

Silicon Valley Clean Energy Authority

*Report to the
Audit Committee
by Piseni & Brinker LLP
February 4, 2019*



PISENTI & BRINKER LLP
Certified Public Accountants & Advisors

An independently owned member
RSM US Alliance



Audit of the year ended September 30, 2018 Financial Statements

Relative Roles & Responsibilities

- **Management** is responsible for preparing the Financial Statements and establishing a system of internal control

- **Auditor** is responsible for auditing the Financial Statements
 - Considering risks of material misstatement in the Financial Statements – Inherent risk
 - Considering internal controls relevant to the Financial Statements – Control risk
 - Performing tests of year-end balances based on risk assessment
 - Evaluating adequacy of disclosures

Status of the current audit:

- Audit is nearly complete (planned delivery date this week)– we anticipate reporting:
- Unqualified opinion – Based on our audit, the financial statements are materially accurate.
- No significant deficiencies or material weaknesses in internal control identified.

Risk Assessment for the year audited

- Our audit is a risk-based audit. Risk assessment procedures include:
 - Gain understanding of the entity's operating characteristics, practices, and procedures.
 - Compare to our knowledge of similar entities, industry and professional guidance.
 - Review procedures and controls surrounding significant transaction cycles and business processes

Risk Assessment for the periods audited

- Review of procedures and controls surrounding significant transaction cycles and business processes:
 - Obtain SVCE's description of controls and processes.
 - Evaluate the **design** of controls within the context of the entities activities.
 - Evaluate the **implementation** of controls by performing walk-throughs:
 - Interview of staff
 - Observe performance of control
 - Inspect documentation demonstrating control performed

Audit Procedures

- Significant areas of focus
 - Revenue recognition
 - Accounts receivable and accrued revenue
 - Test a sample of customer billings
 - Relate total cash received during the period of operations to revenue
 - Look at cash received subsequent to year-end and relate to A/R
 - Evaluate the adequacy of the allowance for uncollectible accounts
 - Cut-off
 - Review revenue recognition through year-end and method for determining (accrued revenue)

Audit Procedures

- Cash – Existence
 - Confirmations sent to bank
- Pre-paids and deposits – Confirm amounts CAISO and suppliers
- Accrued cost of electricity
 - Review subsequent bills from electricity providers and cash payments
 - Perform analytical procedures
- Notes payable
 - Confirmation that loans were paid off
- Financial Statement Note Disclosures – Complete and without bias

For discussion:

- Review of “user entity” controls surround data manager (Calpine).
- Review of IT controls and security.

Required Board Communications

- The significant accounting policies adopted by SVCE throughout the periods audited appeared appropriate and consistently applied.
- No alternative treatments of accounting principles for material items in the financial statements were discussed with management.

Required Board Communications

Other Required Communications with those charged with governance:

- We did not propose any adjustments to the financial statements.
- We did not identify any significant or unusual transactions or applications of accounting principles where a lack of authoritative guidance exists.

Required Board Communications

- There were no disagreements with management concerning the scope of our audits, the application of accounting principles, or the basis for management's judgments on any significant matters.

Required Board Communications

- We did not encounter any difficulties in dealing with management during the performance of our audit.

Questions?

