



# FINANCIAL STATEMENTS

Years Ended March 31, 2021 & 2020  
with Report of Independent Auditors



**MARIN CLEAN ENERGY**  
**YEARS ENDED MARCH 31, 2021 AND 2020**

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## **Independent Auditors' Report**

To the Board of Directors of  
Marin Clean Energy

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Marin Clean Energy, as of and for the years ended March 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Marin Clean Energy's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' 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 auditors' 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 Marin Clean Energy'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 Marin Clean Energy'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 Marin Clean Energy as of March 31, 2021 and 2020, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matter***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis 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.

*Baker Tilly US, LLP*

Madison, Wisconsin  
August 17, 2021

# **MARIN CLEAN ENERGY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS YEARS ENDED MARCH 31, 2021 AND 2020**

The Management's Discussion and Analysis provides an overview of Marin Clean Energy's (MCE) financial activities as of and for the years ended March 31, 2021, and 2020. The information presented here should be considered in conjunction with the audited financial statements.

### **BACKGROUND**

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

MCE was created as a California Joint Powers Authority (JPA) on December 19, 2008. MCE was established to provide electric power and related benefits within MCE's service area, including developing a wide range of renewable energy sources and energy efficiency programs. Governed by an appointed board of directors, MCE has the rights and powers to set rates and charges for electricity and services it furnishes, incur indebtedness, and issue bonds or other obligations. MCE is responsible for the acquisition of electric power for its service area.

### **Financial Reporting**

MCE presents its financial statements as an enterprise fund under the economic resources measurement focus and accrual basis of accounting, in accordance with Generally Accepted Accounting Principles (GAAP) for proprietary funds, as prescribed by the Governmental Accounting Standards Board (GASB).

**MARIN CLEAN ENERGY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED MARCH 31, 2021 AND 2020**

(Continued)

**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 MCE's assets, liabilities, deferred inflows of resources 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 MCE'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.
  - Notes to the Basic Financial Statements, which provide additional details and information related to the basic financial statements.

**MARIN CLEAN ENERGY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED MARCH 31, 2021 AND 2020**

(Continued)

**FINANCIAL HIGHLIGHTS**

The following table is a summary of MCE's assets, liabilities, deferred inflows of resources and net position and a discussion of significant changes for the years ending March 31:

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Current assets	\$ 252,069,094	\$ 211,708,945	\$ 127,633,995
Noncurrent assets			
Capital assets, net	958,569	1,142,836	1,127,966
Other noncurrent assets	15,360,190	10,881,417	2,840,511
Total noncurrent assets	16,318,759	12,024,253	3,968,477
Total assets	268,387,853	223,733,198	131,602,472
Current liabilities	64,037,546	51,359,862	39,994,907
Noncurrent liabilities	-	67,796	30,950
Total liabilities	64,037,546	51,427,658	40,025,857
Deferred inflows of resources	15,000,000	10,500,000	-
Net position:			
Investment in capital assets	958,569	1,142,836	1,127,966
Restricted	147,000	-	2,500,000
Unrestricted	188,244,738	160,662,704	87,948,649
Total net position	\$ 189,350,307	\$ 161,805,540	\$ 91,576,615

**Current assets**

Current assets were approximately \$252,100,000 at the end of 2021 and were primarily comprised of cash of \$183,200,000, accounts receivable of \$34,400,000, and accrued revenue of \$16,100,000, each of which mark an increase from 2020 to 2021. Cash increased each year as a result of operating surpluses. Accounts receivable and accrued revenue experienced moderate increases due to attributable to territorial expansion in previous years as well as a small increase in the length of the collections cycle attributable to Covid-19. Accrued revenue differs from accounts receivable in that it is the result of electricity use by MCE customers before invoicing to those customers has occurred.

**MARIN CLEAN ENERGY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEARS ENDED MARCH 31, 2021 AND 2020**

(Continued)

**Capital assets**

Capital assets are presented net of depreciation. Capital assets held by MCE include leasehold improvements, furniture and equipment. MCE does not own assets used for electric generation or distribution.

