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CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

Basic Financial Statements with Independent Auditors' Report

For the Fiscal Years Ended June 30, 2022 and 2021

TABLE OF CONTENTS

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Clean Power Alliance of Southern California, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Clean Power Alliance of Southern California's basic financial statements as listed in the table of contents.

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

Basis for Opinion

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

Emphasis of Matter

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Clean Power Alliance of Southern California's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Clean Power Alliance of Southern California's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

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

Baker Tilly US, LLP

Madison, Wisconsin
October 20, 2022

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED JUNE 30, 2022 AND 2021

The Management's Discussion and Analysis provide an overview of Clean Power Alliance of Southern California's (CPA) financial activities as of and for the years ended June 30, 2022, and 2021. The information presented here should be considered in conjunction with the audited financial statements.

Contents of this Report

This report is divided into the following sections:

- Management's Discussion and Analysis.

- The Basic Financial Statements, including:

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

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

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

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

BACKGROUND

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

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

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

CPA began operations by serving approximately 1,800 municipal and commercial accounts in February 2018. In June 2018, it enrolled approximately 28,000 municipal and commercial accounts. In February 2019, CPA enrolled approximately 900,000 residential customer accounts. In May 2019, CPA enrolled approximately 100,000 commercial accounts. CPA enrolled approximately 4,000 residential and commercial accounts from Westlake Village in June 2020.

CPA's goal is to provide customers with competitively priced and affordable electricity with high renewable energy content and low greenhouse gas emissions. Currently, CPA offers its customers three electricity services to choose from Lean Power, Clean Power, and 100% Green Power. Lean Power provides 40% carbon-free energy content; Clean Power provides 50% clean power (40% renewable content and 10% hydroelectricity) and 100% Green Power provides 100% renewable energy content.

Financial Reporting

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

FINANCIAL HIGHLIGHTS

The following table summarizes CPA's assets, liabilities, deferred inflows of resources, and net position for the fiscal years (FY) ending June 30:

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

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

Current Assets

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

Current assets were approximately $225,858,000 at the end of FY 2020-21 and were mostly comprised of $58,192,000 of cash and cash equivalents, $88,224,000 of accounts receivable, $55,899,000 of accrued revenue, $4,188,000 of prepaid expenses, $13,327,000 in deposits and $3,615,000 in restricted cash.

Total current assets increased as of June 30, 2022, compared to the prior year, particularly deposits, accounts receivable, and other accounts receivable. Deposits increased year over year primarily due to increased collateral posting amounts required by the CAISO. Accounts receivable increased year over year primarily due to a rate increase that went into effect in July 2021 and increased retail electricity use in May and June 2022 as compared to May and June 2021. Other accounts receivable increased primarily due to payments from energy suppliers under the netting provisions of power purchase agreements.

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

Noncurrent Assets

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

Current Liabilities

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

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

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

Noncurrent Liabilities

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

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

Deferred Inflows of Resources

In FY 2019-20 CPA deferred revenue of $27,000,000 to the Fiscal Stabilization Fund pursuant to CPA's Board-approved Fiscal Stabilization Fund Policy. Fiscal Stabilization Fund balances may be used when financial results are negatively impacted by uncontrollable events as described in the Policy. Deferring revenue reduces the likelihood of unplanned rate changes that would be necessary to meet CPA's financial objectives.

In FY 2020-21 CPA used $27 million from the Fiscal Stabilization Fund to offset increased costs arising from extreme heat events that occurred in the summer of 2020, increased bad debt expenses that resulted from slowing customer payments arising from the Covid-19-induced recession, and the moratorium on customer disconnections and late payment fees mandated by the CPUC.

Revenues and Expenses

The following table summarizes CPA's results of operations for the years ending June 30:

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

Total Income

Operating revenues arise from electricity sales to customers, funding to support CPA's Power Share program and transfers from the Fiscal Stabilization Fund. CPA reports electricity revenues net of an allowance for uncollectable accounts as described in the Notes to the Financial Statements.

Operating revenues increased to approximately $867,481,000 in FY 2021-22 from $824,104,000 in FY 2020-21. Revenue increased primarily as a result of an increase in retail electricity rates that occurred in July 2021.

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

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

Total Expenses

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

Operating expenses increased to approximately $799,921,000 in FY2021-22 from $796,557,000 in FY 2020-21. Contract service costs increased year over year as CPA implemented more customer programs and incentives and performed more community outreach. Staffing and general and administrative costs increased year over year as CPA hired staff and built out its operating capabilities.

Electricity costs and other operating expenses increased in FY 2020-21 from the prior year primarily as a result of the increased energy, resource adequacy, and staffing costs.