- Brett Bradford: 707-577-1582



Automated Meter Infrastructure Audit

Audit Committee
February 4, 2019

CPUC REQUIREMENT



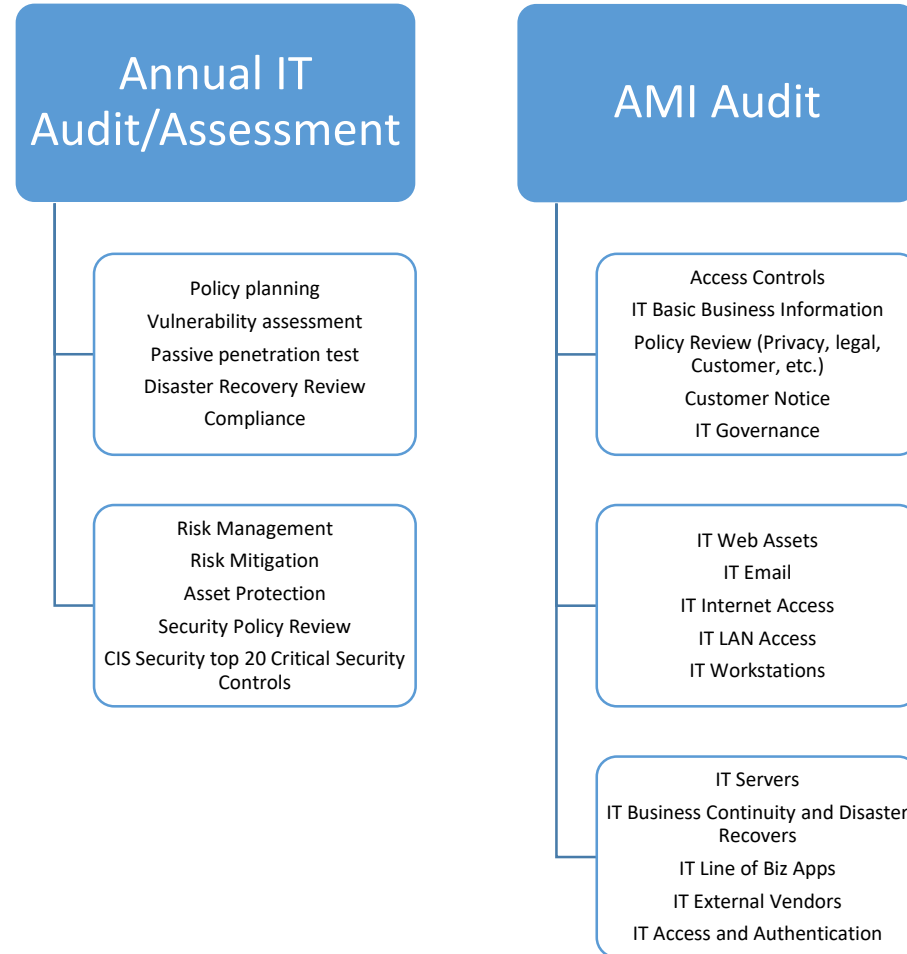
D 11-07-056

Adopting Rules to Protect the Privacy and Security of the Electricity Usage Data of the Customers of Pacific Gas and Electric Company, Southern California Edison Company and San Diego Gas & Electric Company, which requires the submission of an annual privacy report regarding Covered Information for electrical corporations.

D 12-08-045

Expanded D 11-07-056 to include CCAs. Audit required every 3 years for CCAs.

Annual IT Audit vs AMI Audit



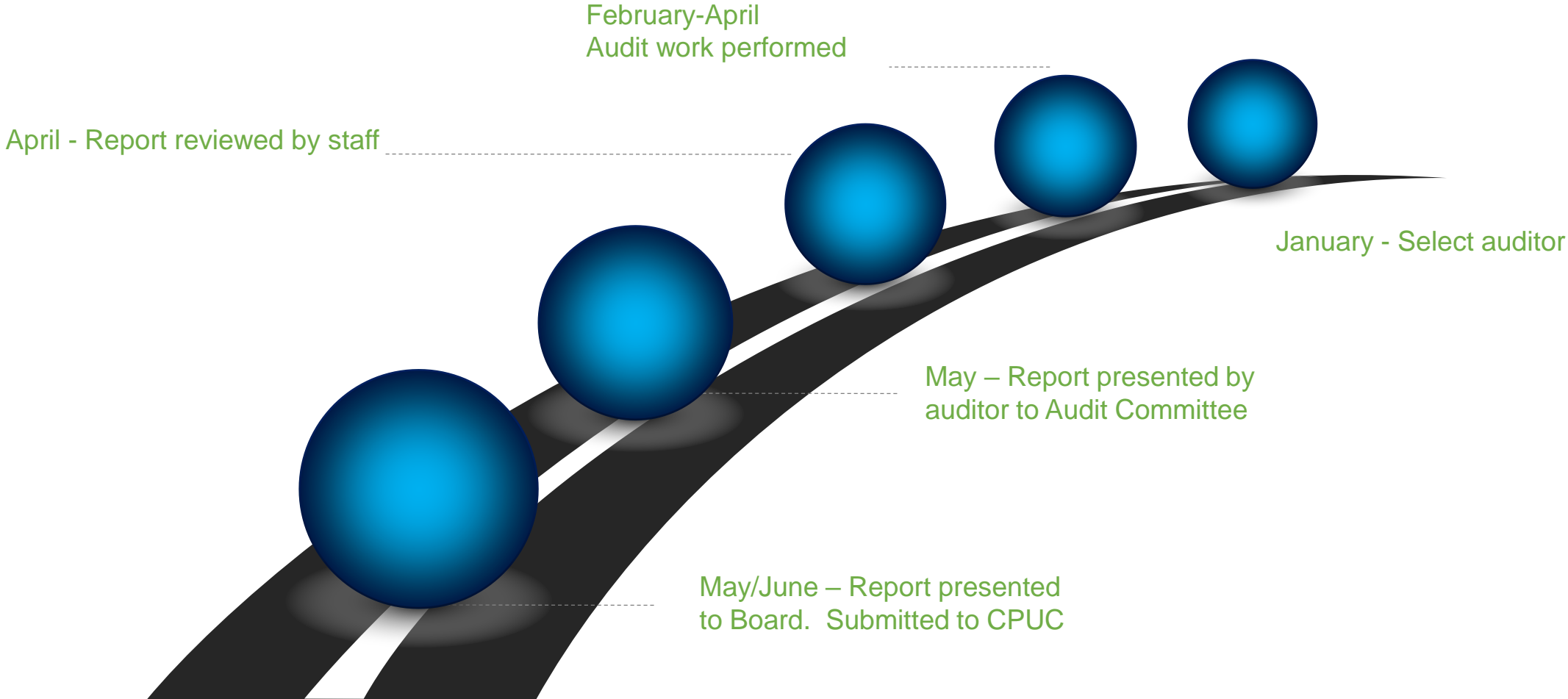
AUDITOR

- Abbot, Stringham & Lynch selected
 - San Jose based
 - Performed similar work for MCE
 - Strength is IT audits and controls
 - Experienced team
 - Competitive price
 - Resources to complete audit by end of April
 - Time period covered is March 2016 – December 2018

COMPREHENSIVE APPROACH

- Management and administration of IT Systems
- Internal IT risk assessment and evaluation
- Access rights controls and authentication
- Network/Host/Application/Physical security
- Encryption
- Data security
- Security Monitoring (IDS/IPS)
- External vulnerability assessment

TIMELINE



THANK YOU

