



**CLEAN POWER ALLIANCE OF SOUTHERN
CALIFORNIA**

Basic Financial Statements with Independent
Auditors' Report

For the Fiscal Years Ended June 30, 2025 and 2024

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, 2025 and 2024, 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, 2025 and 2024, 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.



Madison, Wisconsin
October 23, 2025

**CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED JUNE 30, 2025 AND 2024**

The Management's Discussion and Analysis section provides an overview of Clean Power Alliance of Southern California's (CPA's) financial activities as of and for the fiscal years ending June 30, 2025 and 2024. 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, deferred inflows of resources, 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, 2025 AND 2024**

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED JUNE 30, 2025 AND 2024**

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 32,000 additional accounts from La Canada Flintridge, Lynwood and Port Hueneme.

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, 2025 AND 2024**

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, 2025, 2024, and 2023.

| | 2025 | 2024 | 2023 |
|-------------------------------|-----------------------|-----------------------|-----------------------|
| Current assets | \$ 564,238,651 | \$ 738,426,529 | \$ 407,408,168 |
| Noncurrent assets | 176,130,516 | 2,478,783 | 2,835,591 |
| Total assets | <u>740,369,167</u> | <u>740,905,312</u> | <u>410,243,759</u> |
| Current liabilities | 136,452,817 | 273,275,114 | 183,290,311 |
| Noncurrent liabilities | 4,361,168 | 4,975,965 | 5,405,928 |
| Total liabilities | <u>140,813,985</u> | <u>278,251,079</u> | <u>188,696,239</u> |
| Deferred inflows of resources | 135,000,000 | 135,000,000 | - |
| Net position | | | |
| Investment in capital assets | (46,379) | 133,840 | 87,507 |
| Restricted for collateral | - | - | 1,200,000 |
| Unrestricted | 464,601,561 | 327,520,392 | 220,260,013 |
| Total net position | <u>\$ 464,555,182</u> | <u>\$ 327,654,232</u> | <u>\$ 221,547,520</u> |

Current Assets

Current assets were approximately \$564,239,000 at the end of FY 2024-25 and were mainly comprised of \$297,235,000 of cash and cash equivalents, \$97,305,000 of accounts receivable, \$73,349,000 of accrued revenue, \$70,000,000 of investments, \$10,142,000 of other receivables and \$7,929,000 of deposits. Investments were made in Certificates of Deposit with a one-year maturity or less and are redeemable upon demand.

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, \$143,168,000 of accounts receivable, \$95,218,000 of accrued revenue, \$60,000,000 of investments, \$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.

Total current assets decreased as of June 30, 2025, compared to the prior year, particularly accounts receivable, accrued revenue, and prepaid expenses. Accounts receivable decreased primarily due to an increase in the bad debt reserve estimate resulting from additional reserves for active residential accounts based on the delinquency behavior of residential customers and the collections activity of CPA's billing and collections agent, SCE. Increasing the bad debt reserve adjustment reduces the accounts receivable balance. Accrued revenue decreased compared to the prior year, primarily due to lower electricity consumption and the implementation of reduced retail electric rates effective March 2025. Prepaid expenses decreased mainly due to the decrease in contracted volumes of Resource Adequacy that required prepayment as compared with the prior year.

**CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED JUNE 30, 2025 AND 2024**

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 accounts receivable due 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.

Noncurrent Assets

Noncurrent assets were approximately \$176,131,000 at the end of FY 2024-25 and \$2,479,000 at the end of FY 2023-24.

Noncurrent assets increased as of June 30, 2025, compared to the prior year. The increase was mainly due to \$174,259,000 of investments in U.S. Treasury notes, offset by the reduction in capital assets due to amortization and depreciation expenses.

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

Current Liabilities

Current liabilities consist primarily 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, various other accrued liabilities and unearned program funds. Unearned program funds represent funds for customer programs received from the CPUC and not yet spent.

Total current liabilities decreased as of June 30, 2025, compared to the prior year, primarily due to a decrease in accrued energy costs resulting from improved timing in receiving energy invoices compared to the prior fiscal year.

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.

**CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED JUNE 30, 2025 AND 2024**

Noncurrent Liabilities

Noncurrent liabilities decreased as of June 30, 2025, from the prior year primarily as a result of amortization of the long-term portion of a lease liability and the reduction of supplier security deposits offset by accruals of retention incentives.