Change in Net Position

The change in net position represents the difference between total income and total expenses in a given fiscal year.

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

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

CPA had a lower increase in net position in FY 2020-21 as compared to the prior year due to higher energy costs arising from extreme heat events in August and September 2020, and an increase in bad debt expense.

Capital Assets and Debt

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

PURCHASE COMMITMENTS AND ECONOMIC OUTLOOK

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

In October 2015, the California Governor signed SB 350, the Clean Energy and Pollution Reduction Act of 2015, into law. SB 350 became effective January 1, 2016 and increases the amount of renewable energy that must be delivered by most load-serving entities, including CPA, to their customers from 33% of their total annual retail sales by the end of the 2017-2020 compliance period, to 50% of their total annual retail sales by the end of the 2028-2030 compliance period, and in each three-year compliance period thereafter, unless changed by legislative action.

In September 2018, the California Governor signed SB 100, the 100 Percent Clean Energy Act of 2018, into law. SB 100 increases the amount of renewable energy that must be delivered by most load-serving entities, including CPA, to their customers to 60% of their annual retail sales by the end of the 2028-2030 compliance period. SB 100 also further establishes as state policy that eligible renewable energy resources and zero-carbon resources supply 100 percent of all retail sales of electricity to California end-use customers and 100 percent of electricity procured to serve all state agencies by December 31, 2045.

SB 100 provides compliance flexibility and waiver mechanisms, including increased flexibility to apply excess renewable energy procurement in one compliance period to future compliance periods. SB 350 requires that for the 2021-24 compliance period, at least 65% of the procurement a retail seller, such as CPA, counts toward the renewable portfolio standard requirement of each compliance period shall be from its contracts of ten years or more in duration.

CPA enters into long-term purchase agreements to bring new solar, wind, and other renewable energy generating facilities online, to meet its regulatory RPS and GHG-free targets, to accomplish its mission of providing renewable energy, reducing greenhouse gas emissions, serving its customers, and managing energy market risks. CPA manages risks associated with these commitments by aligning purchase commitments with the expected demand for electricity and assuring diversity of technologies, geographical locations, and suppliers.

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

Due to the economic impact of the COVID-19 pandemic many utility customers have accrued significant energy debt and face potential energy service disconnection if delinquent account balances are not resolved.

In response to the energy debt Californians are facing, the State Budget Act of 2021 appropriated $1 billion from the federal American Rescue Plan Act of 2021 to support the establishment of the California Arrearage Payment Program (2021 CAPP). 2021 CAPP was designed to provide financial assistance to active and inactive residential and commercial customer accounts reflecting delinquent balances incurred during the COVID-19 pandemic relief period. CPA customers received approximately $15.8 million of 2021 CAPP funding in early 2022.

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

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

Management intends to continue its conservative use of financial resources and expects to generate ongoing operating surpluses in future years.

REQUEST FOR INFORMATION

This financial report is designed to provide CPA's customers, creditors and other stakeholders with a general overview of the organization's finances and to demonstrate CPA's accountability for the funds under its stewardship.

Please address any questions about this report or requests for additional financial information to Chief Financial Officer, 801 S. Grand Avenue, Suite 400, Los Angeles, CA 90017.

BASIC FINANCIAL STATEMENTS

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

STATEMENTS OF NET POSITION

YEARS ENDED JUNE 30, 2022 AND 2021

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

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

STATEMENTS OF REVENUES, EXPENSES AND CHANGES INNET POSITION

YEARS ENDED JUNE 30, 2022 AND 2021

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

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

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

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

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

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

1. REPORTING ENTITY

Clean Power Alliance of Southern California (CPA) is a joint powers authority created on June 27, 2017. As of June 30, 2022, parties to its Joint Powers Agreement consist of the following local governments:

Counties	Cities	
Los Angeles	Agoura Hills	Ojai
Ventura	Alhambra	Oxnard
	Arcadia	Paramont
	Beverly Hills	Redondo Beach
	Calabasas	Rolling Hills Estates
	Carson	Santa Monica
	Camarillo	Sierra Madre
	Claremont	Simi Valley
	Culver City	South Pasadena
	Downey	Temple City
	Hawaiian Gardens	Thousand Oaks
	Hawthorne	Ventura
	Malibu	West Hollywood
	Manhattan Beach	Westlake Village
	Moorpark	Whittier

CPA is separate from and derives no ongoing financial support from its members. CPA is governed by a Board of Directors whose membership is comprised of elected officials representing the parties.