**Other noncurrent assets**

Other noncurrent assets increased in 2021 primarily due to a transfer of \$4,500,000 to an Operating Reserve Fund to defer revenue for later years when financial results may not be as strong or are stressed. By postponing revenue recognition to future years, MCE will be positioned to avoid sudden rate increases to address unanticipated spikes in energy costs and other unforeseen circumstances.

**Current liabilities**

The largest component of current liabilities is the cost of electricity delivered to customers that is not yet paid by MCE. Current liabilities increased each year due to the increased demand from customers added as well as price increases of certain energy products. Other components include trade accounts payable, taxes and surcharges due to governments, advances from grantors, and various other accrued liabilities.

The following table is a summary of MCE's results of operations and a discussion of significant changes for years ending March 31:

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Operating revenues	\$ 452,955,192	\$ 416,119,323	\$ 362,292,027
Interest income	1,784,590	2,957,808	943,712
Total income	<u>454,739,782</u>	<u>419,077,131</u>	<u>363,235,739</u>
Operating expenses	427,014,543	348,716,887	322,343,205
Nonoperating expenses	180,472	131,319	47,222
Total expenses	<u>427,195,015</u>	<u>348,848,206</u>	<u>322,390,427</u>
Change in net position	<u>\$ 27,544,767</u>	<u>\$ 70,228,925</u>	<u>\$ 40,845,312</u>



**MARIN CLEAN ENERGY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED MARCH 31, 2021 AND 2020**

(Continued)

**Operating revenues**

Operating revenues increased each year from 2019 to 2021. This was primarily driven by rate changes as well as electricity sales from the inclusion of new communities beginning in April 2018. This expansion covered unincorporated Contra Costa county, as well as the cities and towns of Concord, Martinez, Oakley, Pinole, Pittsburg, San Ramon, Danville and Moraga.

MCE also receives revenues from sources other than retail customer sales. These sources include wholesale energy sales to other suppliers, as well as grant income used to assist with various customer programs.

Interest income decreased from 2020 to 2021 as a result of a significant reduction in interest rates.

**Operating expenses**

Operating expenses increased each year, primarily due to the rising cost for certain products in the energy market. The price increases were the major drivers of the rise from 2020 to 2021. The primary cause of the increase from 2019 to 2020 was the additional energy volume required to provide for large customer expansions.

MCE procures energy from a variety of sources to minimize this risk and maintain a balanced renewable power portfolio.

**MARIN CLEAN ENERGY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED MARCH 31, 2021 AND 2020**

(Continued)

**ECONOMIC OUTLOOK**

In the normal course of business, MCE enters into various agreements, including renewable energy agreements and other power purchase agreements to purchase power and electric capacity. MCE enters into power purchase agreements in order to comply with state law and elevated voluntary targets for renewable and greenhouse gas (GHG) free products as described in its Integrated Resource Plans. California law established a Renewable Portfolio Standard (RPS) that requires load-serving entities ("LSEs"), such as MCE, to gradually increase the amount of renewable energy they deliver to their customers. Senate Bill ("SB") 100, signed by California's Governor in September 2018, directs LSEs to supply 60% of their retail sales with RPS-eligible resources by 2030. MCE began supplying its retail sales with 60% RPS-eligible resources in 2017, 13 years ahead of the SB 100 schedule. In addition, pursuant to California SB 350 (signed into law in October 2015), at least 65 percent of the procurement a retail seller, such as MCE, counts toward its renewables portfolio standard requirement for each compliance period shall be from contracts of ten years or more in duration ("long-term contracts"), starting with compliance period 4 (which began January 1, 2021). As of March 31, 2021, MCE has executed RPS contracts of ten years or more in duration that are projected to meet MCE's SB 350 long-term contracting requirement through 2027, and MCE is planning to continue its long-term RPS procurement as opportunities arise.

MCE manages risks associated with these commitments by aligning purchase commitments with expected demand for electricity and by securing a diversity of technologies, geographical locations, and suppliers. Expected obligations under power purchase agreements totaled approximately \$2.32 billion as of March 31, 2020 and \$2.50 billion as of March 31, 2021.

