FINANCIAL STATEMENTS

FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

WITH REPORT OF

INDEPENDENT AUDITORS

PENINSULA
CLEAN ENERGY

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Independent Auditor's Report

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

Report on the Audits of the Financial Statements

Opinion

We have audited the accompanying financial statements of Peninsula Clean Energy Authority (PCE), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which comprise PCE's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of PCE as of June 30, 2023 and 2022, 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.

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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.

Independent Auditor's Report (continued)

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 13, 2023

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, 2023 and 2022. 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. Its purpose is 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, and promoting long-term electric rate stability and energy reliability for residents and businesses.

PCE currently serves twenty-two jurisdictions located in San Mateo and Merced Counties. The jurisdictions include the City of Los Banos, in Merced County, which PCE began serving on April 1, 2022, and the unincorporated areas and the twenty cities and towns located in 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).

PCE 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. PCE'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. PCE is responsible for the acquisition of electric power for its service area.

Financial Reporting

PCE 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's discussion and analysis.

- The Basic Financial Statements:

    - 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 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 investments.

    - The notes to the Basic Financial Statements 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 and a discussion of significant changes during the years ended June 30:

	2023	2022	2021
Current assets			
Cash and cash equivalents	$130,225,289	$ 9,777,452	$ 16,153,603
Accounts receivable & accrued revenue	59,449,359	53,591,360	29,365,007
Investments	9,473,416	17,564,207	16,672,184
Other current assets	31,081,860	13,417,474	11,742,230
Total current assets	230,229,924	94,350,493	73,933,024
Noncurrent assets			
Capital and lease assets, net	3,245,102	2,355,826	2,930,410
Investments	113,806,280	107,748,793	137,275,212
Other noncurrent assets	1,384,089	192,878	248,976
Total noncurrent assets	118,435,471	110,297,497	140,454,598
Total assets	348,665,395	204,647,990	214,387,622
Current liabilities			
Accrued cost of electricity	25,646,569	27,138,918	23,574,256
Other current liabilities	12,333,295	6,424,980	6,274,032
Total current liabilties	37,979,864	33,563,898	29,848,288
Noncurrent liabilities	3,059,539	3,413,358	3,822,281
Total liabilities	41,039,403	36,977,256	33,670,569
Net position			
Investment in capital assets	399,493	126,979	262,156
Restricted for security collateral	-	-	4,449,194
Unrestricted	307,226,499	167,543,755	176,005,703
Total net position	$307,625,992	$167,670,734	$180,717,053

Current Assets

Current assets increased during 2023 as a result of PCE's operating surplus. This surplus was the result of rate increases and the expansion into the city of Los Banos. PCE's current assets were approximately $231,425,000 at the end of 2023, and are mostly comprised of cash and cash equivalents, accounts receivable and accrued revenue. Accrued revenue differs from accounts receivable in that it represents electricity provided to PCE customers that had not yet been invoiced as of the statement of net position date.

Noncurrent Assets

Capital assets are reported net of depreciation. Changes each year include leasehold improvements made at PCE's office and the acquisition of furniture and equipment, less depreciation expense. In 2023, 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 construction in progress.

A lease asset is reported in accordance with Governmental Accounting Standards Board No. 87 (GASB 87) that was implemented during 2022, with a restatement back to 2020. According to GASB, the Statement aims to increase the usefulness of governments' financial statements by requiring reporting of certain lease assets and liabilities that previously were not recognized on the statement of net position.

Other noncurrent assets held fairly stable from 2022 to 2023. This category 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 PCE from energy suppliers.

Current Liabilities

The largest component of current liabilities is the unpaid cost of electricity delivered to customers which remained stable from year to year.

PCE participates in a FLEXmarket Program administered through Pacific Gas and Electric (PG&E). This program offers incentives for certain energy efficiency measures. Eligible projects and incentives are evaluated by the metered energy savings they provide. During 2023, PCE received approximately $4,679,000 to provide funding for future projects. PCE has not incurred any expenses for the program as of June 30, 2023. This amount is included in deferred revenue on the Statements of Net Position and accounts for the entire change from 2022 to 2023.

Noncurrent Liabilities

Various contracts entered into by PCE require the supplier to provide PCE with a security deposit. These deposits will be returned by PCE at the completion of the related contract or as other milestones are met. There was little change in deposits from 2022 to 2023.

