



# REGULAR MEETING of the Board of Directors of the Clean Power Alliance of Southern California

**Thursday, November 3, 2022**

**2:00 p.m.**

**SPECIAL NOTICE:** Pursuant to the Proclamation of the State of Emergency by Governor Newsom on March 4, 2020, AB 361, and enacting Resolutions, and as a response to mitigating the spread of COVID-19, the Board of Directors will conduct this meeting remotely.

[Click here to view a Live Stream of the Meeting on YouTube](#)

If the YouTube stream is not working, please use the zoom link.

\*There may be a streaming delay of up to 60 seconds. This is a view-only live stream.

### **To Participate in the Meeting:**

<https://us06web.zoom.us/j/84912360644>

or

Dial: (346) 248-7799 Meeting ID: 849 1236 0644

**PUBLIC COMMENT:** Members of the public may submit their comments by one of the following options:

- **Email Public Comment:** Members of the public are encouraged to submit written comments on any agenda item to [clerk@cleanpoweralliance.org](mailto:clerk@cleanpoweralliance.org) up to four hours before the meeting. Written public comments will be announced at the meeting and become part of the meeting record. Public comments received in writing will not be read aloud at the meeting.
- **Provide Public Comment During the Meeting:** Please notify staff via email at [clerk@cleanpoweralliance.org](mailto:clerk@cleanpoweralliance.org) at the beginning of the meeting but no later than immediately before the agenda item is called.
  - You will be asked for your name and phone number (or other identifying information) similar to filling out a speaker card so that you can be called on when it is your turn to speak.
  - You will be called upon during the comment section for the agenda item on which you wish to speak on. When it is your turn to speak, a staff member will unmute your phone or computer audio.
  - You will be able to speak to the Board for the allotted amount of time. Please be advised that all public comments must otherwise comply with our Public Comment Policy.
  - Once you have spoken, or the allotted time has run out, you will be muted during the meeting.

If unable to connect by Zoom or phone and you wish to make a comment, you may submit written comments during the meeting via email to: [clerk@cleanpoweralliance.org](mailto:clerk@cleanpoweralliance.org).

While downloading the Zoom application may provide a better meeting experience, Zoom does not need to be installed on your computer to participate. After clicking the webinar link above, click “start from your browser.”

*Meetings are accessible to people with disabilities. Individuals who need special assistance or a disability-related modification or accommodation to participate in this meeting, or who have a disability and wish to request an alternative format for the meeting materials, should contact the Clerk of the Board at least two (2) working days before the meeting at [clerk@cleanpoweralliance.org](mailto:clerk@cleanpoweralliance.org) or (323) 640-7664. Notification in advance of the meeting will enable us to make reasonable arrangements to ensure accessibility to this meeting and the materials related to it.*

**PUBLIC COMMENT POLICY:** *The General Public Comment item is reserved for persons wishing to address the Board on any Clean Power Alliance-related matters not on today's agenda. Public comments on matters on today's Consent Agenda and Regular Agenda shall be heard at the time the matter is called. Comments on items on the Consent Agenda are consolidated into one public comment period. As with all public comment, members of the public who wish to address the Board are requested to complete a speaker's slip and provide it to Clean Power Alliance staff at the beginning of the meeting but no later than immediately prior to the time an agenda item is called.*

*Each speaker is limited to two (2) minutes (in whole minute increments) per agenda item with a cumulative total of five (5) minutes to be allocated between the General Public Comment, the entire Consent Agenda, or individual items in the Regular Agenda. Please refer to [Policy No. 8 – Public Comment](#) for additional information.*

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## **CALL TO ORDER AND ROLL CALL**

## **PLEDGE OF ALLEGIANCE**

## **GENERAL PUBLIC COMMENT**

## **CONSENT AGENDA**

1. Adopt Resolution 22-10-042 Finding the Continuing Need to Meet by Teleconference Pursuant to Government Code Section 54953(e)
2. Approve Minutes from October 6, 2022, Board of Directors Meeting
3. Approve Amended and Restated Joint Powers Agreement and Authorize the Chair of the Board of Directors to Execute the Agreement as Presented
4. Receive and File Community Advisory Committee Monthly Report

## **REGULAR AGENDA**

### **Information Items**

5. Initial Review of 2023 Power Charge Indifference Adjustment (PCIA) and SCE Generation Rate Levels
6. Presentation on Fiscal Year 2021/2022 Financial Statements and Budget to Actual Report

## **MANAGEMENT REPORT**

### **COMMITTEE CHAIR UPDATES**

Director Lindsey Horvath, Chair, Legislative & Regulatory Committee.

Director Susan Santangelo, Chair, Finance Committee

Director Robert Parkhurst, Chair, Energy Planning & Resources Committee

## **BOARD MEMBER COMMENTS**

## **REPORT FROM THE CHAIR**

## **ADJOURN – NEXT REGULAR MEETING ON DECEMBER 3, 2022**

**Public Records:** *Public records that relate to any item on the open session agenda for a regular Board Meeting are available for public inspection. Those records that are distributed less than 72 hours prior to the meeting are available for public inspection at the same time they are distributed to all, or a majority of, the members of the Board. Those documents are available for inspection online at [www.cleanpoweralliance.org/agendas](http://www.cleanpoweralliance.org/agendas)*



## Staff Report – Agenda Item 1

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**To:** Clean Power Alliance (CPA) Board of Directors

**From:** Nancy Whang, General Counsel

**Approved by:** Ted Bardacke, Chief Executive Officer

**Subject:** Adopt Resolution 22-11-042 Finding the Continuing Need to Meet by Teleconference Pursuant to Government Code Section 54953(e)

**Date:** November 3, 2022

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### **RECOMMENDATION**

Adopt Resolution No. 22-11-042 finding the continuing need to meet by teleconference pursuant to Government Code Section 54953(e).

### **BACKGROUND/DISCUSSION**

This resolution is required pursuant to AB 361, signed by Governor Newsom on September 20, 2021, so that CPA may continue to meet under the modified teleconferencing rules.

The State of Emergency declared by Gov. Newsom remains in effect and COVID-19 and the Omicron subvariants continue to pose a threat to the health and lives of the public as discussed more fully in Resolution No. 22-11-042. For these reasons, the recommended action is for the Board to adopt Resolution 22-11-042 finding the continuing need to meet by teleconference pursuant to Government Code Section 54953(e).

This Resolution will authorize the Board to hold teleconference meetings within the requirements of AB 361 but does not prohibit the Board from holding in person meetings.

### **ATTACHMENT**

1. Resolution No. 22-11-042 finding the continuing need to meet by teleconference

**RESOLUTION NO. 22-11-042****RESOLUTION OF THE BOARD OF DIRECTORS OF CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA FINDING THE CONTINUING NEED TO MEET BY TELECONFERENCE PURSUANT TO GOVERNMENT CODE SECTION 54953(e)****THE BOARD OF DIRECTORS OF CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA HEREBY RESOLVES AS FOLLOWS:**

**WHEREAS**, all meetings of the Board Of Directors, the Executive Committee, the Energy, Finance, and Legislative and Regulatory Committee (“Three Standing Committees”), and the Community Advisory Committee (“CAC”) of Clean Power Alliance Of Southern California (“CPA”) are subject to the Ralph M. Brown Act (Cal. Gov. Code §§54950 – 54963) (“Brown Act”); and

**WHEREAS**, Government Code section 54953(e) of the Brown Act makes provisions for remote teleconferencing participation in meetings by members of a legislative body, without compliance with the requirements of Government Code section 54953(b)(3), subject to the existence of certain conditions; and

**WHEREAS**, on March 4, 2020, Governor Newsom declared a State of Emergency as a result of the COVID-19 pandemic; and

**WHEREAS**, such State of Emergency due to COVID-19 remains in effect; and

**WHEREAS**, COVID-19 continues to threaten the health and lives of the public; and

**WHEREAS**, COVID-19 the Omicron subvariants of COVID-19 remain a concern, and the Los Angeles County Department of Public Health recommends measures to promote social distancing, including recommendations to avoid prolonged exposure to crowded indoor spaces.

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

**IT IS DETERMINED, AFFIRMED, AND ORDERED** that due to COVID-19, holding in-person meetings of the Board of Directors, Executive Committee, Three Standing Committees, and CAC of CPA will present imminent risk to the health and safety of attendees.

**IT IS FURTHER DETERMINED, AFFIRMED, AND ORDERED** that meetings of the Board of Directors, Executive Committee, Three Standing Committees, and CAC of CPA may continue to meet by teleconference in accordance with Government Code section 54953(e).

**IT IS FURTHER DETERMINED, AFFIRMED, AND ORDERED** that this Resolution shall take effect immediately upon its adoption and shall be effective until the earlier of (1) 30 days from the date of adoption of this Resolution, or (2) such time the Board of Directors of the Clean Power Alliance of Southern California adopts a subsequent resolution in accordance with Government Code section 54953(e)(3) to extend the time during which the Board may continue to teleconference without compliance with paragraph (3) of subdivision (b) of section 54953, or (3) the Board of Directors of the Clean Power Alliance of Southern California adopts a Resolution rescinding this Resolution.

**IT IS FURTHER DETERMINED, AFFIRMED, AND ORDERED** that the approval of this Resolution is not a “project” under Section 21065 of the Public Resources Code and under California Environmental Quality Act (“CEQA”) Guidelines Sections 15378(a) and is exempt under CEQA Guidelines Section 15061(b)(3).

**ADOPTED AND APPROVED** this \_\_\_\_ day of \_\_\_\_\_ 2022.

\_\_\_\_\_  
Julian Gold, Chair

**ATTEST:**

\_\_\_\_\_  
Gabriela Monzon, Secretary

**MINUTES**

REGULAR MEETING of the Board of Directors of the  
Clean Power Alliance of Southern California  
Thursday, October 6, 2022, 2:00 p.m.

*The Board of Directors conducted this meeting remotely, pursuant to the Proclamation of the State of Emergency by Governor Newsom on March 4, 2020, AB 361, enacting CPA Resolutions, and as a response to mitigating the spread of COVID-19*

**CALL TO ORDER & ROLL CALL**

Chair Julian Gold called the meeting to order at 2:00 p.m. and Gabriela Monzon, Clerk of the Board, conducted roll call.

<b>Roll Call</b>				
1	<b>Agoura Hills</b>	Deborah Klein Lopez	Director	Remote
2	<b>Alhambra</b>	Jeff Maloney	Director	Remote
3	<b>Arcadia</b>	Sho Tay	Director	Remote
4	<b>Beverly Hills</b>	Julian Gold	<b>Chair</b>	Remote
5	<b>Calabasas</b>	Michael McConville	Alternate	Remote
6	<b>Camarillo</b>	Susan Santangelo	Director	Remote
7	<b>Carson</b>			Absent
8	<b>Claremont</b>	Corey Calaycay	Director	Remote
9	<b>Culver City</b>	Daniel Lee	Director	Remote
10	<b>Downey</b>			Absent
11	<b>Hawaiian Gardens</b>	Ramie L. Torres	Alternate	Remote
12	<b>Hawthorne</b>	Alex Monteiro	Director	Remote
13	<b>Los Angeles County</b>	Sheila Kuehl	<b>Vice Chair</b>	Remote
14	<b>Malibu</b>			Absent
15	<b>Manhattan Beach</b>	Hildy Stern	Director	Remote
16	<b>Moorpark</b>			Absent
17	<b>Ojai</b>	Michelle Ellison	Alternate	Remote
18	<b>Oxnard</b>	Bert Perello	Director	Remote
19	<b>Paramount</b>			Absent
20	<b>Redondo Beach</b>	Christian Horvath	Director	Remote

21	<b>Rolling Hills Estates</b>	Steve Zuckerman	Director	Remote
22	<b>Santa Monica</b>	Gleam Davis	Director	Remote
23	<b>Sierra Madre</b>	Robert Parkhurst	Director	Remote
24	<b>Simi Valley</b>	Ruth Luevanos	Director	Remote
25	<b>South Pasadena</b>	Diana Mahmud	Director	Remote
26	<b>Temple City</b>			Absent
27	<b>Thousand Oaks</b>	Kevin McNamee	Director	Remote
28	<b>City of Ventura</b>	Joe Yahner	Alternate	Remote
29	<b>Ventura County</b>	Linda Parks	<b>Vice Chair</b>	Remote
30	<b>West Hollywood</b>	Francisco Contreras	Alternate	Remote
31	<b>Westlake Village</b>	Ned Davis	Director	Remote
32	<b>Whittier</b>	Vicki Smith	Alternate	Remote

All votes are unanimous unless otherwise stated.

**PLEDGE OF ALLEGIANCE**

Director Steve Zuckerman led the pledge of allegiance.

**GENERAL PUBLIC COMMENT**

A written public comment was received.

**CONSENT AGENDA**

1. Adopt Resolution 22-10-040 Finding the Continuing Need to Meet by Teleconference Pursuant to Government Code Section 54953 (e)
2. Approve Minutes from September 1, 2022, Board of Directors Meeting
3. Approve a Purchase of Long-Term Resource Adequacy (RA) from SCE and Authorize the Chief Executive Officer to Execute a Purchase Agreement with Southern California Edison (SCE)
4. 30-Day Notice of Intent to Amend CPA's Joint Powers Agreement
5. Receive and File Community Advisory Committee Monthly Report

**Motion:** Director Parkhurst, Sierra Madre  
**Second:** Director Mahmud, South Pasadena  
**Vote:** The consent agenda was approved by a roll call vote.

**REGULAR AGENDA**

**Action Items**

6. Approve Five (5) Renewable Power Purchase Agreements (PPAs) with Prologis for Local Resources to Serve the Power Share Program and Authorize the Chief Executive Officer to Execute the Agreements



Alex Caryotakis, Project Manager, Contract Management, provided a presentation on five long-term renewable energy contracts from CPA's 2021 Power Share Request for Offers (RFO). The Disadvantaged Community Green Tariff (DAC-GT) and Community Solar Green Tariff (CS-GT) programs promote the development of renewable generation in and for underserved communities. Enrolled customers receive 100% renewable energy and a 20% bill discount. CPA must implement the programs consistent with the California Public Utilities Commission (CPUC) guidelines. In July 2022, the Energy Committee shortlisted seven projects from the 2021 DAC RFO. The Prologis projects all ranked high in their respective valuation scores and will make significant progress toward filling CPA's DAC-GT program allocation.

Responding to Director Zuckerman's questions, Ms. Caryotakis indicated that all the projects will be connected to the California Independent System Operator (CAISO) grid and future adjustments to the Net Energy Metering tariffs will not affect these projects. Director Parkhurst expressed appreciation for the hard work of staff and asked if CPUC approval is needed due to the cost reimbursement provided by the CPUC to CPA. Ms. Caryotakis confirmed that is the case. Director Luevanos expressed enthusiasm for the approval of this action item as it speaks to the mission of CPA to provide clean energy to financially struggling families.

**Motion:** Director Monteiro, Hawthorne  
**Second:** Vice Chair Kuehl, Los Angeles County  
**Vote:** Item 6 was approved by a roll call vote.

7. Approve Six (6) Amendments to Renewable Power Purchase Agreements with Various Counterparties and Authorize the Chief Executive Officer to Execute the Amendments:
  - a. First Amendment to the Renewable Power Purchase Agreement between Clean Power Alliance of Southern California and Daggett Solar Power 3 LLC (Daggett 3)
  - b. Amended and Restated Renewable Power Purchase Agreement between Clean Power Alliance of Southern California and 20SD 8me LLC (Rexford)
  - c. First Amendment to the Renewable Power Purchase Agreement between Clean Power Alliance of Southern California and Daggett Solar Power 2 LLC (Daggett 2)
  - d. First Amendment to the Renewable Power Purchase Agreement between Clean Power Alliance of Southern California and Arica Solar LLC (Arica)
  - e. First Amendment to the Renewable Power Purchase Agreement between Clean Power Alliance of Southern California and Chalan CA Solar Storage, LLC (Chalan)
  - f. First Amendment to the Renewable Power Purchase Agreement between Clean Power Alliance of Southern California and Desert Quartzite, LLC (Desert Quartzite)

Natasha Keefer, Vice President, Power Supply, provided a presentation of six Power Purchase Agreement (PPA) amendments. Ms. Keefer described some of the challenges facing clean energy development leading to delays in projects and a need for contract repricing. Ms. Keefer summarized solar and storage pricing trends, noting that significant disruption in the solar panel supply chain and a surge

in nickel prices have created upward pressure in pricing. Ms. Keefer also discussed the Mid-Term Reliability (MTR) CPUC decision and CPA's compliance position with and without the proposed amended projects. Ms. Keefer reviewed the PPA Price Refresh guidelines, evaluation criteria, selection considerations, and offer valuations. Allowing the executed contracts to reprice avoids higher costs to meet renewable energy demand and resource adequacy needs, reduces CPA's risk of compliance penalties, and demonstrates CPA's commitment to bringing new clean energy resources despite challenging market conditions.

In response to Director Zuckerman's questions regarding the seventh contract requesting an amendment, Ms. Keefer clarified it was not selected by CPA and there is no intention to amend the seventh contract in the future. Responding to Director Mahmud's question regarding the upsize option for the Rexford project, Ms. Keefer clarified that the reduced pricing is already represented in the PPA amendment and would not require additional Board approval. Director Mahmud inquired whether there would then be a need to delegate authority to the CEO to exercise the option already provided for in the amendment, and Nancy Whang, General Counsel, commented that the Board approval of the amendment would delegate authority to the CEO but that a motion including an authorization to the CEO to sign such an amendment if agreed upon would be prudent. Responding to Director Mahmud's question regarding Commercial Operation Dates (CODs), Ms. Keefer indicated that projects can come online earlier than the COD agreed upon under the PPA, but that may be challenging to achieve given current circumstances. Director Mahmud inquired whether the liquidated damages provisions remain in the PPAs regardless of the extended COD, and Ms. Whang confirmed that is the case. Director Mahmud expressed strong support for the approval of the amendments, noting that the repricing is due to exceptional circumstances and is still less than prevailing market energy prices. Director Parkhurst echoed support for the amendments and thanked staff for their work, noting that CPA continues to benefit from increased storage and favorable contract terms.

