MCE Board of Directors Meeting
Thursday, September 17, 2026
6:30 p.m.

1125 Tamalpais Avenue
San Rafael, CA 94901

2300 Clayton Road, Suite 1500
Concord, CA, 94520

Remote Location
Pursuant to Res. 2026-05 & Gov. Code 54953.8.7
(City of Napa/Director Painter)

Remote Location
Pursuant to Res. 2026-05 & Gov. Code 54953.8.7
(City of Martinez/Director Zorn)

Public comments may be made in person or remotely via the details below.

Remote Public Meeting Participation

Video Conference:
https://us02web.zoom.us/j/89004877785?pwd=OTYzWGk4V2ptMFdlVGFScmw3NTlldz09
Phone: Dial (669) 900-9128, Meeting ID: 890 0487 7785, Passcode: 525690

Materials related to this agenda are available for physical inspection at MCE's offices in San Rafael at 1125 Tamalpais Avenue, San Rafael, CA 94901 and in Concord at 2300 Clayton Road, Suite 1500, Concord, CA 94520.

DISABLED ACCOMMODATION: If you are a person with a disability who requires an accommodation or an alternative format, please contact MCE at (888) 632-3674 or ada-coordinator@mceCleanEnergy.org at least 72 hours before the meeting start time to ensure arrangements are made.

The Board of Directors may discuss and/or take action on any or all of the items listed on the agenda irrespective of how the items are described.

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1. Roll Call/Quorum

2. Public Open Time on Closed Session Matters

CLOSED SESSION – 2 HOURS

2.A. Conference with Legal Counsel – Anticipated Litigation
Significant exposure to litigation pursuant to paragraph (2) or (3) of subdivision (d) of Section 54956.9: One Case
A point has been reached where, in the opinion of the Agency Board on the advice of its legal counsel, based on the below-described existing facts and circumstances, there is a significant exposure to litigation against the Agency: Receipt of Claim pursuant to Government Claims Act or other written communication threatening litigation (copy available for public inspection in Clerk's office). (Gov. Code § 54956.9(e)(3))
Name of Person or Entity Threatening Litigation: Dawn Weisz

2.B. Conference with Legal Counsel – Anticipated Litigation
Significant exposure to litigation pursuant to paragraph (2) or (3) of subdivision (d) of Section 54956.9: One Case
A point has been reached where, in the opinion of the Agency Board on the advice of its legal counsel, based on the below-described existing facts and circumstances, there is a significant exposure to litigation against the Agency: Receipt of Claim pursuant to Government Claims Act or other written communication threatening litigation (copy available for public inspection in Clerk's office). (Gov. Code § 54956.9(e)(3))
Name of Person or Entity Threatening Litigation: Vidhi Chawla

2.C. Public Employee Appointment (Government Code §54957)
Title: Interim Chief Executive Officer

OPEN SESSION – START 8:30 p.m.

3. Roll Call/Quorum

4. Board Announcements (Discussion)

5. Public Open Time (Discussion)

6. Report from Chief Executive Officer (Discussion)

7. Consent Calendar (Discussion/Action)

   C.1. Approval of 8.20.26 Meeting Minutes

C.2. Proposed Amendment of Policy 014: MCE's Investment Policy

C.3. Fiscal Year End 2026: Budget Results, Power Supply Variance and Ratification of Certain Line Item Variances

C.4. MCE 2025 Power Source Disclosure Attestation

8. Selection of Heidrick & Struggles International, Inc. for Chief Executive Officer Search Services (Discussion/Action)

9. Deliver Findings of Governance Assessment (Discussion)

10. Report Out on Financial Audit Fiscal Year End 2026 (Discussion)

11. Board & Staff Matters (Discussion)

12. Adjourn

Informational Reports

I.1 Approved Contracts for Energy Update

I.2 Legislative and Regulatory Updates

I.3 Financial Audit Fiscal Year End 2026

a. Presentation: 2026 Financial Statement Audit Auditor's Report to Governing Body
b. Financial Statements: Years ended March 31, 2026 & 2025 with Report of Independent Auditors
c. Reporting and Insights from the Fiscal Year 2026 Audit

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MCE BOARD MEETING MINUTES
Thursday, August 20, 2026
6:30 P.M.

Present:	Liz Alessio, County of Napa and Four Napa Cities/Town (American Canyon, Calistoga, St. Helena, and Yountville), joined at 6:37 p.m. Stephanie Andre, City of Larkspur Dion Bailey, City of Hercules Eli Beckman, Town of Corte Madera, joined at 6:39 p.m. Mark Belotz, Town of Danville Kari Birdseye, City of Benicia Monica Brown, County of Solano, joined at 6:53 p.m. Kevin Burke, Alternate, City of Belvedere Barbara Coler, Town of Fairfax Cindy Darling, City of Walnut Creek, Vice Chair Jill Hoffman, City of Sausalito C. William Kircher, Jr., Town of Ross Arlene Kobata, City of Pittsburg Kevin Jacobs, City of Novato Maika Llorens Gulati, City of San Rafael John McCormick, City of Lafayette Aaron Meadows, City of Oakley, joined at 6:39 p.m. Laura Nakamura, City of Concord Beth Painter, City of Napa Max Perrey, City of Mill Valley Jack Ryan, Alternate, Town of Tiburon Mary Sackett, County of Marin Manveer Sandhu, City of Fairfield, joined at 7:56 p.m. Shanelle Scales-Preston, County of Contra Costa, Chair Amanda Szakats, City of Pleasant Hill Graham Thiel, Town of Moraga, joined at 7:10 p.m. Sridhar Verose, City of San Ramon Chantel Walker, Town of San Anselmo Brianne Zorn, City of Martinez, joined at 6:41 p.m.
Absent:	Eduardo Martinez, City of Richmond Devin Murphy, City of Pinole Charles Palmares, City of Vallejo Patricia Ponce, City of San Pablo Carolyn Wysinger, City of El Cerrito

Staff

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& Others: Floy Andrews, Aleshire & Wynder
Jesica Brooks, Lead Board Clerk and Executive Assistant
Bethany Burgess, Aleshire & Wynder
Eric Douglas, Leading Resources Inc.
Vicken Kasarjian, Acting CEO and Chief Operating Officer
Shaheen Khan, VP of Human Resources, Diversity, and Inclusion
Tanya Lomas, Board Clerk
Linda Lye, Senior Legal Counsel
Ashley Muth, Internal Operations Associate
Catalina Murphy, General Counsel
Mike Rodriguez-Vargas, Internal Operations Assistant
Enyonam Senyo-Mensah, Manager of Internal Operations
Son Tran, Internal Operations Assistant
Jamie Tuckey, Chief Customer Officer

1. **Roll Call**

   (Video 0:00:00)
   Chair Scales-Preston called the regular meeting to order at 6:31 p.m. with quorum established by roll call. Director Walker joined remotely pursuant to Res. 2026-05 & Gov. Code 54953.8.7.

2. **Board Announcements (Discussion)**

   (Video 0:02:12)
   There were comments from Directors Szakats, McCormick, Bailey, Sackett, and Coler.

3. **Public Open Time (Discussion)**

   (Video 0:09:40)
   Chair Scales-Preston opened the public comment period and there were comments from members of the public, Dan Segedin, Dani Lanis, Warren Wells, Carrie Schulman, and Brett Thurber.

4. **Report from Chief Executive Officer (Discussion)**

   (Video 0:23:53)
   Vicken Kasarjian, Acting CEO and Chief Operating Officer, introduced this item and addressed questions from Board members.

   Chair Scales-Preston opened the public comment period and there were no comments.

5. **Consent Calendar (Discussion/Action)**

   (Video 0:31:43)
   C.1 Approval of 7.16.26 Meeting Minutes

C.2 MCE Co-Application in Partnership with Contra Costa County to Strategic Growth Council's (SGC) Project Development Grant Opportunity

Chair Scales-Preston opened the public comment period and there were no comments.

Action: It was M/S/C (Darling/Alessio) **to Approve the Consent Calendar.** Motion carried by unanimous roll call vote. (Absent: Martinez, Murphy, Palmares, Ponce, Sandhu, Thiel, Wysinger).

Chair Scales-Preston moved item 7 to be presented before item 6.

7. <u>Ad Hoc CEO Search Committee Status Report (Discussion)</u>

(Video 0:34:40)

Director McCormick introduced this item and addressed questions from Board members.

Chair Scales-Preston opened the public comment period and there were no comments.

Action: No action required.

6. <u>Review and Approve Recommended Response to Marin Civil Grand Jury Report (Discussion/Action)</u>

(Video 0:47:40)

Director Belotz, Bethany Burgess of Aleshire & Wynder, Flow Andrews of Aleshire & Wynder, and Eric Douglas of Leading Resources Inc., introduced this item and addressed questions from Board members.

Chair Scales-Preston opened the public comment period and there were comments from members of the public, Alicia Minyen, Robert Miller, and Dan Segedin.

Through deliberation, the Board reached a consensus to approve the cover letter and responses that were proposed by the Ad Hoc Grand Jury Response Committee and that were attached to the staff report, but to modify the cover letter and responses as follows:

<u>Revised Response to Finding No. 1</u>: ***Partially agree; partially disagree***. The MCE Board agrees that the Board has not always played a sufficiently active role in certain key agency decisions. As will be noted throughout this response,

the Board has retained a management consultant to conduct a governance assessment and provide recommendations for improving Board governance policies.

Revised response to Recommendation 7: ***The recommended evaluation is currently in process.***

As noted above, MCE is undertaking a governance assessment. As part of this process, MCE's retained management consultants will provide recommendations for improvement of the organization's governance structure. The initial phase of the governance assessment is expected to be completed by December 31, 2026.

Revised response to Recommendation 8: ***The recommendation has not yet been fully implemented, but will be fully implemented in the future.***

The Board should review and assess the value to ratepayers of MCE's energy procurement policies, including policies for contracts that may serve primarily to allow MCE to claim a higher renewable Power Content Label. The Board will endeavor to complete the policy review by September 30, 2027, and will periodically audit compliance with and effectiveness of such policies on a continuing basis.

Revised responses to Recommendations 9: ***The recommendation requires further analysis.***

MCE has reviewed various energy contracts executed over the past several years and has identified lessons learned. It has introduced process improvements to its energy purchasing procedures and continues to explore additional improvements. In addition, as part of this year's audit, MCE's independent auditor sampled specific transactions including pricing approval chains relative to energy procurement. The MCE Board will consider whether to conduct a more robust review of past energy contracts by March 31, 2027. The MCE Board will also consider and evaluate revisions to its existing policies and governance to ensure there is an appropriate level of Board oversight and engagement with respect to energy contracts.

Revision to second paragraph of cover letter:

MCE's 34-member Board represents 38 communities across four counties. Although our communities differ, we are united by a commitment to MCE's fundamental mission: reducing greenhouse gas emissions while delivering reliable and competitively priced energy and creating equitable community benefits.

Action: It was M/S/C (Perrey/Alessio) **to Approve the cover letter and proposed response to the Marin Civil Grand Jury prepared by the Ad Hoc Grand Jury Response Committee with the changes discussed by the Board of Directors.** Motion carried by unanimous roll call vote.(Absent: Martinez, Murphy, Palmares, Ponce, and Wysinger).

8. <u>Board & Staff Matters (Discussion)</u>

(Video 3:20:28)

Directors Brown and Zorn made comments.

9. <u>Adjournment</u>

(Video 3:22:21)

Chair Scales-Preston adjourned the meeting at 9:54 p.m. to the next scheduled Board Meeting on September 17, 2026.

Shanelle Scales-Preston, Chair

Attest:

Justine Parmelee, Secretary

Empowering Our Clean Energy Future
CONTRA COSTA | MARIN | NAPA | SOLANO

September 17, 2026

TO:	MCE Board of Directors
FROM:	Maíra Strauss, Chief Financial Officer
RE:	Proposed Amendment of Policy 014: MCE’s Investment Policy (Agenda Item #05 C.2)
ATTACHMENTS:	A. Policy 014: MCE’s Investment Policy Redline B. Policy 014: MCE’s Investment Policy

Dear MCE Board Members:

Summary

MCE's Investment Policy (Policy 014) establishes the guidelines governing the management of MCE's cash, deposits, and investments. The policy is reviewed periodically to ensure continued compliance with California Government Code requirements and alignment with industry best practices. Staff have been working with MCE’s investment advisor, Chandler Asset Management, to complete a comprehensive evaluation of the policy. Several targeted updates to reflect recent statutory changes, enhance portfolio management flexibility, and improve policy clarity are recommended. The proposed amendment is intended to incorporate recent California Government Code requirements, ensure the policy remains modern, clearly articulated, easy to administer, and aligned with current industry best practices while maintaining MCE's investment philosophy and focus on safety and liquidity.

On August 27and on September 8, 2026, MCE’s Finance Committee and Executive Committee, respectively, unanimously recommended that the Board approve the Amendment of the Policy 014: MCE’s Investment Policy.

Overview

MCE's investment program is governed by California Government Code Sections 53600 et. seq and is designed to achieve three primary objectives, in order of priority:

- Preservation of principal;
- Maintenance of adequate liquidity to meet operational needs; and
- Attainment of an appropriate market rate of return consistent with safety and liquidity objectives.

The recent review concluded that MCE's Investment Policy remains effective and well-designed, with recommended revisions focused primarily on incorporating changes to California law, expanding certain diversification opportunities, and improving policy readability and administration

Proposed Policy Updates

The proposed amendments include the following key updates:

Extended maturity limits for selected securities. The policy would allow investments in U.S. Treasury obligations, federal agency securities, and municipal securities with maturities of up to seven years. California Government Code permits maturities longer than five years for these asset classes when specifically authorized by the governing body. Our investment strategy continues to focus primarily on maturities between one and five years but would benefit from flexibility to selectively purchase securities with slightly longer maturities when market conditions warrant. The proposed change provides additional flexibility to diversify maturities and potentially enhance investment returns while maintaining investments in high-quality securities.

Commercial paper revisions. The maximum maturity for commercial paper would increase from 270 days to 397 days, consistent with current California law. Additional revisions update the policy language to align more closely with statutory requirements and current market practices.

Addition of bankers' acceptances. Bankers' acceptances would be added as an authorized investment type. These short-term instruments are commonly used by public agencies and provide additional diversification opportunities while maintaining a conservative credit profile.

Commercial paper updates. Policy language would be updated to reflect current statutory provisions governing placement service deposits and related concentration limits through January 1, 2031. The update would bring MCE's policy in line with AB 2618.

Money market mutual fund clarification. Revisions simplify the policy language and align eligibility requirements more closely with California Government Code, improving clarity and readability.

Municipal securities enhancements. The minimum rating requirement for municipal securities would be adjusted from "A+" to "A" or equivalent, and eligible issuers would be expanded to include qualifying obligations from all U.S. states. MCE's current "A+" requirement exceeds both California Government Code requirements and common industry practice. These changes may increase diversification opportunities while maintaining investment-grade standards.

Expansion of eligible municipal issuers. The policy would authorize investments in qualifying municipal obligations issued by all U.S. states rather than limiting investments primarily to California issuers (AB 1745). This authority may improve diversification and liquidity opportunities within MCE's investment portfolio.

Local Government Investment Pools (LGIPs). The policy would authorize investments in qualifying Joint Powers Authority investment pools, providing an additional tool for managing short-term liquidity needs.

Prohibited investment update. New language would prohibit the purchase of securities with forward settlement dates exceeding 45 days, consistent with recent updates to California law (SB 1489).

The recommended changes modernize the policy framework, improve clarity and readability, provide additional administrative flexibility, and align the policy with current statutory requirements and public-sector investment best practices. The revisions also expand diversification opportunities and investment management tools available to staff while preserving MCE's long-standing commitment to prudent stewardship of public funds.

Fiscal Impact
None at this time. Certain revisions provide additional flexibility to enhance portfolio diversification and investment earnings over time.

Recommendation
Approve the Amendment to Policy 014: MCE's Investment Policy.[1]

[1] This item is a general administrative matter. Action requires a majority vote of board members present for a motion to carry.

APPROVED

Date: 3/16/23

MARIN CLEAN ENERGY

POLICY 014: Investment Policy

Introduction

This Investment Policy establishes guidelines for the management of cash, deposits and investments (together, "funds") at MCE (or the "Agency").

Scope

This policy covers all funds and investment activities under the direct authority of MCE, as set forth in the State Government Code, Sections 53600 et seq., with the following exceptions:

- Proceeds of debt issuance shall be invested in accordance with MCE's general investment philosophy as set forth in this policy; however, such proceeds are to be invested pursuant to the permitted investment provisions of their specific bond indentures.

- Any other funds specifically exempted by the Governing Body.

Objectives

When managing funds, MCE's primary objectives, in order of importance, shall be to safeguard the principal of the funds, meet the liquidity needs of MCE, and achieve a return on investment on funds in MCE's control.

Safety: Safety of principal is the foremost objective of cash and investment management activities. The investment of funds shall be undertaken in a manner that seeks to ensure the preservation of principal.

Liquidity: The funds of the agency shall remain sufficiently liquid to meet all operating needs that may be reasonably anticipated. Since all possible cash demands cannot be anticipated, the investment of funds in deposits or instruments available on demand is recommended.

Return on Investment: The deposit and investment portfolio shall be designed with the objective of attaining a market rate of return throughout the economic cycle while considering risk and liquidity constraints. The return on deposits and investments is of secondary importance compared to the safety and liquidity objectives described above.

Standard of Care

MCE will manage funds in accordance with the Prudent Investor Standard pursuant to California Government Code Section 53600.3.1[1]: "Governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds

[1] All further statutory references are to the California Government Code unless otherwise stated.

are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, a trustee shall act with care, skill, prudence and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law."

Delegation of Authority

Pursuant to Section 53607, the responsibility to manage funds is delegated to the Treasurer of MCE. The Treasurer may appoint Deputy Treasurers as the Treasurer deems necessary and convenient for the prompt and faithful discharge of its duties to invest and reinvest the funds of MCE, pursuant to Section 53607.

MCE may engage the services of one or more external investment advisers, who are registered under the Investment Advisers Act of 1940, to assist in the management of MCE's investment portfolio in a manner consistent with the MCE's objectives. External investment advisers may be granted discretion to purchase and sell investment securities in accordance with this Investment Policy.

Ethics and Conflicts of Interest

All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. Thus employees and officials involved in the investment process shall refrain from personal business activity that could create a conflict of interest or the appearance of a conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

Employees and investment officials shall disclose to MCE's General Counsel or designee any material interests in financial institutions with which they conduct business, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking any personal investment transactions with the same individual with whom business is conducted on behalf of MCE.

Authorized Investments

MCE's investments are governed by California Government Code, Sections 53600 et seq. Within the investments permitted by the Code, MCE seeks to further restrict eligible investments to the guidelines listed below. In the event a discrepancy is found between this policy and the Code, the more restrictive parameters will take precedence. Percentage holding limits and minimum credit quality requirements listed in this section apply at the time the security is purchased.

Any investment currently held at the time the policy is adopted which does not meet the new policy guidelines can be held until maturity and shall be exempt from the current policy. At the time of the investment's maturity or liquidation, such funds shall be reinvested only as provided in the current policy.

The following types of investments are permitted:

Deposits at Bank(s): Funds may be invested in non-interest bearing depository accounts to meet MCE's operating and collateral needs and grant requirements. Funds not needed for these purposes may be invested in interest bearing depository accounts or Federal Deposit Insurance Corporation (FDIC) insured certificates of deposit with maturities not to exceed five years.

Banks eligible to receive deposits will be federally or state chartered and will conform to Section 53635.2 which requires that banks "have received an overall rating of not less than "satisfactory" in its most recent evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of California's communities, including low- and moderate-income neighborhoods, pursuant to Section 2906 of Title 12 of the United States Code."

FDIC insurance coverage in the United States is $250,000 per Tax ID Number. As per Section 53652, banks must collateralize the deposits of public agencies. The Treasurer, or a duly appointed Deputy Treasurer, will monitor the credit quality of eligible banks to ensure the safety of MCE deposits.

Local Agency Investment Fund (LAIF): Funds may be invested in the Local Agency Investment Fund. The LAIF was established by the California State Treasurer for the benefit of local agencies. Statutory requirements of the Local Agency Investment Fund include:

Section 16429.1

> a. There is in trust in the custody of the Treasurer the Local Agency Investment Fund, which fund is hereby created. The Controller shall maintain a separate account for each governmental unit having deposits in this fund.
>
> e. The local governmental unit, the nonprofit corporation, or the quasi-governmental agency has the exclusive determination of the length of time its money will be on deposit with the Treasurer.
>
> j. Money in the fund shall be invested to achieve the objective of the fund which is to realize the maximum return consistent with safe and prudent treasury management.
>
> i. Immediately at the conclusion of each calendar quarter, all interest earned and other increment derived from investments shall be distributed by the Controller to the contributing governmental units or trustees. An amount equal to the reasonable costs incurred in carrying out the provisions of this section, not to exceed a maximum of 5 percent of the earnings of this fund and not to exceed the amount appropriated in the annual Budget Act for this function, shall be deducted from the earnings prior to distribution.

Section 16429.4

The right of a city, county, city and county, special district, nonprofit corporation, or qualified quasi-governmental agency to withdraw its deposited moneys from the Local Agency Investment Fund, upon demand, may not be altered, impaired, or denied, in any way, by any state official or state agency based upon the state's failure to adopt a State Budget by July 1 of each new fiscal year.

US Treasury Obligations: Funds may be invested in United States Treasury obligations and other government obligations for which the full faith and credit of the United States are pledged for the payment of principal and interest with a term to maturity not exceeding seven ~~5~~ (7) years. There are no limits on the dollar amount or percentage that MCE may invest in U.S. Treasuries.

Federal Agency Securities: Funds may be invested in Federal Agency Securities or United States Government-Sponsored Enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. There are no limits on the dollar amount or percentage that MCE may invest in Federal Agency or Government-Sponsored Enterprises (GSEs) with a term to maturity not exceeding seven ~~5~~ (7) years. No more than 30% of the portfolio may be invested in any single Agency/GSE issuer. Federal Agency and GSE obligations must be rated in a rating category of AA or equivalent or better. The maximum percent of agency callable securities in the portfolio will be 20%.

Commercial Paper: Funds may be invested in commercial paper in accordance with the requirements of Section 53601 and subject to the following limitations:

- i. No more than 25% of the total portfolio shall be invested in commercial paper;
- ii. The term to maturity shall not exceed ~~270~~ 397 days; and
- ~~iii. No more than 10% of outstanding commercial paper shall be from any single issuer.~~

The issuer of commercial paper must meet all of the following conditions in either paragraph (a) or (b) specified below:

a. ~~have the following:~~Securities issued by corporations:
   - i. A corporation organized and operating in the United States with ~~Assets~~ assets in excess of $500 million;
   - ii. ~~A credit rating of~~The securities are rated A-1 or its equivalent or better by a Nationally Recognized Statistical Rating Organization (NRSRO); and
   - iii. If the issuer has other debt obligations, they must be rated in a rating category of "A" or its equivalent or better by at least one NRSRO.~~A senior debt rated at A or better.~~

b. Securities issued by other entities:
   - i. The issuer is organized within the United States as a special purpose corporation, trust, or limited liability company.
   - ii. The securities must have program-wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond.
   - iii. The securities are rated "A-1" or its equivalent or better by at least one NRSRO.

Additionally, under a provision sunsetting on January 1, ~~2026~~2031, no more than 40% of the portfolio may be invested in Commercial Paper if ~~the Agency's~~MCE's investment assets under management are greater than $100,000,000. No more than 5% of the portfolio may be invested in any single issuer.

Bankers's Acceptances, provided that:

- They are issued by institutions which have short-term debt obligations rated "A-1" or its equivalent or better by at least one NRSRO; or long-term debt obligations which are rated in a rating category of "A" or its equivalent or better by at least one NRSRO.
- No more than 40% of the total portfolio may be invested in Banker's Acceptances.
- No more than 5% of the total portfolio may be invested in any single issuer.
- The maximum maturity does not exceed 180 days.

Negotiable Certificates of Deposit: Funds may be invested in negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank, and subject to the following limitations:

- i. Issued by an entity as defined in Section 53601(i); and

ii. No more than 30% of funds invested pursuant to this Investment Policy may be invested in certificates of deposit.
iii. The amount of the NCD insured up to the FDIC limit does not require any credit ratings.
iv. Any amount above the FDIC insured limit must be issued by institutions which have short-term debt obligations rated "A-1" or its equivalent or better by at least one NRSRO; or long-term obligations rated in a rating category of "A" or its equivalent or better by at least
v. one NRSRO.
vi. No more than 5% of the portfolio may be invested in any single issuer.
vii. The maximum maturity does not exceed five (5) years.

Collateralized Time Deposits (Non-Negotiable Certificates of Deposit): Funds may be invested in state or federally chartered banks, savings and loans, or credit unions in excess of insured amounts which are fully collateralized with securities in accordance with California law, provided that:

- No more than 50% of the portfolio will be invested in a combination of federally insured and collateralized time deposits, including CDARS.
- The maximum maturity does not exceed five (5) years.

Placement Service Deposits: Funds may be invested in deposits placed with a private sector entity that assists in the placement of deposits with eligible financial institutions located in the United States (Section 53601.8). The full amount of principal and the interest that may be accrued during the maximum term of each deposit shall at all times be insured by federal deposit insurance. The combined maximum portfolio exposure to the deposits placed pursuant to this section, Insured Cash Sweep (ICS) and Certificate of Deposit Account Registry Service (CDARS) is limited to ~~50~~ 30 percent and the maximum investment maturity will be restricted to five years, unless otherwise prescribed by law. Under a provision sunsetting on January 1, 2031, no more than 50 percent of the portfolio may be invested in deposits through a placement service, including Certificates of Deposit, if the investing agency is a city, district or local agency that does not pool money with other local agencies.

Money Market Funds: Funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 and issued by diversified management companies and meet either of the following criteria:

i. Have attained the highest ranking or the highest letter and numerical rating provided by not less than two (2) NRSROs; or
ii. Have retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of $500 million.

- No more than 20% of the total portfolio may be invested in Money Market Mutual Funds, and the shares of any one Money Market Mutual Fund.
- ~~may be invested in money market funds pursuant to Section 53601(l)(2) and subject to Section 53601(l)(4).~~

Municipal Securities: Funds may be invested in municipal securities including obligations of MCE, the State of California and any local agency within the State of California, provided that:

- The securities are rated in a minimum rating category of "A~~+~~" or its equivalent or better by at least one nationally recognized statistical rating organization ("NRSRO").
- No more than 5% of the portfolio may be invested in any single issuer.
- No more than 30% of the portfolio may be in Municipal Securities in the aggregate.

- The maximum maturity does not exceed ~~five~~ seven (~~5~~7) years.

Municipal Securities: Registered Treasury Notes of Bonds of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California.

- The securities are rated in a rating category of "A" or its equivalent or better by at least one NRSRO.
- No more than 5% of the total portfolio may be invested in any single issuer.
- No more than 30% of the total portfolio may be in Municipal Securities in the aggregate.
- The maximum maturity does not exceed seven (7) years.

Repurchase Agreements: Funds may be invested in repurchase agreements collateralized with securities authorized under California Government Code, maintained at a level of at least 102% of the market value of the Repurchase Agreement. There are no limits on the dollar amount or percentage that MCE may invest, provided that:

- Securities used as collateral for Repurchase Agreements will be delivered to an acceptable third party custodian.
- Repurchase Agreements are subject to a Master Repurchase Agreement between the Agency and the provider of the repurchase agreement. The Master Repurchase Agreement will be substantially in the form developed by the Securities Industry and Financial Markets Association (SIFMA).
- The maximum maturity does not exceed one (1) year.

Corporate Medium-Term Notes (MTNs): Funds may be invested in MTMs provided that:

- The security is issued by~~issuer is~~ a corporation organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.
- The securities are rated in a rating category of "A~~+~~" or its equivalent or better by at least one NRSRO.
- No more than 30% of the total portfolio may be invested in MTNs.
- No more than 5% of the portfolio may be invested in any single issuer.
- The maximum maturity does not exceed five (5) years.

Asset-Backed, Mortgage-Backed, Mortgage Passthrough Securities, and Collateralized Mortgage Obligations from issuers not defined as issuers of U.S. Treasuries, Federal Agencies, and Government Sponsored Enterprises in the preceding paragraphs of the Authorized Investments section of this policy: Funds may be invested in these securities provided that:

- The securities are rated in a rating category of "AA" or its equivalent or better by a NRSRO.
- No more than 20% of the total portfolio may be invested in these securities.
- No more than 5% of the portfolio may be invested in any single Asset-Backed or Commercial Mortgage security issuer.
- The maximum legal final maturity does not exceed five (5) years.

Supranationals: Funds may be invested in supranationals provided that:

- Issues are US dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.

- The securities are rated in a rating category of "AA" or its equivalent or better by a NRSRO.
- No more than 30% of the total portfolio may be invested in these securities.
- No more than 10% of the portfolio may be invested in any single issuer.
- The maximum maturity does not exceed five (5) years.

Local Government Investment Pools (LGIP): Defined as shares of beneficial interest issued by a Joint Powers Authority (JPA): provided that:

- The JPA is organized pursuant to California Government Code Section 6509.7 and invests in the securities and obligations authorized in subdivisions (a) to (r), inclusive.
- Each share shall represent an equal proportional interest in the underlying pool of securities owned by the JPA.
- The JPA has retained an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of $500 million, and has at least five years' experience investing in instruments authorized by Section 53601, subdivisions (a) to (q).

Prohibited Investments

Pursuant to Section 53601.6, MCE shall not invest funds in any security that could result in a zero interest accrual, or less, if held to maturity. These prohibited investments include inverse floaters, range notes, or mortgage-derived interest-only strips, futures options. The purchase of foreign currency denominated securities is prohibited. Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited. Purchasing or selling securities on margin is prohibited. The use of reverse repurchase agreements, securities lending or any other form of borrowing or leverage is prohibited. The purchase of a security with a forward settlement date exceeding 45 days from the time of the investment is prohibited.

Investment Portfolio Management

The term to maturity of any funds invested as measured from settlement date to maturity date shall not exceed 5 years pursuant to Section 53601~~.~~ unless the MCE Board has by resolution granted authority to make such an investment either specifically or as a part of an investment program approved by the legislative body no less than three months prior to the investment. U.S. Treasury securities, federal agency obligations, and municipal securities may be invested in securities with maturities no longer than seven (7) years. The Treasurer, or a duly appointed Deputy Treasurer, will allocate funds among authorized investments consistent with the objectives and standards of care outlined in this Policy.

Bids and Purchase of Securities

Prior to the purchase of an investment pursuant to this Policy the persons authorized to make investments shall assess the market and market prices using information obtained from available sources including investment services, broker/dealers, and the media. A competitive bid process, when practical, will be used to place all investment purchases and sales transactions.

Brokers

To the extent practicable, the Treasurer shall endeavor to complete investment transactions using a competitive bid process whenever possible. In accordance with Section 53601.5, institutions eligible to transact investment business with MCE include:

- Institutions licensed by the state as a broker-dealer, as defined in Section 25004 of the Corporations Code, with proof of FINRA certification.
- Institutions that are members of a federally regulated securities exchange.
- Primary government dealers as designated by the Federal Reserve Bank and non-primary government dealers.
- Nationally or state-chartered banks.
- Savings association or federal association (as defined in Section 5102 of the Financial Code).
- The Federal Reserve Bank.
- Direct issuers of securities eligible for purchase.

Selection of financial institutions and broker/dealers authorized to engage in transactions will be at the sole discretion of MCE, except where MCE utilizes an external investment adviser in which case MCE may rely on the adviser for selection.

Selection of broker/dealers used by an external investment adviser retained by MCE will be at the sole discretion of the adviser. Where possible, transactions with broker/dealers shall be selected on a competitive basis and their bid or offering prices shall be recorded. If there is no other readily available competitive offering, best efforts will be made to document quotations for comparable or alternative securities. When purchasing original issue instrumentality securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same original issue price.

The Treasurer shall be prohibited from selecting any broker, brokerage firm, dealer, or securities firm that has, within any 48-consecutive month period following January 1, 1996, made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board to any member of the MCE Board, or any candidate for those offices. The broker/dealers shall be provided with and acknowledge receipt of the Investment Policy.

