CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

Basic Financial Statements with Independent Auditors' Report

For the Fiscal Years Ended June 30, 2023 and 2022

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Independent Auditors' Report

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

Opinion

We have audited the accompanying financial statements of Clean Power Alliance of Southern California (CPA), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the CPA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of CPA as of June 30, 2023 and 2022, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 CPA 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.

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

Baker Tilly US, LLP

Madison, Wisconsin
October 17, 2023

The Management's Discussion and Analysis section provides an overview of Clean Power Alliance of Southern California's (CPA) financial activities as of and for the fiscal years ending June 30, 2023 and 2022. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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. The parties to CPA's Joint Powers Agreement consist of local governments whose governing bodies elect to join CPA. Governed by a board of directors (Board) made up of elected officials from each of the parties to the JPA, 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).

Pursuant to the Public Utilities Code, when 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. In March 2024, CPA will enroll approximately 38,000 additional accounts from three jurisdictions that joined the JPA in late 2022.

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% clean power (20-25% renewable and 15-20% carbon-free energy content); Clean Power provides at least 50% clean power (50% renewable and up to 20% additional carbon-free energy content) 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.

	2023	2022	Restated * 2021
Current assets	$ 407,408,168	$ 248,918,632	$ 225,858,031
Noncurrent assets			
Capital assets, net	544,973	674,257	489,912
Intangibles - right-to-use lease asset, net	2,201,743	2,584,651	2,967,559
Other noncurrent assets	88,875	88,876	88,875
Total assets	410,243,759	252,266,416	229,404,377
Current liabilities	183,290,311	101,449,979	145,466,396
Noncurrent liabilities			
Lease liability, noncurrent	2,256,068	2,659,209	3,006,197
Other noncurrent liabilities	3,149,860	6,904,000	6,724,000
Total liabilities	188,696,239	111,013,188	155,196,593
Net position			
Investment in capital assets	87,507	252,712	404,068
Restricted for collateral	1,200,000	2,400,000	3,614,700
Unrestricted (deficit)	220,260,013	138,600,516	70,189,016
Total net position	$ 221,547,520	$ 141,253,228	$ 74,207,784

** FY 2020-21 financial results are "restated" to reflect the implementation of GASB 87 consistent with generally accepted accounting principles.*

Current Assets

Current assets were approximately $407,408,000 at the end of FY 2022-23 and were mostly comprised of $132,787,000 of cash and cash equivalents, $123,259,000 of accounts receivable, $87,230,000 of accrued revenue, $46,153,000 of prepaid expenses and $15,951,000 in deposits.

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 receivables, $6,138,000 of prepaid expenses and $26,116,000 in deposits.

Total current assets increased as of June 30, 2023, compared to the prior year, particularly cash, prepaids, accrual revenue, and accounts receivable. Cash increased year over year primarily due to operating surpluses and reduced collateral posting required by the CAISO. Prepaids increased compared to the prior year mainly due to the prepayments required pursuant to Resource Adequacy contracts. Accounts receivable increased primarily due to the retail sales increase resulting from rate increases in July 2022 and April 2023, more jurisdictions converting to the 100% Green rate, and the suspension by SCE of disconnections and late payments penalties applied to residential accounts receiving funding under the California Arrearage Payment Program.

Total current assets increased as of June 30, 2022, compared to the prior year, particularly deposits, accounts receivable, and other receivables. 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 receivables increased primarily due to payments from energy suppliers under the netting provisions of power purchase agreements.

Noncurrent Assets

Noncurrent assets decreased as of June 30, 2023, compared to the prior year mainly due to the amortizing of the intangible office lease asset and the depreciation expenses. Noncurrent assets decreased as of June 30, 2022, compared to the prior year primarily as a result of amortizing the intangible office lease asset.

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 increased as of June 30, 2023, compared to the prior year, mainly due to the increase in the cost of energy accrual resulting from higher resource adequacy and renewable energy costs.

