FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2019 AND 2018
WITH REPORT OF
INDEPENDENT AUDITORS

PENINSULA
CLEAN ENERGY

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PISENTI & BRINKER LLP
Certified Public Accountants & Advisors

3562 Round Barn Circle, Suite 300
Santa Rosa, CA 95403
(707) 542-3343 • Office
(707) 527-5608 • Fax
pbllp.com

Independent Auditor's Report

To the Board of Directors
Peninsula Clean Energy Authority
Redwood City, California

Report on the Financial Statements

We have audited the accompanying financial statements of Peninsula Clean Energy Authority (PCE), as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise PCE's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PCE as of June 30, 2019 and 2018, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report (continued)

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, 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
November 15, 2019

The Management's Discussion and Analysis provides an overview of Peninsula Clean Energy Authority's (PCE) financial activities as of and for the years ended June 30, 2019, and 2018. The information presented here should be considered in conjunction with the audited financial statements.

BACKGROUND

The formation of PCE was made possible in 2002 by the passage of California Assembly Bill 117, enabling communities to purchase power on behalf of their residents and businesses and creating competition in power generation.

PCE was created as a California Joint Powers Authority (JPA) on February 29, 2016. PCE was established to provide electric power at competitive costs as well as to provide other benefits within San Mateo County, including reducing greenhouse gas emissions related to the use of power, procuring energy with a priority on the use and development of local renewable resources, stimulating local job creation through various programs and development, promoting personal and community ownership of renewable resources, as well as promoting long-term electric rate stability and energy reliability for residents and businesses. PCE serves twenty-one jurisdictions including the cities and towns of Atherton, Belmont, Brisbane, Burlingame, Colma, Daly City, East Palo Alto, Foster City, Half Moon Bay, Hillsborough, Menlo Park, Millbrae, Pacifica, Portola Valley, Redwood City, San Bruno, San Carlos, San Mateo, South San Francisco, and Woodside, in addition to the unincorporated areas of San Mateo County. Governed by a board of directors (Board) consisting of elected representatives from each jurisdiction (Board), PCE has the rights and powers to set rates for the services it furnishes, incur indebtedness, and issue bonds or other obligations. PCE is responsible for the acquisition of electric power for its service area.

Prior to the creation of Peninsula Clean Energy as a JPA, the County of San Mateo managed the financial and administrative activities related to the formation of this community choice aggregation (CCA) program. Pursuant to the JPA, PCE accepted an obligation to reimburse the County of San Mateo for specified costs to initiate the entity and its programs which were incurred prior to the JPA agreement. PCE fully reimbursed the County for all of those costs in December 2017.In October 2016, PCE began providing service to its first 79,000 customer accounts as part of its initial enrollment phase. PCE completed its customer enrollment in April 2017 and as of June 30, 2019, PCE serves approximately 300,000 customer accounts.

Financial Reporting

PCE presents its financial statements as an enterprise fund under the economic resources measurement focus and the accrual basis of accounting. These statements were prepared in accordance with generally accepted accounting principles (GAAP) for proprietary funds, as prescribed by the Governmental Accounting Standards Board (GASB).

Contents of this report

This report is divided into the following sections:

- Management discussion and analysis, which provides an overview of operations.

- The basic financial statements:

  - The *Statements of Net Position* includes 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 asset acquisitions and investing activities.

  - Notes to the Basic Financial Statements, which provide additional details and information related to the basic financial statements.