**Motion:** Director Mahmud, South Pasadena  
**Second:** Vice Chair Parks, Ventura County  
**Vote:** Item 7 was approved by a roll call vote, with a delegation of authority to the CEO to approve an amendment if CPA exercises an option to negotiate an upsizing of the solar facility for the Rexford project.

8. Adopt Resolution No. 22-10-041 Approving Parameters Under which an Energy Prepayment Transaction can be Completed; Authorizing and/or Approving Documents or "Form of" Documents Supporting the Prepay Transaction; and Directing California Community Choice Financing Authority (CCCFA) to Make Payments to Service Providers for Issuance Costs from Prepay Bond Proceeds

Kate Freeman, Financial & Strategy Initiatives Manager, provided a presentation on the proposed renewable energy prepay transaction. The transaction can generate \$2 million to \$5 million of annual savings in energy costs. Under Board direction, staff enlisted the help of Municipal Capital Markets (MCM), Chapman and Cutler (C&C), Goldman Sachs Group, Inc. (GS), and its subsidiary J. Aron & Company, LLC (J Aron) to complete the prepay transaction. Ms. Freeman summarized the proposed action that creates parameters under which the prepay

transaction can be completed, approves proposed documents and forms that support the transaction, and directs CCCFA to make payments to all the service providers who supported the issuance of the bond out of bond proceeds. Ms. Freeman also reviewed the structure of the prepayment transaction and noted that staff plans to certify its bonds as “green bonds” indicating that the uses of the bonds are specifically to purchase renewable energy. Certification as a green bond may widen the pool of interested investors. Ms. Freeman provided descriptions of the prepay documents for the transaction and then reviewed the timeline.

Responding to Director Perello’s question regarding green bonds, staff indicated the fee anticipated from the Kestrel rating is already built into the bond issuance cost; there is no ambiguity as to the use of the bond proceeds; they will be used to buy renewable energy, thus meeting the green bond definition. Director Parkhurst inquired whether staff anticipates any reason PPA sellers would not sign the limited form of assignment agreement, and Ms. Freeman advised that the assignment agreements will not change the PPA rates; though there may be some administrative costs, there is limited risk. Director Santangelo thanked the staff for their detailed explanation of the complex topic. Responding to Director Zuckerman’s questions regarding the \$1.3 billion in funds, Ms. Freeman clarified that the intent is to determine the net present value of energy from two targeted PPAs over a 30-year period, and the actual execution amount will mirror the amount of the planned PPA assignments.

**Motion:** Director Santangelo, Camarillo  
**Second:** Vice Chair Kuehl, Los Angeles County  
**Vote:** Item 8 was approved by a roll call vote with abstention by Director Torres.

Chair Gold congratulated staff on the approval of the item and thanked staff for their dedication in helping the Board understand the complexities of the prepay transaction.

## MANAGEMENT REPORT

Mr. Bardacke described several takeaways from the September heat event. Rotating outages were avoided because of better performance in the state’s infrastructure, the fleet of batteries online totaling over 3,000 megawatts, with roughly 400 of those megawatts belonging to CPA, and customer response to emergency calls to conserve. The heat event also highlights the potential for customers to participate in demand response and energy reduction programs; and also calls attention to the continued shortage of energy supply and capacity in California, notably in the market for resource adequacy (RA), which is tight and has a number of LSE’s facing difficulty meeting their compliance obligations. Mr. Bardacke identified that for those cities undergoing default rate changes, the overall level of opt-actions is about 0.5% and there is an equal split between customers opting out and those opting for the cheapest rates; CPA’s call center has been working to retain customers and offer an environmentally preferable option at a lower cost than Southern California Edison (SCE). Additionally, the Hermosa Beach City Council voted unanimously to join CPA, and there are upcoming meetings in Monrovia and Santa Paula. The entire CPA community is invited to attend the public memorial service for Carmen Ramirez in Oxnard.

In response to Director Mahmud’s question concerning the demand response program vendor AutoGrid, Matt Langer, Chief Operating Officer, specified that the AutoGrid

contract runs through December of 2023, and staff will review its ability to meet enrollment targets and gauge customer experience. Director Mahmud requested that once AutoGrid reaches the one year execution mark, staff share a status report with the Executive or Energy Committee about AutoGrid's ability to meet its targets. Director Ellison congratulated Director Maloney for the city of Alhambra's decision to move to 100% Green default rate. Director Maloney thanked staff for their professionalism and presentations.

#### **COMMITTEE CHAIR UPDATES**

Director Susan Santangelo, Chair, Finance Committee, updated the Board on CPA's bad debt reserves, advising that a peer group comparison indicated that CPA's account receivables metrics and customer payment behavior align with other Community Choice Aggregations (CCAs).

Director Robert Parkhurst, Chair, Energy Planning & Resources Committee, thanked the Energy Committee for its hard work and advised the Board of the Committee's work on the upcoming 2022 Mid-Term Reliability (MTR) RFO, the Integrated Resource Plan (IRP) due in November, and the Power Ready Program.

#### **BOARD MEMBER COMMENTS**

Director Mahmud shared that she attended a grid resilience workshop premised on the occurrence of a large earthquake on the San Andreas fault; encouraged member agencies to ascertain their readiness to respond to an emergency if found without power for over 72 hours; and emphasized the importance of CPA's Power Ready program for its member agencies.

#### **REPORT FROM THE CHAIR**

Chair Gold shared that he along with Directors Parkhurst, Horvath, Monteiro, and Mr. Bardacke attended the CalCCA gala celebrating the 20<sup>th</sup> anniversary of the legislation which enabled the creation of CCA's. Chair Gold noted that CPA has become the third largest provider of electrical energy in the California grid; CPA has the largest number of customers on 100% energy; was the first CCA to establish the low-income Power Share Program; and it is now in the process of adding three more cities. Vice Chair Kuehl expressed appreciation for the hard work of the Board Members and CPA staff.

#### **ADJOURN**

Chair Gold adjourned the meeting at 3:52 p.m.



## Staff Report – Agenda Item 3

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**To:** Clean Power Alliance (CPA) Board of Directors

**From:** Ted Bardacke, Chief Executive Officer  
Nancy Whang, General Counsel

**Subject:** Amended and Restated Joint Powers Agreement

**Date:** November 3, 2022

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### **RECOMMENDATION**

Approve Amended and Restated Joint Powers Agreement (Agreement) and Authorize the Chair to Execute the Agreement as presented herein.

### **BACKGROUND AND DISCUSSION**

On October 6, 2022, a 30-day notice of the intent to amend the Agreement was placed on the Board agenda. The notice was accompanied by a summary describing the proposed changes. The Executive Committee subsequently was provided with an opportunity to review the redline version of the proposed changes.

Two categories of changes are being proposed.

#### **Combining Amendments into a Single Amended and Restated Agreement**

CPA's current JPA consists of the original June 27, 2017 agreement and three separate amendments made over a 13-month period in 2018 and 2019.<sup>1</sup> As CPA continues its work with new cities considering CPA membership, it is easier to explain and administratively streamlined to have a single clean copy of the Agreement to work with and share.

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<sup>1</sup> The February 2018 Amendment clarifies the cost apportionment methodology in the event that a member withdraws from the JPA, including reimbursement by the Withdrawing Party to CPA for energy acquired for customers in the Withdrawing Party's jurisdiction. The April 2018 Amendment changes the name of the organization from Los Angeles Community Choice Energy to Clean Power Alliance. The March 2019 Amendment clarifies procedures for the election of, and term limits for, Board Chair and Vice-Chair.

## **Clean Up**

In conjunction with this effort to create a single clean copy of the Agreement, other minor clean-up edits that reflect prior Board action are being proposed.

The clean-up edits include:

- Changing references of “Executive Director” to “Chief Executive Officer”.
- Reflecting the Board’s delegation of signing authority to the CEO<sup>2</sup> so that the Chair or Vice Chair are not required to sign all contracts.
- Reflecting prior Board actions including,
  - Chair and Vice Chairs holding two-year terms.
  - Two Vice Chairs (one representing Los Angeles County and the other representing Ventura County)
  - Designation of County Supervisors from Los Angeles and Ventura as Vice Chairs
- Providing relevant context and historical references

## **ATTACHMENT**

1. Redline Version of the Amended and Restated Joint Powers Agreement reflecting the new edits to the Agreement

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<sup>2</sup> The delegation of authority specified in the Energy Risk Management Policy, the Non-energy Contracting Policy, and the adoption of Resolution 19-05-009.

**CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA**

**AMENDED AND RESTATED JOINT POWERS AGREEMENT**

This amended and restated Joint Powers Agreement (the "A&R Agreement") is made and entered into pursuant to the provisions of Title 1, Division 7, Chapter 5, Article 1 (Section 6500 et seq.) of the California Government Code relating to the joint exercise of powers among the public agencies set forth in Exhibit A.

Deleted: , effective as of June 27, 2017,

**RECITALS**

1. The Parties are public agencies sharing various powers under California laws, including but not limited to the power to purchase, supply, and aggregate electricity for themselves and their inhabitants.
2. In 2006, the State Legislature adopted AB 32, the Global Warming Solutions Act, which mandates a reduction in greenhouse gas emissions in 2020 to 1990 levels. The California Air Resources Board is promulgating regulations to implement AB 32 which will require local government to develop programs to reduce greenhouse emissions.
3. The purposes for the Initial Participants (as such term is defined in Section 2.3 below) entering into this Agreement include addressing climate change by reducing energy related greenhouse gas emissions and securing energy supply and price stability; energy efficiencies and local economic benefits, such as jobs creation, community energy programs; and local power development. It is the intent of this Agreement to promote the development and use of a wide range of renewable energy sources and energy efficiency programs, including but not limited to solar and wind energy production.
4. The Parties desire to establish a separate public agency, known as the Clean Power Alliance of Southern California ("CPA"), under the provisions of the Joint Exercise of Powers Act of the State of California (Government Code Section 6500 et seq.) ("Act") in order to collectively study, promote, develop, conduct, operate, and manage energy programs.
5. The Initial Participants have each adopted an ordinance electing to implement through CPA a Community Choice Aggregation program pursuant to California Public Utilities Code Section 366.2 ("CCA Program"). The first priority of CPA will be the consideration of those actions necessary to implement the CCA Program.
6. The original Joint Powers Agreement became effective as of June 27, 2017 ("Effective Date") when executed by the County of Los Angeles and the City of Rolling Hills Estates. On February 7, 2018, the Parties approved Amendment No. 1 to the Agreement clarifying the cost apportionment methodology in Section 8.1.3 in the event that a member withdraws from the CPA. On April 5, 2018, the Parties approved Amendment No. 2 to the Agreement changing the name of the organization from Los Angeles Community Choice Energy to Clean Power Alliance of Southern California. On March 7, 2019, the Parties approved Amendment No. 3 to the Agreement to clarify procedures for the election of and term limits for the Board Chair and Vice-Chairs in Sections 4.10.1 and 5.1 of the Agreement.
7. The Parties desire to amend and restate the Agreement in order to have a single document to reference and to make changes that reflect prior action by the Board. The amendments in the A&R

[Agreement shall be effective as of November 3, 2022 \("A&R Effective Date"\).](#)

8. By establishing CPA, the Parties seek to:

(a) Develop an electric supply portfolio with overall lower greenhouse gas intensity and lower greenhouse gas (GHG) emissions than Southern California Edison ("SCE"), and one that supports the achievement of the parties' greenhouse gas reduction goals and the comparable goals of all participating jurisdictions;

(b) Establish an energy portfolio that encourages the use and development of cost-effective local renewable and distributed energy resources and that discourages the use unbundled renewable energy credits;

(c) Promote an energy portfolio that incorporates energy efficiency and demand response programs and pursues ambitious energy consumption reduction goals;

(d) Provide electricity rates that are lower or at worst competitive with those offered by SCE for similar products;

(e) Offer differentiated energy options (e.g., 33% or 50% qualified renewable) for default service, and a 100% renewable content option in which customers may "opt-up" and voluntarily participate;

(f) Achieve quantifiable economic benefits to the region;

(g) Recognize the value of current workers in existing jobs that support the energy infrastructure of Los Angeles County and Southern California (e.g., union and prevailing wage jobs, local workforce development, apprenticeship programs, and local hire). CPA, as a leader in the shift to clean energy, commits to ensuring it will take steps to minimize any adverse impacts to these workers to ensure a "just transition" to the new clean energy economy;

(h) Support a stable, skilled workforce through such mechanisms as project labor agreements, collective bargaining agreements, or community benefit agreements, or other workforce programs that are designed to avoid work stoppages, ensure quality, and benefit local residents by delivering cost-effective clean energy programs and projects (e.g., new energy programs and increased local energy investments);

(i) Promote supplier and workforce diversity, including returning veterans and those from disadvantaged and under-represented communities, to better reflect the diversity of the region;

(j) Promote personal and community ownership of renewable resources, spurring equitable economic development and increased resilience, especially in low income communities;

(k) Provide and manage its energy portfolio and products in a manner that provides cost savings to customers and promotes public health in areas impacted by energy production;

(l) Ensure that low-income households and communities are provided with affordable and flexible energy options, including the provision of energy discounted rates to eligible low-income households;



- (m) Recognize and address the importance of healthy communities, including those disproportionately affected by air pollution and climate change;
- (n) Use program revenues to provide energy-related programs and services; and
- (o) Create an administering CPA that is financially sustainable, responsive to regional priorities, well-managed, and a leader in fair and equitable treatment of employees.

**1. DEFINITIONS**

- 1.1 "AB 117" means Assembly Bill 117 (Stat. 2002, Ch. 838, codified at Public Utilities Code Section 366.2), which created Community Choice Aggregation.
- 1.2 "Act" means the Joint Exercise of Powers Act of the State of California (Chapter 5, Division 7, Title 1 of the Government Code commencing with Section 6500).
- 1.3 "Agreement" means this Joint Powers Agreement, [as amended and/or restated from time to time, consistent with the requirements herein](#).
- 1.4 "Board" means the Board of Directors of CPA.
- 1.5 "Community Choice Aggregation" or "CCA" means an electric service option available to cities, counties, and other public agencies pursuant to Public Utilities Code Section 366.2.
- 1.6 "CCA Program" means CPA's program relating to CCA that is principally described in Section 2.4 (Purpose) of this Agreement.
- 1.7 "CPA " means Clean Power Alliance of Southern California.
- 1.8 "CPA Document(s)" means document(s) duly adopted by the Board by resolution or motion implementing the powers, functions and activities of CPA, including but not limited to the Operating Policies and Procedures, the annual budget, and plans and policies.
- 1.9 "Days" shall mean calendar days unless otherwise specified by this Agreement.
- 1.10 "Director" means a member of the Board representing a Party, including up to two alternate Directors appointed in accordance with Sections 4.1 (Board of Directors) and 4.2 (Appointment and Removal of Directors) of this Agreement.
- 1.11 "Effective Date" means the date on which the Agreement shall become effective and CPA shall exist as a separate public agency, as further described in Section 2.1 (Effective Date and Term) of this Agreement. ["A&R Effective Date" means the date on which the amendments in the A&R Agreement shall become effective.](#)
- 1.12 "Initial Costs" means all costs incurred by CPA relating to the establishment and initial operation of CPA, such as the hiring of the executive, technical, and any administrative staff, any required accounting, administrative, technical and legal

services in support of CPA's initial formation activities or in support of the negotiation, preparation and approval of power purchase agreements. The Board shall determine the termination date for the Initial Costs.

- 1.13 "Initial Participants" means, for purpose of this Agreement, the Counties, of Los Angeles and Ventura, and the cities of Agoura Hills, Alhambra, Beverly Hills, Calabasas, Carson, Claremont, Culver City, Downey, Hawaiian Gardens, Hawthorne, Malibu, Manhattan Beach, Ojai, Paramount, Redondo Beach, Rolling Hills Estates, Santa Monica, Sierra Madre, South Pasadena, Temple City, Thousand Oaks, and West Hollywood consisting of the Parties that joined, in accordance with Section 2.3 (Initial Participants) of this Agreement.
- 1.14 "Operating Policies and Procedures" means the rules, regulations, policies, bylaws, and procedures governing the operation of CPA.
- 1.15 "Parties" means, collectively, the signatories to this Agreement that have satisfied the conditions in Section 2.3 (Initial Participants) or Section 2.5 (Addition of Parties) of this Agreement, such that they are considered members of CPA.
- 1.16 "Party" means, singularly, a signatory to this Agreement that has satisfied the conditions in Section 2.3 (Initial Participants) or Section 2.5 (Addition of Parties) of this Agreement, such that it is considered a member of CPA.
- 1.17 "Public Agency" as defined in the Act includes, but is not limited to, the federal government or any federal department or agency, this state, another state or any state department or agency, a county, a county board of education, county superintendent of schools, city, public corporation, public district, regional transportation commission of this state or another state, a federally recognized Indian tribe, or any joint powers authority formed pursuant to the Act.

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**2. FORMATION OF CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA**

- 2.1 **Effective Date and Term.** This Agreement shall become effective and CPA shall exist as a separate public agency on the date this Agreement is executed by the County of Los Angeles and at least one other public agency after the adoption of the ordinances required by Public Utilities Code Section 366.2(c)(12). CPA shall provide notice to the Parties of the Effective Date. CPA shall continue to exist, and this Agreement shall be effective, until the Agreement is terminated in accordance with Section 8.3 (Mutual Termination) of this Agreement, subject to the rights of the Parties to withdraw from CPA.
- 2.2 **Formation of the CPA.** Under the Act, the Parties hereby create a separate joint exercise of power agency which is named Clean Power Alliance of Southern California. Pursuant to Sections 6506 and 6507 of the Act, CPA is a public agency separate from the Parties. The debts, liabilities or obligations of CPA shall not be debts, liabilities, or obligations of the individual Parties unless the governing body of a Party agrees in writing to assume any of the debts, liabilities, or obligations of CPA. The jurisdiction of CPA shall be all territory within the geographic boundaries of the Parties; however CPA may, as authorized under applicable law, undertake any action outside such geographic boundaries as is necessary and incidental to the accomplishment of its purpose.