Management intends to continue its conservative use of financial resources and expects ongoing operating surpluses.

**REQUEST FOR INFORMATION**

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

Please address any questions about this report or requests for additional financial information to the Director of Finance, 1125 Tamalpais Avenue, San Rafael, CA 94901.

## **BASIC FINANCIAL STATEMENTS**

**MARIN CLEAN ENERGY**  
**STATEMENTS OF NET POSITION**  
**MARCH 31, 2021 AND 2021**

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 183,177,074	\$ 144,607,424
Accounts receivable, net of allowance	34,374,473	29,801,063
Accrued revenue	16,132,750	15,758,273
Other receivables	2,556,349	2,879,452
Prepaid expenses	1,051,125	1,455,435
Deposits	4,353,382	8,091,551
Restricted cash	10,423,941	9,115,747
Total current assets	252,069,094	211,708,945
Noncurrent assets		
Unrestricted cash and cash equivalents	15,000,000	10,500,000
Capital assets, net of depreciation	958,569	1,142,836
Deposits and other assets	360,190	381,417
Total noncurrent assets	16,318,759	12,024,253
Total assets	268,387,853	223,733,198
<b>LIABILITIES</b>		
Current liabilities		
Accrued cost of electricity	43,409,420	32,995,146
Accounts payable	2,910,914	2,266,392
Other accrued liabilities	1,229,500	1,096,341
User taxes and energy surcharges due to other governments	1,578,271	1,336,236
Security deposits - energy suppliers	4,632,500	4,550,000
Advances from grantors	10,276,941	9,115,747
Total current liabilities	64,037,546	51,359,862
Noncurrent liabilities		
Contract retention	-	67,796
Total liabilities	64,037,546	51,427,658
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Operating Reserve Fund	15,000,000	10,500,000
<b>NET POSITION</b>		
Net position		
Investment in capital assets	958,569	1,142,836
Restricted	147,000	-
Unrestricted	188,244,738	160,662,704
Total net position	\$ 189,350,307	\$ 161,805,540

**MARIN CLEAN ENERGY**

**STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION**

**YEARS ENDED MARCH 31, 2021 AND 2020**

	<b>2021</b>	<b>2020</b>
<b>OPERATING REVENUES</b>		
Electricity sales, net	\$ 438,638,872	\$ 413,996,865
Rate stabilization	(4,500,000)	(10,500,000)
Grant revenue	5,040,193	3,414,529
Wholesale resource sales	13,693,041	5,428,151
Revenue from damages	66,450	3,750,000
Other revenue	16,636	29,778
Total operating revenues	<u>452,955,192</u>	<u>416,119,323</u>
<b>OPERATING EXPENSES</b>		
Cost of electricity	393,477,405	322,052,462
Contract services	17,301,213	13,396,517
Staff compensation	12,249,940	9,365,433
General and administration	3,715,602	3,642,487
Depreciation	270,383	259,988
Total operating expenses	<u>427,014,543</u>	<u>348,716,887</u>
Operating income	<u>25,940,649</u>	<u>67,402,436</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	1,784,590	2,957,808
Loan fee expense	(180,472)	(131,319)
Nonoperating revenues (expenses), net	<u>1,604,118</u>	<u>2,826,489</u>
<b>CHANGE IN NET POSITION</b>	27,544,767	70,228,925
Net position at beginning of year	161,805,540	91,576,615
Net position at end of year	<u>\$ 189,350,307</u>	<u>\$ 161,805,540</u>