FINANCIAL HIGHLIGHTS

The following table is a summary of PCE's assets, liabilities, and net position as of June 30:

	2019	2018	2017
Current assets	$172,273,785	$110,290,589	$ 53,560,046
Noncurrent assets			
Capital assets, net	335,445	302,333	18,913
Other noncurrent assets	135,355	1,193,560	1,720,611
Total noncurrent assets	470,800	1,495,893	1,739,524
Total assets	172,744,585	111,786,482	55,299,570
Current liabilities	31,048,989	25,912,705	27,533,241
Noncurrent liabilities	1,556,468	508,287	6,055,800
Total liabilities	32,605,457	26,420,992	33,589,041
Net position			
Investment in capital assets	335,445	302,333	18,913
Restricted for security collateral	13,165,799	2,000,000	-
Unrestricted	126,637,884	83,063,157	21,691,616
Total net position	$140,139,128	$ 85,365,490	$ 21,710,529

Current assets

Current assets reached $172,274,000 by the end of fiscal year 2018-19 and were comprised of the following major categories: cash and restricted cash, accounts receivable, accrued revenue, investments, prepaid expenses and other deposits.

Accounts receivable reflects invoices that have been delivered to customers that remain unpaid at the end of the period. Accrued revenue accounts for electricity use by PCE customers before invoicing to those customers has occurred. Prepaid expenses and deposits consist mostly of purchases of electricity and capacity for delivery after the fiscal year. Fiscal year 2017-18 was the first full year PCE provided electricity to customers. Since service to customers began, PCE has operated at a surplus, which has been the source of most of the growth of current assets.

Capital assets

Capital assets increased to $335,000 at the end of fiscal year 2018-19 as a result of purchases of furniture, equipment, and leasehold improvements. Capital assets are reported net of depreciation. PCE does not own assets used for electricity generation or distribution.

Other noncurrent assets

Other noncurrent assets decreased from $1,194,000 to $135,000 at the end of fiscal year 2018-19. This account consists of various deposits for regulatory and other operating purposes expected to be held longer than a year. Included are deposit postings with the California Public Utilities Commission (CPUC) and collateral held by PCE from energy suppliers.

Current liabilities

Current liabilities of $31,049,000 at the end of fiscal year 2018-19 increased by $5,136,000 from the prior year. For both years, current liabilities consist primarily of the cost of electricity delivered to customers that is not yet due to be paid by PCE. Other components of current liabilities as of June 30, 2019, include trade accounts payable, security deposits due to energy suppliers, and user taxes and surcharges due to other governments.

Noncurrent liabilities

Other noncurrent liabilities increased by $1,048,000 at the end of fiscal year 2018-19 as compared to the end of the prior year. This increase reflects additions to cash deposits made with energy providers held as collateral for energy purchases. These deposits will be returned by PCE at the completion of the related contract or as other milestones are met. The remaining balance is comprised of various deposits for regulatory and other operating purposes.

The following table is a summary of PCE's results of operations in the year ended June 30:

	2019	2018	2017
Operating revenues	$ 259,781,823	$ 244,737,709	$ 93,128,916
Interest and other income	2,074,258	150,466	9,443
Total income	261,856,081	244,888,175	93,138,359
Operating expenses	(206,912,110)	(180,970,374)	(70,103,766)
Interest and related expenses	(170,333)	(262,840)	(279,835)
Total expenses	(207,082,443)	(181,233,214)	(70,383,601)
Change in net position	$ 54,773,638	$ 63,654,961	$ 22,754,758

Operating revenues

PCE's customer base was stable throughout 2018-19, with approximately 300,000 customers enrolled.

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

Operating expenses

PCE's largest expense for fiscal years 2017-18 and 2018-19 was the purchase of electricity delivered to retail customers. PCE procures energy from a variety of sources and focuses on maintaining a balanced renewable power portfolio at competitive costs. Expenses for staff compensation, contracting services, and other general and administrative expenses increased in 2018-19 from 2017-18 as the organization continued to grow to support its business demands.

ECONOMIC OUTLOOK

PCE's mission is to reduce greenhouse gas emissions and offer customer choice at competitive rates. The three key contributors to greenhouse gas emissions are electricity, transportation, and buildings.

In December 2017, PCE published its first Integrated Resource Plan (IRP), which outlines the procurement strategy to fulfill the State's regulatory mandates, while also accelerating the State's decarbonization goals. The IRP describes PCE's approach to mitigating risk by diversifying its power portfolio through contract term length, project ownership, location, technology, size, and additionality (increasing "steel in the ground").