- 2.3 **Initial Participants.** In addition to Parties executing this Agreement on or prior to the Effective Date, any incorporated municipality, county, or other eligible public agency may become a Party and recognized as an Initial Participant provided during the first 180 days after the Effective Date it executes this Agreement and delivers an executed copy of this Agreement and a copy of the adopted ordinance required by Public Utilities Code Section 366.2(c)(12) to CPA. All Initial Participants to this Agreement shall be required to commence electric service as soon as practicable, as determined by the Board.
- 2.4 **Purpose.** The purpose and objectives of this Agreement are to establish CPA, to provide for its governance and administration, and to define the rights and obligations of the Parties. This Agreement authorizes CPA to provide a means by which the Parties can more effectively develop and implement sustainable energy initiatives that reduce energy demand, increase energy efficiency, and advance the use of clean, efficient, and renewable resources in the region for the benefit of the Parties and their constituents, including, but not limited to, establishing and operating a Community Choice Aggregation program.
- 2.5 **Addition of Parties.** After 180 days from the Effective Date any incorporated municipality, county, or other public agency may become a Party to this Agreement if all of the following conditions are met:
- 2.5.1 The adoption of a resolution of the Board admitting the public agency to CPA;
  - 2.5.2 The adoption by an affirmative vote of the Board satisfying the requirements described in Section 4.10 (Board Voting) of this Agreement, of a resolution authorizing membership into CPA and establishing its pro rata share of organizational, planning and other pre-existing expenditures, and describing additional conditions, if any, associated with membership;
  - 2.5.3 The adoption by the public agency of an ordinance required by Public Utilities Code Section 366.2(c)(12) and approval and execution of this Agreement and other necessary program agreements by the public agency;
  - 2.5.4 Payment of the membership payment, if any; and
  - 2.5.5 Satisfaction of any reasonable conditions established by the Board.
- Pursuant to this Section 2.5 (Addition of Parties), all parties shall be required to commence electric service as soon as is practicable, as determined by the Board, as a condition to becoming a Party to this Agreement.
- 2.6 **Continuing Participation.** The Parties acknowledge that membership in CPA may change by the addition, withdrawal and/or termination of Parties. The Parties agree to participate with such other Parties as may later be added, as described in Section 2.5 (Addition of Parties) of this Agreement. The Parties also agree that the withdrawal or termination of a Party shall not affect this Agreement or the remaining Parties' continuing obligations under this Agreement.

3. **POWERS**

3.1 **General Powers.** CPA shall have the powers common to the Parties and which are necessary or convenient to the accomplishment of the purposes of this Agreement, subject to the restrictions set forth in Section 3.4 (Limitation on Powers) of this Agreement. As provided in the Act, CPA shall be a public agency separate and apart from the Parties.

3.2 **Specific Powers.** CPA shall have all powers common to the Parties and such additional powers accorded to it by law. CPA is authorized, in its own name, to exercise all powers and do all acts necessary and proper to carry out the provisions of this Agreement and fulfill its purposes, including, but not limited to, each of the following:

- 3.2.1 make and enter into contracts;
- 3.2.2 employ agents and employees, including but not limited to a Chief Executive Officer;
- 3.2.3 acquire, contract, manage, maintain, and operate any buildings, works or improvements;
- 3.2.4 acquire property by eminent domain, or otherwise, except as limited under Section 6508 of the Act, and to hold or dispose of any property;
- 3.2.5 lease any property;
- 3.2.6 sue and be sued in its own name;
- 3.2.7 incur debts, liabilities, and obligations, including but not limited to loans from private lending sources pursuant to its temporary borrowing powers authorized by law pursuant to Government Code Section 53850 et seq. and authority under the Act;
- 3.2.8 issue revenue bonds and other forms of indebtedness;
- 3.2.9 apply for, accept, and receive all licenses, permits, grants, loans or other aids from any federal, state or local public agency;
- 3.2.10 form independent corporations or entities, if necessary to carry out energy supply and energy conservation programs at the lowest possible cost or to take advantage of legislative or regulatory changes;
- 3.2.11 submit documentation and notices, register, and comply with orders, tariffs and agreements for the establishment and implementation of the CCA Program and other energy programs;
- 3.2.12 adopt rules, regulations, policies, bylaws and procedures governing the operation of CPA ("Operating Policies and Procedures"); and

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3.2.13 make and enter into service agreements relating to the provision of services necessary to plan, implement, operate and administer the CCA Program and other energy programs, including the acquisition of electric power supply and the provision of retail and regulatory support services.

3.3 **Additional Powers to be Exercised.** In addition to those powers common to each of the Parties, CPA shall have those powers that may be conferred upon it as a matter of law and by subsequently enacted legislation.

3.4 **Limitation on Powers.** As required by Section 6509 of the Act, the powers of CPA are subject to the restrictions upon the manner of exercising power possessed by the County of Los Angeles.

3.5 **Obligations of CPA.** The debts, liabilities, and obligations of CPA shall not be the debts, liabilities, and obligations of the Parties unless the governing body of a Party agrees in writing to assume any of the debts, liabilities, and obligations of CPA. In addition, pursuant to the Act, no Director shall be personally liable on the bonds or subject to any personal liability or accountability by reason of the issuance of bonds.

3.6 **Compliance with the Political Reform Act and Government Code Section 1090.** CPA and its officers and employees shall comply with the Political Reform Act (Government Code Section 81000 et seq.) and Government Code Section 1090 et seq. The Board shall adopt a Conflict of Interest Code pursuant to Government Code Section 87300. The Board may adopt additional conflict of interest regulations in the Operating Policies and Procedures.

4. **GOVERNANCE**

4.1 **Board of Directors.** The governing body of CPA shall be a Board of Directors ("Board") consisting of one director for each Party appointed in accordance with Section 4.2 (Appointment and Removal of Directors) of this Agreement. The Board, in consultation with the Chief Executive Officer, may determine at any time to consider options to reduce the size of the Board if it determines that the efficient functioning and operation of the Board would be improved by having a smaller number of Directors. Any such change to the size of the Board would require amendment of this Joint Powers Agreement in accordance with Section 4.11 (Special Voting).

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4.2 **Appointment and Removal of Directors.** The Directors shall be appointed and may be removed as follows:

4.2.1 The governing body of each Party shall appoint and designate in writing one regular Director who shall be authorized to act for and on behalf of the Party on matters within the powers of CPA. The governing body of each Party shall appoint and designate in writing up to two alternate Directors who may vote on matters when the regular Director is absent from a Board meeting. The person appointed and

designated as the regular Director shall be an elected or appointed member of the governing body of the Party. The persons appointed and designated as the alternate Directors may be an elected or appointed member of the governing body of the Party, an appointed member of an advisory body of the Party, a staff member of the Party or a member of the public who meets the criteria below. All Directors and alternates shall be subject to the Board's adopted Conflict of Interest Code.

- (a) Any alternate Director that is a member of the public must have demonstrated knowledge in energy-related matters through significant experience in either: 1) an electric utility or company, agency, or nonprofit providing services to a utility, 2) a regulatory agency or local government body overseeing an electric utility or a company, agency, or nonprofit providing services to such an agency, 3) an academic or nonprofit organization engaged in research and/or advocacy related to the electric sector.

4.2.2 The Operating Policies and Procedures, to be developed and approved by the Board in accordance with Section 3.2.12 (Specific Powers), shall specify the reasons for and process associated with the removal of an individual Director for cause. Notwithstanding the foregoing, no Party shall be deprived of its right to seat a Director on the Board and any such Party for which its Director and/or alternate Directors have been removed may appoint a replacement.

4.3 **Terms of Office.** Each regular and alternate Director shall serve at the pleasure of the governing body of the Party that the Director represents, and may be removed as Director by such governing body at any time. If at any time a vacancy occurs on the Board, the affected Party shall appoint to fill the position of the previous Director within 90 days of the date that such position becomes vacant.

4.4 **Purpose of Board.** The general purpose of the Board is to:

- 4.4.1 Provide structure for administrative and fiscal oversight;
- 4.4.2 Retain a ~~Chief Executive Officer~~ to oversee day-to-day operations;
- 4.4.3 Retain legal counsel;
- 4.4.4 Identify and pursue funding sources;
- 4.4.5 Set policy;
- 4.4.6 Maximize the utilization of available resources; and
- 4.4.7 Oversee all Committee activities.

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4.5 **Specific Responsibilities of the Board.** The specific responsibilities of the Board shall be as follows:

- 4.5.1 Identify Party needs and requirements;
- 4.5.2 Formulate and adopt the budget prior to the commencement of the fiscal year;
- 4.5.3 Develop and implement a financing and/or funding plan for ongoing CPA operations;
- 4.5.4 Retain necessary and sufficient staff and adopt personnel and compensation policies, rules and regulations;
- 4.5.5 Adopt rules for procuring supplies, equipment, and services
- 4.5.6 Adopt rules for the disposal of surplus property;
- 4.5.7 Establish standing and ad hoc committees as necessary to ensure that the interests and concerns of each Party are represented and to ensure operational, technical, and financial issues are thoroughly researched and analyzed;
- 4.5.8 The setting of retail rates for power sold by CPA and the setting of charges for any other category of retail service provided by CPA;
- 4.5.9 Termination of the CCA Program;
- 4.5.10 Address any concerns of consumers and customers;
- 4.5.11 Conduct and oversee CPA audits at intervals not to exceed three years;
- 4.5.12 Arrange for an annual independent fiscal audit;
- 4.5.13 Adopt such bylaws, rules and regulations as are necessary or desirable for the purposes hereof; provided that nothing in the bylaws, rules and regulations shall be inconsistent with this Agreement;
- 4.5.14 Exercise the Specific Powers identified in Sections 3.2 and 4.6 except as the Board may elect to delegate to the ~~Chief Executive Officer~~; and
- 4.5.15 Discharge other duties as appropriate or required by statute.

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4.6 **Startup Responsibilities.** CPA shall have the duty to do the following within one year of the Effective Date of the Agreement:

- 4.6.1 To adopt an implementation plan prepared by the County of Los Angeles, pursuant to Public Utilities Code Section 366.2(c)(3), for electrical load aggregation;
- 4.6.2 To prepare a statement of intent, pursuant to Public Utilities Code

Section 366.2(c)(4), for electrical load aggregation;

- 4.6.3 To encourage other qualified public agencies to participate in CPA;
- 4.6.4 To obtain financing and/or funding as is necessary or desirable;
- 4.6.5 To evaluate the need for, acquire, and maintain insurance.
- 4.7 **Meetings and Special Meetings of the Board.** The Board shall hold at least one regular meeting per year but the Board may provide for the holding of regular meetings at more frequent intervals. The date, hour, and place of each regular meeting shall be fixed by resolution or ordinance of the Board. Regular meetings may be adjourned to another meeting time. Special meetings of the Board may be called in accordance with the provisions of Government Code Section 54956. Directors may participate in meetings telephonically, with full voting rights, only to the extent permitted by law.
- 4.8 **Brown Act Applicable.** All meetings of the Board shall be conducted in accordance with the provisions of the Ralph M. Brown Act (Government Code Section 54950, et seq.).
- 4.9 **Quorum; Approvals.** A majority of the Directors shall constitute a quorum, except that less than a quorum may adjourn from time to time in accordance with law. The affirmative votes of a majority of the Directors who are present at the subject meeting shall be required to take any action by the Board.
- 4.10 **Board Voting.**
- 4.10.1 **Percentage Vote.** Each Director shall have one vote. Action of the Board on all matters shall require an affirmative vote of a majority of all Directors who are present at the subject meeting, except when a supermajority vote is expressly required by this Agreement and except as expressly specified for the election of Board Officers and At-Large members of the Executive Committee in the bylaws. When a supermajority vote is required under Section 4.11 (Special Voting), action of the Board shall require an affirmative vote of the specified supermajority of all Directors who are present at the subject meeting. All votes taken pursuant to this Section 4.10.1 shall be referred to as a percentage vote. Notwithstanding the foregoing, in the event of a tie in a percentage vote, the Board can break the tie and act upon an affirmative voting shares vote as described in section 4.10.2 (Voting Shares Vote).
- 4.10.2 **Voting Shares Vote.** In addition to and immediately after an affirmative percentage vote three or more Directors may request that a vote of the voting shares shall be held. In such event, the corresponding voting shares, as described in section 4.10.3, of all Directors voting in order to take an action shall exceed 50%, or such other higher voting shares percentage expressly required by this Agreement or the Operating Policies and Procedures of all Directors who are present at the subject meeting. All votes taken pursuant to this Section 4.10.2 shall be referred to as a voting shares vote. In the event that any one Director has a voting



share that equals or exceeds that which is necessary to disapprove the matter being voted on by the Board, at least one other Director shall be required to vote in the negative in order to disapprove such matter. When a voting shares vote is held, action by the Board requires both an affirmative percentage vote and an affirmative voting shares vote.

4.10.3 **Voting Shares Formula.** When a voting shares vote is requested by three or more Directors, voting shares of the Directors shall be determined by the following formula:

(Annual Energy Use/Total Annual Energy) multiplied by 100, where (a) "Annual Energy Use" means (i) with respect to the first two years following the Effective Date, the annual electricity usage, expressed in kilowatt hours ("kWh"), within the Party's respective jurisdiction and (ii) with respect to the period after the second anniversary of the Effective Date, the annual electricity usage, expressed in kWh, of accounts within a Party's respective jurisdiction that are served by CPA and (b) "Total Annual Energy" means the sum of all Parties' Annual Energy Use.

4.11 **Special Voting.**

4.11.1 Except as provided below, matters that require Special Voting as described in this Section shall require 72 hours prior notice to any Brown Act meeting or special meeting. Two-thirds vote (or such greater vote as required by state law) of the appointed Directors shall be required to take any action on the following:

- (a) Change the designation of Treasurer or Auditor of CPA;
- (b) Issue bonds or other forms of debt;
- (c) Exercise the power of eminent domain, subject to prior approval by the passage of an authorizing ordinance or other legally sufficient action by the affected Party; and
- (d) Amend this Agreement or adopt or amend the bylaws of CPA. At least 30 days advance notice shall be provided for such actions. CPA shall also provide prompt written notice to all Parties of the action taken and enclose the adopted or modified documents.

5. **INTERNAL ORGANIZATION**

5.1 **Chair and Vice Chairs.** The Board shall elect a Chair and designate Vice Chairs from among the Directors. The term of office of the Chair and Vice Chairs shall continue for two years. The Chair shall be the presiding officer of all Board meetings, and a Vice Chair shall serve in the absence of the Chair. The Chair shall perform such other duties as may be imposed by the Board. In the absence of the Chair, a Vice-Chair shall perform all of the Chair's duties. The office of the Chair or a Vice Chair shall be declared vacant and a new selection shall be made if: (a) the person serving dies, resigns, or the Party that the person represents removes the person as its

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representative on the Board, (b) the Party that he or she represents withdraws from CPA pursuant to the provisions of this Agreement, or (c) as specified in the bylaws. Upon a vacancy, the position shall be filled at the next regular meeting of the Board held after such vacancy occurs or as specified in the bylaws. Succeeding officers shall perform the duties normal to said offices.

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5.2 **Secretary.** The Board shall appoint a Secretary, who need not be a member of the Board, who shall be responsible for keeping the minutes of all meetings of the Board and all other office records of CPA.

5.3 **Treasurer.** The Board shall appoint a qualified person to act as the Treasurer, who need not be a member of the Board. Unless otherwise exempted from such requirement, CPA shall cause an independent audit to be made by a certified public accountant, or public accountant, in compliance with Section 6506 of the Act. The Treasurer shall act as the depository of CPA and have custody of all the money of CPA, from whatever source, and as such, shall have all of the duties and responsibilities specified in Section 6505.5 of the Act. The Board may require the Treasurer to file with CPA an official bond in an amount to be fixed by the Board, and if so requested CPA shall pay the cost of premiums associated with the bond. The Treasurer shall report directly to the Board and shall comply with the requirements of treasurers of incorporated municipalities. The Board may transfer the responsibilities of Treasurer to any person or entity as the law may provide at the time.

5.4 **Auditor.** The Board shall appoint a qualified person to act as the Auditor, who shall not be a member of the Board. The Board may require the Auditor to file with CPA an official bond in an amount to be fixed by the Board, and if so requested CPA shall pay the cost of premiums associated with the bond.

5.5 **Chief Executive Officer.** The Board shall appoint a Chief Executive Officer for CPA, who shall be responsible for the day-to-day operation and management of CPA and the CCA Program. The Chief Executive Officer may exercise all powers of CPA, except those powers specifically reserved to the Board including but not limited to those set forth in Section 4.5 (Specific Responsibilities of the Board) of this Agreement or the Operating Policies and Procedures, or those powers which by law must be exercised by the Board. The Chief Executive Officer may enter into and execute any Energy Contract, in accordance with criteria and policies established by the Board.

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5.6 **Bonding of Persons Having Access to Property.** Pursuant to the Act, the Board shall designate the public officer or officers or person or persons who have charge of, handle, or have access to any property of CPA exceeding a value as established by the Board, and shall require such public officer or officers or person or persons to file an official bond in an amount to be fixed by the Board.

5.7 **Other Employees/Agents.** The Board shall have the power by resolution to hire employees or appoint or retain such other agents, including officers, loan-out employees, or independent contractors, as may be necessary or desirable to carry-out the purpose of this Agreement.

**5.8 Privileges and Immunities from Liability.** All of the privileges and immunities from liability, exemption from laws, ordinances and rules, all pension, relief, disability, workers' compensation and other benefits which apply to the activities of officers, agents or employees of a public agency when performing their respective functions shall apply to the officers, agents or employees of CPA to the same degree and extent while engaged in the performance of any of the functions and other duties of such officers, agents or employees under this Agreement. None of the officers, agents or employees directly employed by the Board shall be deemed, by reason of their employment by CPA to be employed by the Parties or by reason of their employment by CPA, to be subject to any of the requirements of the Parties.