The accompanying notes are an integral part of these financial statements

**MARIN CLEAN ENERGY**

**STATEMENTS OF CASH FLOWS**

**YEARS ENDED MARCH 31, 2021 AND 2020**

	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 452,135,582	\$ 420,801,354
Receipts from market settlements	12,066,813	5,015,042
Receipts from grantors	10,645,491	6,353,753
Receipts from damages	66,450	3,750,000
Other operating receipts	1,852,599	3,134,180
Payments to suppliers for electricity	(390,928,169)	(319,314,339)
Payments for other goods and services	(25,317,043)	(16,577,025)
Payments for staff compensation	(12,086,731)	(9,351,367)
Payments of tax and surcharges to other governments	(5,612,924)	(5,441,790)
Net cash provided by operating activities	<u>42,822,068</u>	<u>88,369,808</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Loan fee expense	<u>(137,454)</u>	<u>(143,819)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Payments to acquire capital assets	<u>(83,529)</u>	<u>(349,927)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Certificate of deposit redemption	-	10,000,000
Interest received	1,776,759	3,058,038
Net cash provided by investing activities	<u>1,776,759</u>	<u>13,058,038</u>
Net change in cash and cash equivalents	44,377,844	100,934,100
Cash and cash equivalents at beginning of year	164,223,171	63,289,071
Cash and cash equivalents at end of year	<u><u>\$ 208,601,015</u></u>	<u><u>\$ 164,223,171</u></u>
<b>Reconciliation to the Statement of Net Position</b>		
<b>Current assets</b>		
Cash and cash equivalents (unrestricted)	\$ 183,177,074	\$ 144,607,424
Restricted cash	10,423,941	9,115,747
<b>Noncurrent assets</b>		
Cash and cash equivalents (unrestricted)	15,000,000	10,500,000
Cash and cash equivalents	<u><u>\$ 208,601,015</u></u>	<u><u>\$ 164,223,171</u></u>

**MARIN CLEAN ENERGY**  
**STATEMENTS OF CASH FLOWS**  
**(CONTINUED)**  
**YEARS ENDED MARCH 31, 2021 AND 2020**

**RECONCILIATION OF OPERATING INCOME TO NET  
CASH PROVIDED BY OPERATING ACTIVITIES**

	<u><b>2021</b></u>	<u><b>2020</b></u>
Operating income	\$ 25,940,649	\$ 67,402,436
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation expense	270,383	259,988
Revenue adjusted for allowance for uncollectible accounts	(789,762)	3,939,401
(Increase) decrease in:		
Accounts receivable	(3,783,648)	(6,215,313)
Energy market settlements receivable	-	5,828,255
Other receivables	323,103	442,836
Accrued revenue	(374,477)	(3,797,289)
Prepaid expenses	404,309	9,765
Deposits	3,767,227	(1,489,640)
Increase (decrease) in:		
Accrued cost of electricity	10,414,274	546,831
Accounts payable	598,918	3,301,844
Other accrued liabilities	65,363	238,719
Security deposits from energy suppliers	82,500	4,550,000
User taxes due to other governments	242,035	98,357
Operating Reserve Fund	4,500,000	10,500,000
Advances from grantor	1,161,194	2,753,618
Net cash provided by operating activities	<u><u>\$ 42,822,068</u></u>	<u><u>\$ 88,369,808</u></u>

## MARIN CLEAN ENERGY

### NOTES TO THE BASIC FINANCIAL STATEMENTS

#### YEARS ENDED MARCH 31, 2021 AND 2020

##### 1. REPORTING ENTITY

Marin Clean Energy (MCE) is a California joint powers authority created on December 19, 2008. As of March 31, 2021, parties to its Joint Powers Agreement consist of the following local governments:

Counties	Cities and Towns		
Contra Costa	Belvedere	Martinez	Ross
Marin	Benicia	Mill Valley	San Anselmo
Napa	Concord	Moraga	San Pablo
Solano	Corte Madera	Novato	San Rafael
	Danville	Oakley	San Ramon
	El Cerrito	Pinole	Sausalito
	Fairfax	Pittsburg	Tiburon
	Lafayette	Pleasant Hill	Vallejo
	Larkspur	Richmond	Walnut Creek

MCE is separate from and derives no financial support from its members. MCE is governed by a Board of Directors whose membership is composed of elected officials representing one or more of the parties.

MCE's mission is to address climate change by reducing energy-related greenhouse gas emissions through renewable energy supply and energy efficiency at stable and competitive rates for customers while providing local economic and workforce benefits. MCE provides electric service to retail customers as a Community Choice Aggregation Program under the California Public Utilities Code Section 366.2.

