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

Wednesday, October 23, 2019

10:30 a.m.

555 W. 5th Street, 35th Floor

Los Angeles, CA 90013

Meetings are accessible to people with disabilities. Individuals who need special assistance or a disability-related modification or accommodation to participate in this meeting, or who have a disability and wish to request an alternative format for the meeting materials, should contact Rigo Garcia, at least two (2) working days before the meeting at rgarcia@cleanpoweralliance.org or (213) 713-5995. Notification in advance of the meeting will enable us to make reasonable arrangements to ensure accessibility to this meeting and the materials related to it.

PUBLIC COMMENT POLICY: *The General Public Comment item is reserved for persons wishing to address the Committee on any Clean Power Alliance-related matters not on today's agenda. Public comments on matters on today's Consent Agenda and Regular Agenda shall be heard at the time the matter is called. Comments on items on the Consent Agenda are consolidated into one public comment period. As with all public comment, members of the public who wish to address the Committee are requested to complete a speaker's slip and provide it to Clean Power Alliance staff at the beginning of the meeting but no later than immediately prior to the time an agenda item is called.*

Each speaker is customarily limited to two (2) minutes (in whole minute increments) per agenda item with a cumulative total of five (5) minutes to be allocated between the General Public Comment, the entire Consent Agenda, or individual items in the Regular Agenda. Please refer to Clean Power Alliance Policy No. 8 – Public Comments for more information.

In addition, members of the Public are encouraged to submit written comments on any agenda item to PublicComment@cleanpoweralliance.org. To enable an opportunity for review, written comments should be submitted at least 72 hours but no later than 24 hours in advance of the noticed Committee meeting date. Any written materials submitted thereafter will be distributed to the Committee at the Committee meeting. Any written submissions must specify the Agenda Item by number, otherwise they will be considered General Public Comment.

Clean Power Alliance Finance Committee
October 23, 2019

Members of the public may also participate in this meeting remotely at the following addresses:

Beverly Hills City Hall
4th Floor, Conference Room 4B
455 N. Rexford Drive, Beverly Hills, CA 90210

Rolling Hills Estates City Hall
4045 Palos Verdes Drive N.
Rolling Hills Estates, CA 90274

I. WELCOME & ROLL CALL

II. GENERAL PUBLIC COMMENT

III. CONSENT AGENDA

1. Approve minutes from the September 25, 2019 Finance Committee Meeting

2. Receive and file August Monthly Financial Dashboard

3. Receive and file October 2019 Risk Management Team Report

IV. REGULAR AGENDA

4. Report from the Chief Financial Officer

5. Receive and file Fiscal Year 2019-20 Financial Statements and Report from the Independent Auditor

V. COMMITTEE MEMBER COMMENTS

VI. ADJOURN

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. The Board has designated Clean Power Alliance, 555 W. 5th Street, 35th Floor, Los Angeles, CA 90013, as the location where those public records will be available for inspection. The documents are also available online at www.cleanpoweralliance.org.*

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

Wednesday, September 25, 2019, 11:00 a.m.
555 W. 5th Street, 35th Floor, Los Angeles, CA 90013

Beverly Hills City Hall
4th Floor, Conference Room 4B
455 N. Rexford Drive, Beverly Hills, CA 90210

Camarillo City Hall
Executive Conference Room
601 Carmen Drive, Camarillo, CA 93010

Carson City Hall
Executive Conference Room
701 E. Carson Street
Carson, CA 90745

Rolling Hills Estates City Hall
4045 Palos Verdes Drive N.
Rolling Hills Estates, CA 90274

I. WELCOME & ROLL CALL

Chair Julian Gold called the meeting to order at 11:03 a.m. and Board Secretary Rigoberto Garcia conducted roll call.

Roll Call			
Beverly Hills	Julian Gold	Committee Chair	Remote
Camarillo	Tony Trembley	Committee Member	Remote
Carson	Reata Kulcsar	Committee Member	Remote (11:09 a.m.)
Rolling Hills Estates	Steve Zuckerman	Committee Member	Remote
Santa Monica	Pam O’Connor	Committee Member	Absent

II. GENERAL PUBLIC COMMENT

There were no public comments.

III. CONSENT AGENDA

1. Approve minutes from August 28, 2019 Finance Committee Meeting
2. Receive and file July Monthly Financial Dashboard
3. Receive and file September 2019 Risk Management Team Report

Motion: Committee Member Trembly, Camarillo

Second: Committee Member Zuckerman, Rolling Hills Estates

Vote: Items 1 through 3 were approved by a roll call vote 3-0-2, Committee Members Kulcsar and O'Connor were absent.

IV. REGULAR AGENDA

4. Report from the Chief Financial Officer

David McNeil, Chief Financial Officer, discussed developing a Collection Policy for the agency. Mr. McNeil indicated Southern California Edison (SCE) collects customer accounts up to 180-days past due. Accounts more than 180 days past due are turned over to CPA for collection. Mr. McNeil anticipates that up to $4 million annually will be turned over to CPA for collection. Mr. McNeil stated that historically CCA collection efforts have been poor due to Investor Owned Utilities (IOU) unwillingness to provide critical information to CCAs. Mr. McNeil indicated CPA is interested in collaborating with the same agents that SCE uses for collections and that SCE appears open to that idea.

Committee Chair Gold asked how CPA can benchmark performance. Mr. McNeil answered that staff will develop collection matrices but that historically CCAs have had lower collection rates than the IOUs. .

Committee Member Trembly asked what regulations the collection agency follows and what governs their actions. Mr. McNeil indicated staff will provide more information on this topic in conjunction with the development of the Collections Policy.

Mr. McNeil announced that CPA has hired a new Controller, Hui Lisano, who would soon join the team. Mr. McNeil indicated one of the goals he and the Controller will work on will be to build an internal accounting team. Committee Member Zuckerman asked if a cost analysis has been performed to determine the benefit of an internal term versus an outsourced one. Mr. McNeil responded that cost would be comparable or slightly higher and that CPA expects to benefit from improved performance and accuracy and the alignment of internal accounting systems with CPA's other systems.

