



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

Wednesday, January 22, 2020

11:00 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 Christian Cruz, at least two (2) working days before the meeting at ccruz@cleanpoweralliance.org or (213) 269-5870. 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
January 22, 2020

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

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

II. GENERAL PUBLIC COMMENT

III. CONSENT AGENDA

1. Approve minutes from the December 11, 2019 Finance Committee Meeting
2. Receive and file November 2019 Monthly Financial Dashboard
3. Receive and file Risk Management Team Report

IV. REGULAR AGENDA

4. Report from the Chief Financial Officer
5. Review and Discuss Draft Investment Policy
6. Review and Discuss Financial Controls

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

MINUTES

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 11:01a.m. and Interim Board Secretary Christian Cruz conducted roll call.

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

II. GENERAL PUBLIC COMMENT

There were no public comments.

III. CONSENT AGENDA

1. Approved minutes from the October 23, 2019 Finance Committee Meeting
2. Received and filed October 2019 Monthly Financial Dashboard
3. Received and filed November 2019 Risk Management Team Report

Motion: Committee Member Zuckerman, Rolling Hills Estates
Second: Committee Member Kulcsar, Carson
Vote: Items 1 through 3 were approved by a roll call vote 3-1-1, Committee Member O'Conner was absent during the consent roll call vote and Committee Member Trembley abstained from the minutes.

IV. REGULAR AGENDA

4. Report from the Chief Financial Officer

David McNeil, Chief Financial Officer, discussed banking and treasury operations noting that CPA has no borrowings outstanding and \$14 million in cash. Mr. McNeil discussed upcoming activities involving the committee in the first half of 2020. These activities include a 2019/20 Fiscal Budget adjustment FY 2020/21 budgeting. CPA will present to the committee preliminary budget priorities for Fiscal Year 2020/21 in March and present the FY 2020/21 Budget to the Board for approval in June 2020. CPA will also be updating its load forecast to improve CPA's budget accuracy and forecast. CPA will evaluate rates in early 2020. Ted Bardacke, Executive Director, added that SCE will be performing two rate-setting adjustments in the first half of 2020.

Chair Gold asked Staff to clarify the role of SCE's rates and to confirm if there is a point when SCE's rates won't matter to CPA. Mr. Bardacke noted that this is a large policy question under consideration. He noted that CPA will need to consider whether it wants to continue tying rates to SCE or move toward a cost of service approach.

Committee Member Zuckerman suggested that CPA consider potential new members that may want to join CPA when setting rates. .

Mr. McNeil reminded the committee that it requested a financial responsibilities flowchart at its October meeting and stated that it will be presented at the January Finance Committee meeting. CPA is also developing an investment policy and a collection policy of customer accounts that are no longer being collected by SCE.

Chair Gold asked Staff to think about the timing of some of these assignments. Mr. Bardacke noted that he would like to raise these issues through the Finance Committee, before being presented to Executive Committee.

There were no public comments on this item.

5. Risk Management Update

David McNeil, Chief Financial Officer, provided a brief update. Mr. McNeil highlighted that the Risk Management Team (RMT) is in the process of getting the summer historical data for 2019, which will be used to update the load forecast for summer 2020. Also, CPA is developing tools in conjunction with the Energy

Authority, as well as scenario analysis tools to model revenue and cost for various scenarios. This will address CPA risks in a systematic fashion. TCPA will issue a Request for Proposals for data and systems strategic planning services in December. The intent will be to map out and prioritize database and system needs and evaluate solutions. Mr. McNeil also noted that CPA plans to insource the accounting function of CPA, and the effort will be led by CPA's Controller. Load forecasting will also be brought inhouse and CPA's new Manager of Load Forecasting and Analysis will begin employment with CPA at the end of January.

Committee Member Kulcsar asked about load forecasting, specifically is Calpine doing load forecasting or just that only The Energy Authority. Mr. McNeil stated that it is just The Energy Authority. Committee Member Kulcsar asked if The Energy Authority will be retained for other services. Mr. McNeil stated that TEA will continue to provide scheduling coordination, energy portfolio management and other services. Committee Member Kulcsar asked about the Data RFP deliverable. Mr. McNeil clarified that it will be a five-year strategic plan that will inform CPA about the database and systems development. Committee Member Kulcsar asked what kind of data bases will be produced once a vendor is selected. Mr. McNeil stated that will be determined in the strategic planning process. Committee Member Zuckerman asked if we could look at other agency forecasting, as well. Mr. McNeil stated that other agency forecasts might be available but wouldn't necessarily provide information on CPA territory that would be useful. CPA load is forecast using specific weather station data relevant to CPA's service area.

