



**CLEAN POWER ALLIANCE OF SOUTHERN
CALIFORNIA**

Basic Financial Statements with Independent
Auditors' Report

For the Fiscal Years Ended June 30, 2024 and 2023

TABLE OF CONTENTS

Independent Auditors' Report	1
Management's Discussion and Analysis (Unaudited)	3
Basic Financial Statements:	
Statements of Net Position	13
Statements of Revenues, Expenses and Changes in Net Position	14
Statements of Cash Flows	15
Notes to the Basic Financial Statements	17

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, 2024 and 2023, 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, 2024 and 2023, 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 audits. 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 25, 2024

**CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED JUNE 30, 2024 AND 2023**

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED JUNE 30, 2024 AND 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, 2024 and 2023. 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 revenues 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.

**CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED JUNE 30, 2024 AND 2023**

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 (JPA) 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 and approximately 38,000 residential and commercial accounts from Hermosa Beach, Monrovia, and Santa Paula in March 2024. In October 2025, CPA will enroll approximately 33,000 additional accounts from three new jurisdictions.

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 products to choose from: Lean Power, Clean Power, and 100% Green Power. Lean Power provides 40% clean energy; Clean Power provides at least 50% clean energy 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).

**CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED JUNE 30, 2024 AND 2023**

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, 2024 and 2023.

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Current assets	\$ 738,426,529	\$ 407,408,168	\$ 248,918,632
Noncurrent assets	\$ 2,478,783	\$ 2,835,591	\$ 3,347,784
Total assets	<u>740,905,312</u>	<u>410,243,759</u>	<u>252,266,416</u>
Current liabilities	273,275,114	183,290,311	101,449,979
Noncurrent liabilities	4,975,965	5,405,928	9,563,209
Total liabilities	<u>278,251,079</u>	<u>188,696,239</u>	<u>111,013,188</u>
Deferred inflows of resources	135,000,000	-	-
Net position			
Investment in capital assets	133,840	87,507	252,712
Restricted for collateral	-	1,200,000	2,400,000
Unrestricted	327,520,392	220,260,013	138,600,516
Total net position	<u>\$ 327,654,232</u>	<u>\$ 221,547,520</u>	<u>\$ 141,253,228</u>

Current Assets

Current assets were approximately \$738,427,000 at the end of FY 2023-24 and were mainly comprised of \$333,509,000 of cash and cash equivalents, \$60,000,000 of investments, \$143,168,000 of accounts receivable, \$95,218,000 of accrued revenue, \$11,503,000 of other receivables and \$91,293,000 of prepaid expenses. Investments were made in Certificates of Deposit with a one-year maturity or less and are redeemable upon demand.

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.

Total current assets increased as of June 30, 2024, compared to the prior year, particularly cash, investments, accounts receivable, and prepaid. Cash increased year over year primarily due to operating surpluses, which were mainly driven by rate increases that went into effect in July 2023. Accounts receivable increased primarily due to the retail sales increase resulting from rate increases, more jurisdictions electing to adopt 100% Green as their default rate product, and three new community enrollments in March 2024. Other receivables increased compared to the prior year mainly due to an increase in wholesale sales of electricity and receivables from the California Community Choice Financing Authority (CCCFA). Prepaid expenses increased primarily due to increased Resource Adequacy costs and prepayments for Resource Adequacy. Deposits decreased primarily due to lower energy prices in June 2024 and lower posting obligations required by the CAISO.

**CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED JUNE 30, 2024 AND 2023**

Total current assets increased as of June 30, 2023, compared to the prior year, mainly as a result of increases in cash, prepaid expenses, accrued revenue, and accounts receivable. Cash increased mainly due to operating surpluses and reduced collateral posting required by the CAISO. Prepaid expenses increased compared to the prior year, mostly due to the prepayments required pursuant to Resource Adequacy contracts. Accounts receivable increased primarily due to greater retail sales increase resulting from rate increases, 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 (CAPP).

Noncurrent Assets

Noncurrent assets decreased as of June 30, 2024 and 2023 compared to the prior years, mainly due to the amortization of the office lease as an intangible asset and depreciation expenses.

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, 2024, compared to the prior year, primarily due to increases in security deposits from energy suppliers and accrued energy costs resulting from higher renewable energy and resource adequacy costs.