Losses

Losses are acceptable on a sale before maturity and may be taken if required to rebalance duration, improve credit quality or increase diversification, meet the liquidity needs of the agency or if the reinvestment proceeds will earn an income flow with a present value higher than the present value of the income flow that would have been generated by the original investment, considering any investment loss or foregoing interest on the original investment.

Delivery and Safekeeping

The delivery and safekeeping of all securities shall be made through a third party custodian when practical and cost effective as determined by the Treasurer, or a duly appointed Deputy Treasurer, and in accordance with Section 53608. The Director of Finance or their designee shall review all transaction confirmations for conformity with the original transaction.

Risk Management and Diversification—Mitigating Credit Risk in the Portfolio

Credit risk is the risk that a security or a portfolio will lose some or all its value due to a real or perceived change in the ability of the issuer to repay its debt. MCE will mitigate credit risk by adopting the following strategies:

- The diversification requirements included in the "Authorized Investments" section of this policy are designed to mitigate credit risk in the portfolio.

- No more than 5% of the total portfolio may be deposited with or invested in securities issued by any single issuer unless otherwise specified in this policy.

- MCE may elect to sell a security prior to its maturity and record a capital gain or loss in order to manage the quality, liquidity or yield of the portfolio in response to market conditions or MCE's risk preferences.

- If a security owned by MCE is downgraded to a level below the requirements of this policy, making the security ineligible for additional purchases, the following steps will be taken:

    - Any actions taken related to the downgrade by the investment manager will be communicated to the Treasurer in a timely manner.

    - If a decision is made to retain the security, the credit situation will be monitored and reported to the Governing Body.

Risk Management and Diversification—Mitigating Market Risk in the Portfolio

Market risk is the risk that the portfolio value will fluctuate due to changes in the general level of interest rates. MCE recognizes that, over time, longer-term portfolios have the potential to achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. MCE will mitigate market risk by providing adequate liquidity for short-term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes.

MCE further recognizes that certain types of securities, including variable rate securities, securities with principal paydowns prior to maturity, and securities with embedded options, will affect the market risk profile of the portfolio differently in different interest rate environments. MCE, therefore, adopts the following strategies to control and mitigate its exposure to market risk:

- MCE will maintain a minimum of $40 million in cash and overnight investments at all times to provide sufficient liquidity for expected disbursements.

- The maximum stated final maturity of individual securities in the portfolio will be five (5) years, except as otherwise stated in this policy.

- The duration of the portfolio will generally be approximately equal to the duration (typically, plus or minus 20%) of a Market Benchmark, an index selected by MCE based on MCE's investment objectives, constraints and risk tolerances.

Conflict of Interest

In accordance with state law, staff shall not accept honoraria, gifts, and gratuities from advisors, brokers, dealers, bankers, or other person with whom MCE conducts business.

Audits

MCE's funds shall be subject to a process of independent review by its external auditors. MCE's external auditors shall review the investment portfolio in connection with the annual audit for compliance with the Investment Policy pursuant to Section 27134. The results of the audit shall be reported to the Director of Finance and the Ad Hoc Audit Committee.

Reports

Monthly: So long as the Board of Directors' annual delegation of investment authority pursuant to Section 53607 to the Treasurer is effective, the Treasurer or a duly appointed Deputy Treasurer will perform a monthly review of the investment function and shall submit a monthly report of all investment transactions to the Board of Directors. Investment transactions are defined as the purchase, sale or exchange of securities.

Annually: The Treasurer, or a duly appointed Deputy Treasurer, will submit an annual report to the Board of Directors and Chief Executive Officer within 45 days of the end of a fiscal year providing the following:

i. A list identifying the type of investment, issuer, date of maturity, par and dollar amount invested on all securities, the market value and source of the market value information;
ii. A statement that the portfolio is in compliance with the Investment Policy and in accordance with Section 53646 or the manner in which the portfolio is not in compliance; and
iii. A statement of MCE's ability to meet expenditure requirements for the upcoming 12 months.

Annual Review

The Investment Policy will be reviewed annually by the Treasurer, or a duly appointed Deputy Treasurer. Any changes to the Investment Policy will be submitted to the Board for approval.

Glossary of Investment Terms

AGENCIES. Shorthand market terminology for any obligation issued by *a government-sponsored entity (GSE),* or a *federally related institution*. Most obligations of GSEs are not guaranteed by the full faith and credit of the US government. Examples are:

FFCB. The Federal Farm Credit Bank System provides credit and liquidity in the agricultural industry. FFCB issues discount notes and bonds.

FHLB. The Federal Home Loan Bank provides credit and liquidity in the housing market. FHLB issues discount notes and bonds.

FHLMC. Like FHLB, the Federal Home Loan Mortgage Corporation provides credit and liquidity in the housing market. FHLMC, also called "FreddieMac" issues discount notes, bonds and mortgage pass-through securities.

FNMA. Like FHLB and FreddieMac, the Federal National Mortgage Association was established to provide credit and liquidity in the housing market. FNMA, also known as "FannieMae," issues discount notes, bonds and mortgage pass-through securities.

GNMA. The Government National Mortgage Association, known as "GinnieMae," issues mortgage pass-through securities, which are guaranteed by the full faith and credit of the US Government.

PEFCO. The Private Export Funding Corporation assists exporters. Obligations of PEFCO are not guaranteed by the full faith and credit of the US government.

TVA. The Tennessee Valley Authority provides flood control and power and promotes development in portions of the Tennessee, Ohio, and Mississippi River valleys. TVA currently issues discount notes and bonds.

ASKED. The price at which a seller offers to sell a security.

ASSET BACKED SECURITIES. Securities supported by pools of installment loans or leases or by pools of revolving lines of credit.

AVERAGE LIFE. In mortgage-related investments, including CMOs, the average time to expected receipt of principal payments, weighted by the amount of principal expected.

BANKER'S ACCEPTANCE. A money market instrument created to facilitate international trade transactions. It is highly liquid and safe because the risk of the trade transaction is transferred to the bank which "accepts" the obligation to pay the investor.

BENCHMARK. A comparison security or portfolio. A performance benchmark is a partial market index, which reflects the mix of securities allowed under a specific investment policy.

BID. The price at which a buyer offers to buy a security.

BROKER. A broker brings buyers and sellers together for a transaction for which the broker receives a commission. A broker does not sell securities from his own position.

CALLABLE. A callable security gives the issuer the option to call it from the investor prior to its maturity. The main cause of a call is a decline in interest rates. If interest rates decline since an issuer issues securities, it will likely call its current securities and reissue them at a lower rate of interest. Callable securities have reinvestment risk as the investor may receive its principal back when interest rates are lower than when the investment was initially made.

CERTIFICATE OF DEPOSIT (CD). A time deposit with a specific maturity evidenced by a certificate. Large denomination CDs may be marketable.

CERTIFICATE OF DEPOSIT ACCOUNT REGISTRY SYSTEM (CDARS). A private placement service that allows local agencies to purchase more than $250,000 in CDs from a single financial institution (must be a participating institution of CDARS) while still maintaining FDIC insurance coverage. CDARS is currently the only entity providing this service. CDARS facilitates the trading of deposits between the California institution and other participating institutions in amounts that are less than $250,000 each, so that FDIC coverage is maintained.

COLLATERAL. Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits of public monies.

COLLATERALIZED MORTGAGE OBLIGATIONS (CMO). Classes of bonds that redistribute the cash flows of mortgage securities (and whole loans) to create securities that have different levels of prepayment risk, as compared to the underlying mortgage securities.

COMMERCIAL PAPER. The short-term unsecured debt of corporations.

COST YIELD. The annual income from an investment divided by the purchase cost. Because it does not give effect to premiums and discounts which may have been included in the purchase cost, it is an incomplete measure of return.

COUPON. The rate of return at which interest is paid on a bond.

CREDIT RISK. The risk that principal and/or interest on an investment will not be paid in a timely manner due to changes in the condition of the issuer.

CURRENT YIELD. The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

DEALER. A dealer acts as a principal in security transactions, selling securities from and buying securities for his own position.

DEBENTURE. A bond secured only by the general credit of the issuer.

DELIVERY VS. PAYMENT (DVP). A securities industry procedure whereby payment for a security must be made at the time the security is delivered to the purchaser's agent.

DERIVATIVE. Any security that has principal and/or interest payments which are subject to uncertainty (but not for reasons of default or credit risk) as to timing and/or amount, or any security which represents a component of another security which has been separated from other components ("Stripped" coupons and principal). A derivative is also defined as a financial instrument the value of which is totally or partially derived from the value of another instrument, interest rate, or index.

DISCOUNT. The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as T-bills and banker's acceptances, are known as discount securities. They sell at a discount from par, and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

DIVERSIFICATION. Dividing investment funds among a variety of investments to avoid excessive exposure to any one source of risk.

DURATION. The weighted average time to maturity of a bond where the weights are the present values of the future cash flows. Duration measures the price sensitivity of a bond to changes in interest rates. (See modified duration).

FEDERAL FUNDS RATE. The rate of interest charged by banks for short-term loans to other banks. The Federal Reserve Bank through open-market operations establishes it.

FEDERAL OPEN MARKET COMMITTEE. A committee of the Federal Reserve Board that establishes monetary policy and executes it through temporary and permanent changes to the supply of bank reserves.

LEVERAGE. Borrowing funds in order to invest in securities that have the potential to pay earnings at a rate higher than the cost of borrowing.

LIQUIDITY. The speed and ease with which an asset can be converted to cash.

LOCAL AGENCY INVESTMENT FUND (LAIF). A voluntary investment fund open to government entities and certain non-profit organizations in California that is managed by the State Treasurer's Office.

LOCAL GOVERNMENT INVESTMENT POOL. Investment pools that range from the State Treasurer's Office Local Agency Investment Fund (LAIF) to county pools, to Joint Powers Authorities (JPAs). These funds are not subject to the same SEC rules applicable to money market mutual funds.

MAKE WHOLE CALL. A type of call provision on a bond that allows the issuer to pay off the remaining debt early. Unlike a call option, with a make whole call provision, the issuer makes a lump sum payment that equals the net present value (NPV) of future coupon payments that will not be paid because of the call. With this type of call, an investor is compensated, or "made whole."

MARGIN. The difference between the market value of a security and the loan a broker makes using that security as collateral.

MARKET RISK. The risk that the value of securities will fluctuate with changes in overall market conditions or interest rates.

MARKET VALUE. The price at which a security can be traded.

MARKING TO MARKET. The process of posting current market values for securities in a portfolio.

MATURITY. The final date upon which the principal of a security becomes due and payable.

MEDIUM TERM NOTES. Unsecured, investment-grade senior debt securities of major corporations which are sold in relatively small amounts on either a continuous or an intermittent basis. MTNs are highly flexible debt instruments that can be structured to respond to market opportunities or to investor preferences.

MODIFIED DURATION. The percent change in price for a 100 basis point change in yields. Modified duration is the best single measure of a portfolio's or security's exposure to market risk.

MONEY MARKET. The market in which short-term debt instruments (T-bills, discount notes, commercial paper, and banker's acceptances) are issued and traded.

MORTGAGE PASS-THROUGH SECURITIES. A securitized participation in the interest and principal cash flows from a specified pool of mortgages. Principal and interest payments made on the mortgages are passed through to the holder of the security.

MUNICIPAL SECURITIES. Securities issued by state and local agencies to finance capital and operating expenses.

MUTUAL FUND. An entity which pools the funds of investors and invests those funds in a set of securities which is specifically defined in the fund's prospectus. Mutual funds can be invested in various types of domestic and/or international stocks, bonds, and money market instruments, as set forth in the individual fund's prospectus. For most large, institutional investors, the costs associated with investing in mutual funds are higher than the investor can obtain through an individually managed portfolio.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO).
A credit rating agency that the Securities and Exchange Commission in the United States uses for regulatory purposes. Credit rating agencies provide assessments of an investment's risk. The issuers of investments, especially debt securities, pay credit rating agencies to provide them with ratings. The three most prominent NRSROs are Fitch, S&P, and Moody's.

NEGOTIABLE CD. A short-term debt instrument that pays interest and is issued by a bank, savings or federal association, state or federal credit union, or state-licensed branch of a foreign bank. Negotiable CDs are traded in a secondary market and are payable upon order to the bearer or initial depositor (investor).

PREMIUM. The difference between the par value of a bond and the cost of the bond, when the cost is above par.

PREPAYMENT SPEED. A measure of how quickly principal is repaid to investors in mortgage securities.

PREPAYMENT WINDOW. The time period over which principal repayments will be received on mortgage securities at a specified prepayment speed.

PRIMARY DEALER. A financial institution (1) that is a trading counterparty with the Federal Reserve in its execution of market operations to carry out U.S. monetary policy, and (2) that participates for statistical reporting purposes in compiling data on activity in the U.S. Government securities market.

PRUDENT PERSON (PRUDENT INVESTOR) RULE. A standard of responsibility which applies to fiduciaries. In California, the rule is stated as "Investments shall be managed with the care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of like character and with like aims to accomplish similar purposes."

REALIZED YIELD. The change in value of the portfolio due to interest received and interest earned and realized gains and losses. It does not give effect to changes in market value on securities, which have not been sold from the portfolio.

REGIONAL DEALER. A financial intermediary that buys and sells securities for the benefit of its customers without maintaining substantial inventories of securities and that is not a primary dealer.

REPURCHASE AGREEMENT. Short-term purchases of securities with a simultaneous agreement to sell the securities back at a higher price. From the seller's point of view, the same transaction is a reverse repurchase agreement.

SAFEKEEPING. A service to bank customers whereby securities are held by the bank in the customer's name.

STRUCTURED NOTE. A complex, fixed income instrument, which pays interest, based on a formula tied to other interest rates, commodities or indices. Examples include inverse floating rate notes which have coupons that increase when other interest rates are falling, and which fall when other interest rates are rising, and "dual index floaters," which pay interest based on the relationship between two other interest rates - for example, the yield on the ten-year Treasury note minus the Libor rate. Issuers of such notes lock in a reduced cost of borrowing by purchasing interest rate swap agreements.

SUPRANATIONAL. A Supranational is a multi-national organization whereby member states transcend national boundaries or interests to share in the decision making to promote economic development in the member countries.

TOTAL RATE OF RETURN. A measure of a portfolio's performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending value; it includes interest earnings, realized and unrealized gains, and losses in the portfolio.

U.S. TREASURY OBLIGATIONS. Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk, and are the benchmark for interest rates on all other securities in the US and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

TREASURY BILLS. All securities issued with initial maturities of one year or less are issued as discounted instruments, and are called Treasury bills. The Treasury currently issues three- and six-month T-bills at regular weekly auctions. It also issues "cash management" bills as needed to smooth out cash flows.

TREASURY NOTES. All securities issued with initial maturities of two to ten years are called Treasury notes, and pay interest semi-annually.

TREASURY BONDS. All securities issued with initial maturities greater than ten years are called Treasury bonds. Like Treasury notes, they pay interest semi-annually.

VOLATILITY. The rate at which security prices change with changes in general economic conditions or the general level of interest rates.

YIELD TO MATURITY. The annualized internal rate of return on an investment which equates the expected cash flows from the investment to its cost.

MCE Empowering Our Clean Energy Future
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APPROVED

Date: 3/16/23

MARIN CLEAN ENERGY

POLICY 014: Investment Policy

Introduction

This Investment Policy establishes guidelines for the management of cash, deposits and investments (together, "funds") at MCE (or the "Agency").

Scope

This policy covers all funds and investment activities under the direct authority of MCE, as set forth in the State Government Code, Sections 53600 et seq., with the following exceptions:

- Proceeds of debt issuance shall be invested in accordance with MCE's general investment philosophy as set forth in this policy; however, such proceeds are to be invested pursuant to the permitted investment provisions of their specific bond indentures.

- Any other funds specifically exempted by the Governing Body.

Objectives

When managing funds, MCE's primary objectives, in order of importance, shall be to safeguard the principal of the funds, meet the liquidity needs of MCE, and achieve a return on investment on funds in MCE's control.

Safety: Safety of principal is the foremost objective of cash and investment management activities. The investment of funds shall be undertaken in a manner that seeks to ensure the preservation of principal.

Liquidity: The funds of the agency shall remain sufficiently liquid to meet all operating needs that may be reasonably anticipated. Since all possible cash demands cannot be anticipated, the investment of funds in deposits or instruments available on demand is recommended.

Return on Investment: The deposit and investment portfolio shall be designed with the objective of attaining a market rate of return throughout the economic cycle while considering risk and liquidity constraints. The return on deposits and investments is of secondary importance compared to the safety and liquidity objectives described above.

Standard of Care

MCE will manage funds in accordance with the Prudent Investor Standard pursuant to California Government Code Section 53600.3.1[1]: "Governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds

[1] All further statutory references are to the California Government Code unless otherwise stated.

are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, a trustee shall act with care, skill, prudence and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law."

Delegation of Authority

Pursuant to Section 53607, the responsibility to manage funds is delegated to the Treasurer of MCE. The Treasurer may appoint Deputy Treasurers as the Treasurer deems necessary and convenient for the prompt and faithful discharge of its duties to invest and reinvest the funds of MCE, pursuant to Section 53607.

MCE may engage the services of one or more external investment advisers, who are registered under the Investment Advisers Act of 1940, to assist in the management of MCE's investment portfolio in a manner consistent with the MCE's objectives. External investment advisers may be granted discretion to purchase and sell investment securities in accordance with this Investment Policy.

Ethics and Conflicts of Interest

All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. Thus employees and officials involved in the investment process shall refrain from personal business activity that could create a conflict of interest or the appearance of a conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

Employees and investment officials shall disclose to MCE's General Counsel or designee any material interests in financial institutions with which they conduct business, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking any personal investment transactions with the same individual with whom business is conducted on behalf of MCE.

Authorized Investments

MCE's investments are governed by California Government Code, Sections 53600 et seq. Within the investments permitted by the Code, MCE seeks to further restrict eligible investments to the guidelines listed below. In the event a discrepancy is found between this policy and the Code, the more restrictive parameters will take precedence. Percentage holding limits and minimum credit quality requirements listed in this section apply at the time the security is purchased.

Any investment currently held at the time the policy is adopted which does not meet the new policy guidelines can be held until maturity and shall be exempt from the current policy. At the time of the investment's maturity or liquidation, such funds shall be reinvested only as provided in the current policy.

The following types of investments are permitted:

Deposits at Bank(s): Funds may be invested in non-interest bearing depository accounts to meet MCE's operating and collateral needs and grant requirements. Funds not needed for these purposes may be invested in interest bearing depository accounts or Federal Deposit Insurance Corporation (FDIC) insured certificates of deposit with maturities not to exceed five years.

Banks eligible to receive deposits will be federally or state chartered and will conform to Section 53635.2 which requires that banks "have received an overall rating of not less than "satisfactory" in its most recent evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of California's communities, including low- and moderate-income neighborhoods, pursuant to Section 2906 of Title 12 of the United States Code."

FDIC insurance coverage in the United States is $250,000 per Tax ID Number. As per Section 53652, banks must collateralize the deposits of public agencies. The Treasurer, or a duly appointed Deputy Treasurer, will monitor the credit quality of eligible banks to ensure the safety of MCE deposits.

Local Agency Investment Fund (LAIF): Funds may be invested in the Local Agency Investment Fund. The LAIF was established by the California State Treasurer for the benefit of local agencies. Statutory requirements of the Local Agency Investment Fund include:

Section 16429.1

a. There is in trust in the custody of the Treasurer the Local Agency Investment Fund, which fund is hereby created. The Controller shall maintain a separate account for each governmental unit having deposits in this fund.

e. The local governmental unit, the nonprofit corporation, or the quasi-governmental agency has the exclusive determination of the length of time its money will be on deposit with the Treasurer.

j. Money in the fund shall be invested to achieve the objective of the fund which is to realize the maximum return consistent with safe and prudent treasury management.

i. Immediately at the conclusion of each calendar quarter, all interest earned and other increment derived from investments shall be distributed by the Controller to the contributing governmental units or trustees. An amount equal to the reasonable costs incurred in carrying out the provisions of this section, not to exceed a maximum of 5 percent of the earnings of this fund and not to exceed the amount appropriated in the annual Budget Act for this function, shall be deducted from the earnings prior to distribution.

Section 16429.4

The right of a city, county, city and county, special district, nonprofit corporation, or qualified quasi-governmental agency to withdraw its deposited moneys from the Local Agency Investment Fund, upon demand, may not be altered, impaired, or denied, in any way, by any state official or state agency based upon the state's failure to adopt a State Budget by July 1 of each new fiscal year.

US Treasury Obligations: Funds may be invested in United States Treasury obligations and other government obligations for which the full faith and credit of the United States are pledged for the payment of principal and interest with a term to maturity not exceeding seven (7) years. There are no limits on the dollar amount or percentage that MCE may invest in U.S. Treasuries.

Federal Agency Securities: Funds may be invested in Federal Agency Securities or United States Government-Sponsored Enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. There are no limits on the dollar amount or percentage that MCE may invest in Federal Agency or Government-Sponsored Enterprises (GSEs) with a term to maturity not exceeding seven (7) years. No more than 30% of the portfolio may be invested in any single Agency/GSE issuer. Federal Agency and GSE obligations must be rated in a rating category of AA or equivalent or better. The maximum percent of agency callable securities in the portfolio will be 20%.

Commercial Paper: Funds may be invested in commercial paper in accordance with the requirements of Section 53601 and subject to the following limitations:

i. No more than 25% of the total portfolio shall be invested in commercial paper;
ii. The term to maturity shall not exceed 397 days; and

The issuer of commercial paper must meet all of the following conditions in either paragraph (a) or (b) specified below:

a. Securities issued by corporations:
   i. A corporation organized and operating in the United States with assets in excess of $500 million;
   ii. The securities are rated A-1 or its equivalent or better by a Nationally Recognized Statistical Rating Organization (NRSRO); and
   iii. If the issuer has other debt obligations, they must be rated in a rating category of "A" or its equivalent or better by at least one NRSRO.

b. Securities issued by other entities:
   i. The issuer is organized within the United States as a special purpose corporation, trust, or limited liability company.
   ii. The securities must have program-wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond.
   iii. The securities are rated "A-1" or its equivalent or better by at least one NRSRO.

Additionally, under a provision sunsetting on January 1, 2031, no more than 40% of the portfolio may be invested in Commercial Paper if MCE's investment assets under management are greater than $100,000,000. No more than 5% of the portfolio may be invested in any single issuer.

Bankers's Acceptances, provided that:

- They are issued by institutions which have short-term debt obligations rated "A-1" or its equivalent or better by at least one NRSRO; or long-term debt obligations which are rated in a rating category of "A" or its equivalent or better by at least one NRSRO.
- No more than 40% of the total portfolio may be invested in Banker's Acceptances.
- No more than 5% of the total portfolio may be invested in any single issuer.
- The maximum maturity does not exceed 180 days.

Negotiable Certificates of Deposit: Funds may be invested in negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank, and subject to the following limitations:

i. Issued by an entity as defined in Section 53601(i); and
ii. No more than 30% of funds invested pursuant to this Investment Policy may be invested in certificates of deposit.
iii. The amount of the NCD insured up to the FDIC limit does not require any credit ratings.

iv. Any amount above the FDIC insured limit must be issued by institutions which have short-term debt obligations rated "A-1" or its equivalent or better by at least one NRSRO; or long-term obligations rated in a rating category of "A" or its equivalent or better by at least
v. one NRSRO.
vi. No more than 5% of the portfolio may be invested in any single issuer.
vii. The maximum maturity does not exceed five (5) years.

Collateralized Time Deposits (Non-Negotiable Certificates of Deposit): Funds may be invested in state or federally chartered banks, savings and loans, or credit unions in excess of insured amounts which are fully collateralized with securities in accordance with California law, provided that:

- No more than 50% of the portfolio will be invested in a combination of federally insured and collateralized time deposits, including CDARS.
- The maximum maturity does not exceed five (5) years.

Placement Service Deposits: Funds may be invested in deposits placed with a private sector entity that assists in the placement of deposits with eligible financial institutions located in the United States (Section 53601.8). The full amount of principal and the interest that may be accrued during the maximum term of each deposit shall at all times be insured by federal deposit insurance. The combined maximum portfolio exposure to the deposits placed pursuant to this section, Insured Cash Sweep (ICS) and Certificate of Deposit Account Registry Service (CDARS) is limited to 30 percent and the maximum investment maturity will be restricted to five years, unless otherwise prescribed by law. Under a provision sunsetting on January 1, 2031, no more than 50 percent of the portfolio may be invested in deposits through a placement service, including Certificates of Deposit, if the investing agency is a city, district or local agency that does not pool money with other local agencies.

Money Market Funds: Funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 and issued by diversified management companies and meet either of the following criteria:

i. Have attained the highest ranking or the highest letter and numerical rating provided by not less than two (2) NRSROs; or
ii. Have retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of $500 million.

- No more than 20% of the total portfolio may be invested in Money Market Mutual Funds, and the shares of any one Money Market Mutual Fund.

Municipal Securities: Funds may be invested in municipal securities including obligations of MCE, the State of California and any local agency within the State of California, provided that:

- The securities are rated in a minimum rating category of "A" or its equivalent or better by at least one nationally recognized statistical rating organization ("NRSRO").
- No more than 5% of the portfolio may be invested in any single issuer.
- No more than 30% of the portfolio may be in Municipal Securities in the aggregate.
- The maximum maturity does not exceed seven (7) years.

Municipal Securities: Registered Treasury Notes of Bonds of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California.

- The securities are rated in a rating category of "A" or its equivalent or better by at least one NRSRO.
- No more than 5% of the total portfolio may be invested in any single issuer.
- No more than 30% of the total portfolio may be in Municipal Securities in the aggregate.
- The maximum maturity does not exceed seven (7) years.

Repurchase Agreements: Funds may be invested in repurchase agreements collateralized with securities authorized under California Government Code, maintained at a level of at least 102% of the market value of the Repurchase Agreement. There are no limits on the dollar amount or percentage that MCE may invest, provided that:

- Securities used as collateral for Repurchase Agreements will be delivered to an acceptable third party custodian.
- Repurchase Agreements are subject to a Master Repurchase Agreement between the Agency and the provider of the repurchase agreement. The Master Repurchase Agreement will be substantially in the form developed by the Securities Industry and Financial Markets Association (SIFMA).
- The maximum maturity does not exceed one (1) year.

Corporate Medium-Term Notes (MTNs): Funds may be invested in MTMs provided that:

- The security is issued by a corporation organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.
- The securities are rated in a rating category of "A" or its equivalent or better by at least one NRSRO.
- No more than 30% of the total portfolio may be invested in MTNs.
- No more than 5% of the portfolio may be invested in any single issuer.
- The maximum maturity does not exceed five (5) years.

Asset-Backed, Mortgage-Backed, Mortgage Passthrough Securities, and Collateralized Mortgage Obligations from issuers not defined as issuers of U.S. Treasuries, Federal Agencies, and Government Sponsored Enterprises in the preceding paragraphs of the Authorized Investments section of this policy: Funds may be invested in these securities provided that:

- The securities are rated in a rating category of "AA" or its equivalent or better by a NRSRO.
- No more than 20% of the total portfolio may be invested in these securities.
- No more than 5% of the portfolio may be invested in any single Asset-Backed or Commercial Mortgage security issuer.
- The maximum legal final maturity does not exceed five (5) years.

Supranationals: Funds may be invested in supranationals provided that:

- Issues are US dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.
- The securities are rated in a rating category of "AA" or its equivalent or better by a NRSRO.
- No more than 30% of the total portfolio may be invested in these securities.
- No more than 10% of the portfolio may be invested in any single issuer.

- The maximum maturity does not exceed five (5) years.

Local Government Investment Pools (LGIP): Defined as shares of beneficial interest issued by a Joint Powers Authority (JPA): provided that:

- The JPA is organized pursuant to California Government Code Section 6509.7 and invests in the securities and obligations authorized in subdivisions (a) to (r), inclusive.
- Each share shall represent an equal proportional interest in the underlying pool of securities owned by the JPA.
- The JPA has retained an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of $500 million, and has at least five years' experience investing in instruments authorized by Section 53601, subdivisions (a) to (q).

Prohibited Investments

Pursuant to Section 53601.6, MCE shall not invest funds in any security that could result in a zero interest accrual, or less, if held to maturity. These prohibited investments include inverse floaters, range notes, or mortgage-derived interest-only strips, futures options. The purchase of foreign currency denominated securities is prohibited. Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited. Purchasing or selling securities on margin is prohibited. The use of reverse repurchase agreements, securities lending or any other form of borrowing or leverage is prohibited. The purchase of a security with a forward settlement date exceeding 45 days from the time of the investment is prohibited.

Investment Portfolio Management

The term to maturity of any funds invested as measured from settlement date to maturity date shall not exceed 5 years pursuant to Section 53601 unless the MCE Board has by resolution granted authority to make such an investment either specifically or as a part of an investment program approved by the legislative body no less than three months prior to the investment. U.S. Treasury securities, federal agency obligations, and municipal securities may be invested in securities with maturities no longer than seven (7) years. The Treasurer, or a duly appointed Deputy Treasurer, will allocate funds among authorized investments consistent with the objectives and standards of care outlined in this Policy.

Bids and Purchase of Securities

Prior to the purchase of an investment pursuant to this Policy the persons authorized to make investments shall assess the market and market prices using information obtained from available sources including investment services, broker/dealers, and the media. A competitive bid process, when practical, will be used to place all investment purchases and sales transactions.

Brokers

To the extent practicable, the Treasurer shall endeavor to complete investment transactions using a competitive bid process whenever possible. In accordance with Section 53601.5, institutions eligible to transact investment business with MCE include:

- Institutions licensed by the state as a broker-dealer, as defined in Section 25004 of the Corporations Code, with proof of FINRA certification.
- Institutions that are members of a federally regulated securities exchange.

- Primary government dealers as designated by the Federal Reserve Bank and non-primary government dealers.
- Nationally or state-chartered banks.
- Savings association or federal association (as defined in Section 5102 of the Financial Code).
- The Federal Reserve Bank.
- Direct issuers of securities eligible for purchase.

Selection of financial institutions and broker/dealers authorized to engage in transactions will be at the sole discretion of MCE, except where MCE utilizes an external investment adviser in which case MCE may rely on the adviser for selection.

Selection of broker/dealers used by an external investment adviser retained by MCE will be at the sole discretion of the adviser. Where possible, transactions with broker/dealers shall be selected on a competitive basis and their bid or offering prices shall be recorded. If there is no other readily available competitive offering, best efforts will be made to document quotations for comparable or alternative securities. When purchasing original issue instrumentality securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same original issue price.

The Treasurer shall be prohibited from selecting any broker, brokerage firm, dealer, or securities firm that has, within any 48-consecutive month period following January 1, 1996, made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board to any member of the MCE Board, or any candidate for those offices. The broker/dealers shall be provided with and acknowledge receipt of the Investment Policy.

Losses

Losses are acceptable on a sale before maturity and may be taken if required to rebalance duration, improve credit quality or increase diversification, meet the liquidity needs of the agency or if the reinvestment proceeds will earn an income flow with a present value higher than the present value of the income flow that would have been generated by the original investment, considering any investment loss or foregoing interest on the original investment.

Delivery and Safekeeping

The delivery and safekeeping of all securities shall be made through a third party custodian when practical and cost effective as determined by the Treasurer, or a duly appointed Deputy Treasurer, and in accordance with Section 53608. The Director of Finance or their designee shall review all transaction confirmations for conformity with the original transaction.

Risk Management and Diversification—Mitigating Credit Risk in the Portfolio

Credit risk is the risk that a security or a portfolio will lose some or all its value due to a real or perceived change in the ability of the issuer to repay its debt. MCE will mitigate credit risk by adopting the following strategies:

- The diversification requirements included in the "Authorized Investments" section of this policy are designed to mitigate credit risk in the portfolio.

- No more than 5% of the total portfolio may be deposited with or invested in securities issued by any single issuer unless otherwise specified in this policy.