CPA's mission is to provide cost-competitive electric services, reduce electric sector greenhouse gas emissions, stimulate renewable energy development, implement distributed energy resources, promote energy efficiency and demand reduction programs, and sustain long-term rate stability for residents and businesses through local control. CPA provides electric service to retail customers as a Community Choice Aggregation Program under the California Public Utilities Code Section (CPUC) 366.2.

Electricity is acquired from commercial suppliers and delivered through existing physical infrastructure and equipment managed by Southern California Edison (SCE).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

CPA's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements.

CPA's operations are accounted for as a governmental enterprise fund and are reported using the economic resources measurement focus and the accrual basis of accounting – similar to business enterprises. Accordingly, revenues are recognized when they are earned, and expenses are recognized at the time liabilities are incurred. Enterprise fund-type operating statements present increases (revenues) and decreases (expenses) in total net position. Reported net position is segregated into three categories – investment in capital assets, restricted, and unrestricted.

When both restricted and unrestricted resources are available for use, it is CPA's policy to use restricted resources first, then unrestricted resources as they are needed.

CASH AND CASH EQUIVALENTS

For purposes of the Statements of Cash Flows, CPA defines cash and cash equivalents to include cash on hand, demand deposits, and short-term investments. As of June 30, 2022 and 2021, cash and cash equivalents were held in various interest-earning and non-interest-earning accounts at River City Bank and in the California Local Agency Investment Fund (LAIF). Amounts restricted pursuant to security and lending agreements are included as cash and cash equivalents on the Statement of Cash Flows.

CAPITAL ASSETS AND DEPRECIATION AND AMORTIZATION

CPA's policy is to capitalize furniture and equipment valued over $5,000 that is expected to be in service for over one year. Depreciation is computed according to the straight-line method over estimated useful lives of three years for electronic equipment and seven years for furniture. Leasehold improvements are depreciated over the shorter of 1) the useful life of the leasehold improvement, or 2) the remaining years of the lease. Leased assets are amortized over the term of the contract.

DEPOSITS

Deposits consist of collateral deposits required by CAISO and security deposits held by suppliers as required under certain energy contracts entered by CPA. Deposits held by energy suppliers and the CAISO are classified as current or noncurrent assets depending on the length of time the deposits will be held.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FISCAL STABILIZATION FUND

In September 2020, CPA created a Fiscal Stabilization Fund to allow CPA to defer revenue in years when financial results are strong to be used in future years when financial results are negatively impacted by uncontrollable events. In accordance with GASB 62, the amount recognized as an addition to the fund is shown as a reduction of operating revenues and reported on the statements of net position as a deferred inflow of resources. The amount recognized as a reduction to the fund is shown as an increase in operating revenues and reported on the statements of net position as a reduction in the deferred inflow of resources.

CPA transferred $27,000,000 to the Fiscal Stabilization Fund for the year ending June 30, 2020. CPA transferred $27,000,000 from the Fiscal Stabilization Fund to revenue during the year ended June 30, 2021, consistent with its Fiscal Stabilization Fund Policy.

LEASES

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

RESTATEMENT

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

NET POSITION

Net position is presented in the following components:

Investment in capital assets: This component of net position consists of capital assets, net of accumulated depreciation, and is reduced by outstanding borrowings that are attributable to the acquisition, construction, or improvement of those assets. CPA did not have any outstanding borrowings as of June 30, 2022 and 2021 attributable to those assets. In addition, CPA includes the leased assets and liabilities in this balance.

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

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

OPERATING AND NON-OPERATING REVENUE

Operating revenues include revenues derived from the provision of electricity to retail customers. Electricity sales are reported net of changes to the allowance for uncollectable accounts. Other revenue consists of revenue that is not related to sales of electricity to CPA customers. Operating revenues are decreased (increased) by contributions to (distributions from) the Fiscal Stabilization Fund.

Interest income is considered “non-operating revenue”.

REVENUE RECOGNITION

CPA recognizes revenue on an accrual basis. This includes invoices issued to customers during the reporting period and electricity estimated to have been delivered but not yet billed. Management estimates that a portion of the billed amounts will be uncollectible. Accordingly, an allowance for uncollectible accounts has been recorded. CPA’s methodology used to calculate the allowance for doubtful accounts considers the impacts of the recession, the suspension of customer electricity disconnections, the levying of late payment charges by SCE, and the application of California Arrearage Payment Program funding to eligible customer past-due accounts receivable balances.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

OPERATING AND NONOPERATING EXPENSES

Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. Expenses not meeting this definition are reported as non-operating expenses

