REVISED

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

Wednesday, October 26, 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.

Visit CPA's YouTube Channel to watch a Live Stream of the Meeting
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 Participate in 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."

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 September 28, 2022 Finance Committee Meeting
2. Receive and File September 2022 Risk Management Team Report
3. Receive and File September 2022 CPA Investment Report
4. Receive and File August 2022 Financial Dashboard

REGULAR AGENDA

5. Receive Report from the Independent Auditor and Review FY 2021-2022 Financial Statements and FY 2021-2022 Budget to Actual Report REVISED
6. Report from the Chief Financial Officer

COMMITTEE MEMBER COMMENTS

ADJOURN – NEXT MEETING NOVEMBER 23, 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, September 28, 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 Susan Santangelo called the meeting to order at 11:00 a.m. and Raynette Tom, Executive Assistant, conducted roll call.

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

All votes are unanimous unless otherwise stated.

GENERAL PUBLIC COMMENT

There was no public comment.

CONSENT AGENDA

1. Approve Minutes from the June 22, 2022 Finance Committee Meeting
2. Receive and File August 2022 Risk Management Team Report
3. Receive and File July and August 2022 CPA Investment Report
4. Receive and File July 2022 Financial Dashboard

Motion: Committee Member Zuckerman, Rolling Hills Estates
Second: Committee Member Kulcsar, Carson
Vote: The consent agenda was approved by a roll call vote with an edit to Item 1 to reflect Committee Member Kulcsar's absence as excused.

REGULAR AGENDA

5. Report from the Chief Financial Officer
   David McNeil, Chief Financial Officer, provided an oral update on CPA's treasury and financial operations. Mr. McNeil reported that CPA has managed its obligations with sufficient liquidity and resources. CPA drew $60 million on the JP Morgan line of credit and made a $46 million payment to California Independent System Operator (CAISO) related to the heatwave. CPA expects to report total liquidity of approximately $130 million in its September 30, 2022 Quarterly Financial Report. CPA reported an $18 million gain in July 2022. Results for the full quarter will be available in mid-November. CPA staff will do

an analysis of the full summer costs, including October, in the winter when all CAISO resettlement statements have been received.

In response to Committee Member questions, Mr. McNeil clarified that the Fiscal Stabilization Fund was utilized in 2021 and has a zero balance as of last year; the Los Angeles County loan was repaid in full on time in June, and the recent payment made to CAISO was for the heat wave in early September. Additionally, Mr. McNeil stated that prices during the September 2022 heat storm did not rise as high as they did in summer of 2020; this year, CPA was able to use its battery storage assets to reduce spot market exposure.

6. Preview of Proposed Clean Energy Prepayment Transaction
Kate Freeman, Financial Strategy & Initiatives Manager, provided a presentation on the proposed clean energy prepayment transaction. Ms. Freeman outlined the background of CPA's prepayment financings and provided a summary of the proposed Board action. This action will create parameters under which the prepay transaction can be completed, includes proposed documents and forms, provides direction to CCCFA to make payments to service providers for issuance costs out of bond proceeds, and authorize staff to enter into Limited Assignment Agreements (LAAs) with one or more existing PPA counterparties. Ms. Freeman reviewed the structure of the prepayment transaction and reviewed the costs of issuance and service provider fees and expenses. Lastly, Ms. Freeman summarized the documents to be authorized by the proposed Board resolution; and reviewed the timeline.

Responding to Committee Member Zuckerman's questions, staff indicated that the creation of a prepayment LLC empowers CPA to be able to find alternate funding that delivers greater savings to CPA without having to alter how J. Aron delivers the energy. J. Aron is a fully owned subsidiary of Goldman Sachs and the electricity will move from the PPA sellers to J. Aron to Prepay LLC, and lastly from CCCFA to CPA. The transaction is structured based on two prospective PPAs which represent about 10% of CPA's annual gross power supply; staff have included default assignment language in all future PPAs; and there are many financial reasons for suppliers to participate in this process, but it does require additional administrative work, an understanding of the process, and associated costs. In response to Committee Member Kulcsar's questions concerning payments and costs, staff noted that payments are made to the trustee who then disperses funds on behalf of CCCFA to pay bondholders. The prepay transaction allows CPA to decline to take part in a transaction if the 5% minimum savings threshold isn't reached, in which case no fees would be paid. Committee Member Zuckerman inquired about the number of PPAs in each prepay transaction, and Ms. Freeman indicated that one prepaid transaction covers multiple PPAs.

7. Bad Debt Reserve and Accounts Receivable Update

Mr. McNeil provided a presentation update on the Bad Debt Reserve and Accounts Receivable (AR). Mr. McNeil reviewed the details of CPA's Bad Debt Reserve; explained the Bad Debt Reserve estimation methodology pre-COVID, during COVID, and post-COVID; provided an update of the California Arrearage Payment Programs (CAPP) and historical summary of CPA's Bad Debt Reserve; explained the total, residential, and commercial gross AR aging over time; and summarized an analysis of CPA's AR in comparison to other Community Choice Aggregations.

Responding to Committee Member Zuckerman's question regarding the audit, Mr. McNeil specified that the audit results will be presented to the Finance Committee in October.

COMMITTEE MEMBER COMMENTS

There were no committee member comments.

ADJOURN

Committee Chair Santangelo adjourned the meeting at 12:09 p.m.

Staff Report – Agenda Item 2

To: Clean Power Alliance (CPA) Finance Committee

From: Geoff Ihle, Director of Market Risk

Approved by: David McNeil, Chief Financial Officer

Subject: September 2022 Risk Management Team Report

Date: October 26, 2022

September 2022 RMT REPORT

Key Actions

- Reviewed August 2022 market performance
- Reviewed August 2022 generation performance
- Reviewed energy positions and approved 2022-2025 hedges
- Reviewed positions for RPS and carbon free products
- Reviewed Resource Adequacy (RA) positions, including CPA's 2023 Year-Ahead open position
- Reviewed September 2022 CRR Allocations and Auction

Policy Compliance

Policy Deviation	Required Action
Due to an update to the load forecast (resulting in higher forecast energy usage) and a delay in commercial online dates of two projects under long term contract (resulting in lower forecast supply), the Q2 and Q3 2023 periods did not meet the 85% Energy Risk Hedging Strategy minimum.	The ERMP does not require immediate action to address the policy deviation. The Q2 2023 deviation was resolved in September 2022 as CPA acquired additional hedges. Based on planned hedging activities, the Q3 2023 deviation is expected to be resolved by the end of December 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:	October 26, 2022

RECOMMENDATION

Receive and File.

ATTACHMENT

1. September 2022 Investment Report

Clean Power Alliance
Investment Report
September 2022

Fund Name:	**Local Agency Investment Fund**
Beginning Balance	15,738
Interest Paid (1)	-
Deposits	-
Withdrawals	-
Ending Balance	15,738
Interest Earned (2)	20
Average Monthly Effective Yield	1.513%

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:	Financial Dashboard
Date:	October 26, 2022

RECOMMENDATION

Receive and file.

ATTACHMENT

1. August Financial Dashboard

Financial Dashboard

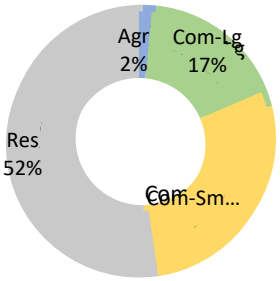
YTD Aug 2022

Active Accounts
1,001,867

Participation Rate
96.11%

YTD Sales Volume
2,376 GWh

Aug Sales Volume
1,260 GWh



Summary of Financial Results

	Aug				Year-to-Date			
in $000,000's	Actual	Budget	Variance	%	Actual	Budget	Variance	%
Energy Revenues	132.4	127.4	5.0	4%	250.1	244.6	5.5	2%
Cost of Energy	132.9	119.2	13.6	11%	229.6	223.1	6.5	3%
Net Energy Revenue	-0.4	8.2	-8.6	-105%	20.5	21.5	-1.0	-5%
Operating Expenses	2.7	3.9	-1.2	-31%	5.1	7.1	-2.1	-29%
Operating Income	-3.1	4.3	-7.4	-172%	15.4	14.3	1.1	7%

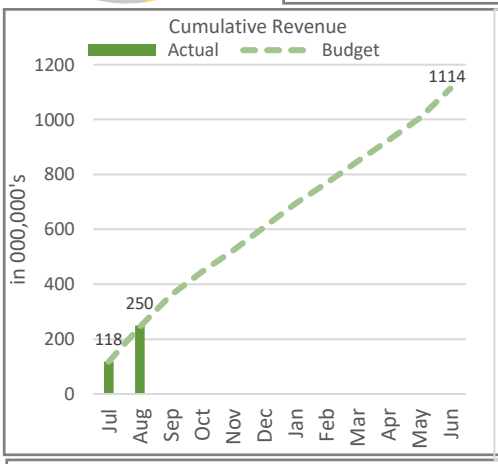
Note: *Numbers may not sum up due to rounding.*

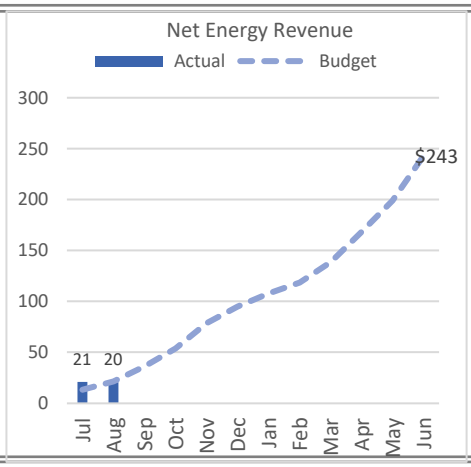
CPA recorded an operating income loss of $3.1 million in August 2022 which was $7.4 million less than the budgeted operating income of $4.3 million.