- MCE may elect to sell a security prior to its maturity and record a capital gain or loss in order to manage the quality, liquidity or yield of the portfolio in response to market conditions or MCE's risk preferences.

- If a security owned by MCE is downgraded to a level below the requirements of this policy, making the security ineligible for additional purchases, the following steps will be taken:

  - Any actions taken related to the downgrade by the investment manager will be communicated to the Treasurer in a timely manner.

  - If a decision is made to retain the security, the credit situation will be monitored and reported to the Governing Body.

Risk Management and Diversification—Mitigating Market Risk in the Portfolio

Market risk is the risk that the portfolio value will fluctuate due to changes in the general level of interest rates. MCE recognizes that, over time, longer-term portfolios have the potential to achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. MCE will mitigate market risk by providing adequate liquidity for short-term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes.

MCE further recognizes that certain types of securities, including variable rate securities, securities with principal paydowns prior to maturity, and securities with embedded options, will affect the market risk profile of the portfolio differently in different interest rate environments. MCE, therefore, adopts the following strategies to control and mitigate its exposure to market risk:

- MCE will maintain a minimum of $40 million in cash and overnight investments at all times to provide sufficient liquidity for expected disbursements.

- The maximum stated final maturity of individual securities in the portfolio will be five (5) years, except as otherwise stated in this policy.

- The duration of the portfolio will generally be approximately equal to the duration (typically, plus or minus 20%) of a Market Benchmark, an index selected by MCE based on MCE's investment objectives, constraints and risk tolerances.

Conflict of Interest

In accordance with state law, staff shall not accept honoraria, gifts, and gratuities from advisors, brokers, dealers, bankers, or other person with whom MCE conducts business.

Audits

MCE's funds shall be subject to a process of independent review by its external auditors. MCE's external auditors shall review the investment portfolio in connection with the annual audit for compliance with the Investment Policy pursuant to Section 27134. The results of the audit shall be reported to the Director of Finance and the Ad Hoc Audit Committee.

Reports

Monthly: So long as the Board of Directors' annual delegation of investment authority pursuant to Section 53607 to the Treasurer is effective, the Treasurer or a duly appointed Deputy Treasurer will perform a monthly review of the investment function and shall submit a monthly report of all investment transactions to the Board of Directors. Investment transactions are defined as the purchase, sale or exchange of securities.

Annually: The Treasurer, or a duly appointed Deputy Treasurer, will submit an annual report to the Board of Directors and Chief Executive Officer within 45 days of the end of a fiscal year providing the following:

i. A list identifying the type of investment, issuer, date of maturity, par and dollar amount invested on all securities, the market value and source of the market value information;
ii. A statement that the portfolio is in compliance with the Investment Policy and in accordance with Section 53646 or the manner in which the portfolio is not in compliance; and
iii. A statement of MCE's ability to meet expenditure requirements for the upcoming 12 months.

Annual Review

The Investment Policy will be reviewed annually by the Treasurer, or a duly appointed Deputy Treasurer. Any changes to the Investment Policy will be submitted to the Board for approval.

Glossary of Investment Terms

AGENCIES. Shorthand market terminology for any obligation issued by *a government-sponsored entity (GSE),* or a *federally related institution*. Most obligations of GSEs are not guaranteed by the full faith and credit of the US government. Examples are:

FFCB. The Federal Farm Credit Bank System provides credit and liquidity in the agricultural industry. FFCB issues discount notes and bonds.

FHLB. The Federal Home Loan Bank provides credit and liquidity in the housing market. FHLB issues discount notes and bonds.

FHLMC. Like FHLB, the Federal Home Loan Mortgage Corporation provides credit and liquidity in the housing market. FHLMC, also called "FreddieMac" issues discount notes, bonds and mortgage pass-through securities.

FNMA. Like FHLB and FreddieMac, the Federal National Mortgage Association was established to provide credit and liquidity in the housing market. FNMA, also known as "FannieMae," issues discount notes, bonds and mortgage pass-through securities.

GNMA. The Government National Mortgage Association, known as "GinnieMae," issues mortgage pass-through securities, which are guaranteed by the full faith and credit of the US Government.

PEFCO. The Private Export Funding Corporation assists exporters. Obligations of PEFCO are not guaranteed by the full faith and credit of the US government.

TVA. The Tennessee Valley Authority provides flood control and power and promotes development in portions of the Tennessee, Ohio, and Mississippi River valleys. TVA currently issues discount notes and bonds.

ASKED. The price at which a seller offers to sell a security.

ASSET BACKED SECURITIES. Securities supported by pools of installment loans or leases or by pools of revolving lines of credit.

AVERAGE LIFE. In mortgage-related investments, including CMOs, the average time to expected receipt of principal payments, weighted by the amount of principal expected.

BANKER'S ACCEPTANCE. A money market instrument created to facilitate international trade transactions. It is highly liquid and safe because the risk of the trade transaction is transferred to the bank which "accepts" the obligation to pay the investor.

BENCHMARK. A comparison security or portfolio. A performance benchmark is a partial market index, which reflects the mix of securities allowed under a specific investment policy.

BID. The price at which a buyer offers to buy a security.

BROKER. A broker brings buyers and sellers together for a transaction for which the broker receives a commission. A broker does not sell securities from his own position.

CALLABLE. A callable security gives the issuer the option to call it from the investor prior to its maturity. The main cause of a call is a decline in interest rates. If interest rates decline since an issuer issues securities, it will likely call its current securities and reissue them at a lower rate of interest. Callable securities have reinvestment risk as the investor may receive its principal back when interest rates are lower than when the investment was initially made.

CERTIFICATE OF DEPOSIT (CD). A time deposit with a specific maturity evidenced by a certificate. Large denomination CDs may be marketable.

CERTIFICATE OF DEPOSIT ACCOUNT REGISTRY SYSTEM (CDARS). A private placement service that allows local agencies to purchase more than $250,000 in CDs from a single financial institution (must be a participating institution of CDARS) while still maintaining FDIC insurance coverage. CDARS is currently the only entity providing this service. CDARS facilitates the trading of deposits between the California institution and other participating institutions in amounts that are less than $250,000 each, so that FDIC coverage is maintained.

COLLATERAL. Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits of public monies.

COLLATERALIZED MORTGAGE OBLIGATIONS (CMO). Classes of bonds that redistribute the cash flows of mortgage securities (and whole loans) to create securities that have different levels of prepayment risk, as compared to the underlying mortgage securities.

COMMERCIAL PAPER. The short-term unsecured debt of corporations.

COST YIELD. The annual income from an investment divided by the purchase cost. Because it does not give effect to premiums and discounts which may have been included in the purchase cost, it is an incomplete measure of return.

COUPON. The rate of return at which interest is paid on a bond.

CREDIT RISK. The risk that principal and/or interest on an investment will not be paid in a timely manner due to changes in the condition of the issuer.

CURRENT YIELD. The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

DEALER. A dealer acts as a principal in security transactions, selling securities from and buying securities for his own position.

DEBENTURE. A bond secured only by the general credit of the issuer.

DELIVERY VS. PAYMENT (DVP). A securities industry procedure whereby payment for a security must be made at the time the security is delivered to the purchaser's agent.

DERIVATIVE. Any security that has principal and/or interest payments which are subject to uncertainty (but not for reasons of default or credit risk) as to timing and/or amount, or any security which represents a component of another security which has been separated from other components ("Stripped" coupons and principal). A derivative is also defined as a financial instrument the value of which is totally or partially derived from the value of another instrument, interest rate, or index.

DISCOUNT. The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as T-bills and banker's acceptances, are known as discount securities. They sell at a discount from par, and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

DIVERSIFICATION. Dividing investment funds among a variety of investments to avoid excessive exposure to any one source of risk.

DURATION. The weighted average time to maturity of a bond where the weights are the present values of the future cash flows. Duration measures the price sensitivity of a bond to changes in interest rates. (See modified duration).

FEDERAL FUNDS RATE. The rate of interest charged by banks for short-term loans to other banks. The Federal Reserve Bank through open-market operations establishes it.

FEDERAL OPEN MARKET COMMITTEE. A committee of the Federal Reserve Board that establishes monetary policy and executes it through temporary and permanent changes to the supply of bank reserves.

LEVERAGE. Borrowing funds in order to invest in securities that have the potential to pay earnings at a rate higher than the cost of borrowing.

LIQUIDITY. The speed and ease with which an asset can be converted to cash.

LOCAL AGENCY INVESTMENT FUND (LAIF). A voluntary investment fund open to government entities and certain non-profit organizations in California that is managed by the State Treasurer's Office.

LOCAL GOVERNMENT INVESTMENT POOL. Investment pools that range from the State Treasurer's Office Local Agency Investment Fund (LAIF) to county pools, to Joint Powers Authorities (JPAs). These funds are not subject to the same SEC rules applicable to money market mutual funds.

Make Whole Call. A type of call provision on a bond that allows the issuer to pay off the remaining debt early. Unlike a call option, with a make whole call provision, the issuer makes a lump sum payment that equals the net present value (NPV) of future coupon payments that will not be paid because of the call. With this type of call, an investor is compensated, or "made whole."

Margin. The difference between the market value of a security and the loan a broker makes using that security as collateral.

Market Risk. The risk that the value of securities will fluctuate with changes in overall market conditions or interest rates.

Market Value. The price at which a security can be traded.

Marking to Market. The process of posting current market values for securities in a portfolio.

Maturity. The final date upon which the principal of a security becomes due and payable.

Medium Term Notes. Unsecured, investment-grade senior debt securities of major corporations which are sold in relatively small amounts on either a continuous or an intermittent basis. MTNs are highly flexible debt instruments that can be structured to respond to market opportunities or to investor preferences.

Modified Duration. The percent change in price for a 100 basis point change in yields. Modified duration is the best single measure of a portfolio's or security's exposure to market risk.

Money Market. The market in which short-term debt instruments (T-bills, discount notes, commercial paper, and banker's acceptances) are issued and traded.

Mortgage Pass-Through Securities. A securitized participation in the interest and principal cash flows from a specified pool of mortgages. Principal and interest payments made on the mortgages are passed through to the holder of the security.

Municipal Securities. Securities issued by state and local agencies to finance capital and operating expenses.

Mutual Fund. An entity which pools the funds of investors and invests those funds in a set of securities which is specifically defined in the fund's prospectus. Mutual funds can be invested in various types of domestic and/or international stocks, bonds, and money market instruments, as set forth in the individual fund's prospectus. For most large, institutional investors, the costs associated with investing in mutual funds are higher than the investor can obtain through an individually managed portfolio.

Nationally Recognized Statistical Rating Organization (NRSRO). A credit rating agency that the Securities and Exchange Commission in the United States uses for regulatory purposes. Credit rating agencies provide assessments of an investment's risk. The issuers of investments, especially debt securities, pay credit rating agencies to provide them with ratings. The three most prominent NRSROs are Fitch, S&P, and Moody's.

Negotiable CD. A short-term debt instrument that pays interest and is issued by a bank, savings or federal association, state or federal credit union, or state-licensed branch of a foreign bank. Negotiable CDs are traded in a secondary market and are payable upon order to the bearer or initial depositor (investor).

Premium. The difference between the par value of a bond and the cost of the bond, when the cost is above par.

Prepayment Speed. A measure of how quickly principal is repaid to investors in mortgage securities.

Prepayment Window. The time period over which principal repayments will be received on mortgage securities at a specified prepayment speed.

Primary Dealer. A financial institution (1) that is a trading counterparty with the Federal Reserve in its execution of market operations to carry out U.S. monetary policy, and (2) that participates for statistical reporting purposes in compiling data on activity in the U.S. Government securities market.

Prudent Person (Prudent Investor) Rule. A standard of responsibility which applies to fiduciaries. In California, the rule is stated as "Investments shall be managed with the care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of like character and with like aims to accomplish similar purposes."

REALIZED YIELD. The change in value of the portfolio due to interest received and interest earned and realized gains and losses. It does not give effect to changes in market value on securities, which have not been sold from the portfolio.

REGIONAL DEALER. A financial intermediary that buys and sells securities for the benefit of its customers without maintaining substantial inventories of securities and that is not a primary dealer.

REPURCHASE AGREEMENT. Short-term purchases of securities with a simultaneous agreement to sell the securities back at a higher price. From the seller's point of view, the same transaction is a reverse repurchase agreement.

SAFEKEEPING. A service to bank customers whereby securities are held by the bank in the customer's name.

STRUCTURED NOTE. A complex, fixed income instrument, which pays interest, based on a formula tied to other interest rates, commodities or indices. Examples include inverse floating rate notes which have coupons that increase when other interest rates are falling, and which fall when other interest rates are rising, and "dual index floaters," which pay interest based on the relationship between two other interest rates - for example, the yield on the ten-year Treasury note minus the Libor rate. Issuers of such notes lock in a reduced cost of borrowing by purchasing interest rate swap agreements.

SUPRANATIONAL. A Supranational is a multi-national organization whereby member states transcend national boundaries or interests to share in the decision making to promote economic development in the member countries.

TOTAL RATE OF RETURN. A measure of a portfolio's performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending value; it includes interest earnings, realized and unrealized gains, and losses in the portfolio.

U.S. TREASURY OBLIGATIONS. Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk, and are the benchmark for interest rates on all other securities in the US and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

TREASURY BILLS. All securities issued with initial maturities of one year or less are issued as discounted instruments, and are called Treasury bills. The Treasury currently issues three- and six-month T-bills at regular weekly auctions. It also issues "cash management" bills as needed to smooth out cash flows.

TREASURY NOTES. All securities issued with initial maturities of two to ten years are called Treasury notes, and pay interest semi-annually.

TREASURY BONDS. All securities issued with initial maturities greater than ten years are called Treasury bonds. Like Treasury notes, they pay interest semi-annually.

VOLATILITY. The rate at which security prices change with changes in general economic conditions or the general level of interest rates.

YIELD TO MATURITY. The annualized internal rate of return on an investment which equates the expected cash flows from the investment to its cost.

September 17, 2026

TO:	MCE Board of Directors
FROM:	Maíra Strauss, Chief Financial Officer Kaladhar R. Bollampalli, Director of Power Systems and Analytics Efren Oxlaj, Manager of Finance
RE:	Fiscal Year End 2026: Budget Results, Power Supply Variance, and Ratification of Certain Line Item Variances (Agenda Item #05 C.3)
ATTACHMENT:	A. Presentation on Fiscal Year End 2026: Budget Results, Power Supply Variance, and Ratification of Certain Line Item Variances B. FYE 2026 Operating Fund Budget Comparison C. FYE 2026 Operating Fund Budget Comparison – Contingency Applied D. FYE 2026 Program Development Fund Budget Comparison E. FYE 2026 Resiliency Virtual Power Plant Fund Budget Comparison F. FYE 2026 Energy Efficiency Program Fund Budget Comparison G. Resolution 2026-07 Ratifying Certain Line Item Variances Between Actual and Budgeted Amounts in MCE's Fiscal Year End 2026 Budget

Dear MCE Board Members:

Summary:
This report analyzes MCE's actual results relative to the Board approved Budgets for the fiscal year ended (FYE) March 31, 2026, and requests ratification of certain line item variances between actual and budgeted amounts for FYE 2026 via Resolution 2026-07. On a budget basis, MCE closed the year with a change in net position of $1.5 million[1], compared to a budgeted $16.6 million, representing a variance of about $15 million or 91%. The fiscal year was shaped by softer than expected demand due to mild summer weather in 2025 which suppressed load. Consequently, energy revenue finished 6.1% below budget. Meanwhile, MCE's cost of energy fell further, ending $113.0 million or 14.8% below budget on lower market prices, reduced volumes, and favorable CAISO market settlements. Part of that favorability was a matter of timing. A short-term renewable index+ contract, one of the final transactions used to close MCE's calendar year 2025 renewable position, delivered earlier than expected thus moving costs out of FYE 2026. The Renewable Portfolio Planning & Results section below discusses that transaction, its estimated financial impact across FYE 2025 and FYE 2026, and the procurement changes staff have since adopted.

[1] The change in net position shown here is a consolidated, budget-basis figure covering all of MCE's funds. It approximates the financial statements but does not tie exactly, as the statements include GASB accounting adjustments that the budget does not.

Furthermore, non-operating revenue exceeded projections on strong investment income, while operating expenses finished 6.8% below budget, and program spending reflected underspending on most customer programs partially offset by stronger than anticipated demand for MCE's EV incentives. As detailed herein, although MCE's total expenses and capital outlay fell well below budgeted amounts, some expenses have exceeded budgeted amounts listed within the line items of an applicable approved budget (MCE has four approved budgets and collectively they represent the MCE Budget). On August 27 and September 8, 2026 the Finance Committee and the Executive Committee, respectively, unanimously recommended that the Board approve Resolution 2026-07, Ratifying Certain Line Item Variances Between Actual and Budgeted Amounts in MCE's Fiscal Year End 2026 Budget. This action will formally close FYE 2026.

A high-level summary of the MCE Budget is shown below.

Table 1[2]: Summary of MCE's Budget Results

	FYE 2026 Actual	FYE 2026 Budget	Variance $	Variance %
Energy Revenue, Net	$ 764,392,000	$ 813,689,000	$ (49,297,000)	(6.1%)
ORF Withdrawal/Transfer	(80,000,000)	13,000,000	(93,000,000)	(715.4%)
Cost of Energy	(652,516,000)	(765,542,000)	113,026,000	14.8%
Operating Expenses	(46,825,000)	(50,249,000)	3,424,000	6.8%
Non-Operating Revenues	26,593,000	18,278,000	8,315,000	45.5%
Non-Operating Expenses	(1,019,000)	(3,503,000)	2,484,000	70.9%
Program Expenses	(20,935,000)	(30,474,000)	9,539,000	31.3%
Program Income	11,807,000	21,393,000	(9,586,000)	(44.8%)
Change in Net Position	**1,497,000**	**16,592,000**	**(15,095,000)**	**(91.0%)**
Capital Outlay	(5,684,000)	(15,999,000)	10,315,000	64.5%
Total Expenses & Capital Outlay	**(726,979,000)**	**(865,767,000)**	**138,788,000**	**16.0%**

Overview of MCE Fund Budgets

MCE's fiscal year runs from April 1 through March 31 of the following calendar year. For FYE 2026, your Board approved four budgets: the Operating Fund Budget, the Energy Efficiency Budget, the Program Development Fund Budget, and the Resiliency Virtual Power Plant (VPP) Fund Budget.

The Operating Fund Budget captures activities related to MCE's core functions including sales of electricity, cost of energy, operating expenses, non-operating revenues and expenses, and capital outlay. The Energy Efficiency Fund Budget is entirely funded by the California Public Utilities Commission for energy efficiency programs. The Program Development Fund is funded by 50% of

[2] Variance $ is calculated as Actual less Budget. Variance % is calculated as Variance $ divided by the absolute value of Budget. Expenses are presented as negative amounts so the Variance $ column reconciles to Change in Net Position. This methodology applies to this consolidated summary table.

the Deep Green premium and grants, and any additional transfers from the Operating Fund, subject to your Board's approval. This fund supports program incentives for electrification, electric vehicle (EV) adoption and EV charging stations. The Resiliency Virtual Power Plant Fund focuses on scaling MCE's efforts with virtual power plants and energy storage. This fund may include grants and Board approved transfers from the Operating Fund.

Energy Revenue

Table 2: Energy Revenue Results

	FYE 2026 Actual	FYE 2026 Budget	Variance $	Variance %
Energy Revenue	$ 780,138,000	$ 831,238,000	$ (51,100,000)	(6.1%)
Uncollectible Accounts	(9,951,000)	(12,469,000)	2,518,000	(20.2%)
MCE Cares Relief Program	(5,795,000)	(5,000,000)	(795,000)	15.9%
Bi-Directional Vehicle Charging Tariff	-	(79,500)	79,500	(100.0%)
Energy Revenue, Net	**764,392,000**	**813,689,500**	**(49,297,500)**	**(6.1%)**
Transfer/Withdrawal to ORF	(80,000,000)	13,000,000	(93,000,000)	(715.4%)
Total Energy Revenue	**684,392,000**	**826,689,500**	**(142,297,500)**	**(17.2%)**
Sales (MWh)	5,296,000	5,744,000	(448,000)	(7.8%)
Average Retail Rate	$ 147.3	$ 144.7	$ 2.6	1.8%

Gross energy revenue came in at $780.1 million (6.1% below budget) due to lower sales volume. The cool summer temperatures in 2025 experienced across MCE's service area suppressed air conditioning related demand that the forecast had anticipated. As a result, sales volume came in 7.8% below forecast. A slightly higher average retail rate ($147.3 actual versus $144.7 budgeted, up 1.8%) partially offset the impact of the softer demand.

The following items reduced energy revenue:

- Uncollectible amounts totaled about $10 million, or 20.2% better than projections. Customer delinquencies were projected at 1.5% of sales, but actual results were closer to 1.3% suggesting stronger payment behavior from customers.
- The MCE Cares Relief Program cost $5.8 million, approximately 15.9% above budget. Spending exceeded projections due to the timing of program expenditures and delays in reducing participation as the program approached its funding limit. Program expenditures continued beyond the available budget as previously committed bill credits were honored and enrollment adjustments could not be fully implemented until customers progressed through their normal billing cycles. Management has since implemented enhanced budget monitoring, forecasting, reconciliation, and escalation procedures to strengthen oversight of future customer assistance programs.
- The Bi-Directional Vehicle Charging Tariff had no activity against a budget of $79,500.

After these items, net energy revenue was $764.4 million, or $49.3 million (6.1%) below budget, closely tracking the shortfall in gross revenue.

Revenue was further reduced by the Board approved $80.0 million transfer to the Operating Reserve Fund (ORF), compared with a budgeted $13.0 million withdrawal, resulting in a $93.0 million change from the original budget assumption. This represents a positive results as the transfer strengthens MCE's ability to provide rate stabilization capacity to help manage future energy market volatility and other financial risks. The transfer is also expected to replenish the ORF balance following the planned withdrawal in the current fiscal year.

Cost of Energy: $652,516,000 (14.8% below the Approved Budget)
The cost of energy represents the expenditures MCE incurs to procure the electricity it delivers to customers. It is the largest expense for the agency. It consists of payments to suppliers under long and short-term contracts for renewable, large hydroelectric, and other carbon-free electricity. Payments to reserve enough capacity (i.e. resource adequacy) to keep the grid reliable per state requirements, are also captured in this category. Other costs in this category include payments to hedge contract counterparties. Because MCE's renewable and clean energy contracts do not fully cover customer demand in every hour, the agency also enters into hedge contracts that lock in fixed prices for a portion of the system power it purchases through the California Independent System Operator (CAISO) market. Hedge contracts stabilize costs against price volatility. Finally, the cost of energy also captures the net cost of load, generation credits, and other charges settled through MCE's participation in the CAISO market. The cost of energy fluctuates from year to year with market conditions, including renewable energy prices, resource adequacy costs, CAISO market prices, hydroelectric availability, renewable generation output, congestion, contract terms, and the timing of procurement.

Table 3: Cost of Energy Results by the "Super Six" Categories[3]

	FYE 2026 Actual	**FYE 2026 Budget**	**Variance $**	**Variance %**
Hedge Contracts	$ 274,960,000	$ 265,050,000	$ 9,910,000	3.7%
Resource Adequacy	130,444,000	145,713,000	(15,269,000)	(10.5%)
Renewable - Short Term	67,675,000	131,035,000	(63,360,000)	(48.4%)
Renewable - Long Term	131,837,000	122,588,000	9,249,000	7.5%
Net CAISO Costs	19,234,000	85,084,000	(65,850,000)	(77.4%)
Carbon Free - Large Hydro/ACS	28,367,000	16,072,000	12,295,000	76.5%
Total	**652,517,000**	**765,542,000**	**(113,025,000)**	**(14.8%)**

Cost of energy totaled $652.5 million (14.8% below budget) driven largely by mild weather, softer customer demand, and favorable market prices which sharply lowered the agency's net CAISO costs. A shift of expenses to the previous fiscal year due to early deliveries from a short-term contract further reduced the cost of energy. The following drivers explain the results shown in Table 3.

- <u>Hedge Contracts</u> – total costs were higher than projections by about $9.9 million or 3.7% due to additional hedge contracts executed after the budget was set. However, the added

[3] Total shown in the table differs by about $1,000 from the total on the budget report due to rounding to the nearest one thousand of the individual categories shown. This rounding may impact subsequent tables shown.

volumes also lowered Net CAISO costs since hedge contracts are settled against CAISO system power costs. MCE pays a fixed price for hedge contracts and receives the floating CAISO price which offsets budgeted open positions for system power under Net CAISO Costs.

- Resource Adequacy – total costs were lower than projections by about $15.3 million or 10.5% due to surplus RA sales, portfolio optimizations, and a post-budget contract termination.
- Renewable – Short Term – Costs came in about $63.4 million, or 48.4%, below projections, representing the second largest variance in the portfolio and driven primarily by non-recurring factors. Most significantly, a supplier accelerated renewable deliveries into the prior fiscal year. This reduced FYE 2026 contract costs by approximately $36.4 million relative to budget, as a significant portion of the contract deliveries had already been recognized in FYE 2025. The costs were also lower because the approved budget overstated planned costs by about $10.3 million. In addition, MCE had a smaller open position for renewable energy than planned due to the softer demand which reduced the volumes MCE needed to cover. Finally, MCE terminated a short-term contract after the budget was set.
- Renewable – Long Term – costs came in about $9.2 million above projections. Costs are based on forecasted production by projects, but actual production can differ based on delivered energy, curtailment, and deemed delivered energy. As a result of MCE's three energy prepayments, about $13.8 million in savings was recognized during the fiscal year, reducing the costs for renewable energy from long term contracts by a like amount.
- Net CAISO Costs – Costs came in about $65.9 million or 77.4% below projections, the single largest favorable variance in the portfolio. Due to milder weather and consequently softer demand from customers, MCE purchased less energy in the CAISO market. Lower than forecasted spot-market prices reduced the cost of the energy MCE did purchase. As noted above, because MCE executed additional hedge contracts after the budget was set, a portion of costs effectively shifted out of the net CAISO line and into the hedge contracts line[4].
- Carbon Free – Large Hydro/ACS - costs were above forecast by about $12.3 million or 76.5% and reflects higher than expected deliveries associated with import RA purchases, which come with bundled carbon free energy. Import RA is necessary for compliance requirements.

In total, cost of energy came in at about $113.0 million below budget, largely offsetting the drop in energy revenue and significantly contributing to the results for the fiscal year.

Renewable Portfolio Planning & Results

The shift of renewable costs into the prior fiscal year traces back to a single short-term contract. That contract was one of the final transactions used to close MCE's calendar year 2025 renewable position, and the supplier delivered the contracted quantities much earlier than anticipated.

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[4] The favorable Net CAISO variance and the unfavorable hedge variance are inversely related and partly offsetting.

Although executed to secure MCE's renewable targets, evolving 2025 energy demand later revealed the contract was unnecessary to fulfill the Board's renewable mandates.

The following section describes how the calendar year 2025 renewable position developed, the estimated financial impact of the additional procurement, and the changes staff have implemented in response.

Renewable procurement occurs in advance of actual customer load and resource generation. Because both are uncertain and Board approved renewable targets are firm annual targets, planning margins have historically been used to reduce the risk of falling short.
The state Renewable Portfolio Standard (RPS) program provides flexibility across a multi-year compliance period, including the ability to apply excess procurement toward future compliance. In contrast, MCE's renewable targets are higher than state requirements, and its standard practice is to plan and procure renewable energy to meet annual targets within the year to which they apply. This creates a greater need to manage uncertainty within each year.

For 2025 calendar year, staff procured about 75% of forecast renewable need in advance. Actual load subsequently came in below forecast, while renewable supply declined by a smaller amount, resulting in a long renewable position. Once the long position became clearer following summer 2025, staff pursued opportunities to sell expected excess renewable supplies. The amount and value that could be sold were affected by market timing, liquidity, and prevailing prices.

Table 4: 2025 Renewable Position

2025 Renewable Position	Renewable Percentage	Notes	Estimated Financial Impact ($)
Board Target (Target)	64%	Weighted: 100% Deep Green & 60% Light Green	
Target + Loss Adjustment	68%	Target + 6% loss factor for reporting (effective 2025)	
Planned Target	75%	Target + 6% (loss factor) + 10% (planning margin)	
Actual Renewable Share of Actual Retail-Sales	77%	Actual Renewable Position	
Actual Position above Board Target	**+13%**	**64% → 77%**	**$73 million**

With perfect hindsight and knowledge of actual load and renewable supply, one of the final procurement transactions used to close the 2025 position would not have been necessary. That transaction contributed to the resulting long position and represents an estimated $72.8 million total financial impact. The impact was spread between two fiscal years: about $54.6 million in FYE 2025 and $18.2 million in FYE 2026[5]. The transaction largely contributed to the budget overrun observed in FYE 2025 as the supplier delivered the renewable energy quantities much earlier than anticipated.

The $72.8 million figure represents a perfect hindsight assessment based on actual conditions subsequently realized, rather than information that was fully known when the procurement decision was made. Staff have included this analysis to support your Board's oversight role and to document the procurement process changes already adopted, consistent with the agency's broader focus on strengthening financial and governance practices.

Improvements Implemented for FYE 2027
Staff has already implemented the following changes based on 2025 review:

- **Removed the historical 10% planning margin:** The 6% loss adjustment incorporated into the portfolio planning provides additional coverage relative to the retail sales, reducing the need for a separate planning margin.
- **Strengthened position monitoring:** Positions are reviewed on a more frequent basis using updated forecasts, best available metered data and market information to identify emerging risks and opportunities and assess **buy, sell, or hold** decisions.

Potential Future Policy Considerations

- **Flexible annual renewable targets** rather than firm annual targets, enabling a more price-responsive and value-driven procurement strategy.
- **Allowing excess renewable supply to count toward future Board targets,** like the flexibility available under the state RPS compliance framework.
- **Reassessing voluntary renewable target levels,** including the option of greater alignment with state requirements.
- **Flexibility to meet the loss-adjusted target** using either renewable energy or other carbon-free resources. Current policy guidance is not clearly defined.

Operating Expenses: $46,825,000 (6.8% below the Approved Budget)
Operating expenses capture the overhead essential to running MCE, ranging from personnel to occupancy costs. This category also includes a contingency budget that can be drawn upon to offset any overages in any of the operating expense line items. For FYE 2026, total operating expenses came in at $46.8 million or 6.8% under budget, consistent with results in prior years. Except for personnel, data manager fees, and communication services, all lines were below budget. To remain within the Board approved budgets, MCE utilized $296,000 in contingency funds to offset the above budget variance for personnel, data manager, and communication services.

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[5] On a budget basis, the FYE 2026 Approved Budget assumed about $6 million per month for this contract from April through December 2025 (about $54.6 million). Because the supplier delivered early, only $18.2 million was recognized in FYE 2026, leaving the $36.4 million favorable budget variance noted earlier ($54.6 million budgeted minus $18.2 million actual).

Personnel: $25,484,000 (0.3% above the Approved Budget before applying contingency)
Personnel costs include full-time equivalent (FTE) MCE staff salaries and wages, employee benefits, retirement contributions, payroll taxes, and other employee-related expenses. Personnel costs can fluctuate based on staffing levels, vacancies, hiring timelines, and grant reimbursements that offset staffing costs.

Table 5: Personnel Expenses breakdown

	FYE 2026 Actual	FYE 2026 Budget	Variance $	Variance %
Expenses	$ 28,500,000	$ 29,517,000	$ (1,016,000)	(3.4)%
Grant Reimbursements	(3,016,000)	(4,112,000)	1,095,000	(26.6)%
Total	**25,484,000**	**25,405,000**	**79,000**	**0.3%**

Personnel costs totaled $25.5 million, or 0.3% above budget. While personnel expenses were $1.0 million below budget, grant reimbursements were $1.1 million below budget. This more than offset the payroll savings and resulted in personnel costs ending $79,000 above budget.

The shortfall in grant reimbursements was primarily driven by lower than budgeted realized reimbursements associated with CPUC Energy Efficiency programs. Reimbursements were lower largely because labor costs charged to grant-funded activities came in below budget. Additionally, one grant-funded position included in the budget was not filled, resulting in both lower personnel expenses and lower corresponding grant reimbursements. Staffing changes during the year reduced the amount of labor charged to certain grant-funded projects, further decreasing grant reimbursements.