Mr. McNeil indicated CPA paid off the River City Bank line of credit on August 20th, drew an additional $7-8 in September and then paid off the line of credit again on September 20th. Mr. McNeil indicated CPA has approximately $15 million in the bank and does not project re-using the line of credit again this calendar year. Mr. McNeil further indicated that with $18 million in cash and $37 million in credit, CPA is in a strong liquidity position.

On financial performance, Mr. McNeil indicated the out-opt rates were at 13.5% by load, an amount that was higher than anticipated resulting in lower revenue. The financial performance was influenced by mild weather resulting in lower demand. Mr. McNeil noted that summer peak electricity demand in 2019 was the lowest it had been since 2003. Mr. McNeil indicated CPA was structurally long to hedge against the downside risk of higher prices during peak demand periods.

Committee Member Trembley said if it had been almost two decades since electricity demand was this low, would it be proper to use a 1 to 20 ratio probability to characterize projections on the Financial Dashboard. Mr. McNeil indicated that a 1 to 20 ratio is an initial assessment and that CPA will understand more after receiving settlement quality meter data approximately 10 weeks after a month ends. Mr. McNeil indicated the data needs to be available before an analysis and comparison can occur, however generally CPA positions itself to mitigate against downside risk.

Committee Member Kulcsar asked if staff can provide details on the cost of being long on energy when it becomes available. Mr. McNeil stated he can provide figures for the 2019 summer with performance metrics by the January 2020 Committee meeting. Committee Member Zuckerman commented CPA needs to be long as insurance against higher pricing.

Committee Member Zuckerman asked about cash equivalents in terms of restricted versus unrestricted figures, specifically why a $10 million loan due to Los Angeles County is not reflected as restricted. Mr. McNeil indicated that restricted cash is primarily based on minimum deposit in lockbox account which is $6 million and debt service accounts which represents 10% of borrowings. He further indicated that loan proceeds in accounting are not represented as restricted, but that the Los Angeles County loan would be reflected in cashflow forecasts.

Committee Member Zuckerman asked if there have been changes in the spot market, and whether upcoming months would have similar cost profiles. Mr. McNeil indicated costs for August and September are anticipated to be similar, coming below the anticipated budget but with a continued surplus.

Committee Chair Gold asked if CPA sells any long positions and where the revenue is reflected. Mr. McNeil responded that CPA sells excess energy on the spot market and that revenue is reflected in the month in which energy is delivered as part of the cost of energy. Committee Chair Gold asked if the monthly summary figures can included the bottom line figures resulting from the sale of long positions in the spot market and bilateral sales. Mr. McNeil responded he can provide MW hours sold over the month but that the revenues from the sales would be indicated in the cost of energy and cautioned disclosing market information in the public domain.

Committee Chair Gold asked about the composition of the 13.5% opt-out rate. Ted Bardacke, Executive Director, answered that given the actions on the subset customers, he was surprised the opt-out rate was not higher and they appear to be levelling out with the inclusion of new customers. He further discussed commercial customers whose opt-out rates were higher contributing to CPA being long during the summer months. Mr. Bardacke indicated staff is communicating with large commercial customers who have not yet decided on what to do and internally staff is developing an outreach plan to recapture customers who have left CPA. Mr. Bardacke discussed that some CCA’s have contract rates for large customers and that option would be considered when CPA is in that financial position.

Committee Chair Gold asked how often budget projections are evaluated. Mr. McNeil indicated staff revises projections on an on-going basis and can provide updates internally.

On the Banking Agreement, Mr. McNeil discussed the Letter Agreement between CPA and River City Bank that adjusts CPA's loan covenants. Mr. McNeil indicated adjustment to the loan covenants is positive and reaffirms River City Bank's comfort with CPA's risk profile. Committee Member Trembley asked whether the credit covenant relates to cash equivalent restricted funds, and if it does, how its affected. Mr. McNeil responded he does not expect a change to the restricted funds. Committee Member Kulcsar asked if there were any changes to fees or rates with the amended covenants. Mr. McNeil answered there would be no changes. Committee Member Zuckerman asked what is the daily balance at River City Bank. Mr. McNeil answered that will range from $10 to $40 million.

On the 2018-19 Financial Audit, Mr. McNeil indicated that the audit is on track and scheduled for presentation at the October Committee meeting. Mr. Bardacke noted that the October Committee meeting would begin early at 10:30 a.m. Committee Chair Gold asked staff to evaluate whether closed session discussion can occur regarding the audit.

V. COMMITTEE MEMBER COMMENTS

There were no additional Committee Member comments.

VI. ADJOURN

Committee Chair Gold adjourned the meeting at 12:01 p.m.

