FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2024 AND 2023
WITH REPORT OF
INDEPENDENT AUDITORS

PENINSULA
CLEAN ENERGY

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Independent Auditor's Report

To the Board of Directors
Peninsula Clean Energy

Report on the Audits of the Financial Statements

Opinion

We have audited the accompanying financial statements of Peninsula Clean Energy (PCE), which comprise the statements of net position as of June 30, 2024 and 2023, the related statements of revenue, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of PCE as of June 30, 2024 and 2023, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of PCE and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about PCE's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued, including any currently known information that may raise substantial doubt shortly thereafter.

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 PCE'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 PCE'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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplementary Information

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

Pisenti & Brinker LLP

Santa Rosa, California
October 17, 2024

The purpose of management's discussion and analysis (MD&A) is to help stakeholders and other readers understand what the financial statements and notes in this report say about Peninsula Clean Energy's (PCE) financial health and why it has changed since last year. It contains information drawn from other parts of the report, accompanied by explanations informed by the finance staff's knowledge of PCE's finances.

Overview of the Financial Statements

PCE's financial report contains basic financial statements, which include:

- The *Statements of Net Position* include all of PCE's assets, liabilities, and net position and provides 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* report all of PCE's revenue and expenses for the years shown.

- The *Statements of Cash Flows* report the cash provided and used by operating activities, as well as other sources and uses, such as capital and investing activities.

- The notes to the Basic Financial Statements provide additional details and information related to the basic financial statements.

Financial Summary

PCE's Net Position

	2024	2023	2022
Current assets	$203,029,376	$230,229,924	$ 94,350,493
Noncurrent assets:			
Capital assets, net	7,192,785	3,245,102	2,355,826
Other noncurrent assets	264,984,028	115,190,369	107,941,671
Total noncurrent assets	272,176,813	118,435,471	110,297,497
Total assets	**475,206,189**	**348,665,395**	**204,647,990**
Current liabilities	55,478,759	37,979,864	33,563,898
Noncurrent liabilities	2,527,330	3,059,539	3,413,358
Total liabilities	**58,006,089**	**41,039,403**	**36,977,256**
Deferred inflows of resources	**68,000,000**	**-**	**-**
Net position			
Net Investment in capital assets	5,455,117	399,493	126,979
Unrestricted	343,744,983	307,226,499	167,543,755
Total net position	**$349,200,100**	**$307,625,992**	**$167,670,734**

As of June 30, 2024, PCE's total net position was approximately $349,000,000, an increase of $42,000,000 or 14% as compared to June 30, 2023. Most of the increase in net position was in increases in cash and investments, as a result of PCE's operating surplus discussed below.

PCE's Changes in Net Position

	2024	2023	2022
Operating revenues	$ 388,612,693	$ 428,218,199	$ 237,898,558
Nonoperating revenues - grants	-	789,539	1,824,346
Nonoperating revenues - investments	14,844,423	2,164,071	(6,153,368)
Total revenues	**403,457,116**	**431,171,809**	**233,569,536**
Operating expenses	361,835,489	291,154,063	246,539,330
Nonoperating expenses	47,519	62,488	76,525
Total expenses	**361,883,008**	**291,216,551**	**246,615,855**
Change in net position	**$ 41,574,108**	**$ 139,955,258**	**$ (13,046,319)**

Electricity sale increases in 2024 were offset by the $68,000,000 voluntary deferral into the new Rate Stabilization Fund. The cost of electricity, a component of operating expenses, increased from fiscal year 2023 to fiscal year 2024 due to increases in renewable energy and resource adequacy market costs.

Detailed Analysis

Current assets decreased from $230,000,000 at the end of fiscal year 2023 to $203,000,000 at the end of fiscal year 2024. This decrease was due to transferring funds to the Rate Stabilization Fund, reported on the Statement of Net Position as noncurrent cash and cash equivalents, offset by operating surpluses primarily driven by increased electricity rates charged to customers. Current assets at the end of fiscal year 2024 were primarily comprised of cash and investments of $129,00,000, accounts receivable of $32,000,000, and accrued revenue of $26,000,000.