**5.9 Commissions, Boards and Committees.** The Board may establish any advisory commissions, boards and committees as the Board deems appropriate to assist the Board in carrying out its functions and implementing the CCA Program, other energy programs and the provisions of this Agreement. The Board may establish rules, regulations, policies, bylaws or procedures to govern any such commissions, boards, or committees and shall determine whether members shall be compensated or entitled to reimbursement for expenses.

5.9.1 The Board shall establish the following Advisory Committees:

- (a) **Executive Committee.** The Board shall establish an executive committee consisting of a smaller number of Directors. The Board may delegate to the Executive Committee's such authority as the Board might otherwise exercise, except that the Board may not delegate authority regarding certain essential functions, including but not limited to, approving the fiscal year budget or hiring or firing the Chief Executive Officer, and other functions as provided in the Operating Policies and Procedures. The Board may not delegate to the Executive Committee or any other committee its authority under Section 3.2.12 to adopt and amend the Operating Policies and Procedures.
- (b) **Finance Committee.** The Board shall establish a finance committee consisting of a smaller number of Directors. The primary purpose of the Finance Committee is to review and recommend to the Board:
  - (1) A funding plan;
  - (2) A fiscal year budget;
  - (3) Financial policies and procedures to ensure equitable contributions by Parties;
  - (4) Such other responsibilities as provided in the Operating Policies and Procedures, including but not limited to policies, rules and regulations governing investment of surplus funds, and selection and designation of financial

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institutions for deposit of CPA funds.

- (c) **Community Advisory Committee.** The Board shall establish a community advisory committee comprised of members of the public representing key stakeholder communities. The primary purpose of the Community Advisory Committee shall be to provide a venue for ongoing citizen support and engagement in the operations of CPA.
- (d) **Meetings of the Advisory Committees.** All meetings of the Advisory Committees shall be held in accordance with the Ralph M. Brown Act. For the purposes of convening meetings and conducting business, unless otherwise provided in the bylaws, a majority of the members of the Advisory Committee shall constitute a quorum for the transaction of business, except that less than a quorum or the secretary of each Advisory Committee may adjourn meetings from time-to-time. As soon as practicable, but no later than the time of posting, the Secretary of the Advisory Committee shall provide notice and the agenda to each Party, Director and Alternate Directors.
- (e) **Officers of Advisory Committees.** Unless otherwise determined by the Board, each Advisory Committee shall choose its officers, comprised of a Chairperson, a Vice-Chairperson and a Secretary.

## 6. **IMPLEMENTATION ACTION AND CPA DOCUMENTS**

### 6.1 **Preliminary Implementation of the CCA Program.**

- 6.1.1 **Enabling Ordinance.** In addition to the execution of this Agreement, each Party shall adopt an ordinance in accordance with Public Utilities Code Section 366.2(c)(12) for the purpose of specifying that the Party intends to implement a CCA Program by and through its participation in CPA.
- 6.1.2 **Implementation Plan.** CPA shall cause to be prepared and secure Board approval of an Implementation Plan meeting the requirements of Public Utilities Code Section 366.2 and any applicable Public Utilities Commission regulations as soon after the Effective Date as reasonably practicable.
- 6.1.3 **Termination of CCA Program.** Nothing contained in this Section 6 or this Agreement shall be construed to limit the discretion of CPA to terminate the implementation or operation of the CCA Program at any time in accordance with any applicable requirements of state law.

- 6.2 **CPA Documents.** The Parties acknowledge and agree that the affairs of CPA will be implemented through various documents duly adopted by the Board through Board resolution or minute action, including but not necessarily limited to the Operating Policies and Procedures, the annual budget, and specified plans

and policies defined as CPA Documents by this Agreement. The Parties agree to abide by and comply with the terms and conditions of all such CPA Documents that may be adopted by the Board, subject to the Parties' right to withdraw from CPA as described in Section 8 (Withdrawal and Termination) of this Agreement.

7. **FINANCIAL PROVISIONS**

- 7.1 **Fiscal Year.** CPA's fiscal year shall be 12 months commencing July 1 and ending June 30. The fiscal year may be changed by Board resolution.
- 7.2 **Depository.**
- 7.2.1 All funds of CPA shall be held in separate accounts in the name of CPA and not commingled with funds of any Party or any other person or entity.
- 7.2.2 All funds of CPA shall be strictly and separately accounted for, and regular reports shall be rendered of all receipts and disbursements, at least quarterly during the fiscal year. The books and records of CPA shall be open to inspection and duplication by the Parties at all reasonable times. The Board shall contract with a certified public accountant or public accountant to make an annual audit of the accounts and records of CPA, which shall be conducted in accordance with the requirements of Section 6506 of the Act.
- 7.2.3 All expenditures shall be made in accordance with the approved budget and upon the approval of any officer so authorized by the Board in accordance with its Operating Policies and Procedures. The Treasurer shall draw checks or warrants or make payments by other means for claims or disbursements not within an applicable budget only upon the prior approval of the Board.
- 7.3 **Budget and Recovery Costs.**
- 7.3.1 **Budget.** The initial budget shall be approved by the Board. The Board may revise the budget from time to time as may be reasonably necessary to address contingencies and unexpected expenses. All subsequent budgets of CPA shall be prepared and approved by the Board in accordance with the Operating Policies and Procedures.
- 7.3.2 **Funding of Initial Costs.** Subject to the approval of the Board of Supervisors, the County of Los Angeles has agreed to provide up to \$10 million for funding Initial Costs in establishing CPA and implementing the CCA Program. In the event that the CCA Program becomes operational, the County of Los Angeles shall be reimbursed for the Initial Costs. The County and CPA will execute an agreement specifying the terms and conditions of the Initial Costs provided by the County, including but not limited to: (a) Repayment of this amount, which shall be first priority in relation to all other indebtedness of CPA; and (b) authorization for the County Auditor-Controller to conduct an audit of CPA's books and records (including personnel records, as necessary) and/or investigation, following

reasonable advance notice from the County, to ensure compliance with the terms and conditions of the agreement. CPA may establish a reasonable time period over which such costs are recovered. In the event that the CCA Program does not become operational, the County shall not be entitled to any reimbursement of the Initial Costs they have paid from CPA or any other Party.

7.3.3 **Program Costs.** The Parties desire that, to the extent reasonably practicable, all costs incurred by CPA that are directly or indirectly attributable to the provision of electric services under the CCA Program, including the establishment and maintenance of various reserve and performance funds, shall be recovered through charges to CCA customers receiving such electric services.

7.3.4 **General Costs.** Costs that are not directly or indirectly attributable to the provision of electric services under the CCA Program, as determined by the Board, shall be defined as general costs. General costs shall be shared among the Parties on such bases as the Board shall determine pursuant to CPA documents.

7.4 **Contributions.** Parties are not required under this Agreement to make any financial contributions. Consumers may subscribe as customers of CPA pursuant to the Act and outside of this Agreement and through their on-bill selections.

7.4.1 A Party may, in the appropriate circumstance, and when agreed-to:

- (a) Make contributions from its treasury for the purposes set forth in this Agreement;
- (b) Make payments of public funds to defray the cost of the purposes of the Agreement and CPA;
- (c) Make advances of public funds for such purposes, such advances to be repaid as provided by written agreement; or
- (d) Use its personnel, equipment or property in lieu of other contributions or advances.
- (e) No Party shall be required to adopt any tax, assessment, fee, or charge under any circumstances.

7.5 **Accounts and Reports.** The Treasurer shall establish and maintain such funds and accounts as may be required by good accounting practice or by any provision of any trust agreement entered into with respect to the proceeds of any bonds issued by CPA. The books and records of CPA in the hands of the Treasurer shall be open to inspection and duplication at all reasonable times by duly appointed representatives of the Parties. The Treasurer, within 180 days after the close of each fiscal year, shall give a complete written report of all financial activities for such fiscal year to the Parties.

- 7.6 **Funds.** The Treasurer shall receive, have custody of and/or disburse CPA funds in accordance with the laws applicable to public agencies and generally accepted accounting practices, and shall make the disbursements required by this Agreement in order to carry out any of the purposes of this Agreement.

8. **WITHDRAWAL AND TERMINATION**

8.1 **Withdrawal**

- 8.1.1 **Withdrawal by Parties.** Any Party may withdraw its membership in CPA, effective as of the beginning of CPA's fiscal year, by giving no less than 180 days advance written notice of its election to do so, which notice shall be given to CPA and each Party. Withdrawal of a Party shall require an affirmative vote of the Party's governing board.

- 8.1.2 **Amendment.** Notwithstanding Section 8.1.1 (Withdrawal by Parties) of this Agreement, a Party may withdraw its membership in CPA upon approval and execution of an amendment to this Agreement provided that the requirements of this Section 8.1.2 are strictly followed. A Party shall be deemed to have withdrawn its membership in CPA effective 180 days after the Board approves an amendment to this Agreement if the Director representing such Party has provided notice to the other Directors immediately preceding the Board's vote of the Party's intention to withdraw its membership in CPA should the amendment be approved by the Board.

- 8.1.3 **Continuing Liability; Further Assurances.** A Party that withdraws its membership in CPA may be subject to certain continuing liabilities, as described in Section 8.4 (Continuing Liability; Refund) of this Agreement, including, but not limited to, Power Purchase Agreements. The withdrawing Party and CPA shall execute and deliver all further instruments and documents, and take any further action that may be reasonably necessary, as determined by the Board, to effectuate the orderly withdrawal of such Party from membership in CPA. The Operating Policies and Procedures shall prescribe the rights if any of a withdrawn Party to continue to participate in those Board discussions and decisions affecting customers of the CCA Program that reside or do business within the jurisdiction of the Party. Notwithstanding the foregoing, CPA shall use best efforts to sell the withdrawing Party's pro rata share of the liability under its Power Purchase Agreement(s) within the 180 days referenced in Section 8.1.1. In the event CPA sells the withdrawing member's share or a portion thereof, the withdrawing Party will pay the difference between the liability under the Power Purchase Agreement and the liability sold to the other party, if any.

- 8.2 **Involuntary Termination.** This Agreement may be terminated with respect to a Party for material non-compliance with provisions of this Agreement or CPA Documents upon an affirmative vote of the Board in which the minimum

percentage vote and percentage voting shares, as described in Section 4.10 (Board Voting) of this Agreement, shall be no less than 67% excluding the vote and voting shares of the Party subject to possible termination. Prior to any vote to terminate this Agreement with respect to a Party, written notice of the proposed termination and the reason(s) for such termination shall be delivered to the Party whose termination is proposed at least 30 days prior to the regular Board meeting at which such matter shall first be discussed as an agenda item. The written notice of proposed termination shall specify the particular provisions of this Agreement or CPA Documents that the Party has allegedly violated. The Party subject to possible termination shall have the opportunity at the next regular Board meeting to respond to any reasons and allegations that may be cited as a basis for termination prior to a vote regarding termination. A Party that has had its membership in CPA terminated may be subject to certain continuing liabilities, as described in Section 8.4 (Continuing Liability; Refund) of this Agreement. In the event that CPA decides to not implement the CCA Program, the minimum percentage vote of 67% shall be conducted in accordance with Section 4.10 (Board Voting) of this Agreement.

- 8.3 **Mutual Termination.** This Agreement may be terminated by mutual agreement of all the Parties; provided, however, the foregoing shall not be construed as limiting the rights of a Party to withdraw its membership in CPA, and thus terminate this Agreement with respect to such withdrawing Party, as described in Section 8.1 (Withdrawal) of this Agreement.
- 8.4 **Continuing Liability; Refund.** Upon a withdrawal or involuntary termination of a Party, the Party shall remain responsible for any claims, demands, damages, or liabilities arising from the Party's membership in CPA through the date of its withdrawal or involuntary termination, it being agreed that the Party shall not be responsible for any claims, demands, damages, or liabilities arising after the date of the Party's withdrawal or involuntary termination. In addition, such Party also shall be responsible for any costs or obligations associated with the Party's participation in any program in accordance with the provisions of any agreements relating to such program provided such costs or obligations were incurred prior to the withdrawal of the Party. CPA may withhold funds otherwise owing to the Party or may require the Party to deposit sufficient funds with CPA, as reasonably determined by CPA, to cover the Party's liability for the costs described above. Any amount of the Party's funds held on deposit with CPA above that which is required to pay any liabilities or obligations shall be returned to the Party.
- 8.5 **Disposition of CPA Assets.** Upon termination of this Agreement and dissolution of CPA by all Parties, and after payment of all obligations of CPA, the Board:
- 8.5.1 May sell or liquidate CPA property; and
- 8.5.2 Shall distribute assets to Parties in proportion to the contributions made by the existing Parties.

Any assets provided by a Party to CPA shall remain the asset of that Party and shall not be subject to distribution under this section.



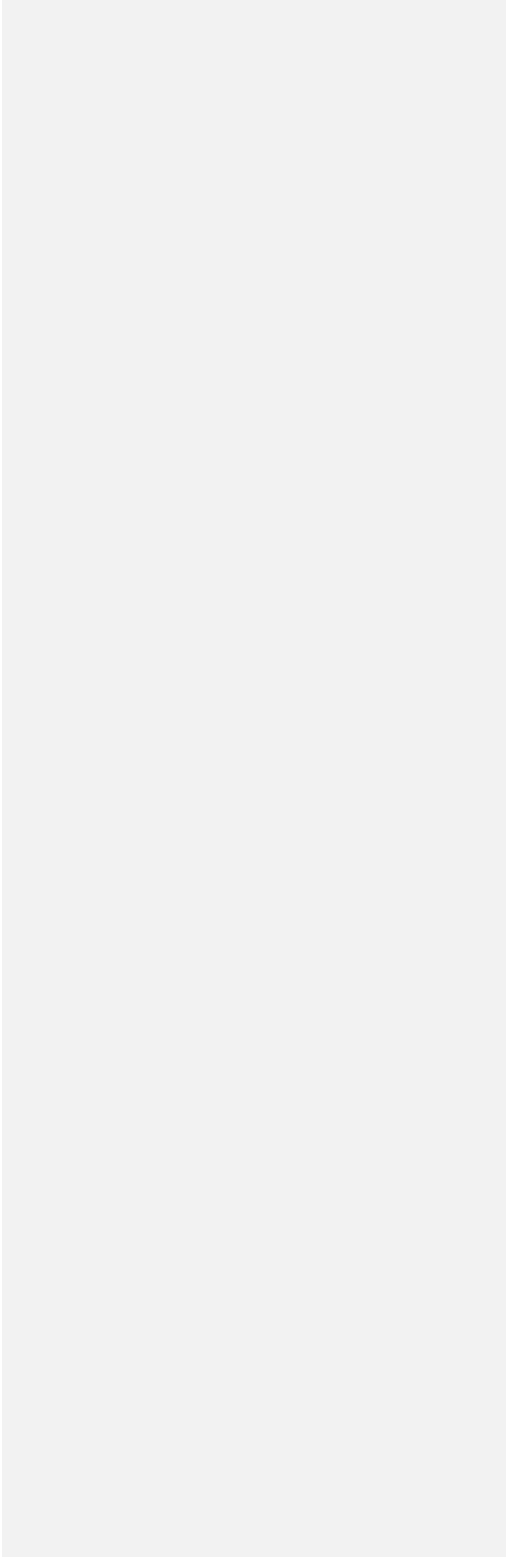
**9. MISCELLANEOUS PROVISIONS**

- 9.1 **Dispute Resolution.** The Parties and CPA shall make reasonable efforts to settle all disputes arising out of or in connection with this Agreement. Before exercising any remedy provided by law, a Party or the Parties and CPA shall engage in nonbinding mediation or arbitration in the manner agreed upon by the Party or Parties and CPA. The Parties agree that each Party may specifically enforce this section 9.1 (Dispute Resolution). In the event that nonbinding mediation or arbitration is not initiated or does not result in the settlement of a dispute within 60 days after the demand for mediation or arbitration is made, any Party and CPA may pursue any remedies provided by law.
- 9.2 **Liability of Directors, Officers, and Employees.** The Directors, officers, and employees of CPA shall use ordinary care and reasonable diligence in the exercise of their powers and in the performance of their duties pursuant to this Agreement. No current or former Director, officer, or employee will be responsible for any act or omission by another Director, officer, or employee. CPA shall defend, indemnify and hold harmless the individual current and former Directors, officers, and employees for any acts or omissions in the scope of their employment or duties in the manner provided by Government Code Section 995 et seq. Nothing in this section shall be construed to limit the defenses available under the law, to the Parties, CPA, or its Directors, officers, or employees.
- 9.3 **Indemnification of Parties.** CPA shall acquire such insurance coverage as is necessary to protect the interests of CPA, the Parties and the public. CPA shall defend, indemnify and hold harmless the Parties and each of their respective governing board members, officers, agents and employees, from any and all claims, losses, damages, costs, injuries and liabilities of every kind arising directly or indirectly from the conduct, activities, operations, acts and omissions of CPA under this Agreement.
- 9.4 **Notices.** Any notice required or permitted to be made hereunder shall be in writing and shall be delivered in the manner prescribed herein at the principal place of business of each Party. The Parties may give notice by (1) personal delivery; (2) e-mail; (3) U.S. Mail, first class postage prepaid, or a faster delivery method; or (4) by any other reasonable method deemed appropriate by the Board.
- Upon providing written notice to all Parties, any Party may change the designated address or e-mail for receiving notice.
- All written notices or correspondence sent in the described manner will be deemed given to a party on whichever date occurs earliest: (1) the date of personal delivery; (2) the third business day following deposit in the U.S. mail, when sent by "first class" mail; or (3) the date of transmission, when sent by e-mail or facsimile.
- 9.5 **Successors.** This Agreement shall be binding upon and shall inure to the benefit of the successors of each Party.

