Financial Statements

Years ended March 31, 2024 & 2023 with Report of Independent Auditors

MCE

mceCleanEnergy.org

MARIN CLEAN ENERGY
YEARS ENDED MARCH 31, 2024 AND 2023
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INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report

To the Board of Directors of
Marin Clean Energy

Opinion

We have audited the accompanying financial statements of Marin Clean Energy (MCE), as of and for the years ended March 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise MCE's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of MCE as of March 31, 2024 and 2023, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MCE and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 MCE's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit 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 auditors' 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 audit.

- 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 audit 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 MCE'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 MCE'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 audit, significant audit findings and certain internal control-related matters that we identified during the audit.

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 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.

Baker Tilly US, LLP

Madison, Wisconsin
September 9, 2024

MANAGEMENT’S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED MARCH 31, 2024 AND 2023

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 Marin Clean Energy's (MCE) 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 MCE's finances.

If you have questions about this report or require further information, please contact MCE at info@mceCleanEnergy.org.

Overview of the Financial Statements

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

- 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.

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

Financial Summary

MCE's Net Position

	2024	2023	2022
Current assets	$ 371,376,427	$ 287,116,314	$ 271,986,377
Noncurrent assets			
Capital assets, net	863,432	1,818,709	2,049,223
Other noncurrent assets	219,792,317	75,742,193	15,969,822
Total noncurrent assets	220,655,749	77,560,902	18,019,045
Total assets	**592,032,176**	**364,677,216**	**290,005,422**
Current liabilities	118,346,661	89,968,725	70,434,083
Noncurrent liabilities	-	536,645	1,364,363
Total liabilities	**118,346,661**	**90,505,370**	**71,798,446**
Deferred inflows of resources	70,000,000	30,000,000	15,000,000
Net position:			
Net investment in capital assets	326,788	508,444	693,493
Unrestricted	403,358,727	243,663,402	202,513,483
Total net position	**$ 403,685,515**	**$ 244,171,846**	**$ 203,206,976**

The table shows that as of March 31, 2024, MCE's total net position, assets minus liabilities and deferred inflows was approximately $404,000,000, an increase of $160,000,000 or 65% compared with March 31, 2023. Most of the increase in net position was concentrated in increases in cash and investments, as a result of MCE's operating surplus discussed below.

MCE's Changes in Net Position

	2024	2023	2022
Operating revenues	$ 767,779,391	$ 636,588,526	$ 469,123,209
Nonoperating revenues - grant revenue	-	4,226,302	6,216,069
Nonoperating revenues - investment income	15,420,160	4,007,603	584,054
Total income	**783,199,551**	**644,822,431**	**475,923,332**
Operating expenses	623,457,057	603,621,093	461,805,695
Nonoperating expenses	228,825	236,468	260,968
Total expenses	**623,685,882**	**603,857,561**	**462,066,663**
Change in net position	**$ 159,513,669**	**$ 40,964,870**	**$ 13,856,669**

Increases in electricity sales accounted for most of the increase in total income. The cost of electricity, a component of operating expenses, increased modestly from fiscal year 2023 to fiscal year 2024.

Detailed Analysis

Current assets increased from $287,000,000 at the end of fiscal year 2023 to $371,000,000 at the end of fiscal year 2024. This increase was due to operating surpluses primarily driven by customer rate increases. Current assets at the end of fiscal year 2024 were primarily comprised of cash and investments of $257,00,000, accounts receivable of $61,000,000, and accrued revenue of $32,000,000.

Capital and lease assets are reported net of depreciation and amortization. Each year, the change is mostly due to depreciation and amortization expense. Capital assets held by MCE include leasehold improvements, furniture, and equipment.

Other noncurrent assets include investments of $70,000,000 at the end of fiscal year 2024 and $30,000,000 at the end of fiscal year 2023 in an Operating Reserve Fund used to defer revenue for later years when financial results necessitate draws on reserves. 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. The Operating Reserve Fund increased by $40,000,000 in fiscal year 2024.