Total current liabilities increased as of June 30, 2023, compared to the prior year, mainly due to increases in accrued energy costs.

Noncurrent Liabilities

Noncurrent liabilities decreased as of June 30, 2024, from the prior year primarily as a result of amortization of the long-term portion of lease liability.

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.

Deferred Inflows of Resources

In 2024, CPA deferred revenue of \$135,000,000 to the Fiscal Stabilization Fund pursuant to CPA's Board approved Fiscal Stabilization Fund Policy. The funds may be used in later years if financial results were negatively impacted by uncontrollable events as described in the Policy.

Revenues and Expenses

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

**CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Operating revenues	\$ 1,356,577,153	\$ 1,167,777,256	\$ 867,481,478
Interest income	10,877,122	1,770,273	114,136
Total income	<u>1,367,454,275</u>	<u>1,169,547,529</u>	<u>867,595,614</u>
Operating expenses	1,260,700,163	1,088,598,932	799,920,707
Nonoperating expenses	647,400	654,305	629,463
Total expenses	<u>1,261,347,563</u>	<u>1,089,253,237</u>	<u>800,550,170</u>
Change in net position	<u>\$ 106,106,712</u>	<u>\$ 80,294,292</u>	<u>\$ 67,045,444</u>

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 uncollectible account expenses, as described in the Notes to the Financial Statements.

Operating revenues increased to approximately \$1,356,577,000 in FY 2023-24 from \$1,167,777,000 in FY 2022-23. Revenue increased primarily as a result of increases in retail electricity rates that went into effect in July 2023, new community enrollments in March 2024, and were offset by the deferral of revenue and its transfer to the Fiscal Stabilization Fund (See Notes to the Financial Statements).

Operating revenues increased in FY 2022-23 from the prior year due to increases in retail electricity rates that went into effect in July 2022 and April 2023.

Year-over-year changes in interest income and investment income reflect changes in market interest rates, increases in investments and increases in cash balances in interest-earning accounts. CPA invests funds consistent with its Board approved Investment Policy.

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 \$1,260,700,000 in FY 2023-24 from \$1,088,599,000 in FY 2022-23. The increase is mainly due to increased renewable energy purchases and higher resource adequacy costs. CPA purchases its energy supply from various resources in order to reduce market risk and maintain a balanced, renewable energy portfolio. Staffing costs increase year-over-year mainly due to CPA's hiring of additional staff to support the organization's growth, as well as increases in employee benefits and the implementation of a staff retention incentive program.

**CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED JUNE 30, 2024 AND 2023**

Electricity costs and other operating expenses increased in FY 2022-23 from the prior year primarily due to increased energy costs, contract services, 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 \$106,107,000 in FY 2023-24. CPA's net position increased by \$80,294,000 in FY 2022-23 and by \$67,045,000 in FY 2021-22.

CPA had a higher increase in net position in FY 2023-24 as compared to FY 2022-23 due to increased electricity sales resulting primarily from rate increases and higher interest income offset by a deferral of revenue and its transfer to the Fiscal Stabilization Fund, increased energy costs, and staffing expenses.

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.

LIQUIDITY AND CAPITAL RESOURCES

CPA maintains a strong liquidity position by targeting 150 days of liquidity on hand pursuant to its Board approved Reserve Policy. Liquidity is defined as the sum of cash and cash equivalents, investments, and available bank lines of credit. CPA had 97 and 158 days of liquidity on-hand as of June 30, 2023, and 2024, respectively. Investments are made in high-quality and liquid securities pursuant to CPA's Investment Policy.

CPA maintains a strong capital position by targeting reserves equivalent to 30% to 50% of its annual operating expenses pursuant to its Board approved Reserve Policy. Reserves are defined as the sum of the Net Position and Fiscal Stabilization Fund balance. Reserves were 20.4% and 36.6% of operating expenses as of June 30, 2023, and 2024, respectively.

CREDIT RATING

CPA manages its financial position with the objective of maintaining an investment-grade credit rating. Credit rating agencies consider quantitative (financial metrics) and qualitative (business and operating characteristics) factors when assessing credit quality. As of June 30, 2024, CPA had an issuer credit rating of A- with a stable outlook from Standard & Poor's (S&P) Global Ratings.

**CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED JUNE 30, 2024 AND 2023**

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 agreements to purchase power and electric capacity (Resource Adequacy). CPA enters into power purchase agreements and energy supply agreements 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, 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.

California's Renewable Portfolio Standard 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 at least 65% of the RPS procurement conducted by a retail seller, such as CPA, to come from its contracts of ten years or more in duration.

In September 2022, California Governor Newsom signed SB 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.

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, and 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 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.

**CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED JUNE 30, 2024 AND 2023**

Commitments under power purchase agreements increased to \$12.9 billion as of June 30, 2024, from \$8.8 billion as of June 30, 2023, consistent with CPA's Board-approved Energy Risk Management Policy.

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, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 333,509,421	\$ 132,786,879
Investments	60,000,000	-
Accounts receivable, net of allowance	143,167,706	123,259,054
Accrued revenue	95,217,865	87,229,664
Other receivables	11,502,941	595,202
Interest receivable	1,404,260	233,214
Prepaid expenses	91,292,917	46,152,849
Deposits	2,331,418	15,951,306
Restricted cash	-	1,200,000
Total current assets	<u>738,426,529</u>	<u>407,408,168</u>
Noncurrent assets		
Capital assets, net of depreciation and amortization	2,389,908	2,746,716
Deposits	88,875	88,875
Total noncurrent assets	<u>2,478,783</u>	<u>2,835,591</u>
Total assets	<u>\$ 740,905,312</u>	<u>\$ 410,243,759</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 3,045,901	\$ 7,008,961
Accrued cost of electricity	246,869,951	159,985,884
Other accrued liabilities	4,165,262	2,774,283
User taxes and energy surcharges due to other governments	10,750,873	8,570,857
Security deposits from energy suppliers	3,961,500	194,700
Unearned program funds	4,054,673	4,352,484
Lease liability, current	426,955	403,141
Total current liabilities	<u>273,275,114</u>	<u>183,290,311</u>
Noncurrent liabilities		
Security deposits from energy suppliers	3,146,852	3,149,860
Lease liability, noncurrent	1,829,113	2,256,068
Total noncurrent liabilities	<u>4,975,965</u>	<u>5,405,928</u>
Total liabilities	<u>\$ 278,251,079</u>	<u>\$ 188,696,239</u>
DEFERRED INFLOWS OF RESOURCES		
Fiscal Stabilization Fund	<u>135,000,000</u>	<u>-</u>
NET POSITION		
Investment in capital assets	\$ 133,840	\$ 87,507
Restricted for collateral	-	1,200,000
Unrestricted	<u>327,520,392</u>	<u>220,260,013</u>
Total net position	<u>\$ 327,654,232</u>	<u>\$ 221,547,520</u>

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

**STATEMENTS OF REVENUE, EXPENSES
AND CHANGES IN NET POSITION**

YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
OPERATING REVENUES		
Electricity sales for resale, net	\$ 1,489,775,404	\$ 1,165,886,425
Revenue transferred (to) from fiscal stabilization fund	(135,000,000)	-
Other revenue	1,801,749	1,890,831
Total operating revenues	<u>1,356,577,153</u>	<u>1,167,777,256</u>
OPERATING EXPENSES		
Cost of electricity	1,219,546,896	1,053,915,579
Contract services	20,234,442	18,879,277
Staff compensation	18,049,088	13,285,796
General and administration	2,869,737	2,518,280
Total operating expenses	<u>1,260,700,163</u>	<u>1,088,598,932</u>
Operating income	95,876,990	79,178,324
NONOPERATING REVENUES (EXPENSES)		
Interest income	10,877,122	1,770,273
Interest and related expenses	(587,963)	(585,086)
Interest expense - lease	(59,437)	(68,480)
Loss on disposal of fixed assets	-	(739)
Total nonoperating revenues	<u>10,229,722</u>	<u>1,115,968</u>
CHANGE IN NET POSITION	106,106,712	80,294,292
Net position at beginning of year	221,547,520	141,253,228
Net position at end of year	<u>\$ 327,654,232</u>	<u>\$ 221,547,520</u>