Capital assets are reported net of depreciation and amortization. Each year, the change is mostly due to capital asset acquisitions less depreciation and amortization expense. Capital assets include construction in progress, leasehold improvements, furniture, equipment and roof top solar and battery storage.

Other noncurrent assets include investments of $192,000,000 and $114,000,000 at the end of fiscal years 2024 and 2023, respectively. Also included in other noncurrent assets at the end of fiscal year 2024 is cash of $68,000,000 segregated in a Rate Stabilization Fund used to defer revenue for later years when financial results necessitate draws on reserves. By postponing revenue recognition to future years, PCE will be positioned to avoid sudden rate increases to address unanticipated spikes in energy costs and other unforeseen circumstances.

The largest component of current liabilities is the cost of electricity delivered to customers that is not paid by PCE at the end of the fiscal year. Current liabilities for the cost of energy increased each year due to changes in payment terms of certain energy products, as well as the prices of those products. Accrued cost of electricity was approximately $44,000,000 and $26,000,000 at the end of fiscal years 2024 and 2023, respectively.

Noncurrent liabilities consist of supplier security deposits and the long-term portion of lease liability related to PCE's office premises. The reduction each year is the result of amortization of the lease liability.

Except for the effect of the deferral to the Rate Stabilization Fund, operating revenues increased each year from fiscal years 2022 to 2024, primarily from territory expansions and increases in rates charged to customers. PCE also receives revenues from sources other than retail customer sales. These sources include liquidated damage revenue resulting from supplier noncompliance with contract provision and grant income used to assist with various customer programs. Revenue from liquidated damages increased from fiscal year 2023 to fiscal year 2024 primarily due to delays in the operations of certain energy supplier facilities.

Detailed Analysis (continued)

Grant income from the California Arrearage Payment Plan (CAPP) was included in nonoperating revenues for fiscal years 2022 and 2023. This grant was applicable for two years and did not recur in fiscal year 2024. Investment income increased each year due to changes in market interest rates as well as increases in invested assets.

Operating expenses increased each year primarily due to market forces that resulted in increases in the cost of electricity, PCE's largest expense. PCE procures energy from a variety of sources to reduce market risk and to maintain a balanced renewable power portfolio. The primary driver of the increase in energy costs from 2023 to 2024 was the rising costs in the resource adequacy market.

Significant Capital Asset and Long-Term Financing Activity

Included in capital assets are office equipment, such as computers, furniture, leasehold improvements and rooftop solar and battery backup systems.

PCE reached agreements with several cities and the County of San Mateo to install solar and battery storage on public buildings. Costs associated with this agreement are shown as capital assets.

Assets that are leased by PCE, such as office premises, are recorded in the Statement of Net Position with a related liability for future obligations.

PCE does not have any outstanding financing debt.

Currently Known Facts, Decisions, or Conditions

PCE expects to experience steady load growth over the next 10 years due to organic load growth, addition of new customers, increase in building electrification, and higher electric vehicle (EV) adoption rates. At the same time, rising costs for procurement of renewable energy and storage projects, Resource Adequacy (RA), and environmental attributes will increase the cost of energy. Despite these challenges, PCE remains committed to its goal of delivering 100% renewable energy by 2030 while maximizing renewable energy matching against load on a time-coincident basis. Currently, 56% of PCE's energy mix is sourced from renewable resources, and PCE is focused on balancing sustainability, affordability, and reliability as demand continues to grow.

PCE has a portfolio of energy programs supporting electrification of buildings and transportation, load shaping, and fostering local solar and storage. In fiscal year 2024-25, PCE is investing over $25 million in programs including technical assistance for solar and EV charging installations, finance support for electrification and solar systems, and financial incentives for EVs, EV charging, and electric appliances. Adoption of clean energy technologies is in a period of accelerating adoption contributing to customer load growth. In addition, local and regional agencies continue to adopt policies accelerating the transition to clean electric buildings and transportation systems.