The largest components of current liabilities are (a) the cost of electricity delivered to customers that is not yet paid by MCE and (b) unexpended program advances from grantors. Current liabilities for the cost of energy increased each year due to changes in payment terms of certain energy products, as well as the prices of those products. Funds received from grantors also increased year over year as MCE continues to expand its customer program activities. Many of the grant programs provide funds to MCE prior to MCE incurring program expenses. This often causes short-term increases to MCE's related cash balances. These cash balances must be used for eligible program expenses and are reported as "restricted" cash on the Statement of Net Position.

Noncurrent liabilities consist of the long-term portion of lease payments for MCE's office premises. The reduction each year is the result of amortization of the liability.

Operating revenues increased each year from fiscal years 2022 to 2024, primarily from territory expansions and increases in customer rates. In fiscal year 2024, the driver of the change was the increased revenue from customer rate increases effective January 1, 2023 that were in place for the entire fiscal year 2024. MCE also receives revenues from sources other than retail customer sales. These sources include liquidated damage revenue resulting from supplier noncompliance as well as grant income used to assist with various customer programs. Revenue from liquidated damages increased from fiscal year 2023 to fiscal year 2024 primarily due to delays in the operations of certain energy supplier facilities.

Detailed Analysis (continued)

Grant income from the California Arrearage Payment Plan (CAPP) was included in nonoperating revenues for fiscal years 2022 and 2023. This grant was applicable for two years and did not recur in fiscal year 2024. Interest and 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 increased prices for certain products in the energy markets. For all the years presented, the largest expense was the cost of electricity. MCE procures energy from a variety of sources to minimize this risk and maintain a balanced renewable power portfolio. Energy costs from fiscal year 2023 to fiscal year 2024 were lower than anticipated due to mild weather, abundant hydro-generated energy and declining natural gas prices. Mild weather also reduced summer peak usage, which often comes at higher rates, further adding to cost savings.

Significant Capital Asset and Long-Term Financing Activity

MCE does not own assets used for electric generation or distribution. Included in capital assets are office equipment, such as computers, furniture and leasehold improvements.

Assets that are leased by MCE, such as office premises, are recorded in the Statement of Net Position with a related liability for future obligations.

MCE does not have any outstanding financing debt. MCE has a revolving credit agreement with Royal Bank of Canada with a credit line of $60 million that is effective until May 2026.

Currently Known Facts, Decisions, or Conditions

MCE signs renewable energy agreements, procures power and electrical capacity and signs other power purchase agreements to comply with state law and elevated voluntary targets for renewable and greenhouse gas-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.

As of March 31, 2024, MCE has executed RPS contracts of ten years or more in duration that are projected to meet MCE's Senate Bill 350 long-term contracting requirements 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 $5.5 billion as of March 31st, 2024 and $4.2 billion as of March 31, 2023.

MCE business functions could benefit from direct investment in renewable energy generation, battery storage, transmission, or resource adequacy assets. Regulatory mandates, inventory of available projects, supply chain disruptions and interconnection delays are increasing the costs and availability of these necessary assets. Given the increased costs of energy procurement, the agency has taken steps to be prepared to potentially own assets that could mitigate exposure to volatile market prices. The agency has prepared itself by securing strong investment grade credit ratings, accumulating ample reserves, funding a rate stabilization fund and creating a bond indenture to allow the issuance of debt to finance future capital projects.

Furthermore, MCE has begun evaluating opportunities for investment in renewable generating assets, subject to then-current market conditions, statutory requirements and regulatory considerations. Any investment decisions would be made following thorough environmental reviews and in consultation with MCE's financial advisors, investment bankers, attorneys, and, potentially, with customer input.

MCE is expected to start serving the City of Hercules in early 2025. The city will add around 10,000 additional customer accounts, bringing the total customer count to about 600,000.

Requests for Information

This financial report is designed to provide MCE's board members, stakeholders, customers, and creditors with a general overview of 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 finance department at 1125 Tamalpais Avenue, San Rafael, CA 94901.