CLEAN POWER ALLIANCE

Financial Dashboard

YTD
Aug
2019

Active Accounts

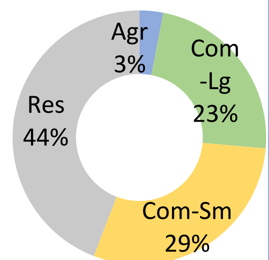
1,042,000

Opt-Out %

4.7%

YTD Sales Volume

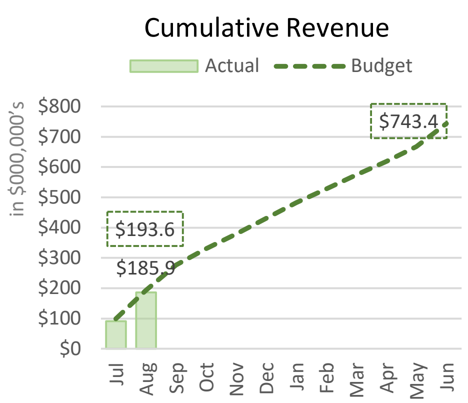
2,270 GWh

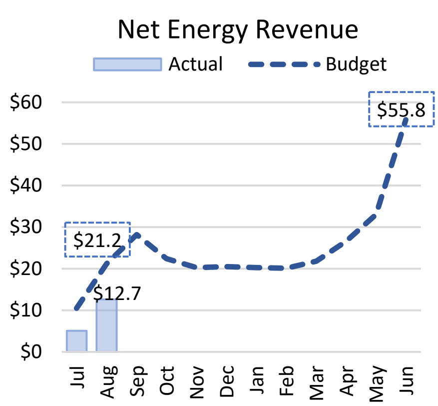


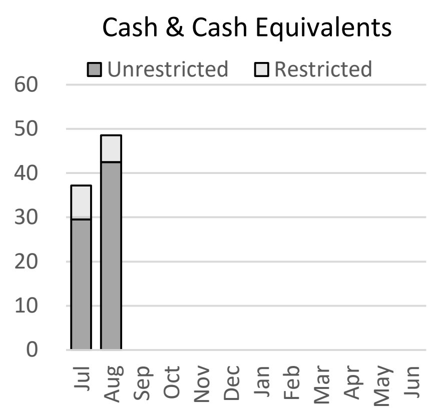
Summary of Financial Results

in $000,000's	August Actual	August Budget	August Variance	August %	Year-to-Date Actual	Year-to-Date Budget	Year-to-Date Variance	Year-to-Date %
Energy Revenues	$94.8	$94.3	$0.5	1%	185.9	193.6	-7.7	-4%
Cost of Energy	$87.2	$83.6	$3.6	4%	173.2	172.3	0.9	1%
Net Energy Revenue	$7.6	$10.7	-$3.1	-29%	12.7	21.2	-8.6	-40%
Operating Expenditures	$1.7	$2.0	-$0.3	-14%	3.5	4.3	-0.7	-17%
Net Income	$5.8	$8.7	-$2.8	-33%	9.1	16.9	-7.8	-46%

- CPA recorded results for August that were positive but below expectations. August results were impacted by low spot market energy prices which contributed to energy costs that were 4% higher than budgeted for the month. Expenditures remain within authorized budget limits. Net income for August represents an improvement over the prior month results.
- For year-to-date:
  - Revenues of $185.9 million were 4% below budgeted revenues.
  - Cost of energy of $173 million were 1% above budgeted energy costs.
  - Operating expenditures of $3.5 million were 17% lower than budgeted primarily due to lower than budgeted staffing, and technical and legal services costs.
  - Net income of $9.1M was 48% below budgeted net income of $16.9M.
  - Management believes that available liquidity and bank lines of credit are sufficient for CPA to continue to meet its obligations.







Definitions:

Accounts: Active Accounts represent customer accounts of active customers served by CPA
Opt-out %: Customer accounts opted out divided by eligible CPA accounts
YTD Sales Volume: Year to date sales volume represents the amount of energy (in gigawatt hours) sold to retail customers
Revenues: Retail energy sales less allowance for doubtful accounts
Cost of energy: Cost of energy includes direct costs incurred to serve CPA's load
Operating expenditures: Operating expenditures include general, administrative, consulting, payroll and other costs required to fund operations
Net income: Net income represents the difference between revenues and expenditures before depreciation and capital expenditures
Cash and Cash Equivalents: Includes cash held as bank deposits.
Year to date (YTD): Represents the fiscal period beginning July 1, 2019

Staff Report – Agenda Item 3

To:	Clean Power Alliance (CPA) Finance Committee and Energy Planning & Resources Committee
From:	Matthew Langer, Chief Operating Officer
Approved by:	Ted Bardacke, Executive Director
Subject:	October 2019 Risk Management Team Report
Date:	October 23, 2019

Key Actions

- Discussed recent market trends and outlook for winter 2019-20
- Reviewed energy position for October and decided no additional transactions were needed for the balance of month
- Reviewed Resource Adequacy position and considered potential transactions

Policy Compliance

No new policy compliance issues to report for October.

Staff Report – Agenda Item 4

To:	Clean Power Alliance (CPA) Finance Committee
From:	David McNeil, Chief Financial Officer
Subject:	Report from the Chief Financial Officer
Date:	October 23, 2019

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

- CPA's new Controller, Hui Lisano
- Borrowing and treasury operations
- Investment Policy
- Financial performance

Staff Report – Agenda Item 5

To:	Clean Power Alliance (CPA) Finance Committee
From:	David McNeil, Chief Financial Officer
Subject:	Receive and file Fiscal Year 2018-19 Financial Statements and Report from the Independent Auditor
Date:	October 23, 2019

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 April 2019, the Finance Committee selected Baker Tilly to perform an audit of CPA's Fiscal Year (FY) 2018-19 results.

Staff is responsible for the preparation and fair presentation of the financial statements. The independent auditor performs tests to assure that the financial statements are free from material misstatement. The FY 2018-19 Financial Statements (Attachment 1) consist of the following:

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

DISCUSSION

Auditors' Report

The Auditors' Report includes its opinion that CPA's FY 2018-19 Financial Statements "present fairly, in all material respects, the financial position of Clean Power Alliance as of June 30, 2019…in accordance with accounting principles generally accepted in the United States of America" The Auditors' Report contains what is generally regarded as an unqualified or "clean" audit opinion.

The Auditors Communication to the Finance Committee is also attached. The Auditor observed no material issues with CPA's reporting or controls. The Auditor recommends CPA develop a non-energy procurement policy. This policy is currently being developed and was discussed with the Executive Committee at its September 2019 meeting. Staff expects the policy to be reviewed by the Executive Committee again in November and presented to the Board of Directors for consideration in either December 2019 or January 2020.

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

FINANCIAL HIGHLIGHTS

- Operating revenues increased from $3.4 million in FY 2017-18 to $254 million in FY 2018-19 reflecting the full year impact of Phase 1 and 2 enrollments that occurred in 2018 and Phase 3 and 4 enrollments that occurred in February and May 2019 respectively.
- The net position increased by $18.6 million resulting in $16 million net position at the close of the year. The increase in net position is consistent with CPA's Board approved Reserve Policy.
- As of June 30, 2019, debt consisted of a loan payable to the County of Los Angeles due for repayment on September 30, 2020 and a $19 million note payable to River City Bank. The note payable to the bank was repaid in September 2019.