- 9.6 **Assignment.** Except as otherwise expressly provided in this Agreement, the rights and duties of the Parties may not be assigned or delegated without the advance written consent of all of the other Parties, and any attempt to assign or delegate such rights or duties in contravention of this Section 9.6 shall be null and void. This Agreement shall inure to the benefit of, and be binding upon, the successors and assigns of the Parties. This Section 9.6 does not prohibit a Party from entering into an independent agreement with another agency, person, or entity regarding the financing of that Party's contributions to CPA, or the disposition of the proceeds which that Party receives under this Agreement, so long as such independent agreement does not affect, or purport to affect, the rights and duties of CPA or the Parties under this Agreement.
- 9.7 **Severability.** If any one or more of the terms, provisions, promises, covenants, or conditions of this Agreement were adjudged invalid or void by a court of competent jurisdiction, each and all of the remaining terms, provisions, promises, covenants, and conditions of this Agreement shall not be affected thereby and shall remain in full force and effect to the maximum extent permitted by law.
- 9.8 **Governing Law.** This Agreement is made and to be performed in the State of California, and as such California substantive and procedural law shall apply.
- 9.9 **Headings.** The section headings herein are for convenience only and are not to be construed as modifying or governing the language of this Agreement.
- 9.10 **Counterparts.** This Agreement may be executed in any number of counterparts, and upon execution by all Parties, each executed counterpart shall have the same force and effect as an original instrument and as if all Parties had signed the same instrument. Any signature page of this Agreement may be detached from any counterpart of this Agreement without impairing the legal effect of any signatures thereon, and may be attached to another counterpart of this Agreement identical in form hereto but having attached to it one or more signature pages.
- 9.11 **No Third Party Beneficiaries.** This Agreement and the obligations hereunder are not intended to benefit any party other than CPA and its Parties, except as expressly provided otherwise herein. No entity that is not a signatory to this Agreement shall have any rights or causes of action against any party to this Agreement as a result of that party's performance or non-performance under this Agreement, except as expressly provided otherwise herein.
- 9.12 **Filing of Notice of Agreement.** Within 30 days after the Effective Date, or amendment thereto, the Secretary shall cause to be filed with the Secretary of State the notice of Agreement required by the Act.

**IN WITNESS WHEREOF**, each Party has caused this Agreement to be executed and attested by its proper officers thereunto duly authorized, its official seals to be hereto affixed, as follows:

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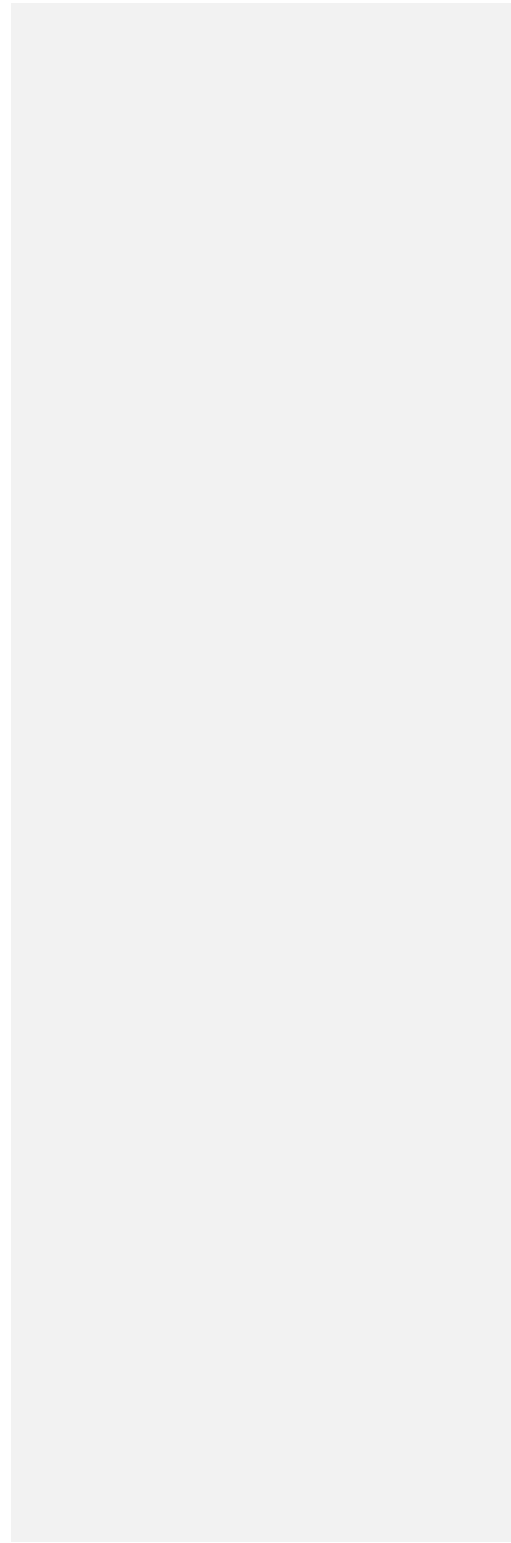


CITY OF \_\_\_\_\_

By: \_\_\_\_\_  
Mayor

ATTEST:

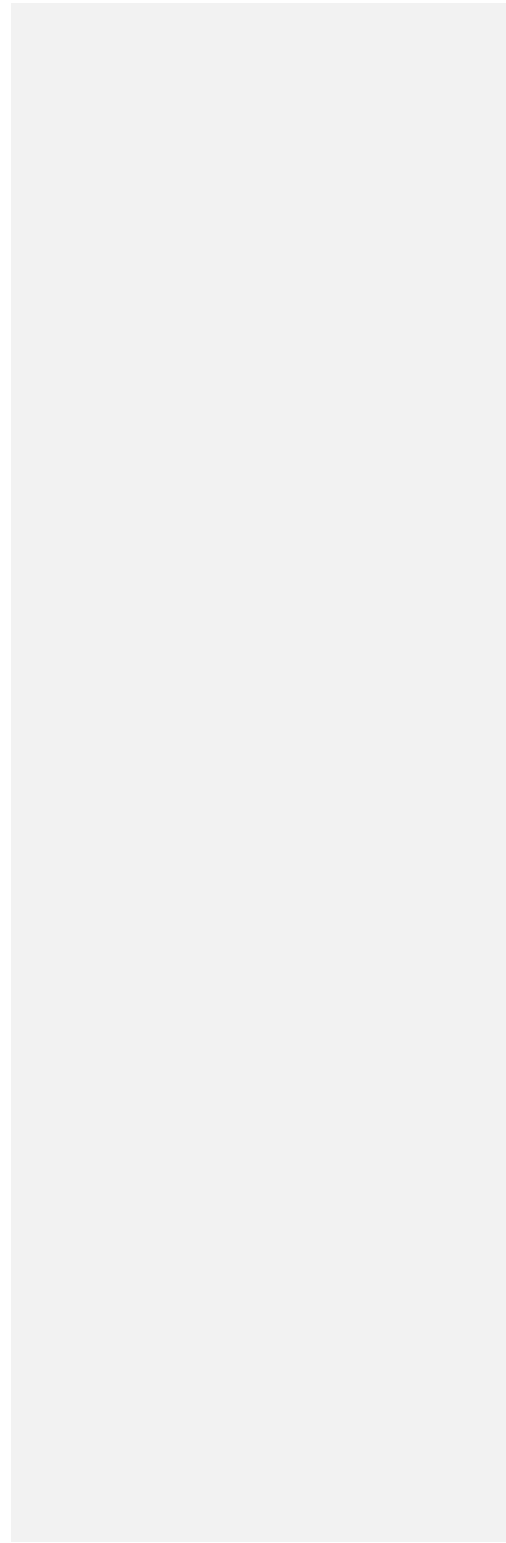
By: \_\_\_\_\_  
City Clerk



**Exhibit A - Members**

The following entities are Parties of the Clean Power Alliance of Southern California:

1. Agoura Hills
2. Alhambra
3. Arcadia
4. Beverly Hills
5. Calabasas
6. Camarillo
7. Carson
8. Claremont
9. Culver City
10. Downey
11. Hawaiian Gardens
12. Hawthorne
13. Los Angeles County
14. Malibu
15. Manhattan Beach
16. Moorpark
17. Ojai
18. Oxnard
19. Paramount
20. Redondo Beach
21. Rolling Hills Estates
22. Santa Monica
23. Sierra Madre
24. Simi Valley
25. South Pasadena
26. Temple City
27. Thousand Oaks
28. Ventura City
29. Ventura County
30. West Hollywood
31. Westlake Village
32. Whittier





## Staff Report – Agenda Item 4

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**To:** Clean Power Alliance (CPA) Board of Directors  
**From:** Christian Cruz, Community Outreach Manager  
**Approved by:** Ted Bardacke, Chief Executive Officer  
**Subject:** Community Advisory Committee (CAC) Report  
**Date:** November 3, 2022

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### **RECOMMENDATION**

Receive and file.

### **SEPTEMBER REPORT**

#### **Power Response Update**

The CAC received a presentation on CPA's Power Response Program. This program is a demand response program that encourages both residential and commercial customers to reduce energy usage during demand response events when electricity is at its highest.

This program looks to achieve three objectives:

1. Reduce customer electricity use when demand on the grid is high.
2. Reduce power outages and create resiliency.
3. Unite customers in community action for the greater good.

The CAC recommended that CPA develop partnerships with trade allies to promote the program and smart technology such as smart thermostats. In addition, the CAC recommended that staff develop a toolkit for CAC members to utilize. The CAC asked that the toolkit include talking points, general program eligibility information, and smart thermostat incentive information. This will help CAC members to engage targeted disadvantaged communities about the program and allow greater access to incentives by enrolling in the Power Response Program.

### **ATTACHMENT**

1. CAC Meeting Attendance

Community Advisory Committee Attendance												
2022												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	
<b>East Ventura/West LA County</b>												
Angus Simmons	✓	✓	✓	✓	✓	✓	✓		✓			
Jennifer Burke	✓	✓	✓	✓	✓	✓	✓		✓			
Debbie West	A	✓	✓	✓	✓	✓	✓		A			
<b>San Gabriel Valley</b>												
Richard Tom	✓	✓	✓	✓	✓	✓	A		✓			
Kim Luu	✓	A	A	✓	A	✓	A		A			
<b>West/Unincorporated Ventura County</b>												
Lucas Zucker	X	X	X	X	✓	✓	✓		✓			
Vern Novstrup	A	✓	✓	✓	✓	✓	A		✓			
<b>South Bay</b>												
David Lesser	✓	✓	✓	✓	✓	A	✓		✓			
Emmitt Hayes*	A	✓	✓	A			A					
<b>Gateway Cities</b>												
Irella Perez						✓	✓		✓			
Genaro Bugarin	✓	✓	✓	A	✓	✓	✓		✓			
<b>Westside</b>												
Cris Gutierrez	✓	✓	✓	✓	✓	✓	✓		✓			
David Haake	✓	✓	A	✓	✓	✓	✓		✓			
<b>Unincorporated LA County</b>												
Neil Fromer	✓	✓	✓	✓	✓	A	✓		✓			
Kristie Hernandez	✓	✓	✓	✓	A	✓	X		X			
✓ - Attended A – Absent X – Medical/Personal Leave												

**Major Action Items and Presentations**

**January**

CEO Update  
Diversity, Equity, and Inclusion Plan Update

**February**

CEO Update  
Net Energy Metering 3.0  
CAC Final Draft Workplan

**March**

CEO Update  
CPA Bill Positions

**April**

CEO Update  
2022/2023 Rates  
2022/2023 Budget Priorities

**May**

CEO Update  
CPA Local Programs Update

**June**

CEO Update  
Call for Officer Nominations  
2022 Summer Reliability Landscape

**July**

CEO Update  
Chair/Vice Chair Elections  
AB 205 Impacts

**August – Dark**

**September**

CEO Update  
Vice Chair Election  
Member Expansion  
IRP Presentation

\*Seat currently vacant.



## Staff Report – Agenda Item 5

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**To:** Clean Power Alliance (CPA) Board of Directors

**From:** Karen Schmidt, Director, Rates & Strategy

**Approved by:** Ted Bardacke, Chief Executive Officer

**Subject:** 2023 Power Charge Indifference Adjustment (PCIA) and SCE Generation Rate Levels

**Date:** November 3, 2022

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Staff will provide a presentation on the item.

### **ATTACHMENT**

1. 2023 PCIA and SCE Generation Rate Levels Presentation





# Item 5: 2023 PCIA/SCE Rates: First Look

November 3, 2022



# 2023 ERRRA Forecast October Update

- ⚡ On October 10, SCE filed the October update to its 2023 ERRRA Forecast application
- ⚡ The October update is the first detailed look at the 2023 PCIA and SCE's 2023 forecasted generation rate
- ⚡ SCE is requesting a January 1, 2023 implementation for its generation rates and the PCIA
- ⚡ Staff has conducted an initial analysis of:
  - (1) The impact on customer bills based on the changing PCIA and
  - (2) Expected bill comparison based on updated SCE generation rates plus the new 2023 PCIA



# PCIA Impacts

- ⚡ The proposed PCIA in 2023 will be negative, providing customers a PCIA line-item credit of approximately ½ cent per kWh
- ⚡ CPA customers will see bill reductions of ~2% beginning January 2023 with no action required by CPA
- ⚡ The primary driver for the decrease in the PCIA is higher energy market forward prices in 2023 which flip the above market cost of SCE’s PCIA portfolio to a market credit, and an overcollection in the 2022 PCIA
  - On-peak benchmark for energy: 2021 = \$44.43; 2022 = \$71.72; 2023 = \$85.47

**Average CPA Residential Bill**

Rate Product	Current	As of 1/1/23	% Change
Lean	\$173.30	\$169.20	-2%
Clean	\$175.00	\$171.00	-2%
100% Green	\$180.20	\$176.20	-2%

**Average CPA Small Business Bill**

Rate Product	Current	As of 1/1/23	% Change
Lean	\$249.50	\$244.70	-2%
Clean	\$252.10	\$244.40	-2%
100% Green	\$259.70	\$254.80	-2%



# Competitive Impacts

- ⚡ SCE’s generation rates are forecast to increase by ~23% in 2023\*
- ⚡ The increased SCE generation rate combined with the decreased PCIA will put all CPA rates (except streetlighting) below SCE rates
- ⚡ Several factors are leading to increased SCE generation rates
  - A forecast \$825 million undercollection in 2022 (vs. ~\$700 million undercollection in 2021)
  - Increasing forward prices for energy in 2023
  - Lower/negative PCIA increases bundled customer costs

**Average Residential Bill**

Rate Product <sup>0</sup>	July 2022	Comparison to SCE	January 2023	Comparison to SCE
SCE Base	\$172.20		\$196.10	
Lean	\$170.47	-1%	\$169.20	<b>-13.7%</b>
Clean	\$172.20	0%	\$171.00	<b>-12.8%</b>
100% Green	\$177.40	3%	\$176.20	<b>-10.2%</b>

**Average Small Business Bill**

Rate Product	July 2022	Comparison to SCE	January 2023	Comparison to SCE
SCE Base	\$251.47		\$280.30	
Lean	\$248.93	-1%	\$244.70	<b>-12.7%</b>
Clean	\$251.47	0%	\$244.40	<b>-11.8%</b>
100% Green	\$259.07	3%	\$254.80	<b>-9.1%</b>

\*The CPUC is considering whether to amortize a SCE’s 2022 undercollection over more than one year, in which case the generation rate increase would be smaller. So far, an amortization of PCIA balances is not being considered.

# Next Steps

- ⚡ CPA is responding to SCE's ERRA filing and will monitor any new issues that emerge
- ⚡ Actual SCE generation rates and the PCIA will be finalized in December, unless the ERRA proceeding is delayed
- ⚡ Staff is beginning to consider CPA's rate setting strategy for fiscal year 2023/24 which begins next July. A few early considerations:
  - CPA will be in a strong competitive position again in 2023
  - The undercollections from 2021 and 2022 are unlikely to reoccur in 2023, meaning SCE generation rates are likely to be lower in 2024
  - For a second year in a row, the energy prices used in SCE's forecasts are very high. If actual energy prices are below forecast that would contribute to a higher PCIA and lower SCE generation rate in 2024
  - Staff will return in the coming months with rate scenarios that consider CPA's Reserve Policy targets, increases to program spending for member agencies and customers, CPA's competitive position and other factors, while anticipating a less favorable rate environment in 2024



# Questions





## Staff Report – Agenda Item 6

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**To:** Clean Power Alliance (CPA) Board of Directors

**From:** David McNeil, Chief Financial Officer  
Hui Lisano, Controller  
Antony Sugiarto, Financial Planning & Analysis Manager

**Approved by:** Ted Bardacke, Chief Executive Officer

**Subject:** Fiscal Year 2021-2022 Audited Financial Statements and Fiscal Year 2021-2022 Budget to Actual Report

**Date:** November 3, 2022

---

### **RECOMMENDATION**

Receive a presentation of CPA's Fiscal Year (FY) 2021-2022 Audited Financial Statements and FY 2021-2022 Budget to Actual report.

### **BACKGROUND**

Each year CPA publishes fiscal year-end financial statements. CPA's Bylaws require the Finance Committee to select an independent auditor to perform a financial audit of the accounts of CPA on an annual basis. In May 2022, the Finance Committee selected Baker Tilly to perform an audit of CPA's FY 2021-22 financial statements.

Staff is responsible for the preparation and fair presentation of the financial statements. The independent auditor performs tests to ensure that the financial statements are free from material misstatement. On October 26, 2022 Baker Tilly reported its audit findings to the Finance Committee which included a 'clean' audit opinion.

The FY 2021-22 Financial Statements (Attachment 1) consist of the following:

- Independent Auditors' Report (Auditors' Report)
- Management's Discussion and Analysis
- Financial Statements, including:
  - Statements of Net Position

- Revenues and Expenses and Changes in Net Position
- Statements of Cash Flows
- Notes to the Financial Statements
- Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

The Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters is a new item in CPA's Financial Statements. It describes the scope of the Auditors' testing of CPA's internal controls and compliance and the results of that testing. The Report is a required addition to the FY 2021-22 Financial Statements because CPA is subject to a "Single Audit" in FY 2022-23 relating to its receipt of funding through the California Arrearage Payment Program (CAPP).