PCE is developing energy programs to reduce greenhouse gas emission from transportation. "Ride and Drive" events to familiarize consumers with electric vehicles are being held along with electric vehicle dealer promotions to reduce the costs of these vehicles. PCE has also approved and funded grants for community pilots to advance PCE's mission to reduce greenhouse gas emissions, support PCE's workforce policy, and serve a high number of PCE customers.

REQUEST FOR INFORMATION

This financial report is designed to provide PCE's customers and creditors with a general overview of the organization'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 2075 Woodside Road, Redwood City, CA 94061.

Respectfully submitted,

Janis Pepper, Chief Executive Officer

BASIC FINANCIAL STATEMENTS

PENINSULA CLEAN ENERGY AUTHORITY
STATEMENTS OF NET POSITION
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	$ 48,873,644	$ 64,689,412
Accounts receivable, net of allowance	24,061,873	23,091,118
Investments	65,195,764	-
Other receivables	230,096	128,806
Accrued revenue	16,161,421	14,712,826
Prepaid expenses	4,309,618	2,198,024
Deposits	275,570	3,470,403
Restricted cash	13,165,799	2,000,000
Total current assets	172,273,785	110,290,589
Noncurrent assets		
Capital assets, net of depreciation	335,445	302,333
Deposits	135,355	1,193,560
Total noncurrent assets	470,800	1,495,893
Total assets	172,744,585	111,786,482
LIABILITIES		
Current liabilities		
Accounts payable	1,048,410	816,121
Accrued cost of electricity	24,428,956	22,914,791
Accrued payroll and benefits	218,425	157,216
Other accrued liabilities	170,338	-
Security deposits - energy suppliers	4,320,987	1,190,000
User taxes and energy surcharges due to other governments	861,873	834,577
Total current liabilities	31,048,989	25,912,705
Noncurrent liabilities		
Security deposits - energy suppliers	1,556,468	508,287
Total liabilities	32,605,457	26,420,992
NET POSITION		
Investment in capital assets	335,445	302,333
Restricted for security collateral	13,165,799	2,000,000
Unrestricted	126,637,884	83,063,157
Total net position	$ 140,139,128	$ 85,365,490

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, 2019 AND 2018

	2019	2018
OPERATING REVENUES		
Electricity sales, net	$ 257,336,291	$ 243,270,156
Green electricity premium	2,445,532	1,467,553
Total operating revenues	259,781,823	244,737,709
OPERATING EXPENSES		
Cost of electricity	194,034,947	170,134,856
Contract services	8,389,878	7,787,457
Staff compensation	3,075,990	2,171,487
General and administration	1,336,933	820,895
Depreciation	74,362	55,679
Total operating expenses	206,912,110	180,970,374
Operating income	52,869,713	63,767,335
NONOPERATING REVENUES (EXPENSES)		
Miscellaneous income	35,679	-
Interest and investment income	2,038,579	150,466
Interest and related expense	(170,333)	(262,840)
Total nonoperating revenues (expenses)	1,903,925	(112,374)
CHANGE IN NET POSITION	54,773,638	63,654,961
Net position at beginning of year	85,365,490	21,710,529
Net position at end of year	$ 140,139,128	$ 85,365,490