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

Staff views the financial results as positive. CPA is in good financial health following the Phase 1-4 enrollments and is well positioned to serve its customers and deliver on its mission. Staff plans to present a comparison of FY 2018-19 budget to actual results at the December Finance Committee meeting.

Attachments:
1) FY 2018-19 Financial Statements
2) Communication with those charged with Governance and Management

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

Basic Financial Statements with Independent Auditor's Report

For the Fiscal Years Ended June 30, 2019 and 2018

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA
YEARS ENDED JUNE 30, 2019 AND 2018

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INDEPENDENT AUDITORS' REPORT

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

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

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Prior Period Financial Statements

The financial statements of Clean Power Alliance of Southern California, as of and for the year ended June 30, 2018, were audited by other auditors whose report dated December 20, 2018, expressed an unmodified opinion on those statements.

Other Matter

Required Supplementary Information

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

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
October 16, 2019

The Management's Discussion and Analysis provides an overview of Clean Power Alliance of Southern California's (CPA) financial activities as of and for the years ended June 30, 2019 and 2018. The information presented here should be considered in conjunction with the audited financial statements.

Contents of this Report

This report is divided into the following sections:

- Management's discussion and analysis.

- The Basic financial statements:

  - The *Statements of Net Position* includes all of CPA's assets, liabilities, and net position and provides information about the nature and amount of resources and obligations at a specific point in time.

  - The *Statements of Revenues, Expenses, and Changes in Net Position* report all of CPA's revenue and expenses for the years shown.

  - The *Statements of Cash Flows* report the cash provided and used by operating activities, as well as other sources and uses, such as non-capital financing activities.

  - Notes to the Basic Financial Statements, which provide additional details and information related to the basic financial statements.

BACKGROUND

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

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

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

CPA began operations by serving approximately 1,800 municipal 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. In December 2018 the City of Westlake Village became a party to CPA's Joint Powers Agreement. CPA plans to enroll approximately 4,000 residential and commercial accounts from Westlake Village during June 2020.

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

Financial Reporting

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

FINANCIAL HIGHLIGHTS

The following table is a summary of CPA's assets, liabilities, and net position as of June 30:

	2019	2018
Current assets	$ 142,619,616	$ 9,521,793
Noncurrent assets		
Capital assets, net	35,948	-
Other noncurrent assets	128,000	107,250
Total assets	142,783,564	9,629,043
Current liabilities	97,158,978	2,470,275
Noncurrent liabilities	29,635,608	9,835,608
Total liabilities	126,794,586	12,305,883
Net position		
Investment in capital assets	35,948	-
Restricted for collateral	7,952,000	-
Unrestricted (deficit)	8,001,030	(2,676,840)
Total net position	$ 15,988,978	$ (2,676,840)

Current Assets

Current assets totaled $142,620,000 as of June 30, 2019. Current assets include the following: $14,211,000 in cash and cash equivalents, $56,605,000 in accounts receivable and other receivables, $68,779,000 in accrued revenue, and $2,025,000 of prepaid expenses.

Current assets totaled $9,522,000 as of June 30, 2018. Current assets as of June 20, 2018 include the following: $3,296,000 in cash and restricted cash, $2,702,000 invested in the Los Angeles County Investment Pool, $741,000 in accounts receivable and other receivables, $908,000 in accrued revenue, and $1,850,000 in deposits.

Cash and cash equivalents, prepaid expenses, accounts receivable and accrued revenue increased year over year due to operating activities associated with the enrollment of residential and commercial accounts during 2019. Restricted cash increased pursuant to credit and security agreements. Funds invested in the Los Angeles County Investment Pool decreased as a result of CPA's withdrawal from the Pool.

Current Liabilities

Current liabilities totaled $97,159,000 as of June 30, 2019. Current liabilities include the following: $5,137,000 of accounts payable and other accrued liabilities, and $89,052,000 of accrued cost of electricity. CPA is required to collect and remit user taxes on certain customer sales and has a current liability of $2,971,000 for these taxes as of June 30, 2019.

Current liabilities totaled $2,470,000 as of June 30, 2018. Current liabilities include the following: $1,513,000 of the cost in electricity delivered to customers that is not yet due to be paid by CPA. Also included is $940,000 in accounts payable for service providers and other operating expenses. CPA has a current liability of $17,000 for taxes as of June 30, 2018.

Current liabilities increased year over year due to operating activities associated with the enrollment of residential and commercial accounts during 2019.

Noncurrent Liabilities

As of June 30, 2019, noncurrent liabilities totaled $29,636,000. Noncurrent liabilities include loans and notes payable to the County of Los Angeles and River City Bank respectively as described in the notes to the financial statements.

As of June 30, 2018, noncurrent liabilities consist entirely of $9,836,000 loan payable to the County of Los Angeles.

Noncurrent liabilities increased as a result of borrowing under a credit agreement with River City Bank and a supplier security deposit.

The following table is a summary of CPA's results of operations:

	2019	2018	Increase
Operating revenues	$ 253,919,018	$ 3,382,705	$ 250,536,313
Interest income	121,962	7,126	114,836
Total income	254,040,980	3,389,831	250,651,149
Operating expenses	235,128,858	6,066,671	229,062,187
Interest and related expenses	246,304	-	246,304
Total expenses	235,375,162	6,066,671	229,308,491
Change in net position	$ 18,665,818	$ (2,676,840)	$ 21,342,658

Total Income

Operating revenues increased from $3,383,000 in 2017-18 to $253,919,000 in 2018-19. Operating revenues consist entirely of electricity sales to customers. Sales to customers began in February 2018 to certain municipal and commercial accounts in the unincorporated Los Angeles County, accounting for five months of service during the 2017-18 year.

Operating revenues increased year over year as a result of the enrollment of residential and commercial customers in February and May 2019 respectively. Year over year changes in interest income reflect higher average balances in interest earning accounts.