## **DISCUSSION**

### **Auditors' Report**

The Auditors' Report includes its opinion that CPA's FY 2021-22 Financial Statements "present fairly, in all material respects, the financial position of Clean Power Alliance of Southern California as of June 30, 2022 and 2021, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America". The Auditors' Report contains what is generally regarded as an unqualified or "clean" audit opinion.

### **Financial Highlights**

- CPA recorded strong financial results in FY 2021-22. The net position increased by \$67 million, up from a \$27 million increase in the prior year.
- CPA's FY 2021-22 financial results benefited from the following:
  - Lower than budgeted cost of energy resulting primarily from benign weather conditions and the absence of extreme heat events which moderated electricity consumption and prices in CPA's service area. Actual spot market prices were overall lower than the price assumptions used to prepare the budget. These benefits were partially offset by continuing shortages of capacity in the California market which exerted upward pressure on



Resource Adequacy costs and by the war in Ukraine which caused upward pressure on electricity prices beginning in the spring of 2022.

- The receipt and application of \$15.8 million of California Arrearage Payment Program (2021 CAPP) funds which reduced eligible past-due accounts receivable and increased cash in early 2022.
- An estimate of 2022 CAPP funding applied to accounts receivable as of June 30, 2022 which reduced FY 2021/22 bad debt expense by approximately \$5 million.
- Operating expenses, excluding cost of energy, increased year over year from \$24.8 million in FY 2020-21 to \$28.1 million in FY 2021-22, an increase of 13%.
- CPA generated negative operating cashflow during FY 2021-22 primarily as a result of the repayment of supplier deposits in July 2021. Suppliers made deposits to CPA in FY 2020-21 as required under short term energy purchase agreements. Cashflow was also negatively impacted by increased collateral posting amounts required by the CAISO as of June 30, 2022 and by an increase in accounts receivable resulting, in part, from an increase in retail electricity rates and monthly electricity bills that went into effect on July 1, 2021.
- In August 2021 CPA received a \$30 million loan from LA County. A portion (\$10 million) of the loan was repaid in February 2022 and the remaining balance was repaid in June 2022 consistent with the terms of the funding agreement.
- In September 2021 CPA entered into an \$80 million credit facility with JP Morgan and terminated its \$37 million credit agreement with River City Bank.
- As of June 30, 2022, CPA had no loans, bank debt or letters of credit outstanding and apart from a \$147,000 letter of credit issued to SCE; \$79.853 million of CPA's line of credit was unutilized.
- Total liquidity (unrestricted cash and cash equivalents and unused bank lines of credit) increased year over year from \$95.0 million as of June 30, 2021 to \$134.4 million as of June 30, 2022.

- The financial results comply with CPA's credit covenants.

Key financial metrics and additional analysis of FY 2021-22 results are presented in the Presentation of FY 2021-22 Financial Results (see Attachment 3).

### **FY 2021-22 Budget to Actual Report**

The FY 2021-22 Budget to Actual Report (see Attachment 2) compares actual results for the 12 months ending June 30, 2022 with the FY 2021-22 Budget as amended by the Board at its April 7, 2022 meeting (Amended Budget). Budget to Actual highlights include:

- Net position increased by \$67 million, \$37 million more than a budgeted increase of \$29.86 million
- Operating revenues less energy cost (gross margin) was \$32.9 million above budget primarily due to benign weather conditions and the absence of extreme heat events in the summer of 2021 which resulted in lower electricity consumption, wholesale energy prices, and costs than budgeted, and higher Congestion Revenue Rights (CRR) revenues than budgeted.
- Operating expenses were 15% under the budget primarily due to the non-utilization of contingencies, conservative use of funds, performance of services later in the year than budgeted, and lower staffing costs. Staffing costs were 12% under the Amended Budget as a result of staff turnover and a slower than expected pace of hiring.
- CPA was within budget limits for all budget expense line items with the exception of the following:
  - Interest and finance expenses (\$59,463 or 10% over budget)
  - Amortization expense (\$382,908, not budgeted)

Interest, finance, and amortization expenses exceeded budget due to the application of new GASB 87<sup>1</sup> lease accounting standards to CPA's office lease

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<sup>1</sup> As described in Note 5 of the Financial Statements, CPA adopted the provisions of GASB Statement

during FY 2021-22. The application of GASB 87 resulted in additional interest and amortization expenses of \$382,908 and \$73,000 respectively offset by reduced Occupancy expenses which were \$535,000 or 98% under budget.

Additional analysis of Budget to Actual results, including a comparison of actual FY 2021-22 results with the FY 2021-22 Amended Budget approved by the Board in April 2022, appears in the Presentation of FY 2021-22 Financial Results (Attachment 3).

### **Summary**

For the year ending June 30, 2022 CPA increased the net position by \$67 million and liquidity by \$39 million, increases of 90% and 41% respectively. CPA is in sound financial health and is well-positioned to serve its customers and deliver on its mission.

### **ATTACHMENTS**

1. FY 2021-22 Audited Financial Statements
2. FY 2021-22 Budget to Actual Report
3. Presentation of FY 2021-22 Financial Results

---

No. 87 in FY 2021-22. In doing so, CPA recognized a lease obligation and a right-to-use asset for its office lease. June 30, 2022 is the first fiscal year end for which implementation of the GASB Statement 87 is required.



**CLEAN POWER ALLIANCE OF SOUTHERN  
CALIFORNIA**

**Basic Financial Statements with Independent  
Auditors' Report**

# For the Fiscal Years Ended June 30, 2022 and 2021

## TABLE OF CONTENTS

Independent Auditors' Report .....	1
Management's Discussion and Analysis (Unaudited) .....	4
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 on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	33

## Independent Auditors' Report

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

### Report on the Audit of the Financial Statements

#### **Opinion**

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

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

#### **Basis for Opinion**

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

#### **Emphasis of Matter**

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

#### **Responsibilities of Management for the Financial Statements**

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

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Clean Power Alliance of Southern California's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Clean Power Alliance of Southern California's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

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

**Other Reporting Required by *Government Auditing Standards***

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

*Baker Tilly US, LLP*

Madison, Wisconsin  
October 20, 2022



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

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

**Contents of this Report**

This report is divided into the following sections:

- Management's Discussion and Analysis.
- The Basic Financial Statements, including:
  - The *Statements of Net Position* which include all of CPA's assets, liabilities, and net position and provide information about the nature and amount of resources and obligations at a specific point in time.
  - The *Statements of Revenues, Expenses, and Changes in Net Position* which report all of CPA's revenue and expenses for the years shown.
  - The *Statements of Cash Flows* which report the cash provided and used by operating activities, as well as other sources and uses, such as non-capital financing activities.
  - Notes to the Basic Financial Statements, which provide additional details and information related to the Basic Financial Statements.

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

**BACKGROUND**

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

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

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

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

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

**Financial Reporting**

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

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

**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:

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

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

**Current Assets**

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

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

Total current assets increased as of June 30, 2022, compared to the prior year, particularly deposits, accounts receivable, and other accounts receivable. Deposits increased year over year primarily due to increased collateral posting amounts required by the CAISO. Accounts receivable increased year over

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

year primarily due to a rate increase that went into effect in July 2021 and increased retail electricity use in May and June 2022 as compared to May and June 2021. Other accounts receivable increased primarily due to payments from energy suppliers under the netting provisions of power purchase agreements.

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

**Noncurrent Assets**

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

**Current Liabilities**

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

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

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

**Noncurrent Liabilities**

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

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

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

**Deferred Inflows of Resources**

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

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

**Revenues and Expenses**

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

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

**Total Income**

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

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

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

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

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

**Total Expenses**

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

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

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

**Change in Net Position**

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

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

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

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

**Capital Assets and Debt**

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

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

**PURCHASE COMMITMENTS AND ECONOMIC OUTLOOK**

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

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

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

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

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

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

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

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

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

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

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

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

**REQUEST FOR INFORMATION**

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

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



## **BASIC FINANCIAL STATEMENTS**

**CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA**

**STATEMENTS OF NET POSITION**

**YEARS ENDED JUNE 30, 2022 AND 2021**

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

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, 2022 AND 2021**

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

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

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, 2022 AND 2021**

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

The accompanying notes are an integral part of these financial statements. 16

**CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2022 AND 2021**

**1. REPORTING ENTITY**

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

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

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

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

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

# CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### BASIS OF ACCOUNTING

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

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

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

#### CASH AND CASH EQUIVALENTS

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

#### CAPITAL ASSETS AND DEPRECIATION AND AMORTIZATION

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

#### DEPOSITS

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

**CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2022 AND 2021**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**FISCAL STABILIZATION FUND**

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

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

**LEASES**

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

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

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

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



**CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2022 AND 2021**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**RESTATEMENT**

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

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

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

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

# CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### YEARS ENDED JUNE 30, 2022 AND 2021

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### NET POSITION

Net position is presented in the following components:

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

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

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

##### OPERATING AND NON-OPERATING REVENUE

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

Interest income is considered “non-operating revenue”.

##### REVENUE RECOGNITION

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

# CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### YEARS ENDED JUNE 30, 2022 AND 2021

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### OPERATING AND NONOPERATING EXPENSES

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

##### ELECTRICAL POWER PURCHASED

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

##### STAFFING COSTS

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

##### SECURITY DEPOSITS FROM ENERGY SUPPLIERS

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

**CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2022 AND 2021**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**INCOME TAXES**

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

**USER TAXES AND ENERGY SURCHARGES DUE TO OTHER GOVERNMENTS**

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

**ESTIMATES**

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

**RECLASSIFICATIONS**

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

**3. CASH AND CASH EQUIVALENTS**

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

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

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

# CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### YEARS ENDED JUNE 30, 2022 AND 2021

#### 3. CASH AND CASH EQUIVALENTS (continued)

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

#### FAIR VALUE MEASUREMENT

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

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

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

#### CUSTODIAL CREDIT RISK

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

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

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

**CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2022 AND 2021**

**4. ACCOUNTS RECEIVABLE**

Accounts receivable were as follows:

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

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

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

**5. LEASE**

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

# CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### YEARS ENDED JUNE 30, 2022 AND 2021

#### 5. LEASE (continued)

##### Property Lease

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

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

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

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

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

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

**CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2022 AND 2021**

**5. LEASE (continued)**

Storage Contract Arrangements

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

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

**6. CAPITAL ASSETS**

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

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

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



# CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### YEARS ENDED JUNE 30, 2022 AND 2021

#### 7. DEBT

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

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

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

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

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

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

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

**CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2022 AND 2021**

**7. DEBT (continued)**

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

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

**8. DEFINED CONTRIBUTION RETIREMENT PLAN**

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

**9. RISK MANAGEMENT**

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

# CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### YEARS ENDED JUNE 30, 2022 AND 2021

#### 9. RISK MANAGEMENT (continued)

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

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

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

#### 10. PURCHASE COMMITMENTS

##### POWER AND ELECTRIC CAPACITY

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

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

# CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### YEARS ENDED JUNE 30, 2022 AND 2021

#### 10. PURCHASE COMMITMENTS (continued)

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

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

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

#### 11. FUTURE GASB PRONOUNCEMENTS

The requirements of the following GASB Statements are effective for future fiscal years ending after June 30, 2022:

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

#### 12. SUBSEQUENT EVENTS

##### 2022 California Arrearage Payment Program

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

# CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

### 12. SUBSEQUENT EVENTS (continued)

#### **California Community Choice Financing Authority**

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

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

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

#### **JP Morgan Chase Bank Credit Facility**

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

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

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

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

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

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

**Report on Internal Control Over Financial Reporting**

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

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

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

## Report on Compliance and Other Matters

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

## Purpose of This Report

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

*Baker Tilly US, LLP*

Madison, Wisconsin  
October 20, 2022

**CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA  
BUDGETARY COMPARISON SCHEDULE  
July 1, 2021 through June 30, 2022**

	2021/22 YTD Amended Budget	2021/22 YTD Actual	2021/22 Amended Budget Variance (Under) Over	2021/22 Amended Budget Variance % (Under) Over	2021/22 Annual Amended Budget	2021/22 Remaining Amended Budget	2021/22 Remaining Amended Budget %
<b>Operating revenues</b>							
Revenue - electricity, net	\$ 895,246,680	\$ 866,391,283	\$ (28,855,397)	97%	\$ 895,246,680	\$ 28,855,397	3%
Other revenues	1,868,000	1,090,195	(777,805)	58%	1,868,000	777,805	42%
Total operating revenues	897,114,680	867,481,478	(29,633,202)	97%	897,114,680	29,633,202	3%
<b>Energy costs</b>							
Energy procurement	834,281,512	771,768,483	(62,513,029)	93%	834,281,512	62,513,029	7%
Total energy costs	834,281,512	771,768,483	(62,513,029)	93%	834,281,512	62,513,029	7%
<b>Operating revenues less energy costs</b>	62,833,168	95,712,996	32,879,827	152%	62,833,168	(32,879,827)	-52%
<b>Operating Expenditures</b>							
Staffing	9,893,000	8,729,133	(1,163,867)	88%	9,893,000	1,163,867	12%
Technical services	1,213,000	1,169,967	(43,033)	96%	1,213,000	43,033	4%
Legal services	1,081,000	489,547	(591,453)	45%	1,081,000	591,453	55%
Other professional services	1,456,000	1,010,597	(445,403)	69%	1,456,000	445,403	31%
Communications and outreach	1,505,000	1,258,469	(246,531)	84%	1,505,000	246,531	16%
Mailers	797,000	526,599	(270,401)	66%	797,000	270,401	34%
Billing data manager	10,417,000	10,221,461	(195,539)	98%	10,417,000	195,539	2%
SCE services	2,016,000	1,965,798	(50,202)	98%	2,016,000	50,202	2%
Customer programs	1,872,000	873,378	(998,622)	47%	1,872,000	998,622	53%
General and administrations	1,584,000	1,366,622	(217,378)	86%	1,584,000	217,378	14%
Occupancy	548,000	12,928	(535,072)	2%	548,000	535,072	98%
Total operating expenditures	32,382,000	27,624,501	(4,757,499)	85%	32,382,000	4,757,499	15%
<b>Operating income</b>	30,451,168	68,088,495	37,637,327	224%	30,451,168	(37,637,327)	-124%
<b>Non-operating revenues (expenditures)</b>							
Interest income	144,000	114,136	(29,864)	79%	144,000	29,864	21%
Finance and interest expense	(570,000)	(629,463)	(59,463)	110%	(570,000)	59,463	-10%
Depreciation	(156,000)	(144,816)	11,184	93%	(156,000)	(11,184)	7%
Amortization	-	(382,908)	(382,908)	0%	-	382,908	0%
Total non-operating revenues (expenditures)	(582,000)	(1,043,052)	(461,052)	179%	(582,000)	461,052	-79%
<b>Change in net position</b>	29,869,168	67,045,444	37,176,275	224%	29,869,168	(37,176,275)	-124%
<b>Other uses</b>							
Capital outlay	336,000	329,161	(6,839)	98%	336,000	6,839	2%
Depreciation	(156,000)	(144,816)	11,184	93%	(156,000)	(11,184)	7%
Total other uses	180,000	184,345	4,345	102%	180,000	(4,345)	-2%
<b>Change in fund balance</b>	\$ 29,689,168	\$ 66,861,099	\$ 37,171,930	225%	\$ 29,689,168	\$ (37,171,930)	-125%





# Presentation on FY 2021-22 Financial Results

November 3, 2022



# Summary of Financial Results

- ⚡ CPA recorded strong financial results in FY 2021-22 and is in sound financial health
- ⚡ The net position increased from \$74 million to \$141 million over the year, an increase of \$67 million or 90%. The increase in net position was \$37 million higher than budget
- ⚡ CPA received and repaid a \$30 million loan from Los Angeles County during this fiscal year
- ⚡ In September 2021, CPA entered into an \$80 million credit facility with JP Morgan and terminated its \$37 million credit agreement with River City Bank
- ⚡ As of June 30, 2022, CPA had \$134 million of liquidity (\$54 million in cash and \$79.8 million available on the bank line of credit), up from \$95 million as of June 30, 2021, an increase of 41%

# Summary of Financial Results- Cont.

- ⚡ CPA's FY 2021-22 financial results benefited from the following:
  - An increase in retail rates on July 1, 2021
  - Moderate weather conditions and the absence of extreme heat events in Summer 2021 which moderated electricity consumption and prices in CPA's service area and allowed the cost of energy to come in substantially below budget
  - \$15.8 million of California Arrearage Payment Program (2021 CAPP) funds which increased cash and reduced eligible past due accounts receivable in early 2022
  - An estimate of 2022 CAPP funds (expected to be received in February 2023) which reduced FY 2021/22 bad debt expense by approximately \$5 million
  - Operating expenses which were \$4.75 million, or 15%, below the amended budget

# Balance Sheet Components, as of June 30:

A	B	C	D	E	F	
	2022	% Total	Restated 2021	% Total	% Change	
<b>ASSETS</b>						
1	Current assets					
2	Cash and cash equivalents	54,537,672	21.6%	58,192,268	25.4%	-6%
3	Accounts receivable, net of allowance	96,570,771	38.3%	88,223,900	38.5%	9%
4	Accrued revenue	55,496,791	22.0%	55,899,064	24.4%	-1%
5	Other receivables	7,659,464	3.0%	2,413,053	1.1%	217%
6	Prepaid expenses	6,138,404	2.4%	4,188,204	1.8%	47%
7	Deposits	26,115,529	10.4%	13,326,842	5.8%	96%
8	Restricted cash	2,400,000	1.0%	3,614,700	1.6%	-34%
9	Total current assets	248,918,632	98.7%	225,858,031	98.5%	10%
10	Noncurrent assets					
11	Capital assets, net of depreciation	674,257	0.3%	489,912	0.2%	38%
12	Intangibles - office lease, net of amortization	2,584,651	1.0%	2,967,559	1.3%	-13%
13	Deposits	88,875	0.0%	88,875	0.0%	0%
14	Total noncurrent assets	3,347,784	1.3%	3,546,346	1.5%	-6%
15	Total assets	252,266,416	100.0%	229,404,377	100.0%	10%