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

PENINSULA CLEAN ENERGY AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 261,689,317	$ 244,007,642
Receipts from supplier security deposits	4,229,168	1,573,287
Payments to suppliers for electricity	(194,452,975)	(173,625,040)
Payments to suppliers for other goods and services	(9,594,065)	(8,564,212)
Payments for staff compensation	(3,009,867)	(2,135,190)
Payments of taxes and surcharges to other governments	(4,263,796)	(3,964,625)
Net cash provided by operating activities	54,597,782	57,291,862
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Deposits and collateral received	10,553,402	3,426,120
Deposits and collateral paid	(6,300,364)	(6,547,771)
Principal payments on loans	-	(7,480,800)
Interest and related expense payments	(170,333)	(296,970)
Net cash provided (used) by non-capital financing activities	4,082,705	(10,899,421)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments to acquire capital assets	(66,448)	(235,751)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	1,709,030	151,024
Sale of investments	34,154,969	-
Purchase of investments	(99,128,007)	-
Net cash provided (used) by investing activities	(63,264,008)	151,024
Net change in cash and cash equivalents	(4,649,969)	46,307,714
Cash and cash equivalents at beginning of year	66,689,412	20,381,698
Cash and cash equivalents at end of year	$ 62,039,443	$ 66,689,412
Reconciliation to the Statement of Net Position		
Cash and cash equivalents (unrestricted)	$ 48,873,644	$ 64,689,412
Restricted cash	13,165,799	2,000,000
Cash and cash equivalents	$ 62,039,443	$ 66,689,412

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

PENINSULA CLEAN ENERGY AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2019 AND 2018

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	2019	2018
Operating income	$ 52,869,713	$ 63,767,335
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation expense	74,362	55,679
Revenue adjusted for uncollectible accounts	(398,278)	859,130
Nonoperating miscellaneous income	35,679	
(Increase) decrease in:		
Accounts receivable	(572,477)	(2,825,410)
Other receivables	5,533	(95,547)
Accrued revenue	(1,448,595)	(2,842,707)
Prepaid expenses	(2,111,594)	(1,973,500)
Increase (decrease) in:		
Accounts payable	196,264	59,312
Accrued cost of electricity	1,514,164	(1,472,723)
Accrued payroll and benefits	61,209	41,211
Other accrued liabilities	165,338	
User taxes due to other governments	27,296	145,795
Security deposits from energy suppliers	4,179,168	1,573,287
Net cash provided by operating activities	$ 54,597,782	$ 57,291,862

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Peninsula Clean Energy Authority (PCE) is a joint powers authority created on February 29, 2016. As of June 30, 2019, 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

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 the use of renewable sources under the Community Choice Aggregation Program under 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.

When both restricted and unrestricted resources are available for use, it is PCE'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, PCE has defined 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. Restricted cash reported on the Statements of Net Position includes collateral on letters of credit, as well as a required minimum balance to be maintained in one of PCE's bank accounts.

PREPAID EXPENSES AND 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. Also included are prepaid expenses and deposits for regulatory and other operating purposes.

CAPITAL ASSETS AND DEPRECIATION

PCE's policy is to capitalize furniture and equipment valued over $1,000 that is expected to be in service for over one year. Depreciation is computed according to the straight-line method over estimated useful lives of three years for electronic equipment, seven years for furniture and ten years for leasehold improvements. PCE does not own any electric generation assets.

1. 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 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, 2019 and 2018.

Restricted: This component of net position consists of constraints placed on net asset use by external 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 REVENUES

Operating revenues include revenue derived from the provision of energy to retail customers and wholesale customers.

Interest income is considered “non-operating revenue.”

REVENUE RECOGNITION

PCE recognizes revenue on the accrual basis of accounting. 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)

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 to acquire 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), 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. An expense is recognized at the point that the cost of the Certificate is due and payable to the supplier.

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 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 fully pays its obligation for employee compensation, 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 absences, 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. California Government Code Section 16521 requires banks to collateralize 110% of deposits of public funds in excess of the FDIC limit of $250,000. PCE classifies certain short-term investments with original maturities of less than three months as cash and cash equivalents which are not subject to the collateral requirement or FDIC coverage previously mentioned. PCE has no deposit or investment policy that addresses a specific type of risk that would impose restrictions beyond this requirement. Accordingly, the amount of risk is not disclosed. PCE monitors its risk exposure on an ongoing basis.

3. INVESTMENTS

During the year ended June 30, 2019, PCE purchased short-term investments with an original maturity of three months or more. Below is a summary of these investments at fair value as of June 30, 2019.