In the past, PCE's rates were linked to PG&E's, consistently offering a 5% discount compared to PG&E's generation rates. However, PCE recently decoupled from PG&E, allowing greater flexibility in setting PCE's rates. PCE's current rates are designed to cover the full cost of energy delivery, including RA, operating expenses, and funding for customer programs. Additionally, this change enables PCE to better meet its financial goals, such as maintaining reserves and liquidity.

Requests for Information

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

Please address any questions about this report or requests for additional financial information to the finance department at 2075 Woodside Road, Redwood City, CA 94061 or contact info@PenCleanEnergy.com.

BASIC FINANCIAL STATEMENTS

PENINSULA CLEAN ENERGY AUTHORITY
STATEMENTS OF NET POSITION
JUNE 30, 2024 AND 2023

ASSETS	2024	2023
Current assets		
Cash and cash equivalents	$ 111,932,959	$ 130,225,289
Accounts receivable, net of allowance	32,381,329	37,224,799
Accrued revenue	25,740,350	22,224,560
Investments	16,828,861	9,473,416
Other receivables	6,315,467	6,273,418
Prepaid expenses	4,611,128	8,566,209
Deposits and other assets	5,219,282	16,242,233
Total current assets	203,029,376	230,229,924
Noncurrent assets		
Cash and cash equivalents - unrestricted	68,000,000	-
Investments	192,300,331	113,806,280
Other receivables	4,493,035	1,195,215
Deposits and other assets	190,662	188,874
Construction in progress	5,322,353	1,433,434
Capital assets, net of depreciation and amortization	1,870,432	1,811,668
Total noncurrent assets	272,176,813	118,435,471
Total assets	475,206,189	348,665,395
LIABILITIES		
Current liabilities		
Accrued cost of electricity	43,668,621	25,646,569
Accounts payable	2,950,037	1,161,115
Other accrued liabilities	899,037	1,829,885
Deferred revenue	4,372,157	4,844,063
User taxes and energy surcharges due to other governments	1,166,699	1,240,296
Deposits - energy suppliers	1,889,999	2,758,099
Lease liability	532,209	499,837
Total current liabilities	55,478,759	37,979,864
Noncurrent liabilities		
Deposits - energy suppliers	1,799,451	1,799,451
Lease liability	727,879	1,260,088
Total noncurrent liabilities	2,527,330	3,059,539
Total liabilities	58,006,089	41,039,403
DEFERRED INFLOWS OF RESOURCES		
Rate Stabilization Fund	68,000,000	-
NET POSITION		
Net investment in capital assets	5,455,117	399,493
Unrestricted	343,744,983	307,226,499
Total net position	$ 349,200,100	$ 307,625,992

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

PENINSULA CLEAN ENERGY AUTHORITY
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
OPERATING REVENUES		
Electricity sales, net	$ 442,203,020	$ 423,844,350
Green electricity premium	2,980,743	3,011,461
Rate stabilization	(68,000,000)	-
Liquidated damages revenue	6,555,711	252,060
Grant revenue	3,270,369	1,110,328
Other income	1,602,850	-
Total operating revenues	388,612,693	428,218,199
OPERATING EXPENSES		
Cost of electricity	325,171,050	265,207,567
Contract services	12,534,557	10,726,493
Staff compensation	9,841,887	8,001,779
Other operating expenses	13,709,671	6,650,426
Depreciation and amortization	578,324	567,798
Total operating expenses	361,835,489	291,154,063
Operating income	26,777,204	137,064,136
NONOPERATING REVENUES (EXPENSES)		
Grant revenue	-	789,539
Investment income	14,844,423	2,164,071
Finance costs	(47,519)	(62,488)
Nonoperating revenues (expenses), net	14,796,904	2,891,122
CHANGE IN NET POSITION	41,574,108	139,955,258
Net position at beginning of year	307,625,992	167,670,734
Net position at end of year	$ 349,200,100	$ 307,625,992