BASIC FINANCIAL STATEMENTS

MARIN CLEAN ENERGY

STATEMENTS OF NET POSITION

MARCH 31, 2024 AND 2023

	2024	2023
ASSETS		
Current assets		
Cash and cash equivalents - unrestricted	$ 101,027,404	$ 73,348,263
Accounts receivable, net of allowance	61,447,640	66,401,473
Accrued revenue	31,912,468	31,180,447
Other receivables	5,822,709	1,985,508
Prepaid expenses	972,203	651,310
Restricted cash	40,322,101	33,782,947
Investments	115,763,550	68,841,532
Deposits	14,108,352	10,924,834
Total current assets	371,376,427	287,116,314
Noncurrent assets		
Cash and cash equivalents - unrestricted	70,000,000	30,000,000
Investments	149,588,819	45,538,694
Capital assets, net of depreciation and amortization	863,432	1,818,709
Deposits	203,498	203,499
Total noncurrent assets	220,655,749	77,560,902
Total assets	592,032,176	364,677,216
LIABILITIES		
Current liabilities		
Accrued cost of electricity	67,950,289	45,803,423
Accounts payable	4,552,442	4,071,832
Other accrued liabilities	2,713,413	1,845,922
User taxes and energy surcharges due to other governments	1,288,372	3,112,581
Security deposits - energy suppliers	983,400	578,400
Lease liabilities	536,644	773,620
Advances from grantors	40,322,101	33,782,947
Total current liabilities	118,346,661	89,968,725
Noncurrent liabilities		
Lease liabilities	-	536,645
Total liabilities	118,346,661	90,505,370
DEFERRED INFLOWS OF RESOURCES		
Operating Reserve Fund	70,000,000	30,000,000
NET POSITION		
Net position		
Net investment in capital assets	326,788	508,444
Unrestricted	403,358,727	243,663,402
Total net position	$ 403,685,515	$ 244,171,846

The accompanying notes are an integral part of these financial statements

MARIN CLEAN ENERGY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEARS ENDED MARCH 31, 2024 AND 2023

	2024	2023
OPERATING REVENUES		
Electricity sales, net	$ 770,344,682	$ 633,836,160
Rate stabilization	(40,000,000)	(15,000,000)
Grant revenue	11,360,450	10,532,421
Liquidated damages	26,074,259	7,219,945
Total operating revenues	767,779,391	636,588,526
OPERATING EXPENSES		
Cost of electricity	571,404,901	559,107,368
Contract services	21,157,869	19,389,252
Staff compensation	20,936,409	17,193,096
Other operating expenses	9,002,600	6,935,136
Depreciation and amortization	955,278	996,241
Total operating expenses	623,457,057	603,621,093
Operating income	144,322,334	32,967,433
NONOPERATING REVENUES (EXPENSES)		
Grant revenue	-	4,226,302
Interest and investment returns	15,420,160	4,007,603
Finance costs	(228,825)	(236,468)
Nonoperating revenues (expenses), net	15,191,335	7,997,437
CHANGE IN NET POSITION	159,513,669	40,964,870
Net position at beginning of year	244,171,846	203,206,976
Net position at end of year	$ 403,685,515	$ 244,171,846

The accompanying notes are an integral part of these financial statements

MARIN CLEAN ENERGY

STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 787,253,332	$ 615,120,232
Receipts from grantors	17,492,976	35,646,753
Receipts of security deposits	735,000	-
Other operating receipts	26,038,569	47,962,860
Payments to suppliers for electricity and collateral	(550,128,341)	(594,359,829)
Payments for other goods and services	(32,026,332)	(32,597,611)
Payments for staff compensation	(20,341,996)	(16,961,121)
Payments of taxes and surcharges to other governments	(14,511,047)	(9,533,701)
Net cash provided by operating activities	214,512,161	45,277,583
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Grant revenue	-	4,226,302
Finance costs paid	(244,702)	(182,127)
Net cash provided (used) by non-capital financing activities	(244,702)	4,044,175
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments of lease liabilities	(802,244)	(952,165)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	13,175,360	2,475,425
Proceeds from investment sales	67,390,731	16,100,000
Purchase of investments	(219,813,011)	(130,493,470)
Net cash used by investing activities	(139,246,920)	(111,918,045)
Net change in cash and cash equivalents	74,218,295	(63,548,452)
Cash and cash equivalents at beginning of year	137,131,210	200,679,662
Cash and cash equivalents at end of year	$ 211,349,505	$ 137,131,210
Reconciliation to the Statement of Net Position		
Current assets		
Cash and cash equivalents (unrestricted)	$ 101,027,404	$ 73,348,263
Restricted cash	40,322,101	33,782,947
Noncurrent assets		
Cash and cash equivalents (unrestricted)	70,000,000	30,000,000
Cash and cash equivalents	$ 211,349,505	$ 137,131,210