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.

Noncurrent Liabilities

Noncurrent liabilities decreased as of June 30, 2023, from the prior year primarily as a result of a decrease in supplier security deposits pursuant to energy supply agreements.

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.

Revenues and Expenses

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

	2023	2022	Restated 2021
Operating revenues	$ 1,167,777,256	$ 867,481,478	$ 824,104,492
Interest income	1,770,273	114,136	227,842
Total income	1,169,547,529	867,595,614	824,332,334
Operating expenses	1,088,598,932	799,920,707	796,556,502
Nonoperating expenses	654,305	629,463	153,683
Total expenses	1,089,253,237	800,550,170	796,710,185
Change in net position	$ 80,294,292	$ 67,045,444	$ 27,622,149

Total Income

Operating revenues arise from electricity sales to customers and funding to support CPA's Power Share program. 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 $1,167,777,000 in FY 2022-23 from $867,481,000 in FY 2021-22. Revenue increased primarily as a result of increases in retail electricity rates that occurred in July 2022 and April 2023.

Operating revenues increased in FY 2021-22 from the prior year as a result of an increase in retail electricity rates that occurred in July 2021.

Year-over-year changes in interest income reflect changes in interest rates and average cash 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 $1,088,599,000 in FY2022-23 from $799,921,000 in FY 2021-22. The increase is mainly due to increased prices for certain products in the energy markets. CPA purchases its energy supply from various resources in order to reduce market risk and maintain a balanced, renewable energy portfolio. 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 additional staff and built out its operating capabilities.

Electricity costs and other operating expenses increased in FY 2021-22 from the prior year primarily as a result of the increased energy costs, contract services and staff 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 $80,294,000 in FY 2022-23. CPA's net position increased by $67,045,000 in FY 2021-22 and by $27,622,000 in FY 2020-21.

CPA had a higher increase in net position in FY 2022-23 as compared to FY 2021-22 due to increased electricity sales resulting primarily from rate increases and higher interest income offset by the increased costs for energy, staffing, and customer programs.

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.

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 (Resource Adequacy). 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 Senate Bill (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 to customers by most load-serving entities, including CPA, by 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.

In September 2022, California Governor Newsom signed SB1020. 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.

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 enters into energy storage agreements to meet its obligations under the Resource Adequacy program administered by the CPUC and to better manage energy market risk. 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 $8.8 billion as of June 30, 2023, from $5.33 billion as of June 30, 2022, 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 faced 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 customers received approximately $10.4 million of 2022 CAPP funding in early 2023.

CPA's allowance for uncollectable accounts as of June 30, 2022, was adjusted to reflect the 2022 CAPP payment. Management believes that the allowance for uncollectable accounts provides a conservative estimate of customer non-payments and that CPA's cash flow, and gross margins are sufficient to manage slower 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 the 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, 2023 AND 2022

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	$ 132,786,879	$ 54,537,672
Accounts receivable, net of allowance	123,259,054	96,570,772
Accrued revenue	87,229,664	55,496,791
Other receivables	595,202	7,659,464
Interest receivable	233,214	-
Prepaid expenses	46,152,849	6,138,404
Deposits	15,951,306	26,115,529
Restricted cash	1,200,000	2,400,000
Total current assets	407,408,168	248,918,632
Noncurrent assets		
Capital assets, net of depreciation	544,973	674,257
Intangibles - right-to-use lease asset, net of amortization	2,201,743	2,584,651
Deposits	88,875	88,876
Total noncurrent assets	2,835,591	3,347,784
Total assets	$ 410,243,759	$ 252,266,416
LIABILITIES		
Current liabilities		
Accounts payable	$ 7,008,961	$ 4,526,315
Accrued cost of electricity	159,985,884	83,629,207
Other accrued liabilities	2,774,283	2,403,579
User taxes and energy surcharges due to other governments	8,570,857	6,026,357
Security deposits from energy suppliers	194,700	1,013,500
Unearned program funds	4,352,484	3,504,033
Lease liability, current	403,141	346,988
Total current liabilities	183,290,311	101,449,979
Noncurrent liabilities		
Supplier security deposits	3,149,860	6,904,000
Lease liability, noncurrent	2,256,068	2,659,209
Total noncurrent liabilities	5,405,928	9,563,209
Total liabilities	$ 188,696,239	$ 111,013,188
NET POSITION		
Investment in capital assets	$ 87,507	$ 252,712
Restricted for collateral	1,200,000	2,400,000
Unrestricted	220,260,013	138,600,516
Total net position	$ 221,547,520	$ 141,253,228

