

FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2021 AND 2020
WITH REPORT OF
INDEPENDENT AUDITORS



PENINSULA
CLEAN ENERGY

TABLE OF CONTENTS

Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statements of Net Position	9
Statements of Revenues, Expenses and Changes in Net Position	10
Statements of Cash Flows	11
Notes to the Basic Financial Statements	13



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 (Peninsula), as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise Peninsula'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 responsibility 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 Peninsula as of June 30, 2021 and 2020, 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.

Perenti & Brink LLP

Santa Rosa, California
October 20, 2021

**PENINSULA CLEAN ENERGY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2021 AND 2020**

The Management's Discussion and Analysis provides an overview of Peninsula Clean Energy Authority's financial activities as of and for the years ended June 30, 2021, and 2020. The information presented here should be considered in conjunction with the audited financial statements.

BACKGROUND

The formation of Peninsula Clean Energy 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.

Peninsula Clean Energy was created as a California Joint Powers Authority (JPA) on February 29, 2016. Peninsula Clean Energy was established to provide electric power at a competitive cost 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.

Peninsula Clean Energy currently serves twenty-one jurisdictions in San Mateo County including each of the twenty cities and towns that make up San Mateo County (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. Peninsula Clean Energy is governed by twenty-three board members, with a representative from each of the twenty cities and towns of San Mateo County, two board members representing the unincorporated areas of San Mateo County, and one board member representing the City of Los Banos. Peninsula Clean Energy's Board of Directors has the rights and powers to set rates for the services it furnishes, incur indebtedness, and issue bonds or other obligations. Peninsula Clean Energy is responsible for the acquisition of electric power for its service area.

**PENINSULA CLEAN ENERGY AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2021 AND 2020**

Financial reporting

Peninsula Clean Energy presents its financial statements as an enterprise fund under the economic resources measurement focus and the accrual basis of accounting, 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.
- The basic financial statements:
 - The *Statements of Net Position* include all of Peninsula Clean Energy’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 Peninsula Clean Energy’s revenues 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 investment.
 - The notes to the Basic Financial Statements, which provide additional details and information related to the basic financial statements.

**PENINSULA CLEAN ENERGY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2021 AND 2020**

FINANCIAL HIGHLIGHTS

The following table is a summary of Peninsula Clean Energy's assets, liabilities, and net position and a discussion of significant changes during the years ended June 30:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Current assets			
Cash and cash equivalents	\$ 11,704,409	\$ 16,051,116	\$ 48,873,644
Investments	16,672,184	81,408,338	65,195,764
Other current assets	45,556,431	74,461,769	58,204,377
Total current assets	<u>73,933,024</u>	<u>171,921,223</u>	<u>172,273,785</u>
Noncurrent assets			
Capital assets, net	343,640	427,683	335,445
Investments	137,275,212	80,169,968	-
Other noncurrent assets	248,976	134,840	135,355
Total noncurrent assets	<u>137,867,828</u>	<u>80,732,491</u>	<u>470,800</u>
Total assets	<u>211,800,852</u>	<u>252,653,714</u>	<u>172,744,585</u>
Current liabilities	29,408,881	61,988,549	31,048,989
Noncurrent liabilities	1,593,433	1,593,433	1,556,468
Total liabilities	<u>31,002,314</u>	<u>63,581,982</u>	<u>32,605,457</u>
Net position			
Investment in capital assets	343,640	427,683	335,445
Restricted for security collateral	4,449,194	5,618,194	13,165,799
Unrestricted	176,005,704	183,025,855	126,637,884
Total net position	<u>\$180,798,538</u>	<u>\$189,071,732</u>	<u>\$140,139,128</u>

Current assets

Current assets were approximately \$73,933,000 at the end of 2021 and were mostly comprised of cash and cash equivalents of \$11,704,000, accounts receivable of \$18,410,000, investments of \$16,672,000, accrued revenue of \$10,955,000, and restricted cash of \$4,449,000. The \$16,672,000 in current investments at the end of 2021 marked a significant drop from \$81,408,000 categorized as current at the end of 2020. While Peninsula Clean Energy did draw on a portion of its investments to cover operating costs, the primary reason for this change was an investment strategy change to invest in more investments with a maturity longer than one year that are accounted for as noncurrent assets. Another major cause of the decrease in current assets from 2020 to 2021 was the return of a \$26,800,000 supplier deposit during 2021.