Total Expenses

Operating expenses increased from $6,067,000 in 2017-18 to $235,375,000 in 2018-19. Operating expenses include the cost of energy and electric capacity used to serve CPA's customers and meet its regulatory obligations, contracts with service provides, staff compensation and general and administrative expenses. Operating costs increased year over year due to operating activities associated with the enrollment of residential and commercial accounts during 2019. Operating expenses in 2017-18 include the cost of serving customers for five months of operations as well as costs for the start-up and implementation of the agency. Interest and related expenses that occurred in 2018-19 reflect borrowing and interest costs arising primarily from the credit agreement with River City Bank.

Change in Net Position

The change in net position increased from negative $2,677,000 in 2017-18 to $18,666,000 in 2018-19. The change in net position in 2017-18 reflects the start-up nature of the agency. The contribution to the net position for 2018-19 reflects positive operating margins and are consistent with CPA's Reserve Policy adopted by CPA's Board of Directors in January 2019.

PURCHASE COMMITMENTS AND ECONOMIC OUTLOOK

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

PURCHASE COMMITMENTS AND ECONOMIC OUTLOOK (Continued)

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. Beginning January 1, 2021, 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, winding and other renewable energy generating facilities on-line, to meet its regulatory RPS and GHG free targets, to accomplish its mission of providing renewable energy and reducing greenhouse gas emissions, serve its customers and manage energy market risks. CPA manages risks associated with these commitments by aligning purchase commitments with expected demand for electricity and assuring diversity of technologies, geographical locations, and suppliers.

Commitments under power purchase agreements totaled approximately $228 million and $1.422 billion as of June 30, 2018 and June 30, 2019 respectively.

CPA manages its energy market risks in accordance with its Energy Risk Management Policy adopted by the Board of Directors in July 2018. 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 and creditors 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, 555 W. 5th Street, 35th Floor, Los Angeles, CA 90013.

BASIC FINANCIAL STATEMENTS

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

STATEMENTS OF NET POSITION

JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	$ 7,258,580	$ 2,546,067
Investment in Los Angeles County Investment Pool		2,701,780
Accounts receivable, net of allowance	50,674,048	660,508
Accrued revenue	68,779,327	907,546
Market settlements receivable	5,573,657	-
Other receivables	357,454	80,892
Prepaid expenses	2,024,550	25,000
Deposits	-	1,850,000
Restricted cash	7,952,000	750,000
Total current assets	142,619,616	9,521,793
Noncurrent assets		
Capital assets, net of depreciation	35,948	-
Deposits	128,000	107,250
Total noncurrent assets	163,948	107,250
Total assets	142,783,564	9,629,043
LIABILITIES		
Current liabilities		
Accounts payable	2,641,021	940,351
Accrued cost of electricity	89,051,637	1,512,698
Other accrued liabilities	2,495,683	-
User taxes and energy surcharges due to other governments	2,970,637	17,226
Total current liabilities	97,158,978	2,470,275
Noncurrent liabilities		
Loans payable to County of Los Angeles	9,835,608	9,835,608
Note payable to bank	19,050,000	-
Supplier security deposits	750,000	-
Total noncurrent liabilities	29,635,608	9,835,608
Total liabilities	126,794,586	12,305,883
NET POSITION		
Investment in capital assets	35,948	-
Restricted for collateral	7,952,000	-
Unrestricted (deficit)	8,001,030	(2,676,840)
Total net position	$ 15,988,978	$ (2,676,840)

The accompanying notes are an integral part of these financial statements. 10

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
OPERATING REVENUES		
Electricity sales, net	$ 253,913,018	$ 3,343,365
Other revenue	6,000	39,340
Total operating revenues	253,919,018	3,382,705
OPERATING EXPENSES		
Cost of electricity	223,125,906	3,298,724
Contract services	9,123,988	2,418,688
Staff compensation	2,133,751	222,051
General and administration	745,213	127,208
Total operating expenses	235,128,858	6,066,671
Operating income (loss)	18,790,160	(2,683,966)
NONOPERATING REVENUES (EXPENSES)		
Interest income	121,962	7,126
Interest and related expenses	(246,304)	-
Total nonoperating revenues (expenses)	(124,342)	7,126
CHANGE IN NET POSITION	18,665,818	(2,676,840)
Net position at beginning of year	(2,676,840)	-
Net position at end of year	$ 15,988,978	$ (2,676,840)

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, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 143,329,272	$ 2,155,770
Receipts from market settlements	13,166,766	
Other operating receipts	3,267,750	
Payments to suppliers for electricity	(155,978,140)	(3,309,957)
Payments to suppliers for other goods and services	(6,379,399)	
Payments to employees for services	(2,108,648)	
Other operating payments	(5,049,249)	(1,950,000)
Net cash provided (used) by operating activities	(9,751,648)	(3,104,187)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Loan proceeds	28,100,000	9,100,000
Principal payments on loan	(9,050,000)	-
Interest and related expense payments	(175,132)	-
Net cash provided (used) by non-capital financing activities	18,874,868	9,100,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments to acquire capital assets	(37,541)	
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income received	127,054	2,034
Net change in cash and cash equivalents	9,212,733	5,997,847
Cash and cash equivalents at beginning of year	5,997,847	-
Cash and cash equivalents at end of year	$ 15,210,580	$ 5,997,847
Reconciliation to the Statement of Net Position		
Cash and cash equivalents (unrestricted)	$ 7,258,580	$ 2,546,067
Investment in Los Angeles County Investment Pool		$ 2,701,780
Restricted cash	7,952,000	750,000
Cash and cash equivalents	$ 15,210,580	$ 5,997,847

Noncash Non-Capital Financing Activities during the year ended June 30, 2018

Expenses of $735,608 were financed directly from loan proceeds.