There were no public comments on this item.

6. Financial Performance Review

Mr. McNeil reviewed the CPA Financial Performance with the Committee. Mr. McNeil reviewed the budget to actual results for fiscal year 2018-19. Mr. McNeil noted that revenue was ten percent under budget, and energy costs were nine percent under budget which compressed margins, due to cooler weather in June, as well as low spot market prices. Operating expenditures came in below budget with the exception of technical services and capital outlay, as referenced in the staff report.

Committee Member Zuckerman asked about the historical data issue. Mr. McNeil clarified that SCE supplied CPA with inaccurate load data, which led CPA to purchase more energy in the summer of 2019. It also impacted CPA RA peak energy use filings, which drove our RA requirements higher. Committee Member Kulcsar asked why Calpine has no fault for providing CPA with inaccurate data. Mr. McNeil stated that Calpine received the raw data from SCE and was not aware the data was incorrect.

Mr. McNeil reviewed results for the June to October 2019 period. CPA operating revenues were lower than budget. For budgeting purposes CPA valued energy

hedges at the then available forward prices, however when CPA sold the energy in the spot market, prices were lower. The forward prices are based on liquid markets from a third party to reflect the actual market value of energy contracts. As far as the operating expenditures, CPA was again below budget. Mr. McNeil stated that this has to do with the non-utilization of contingencies, and a slower rate of spending than budgeted.

Committee Member Zuckerman asked about operating revenues, and if it includes money from selling in the spot market. Mr. McNeil stated that that this is being booked under the cost of energy line item consistent with Generally Accepted Accounting Principles. Chair Gold about CPA's financial health and outlook look over all. Mr. McNeil stated that CPA has accumulated approximately \$28 million in reserves, which is a healthy and that CPA is on track to continue accumulating reserves. .

There were no public comments on this item.

V. COMMITTEE MEMBER COMMENTS

Committee Member Zuckerman commented, that to the degree possible, it would be good to see Chair Gold continue as Committee Member Chair.

VI. ADJOURN

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



Financial Dashboard

Summary of Financial Results

YTD
November
2019

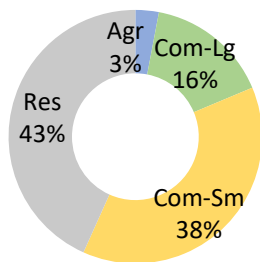
Active Accounts

1,010,000

Opt-Out %

5.3%

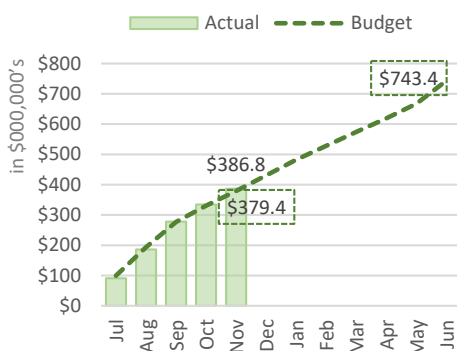
YTD Sales Volume
5,132 GWh



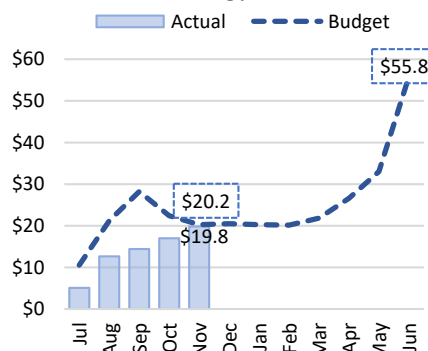
in \$000,000's	November				Year-to-Date			
	Actual	Budget	Variance	%	Actual	Budget	Variance	%
Energy Revenues	\$52.5	\$48.4	\$4.1	9%	386.8	379.4	7.3	2%
Cost of Energy	\$49.6	\$50.6	-\$0.9	-2%	366.9	359.2	7.8	2%
Net Energy Revenue	\$2.8	-\$2.2	\$5.0	-230%	19.8	20.2	-0.4	-2%
Operating Expenditures	\$2.0	\$2.0	\$0.0	-2%	9.0	10.6	-1.6	-15%
Net Income	\$0.9	-\$4.2	\$5.1	-121%	10.8	9.7	1.1	12%