Revenues and Expenses

The following table is a summary of PCE's results of operations and a discussion of significant changes for years ended June 30:

	2023	2022	2021
Operating revenues	$ 428,218,199	$ 237,898,558	$ 228,101,324
Nonoperating revenues	789,539	1,824,346	35,636
Interest and investment returns	2,164,071	(6,153,368)	40,816
Total revenues	431,171,809	233,569,536	228,177,776
Operating expenses	291,154,063	246,539,330	236,303,283
Charitable contributions	-	-	50,000
Interest and finance costs	62,488	76,525	179,171
Total expenses	291,216,551	246,615,855	236,532,454
Change in net position	$ 139,955,258	$ (13,046,319)	$ (8,354,678)

Operating revenues

PCE's operating revenues are derived from the sale of electricity to commercial and residential customers throughout its territory. PCE reports its revenue net of uncollectible accounts. Rate increases in effect during 2023 account for the majority of the increase in revenue from the prior year. Additionally, the inclusion of Los Banos for the full year in 2023 resulted in an increase in revenue from 2022.

Other revenues

The nonoperating revenue increase from 2021 to 2022 was primarily the result of grant income from the California Arrearage Payment Plan (CAPP) that was received in 2022. CAPP grant income declined from 2022 to 2023. Investment income decreased in 2022 as a result of a market value adjustment related to a reduction of market interest rates. Market rate increases in 2023 contributed to increase investment returns. Management intends to hold investments to maturity.

Operating expenses

PCE's largest expense each year 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. Electricity costs increased each year from 2021 to 2023. The main cause of the increase was overall higher market prices. In 2022, the expansion to Los Banos also required additional electricity to be purchased. Expenses for staff compensation, contract services, customer incentive programs and other general and administrative expenses increased each year as the organization continued to grow to support its customer demands.

ECONOMIC OUTLOOK

The COVID-19 pandemic impacted PCE's business like many other businesses during fiscal years 2020-21 and 2021-22 as the regional economy slowed during shelter-in place orders and the subsequent return to a new normal of economic activity. PCE's electricity loads declined from a high of 3.71 million MWh in fiscal year 2019-20 to 3.55 million MWh in fiscal year 2021-22 and 2022-23, driven by pandemic impact and recoveries. However, we have seen electricity load recover and are currently projecting a load of 3.72 million MWh in fiscal year 2023-2024.

PCE has a portfolio of energy programs supporting electrification of buildings and transportation, load shaping, and fostering local solar and storage. In fiscal year 2023-24, PCE is investing over $12 million in programs including technical assistance for solar and EV charging installations, finance for electrification, and incentives for electric vehicles (EV), EV charging, electric appliances among others. Clean energy technologies is in a period of accelerating adoption, especially for EVs. In addition, nearly all local governments have adopted building codes with requirements for all-electric new construction and EV readiness.

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,

Shawn Marshall, Chief Executive Officer

BASIC FINANCIAL STATEMENTS

PENINSULA CLEAN ENERGY AUTHORITY
STATEMENTS OF NET POSITION
JUNE 30, 2023 AND 2022

ASSETS	**2023**	**2022**
Current assets		
Cash and cash equivalents	$ 130,225,289	$ 9,777,452
Accounts receivable, net of allowance	37,224,799	32,869,379
Accrued revenue	22,224,560	20,721,981
Investments	9,473,416	17,564,207
Other receivables	6,273,418	2,986,880
Prepaid expenses	8,566,209	4,976,571
Deposits	16,242,233	5,454,023
Total current assets	230,229,924	94,350,493
Noncurrent assets		
Investments	113,806,280	107,748,793
Other receivables	1,195,215	-
Deposits and other assets	188,874	192,878
Lease asset, net of amortization	1,601,332	2,094,052
Capital assets and construction in progress, net of depreciation	1,643,770	261,774
Total noncurrent assets	118,435,471	110,297,497
Total assets	348,665,395	204,647,990
LIABILITIES		
Current liabilities		
Accrued cost of electricity	25,646,569	27,138,918
Accounts payable	1,161,115	1,171,803
Other accrued liabilities	1,829,885	804,834
Deferred revenue	4,844,063	273,500
User taxes and energy surcharges due to other governments	1,240,296	1,081,831
Deposits - energy suppliers	2,758,099	2,624,090
Lease liability	499,837	468,922
Total current liabilities	37,979,864	33,563,898
Noncurrent liabilities		
Deposits - energy suppliers	1,799,451	1,653,433
Lease liability	1,260,088	1,759,925
Total noncurrent liabilities	3,059,539	3,413,358
Total liabilities	41,039,403	36,977,256
NET POSITION		
Net investment in capital assets	399,493	126,979
Unrestricted	307,226,499	167,543,755
Total net position	$ 307,625,992	$ 167,670,734