# Balance Sheet Components, as of June 30:

A	B	C	D	E	F	
	2022	% Total	Restated 2021	% Total	% Change	
<b>LIABILITIES</b>						
16	Current liabilities					
17	Accounts payable	4,526,315	4.1%	4,784,147	3.1%	-5%
18	Accrued cost of electricity	83,629,207	75.3%	88,158,333	56.8%	-5%
19	Other accrued liabilities	2,403,579	2.2%	1,811,225	1.2%	33%
20	User taxes and energy surcharges due to other governments	6,026,358	5.4%	5,329,099	3.4%	13%
21	Supplier security deposits	1,013,500	0.9%	43,738,400	28.2%	-98%
22	Unearned program funds	3,504,033	3.2%	1,597,986	1.0%	119%
23	Lease liability, current	346,988	0.3%	47,206	0.0%	635%
24	Total current liabilities	101,449,979	91.4%	145,466,396	93.7%	-30%
25	Noncurrent liabilities					
26	Supplier security deposits	6,904,000	6.2%	6,724,000	4.3%	3%
27	Deferred rent	-	0.0%	-	0.0%	0%
28	Lease liability, noncurrent	2,659,209	2.4%	3,006,197	1.9%	-12%
29	Total noncurrent liabilities	9,563,209	8.6%	9,730,197	6.3%	-2%
30	Total liabilities	111,013,188	100.0%	155,196,593	100.0%	-28%

# Balance Sheet Components, as of June 30:

A	B	C	D	E	F
	2022	% Total	Restated 2021	% Total	% Change
<b>DEFERRED INFLOWS OF RESOURCES</b>					
31 Fiscal Stabilization Fund	-		-		
<b>NET POSITION</b>					
32 Investment in capital assets	252,712	0.2%	404,068	0.5%	-37%
33 Restricted for collateral	2,400,000	1.7%	3,614,700	4.9%	-34%
34 Unrestricted	138,600,516	98.1%	70,189,016	94.6%	97%
35 Total net position	<u>141,253,228</u>	<u>100.0%</u>	<u>74,207,784</u>	<u>100.0%</u>	<u>90%</u>

# Select Financial Indicators

	June 2022	June 2021	% Change	Description
Working Capital	147,468,653	80,391,635	83%	Current Assets less Current Liabilities
Current Ratio	2.45	1.55	58%	Current Assets divided by Current Liabilities
Days Sales Outstanding	41	40	1%	Accounts receivable divided by Sales divided by 365
Equity	141,253,228	74,207,784	90%	Net Position plus Fiscal Stabilization Fund
Equity to Assets %	56%	32%		Equity (Net Position + FSF) divided by Total Assets
Available Cash	54,537,672	58,192,268	-6%	Unrestricted cash and cash equivalents
Available Line of Credit	79,853,000	36,853,000	117%	Total Line of Credit less Borrowing and Letters of Credit
Total Liquidity	134,390,672	95,045,268	41%	Sum of Available Cash and Line of Credit
Days Liquidity on Hand (TTM)	61	44	41%	Total Liquidity divided by trailing 12 month expenses divided by 365
Gross Margin	11%	6%		Operating revenue less energy cost divided by operating revenue
Net Margin	8%	3%		Change in net position divided by operating revenue

- ⚡ CPA decreased leverage (equity to assets) and increased the current ratio primarily as a result of the increase in net position, and increased days liquidity on hand as a result of the increase in the net position and an increase in the bank line of credit
- ⚡ Both gross and net margins increased as a result of higher electricity rates that went into effect on July 1, 2022, and moderate weather conditions, wholesale market prices, and electricity use
- ⚡ Days Sales Outstanding (a measure of accounts receivable aging) remained stable-year over year

# Budget to Actual Analysis

A	B	C	D	E
	2021/22 YTD Amended Budget	2021/22 YTD Actual	2021/22 Amended Budget Variance (Under) Over	2021/22 Amended Budget Variance % (Under) Over
<b>Operating revenues</b>				
1 Revenue - electricity, net	\$ 895,246,680	\$ 866,391,283	\$ (28,855,397)	-3%
2 Other revenues	1,868,000	1,090,195	(777,805)	-42%
3 Total operating revenues	<u>897,114,680</u>	<u>867,481,478</u>	<u>(29,633,202)</u>	<u>-3%</u>
<b>Energy costs</b>				
4 Energy procurement	<u>834,281,512</u>	<u>771,768,483</u>	<u>(62,513,029)</u>	<u>-7%</u>
5 Total energy costs	834,281,512	771,768,483	(62,513,029)	-7%
6 <b>Operating revenues less energy costs</b>	62,833,168	95,712,996	32,879,827	52%

- ⚡ Revenue from retail sales of electricity and energy procurement costs were \$28.8 and \$62.5 million under the Amended Budget respectively primarily due to moderate temperatures in the Summer of 2021 and the absence of major heat events which resulted in lower energy consumption, wholesale energy prices, and costs than budgeted
- ⚡ Operating revenue less energy costs (gross margin) was \$32.9 million or 52% above the Amended Budget



# Budget to Actual Analysis

A	B	C	D	E
	2021/22 YTD Amended Budget	2021/22 YTD Actual	2021/22 Amended Budget Variance (Under) Over	2021/22 Amended Budget Variance % (Under) Over
<b>Operating Expenditures</b>				
7 Staffing	9,893,000	8,729,133	(1,163,867)	-12%
8 Technical services	1,213,000	1,169,967	(43,033)	-4%
9 Legal services	1,081,000	489,547	(591,453)	-55%
10 Other professional services	1,456,000	1,010,597	(445,403)	-31%
11 Communications and outreach	1,505,000	1,258,469	(246,531)	-16%
12 Mailers	797,000	526,599	(270,401)	-34%
13 Billing data manager	10,417,000	10,221,461	(195,539)	-2%
14 SCE services	2,016,000	1,965,798	(50,202)	-2%
15 Customer programs	1,872,000	873,378	(998,622)	-53%
16 General and administrations	1,584,000	1,366,622	(217,378)	-14%
17 Occupancy	548,000	12,928	(535,072)	-98%
18 Total operating expenditures	32,382,000	27,624,501	(4,757,499)	-15%
19 <b>Operating income</b>	30,451,168	68,088,495	37,637,327	124%

- ⚡ Operating expenses were 15% under the Amended Budget due primarily to non-utilization of contingencies, conservative use of funds, the performance of services later in the year than budgeted, and lower staffing costs
- ⚡ Staffing was 12% under the Amended Budget as a result of staff turnover and slower than expected hiring during FY2021/22. CPA increased staffing from 39 to 51 full-time employees during the fiscal year versus 55 full-time positions that were budgeted

# Budget to Actual Analysis

A	B	C	D	E
	2021/22 YTD Amended Budget	2021/22 YTD Actual	2021/22 Amended Budget Variance (Under) Over	2021/22 Amended Budget Variance % (Under) Over
<b>Non-operating revenues (expenditures)</b>				
20 Interest income	144,000	114,136	(29,864)	-21%
21 Finance and interest expense	(570,000)	(629,463)	(59,463)	10%
22 Depreciation	(156,000)	(144,816)	11,184	-7%
23 Amortization	-	(382,908)	(382,908)	0%
23 Total non-operating revenues (expenditures)	<u>(582,000)</u>	<u>(1,043,052)</u>	<u>(461,052)</u>	<u>79%</u>
24 <b>Change in net position</b>	<u>29,869,168</u>	<u>67,045,444</u>	<u>37,176,275</u>	<u>124%</u>
<b>Other uses</b>				
25 Capital outlay	336,000	329,161	(6,839)	-2%
26 Depreciation	(156,000)	(144,816)	11,184	-7%
27 Total other uses	<u>180,000</u>	<u>184,345</u>	<u>4,345</u>	<u>2%</u>
28 <b>Change in fund balance</b>	<u>\$ 29,689,168</u>	<u>\$ 66,861,099</u>	<u>\$ 37,171,930</u>	<u>125%</u>

- ⚡ CPA was within amended budget limits for all budget expense line items with the exception of:
  - Interest and finance expenses (\$59,463 or 10% over budget)
  - Amortization expense (\$382,908 – not budgeted)
- ⚡ Interest, finance, and amortization expenses exceeded budget due to the application of GASB 87 lease accounting to CPA’s office lease during FY 2021/22 which resulted in increased interest and amortization costs, offset by reduced Occupancy expenses. Occupancy expenses were \$535,000, or 98%, under budget (see row 17 on the previous slide), an amount greater than the interest and amortization associated with the lease which totaled \$455,000

# Summary

- ⚡ For the year ending June 30, 2022 CPA increased:
  - Net position by \$67 million or 90%
  - Days liquidity on hand from 44 to 61 days or 39%
- ⚡ Days sales outstanding was stable compared to the prior year at 41 days
- ⚡ CPA increased its bank line of credit from \$37 to \$80 million
- ⚡ Repaid the loan to Los Angeles County
- ⚡ CPA is in sound financial health and well-positioned to serve its customers and deliver on its mission.

# Thank You! Questions?





## Management Report

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**To:** Clean Power Alliance (CPA) Board of Directors  
**From:** Ted Bardacke, Chief Executive Officer  
**Subject:** Management Report  
**Date:** November 3, 2022

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### **Community Benefits Grant Program Awards**

CPA and Calpine Energy Solutions announced the winners of the second annual Community Benefits Grant Program on October 17. Through this grant program, 10 non-profit organizations within CPA's service territory will receive funding from Calpine to advance clean energy initiatives in their communities.

Funding availability for the grant program is a provision of CPA's billing services contract with Calpine approved by the Board in April 2021, which calls for Calpine to provide 2% of its contract value in grants to local non-profits. CPA staff and Calpine collaborate on developing grant guidelines, marketing activities, and evaluation of grant proposals with final awards made by Calpine.

2022 is the second year of the grant program and almost \$204,000 was available this year. Out of 29 applications received, 10 organizations were awarded grants for amounts ranging from \$9,500 to \$30,000.

This year's grant recipients include the following non-profit organizations:

- **Active San Gabriel Valley (\$16,983)** – Funding will support clean energy-related operations, including their Healthy Homes program and GoSGV Electric Bike Share.
- **Climate Action Santa Monica (\$12,500)** - Funding will support the CASM Climate Corps program for education and workforce development. Each year, Climate Corps provides teenager and young adults education in global climate issues and training via project-based local actions.

- **Climate First: Replacing Oil & Gas (\$19,334)** – Funds will go toward encouraging local climate action plans and improving the accessibility and content of educational materials on the organization’s website. Funds will also go toward the Environmental Voices Academy, which is designed to provide a deeper understanding of local environmental issues and advocacy, as well as expand the network of academy participants.
- **Columbia Memorial Space Center (\$25,000)** – Funding will support City of STEM, the largest program promoting Science, Technology, Engineering, and Math in Los Angeles. The program is committed to opening equitable access to STEM learning, especially to those members of the public from marginalized and BIPOC communities, and under-resourced neighborhoods throughout Los Angeles.
- **Community Environmental Council (\$22,240)** – Funds will be used toward general operating support for the expansion of clean energy educational programming throughout Ventura County. This work will focus on electric vehicle and building electrification education and outreach, environmental awareness, and climate literacy.
- **Grid Alternatives LA (\$30,000)** – Funds will be used to provide homeowners in Carson and Whittier with reroofs, service panel upgrades, and other necessary professional services to allow them to access no-cost solar energy systems.
- **Merito Foundation (\$25,260)** – Funds will be used to train eight middle school and high school science teachers from Ventura Unified School District to instruct approximately 1,000 students in the use of ‘Energy Efficiency to Mitigate Climate Change and Ocean Acidification’ curriculum.
- **Nyeland Promise (\$20,000)** – Funds will be used to develop and implement a multilingual (English, Spanish, and Mixteco) initiative to provide linguistically and culturally appropriate messaging to help residents reduce their energy usage during periods of peak energy.

- **Pando Populus (\$23,000)** – Funding will go toward Pando Days, a project-centered learning program for colleges and universities focused on implementing county sustainability goals. This year’s program spans a total of 16 universities to community colleges across Los Angeles and Ventura Counties.
- **Sustainable Claremont (\$9,500)** – Funding will support four clean energy interns to assist with public dialogs and social media/newsletter outreach.

The Community Benefits Grant Program is an ongoing program. The next call for grant applicants will take place in the third quarter of 2023.

### **City Manager Meeting**

In order to deepen the connections between CPA and its member agencies, CPA Board Chair Julian Gold and CEO Ted Bardacke are planning a series of group meetings with the City Managers of CPA member agencies with the first meeting to occur in December or January. In addition to providing an overview of CPA’s operations, the meetings will be an opportunity to hear from City Managers about how CPA can expand its support for communities’ clean energy and sustainability priorities. Polling for suitable times for these meetings is currently underway.

### **Default Rate Change Update**

Eight CPA member agencies underwent complete or partial default rate changes in October. CPA, in collaboration with the affected member agencies, began full-scale outreach customer activity related to the default rate change in September, including mailing two notices to each one of the approximately 300,000 potentially affected customers. As of October 27, 1,958 (0.67%) of these customers had exercised an alternative choice to their default change, split nearly equally between those choosing to opt-down and those choosing to opt-out.

### **CPA Expansion Activity**

On October 19, the Santa Paula City Council voted unanimously to join CPA, following the September 29 unanimous vote of the Hermosa Beach City Council to do the same. The Monrovia City Council held a study session about CPA on October 18 and will consider joining CPA in November.

**Monthly Financial Performance**

In addition to closing the books on its full Fiscal Year 2021/22 financial results and completing its annual independent audit (presented to the Board today), CPA now has monthly financial information available for August 2022 and the first two months of the current fiscal year. During July and August 2022, CPA recorded operating income of \$15.4 million, \$1.1 million more than the budgeted operating income of \$14.3 million. Both revenues and cost of energy are slightly higher than budgeted amounts. The financial dashboard for August 2022 is provided in Attachment 1. CPA utilized its credit line with JPMorgan in September to cover elevated CAISO invoices and collateral posting requirements related to September's heat wave; all credit line borrowings were repaid by the end of October.

**Customer Participation Rate and Opt Actions**

As of October 24, 2022, CPA's overall participation rate was 96%, unchanged from the past five months. CPA had a total of 1,001,915 active customers, up 276 customers from the previous month. Opt-out levels – 509 accounts through the fourth week of October – are lower than what CPA typically experiences in the fourth quarter of the year even accounting for the default changes. New accounts (“move-ins”) were lower than closed accounts (“move-outs”) by 1,341 customers in October. Attachment 2 provides participation rates and active accounts by jurisdiction.

Beginning in December, CPA will be revising its Participation Rate calculation methodology based on new data being received from SCE as a result of the \$4.25 million legal settlement between CPA and SCE approved by the Board in June 2020 and a subsequent ruling by the California Public Utilities Commission. As a result of this revision, participation rates are expected to drop by a few percentage points even though the number of active customers in CPA service has been rising for the past year. The new data reveals that CPA has underestimated the number of eligible customers in our service territory since early 2021 while awaiting actual data from SCE. The new data being received from SCE also indicates there are approximately 5,000 accounts that seemingly should have been enrolled in CPA service by SCE but have not been. Further



details and plans for enrolling these customers – if indeed they are eligible CPA customers – will be provided in December.

### **Customer Service Center Performance**

Incoming calls to CPA's Customer Service Center fell during the first four weeks in October despite default rate change notifications and higher bills related to the September heat wave. Through October 25, CPA received 1,732 calls, down from 3,413 calls in the month of September. 96% of calls were answered within 45 seconds, up from 84% in September, and average wait time was 10 seconds, down from 31 seconds in September.

### **Contracts Executed Under the Chief Executive Officer's Authority**

A list of non-energy contracts executed under the CEO's signing authority is provided in Attachment 3. The list includes all open contracts as well as all contracts, open or completed, executed in the past 12 months.

### **ATTACHMENTS**

1. Monthly Financial Dashboard
2. Overall Participation Rates by Jurisdiction
3. Non-Energy Contracts Executed under CEO's Authority

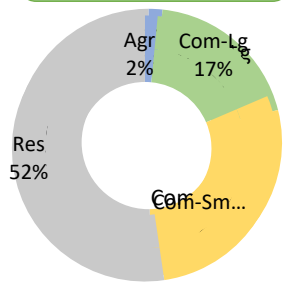
**YTD  
Aug  
2022**

**Active Accounts  
1,001,867**

**Participation Rate  
96.11%**

**YTD Sales Volume  
2,376 GWh**

**Aug Sales Volume  
1,260 GWh**



### Summary of Financial Results

in \$000,000's	Aug				Year-to-Date			
	Actual	Budget	Variance	%	Actual	Budget	Variance	%
Energy Revenues	132.4	127.4	5.0	4%	250.1	244.6	5.5	2%
Cost of Energy	132.9	119.2	13.6	11%	229.6	223.1	6.5	3%
Net Energy Revenue	-0.4	8.2	-8.6	-105%	20.5	21.5	-1.0	-5%
Operating Expenses	2.7	3.9	-1.2	-31%	5.1	7.1	-2.1	-29%
Operating Income	-3.1	4.3	-7.4	-172%	15.4	14.3	1.1	7%

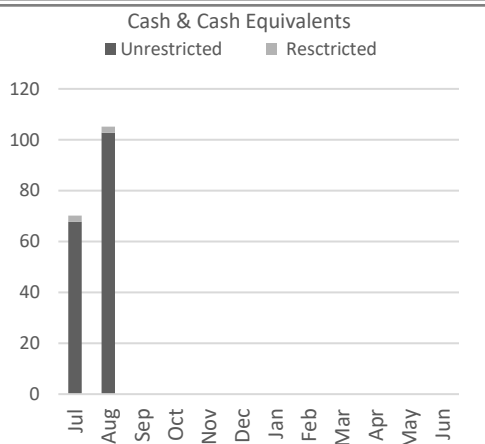
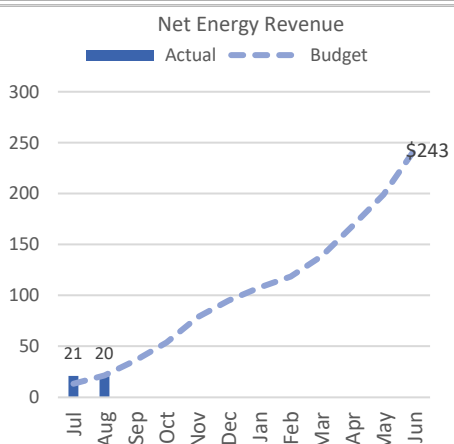
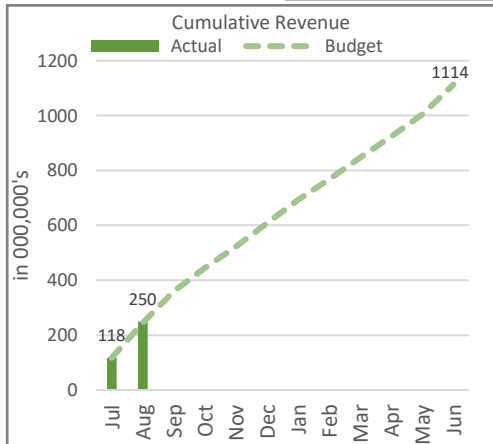
*Note: Numbers may not sum up due to rounding.*

CPA recorded an operating income loss of \$3.1 million in August 2022 which was \$7.4 million less than the budgeted operating income of \$4.3 million.