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

PENINSULA CLEAN ENERGY AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 457,426,586	$ 427,757,814
Receipts from grantors	3,270,369	5,788,891
Receipts of supplier security deposits	14,735,000	16,363,798
Other operating receipts	8,158,561	-
Payments to suppliers for electricity	(305,666,849)	(273,473,707)
Payments for other goods and services	(30,617,940)	(19,025,668)
Payments for deposits and collateral	(2,238,725)	(26,743,771)
Payments of staff compensation	(9,643,002)	(7,970,572)
Payments of taxes and surcharges to other governments	(6,346,905)	(6,064,477)
Net cash provided by operating activities	129,077,095	116,632,308
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Grant revenue	-	789,539
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments of lease obligation	(547,354)	(531,409)
Payments to acquire capital assets	(5,113,486)	(371,391)
Net cash used by capital and related financing activities	(5,660,840)	(902,800)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from investment sales	57,048,636	42,294,286
Investment income received	9,947,512	3,440,698
Purchase of investments	(140,704,733)	(41,806,194)
Net cash provided (used) by investing activities	(73,708,585)	3,928,790
Net change in cash and cash equivalents	49,707,670	120,447,837
Cash and cash equivalents at beginning of year	130,225,289	9,777,452
Cash and cash equivalents at end of year	$ 179,932,959	$ 130,225,289
Reconciliation to the Statement of Net Position		
Cash and cash equivalents (current)	$ 111,932,959	$ 130,225,289
Cash and cash equivalents (noncurrent)	68,000,000	-
Cash and cash equivalents	$ 179,932,959	$ 130,225,289
NONCASH CAPITAL FINANCING ACTIVITIES		
Capital acquisitions included in accounts payable and other liabilities	$ 477,580	$ -
NONCASH INVESTING ACTIVITIES		
Unrealized appreciation (depreciation) and timing differences in investment income	$ 4,896,911	$ (1,276,627)

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

PENINSULA CLEAN ENERGY AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2024 AND 2023

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	2024	2023
Operating income	$ 26,777,204	$ 137,064,136
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization expense	578,324	567,798
(Increase) decrease in:		
Accounts receivable, net of allowance	4,843,470	(4,355,420)
Accrued revenue	(3,515,790)	(1,502,579)
Other receivables	(1,418,862)	(4,337,373)
Prepaid expenses	3,955,081	(3,589,638)
Deposits and other assets	11,783,042	(10,660,000)
Increase (decrease) in:		
Accrued cost of electricity	18,022,051	(1,492,350)
Accounts payable	1,311,342	(10,688)
Other accrued liabilities	154,836	(60,633)
Deferred revenue	(471,906)	4,570,563
User taxes and energy surcharges due to other governments	(73,597)	158,465
Deposits - energy suppliers	(868,100)	280,027
Rate Stabilization Fund	68,000,000	-
Net cash provided by operating activities	$ 129,077,095	$ 116,632,308

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Peninsula Clean Energy (PCE) is a joint powers authority created on February 29, 2016. As of June 30, 2024, parties to its Joint Powers Agreement consist of the following local governments:

County	Cities and Towns	
San Mateo	Atherton	Menlo Park
	Belmont	Millbrae
	Brisbane	Pacifica
	Burlingame	Portola Valley
	Colma	Redwood City
	Daly City	San Bruno
	East Palo Alto	San Carlos
	Foster City	San Mateo
	Half Moon Bay	South San Francisco
	Hillsborough	Woodside
	Los Banos	

PCE is separate from and derives no financial support from its members. PCE is governed by a Board of Directors whose membership is composed of elected officials representing the member governments.

A core function of PCE is to provide electric service that includes renewable sources, and it operates as a Community Choice Aggregation Program subject to California Public Utilities Code Section 366.2.

PCE began its energy delivery operations in October 2016. Electricity is acquired from electricity suppliers and delivered through existing physical infrastructure and equipment managed by Pacific Gas and Electric Company.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING

PCE'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.

PCE'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 PCE's policy to use restricted resources first, and then unrestricted resources as they are needed.

CASH AND CASH EQUIVALENTS

For purposes of the Statements of Cash Flows, PCE defines cash and cash equivalents to include cash on hand, demand deposits and short-term investments with an original maturity of three months or less. For the purpose of the Statements of Net Position, restricted cash balances are presented separately.

