CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 & 2023

WITH REPORT OF

INDEPENDENT AUDITORS

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Independent Auditor's Report

To the Board of Directors
Clean Energy Alliance

Report on the Audits of the Financial Statements

Opinion

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

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CEA 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.

Emphasis of Matter

As discussed in Note 7 to the financial statements, the 2023 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

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 CEA's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audits of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CEA'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 CEA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplementary Information

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

Pisenti & Brinker LLP

Santa Rosa, California
October 24, 2024

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

If you have questions about this report or require further information, please contact CEA at askcea@thecleanenergyalliance.org.

Overview of the Financial Statements

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

- The *Statements of Net Position* include all of CEA'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 CEA's revenue and expenses for the years shown.

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

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

Financial Summary

CEA's Net Position

	2024	2023 (As Restated)	2022
Current assets	$ 55,761,350	$ 32,926,762	$ 15,557,862
Noncurrent assets	242,376	978,376	1,144,000
Total assets	**56,003,726**	**33,905,138**	**16,701,862**
Current liabilities	38,522,410	25,996,084	6,451,840
Noncurrent liabilities	34,446,150	18,446,150	14,024,017
Total liabilities	**72,968,560**	**44,442,234**	**20,475,857**
Net position			
Unrestricted (deficit)	(16,964,834)	(10,537,096)	(3,773,995)
Total net position	**$ (16,964,834)**	**$ (10,537,096)**	**$ (3,773,995)**

As of June 30, 2024, CEA's total net position was a deficit of approximately $16,965,000, a decrease in net position of $6,428,000 or 61% as compared to June 30, 2023. The decrease in net position was the result of CEA's operating deficit as discussed below. In order to provide for operating cash flows during the year, CEA increased its borrowings.

CEA's Changes in Net Position

	2024	2023 (As Restated)	2022
Operating revenues	$ 198,067,134	$ 86,873,952	$ 61,068,464
Nonoperating revenues	218,449	323,223	15,040
Total income	**198,285,583**	**87,197,175**	**61,083,504**
Operating expenses	203,233,184	92,752,374	61,786,792
Nonoperating expenses	1,480,137	1,207,902	363,293
Total expenses	**204,713,321**	**93,960,276**	**62,150,085**
Change in net position	**$ (6,427,738)**	**$ (6,763,101)**	**$ (1,066,581)**

Increases in the volume of electricity sold accounted for most of the increase in total income. Operating expenses increased each year due primarily to the growing cost of energy purchased.

Detailed Analysis

Current assets increased from $32,927,000 at the end of fiscal year 2023 to $55,761,000 at the end of fiscal year 2024. This change was due to increases in accounts receivable and accrued revenue as a result of CEAs expanding customer base during this period. Current assets at the end of fiscal year 2024 were primarily comprised of cash of $5,267,000, accounts receivable of $21,682,000, accrued revenue of $20,914,000 and prepaid expenses of $7,095,000.

Noncurrent assets include cash of $187,000 and deposits of $55,000 at the end of fiscal year 2024 and cash of $207,000 and deposits of $771,000 at the end of fiscal year 2023. The decrease in noncurrent deposits is due to reclassification from noncurrent to current as the terms of the deposits changed.

The largest component of current liabilities is the cost of electricity delivered to customers that was not yet paid by CEA as of year-end. Current liabilities for the cost of electricity increased during fiscal year 2024 due to an increase in the volume of electricity delivered to customers, changes in payment terms of certain energy products, and increases in the prices of those products.

Noncurrent liabilities consist of supplier security deposits and the long-term portion of CEA's revolving line of credit.

CEA restated its fiscal year 2023 net position and results to include certain costs that were not included in the original financial statements for that year. Please refer to Note 7 for more information.