August revenue was \$132.4 million or \$5 million higher than budgeted revenue reflecting warmer than normal temperatures and higher electricity use by CPA's customers. The cost of energy was \$132.9 million or 11% higher than budgeted. Higher than budget energy costs resulted from \$6.2 million in CAISO charges and credits arising from activity in prior periods that was recorded in August 2022 as well as higher electricity use by CPA customers. Absent prior period charges, the change in net position for August would have been a gain of \$3.1 million, 28% below budget. Operating costs were lower than budgeted primarily as a result of lower general administration and other services costs than budgeted and the non-utilization of contingencies.

As of August 31, 2022, CPA had \$102.7 million in unrestricted cash and cash equivalents, and \$79.853 million available on its bank line of credit.

CPA is in sound financial health and compliance with its bank and other credit covenants.



**Definitions:**

- Accounts: Active Accounts represent customer accounts of active customers served by CPA per Calpine Invoice.
- Participation Rate %: Participation Rate represent active accounts divided by eligible CPA accounts
- YTD Sales Volume: Year to date sales volume represents the amount of energy (in gigawatt hours) sold to retail customers
- Revenues: Retail energy sales less allowance for doubtful accounts
- Cost of energy: Cost of energy includes direct costs incurred to serve CPA's load
- Operating expenses: Operating expenditures include general, administrative, consulting, payroll and other costs required to fund operations
- Net operating income, also known as earnings before interest, depreciation and amortization (EBIDA), represents the difference between revenues and expenditures before depreciation expense, interest income and expense, and capital expenditures
- Cash and Cash Equivalents: Includes cash held as bank deposits.
- Year to date (YTD): Represents the fiscal period beginning July 1, 2022



October 24, 2022

## Participation by City and County

Jurisdiction	Default Option	Active Accounts	Participation Rate	Lean %	Clean %	100% Green %
Agoura Hills	100% Green	8,087	93.44%	2.02%	0.38%	97.60%
Alhambra	Clean	33,987	98.31%	1.50%	97.97%	0.52%
Arcadia	Lean	22,468	98.14%	99.77%	0.10%	0.13%
Beverly Hills	100% Green	18,692	99.96%	1.71%	0.07%	98.21%
Calabasas	100% Green	9,707	97.40%	1.76%	0.28%	97.96%
Camarillo	100% Green	28,350	95.83%	0.74%	0.06%	99.21%
Carson	Clean	29,206	97.67%	1.30%	97.32%	1.39%
Claremont	100% Green	12,570	94.90%	2.55%	0.21%	97.23%
Culver City	100% Green	19,200	98.08%	3.95%	1.10%	94.95%
Downey	Clean	36,708	97.70%	1.52%	98.00%	0.48%
Hawaiian Gardens	Clean	3,629	96.90%	1.13%	97.27%	1.60%
Hawthorne	100% Green	28,463	99.51%	0.19%	0.42%	99.39%
Los Angeles County	100% Green	297,874	95.99%	1.82%	38.09%	60.09%
Malibu	100% Green	6,956	97.70%	2.89%	0.42%	96.69%
Manhattan Beach	100% Green	15,464	98.51%	2.64%	0.20%	97.15%
Moorpark	Clean	11,406	90.09%	3.09%	96.34%	0.57%
Ojai	100% Green	3,496	93.18%	6.09%	1.23%	92.68%
Oxnard	100% Green	55,623	96.20%	3.99%	0.52%	95.49%
Paramount	Lean	15,590	98.76%	96.13%	1.13%	2.74%
Redondo Beach	100% Green	33,235	99.32%	1.62%	0.04%	98.35%
Rolling Hills Estates	100% Green	3,448	94.13%	7.11%	1.60%	91.30%
Santa Monica	100% Green	54,046	99.55%	3.50%	0.70%	95.80%
Sierra Madre	100% Green	4,952	94.38%	5.51%	1.62%	92.87%
Simi Valley	Lean	43,232	93.60%	99.64%	0.12%	0.23%
South Pasadena	100% Green	11,618	98.33%	3.78%	0.72%	95.50%
Temple City	Lean	12,561	97.64%	99.79%	0.05%	0.17%
Thousand Oaks	100% Green	44,147	89.92%	8.10%	1.62%	90.28%
Ventura	100% Green	43,774	95.07%	4.81%	1.30%	93.90%
Ventura County	100% Green	32,246	86.50%	6.56%	1.21%	92.23%
West Hollywood	100% Green	26,483	97.62%	2.44%	0.38%	97.19%
Westlake Village	Lean	3,707	88.45%	99.54%	0.05%	0.40%
Whittier	Clean	31,070	96.24%	1.85%	97.71%	0.44%
<b>Total</b>		<b>1,001,995</b>	<b>95.91%</b>			

## Overall Participation by Rate Product

Default Option	Participation Rate	Rate Product	Active Accounts	% of Active
100% Green	95.98%	100% Green	621,075	61.98%
Clean	96.15%	Clean	259,497	25.90%
Lean	95.32%	Lean	121,423	12.12%
<b>Total</b>	<b>95.91%</b>	<b>Total</b>	<b>1,001,995</b>	<b>100.00%</b>

BOARD OF DIRECTORS - MANAGEMENT REPORT - ATTACHMENT 3

<b>Clean Power Alliance</b>					
<b>Non-energy contracts executed under Chief Executive Officer authority</b>					
<b>Rolling 12 months -- Open contracts shown in Bold</b>					
<b>Vendor</b>	<b>Purpose</b>	<b>Month</b>	<b>NTE Amount</b>	<b>Status</b>	<b>Notes</b>
<b>Sigma</b>	Data analytics tool	October 2022	\$13,000	Active	
<b>Language Line</b>	Translation services	October 2022	\$50,000	Active	
<b>Langan</b>	GIS services/web browser tool	October 2022	\$125,000	Active	Second renewal term
<b>Mercer</b>	Compensation and benefits study refresh	September 2022	\$75,000	Active	
<b>Pickit</b>	Digital asset library	September 2022	\$2,900	Active	
<b>Salesforce</b>	Stakeholder Relationship Management application subscription	August 2022	\$15,300	Active	
<b>Elite Edge Consulting</b>	Accounting services	August 2022	\$90,000	Active	Original Contract Date: September 2020 NTE \$112,000 Amendment #1 - NTE for renewals increased to \$120,000 in September 2020 Amendment #2 - First renewal authorized July 2021 - Extends through 6/30/2022 Amendment #3 - Second (final) renewal authorized; extends through 6/30/2022
<b>Oscar Associates</b>	Recruiting Services	August 2022	N/A	Active	Amendment to reduce placement fees to 25% of starting salary of exclusively referred candidate
<b>Burke, Williams, Sorenson, LLP</b>	Legal Services Agreement (Brown Act, public entity governance issues and other legal services)	July 2022	\$100,000	Active	Renewal
<b>Hall Energy Law PC</b>	Energy Procurement Counsel	July 2022	\$125,000	Active	Renewal
<b>Helpmates</b>	Temporary staffing services	July 2022	N/A	Active	
<b>Baker Tilly</b>	Financial audit services	June 2022	\$50,000	Active	
<b>IHS Market</b>	Subscription for CAISO forecasts	June 2022	\$15,000	Active	
<b>MBI</b>	Marketing contract renewal	June 2022	\$7,687	Active	3% increase to Board approved NTE upon renewal
<b>Adobe Inc.</b>	AdobeSign Secure Electronic Signature Service	June 2022	\$3,200	Active	Renewal
<b>Snowflake Inc.</b>	Cloud-Native Elastic Data Warehouse Service	June 2022	\$25,000	Active	Renewal
<b>Fraser</b>	Marketing contract renewal	June 2022	\$55,647	Active	9% increase to Board approved NTE upon renewal
John Kotch	IT Consulting	June 2022	\$3,000	Completed	
<b>AiQueous</b>	Salesforce implementation	June 2022	\$10,000	Active	
<b>Place and Page</b>	Graphic design and branding	June 2022	\$50,000	Active	
<b>Informal Development</b>	Website development	May 2022	\$50,000	Active	
<b>Chapman &amp; Cutler, LLP</b>	2021 Legal Services (CPA's Credit Agreement)	April 2022	\$55,000	Active	Renewal

<b>Clean Power Alliance</b>					
<b>Non-energy contracts executed under Chief Executive Officer authority</b>					
<b>Rolling 12 months -- Open contracts shown in Bold</b>					
<b>Vendor</b>	<b>Purpose</b>	<b>Month</b>	<b>NTE Amount</b>	<b>Status</b>	<b>Notes</b>
<b>Polsinelli, LLP</b>	<b>Legal Service Agreement (Employment, Compliance, General Legal Support related to Commercial Liability, Risk, and Mitigation issues)</b>	<b>April 2022</b>	<b>\$75,000</b>	<b>Active</b>	<b>Renewal</b>
<b>Shute, Mihaly &amp; Weinberger, LLP</b>	<b>Legal Service Agreement (Regulatory, Administrative, Environmental, Energy Procurement, Public Contracting, Public Entity Governance Laws, Issues and/or Proceedings)</b>	<b>April 2022</b>	<b>\$65,000</b>	<b>Active</b>	<b>Renewal</b>
<b>Lattice</b>	<b>Performance management software</b>	<b>April 2022</b>	<b>\$9,000</b>	<b>Active</b>	
Active San Gabriel Valley	Grant for community-based outreach	April 2022	\$8,000	Completed	
MERITO	Grant for community-based outreach	April 2022	\$8,000	Completed	
<b>Davis Wright Tremaine</b>	<b>Legal services (regulatory)</b>	<b>March 2022</b>	<b>\$125,000</b>	<b>Active</b>	
<b>LinkedIn</b>	<b>Subscription for recruiting tools</b>	<b>March 2022</b>	<b>\$34,306</b>	<b>Active</b>	
<b>MCM</b>	<b>Municipal advisory services</b>	<b>March 2022</b>	<b>\$125,000</b>	<b>Active</b>	
<b>Pinnacle</b>	<b>AV maintenance/service plan</b>	<b>March 2022</b>	<b>\$25,273</b>	<b>Active</b>	
Gridwell	Resource adequacy training	February 2022	\$2,000	Completed	
<b>Abbot, Stringham and Lynch</b>	<b>IT compliance reporting for CPUC</b>	<b>February 2022</b>	<b>\$8,500</b>	<b>Active</b>	
California Science Center	Event space rental for Staff Retreat	February 2022	\$6,440	Completed	
Orange Grove Consulting	DEI implementation planning services	February 2022	\$105,750	Completed	
<b>Zoe Misquez</b>	<b>Filing lobbying compliance forms</b>	<b>January 2022</b>	<b>\$500</b>	<b>Active</b>	
<b>Critical Mention, Inc.</b>	<b>Media monitoring service</b>	<b>January 2022</b>	<b>\$6,000</b>	<b>Active</b>	
<b>Clear Language Company</b>	<b>Minute transcription for board meetings</b>	<b>January 2022</b>	<b>\$0</b>		<b>Original Contract Date: November 2021 NTE \$20,000 Amendment 1 - \$0, to clarify fee structure</b>
<b>PR Web/Cision</b>	<b>Media/PR wire distribution services</b>	<b>January 2022</b>	<b>\$3,060</b>	<b>Active</b>	
<b>Ironclad</b>	<b>Contract lifecycle management platform</b>	<b>January 2022</b>	<b>\$22,000</b>	<b>Active</b>	
<b>PrimeGov</b>	<b>Board and committee meeting agenda management software</b>	<b>December 2021</b>	<b>\$16,000</b>	<b>Active</b>	<b>Renewal</b>
<b>Omni Government Relations &amp; Pinnacle Advocacy, LLC</b>	<b>Lobbying Services</b>	<b>November 2021</b>	<b>\$125,000</b>	<b>Active</b>	<b>Original Contract Date: December 2019 NTE \$108,000 Amendment #1 - first renewal term authorized November 2020, NTE \$108,000 Amendment #2 - second (final) renewal authorized, extends through December 5, 2022, new NTE \$125,000</b>

<b>Clean Power Alliance</b>					
<b>Non-energy contracts executed under Chief Executive Officer authority</b>					
<b>Rolling 12 months -- Open contracts shown in Bold</b>					
<b>Vendor</b>	<b>Purpose</b>	<b>Month</b>	<b>NTE Amount</b>	<b>Status</b>	<b>Notes</b>
<b>MRW &amp; Associates</b>	<b>Extension of ratemaking services contract</b>	<b>October 2021</b>	<b>\$35,000</b>	<b>Active</b>	<b>Original Contract Date: December 2020 NTE \$90,000 Amendment #1 - NTE increased to \$125,000 Extends through 12/2/2022 (renewals authorized)</b>
<b>Clean Energy Counsel LLP</b>	<b>Extension of legal services agreement</b>	<b>September 2021</b>	<b>\$30,000</b>	<b>Active</b>	<b>Original Contract Date: November 2020 NTE \$355,000 Amendment #1 - NTE increased to \$385,000 in July 2021 Extends through 11/6/2021 (renewals authorized)</b>
<b>AccuWeather Enterprise Solutions</b>	<b>Professional Forecasting Weather Services</b>	<b>April 2021</b>	<b>\$4,800</b>	<b>Active</b>	<b>Addendum to April 2020 Agreement. Extended through March 2023 at \$400/mo</b>
<b>OpenPath</b>	<b>New Office Keycard Access Control System</b>	<b>January 2021</b>	<b>\$1,500</b>	<b>Active</b>	
<b>Crown Castle Fiber LLC</b>	<b>New Office Dedicated Internet Access Service</b>	<b>September 2020</b>	<b>\$ 18,600</b>	<b>Active</b>	
<b>NextLevel Internet, Inc.</b>	<b>New Office High Speed Internet Service</b>	<b>September 2020</b>	<b>\$ 6,936</b>	<b>Active</b>	
<b>Windstream Services, LLC</b>	<b>New Office Telephone Service</b>	<b>September 2020</b>	<b>\$ 14,095</b>	<b>Active</b>	
<b>Zero Outages</b>	<b>New Office Security, Firewall, &amp; Wi-Fi Service</b>	<b>September 2020</b>	<b>\$ 7,608</b>	<b>Active</b>	



## Commonly Used Acronyms

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BESS	Battery Energy Storage System
CAC	Community Advisory Committee
CAISO	California Independent System Operator
CALCCA	California Community Choice Association
CalEVIP	California Electric Vehicle Incentive Program
CARB	California Air Resources Board
CARE	California Alternate Rates for Energy (Low Income Discount Rate)
CCA	Community Choice Aggregation
CEC	California Energy Commission
CPUC	California Public Utilities Commission
DA	Direct Access (Private Retail Energy Supplier)
DAC	Disadvantaged Community (As Defined by Calenviroscreen 3.0)
DER	Distributed Energy Resources
DR	Demand Response
ERMP	Energy Risk Management Policy
ERRA	Energy Resource Recovery Account (SCE Generation Rate Setting)
ESA	Energy Storage Agreement
EVSE	Electric Vehicle Supply Equipment (EV Charger)
FERA	Family Electric Rate Assistance (Low Income Discount Rate)
GHG	Greenhouse Gas
IOU	Investor Owned Utility
IRP	Integrated Resource Plan
JPA	Joint Powers Authority



## Commonly Used Acronyms

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Kwh	Kilowatt-Hour (A Measure of Energy Used in A One-Hour Period)
Kw	Kilowatt = 1,000 Watts (Watt = A Measure of Instantaneous Power)
LSE	Load Serving Entity
MB	Medical Baseline (Discount Rate for Medical Equipment Needs)
MW	Megawatt = 1,000 Kilowatts
Mwh	Megawatt-Hour = 1,000 Kilowatt-Hours
NEM	Net Energy Metering (Usually for Customers with Solar)
OAT	Other Applicable Tariffs
PCIA	Power Charge Indifference Adjustment (Can Be Called "Exit Fee")
PCC1	Renewable Energy Generated Inside California
PCC2	Renewable Energy Generated Outside California
PCC3	A REC from A Renewable Resource, Delivered Without Energy
PCL	Power Content Label
POU	Publicly Owned or Municipal Utility
PPA	Power Purchase Agreement
PSPS	Public Safety Power Shutoff
PV	Photovoltaic (Solar) Panels
RA	Resource Adequacy
REC	Renewable Energy Credit
RPS	Renewables Portfolio Standard
T&D	Transmission and Distribution
TOU	Time Of Use (Used to Refer to Rates that Differ by Time Of Day)
WECC	Western Electricity Coordinating Council