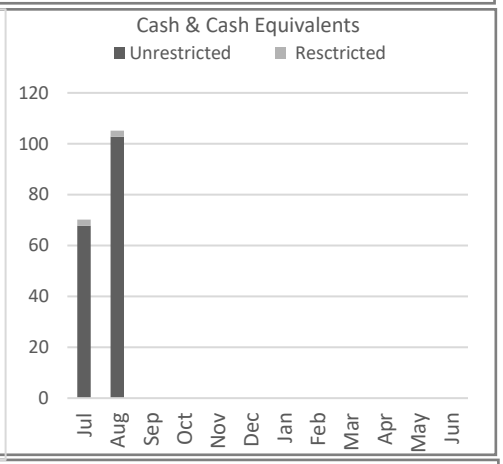
August revenue was $132.4 million or $5 million higher than budgeted revenue reflecting warmer than normal temperatures and higher electricity use by CPA's customers. The cost of energy was $132.9 million or 11% higher than budgeted. Higher than budget energy costs resulted from $6.2 million in CAISO charges and credits arising from activity in prior periods that was recorded in August 2022 as well as higher electricity use by CPA customers. Absent prior period charges, the change in net position for August would have been a gain of $3.1 million, 28% below budget. Operating costs were lower than budgeted primarily as a result of lower general administration and other services costs than budgeted and the non-utilization of contingencies.

As of August 31, 2022, CPA had $102.7 million in unrestricted cash and cash equivalents, and $79.853 million available on its bank line of credit.

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 r8epresent 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, 2022

Staff Report – Agenda Item 5

To:	Clean Power Alliance (CPA) Finance Committee
From:	David McNeil, Chief Financial Officer Hui Lisano, Controller Antony Sugiarto, Financial Planning and Analysis Manager
Approved by:	Ted Bardacke, Chief Executive Officer
Subject:	Report from the Independent Auditor and Review of Fiscal Year 2021-2022 Financial Statements and Fiscal Year 2021-2022 Budget to Actual Report
Date:	October 26, 2022

RECOMMENDATION

Receive report from the Independent Auditor and review FY 2021-2022 Financial Statements and FY 2021-2022 Budget to Actual report.

BACKGROUND

Each year CPA publishes fiscal year-end financial statements. CPA's Bylaws require the Finance Committee to select an independent auditor to perform a financial audit of the accounts of CPA on an annual basis. In May 2022, the Finance Committee selected Baker Tilly to perform an audit of CPA's Fiscal Year (FY) 2021-22 financial statements.

Staff is responsible for the preparation and fair presentation of the financial statements. The independent auditor performs tests to ensure that the financial statements are free from material misstatement. The FY 2021-22 Financial Statements (Attachment 3) consist of the following:

- Independent Auditors' Report (Auditors' Report)
- Management's Discussion and Analysis
- Financial Statements, including:
    - Statements of Net Position

  - Revenues and Expenses and Changes in Net Position
  - Statements of Cash Flows
  - Notes to the Financial Statements
- Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

The Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters is a new item in CPA's Financial Statements. It describes the scope of the Auditors' testing of CPA's internal controls and compliance and the results of that testing. The Report is a required addition to the FY 2021-22 Financial Statements because CPA is subject to a "Single Audit" in FY 2022-23 relating to its receipt of funding through the California Arrearage Payment Program (CAPP).

DISCUSSION

Auditors' Report

The Auditors' Report includes its opinion that CPA's FY 2021-22 Financial Statements "present fairly, in all material respects, the financial position of Clean Power Alliance of Southern California as of June 30, 2022 and 2021, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America". The Auditors' Report contains what is generally regarded as an unqualified or "clean" audit opinion.

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

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

Financial Highlights

- CPA recorded strong financial results in FY 2021-22. The net position increased by $67 million, up from a $27 million increase in the prior year.
- CPA's FY 2021-22 financial results benefited from the following:
  - Lower than budgeted cost of energy resulting primarily from benign weather conditions and the absence of extreme heat events which moderated

electricity consumption and prices in CPA's service area. Actual spot market prices were overall lower than the price assumptions used to prepare the budget. These benefits were partially offset by continuing shortages of capacity in the California market which exerted upward pressure on Resource Adequacy costs and by the war in Ukraine which caused upward pressure on electricity prices beginning in the spring of 2022.

- The receipt and application of $15.8 million of California Arrearage Payment Program (2021 CAPP) funds which reduced eligible past-due accounts receivable and increased cash in early 2022.
- An estimate of 2022 CAPP funding applied to accounts receivable as of June 30, 2022 which reduced FY 2021/22 bad debt expense by approximately $5 million.
- Operating expenses which were $4.75 million or 15% below the amended budget due to the non-utilization of contingencies, staff turnover, and delays in start of certain projects which caused budgeted expenses to be delayed.

- CPA generated negative operating cashflow during FY 2021-22 primarily as a result of the repayment of supplier deposits required under short term energy purchase agreements in July 2021, increased collateral posting amounts required by the CAISO as of June 30, 2022 and by an increase in accounts receivable resulting, in part, from an increase in retail electricity rates and monthly electricity bills that went into effect on July 1, 2021.
- In August 2021 CPA received a $30 million loan from LA County. The loan was repaid in February and June 2022 consistent with the terms of the funding agreement.
- In September 2021 CPA entered into an $80 million credit facility with JP Morgan and terminated its $37 million credit agreement with River City Bank
- As of June 30, 2022, CPA had no outstanding loans or bank debt and apart from the issuance of a $147,000 letter of credit to SCE, CPA's $79.8 million line of credit was unutilized.

- Total liquidity (unrestricted cash and cash equivalents and unused bank lines of credit) increased year over year from $95.0 million as of June 30, 2021 to $134.4 million as of June 30, 2022.
- The financial results comply with CPA's credit covenants.

Key financial metrics and additional analysis of FY 2021-22 results are presented in the Presentation of FY 2021-22 Financial Results (Attachment 5).

FY 2021-22 Budget to Actual Report

The FY 2021-22 Budget to Actual Report compares actual results for the 12 months ending June 30, 2022, with the FY 2021-22 Budget as amended by the Board at its April 7, 2022 meeting. Budget to Actual highlights include:

- Net position increased by $67 million, $27 million more than a budgeted increase of $29.86 million
- Operating revenues less energy cost (gross margin) was $32.9 million above budget primarily due to the cooler temperatures than normal in the summer of 2021 which resulted in lower electricity consumption, wholesale energy prices, and costs than budgeted, and higher CRR sales in the November 2021 annual auction than budgeted.
- Operating expenses were 15% under the budget primarily due to non-utilization of contingencies, conservative use of funds, the performance of services later in the year than budgeted, and lower staffing costs. Staffing was 12% under the Amended budget as a result of staff turnover and a slower than expected pace or hiring.
- CPA was within budget limits for all budget expense line items with the exception of the following:
    - Interest and finance expenses ($59,463 or 10% over budget)
    - Amortization expense ($382,908, not budgeted)

  Interest, finance and amortization expenses exceeded budget due to the

application of GASB 87[1] lease accounting to CPA's office lease during FY 2021-22. The application of GASB 87 resulted in additional interest and amortization expenses of $382,908 and $73,000 respectively largely offset by reduced Occupancy expenses which were $535,000 or 98% under budget.

Additional analysis of Budget to Actual results, including a comparison of actual FY 2021-22 results with the FY 2021-22 Base Budget approved by the Board in April 2022, appears in the Presentation of FY 2021-22 Financial Results (Attachment 5).

Summary

CPA's financial results for the year ending June 30, 2022 reflect financial performance in which CPA increased the net position by $67 million. CPA is in sound financial health and is well-positioned to serve its customers and deliver on its mission.

ATTACHMENTS

1. Presentation from the Independent Auditor
2. Audit Results Letter REVISED
3. FY 2021-22 Audited Financial Statements REVISED - FINAL VERSION
4. FY 2021-22 Budget to Actual Report
5. Presentation of FY 2021-22 Financial Results

[1] As described in Note 5 of the Financial Statements, CPA adopted the provisions of GASB Statement No. 87 in FY 2021-22. In doing so, CPA recognized a lease obligation and a right-to-use asset for its office lease. June 30, 2022 is the first fiscal year end for which implementation of the GASB Statement 87 is required.

Reporting and insights from 2022 audit: Clean Power Alliance of Southern California

October 26, 2022

Audit Discussion

Agenda

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

Our responsibilities

As your independent auditor, our responsibilities include:

- Planning and performing the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high level of assurance.
- Assessing the risks of material misstatement of the financial statements, whether due to fraud or error. Included in that assessment is a consideration of CPA's internal control over financial reporting.
- Performing appropriate procedures based upon our risk assessment.
- Evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management.
- Forming and expressing an opinion based on our audit about whether the financial statements prepared by management, with the oversight of those charged with governance:
  - Are free from material misstatement
  - Present fairly, in all material respects, and in accordance with accounting principles generally accepted in the United States of America
- Performing tests related to compliance with certain provisions of laws, regulations, contracts, and grants, as required by *Government Auditing Standards*.
- Our audit does not relieve management or the Board of Directors of their responsibilities.