The accompanying notes are an integral part of these financial statements

MARIN CLEAN ENERGY

STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2024 AND 2023
(CONTINUED)

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	2024	2023
Operating income	$ 144,322,334	$ 32,967,433
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization expense	955,278	996,241
(Increase) decrease in:		
Accounts receivable, net	4,953,833	(20,103,625)
Accrued revenue	(732,021)	(10,666,636)
Other receivables	(905,999)	1,656,337
Prepaid expenses	(320,893)	4,162,992
Deposits	(2,419,783)	1,660,093
Increase (decrease) in:		
Accrued cost of electricity	22,146,866	4,102,389
Accounts payable	525,110	1,061,198
Other accrued liabilities	867,491	184,233
User taxes and energy surcharges due to other governments	(1,824,209)	961,313
Security deposits - energy suppliers	405,000	(4,435,100)
Operating Reserve Fund	40,000,000	15,000,000
Advances from grantors	6,539,154	17,730,715
Net cash provided by operating activities	$ 214,512,161	$ 45,277,583

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

	2024	2023
Unrealized appreciation and timing differences in investment income	$ 2,244,800	$ 1,532,178

The accompanying notes are an integral part of these financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Marin Clean Energy (MCE) is a California joint powers authority created on December 19, 2008. As of March 31, 2024, parties to its Joint Powers Agreement consist of the following local governments:

Contra Costa	Marin	Napa	Solano
Concord	Belvedere	American Canyon	Benicia
Danville	Corte Madera	Calistoga	Fairfield
El Cerrito	Fairfax	Napa	Unincorporated area
Lafayette	Larkspur	St. Helena	Vallejo
Martinez	Mill Valley	Unincorporated area	
Moraga	Novato	Yountville	
Oakley	Ross		
Pinole	San Anselmo		
Pittsburg	San Rafael		
Pleasant Hill	Sausalito		
Richmond	Tiburon		
San Pablo	Unincorporated area		
San Ramon			
Unincorporated area			

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 confront the climate crisis by eliminating fossil fuel greenhouse gas emissions, producing renewable energy, and creating equitable community. MCE provides electric service to retail customers as a Community Choice Aggregation Program (CCA) 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 projects in and around MCE's service area. The funding for energy efficiency programs is provided from ratepayers and regulated by the California Public Utilities Commission.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 – net 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 purposes 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.

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. MCE 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.

MCE's Investment Policy permits the investment of funds in depository accounts, Local Agency Investment Fund (LAIF) program operated by the California State Treasury, United States Treasury obligations, federal agency securities, commercial paper, certificates of deposits, money market funds, corporate bonds and collateralized mortgage obligations.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 MCE 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.

LEASE ASSETS AND LEASE LIABILITIES

MCE recognizes an asset and liability when it enters into certain leasing arrangements. The leased assets are amortized over the term of the leases. The lease liabilities are the present value of payments expected to be paid to the lessors during the terms of the lease. MCE's only leased assets and liabilities relate to its office premises.

CAPITAL ASSETS AND DEPRECIATION

MCE'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. MCE does not own any electric generation assets.

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. See Note 7 for additional information related to grants administered by MCE.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

OPERATING RESERVE FUND

In March 2020, MCE created an Operating Reserve Fund (ORF) to allow MCE to defer revenue in years when financial results are strong for use in future years when financial results may decline. MCE's ORF Policy allows a deferral of revenues into the ORF when the net revenues are projected to exceed 5% of total revenues in a fiscal year. The ORF Policy has a targeted maximum balance of 10% of the total revenues in the current fiscal year. In accordance with GASB Statement No. 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. Transfers to this fund were $40,000,000 and $15,000,000 in fiscal years 2024 and 2023, respectively.