A portion of the grant reimbursements variance was also attributed to challenges with consistently tracking grant-related staff time. As of July 2026, MCE has fully transitioned grant timekeeping and reimbursement tracking to Euna Grants, following recommendations from MCE's external grant compliance consultant, Award Advisors. The updated process improves the accuracy of labor allocations, reimbursement claims, and grant compliance while centralizing all grant timekeeping into a single system. The system also provides greater visibility into estimated versus actual grant-funded staff hours, improving budget monitoring, staffing allocation, and reimbursement tracking.

Gross personnel expenses came in below budget largely because several positions budgeted to be filled during FYE 2026 remained vacant longer than anticipated or were eliminated during the year.

	FYE 2026 Actual	FYE 2026 Budget	Variance	Variance %
FTE Staff	108	117	(9)	(7.7)%

At the end of the fiscal year, personnel expenses reflected nine fewer FTE positions than assumed in the budget. The remaining FTE positions have already been filled or are expected to be filled during the current fiscal year.

Overall, savings generated by staffing vacancies were more than offset by lower than expected grant reimbursements, resulting in personnel costs ending modestly above budget.

Data Manager: $5,428,000 (2.9% above the Approved Budget before applying contingency)
MCE's data manager provides a wide range of billing services, including billing management for MCE's customers, technical support for billing issues, and customer enrollment services. The charges are based on a fixed fee per customer account. Costs came in above budget for two reasons: First, total enrolled accounts were 5% higher than forecast, increasing the data manager's infrastructure and operational resources required to support the City of Hercules enrollment, and second, MCE requested additional billing and aging-balance reports that were not contemplated in the original budget.

Technical and Scheduling Consultants: $1,246,000 (11.0% below the Approved Budget)
These consultants schedule energy resources into the California Independent System Operator (CAISO) and assist MCE in managing risk more effectively. They also collaborate with staff to create advanced load management strategies and forecast costs related to market and regulatory changes. Costs came in below budget as staff worked with a more cost-effective vendor for forward price curves and congestion analysis.

Service Fees – PG&E: $2,603,000 (4.9% below the Approved Budget)
PG&E service fees consist of a fixed charge per customer account. The fees cover PG&E's costs for processing customer data and coordinating billing for MCE accounts. All community choice aggregators (CCAs) in PG&E's territory must pay this fee. The budget built in a rate increase for PG&E's per-account billing fee that the CPUC has not yet approved. Because the higher rate never took effect, actual costs came in below budget.

Legal and Policy Services: $1,125,000 (26.7% below the Approved Budget)
This line encompasses external legal and policy services that assist MCE in areas such as contract review for energy suppliers, non-energy vendors, regulatory proceedings, employment matters, and other agency functions. Results were below budget for a few reasons:

- Staff relied more on internal expertise for PPA reviews and engaged a more cost-effective vendor, thereby lowering the costs incurred for external counsel services.
- Staff budgeted for outside counsel services related to municipal finance that ultimately did not materialize.

- Staff also budgeted for outside counsel services to support MCE's Energy Efficiency Business Plan Application. Leveraging the last application, growing internal expertise, and creating efficiencies, Staff were able to decrease anticipated external spend.
- Lastly, MCE continues to leverage its membership with the California Community Choice Association (CalCCA) to participate in joint regulatory proceedings, thus reducing the budget for external policy services.

Communication Services: $2,288,000 (2.9% above the Approved Budget before applying contingency)
The majority of the variance reflects a customer noticing software tool that had been budgeted within General & Administrative but was subsequently determined to be a Communication Services cost, given the customer noticing function it serves. Absent the software tool cost classification, this line would be within the Approved Budget.

Other Professional Services: $4,205,000 (11.5% below the Approved Budget)
Other professional services cover external contractors that support MCE across a range of key business functions. This includes external services such as accounting, auditing, benefits administration, grant writing, and information technology (IT). This category also includes costs associated with the development and maintenance of MCE's customer relationship management (CRM) software and data analytics infrastructure. The following drivers led to results coming in below budget:

- Spending on grant writing consultants was lower than planned as changes in federal funding priorities reduced the number of viable grant opportunities. In response, MCE adopted a more targeted approach, supporting municipal-led applications as a sub applicant rather than serving as the primary applicant. This strategy reduced both staff effort and the need for outside consulting assistance.
- Consulting expenses associated with asset ownership and congestion revenue rights optimization initiatives were lower than budgeted, as the anticipated work did not move forward during the year. In addition, consulting costs related to the Remedial Action Scheme project were below budget due to delays in negotiations outside of MCE's control.
- Spending on staff training and coaching services was below budget, as certain nonessential training programs were deferred and demand for employee coaching services was lower than anticipated.

General and Administrative: $4,196,000 (15.5% below the Approved Budget)
This category includes items such as load forecasting tools, software licenses for agency-wide tools, insurance, recruitment for open positions, membership dues for the California Community Choice Association (CalCCA) and other office expenses, including registration and traveling costs. The following drivers led to results coming in below budget:

- Costs tied to one of MCE's storage optimization software were significantly under budget due to a vendor invoicing delay. The vendor did not bill MCE for most of the year; staff are working to secure the outstanding invoices, and a portion of the cost is expected to shift into the current fiscal year.
- Costs tied to marketing tools were lower than budgeted due in part to the reclassification of the customer noticing software noted under Communication Services.
- The cost for Microsoft 365 licenses was deferred for about eight months. Following the onboarding of MCE's new IT Systems Manager, staff determined that a budgeted step-up in Microsoft 365 licensing could be deferred until the Microsoft migration formally began in December 2025, as the higher licensing tier was not required until staff transitioned to Outlook mailboxes.
- Participation in conferences and associated travel was lower than budgeted. Staff attended fewer events than the budget anticipated, reducing registration, airfare, lodging, and related travel expenses for the year.

Occupancy: $250,000 (44.8% below the Approved Budget)
This category includes lease payments for the MCE's Concord office. Maintenance costs for both the Concord and San Rafael office locations are also included. Spending finished below budget because certain maintenance work was needed less than anticipated, several larger projects were pushed to next fiscal year, and the timing of MCE's move provided a few additional months of complimentary rent.

Contingency: $296,000 (80.3% below the Approved Budget)
MCE maintains a budgeted contingency that can be drawn upon to absorb overages in individual operating expense line items. For FYE 2026, approximately $296,000 of the $1.5 million budgeted contingency was applied to cover the spending above budget described for Personnel, Communication Services, and Data Manager.

Grant Income: $4,962,000 (51.4% above the Approved Budget)
Results were above budget primarily due to the amount of funding received from the CPUC for MCE's Disadvantaged Communities Green Tariff (DAC-GT)[6]. Grant receipts are disbursed by the CPUC based on MCE's Annual Budget Advice Letter filing rather than MCE's internal budget figure. The filing applicable to FYE 2026 was overstated, as it double counted a portion of the DAC-GT program, including an embedded energy cost escalator. As a result, the CPUC paid more than the underlying program warranted. The overage represents a timing and reconciliation difference rather than a permanent increase in program funding. The inflated portion is expected to be adjusted through a true-up in future Annual Budget Advice Letter filings.

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[6] The program provides income-qualified residential customers in disadvantaged communities with 100% renewable energy and a 20% discount on their electricity bills. The associated bill credits reduce MCE's revenue from electricity sales, and the grant income received from the CPUC offsets that reduction.

Other Income: $635,000 (Not budgeted)
Other income reflects damages paid to MCE by counterparties when a project fails to perform in accordance with its contract. MCE does not budget for these payments, as its forecasts assume that projects will perform as contracted and the magnitude of any potential damages is difficult to estimate in advance. As a result, amounts recorded in this category represent favorable variances to the budget.

Interest Income: $20,996,000 (40.0% above the Approved Budget)
Interest income reflects what MCE earns on its cash deposits, CDARS, and fixed income investments. Staff continue to invest MCE's reserves according to the agency's investment policy, focusing on safety, liquidity and return on investments. Earnings came in well above plan for three reinforcing reasons. First, lower energy costs left MCE holding more cash than expected, which earned additional interest. Second, although market rates eventually fell, they stayed higher than budgeted, lifting yields on both cash and investments relative to projections. Third, market rates declined over the course of the year, which raised the value of MCE's fixed income holdings. Each increase in the portfolio's value was recorded as an investment gain per accounting guidelines.

Banking Fees and Financing Costs: $270,000 (20.0% above the Approved Budget)
Costs exceeded budget due to a significant increase in MCE's Financial Security Requirement (FSR), a posting that California Community Choice Aggregators (CCAs) are statutorily required to maintain to cover hypothetical customer re-entry costs to the incumbent utility. A combination of lower PG&E generation rates and higher PCIA charges coupled with changes to the FSR calculation methodology further increased the posting amount for CCAs. As a result, MCE's minimum FSR rose substantially from its historical level, increasing the banking fees associated with maintaining the posting. The size and timing of the FSR are determined by PG&E through a confidential formula driven process. Changes are communicated to MCE 60 days before each posting date, placing this increase outside of MCE's control.

Capital Outlay and Interfund Transfers: $8,076,000 (56.1% below the Approved Budget)
Capital outlay totaled approximately $5.7 million, consisting of $5.4 million for the purchase of MCE's office and $282 thousand for related office improvements. MCE also transferred the $2.4 million Board approved amount to the Program Development Fund. The budget variance reflects the Remedial Action Scheme transmission upgrade, which was not undertaken during the year due to negotiation delays outside of MCE's control.

The following sections transition away from the Operating Fund to the Program Development Fund, the Resiliency Virtual Power Plant Fund and the Efficiency Fund budget results. These funds often support long-term project development (EV charger installation, battery storage or large energy-efficiency retrofits) that spans multiple fiscal years. It can be difficult to project the exact expenditure in any given year for those programs as they can vary based on customers' project timelines.

Regardless, for externally funded grants, if the total expenditures are under the grant budget and represent eligible grant activities, MCE is reimbursed for those costs.

Program Development Fund

Total Revenue and Other Sources: $2,522,000 (8.4% below the Approved Budget)
As approved by your Board, MCE transferred $2.4 million to the Program Development Fund. The Approved Budget also included contributions of $260,000 from a Marin Community Foundation Grant to support EV Charging at Affordable Multifamily Properties and $100,000 in Community Benefits Funds. The variance is due to lower activity recognized against the Marin Community Foundation Grant due to EV Project timelines being delayed into the subsequent fiscal year. This fund carried a balance of $3.7 million at the start of the fiscal year.

Total Expenditures and Other Uses: $8,032,000 (23.3% above the Approved Budget)
Total expenditures came in above budget for the following reasons:

- Spending under MCE's transportation electrification programs totaled $7.0 million, ending the year 32.3% (approximately $1.7 million) above budget. As the federal EV tax credit approached its expiration at the end of September 2025, customers rushed to purchase electric vehicles before the credit was eliminated. This surge in EV purchases drove a sharp increase in demand for MCE's EV incentives, leading to higher than anticipated incentive payments and a need for additional program funding, which staff brought to your Board. To help address the shortfall, staff requested and received Board approval to increase the contract with Energy Solutions, the vendor that facilitates the incentive payouts, by approximately $600,000. This increase partially covered the $1.7 million overage[7]. Lastly, greater than forecasted EV charging project completions during the fiscal year further added to incentive payments under transportation electrification efforts.
- Spending under MCE's Heat Pump Water Heater Incentives program and Community Housing Grants was above budget due to higher than anticipated demand for the associated incentives. Since both programs supplement MCE's other program offerings, the extra spending allowed those related programs to keep going.
- Overages in the programs described above were partially offset by lower than planned spending under MCE's Emergency Water Heater Loaner.

The elevated spending on MCE's transportation electrification programs resulted in a year end deficit of approximately $1.8 million. The Approved Budget for the current fiscal year includes an $8.1 million transfer that eliminates this deficit in addition to funding the planned spending.

Resiliency Virtual Power Plant (VPP) Fund

Total Revenue and Other Sources: $294,000 (80.0% below the Approved Budget)

[7] Although the Board approved roughly $600,000 in additional spending, the Program Development Fund budget was not amended to reflect this.

The Approved Budget included additional contributions of $200,000 in Federal Grants to support Energy Storage, $72,000 in funding from the Marin Community Foundation to support resiliency at critical facilities and a $1.2 million grant from the California Energy Commission (CEC) to scale MCE's virtual power plant (VPP) program. Work associated with this grant was significantly delayed as the transition away from a pilot version of the program took longer than expected. The anticipated program adaptations were not immediately possible to implement due to a potential conflict with prevailing wage concerns. Separately, three VPP summer solicitations took longer than expected to approve and launch. Consequently, MCE received less grant income but also incurred less expenses. Costs are expected to be rebalanced once the solicitations are completed and the project team can begin paying for equipment and integration costs. This fund carried a balance of $3.9 million at the start of the fiscal year.

Total Expenditures and Other Uses: $1,520,000 (65.5% below the Approved Budget)
Total expenditures came in below the budget for the following reasons:

- As described above, work for the CEC VPP Flex Grant program was significantly lower than projected leading to less costs incurred.
- MCE's Energy Storage program came in under budget as project activities did not reach scheduled milestones, largely due to delays in PG&E's permission-to-operate (PTO) approval process. As a result, project work and related expenditures shifted to later periods than planned.
- MCE Sync finished under budget as fewer incentives were claimed than forecasted and certain implementation activities, such as Application Programming Interface (API) integration work, were not fully completed as planned. MCE Sync incentives in FYE 2026 included the standard smart charging incentives and a new pilot program, ChargeWise, which offers dynamic rates for EV Charging that are aligned with wholesale electricity prices. Customers who opt into this pilot can take advantage of very low daytime pricing to earn EV charging credits.
- PeakFLEX expenditures were well below the budget as there was lower than expected enrollment in the program. In addition, the mild summer season limited participation days and associated performance payments.
- Federal Earmark for MCE's energy storage initiatives:
    - Grant funding: No project expenditures were incurred against the federal budget line item in FYE 2026 because activities remained on hold pending U.S. Department of Energy (DOE) authorization. DOE is currently conducting the National Environmental Policy Act review, which was expected to take approximately 1–3 months following submission on April 30, 2026. The DOE has recently informed MCE that due to internal capacity constraints the review process may take until early November 2026.
    - MCE Match Funding: Although the federally earmarked energy storage initiatives were delayed, MCE incurred modest costs for staff time on the grant

as part of its cost sharing obligations. Expenditures were nonetheless below budget.

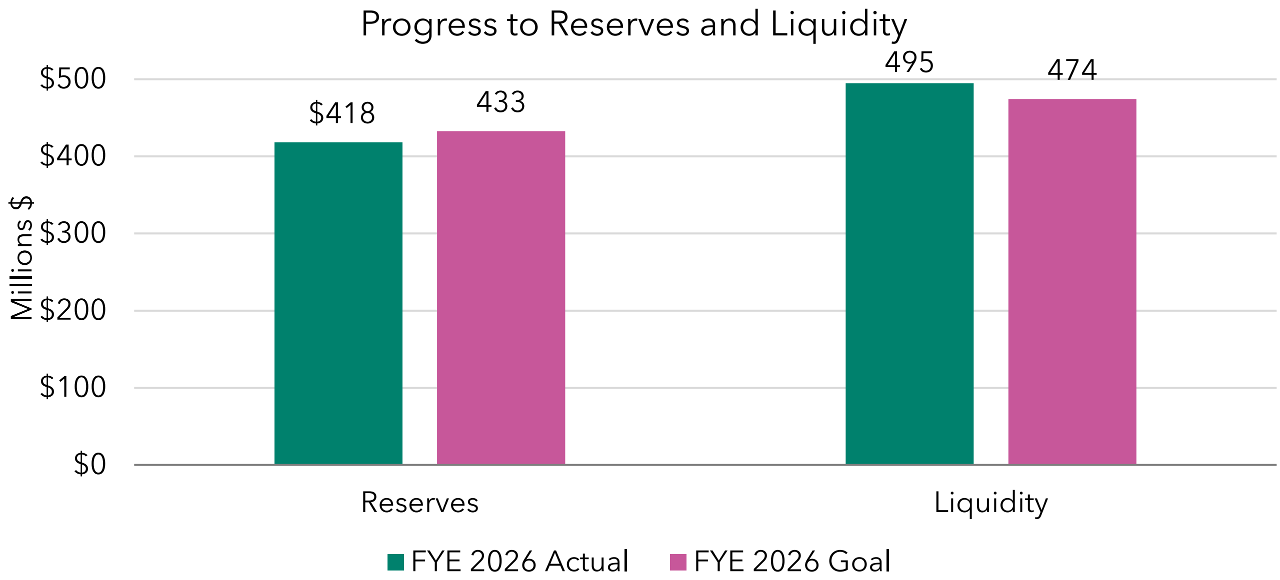
- Marin Community Foundation Resiliency at Critical Facilities: This line item incurred higher than anticipated expenditures during this reporting period due to project milestones, including Permission to Operate approval, being achieved sooner than originally projected.
- No costs were incurred for the San Rafael Office Resiliency Buildout project during the fiscal year because the project did not advance as originally anticipated.
- Richmond VPP Pilot: The pilot ended and the team started the transition to MCE's VPP Flex program, resulting in less expenses than projected.

The fund balance at the end of the fiscal year for this fund was about $2.7 million.

Energy Efficiency Fund $11,383,000 (41.8% below the Approved Budget)
The energy efficiency (EE) fund supports the installation of energy efficient measures and retrofits for residential, commercial, industrial, and multifamily properties. The Energy Efficiency Fund programs are fully funded by the CPUC which follows a calendar year reporting cycle. Energy Efficiency Programs are required by the CPUC to budget funds in the year a project is reserved, even though most projects do not start and finish within the same year. The primary driver of the budget to actual variance is timing. Several EE programs show both revenue and expenses below budget, which may reflect differences between when program activity was originally budgeted to occur and when costs are actually incurred, submitted, reimbursed, or recognized. In those cases, lower spending does not necessarily indicate a reduction in planned activity, but rather that costs are expected to occur later than originally budgeted.

The Low-Income Families and Tenants Program is fully funded by the CPUC. While the program overspent its projected FY budget due to projects completing earlier than expected, it did not exceed its total awarded CPUC budget.

Progress toward reserve goals and liquidity



At the close of FYE 2026, MCE's net position increased by $1.4 million[8], bringing the year-end total to $418.3 million. Net position represents the agency's reserves. Under Board-approved Policy 13 (Reserve Policy), MCE aims to maintain reserves equivalent to 60% of energy and operating expenses. Based on the actual expenses incurred, that target equated to about $433 million; MCE's actual reserves of $418.3 million represented about 97% of the goal. The target is a moving figure that shifts with actual energy costs and operating expenses. For example, in the prior fiscal year MCE fell short of the goal at 84%, reflecting a smaller change in net position alongside higher energy and operating costs. Measured by cash and cash equivalents plus investments, the ending liquidity position was $495 million, equivalent to 250 days or 10 days above the Policy goal of 240 days.

Resolution 2026-07

The proposed Resolution provides the opportunity for the Board to close out FYE 2026 and ratify past expenditures and reconcile MCE’s expenditures that exceeded specific line items in the budgets, but did not exceed the MCE Budget as a whole. Discussion of overages of line items are listed earlier in this report. Table 6 below provides the specific line item expenditures for the Board to approve through the proposed resolution.

Table 6: Expenditures Exceeding Approved Budget Line items for FYE 2026

[8] As reported in the Statement of Revenues, Expenses, and Changes in Net Position.

	FYE 2026 Actual	FYE 2026 Budget	Variance $	Variance %	Fund
Cost Relief Program (CARES)	5,795,000	5,000,000	795,000	15.9%	Operating
Banking Fees and Financing Costs	270,000	225,000	45,000	20.0%	Operating
San Rafael Office Building Purchase	5,401,000	5,400,000	1,000	0.0%	Operating
MCE Resiliency at Critical Facilities	275,000	72,000	203,000	281.9%	Resiliency VPP
Public Purpose Low Income Families and Tenants Pilot Program	1,323,000	800,000	523,000	65.4%	Energy Efficiency
Transportation Electrification Programs	7,024,000	5,310,000	1,714,000	32.3%	Program Development
Heat Pump Water Heater Incentives	620,000	540,000	80,000	14.8%	Program Development
Community Housing Grants	349,000	260,000	89,000	34.2%	Program Development

On August 27, 2026, the Finance Committee unanimously recommended that the Board approve Resolution 2026-07, Ratifying Certain Line Item Variances Between Actual and Budgeted Amounts in MCE's Fiscal Year End 2026 Budget. This action will formally close FYE 2026.

Fiscal Impact:
None.

Recommendation:
Receive information regarding the Fiscal Year End 2026: Budget Results, Power Supply Variance and approve Resolution 2026-07 Ratifying Certain Line Item Variances Between Actual and Budgeted Amounts in MCE's Fiscal Year End 2026 Budget.[9]

[9] This item is an administrative matter as outlined in OR&R Article VI. Action requires a majority vote of the full membership of the Board for a motion to carry.

Fiscal Year End 2026: Budget Results, Power Supply Variance, and Ratification of Certain Line Item Variances

MCE Board of Directors

September 17, 2026

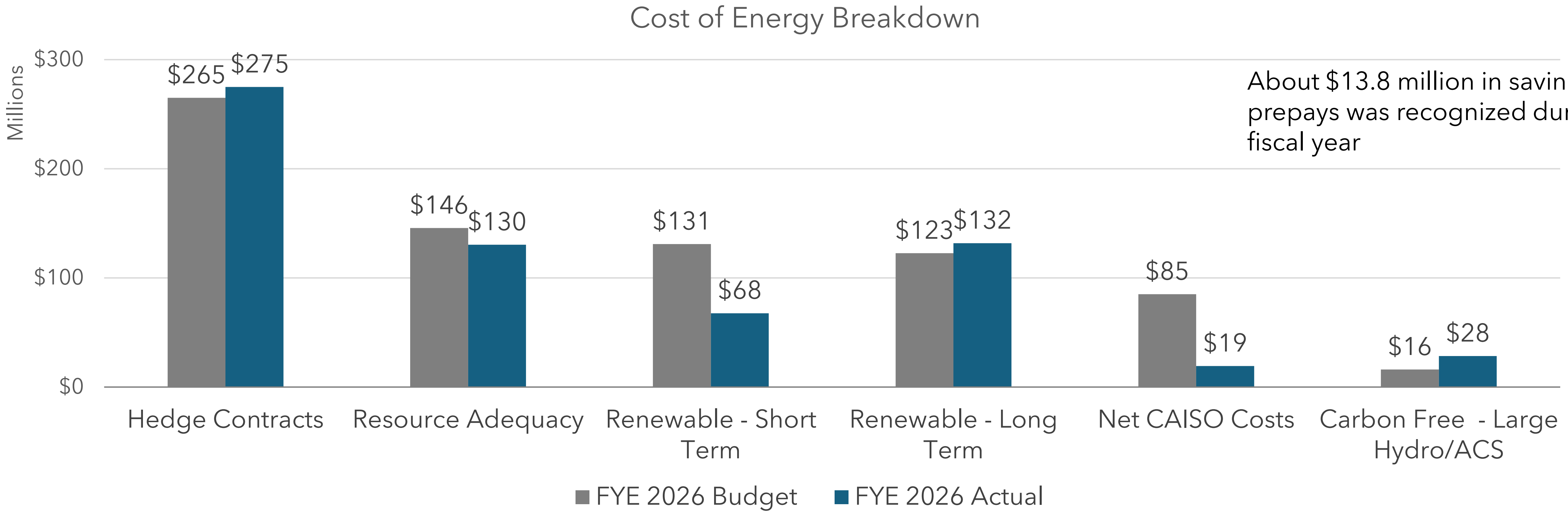
FYE 2026 Budget Review

	FYE 2026 Actual	FYE 2026 Budget	Variance $	Variance %
Energy Revenue, Net (excluding ORF)	$ 764,392,000	$ 813,689,000	$ (49,297,000)	(6.1%)
ORF Withdrawal/Transfer	(80,000,000)	13,000,000	(93,000,000)	NM
Cost of Energy	(652,516,000)	(765,542,000)	113,026,000	14.8%
Operating Expenses	(46,825,000)	(50,249,000)	3,424,000	6.8%
Non-Operating Revenues	26,593,000	18,278,000	8,315,000	45.5%
Non-Operating Expenses	(1,019,000)	(3,503,000)	2,484,000	70.9%
Program Expenses	(20,935,000)	(30,474,000)	9,539,000	31.3%
Program Income	11,807,000	21,393,000	(9,586,000)	(44.8%)
Change in Net Position	**1,497,000**	**16,592,000**	**(15,095,000)**	**(91.0%)**
Capital Outlay	(5,684,000)	(15,999,000)	10,315,000	64.5%
Total Expenses & Capital Outlay	**(726,979,000)**	**(865,767,000)**	**138,788,000**	**16.0%**

Legend: Red variances are unfavorable, green variances are favorable, and NM is not meaningful.

Variance $ is calculated as Actual less Budget. Variance % is calculated as Variance $ divided by the absolute value of Budget. Expenses are presented as negative amounts so the Variance $ column reconciles to Change in Net Position. This methodology applies to this consolidated summary table.

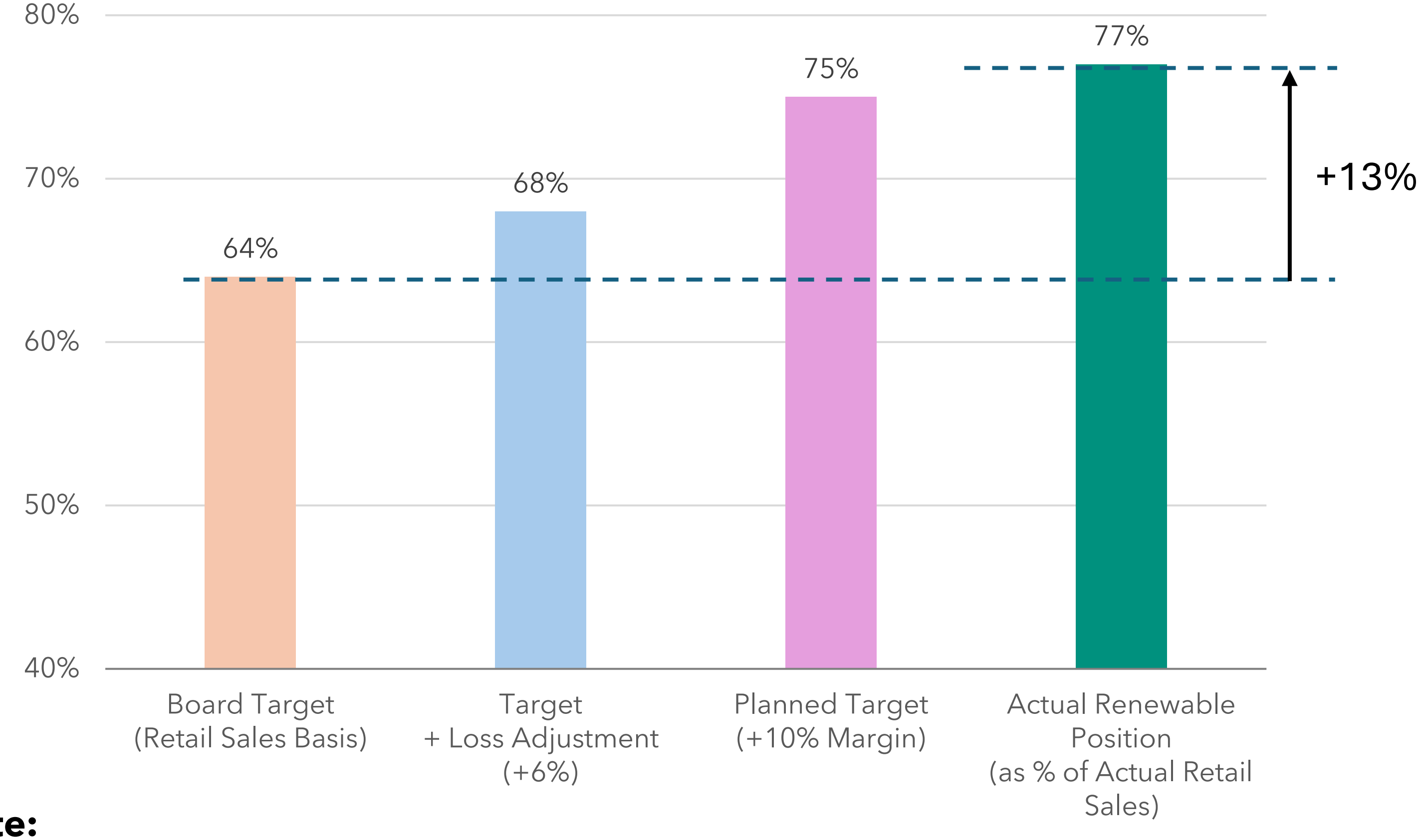
Cost of Energy



About $13.8 million in savings from prepays was recognized during the fiscal year

	FYE 2026 Actual	FYE 2026 Budget	Variance $	Variance %
Hedge Contracts	$ 274,960,000	$ 265,050,000	$ 9,910,000	3.7%
Resource Adequacy	130,444,000	145,713,000	(15,269,000)	(10.5%)
Renewable - Short Term	67,675,000	131,035,000	(63,360,000)	(48.4%)
Renewable - Long Term	131,837,000	122,588,000	9,249,000	7.5%
Net CAISO Costs	19,234,000	85,084,000	(65,850,000)	(77.4%)
Carbon Free - Large Hydro/ACS	28,367,000	16,072,000	12,295,000	76.5%
Total	**652,517,000**	**765,542,000**	**(113,025,000)**	**(14.8%)**

Calendar Year 2025 Renewable Position



Note:

- 64% weighted renewable content, based on 100% Deep Green and 60% Light Green participation
- ~6% loss adjustment reflects CEC portfolio-level reporting (retail sales → grid) and provides additional coverage to the retail-sales-based Board target
- All percentages and dollar amounts are rounded

2025 Key Results:

- Lower load vs. expected → long position
- Some excess sold (Value impacted by market conditions)
- **Perfect-hindsight:** 13% excess I **$73M impact**

FYE 2027 Improvements:

- **Removed** 10% planning margin
- **Enhanced** position monitoring

Future Policy Considerations:

- **Flexible annual targets** → price-responsive procurement strategy
- **Bank excess** for future years
- **Reassess renewable target** levels relative to state requirements

Operating Expenses

	FYE 2026 Actual	FYE 2026 Budget	Variance $	Variance %
Personnel	$ 25,484,000	$ 25,405,000	$ 79,000	0.3%
Data Manager	5,428,000	5,276,000	152,000	2.9%
Technical and Scheduling Consultants	1,246,000	1,400,000	(154,000)	(11.0%)
Service Fees - PG&E	2,603,000	2,738,000	(135,000)	(4.9%)
Legal and Policy Services	1,125,000	1,534,000	(409,000)	(26.7%)
Communication Services	2,288,000	2,223,000	65,000	2.9%
Other Professional Services	4,205,000	4,754,000	(549,000)	(11.5%)
General and Administrative	4,196,000	4,966,000	(770,000)	(15.5%)
Occupancy	250,000	453,000	(203,000)	(44.8%)
Contingency	-	1,500,000	(1,500,000)	(100.0%)
Total	**46,825,000**	**50,249,000**	**(3,424,000)**	**(6.8%)**

Personnel, Data Manager, and Communication Services are shown before Contingency. Applying contingency caps each line at its budgeted amount and shifts the combined overage, about $296,000, to the Contingency line.