U.S. Treasury Securities	$ 46,541,093
Corporate bonds	18,654,671
Total short-term securities	$ 65,195,764

The maturity dates for the U.S. Treasury Securities range from approximately half of a month to two months as of June 30, 2019. The maturity dates for the corporate bonds range from approximately three months to six and a half months as of June 30, 2019.

3. INVESTMENTS (continued)

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; 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, 2019, PCE's investments are considered Level 1 in inputs.

CUSTODIAL CREDIT RISK

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. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in PCE's name, and held by the counterparty. PCE's investment securities are not exposed to custodial credit risk because all securities are held by PCE's custodial bank in PCE's name.

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.

4. ACCOUNNTS RECEIVABLE

Accounts receivable were as follows at June 30:

	2019	2018
Accounts receivable from customers	$24,849,821	$24,277,344
Allowance for uncollectible accounts	(787,948)	(1,186,226)
Net accounts receivable	$24,061,873	$23,091,118

PCE records an allowance for uncollectible accounts as invoices are issued. The majority of account collections occur within the first few months following customer invoicing. 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.

5. CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2018, and 2019, was as follows:

	Furniture & Equipment	Leasehold Improvements	Accumulated Depreciation	Total
Balances at June 30, 2017	$ 22,646	$ -	$ (3,733)	$ 18,913
Additions	274,996	64,103	(55,679)	283,420
Balances at June 30, 2018	297,642	64,103	(59,412)	302,333
Additions	66,908	40,566	(74,362)	33,112
Balances at June 30, 2019	$ 364,550	$ 104,669	$ (133,774)	$ 335,445

6. DEBT

Loans payable to the County of San Mateo

In June 2016, PCE entered into two agreements with the County of San Mateo. The purpose of one of the agreements was to reimburse the County for services, costs, and expenses incurred to investigate the feasibility of implementing a community choice aggregation program as well as to provide for other working capital needs. The agreement allowed for the repayment to be in the form of a loan totaling $2,981,000. Of this loan, $300,000 did not bear interest. The remainder, which was received in multiple draws, accrued interest based on the San Mateo County Pooled Investment Fund earnings rate. Principal and interest payments were not required until July 1, 2021. In December 2017, PCE fully repaid this loan with the County of San Mateo.

The second agreement with the County of San Mateo provided for collateral needed to support a loan with Barclays Bank. The agreement allowed for up to $6,000,000 to be used as collateral, which was initially determined at 50% of the principal drawn from Barclays Bank loan. In June 2016, PCE had drawn $1,500,000 from this County of San Mateo loan for this purpose. This loan accrued interest at the greater of (1) the San Mateo County Pooled Investment Fund earnings rate or (2) the actual interest earned on the amount drawn. Principal payments, plus interest, were due on the earlier of (1) two years from the date each portion is received by PCE or (2) ten days after the release of collateral by Barclays Bank. In December 2017, PCE fully repaid this loan with the County of San Mateo.

Loan payable to Barclays Bank

In June 2016, PCE arranged to borrow up to $12 million from Barclays Bank to provide cash to pay for energy purchases and operating expense which are due before revenue is to be collected from customers. The loan was secured by cash deposits of fifty percent of the outstanding loan. Principal could be drawn as needed and interest accrued on the outstanding balance and was payable each month and computed at LIBOR plus 3.1%. In December 2017, PCE fully repaid this loan with Barclays Bank. PCE continues to maintain a $12 million line of credit as a term loan with Barclays Bank with no amount outstanding. The commitment fee to maintain the term loan from January 1, 2017 to and including December 8, 2017 was 1.925% per annum and the commitment fee from December 9, 2017 through June 30, 2019 was 1.40%, and from July 1, 2019 thereafter is .75% per annum. The termination date is in June 2021. In December 2017, PCE fully repaid this loan with the Barclays Bank.

