CPUC Funding)	(506,000)	(366,500)	139,500	-28%
Workforce (Nextera)	-	(25,900)	(25,900)	
Communication Costs net of Funding	839,000	1,625,600	786,600	94%

Program Marketing Support

- ⚡ Customer Program marketing represents approximately 40% of expected communications expenses
- ⚡ Power Share (100% reimbursable) and Power Response require customer acquisition investments

Brand Awareness and Reputation Enhancement

- ⚡ Assists with program marketing (customers), recognition among stakeholders, expansion efforts
- ⚡ Event, organizational sponsorships, and CBO Grants for hard-to-reach populations (CAC priority)
- ⚡ Communications Consultants will be reduced if new positions are approved and new staff can be hired in a timely manner

Staff expect up to \$190,000 lower than budgeted spending in Communication Consultants depending on the timing of new hires on the communications and marketing team.

G&A Detail

	2021/22	2022/23	Diff \$	% of Total Incr
Office Operating Expenses	40,000	155,000	115,000	3%
Software	510,000	1,104,000	594,000	14%
Prof. Development	132,000	506,000	374,000	9%
HR	28,000	133,000	105,000	2%
Insurance	132,000	2,383,000	2,251,000	52%
Phone & Internet	156,000	170,000	14,000	0%
Industry Membership Dues	472,000	492,000	20,000	0%
Depreciation & Amortization	-	684,000	684,000	16%
Others	114,000	250,000	136,000	3%
Total	1,584,000	5,877,000	4,293,000	100%

- ⚡ General and administration costs include office supplies, phone, internet, travel, dues and subscriptions, professional development, and other related expenses.
- ⚡ The majority of the proposed budget increase in G&A is to support the issuance of a financial instrument to meet CPA’s Financial Security Requirement (FSR) obligations under California Public Utility Code 394.25(e), increased software costs, and depreciation and amortization expenses formerly budgeted as a separate “Depreciation” budget line item.