Operating revenues increased each year from fiscal years 2022 to 2024, primarily from territory expansions and increases in customer rates. In April 2023, CEA began onboarding the cities of Escondido and San Marcos. This expansion more than doubled the existing customer load and was a key driver of the increased revenue during fiscal year 2024 as they were customers for the entirety of that year. In April 2024, CEA began onboarding the cities of Oceanside and Vista which resulted in an increase in customer load of approximately 70% for the last few months of fiscal year 2024. In addition to the increases in the customer base, CEA implemented rate increases on February 1, 2023 that increased revenues from electricity sales.

Detailed Analysis (continued)

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

Operating expenses increased each year, primarily due to substantially increased electricity volumes relating to the increased load and to increased prices for certain products in the energy markets. For all the years presented, the largest expense was the cost of electricity. CEA procures energy from a variety of sources to minimize this risk and maintain a balanced renewable power portfolio.

Significant Capital Asset and Long-Term Financing Activity

During fiscal year 2024, borrowing from the revolving line of credit was $30,000,000 and repayments were $19,000,000, for a net increase of $11,000,000. During fiscal year 2024, CEA repaid loans from member agencies of $504,017. See Note 4 to the financial statements for further discussion regarding debt.

Currently Known Facts, Decisions, or Conditions

CEA serves approximately 95% of all eligible customers in the cities of Carlsbad, Del Mar, Escondido, Oceanside, San Marcos, Solana Beach, and Vista, or approximately 242,000 customer accounts. CEA's core mission is to provide electricity from a minimum 50% renewable sources, increasing to 100% renewable by 2035, at stable and competitive rates. The fiscal year ended June 30, 2024, saw CEA reporting a net deficit due to costs related to expansion and the increases in the cost of electricity that were higher than anticipated. It is expected that in future fiscal years this deficit will be eliminated as revenues increase and CEA's cost of electricity is reduced through contracted energy positions.

The Board has approved an operating budget for fiscal year 2025 with revenues projected at $360,840,000 and a net result of operations projected at $33,307,000. The budget provides for expenses for power supply, on-going regulatory compliance requirements, and professional and legal services required to support the expanded operations. Assumptions used to develop the proposed budget were:

- Power supply costs based on actual executed contracts and April forward price curves
- Consulting services based on approved contracts
- Reserves to achieve minimum 5% of FY 2025 revenues

Sufficient revenues are projected to cover costs based on the current assumptions. The cost of Resource Adequacy and Long-Term Renewable Energy have been, and budgeted to continue, significantly higher than in prior years.

One of the goals of CEA is to expand and offer its community choice energy service to eligible communities within San Diego Gas & Electric territory. The cities of Oceanside and Vista began service in April 2024, however no further expansions are planned anytime soon.

Requests for Information

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

Please address any questions about this report or requests for additional financial information to the finance department at 5857 Owens Ave, Suite 2023, Carlsbad, CA 92008.

BASIC FINANCIAL STATEMENTS

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

ASSETS	2024	2023 (As Restated)
Current assets		
Cash and cash equivalents	$ 5,266,758	$ 4,455,398
Accounts receivable, net of allowance	21,681,984	9,664,989
Accrued revenue	20,914,382	13,291,561
Other receivables	33,000	979,621
Prepaid expenses	7,095,226	4,136,193
Deposits	770,000	399,000
Total current assets	55,761,350	32,926,762
Noncurrent assets		
Restricted cash	187,000	207,000
Deposits	55,376	771,376
Total noncurrent assets	242,376	978,376
Total assets	56,003,726	33,905,138
LIABILITIES		
Current liabilities		
Accrued cost of electricity	37,065,092	19,553,397
Accounts payable	886,739	593,647
Other accrued liabilities	363,791	174,503
Interest and financing cost payable	206,788	170,520
Due to member agencies	-	504,017
Revolving line of credit	-	5,000,000
Total current liabilities	38,522,410	25,996,084
Noncurrent liabilities		
Security deposits - energy suppliers	496,150	496,150
Revolving line of credit	33,950,000	17,950,000
Total noncurrent liabilities	34,446,150	18,446,150
Total liabilities	72,968,560	44,442,234
NET POSITION		
Unrestricted (deficit)	$ (16,964,834)	$ (10,537,096)