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

STATEMENTS OF REVENUES, EXPENSES AND CHANGES INNET POSITION

YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
OPERATING REVENUES		
Electricity sales for resale, net	$ 1,165,886,425	$ 866,391,283
Other revenue	1,890,831	1,090,195
Total operating revenues	1,167,777,256	867,481,478
OPERATING EXPENSES		
Cost of electricity	1,053,915,579	771,768,482
Contract services	18,879,277	17,515,817
Staff compensation	13,285,796	8,729,133
General and administration	2,518,280	1,907,275
Total operating expenses	1,088,598,932	799,920,707
Operating income	79,178,324	67,560,771
NONOPERATING REVENUES (EXPENSES)		
Interest income	1,770,273	114,136
Interest and related expenses	(585,086)	(556,219)
Interest expense - lease	(68,480)	(73,244)
Loss on disposal of fixed assets	(739)	-
Total nonoperating revenues (expenses)	1,115,968	(515,327)
CHANGE IN NET POSITION	80,294,292	67,045,444
Net position at beginning of year	141,253,228	74,207,784
Net position at end of year	$ 221,547,520	$ 141,253,228

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 1,075,244,841	855,470,318
Receipts from market settlements	-	817,914
Other operating receipts	6,139,683	7,960,456
Payments to suppliers for electricity	(931,422,472)	(809,646,260)
Payments for other goods and services	(19,984,055)	(18,704,129)
Payments for staff compensation	(12,772,049)	(8,490,168)
Tax and surcharge payments to other governments	(40,854,335)	(31,455,787)
Net cash provided (used) by operating activities	76,351,613	(4,047,656)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Loan proceeds	95,000,000	30,000,000
Principal payments on loan	(95,000,000)	(30,000,000)
Interest and related expense payments	(567,086)	(473,951)
Net cash provided (used) by non-capital financing activities	(567,086)	(473,951)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments to acquire capital assets	(90,125)	(329,161)
Payments on lease (principal and interest)	(415,468)	(132,664)
Net cash from non-capital financing activities	(505,593)	(461,825)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income received	1,770,273	114,136
Net cash provided (used) by investing activities	1,770,273	114,136
Net change in cash and cash equivalents	77,049,207	(4,869,296)
Cash and cash equivalents at beginning of year	56,937,672	61,806,968
Cash and cash equivalents at end of year	$ 133,986,879	$ 56,937,672
Reconciliation to the Statement of Net Position		
Cash and cash equivalents (unrestricted)	132,786,879	54,537,672
Restricted cash	1,200,000	2,400,000
Cash and cash equivalents	$ 133,986,879	$ 56,937,672

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Net operating income (loss)	$ 79,178,324	$ 67,560,771
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation expense	218,671	144,816
Amortization expense	382,908	382,908
Revenue adjusted for allowance for uncollectible accounts	18,485,347	7,727,349
(Increase) decrease in:		
Accounts receivable	(45,173,629)	(16,074,220)
Other receivables	6,831,048	(5,246,412)
Accrued revenue	(31,732,873)	402,273
Prepaid expenses	(40,014,445)	(1,950,200)
Deposits	10,164,223	(12,788,687)
Increase (decrease) in:		
Accounts payable	2,482,646	(257,833)
Energy market settlements payable	(16,529,143)	9,454,346
Accrued cost of electricity	92,885,821	(13,983,472)
Other accrued liabilities	352,704	522,300
User taxes due to other governments	2,544,499	697,258
Supplier security deposits	(4,572,940)	(42,544,900)
Unearned program funds	848,451	1,906,047
Net cash provided (used) by operating activities	$ 76,351,613	$ (4,047,656)