INVESTMENTS

Investments are stated at fair value based on prices listed on a national exchange for debt securities. Certificates of deposits are stated at cost. PCE intends to hold its securities to maturity. Investments with a maturity of less than one year are shown as current assets in the Statement of Net Position. Investments with a maturity of one year or more are shown as noncurrent assets in the Statement of Net Position.

PCE's Investment Policy permits the following types of investments:

U.S. Treasury obligations	Repurchase agreements
Obligations of the State of California	Local Agency Investment Fund
Bonds of any of the other 49 states	San Mateo County Pool
Commercial paper	Local Government Investment Pools
Negotiable certificates of deposits	Bankers' acceptances
Demand deposits	Medium-term notes
Passbook savings accounts	Asset-backed securities
Money market funds	Supranationals

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PREPAID EXPENSES

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid expenses.

DEPOSITS

Contracts to purchase energy may require PCE to provide the supplier with advanced payments or security deposits. Deposits are generally held for the term of the contract and are classified as current or noncurrent assets depending on the length of time the deposits will be outstanding.

LEASE ASSET AND LEASE LIABILITY

PCE recognizes an asset and liability when it enters into certain leasing arrangements. The leased asset is amortized over the term of the lease. The lease liability is the present value of payments expected to be paid to the lessor during the lease term. PCE's only leased asset and liability relate to its office premises.

CAPITAL ASSETS AND DEPRECIATION

PCE's policy is to capitalize furniture and equipment valued over $5,000 that is expected to be in service for over one year. Depreciation is computed according to the straight-line method over estimated useful lives of three years for electronic equipment, seven years for furniture, ten years for leasehold improvements and twenty years for roof top solar and battery storage.

DEFERRED REVENUE

Deferred revenue consists of payments received in advance from customers for which revenue has not been earned and is shown as a current liability in the Statement of Net Position.

DEPOSITS – ENERGY SUPPLIERS

Various energy contracts entered into by PCE require the supplier to provide PCE 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

RATE STABILIZATION FUND

In May 2024, PCE created a Rate Stabilization Fund (RSF) in accordance with GASB Statement No. 62 to allow PCE to defer revenue in years when financial results are strong for use in future years when financial results may decline. PCE's RSF allows a deferral of revenues into the RSF when the projected addition to net position is greater than 3% of total budgeted revenues. Deposits can be made into the RSF until the balance equals 15% of the total budgeted revenues in the then-current fiscal year. Additionally, withdrawals of revenues from the RSF can be made in a fiscal year when change in net position is projected to be negative or if necessary to satisfy any covenants, and contractual obligations. The amount deposited into the fund is shown as a reduction of operating revenues and reported on the statements of net position as a deferred inflow of resources. Transfers to this fund were $68,000,000 and $0 in fiscal years 2024 and 2023, respectively.

NET POSITION

Net position is presented in the following components:

Net Investment in capital assets: This component of net position consists of capital assets, net of accumulated depreciation and amortization and reduced by outstanding borrowings that are attributable to the acquisition, construction, or improvement of those assets. PCE did not have any such outstanding borrowings as of June 30, 2024 and 2023.

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 NONOPERATING REVENUES

Revenues that are derived from or related to the delivery of energy or other programs are classified as operating revenues. This includes revenue derived from the provision of energy to retail and wholesale customers, liquidated damages resulting from energy suppliers that fail to fulfill contract provision, and reimbursable grant revenues. Many of PCE's retail customers have opted to purchase a 100% renewable electricity product and pay a $0.01 per kilowatt hour premium. Revenues derived from this premium are reported throughout these financial statements as "Green electricity premium."

Investment income and grants that are not earned from the delivery of program activities are considered "nonoperating revenues".

REVENUE RECOGNITION

PCE recognizes revenue according to the 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

OPERATING AND NONOPERATING EXPENSES

Operating expenses include the costs of electricity, services, administrative expenses, and depreciation of capital assets. Expenses not meeting this definition are reported as nonoperating expenses.