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

STATEMENTS OF CASH FLOWS (CONTINUED)

YEARS ENDED JUNE 30, 2019 AND 2018

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

	2019	2018
Operating income (loss)	$ 18,790,160	$ (2,683,966)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation expense	7,522	-
Revenue adjusted for allowance for uncollectible accounts	1,275,944	-
(Increase) decrease in:		
Accounts receivable	(51,306,203)	(660,508)
Energy market settlements receivable	(5,537,198)	-
Other receivables	(304,693)	(75,800)
Accrued revenue	(67,871,779)	(907,546)
Prepaid expenses	(1,997,093)	(25,000)
Deposits	1,829,250	(1,957,250)
Increase (decrease) in:		
Accounts payable	1,819,934	940,351
Energy market settlements payable	(109,534)	-
Accrued cost of electricity	87,538,939	1,512,698
Other accrued liabilities	2,411,559	-
User taxes due to other governments	2,951,544	17,226
Loans payable	-	735,608
Supplier security deposits	750,000	-
Net cash provided (used) by operating activities	$ (9,751,648)	$ (3,104,187)

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, 2019, 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 financial support from its members. CPA is governed by a Board of Directors whose membership is composed of elected officials representing one or more of 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 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 Statement of Cash Flows, CPA defines cash and cash equivalents to include cash on hand, demand deposits, and short-term investments. As of June 30, 2019, cash and cash equivalents were held in various interest and non-interest earnings accounts at River City Bank.

Prior to November 2018 CPA held investments in the Los Angeles County Investment Pool.

Investments held in the Los Angeles County Investment Pool are available on demand and are considered highly liquid. Amounts restricted pursuant to security and lending agreements is included as cash and cash equivalents on the Statement of Cash Flows.

CAPITAL ASSETS AND DEPRECIATION

CPA's policy is to capitalize furniture and equipment valued over $1,000 that is expected to be in service for over one year. Depreciation is computed according to the straight-line method over estimated useful lives of three years for electronic equipment and seven years for furniture. Leasehold improvements are depreciated over 10 years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deposits

Certain energy contracts entered into by CPA require CPA to provide the supplier with a security deposit. The deposits are generally held for the term of the contract. Deposits with energy suppliers are classified as current or noncurrent assets depending on the length of the time the deposits will be held. While these energy contract related deposits make up the majority of this item, other components of deposits include those for regulatory and other operating purposes.

Net position

Net position is presented in the following components:

Investment in capital assets: This component of net position consists of capital assets, net of accumulated depreciation and reduced by outstanding borrowings that are attributable to the acquisition, construction, or improvement of those assets. CPA did not have any outstanding borrowings as of June 30, 2019 and 2018 attributable to those assets.

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

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

Operating and non-operating revenue

Operating revenues include revenue derived from the provision of energy to retail customers.

Interest income is considered "non-operating revenue".

Revenue recognition

CPA recognizes revenue on the accrual basis. This includes invoices issued to customers during the reporting period and electricity estimated to have been delivered but not yet billed. Management estimates that a portion of the billed amounts will be uncollectible. Accordingly, an allowance for uncollectible accounts has been recorded.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

OPERATING AND NON-OPERATING 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 nonoperating expenses.

ELECTRICAL POWER PURCHASED

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

To comply with the State of California's Renewable Portfolio Standards (RPS) and elective 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. An expense is recognized at the point that the cost of the Certificate is due and payable to the supplier. 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 California Independent System Operator 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAXES

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

USER TAXES AND ENERGY SURCHARGES DUE TO OTHER GOVERNMENTS

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

ESTIMATES

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

RECLASSIFICATIONS

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

3. CASH AND CASH EQUIVALENTS

As of June 30, 2019 CPA, maintains its cash in both interest-bearing and non-interest-bearing bank accounts with River City Bank. California Government Code Section 16521 requires banks to collateralize amounts of public funds in excess of FDIC limit of $250,000 in an amount equal to 110% of deposit balances. CPA has no deposit or investment policy that addresses a specific type of risk that would impose additional restrictions beyond this code. Accordingly, the amount of risk is not disclosed. Risk is monitored on an ongoing basis.

As of June 30, 2018 CPA, held investments in the Los Angeles County Investment Pool (the County Pool). During 2018-19 CPA elected to no longer participate in the County Pool and withdrew its funds. The County Pool includes both voluntary and involuntary participation from external entities. CPA was a voluntary participant. CPA has approved by resolution, the investment policy of the County of Los Angeles which complies with the California Government Code.

The County Pool is not registered with the Securities and Exchange Commission as an investment company. The objectives of the policy are in order of priority, safety, liquidity, yield, and public trust.

The County has established a treasury oversight committee to monitor and review the management of public funds maintained in the investment pool in accordance with Article 6 Section 27131 of the California Government Code. The oversight committee and the Board of Supervisors review and approve the investment policy annually. The County Treasurer prepares and submits a comprehensive investment report to the members of the oversight committee and the investment pool participants every month. The report covers the types of investments in the pool, maturity dates, par value, actual costs and fair value.

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; Level 3 inputs are significant unobservable inputs. As of June 30, 2019, CPA held no individual investments. As of June 30, 2018, all investments were in the Los Angeles County Investment Pool.

3. CASH AND CASH EQUIVALENTS (continued)

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 the County Pool are made on the basis of $1 which is substantially equal to fair value. CPA's proportionate share of investments in the County Pool at June 30, 2018 of $2,701,780 is not required to be categorized under the fair value hierarchy.

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed income portfolio to changes in interest rates. It is calculated as the weighted average time to receive a bond's coupon and principal payments. The longer the duration of a portfolio, the greater its price sensitivity to changes in interest rates. CPA has not adopted a policy to manage interest rate risk.

The County Pool manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations. As of June 30, 2018, approximately 36% of the investments in the County Pool had maturities of 60 days or less, with an average of 609 days to maturity for the entire portfolio. As of June 30, 2019 CPA's cash was held in entirely in interest bearing and noninterest bearing demand deposits at River City Bank.

CREDIT RISK

The investment policy of the County Pool contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. For a listing of investments in any one issuer (other than U.S. Treasury securities, mutual funds, or external investment pools) that represent 5% or more of total County investments, refer to the 2017-18 Los Angeles County Comprehensive Annual Financial Report.