ELECTRICAL POWER PURCHASED

During the normal course of business, CPA purchases electrical power from numerous suppliers. Electricity costs include the cost of energy and capacity arising from bilateral contracts with energy suppliers as well as wholesale sales and generation credits, and load and other charges arising from CPA's participation in the CAISO's centralized market. The cost of electricity and capacity is recognized as "Cost of Electricity" in the Statements of Revenues, Expenses and Changes in Net Position. To comply with the State of California's Renewable Portfolio Standards (RPS) and other product content targets, CPA acquires RPS-eligible renewable energy evidenced by Renewable Energy Certificates (Certificates) recognized by the Western Renewable Energy Generation Information System (WREGIS). CPA obtains Certificates with the intent to retire them and does not sell or build surpluses of Certificates with a profit motive. CPA purchases capacity commitments from qualifying generators to comply with the California Energy Commission's Resource Adequacy Program. The goals of the Resource Adequacy Program are to provide sufficient resources to the CAISO to ensure the safe and reliable operation of the grid in real-time and to provide appropriate incentives for the siting and construction of new resources needed for reliability in the future. CPA is in compliance with external mandates and self-imposed benchmarks.

STAFFING COSTS

CPA pays employees semi-monthly and fully pays its obligation for health benefits and contributions to its defined contribution retirement plan each month. CPA is not obligated to provide post-employment healthcare or other fringe benefits and, accordingly, no related liability is recorded in these financial statements. CPA provides compensated time off, and the related liability is recorded in these financial statements.

SECURITY DEPOSITS FROM ENERGY SUPPLIERS

Various energy contracts entered into by CPA require the supplier to provide CPA with a security deposit. These deposits are generally held for the term of the contract or until the completion of certain benchmarks. Deposits are classified as current or noncurrent depending on the length of time the deposits will be held.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAXES

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

USER TAXES AND ENERGY SURCHARGES DUE TO OTHER GOVERNMENTS

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

ESTIMATES

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

RECLASSIFICATIONS

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

3. CASH AND CASH EQUIVALENTS

As of June 30, 2022, CPA maintains its cash in both interest-earning and non-interest-earning bank accounts with River City Bank and in the California Local Agency Investment Fund (LAIF).

California Government Code Section 16521 requires banks to collateralize amounts of public funds in excess of the FDIC limit of $250,000 in an amount equal to 110% of deposit balances. CPA’s Board-approved Investment Policy requires that when managing Funds, CPA’s primary objectives, in the following order of importance, shall be to (1) safeguard the principal of the Funds, (2) meet the liquidity needs of CPA, and (3) achieve a return on investment on Funds in CPA’s control. Risk is monitored on an ongoing basis.

CPA maintains cash with LAIF, managed by the State Treasurer, for the purpose of increasing interest earnings through pooled investment activities. These funds are not registered with the Securities and Exchange Commission as an investment company but are required to be invested according to the California State Code. Participants in the pool include voluntary and involuntary participants, such as special districts and school districts for which there are legal provisions

3. CASH AND CASH EQUIVALENTS (continued)

regarding their investments. The Local Investment Advisory Board (LIAB) has oversight responsibility for LAIF. LIAB consists of four members as designated by State Statute.

FAIR VALUE MEASUREMENT

GASB Statement No. 72, *Fair Value Measurement and Application*, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. CPA's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. Deposits and withdrawals from LAIF are made on the basis of $1 which is substantially equal to fair value.

As of June 30, 2022 and 2021, CPA held no individual investments subject to classification under the fair value hierarchy.

CUSTODIAL CREDIT RISK

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

CPA manages custodial credit risk for bank deposits during the normal course of business and is consistent with its Investment Policy.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, CPA would not be able to recover the value of the investment or collateral securities that are in possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in CPA's name, and are held by the counterparty. CPA does not believe it is exposed to significant custodial credit risk arising from its investments in LAIF.

4. ACCOUNTS RECEIVABLE

Accounts receivable were as follows:

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

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

The State Budget Act of 2021 appropriated $1 billion from the federal American Rescue Plan Act of 2021 to support the establishment of the California Arrearage Payment Program (2021 CAPP). 2021 CAPP was designed to provide financial assistance to active and inactive residential and commercial customer accounts reflecting delinquent balances incurred during the COVID-19 pandemic relief period covering March 4, 2020, through June 15, 2021. A total payment of $15.8 million was received in early 2022. The allowance for uncollectable accounts as of June 30, 2021 was adjusted to reflect the 2021 CAPP payment.