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

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

	2024	2023 (As Restated)
OPERATING REVENUES		
Electricity sales, net	$ 198,067,134	$ 86,873,952
OPERATING EXPENSES		
Cost of electricity	197,129,829	89,714,747
Contract services	4,914,137	2,863,353
Staff compensation	780,082	-
Other operating expenses	409,136	174,274
Total operating expenses	203,233,184	92,752,374
Operating loss	(5,166,050)	(5,878,422)
NONOPERATING REVENUES (EXPENSES)		
Grant revenue	-	279,489
Investment income	218,449	43,734
Interest and financing expense	(1,480,137)	(1,207,902)
Nonoperating expenses, net	(1,261,688)	(884,679)
CHANGE IN NET POSITION	(6,427,738)	(6,763,101)
Net position at beginning of year (as restated - Note 7)	(10,537,096)	(3,773,995)
Net position at end of year	$ (16,964,834)	$ (10,537,096)

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

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

	2024	2023 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 178,837,630	$ 77,030,133
Receipts of supplier security deposits	345,000	1,133,150
Payments to suppliers for electricity	(181,619,626)	(81,121,037)
Payments for goods and services	(5,000,777)	(2,577,168)
Payments for staff compensation	(679,423)	-
Payments for state surcharges	(362,008)	(198,166)
Payments for deposits and collateral	-	(55,376)
Net cash used by operating activities	(8,479,204)	(5,788,464)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Proceeds from grant revenue	-	279,489
Proceeds - revolving line of credit	30,000,000	9,430,000
Principal payments - revolving line of credit	(19,000,000)	-
Principal payments - loan	(504,017)	-
Interest and related expense payments	(1,443,868)	(1,037,382)
Net cash provided by non-capital financing activities	9,052,115	8,672,107
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	218,449	43,734
Net cash provided by investing activities	218,449	43,734
Net change in cash and cash equivalents	791,360	2,927,377
Cash and cash equivalents at beginning of year	4,662,398	1,735,021
Cash and cash equivalents at end of year	$ 5,453,758	$ 4,662,398
Reconciliation to the Statement of Net Position		
Cash and cash equivalents (unrestricted)	$ 5,266,758	$ 4,455,398
Restricted cash	187,000	207,000
Cash and cash equivalents	$ 5,453,758	$ 4,662,398

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

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

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

	2024	2023 (As Restated)
Operating loss	$ (5,166,050)	$ (5,878,422)
Adjustments to reconcile operating loss to net cash used by operating activities		
(Increase) decrease in:		
Accounts receivable, net	(12,016,995)	(580,086)
Accrued revenue	(7,622,821)	(9,485,138)
Other receivables	946,621	(794,263)
Prepaid expenses	(2,959,033)	(4,008,036)
Deposits	345,000	591,624
Increase (decrease) in:		
Accrued cost of electricity	17,511,695	13,781,215
Accounts payable	293,091	444,748
Other accrued liabilities	189,288	(346,256)
Supplier security deposits	-	486,150
Net cash used by operating activities	$ (8,479,204)	$ (5,788,464)

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Clean Energy Alliance (CEA) is a California Joint Powers Authority created on November 4, 2019. As of June 30, 2024, parties to its Joint Powers Agreement consist of the following local governments:

Cities and Towns	
Carlsbad	San Marcos
Del Mar	Solana Beach
Escondido	Vista
Oceanside	

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

A core function of CEA 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.

CEA began its energy delivery operations in May 2021. Electricity is acquired from electricity suppliers and delivered through existing physical infrastructure and equipment managed by San Diego Gas and Electric (SDG&E).

BASIS OF ACCOUNTING

CEA'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.