The accompanying notes are an integral part of these financial statements. 14

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 1,490,560,438	1,075,244,841
Other operating receipts	9,502,441	6,139,683
Payments to suppliers for electricity	(1,154,182,679)	(931,422,472)
Payments for other goods and services	(26,386,384)	(19,984,055)
Payments for staff compensation	(17,259,935)	(12,772,049)
Tax and surcharge payments to other governments	(51,135,317)	(40,854,335)
Net cash provided by operating activities	251,098,564	76,351,613
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Loan proceeds	-	95,000,000
Principal payments on loan	-	(95,000,000)
Interest and related expense payments	(563,600)	(567,086)
Net cash used by non-capital financing activities	(563,600)	(567,086)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments to acquire capital assets	(255,920)	(90,125)
Payments on lease (principal and interest)	(462,578)	(415,468)
Net cash used by capital and related financing activities	(718,498)	(505,593)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments purchased	(60,000,000)	-
Interest income received	9,706,076	1,770,273
Net cash provided by investing activities	(50,293,924)	1,770,273
Net change in cash and cash equivalents	199,522,542	77,049,207
Cash and cash equivalents at beginning of year	133,986,879	56,937,672
Cash and cash equivalents at end of year	\$ 333,509,421	\$ 133,986,879
Reconciliation to the Statement of Net Position		
Cash and cash equivalents (unrestricted)	333,509,421	132,786,879
Restricted cash	-	1,200,000
Cash and cash equivalents	\$ 333,509,421	\$ 133,986,879

The accompanying notes are an integral part of these financial statements. 15

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Net operating income	\$ 95,876,990	\$ 79,178,324
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation expense	229,819	218,671
Amortization expense	382,908	382,908
Revenue adjusted for allowance for uncollectible accounts	30,553,624	18,485,347
(Increase) decrease in:		
Accounts receivable	(50,462,277)	(45,173,629)
Other receivables	(10,907,739)	6,831,048
Accrued revenue	(7,988,201)	(31,732,873)
Prepaid expenses	(45,140,068)	(40,014,445)
Deposits	13,619,888	10,164,223
Increase (decrease) in:		
Accounts payable	(3,963,060)	2,482,646
Energy market settlements payable	5,775,142	(16,529,143)
Accrued cost of electricity	81,108,925	92,885,821
Other accrued liabilities	1,366,616	352,704
User taxes due to other governments	2,180,016	2,544,499
Fiscal stabilization fund	135,000,000	-
Supplier security deposits	3,763,792	(4,572,940)
Unearned program funds	(297,811)	848,451
Net cash provided by operating activities	<u>\$ 251,098,564</u>	<u>\$ 76,351,613</u>

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

1. REPORTING ENTITY

Clean Power Alliance of Southern California (CPA) is a joint powers authority created on June 27, 2017. As of June 30, 2024, parties to its Joint Powers Agreement consist of the following local governments:

<u>Counties</u>	<u>Cities</u>	
Los Angeles	Agoura Hills	Moorpark
Ventura	Alhambra	Ojai
	Arcadia	Oxnard
	Beverly Hills	Paramont
	Calabasas	Port Hueneme *
	Carson	Redondo Beach
	Camarillo	Rolling Hills Estates
	Claremont	Santa Monica
	Culver City	Santa Paula
	Downey	Sierra Madre
	Hawaiian Gardens	Simi Valley
	Hawthorne	South Pasadena
	Hermosa Beach	Temple City
	La Cañada Flintridge *	Thousand Oaks
	Lynwood *	Ventura
	Malibu	West Hollywood
	Manhattan Beach	Westlake Village
	Monrovia	Whittier

* *La Canada Flintridge, Lynwood, and Port Hueneme are officially parties to the JPA as of March 2024. Customers in those jurisdictions will begin receiving service from CPA in October 2025.*

CPA is separate from its members and derives no ongoing financial support from them. 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).

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

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, CPA policy is to use restricted resources first, then unrestricted resources as needed.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, demand deposits, money market accounts, and investments with an original maturity of three months or less. The Statement of Net Position presents restricted cash balances separately.

INVESTMENTS

Investments reported on the Statements of Net Position are comprised of certificates of deposit with a maturity greater than three months. Certificates of deposit are not subject to fair value assessments and are stated at cost. Investments with a maturity of less than one year are shown as current assets in the Statement of Net Position.