MCE Funded Program Budgets

Program	FYE 2026 Actual	FYE 2026 Budget	Variance $	Variance %	Fund
Transportation Electrification	$ 7,025,000	$ 5,310,000	$ 1,714,000	32.3%	Program Development
MCE Sync	658,000	952,000	(294,000)	(30.9%)	Resiliency VPP
Heat Pump Water Heater Incentives	620,000	540,000	80,000	14.8%	Program Development
Community Housing Grants	349,000	260,000	89,000	34.2%	Program Development
Energy Storage Program	52,000	306,000	(254,000)	(83.0%)	Resiliency VPP
PeakFLEX	17,000	100,000	(83,000)	(83.0%)	Resiliency VPP
Richmond VPP Pilot	12,000	171,000	(159,000)	(93.0%)	Resiliency VPP
Emergency Water Heater Loaner	9,000	142,000	(133,000)	(93.7%)	Program Development
San Rafael Office Resiliency Buildout	-	200,000	(200,000)	(100.0%)	Resiliency VPP
Matching Funds:					
CEC VPP Flex Match	281,000	1,000,000	(719,000)	(71.9%)	Resiliency VPP
Federal Earmark Match Expense	86,000	200,000	(114,000)	(57.0%)	Resiliency VPP
Total	**9,108,000**	**9,181,000**	**(73,000)**	**(0.8%)**	

Recommendation

Recommend to the Board of Directors for approval, Resolution 2026-07 Ratifying Certain Line Item Variances Between Actual and Budgeted Amounts in MCE's Fiscal Year End 2026 Budget.

Thank you!

MCE

mceCleanEnergy.org
info@mceCleanEnergy.org

MCE Operating Fund Without Contingency Applied
Approved Budget Comparison FYE 2026
From April 1, 2025 through March 31, 2026

	FYE 2026 Actual	FYE 2026 Budget	Variance $	Variance %
ENERGY REVENUE				
OPERATING REVENUES	$ 780,138,000	$ 831,237,000	$ (51,099,000)	(6.1%)
Transfer from Operating Reserve Fund	(80,000,000)	13,000,000	-	0.0%
Cost Relief Program	(5,795,000)	(5,000,000)	(795,000)	15.9%
Bi-Directional Vehicle Charging Tariff	-	(80,000)	80,000	(100.0%)
Uncollectible Accounts	(9,951,000)	(12,469,000)	2,518,000	(20.2%)
REVENUE - ELECTRICITY NET	**684,392,000**	**826,689,000**	**(142,297,000)**	**(17.2%)**
ENERGY EXPENSES				
Cost of Energy	652,516,000	765,542,000	(113,026,000)	(14.8%)
NET ENERGY REVENUE	**31,876,000**	**61,147,000**	**(29,271,000)**	**(47.9%)**
OPERATING EXPENSES				
Personnel	25,484,000	25,405,000	79,000	0.3%
Data Manager	5,428,000	5,276,000	152,000	2.9%
Technical and Scheduling Consultants	1,246,000	1,400,000	(154,000)	(11.0%)
Service Fees - PG&E	2,603,000	2,738,000	(135,000)	(4.9%)
Legal and Policy Services	1,125,000	1,534,000	(409,000)	(26.7%)
Communication Services	2,288,000	2,223,000	65,000	2.9%
Other Professional Services	4,205,000	4,754,000	(549,000)	(11.5%)
General and Administrative	4,196,000	4,966,000	(770,000)	(15.5%)
Occupancy	250,000	453,000	(203,000)	(44.8%)
Contingency	-	1,500,000	(1,500,000)	(100.0%)
TOTAL OPERATING EXPENSES	**46,825,000**	**50,249,000**	**(3,424,000)**	**(6.8%)**
OPERATING INCOME	**(14,949,000)**	**10,898,000**	**(25,847,000)**	**(237.2%)**
NONOPERATING REVENUES				
Grant Income	4,962,000	3,278,000	1,684,000	51.4%
Other Income	635,000	-	635,000	-
Interest Income	20,996,000	15,000,000	5,996,000	40.0%
TOTAL NONOPERATING REVENUES	**26,593,000**	**18,278,000**	**8,315,000**	**45.5%**
NONOPERATING EXPENSES	-			
Banking Fees and Financing Costs	270,000	225,000	45,000	20.0%
Grant Expenses	749,000	3,278,000	(2,529,000)	(77.2%)
TOTAL NONOPERATING EXPENSES	**1,019,000**	**3,503,000**	**(2,484,000)**	**(70.9%)**
CHANGE IN NET POSITION	**10,625,000**	**25,673,000**	**(15,048,000)**	**(58.6%)**
Budgeted Net Position Beginning of Period	416,863,000	416,863,000	-	0.0%
Change in Net Position	10,625,000	25,673,000	(15,048,000)	(58.6%)
BUDGETED NET POSITION END OF PERIOD	**427,488,000**	**442,536,000**	**(15,048,000)**	**(3.4%)**
CAPITAL EXPENDITURES, INTERFUND TRANSFERS & OTHER				
Software Transmission Upgrade	-	10,250,000	(10,250,000)	(100.0%)
San Rafael Office Building Purchase	5,401,000	5,400,000	1,000	0.0%
Office Improvements and Retrofits	282,000	349,000	(67,000)	(19.2%)
Transfer to Program Development Fund	2,392,000	2,392,000	-	-
TOTAL CAPITAL EXPENDITURES, INTERFUND TRANSFERS & OTHER	**8,076,000**	**18,391,000**	**(10,315,000)**	**(56.1%)**
BUDGETED NET INCREASE IN OPERATING FUND BALANCE	**2,549,000**	**7,282,000**	**(4,733,000)**	**(65.0%)**

MCE Operating Fund With Contingency Applied
Approved Budget Comparison FYE 2026
From April 1, 2025 through March 31, 2026

	FYE 2026 Actual	FYE 2026 Budget	Variance $	Variance %
ENERGY REVENUE				
OPERATING REVENUES	$ 780,138,000	$ 831,237,000	$ (51,099,000)	(6.1%)
Transfer from Operating Reserve Fund	(80,000,000)	13,000,000	-	0.0%
Cost Relief Program	(5,795,000)	(5,000,000)	(795,000)	15.9%
Bi-Directional Vehicle Charging Tariff	-	(80,000)	80,000	(100.0%)
Uncollectible Accounts	(9,951,000)	(12,469,000)	2,518,000	(20.2%)
REVENUE - ELECTRICITY NET	**684,392,000**	**826,689,000**	**(142,297,000)**	**(17.2%)**
ENERGY EXPENSES				
Cost of Energy	652,516,000	765,542,000	(113,026,000)	(14.8%)
NET ENERGY REVENUE	**31,876,000**	**61,147,000**	**(29,271,000)**	**(47.9%)**
OPERATING EXPENSES				
Personnel	25,405,000	25,405,000	-	0.0%
Data Manager	5,276,000	5,276,000	-	0.0%
Technical and Scheduling Consultants	1,246,000	1,400,000	(154,000)	(11.0%)
Service Fees - PG&E	2,603,000	2,738,000	(135,000)	(4.9%)
Legal and Policy Services	1,125,000	1,534,000	(409,000)	(26.7%)
Communication Services	2,223,000	2,223,000	-	0.0%
Other Professional Services	4,205,000	4,754,000	(549,000)	(11.5%)
General and Administrative	4,196,000	4,966,000	(770,000)	(15.5%)
Occupancy	250,000	453,000	(203,000)	(44.8%)
Contingency	296,000	1,500,000	(1,204,000)	(80.3%)
TOTAL OPERATING EXPENSES	**46,825,000**	**50,249,000**	**(3,424,000)**	**(6.8%)**
OPERATING INCOME	**(14,949,000)**	**10,898,000**	**(25,847,000)**	**(237.2%)**
NONOPERATING REVENUES	-			
Grant Income	4,962,000	3,278,000	1,684,000	51.4%
Other Income	635,000	-	635,000	-
Interest Income	20,996,000	15,000,000	5,996,000	40.0%
TOTAL NONOPERATING REVENUES	**26,593,000**	**18,278,000**	**8,315,000**	**45.5%**
NONOPERATING EXPENSES	-			
Banking Fees and Financing Costs	270,000	225,000	45,000	20.0%
Grant Expenses	749,000	3,278,000	(2,529,000)	(77.2%)
TOTAL NONOPERATING EXPENSES	**1,019,000**	**3,503,000**	**(2,484,000)**	**(70.9%)**
CHANGE IN NET POSITION	**10,625,000**	**25,673,000**	**(15,048,000)**	**(58.6%)**
Budgeted Net Position Beginning of Period	416,863,000	416,863,000	-	0.0%
Change in Net Position	10,625,000	25,673,000	(15,048,000)	(58.6%)
BUDGETED NET POSITION END OF PERIOD	**427,488,000**	**442,536,000**	**(15,048,000)**	**(3.4%)**
CAPITAL EXPENDITURES, INTERFUND TRANSFERS & OTHER				
Software Transmission Upgrade	-	10,250,000	(10,250,000)	(100.0%)
San Rafael Office Building Purchase	5,401,000	5,400,000	1,000	0.0%
Office Improvements and Retrofits	282,000	349,000	(67,000)	(19.2%)
Transfer to Program Development Fund	2,392,000	2,392,000	-	-
TOTAL CAPITAL EXPENDITURES, INTERFUND TRANSFERS & OTHER	**8,076,000**	**18,391,000**	**(10,315,000)**	**(56.1%)**
BUDGETED NET INCREASE IN OPERATING FUND BALANCE	**2,549,000**	**7,282,000**	**(4,733,000)**	**(65.0%)**

MCE
Program Development Fund
Approved Budget Comparison FYE 2026
From April 1, 2025 through March 31, 2026

	FYE 2026 Actual	FYE 2026 Budget	Variance $	Variance %
Revenue And Other Sources				
Transfer from Operating Fund and Deep Green Premium	$ 2,392,000	$ 2,392,000	$ -	0.0%
Marin Community Foundation Grant	30,000	260,000	(230,000)	(88.5%)
Community Benefits Funds	100,000	100,000	-	0.0%
Total Revenue and Other Sources	**2,522,000**	**2,752,000**	**(230,000)**	**(8.4%)**
Expenditures And Committed Funds				
Transportation Electrification Programs	7,024,000	5,310,000	1,714,000	32.3%
Heat Pump Water Heater Incentives	620,000	540,000	80,000	14.8%
Emergency Water Heater Loaner Fund	9,000	142,000	(133,000)	(93.7%)
Marin Community Foundation EV Charging at Affordable Housing	30,000	260,000	(230,000)	(88.5%)
Community Housing Grants	349,000	260,000	89,000	34.2%
Total Expenditures And Other Uses	**8,032,000**	**6,512,000**	**1,520,000**	**23.3%**
Net Increase (Decrease) in Fund Balance	(5,510,000)	(3,760,000)	-	-
Fund Balance at Beginning of Period	3,738,000	3,760,000	-	-
Fund Balance at End of Period	**(1,772,000)**	**-**	-	**-**

MCE
Resiliency Virtual Power Plant Fund
Approved Budget Comparison FYE 2026
From April 1, 2025 through March 31, 2026

	FYE 2026 Actual	FYE 2026 Budget	Variance $	Variance %
Revenue And Other Sources				
CEC VPP Flex Grant	$ 19,000	$ 1,200,000	$ (1,181,000)	(98.4%)
Federal Earmark Funding	-	200,000	(200,000)	(100.0%)
Marin Community Foundation Grant	275,000	72,000	203,000	281.9%
Total Revenue and Other Sources	**294,000**	**1,472,000**	**(1,178,000)**	**(80.0%)**
Expenditures And Other Uses				
CEC VPP Flex Grant Expenses	139,000	1,200,000	(1,061,000)	(88.4%)
Energy Storage Program	52,000	306,000	(254,000)	(83.0%)
CEC VPP Flex Grant Match	281,000	1,000,000	(719,000)	(71.9%)
MCE Sync	658,000	952,000	(294,000)	(30.9%)
PeakFLEX	17,000	100,000	(83,000)	(83.0%)
Federal Earmark- Energy Storage	-	200,000	(200,000)	(100.0%)
MCE Resiliency at Critical Facilities	275,000	72,000	203,000	281.9%
Federal Earmark Match Expense	86,000	200,000	(114,000)	(57.0%)
San Rafael Office Resiliency Buildout	-	200,000	(200,000)	(100.0%)
Richmond VPP Pilot	12,000	171,000	(159,000)	(93.0%)
Total Expenditures And Other Uses	**1,520,000**	**4,401,000**	**(2,881,000)**	**(65.5%)**
Net Increase (Decrease) in Fund Balance	(1,226,000)	(2,929,000)	-	-
Fund Balance at Beginning of Period	3,879,000	3,086,000	-	-
Fund Balance at End of Period	**2,652,000**	**157,000**	**-**	**-**

MCE
Energy Efficiency Fund
Approved Budget Comparison FYE 2026
From April 1, 2025 through March 31, 2026

	FYE 2026 Actua	FYE 2026 Budget	Variance $	Variance %
Revenue And Other Sources				
Public Purpose Energy Efficiency Program	$ 10,060,000	$ 18,761,000	$ (8,701,000)	(46.4%)
Public Purpose Low Income Families and Tenants Pilot Program	1,323,000	800,000	523,000	65.4%
Total Revenue And Other Sources	**11,383,000**	**19,561,000**	**(8,178,000)**	**(41.8%)**
Expenditures And Other Uses			-	
Public Purpose Energy Efficiency Program	10,060,000	18,761,000	(8,701,000)	(46.4%)
Public Purpose Low Income Families and Tenants Pilot Program	1,323,000	800,000	523,000	65.4%
Total Expenditures And Other Uses	**11,383,000**	**19,561,000**	**(8,178,000)**	**(41.8%)**
Balance	-	-	-	-

RESOLUTION 2026-07

A RESOLUTION OF THE BOARD OF DIRECTORS OF MARIN CLEAN ENERGY RATIFYING CERTAIN LINE ITEM VARIANCES BETWEEN ACTUAL AND BUDGETED AMOUNTS IN MCE'S FISCAL YEAR END 2026 BUDGET

WHEREAS, Marin Clean Energy (MCE) is a joint powers authority established on December 19, 2008, and organized under the Joint Exercise of Powers Act (Government Code Section 6500 et seq.); and

WHEREAS, MCE members include the following communities: the County of Marin, the County of Contra Costa, the County of Napa, the County of Solano, the City of American Canyon, the City of Belvedere, the City of Benicia, the City of Calistoga, the City of Concord, the Town of Corte Madera, the Town of Danville, the City of El Cerrito, the Town of Fairfax, the City of Fairfield, the City of Hercules, the City of Lafayette, the City of Larkspur, the City of Martinez, the City of Mill Valley, the Town of Moraga, the City of Napa, the City of Novato, the City of Oakley, the City of Pinole, the City of Pittsburg, the City of Pleasant Hill, the City of San Ramon, the City of Richmond, the Town of Ross, the Town of San Anselmo, the City of San Pablo, the City of San Rafael, the City of Sausalito, the City of St. Helena, the Town of Tiburon, the City of Vallejo, the City of Walnut Creek, and the Town of Yountville; and

WHEREAS, in Fiscal Year End 2026 (FYE 2026), MCE's total actual expenses and capital outlay were $138,788,000 lower than total budgeted amounts, as set forth in the high level summary of the MCE Budget shown below:

	FYE 2026 Actual	FYE 2026 Budget	Variance $	Variance %
Energy Revenue, Net	$ 764,392,000	$ 813,689,000	$ (49,297,000)	(6.1%)
ORF Withdrawal/Transfer	(80,000,000)	13,000,000	(93,000,000)	(715.4%)
Cost of Energy	(652,516,000)	(765,542,000)	113,026,000	14.8%
Operating Expenses	(46,825,000)	(50,249,000)	3,424,000	6.8%
Non-Operating Revenues	26,593,000	18,278,000	8,315,000	45.5%
Non-Operating Expenses	(1,019,000)	(3,503,000)	2,484,000	70.9%
Program Expenses	(20,935,000)	(30,474,000)	9,539,000	31.3%
Program Income	11,807,000	21,393,000	(9,586,000)	(44.8%)
Change in Net Position	**1,497,000**	**16,592,000**	**(15,095,000)**	**(91.0%)**
Capital Outlay	(5,684,000)	(15,999,000)	10,315,000	64.5%
Total Expenses & Capital Outlay	**(726,979,000)**	**(865,767,000)**	**138,788,000**	**16.0%**

WHEREAS, although FYE 2026 total expenditures were well within total budgeted amounts, actual expenses for certain line items exceeded budgeted amounts; and

WHEREAS, in order to formally close FYE 2026, MCE desires to ratify these variances between actual and budgeted amounts in these line items and reconcile MCE's expenditures with the FYE 2026 MCE Budget.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of MCE does hereby resolve, determine, and order as follows:

The Fiscal Year End 2026 expenditures shown below in Table 1 are hereby ratified and authorized by the Board.

Table 1: Expenditures Exceeding Approved Budget Line items for FYE 2026

	FYE 2026 Actual	FYE 2026 Budget	Variance $	Variance %	Fund
Cost Relief Program (CARES)	5,795,000	5,000,000	795,000	15.9%	Operating
Banking Fees and Financing Costs	270,000	225,000	45,000	20.0%	Operating
San Rafael Office Building Purchase	5,401,000	5,400,000	1,000	0.0%	Operating
MCE Resiliency at Critical Facilities	275,000	72,000	203,000	281.9%	Resiliency VPP
Public Purpose Low Income Families and Tenants Pilot Program	1,323,000	800,000	523,000	65.4%	Energy Efficiency
Transportation Electrification Programs	7,024,000	5,310,000	1,714,000	32.3%	Program Development
Heat Pump Water Heater Incentives	620,000	540,000	80,000	14.8%	Program Development
Community Housing Grants	349,000	260,000	89,000	34.2%	Program Development

PASSED AND ADOPTED at a regular meeting of the MCE Board of Directors on this 17th day of September 2026, by the following vote:

	AYES	NOES	ABSTAIN	ABSENT
County of Marin				
County of Contra Costa				
County of Napa				
County of Solano				
City of American Canyon				
City of Belvedere				
City of Benicia				
City of Calistoga				
City of Concord				
Town of Corte Madera				
Town of Danville				
City of El Cerrito				
Town of Fairfax				
City of Fairfield				
City of Hercules				

City of Lafayette				
City of Larkspur				
City of Martinez				
City of Mill Valley				
Town of Moraga				
City of Napa				
City of Novato				
City of Oakley				
City of Pinole				
City of Pittsburg				
City of Pleasant Hill				
City of San Ramon				
City of Richmond				
Town of Ross				
Town of San Anselmo				
City of San Pablo				
City of San Rafael				
City of Sausalito				
City of St. Helena				
Town of Tiburon				
City of Vallejo				
City of Walnut Creek				
Town of Yountville				

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CHAIR, MCE

Attest:

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SECRETARY, MCE

Empowering Our Clean Energy Future
CONTRA COSTA | MARIN | NAPA | SOLANO

September 17, 2026

TO: MCE Board of Directors

FROM: Stephen Mariani, Manager of Power Resources
Haynes Stephens, Senior Policy Analyst

RE: MCE 2025 Power Source Disclosure Attestation
(Agenda Item #05 C.4)

ATTACHMENTS:
A. MCE 2025 Power Source Disclosure Annual Report Template
B. Proposed Resolution 2026-08 Approving and Attesting to the Veracity of the Information Presented in MCE's 2025 Power Source Disclosure Annual Report
C. MCE 2025 Power Source Disclosure Attestation Presentation from the September 4, 2026 Technical Committee Meeting

Dear Board Members:

Summary:

Staff recommends the Board of Directors adopt *proposed* Resolution 2026-08, as recommended by the Technical Committee at their September 4, 2026 meeting, approving MCE's 2025 Power Source Disclosure Annual Report (PSD Report) and attesting, to the best of its knowledge and belief, to the veracity of information presented therein.

Background:

The California Energy Commission (CEC), as directed by California Public Utilities Code, administers California's Power Source Disclosure (PSD) program.[1] The PSD program is intended to ensure customers receive energy-source and greenhouse gas (GHG) information on the electricity they use.

The PSD program requires all retail sellers of electric energy, including MCE, to annually disclose "accurate, reliable, and simple-to-understand information on the sources of energy, and the associated emissions of greenhouse gasses, that are used to provide electric services."[2] The PSD program has two main required elements: 1) a Power Source Disclosure Annual Report (PSD Report); and the Power Content Label (PCL).

To comply with PSD regulations, MCE must first submit a PSD Report to the CEC detailing its

[1] California Public Utilities Code 398.1 *et seq*.
[2] California Public Utilities Code Section 398.1(b)

specified-source power purchases for each retail service offering that was made available during the previous year, using a CEC required template.[3]

After MCE submits its PSD Report to the CEC, the CEC uses the information reflected in the PSD Report to create and finalize MCE's annual PCL. Similar to the standardized presentation of information on a nutritional label, the PCL informs retail electricity customers of the power sources that were procured to serve their electric energy retail sales. Once finalized, the PCL is provided to MCE (recent CEC guidance indicated that the CEC will provide MCE the official 2025 PCL by the end of September 2026), and MCE must distribute customer communications regarding the PCL by December 31 of that year.

The PCL includes information on the "the power mix and greenhouse gas emissions intensity associated with each electricity portfolio" that MCE offers to its customers. Each portfolio's power mix reflects annual retail energy sales and the specified power purchases, by resource type, used to meet those sales. Specified power is electricity that is traceable to a specific generating facility, whereas unspecified power is not traceable and typically comprises a mix of resource types, some of which may be renewables. If a retail seller uses unspecified power purchases to meet retail sales, or if it relies on grid power to meet retail sales, then such unspecified power is reflected on its PCL. Beginning with the 2025 reporting year, the PCL will also show loss-adjusted load for each portfolio, reflecting the electricity lost during transmission and distribution across the grid.

MCE's 2025 PSD Report:
Consistent with applicable regulations, MCE must also provide the CEC with a Board attestation regarding the accuracy of information included in its PSD Report for the 2025 operating year. Regarding this internally administered attestation process, applicable regulations state:[4]

> *A retail supplier that is a public agency providing electric services is not required to comply with the provisions of subdivision (a)(1) if the board of directors of the public agency submits to the Energy Commission an attestation of the veracity of each annual resource report for the previous year.*[5]

Evidence of MCE's attestation must be provided to the CEC no later than October 1, 2026.

To prepare MCE's 2025 annual PSD Report, staff performed a detailed review of all power purchases completed during the 2025 calendar year, including an inventory of all renewable energy credit transfers within MCE's Western Renewable Energy Generation Information System (WREGIS) account, related contract documents, and pertinent transaction records associated with other specified energy purchases. Based on staff's review of available data,

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[3] California Code of Regulations Title 20, Div 2, Ch 3, Article 5, Section 1393(a).
[4] Note that California Code of Regulations Title 20, Div 2, Ch 3, Article 5, Section 1394.(a)(1), as referenced in the excerpt from applicable PSD regulations, refers to the completion of an annual independent audit containing summary of results and proof of service of the annual power content label to customers.
[5] California Code of Regulations Title 20, Div 2, Ch. 3, Article 5, Section 1394(a)(2), as amended by Rulemaking to Amend Regulations Governing the PSD Program (Docket No: 21-OIR-01). Pursuant to the amended regulations and new procedures, the CEC will provide a PCL to each LSE following PSD Report submission.

the information presented in the annual report was determined to be accurate.

This item was also discussed and voted on at the September 4, 2026 Technical Committee meeting, where MCE staff brought this item to the Technical Committee for review and recommended that the Technical Committee recommend the Board of Directors adopt *proposed* Resolution 2026-08 approving the PSD Report and attesting to the veracity, to the best of its knowledge and belief, of the information contained therein at the September Board of Directors Meeting. The Technical Committee unanimously adopted this recommendation.

In consideration of (a) MCE's internal review, (b) the Technical Committee's recommended adoption of MCE's 2025 PSD Report and *proposed* Resolution 2026-08, and (c) applicable regulations, staff recommends that the Board of Directors adopt *proposed* Resolution 2026-08 approving the PSD Report and attesting to the veracity, to the best of its knowledge and belief, of the information contained therein. Should the Board adopt *proposed* Resolution 2026-08, a copy of the executed Resolution 2026-08 will be forwarded to the CEC, and a copy of MCE's PCL will be posted to its website by October 1, 2026.[6]

To fulfill its obligations under the PSD program, MCE will complete requisite customer communications after the organization receives its PCL from the CEC, which is expected to occur sometime prior to October 1, 2026. Retail sellers are required to post its 2025 PCL to its website no later than October 1, 2026, and must distribute customer communications regarding the PCL by December 31, 2026.

The tables below are excerpts from MCE 2025 PSD Report. These tables reflect that during the 2025 calendar year, MCE delivered a substantial portion of its electric energy supply from various renewable energy sources, including wind, solar, geothermal, hydroelectricity, biomass and landfill gas-to-energy. For the Light Green portfolio, 75 percent of energy retail sales were met with specified purchases from CEC-certified renewable resources, with the remaining 25 percent sourced from zero-carbon resources. For the Deep Green, Local Sol and Green Access portfolios, energy retail sales were met entirely with specified purchases from renewable resources.

[6] California Code of Regulations Title 20, Div 2, Ch. 3, Article 5, Section 1393.1(b)(2).

2025 Draft PCL: Deep Green Portfolio

Emissions, Power Sources, Unbundled RECs	Deep Green
Retail Sales and Loss-Adjusted Load	465,344
GHG Emissions Intensity (lbs CO_2e/MWh)	0
■ Renewables and Zero-Carbon Resources	100%
■ Fossil Fuels	0%
Biomass & Biogas	0%
Geothermal	0%
Eligible Hydroelectric	0%
Solar	50%
Wind	50%
RPS Eligible Renewables - Subtotal	100%
Large Hydroelectric	0%
Nuclear	0%
Emerging Technologies	0%
Other	0%
Natural Gas	0%
Coal & Petroleum	0%
Unspecified Power - Total	0%
Retail Sales Covered by Retired Unbundled RECs	0%

2025 Draft PCL: Local Sol Portfolio

Emissions, Power Sources, Unbundled RECs	LocalSol
Retail Sales and Loss-Adjusted Load	2,123
GHG Emissions Intensity (lbs CO_2e/MWh)	0
■ Renewables and Zero-Carbon Resources	100%
■ Fossil Fuels	0%
Biomass & Biogas	0%
Geothermal	0%
Eligible Hydroelectric	0%
Solar	100%
Wind	0%
RPS Eligible Renewables - Subtotal	100%
Large Hydroelectric	0%
Nuclear	0%
Emerging Technologies	0%
Other	0%
Natural Gas	0%
Coal & Petroleum	0%
Unspecified Power - Total	0%
Retail Sales Covered by Retired Unbundled RECs	0%

2025 Draft PCL: Light Green Portfolio

Emissions, Power Sources, Unbundled RECs	LightGreen
Retail Sales and Loss-Adjusted Load	4,811,434
GHG Emissions Intensity (lbs CO_2e/MWh)	2
■ Renewables and Zero-Carbon Resources	100%
■ Fossil Fuels	0%
Biomass & Biogas	4%
Geothermal	2%
Eligible Hydroelectric	6%
Solar	42%
Wind	21%
RPS Eligible Renewables - Subtotal	75%
Large Hydroelectric	25%
Nuclear	0%
Emerging Technologies	0%
Other	0%
Natural Gas	0%
Coal & Petroleum	0%
Unspecified Power - Total	0%
Retail Sales Covered by Retired Unbundled RECs	0%

2025 Draft PCL: Green Access Portfolio

Emissions, Power Sources, Unbundled RECs	GreenAccess
Retail Sales and Loss-Adjusted Load	26,942
GHG Emissions Intensity (lbs CO_2e/MWh)	0
■ Renewables and Zero-Carbon Resources	100%
■ Fossil Fuels	0%
Biomass & Biogas	0%
Geothermal	0%
Eligible Hydroelectric	0%
Solar	100%
Wind	0%
RPS Eligible Renewables - Subtotal	100%
Large Hydroelectric	0%
Nuclear	0%
Emerging Technologies	0%
Other	0%
Natural Gas	0%
Coal & Petroleum	0%
Unspecified Power - Total	0%
Retail Sales Covered by Retired Unbundled RECs	0%

Fiscal Impacts:
There are no fiscal impacts associated with this item.

Recommendation:
Staff recommends the Board of Directors adopt *proposed* Resolution 2026-08, as recommended by the Technical Committee at their September 4, 2026 meeting, approving MCE's 2025 PSD Report and attesting, to the best of its knowledge and belief, to the veracity of information presented therein.[7]

[7] This item follows the voting shares method. Action requires (1) a majority vote of all Directors and (2) the Directors voting in the affirmative have more than 50% of voting shares based on MCE's total energy usage.

Attachment A

MCE 2025 Annual PSD Report Template

Due to file size and complexity, this document can be downloaded by clicking here: LINK. Once downloaded, this file can be accessed via your computer's downloads folder.

RESOLUTION 2026-08

A RESOLUTION OF THE BOARD OF DIRECTORS OF MARIN CLEAN ENERGY APPROVING AND ATTESTING TO THE VERACITY OF THE INFORMATION PRESENTED IN MCE's 2025 POWER SOURCE DISCLOSURE ANNUAL REPORT

WHEREAS, Marin Clean Energy (MCE) is a joint powers authority established on December 19, 2008, and organized under the Joint Exercise of Powers Act (Government Code Section 6500 *et seq*.); and

WHEREAS, MCE members include the following communities: the County of Marin, the County of Contra Costa, the County of Napa, the County of Solano, the City of American Canyon, the City of Belvedere, the City of Benicia, the City of Calistoga, the City of Concord, the Town of Corte Madera, the Town of Danville, the City of El Cerrito, the Town of Fairfax, the City of Fairfield, the City of Hercules, the City of Lafayette, the City of Larkspur, the City of Martinez, the City of Mill Valley, the Town of Moraga, the City of Napa, the City of Novato, the City of Oakley, the City of Pinole, the City of Pittsburg, the City of Pleasant Hill, the City of San Ramon, the City of Richmond, the Town of Ross, the Town of San Anselmo, the City of San Pablo, the City of San Rafael, the City of Sausalito, the City of St. Helena, the Town of Tiburon, the City of Vallejo, the City of Walnut Creek, and the Town of Yountville; and

WHEREAS, California Public Utilities Code Section 398.1 requires all retail suppliers of electric energy, including MCE, to disclose to their customers "accurate, reliable, and simple-to-understand information on the sources of energy, and the associated emissions of greenhouse gases, that are used to provide electric services" to their respective customers, referred to as the "Power Content Label"; and

WHEREAS, California Public Utilities Code Section 398.5 and associated California Energy Commission (CEC) regulations require all retail suppliers of electric energy, including MCE, to report to the CEC, on or before June 1 of each year, purchases from specified and unspecified sources as well as the disclosure made to customers pursuant to California Public Utilities Code Section 398.4, collectively referred to as the "Power Source Disclosure Annual Report"; and

WHEREAS, MCE staff completed and submitted such Power Source Disclosure Annual Report to the CEC in compliance with applicable law and CEC regulations; and

WHEREAS, the applicable CEC regulations require retail suppliers, including MCE, to have an auditor prepare a report by October 1 of each year validating the retail supplier's Power Source Disclosure Annual Report (referred to in CEC regulations as the "annual resource report"). Such CEC regulations also exempt a retail supplier that is a public agency from the audit requirements if the public agency's governing board approves the submission of an attestation on the veracity of the Power Source Disclosure Annual Report; and

WHEREAS, MCE Staff is presenting to the MCE Board of Directors for its review MCE's 2025 Power Source Disclosure Annual Report; and

WHEREAS, the MCE Board of Directors wishes to attest, to the best of its knowledge and belief, to the veracity of information presented in MCE's 2025 Power Source Disclosure Annual Report.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of MCE does hereby resolve, determine, and order as follows:

SECTION 1: The MCE Board of Directors approves MCE's 2025 Power Source Disclosure Annual Report.

SECTION 2: The MCE Board of Directors attests, to the best of its knowledge and belief, to the veracity of information presented in MCE's 2025 Power Source Disclosure Annual Report.

SECTION 3: The MCE Board of Directors authorizes MCE Staff to submit this Resolution 2026-08 as the attestation of MCE's 2025 Power Source Disclosure Annual Report to the California Energy Commission.