CEA'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, if applicable – investment in capital assets, restricted and unrestricted.

When both restricted and unrestricted resources are available for use, it is CEA's policy to use restricted resources first, and then unrestricted resources as they are needed.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CASH AND CASH EQUIVALENTS

For the purpose of the Statements of Cash Flows, CEA 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 on a bank loan, as well as a required minimum balance to be maintained in one of its bank accounts.

ACCOUNTS RECEIVABLE AND ACCRUED REVENUE

CEA invoices customers for energy delivered each month on staggered billing cycles. Each reporting period, management records revenue for energy delivered but not yet invoiced based on energy volume and applicable rate.

PREPAID EXPENSES

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

DEPOSITS

Contracts to purchase energy may require CEA to provide a supplier with advanced payments or security deposits. Security 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.

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. CEA did not have any capital assets as of June 30, 2024 and 2023.

Restricted: This component of net position consists of constraints placed on the use of net assets through external constraints, such as those 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.”

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

OPERATING AND NONOPERATING REVENUES

Operating revenues include energy sales to customers.

Investment income and grants that are not earned from the delivery of program activities are considered “nonoperating revenue.”

REVENUE RECOGNITION

CEA recognizes revenue according to the accrual basis. This includes invoices issued to customers during the reporting period and electricity estimated to have been delivered but not yet invoiced. Management estimates that a portion of the invoiced amounts will be uncollectible. Accordingly, an allowance for uncollectible accounts has been recorded.

OPERATING AND NONOPERATING EXPENSES

Operating expenses include the cost of sales and services, and administrative expenses. Expenses not meeting this definition are reported as nonoperating expenses.

ELECTRICAL POWER PURCHASED

During the normal course of business, CEA purchases electrical power from numerous suppliers. Cost of electricity includes the cost to purchase electricity and capacity arising from bilateral contracts with energy suppliers and the cost of generation credits, and load and other charges arising from CEA’s participation in the California Independent System Operator’s (CAISO) 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, CEA acquires RPS eligible renewable energy evidenced by Renewable Energy Certificates (Certificates) recognized by the Western Renewable Energy Generation Information System. CEA obtains Certificates with the intent to retire them and does not sell or build surpluses of Certificates with a profit motive.

CEA 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 CAISO to ensure the safe and reliable operation of the grid in real-time and to provide appropriate incentives for the construction of new resources needed for reliability in the future.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

STAFFING COSTS

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

INCOME TAXES

CEA 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.

2. CASH AND CASH EQUIVALENTS

CEA maintains its cash in accounts at River City Bank of Sacramento, California. CEA's deposits are subject to California Government Code Section 16521, which requires that banks provide collateral at 110% of the amount of public funds in excess of the Federal Deposit Insurance Corporation limit of $250,000. CEA does not have an investment policy that addresses a specific type of risk that would impose restrictions beyond this code. Accordingly, the amount of risk is not disclosed. CEA monitors its risk exposure on an ongoing basis. As of June 30, 2024, all of CEA's cash and cash equivalents were held in depository accounts.

3. ACCOUNTS RECEIVABLE

Accounts receivable were as follows as of June 30:

	2024	2023
Accounts receivable from customers	$24,977,984	$11,246,524
Allowance for uncollectible accounts	(3,296,000)	(1,581,535)
Net accounts receivable	$21,681,984	$ 9,664,989

The majority of account collections occur within the first few months after a customer is invoiced. CEA estimates that a portion of the invoiced accounts will not be collected but continues collection efforts on accounts in excess of *de minimis* balances regardless of the age of the account. The allowance for uncollectible accounts at the end of a year includes amounts invoiced during the current and prior fiscal years. Amounts estimated to be uncollectible are reported as a reduction in electricity sales on the Statement of Revenues, Expenses, and Changes in Net Position.