Permitted investments are defined in CPA's Investment Policy and include funds invested in depository accounts, certificates of deposit, money market funds, the California Asset Management Program (CAMP), and the Local Agency Investment Fund (LAIF) program operated by the California State Treasury.

PREPAID EXPENSES

Payments made to vendors for services performed beyond the end of the current fiscal year are recorded as prepaid expenses.

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 into by CPA. Deposits are classified as current or noncurrent assets depending on the length of time the deposits will be outstanding.

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, seven years for furniture and eight years for leasehold improvements. CPA does not own any electric generation or storage assets.

LEASE ASSETS AND LIABILITIES

CPA recognizes an asset and liability when it enters certain leasing arrangements. The leased assets are included in the capital assets and 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. CPA's only leased assets and liabilities are related to its office premises.

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.

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FISCAL STABILIZATION FUNDS

In 2020, CPA's Board approved the Fiscal Stabilization Fund policy to allow CPA to defer revenue in years when financial results are strong for use in future years when financial results may be negatively impacted by uncontrollable events as described in the Policy. In accordance with GASB Statement No. 62, the amount deposited into the fund is shown as a reduction of operating revenues and reported on the statements of net position as a deferred inflow of resources. Deferring revenue for use in future years reduces the impact of unplanned rate changes that would otherwise be necessary to meet CPA's financial objectives.

In 2024, CPA transferred \$135,000,000 to the Fiscal Stabilization Fund. The Fiscal Stabilization Fund balance is included in cash and cash equivalents.

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, 2024, and 2023 attributable to those assets.

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 a 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.

Investment income is considered "non-operating revenue."

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 NON-OPERATING EXPENSES

Operating expenses include the cost of sales and services, administrative expenses, depreciation on capital assets, and amortization of right-to-use lease assets. Expenses that do not meet 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 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.

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.

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In September 2023, the Board approved the Retention Incentive Program whose purpose is to retain management-level staff and promote high performance. Retention incentive amounts are approved by the Board on an annual basis and are earned over two-year periods beginning July 1, 2023.

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 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, 2024, CPA maintains its cash in both interest-earning and non-interest-earning bank accounts with River City Bank, in the California Asset Management Program (CAMP) and in the California Local Agency Investment Fund (LAIF). Cash totaling \$109,856,000 is in River City Bank accounts; \$203,636,000 is in the CAMP account; \$20,000,000 is in certificates of deposit with terms less than three months; and \$17,000 is in the LAIF account.

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

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

3. CASH AND CASH EQUIVALENTS (continued)

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 its cash in CAMP to earn higher interest rates and have same-day liquidity without penalty. CAMP is a California Joint Powers Authority established in 1989 under provisions of the California Joint Exercise of Powers Act to provide public agencies with professional investment services. CAMP funds are governed by California Government Code 53600, which only allows investments in low-risk eligible securities. CAMP funds are considered government agency deposits and are subject to California's Local Agency Protection Program, which protects agency deposits.

CPA also holds 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.

Cash and cash equivalents include funds held in the Fiscal Stabilization Fund.

4. ACCOUNTS RECEIVABLE

Accounts receivable were as follows as of June 30:

	<u>2024</u>	<u>2023</u>
Accounts receivable from customers	\$ 212,218,181	\$ 161,755,905
Allowance for uncollectible accounts	(69,050,475)	(38,496,851)
Net accounts receivable	<u>\$ 143,167,706</u>	<u>\$ 123,259,054</u>

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.

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

5. INVESTMENTS

During the fiscal year ending June 30, 2024, CPA purchased investments with original maturities of three months or more. As of June 30, the balance of investments was as follows:

	<u>2024</u>	<u>2023</u>
Certificates of deposit *	\$ 60,000,000	\$ -
Total current investments	<u>\$ 60,000,000</u>	<u>\$ -</u>

**These are non-negotiable certificates of deposit with original terms of more than three months and less than one year.*

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 CAMP and LAIF are made on the basis of \$1, which is substantially equal to fair value.

As of June 30, 2024 and 2023, CPA held no individual investments subject to classification under the fair value hierarchy.