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.

Deferred Inflows of Resources

In June 2024, CPA deferred revenue of \$135,000,000 to the Fiscal Stabilization Fund pursuant to CPA's Board-approved Fiscal Stabilization Fund Policy. No funds were used in FY 2024/2025, and no additional funds were deferred. The funds may be used in later years if financial results were negatively impacted by uncontrollable events as described in the Fiscal Stabilization Fund Policy.

Revenues and Expenses

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

| | 2025 | 2024 | 2023 |
|--------------------------------|-----------------------|-----------------------|----------------------|
| Operating revenues | \$ 1,443,468,993 | \$ 1,356,577,153 | \$ 1,167,777,256 |
| Interest and investment income | 22,299,651 | 10,877,122 | 1,770,273 |
| Total income | <u>1,465,768,644</u> | <u>1,367,454,275</u> | <u>1,169,547,529</u> |
| Operating expenses | 1,328,256,401 | 1,260,700,163 | 1,088,598,932 |
| Nonoperating expenses | 611,293 | 647,400 | 654,305 |
| Total expenses | <u>1,328,867,694</u> | <u>1,261,347,563</u> | <u>1,089,253,237</u> |
| Change in net position | <u>\$ 136,900,950</u> | <u>\$ 106,106,712</u> | <u>\$ 80,294,292</u> |

Total Income

Operating revenues arise from retail electricity sales to customers and funding to support CPA's Power Share program. CPA reports electricity revenues, net of uncollectible accounts expenses, as described in the Notes to the Financial Statements.

Operating revenues increased to approximately \$1,443,469,000 in FY 2024-25 from \$1,356,577,000 in FY 2023-24. FY 2024-25 revenue was higher than the prior year primarily because prior year revenue was reduced by transfer to the Fiscal Stabilization Fund (See Notes to the Financial Statements). FY 2024-25 revenue was reduced by a reduction in retail electric rates, which went into effect in March 2025.

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

**CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED JUNE 30, 2025 AND 2024**

electric rates that went into effect in July 2023 and new community enrollments in March 2024, offset by the deferral of revenue and its transfer to the Fiscal Stabilization Fund.

Year-over-year changes in interest and investment income reflect changes in market interest rates, increases in investments and increases in cash balances in interest-earning accounts. CPA invests funds pursuant to and 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 costs associated with borrowing agreements.

Operating expenses increased to \$1,328,256,000 in FY 2024-25 from \$1,260,700,000 in FY 2023-24. The increase is primarily due to increased renewable energy costs and higher Resource Adequacy costs. CPA purchases its energy supply from various sources to reduce market risk and maintain a balanced renewable energy portfolio. Staffing costs increased year-over-year mainly due to CPA's hiring of additional staff to support the organization's growth, as well as increases in employee benefit and staff retention incentive program expenses. Contract services increased year over year, primarily due to the expansion of customer programs. The growth in these programs required additional expenses associated with contracted support and services. This reflects CPA's continued investment in customer program development and engagement initiatives.

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.

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 \$136,901,000 in FY 2024-25. CPA's net position increased by \$106,107,000 in FY 2023-24 and by \$80,294,000 in FY 2022-23.

CPA had a higher increase in net position in FY 2024-25 than in FY 2023-24, mainly due to a deferral of 2023-24 revenue and its transfer to the Fiscal Stabilization Fund, and higher interest and investment income, offset by decreased electricity revenues resulting primarily from retail electric rate decreases, and higher electricity costs.

**CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED JUNE 30, 2025 AND 2024**

CPA had a higher increase in net position in FY 2023-24 as compared to FY 2022-23 due to increased electricity revenues 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.

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 180 and 158 days of liquidity on hand as of June 30, 2025, and 2024, respectively. Investments are made in high-quality and liquid securities pursuant to and consistent with 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 the Fiscal Stabilization Fund balance. Reserves were 45.1% and 36.6% of operating expenses as of June 30, 2025, 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, 2025, CPA had an issuer credit rating of A- with a stable outlook from Standard & Poor's (S&P) Global Ratings.

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. SB 350 has been superseded by SB 100 and SB 1020, described below.

**CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED JUNE 30, 2025 AND 2024**

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, the California Governor 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.

Commitments under power purchase agreements decreased to \$12.4 billion as of June 30, 2025, from \$12.9 billion as of June 30, 2024, due in part to energy cost reduction affected by three energy prepayment transactions which occurred during FY 2024-25, and to the cancellation of a long-term power purchase agreement prior to construction. CPA enters into power purchase agreements consistent with CPA's Board-approved Energy Risk Management Policy.

REQUESTS 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 STATEMENT

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

STATEMENTS OF NET POSITION

YEARS ENDED JUNE 30, 2025 AND 2024

| | 2025 | 2024 |
|---|----------------|----------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 297,234,579 | \$ 333,509,421 |
| Investments | 70,000,000 | 60,000,000 |
| Accounts receivable, net of allowance | 97,304,782 | 143,167,706 |
| Accrued revenue | 73,349,087 | 95,217,865 |
| Other receivables | 10,142,000 | 11,502,942 |
| Interest receivable | 2,315,977 | 1,404,260 |
| Prepaid expenses | 5,962,975 | 91,292,917 |
| Deposits | 7,929,251 | 2,331,418 |
| Total current assets | 564,238,651 | 738,426,529 |
| Noncurrent assets | | |
| Capital assets, net of depreciation and amortization | 1,782,734 | 2,389,908 |
| Deposits | 88,875 | 88,875 |
| Investments | 174,258,907 | - |
| Total noncurrent assets | 176,130,516 | 2,478,783 |
| Total assets | \$ 740,369,167 | \$ 740,905,312 |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable | \$ 3,254,851 | \$ 3,045,901 |
| Accrued cost of electricity | 107,720,929 | 246,869,951 |
| Other accrued liabilities | 9,302,824 | 4,165,262 |
| User taxes and energy surcharges due to other governments | 10,692,841 | 10,750,873 |
| Security deposits from energy suppliers | 180,000 | 3,961,500 |
| Unearned program funds | 4,849,605 | 4,054,673 |
| Lease liability, current | 451,767 | 426,955 |
| Total current liabilities | 136,452,817 | 273,275,115 |
| Noncurrent liabilities | | |
| Security deposits from energy suppliers | 2,366,852 | 3,146,852 |
| Lease liability, noncurrent | 1,377,346 | 1,829,113 |
| Other noncurrent liabilities | 616,970 | - |
| Total noncurrent liabilities | 4,361,168 | 4,975,965 |
| Total liabilities | \$ 140,813,985 | \$ 278,251,080 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Fiscal stabilization fund | 135,000,000 | 135,000,000 |
| NET POSITION | | |
| Investment in capital assets | \$ (46,379) | \$ 133,840 |
| Unrestricted | 464,601,561 | 327,520,392 |
| Total net position | \$ 464,555,182 | \$ 327,654,232 |

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

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

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

YEARS ENDED JUNE 30, 2025 AND 2024

| | <u>2025</u> | <u>2024</u> |
|---|-----------------------|-----------------------|
| OPERATING REVENUES | | |
| Electricity sales for resale, net | \$ 1,440,562,620 | \$ 1,489,775,404 |
| Revenue transferred (to) from fiscal stabilization fund | - | (135,000,000) |
| Other revenue | <u>2,906,373</u> | <u>1,801,749</u> |
| Total operating revenues | <u>1,443,468,993</u> | <u>1,356,577,153</u> |
| OPERATING EXPENSES | | |
| Cost of electricity | 1,277,421,945 | 1,219,546,896 |
| Contract services | 24,768,864 | 20,234,442 |
| Staff compensation | 22,779,394 | 18,049,088 |
| General and administration | <u>3,286,198</u> | <u>2,869,737</u> |
| Total operating expenses | <u>1,328,256,401</u> | <u>1,260,700,163</u> |
| Operating income | 115,212,593 | 95,876,990 |
| NONOPERATING REVENUES (EXPENSES) | | |
| Interest and investment income | 22,299,651 | 10,877,122 |
| Interest and financing expenses | <u>(611,293)</u> | <u>(647,400)</u> |
| Total nonoperating revenues | <u>21,688,357</u> | <u>10,229,722</u> |
| CHANGE IN NET POSITION | 136,900,950 | 106,106,712 |
| Net position at beginning of year | <u>327,654,232</u> | <u>221,547,520</u> |
| Net position at end of year | <u>\$ 464,555,182</u> | <u>\$ 327,654,232</u> |