1. REPORTING ENTITY

Clean Power Alliance of Southern California (CPA) is a joint powers authority created on June 27, 2017. As of June 30, 2023, 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	Santa Paula *
	Claremont	Sierra Madre
	Culver City	Simi Valley
	Downey	South Pasadena
	Hawaiian Gardens	Temple City
	Hawthorne	Thousand Oaks
	Hermosa Beach *	Ventura
	Malibu	West Hollywood
	Manhattan Beach	Westlake Village
	Monrovia *	Whittier
	Moorpark	

** Hermosa Beach, Monrovia, and Santa Paula are official members of the JPA as of March 2023, though customers in those jurisdictions won't begin CPA service until March 1, 2024.*

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 (CPUC) Section 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, 2023 and 2022, 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.

PREPAID EXPENSES AND DEPOSITS

Contracts to purchase energy may require CPA to provide the supplier with advance payments or security 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 are generally held for the term of the contract and are classified as current or noncurrent assets depending on the length of time the deposits will be outstanding.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CAPITAL ASSETS AND DEPRECIATION

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.

LEASE ASSETS AND LIABILITIES

CPA recognizes an asset and liability when it enters certain leasing arrangements. The leased assets are amortized over the term of the leases. The lease liabilities are established at the present value of payments expected to be paid to the lessors during the terms of the lease.

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.

UNEARNED PROGRAM FUNDS

CPA received PowerShare program funding from the California Public Utility Commission. The amount represents funds received by CPA, but not yet spent on the PowerShare program-specific expenses.

NET POSITION

Net position is presented in the following components:

Investment in capital assets: This component of net position consists of capital assets, lease assets, net of accumulated depreciation and amortization, 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, 2023, and 2022 attributable to those assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and program revenue earned from the delivery of program activities. 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.

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.

OPERATING AND NONOPERATING EXPENSES

Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets and amortization of right-to-use lease 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 complies with external mandates and self-imposed benchmarks.

STAFFING COSTS

CPA pays employees semi-monthly and fully pays its obligations 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.

INCOME TAXES

CPA is a Joint Powers Authority (JPA) 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 constitute 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, 2023, 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).

Cash balances are subject to the Local Agency Security Program (LASP) administered by the California Department of Financial Protection and Innovation (DFPI) pursuant to California Government Code, Section 53630 through 53686. The LASP is designed to protect government agency deposits and requires banks holding agency deposits to collateralize deposits in excess of $250,000 with highly rated government securities and/or a letter of credit issued by the Federal Home Loan Deposit Corporation (FHLDC) in amounts equal to 110% and 105% of agency deposits, respectively. Government securities collateralizing agency deposits are required to be held by third-party trust companies with legal and regulatory obligations to the DFPI. The DFPI is the beneficiary of FHLDC letters of credit collateralizing agency deposits. 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 but are required to be invested according to the California Government Code. Participants in the pool include voluntary and involuntary participants, such as special districts and school districts for which there are legal provisions 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.

3. CASH AND CASH EQUIVALENTS (continued)

As of June 30, 2023 and 2022, CPA held no individual investments subject to classification under the fair value hierarchy.

CUSTODIAL CREDIT RISK

Custodial credit risk for deposits is that in the event of a bank failure, CPA's deposits may not be returned to it. CPA's policy is that deposits 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 such losses in its deposit 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:

	2023	2022
Accounts receivable from customers	$ 161,755,905	$ 116,582,276
Allowance for uncollectible accounts	(38,496,851)	(20,011,504)
Net accounts receivable	$ 123,259,054	$ 96,570,772

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 and prior fiscal years.