Planned scope and timing

Audit focus

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

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

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

Key areas of focus and significant findings

Other key areas of emphasis

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

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

Audit approach and results

Audit performed in accordance with *Generally Accepted Auditing Standards*

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

Financial statements of CPA received an *Unmodified Opinion*

There were no material weaknesses or significant deficiencies in controls

Auditor communication to those charged with governance

Auditor responsibility & independence

Board responsibility

Accounting policies and estimates

Baker Tilly agrees with CPA's accounting policies and disclosures

No material adjustments to the financial statements

No audit findings or concerns

Future accounting standards update

GASB Statement Number	Description	Potentially Impacts You	Effective Date
91	Conduit Debt		6/30/23
94	Public-Private and Public-Public Partnerships and Availability Payment Arrangements		6/30/23
96	Subscription-Based Information Technology Arrangements	✓	6/30/23
99	Omnibus 2022	✓	6/30/23
100	Accounting Changes and Error Corrections		6/30/24
101	Compensated Absences	✓	6/30/25

Further information on upcoming GASB pronouncements.

Discussion

bakertilly

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

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

Client service team

bakertilly

bakertilly
now, for tomorrow

Reporting and insights from 2022 audit:

Clean Power Alliance of Southern California

June 30, 2022

Executive summary

October 20, 2022

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

We have completed our audit of the financial statements of the Clean Power Alliance of Southern California (CPA) for the year ended June 30, 2022 and have issued our report thereon dated October 20, 2022. This letter presents communications required by our professional standards.

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

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

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

- Bethany Ryers, Partner: Bethany.Ryers@bakertilly.com or +1 (608) 240 2382
- Ryan Theiler, Manager: Ryan.Theiler@bakertilly.com or +1 (608) 240 2571

Sincerely,

Baker Tilly US, LLP

Bethany Ryers, CPA, Partner

Ryan Theiler, CPA, Manager

Responsibilities

Our responsibilities

As your independent auditor, our responsibilities include:

- Planning and performing the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high level of assurance.
- Assessing the risks of material misstatement of the financial statements, whether due to fraud or error. Included in that assessment is a consideration of the CPA's internal control over financial reporting.
- Performing appropriate procedures based upon our risk assessment.
- Evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management.
- Forming and expressing an opinion based on our audit about whether the financial statements prepared by management, with the oversight of the Board of Directors:
  - Are free from material misstatement
  - Present fairly, in all material respects and in accordance with accounting principles generally accepted in the United States of America
- Performing tests related to compliance with certain provisions of laws, regulations, contracts and grants, as required by *Government Auditing Standards*
- Our audit does not relieve management or the Board of Directors of their responsibilities.

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

- Internal control matters
- Qualitative aspects of CPA's accounting practice including policies, accounting estimates and financial statement disclosures
- Significant unusual transactions
- Significant difficulties encountered
- Disagreements with management
- Circumstances that affect the form and content of the auditors' report
- Audit consultations outside the engagement team
- Corrected and uncorrected misstatements
- Other audit findings or issues

Audit status

Significant changes to the audit plan

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

Audit approach and results

Planned scope and timing

Audit focus

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

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

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

Key areas of focus and significant findings

Significant risks of material misstatement

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

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

Other areas of emphasis

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

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

Internal control matters

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

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

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

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

Required communications

Qualitative aspect of accounting practices

- Accounting policies: Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we have advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by CPA are described in Note 2 to the financial statements. As noted in Note 2, CPA changed accounting policies related to leases by adopting GASB Standard No. 87, *Leases*, in fiscal year 2022. Accordingly, the accounting change has been applied retrospectively to the prior period presented. We noted no transactions entered into by CPA during the year for which accounting policies are controversial or for which there is a lack of authoritative guidance or consensus or diversity in practice.

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

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

  There have been no significant changes made by management to either the processes used to develop the particularly sensitive accounting estimates, or to the significant assumptions used to develop the estimates, noted above.

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

Significant unusual transactions

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

Significant difficulties encountered during the audit

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

Disagreements with management

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

Audit report

There have been no departures from the auditors' standard report.

Audit consultations outside the engagement team

We encountered no difficult or contentious matters for which we consulted outside of the engagement team.

Uncorrected misstatements and corrected misstatements

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

Other audit findings or issues

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

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

Management's consultations with other accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing or accounting matters.

Written communications between management and Baker Tilly

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

Compliance with laws and regulations

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

Fraud

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

Going concern

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

Independence

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

Related parties

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

Other matters

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

Audit committee resources

Visit our resource page for regulatory updates, trending challenges and opportunities in your industry and other timely updates.

Visit the resource page at https://www.bakertilly.com/insights/audit-committee-resource-page.

Management Representation Letter

October 20, 2022

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

Dear Baker Tilly US, LLP:

We are providing this letter in connection with your audit of the financial statements of the Clean Power Alliance of Southern California as of June 30, 2022 and 2021 and for the years then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position of the Clean Power Alliance of Southern California and the respective changes in financial position and cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America (GAAP). We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

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

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

Financial Statements

1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 21, 2022.

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

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

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

5) Significant assumptions we used in making accounting estimates, including those measured at fair value, if any, are reasonable.

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

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

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

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

Information Provided

10) We have provided you with:

    a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters.

    b) Additional information that you have requested from us for the purpose of the audit.

c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

d) Minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.

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

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

a) Management,

b) Employees who have significant roles in internal control, or

c) Others where the fraud could have a material effect on the financial statements.

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

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

15) We have disclosed to you the names of all known related parties and all the related party relationships and transactions, including side agreements, of which we are aware.

Other

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

17) We have a process to track the status of audit findings and recommendations.

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

19) We have identified to you any known investigations or legal proceedings that have been

initiated with respect to the period under audit.

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

21) There are no:

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

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

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

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

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

23) The Clean Power Alliance of Southern California has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of non-compliance.

24) The financial statements properly classify all funds and activities.

25) Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.

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

27) Provisions for uncollectible receivables, if any, have been properly identified and recorded.

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

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

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

31) The operations and rate-setting process meet the condition for the application of accounting for regulated operations as outlined in GASB No. 62. All regulatory items included in the financial statements have been approved and are being accounted for in accordance with specific action taken by the regulatory body.

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

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

34) We have implemented GASB Statement No. 87, Leases, and believe that all required disclosures and accounting considerations have been identified and properly classified in the financial statements in compliance with the Standard.

35) Unused lines of credit, collateral pledged to secure debt and direct borrowings and private placements have been properly identified and disclosed.

36) We have identified any leases or other contracts that are required to be reported as leases and are in agreement with the key assumptions used in the measurement of any lease-related assets, liabilities or deferred inflows of resources.

37) The auditing standards define an annual report as “a document, or combination of documents, typically prepared on an annual basis by management or those charged with

governance in accordance with the law, regulation, or custom, the purpose of which is to provide owners (or similar stakeholders) with information on the entity's operations and the entity's financial results and financial position as set out in the financial statements." Among other items, an annual report contains, accompanies, or incorporates by reference the financial statements and the auditor's report thereon. We do not prepare an annual report that meets this definition as our annual Impact Report does not specifically reference the auditor's report.

Sincerely,

Clean Power Alliance of
Southern California

Signed: _____

Name: David McNeil

Title: Chief Financial Officer

Signed: _____

Name: Ted Bardacke

Title: Chief Executive Officer

Client service team

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Partner

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Accounting changes relevant to CPA

Future accounting standards update

GASB Statement Number	Description	Potentially Impacts you	Effective
91	Conduit Debt		6/30/23*
94	Public-Private and Public-Public Partnerships and Availability Payment Arrangements		6/30/23
96	Subscription-Based Information Technology Arrangements	✓	6/30/23
99	Omnibus 2022	✓	6/30/23
100	Accounting Changes and Error Corrections		6/30/24
101	Compensated Absences	✓	6/30/25

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

Further information on upcoming GASB pronouncements.

Preparing for the new conduit debt reporting

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

Determining if GASB 94 applies for your organization

GASB 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* provides guidance related to public-private and public-public partnerships (PPP) and availability payment arrangements (APA).

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

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

CPA should start to identify any contracts that could meet either definition to ensure they are reviewed for applicability and accounted for correctly when the standard is effective. Initial steps include reviewing contracts that didn't meet the definition of a lease under GASB 87 and identifying any other agreements where the organization contracts with or partners with another entity to provide services.

Future accounting for subscription-based IT arrangements

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

- Leasing space in the cloud
- GIS systems
- SCADA systems
- Some work order or inventory systems as well as some general ledger or billing systems

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

Two-way audit communications

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

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

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

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

   Identify types of potential misstatements.

   Consider factors that affect the risks of material misstatement.

   Design tests of controls, when applicable, and substantive procedures.

c. We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations and provisions of contracts or grant programs. For audits performed in accordance with *Government Auditing Standards*, our report will include a paragraph that states that the purpose of the report is solely to describe the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance and that the report is an integral part of an audit performed in accordance with Government Auditing Standards in considering internal control over financial reporting and compliance. The paragraph will also state that the report is not suitable for any other purpose.