**PENINSULA CLEAN ENERGY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2021 AND 2020**

Capital assets

Capital assets are reported net of depreciation. Each year, the change is mostly due to leasehold improvements at Peninsula Clean Energy's office, the acquisition of furniture and equipment less depreciation expense. Peninsula Clean Energy does not own assets used for electricity generation or distribution.

Investments - noncurrent

During 2021, Peninsula Clean Energy increased its investments with maturities of over one year. These investments are valued at \$137,275,000 and are reported as noncurrent assets in the Statement of Net Position. See Note 5 of the financial statements for further discussion regarding investments.

Other noncurrent assets

Other noncurrent assets held fairly stable from 2020 to 2021. 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), rent deposits, and collateral held by Peninsula Clean Energy from energy suppliers.

Current liabilities

Current liabilities consist mostly of the cost of electricity delivered to customers that is not yet due to be paid by Peninsula Clean Energy and deposits with energy suppliers. During 2020, Peninsula Clean Energy received a \$26,800,000 deposit from an energy supplier that was held as collateral until the supplier satisfied specified performance obligations. Peninsula Clean Energy returned the deposit to the supplier in 2021, which accounts for the majority of the reduction in current liabilities. Other components of current liabilities include trade accounts payable, taxes and surcharges due to governments, and various other accrued liabilities.

Noncurrent liabilities

Various contracts entered into by Peninsula Clean Energy require the supplier to provide Peninsula Clean Energy with a security deposit. These deposits will be returned by Peninsula Clean Energy at the completion of the related contract or as other milestones are met. There were no changes in 2021 as compared to 2020.

**PENINSULA CLEAN ENERGY AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2021 AND 2020**

The following table is a summary of Peninsula Clean Energy’s results of operations and a discussion of significant changes for years ended June 30:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating revenues	\$ 228,101,324	\$ 278,092,535	\$ 259,781,823
Investment and other income	76,452	2,268,796	2,074,258
Total income	228,177,776	280,361,331	261,856,081
Operating expenses	236,311,470	231,337,227	206,912,110
Charitable contributions	50,000	-	-
Finance costs	89,500	91,500	170,333
Total expenses	<u>236,450,970</u>	<u>231,428,727</u>	<u>207,082,443</u>
Change in net position	<u>\$ (8,273,194)</u>	<u>\$ 48,932,604</u>	<u>\$ 54,773,638</u>

Operating revenues

Peninsula Clean Energy’s operating revenues are derived from the sale of electricity to commercial and residential customers throughout its territory. Peninsula Clean Energy reports its revenue net of an allowance for uncollectible accounts. In February 2021, Peninsula Clean Energy implemented a rate reduction across all customer classes in order to provide its customers relief from increased fees associated with the Power Charge Indifference Adjustment (PCIA) and to maintain a competitive advantage in the marketplace. This rate reduction corresponded directly with a large drop in revenue from 2020 to 2021. In order to compensate for this revenue shortfall, Peninsula Clean Energy has been able to draw on its reserve funds.

Investment income decreased as a result of a reduction of market interest rates.

Operating expenses

Peninsula Clean Energy’s largest expense each year was the purchase of electricity delivered to retail customers. Peninsula Clean Energy procures energy from a variety of sources and focuses on maintaining a balanced renewable power portfolio at competitive costs. Certain electricity costs increased from 2020 to 2021 while the volume of energy purchased from 2020 to 2021 experienced a small decrease. The ending result was a relatively stable overall cost in electricity from 2020 to 2021. Expenses for staff compensation, contract services, and other general and administrative expenses increased each year as the organization continued to grow to support its business demands. In particular, certain incentives and rebates paid out to customers for transportation and electrification programs increased from 2020 to 2021 as the related programs came to maturity. The cost increase in this category is reported with general and administration expenses.

**PENINSULA CLEAN ENERGY AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2021 AND 2020**

ECONOMIC OUTLOOK

In December 2017, Peninsula Clean Energy 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 Peninsula Clean Energy’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”).