- CPA recorded results for the period that were above budget. The favorable results result primarily from timing differences arising from the sale of congestion revenue rights (CRRs) in the annual auction administered by the California Independent Systems Operator. The sale of CRRs reduced the cost of energy for the month. CRR annual auction results can not be reasonably estimated and CRR sales were spread out over the fiscal year for budgeting purposes. CPA expects to incur congestion costs, which the CRRs are designed to offset, over the course of 2020. Expenditures remain within authorized budget limits. For year-to-date:
 - Revenues of \$386.8 million were \$7.3 million or 2% above budgeted revenues. Cost of energy of \$366.9 million was 2% above budgeted energy costs.
 - Operating expenditures of \$9.0 million were 15% lower than budgeted primarily due to lower than budgeted staffing, technical and legal costs.
 - Net income of \$10.8M was \$1.1 million above budgeted net income of \$9.7M.
 - Management believes that available liquidity and bank lines of credit are sufficient for CPA to continue to meet its obligations.

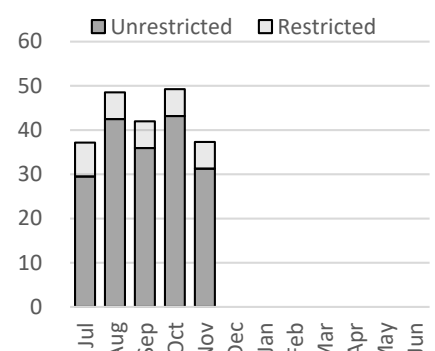
Cumulative Revenue



Net Energy Revenue



Cash & Cash Equivalents



Definitions:

Accounts: Active Accounts represent customer accounts of active customers served by CPA per Calpine Invoice.

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, 2018



Staff Report – Agenda Item 3

To: Clean Power Alliance (CPA) Finance Committee
From: Matthew Langer, Chief Operating Officer
Approved by: Ted Bardacke, Executive Director
Subject: Risk Management Team (RMT) Report
Date: January 22, 2020

DECEMBER 2019 RMT REPORT

Key Actions

- Discussed recent market trends and performance for November 2019. Market prices remain low as a result of mild weather.
- Reviewed short-term energy position for December 2019 and January 2020. RMT decided to take no additional action for December balance of month. RMT approved a solicitation for January 2020 energy hedge purchases.
- Reviewed long-term energy position and approved energy hedge solicitations for 2020 – 2022.

Policy Compliance

CPA's Energy Risk Management Policy designates specific prompt-year (PY) up to prompt 5-year hedge targets for different product types. These targets are measured in December for the following year, e.g. December 2019 for calendar year 2020. RMT reviewed the end-of-year hedge targets for 2020 and beyond and identified the deviations listed below. The deviations for Resource Adequacy (RA) and environmental products (PCC2 and Carbon Free) are high due to regulatory uncertainty and constrained supply in the market, circumstances outside of CPA's control.

Policy Deviation	Required Action
The PCC2 2022 position is less than the minimum hedge target due to limited volumes available in the market 3 years ahead. CPA did not select any 2022 PCC2 offers in the November 2019 RE/CF RFO because volumes were limited, and prices were too high.	CPA will run another RE/CF RFO in the first half of 2020 to secure PCC2 supply for 2022. In addition, the RMT will consider modifying the ERMP hedge targets for PCC2 given the lack of supply in the PY+2 timeframe.
The Carbon Free 2020 and 2021 hedges are less than the minimum hedge targets due to uncertainty related to how the PCIA proceeding will allocate carbon free resources from the IOUs to CCAs.	The RMT will wait to procure carbon free until more clarity is reached in the PCIA proceeding.
The 2021 and 2024 LA Basin resource adequacy positions exceeded the maximum hedge target due to CPA needing to secure a multi-year contract in order to meet its 3-year compliance target. In addition, the 2022 LA Basin RA position is less than the minimum hedge target due to limited supply and regulatory uncertainty related to local RA procurement.	CPA will run a multi-year RA RFO in the first half of 2020 to secure 2022 local supply.
The 2021, 2022, and 2023 Big Creek Ventura resource adequacy positions exceeded the maximum hedge targets due to CPA securing a low-price RA contract that also meets Big Creek Ventura requirements.	No action to be taken.
The 2021 flex resource adequacy position is less than the minimum hedge target due to lack of available supply.	CPA will run a multi-year RA RFO in the first half of 2020 to secure 2021 flex supply.