4. DEBT

BANK NOTE PAYABLE

In February 2021, CEA arranged to borrow up to $6,000,000 through a revolving credit agreement from JPMorgan Chase to provide cash for working capital until sufficient revenue was to be collected from customers. An amendment in March 2023 increased the available amount to $25,000,000. In March 2024 the agreement was amended to increase the available amount to $40,000,000. At June 30, 2024 and 2023, CEA outstanding balances were $33,950,000 and $22,950,000, respectively. CEA granted a security interest in all customer revenues to the lender.

Funds may be drawn as needed and interest is accrued on the outstanding balance. The stated maturity date is February 2, 2026, with interest payable each month. The interest rate is computed at the three-month Chicago Mercantile Exchange (CME) Term SOFR plus 2.25% per annum, subject to a floor of 2.25% per annum. As of June 30, 2024 and 2023, the interest rate was approximately 8.8% and 8.7%, respectively. CEA's projected operating surpluses, driven by rate increases and customer expansion, are anticipated to provide sufficient funds for future required loan payments. At June 30, 2024 and 2023, CEA had not satisfied certain liquidity requirements of its credit agreement. Subsequent to the year end, the lender provided a waiver of these requirements and CEA remains in good standing with its lender.

4. DEBT (continued)

DUE TO MEMBER AGENCIES

During its initial year ended June 30, 2020, CEA borrowed $504,017 from the cities of Carlsbad, Del Mar and Solana Beach to be used as working capital associated with CEA's launch. The non-interest-bearing loans were repaid during fiscal year 2024.

Changes in debt are summarized in the table below:

	Beginning	Additions	Payments	Ending
Year ended June 30, 2024				
Due to member agencies	$ 504,017	$ -	$ (504,017)	$ -
Revolving line of credit	22,950,000	30,000,000	(19,000,000)	33,950,000
Total	$ 23,454,017	$ 30,000,000	$ (19,504,017)	33,950,000
Amounts due within one year				-
Amounts due after one year				$ 33,950,000

	Beginning	Additions	Payments	Ending
Year ended June 30, 2023				
Due to member agencies	$ 504,017	$ -	$ -	$ 504,017
Revolving line of credit	13,520,000	9,430,000	-	22,950,000
Total	$ 14,024,017	$ 9,430,000	$ -	23,454,017
Amounts due within one year				5,504,017
Amounts due after one year				$ 17,950,000

5. RISK MANAGEMENT

CEA is exposed to various risks of loss related to torts and errors and omissions. During each year, CEA purchased insurance policies from investment-grade commercial carriers to mitigate risks associated with general liability, and errors and omissions. There were no significant reductions in coverage compared to the prior year. There is no self-insured retention amount in CEA's insurance policies.

CEA 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, CEA enters into netting arrangements whenever possible and where appropriate obtains collateral and other performance assurances from counterparties.

6. PURCHASE COMMITMENTS

In the ordinary course of business, CEA 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 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 hydroelectric facilities.

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

Year ending June 30,	
2025	$ 217,272,000
2026	159,609,000
2027	114,579,000
2028	85,768,000
2029	53,887,000
2030-2043	144,305,000
Total	**$ 775,420,000**

7. PRIOR PERIOD ADJUSTMENT

In December 2022, the California Public Utilities Commission approved the Voluntary Allocation Market Obligation (VAMO) structure that would allow SDG&E to allocate costs of certain renewable products to CEA for periods beginning January 1, 2023. Due to issues in implementing and calculating how to charge CEA, SDG&E did not invoice CEA until the fall of 2023 for the periods starting in January 2023 and the relevant costs were not recorded in CEA's original financial results for the period ended June 30, 2023. Accordingly, CEA has restated its fiscal year 2023 net position and results to include the VAMO costs that related to periods through June 30, 2023. These financial statements include a restatement for an increase in the cost of electricity expense and a related decrease in net position for 2023 of $4,084,812.

8. FUTURE GASB PRONOUNCMENTS

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

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

Management is evaluating the effect of implementation of these statements.