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

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2025 AND 2024

| | 2025 | 2024 |
|---|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from customers | \$ 1,456,667,747 | \$ 1,490,560,438 |
| Other operating receipts | 10,262,342 | 9,502,441 |
| Payments to suppliers for electricity | (1,236,710,470) | (1,154,182,679) |
| Payments for other goods and services | (27,530,656) | (26,386,384) |
| Payments for staff compensation | (22,436,812) | (17,259,935) |
| Tax and surcharge payments to other governments | (52,600,211) | (51,135,317) |
| Net cash provided by operating activities | 127,651,940 | 251,098,564 |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | |
| Interest and related expense payments | (569,168) | (563,600) |
| Net cash used by non-capital financing activities | (569,168) | (563,600) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Payments to acquire capital assets | (10,183) | (255,920) |
| Payments on lease (principal and interest) | (476,456) | (462,578) |
| Net cash used by capital and related financing activities | (486,639) | (718,498) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investments | (184,258,907) | (60,000,000) |
| Interest income received | 21,387,933 | 9,706,076 |
| Net cash provided by investing activities | (162,870,974) | (50,293,924) |
| Net change in cash and cash equivalents | (36,274,841) | 199,522,542 |
| Cash and cash equivalents at beginning of year | 333,509,421 | 133,986,879 |
| Cash and cash equivalents at end of year | \$ 297,234,579 | \$ 333,509,421 |
| Reconciliation to the Statement of Net Position | | |
| Cash and cash equivalents (unrestricted) | 297,234,579 | 333,509,421 |
| Cash and cash equivalents | \$ 297,234,579 | \$ 333,509,421 |
| NONCASH INVESTING ACTIVITIES | | |
| | 2025 | 2024 |
| Change in fair value of investments | \$ 801,370 | \$ - |

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, 2025 AND 2024

| | <u>2025</u> | <u>2024</u> |
|---|-----------------------|-----------------------|
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | |
| Net operating income | \$ 115,212,593 | \$ 95,876,990 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities | | |
| Depreciation expense | 159,997 | 229,819 |
| Amortization expense | 457,360 | 382,908 |
| (Increase) decrease in: | | |
| Accounts receivable, net of allowance | 45,862,924 | (19,908,653) |
| Other receivables | 1,360,941 | (10,907,739) |
| Accrued revenue | 21,868,778 | (7,988,201) |
| Prepaid expenses | 85,329,943 | (45,140,068) |
| Deposits | (5,597,833) | 13,619,888 |
| Increase (decrease) in: | | |
| Accounts payable | 208,951 | (3,963,060) |
| Energy market settlements payable | (435,708) | 5,775,142 |
| Accrued cost of electricity | (138,713,314) | 81,108,925 |
| Other accrued liabilities | 5,761,909 | 1,366,616 |
| User taxes due to other governments | (58,032) | 2,180,016 |
| Fiscal stabilization fund | - | 135,000,000 |
| Supplier security deposits | (4,561,500) | 3,763,792 |
| Unearned program funds | 794,931 | (297,811) |
| Net cash provided by operating activities | <u>\$ 127,651,940</u> | <u>\$ 251,098,564</u> |

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

1. REPORTING ENTITY

Clean Power Alliance of Southern California (CPA) is a joint powers authority created on June 27, 2017. As of June 30, 2025, parties to its Joint Powers Agreement consist of the following local governments:

| Counties | Cities | |
|-------------|------------------------|-----------------------|
| 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, 2025 AND 2024

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

CASH AND CASH EQUIVALENTS

Cash includes cash on hand, demand deposits with banks, and deposits in other kinds of accounts or cash management pools that have the general characteristics of demand deposit accounts in that CPA may deposit additional cash at any time and also effectively may withdraw cash at any time without prior notice or penalty.

INVESTMENTS

Investments reported on the Statements of Net Position are comprised of certificates of deposit and United States Treasury Notes with an original term to maturity of more than three months. Non-negotiable certificates of deposit are not subject to fair value assessments and are stated at cost. U.S. Treasuries are stated at fair value. CPA intends to hold its securities to maturity. Investments with a remaining term to maturity of less than one year, are shown as current assets in the Statement of Net Position. Investments with a remaining term to maturity of one year or more are shown as noncurrent assets in the Statement of Net Position.