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

Our audit will be performed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards.*

We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations, and provisions of contracts or grant programs. For audits done in accordance with *Government Auditing Standards*, our report will include a paragraph that states that the purpose of the report is solely to describe (a) the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance, (b) the scope of testing internal control over compliance for major programs and major program compliance and the result of that testing and to provide an opinion on compliance but not to provide an opinion on the effectiveness of internal control over compliance and, (c) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance in considering internal control over compliance and major program compliance. The paragraph will also state that the report is not suitable for any other purpose.

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

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

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

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

d. We anticipate that CPA will receive an unmodified opinion on its financial statements based on historical results and our discussions with management noting no anticipated significant changes in financial reporting.

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

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

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

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

a. The entity's internal control and its importance in the entity, including how those charged with governance oversee the effectiveness of internal control?

b. The detection or the possibility of fraud?

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

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

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

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

REVISED

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

Basic Financial Statements with Independent Auditors' Report

For the Fiscal Years Ended June 30, 2022 and 2021

TABLE OF CONTENTS

Independent Auditors' Report

To the Board of Directors of
Clean Power Alliance of Southern California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Clean Power Alliance of Southern California, as of and for the years ended June 30, 2022 and 2021, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Clean Power Alliance of Southern California as of June 30, 2022 and 2021, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (GAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Clean Power Alliance of Southern California and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the Clean Power Alliance of Southern California adopted the provisions of GASB Statement No. 87, *Leases*, effective July 1, 2021. Accordingly, the accounting changes have been retroactively applied to prior periods presented. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Clean Power Alliance of Southern California's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Clean Power Alliance of Southern California's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis, as listed in the table of contents be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2022 on our consideration of the Clean Power Alliance of Southern California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Clean Power Alliance of Southern California's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Clean Power Alliance of Southern California's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Madison, Wisconsin
October 20, 2022

The Management's Discussion and Analysis provide an overview of Clean Power Alliance of Southern California's (CPA) financial activities as of and for the years ended June 30, 2022, and 2021. 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, including:
    - 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 choices 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, except for customers served under California's Direct Access Program, automatically become default customers of CPA for electric power 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 in June 2020.

CPA's goal is to provide customers with competitively priced and affordable electricity with high renewable energy content and low greenhouse gas emissions. Currently, 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 summarizes CPA's assets, liabilities, deferred inflows of resources, and net position for the fiscal years (FY) ending June 30:

	2022	Restated 2021	2020*
Current assets	$ 248,918,632	$ 225,858,031	$ 185,855,666
Noncurrent assets			
Capital assets, net	674,257	489,912	97,388
Intangible - right-to-use lease asset	2,584,651	2,967,559	-
Other noncurrent assets	88,876	88,875	188,710
Total assets	252,266,416	229,404,377	186,141,764
Current liabilities	101,449,979	145,466,396	109,893,729
Noncurrent liabilities			
Lease liability, noncurrent	2,659,209	3,006,197	-
Other noncurrent liabilities	6,904,000	6,724,000	2,662,400
Total liabilities	111,013,188	155,196,593	112,556,129
Deferred inflows of resources	-	-	27,000,000
Net position			
Investment in capital assets	252,712	404,068	97,388
Restricted for collateral	2,400,000	3,614,700	4,897,000
Unrestricted (deficit)	138,600,516	70,189,016	41,591,247
Total net position	$ 141,253,228	$ 74,207,784	$ 46,585,635

* 2020 data is included as originally presented and does not include the impact of GASB 87.

Current Assets

Current assets were approximately $248,919,000 at the end of FY 2021-22 and were mostly comprised of $54,538,000 of cash and cash equivalents, $96,571,000 of accounts receivable, $55,497,000 of accrued revenue, $7,659,000 of other revenues, $6,138,000 of prepaid expenses and $26,116,000 in deposits.

Current assets were approximately $225,858,000 at the end of FY 2020-21 and were 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.

Total current assets increased as of June 30, 2022, compared to the prior year, particularly deposits, accounts receivable, and other accounts receivable. Deposits increased year over year primarily due to increased collateral posting amounts required by the CAISO. Accounts receivable increased year over

year primarily due to a rate increase that went into effect in July 2021 and increased retail electricity use in May and June 2022 as compared to May and June 2021. Other accounts receivable increased primarily due to payments from energy suppliers under the netting provisions of power purchase agreements.

Total current assets increased as of June 30, 2021, compared to the prior year, particularly accounts receivable, other receivables, and deposits. Restricted cash decreased pursuant to credit and security agreements with River City Bank. CPA became a Scheduling Coordinator during FY 2020-21. As a result, the security deposits for collateral postings made to the CAISO increased as of June 30, 2021, as compared to the prior year.

Noncurrent Assets

Noncurrent assets decreased as of June 30, 2022, compared to the prior year primarily as a result of amortizing the intangible office lease asset. Noncurrent assets increased as of June 30, 2021 primarily due to implementing GASB Statement No. 87 (GASB 87) in FY 2021-22, in which the intangible assets for building leases were recognized and recorded in FY 2021-22 and retroactively recognized and recorded for FY 2020-21. June 30, 2022 is the first fiscal year-end for which GASB 87 implementation is required. FY 2020-21 financial results are "restated" to reflect the implementation of GASB 87 consistent with generally accepted accounting principles. The implementation is described in the Notes to the Financial Statements.

Current Liabilities

Current liabilities consist mostly of the costs of electricity delivered to customers that are not yet due to be paid by CPA to its suppliers. Other components include trade accounts payable, taxes and surcharges due to governments, and various other accrued liabilities. Unearned program funds represent funds for customer programs received from the CPUC and not yet spent.

Total current liabilities decreased as of June 30, 2022, compared to the prior year, primarily as a result of a decrease in security deposits from energy suppliers. Security deposits from energy suppliers decreased as a result of reduced collateral requirements arising from energy supply agreements.

Total current liabilities increased as of June 30, 2021, compared to the prior year, mainly due to the increase in collateral and shortlist deposits from energy suppliers from FY 2019-20 to FY20-2021.

Noncurrent Liabilities

Noncurrent liabilities decreased as of June 30, 2022, from the prior year primarily as a result of the decrease in lease liability due to the reclass per GASB 87, offset by increased supplier security deposits pursuant to energy supply agreements.

Noncurrent liabilities increased as of June 30, 2021, from the prior year mainly due to the implementation of GASB 87 in 2022 retroactively reflecting the lease liability for 2021, and increased security deposits pursuant to energy supply agreements. The GASB 87 implementation is described in the Notes to the Financial Statements.

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 from the Fiscal Stabilization Fund to offset increased costs arising from extreme heat events that occurred in the summer of 2020, increased bad debt expenses that resulted from 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 summarizes CPA's results of operations for the years ending June 30:

	2022	Restated 2021	2020
Operating revenues	$ 867,481,478	$ 824,104,492	$ 752,070,114
Interest income	114,136	227,842	361,022
Total income	867,595,614	824,332,334	752,431,136
Operating expenses	799,920,707	796,556,502	721,593,329
Nonoperating expenses	629,463	153,683	241,150
Total expenses	800,550,170	796,710,185	721,834,479
Change in net position	$ 67,045,444	$ 27,622,149	$ 30,596,657

Total Income

Operating revenues arise from electricity sales to customers, funding to support CPA's Power Share program and transfers 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 $867,481,000 in FY 2021-22 from $824,104,000 in FY 2020-21. Revenue increased primarily as a result of an increase in retail electricity rates that occurred in July 2021.

Operating revenues increased in FY 2020-21 from the prior year as a result of an increase in retail electricity rates and extreme heat events that occurred in FY 2020-21, and transfers from the Fiscal Stabilization Fund.

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

Total Expenses

Operating expenses include the cost of electricity and electric capacity used to serve CPA's customers and meet its regulatory obligations, charges and credits levied by the CAISO, contracts with service providers, staff compensation and general and administrative expenses. Non-operating expenses consist primarily of interest and other expenses associated with borrowing agreements.

Operating expenses increased to approximately $799,921,000 in FY2021-22 from $796,557,000 in FY 2020-21. Contract service costs increased year over year as CPA implemented more customer programs and incentives and performed more community outreach. 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 2020-21 from the prior year primarily as a result of the increased energy, resource adequacy, and staffing costs.

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 $67,045,000 in FY 2021-22. CPA's net position increased by $27,622,000 in FY 2020-21 and by $30,597,000 in FY 2019-20.

CPA had a higher increase in net position in FY 2021-22 as compared to the prior year due to increased electricity sales, offset by smaller increases in the cost of electricity and operating expenses.

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 bad debt expense.

Capital Assets and Debt

Please see Note 6 and Note 7 in Notes to the Financial Statements.

PURCHASE COMMITMENTS AND ECONOMIC OUTLOOK

During the normal course of business, CPA enters into various agreements, including renewable energy agreements, energy storage agreements, and other power purchase agreements to purchase power and electric capacity. CPA enters into power purchase agreements and energy supply agreements in order to comply with state law and voluntary targets for renewable and greenhouse gas (GHG) free products. California law established a Renewable Portfolio Standard (RPS) that requires load-serving entities, such as CPA, to gradually increase the amount of renewable energy they deliver to their customers.