CUSTODIAL CREDIT RISK

Bank Deposits

Custodial credit risk for bank deposits is the risk that in the event of a bank failure, CPA's deposits may not be returned to it. CPA's bank deposits are protected by LASP as described in Note 3 and by deposit guarantees provided by the Federal Deposit Insurance Corporation (FDIC) for balances up to \$250,000. CPA has not experienced any such losses in its deposit accounts.

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

5. INVESTMENTS (continued)

Investments

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 and CAMP.

6. LEASE

CPA's lease assets are reported in accordance with Governmental Accounting Standards Board No. 87 (GASB 87).

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 \$23,000 and \$20,000 in FY2023-24 and FY2022-2023, respectively, for those variable costs.

As of June 30, 2024, the Company has reported \$1,819,000 in right-of-use (ROU) intangible assets, net of amortization, and \$2,256,000 in lease liabilities related to this agreement. Amortization expense was \$383,000 and Interest Expense was \$59,000 for the right to use the office space during the fiscal year.

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.

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.

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

6. LEASE (continued)

Year ended June 30,	Principal	Interest	Total
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
	<u>\$ 2,256,068</u>	<u>\$ 136,442</u>	<u>\$ 2,392,510</u>

Storage Contract Arrangements

In providing electricity to its customers, CPA has entered into two stand-alone energy storage and seven co-located solar and energy storage agreements, which achieved commercial operation as of June 2024. Stand-alone energy storage assets receive charging energy from the grid. Collocated energy storage assets receive charging energy from collocated solar facilities. Through these agreements, CPA obtains the right to control certain aspects of the nature and manner, and use of the underlying storage 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 in the Statement of Revenues, Expenses, and Changes in Net Position.

Variable payments for storage under stand-alone energy storage and collocated solar and energy storage agreements totaled approximately \$68,534,000 and \$32,023,000 in FY 2023-24 and FY 2022-23, respectively.

7. CAPITAL ASSETS

Capital asset activities for the years ended June 30, 2024 and 2023, were as follows:

	Balances at June 30, 2023	Additions	Dispositions	Balances at June 30, 2024
Capital assets				
Office equipment	15,053	-	-	15,053
Computer equipment	298,427	199,705	(14,135)	483,997
Website/App development	244,752	70,350	-	315,102
Leasehold improvements	436,985	-	-	436,985
Intangible assets-office	3,095,195	-	-	3,095,195
Total capital assets	<u>4,090,412</u>	<u>270,055</u>	<u>(14,135)</u>	<u>4,346,332</u>
Less accumulated depreciation & amortization				
Office, computer, leasehold, and website	(450,244)	(229,820)	-	(680,064)
Intangible assets-office	(893,452)	(382,908)	-	(1,276,360)
Total accumulated depreciation & amortization	<u>(1,343,696)</u>	<u>(612,728)</u>	<u>-</u>	<u>(1,956,424)</u>
Total capital assets, net of depreciation & amortization	<u>2,746,716</u>	<u>(342,673)</u>	<u>(14,135)</u>	<u>2,389,908</u>

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

6. CAPITAL ASSETS (continued)

	Balances at June 30, 2022	Additions	Dispositions	Balances at June 30, 2023
Capital assets				
Office equipment	15,053	-	-	15,053
Computer equipment	220,023	90,125	(11,721)	298,427
Website/App development	244,752	-	-	244,752
Leasehold improvements	436,985	-	-	436,985
Intangible assets-office	3,095,195	-	-	3,095,195
Total capital assets	<u>4,012,008</u>	<u>90,125</u>	<u>(11,721)</u>	<u>4,090,412</u>
Less accumulated depreciation & amortization				
Office, computer, leasehold, and website	(242,556)	(196,706)	(10,982)	(450,244)
Intangible assets-office	(510,544)	(382,908)	-	(893,452)
Total accumulated depreciation & amortization	<u>(753,100)</u>	<u>(579,614)</u>	<u>(10,982)</u>	<u>(1,343,696)</u>
Total capital assets, net of depreciation & amortization	<u>3,258,908</u>	<u>(489,489)</u>	<u>(22,703)</u>	<u>2,746,716</u>

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

8. DEBT

JP Morgan Chase Bank Credit Facility

In September 2021, CPA entered into an \$80 million Revolving Credit Agreement with JP Morgan Chase. 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 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. In March 2024, the Board approved an extension of the maturity date of CPA's Credit Agreement with JPM to March 31, 2026, from March 31, 2024.