PASSED AND ADOPTED at a regular meeting of the MCE Board of Directors on this 17th day of September, 2026, by the following vote:

	AYES	NOES	ABSTAIN	ABSENT
County of Marin				
County of Contra Costa				
County of Napa				
County of Solano				
City of American Canyon				
City of Belvedere				
City of Benicia				
City of Calistoga				
City of Concord				
Town of Corte Madera				
Town of Danville				
City of El Cerrito				
Town of Fairfax				
City of Fairfield				
City of Hercules				
City of Lafayette				
City of Larkspur				
City of Martinez				
City of Mill Valley				

Town of Moraga				
City of Napa				
City of Novato				
City of Oakley				
City of Pinole				
City of Pittsburg				
City of Pleasant Hill				
City of San Ramon				
City of Richmond				
Town of Ross				
Town of San Anselmo				
City of San Pablo				
City of San Rafael				
City of Sausalito				
City of St. Helena				
Town of Tiburon				
City of Vallejo				
City of Walnut Creek				
Town of Yountville				

____
CHAIR, MCE

Attest:

____
SECRETARY, MCE

2025 Power Source Disclosure Attestation

Technical Committee Meeting

September 4, 2026

Today's Meeting

- Seeking recommendation for the Board to approve and attest to the veracity of MCE's 2025 Power Source Disclosure (PSD) Annual Report via *proposed* Resolution 2026-08.

  - MCE must annually submit a PSD Report to the California Energy Commission (CEC) disclosing the electricity it used in the previous calendar year.

  - MCE must also provide the CEC with a Board attestation as to the veracity of the information included in its PSD Report by October 1, 2026.

What is the Power Source Disclosure Program?

- Administered by the California Energy Commission
- Ensures California electricity consumers receive energy source and greenhouse gas information on the electricity used by their retail suppliers.
- Requires all electricity retail suppliers to submit an annual report including:
    - Annual retail sales of each portfolio
    - All specified power purchases by resource type
    - Purchases of unspecified power
    - Energy toward charging/discharging storage resources
    - Loss-adjusted load (beginning 2026)

What is the Power Content Label (PCL)?

- A “nutrition label” for each electricity provider
- Discloses the electricity used to meet retail sales *for the previous year*, including associated GHG emissions
    - Aggregated on an **annual** basis
    - Created from the PSD Report submission
- Broken down by portfolio (Light Green, Deep Green, Local Sol, Green Access)
    - The electricity provider creates a “power mix” for each portfolio, aggregated by resource type
    - Power mixes are mutually exclusive

What’s reflected in the PCL?

The PCL reflects

- Energy delivered to meet retail sales on an annual basis
- Power mixes for each portfolio
  - Associated GHG intensities
- Loss-adjusted load
- Unspecified power, if used to meet retail sales
  - Partitioned by fossil fuel and renewable/zero-carbon resources (to be calculated by the CEC)

The PCL does *not* reflect

- Resource Adequacy only contracts
- Hourly energy or emissions data
- Energy beyond what was used to meet annual retail sales (i.e., oversupply)

MCE's process for completing the PSD Report

Data Tracking and Compiling (PEA & MCE Staff)

WREGIS database, contracts & settlement data, meter data

Quality Check and Verification (MCE Staff)

Expected volumes, timing, and facilities specified in contracts

Quality Assurance (MCE & CEC Staff)

Multiple reviewers, pre-screened by CEC staff

PSD Annual Report Template Submission

Respond to CEC feedback, seek attestation, and await PCL

MCE's Draft 2025 PCL

- Displays each of MCE's four portfolios/product offerings
- Shows energy delivered to meet retail sales, now including line losses
- Reflects that all four portfolios met their retail sales with 100% renewable and zero-carbon resources

2025 PCL Data*					
Emissions, Power Sources, Unbundled RECs	**Deep Green**	**LocalSol**	**LightGreen**	**GreenAccess**	**Total Loss-Adjusted Load**
Retail Sales and Loss-Adjusted Load	465,344	2,123	4,810,857	26,942	5,561,551
GHG Emissions Intensity (lbs CO_2e/MWh)	**0**	**0**	**2**	**0**	**2**
■ Renewables and Zero-Carbon Resources	**100%**	**100%**	**100%**	**100%**	**100%**
■ Fossil Fuels	**0%**	**0%**	**0%**	**0%**	**0%**
Biomass & Biogas	0%	0%	4%	0%	3%
Geothermal	0%	0%	2%	0%	2%
Eligible Hydroelectric	0%	0%	6%	0%	5%
Solar	50%	100%	42%	100%	41%
Wind	50%	0%	21%	0%	22%
RPS Eligible Renewables - Subtotal	**100%**	**100%**	**75%**	**100%**	**74%**
Large Hydroelectric	**0%**	**0%**	**25%**	**0%**	**22%**
Nuclear	**0%**	**0%**	**0%**	**0%**	**5%**
Emerging Technologies	**0%**	**0%**	**0%**	**0%**	**0%**
Other	**0%**	**0%**	**0%**	**0%**	**0%**
Natural Gas	**0%**	**0%**	**0%**	**0%**	**0%**
Coal & Petroleum	**0%**	**0%**	**0%**	**0%**	**0%**
Unspecified Power - Total	**0%**	**0%**	**0%**	**0%**	**0%**
Retail Sales Covered by Retired Unbundled RECs	0%	0%	0%	0%	-

*Preliminary values, to be finalized by the CEC (mid-September)

Future changes to the PSD Report

Hourly reporting

- Starting in 2028 (for reporting year 2027)

- For each hour of the year, electricity providers will report:
  - Procurements of delivered electricity
  - Loss-adjusted load
  - Charging/discharging energy for storage resources

- Procurements will be stacked for comparison with loss-adjusted load

- **Hourly reporting will *not* be reflected on the PCL. The PCL will continue to reflect information on an annual basis.**

Staff Recommendation

Staff recommends the Technical Committee recommend the Board of Directors adopt *proposed* Resolution 2026-08 at the September 17, 2026 Board of Directors Meeting approving MCE's 2025 Power Source Disclosure Annual Report and attesting, to the best of its knowledge and belief, to the veracity of information presented therein.

Thank you!

MCE

mceCleanEnergy.org
info@mceCleanEnergy.org

September 17, 2026

TO:	MCE Board of Directors
FROM:	Director John McCormick, Chair, Ad Hoc CEO Search Committee
RE:	Selection of Heidrick & Struggles International, Inc. for Chief Executive Officer Search Services (Agenda Item #08)
ATTACHMENT:	Heidrick & Struggles Proposal to Serve MCE - Chief Executive Officer Search

Dear Fellow Board Members:

Summary:
The Ad Hoc CEO Search Committee recommends Heidrick & Struggles International, Inc. (Heidrick) to conduct the executive search for MCE's next permanent Chief Executive Officer. The Committee used a streamlined competitive process, reviewed proposals from four executive search firms, interviewed all four firms on September 9, and reached consensus on September 11 to recommend Heidrick to the full Board. Heidrick stood out for its MCE-specific preparation, deep energy and utility executive-search experience, senior partner-led team, stakeholder-alignment tools, national candidate reach, and clear understanding of MCE's first permanent CEO transition, public-agency governance environment, ongoing governance assessment, and heightened public scrutiny. The Committee concluded that Heidrick offers the strongest overall combination of search rigor, energy-sector credibility, Board and stakeholder engagement capability, and capacity to support a complex leadership transition.

Background:
On July 16, 2026, the Board authorized the establishment of the Ad Hoc CEO Search Committee (Ad Hoc Committee) to lead the search for MCE's next permanent CEO and to request the staff and external resources needed to support the search, including an executive search recruitment firm. The Board retained responsibility for interviewing CEO finalists and selecting MCE's next permanent CEO, while directing the Ad Hoc Committee to bring key process touchpoints, including selection of the search firm, back to the Board. The Ad Hoc Committee began meeting in August and established an accelerated roadmap intended to balance efficiency, timeliness, thoroughness, transparency, and candidate confidentiality. Following an initial market review and Committee input regarding preferred firms and evaluation criteria, the Committee selected four firms for an invitation-only streamlined Request for Proposal (RFP). MCE issued the RFP on August 17, 2026, with responses due August 31, 2026. The RFP requested MCE-specific information regarding search strategy, leadership-profile development, Board/public-agency experience, comparable CEO

placements and retention, proposed search team, candidate sourcing and market access, conflicts and off-limits restrictions, references, work plan and timing, and fees and commercial terms. The Committee evaluated the responses using the following weighted criteria:

- Energy/utility/CCA expertise and senior-level industry network - 30%
- Public, quasi-public, nonprofit, or similarly complex organization experience - 20%
- Search methodology, process, and ability to meet an aggressive timeline - 20%
- Recent, successful CEO/C-suite placements, including challenging or transformational circumstances - 15%
- Proposed search team and senior-partner participation - 15%

These criteria guided the Committee's review of the written proposals and the selection process. Additional considerations included responsiveness, fee/value, references, proposed contract terms, conflicts/off-limits restrictions, interview performance, and overall fit.

On September 4, 2026, the Ad Hoc Committee reviewed the four proposals and finalized a common interview approach designed to test each firm's depth, judgment, process, MCE-specific preparation, and ability to work effectively with a large public Board. On September 9, the Committee interviewed all four firms by Zoom using a consistent set of core questions, with time for proposal-specific follow-up and Committee debrief. Following the interviews, the Ad Hoc Committee reached consensus to recommend Heidrick to the full Board.

The Ad Hoc Committee determined that Heidrick demonstrated the strongest MCE-specific understanding of the leadership opportunity and the risks inherent in this search. The firm recognized that MCE is not simply replacing a CEO but navigating its first permanent chief executive transition while also undergoing a governance assessment, operating in a complex California energy market, and maintaining the confidence of a public Board, employees, customers, and community stakeholders. Heidrick's proposal and interview also addressed the importance of clarifying expectations between the Board and incoming CEO, managing a founder/long-tenured CEO transition, and engaging stakeholders early so that the Board can align around the leadership profile before candidate outreach begins.

Heidrick proposed a senior team that combines CEO and Board, mission-driven organization, and energy-sector expertise. Partner Jackie Zavitz would serve as engagement lead, Principal Steven Eikenbary would serve as engagement co-lead, and Partner Ron Lumbra would serve as an engagement advisor. The firm reported extensive recent executive-search experience across utilities, grid operators, energy companies, and Board-governed organizations, including work for South Jersey Industries, Southwest Power Pool, Edison Electric Institute, Central Hudson Gas & Electric, NiSource, ERCOT, CAISO, PG&E, and Edison International. Although Heidrick has not previously worked directly with a CCA, the Committee found its depth in the broader utility and energy sectors, California market knowledge, and national reach to be a strength because the search must identify candidates both within and beyond traditional CCA circles.

Heidrick proposed a structured and customizable methodology that begins with stakeholder intake and development of a Success Profile and market-facing position specification. Its Success Profile Builder is designed to collect anonymous stakeholder input and identify areas of alignment and differing priorities, while its Team Signature and leadership assessment tools can help evaluate cultural and leadership fit. The proposed search process includes market mapping and candidate identification, assessment of external and internal candidates, confidential candidate reports, informal and formal referencing, interview coordination, compensation discussions, offer support, and transition/onboarding support. Heidrick proposed an approximately 12-week search process from kickoff through selection and offer, with ongoing transition support thereafter, and indicated it can begin without launch restrictions. MCE can adjust this timeline as appropriate to align with the pending Governance Assessment.

The Committee was also impressed by Heidrick's candidate reach and experience with difficult or transformational searches. The firm reports a proprietary global talent database of more than 20 million executive profiles and 163 U.S. utility executive searches completed since 2022. Heidrick also reported strong CEO placement retention statistics and experience recruiting leaders into organizations facing regulatory scrutiny, public-trust concerns, governance change, operational transformation, and other high-visibility circumstances. Committee members particularly valued the combination of a large-firm platform with direct senior-team involvement and a tailored approach to MCE rather than a generic search process.

The Ad Hoc CEO Search Committee will work directly with Heidrick throughout the search, with designated MCE staff providing administrative, human resources, legal, and process support. The Committee and Heidrick will refine the CEO position and leadership profile, establish Board/Committee touchpoints, review the candidate market, and advance finalists consistent with the search process ultimately approved by the Board. The full Board will retain responsibility for interviewing the CEO finalists and selecting MCE's next permanent Chief Executive Officer. The CEO Search Committee targets a kickoff with the selected search firm on or about October 4, 2026, subject to Board action and completion of the contract.

Fiscal Impact:
Heidrick's proposal is structured on a retainer basis equal to one-third of the selected executive's estimated first-year cash compensation, which is standard across the proposals received. For this search, Heidrick proposed a $200,000 retainer. Indirect expenses are charged at 12% of the retainer ($24,000), and direct expenses associated with the assignment are reimbursable. The proposal further provides that if the professional fee ultimately exceeds the retainer based on the selected candidate's first-year cash compensation, a final invoice would be issued at the conclusion of the search. The proposed First Agreement could establish a defined total amount not to exceed $250,000 (retainer of $200,000 plus indirect expenses of $24,000 plus $26,000 for direct expenses) inclusive of professional fees and reimbursable expenses. The July 16 Board materials noted that sufficient funds were available in MCE’s Fiscal Year Ending 2027 Operating Budget assuming recruitment-firm costs remained below $100,000. HR has since consulted with Finance and confirmed that up to $250,000 can be supported using Fiscal Year Ending 2027 Operating funds.

Staff will monitor expenses above $250,000 that materialize within FYE 2027 to ensure they fall within budget, and if not will seek appropriate Board authorization.

Recommendation:
Approve selection of Heidrick & Struggles International, Inc. for Chief Executive Officer Search Services for an amount not to exceed $250,000, authorize staff to support the CEO Search Committee in negotiating the specific contract terms, and authorize the Board Chair to execute the contract for the services.[1]

[1] This item is a general administrative matter. Action requires a majority vote of board members present for a motion to carry.

Proposal to Serve MCE

Chief Executive Officer Search

WE HELP OUR CLIENTS CHANGE THE WORLD, ONE LEADERSHIP TEAM AT A TIME™

Prepared by: Jackie Zavitz, Ron Lumbra, and Steven Eikenbary

September 2026

HEIDRICK & STRUGGLES

Request for Proposal Responses

A. Factual Cover Letter and Firm Overview
   1. A description of our firm, California presence, philosophy, and value proposition is on page 2.

B. Narrative Response
   1. Our understanding of MCE and approach to the search is on page 3.
   2. Our method for developing a leadership profile and job description is on page 4.
   3. Our approach to managing executive searches with public entities and complex stakeholder environments is on page 5.
   4. Our track record of relevant placements and retention is on pages 6-7.
   5. Our proposed search team is on page 8.
   6. Our candidate reach and market access is on page 9.
   7. Conflicts, off-limits, and candidate pool restrictions are addressed on page 10.
   8. Our references are on page 11.

C. Work Plan, Methodology, and Schedule
   1. Our work plan and timeline, assessment methods and tools, and candidate identification tactics are on pages 12-14.

D. Fee Quote and Commercial Terms
   1. Our fee quote and commercial terms are on page 15.

A. Firm Overview

Heidrick & Struggles delivers **global leadership solutions** with a focus on inclusion, innovation, and ethics.

Our Purpose
We help our clients change the world, one leadership team at a time®

Our Vision
We are committed to serving our clients as trusted advisors providing diversified solutions across executive search, leadership assessment & development, team & organizational effectiveness, and culture shaping.

Our Values
Respect and value each individual
Grow with our clients
Win as one firm
Always act with integrity
Own the results

OPERATING DETAILS

- Heidrick & Struggles International, Inc. is a pioneering executive search firm founded in 1953
- Global headquarters in Chicago
- California presence includes offices in San Francisco and Los Angeles
- Privately held by an investor consortium led by Advent International and Corvex Private Equity, alongside select strategic family offices and the company's own leaders
- Focus on C-Suite leadership roles
- Global platform of six industry and seven functional practices accustomed to working together where industries and sectors intersect
- 63 locations in 30 countries

SOLUTIONS

- Executive Search
- Leadership Consulting
- Culture Shaping and Inclusive Leadership
- On Demand Talent for interim roles and special projects

REPUTATION

- Named to Forbes 2024 *World's Best Management Consulting Firms*
- *Clients include:*
  - –430+ of the *Fortune 1000*
  - –68% of Fortune's *Most Admired Companies*
  - –70% of Interbrand's *Best Global Brands*
  - –68% of Fast Company's *Most Innovative Companies*

Heidrick & Struggles Value Proposition

Our team possesses the combination of deep sector expertise, local market knowledge, and unmatched leadership intelligence required to identify and attract the very best talent for MCE's CEO. We bring extensive experience across the power and utilities sector and with public entities, supported by an industry-leading Energy practice and recent work in the California market with organizations including PG&E, CAISO, and Edison International. Our breadth across industries and functions allows us to assemble the right team for each assignment, bringing the precise mix of sector, functional, market, and stakeholder management experience needed to deliver.

This expertise is reinforced by the scale and rigor of our broader platform: we conduct more than 250,000 leadership assessments each year using the Heidrick Leadership Framework and draw on a proprietary global talent database of more than 20 million executive profiles, giving clients both a highly informed view of the market and a rigorous lens for evaluating the leaders who can make the greatest impact.

B1. Our Understanding and Approach

MCE is not simply replacing a Chief Executive Officer; it is redefining the leadership model of an organization that has had only one chief executive since its founding. This makes the search both a succession challenge and a broader institutional transition. The next CEO must preserve MCE's mission and market credibility while strengthening organizational discipline, transparency, and accountability.

Timing further raises the stakes. MCE is navigating a governance transformation amid significant power-sector challenges, and candidates will assess not only the role itself, but also the clarity of executive authority, Board structure, and decision-making. At the same time, surging power demand is tightening capacity, increasing procurement complexity, and placing upward pressure on costs.

This search requires technical credibility and broad leadership range. Operating in one of the country's most complex power markets, MCE needs a CEO who combines strong commercial judgment and disciplined risk management with the ability to communicate transparently with a public Board and diverse community stakeholders. The successful candidate must also lead organizational change, strengthen the relationship between management and the Board, and maintain public trust while making difficult decisions on affordability, investment, and long-term strategy.

Heidrick will bring the full strength of the firm to this search, including a senior team with deep experience across power, utilities, and complex/public stakeholder management experience. The team will leverage its robust network of energy industry leaders, and the networks of our global Heidrick colleagues.

B2. Leadership Profile Development

In addition to traditional intake meetings with MCE's Ad Hoc CEO Search Committee, Heidrick would employ multiple proprietary tools specifically designed for complex stakeholder scenarios to aid in the development of a Success Profile and job description and assess the current operating culture of MCE.

Success Profile Builder

Success Profile Builder is an anonymous, on-line survey that quickly captures key stakeholder input used to develop the Success Profile and finalize the search strategy.

Kicking off a search involves defining the Success Profile to fit the specific role and situation with key stakeholders providing critical organizational and strategic context. Also essential are their views on the leadership characteristics that will ensure success for the selected candidate. This efficient survey process gathers, summarizes, and displays useful information and revealing insights about alignment.

KEY FEATURES:

- Online and mobile friendly; designed for completion in 10 minutes
- Engaging group report summarizes data into collective views and priorities
- Agreement scores help drive and focus Success Profile discussions

Team Signature

Team Signature is a diagnostic survey that will provide quantitative insights about the culture of a MCE's intact executive team and an assessment of the new leader's impact when added to the team. It provides the current team's views of their collective cultural health across 13 dimensions and a thinking orientation that helps understand what drives problem-solving and decision-making abilities as a team. Participants identify their values, preferences, and characteristics of an ideal culture

DISTINCTIVE QUALITIES

- Built specifically for C-Suite and top executives
- Pairs cultural characteristics of the team with Leadership Signature data, the individual version of the assessment, from prospective candidates.
- Indicates areas of alignment as well as how the candidate's leadership style might shift and drive a new culture strategy
- Supports placed leaders in navigating their onboarding

B3. Board Management and Engagement

In addition to the stakeholder engagement tools on the prior page, Heidrick advises and practices the following in complex stakeholder environments similar to MCE.

Clarity Up Front: CEO transitions are as much about governance and relationships as they are about leadership selection. The most successful transitions begin with clear alignment between the Board and incoming CEO regarding their respective roles, decision rights, and expectations well before the new leader's start date.

We advise clients to establish:

- Explicit governance boundaries so that the Board supports the incoming CEO as the organization's chief executive while honoring the founder's ongoing contributions.
- A structured transition plan that includes stakeholder introductions, knowledge transfer, and coordinated communications with employees, donors, partners, and other key constituencies.

Stakeholder Management: succession requires deliberate stakeholder management throughout the search and transition process. We work closely with Boards to identify the individuals and constituencies most affected by the leadership change and develop strategies that promote continuity, confidence, and engagement.

Our work typically includes:

- Conducting comprehensive stakeholder listening sessions to understand expectations, concerns, and perceptions of organizational strengths and future opportunities.
- Helping Boards define the leadership profile by distinguishing which elements of the former leader should be preserved and where new capabilities will be required.
- Evaluating candidates for their ability to inherit trusted relationships while building credibility as independent leaders.

B4. Track Record

Client	Position	Year	Company Type	Context
Edison International	Confidential Executive Succession Planning	2026	Investor-owned utility	Heidrick has continuously been engaged for proactive senior executive succession planning and talent mapping since 2024.
South Jersey Industries	Chief Executive Officer	2026	Investor-owned utility	Heidrick was selected to find a CEO successor for Michael Renna following his retirement after 11 years as CEO.
New Braunfels Utilities (NBU)	Chief Energy Supply Officer	2026	Municipal utility	NBU was still recovering from multi-year fallout after Winter Storm Uri in 2021, which resulted in debt, financial losses, rate impacts, and an erosion of public trust. They needed a leader who could help rebuild NBU's reputation by maintaining affordability and represent NBU in city council meetings and rate hearings.
PG&E Corporation	Non-Executive Director Non-Executive Director	2025 2024	Investor-owned utility	Heidrick placed former CEOs of Alliant Energy (John Larsen) and Entergy (Leo Denault) on the Board of Directors.
Southwest Power Pool (SPP)	Chief Executive Officer	2025	Nonprofit grid operator	SPP needed a new CEO to lead through operational and strategic transformation including market operations, reliability, and stakeholder relationships.
Edison Electric Institute	Chief Executive Officer	2025	Nonprofit trade association	EEI needed to restore organizational and member alignment following an abbreviated leadership transition the prior year.
Central Hudson Gas & Electric	Chief Executive Officer	2024	Investor-owned utility	Central Hudson had implemented a new billing system which caused extensive customer complaints and issues including inaccurate bills and issues with automatic payments and customer service. The New York Public Service commission investigated the matter. The new CEO was required to fix the issue and rebuild trust.
Riviera Utilities	Chief Executive Officer	2024	Municipal utility	Heidrick was selected to find a CEO successor for Tom DeBell following his retirement after nine years as CEO.
Spire	Chief Executive Officer	2023	Investor-owned utility	Heidrick was selected to find a CEO successor for Suzanne Sitherwood following her retirement after 12 years as CEO.

B4. Track Record (continued)

Client	Position	Year	Company Type	Context
NiSource	Chief Executive Officer	2022	Investor-owned utility	Following the 2018 Merrimack Valley gas disaster and subsequent regulatory scrutiny, NiSource faced a critical challenge to restore operational and governance credibility. Heidrick placed a CEO to lead restructuring and investment.
Xcel Energy	President, Colorado President, New Mexico	2022 2022	Investor-owned utility	Xcel needed to accelerate its clean energy transition, modernize customer platforms, strengthen risk and wildfire resilience, and manage complex regulatory and supply chain priorities, while supporting affordable and reliable service.
Electric Reliability Council of Texas (ERCOT)	Chief Executive Officer	2022	Nonprofit grid operator	After Winter Storm Uri (February 2021), ERCOT faced a profound crisis of public trust, operational reliability, and governance legitimacy. Texas mandated sweeping board and governance reforms via Senate Bill 2 (SB2), requiring a transformational CEO.
Electric Reliability Council of Texas (ERCOT)	Independent Board Members	2021	Nonprofit grid operator	Reconstituted an unaffiliated, independent Board in 90 days, placing 12 specialized directors across energy, finance, technology, and governance domains to establish SB2-aligned independent governance.
California Independent System Operator (CAISO)	Independent Board Members	2021	Nonprofit grid operator	Heidrick placed Jan Schori and Mary Leslie on the Board of Governors.

Retention and placement statistics:

- All full-time employee placements above remain with the company listed today except for Xcel's President, New Mexico, who stayed with Xcel for just under four years and Spire's CEO, who retired.
- Heidrick's CEO search completion rate is 86%, and retention is 100% at 12 months, 95% at 24 months, and 84% at 36 months. On average our CEO placements remain with their companies for 4.6 years. This is based on our work in North America in recent years.
- Our guarantee language is detailed in section D, Commercial Terms.

B5. Our Team

JACKIE ZAVITZ
Partner
Engagement Lead

Jackie Zavitz is a Partner in Heidrick's Social Impact and CEO and Board Practices. She focuses on searches for leadership transitions in mission driven organizations in service delivery or advocacy, foundations, funders, philanthropies, higher education, and corporate clients.

Prior to joining Heidrick, Jackie was a Principal in the Global Educational Practice with another executive search firm. Before her career in executive search, she spent eight years at the Wharton School at the University of Pennsylvania, where she held several senior roles in the administration, including as a senior member of the MBA Admissions Committee. She started her career with the Electric Power Supply Association where she did regulatory lobbying.

Jackie has a Master's degree in Education from the University of Pennsylvania and a Bachelor's degree in Communications from American University.

STEVEN EIKENBARY
Principal
Engagement Co-Lead

Steven Eikenbary is a Principal in Heidrick's Industrial, CEO and Board, and Financial Officers practices. He focuses on executive searches in power and utilities, alternative and renewable energy, and oil and gas.

Prior to joining Heidrick, Steven worked in energy businesses in analysis and advisory capacities. He led consulting engagements for refining and midstream businesses to enhance corporate processes, systems, and organizational structures, and led audits of upstream oil and gas operations, including onshore and offshore development, drilling, construction, production, and logistics. Earlier in his career, Steven led the development of proprietary software systems for an automotive components manufacturer.

Steven has an MBA from the University of Florida and a Bachelor's degree in Information and Process Management from Indiana University's Kelley School of Business.

RON LUMBRA
Partner
Engagement Advisor

Ron Lumbra is a Partner in Heidrick's CEO and Board Practice. Previously, Ron was the Managing Partner of the Americas region and Centers of Excellence. Ron has 27 years of executive search consulting experience recruiting board directors and chief executives for various client organizations. He is a trusted advisor on board effectiveness and board and CEO succession planning.

Prior to joining Heidrick, Ron spent 17 years with a global search firm as Managing Director and co-leader of the Americas CEO and Board Services Practice. There, he served in various leadership roles, including Co-Head of Americas operations and Head of the New York and Houston offices. Ron serves on the board of CCS Fundraising, which provides strategic fundraising consulting to nonprofits. He previously served as the Chair of the Board of Trustees for the University of Vermont and for KaBOOM!, a leading nonprofit focused on developing play spaces for children.

Ron has an MBA from Harvard Business School and a Bachelor's degree in Mechanical Engineering from the University of Vermont.

Staffing for MCE CEO search:
Jackie Zavitz will personally lead the engagement, with Steven Eikenbary serving as co-lead and Ron Lumbra serving as an advisor. They will be supported by an Associate and an Executive Assistant internal to Heidrick.

B6. Candidate Reach and Market Access

Market Access:

Heidrick brings nationwide sourcing capabilities and a presence across all major U.S. markets. Our U.S. model is organized by industry and functional expertise rather than geography, enabling us to access the strongest talent nationally while bringing relevant local market knowledge. Each member of the proposed team has recent, substantive experience in the Bay Area.

Utility and CCA Networks:

While Heidrick has not previously worked directly with a CCA, we bring extensive experience across the utility sector, having completed 163 U.S. utility executive searches since 2022. For every engagement, we work with clients to define the full candidate universe, including adjacent sectors that can yield leaders with relevant, transferable experience. Our approach and methodology are detailed further in Section C.

B7. Conflicts and Off-Limits

Conflicts of Interest:

Heidrick's current off-limits agreements would not inhibit us in any substantial way from executing this search for MCE.

Off-Limits Policy:

Heidrick will not solicit candidates we have placed during their tenure. If a Heidrick placement is identified by the client as a prospective candidate, our consultants cannot participate in recruiting that individual, though the client may approach them directly. We would extend the same protection to MCE should you choose to work with us.

B8. References

We are proud of our work with these organizations and kindly ask that you inform us prior to contacting.

Name	Kevin Kabat
Organization	NiSouce
Search	Chief Executive Officer
Role of Client	Board Chairman
Email	kt.kabat@gmail.com

Ron led the CEO search for NiSource in 2022, and Board director searches in 2022 and 2023.

Name	Kristina Lawson
Organization	Bay Area Council
Search	Chief Executive Officer
Role of Client	Board Chairman
Email	klawson@hansonbridgett.com

Jackie led the CEO search for Bay Area Council in 2026.

Name	David Hubbard
Organization	New Braunfels Utilities
Search	Chief Energy Supply Officer (CESO)
Role of Client	Search Committee Chair
Email	dhubbard@nbutexas.com

Steven led the CESO search for NBU in 2026.

C. Executive Search Process and Timeline

Heidrick brings a consultative approach to search. The process is bespoke and each step can be modified, enhanced, and/or eliminated based on MCE's needs and requirements. Heidrick does not have restrictions on when this search could be launched.

ORGANIZATIONAL CONSULTING

Understand industry dynamics, client's current situation, and future focused strategy through virtual or in person 1:1

Develop Position Specification and Success Profile

Develop and finalize search strategy with stakeholders

Optional:
- Understand leadership team's cultural dynamics via Culture Signature™
- Use Success Profile Builder to gather key stakeholders' essential views on the characteristics of the successful candidate

IDENTIFICATION & ASSESSMENT

Conduct research to identify relevant external candidates in target industries and companies

Help articulate culture implications and thereby minimize external placement risk

Determine candidate suitability, availability and potential interest

Review Long List through teleconferencing or Zoom Video meetings, leveraging our digital portal, Heidrick Connect

Prioritize outreach and source through engagement team network

INTERVIEW & PRESENTATION

Interview and qualify external and potential internal candidates through virtual or in person meetings

Prepare Confidential Candidate Reports

Coordinate phone, Zoom, or in person interviews with client

Conduct informal referencing and begin degree verification

Optional:
- Administer Leadership Signature® and/or other online assessment tools to candidates

SELECTION & OFFER PROCESS

Initiate compensation discussions between client and candidate

Conduct formal 360-degree referencing; review with client

Client makes formal offer to candidate

Determine retention plans for internal candidates if necessary

Optional:
- Conduct background check

CLOSURE, TRANSITION, & FOLLOW UP

Support transition process of placement

Conduct 1:1 video coaching & onboarding sessions with placement

Full debrief with client regarding process and integration

Optional:
- Performance Insight administered six months into the role to identify development areas

WEEKS 1-2	WEEKS 2-5	WEEKS 4-8	WEEKS 8-12	ONGOING

C. Proprietary Assessment Method

The Heidrick Leadership Framework is a **comprehensive assessment process** designed to holistically evaluate individuals. It parses four distinct, yet inter-related segments, reflecting our unique perspective on the attributes most pivotal in successful candidate assessment.

PIVOTAL EXPERTISE & BUSINESS IMPACT

Knowledge and skills that demonstrate a record of achievement

- Interview
- Referencing

LEADERSHIP CAPABILITIES

Critical competencies that drive current success

- Interview
- Referencing
- LAQ Self
- Hogan Assessment +
- Wave Assessment +

CULTURE IMPACT

Styles and values that impact organizational culture

- Interview
- Referencing
- Leadership Signature®
- Culture Signature™
- Hogan Assessment +

AGILITY & POTENTIAL

Key attributes that ensure future success

- Interview
- Referencing
- LAQ Self
- Hogan Assessment +
- Wave Assessment +

+Tools made available by third party providers

C. Refining the Talent Pool

As finer and finer filters are applied, you will be involved at every stage. Each finalist candidate not selected to move forward in the process is signed off individually, explaining them the rationale and providing advice. This ensures candidates understand the selection criterion and have a desire to be considered for future roles with your organization as appropriate.