The State Budget Act of 2022 appropriated additional funds from the federal American Rescue Plan Act to support the establishment of the California Arrearage Payment Program (CAPP 2022) 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 received a total of $10.4 million of 2022 CAPP funding in 2023. The allowance for uncollectable accounts as of June 30, 2022, was adjusted to reflect the 2022 CAPP payment.

5. LEASE

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.

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:

<u>Property Lease</u>

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 $20,000 and $7,000 in FY2022-23 and FY2021-2022, respectively, for those variable costs.

As of June 30, 2023, the Company has reported $2,202,000 in right-of-use (ROU) intangible assets, net of amortization, and $2,659,000 in lease liabilities related to this agreement. Amortization expense was $383,000 and Interest Expense was $68,000 for the right to use the office space during the fiscal year.

As of June 30, 2022, the Company has reported $2,585,000 in 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 $85,000 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.

5. LEASE (continued)

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
2024	$ 403,141	$ 59,437	$ 462,578
2025	426,955	49,501	476,456
2026	451,767	38,982	490,749
2027	477,612	27,860	505,472
2028	504,535	16,101	520,636
2029	395,199	3,998	399,197
	$ 2,659,209	$ 195,879	$ 2,855,088

Storage Contract Arrangements

In providing electricity to its customers, CPA has entered into four energy storage agreements which achieved commercial operation as of June 2023. 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 $32,023,000 and $7,799,000 in FY 2022-23 and FY 2021-22, respectively.

6. CAPITAL ASSETS

Capital asset activities for the years ended June 30, 2023 and 2022, were as follows:

Capital Asset	Furniture & Equipment	Office Equipment	Computer Equipment	Website/App Development	Leasehold Improvements	Accumulated Depreciation	Total
Balances at June 30, 2021	159,255	-	-	-	428,398	(97,740)	489,912
Additions	(159,255)	15,053	220,024	244,752	8,587	(144,816)	184,345
Balances at June 30, 2022	$ 0	$ 15,053	$ 220,024	$ 244,752	$ 436,985	$ (242,557)	$ 674,257
Additions			90,125			(196,706)	(106,581)
Dispositions			(11,721)			(10,983)	(22,704)
Balances at June 30, 2023	$ 0	$ 15,053	$ 298,427	$ 244,752	$ 436,985	$ (450,245)	$ 544,973

6. CAPITAL ASSETS (continued)

Intangible - Right-to-use Lease Asset	Lease Asset - Office	Accumulated Amortization	Total
Balances at June 30, 2021	3,095,195	(127,636)	2,967,559
Additions		(382,908)	(382,908)
Balances at June 30, 2022	$ 3,095,195	$ (510,544)	$ 2,584,651
Additions	-	(382,908)	(382,908)
Balances at June 30, 2023	$ 3,095,195	$ (893,452)	$ 2,201,743

Depreciation and amortization expenses are included under general and administration on the Statements of Revenues, Expenses and Changes in Net Position.

7. DEBT

County of Los Angeles Funding Agreement

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, and the loan plus applicable interest was repaid in FY 2021-22. As of June 30, 2022, there was no outstanding loan balance under the Funding Agreement.

River City Bank Credit Facility

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.

7. DEBT (continued)

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. This Restated Credit Agreement was terminated in September 2021 pursuant to entering a new credit agreement with JP Morgan Chase Bank.

<u>JP Morgan Chase Bank Credit Facility</u>

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.

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, and an additional $40 million was repaid in October 2022.

In January 2023, CPA drew $35 million on its $80 million JP Morgan credit facility and repaid it in the same month. As of June 30, 2023, CPA had no loans outstanding under the credit facility and is in compliance with credit covenants.