ELECTRICAL POWER PURCHASED

During the normal course of business, PCE 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 generation credits, and load and other charges arising from PCE's participation in the California Independent System Operator'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 self-imposed benchmarks, PCE acquires RPS eligible renewable energy evidenced by Renewable Energy Certificates (Certificates) recognized by the Western Renewable Energy Generation Information System (WREGIS). PCE obtains Certificates with the intent to retire them and does not sell or build surpluses of Certificates with a profit motive.

PCE purchases capacity commitments from qualifying generators to comply with the California Public Utilities Commission's Resource Adequacy Program. The goals of the Resource Adequacy Program are to provide sufficient resources to the California Independent System Operator to ensure the safe and reliable operation of the electrical grid in real-time and to provide appropriate incentives for the siting and construction of new resources needed for reliability in the future.

STAFFING COSTS

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

INCOME TAXES

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. These reclassifications did not result in any change in previously reported net position or change in net position.

2. CASH AND CASH EQUIVALENTS

PCE maintains its cash in both interest-bearing and non-interest-bearing deposit accounts in several banks. PCE's deposits are subject to California Government Code Section 16521, which requires banks to collateralize public funds in excess of the Federal Deposit Insurance Corporation (FDIC) limit of $250,000 by 110%. Certain short-term investments with original maturities of less than three months are classified as cash and cash equivalents, which are not subject to the collateral requirement or FDIC coverage. Accordingly, the amount of risk is not disclosed. PCE monitors its risk exposure on an ongoing basis.

3. ACCOUNTS RECEIVABLE

Accounts receivable were as follows as of June 30:

	2024	2023
Accounts receivable from customers	$37,763,313	$40,713,367
Allowance for uncollectible accounts	(5,381,984)	(3,488,568)
Net accounts receivable	$32,381,329	$37,224,799

The majority of account collections occur within the first few months following the issuance of customer invoices. PCE estimates that a portion of the billed accounts will not be collected. PCE continues collection efforts on accounts in excess of *de minimis* balances regardless of the age of the account. Although collection success generally decreases with the age of the receivable, PCE continues to have success in collecting older accounts. The allowance for uncollectible accounts at the end of a period includes amounts billed during the current and prior fiscal years. During 2024 and 2023, PCE recorded $2,797,000 and $3,162,000, respectively, as an increase to the allowance for uncollectible accounts due to bad debt expense. Amounts estimated to be uncollectable are reported as a reduction in electricity sales in the Statement of Revenues, Expenses and Changes in Net Position. Other changes in the allowance for uncollectible accounts from year to year are the result of account write-offs.

4. INVESTMENTS

During the years ended June 30, 2024 and 2023, PCE purchased investments with original maturities of three months or more. As of June 30, the fair value of investments was as follows:

	2024	2023
Current Investments:		
U.S. Treasury Securities	$ 8,608,553	$ 9,227,405
Corporate bonds	7,154,986	246,011
Municipal bonds	1,065,322	-
Total current investments	$ 16,828,861	$ 9,473,416

	2024	2023
Noncurrent Investments:		
U.S. Treasury Securities	$ 133,062,721	$ 73,316,271
Corporate bonds	56,311,594	34,176,492
Municipal bonds	2,926,016	6,313,517
Total noncurrent investments	$ 192,300,331	$ 113,806,280

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. PCE's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

As of June 30, 2024 and 2023, PCE's investments are considered Level 1 inputs. Quoted prices in active markets were used for determining fair value measurement.

4. INVESTMENTS (continued)

CREDIT RISK

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations. As of June 30, 2024 and 2023, PCE's investments were rated as follows:

	Moody's Investors Service	
	2024	**2023**
U.S. Treasury Securities	NR and Aaa	NR and Aaa
Certificates of Deposit	NR	NR
Corporate Bonds	NR & Baa1 to Aaa	A3 to Aaa
Municipal Bonds	NR & Aa3 to Aaa	NR & Aa2 to Aaa

PCE's investment policy addresses this risk. PCE limits investments to those allowed by Section 53601 of the California Government Code that addresses the risk allowable for each investment.