In October 2015, the California Governor signed SB 350, the Clean Energy and Pollution Reduction Act of 2015, into law. SB 350 became effective January 1, 2016 and increases the amount of renewable energy that must be 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 renewable 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 online, 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 the expected demand for electricity and assuring diversity of technologies, geographical locations, and suppliers.

Commitments under power purchase agreements increased to $5.33 billion as of June 30, 2022, from $5.29 billion as of June 30, 2021, consistent with CPA's Board-approved Energy Risk Management Policy.

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 the California Arrearage Payment Program (2021 CAPP). 2021 CAPP was 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. CPA customers received approximately $15.8 million of 2021 CAPP funding in early 2022.

The State Budget Act of 2022 appropriated additional funds for CAPP (2022 CAPP) and extended the eligibility period to cover retail bills for active residential customers issued between March 4, 2020 and December 31, 2021. CPA's active residential customers are expected to receive 2022 CAPP funding in early 2023.

CPA's allowance for uncollectable accounts as of June 30, 2022, has been adjusted to reflect the 2022 CAPP allocations to eligible customer past due balances. Management believes that the allowance for uncollectable accounts reflects a conservative estimate of customer non-payments 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

YEARS ENDED JUNE 30, 2022 AND 2021

	2022	Restated 2021
ASSETS		
Current assets		
Cash and cash equivalents	$ 54,537,672	$ 58,192,268
Accounts receivable, net of allowance	96,570,772	88,223,900
Accrued revenue	55,496,791	55,899,064
Other receivables	7,659,464	2,413,053
Prepaid expenses	6,138,404	4,188,204
Deposits	26,115,529	13,326,842
Restricted cash	2,400,000	3,614,700
Total current assets	248,918,632	225,858,031
Noncurrent assets		
Capital assets, net of depreciation	674,257	489,912
Intangible - right-to-use lease asset	2,584,651	2,967,559
Deposits	88,876	88,875
Total noncurrent assets	3,347,784	3,546,346
Total assets	$ 252,266,416	$ 229,404,377
LIABILITIES		
Current liabilities		
Accounts payable	$ 4,526,315	$ 4,784,147
Accrued cost of electricity	83,629,207	88,158,333
Other accrued liabilities	2,403,579	1,811,225
User taxes and energy surcharges due to other governments	6,026,357	5,329,099
Security deposits from energy suppliers	1,013,500	43,738,400
Unearned program funds	3,504,033	1,597,986
Lease liability, current	346,988	47,206
Total current liabilities	101,449,979	145,466,396
Noncurrent liabilities		
Supplier security deposits	6,904,000	6,724,000
Lease liability, noncurrent	2,659,209	3,006,197
Total noncurrent liabilities	9,563,209	9,730,197
Total liabilities	$ 111,013,188	$ 155,196,593
NET POSITION		
Investment in capital assets	$ 252,712	$ 404,068
Restricted for collateral	2,400,000	3,614,700
Unrestricted	138,600,516	70,189,016
Total net position	$ 141,253,228	$ 74,207,784

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

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

STATEMENTS OF REVENUES, EXPENSES AND CHANGES INNET POSITION

YEARS ENDED JUNE 30, 2022 AND 2021

	2022	Restated 2021
OPERATING REVENUES		
Electricity sales for resale, net	$ 866,391,283	$ 796,803,545
Revenue transferred to/from Fiscal Stabilization Fund	-	27,000,000
Other revenue	1,090,195	300,947
Total operating revenues	867,481,478	824,104,492
OPERATING EXPENSES		
Cost of electricity	771,768,482	771,724,047
Contract services	17,515,817	16,738,699
Staff compensation	8,729,133	6,538,815
General and administration	1,907,275	1,554,941
Total operating expenses	799,920,707	796,556,502
Operating income	67,560,771	27,547,990
NONOPERATING REVENUES (EXPENSES)		
Interest income	114,136	227,842
Interest and related expenses	(556,219)	(134,607)
Interest expense - lease	(73,244)	(19,076)
Total nonoperating revenues (expenses)	(515,327)	74,159
CHANGE IN NET POSITION	67,045,444	27,622,149
Net position at beginning of year	74,207,784	46,585,635
Net position at end of year	$ 141,253,228	$ 74,207,784

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, 2022 AND 2021

	2022	Restated 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 855,470,318	$ 780,262,706
Receipts from market settlements	817,914	7,968,638
Other operating receipts	7,960,456	53,143,513
Payments to suppliers for electricity	(809,646,260)	(776,509,011)
Payments for other goods and services	(18,704,129)	(17,964,219)
Payments for staff compensation	(8,490,168)	(6,442,770)
Tax and surcharge payments to other governments	(31,455,787)	(29,314,319)
Net cash provided (used) by operating activities	(4,047,656)	11,144,538
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Loan proceeds	30,000,000	-
Principal payments on loan	(30,000,000)	(9,945,750)
Interest and related expense payments	(473,951)	(138,903)
Net cash provided (used) by non-capital financing activities	(473,951)	(10,084,653)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments to acquire capital assets	(329,161)	(490,077)
Payments on lease (principal and interest)	(132,664)	(48,654)
Net cash from non-capital financing activities	(461,825)	(538,731)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income received	114,136	230,049
Net cash provided (used) by investing activities	114,136	230,049
Net change in cash and cash equivalents	(4,869,296)	751,201
Cash and cash equivalents at beginning of year	61,806,968	61,055,767
Cash and cash equivalents at end of year	$ 56,937,672	$ 61,806,968
Reconciliation to the Statement of Net Position		
Cash and cash equivalents (unrestricted)	$ 54,537,672	$ 58,192,268
Restricted cash	2,400,000	3,614,700
Cash and cash equivalents	$ 56,937,672	$ 61,806,968

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, 2022 AND 2021

	2022	Restated 2021
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Net operating income (loss)	$ 67,560,771	$ 27,547,990
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation expense	144,816	67,359
Amortization expense	382,908	127,636
Revenue adjusted for allowance for uncollectible accounts	7,727,349	2,706,423
(Increase) decrease in:		
Accounts receivable	(16,074,220)	(25,397,847)
Energy market settlements receivable	-	147,873
Other receivables	(5,246,412)	(2,066,715)
Accrued revenue	402,273	(6,706,514)
Prepaid expenses	(1,950,200)	2,157,376
Deposits	(12,788,687)	(9,994,132)
Increase (decrease) in:		
Accounts payable	(257,833)	2,140,042
Energy market settlements payable	9,454,346	8,063,431
Accrued cost of electricity	(13,983,472)	(6,307,468)
Other accrued liabilities	522,300	(1,341,055)
User taxes due to other governments	697,258	369,352
Fiscal stabilization fund	-	(27,000,000)
Supplier security deposits	(42,544,900)	45,032,800
Unearned program funds	1,906,047	1,597,986
Net cash provided (used) by operating activities	$ (4,047,656)	$ 11,144,537

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, 2022, 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 ongoing financial support from its members. CPA is governed by a Board of Directors whose membership is comprised 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, 2022 and 2021, 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 AND AMORTIZATION

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. Leased assets are amortized over the term of the contract.

DEPOSITS

Deposits consist of collateral deposits required by CAISO and security deposits held by suppliers as required under certain energy contracts entered 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 in operating revenues and reported on the statements of net position as a reduction in the deferred inflow of resources.

CPA transferred $27,000,000 to the Fiscal Stabilization Fund for the year ending 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.

LEASES

In June 2017, GASB issued a new standard related to leases, which was codified into GASB Statement No. 87, Leases. GASB 87 establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. It requires government entity lessees to recognize lease obligations as lease liabilities and intangible right-to-use lease assets on the Statement of Net Position, and lease payments will reduce the lease liability and flow through the Statement of Activities as amortization expense and interest expense. A corresponding lease asset is recorded in the Statement of Net Position, which will be amortized over the lease term.

Lessees reporting under GASB 87 are required to recognize a lease liability and related lease asset at the lease commencement date or the transition date to GASB 87 if the lease commencement occurred prior to the transition to GASB 87.

Leases subject to GASB 87 are contracts that convey control of the nature and manner of use of another entity's nonfinancial asset as specified for a period of time in an exchange or exchange-like transaction without the transfer of ownership of the assets. The lease term is the period of time where a non-cancellable right is to use the underlying assets (Note 5).

A lessee should recognize a lease liability and a lease asset at the commencement of the lease term unless the lease is a short-term lease or it transfers ownership of the underlying asset. The lease liability should be measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

RESTATEMENT

On July 1, 2021, CPA adopted GASB 87 and restated FY2020-21 balances as part of the implementation of the standard. The following table shows the impact of the restatement.

	Previously Reported 2021	Adjustments	Restated 2021
Assets			
Intangible - right-to-use lease asset	$ -	$ 2,967,559	$ 2,967,559
Liabilities & Net Position			
Other current liabilities	145,406,976	12,214	145,419,190
Other non-current liabilities	6,800,543	(76,543)	6,724,000
Lease liability	-	3,053,403	3,053,403
Investment in capital assets	489,912	(85,844)	404,068
Unrestricted	70,124,687	64,329	70,189,016

SCHEDULE OF RESTATEMENTS TO STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION AS OF JUNE 30, 2021

	Previously Reported 2021	Adjustments	Restated 2021
Operating expenses	$ 796,554,063	$ 2,439	$ 796,556,502
Interest expense - lease	-	19,076	19,076
Change in Net Position	27,643,664	(21,515)	27,622,149
Net position at end of period	74,229,299	(21,515)	74,207,784

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 is 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, 2022 and 2021 attributable to those assets. In addition, CPA includes the leased assets and liabilities in this balance.