In June 2023, CPA amended the credit agreement with JP Morgan to increase the size of the facility to $160 million and extend the expiry of the agreement from October 31, 2023 to March 31, 2024. CPA intends to arrange a new bank credit facility to replace its current facility effective April 1, 2024.

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

	Beginning	Additions	Payments	Ending
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				$ -
Year ended June 30, 2023				
JP Morgan	$ -	$ 95,000,000	$ (95,000,000)	$ -
Total	$ -	$ 95,000,000	$ (95,000,000)	$ -
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, 2023, there were 63 plan members. CPA contributed $994,000 and $675,000 during the years ended June 30, 2023 and 2022, 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 CPA's commercial liability in any of the past four years. There were no significant reductions in coverage compared to the prior year.

On July 12, 2018, CPA's Board adopted the Energy Risk Management Policy (ERMP). The ERMP establishes CPA's Energy Risk Program and applies to all power procurements and related business activities that may impact the risk profile of CPA. The ERMP documents the framework by which CPA's staff and consultants will identify and quantify risk, develop and execute procurement strategies, develop controls and oversight monitor, and measure and report on the effectiveness of the CPA's Energy Risk Program. 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, July 2021, and July 2022.

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 customers.

The following table represents the expected, undiscounted, contractual commitments for energy storage, power, and electric capacity outstanding as of June 30, 2023:

Year ended June 30,	
2024	$ 1,038,393,000
2025	$ 738,052,000
2026	$ 644,306,000
2027	$ 567,226,000
2028	$ 499,751,000
2029 -44	$ 5,313,260,000
	$ 8,800,988,000

The totals are rounded to the nearest hundredth.

As of June 30, 2023, CPA had non-cancellable contractual commitments to contract and professional service providers through August 31, 2026, for services yet to be performed. Fees associated with these contracts are based on volumetric activity and are expected to be approximately $4.2 million.

11. JOINT VENTURE

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 and participates in the Joint Powers Agreement with CCCFA along with Central Coast Community Energy, East Bay Community Energy, Marin Clean Energy, Pioneer Community Energy and Silicon Valley Clean Energy.

CCCFA was formed as a conduit issuer 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. No debt, liability, or obligation of CCCFA is considered a debt, liability, or obligation of any member of CCCFA. Any debt or liability incurred by CCCFA on behalf of a member to prepay for renewable energy is not a debt or liability of that member. Furthermore, the assets of CCCFA in the form of prepaid energy or reserves held by the respective bond trustees for any prepayment transaction undertaken on behalf of a member do not constitute an asset or reserve of that member.

In February 2023, CCCFA issued a first set of bonds on behalf of CPA in the par amount of $998,780,000 and in June 2023 issued a second set of bonds on behalf of CPA in the par amount of $958,290,000. The proceeds were used to finance energy purchases that will flow to CPA over a term of 30 years. CPA will purchase energy from CCCFA in the same manner as CPA purchases energy from other suppliers. The outstanding purchase commitments related to these financings are included in Note 10.

Each member of CCCFA is responsible for paying an equal portion of CCCFA's general and administrative operating costs as determined by its board. During the year ending June 2023, CPA contributed approximately $68,000 to CCCFA to assist in its operating activities.

CCCFA was created on June 25, 2021, and its financial statements of CCCFA are available online at http://www.cccfa.org/keydocuments.html.

12. FUTURE GASB PRONOUNCEMENTS

The requirements of the following GASB Statements are effective for future fiscal years ending after June 30, 2023:

GASB has approved 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.

13. SUBSEQUENT EVENTS

On September 27, S&P Global Ratings issued CPA an Investment Grade Credit Rating of "A-" with a Stable Outlook. This rating is considered Middle Investment Grade, four notches above the lowest Investment Grade Rating (BBB-) and seven notches below the highest Investment Grade Rating (AAA). This rating is a significant milestone for CPA and management believes it will have a positive impact on CPA's relationships with energy suppliers.