As of June 30, 2024, CPA had no loans outstanding under the credit facility and is in compliance with credit covenants. Loan principal activity and balances were as follows for the following direct borrowings:

	Beginning	Additions	Payments	Ending
Year ended June 30, 2023				
JP Morgan	\$ -	\$ 95,000,000	\$ (95,000,000)	\$ -
Total	<u>\$ -</u>	<u>\$ 95,000,000</u>	<u>\$ (95,000,000)</u>	<u>\$ -</u>
Amounts due within one year				-
Amounts due after one year				<u>\$ -</u>
Year ended June 30, 2024				
JP Morgan	\$ -	\$ -	\$ -	\$ -
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Amounts due within one year				-
Amounts due after one year				<u>\$ -</u>

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

9. 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, 2024, there were 76 plan members. CPA contributed \$1,274,000 and \$994,000 during the years ended June 30, 2024 and 2023, respectively. Plan provisions and contribution requirements are established and may be amended by the Board of Directors.

10. 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 CPA's commercial liability insurance coverage 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, July 2022, July 2023 and July 2024.

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.

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

11. 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, 2024:

Year ended June 30,	
2025	\$ 1,211,155,000
2026	\$ 958,047,000
2027	\$ 912,879,000
2028	\$ 879,512,000
2029	\$ 790,620,000
2030 - 47	\$ 8,195,810,000
	<u>\$ 12,948,023,000</u>

Totals are rounded to the nearest thousand.

As of June 30, 2024, CPA had non-cancellable contractual commitments to contract and professional service providers through December 31, 2027, for services yet to be performed. Fees associated with these contracts are based on volumetric activity and are expected to be approximately \$15.1 million.

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

12. 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 other Founding Members Central Coast Community Energy, Ava Community Energy, MCE, and Silicon Valley Clean Energy. Other CCAs are Associate Members, receiving benefits of CCCFA but are not represented on the CCCFA Board of Directors.

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 Clean Energy Revenue Bonds on behalf of CPA in the par amount of \$998,780,000, in June 2023 issued a second set of Clean Energy Revenue 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 11.

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 years ending June 2024 and 2023, CPA contributed approximately \$30,000 and \$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, 2024: GASB has approved GASB No. 101, *Compensated Absences*, GASB No. 102, *Certain Risk Disclosures*, GASB No. 103, *Financial Reporting Model Improvements*, and GASB No. 104, *Disclosure of Certain Capital Assets*

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

Management is evaluating the effect of the implementation of these statements.

13. SUBSEQUENT EVENTS

Clean Energy Project Revenue Bonds

On July 11, 2024, the Board adopted Resolutions authorizing the issuance of up to three Clean Energy Project Revenue Bond transactions of up to \$1.5 billion each, subject to certain parameters, with a total amount not exceeding \$4.5 billion across all transactions. One of the three authorized issuances, as described below, was completed.

On August 27, 2024, CCCFA issued the Series 2024B Bond on behalf of CPA in the par amount of \$1,524,180,000. The proceeds were used to finance energy purchases that will flow to CPA over a term of 29 years pursuant to the transaction's Clean Energy Purchase Contract (CEPC). CPA will purchase energy from CCCFA in the same manner as CPA purchases energy from other suppliers. Consistent with the above-noted Board Resolution, the amounts payable by CPA under the Clean Energy Purchase Contract were limited to the equivalent of a prepay bond par amount of \$1.5 billion.

On September 5, 2024, the Board adopted a Resolution authorizing the amendment of the CEPC executed in relation to the Series 2024B Bonds to permit CPA to purchase a 30th year of energy supply as originally intended, equating the energy volumes and term of the CEPC with the final aggregate principal amount of the Bonds and term thereof.

The Series 2024B prepay transaction is expected to provide energy cost savings to CPA of \$93 million over the initial eight-year period of the bond, or approximately \$11.6 million annually.

New Community Enrollments

In October 2025, CPA will begin providing electric service to an estimated thirty-three thousand additional customer accounts located in La Cañada Flintridge, Lynwood, and Port Hueneme.