CUSTODIAL CREDIT RISK

Cash and cash equivalents

Custodial credit risk is the risk that in the event of a financial institution failure, PCE's deposits may not be returned to PCE. PCE's deposits fully insurance or collateralized.

As of June 30, 2024 and 2023, none of PCE's bank balances are known to be individually exposed to credit risk.

Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, PCE would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. All of PCE's investments are exposed to credit risk.

PCE's investment policy addresses custodial credit risk. All investments owned by PCE shall be held in safekeeping by a third-party custodian, acting as an agent for PCE under the terms of a custody agreement.

4. INVESTMENTS (continued)

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed income portfolio to changes in interest rates. It is calculated as the weighted average time to receive a bond's coupon and principal payments. The longer the duration of a portfolio, the greater its price sensitivity to changes in interest rates. PCE manages its exposure to declines in fair values by limiting the weighted average maturity of its investments.

Following is a summary of investment maturities as of June 30, 2024:

		Investment Maturities		
Investment Type	**Fair Value**	**Less Than 1 Year**	**1-5 Years**	**More than 5 years**
U.S. Treasury Securities	$ 141,671,274	$ 8,608,553	$ 131,786,566	$ 1,276,155
Corporate bonds-U.S.	59,795,065	7,154,986	52,640,079	-
Corporate bonds-foreign	3,671,515	-	3,671,515	-
Municipal bonds	3,991,338	1,065,322	2,926,016	-
	$ 209,129,192	$ 16,828,861	$ 191,024,176	$ 1,276,155

Following is a summary of investment maturities as of June 30, 2023:

		Investment Maturities	
Investment Type	**Fair Value**	**Less Than 1 Year**	**1-5 Years**
U.S. Treasury Securities	$ 82,543,676	$ 9,227,405	$ 73,316,271
Corporate bonds-U.S.	33,478,162	246,011	33,232,151
Corporate bonds-foreign	944,341	-	944,341
Municipal bonds	6,313,517	-	6,313,517
	$ 123,279,696	$ 9,473,416	$ 113,806,280

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024 was as follows:

	Beginning balance	Increases	Decreases	Ending balance
Capital assets not being depreciated:				
Construction in progress	$ 1,433,434	$ 4,494,918	$ (606,000)	$ 5,322,352
Capital assets being depreciated and amortized:				
Furniture and equipment	444,402	-	(13,868)	430,534
Leasehold improvements	236,873	31,541	-	268,414
Roof top solar and battery storage	-	606,000	-	606,000
Lease asset	3,079,488	-	-	3,079,488
Total capital assets being depreciated and amortized	3,760,763	637,541	(13,868)	4,384,436
Less accumulated depreciation and amortization:				
Furniture, equipment and leasehold improvements	(470,939)	(85,604)	13,415	(543,128)
Lease asset	(1,478,156)	(492,720)	-	(1,970,876)
Total accumulated depreciation and amortization	(1,949,095)	(578,324)	13,415	(2,514,004)
Total capital assets, net of depreciation and amortization	$ 3,245,102	$ 4,554,136	$ (606,453)	$ 7,192,785

Capital asset activity for the year ended June 30, 2023 was as follows:

	Beginning balance	Increases	Decreases	Ending balance
Capital assets not being depreciated:				
Construction in progress	$ -	$ 1,433,434	$ -	$ 1,433,434
Capital assets being depreciated and amortized:				
Furniture and equipment	444,402	-	-	444,402
Leasehold improvements	213,233	23,640	-	236,873
Lease asset	3,079,488	-	-	3,079,488
Total capital assets being depreciated and amortized	3,737,123	23,640	-	3,760,763
Less accumulated depreciation and amortization:				
Furniture, equipment and leasehold improvements	(395,861)	(75,078)	-	(470,939)
Lease asset	(985,436)	(492,720)	-	(1,478,156)
Total accumulated depreciation and amortization	(1,381,297)	(567,798)	-	(1,949,095)
Total capital assets, net of depreciation and amortization	$ 2,355,826	$ 889,276	$ -	$ 3,245,102

6. LEASE

A lease asset is reported in accordance with Governmental Accounting Standards Board No. 87 (GASB 87).