Electricity is acquired from commercial suppliers and delivered through existing physical infrastructure and equipment managed by Pacific Gas and Electric Company. MCE administers energy efficiency programs that support the development, coordination, and implementation of energy efficiency programs in and around MCE's service area. The energy efficiency programs are provided from rate-payers and regulated by the California Public Utilities Commission.



## **MARIN CLEAN ENERGY**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS**

#### **YEARS ENDED MARCH 31, 2021 AND 2020**

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **BASIS OF ACCOUNTING**

MCE'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.

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

### **CASH AND CASH EQUIVALENTS**

For purpose of the Statements of Cash Flows, MCE 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. The Statement of Net Position presents restricted cash balances separately. Restricted cash reported on the Statements of Net Position includes funding advanced from grantors.

### **DEPOSITS**

Various energy contracts entered into by MCE require MCE to provide a supplier with a security deposit. These deposits are generally held for the term of the contract. Deposits are classified as current or noncurrent depending on the length of the time the deposits are expected to be held. While these energy contract related deposits make up the majority of this item, other components include deposits for regulatory and other operating purposes.

### **CAPITAL ASSETS AND DEPRECIATION**

MCE's policy is to capitalize furniture and equipment valued over \$500 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.

## MARIN CLEAN ENERGY

### NOTES TO THE BASIC FINANCIAL STATEMENTS

#### YEARS ENDED MARCH 31, 2021 AND 2020

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### SECURITY DEPOSITS FROM ENERGY SUPPLIERS

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

### ADVANCES FROM GRANTORS

MCE received grant funding from various grantors. The amount in this category represents funds received by MCE, but not yet expended to carry out specific goals.

### OPERATING RESERVE FUND

In March 2020, MCE created an Operating Reserve Fund to allow MCE to defer revenue in years when financial results are strong to be used in future years when financial results are not as strong or stressed. In accordance with GASB 62, the amount deposited into the fund is shown as a reduction of operating revenues and reported on the statements of net position as a deferred inflow of resources.

MCE transferred \$4,500,000 and \$10,500,000 to the Operating Reserve Fund for the years ended March 31, 2021 and 2020, respectively. The total balance at March 31, 2021 is \$15,000,000.

### 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. MCE did not have any outstanding borrowings as of March 31, 2021, and 2020

*Restricted:* This component of net position consists of constraints placed on net asset use through external 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”.

## **MARIN CLEAN ENERGY**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS**

#### **YEARS ENDED MARCH 31, 2021 AND 2020**

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **OPERATING AND NON-OPERATING REVENUE**

Operating revenues include revenue derived from the provision of energy to retail and wholesale customers, grant revenue earned from the delivery of program activities, and liquidated damages from suppliers that fail to meet delivery commitments. Operating revenues are affected by contributions to or distributions from the Operating Reserve Fund.

Interest income is considered “non-operating revenue.”

### **REVENUE RECOGNITION**

MCE 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 NON-OPERATING EXPENSES**

Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. Expenses not meeting this definition are reported as non-operating expenses.

### **ELECTRICAL POWER PURCHASED**

During the normal course of business MCE 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 MCE’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, MCE acquires RPS eligible renewable energy evidenced by Renewable Energy Certificates (Certificates) recognized by the Western Renewable Energy Generation Information System. MCE obtains Certificates with the intent to retire them and does not sell or build surpluses of Certificates with a profit motive. An expense is recognized at the point that the cost of the Certificate is due and payable to the supplier. MCE purchases capacity commitments from qualifying generators to comply with the California Energy Commission’s Resource Adequacy Program.

## **MARIN CLEAN ENERGY**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS**

#### **YEARS ENDED MARCH 31, 2021 AND 2020**

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **ELECTRICAL POWER PURCHASED (CONTINUED)**

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 energy grid in real-time and to provide appropriate incentives for the siting and construction of new resources needed for reliability in the future. MCE is in compliance with external mandates and self-imposed benchmarks.

### **STAFFING COSTS**

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

### **INCOME TAXES**

MCE 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.