FILTER 1
- Initial background / experience assessment
- Reputation
- Initial competency assessment based on market, source and H&S knowledge

FILTER 2
- In depth assessment through individual interviews and further referencing
- Additional reputation probe
- Interest

FILTER 3
- Further assessment by H&S and client through detailed interviews
- Select assessments for leadership style, motivators, and drivers
- Comparative assessment against core competencies
- Formal & informal reference checking

FILTER 4
- Final assessment through negotiation process
- Additional issues-based referencing

D. Commercial Terms

PROFESSIONAL FEES

Heidrick & Struggles operates on a retainer basis, charging one-third of an individual's estimated first-year cash compensation, which includes base salary and any bonuses (actual, projected, or sign-on) the executive receives. For this search, our retainer would be $200,000.

EXPENSES

We are reimbursed for all indirect and direct expenses associated with conducting this assignment. Indirect expenses are 12% of the retainer.

INVOICING

At the beginning of the search, a mutually agreed upon retainer will be established and billed in three equal installments at 0, 30 and 60 days. If the professional fee exceeds the retainer, a final invoice will be issued at the conclusion of the search.

CANCELLATION

If the engagement is cancelled, all billable installments of the retainer shall be deemed earned, the next retainer installment shall be pro-rated, and incurred expenses shall be reimbursed.

GUARANTEE

If the candidate we identified and you employed is terminated within twelve months for reasons unknown to you that significantly affect their performance, we will restart the assignment under the same terms, charging only direct expenses and indirect costs.

Thank You

MCE GOVERNANCE ASSESSMENT

Findings and Recommendations

September 11, 2026

Introduction

A governance assessment of Marin Clean Energy (MCE) was conducted by Leading Resources Inc. (LRI) in the months of July and August 2026. The assessment process included 47 interviews inclusive of MCE Board members (24), management team members (7), and a diverse array of external stakeholders (16). The assessment process also included a survey of all Board members, Board alternates, and the management team. The overall survey response rate was 59% (48 of 82). This comprises the following response rates by respondent type: 65% of Board members (22 of 34), 31% of Board alternates (10 of 32), and 100% of management team members (16 of 16). Appendix A provides the tabulation of all survey results.

This document summarizes the assessment findings based on areas of convergence and LRI's recommendations for improved governance. Appendix B provides a cross-reference of LRI's recommendations to the Grand Jury Report's recommendations.

Assessment Findings

1. The Board is not aligned around a shared vision of the Board's role or a common understanding of how it governs.

Board and management interviewees repeatedly referred to uncertainty about the Board's role. Interviewees described materially different expectations of the Board's role—ranging from high-level policy leadership to detailed scrutiny of implementation. External stakeholders likewise called for a clearer description of what the Board is responsible for doing.

Survey results showed that:

- 75% of all respondents **disagreed** or **strongly disagreed** with the statement: "Board members understand the difference between their governance/policy responsibilities and management's operational responsibilities." 62% of Board member respondents disagreed or strongly disagreed with the statement.
- 76% of all respondents **disagreed** or **strongly disagreed** with the statement: "The Board spends an appropriate amount of its time on strategy, policy, and long-term direction rather than operational matters." 76% of Board member respondents disagreed or strongly disagreed.
- 62% of all respondents **agreed** or **strongly agreed** with the statement: "The Board provides direction to the organization through the CEO and other direct reports to the Board, as appropriate." 60% of Board member respondents agreed or strongly agreed.
- 51% of all respondents **agreed** or **strongly agreed** with the statement: "The Board respects the CEO's operational role and avoids micromanaging MCE." 52% of Board member respondents agreed or strongly agreed.

Interviews revealed that many Board members recognize a conventional governance distinction: the Board establishes direction and exercises oversight; the CEO and staff determine how to execute within that direction. Multiple Board members explicitly said their role is policy setting, public representation, and oversight—not operations. However, interviews also revealed that in the absence of a shared vision of how it governs, Board members either "rubber stamp" management's recommendations and decisions or individual Board members attempt to direct operations.

This pattern is similar to what LRI observes with other public agency boards when the Board's governance role is unclear: Board members are perceived as either too passive or too much "in the weeds." The root problem is a lack of alignment around the Board's governance role – and the limitations on that role.

2. The Board needs a clear governance framework defining the Board's role in setting high-level direction and goals for MCE.

Based on the interviews, the Board lacks a coherent framework and process for identifying strategic goals for MCE and adopting the policies needed to advance them.

Across interviews, individuals called to clarify the Board/CEO relationship. The governance framework should make clear that the Board leads and that the CEO manages. It should translate general principles into decision rights, processes, information flows, and accountability mechanisms.

Survey results showed that:

- 60% of all respondents **disagreed** or **strongly disagreed** with the statement: "The Board sets clear goals and policies for MCE." Board member respondent perspectives were split, with 50% disagreeing or strongly disagreeing and the other 50% agreeing or strongly agreeing.
- 50% of all respondents **disagreed** or **strongly disagreed** with the statement: "The Board's role in decision-making, and the limits of that role, are clearly articulated in Board policies." 40% of Board member respondents disagreed or strongly disagreed.
- 65% of all respondents **disagreed** or **strongly disagreed** with the statement: "The Board provides the CEO with clear delegations of authority and the boundaries of that authority." 59% of Board member respondents disagreed or strongly disagreed.
- 52% of all respondents **disagreed** or **strongly disagreed** with the statement: "The CEO's role in decision-making, and the limits of that role, are clearly articulated in Board policies." 60% of Board member respondents disagreed or strongly disagreed.

3. The Board lacks an effective system for performance monitoring.

In interviews, Board members expressed a desire to set goals and then monitor whether MCE is accomplishing them. Management interviewees acknowledged the lack of Board-level goals and performance metrics. External stakeholders called for measurable priorities, clearer evidence of results, and stronger oversight of the core business.

Survey results showed that:

- 76% of all respondents **disagreed** or **strongly disagreed** with the statement: "The Board establishes meaningful measures of organizational performance and regularly monitors progress against them." 77% of Board member respondents disagreed or strongly disagreed.
- 73% of all respondents **disagreed** or **strongly disagreed** with the statement: "The Board uses performance information to provide effective oversight and address areas requiring improvement." 65% of Board member respondents disagreed or strongly disagreed.
- 63% of all respondents **disagreed** or **strongly disagreed** with the statement: "The Board and CEO regularly review organizational performance against Board-approved goals and objectives." 52% of Board member respondents disagreed or strongly disagreed.

The Board should establish a systematic way of regularly monitoring the organization's performance vis-à-vis defined Board goals and expected results.

4. Management needs to support—not manage—the Board's leadership role and provide the Board sufficient education to fulfill the Board's oversight responsibilities.

Across all groups, interviewees emphasized the importance of Board education because MCE's business is complex. In addition, Board members and external stakeholders described occasions when the Board appeared to receive decisions from management after they were substantially formed. Management interviewees themselves recognized the need for clearer authority, more transparent information, and a better partnership with the Board.

Management's responsibility is to equip the Board to govern: identify issues requiring Board direction, frame meaningful policy choices, explain consequences and risks, recommend action, provide education, and report candidly on implementation and results.

- Survey results showed that 73% of all respondents (and 71% of Board member respondents) **disagreed** or **strongly disagreed** with the statement: "The Board is explicit about the information it needs from the CEO to fulfill its governance responsibilities."
- At the same time, 65% of all survey respondents (and 67% of Board member respondents) **agreed** or **strongly agreed** with the statement: "The CEO and staff provide the information the Board needs to make informed decisions and exercise effective oversight."

Management acknowledged that historical briefings were sometimes insufficient and that Board members now seek more detail. Participants also reported progress when staff used workshops, shorter presentations, and clearer explanations.

Effective delegation requires transparency. Based on the interviews, the Board lacks understanding of the major assumptions, alternatives, risks, and processes that management uses—particularly for consequential financial, procurement, contracting, risk, and organizational decisions.

5. The Board needs to act collectively as MCE's leadership body.

Management interviewees described direct staff requests from Board members, last-minute demands, and Board member forays into implementation detail. Board interviewees also recognized the need to define "lanes," clarify how Board members communicate with staff, and avoid relitigating operational matters. Both groups called for clearer delegations and protocols.

The Board—rather than individual directors, committees, management, or informal factions—is the governing entity. It must establish direction through duly authorized collective decisions and then support those decisions while retaining its right to monitor, reconsider, or revise them through governance processes. The principle of "unity of control" – that it is the Board that directs MCE, not individual Board members – needs to be firmly implanted.

Survey results showed that:

- 54% of all respondents **disagreed** or **strongly disagreed** with the statement: "Board members recognize that the Board, acting as a body rather than individual Board members, guides and directs the organization." 45% of Board member respondents disagreed or strongly disagreed.
- 51% of all respondents (and 45% of Board member respondents) **disagreed or strongly disagreed** with: "Individual Board members do not direct the CEO or staff."

The Board's right to information and responsibility for oversight does not create authority for individual directors to direct staff, make operational choices, or substitute their judgment for the CEO's on implementation. Oversight should occur through the Board acting collectively, using established reporting and inquiry mechanisms.

6. MCE's vision and mission are supported by a majority of Board members and management, but greater alignment is needed.

Interviewees described different views about MCE's fundamental priorities, including the relative emphasis on affordability, greenhouse-gas reduction, financial reserves, and customer programs.

At the same time, 83% of all survey respondents reported they **agree** or **strongly agree** with MCE's vision and mission statements. Survey results of Board member respondents showed that 86% agreed or strongly agreed with the vision statement and 76% agreed or strongly agreed with the mission statement.

7. The MCE Board is perceived as too large by a preponderance of stakeholders.

A majority of interviewees and survey respondents expressed that the MCE Board is not the appropriate size to effectively govern the organization and should be smaller.

Survey results showed that:

- 77% of all respondents **disagreed** or **strongly disagreed** with the statement: "The Board is the appropriate size for effective governance of MCE." 67% of Board member respondents **disagreed of strongly disagreed**.
- 77% of all respondents **agreed** or **strongly agreed** with the statement: "The Board would be more effective if it were smaller." 70% of Board member respondents **agreed or strongly agreed.** 15% of Board member respondents **strongly disagreed**.

In interviews, proponents of a smaller Board suggested this change would create an opportunity for:

- More manageable deliberation and shorter, less repetitive meetings.
- Clearer accountability, attendance, engagement, and collective direction.
- Greater continuity and ability to develop technical and financial knowledge.
- Less staff time spent briefing and supporting a very large number of members.
- Greater ability to meet together and build stronger working relationships.

A small minority of interviewees explicitly opposed reducing the size of the Board. They felt that the current size offered the following value:

- A direct voice for every city or member jurisdiction.
- Elected accountability to ratepayers and local communities.
- A broad ambassador network for communicating difficult or unpopular decisions.

These interviewees' main opposition to a smaller Board were:

- Concern that consolidation could dilute smaller communities or reduce legitimacy.
- Belief that weaknesses in governance framework, Board process, and meeting preparation and design—not size—are the root problems to address.

8. Changing the Board composition to increase industry expertise is not broadly supported.

A majority of interviewees did not support changing the Board's composition to include industry expertise. Rather, most suggested that Board members could gain needed technical literacy through effective Board education, onboarding, staff support, accessible information, preparation, and committee work.

Across all three groups, interviewees repeatedly called for:

- Baseline literacy and continuing education in energy markets, energy procurement, rate-setting, finance, contracts, and risk management.
- Stronger committees with defined scopes, appropriate membership criteria, and access to outside or nonvoting advisors.
- Concise, decision-ready materials that explain options, tradeoffs, implications, and the policy questions before the Board.
- Expert staff and in-house capacity, with management responsible for making complex issues understandable.
- A governance design that preserves public accountability and community representation while strengthening independent oversight.

Survey results showed that:

- A majority of respondents (58%) **disagreed** or **strongly disagreed** that "The Board would be more effective if it were composed of energy industry experts." 55% of Board member respondents disagreed or strongly disagreed.
- 61% of all respondents (and 67% of Board member respondents) **agreed** or **strongly agreed** that "The Board has the range of expertise needed to govern MCE effectively."
- 58% of all respondents **agreed** or **strongly agreed** that "The Board's composition provides an appropriate balance of public accountability, member-community representation, relevant expertise, and diverse perspectives." Of note, 68% of Board member respondents and 80% of management team member respondents agreed or strongly agreed with the statement.

9. Committee work is essential and needs clearer delegation rules and processes.

Interviewees generally viewed committees as indispensable to governing a large, technically complex organization. They often described committees as the place where members can examine an issue in greater depth, engage staff, test alternatives, and frame a recommendation before the full Board acts.

At the same time, interviewees repeatedly described a committee system that does not consistently convert that deeper work into more efficient or more trusted Board decisions. The most common concerns were unclear committee mandates, overlap among committees, repeated presentations and debate at the full Board, uneven or opaque membership processes, and limited visibility into agendas and decisions.

Survey results showed that:

- 76% of all respondents **agreed** or **strongly agreed** with the statement: "The Board has the right committees." 83% of Board member respondents agreed or strongly agreed.
- 54% of all respondents **agreed or strongly agreed** that "Committee roles are well-defined."68% of Board member respondents agreed or strongly agreed.

A strong thread across the interviews was that committees should be substantive working bodies—not simply an additional stop in a sequence of nearly identical presentations. Several respondents described frustration when a committee studied an issue, voted, and forwarded a recommendation, only for the full Board to receive the same presentation and begin the discussion again from the beginning.

This theme also revealed a genuine tension. Some interviewees wanted stronger delegation so committees could make a large Board workable. Others cautioned that consequential policy choices should not become opaque committee actions or routine consent items. The recurring point of agreement was the need for explicit decision boundaries rather than either automatic delegation or automatic re-litigation.

Several interviewees raised concerns about the composition or selection of committees. The comments did not point to one preferred membership model, but they converged on the need to be more intentional than an informal volunteer or self-selection process.

Survey results showed that:

- 56% of all respondents **disagreed** or **strongly disagreed** with the statement: “Committee member qualifications are well-defined.” 63% of Board member respondents disagreed or strongly disagreed.

Executive Committee

In regard to the Executive Committee specifically, interviews revealed a divide over how the committee should function. Some interviewees saw the Executive Committee as the experienced, dedicated working body a large Board needs; others saw an unclear and potentially factional center of power. Across both perspectives, legitimacy depended on a clearer mandate, a defined process for determining Executive Committee membership, defined relationships with other committees to avoid duplication, and reliable reporting to the full Board.

Taken together, the interviews suggested that an Executive Committee can be either the mechanism that makes a large Board workable or the mechanism that intensifies distrust. The difference depends on whether its authority and accountability are visible. Recurring recommendations based on the interviews include: transparent selection of committee members with attention to balance, tenure, and qualifications; clear chair terms and succession; published agendas and concise report-outs; contract and procurement thresholds; an explicit charter and a defined relationship to other committees and the full Board; and a disciplined consent pathway for matters fully vetted by the committee.

LRI Recommendations

1. Develop and adopt a Board governance framework.

Recommended action: Build a coherent governance framework through which the Board articulates the organization’s mission, vision, strategic goals and expected results; the Board’s delegations to the CEO; and other relevant Board policies. Build a shared understanding that the CEO then establishes operational policies that direct how staff will implement the Board’s policies.

Intended result: Board members and staff have a shared understanding of the Board’s role as MCE’s governing entity that has set the strategic direction for MCE. The Board’s role and the role of CEO, respectively, are clearly defined consistent with this direction.

Recommended Governance Framework

MCE should adopt a governance framework with the following connected policy elements. The value lies in the full system: no single policy or training session will resolve the ambiguity by itself.

Policy Element	Description	Examples of Policies
Governance Process	Responsibilities of the Board of Directors and Board members	▪ Board purpose and role ▪ Expectations of Board members ▪ How committees are formed and their function ▪ Election of officers ▪ Code of behavior for Board members ▪ Conflict of interest policy
Strategic Direction	Results the Board wants the organization to achieve	▪ Mission ▪ Vision ▪ Goals, e.g.: – Rates – Resource mix – Financial sustainability – Customer programs – Workforce development
Board-Staff Linkage	Delegations to the chief executive	▪ Relationship between the Board and chief executive ▪ Relationship between the Board and other staff ▪ "Unity of control" - only the Board, acting as a Board, can direct the chief executive or staff ▪ Delegations to the chief executive ▪ Process of evaluating the chief executive ▪ Protocols for handling requests from individual Board members

2. Establish a regular performance reporting and monitoring process.

Recommended action: Establish the principle of regular policy monitoring in the Board's governance policies. Establish a calendared cycle of staff reporting to the Board on the organization's performance vis-à-vis the Board's policies that enables the Board to monitor performance, assess the organization's compliance, and provide direction to the CEO relevant to articulated outcomes.

Intended result: The Board has visibility into and oversight of the organization's performance using a coherent framework of governing. There is regular accountability for results without inviting the Board into day-to-day management.

3. Standardize an approach to Board decision making.

Recommended action: For matters requiring Board direction, utilize a standard decision-making process in which management states the decision requested, connects the decision to the Board's policy goals, provides alternatives, facilitates discussions of the implications of different options, and uses the results of the Board's discussions to develop a recommended course of action for the Board. Place technical detail in appendices.

Intended result: The Board receives meaningful choices and understands management's reasoning without being overwhelmed by operational detail.

4. Provide continuing Board education.

Recommended action: Establish the expectation and importance of ongoing Board education in the Board's policies. Require orientation and recurring learning on public-agency governance, the Board/CEO relationship, CCA economics and regulation, rates, procurement, finance, risk, and MCE's policies. Route individual Board member questions through an agreed channel and share material responses with the full Board.

Intended result: Board members have the shared foundation necessary to make policy choices and evaluate management recommendations. The Board remains informed and able to exercise oversight while management retains authority to execute.

5. Align committee work with the governance framework.

Recommended action: Define the role of committees in the Board's governance policies. Define each committee's policy and oversight responsibilities, its delegated authority, and the matters it recommends to the full Board. Committees should deepen analysis, monitor performance, and develop policy recommendations for the Board to act upon. Committees should not make important Board policy decisions nor direct operations.

Clarify how committee membership is determined. Determine how to apportion committee assignments based on qualifications, tenure and geographic representation.

Intended result: More effective use of smaller forums while preserving the authority of the full Board.

6. Make explicit the expectations of the CEO to support effective Board governance.

Recommended action: Evaluate the CEO's performance based on MCE's performance vis-à-vis the Board's goals, the quality and timeliness of Board information, the CEO's effectiveness in framing policy choices, support for Board member education, responsiveness to Board direction, and respect for governance processes.

Intended result: Management behavior consistently reinforces the Board's leadership role.

7. Evaluate Board governance effectiveness on an ongoing basis.

Recommended action: On an annual basis, assess the effectiveness of MCE Board governance, using input from Board members, the CEO, and management. Review Board meeting and committee performance to determine whether roles are clearer and accountability has improved. Amend governance documents and practices based on the results.

Intended result: Governance becomes a disciplined system of continuous improvement rather than a one-time response to current conflict.

8. Implement other improvements in governance before deciding about Board size or composition.

Recommended action: While the survey showed 70% of Board members support a smaller Board, there are those on the Board who strongly resist changing the size of the Board. It is also the case that other CCAs (as well as other public agencies) in California have similarly large Boards and do not experience Board size as a problem. We recommend establishing and operationalizing a coherent Board governance framework before making a decision about shrinking the Board.

Intended result: Address the root governance issues prior to making decisions about Board size and composition.

Suggested Implementation Sequence

Timing	Primary work	Deliverables
First 60 days	Gain Board approval to adopt recommended governance framework.	Facilitate a decision by the Board to adopt the recommended governance framework.

Timing	Primary work	Deliverables
60–120 days	Develop the initial tranche of Board policies.	Facilitate development of initial set of policies with Executive Committee or new Governance Committee and bring to the Board for feedback and refinement.
4–18 months	Develop remaining Board policies.	Facilitate development of remaining Board policies. Define each committee's policy and oversight responsibilities, its delegated authority, and the matters it recommends to the full Board.
18–24 months	Establish Board policy monitoring processes and refine.	Establish policy monitoring process and related calendar, establish Board education work plan, develop standardized approach to Board decision-making.

Conclusion

The central governance problem that the interviews surfaced and the survey results confirmed is that MCE lacks a shared, practical framework for Board governance: how the Board establishes direction for MCE, how policies and goals are developed, what authority is delegated to the CEO, what information the Board receives, and how the Board evaluates organizational performance.

Although most Board members understand that they should not make day-to-day operating decisions, the absence of a coherent goal-setting, policy-making, delegation, and monitoring system pulls the Board toward two unproductive extremes: excessive deference to management or involvement in operational detail.

The CEO and management should support the Board's leadership role by presenting meaningful choices, educating directors about MCE's business, explaining how the Board's policies are being implemented, reporting results and risks, and seeking Board direction when circumstances require it. At the same time, the Board must respect the CEO's authority to determine how approved goals and policies are carried out.

The principal recommendation is to adopt an integrated governance framework that connects mission and vision, Board goals, policy direction, CEO delegation, regular policy monitoring, and effective Board education. Adopting such a framework will make accountability stronger while protecting the operational authority necessary to run MCE effectively.

Appendix A: Tabulation of MCE Assessment Survey Results

Note: Total responses per survey statement vary based on the number of respondents who selected "not observed" for a particular statement. In each case, this type of response was omitted from the total and from the calculation. In addition, due to rounding, some percentages may total 101% rather than 100%.

Survey Statement	Respondents	Agree/ Strongly Agree	Disagree/ Strongly Disagree	Agree/ Strongly Agree	Disagree/ Strongly Disagree	Total
		%		#		#
1. ***Board Accountability and Oversight:*** The Board acts in the best interests of MCE's customers, member communities, and other stakeholders.	All	81%	19%	39	9	48
	Board members	91%	9%	20	2	22
	Board alternates	70%	30%	7	3	10
	Management	75%	25%	12	4	16
2. ***Board Accountability and Oversight:*** The Board exercises appropriate diligence and objectivity in fulfilling its responsibilities.	All	63%	38%	30	18	48
	Board members	73%	27%	16	6	22
	Board alternates	10%	90%	1	9	10
	Management	81%	19%	13	3	16
3. ***Board Accountability and Oversight:*** The Board sets clear goals and policies for MCE.	All	40%	60%	19	29	48
	Board members	50%	50%	11	11	22
	Board alternates	10%	90%	1	9	10
	Management	44%	56%	7	9	16
4. ***Board Accountability and Oversight:*** The Board establishes meaningful measures of organizational performance and regularly monitors progress against them.	All	24%	76%	11	34	45
	Board members	23%	77%	5	17	22
	Board alternates	11%	89%	1	8	9
	Management	36%	64%	5	9	14
5. ***Board Accountability and Oversight:*** The Board uses performance information to provide effective oversight and address areas requiring improvement.	All	27%	73%	12	33	45
	Board members	35%	65%	7	13	20
	Board alternates	10%	90%	1	9	10
	Management	27%	73%	4	11	15
6. ***Board-CEO Relationship and Unity of Control:*** Board members recognize that the Board, acting as a body rather than individual Board members, guides and directs the organization.	All	46%	54%	22	26	48
	Board members	55%	45%	12	10	22
	Board alternates	50%	50%	5	5	10
	Management	31%	69%	5	11	16

Survey Statement	Respondents	Agree/ Strongly Agree	Disagree/ Strongly Disagree	Agree/ Strongly Agree	Disagree/ Strongly Disagree	Total
		%		#		#
7. ***Board-CEO Relationship and Unity of Control:*** The Board provides direction to the organization through the CEO and other direct reports to the Board, as appropriate.	All	62%	38%	28	17	45
	Board members	60%	40%	12	8	20
	Board alternates	44%	56%	4	5	9
	Management	75%	25%	12	4	16
8. ***Board-CEO Relationship and Unity of Control:*** Individual Board members do not direct the CEO or staff.	All	49%	51%	22	23	45
	Board members	55%	45%	12	10	22
	Board alternates	57%	43%	4	3	7
	Management	38%	63%	6	10	16
9. ***Board-CEO Relationship and Unity of Control:*** The Board provides the CEO with clear delegations of authority and the boundaries of that authority.	All	35%	65%	17	31	48
	Board members	41%	59%	9	13	22
	Board alternates	0%	100%	0	10	10
	Management	50%	50%	8	8	16
10. ***Board-CEO Relationship and Unity of Control:*** The Board respects the CEO's operational role and avoids micromanaging MCE.	All	51%	49%	23	22	45
	Board members	52%	48%	11	10	21
	Board alternates	75%	25%	6	2	8
	Management	38%	63%	6	10	16
11. ***Role Clarity and Strategic Focus:*** The Board's role in decision-making, and the limits of that role, are clearly articulated in Board policies.	All	50%	50%	21	21	42
	Board members	40%	60%	8	12	20
	Board alternates	50%	50%	4	4	8
	Management	64%	36%	9	5	14
12. ***Role Clarity and Strategic Focus:*** The CEO's role in decision-making, and the limits of that role, are clearly articulated in Board policies.	All	48%	52%	20	22	42
	Board members	40%	60%	8	12	20
	Board alternates	50%	50%	4	4	8
	Management	57%	43%	8	6	14

Survey Statement	Respondents	Agree/ Strongly Agree	Disagree/ Strongly Disagree	Agree/ Strongly Agree	Disagree/ Strongly Disagree	Total
		%		#		#
13. ***Role Clarity and Strategic Focus:*** Board members understand the difference between their governance/policy responsibilities and management's operational responsibilities.	All	25%	75%	11	33	44
	Board members	38%	62%	8	13	21
	Board alternates	0%	100%	0	8	8
	Management	20%	80%	3	12	15
14. ***Role Clarity and Strategic Focus:*** The Board spends an appropriate amount of its time on strategy, policy, and long-term direction rather than operational matters.	All	24%	76%	11	34	45
	Board members	24%	76%	5	16	21
	Board alternates	38%	63%	3	5	8
	Management	19%	81%	3	13	16
15. ***Role Clarity and Strategic Focus:*** Board members appropriately balance their responsibility to all 38 member communities with their role as representatives of their own community.	All	41%	59%	18	26	44
	Board members	50%	50%	10	10	20
	Board alternates	25%	75%	2	6	8
	Management	38%	63%	6	10	16
16. ***Board-CEO Feedback and Performance:*** The Board and CEO regularly review organizational performance against Board-approved goals and objectives.	All	50%	50%	26	26	52
	Board members	48%	52%	15	16	31
	Board alternates	50%	50%	4	4	8
	Management	54%	46%	7	6	13
17. ***Board-CEO Feedback and Performance:*** The CEO brings material risks, changing circumstances, and concerns about Board policies or strategic direction to the Board in a timely manner.	All	53%	47%	24	21	45
	Board members	55%	45%	11	9	20
	Board alternates	20%	80%	2	8	10
	Management	73%	27%	11	4	15
18. ***Board-CEO Feedback and Performance:*** The CEO provides the Board with well-developed alternatives and recommendations on significant strategic issues.	All	54%	46%	25	21	46
	Board members	60%	40%	12	8	20
	Board alternates	10%	90%	1	9	10
	Management	75%	25%	12	4	16

Survey Statement	Respondents	Agree/ Strongly Agree	Disagree/ Strongly Disagree	Agree/ Strongly Agree	Disagree/ Strongly Disagree	Total
		%		#		#
19. ***Board-CEO Feedback and Performance:*** The Board gives thoughtful and respectful consideration to the CEO's recommendations.	All	85%	15%	40	7	47
	Board members	90%	10%	19	2	21
	Board alternates	70%	30%	7	3	10
	Management	88%	13%	14	2	16
20. ***Board-CEO Feedback and Performance:*** The Board is open to reconsidering assumptions and exploring alternatives when circumstances or information warrant.	All	78%	22%	36	10	46
	Board members	76%	24%	16	5	21
	Board alternates	67%	33%	6	3	9
	Management	88%	13%	14	2	16
21. ***Board-CEO Feedback and Performance:*** The Board conducts a formal annual evaluation of the CEO based on agreed-upon goals and organizational performance.	All	75%	25%	27	9	36
	Board members	67%	33%	12	6	18
	Board alternates	63%	38%	5	3	8
	Management	100%	0%	10	0	10
22. ***Trust, Relationships, and Conduct:*** Board members trust one another to act in the best interests of MCE.	All	22%	78%	10	36	46
	Board members	38%	62%	8	13	21
	Board alternates	11%	89%	1	8	9
	Management	6%	94%	1	15	16
23. ***Trust, Relationships, and Conduct:*** Board members have effective working relationships with one another.	All	33%	67%	15	31	46
	Board members	52%	48%	11	10	21
	Board alternates	10%	90%	1	9	10
	Management	20%	80%	3	12	15
24. ***Trust, Relationships, and Conduct:*** Board members communicate with one another openly and constructively, including when they disagree.	All	41%	59%	19	27	46
	Board members	48%	52%	10	11	21
	Board alternates	33%	67%	3	6	9
	Management	38%	63%	6	10	16

Survey Statement	Respondents	Agree/ Strongly Agree	Disagree/ Strongly Disagree	Agree/ Strongly Agree	Disagree/ Strongly Disagree	Total
		%		#		#
25. ***Trust, Relationships, and Conduct:*** Board members understand and follow appropriate standards of conduct in public and private settings when representing or discussing MCE.	All	49%	51%	22	23	45
	Board members	52%	48%	11	10	21
	Board alternates	63%	38%	5	3	8
	Management	38%	63%	6	10	16
26. ***Trust, Relationships, and Conduct:*** When problems or mistakes occur, Board and executive leaders address them candidly and constructively.	All	41%	59%	18	26	44
	Board members	40%	60%	8	12	20
	Board alternates	11%	89%	1	8	9
	Management	60%	40%	9	6	15
27. ***Board Structure and Composition:*** The Board is the appropriate size for effective governance of MCE.	All	23%	77%	10	34	44
	Board members	33%	67%	7	14	21
	Board alternates	0%	100%	0	9	9
	Management	21%	79%	3	11	14
28. ***Board Structure and Composition:*** The Board would be more effective if it were smaller.	All	77%	23%	34	10	44
	Board members	70%	30%	14	6	20
	Board alternates	90%	10%	9	1	10
	Management	79%	21%	11	3	14
29. ***Board Structure and Composition:*** The Board has the range of expertise needed to govern MCE effectively.	All	61%	39%	28	18	46
	Board members	67%	33%	14	7	21
	Board alternates	20%	80%	2	8	10
	Management	80%	20%	12	3	15
30. ***Board Structure and Composition:*** The Board would be more effective if it were composed of energy industry experts.	All	41%	59%	17	24	41
	Board members	44%	56%	8	10	18
	Board alternates	56%	44%	5	4	9
	Management	29%	71%	4	10	14

Survey Statement	Respondents	Agree/ Strongly Agree	Disagree/ Strongly Disagree	Agree/ Strongly Agree	Disagree/ Strongly Disagree	Total
		%		#		#
31. ***Board Structure and Composition:*** The Board's composition provides an appropriate balance of public accountability, member-community representation, relevant expertise, and diverse perspectives.	All	58%	42%	25	18	43
	Board members	68%	32%	13	6	19
	Board alternates	0%	100%	0	9	9
	Management	80%	20%	12	3	15
32. ***Board and Committee Meetings:*** Board members consistently attend Board meetings.	All	74%	26%	32	11	43
	Board members	86%	14%	18	3	21
	Board alternates	43%	57%	3	4	7
	Management	73%	27%	11	4	15
33. ***Board and Committee Meetings:*** Board meetings are managed effectively.	All	50%	50%	23	23	46
	Board members	43%	57%	9	12	21
	Board alternates	60%	40%	6	4	10
	Management	53%	47%	8	7	15
34. ***Board and Committee Meetings:*** Committee meetings are managed effectively.	All	89%	11%	31	4	35
	Board members	88%	13%	14	2	16
	Board alternates	100%	0%	4	0	4
	Management	87%	13%	13	2	15
35. ***Board and Committee Meetings:*** The length of Board meetings is appropriate.	All	64%	36%	29	16	45
	Board members	57%	43%	12	9	21
	Board alternates	78%	22%	7	2	9
	Management	67%	33%	10	5	15
36. ***Board and Committee Meetings:*** The Board has sufficient meeting time to delve into complex issues, discuss alternatives, and make effective decisions.	All	53%	47%	25	22	47
	Board members	48%	52%	10	11	21
	Board alternates	50%	50%	5	5	10
	Management	63%	38%	10	6	16