NET POSITION

Net position is presented in the following components:

Net Investment in capital assets: This component of net position consists of capital assets, lease assets, net of accumulated depreciation and amortization, and reduced by outstanding borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted: This component of net position consists of restraints 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. There was no restricted component on March 31, 2024 or 2023.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

OPERATING AND NON-OPERATING REVENUE

Operating revenues include energy sales to retail customers, grant revenue earned from the delivery of program activities, and liquidated damages from suppliers that fail to meet delivery commitments. Operating revenues also include contributions to or distributions from the Operating Reserve Fund.

Investment income and grants that are not earned from the delivery of program activities are considered "non-operating revenues."

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, depreciation of capital assets, and amortization of right-to-use 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.

1. 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 with other accrued liabilities 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.

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

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.

3. ACCOUNTS RECEIVABLE

Accounts receivable were as follows as of March 31:

	2024	2023
Accounts receivable from customers	$ 95,182,970	$ 93,990,987
Allowance for uncollectible accounts	(33,735,330)	(27,589,514)
Net accounts receivable	$ 61,447,640	$ 66,401,473

Most account collections occur within the first few months after the customer is invoiced. 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 age of the receivable, 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.

4. INVESTMENTS

During the fiscal years ended March 31, 2024 and 2023, MCE purchased investments with original maturities of three months or more. As of March 31, the fair value of investments was as follows:

	2024	2023
Current Investments:		
U.S. Treasury securities	$ 14,427,590	$ 2,840,387
Commercial paper	-	489,557
Corporate bonds	994,157	-
Certificates of deposit	100,341,803	65,511,588
Total current investments	$ 115,763,550	$ 68,841,532

	2024	2023
Noncurrent Investments:		
Asset backed securities	$ 17,183,951	$ -
U.S. Treasury securities	59,720,505	30,239,426
Collateralized mortgage obligations	17,118,474	2,627,860
Corporate bonds	39,492,019	12,671,408
Supranational	4,891,913	-
Certificates of deposit	11,181,957	-
Total noncurrent investments	$ 149,588,819	$ 45,538,694

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 more than one level in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. MCE's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

4. INVESTMENTS (CONTINUED)

As of March 31, 2024 and 2023, MCE's investments are considered Level 1 inputs. Quoted prices in active markets were used for determining fair value measurement.

CREDIT RISK

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations. As of March 31, 2024 and 2023, MCE's investments were rated as follows:

	Standard & Poors	
	2024	**2023**
Asset backed securities	NR- to AAA	-
Supranational	AAA	-
Commercial paper	-	A-1
Certificates of deposit	NR	NR to A-1
Corporate bonds	A- to AAA	A- to AAA

MCE's investment policy limits investments to those allowed by Section 53601 of the California Government Code.

CUSTODIAL CREDIT RISK

Cash and cash equivalents

Custodial credit risk is the risk that in the event of a financial institution failure, MCE's deposits may not be returned to MCE.

As of March 31, 2024 and 2023, none of MCE's bank balances are known to be individually exposed to credit risk.

Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, MCE 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 MCE's investments are exposed to credit risk.

4. INVESTMENTS (CONTINUED)

MCE's investment policy requires that all investments owned by MCE shall be held in safekeeping by a third-party custodian, acting as an agent for MCE under the terms of a custody agreement.

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. MCE 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 March 31, 2024:

		Investment Maturities	
Investment Type	**Fair Value**	**Less Than 1 Year**	**1-5 Years**
U.S. Treasury securities	$ 74,148,095	$ 14,427,590	$ 59,720,505
Corporate bonds	40,486,176	994,157	39,492,019
Certificates of deposit	111,523,760	100,341,803	11,181,957
Asset backed securities	17,183,951	-	17,183,951
Collateralized mortgage obligations	17,118,474	-	17,118,474
Supranational	4,891,913	-	4,891,913
	$ 265,352,369	$ 115,763,550	$ 149,588,819

Following is a summary of investment maturities as of March 31, 2023:

		Investment Maturities	
Investment Type	**Fair Value**	**Less Than 1 Year**	**1-5 Years**
U.S. Treasury securities	$ 33,079,813	$ 2,840,387	$ 30,239,426
Collateralized mortgage obligations	2,627,860	-	2,627,860
Commercial paper	489,557	489,557	-
Corporate bonds	12,671,408	-	12,671,408
Certificates of deposit	65,511,588	65,511,588	-
	$ 114,380,226	$ 68,841,532	$ 45,538,694

5. CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2024 was as follows:

	Beginning balance	Increases	Decreases	Ending balance
Capital assets being depreciated and amortized:				
Furniture and equipment	$ 864,374	$ -	$ (64,801)	$ 799,573
Leasehold improvements	1,072,028	-	-	1,072,028
Intangible assets-buildings	2,878,560	-	-	2,878,560
Total capital assets being depreciated and amortized:	4,814,962	-	(64,801)	4,750,161
Less accumulated depreciation and amortization:				
Furniture , equipment and leasehold improvements	(1,337,574)	(213,693)	64,801	(1,486,466)
Intangible assets-buildings	(1,658,678)	(741,585)	-	(2,400,263)
Total accumulated depreciation and amortization	(2,996,252)	(955,278)	64,801	(3,886,729)
Total capital assets, net of depreciation and amortization	$ 1,818,710	$ (955,278)	$ -	$ 863,432

Capital asset activity for the year ended March 31, 2023 was as follows:

	Beginning balance	Increases	Decreases	Ending balance
Capital assets being depreciated and amortized:				
Furniture and equipment	$ 920,542	$ -	$ (56,168)	$ 864,374
Leasehold improvements	1,072,028	-	-	1,072,028
Intangible assets-buildings	2,878,560	-	-	2,878,560
Total capital assets being depreciated and amortized:	4,871,130	-	(56,168)	4,814,962
Less accumulated depreciation and amortization:				
Furniture , equipment and leasehold improvements	(1,226,843)	(166,900)	56,168	(1,337,575)
Intangible assets-buildings	(829,337)	(829,341)	-	(1,658,678)
Total accumulated depreciation and amortization	(2,056,180)	(996,241)	56,168	(2,996,253)
Total capital assets, net of depreciation and amortization	$ 2,814,950	$ (996,241)	$ -	$ 1,818,709

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 was $40 million and enhanced MCE's overall liquidity for potential working capital needs, collateral requirements, and enhances MCE's investment credit rating. The JPMorgan Chase agreement was replaced in May 2023 when MCE entered into a revolving credit agreement with Royal Bank of Canada (RBC). The RBC credit line of $60 million extends to May 2026.

MCE had no standby Letters of Credit or amounts outstanding under its lines of credit agreement as of March 31, 2024, and 2023. Any unused balance is subject to a 0.445% 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.

7. GRANTS

MCE administers various grants from the California Public Utilities Commission (CPUC), California Energy Commission, and other sources. Grant revenues are recognized when a corresponding eligible expense is incurred.

MCE also administered a grant from the California Arrearage Payment Program (CAPP) that offers financial assistance for California energy utility customers to help reduce past due energy account balances that increased during the COVID-19 pandemic. This program concluded in 2023.

The following is a summary of grant revenue for the years ended March 31:

	2024	2023
Operating grants:		
EE	$ 9,863,899	$ 8,194,907
DAC	956,203	1,957,959
Other	540,348	379,555
	$ 11,360,450	$ 10,532,421
Nonoperating grant:		
CAPP	-	4,226,302
Total grant revenue	$ 11,360,450	$ 14,758,723

Legend	
CAPP	California Arrearage Payment Plan
EE	Energy Efficiency - Public Purpose Program (multiple programs)
DAC	Disadvantaged Community - Green Access

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, 2024, there were 91 plan members. MCE is required to contribute 10% of annual covered payroll to the Plan and contributed $1,520,000 and $1,270,000 during the fiscal years ended March 31, 2024 and 2023, 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 commercial carriers to mitigate risks that include those associated with earthquakes, theft, general liability, errors and omissions, and property damage. There were no significant reductions in coverage compared to the prior year. There were no settled claims that exceeded coverage in any of the last three years.