Peninsula Clean Energy is developing energy programs to reduce greenhouse gas emission from transportation. Incentives are offered for used electric vehicles to reduce the costs of these vehicles for residents and to increase the number of electric vehicle charging stations. Peninsula Clean Energy has also approved and funded grants for community pilots to advance Peninsula Clean Energy’s mission to reduce greenhouse gas emissions, support Peninsula Clean Energy’s workforce policy and serve a high number of Peninsula Clean Energy customers.

On October 22, 2020, the Board approved a resolution adding the City of Los Banos as a member of Peninsula Clean Energy. Peninsula Clean Energy plans to start servicing electricity to the customers of Los Banos on April 1, 2022.

In March 2020, like many other businesses and economies, Peninsula Clean Energy’s business was impacted by the effects of COVID-19. Those effects included an overall electricity load reduction, and resulting lower revenues, as a result of reduced economic activity and changed customer use patterns.

REQUEST FOR INFORMATION

This financial report is designed to provide Peninsula Clean Energy’s customers and creditors with a general overview of the organization’s finances and to demonstrate Peninsula Clean Energy’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
JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 11,704,409	\$ 16,051,116
Accounts receivable, net of allowance	18,409,996	22,908,592
Accrued revenue	10,955,011	13,741,725
Investments	16,672,184	81,408,338
Other receivables	4,389,125	1,735,534
Prepaid expenses	3,571,212	3,689,358
Deposits	3,781,893	-
Restricted cash	4,449,194	32,386,560
Total current assets	73,933,024	171,921,223
Noncurrent assets		
Capital assets, net of depreciation	343,640	427,683
Investments	137,275,212	80,169,968
Deposits and other assets	248,976	134,840
Total noncurrent assets	137,867,828	80,732,491
Total assets	211,800,852	252,653,714
LIABILITIES		
Current liabilities		
Accrued cost of electricity	23,574,255	28,835,532
Accounts payable	1,247,108	1,209,764
Other accrued liabilities	1,103,134	2,064,351
User taxes and energy surcharges due to other governments	748,987	857,389
Supplier deposits - energy suppliers	2,735,397	29,021,513
Total current liabilities	29,408,881	61,988,549
Noncurrent liabilities		
Supplier deposits - energy suppliers	1,593,433	1,593,433
Total liabilities	31,002,314	63,581,982
NET POSITION		
Investment in capital assets	343,640	427,683
Restricted for security collateral	4,449,194	5,618,194
Unrestricted	176,005,704	183,025,855
Total net position	\$ 180,798,538	\$ 189,071,732

**PENINSULA CLEAN ENERGY AUTHORITY
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Electricity sales, net	\$ 225,451,521	\$ 275,534,022
Green electricity premium	2,649,803	2,558,513
Total operating revenues	<u>228,101,324</u>	<u>278,092,535</u>
OPERATING EXPENSES		
Cost of electricity	213,833,819	216,065,641
Contract services	10,531,713	8,819,490
Staff compensation	5,637,450	4,522,471
General and administration	6,217,548	1,836,501
Depreciation	90,940	93,124
Total operating expenses	<u>236,311,470</u>	<u>231,337,227</u>
Operating income (loss)	<u>(8,210,146)</u>	<u>46,755,308</u>
NONOPERATING REVENUES (EXPENSES)		
Miscellaneous income	35,636	2,511
Interest and investment income	40,816	2,266,285
Charitable contributions	(50,000)	-
Finance costs	(89,500)	(91,500)
Nonoperating revenues (expenses), net	<u>(63,048)</u>	<u>2,177,296</u>
CHANGE IN NET POSITION	(8,273,194)	48,932,604
Net position at beginning of year	<u>189,071,732</u>	<u>140,139,128</u>
Net position at end of year	<u>\$ 180,798,538</u>	<u>\$ 189,071,732</u>