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, 2023 AND 2022

	2023	2022
OPERATING REVENUES		
Electricity sales, net	$ 423,844,350	$ 233,526,144
Green electricity premium	3,011,461	2,858,977
Liquidated damages revenue	252,060	493,183
Grant revenue	1,110,328	1,020,254
Total operating revenues	428,218,199	237,898,558
OPERATING EXPENSES		
Cost of electricity	265,207,567	226,678,063
Contract services	10,726,493	10,188,609
Staff compensation	8,001,779	6,351,193
Other operating expenses	6,650,426	2,747,244
Depreciation and amortization	567,798	574,221
Total operating expenses	291,154,063	246,539,330
Operating income (loss)	137,064,136	(8,640,772)
NONOPERATING REVENUES (EXPENSES)		
Grant revenue	789,539	1,824,346
Interest and investment returns	2,164,071	(6,153,368)
Finance costs	(62,488)	(76,525)
Nonoperating revenues (expenses), net	2,891,122	(4,405,547)
CHANGE IN NET POSITION	139,955,258	(13,046,319)
Net position at beginning of year	167,670,734	180,717,053
Net position at end of year	$ 307,625,992	$ 167,670,734

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

PENINSULA CLEAN ENERGY AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 427,757,814	$ 216,039,305
Receipts from grantors	5,788,891	1,020,254
Receipts from supplier security deposits	16,363,798	6,639,091
Receipts of liquidated damages	-	493,183
Payments to suppliers for electricity	(273,473,707)	(226,221,013)
Payments for other goods and services	(19,025,668)	(12,802,091)
Deposits and collateral paid	(26,743,771)	(5,616,033)
Payments for staff compensation	(7,970,572)	(6,249,329)
Payments of taxes and surcharges to other governments	(6,064,477)	(3,547,693)
Net cash provided (used) by operating activities	116,632,308	(30,244,326)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Grant revenue	789,539	1,824,346
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments of lease liability	(531,409)	(533,808)
Payments to acquire capital assets	(371,391)	-
Net cash used by capital and related financing activities	(902,800)	(533,808)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from investment sales	42,294,286	58,926,086
Investment income received	3,440,698	1,947,354
Purchase of investments	(41,806,194)	(38,295,803)
Net cash provided by investing activities	3,928,790	22,577,637
Net change in cash and cash equivalents	120,447,837	(6,376,151)
Cash and cash equivalents at beginning of year	9,777,452	16,153,603
Cash and cash equivalents at end of year	$ 130,225,289	$ 9,777,452

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

PENINSULA CLEAN ENERGY AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2023 AND 2022

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

	2023	2022
Operating income (loss)	$ 137,064,136	$ (8,640,772)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation and amortization expense	567,798	574,221
(Increase) decrease in:		
Accounts receivable, net	(4,355,420)	(14,459,383)
Accrued revenue	(1,502,579)	(9,766,970)
Other receivables	(4,337,373)	1,305,636
Prepaid expenses	(3,589,638)	(1,405,359)
Deposits and other assets	(10,660,000)	(1,616,033)
Increase (decrease) in:		
Accrued cost of electricity	(1,492,350)	3,564,669
Accounts payable	(10,688)	(75,305)
Deferred revenue	4,570,563	-
Other accrued liabilities	(60,633)	(6,930)
User taxes and energy surcharges due to other governments	158,465	333,207
Supplier security deposits	280,027	(51,307)
Net cash provided (used) by operating activities	$ 116,632,308	$ (30,244,326)

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, 2023, 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 investment of funds in depository accounts, certificates of deposit and the Local Agency Investment Fund (LAIF) program operated by the California State Treasury, United States Treasury obligations, Federal Agency Securities, commercial paper, and money market funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 and ten years for leasehold improvements. PCE does not own any electric generation assets.

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)

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 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, 2023 and 2022.

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

Operating revenues include revenue derived from the provision of energy to retail and wholesale customers. 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 includes interest earned on bank deposits as well as unrealized gains and losses on its investment holdings. Interest and investment income (loss) is considered a nonoperating activity.

REVENUE RECOGNITION

PCE 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.

OPERATING AND NONOPERATING EXPENSES

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

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 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 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.

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 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 previously mentioned. 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:

	2023	2022
Accounts receivable from customers	$40,713,367	$34,793,412
Allowance for uncollectible accounts	(3,488,568)	(1,924,033)
Net accounts receivable	$37,224,799	$32,869,379

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 2023 and 2022, PCE recorded $3,162,000 and $2,070,000, respectively, as an increase to the allowance for uncollectible accounts due to bad debt expense. Bad debt expense is reported as a reduction in electricity sales on 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. In 2023 and 2022, PCE received CAPP funds (see Note 6) that helped recover for previously written off accounts receivable.