Permitted investments are defined in the CPA's Investment Policy.

PREPAID EXPENSES

Payments made to vendors that will provide benefits in periods beyond the end of the current fiscal year are recorded as prepaid expenses. Prepaid energy expenses were approximately \$5,174,000 and \$90,453,000 as of June 30, FY 2024-25 and FY 2023-24. The prior year prepaid

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

expense balance was driven by high Resource Adequacy prices and limited market supply during a time when suppliers required advance payments to secure resources.

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. Depending on the length of time the deposits will be outstanding, they are classified as current or noncurrent assets.

OTHER RECEIVABLES

Other receivables primarily consist of receivables related to the wholesale sales of excess energy purchased, as well as accrued interest receivable. These receivables are expected to be collected within the next fiscal year and are considered fully collectible.

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 into 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.

OTHER ACCRUED LIABILITIES

Other accrued liabilities consist primarily of amounts owed for employee compensated absences, deferred revenue, and unspent grant funds as of June 30, 2025. Accrued compensated absences represent the value of earned but unused vacation and other leave benefits. The liability is recognized as employees earn these benefits in accordance with GASB Statement No. 101, *Compensated Absences*. Deferred revenues represent payments received in advance for services that have not yet been performed or earned, and unspent grant funds represent grant proceeds received that have not yet been expended.

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

FISCAL STABILIZATION FUNDS

In Fiscal Year 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 Fiscal Year 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 and 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, 2025, and 2024 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, laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 funds earned from the delivery of program activities. Electricity sales are reported net of changes to the allowance for uncollectible accounts. Other revenue consists of revenue that is not related to the sales of electricity to CPA customers.

Investment 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 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. Electricity costs are 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. 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

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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; 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.

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.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

Effective for the fiscal year ended June 30, 2025, CPA implemented the provisions of the following GASB statements:

GASB Statement No. 101, *Compensated Absences*: This statement establishes recognition and measurement guidance for liabilities associated with compensated absences, including vacation, sick leave, and other paid time off benefits that accumulate and are attributable to services already

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

rendered by employees. Management evaluated the impact of implementing GASB 101 on CPA's financial statements and determined that current policies were substantially consistent with the recognition and measurement requirements of the standard. The adoption of GASB 101 had an immaterial impact on CPA's financial position and results of operations.

GASB Statement No. 102, *Certain Risk Disclosures*: This statement requires governments to disclose material risks and uncertainties that could affect their financial statements, including the nature of the risk, potential financial impact, conditions or events that could trigger the risk, and how management monitors or mitigates the risk. Based on management's evaluation, as of June 30, 2025, no events or conditions were identified that are material or require disclosure under GASB 102.

3. CASH AND CASH EQUIVALENTS

As of June 30, 2025, 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), in an interest-earning account with U.S. Bank, and in the California Local Agency Investment Fund (LAIF). As of June 30, cash and cash equivalents were as follows:

| | <u>2025</u> | <u>2024</u> |
|---|---------------------------|---------------------------|
| Cash and cash equivalents held at: | | |
| River City Bank | \$ 94,812,000 | \$ 129,856,000 |
| California Asset Management Program | 199,219,000 | 203,636,000 |
| U.S. Bank | 3,187,000 | - |
| California Local Agency Investment Fund | 17,000 | 17,000 |
| Total cash & cash equivalents | <u>\$ 297,235,000</u> | <u>\$ 333,509,000</u> |

Cash and cash equivalent 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 the 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

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

3. CASH AND CASH EQUIVALENTS (continued)

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 equivalents 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 equivalents 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:

| | 2025 | 2024 |
|--------------------------------------|----------------------|-----------------------|
| Accounts receivable from customers | \$ 205,545,911 | \$ 212,218,181 |
| Allowance for uncollectible accounts | (108,241,128) | (69,050,475) |
| Net accounts receivable | <u>\$ 97,304,782</u> | <u>\$ 143,167,706</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.