Restricted: This component of net position consists of net assets subject to external constraints on their use 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 electricity 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".

REVENUE RECOGNITION

CPA recognizes revenue on an 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 impacts of the recession, the suspension of customer electricity disconnections, the levying of late payment charges by SCE, and the application of California Arrearage Payment Program funding to eligible customer past-due accounts receivable balances.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2022, 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

3. CASH AND CASH EQUIVALENTS (continued)

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, 2022 and 2021, CPA held no individual investments subject to classification under the fair value hierarchy.

CUSTODIAL CREDIT RISK

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

CPA manages custodial credit risk for bank deposits during the normal course of business and is 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 are held by the counterparty. CPA does not believe it is exposed to significant custodial credit risk arising from its investments in LAIF.

4. ACCOUNTS RECEIVABLE

Accounts receivable were as follows:

	2022	2021
Accounts receivable from customers	$ 116,582,276	$ 100,508,055
Allowance for uncollectible accounts	(20,011,504)	(12,284,155)
Net accounts receivable	$ 96,570,772	$ 88,223,900

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.

The State Budget Act of 2021 appropriated $1 billion from the federal American Rescue Plan Act of 2021 to support the establishment of the California Arrearage Payment Program (2021 CAPP). 2021 CAPP was 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. A total payment of $15.8 million was received in early 2022. The allowance for uncollectable accounts as of June 30, 2021 was adjusted to reflect the 2021 CAPP payment.

The State Budget Act of 2022 appropriated additional funds for CAPP (2022 CAPP) and extended the eligibility period to cover electricity bills for active residential customers issued between March 4, 2020 and December 31, 2021. CPA's active residential customers are expected to receive $11.4 million of 2022 CAPP funding in early 2023. The allowance for uncollectable accounts as of June 30, 2022, has been adjusted to reflect the 2022 CAPP expected allocations to eligible customers' past-due balances.

5. LEASE

In FY2021-2022, CPA adopted the provisions of GASB Statement No 87. As such CPA recognized a lease obligation and a right-to-use asset for agreements whereby CPA obtained the right to the present service capacity of underlying assets and the right to determine the nature and manner of underlying assets' use for a period of one year or greater. Below is a description of these lease arrangements:

5. LEASE (continued)

Property Lease

CPA entered into an agreement to lease approximately 11,000 square feet of office space in Los Angeles, California for 8 years, commencing in March 2021. Monthly base rent payments are approximately $32,000 in the first year of the lease and are subject to 3% annual rent escalations on each anniversary of lease commencement. The lease expires in February 2029. CPA also pays a pro-rata share of operating expenses and property taxes, which are not included in the measurement of the lease liability as they are variable in nature. The Company paid $7,000 and 5,000 in FY2021-22 and FY2020-2021 for those variable costs.

As of June 30, 2022, the Company has reported $2,585,000 in right-of-use (ROU) intangible assets, net of amortization, and $3,006,000 in lease liabilities related to this agreement. Amortization expense was $383,000 and Interest Expense was $73,000 for the right to use the office space during the fiscal year.

As of June 30, 2021, the Company recorded $2,968,000 in ROU intangible assets, net of amortization, and $3,503,000 in lease liabilities related to this agreement. Amortization expense was $128,000 and Interest Expense was $19,000 for the right to use the office space during the fiscal year.

Intangible ROU assets and ROU liabilities are recognized based on the present value of future lease payments over the lease term at the commencement date. As the lease does not provide an implicit rate, an incremental borrowing rate of 2.4% was used based on the information available at the adoption of GASB 87 in determining the present value of future payments.

CPA has the option to extend the lease for two additional years. The table below represents the future lease principal and interest payments under this agreement.

Year ended June 30,	Principal	Interest	Total
2023	$ 347,000	$ 68,000	$ 415,000
2024	403,000	60,000	463,000
2025	427,000	50,000	477,000
2026	452,000	39,000	491,000
2027	478,000	27,000	505,000
2028-2029	900,000	20,000	920,000
	$ 3,007,000	$ 264,000	$ 3,271,000

5. LEASE (continued)

Storage Contract Arrangements

In providing electricity to its customers, CPA has entered into two energy storage agreements which achieved commercial operation in FY 2021-2022. Through these agreements, CPA obtains the right to control certain aspects of the nature and manner and use of the underlying facilities. The monthly payments made by CPA are variable and based on the performance of the underlying assets including the plant's available capacity, operating charging efficiency, and the seller's responsiveness to CPA's charging and discharge instructions. The variable payments under energy storage agreements are recognized as part of the cost of energy on the Statement of Revenues, Expenses, and Changes in Net Position.

Variable payments for the energy storage agreements totaled approximately $7,799,000 and $0 in FY 2021-22 and FY 2020-21 respectively.

6. CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2022 and 2021, was as follows:

	Restated Balances at June 30, 2021	Additions	Balances at June 30, 2022
Capital assets, net of depreciation			
Furniture & Equipment	$ 159,255	$ (159,255)	$ -
Office Equipment	-	15,053	15,053
Computer Equipment	-	220,024	220,024
Website/App Development	-	244,752	244,752
Leasehold Improvements	428,398	8,587	436,985
Accumulated Depreciation	(97,740)	(144,816)	(242,557)
Total Capital assets, net of depreciation	489,912	184,345	674,257
Intangible - right-to-use lease asset			
Intangible Lease Asset - Office	3,095,195	-	3,095,195
Accumulated Amortization	(127,636)	(382,908)	(510,544)
Total Intangible - right-to-use lease asset	2,967,559	(382,908)	2,584,651
Total Capital assets, net	$ 3,457,471	$ (198,563)	$ 3,258,908

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 on 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, the 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 under the MOU.

In August 2021, CPA and the County of Los Angeles entered into a Funding Agreement under which the County of Los Angeles provided a loan of $30 million to CPA. $10 million of the funding amount was repaid in February 2021, and the remaining $20 million plus applicable interest was repaid in June 2022. As of June 30, 2022, there was no outstanding loan balance under the Funding Agreement.

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 increased the available credit facility amount from $20 million to $37 million, extended the term of the agreement through March 31, 2021, and reduced the borrowing rate and collateral posting obligation.

In April 2021 CPA entered into the Amended and Restated Credit Agreement with River City Bank (Restated Credit Agreement). The Restated Credit Agreement renewed the $37 million credit facility and extended the term to March 31, 2022.

In September 2021, CPA entered into an $80 million Revolving Credit Agreement with JP Morgan 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 for working capital purposes and to post collateral. 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.

As of June 30, 2022, CPA had no notes outstanding under the credit facility and is in compliance with credit covenants.

7. DEBT (continued)

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

	Beginning	Additions	Payments	Ending
Year ended June 30, 2021				
County of Los Angeles	$ 9,945,750	$ -	$ (9,945,750)	$ -
Total	$ 9,945,750	$ -	$ (9,945,750)	$ -
Amounts due within one year				-
Amounts due after one year				$ -
Year ended June 30, 2022				
County of Los Angeles	$ -	$ 30,000,000	$ (30,000,000)	$ -
Total	$ -	$ 30,000,000	$ (30,000,000)	$ -
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. Currently, the employer contribution is 6% of the employee's salary plus an additional 4% employer match contribution, for a maximum annual employer contribution to the Plan equal to 10% of the employee's salary. As of June 30, 2022, there were 50 plan members. CPA contributed $675,000 and $505,000 during the years ended June 30, 2022 and 2021, 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.

9. RISK MANAGEMENT (continued)

On July 12, 2018, CPA's Board adopted the Energy Risk Management Policy (ERMP). The ERMP establishes CPA's Energy Risk Program and applies it to all power procurements 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 from operating as a Community Choice Aggregation and participating in California energy markets. The Board approved updates to the ERMP in July 2019, July 2020 and July 2021.

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.

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 customer

10. PURCHASE COMMITMENTS (continued)

The following table represents the expected, undiscounted, contractual commitments for energy storage, power, and electric capacity outstanding as of June 30, 2022:

Year ended June 30,	
2023	$ 728,868,000
2024	513,605,000
2025	395,147,000
2026	321,325,000
2027	291,103,000
2028-2043	3,078,669,000
	$ 5,328,717,000

As of June 30, 2022, CPA had non-cancellable contractual commitments to contract and 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 $2.75 million.

11. FUTURE GASB PRONOUNCEMENTS

The requirements of the following GASB Statements are effective for future fiscal years ending after June 30, 2022:
GASB has approved GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements,* GASB Statement No. 96, *Subscription-Based Information Technology Arrangements,* GASB Statement No. 99*, Omnibus 2022,* GASB Statement No 100*, Accounting Changes and Error corrections – An Amendment of GASB Statement No. 62 and* GASB Statement No. 101*, Compensated Absences* When they become effective, the application of these standards may result in restating of these financial statements. Management is evaluating the effects of these new pronouncements.