## MARIN CLEAN ENERGY

### NOTES TO THE BASIC FINANCIAL STATEMENTS

#### YEARS ENDED MARCH 31, 2021 AND 2020

#### 3. CASH AND CASH EQUIVALENTS

MCE maintains its cash in both interest-bearing and non-interest-bearing demand and term deposit accounts at River City Bank of Sacramento, California. MCE's deposits with River City Bank are subject to California Government Code Section 16521 which requires that River City Bank provide collateral of 110% for public funds in excess of the Federal Deposit Insurance Corporation limit of \$250,000. MCE monitors its risk exposure to River City Bank on an ongoing basis. MCE'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, money market funds and FDIC insured placement service deposits.

#### 4. ACCOUNTS RECEIVABLE

Accounts receivable were as follows:

	2021	2020
Accounts receivable from customers	\$ 42,092,099	\$ 38,308,451
Allowance for uncollectible accounts	(7,717,626)	(8,507,388)
Net accounts receivable	<u>\$ 34,374,473</u>	<u>\$ 29,801,063</u>

The majority of account collections occur within the first few months following customer invoicing. MCE estimates that a portion of the billed accounts will not be collected. MCE 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 receivable's age, MCE continues to have success collecting older accounts. The allowance for uncollectible accounts at the end of a period includes amounts billed during the current and prior fiscal years.

# MARIN CLEAN ENERGY

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### YEARS ENDED MARCH 31, 2021 AND 2020

#### 5. CAPITAL ASSETS

Capital asset activity for the years ended March 31, 2021 and 2020 was as follows:

	Furniture & Equipment	Leasehold Improvements	Construction in Progress	Accumulated Depreciation	Total
Balances at March 31, 2019	\$ 778,812	\$ 761,874	\$ 75,683	\$ (488,403)	\$ 1,127,966
Additions	79,198	195,660	-	(259,988)	14,870
Transfers	-	75,683	(75,683)	-	-
Balances at March 31, 2020	858,010	1,033,217	-	(748,391)	1,142,836
Additions	54,948	31,168	-	(270,383)	(184,267)
Balances at March 31, 2021	<u>\$ 912,958</u>	<u>\$ 1,064,385</u>	<u>\$ -</u>	<u>\$ (1,018,774)</u>	<u>\$ 958,569</u>

Construction in progress reported as of March 31, 2019, includes costs to build a solar carport at MCE's San Rafael office that was completed during the fiscal year ended March 31, 2020.

#### 6. DEBT

##### LINE OF CREDIT AND LETTERS OF CREDIT

In November 2019, MCE entered into a revolving credit agreement with JPMorgan Chase Bank. The available credit line under this agreement is \$40,000,000 and enhances MCE's overall liquidity for potential working capital needs, collateral requirements, and enhances MCE's investment credit grade rating. This agreement terminates in November 2022.

MCE had no standby Letters of Credit or amounts outstanding under its line of credit agreement as of March 31, 2021, and 2020. Any unused balance is subject to a 0.45% fee per annum.

Fees related to opening and renewal of the line of credit and posting any letters of credit are reported as interest and related expenses.

## **MARIN CLEAN ENERGY**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS**

#### **YEARS ENDED MARCH 31, 2021 AND 2020**

##### **7. GRANTS**

MCE administers various grants, including ratepayer-funded energy efficiency programs regulated by the California Public Utilities Commission (CPUC). The CPUC also allocated funds to MCE to conduct a Low-Income Family and Tenants (LIFT) pilot program to better serve income-qualified multifamily communities with energy efficiency programs. Grant revenues are recognized when a corresponding eligible expense is incurred.

MCE also administers grants from the Bay Area Air Quality Management District, California Energy Commission and Marin Community Foundation.

Amounts earned for 2021 and 2020 under these programs were approximately \$5,040,000 and \$3,415,000.

##### **8. DEFINED CONTRIBUTION RETIREMENT PLAN**

The Marin Clean Energy Plan (Plan) is a defined contribution retirement plan established by MCE to provide benefits at retirement to its employees. The Plan is administered by Nationwide Retirement Solutions. As of March 31, 2021, there were 70 plan members. MCE is required to contribute 10% of annual covered payroll to the Plan and contributed \$886,000 and \$654,000 during the years ended March 31, 2021 and 2020, respectively. The Plan includes vesting provisions intended to encourage employee retention. Plan provisions and contribution requirements are established and may be amended by the Board of Directors.