PENINSULA CLEAN ENERGY AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 239,450,678	\$ 286,315,796
Receipts from supplier security deposits	4,974,578	27,156,416
Payments to suppliers for electricity	(258,110,256)	(212,273,709)
Payments for other goods and services	(16,537,928)	(10,906,287)
Payments for staff compensation	(5,460,310)	(4,382,683)
Payments of taxes and surcharges to other governments	(4,136,810)	(4,652,257)
Payments of charitable contributions	(50,000)	-
Net cash provided (used) by operating activities	(39,870,048)	81,257,276
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Finance costs paid	(89,500)	(91,500)
Net cash (used) by non-capital financing activities	(89,500)	(91,500)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments to acquire capital assets	(22,061)	(211,215)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from investment sales	140,659,234	190,855,243
Investment income received	1,828,256	2,116,407
Purchase of investments	(134,789,954)	(287,527,978)
Net cash provided (used) by investing activities	7,697,536	(94,556,328)
Net change in cash and cash equivalents	(32,284,073)	(13,601,767)
Cash and cash equivalents at beginning of year	48,437,676	62,039,443
Cash and cash equivalents at end of year	\$ 16,153,603	\$ 48,437,676
Reconciliation to the Statement of Net Position		
Cash and cash equivalents (unrestricted)	\$ 11,704,409	\$ 16,051,116
Restricted cash	4,449,194	32,386,560
Cash and cash equivalents	\$ 16,153,603	\$ 48,437,676

**PENINSULA CLEAN ENERGY AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020**

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

	2021	2020
Operating income (loss)	\$ (8,210,146)	\$ 46,755,308
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation expense	90,940	93,124
Revenue adjusted for allowance for uncollectible accounts	996,988	177,235
Nonoperating miscellaneous income	35,636	2,511
Charitable contributions considered an operating activity for cash flow purposes only	(50,000)	-
(Increase) decrease in:		
Accounts receivable	3,501,608	976,046
Accrued revenue	2,786,714	2,419,696
Other receivables	(2,679,401)	(1,065,367)
Prepaid expenses	118,146	620,260
Deposits	(3,896,029)	276,085
Increase (decrease) in:		
Accrued cost of electricity	(5,261,283)	4,406,575
Accounts payable	52,514	187,209
Other accrued liabilities	(961,217)	1,675,587
User taxes and energy surcharges due to other governments	(108,402)	(4,484)
Supplier security deposits	(26,286,116)	24,737,491
Net cash provided (used) by operating activities	\$ (39,870,048)	\$ 81,257,276

**PENINSULA CLEAN ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020**

1. REPORTING ENTITY

Peninsula Clean Energy is a joint powers authority created on February 29, 2016. As of June 30, 2021, 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	

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

A core function of Peninsula Clean Energy 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.

Peninsula Clean Energy 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.

**PENINSULA CLEAN ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

Peninsula Clean Energy'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.

Peninsula Clean Energy'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 Peninsula Clean Energy'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, Peninsula Clean Energy 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. Restricted cash reported on the Statements of Net Position includes collateral for letters of credit, deposits from energy suppliers, as well as a required minimum balance to be maintained in one of Peninsula Clean Energy's bank accounts.

PREPAID EXPENSES AND DEPOSITS

Contracts to purchase energy may require Peninsula Clean Energy 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

Peninsula Clean Energy'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 and ten years for leasehold improvements. Peninsula Clean Energy does not own any electric generation assets.

**PENINSULA CLEAN ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

SUPPLIER DEPOSITS – ENERGY SUPPLIERS

Various energy contracts entered into by Peninsula Clean Energy require the supplier to provide Peninsula Clean Energy 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 the time the deposits will be held.

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. Peninsula Clean Energy did not have any such outstanding borrowings as of June 30, 2021 and 2020.

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

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

OPERATING AND NON-OPERATING REVENUES

Operating revenues include revenue derived from the provision of energy to retail and wholesale customers. Many of Peninsula Clean Energy’s retail customers have opted to purchase a 100% renewable electricity product and pay a \$.01 per kilowatt hour premium. Revenues derived from this premium are reported throughout these financial statements as “Green electricity premium.”

Investment income is considered “non-operating revenue.”

REVENUE RECOGNITION

Peninsula Clean Energy recognizes revenue on 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.