12. SUBSEQUENT EVENTS

2022 California Arrearage Payment Program

The State Budget Act of 2022 appropriated funds for CAPP (2022 CAPP) and extended the eligibility period to cover retail bills for active residential customers issued between March 4, 2020, and December 31, 2021. CPA's active residential customers are expected to receive 2022 CAPP funding in early 2023. The allowance for uncollectable accounts as of June 30, 2022, has been adjusted to reflect the 2022 CAPP expected allocations to eligible customers' past-due balances.

12. SUBSEQUENT EVENTS (continued)

California Community Choice Financing Authority

In July 2022, CPA's Board of Directors authorized CPA to join California Community Choice Financing Authority (CCCFA) as a Founding Member. CPA joined CCCFA in September 2022.

CCCFA was formed to assist its members by undertaking the financing or refinancing of energy prepayments that can be financed with tax-advantaged bonds on behalf of one or more of the members by, among other things, issuing or incurring bonds and entering into related contracts with its members. Each member of CCCFA is responsible to pay a portion of CCCFA's general and administrative costs as determined by its board. No debt, liability, or obligation of CCCFA is considered a debt, liability, or obligation of any member of CCCFA.

CPA plans to support the issuance of a prepayment bond by CCCFA. Were such a bond to be issued, CPA would purchase energy from CCCFA in the same manner as it purchases energy from other suppliers.

JP Morgan Chase Bank Credit Facility

In September 2022 CPA drew $60 million on its $80 million JP Morgan Chase credit facility. CPA repaid $20 million of the loan in September 2022. An additional $20 million was repaid in October 2022. The remaining loan balance of $20 million is scheduled to be repaid in November 2022. CPA drew on the credit facility following a significant heat storm in September 2022 which resulted in increased volume and cost of serving load in CPA's service area, increased costs imposed by the CAISO to support grid operation during the heat event and increased collateral posting obligations imposed by the CAISO.

SB1020, Laird Clean Energy, Jobs and Affordability Act of 2022

In September 2022 Governor Newsom signed Senate Bill 1020. SB 1020 adds interim targets to the policy framework originally established in SB 100 to require renewable energy and zero-carbon resources to supply 90% of all retail electricity sales by 2035 and 95% of all retail electricity sales by 2040. The inclusion of interim targets will ensure that the state makes steady and accountable progress toward the full decarbonization of California's electricity grid.

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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Board of Directors of
Clean Power Alliance of Southern California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Clean Power Alliance of Southern California, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 20, 2022. Our report includes emphasis of matter paragraphs relative to the adoption of the provisions of GASB Statement No. 87, *Leases*, effective July 1, 2021. Our opinions are not modified with respect to these matters.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Clean Power Alliance of Southern California's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, 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 do not express an opinion on the effectiveness of the Clean Power Alliance of Southern California's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Clean Power Alliance of Southern California's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly US, LLP

Madison, Wisconsin
October 20, 2022

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA
BUDGETARY COMPARISON SCHEDULE
July 1, 2021 through June 30, 2022

	2021/22 YTD Amended Budget	2021/22 YTD Actual	2021/22 YTD Amended Budget Variance (Under) Over	2021/22 YTD Amended Budget Variance % (Under) Over	2021/22 Annual Amended Budget	2021/22 Remaining Amended Budget	2021/22 Remaining Amended Budget %
Operating revenues							
Revenue - electricity, net	$ 895,246,680	$ 866,391,283	$ (28,855,397)	97%	$ 895,246,680	$ 28,855,397	3%
Other revenues	1,868,000	1,090,195	(777,805)	58%	1,868,000	777,805	42%
Total operating revenues	897,114,680	867,481,478	(29,633,202)	97%	897,114,680	29,633,202	3%
Energy costs							
Energy procurement	834,281,512	771,768,483	(62,513,029)	93%	834,281,512	62,513,029	7%
Total energy costs	834,281,512	771,768,483	(62,513,029)	93%	834,281,512	62,513,029	7%
Operating revenues less energy costs	62,833,168	95,712,996	32,879,827	152%	62,833,168	(32,879,827)	-52%
Operating Expenditures							
Staffing	9,893,000	8,729,133	(1,163,867)	88%	9,893,000	1,163,867	12%
Technical services	1,213,000	1,169,967	(43,033)	96%	1,213,000	43,033	4%
Legal services	1,081,000	489,547	(591,453)	45%	1,081,000	591,453	55%
Other professional services	1,456,000	1,010,597	(445,403)	69%	1,456,000	445,403	31%
Communications and outreach	1,505,000	1,258,469	(246,531)	84%	1,505,000	246,531	16%
Mailers	797,000	526,599	(270,401)	66%	797,000	270,401	34%
Billing data manager	10,417,000	10,221,461	(195,539)	98%	10,417,000	195,539	2%
SCE services	2,016,000	1,965,798	(50,202)	98%	2,016,000	50,202	2%
Customer programs	1,872,000	873,378	(998,622)	47%	1,872,000	998,622	53%
General and administrations	1,584,000	1,366,622	(217,378)	86%	1,584,000	217,378	14%
Occupancy	548,000	12,928	(535,072)	2%	548,000	535,072	98%
Total operating expenditures	32,382,000	27,624,501	(4,757,499)	85%	32,382,000	4,757,499	15%
Operating income	30,451,168	68,088,495	37,637,327	224%	30,451,168	(37,637,327)	-124%
Non-operating revenues (expenditures)							
Interest income	144,000	114,136	(29,864)	79%	144,000	29,864	21%
Finance and interest expense	(570,000)	(629,463)	(59,463)	110%	(570,000)	59,463	-10%
Depreciation	(156,000)	(144,816)	11,184	93%	(156,000)	(11,184)	7%
Amortization	-	(382,908)	(382,908)	0%	-	382,908	0%
Total non-operating revenues (expenditures)	(582,000)	(1,043,052)	(461,052)	179%	(582,000)	461,052	-79%
Change in net position	29,869,168	67,045,443	37,176,275	224%	29,869,168	(37,176,275)	-124%
Other uses							
Capital outlay	297,000	329,161	32,161	111%	297,000	(32,161)	-11%
Depreciation	(156,000)	(144,816)	11,184	93%	(156,000)	(11,184)	7%
Total other uses	141,000	184,345	43,345	131%	141,000	(43,345)	-31%
Change in fund balance	$ 29,728,168	$ 66,861,098	$ 37,132,930	225%	$ 29,728,168	$ (37,132,930)	-125%

CPA CLEAN POWER ALLIANCE

Presentation on FY 2021-22 Financial Results

October 26, 2022

Summary of Financial Results

- CPA recorded strong financial results in FY 2021-22 and is in sound financial health
- The net position increased from $74 million to $141 million over the year, an increase of $67 million. The increase in net position was $37 million higher than budget
- CPA received and repaid a $30 million loan from LA County during this fiscal year
- In September 2021, CPA entered into an $80 million credit facility with JP Morgan and terminated its $37 million credit agreement with River City Bank
- As of June 30, 2022, CPA had $134 million of liquidity ($54 million in cash and $79.8 million available on the bank line of credit), up from $95 million as of June 30, 2021

Summary of Financial Results- Cont.

- CPA's FY 2021-22 financial results benefited from the following:
  - An increase in retail rates on July 1, 2021
  - Moderate weather conditions and the absence of extreme heat events in Summer 2021 which moderated electricity consumption and prices in CPA's service area and allowed the cost of energy to come in substantially below budget
  - $15.8 million of California Arrearage Payment Program (2021 CAPP) funds which reduced eligible past due accounts receivable in early 2022
  - An estimate of 2022 CAPP funds (expected to be received in February 2023) which reduced FY 2021/22 bad debt expense by approximately $5 million
  - Operating expenses which were $4.75 million, or 15%, below the amended budget

Balance Sheet Components, as of June 30:

	A	B	C	D	E	F
		2022	% Total	Restated 2021	% Total	% Change
	ASSETS					
1	Current assets					
2	Cash and cash equivalents	54,537,672	21.6%	58,192,268	25.4%	-6%
3	Accounts receivable, net of allowance	96,570,771	38.3%	88,223,900	38.5%	9%
4	Accrued revenue	55,496,791	22.0%	55,899,064	24.4%	-1%
5	Other receivables	7,659,464	3.0%	2,413,053	1.1%	217%
6	Prepaid expenses	6,138,404	2.4%	4,188,204	1.8%	47%
7	Deposits	26,115,529	10.4%	13,326,842	5.8%	96%
8	Restricted cash	2,400,000	1.0%	3,614,700	1.6%	-34%
9	Total current assets	248,918,632	98.7%	225,858,031	98.5%	10%
10	Noncurrent assets					
11	Capital assets, net of depreciation	674,257	0.3%	489,912	0.2%	38%
12	Intangibles - office lease, net of amortization	2,584,651	1.0%	2,967,559	1.3%	-13%
13	Deposits	88,875	0.0%	88,875	0.0%	0%
14	Total noncurrent assets	3,347,784	1.3%	3,546,346	1.5%	-6%
15	Total assets	252,266,416	100.0%	229,404,377	100.0%	10%

Balance Sheet Components, as of June 30:

	A	B	C	D	E	F
		2022	% Total	Restated 2021	% Total	% Change
	LIABILITIES					
16	Current liabilities					
17	Accounts payable	4,526,315	4.1%	4,784,147	3.1%	-5%
18	Accrued cost of electricity	83,629,207	75.3%	88,158,333	56.8%	-5%
19	Other accrued liabilities	2,403,579	2.2%	1,811,225	1.2%	33%
20	User taxes and energy surcharges due to other governments	6,026,358	5.4%	5,329,099	3.4%	13%
21	Supplier security deposits	1,013,500	0.9%	43,738,400	28.2%	-98%
22	Unearned program funds	3,504,033	3.2%	1,597,986	1.0%	119%
23	Lease liability, current	346,988	0.3%	47,206	0.0%	635%
24	Total current liabilities	101,449,979	91.4%	145,466,396	93.7%	-30%
25	Noncurrent liabilities					
26	Supplier security deposits	6,904,000	6.2%	6,724,000	4.3%	3%
27	Deferred rent	-	0.0%	-	0.0%	0%
28	Lease liability, noncurrent	2,659,209	2.4%	3,006,197	1.9%	-12%
29	Total noncurrent liabilities	9,563,209	8.6%	9,730,197	6.3%	-2%
30	Total liabilities	111,013,188	100.0%	155,196,593	100.0%	-28%

Balance Sheet Components, as of June 30:

A	B	C	D	E	F
	2022	% Total	Restated 2021	% Total	% Change
DEFERRED INFLOWS OF RESOURCES					
31 Fiscal Stabilization Fund	-		-		
NET POSITION					
32 Investment in capital assets	252,712	0.2%	404,068	0.5%	-37%
33 Restricted for collateral	2,400,000	1.7%	3,614,700	4.9%	-34%
34 Unrestricted	138,600,516	98.1%	70,189,016	94.6%	97%
35 Total net position	141,253,228	100.0%	74,207,784	100.0%	90%

Select Financial Indicators

	Jun-21	Jun-22	% Change	Description
Working Capital	80,391,635	147,468,653	83%	Current Assets less Current Liabilities
Current Ratio	1.55	2.45	58%	Current Assets divided by Current Liabilities
Days Sales Outstanding	40	41	1%	Accounts receivable divided by Sales divided by 365
Equity	74,207,784	141,253,228	90%	Net Position plus Fiscal Stabilization Fund
Equity to Assets %	32%	56%		Equity (Net Position + FSF) divided by Total Assets
Available Cash	58,192,268	54,537,672	-6%	Unrestricted cash and cash equivalents
Available Line of Credit	36,853,000	79,853,000	117%	Total Line of Credit less Borrowing and Letters of Credit
Total Liquidity	95,045,268	134,390,672	41%	Sum of Available Cash and Line of Credit
Days Liquidity on Hand (TTM)	44	61	41%	Total Liquidity divided by trailing 12 month expenses divided by 365
Gross Margin	6%	11%		Operating revenue less energy cost divided by operating revenue
Net Margin	3%	8%		Change in net position divided by operating revenue

- CPA decreased leverage (equity to assets) and increased the current ratio primarily as a result of the increase in net position, and increased liquidity as a result of the increase in the net position and an increase in the bank line of credit
- Both gross and net margins increased as a result of higher electricity rates that went into effect on July 1, 2022, and moderate weather conditions, wholesale market prices, and electricity use
- Days Sales Outstanding (a measure of accounts receivable aging) remained stable-year over year

Budget to Actual Analysis

	A	B	C	D	E	F
		2021/22 YTD Amended Budget	2021/22 YTD Budget	2021/22 YTD Actual	2021/22 YTD Base Budget Variance (Under) Over	2021/22 YTD Base Budget Variance % (Under) Over
	Operating revenues					
1	Revenue - electricity, net	$ 895,246,680	$ 895,246,680	$ 866,391,283	$ (28,855,397)	-3%
2	Other revenues	1,868,000	1,868,000	1,090,195	(777,805)	-42%
3	Total operating revenues	897,114,680	897,114,680	867,481,478	(29,633,202)	-3%

- Electricity revenue was 3% less than the Amended Budget. Electricity revenue was lower than the Amended Budget due to lower temperatures than normal in CPA's service areas and lower electricity use by CPA customers.
- Other revenues arise primarily from funding received through the California Public Utilities Commission (CPUC) to offset Power Share Program costs

Budget to Actual Analysis

	A	B	C	D	E	F
		2021/22 YTD Amended Budget	2021/22 YTD Budget	2021/22 YTD Actual	2021/22 YTD Base Budget Variance (Under) Over	2021/22 YTD Base Budget Variance % (Under) Over
	Energy costs					
4	Energy procurement	834,281,512	834,281,512	771,768,483	(62,513,029)	-7%
5	Total energy costs	834,281,512	834,281,512	771,768,483	(62,513,029)	-7%
6	**Operating revenues less energy costs**	62,833,168	62,833,168	95,712,996	32,879,827	52%

- Energy procurement costs were $62.5 million or 7% under the Amended Budget primarily due to moderate temperatures in the Summer of 2021 which resulted in lower energy consumption, wholesale energy prices, and costs than budgeted, and higher CRR sales in November 2021 annual auction than budgeted
- Operating revenue less energy costs (gross margin) was $32.9 million or 52% above the Amended and Base Budgets respectively

Budget to Actual Analysis

	A	B	C	D	E	F
		2021/22 YTD Amended Budget	2021/22 YTD Budget	2021/22 YTD Actual	2021/22 YTD Base Budget Variance (Under) Over	2021/22 YTD Base Budget Variance % (Under) Over
	Operating Expenditures					
7	Staffing	9,893,000	9,893,000	8,729,133	(1,163,867)	-12%
8	Technical services	1,213,000	1,184,000	1,169,967	(14,033)	-1%
9	Legal services	1,081,000	1,237,000	489,547	(747,453)	-60%
10	Other professional services	1,456,000	1,612,000	1,010,597	(601,403)	-37%
11	Communications and outreach	1,505,000	1,505,000	1,258,469	(246,531)	-16%
12	Mailers	797,000	797,000	526,599	(270,401)	-34%
13	Billing data manager	10,417,000	10,417,000	10,221,461	(195,539)	-2%
14	SCE services	2,016,000	2,016,000	1,965,798	(50,202)	-2%
15	Customer programs	1,872,000	1,872,000	873,378	(998,622)	-53%
16	General and administrations	1,584,000	1,584,000	1,366,622	(217,378)	-14%
17	Occupancy	548,000	548,000	12,928	(535,072)	-98%
18	Total operating expenditures	32,382,000	32,665,000	27,624,501	(5,040,499)	-15%
19	**Operating income**	30,451,168	30,168,168	68,088,495	37,920,327	126%

- Operating expenses were 15% under the Base Budget due primarily to non-utilization of contingencies, conservative use of funds, the performance of services later in the year than budgeted, and lower staffing costs.
- Staffing was 12% under the Base Budget as a result of staff turnover and slower than expected hiring during FY2021/22. CPA increased staffing from 39 to 51 full-time employees during the fiscal year versus 55 full-time positions that were budgeted

Budget to Actual Analysis

	A	B	C	D	E	F
		2021/22 YTD Amended Budget	2021/22 YTD Budget	2021/22 YTD Actual	2021/22 YTD Base Budget Variance (Under) Over	2021/22 YTD Base Budget Variance % (Under) Over
	Non-operating revenues (expenditures)					
20	Interest income	144,000	144,000	114,136	(29,864)	-21%
21	Finance and interest expense	(570,000)	(287,000)	(629,463)	(342,463)	119%
22	Depreciation	(156,000)	(156,000)	(144,816)	11,184	-7%
23	Amortization	-	-	(382,908)	(382,908)	0%
24	Total non-operating revenues (expenditures)	(582,000)	(299,000)	(1,043,052)	(744,052)	249%
25	**Change in net position**	29,869,168	29,869,168	67,045,444	37,176,275	124%
	Other uses					
26	Capital outlay	336,000	297,000	329,161	32,161	11%
27	Depreciation	(156,000)	(156,000)	(144,816)	11,184	-7%
28	Total other uses	180,000	141,000	184,345	43,345	31%
29	**Change in fund balance**	$ 29,689,168	$ 29,728,168	$ 66,861,099	$ 37,132,930	125%

- CPA was within base budget limits for all budget expense line items with the exception of:
  - Interest and finance expenses ($342,463 or 119% over budget)
  - Amortization expense ($382,908 – not budgeted)
  - Capital outlay ($32,161 or 11% over budget)

- Interest, finance, and amortization expenses exceeded budget due to the application of GASB 87 lease accounting to CPA's office lease during FY 2021/22 which resulted in increased interest and amortization costs and largely offset by reduced Occupancy expenses. Occupancy expenses were $535,000, or 98%, under budget (see row 16 on the previous slide), an amount greater than the interest and amortization associated with the lease which totaled $455,000. Interest expense was also impacted by the new credit agreement with JP Morgan.

- Capital expenditures were higher than base budget limits, resulting from increased investment in the performance of CPA's website, and to accommodate unforeseen equipment purchases and office improvements as more staff began to use the office on the regular basis. Capital expenditures were within the amended budget limits.

Thank You! Questions?

CPA CLEAN POWER ALLIANCE

Staff Report – Agenda Item 6

To:	Clean Power Alliance (CPA) Finance Committee
From:	David McNeil, Chief Financial Officer
Subject:	Report from the Chief Financial Officer
Date:	October 26, 2022

The Chief Financial Officer will provide a verbal update on financial performance and treasury operations.