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

5. LEASE

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

5. LEASE (continued)

Property Lease

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

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

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

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

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

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

5. LEASE (continued)

Storage Contract Arrangements

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

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

6. CAPITAL ASSETS

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

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

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

7. DEBT

In August 2017, CPA and the County of Los Angeles executed a memorandum of understanding (MOU) to provide a non-interest-bearing loan to CPA in an amount not to exceed $10 million to be repaid on June 30, 2018. In April 2018, the County's Board of Supervisors approved an extension of the repayment term of the loan to June 30, 2020. In August 2018, the County's Board of Supervisors approved a further extension of repayment of the loan to September 30, 2020. The purpose of the loan was to investigate the feasibility of implementing a community choice aggregation program as well as to provide for other working capital needs. In September 2020 CPA repaid the outstanding loan balance of $9,945,750 to the County of Los Angeles. As of June 30, 2021, there was no outstanding loan balance under the MOU.

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

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

In April 2019 CPA entered into the First Amendment to the Credit Agreement with River City Bank (First Amendment). The First Amendment increased the available credit facility amount from $20 million to $37 million, extended the term of the agreement through March 31, 2021, and reduced the borrowing rate and collateral posting obligation.

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

In September 2021, CPA entered into an $80 million Revolving Credit Agreement with JP Morgan Chase and terminated its $37 million Restated Credit Agreement with River City Bank. The Revolving Credit Agreement provides a revolving borrowing and letter of credit facility which can be used for working capital purposes and to post collateral. The Revolving Credit Agreement expires on October 31, 2023. Interest on loans is accrued at an annual rate of 1.9% over the applicable benchmark rate.

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

7. DEBT (continued)

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

	Beginning	Additions	Payments	Ending
Year ended June 30, 2021				
County of Los Angeles	$ 9,945,750	$ -	$ (9,945,750)	$ -
Total	$ 9,945,750	$ -	$ (9,945,750)	$ -
Amounts due within one year				-
Amounts due after one year				$ -
Year ended June 30, 2022				
County of Los Angeles	$ -	$ 30,000,000	$ (30,000,000)	$ -
Total	$ -	$ 30,000,000	$ (30,000,000)	$ -
Amounts due within one year				-
Amounts due after one year				$ -

8. DEFINED CONTRIBUTION RETIREMENT PLAN

The Clean Power Alliance of Southern California Plan (Plan) is a defined contribution retirement plan established by CPA to provide benefits at retirement to its employees. The Plan is administered by Nationwide Retirement Solutions. Currently, the employer contribution is 6% of the employee's salary plus an additional 4% employer match contribution, for a maximum annual employer contribution to the Plan equal to 10% of the employee's salary. As of June 30, 2022, there were 50 plan members. CPA contributed $675,000 and $505,000 during the years ended June 30, 2022 and 2021, respectively. Plan provisions and contribution requirements are established and may be amended by the Board of Directors.

9. RISK MANAGEMENT

CPA is exposed to various insurable risks of loss related to torts; theft of, damage to, and destruction of assets; and errors and omissions. During the year, CPA purchased insurance policies from investment-grade commercial carriers to mitigate risks that include those associated with earthquakes, theft, general liability, errors and omissions, and property damage. Settled claims have not exceeded the commercial liability in any of the past three years. There were no significant reductions in coverage compared to the prior year.

9. RISK MANAGEMENT (continued)

On July 12, 2018, CPA's Board adopted the Energy Risk Management Policy (ERMP). The ERMP establishes CPA's Energy Risk Program and applies it to all power procurements and related business activities that may impact the risk profile of CPA. The ERMP documents the framework by which CPA staff and consultants will identify and quantify risk, develop and execute procurement strategies, develop controls and oversight and monitor, and measure and report on the effectiveness of the ERMP. Risks covered by the ERMP include market price risk, credit risk, volumetric risk, operational risk, opt-out risk, legislative and regulatory risk, and other risks arising from operating as a Community Choice Aggregation and participating in California energy markets. The Board approved updates to the ERMP in July 2019, July 2020 and July 2021.

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

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

10. PURCHASE COMMITMENTS

POWER AND ELECTRIC CAPACITY

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

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

10. PURCHASE COMMITMENTS (continued)

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

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

As of June 30, 2022, CPA had non-cancellable contractual commitments to contract and professional service providers through July 31, 2025 for services yet to be performed. Fees associated with these contracts are based on volumetric activity and are expected to be approximately $2.75 million.

11. FUTURE GASB PRONOUNCEMENTS

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

12. SUBSEQUENT EVENTS

2022 California Arrearage Payment Program

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

12. SUBSEQUENT EVENTS (continued)

California Community Choice Financing Authority

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

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

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

JP Morgan Chase Bank Credit Facility

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

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

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

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

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

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

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Baker Tilly US, LLP

Madison, Wisconsin
October 20, 2022