From time to time, MCE may be a 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 counterparties. Further information about MCE's energy risk management policy can be found online at https://mcecleanenergy.org/wp-content/uploads/2022/01/Policy_015_MCE_Risk_Management_Policy.pdf.

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. MCE recognizes an expense and a liability at the point it receives the related product.

10. PURCHASE COMMITMENTS (continued)

The following table represents the expected, undiscounted, contractual obligations outstanding as of March 31, 2024:

Year ended March 31,	
2025	$ 620,000,000
2026	450,000,000
2027	360,000,000
2028	370,000,000
2029	340,000,000
2030-47	3,370,000,000
Total	$ 5,510,000,000

11. LEASES

Lease assets are reported in accordance with Governmental Accounting Standards Board No. 87 (GASB 87).

PROPERTY LEASE

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. This lease was amended with a new expiration date of December 31, 2024. Rental payments for MCE’s office space were $767,000 and $886,000 for the fiscal years ended March 31, 2024 and 2023, respectively. As of March 31, 2024, future minimum lease payments under the leases were projected to be $537,000 principal, $11,000 interest, for a total of $548,000.

STORAGE CONTRACT ARRANGEMENTS

In providing electricity to its customers, MCE has entered into energy storage agreements. Through these agreements, MCE obtains the right to control certain aspects of the nature and manner and use of the underlying facilities. The monthly payments made by MCE are variable and based on the performance of the underlying assets including the plant’s available capacity, operating charging efficiency, and the seller’s responsiveness to MCE’s charging and discharge instructions. The variable payments under energy storage agreements are recognized as part of the cost of electricity on the Statement of Revenues, Expenses, and Changes in Net Position. Variable payments for the energy storage agreements totaled approximately $3,053,000 and $0 in fiscal years 2024 and 2023, respectively.

12. JOINT VENTURE

MCE participates in a joint powers agreement (JPA) through the California Community Choice Financing Authority (CCCFA). CCCFA was formed as a conduit issuer to assist its members by undertaking the financing or refinancing of energy prepayments that can be financed with tax advantaged bonds on behalf of one or more of the members by, among other things, issuing or incurring bonds and entering into related contracts with its members. Any debt or liability incurred by CCCFA on behalf of a member to prepay for renewable energy is not a debt or liability of that member. Furthermore, the assets of CCCFA in the form of prepaid energy or reserves held by the respective bond trustees for any prepayment transaction undertaken on behalf of a member does not constitute an asset or reserve of that member.

Some of the bonds CCCFA issued are to be used to finance energy purchases that will be delivered to MCE. No debt, liability, or obligation of CCCFA is a debt, liability, or obligation of MCE. MCE will purchase energy from CCCFA in the same manner as they purchase energy from other suppliers. MCE purchased approximately $31,880,000 and $26,500,000 from CCCFA during the fiscal years ended March 31, 2024 and 2023, respectively. The outstanding purchase commitments related to these financing facilities are included in Note 10.

In November 2021, CCCFA issued bonds in the amount of $602,655,000 excluding original issue premium. In December 2023, CCCFA issued bonds in the amount of $1,038,285,000 excluding original issue premium. These bond issues relate to energy that will be delivered to MCE. Total bonds outstanding at March 31, 2024 and 2023 were $1,638,940,000 and $602,655,000, respectively.

Each member of CCCFA is responsible for paying an equal portion of CCCFA's general and administrative operating costs as determined by its board. During the fiscal years ended March 31, 2024, and 2023, MCE contributed approximately $30,000 and $18,000, respectively, to CCCFA to assist in its operating activities.

The financial statements of CCCFA are available online at http://www.cccfa.org/key-documents.html.

13. FUTURE GASB PRONOUNCEMENTS

The requirements of the following GASB Statements are effective for future fiscal years ending after March 31, 2024:

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

Management is evaluating the effect of implementation of these statements.

14. SUBSEQUENT EVENT

MCE is expected to start service in the City of Hercules in early 2025. The city will add approximately 10,000 additional customer accounts, bringing the total MCE-wide customer count to approximately 600,000.