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: January 22, 2020

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

- Update on borrowing and treasury operations
- November 2019 financial performance and financial outlook
- Upcoming First and Second Quarter 2020 Activities
 - Investment Policy
 - FY 2019/20 Budget Amendment
 - FY 2020/21 Budget



Staff Report – Agenda Item 5

To: Clean Power Alliance (CPA) Finance Committee

From: David McNeil, Chief Financial Officer

Approved by: Ted Bardacke, Executive Director

Subject: Review and Discuss Investment Policy

Date: January 22, 2020

RECOMMENDATION

Review and provide input on the Draft Investment Policy (attached).

SUMMARY

Since CPA began operations, the use of cash has been carefully monitored by staff. In view of the growth of the organization and anticipated increases in cash balances, staff is recommending the adoption of an Investment Policy that would govern the management of funds controlled by CPA. Staff plans to present the Policy for consideration by the Board on March 5, 2020.

The Draft Investment Policy outlines CPA's investment objectives, defines the standard of care consistent with California Government Code Sec. 53600, delegates authority to manage CPA Investments to the Treasurer, defines acceptable investment types, and requires an annual review of the Investment Policy by the Treasurer.

CPA investment objectives in order of priority are 1) to ensure the safety of principal, 2) to ensure adequate liquidity to enable CPA to meet its obligations, and 3) to obtain a market return on investment. Authorized investments are deposits at banks, funds deposited with the Local Agency Investment Fund, US Treasury and Federal Agency

Securities, Commercial Paper, Bankers' Acceptances, Certificates of Deposit, Service Deposits, and Money Market Funds. Banks holding CPA deposits must, by law, have a satisfactory rating by the FDIC, and must hold no less than 110% of the value of deposits as collateral.

Attachment: 1) Draft Investment Policy

Investment Policy

DRAFT

This Investment Policy establishes guidelines for the management of cash, deposits, and investments (together, “Funds”) at CPA.

I. Investment Objectives

When managing Funds, CPA’s primary objectives, in the following order of importance, shall be to (1) safeguard the principal of the Funds, (2) meet the liquidity needs of CPA, and (3) achieve a return on investment on Funds in CPA’s control.

- A. Safety:** Safety of principal is the foremost objective of cash and investment management activities. The investment of Funds shall be undertaken in a manner that seeks to ensure the preservation of principal.
- B. Liquidity:** The Funds of the agency shall remain sufficiently liquid to meet all operating needs that may be reasonably anticipated. Since all possible cash demands cannot be anticipated, the investment of Funds in deposits or instruments available on demand is recommended.
- C. Return on Investment:** The deposit and investment portfolio shall be designed with the objective of attaining a market rate of return throughout the economic cycle while considering risk and liquidity constraints. The return on deposits and investments is of secondary importance compared to the safety and liquidity objectives described above.

II. Standard of Care

CPA will manage Funds in accordance with the Prudent Investor Standard pursuant to California Government Code Section 53600.3¹:

“[G]overning bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, a trustee shall act with care, skill, prudence and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.”

Pursuant to Section 53607, the Board hereby delegates responsibility to manage Funds to CPA’s Treasurer or in lieu thereof, the Executive Director. The Treasurer is authorized to appoint Deputy Treasurer(s) as the Treasurer deems necessary for the prompt and faithful discharge of its duties, pursuant to Section 53607.

III. Acceptable and Prohibited Investment Types

- A.** The following types of investments are permitted:

¹ All further statutory references are to the California Government Code unless otherwise stated.