5. INVESTMENTS

During the fiscal years ended June 30, 2025 and 2024, CPA purchased investments with original maturities of three months or more. As of June 30, the fair value of investments was as follows:

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

5. INVESTMENTS (continued)

| | 2025 | 2024 |
|--------------------------------|-----------------------|----------------------|
| Current Investments: | | |
| Certificates of deposit * | \$ 70,000,000 | \$ 60,000,000 |
| Total current investments | <u>\$ 70,000,000</u> | <u>\$ 60,000,000</u> |
| | | |
| | 2025 | 2024 |
| Noncurrent Investments: | | |
| U.S. Treasury Notes | \$ 174,258,907 | \$ - |
| Total noncurrent investments | <u>\$ 174,258,907</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 the fair value.

As of June 30, 2025, CPA's investments are considered Level 1 inputs. Quoted prices in active markets were used to determine fair value measurement. As of June 30, 2024, CPA held no individual investments requiring classification under the fair value hierarchy, as all investments were either cash equivalents or held at cost.

CUSTODIAL CREDIT RISK

Cash and Cash Equivalents

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

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

5. INVESTMENTS (continued)

by deposit guarantees provided by the Federal Deposit Insurance Corporation (FDIC) for balances up to \$250,000.

As of June 30, 2025 and 2024, none of CPA's bank balances are known to be individually exposed to material levels of custodial credit risk.

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 U.S. Treasuries, LAIF, and CAMP.

INTEREST RATE RISK

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. CPA's investments are limited to U.S. Treasury securities and non-negotiable certificates of deposit. U.S. Treasury securities are subject to interest rate risk, as their fair values may fluctuate in response to changes in market interest rates. Certificates of deposit are generally held to maturity and are not subject to fluctuations in fair value. CPA manages its exposure to declines in fair values of investments by limiting its investments subject to fair value adjustments, restricting its investments to high quality securities authorized under its Investment Policy, and by limiting the term to maturity of its Treasury investments.

As of June 30, 2025, CPA's investments were as follows:

| Investment Type | Fair Value | Investment Maturities | |
|--------------------------|----------------|-----------------------|----------------|
| | | Less Than 1 Year | 1-5 Years |
| U.S. Treasury securities | \$ 174,258,907 | \$ - | \$ 174,258,907 |
| Certificates of deposit | 70,000,000 | 70,000,000 | - |
| Total: | \$ 244,258,907 | \$ 70,000,000 | \$ 174,258,907 |

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

5. INVESTMENTS (continued)

As of June 30, 2024, CPA's investments were as follows:

| Investment Type | Fair Value | Investment Maturities | |
|-------------------------|---------------|-----------------------|-----------|
| | | Less Than 1 Year | 1-5 Years |
| Certificates of deposit | \$ 60,000,000 | \$ 60,000,000 | \$ - |
| Total: | \$ 60,000,000 | \$ 60,000,000 | \$ - |

6. LEASE

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 were 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 in variable costs for both FY2024-25 and FY2023-2024.

As of June 30, 2025, the Company has reported \$1,436,000 in right-of-use (ROU) intangible assets, net of amortization, and \$1,829,000 in lease liabilities related to this agreement.

Amortization expense was \$383,000 and interest expense was \$50,000 for the right to use the office space during the fiscal year.

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. For the right to use the office space during the fiscal year, amortization expense was \$383,000, and interest expense was \$59,000.

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, 2025 AND 2024

6. LEASE (continued)

| Year ended June 30, | Principal | Interest | Total |
|---------------------|---------------------|------------------|---------------------|
| 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>\$ 1,829,113</u> | <u>\$ 86,941</u> | <u>\$ 1,916,054</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, 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 \$106,188,000 and \$68,534,000 in FY 2024-25 and FY 2023-24, respectively.