On August 1, 2017, PCE entered into an 86-month non-cancelable lease for its office premises. The rental agreement includes an option to renew the lease for two additional five-year terms. In September 2019, the lease was extended an additional two years to September 30, 2026. As part of the extension, PCE leased additional office space through the same termination date.

Rental payments under this lease were $573,000 and $543,000 for the years ended June 30, 2024 and 2023, respectively.

As of June 30, 2024, future minimum lease payments under this lease were projected as follows:

	Principal	Interest	Total
Year ending June 30,			
2025	$ 532,209	$ 31,563	$ 563,772
2026	566,100	14,586	580,686
2027	161,779	877	162,656
Total	$ 1,260,088	$ 47,026	$ 1,307,114

7. GRANTS

PCE participates in a grant programs of the California Public Utilities Commission (CPUC) for the Disadvantaged Communities Green Tariff (DAC-GT) and the FLEXmarket program. The DAC-GT grant provides bill discounts for eligible customers while FLEXmarket provides incentives for customers to install various energy saving equipment in their homes or business.

PCE administered a grant from the California Arrearage Payment Program (CAPP) that offers financial assistance for California energy utility customers to help reduce past due energy bill balances that increased during the COVID-19 pandemic. This program is funded through the federal American Rescue Plan Act (ARPA) with Coronavirus State and Local Fiscal Recovery Funds.

7. GRANTS (continued)

The following is a summary of grant revenue for the years ended June 30:

	2024	2023
Operating grants:		
DAC-GT	$ 1,182,963	$ 1,110,328
FLEXmarket	2,087,406	-
	3,270,369	1,110,328
Nonerating grant:		
CAPP	-	789,539
Total grant revenue	$ 3,270,369	$ 1,899,867

8. DEFINED CONTRIBUTION RETIREMENT PLAN

PCE provides retirement benefits through the County of San Mateo 401(a) Retirement Plan (Plan). The Plan is a defined contribution (Internal Revenue Code 401(a)) retirement plan established to provide benefits at retirement to employees of certain qualified employers admitted by the Plan. The Plan is administered by Empower. As of June 30, 2024, there were 53 plan participants. PCE is required to contribute 6% of the annual covered payroll and up to an additional 4% of annual covered payroll to match employee contributions. PCE contributed $698,000 and $574,000 during the years ended June 30, 2024 and 2023, respectively. Plan provisions and contribution requirements are established and may be amended by the Board of Directors.

9. RISK MANAGEMENT

PCE is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and errors and omissions. During the year, PCE 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 coverage in the last two years. There were no significant reductions in coverage compared to the prior year. PCE has general liability coverage of $2,000,000 as well as a $10,000,000 umbrella policy. Deductibles on the various policies range from $0 to $25,000.

From time to time, PCE may be party to various pending claims and legal proceedings. PCE has no current litigation or claims pending that are expected to have a material adverse effect on PCE's financial position or results of operations.

PCE maintains risk management policies, procedures and systems that help mitigate credit, liquidity, market, operating, regulatory and other risks that arise from participation in the California energy market. 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, PCE enters into netting arrangements whenever possible and where appropriate obtains collateral and other performance assurances from counter parties.

10. PURCHASE COMMITMENTS

In the ordinary course of business, PCE enters into various power purchase agreements 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 either natural gas or 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.

The following table details the obligations to purchase existing energy, renewable, and resource adequacy (RA) contracts as of June 30, 2024:

Year ending June 30,	
2025	$ 373,100,000
2026	253,800,000
2027	261,600,000
2028	246,700,000
2029	234,800,000
2030-2046	2,184,200,000
Total	$3,554,200,000

11. FUTURE GASB PRONOUNCEMENTS

The requirements of the following GASB Statements are effective for years ending after June 30, 2024:

GASB has approved GASB No. 102, Certain Risk Disclosures, and GASB No. 103, Financial Reporting Model Improvements.

Management is evaluating the effect of implementation of these statements.