

RESOLUTION NO. 26-03-104

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE
CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA
TO AMEND THE FINANCIAL RESERVES AND THE FISCAL
STABILIZATION FUND POLICIES**

THE BOARD OF DIRECTORS OF THE CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA DOES HEREBY FIND, RESOLVE, AND ORDER AS FOLLOWS:

WHEREAS, the Clean Power Alliance of Southern California (formerly known as Los Angeles Community Choice Energy Authority) ("Clean Power Alliance" or "CPA") was formed on June 27, 2017; and

WHEREAS in March 2019, the Board of Directors (the "Board") adopted a Financial Reserves Policy 2019-09 ("Reserve Policy") to provide a policy framework for accumulating and maintaining reserves as part of CPA's annual budget and rate setting processes; and

WHEREAS in adopting the Reserve Policy, the Board determined that adequate reserves support CPA's ability to satisfy working capital requirements, procure energy at competitive rates, adhere to contractual covenants, support the objective of obtaining or maintaining an investment grade credit rating, cover unanticipated expenditures, and support rate stability;

WHEREAS, the Board adopted an amendment to the Reserve Policy in February 2021 to clarify that the funds held in the Fiscal Stabilization Fund ("FSF") are considered reserves and to add the goal of securing 120 days of liquidity on hand ("DLOH"); and

WHEREAS the Board finds it reasonable and prudent to increase the DLOH target to 150-240 days in order to align with the existing reserve targets and to obtain alignment between DLOH targets and CPA's current credit rating. The Board further finds it reasonable and prudent to clarify the method of reserve measurement and reserve targeting; and

WHEREAS, in September 2020, the Board adopted the Fiscal Stabilization Fund Policy (No 2020-16), the terms of which, as amended from time to time, allow CPA to defer revenue when needed and establishes guidelines for managing and administering the FSF; and

WHEREAS, the Board finds that the FSF has helped CPA to manage future rate shocks or uncertainty, ensure compliance with its financial covenants, and achieve annual budget objectives and that the FSF over the past several years has been used to defer revenue in years with strong financial results and apply those revenues to subsequent years; and,

WHEREAS, the Board finds it reasonable and prudent to increase the maximum FSF balance to 20% of annual revenues as it strengthens CPA's ability to use FSF balances to manage downside events, including expected competitive pressure on CPA's rates. The Board further finds it reasonable and prudent to authorize the CEO to defer revenue into the FSF in instances where CPA's net position would increase in the absence of a transfer so long as a transfer does not result in a reduction in CPA's net position.

NOW THEREFORE, BE IT DETERMINED, ORDERED, AND RESOLVED, BY THE BOARD OF DIRECTORS OF THE CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA THAT:


1. The Board of Directors hereby approves amendments to Policy No. 9 Financial Reserves Policy, attached as Exhibit A.
2. The Board of Directors hereby approves amendments to Policy No. 16 Fiscal Stabilization Fund, attached as Exhibit B.
3. The amendments to Policy No. 9 Financial Reserves Policy and Policy No. 16 Fiscal Stabilization Fund, as attached herein, are effective as of March 5, 2026.
4. Any and all acts authorized pursuant to this Resolution and performed prior to the passage of this Resolution are hereby ratified and approved.

APPROVED AND ADOPTED this 5th day of March 2026.



Deborah Klein Lopez, Chair

ATTEST:



Gabriela Monzon, Secretary

Exhibit A

Amended Financial Reserves Policy



Policy Title	Financial Reserve		
Policy Number	2019-09	Original:	09/2019
		Amended:	02/04/2021
		Amended:	03/05/2026

1. Purpose

Adequate reserves enable CPA to satisfy working capital requirements, procure energy at competitive rates, adhere to contractual covenants, maintain an investment grade credit rating, cover unanticipated expenditures, and support rate stability.

The Financial Reserve Policy (“Reserve Policy”) establishes minimum and maximum reserve targets, total maximum percentage of operating expenses, a days liquidity on hand target, and describes reserve targets established through budgeting and rate setting processes.

2. Policy

A. Minimum and Maximum Reserves Targets

CPA will maintain reserves in an amount equal to a Minimum target of 30% and a Maximum target of 50% of Operating Expenses.

Reserves are defined as the Net Position plus the balance in the Fiscal Stabilization Fund¹ as reported in the Statements of Net Position. Operating Expenses are those expenses identified in the Statements of Revenues, Expenses and Changes in Net Position². Reserve percentages represent Reserves divided by Operating Expenses.

B. Upcoming Fiscal Year Reserve Targets and Contributions

The Board will establish reserve targets or target range midpoints for upcoming fiscal years through the annual budget and rate setting processes that are no less than the Minimum and no greater than the Maximum targets.

¹ The Fiscal Stabilization Fund is governed by the Fiscal Stabilization Fund Policy.

² The components of Operating Expenses described in the Statements of Revenue, Expenses and Net Position are cost of electricity, contract costs, staff compensation and general and administration.