1. **Deposits at Bank(s):** Funds may be invested in non-interest-bearing depository accounts to meet CPA's operating and collateral needs and grant requirements. Funds not needed for these purposes may be invested in interest-bearing depository accounts or Federal Deposit Insurance Corporation (FDIC) insured certificates of deposit with maturities not to exceed five (5) years. Banks eligible to receive deposits will be federally or state chartered and will conform to Section 53635.2 which requires that banks "have received an overall rating of not less than 'satisfactory' in its most recent evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of California's communities, including low- and moderate-income neighborhoods, pursuant to Section 2906 of Title 12 of the United States Code." As per Section 53652, banks must collateralize the deposits of public agencies in an amount equal to no less than 110% of as currently stated in the value of the deposits. The Treasurer will monitor the credit quality of eligible banks holding CPA deposits that exceed FDIC insurance limits to ensure the safety of CPA deposits.
2. **Local Agency Investment Fund (LAIF):** Funds may be invested in the Local Agency Investment Fund established by the California State Treasurer for the benefit of local agencies.
3. **US Treasury Obligations:** Funds may be invested in United States Treasury obligations with a term to maturity not exceeding five (5) years and subject to the limitations set forth in Sections 53601 et seq. and 53635 et seq.
4. **Federal Agency Securities:** Funds may be invested in Federal Agency Securities with a term to maturity not exceeding five (5) years and subject to the limitations set forth in Sections 53601 et seq. and 53635 et seq.
5. **Commercial Paper:** Funds may be invested in commercial paper in accordance with the requirements of Section 53601 and subject to the following limitations:
 - i. No more than 25% of the total portfolio shall be invested in commercial paper;
 - ii. The term to maturity shall not exceed 270 days; and
 - iii. No more than 10% of outstanding commercial paper shall be from any single issuer.

The issuer of commercial paper must have the following:

- i. Assets in excess of \$500 million;
 - ii. A credit rating of A-1 or better; and
 - iii. A senior debt rated at A or better.
6. **Bankers' Acceptances:** Funds may be invested in Banker's Acceptances provided that they are issued by institutions which have short-term debt obligations rated "A-1" or its equivalent of better by at least one NRSRO (Nationally Recognized Statistical Rating Organization). Not more than 40% of the portfolio may be invested in Bankers' Acceptances, and no more than 5% of the portfolio may be invested in any single issuer. The maximum maturity shall not exceed 180 days.
7. **Negotiable Certificates of Deposit:** Funds may be invested in negotiable certificates of deposit in accordance with the requirements of Section 53601 and 53601.8, and subject to the following limitations:
 - i. Issued by an entity as defined in Section 53601(i); and

- ii. No more than 30% of the total portfolio shall be invested in certificates of deposit.
- 8. **Placement Service Deposits:** Funds may be invested in deposits placed with a private sector entity that assists in the placement of deposits with eligible financial institutions located in the United States (Section 53601.8). The full amount of principal and the interest that may be accrued during the maximum term of each deposit shall at all times be insured by federal deposit insurance. The combined maximum portfolio exposure to the deposits placed pursuant to this section, Certificate of deposits and Negotiable Certificates of Deposits is limited to 30 percent and the maximum investment maturity will be restricted to five years.
- 9. **Money Market Funds:** Funds may be invested in money market funds pursuant to Section 53601(l)(2) and subject to Section 53601(l)(4).

B. Prohibited Investment Types

Pursuant to Section 53601.6, CPA shall not invest Funds in any security that could result in a zero-interest accrual, or less, if held to maturity. These prohibited investments include, but are not limited to, inverse floaters, range notes, or mortgage-derived interest-only strips.

IV. Investment Portfolio Management

The term to maturity of any Funds invested shall not exceed five (5) years pursuant to Section 53601. The Treasurer will allocate Funds among authorized investments consistent with the objectives and standards of care outlined in this Policy.

V. Bids and Purchase of Securities

Prior to the purchase of an investment pursuant to this Policy the persons authorized to make investments shall assess the market and market prices using information obtained from available sources including investment services, broker or dealers, and the media. A competitive bid process, when practical, will be used to place all investment purchases and sales transactions. Any competitive bid process used pursuant to this Policy shall be exempt from CPA's Non-Energy Contracting Policy.