##### **9. RISK MANAGEMENT**

MCE 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, MCE 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. From time to time, MCE may be party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and MCE's legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on MCE's financial position or results of operations.

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

# MARIN CLEAN ENERGY

## NOTES TO THE BASIC FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2021 AND 2020

### 10. PURCHASE COMMITMENTS

#### POWER AND ELECTRIC CAPACITY

In the ordinary course of business, MCE 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.

MCE enters into power purchase agreements to comply with state law and voluntary targets for renewable and greenhouse gas free products and to ensure stable and competitive electric rates for its customers.

The following table represents the expected, undiscounted, contractual obligations outstanding as of March 31, 2021:

Year ended March 31,	
2022	\$ 350,000,000
2023	310,000,000
2024	220,000,000
2025	150,000,000
2026	130,000,000
2027-43	1,340,000,000
	<u>\$ 2,500,000,000</u>

As of March 31, 2021, MCE had major noncancelable contractual commitments to professional service providers through December 31, 2022, for services yet to be performed. Fees associated with these contracts are based on volumetric activity and are expected to be approximately \$11 million.



# MARIN CLEAN ENERGY

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### YEARS ENDED MARCH 31, 2021 AND 2020

#### 11. OPERATING LEASE

Rental expense for MCE's office space was \$807,000 and \$779,000 for the years ended March 31, 2021 and 2020, respectively. On March 9, 2015, MCE entered into a ten-year non-cancelable lease for its San Rafael, California office premise. The rental agreement includes an option to renew the lease for five additional years. On December 12, 2017, MCE entered into a 68-month non-cancelable lease for its Concord, California office location.

Future minimum lease payments under these leases are as follows:

Year ended March 31,	
2022	836,000
2023	866,000
2024	799,000
2025	539,000
	<u>\$ 3,040,000</u>

#### 12. FUTURE GASB PRONOUNCEMENTS

The requirements of the following GASB Statements are effective for future fiscal years ending after March 31, 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.

## MARIN CLEAN ENERGY

### NOTES TO THE BASIC FINANCIAL STATEMENTS

#### YEARS ENDED MARCH 31, 2021 AND 2020

#### 13. SUBSEQUENT EVENTS

In June 2021 MCE became a member in a Joint Powers Authority; the California Community Choice Financing Authority (CCCFA). There are currently four members of CCCFA. CCCFA was formed in order to issue tax-exempt bonds and use the proceeds to prepay certain Power Purchase Agreements (PPAs or) on behalf of its members. MCE is working on a prepayment transaction that would reduce the cost of energy from existing PPAs that MCE has already executed. To effectuate the prepayment and to satisfy tax law requirements, MCE must assign the PPAs through Limited Assignment Agreements to a highly rated financial institution that will be in the role of the prepaid supplier. Once the PPAs are assigned, tax-exempt (or taxable subsidy) bonds would be issued to finance the prepayment. These bonds would be issued by CCCFA and would be secured by the contractual rights and transaction cashflows pursuant to a Trust Indenture. MCE would not be responsible to repay the bonds and the bonds would not be a debt of MCE. The bonds would carry the credit ratings of the financial institution based upon the contractual arrangements ultimately securing the bonds. Under the proposed prepayment transaction MCE would continue to purchase the energy from the projects through a Clean Energy Purchase Contract executed with CCCFA. The prepaid energy from the projects would be purchased by MCE at a discount when compared to the original PPA prices where MCE was directly purchasing the energy from the supplier.

MCE has not finalized a transaction under this arrangement, but in July 2021 the MCE Board and CCCFA Board both authorized staff to complete negotiations on a prepayment transaction provided that a number of parameters were met including that 1) the bonds issued to finance the prepayment shall not be obligations of MCE and 2) the aggregate stated principal amount of the bonds shall not exceed \$900,000,000.