Target reserve percentages calculated as part of the budget and rate setting processes shall be based on projected fiscal year-end reserve balances divided by budgeted Operating Expenses.

Reserve contributions shall be determined through the aforementioned processes and events impacting revenues and expenses that occur during the year.

C. Days Liquidity on Hand (DLOH) Target

Reserves shall support a DLOH target equal to 150 to 240 days³.

D. Excess Reserves

If reserve funds exceed 60% of Operating Expenses, CPA will consider reducing reserves by enhancing programs expenditures, capital improvements, paying down debt, and/or reducing rates or margins.

3. Reporting

Reserves will be monitored during the fiscal year and reported in CPA's annual audited financial statements.

4. Periodic Review of Policy

The Chief Financial Officer will review this Reserve Policy and associated procedures on a periodic basis to determine whether they should be amended, supplemented, or updated to account for changing business conditions and/or regulatory requirements. If an amendment is warranted, the Reserve Policy amendment will be submitted to the Board for approval.

³ DLOH = (unrestricted cash, cash equivalents, and investments + unused bank lines of credit) x 365 /
(operating expenses for the current fiscal year)

Exhibit B

Amended Fiscal Stabilization Fund Policy



Policy Title	Fiscal Stabilization Fund	
Policy Number	2020-16	Original: 09/03/2020 Amended: 03/05/2026

1. Purpose

This Fiscal Stabilization Fund Policy (Policy) establishes guidelines for the management and administration of the Fiscal Stabilization Fund (Fund) at Clean Power Alliance of Southern California (CPA).

2. Objectives

The Fund allows CPA to defer revenue in years when financial results are strong and to apply deferred revenue in years when financial results are negatively impacted by uncontrollable events. Deferring revenue in years when financial results are strong allows CPA to apply these funds in years when financial results are less robust, providing CPA with a tool to guard against future rate shocks or uncertainty, maintain compliance with financial covenants, and achieve annual budget objectives.

Transfers to or from the Fund are expenditure neutral and no authority to expend funds is provided under this Policy.

3. Accounting

A. Government Accounting Standards Board Standard

The Fund is accounted for under Government Accounting Standards Board (GASB) Statement 62 and GASB Statement 63. GASB Statement 63 codifies and standardizes “the presentation of deferred outflows of resources and deferred inflows of resources and their effects on [state and local government’s] net position.”

B. Accounting of Fund Transfer

Deferral of current revenue and a transfer into the Fund reduces revenue and the change in Net Position in that year by the same amount. Transfers from the Fund increase revenues and the change in Net Position in the year of the transfer. Net

Position is the difference between assets and liabilities as reported in CPA's financial statements.

4. Reporting

The Fund balance is recorded on the Statement of Net Position in a separate section following liabilities entitled Deferred Inflows of Resources. Transfers to and from the Fund are recorded in the Statements of Revenues, Expenses and Changes in Net Position under Operating Revenues.

The Treasurer shall report all transfers to and from the Fund to the Finance Committee and the Board of Directors in the Quarterly or Annual Financial Statements for the applicable time period in which the transfer occurred.

5. Authorized Transfers

The Chief Executive Officer is authorized to exercise discretion and make transfers to and from the Fund consistent with the Policy objectives and under the following two conditions:

- A. Transfers to the Fund: Transfers to the Fund are authorized when there is an actual or anticipated increase in the Net Position, provided the transfer does not result in a decrease in the Net Position.ⁱ
- B. Transfers from the Fund: Transfers from the Fund are authorized when funds are available in the Fund and the actual or anticipated increase in the Net Position would fall below the 4% of revenues in the absence of a transfer from the Fund.ⁱⁱ

6. Maximum Fund Balance

The fund balance is capped at 20% of CPA annual revenues.

7. Fund Holdings and Investments

Fund balances are not required to be held in a separate account and may be comingled with other funds held by CPA. All fund balances are subject to CPA's Investment Policy.

8. Policy Administration

The Treasurer is the officer in charge of the administration of this Policy.

ⁱ Example 1:

A	Annual revenues:	\$750 million
B	Actual increase in Net Position before transfer:	\$32 million
C=B	Eligible to transfer to the Fund:	\$32 million

In the above example the actual increase to the Net Position is \$32 million and the Chief Executive Officer is authorized to transfer up to \$32 million to Fund.

ⁱⁱ Example 2:

A	Annual revenues:	\$750 million
B=Ax4%	4% increase in Net Position:	\$30 million
C	Actual increase in Net Position before transfer:	\$28 million
D	Fund balance before transfer:	\$2 million
E=C-B	Eligible to transfer from the Fund:	\$2 million

In the above example the actual increase in the Net Position before transfers is \$28 million, the Fund balance before transfer is \$2 million and the Chief Executive Officer is authorized to transfer the \$2 million from the Fund to operating revenues.