4. INVESTMENTS

During the years ended June 30, 2023 and 2022, PCE purchased investments with original maturities of three months or more. As of June 30, the fair value of investments was as follows:

	2023	2022
Current Investments:		
U.S. Treasury Securities	$ 9,227,405	$ 16,280,704
Corporate bonds	246,011	1,283,503
Total current investments	$ 9,473,416	$ 17,564,207

	2023	2022
Noncurrent Investments:		
U.S. Treasury Securities	$ 73,316,271	$ 69,956,207
Corporate bonds	34,176,492	31,409,654
Municipal bonds	6,313,517	6,382,932
Total noncurrent investments	$ 113,806,280	$ 107,748,793

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, 2023 and 2022, 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, 2023 and 2022, PCE's investments were rated as follows:

	Moody's Investors Service	
	2023	2022
U.S. Treasury Securities	NR and Aaa	NR and Aaa
Certificates of Deposit	NR	NR
Corporate Bonds	A3 to Aaa	A3 to Aaa
Municipal Bonds	NR & Aa2 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 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%.

As of June 30, 2023 and 2022, none of PCE's bank balances are known to be individually exposed to credit risk.

CUSTODIAL 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 this 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, 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

Following is a summary of investment maturities as of June 30, 2022:

		Investment Maturities	
Investment Type	**Fair Value**	**Less Than 1 Year**	**1-5 Years**
U.S. Treasury Securities	$ 86,236,911	$ 16,280,704	$ 69,956,207
Corporate bonds-U.S.	32,198,932	1,283,503	30,915,429
Corporate bonds-foreign	494,225	-	494,225
Municipal bonds	6,382,932	-	6,382,932
	$ 125,313,000	$ 17,564,207	$ 107,748,793

5. CAPITAL ASSETS AND LEASE ASSET

Capital asset activity for the years ended June 30, 2023 and 2022 was as follows:

	Furniture & Equipment and Construction in Progress	Leasehold Improvements	Accumulated Depreciation	Total
Balances at June 30, 2021	$ 446,581	$ 213,233	$ (316,174)	$ 343,640
Additions		-	(81,503)	(81,503)
Dispositions	(2,179)	-	1,816	(363)
Balances at June 30, 2022	444,402	213,233	(395,861)	261,774
Additions	1,433,434	23,640	(75,078)	1,381,996
Balances at June 30, 2023	$ 1,877,836	$ 236,873	$ (470,939)	$ 1,643,770

Lease asset activity for the years ended June 30, 2023 and 2022 was as follows:

	Lease Asset	Accumulated Amortization	Total
Balances at June 30, 2021	$ 3,079,488	$ (492,718)	$ 2,586,770
Additions	-	(492,718)	(492,718)
Balances at June 30, 2022	3,079,488	(985,436)	2,094,052
Additions	-	(492,720)	(492,720)
Balances at June 30, 2023	$ 3,079,488	$ (1,478,156)	$ 1,601,332

6. GRANTS

PCE administers 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.

PCE also administers a grant from the California Public Utilities Commission (CPUC) for the Disadvantaged Communities Green Tariff (DAC-GT). This grant provides bill discounts for eligible customers.

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

	2023	2022
CAPP	$ 789,539	$ 1,824,346
DAC	1,110,328	1,020,254
Total grant revenue	$ 1,899,867	$ 2,844,600

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 (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, 2023, there were 40 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 $574,000 and $473,000 during the years ended June 30, 2023 and 2022, respectively. Plan provisions and contribution requirements 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, 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.

9. LEASE

A lease asset is reported in accordance with Governmental Accounting Standards Board No. 87 (GASB 87) that was implemented during 2022, with a restatement back to 2020. According to GASB, the Statement aims to increase the usefulness of governments' financial statements by requiring reporting of certain lease assets and liabilities that previously were not recognized on the statement of net position.

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 $543,000 and $530,000 for the years ended June 30, 2023 and 2022, respectively.

As of June 30, 2023, future minimum lease payments under this lease were projected as follows:

	Principal	Interest	Total
Year ending June 30,			
2024	$ 499,837	$ 47,515	$ 547,352
2025	532,209	31,563	563,772
2026	566,100	14,586	580,686
2027	161,779	877	162,656
Total	$ 1,759,925	$ 94,541	$ 1,854,466

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, 2023:

Year ending June 30,	
2024	$ 269,319,000
2025	235,001,000
2026	178,936,000
2027	182,152,000
2028	179,501,000
2029-2046	1,461,437,000
Total	$2,506,346,000

11. FUTURE GASB PRONOUNCEMENTS

The requirements of the following GASB Statements are effective for years ending after June 30, 2023:

GASB has approved GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements,* GASB Statement No. 96, *Subscription-Based Information Technology Arrangements,* GASB Statement No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, GASB Statement No. 99, *Omnibus 2022*, GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, and GASB Statement No. 101, *Compensated Absences*. Management is evaluating the effect of implementation of these statements.