**PENINSULA CLEAN ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

OPERATING AND NONOPERATING EXPENSES

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

ELECTRICAL POWER PURCHASED

During the normal course of business, Peninsula Clean Energy 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 Peninsula Clean Energy'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, Peninsula Clean Energy acquires RPS eligible renewable energy evidenced by Renewable Energy Certificates (Certificates) recognized by the Western Renewable Energy Generation Information System (WREGIS). Peninsula Clean Energy obtains Certificates with the intent to retire them and does not sell or build surpluses of Certificates with a profit motive. Peninsula Clean Energy recognizes an expense on a monthly basis that corresponds to the volume sold to its customers for its various renewable and carbon free products. This expense recognition increases accrued cost of electricity reported on the Statements of Net Position. Payments made to suppliers reduce accrued cost of electricity.

Peninsula Clean Energy 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

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

**PENINSULA CLEAN ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAXES

Peninsula Clean Energy 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.

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.

3. CASH AND CASH EQUIVALENTS

Peninsula Clean Energy maintains its cash in both interest-bearing and non-interest-bearing deposit accounts in several banks. Peninsula Clean Energy'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%. Peninsula Clean Energy 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. Accordingly, the amount of risk is not disclosed. Peninsula Clean Energy monitors its risk exposure on an ongoing basis.

At the end of each year, Peninsula Clean Energy had restricted cash that was held as collateral for letters of credit posted by Peninsula Clean Energy and for supplier security deposits received by Peninsula Clean Energy.

PENINSULA CLEAN ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

4. ACCOUNTS RECEIVABLE

Accounts receivable were as follows as of June 30:

	<u>2021</u>	<u>2020</u>
Accounts receivable from customers	\$20,372,167	\$23,873,775
Allowance for uncollectible accounts	<u>(1,962,171)</u>	<u>(965,183)</u>
Net accounts receivable	<u>\$18,409,996</u>	<u>\$22,908,592</u>

The majority of account collections occur within the first few months following customer invoicing. Peninsula Clean Energy estimates that a portion of the billed accounts will not be collected. Peninsula Clean Energy 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, Peninsula Clean Energy 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. Peninsula Clean Energy expects lower than historical average collections success due to the economic impacts of COVID-19 and has increased the allowance for uncollectible accounts accordingly. During fiscal year 2021 Peninsula Clean Energy recorded a combined \$3,000,000 in accounts receivable write-offs and increases to its allowance for uncollectible accounts.

5. INVESTMENTS

During the years ended June 30, 2021, and 2020, Peninsula Clean Energy purchased investments with original maturities of three months or more. As of the years ended, the fair value of investments were as follows:

	<u>2021</u>	<u>2020</u>
Current Investments:		
U.S. Treasury Securities	\$ 16,567,184	\$ 56,235,021
Corporate bonds	-	25,173,317
Municipal bonds	<u>105,000</u>	<u>-</u>
Total current investments	<u>\$ 16,672,184</u>	<u>\$ 81,408,338</u>
	<u>2021</u>	<u>2020</u>
Noncurrent Investments:		
U.S. Treasury Securities	\$ 95,313,500	\$ 63,515,713
Corporate bonds	34,917,691	16,546,997
Municipal bonds	<u>7,044,021</u>	<u>107,258</u>
Total noncurrent investments	<u>\$ 137,275,212</u>	<u>\$ 80,169,968</u>

**PENINSULA CLEAN ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020**

5. 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. Peninsula Clean Energy'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, 2021 and 2020, Peninsula Clean Energy's investments are considered Level 1 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, Peninsula Clean Energy 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 Peninsula Clean Energy's name, and are held by the counterparty.

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. Peninsula Clean Energy manages its exposure to declines in fair values by limiting the weighted average maturity of its investments.

**PENINSULA CLEAN ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020**

5. INVESTMENTS (continued)

INTEREST RATE RISK (continued)

Following is a summary of investment maturities as of June 30, 2021:

<u>Investment type</u>	<u>Fair value</u>	<u>Investment maturities</u>	
		<u>Less than 1 year</u>	<u>1-5 years</u>
U.S. Treasury Securities	\$ 111,880,684	\$ 16,567,184	\$ 95,313,500
Corporate bonds	34,917,691	-	34,917,691
Municipal bonds	7,149,021	105,000	7,044,021
	<u>\$ 153,947,396</u>	<u>\$ 16,672,184</u>	<u>\$ 137,275,212</u>