7. CAPITAL ASSETS

Capital asset activities for the years ended June 30, 2025 and 2024, were as follows:

| | Balances at June 30, 2024 | Additions | Dispositions | Balances at June 30, 2025 |
|--|------------------------------|---------------------|--------------|------------------------------|
| Capital assets | | | | |
| Office equipment | \$ 15,053 | \$ 10,183 | \$ - | \$ 25,236 |
| Computer equipment | 483,997 | - | - | 483,997 |
| Website/App development | 315,102 | - | - | 315,102 |
| Leasehold improvements | 436,985 | - | - | 436,985 |
| Intangible assets-office | 3,095,195 | - | - | 3,095,195 |
| Total capital assets | <u>4,346,332</u> | <u>10,183</u> | <u>-</u> | <u>4,356,515</u> |
| Less accumulated depreciation & amortization | | | | |
| Office, computer, leasehold, and website | (680,064) | (234,449) | - | (914,513) |
| Intangible assets-office | <u>(1,276,360)</u> | <u>(382,908)</u> | <u>-</u> | <u>(1,659,268)</u> |
| Total accumulated depreciation & amortization | <u>(1,956,424)</u> | <u>(617,357)</u> | <u>-</u> | <u>(2,573,781)</u> |
| Total capital assets, net of depreciation & amortization | <u>\$ 2,389,908</u> | <u>\$ (607,174)</u> | <u>\$ -</u> | <u>\$ 1,782,734</u> |

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

7. CAPITAL ASSETS (continued)

| | 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 | 4,090,412 | 270,055 | (14,135) | 4,346,332 |
| 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 | (1,343,696) | (612,728) | - | (1,956,424) |
| Total capital assets, net of depreciation & amortization | \$ 2,746,716 | \$ (342,673) | \$ (14,135) | \$ 2,389,908 |

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 JPMorgan 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 JPMorgan 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. In May 2025, CPA elected to amend the credit agreement with JP Morgan to reduce the size of the facility to \$120 million.

As of June 30, 2025 and 2024, CPA had no loans outstanding under the credit facility and is in compliance with credit covenants.

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, 2025 and 2024, there were 85 and 76 plan members, respectively. CPA contributed \$1,538,000 and

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

9. DEFINED CONTRIBUTION RETIREMENT PLAN (continued)

\$1,274,000 during the years ended June 30, 2025 and 2024, 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, crime and cyber crime, and property damage. Settled claims have not exceeded CPA's commercial liability insurance coverage in any of the past three 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 CPA's risk profile. 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, July 2024, and July 2025.

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.

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

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

11. PURCHASE COMMITMENTS (continued)

contracts to purchase energy from as-available resources such as solar, wind, and hydroelectric 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, 2025:

| Year ended June 30, | | |
|---------------------|----|-----------------------|
| 2026 | \$ | 938,882,000 |
| 2027 | \$ | 887,344,000 |
| 2028 | \$ | 876,177,000 |
| 2029 | \$ | 824,731,000 |
| 2030 | \$ | 797,365,000 |
| 2031 to 2035 | \$ | 3,800,846,000 |
| 2036 to 2040 | \$ | 3,002,170,000 |
| 2041 to 2045 | \$ | 1,130,123,000 |
| 2046 to 2049 | \$ | 152,833,000 |
| | \$ | <u>12,410,471,000</u> |

Totals are rounded to the nearest thousand.

As of June 30, 2025, 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 million.

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 the benefits of CCCFA but are not represented on the CCCFA Board of Directors. CCCFA was created on June 25, 2021, and its financial statements are available online at <http://www.cccfa.org/keydocuments.html>.

CCCFA was formed as a conduit issuer to assist its members by undertaking the financing or refinancing of energy prepayments on behalf of one or more of the members by, among other

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

12. JOINT VENTURE (continued)

things, issuing or incurring tax-advantaged 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.

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 2024, CPA contributed approximately \$30,000 to CCCFA to assist in its operating activities. No contributions were requested by CCCFA during the year ending June 2025.

In February 2023, CCCFA issued the first series of Clean Energy Revenue Bonds on behalf of CPA in the par amount of \$998,780,000, and in June 2023, it issued the second series of Clean Energy Revenue Bonds on behalf of CPA in the par amount of \$958,290,000. In 2024, CCCFA issued three additional series of Clean Energy Revenue Bonds on behalf of CPA in the par amounts of \$1,524,180,000 in August, \$1,152,995,000 in November, and \$1,290,750,000 in December. 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.

13. FUTURE GASB PRONOUNCEMENTS

The requirements of the following GASB Statements are effective for future fiscal years ending after June 30, 2025

GASB No. 103, *Financial Reporting Model Improvements*, and GASB No. 104, *Disclosure of Certain Capital Assets*.

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

14. SUBSEQUENT EVENTS

New Community Enrollments

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