6. DEBT (continued)

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

	Beginning	Additions	Payments	Ending
Year ended June 30, 2018				
County of San Mateo ($2.98M)	$ 2,980,800		$(2,980,800)	$ -
County of San Mateo ($6M)	1,500,000		(1,500,000)	-
Barclays PLC	3,000,000		(3,000,000)	-
Total	$ 7,480,800	$ -	$(7,480,800)	$ -
Amounts due within one year				-
Amounts due after one year				$ -

7. 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 (IRC 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 the Massachusetts Mutual Life Insurance Company. At June 30, 2019, PCE had 19 plan participants. PCE is required to contribute 6% of covered payroll and up to an additional 4% of covered payroll as a match to employee contributions. PCE recorded expenses of approximately $237,000 and $162,000 during the years ended June 30, 2019, and June 30, 2018, respectively for that contribution. Plan provisions and contribution requirements as they apply to PCE are established and may be amended by the Board of Directors.

8. 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 ended June 30, 2019, PCE purchased liability and property insurance from commercial carriers. Coverage includes property, general liability, errors and omissions and non-owned automobile. 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 $10,000.

9. PURCHASE COMMITMENTS

In the ordinary course of business, PCE enters into various power purchase 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 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.

PCE had outstanding non-cancelable power purchase-related commitments of approximately $878.3 million for energy that has not yet been provided under power purchase agreements that continue to December 2045.

The following table details the obligations on existing energy, renewable contracts, and resource adequacy (RA) as of June 30, 2019:

Year ending June 30,	Total
2020	$ 170,300,000
2021	95,100,000
2022	60,500,000
2023	52,200,000
2024	40,400,000
2025-45	459,800,000
Total	$ 878,300,000

As of June 30, 2019, PCE had outstanding non-cancelable commitments to professional service providers for services to be performed of approximately $4.1 million from July 2019 through July 2020.

10. OPERATING LEASE

During 2017, PCE entered into an 86-month non-cancelable lease for its office premises. The lease commencement date was August 1, 2017. The rental agreement includes an option to renew the lease for two additional five-year terms. Rental expense under this lease was $368,000 and $300,000 for the years ended June 30, 2019, and 2018, respectively,

In September 2019, the lease was extended an additional two years to September 30, 2026. In addition to the extension, PCE will lease additional office space through the same termination date with an estimated occupancy date of January 1, 2020.

Prior to this lease taking effect, PCE rented temporary office space under a lease with a term of less than one year. Rental expense under this lease was $10,000 for the year ended June 30, 2018.

As of June 30, 2019, future minimum lease payments under this lease were projected as follows:

Year ending June 30,	
2020	$ 379,000
2021	390,000
2022	402,000
2023	414,000
2024	427,000
2025	109,000
Total	$ 2,121,000

11. FUTURE GASB PRONOUNCEMENTS

The requirements of the following GASB Statement are effective for years ending after June 30, 2020:

GASB Statement No. 87, Leases, is effective for fiscal years beginning after December 15, 2019. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, thereby enhancing the relevance and consistency of information about the government's leasing activities.

12. PG&E BANKRUPTCY

PG&E provides transmission and distribution services to PCE customers and serves as billing agent for PCE per the terms of a service agreement. PG&E is also responsible for collecting payments on behalf of PCE. In January 2019, PG&E filed for Chapter 11 bankruptcy protection.

PG&E has taken actions in its bankruptcy motions and subsequent court motions that specify that it will continue to serve as a billing agent on behalf of PCE and does not intend to cease or disrupt those services. PCE expects PG&E will continue to operate in a business-as-usual fashion and that PCE's revenues collected by PG&E will continue to flow through to PCE with no interruption.

13. POWER CHARGE INDIFFERENCE ADJUSTMENT

The CPUC and PCE, along with other CCAs, are in proceedings to determine the Power Charge Indifference Adjustment (PCIA), which is a rate PG&E charges CCA customers to account for the net costs for energy PG&E procured prior to those customers joining a CCA's service. While the outcome of this decision is unknown, an increase or decrease in the rate will change the total amount paid by PCE customers.