Following is a summary of investment maturities as of June 30, 2020:

<u>Investment type</u>	<u>Fair value</u>	<u>Investment maturities</u>	
		<u>Less than 1 year</u>	<u>1-5 years</u>
U.S. Treasury Securities	\$ 119,750,734	\$ 56,235,021	\$ 63,515,713
Corporate bonds-U.S.	27,737,862	11,190,865	16,546,997
Corporate bonds-foreign	13,982,452	13,982,452	-
Municipal bonds	107,258	-	107,258
	<u>\$ 161,578,306</u>	<u>\$ 81,408,338</u>	<u>\$ 80,169,968</u>

6. CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2021 and 2020 was as follows:

	<u>Furniture & Equipment</u>	<u>Leasehold Improvements</u>	<u>Accumulated Depreciation</u>	<u>Total</u>
Balances at June 30, 2019	\$ 364,550	\$ 104,669	\$ (133,774)	\$ 335,445
Additions	75,134	108,564	(91,460)	92,238
Balances at June 30, 2020	439,684	213,233	(225,234)	427,683
Additions	6,897	-	(90,940)	(84,043)
Balances at June 30, 2021	<u>\$ 446,581</u>	<u>\$ 213,233</u>	<u>\$ (316,174)</u>	<u>\$ 343,640</u>

**PENINSULA CLEAN ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020**

7. DEBT

During fiscal year 2021, Peninsula Clean Energy had an available bank line of credit in the amount of \$12,000,000 to provide additional liquidity for operations, as needed. There is no collateral requirement related to the line of credit and Peninsula Clean Energy did not draw any funds against it. Amounts drawn from the line of credit are charged interest at one-month LIBOR plus 3.1%. Peninsula Clean Energy terminated this line of credit as of June 30, 2021.

8. DEFINED CONTRIBUTION RETIREMENT PLAN

Peninsula Clean Energy 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 the Massachusetts Mutual Life Insurance Company. As of June 30, 2021, there were 30 plan members. Peninsula Clean Energy is required to contribute 6% of annual covered payroll and up to an additional 4% of annual covered payroll to match employee contributions. Peninsula Clean Energy contributed \$395,000 and \$332,000 during the years ended June 30, 2021 and 2020, respectively. Plan provisions and contribution requirements are established and may be amended by the Board of Directors.

9. RISK MANAGEMENT

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

Peninsula Clean Energy 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, Peninsula Clean Energy enters into netting arrangements whenever possible and where appropriate obtains collateral and other performance assurances from counter parties.

PENINSULA CLEAN ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

10. PURCHASE COMMITMENTS

In the ordinary course of business, Peninsula Clean Energy 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.

The following table details the obligations to purchase existing energy, renewable, and resource adequacy (RA) contracts as of June 30, 2021:

Year ending June 30,	
2022	\$ 194,000,000
2023	176,000,000
2024	136,000,000
2025	108,000,000
2026	99,000,000
2027-45	841,000,000
Total	<u><u>\$1,554,000,000</u></u>

As of June 30, 2021, Peninsula Clean Energy had outstanding non-cancelable commitments to professional service providers through June 2024, for services yet to be performed. Fees associated with these contracts are based on volumetric activity and are expected to be approximately \$10.1 million.

**PENINSULA CLEAN ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020**

11. OPERATING LEASE

On August 1, 2017 Peninsula Clean Energy 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, Peninsula Clean Energy leased additional office space through the same termination date.

Rental expense under this lease was \$512,000 and \$428,000 for the years ended June 30, 2021 and 2020, respectively,

As of June 30, 2021, future minimum lease payments under this lease were projected as follows:

Year ending June 30,	
2022	\$ 516,000
2023	531,000
2024	547,000
2025	564,000
2026	581,000
2027	148,000
Total	<u>\$ 2,887,000</u>

12. FUTURE GASB PRONOUNCEMENTS

The requirements of the following GASB Statements are effective for years ending after June 30, 2021:

GASB has approved GASB Statement No. 87, *Leases*, GASB 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, GASB 96, *Subscription-Based Information Technology Arrangements*; and GASB No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. When they become effective, application of these standards may restate portions of these financial statements.