VI. Brokers

Broker/dealers shall be selected by the Executive Director upon recommendation by the Treasurer. Selection of broker/dealers shall be based upon the following criteria: the reputation and financial strength of the company or financial institution, the reputation and expertise of the individuals employed, and pursuant to the requirements of Section 53601.5. The Executive Director shall be prohibited from selecting any broker, brokerage firm, dealer, or securities firm that has, within any 48-consecutive month period following January 1, 1996, made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board to any member of the CPA Board, or any candidate for those offices, the Political Reform Act, including section 84308 or applicable CPA Policy, as amended from time to time. The selected broker or dealers shall be provided with and acknowledge receipt of the Investment Policy and the Vendor Communication Policy.

VII. Losses

Losses are acceptable on a sale before maturity and may be taken if required to meet the liquidity needs of the agency or if the reinvestment proceeds will earn an income flow with a present value higher than the present value of the income flow that would have been generated by the original investment, considering any investment loss or foregoing interest on the original investment.

VIII. Delivery and Safekeeping

The delivery and safekeeping of all securities shall be made through a third party custodian when practical and cost effective as determined by the Treasurer and in accordance with Section 53608.

The Treasurer shall review all transaction confirmations for conformity with the original transaction.

IX. Conflict of Interest

Staff shall comply with state law and applicable CPA policies regarding conflicts of interest.

X. Audits

CPA's Funds shall be subject to a process of independent review by its external auditors. CPA's external auditors shall review the investment portfolio in connection with CPA's annual audit for compliance with the statement of investment policy pursuant to Section 27134. The results of the audit shall be reported to the Treasurer.

XI. Reports

- A. Monthly:** The Treasurer will perform a monthly review of the investment function. Following the commencement of investment transactions, the Treasurer shall submit a monthly report of all investment transactions to the Finance Committee. Investment transactions are defined as the purchase, sale or exchange of securities.
- B. Annually:** The Treasurer will submit an annual report to the Finance Committee within 60 days of the end of a fiscal year providing the following:
 - i. A list of individual securities by investment type, issuer, credit risk rating, CUSIP number, settlement date of purchase, date of maturity, par value and dollar amount invested on all securities, the market value and source of the market value information;
 - ii. A statement that the portfolio is in compliance with the Investment Policy and in accordance with Section 53646 or the manner in which the portfolio is not in compliance; and
 - iii. A statement of CPA's ability to meet anticipated cash requirements for the upcoming 12 months.
- C. Annual Review:** This Policy will be reviewed annually by the Treasurer. The Finance Committee shall be authorized to approve any administrative changes to this Policy. Any non-administrative changes to this Policy require the approval of CPA's Board of Directors.



Overview of Financial Controls

CPA Finance Committee

January 22, 2020

CPA: Financial Controls Flowchart

- Load forecasting & analysis
- Load and generation scheduling
- Contract deal capture system
- CAISO invoice settlements and validation



- Rate setting &
- Revenue modeling support



- Customer billing
- Payment receipt application
- Retail electric use reporting
- Move in / Move out reports
- Invoice instruction
- Data management
- Rate implementation



- Staff payroll processing



- SOCI 1 Type II Control Audit



- Financial Statements Audit



- Daily cash management
- Invoice validation & approval
- Monthly financial statement review
- Energy procurement & planning
- Budget & forecast
- Financial modeling & analysis
- Risk management



- Invoice processing and control software
- Vendor payment remittance

- Call Center
- CRM system reporting



- General ledger & monthly close
- Financial reporting
- Regulatory financial compliance
- Tax filings
- AP & AR processing
- Revenue accrual and reasonableness testing
- Bank reconciliation



- AR & payment remittance reporting



- SOCI 1 Type II Control Audit

Financial Control FAQs

How does CPA validate that...

1. Customer move-ins are enrolled in CPA service?
2. Customer payments to SCE are remitted to CPA?
3. CPA charges are applied by SCE to customer bills?
4. Retail electricity rates are properly calculated?
5. Customer electricity usage is reported by SCE to Calpine on a timely and accurate basis?
6. Vendor invoices are accurate?
7. Financial reporting is free of material misstatement?
8. CPA payroll is run accurately?