4. ACCOUNTS RECEIVABLE

Accounts receivable were as follows:

	2019	2018
Accounts receivable from customers	$ 51,966,709	$ 677,225
Allowance for uncollectible accounts	(1,292,661)	(16,717)
Net accounts receivable	$ 50,674,048	$ 660,508

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

5. MARKET SETTLEMENTS RECEIVABLE

During the normal course of business, CPA receives generation scheduling and other services from a registered, California Independent System Operator (CAISO) scheduling coordinator. Market settlements due from the scheduling coordinator were $5,574,000 and $0 as of June 30, 2019 and 2018, respectively.

6. CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2019 and 2018 was as follows:

	Furniture & Equipment	Accumulated Depreciation	Total
Balances at June 30, 2018	$ -	$ -	$ -
Additions	44,080	(8,132)	35,948
Balances at June 30, 2019	$ 44,080	$ (8,132)	$ 35,948

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

7. DEBT

In August 2017, CPA and the County of Los Angeles executed a memorandum of understanding (MOU) to provide a non-interest bearing loan to CPA in an amount not to exceed $10 million to be repaid June 30, 2018. In April 2018, the County's Board of Supervisors approved an extension of the repayment term of the loan to June 30, 2019. In August 2018, County's Board of Supervisors approved a further extension of repayment of the loan to September 30, 2020. The purpose of the loan was to investigate the feasibility of implementing a community choice aggregation program as well as to provide for other working capital needs. During 2017-18 CPA received $9,100,000 cash loan proceeds and $735,608 noncash loan proceeds from the County of Los Angeles.

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

In April 2019 CPA entered into the First Amendment to the Credit Agreement with River City Bank (First Amendment). The First Amendment increases available credit facility amount from $20 million to $37 million, extends the term of the agreement through March 31, 2021, reduces the interest rate on borrowing from 2% over the one-month London Interbank Borrowing Rate (Libor) to 1.75% over one-month Libor, adjusts the amount required to be held as cash collateral from 10% of the credit facility amount to 10% of the outstanding balance and updates the credit covenants. The First Amendment is intended to provide CPA with greater working capital and financial flexibility and contribute to the financial strength of the agency. The interest rate at June 30, 2019 was 4.18%.

The credit covenants were updated in September 2019 as described in subsequent events.

As of June 30, 2019, CPA had a $19,050,000 note outstanding under the credit facility repayable on March 31, 2021.

7. DEBT (continued)

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

	Beginning	Additions	Payments	Ending
Year ended June 30, 2018				
County of Los Angeles	$ -	$ 9,835,608	$ -	$ 9,835,608
Total	$ -	$ 9,835,608	$ -	$ 9,835,608
Amounts due within one year				-
Amounts due after one year				$ 9,835,608
Year ended June 30, 2019				
County of Los Angeles	$ 9,835,608	$ -		$ 9,835,608
River City Bank	-	28,100,000	(9,050,000)	19,050,000
Total	$ 9,835,608	$ 28,100,000	$ (9,050,000)	$ 28,885,608
Amounts due within one year				
Amounts due after one year				$ 28,885,608

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. As of June 30, 2019, there were 17 plan members. CPA is required to contribute up to 3.5% of annual covered payroll to the Plan and contributed $152,000 and $0 during the years ended June 30, 2019 and 2018, 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.

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

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

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

10. PURCHASE COMMITMENTS

POWER AND ELECTRIC CAPACITY

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

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

10. PURCHASE COMMITMENTS (continued)

The following table represents the expected, undiscounted, contractual obligations outstanding as of June 30, 2019:

Year ended June 30,	
2020	$ 666,000,000
2021	332,000,000
2022	137,000,000
2023	32,000,000
2024	21,000,000
2025-35	234,000,000
	$ 1,422,000,000

As of June 30, 2019, CPA had noncancelable contractual commitments to professional service providers through July 31, 2022 for services yet to be performed. Fees associated with these contracts are based on volumetric activity and are expected to be approximately $34,000,000.

11. OPERATING LEASE

Rental expense for CPA's office space was $134,000 and $26,000 for the years ended June 30, 2019 and 2018, respectively. CPA leases office space under various agreements with WeWork which expire in September 2019 and renew on a month to month basis.

12. FUTURE GASB PRONOUNCEMENTS

The requirements of the following GASB Statement are effective for future fiscal years ending after June 30, 2019:

GASB Statement No. 87, *Leases*, is effective for fiscal years beginning after December 15, 2019. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, thereby enhancing the relevance and consistency of information about governments' leasing activities.

13. SUBSEQUENT EVENTS

In September 2018 new legislation was passed in the California legislature that expands direct access for commercial customers throughout the State. In September 2019 CPA was advised by Southern California Edison that customer load equal to less than 1% of CPA's total load would depart under the new direct access legislation beginning in January 2021.

In September 2019 CPA and River City Bank entered into a letter agreement updating CPA's loan covenants under the Credit Agreement.

On October 10, 2019 the CPUC issued a decision in Rulemaking 17-09-020 relating to imports of resource adequacy into California under its Resource Adequacy Program. CPA is working to clarify how the decision will be implemented and what impacts, if any, the decision will have on CPA.

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

Los Angeles, California

COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE AND MANAGEMENT

As of and for the Year Ended June 30, 2019

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

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OTHER COMMUNICATIONS WITH THOSE CHARGED WITH GOVERNANCE

TWO WAY COMMUNICATION REGARDING YOUR AUDIT

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

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

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

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

   > Identify types of potential misstatements.

   > Consider factors that affect the risks of material misstatement.

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

   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.

c. 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.

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

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

f. 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 CPA concerning:

a. The CPA'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?

TWO WAY COMMUNICATION REGARDING YOUR AUDIT (cont.)

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

With regard to the timing of our audit, here is some general information. If necessary, we may do preliminary financial audit work during the months of May-June, and sometimes early July. Our final financial fieldwork is scheduled during the spring 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.

COMMUNICATION OF OTHER CONTROL DEFICIENCIES, RECOMMENDATIONS AND INFORMATIONAL POINTS TO MANAGEMENT THAT ARE NOT MATERIAL WEAKNESSES OR SIGNIFICANT DEFICIENCIES

INFORMATIONAL POINTS

UPCOMING LEASE STANDARD

In June 2017, the Governmental Accounting Standards Board (GASB) issued new guidance to establish a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This standard is effective for fiscal years ending on or after December 31, 2020. Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognize as inflows of resources or outflow of resources based on the payment provisions of the contract.

Under the new standard a lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Control is defined by: 1) the right to obtain the present service capacity from the use of the underlying asset; and 2) the right to determine the nature and manner of use of the underlying asset. Any contract that meets this definition should be accounted for under the lease guidance, unless specifically excluded in this statement. Leases include contracts that, although not explicitly identified as leases, meet the above definition of a lease.

The following are contract exclusions and exceptions from applying lease accounting:

- Intangible assets (mineral rights, patents, software, copyrights)
- Biological assets (including timber, living plants, and living animals)
- Service concession arrangements (See GASB Statement 60)
- Assets financed with outstanding conduit debt unless both the asset and conduit debt are reported by lessor
- Supply contracts (such as power purchase agreements that do not convey control of the right to use the underlying power generating facility)
- Inventory
- Short-term leases - maximum possible term of 12 months or less
- Leases that transfer ownership and do not contain termination options
- Leases of assets that are investments
- Certain regulated leases (e.g., airport-airline agreements)

We recommend Clean Power Alliance of Southern California (CPA) review this standard and start planning how this will affect your financial reporting. An inventory of all contracts that might meet the definition of a lease should be started. The contract listing should include key terms of the contracts such as:

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

INFORMATIONAL POINTS (cont.)

UPCOMING LEASE STANDARD (cont.)

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

BEST PRACTICES AND RECOMMENDATIONS

PROCUREMENT POLICY

During the audit, we reviewed controls over the disbursement process and tested controls over the approval of invoices. No exceptions were noted during the testing of controls and all invoices reviewed were approved. However, during this review it was noted that CPA does not have a formal written procurement policy. We recommend CPA develop a written procurement policy to ensure consistency over controls in the disbursement process. A policy that meets industry best practices would include the following at a minimum:

- A list of designated approvers (or position titles)
- Dollar thresholds for approval. For example, any invoices less than $5,000 require two approvers, or any over $500,000 require three, etc.
- Dollar thresholds for purchases by personnel (or position title). For instance, any purchase over a dollar threshold may require approval prior to ordering the good/service.

A formal policy could help lead to efficiencies in the long run and ensure a consistent process going forward.

REQUIRED COMMUNICATIONS BY THE AUDITOR WITH THOSE CHARGED WITH GOVERNANCE

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

Thank you for using Baker Tilly Virchow Krause, LLP as your auditor.

We have completed our audit of the financial statements of the Clean Power Alliance of Southern California for the year ended June 30, 2019 and have issued our report thereon dated October 16, 2019. This letter presents communications required by our professional standards.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America

The objective of a financial statement audit is the expression of an opinion on the financial statements. We conducted the audit in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements prepared by management with your oversight are free of material misstatement, whether caused by error or fraud. Our audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit does not relieve management or the Board of Directors of their responsibilities.

As part of the audit, we obtained an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements, and to design the nature, timing, and extent of further audit procedures. The audit was not designed to provide assurance on internal control or to identify deficiencies in internal control.

Other Information in Documents Containing Audited Financial Statements

Our responsibility does not extend beyond the audited financial statements identified in this report. We do not have any obligation to and have not performed any procedures to corroborate other information contained in client prepared documents, such as official statements related to debt issues.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters dated August 29, 2019.

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Qualitative Aspects of the Entity's Significant 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 will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Clean Power Alliance of Southern California are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2019. We noted no transactions entered into by the Clean Power Alliance of Southern California during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting 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 and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the allowance for doubtful accounts and unbilled revenue. We evaluated the key factors and assumptions used to develop the estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

The disclosures in the notes to the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected 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 such misstatements identified.

Disagreements with Management

For purposes of this letter, 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.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. If a consultation involves application of an accounting principle to financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Management Representations

We have requested certain representations from management that are included in the management representation letter. This letter follows this required communication.

Qualitative Aspects of the Entity's Significant Accounting Practices (cont.)

Independence

We are not aware of any relationships between Baker Tilly Virchow Krause, LLP and Clean Power Alliance of Southern California that, in our professional judgment, may reasonably be thought to bear on our independence.

Relating to our audit of the financial statements of Clean Power Alliance of Southern California for the year ended June 30, 2019, Baker Tilly Virchow Krause, LLP hereby confirms that we are, in our professional judgment, independent with respect to Clean Power Alliance of Southern California in accordance with the Code of Professional Conduct issued by the American Institute of Certified Public Accountants. We provided no services to Clean Power Alliance of Southern California other than audit services provided in connection with the audit of the current year's financial statements.

Other Audit Findings or Issues

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

Other Matters

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

Restriction on Use

This information is intended solely for the use of the Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties.

We welcome the opportunity to discuss the information included in this letter and any other matters. Thank you for allowing us to serve you.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
October 16, 2019

MANAGEMENT REPRESENTATIONS

October 16, 2019
Baker Tilly Virchow Krause, LLP
10 Terrace Court
Madison, WI 53703

Dear Baker Tilly Virchow Krause, 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, 2019 and 2018 and for the years then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position of the Clean Power Alliance of Southern California and the respective changes in financial position and cash flows in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

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

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

Financial Statements

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

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

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

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

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

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

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

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

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

Information Provided

10. We have provided you with:

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

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

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

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

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

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

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

Other

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

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

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

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

20. There are no:

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

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

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

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

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

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

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

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

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

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

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

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

29. We have appropriately disclosed the Clean Power Alliance of Southern California's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position were properly recognized under the policy. We have also disclosed our policy regarding which resources (that is, restricted, committed, assigned or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available.

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

Sincerely,

Clean Power Alliance of Southern California

Signed: ______________________________

Ted Bardacke, Executive Director

Signed: ______________________________

David McNeil, CFA

Signed: ______________________________