Survey Statement	Respondents	Agree/ Strongly Agree	Disagree/ Strongly Disagree	Agree/ Strongly Agree	Disagree/ Strongly Disagree	Total
		%		#		#
37. ***Board and Committee Meetings:*** The Board has the right committees.	All	76%	24%	31	10	41
	Board members	83%	17%	15	3	18
	Board alternates	38%	63%	3	5	8
	Management	87%	13%	13	2	15
38. ***Board and Committee Meetings:*** Committee roles are well-defined.	All	54%	46%	22	19	41
	Board members	68%	32%	13	6	19
	Board alternates	29%	71%	2	5	7
	Management	47%	53%	7	8	15
39. ***Board and Committee Meetings:*** Committee decision-making processes are well-defined.	All	56%	44%	23	18	41
	Board members	60%	40%	12	8	20
	Board alternates	33%	67%	2	4	6
	Management	60%	40%	9	6	15
40. ***Board and Committee Meetings:*** Committee member qualifications are well-defined.	All	44%	56%	16	20	36
	Board members	38%	63%	6	10	16
	Board alternates	0%	100%	0	7	7
	Management	77%	23%	10	3	13
41. ***Board and Committee Meetings:*** There is an appropriate balance between work done by committees and work done by the full Board.	All	59%	41%	24	17	41
	Board members	67%	33%	14	7	21
	Board alternates	40%	60%	2	3	5
	Management	53%	47%	8	7	15
42. ***Board and Committee Meetings:*** Board meetings should be held in a single location.	All	37%	63%	16	27	43
	Board members	39%	61%	7	11	18
	Board alternates	40%	60%	4	6	10
	Management	33%	67%	5	10	15

Survey Statement	Respondents	Agree/ Strongly Agree	Disagree/ Strongly Disagree	Agree/ Strongly Agree	Disagree/ Strongly Disagree	Total
		%		#		#
43. ***Board Information Flow:*** The Board is explicit about the information it needs from the CEO to fulfill its governance responsibilities.	All	27%	73%	12	32	44
	Board members	29%	71%	6	15	21
	Board alternates	0%	100%	0	9	9
	Management	43%	57%	6	8	14
44. ***Board Information Flow:*** The Board receives information sufficiently in advance of meetings to prepare for discussions and decisions.	All	89%	11%	40	5	45
	Board members	90%	10%	19	2	21
	Board alternates	78%	22%	7	2	9
	Management	93%	7%	14	1	15
45. ***Board Information Flow:*** The CEO and staff provide the information the Board needs to make informed decisions and exercise effective oversight.	All	65%	35%	30	16	46
	Board members	67%	33%	14	7	21
	Board alternates	20%	80%	2	8	10
	Management	93%	7%	14	1	15
46. ***Board Information Flow:*** Reports and meeting materials provided to the Board are clear and concise.	All	65%	35%	30	16	46
	Board members	57%	43%	12	9	21
	Board alternates	30%	70%	3	7	10
	Management	100%	0%	15	0	15
47. ***Board Operations and Development:*** Board members are familiar with the MCE's operating rules and regulations.	All	44%	56%	18	23	41
	Board members	38%	62%	8	13	21
	Board alternates	78%	22%	7	2	9
	Management	27%	73%	3	8	11
48. ***Board Operations and Development:*** MCE's operating rules and regulations are clear and current.	All	44%	56%	19	24	43
	Board members	35%	65%	7	13	20
	Board alternates	50%	50%	4	4	8
	Management	53%	47%	8	7	15

Survey Statement	Respondents	Agree/ Strongly Agree	Disagree/ Strongly Disagree	Agree/ Strongly Agree	Disagree/ Strongly Disagree	Total
		%		#		#
49. ***Board Operations and Development:*** MCE's operating rules and regulations are consistently followed.	All	40%	60%	17	25	42
	Board members	16%	84%	3	16	19
	Board alternates	38%	63%	3	5	8
	Management	73%	27%	11	4	15
50. ***Board Operations and Development:*** Board voting rules are clearly defined.	All	58%	42%	26	19	45
	Board members	43%	57%	9	12	21
	Board alternates	60%	40%	6	4	10
	Management	79%	21%	11	3	14
51. ***Board Operations and Development:*** Board voting rules are followed consistently.	All	69%	31%	29	13	42
	Board members	60%	40%	12	8	20
	Board alternates	38%	63%	3	5	8
	Management	100%	0%	14	0	14
52. ***Board Operations and Development:*** New Board members receive the orientation and ongoing education needed to be effective.	All	68%	32%	28	13	41
	Board members	74%	26%	14	5	19
	Board alternates	50%	50%	4	4	8
	Management	71%	29%	10	4	14
53. ***Board Operations and Development:*** The Board regularly assesses and discusses its own effectiveness.	All	16%	84%	7	36	43
	Board members	15%	85%	3	17	20
	Board alternates	0%	100%	0	9	9
	Management	29%	71%	4	10	14
54. ***Vision and Mission:*** I agree with MCE's current vision statement: "To lead California to an equitable, clean, affordable, and reliable energy economy by serving as a model for community-based renewable energy, energy efficiency, and cutting-edge, clean-tech products and programs."	All	83%	17%	38	8	46
	Board members	86%	14%	18	3	21
	Board alternates	60%	40%	6	4	10
	Management	93%	7%	14	1	15

Survey Statement	Respondents	Agree/ Strongly Agree	Disagree/ Strongly Disagree	Agree/ Strongly Agree	Disagree/ Strongly Disagree	Total
		%		#		#
55. ***Vision and Mission:*** I agree with MCE's current mission statement: "To confront the climate crisis by eliminating fossil fuel greenhouse gas emissions, producing renewable energy, and creating equitable community benefits."	All	83%	17%	38	8	46
	Board members	76%	24%	16	5	21
	Board alternates	80%	20%	8	2	10
	Management	93%	7%	14	1	15

Appendix B: Grand Jury Recommendations Requiring a Board Response

Item	Grand Jury Recommendation	LRI Recommendation
R1	MCE's Board of Directors should review whether its current delegation of authority provides adequate oversight regarding contract approval, setting / evaluating performance metrics for senior management, and overall company strategy.	LRI's recommendation is for the Board to adopt an integrated policy governance framework in which Board policies will be grouped into three buckets: 1) Strategic Direction (SD) policies, defining the Board's goals for MCE; 2) Governance Process (GP) policies, defining the role of the Board and how it governs MCE; and 3) Board-Staff Linkage (BL) policies, defining the delegations to the CEO, the evaluation of the CEO, and the principle of unity of control.
R2	The Board should amend its Operating Rules and Regulations to reinstate approval authority for hiring of the CEO and General Counsel, to require Board approval for hiring all C-level employees, and to require an open, competitive process for all such hiring.	LRI's recommendation is for the Board to define in its Board-Staff Linkage (BL) policies the relationship to the CEO and General Counsel, and the specific delegations to the CEO with regard to hiring of C-level employees.
R3	The Board should determine whether its current size and composition are impediments to oversight and governance.	LRI's recommendation is to make the ongoing education of the Board about MCE's business an explicit expectation of the CEO. And to evaluate Board size and composition at a later date, after the Board establishes a new governance framework and has operationalized it.
R4	The Board should revise its Operating Rules and Regulations to regain responsibility for jointly creating meeting agendas in order to improve meeting efficiency and prioritization of agenda items.	LRI's recommendation is for the Board to codify in its Governance Process (GP) policies its procedures regarding agenda setting.
R7	The MCE Board should evaluate whether changes to Board composition or access to energy expertise would improve oversight and governance, and if necessary, consider amending its Joint Powers Agreement to allow the governing body of each jurisdiction to appoint and designate a Board member (or alternate Board member) who is not a member of its governing body, but who has strong energy industry experience and can commit to serve for multiple years.	See response to R3.
R8	The Board should review and assess the value to ratepayers of certain costly contracts that may serve primarily to allow MCE to claim a higher renewable Power Content Label.	LRI's recommendation is for the Board to set strategic direction for MCE with regard to resource mix in one of its Strategic Direction (SD) policies.
R9	The MCE Board should hire an impartial, outside auditor to provide a comprehensive review of energy contracts executed in FY 2024–25, including review of cost, capacity, length of contract, fuel source, facility	No LRI recommendation related to this.

Item	Grand Jury Recommendation	LRI Recommendation
	location and approval processes, in order to avoid future similar recurring contract variances and overruns.	
R10	The Board should conduct an internal review concerning the apparent April 2023 elevation of then-Associate General Counsel to the position of General Counsel, in order to determine whether that elevation occurred consistently with MCE's then-operative Operating Rules and Regulations.	No LRI recommendation related to this.
R11	The Board should direct management to issue a Request for Proposal concerning (1) services provided by independent energy consultants, and (2) services of all other consultants when the duration or cost exceeds a de minimis amount (as defined by the Board).	LRI recommends that the Board articulate its delegations to the CEO in the Board-Staff Linkage (BL) policies, including the CEO's authority to determine the use of independent energy consultants.
R12	The Board should review its August 17, 2023 amendment of its Operating Rules and Regulations to determine if, in doing so, (1) the Board received adequate and independent legal advice, and (2) whether MCE and the Board complied with the public inspection requirements of the Brown Act, California's open public meetings law.	No LRI recommendation related to this.
R13	The Board should review its existing policies and internal controls to determine whether they are consistent with and adequate for a company approaching one billion dollars in revenue.	LRI recommends that the Board clearly differentiate between the Board's policy setting role and management's policy setting role. The Board needs to articulate in its Board-Staff Linkage (BL) policies how it expects the CEO to manage MCE's business - including appropriate guardrails - and then let the CEO and management determine other internal controls and procedures.

MCE Governance Assessment

Findings and Recommendations

September 17, 2026

LRI Leading Resources® Incorporated

Assessment scope and approach

A governance assessment of Marin Clean Energy (MCE) was conducted by Leading Resources Inc. (LRI) in the months of July and August 2026.

The assessment process included:

- Interviews inclusive of Board members, management team members, and a diverse array of external stakeholders.
- Survey of Board members, Board alternates, and the management team.

Assessment participation

INTERVIEWS

47

Total interviews

24

Board members

7

Management team members

16

External stakeholders

SURVEY

59%

Overall response rate

65%

Board members

31%

Board alternates

100%

Management team members

Assessment Findings

The Board is not aligned around a shared vision of the Board's role or a common understanding of how it governs.

- Interviewees repeatedly referred to uncertainty about the Board's role. Interviewees described materially different expectations of the Board's role—ranging from high-level policy leadership to detailed scrutiny of implementation.

- Survey Statement #13: "Board members understand the difference between their governance/policy responsibilities and management's operational responsibilities."
  - 75% of all respondents disagreed or strongly disagreed.

- Survey Statement #14: "The Board spends an appropriate amount of its time on strategy, policy, and long-term direction rather than operational matters."
  - 76% of all respondents disagreed or strongly disagreed.

The Board needs a clear governance framework defining the Board's role in setting high-level direction and goals for MCE.

- Based on the interviews, the Board lacks a coherent framework and process for identifying strategic goals for MCE and adopting the policies needed to advance them.

- Survey Statement# 3: "The Board sets clear goals and policies for MCE."
    - 60% of all respondents disagreed or strongly disagreed.

- Survey Statement #9: "The Board provides the CEO with clear delegations of authority and the boundaries of that authority."
    - 65% of all respondents disagreed or strongly disagreed.

- Survey Statement #11: "The CEO's role in decision-making, and the limits of that role, are clearly articulated in Board policies."
    - 52% of all respondents disagreed or strongly disagreed.

The Board lacks an effective system for performance monitoring.

- Interviewees expressed a desire that the Board set goals and then monitor whether MCE is accomplishing them.

- Survey Statement #4: “The Board establishes meaningful measures of organizational performance and regularly monitors progress against them.”
  - 76% of all respondents disagreed or strongly disagreed.

- Survey Statement #5: “The Board uses performance information to provide effective oversight and address areas requiring improvement.”
  - 73% of all respondents disagreed or strongly disagreed.

- Survey Statement #16: “The Board and CEO regularly review organizational performance against Board-approved goals and objectives.”
  - 63% of all respondents disagreed or strongly disagreed.

ASSESSMENT FINDING 4

Management needs to support—not manage—the Board's leadership role and provide the Board sufficient education to fulfill the Board's oversight responsibilities.

- Across all groups, interviewees emphasized the importance of Board education because MCE's business is complex.

- Survey Statement #43: "The Board is explicit about the information it needs from the CEO to fulfill its governance responsibilities."
  - 73% of all respondents disagreed or strongly disagreed.

- Survey Statement #45: "The CEO and staff provide the information the Board needs to make informed decisions and exercise effective oversight."
  - 65% of all respondents agreed or strongly agreed.

The Board needs to act collectively as MCE's leadership body.

- Management interviewees described direct staff requests from Board members and Board member forays into implementation detail. Board interviewees also recognized the need to define "lanes."
- The principle of "unity of control" – that it is the Board that directs MCE, not individual Board members – needs to be firmly implanted.
- Survey Statement# 6: "Board members recognize that the Board, acting as a body rather than individual Board members, guides and directs the organization."
    - 54% of all respondents disagreed or strongly disagreed.
- Survey Statement #8: "Individual Board members do not direct the CEO or staff."
    - 51% of all respondents disagreed or strongly disagreed.

MCE's vision and mission are supported by a majority of Board members and management, but greater alignment is needed.

- Interviewees described different views about MCE's fundamental priorities, including the relative emphasis on affordability, greenhouse-gas reduction, financial reserves, and customer programs.
- At the same time, 83% of all survey respondents reported they agreed or strongly agreed with MCE's vision and mission statements.

ASSESSMENT FINDING 7

The MCE Board is perceived as too large by a preponderance of stakeholders.

- A majority of interviewees and survey respondents expressed that the MCE Board is not the appropriate size to effectively govern the organization and should be smaller.

- Survey Statement #27: "The Board is the appropriate size for effective governance of MCE."
    - 77% of all respondents disagreed or strongly disagreed.

- Survey Statement #28: "The Board would be more effective if it were smaller."
    - 77% of all respondents agreed or strongly agreed.
        - 15% of Board member respondents <u>strongly disagreed</u>.

ASSESSMENT FINDING 8

Changing the Board composition to increase industry expertise is not broadly supported.

- A majority of interviewees did not support changing the Board's composition to include industry expertise. Rather, most suggested that Board members could gain needed technical literacy through effective Board education, onboarding, staff support, accessible information, preparation, and committee work.

- Survey Statement #29: "The Board has the range of expertise needed to govern MCE effectively."
    - 61% of all respondents agreed or strongly agreed.

Committee work is essential and needs clearer delegation rules and processes.

- Interviewees generally viewed committees as indispensable to governing a large, technically complex organization. At the same time, they repeatedly described a committee system that does not consistently convert that deeper work into more efficient or more trusted Board decisions.

- Survey Statement #37: "The Board has the right committees."
  - 76% of all respondents agreed or strongly agreed.

- Survey Statement #38: "Committee roles are well-defined."
  - 54% of all respondents agreed or strongly agreed.

- Several interviewees raised concerns about the composition or selection of committees, citing the need to be more intentional than an informal volunteer or self-selection process.

- Survey Statement #40: "Committee member qualifications are well-defined."
  - 56% of all respondents disagreed or strongly disagreed.

LRI Recommendations

Develop and adopt a Board governance framework.

1

RECOMMENDED ACTION

- Build a coherent governance framework through which the Board articulates the organization's mission, vision, strategic goals and expected results; the Board's delegations to the CEO; and other relevant Board policies.
- Build a shared understanding that the CEO then establishes operational policies that direct how staff will implement the Board's policies.

INTENDED RESULT

Board members and staff have a shared understanding of the Board's role as MCE's governing entity that has set the strategic direction for MCE. The Board's role and the role of CEO, respectively, are clearly defined consistent with this direction.

Recommended governance framework

Recommended governance framework

POLICY ELEMENT

Governance Process

DESCRIPTION

Responsibilities of the Board of Directors and Board members

EXAMPLES OF POLICIES

- Board purpose and role
- Expectations of Board members
- How committees are formed and their function
- Election of officers
- Code of behavior for Board members
- Conflict of interest policy

Recommended governance framework

POLICY ELEMENT

Strategic Direction

DESCRIPTION

Results the Board wants the organization to achieve

EXAMPLES OF POLICIES

- Mission
- Vision
- Goals, e.g.:
    - Rates
    - Resource mix
    - Financial sustainability
    - Customer programs
    - Workforce development

Recommended governance framework

POLICY ELEMENT

Board-Staff Linkage

DESCRIPTION

Delegations to the chief executive

EXAMPLES OF POLICIES

- Relationship between the Board and chief executive
- Relationship between the Board and other staff
- "Unity of control" - only the Board, acting as a Board, can direct the chief executive or staff
- Delegations to the chief executive
- Process of evaluating the chief executive
- Protocols for handling requests from individual Board members

LRI RECOMMENDATION 2

Establish a regular performance reporting and monitoring process.

2

RECOMMENDED ACTION

- Establish the principle of regular policy monitoring in the Board's governance policies.
- Establish a calendared cycle of staff reporting to the Board on the organization's performance vis-à-vis the Board's policies that enables the Board to monitor performance, assess the organization's compliance, and provide direction to the CEO relevant to articulated outcomes.

INTENDED RESULT

The Board has visibility into and oversight of the organization's performance using a coherent framework of governing. There is regular accountability for results without inviting the Board into day-to-day management.

Standardize an approach to Board decision making.

3

RECOMMENDED ACTION

- For matters requiring Board direction, utilize a standard decision-making process in which management states the decision requested, connects the decision to the Board's policy goals, provides alternatives, facilitates discussions of the implications of different options, and uses the results of the Board's discussions to develop a recommended course of action for the Board.

- Place technical detail in appendices.

INTENDED RESULT

The Board receives meaningful choices and understands management's reasoning without being overwhelmed by operational detail.

Provide continuing Board education.

4

RECOMMENDED ACTION

- Establish the expectation and importance of ongoing Board education in the Board's policies.
- Require orientation and recurring learning on public-agency governance, the Board/CEO relationship, CCA economics and regulation, rates, procurement, finance, risk, and MCE's policies.
- Route individual Board member questions through an agreed channel and share material responses with the full Board.

INTENDED RESULT

Board members have the shared foundation necessary to make policy choices and evaluate management recommendations. The Board remains informed and able to exercise oversight while management retains authority to execute.

Align committee work with the governance framework.

5

RECOMMENDED ACTION

- Define the role of committees in the Board's governance policies.
- Define each committee's policy and oversight responsibilities, its delegated authority, and the matters it recommends to the full Board.
- Committees should deepen analysis, monitor performance, and develop policy recommendations for the Board to act upon.
- Committees should not make important Board policy decisions nor direct operations.
- Clarify how committee membership is determined. Determine how to apportion committee assignments based on qualifications, tenure and geographic representation.

INTENDED RESULT

More effective use of smaller forums while preserving the authority of the full Board.

Make explicit the expectations of the CEO to support effective Board governance.

6

RECOMMENDED ACTION

- Evaluate the CEO's performance based on MCE's performance vis-à-vis the Board's goals, the quality and timeliness of Board information, the CEO's effectiveness in framing policy choices, support for Board member education, responsiveness to Board direction, and respect for governance processes.

INTENDED RESULT

Management behavior consistently reinforces the Board's leadership role.

Evaluate Board governance effectiveness on an ongoing basis.

7

RECOMMENDED ACTION

- On an annual basis, assess the effectiveness of MCE Board governance, using input from Board members, the CEO, and management.
- Review Board meeting and committee performance to determine whether roles are clearer and accountability has improved.
- Amend governance documents and practices based on the results.

INTENDED RESULT

Governance becomes a disciplined system of continuous improvement rather than a one-time response to current conflict.

LRI RECOMMENDATION 8

Implement other improvements in governance before deciding about Board size or composition.

8

RECOMMENDED ACTION

- While the survey showed 70% of Board members support a smaller Board, there are those on the Board who strongly resist changing the size of the Board.
- It is also the case that other CCAs (as well as other public agencies) in California have similarly large Boards and do not experience Board size as a problem.
- A majority of Board member respondents disagreed or strongly agreed with changing the Board's composition.
- We recommend establishing and operationalizing a coherent Board governance framework before making a decision about shrinking the Board.

INTENDED RESULT

Address the root governance issues prior to making decisions about Board size and composition.

CONCLUSION

Adopt an integrated governance framework

The principal recommendation is to adopt an integrated governance framework that connects mission and vision, Board goals, policy direction, CEO delegation, , regular policy monitoring, and effective Board education. Adopting such a framework will make accountability stronger while protecting the operational authority necessary to run MCE effectively.

Suggested implementation sequence

First 60 days

Gain Board approval to adopt recommended governance framework.

Facilitate a decision by the Board to adopt the recommended governance framework.

60–120 days

Develop the initial tranche of Board policies.

Facilitate development of initial set of policies with Executive Committee or new Governance Committee and bring to the Board for feedback and refinement.

4–18 months

Develop remaining Board policies.

Facilitate development of remaining Board policies. Define each committee's policy and oversight responsibilities, its delegated authority, and the matters it recommends to the full Board.

18–24 months

Establish Board policy monitoring processes and refine.

Establish policy monitoring process and related calendar, establish Board education work plan, develop standardized approach to Board decision-making.

Empowering Our Clean Energy Future
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September 17, 2026

TO: MCE Board of Directors
FROM: Andy Twilling, Power Procurement Manager
RE: Approved Contracts for Energy Update (Agenda Item I.1)

Dear MCE Board Members:

Summary:
This report summarizes contracts for energy procurements entered into by the Chief Executive Officer or their delegate and, if applicable, the Chair of the Technical Committee, since the last report was prepared for the regular Board meeting in August 2026. This summary is provided to your Board for information purposes only and no action is needed.

Review of Procurement Authorities:

In November 2020, your Board adopted Resolution 2020-04 which included the following provisions:

The CEO and Technical Committee Chair, jointly, are hereby authorized, after consultation with the appropriate Committee of the Board of Directors, to approve and execute contracts for Energy Procurement for terms of less than or equal to five years. The CEO shall timely report to the Board of Directors all such executed contracts.

The CEO is authorized to approve and execute contracts for Energy Procurement for terms of less than or equal to 12 months, which the CEO shall timely report to the Board of Directors.

The CEO is required to report all such contracts and agreements to the MCE Board of Directors on a timely basis.

No energy contracts have been signed since the August report.

Contract Approval Process:

Energy procurement is governed by MCE's Energy Risk Management Policy as well as Board Resolutions 2020-04 and 2026-01. The Energy Risk Management Policy (Policy) has been developed to help ensure that MCE achieves its mission and adheres to its procurement policies established by the MCE Board of Directors (Board), power supply and related contract commitments, good utility practice, and all applicable laws and regulations.

The evaluation of every new energy contract is based upon how to best fill MCE's open position. Factors such as volume, notional value, type of product, price, term, collateral threshold and posting, and payment are all considered before execution of the agreement.

After evaluation and as part of the overall approval process, an approval matrix is implemented whereby the draft contract is routed to key MCE departments and consultants for review, input, and approval. Typically, contracts are routed for commercial, technical, legal, and financial approval, and are then typically routed through the Chief Operating Officer for approval prior to execution. The table below lists the MCE departments and consultants (and examples of relevant staff) assigned to review and approve, before the contract is forwarded to the next stage of review.

Review Owner	**Review Category**
CB Hall (MCE, Director of Power Resources)	Procurement/Commercial
John Dalessi (Pacific Energy Advisors)	Technical Review
Steve Hall (Hall Energy Law)	Legal
Nathaniel Malcolm (MCE, Senior Commercial Counsel)	Legal (Process & CPUC Compliance)
Maira Strauss (MCE, Chief Financial Officer)	Credit/Financial
Vicken Kasarjian (Acting CEO and COO)	Executive

Pursuant to Resolution 2020-04, contracts for terms of less than or equal to 12 months can be approved and executed by the CEO.

Pursuant to Resolution 2020-04 and Resolution 2026-01, MCE consults with the Interim Advisory Committee (IAC) regarding potential contracts for terms of 1-5 years. After consultation with the Interim Advisory Committee, the CEO and Technical Committee Chair are jointly authorized to approve and execute the agreement.

Fiscal Impacts:
Expenses and revenue associated with these Contracts and Agreements that are expected to occur during FYE 2027 are within the FYE 2027 Operating Fund Budget. Expenses and revenue associated with future years will be incorporated into budget planning as appropriate.

Recommendation:
Information only.

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September 17, 2026

TO:	MCE Board of Directors
FROM:	Sabrinna Soldavini, Vice President of Policy
RE:	Legislative and Regulatory Updates (Agenda Item I.2)
ATTACHMENT:	Regulatory Filings

Dear Board Members:

Summary:
Below is a summary of the key activities at the state and federal legislatures and the California Public Utilities Commission (CPUC), California Energy Commission (CEC), and the California Independent System Operator (CAISO) impacting Community Choice Aggregation (CCA) and MCE.

I. California Legislature

The California Legislature gaveled down around midday on September 1, after extending its session as permitted by law to take up last-minute measures on wildfire liability reforms and the state budget, including appropriations of the Greenhouse Gas Reduction Fund (GGRF) revenues and Proposition 4 (2024) funds. However, the Assembly declined to take up the negotiated wildfire liability reform bill, leaving the issue largely unresolved. Costs associated with utility wildfire liability is currently one of the most significant drivers of electric rate increases. As of the drafting of this staff report, it is unclear whether the Governor will call a special session this fall to allow one more chance to address the issue before he terms out or leave it for the next administration to tackle in 2027. Regarding CalCCA's sponsored bills, AB 1761 (Rogers), on PCIA data transparency, was voted out of the Senate and has been sent to the Governor's desk for signature or veto. Unfortunately, SB 1138 (Padilla), which would have saved customers more than $100 million every year in excess resource adequacy costs, did not advance past the Assembly Appropriations committee.

The following table includes the status of all bills on which MCE has taken a position, as of the drafting of this staff report. The Governor has until September 30 to sign or veto the bills that have been sent to his desk.

Bill Number and Author	Subject	MCE Position	Status
AB 1761 (Rogers)	Power Charge Indifference Adjustment (PCIA) data transparency	Support	Passed, sent to Governor
SB 1138 (Padilla)	Resource Adequacy (RA) hourly transactability	Support	Held in Assembly
AB 2111 (Papan)	Transmission planning	Support	Passed, sent to Governor
AB 1684 (Ward)	Cooling systems in common interest developments	Support	Passed, sent to Governor
AB 2508 (Hoover)	Funding for Public Purpose Programs including energy efficiency	Oppose	Held in Assembly
AB 2383 (Zbur)	Electricity service for large data centers	Neutral	Passed, sent to Governor
SB 1282 (Becker)	Vehicle grid integration	Support	Held in Senate
AB 2313 (Berman)	Alternatives to gas distribution service line replacements	Support	Passed, sent to Governor
AB 2369 (Rogers)	Resource adequacy and full capacity deliverability status	Support	Passed, sent to Governor
SB 1265 (Richardson)	GoGreen Financing Program	Support	Held in Assembly
AB 1577 (Bauer-Kahan)	Data centers: reporting on energy usage	Support	Passed, sent to Governor

II. California Public Utilities Commission (CPUC)

a. Resource Adequacy (RA) Proceeding

The RA proceeding aims to ensure the reliability of California's electricity supply by requiring all load serving entities (LSEs), including MCE, to procure sufficient capacity resources to meet their load plus a Planning Reserve Margin (PRM). Rulemaking (R).25-10-003 was opened by the CPUC to continue to refine the program and adopt future requirements.

The PRM for 2026-2027 is set to 18% of an LSE's monthly RA requirement. In Track 2 of the RA proceeding, the CPUC is conducting its 2026 Loss of Load Expectation (LOLE) studies. The LOLE studies model statewide grid reliability, and the CPUC will use the final LOLE results to set the PRM for 2028, ultimately impacting MCE's RA procurement obligations. On August 14, 2026, the CPUC issued its Draft LOLE study for 2028, to be used toward suggesting a 2028 PRM. The study results suggest a September PRM value of 21.9% for 2028-2029 to meet grid-reliability standards.

MCE worked with CalCCA to submit an alternative LOLE study proposal on August 14, 2026, highlighting the value of focusing on cost-effectiveness while still achieving a reliable grid. MCE then worked with CalCCA to file informal comments on the CPUC's Draft study on August 26, 2026, re-iterating the value of considering cost-effectiveness in the PRM calibration and advocating for fair inputs and assumptions regarding grid reliability conditions.

Following the submission of informal comments, the CPUC plans to finalize the results of its LOLE study, as well as make their recommendation for 2028-2029 PRM standards.

Fiscal Impacts: There is no direct fiscal impact on MCE at this time. However, changes to RA requirements ultimately affect MCE's procurement costs. All else being equal, RA procurement costs are likely to track with PRM changes, with PRM increases leading to cost increases, and vice versa.

b. Power Charge Indifference Adjustment (PCIA)

In February 2025, the CPUC issued an Order Instituting Rulemaking (OIR) to update Energy Resource Recovery Account (ERRA) and Power Charge Indifference Adjustment (PCIA) policies and processes. Per law, the CPUC is required to ensure "indifference" and prevent cost shifts between bundled and unbundled customers. This entails the Investor-Owned Utilities (IOUs), such as Pacific Gas & Electric (PG&E) recovering electricity costs from CCA customers that were incurred on their behalf before they departed PG&E service and reducing those costs by the value of benefits that remain with PG&E customers. To facilitate this process, the Commission established the PCIA, a charge paid by all customers on the PG&E side of the bill.

In this proceeding, the CPUC is evaluating potential changes to the methodology of calculating the PCIA through three tracks.

Track 2
Track 2 of the PCIA proceeding is considering the valuation of pre-2019 banked Renewable Energy Certificates (RECs). In August, the CPUC issued a Proposed Decision (PD) in Track 2. The PD affirmed the Commission's ruling from prior ERRA Forecast cases, allowing the IOUs to value pre-2019 banked RECs at zero. MCE supported CalCCA in filing opening comments on the PD on September 3, urging the Commission to reject the PD on the basis of legal violations and legal error, and to replace the PD with an Alternate Decision that properly and fairly values the pre-2019 banked RECs to provide appropriate value for departed load customers (such as MCE customers) who paid for those RECs.

Track 3
In August, the CPUC issued a Scoping Ruling in Track 3 of this proceeding outlining the remaining, additional PCIA issues to be considered in this proceeding. The Scoping Ruling proposes to break Track 3 into three phases: Track 3A, Track 3B, and Track 4. A high-level description of each of the additional tracks is provided below:

- Track 3A: Refinements to Existing PCIA Structures
  - Whether and how the Commission should modify the benchmarks used to calculate the PCIA.
  - Whether and how the Commission should provide additional policy guidance regarding re-vintaging of existing resources.
- Track 3B: Structural Framework Changes
  - Whether the Commission should pursue structural framework changes to the PCIA, PG&E's portfolio, etc., to achieve indifference.
- Track 4: Additional Issues
  - Whether the Commission should make additional PCIA and ERRA process refinements.

Track 3A will begin in Q4 2026, and the schedule for Track 3B is expected to be issued later this year, with the majority of activity happening in 2027.

MCE staff will continue to actively engage in this proceeding and provide updates as they become available.

Fiscal Impacts: There are no immediate fiscal impacts to MCE. The PCIA is a charge on the PG&E side of the bill, but changes to the PCIA impact MCE customers' overall bills and MCE's rate competitiveness.

c. Integrated Resource Planning

The Integrated Resources Planning (IRP) proceeding is an "umbrella" procurement planning proceeding overseen by the CPUC that considers all of the CPUC's policies and programs to ensure the state has a safe, reliable, and cost-effective electric supply.

Reliable and Clean Power Procurement Program (RCPPP)
The RCPPP is a new, proposed enhancement to current ad-hoc procurement framework under the IRP. The goal is to build a procurement framework that allows the CPUC to track LSE progress towards the state's GHG reduction targets and reliability goals.
In June 2026, the CPUC issued a Ruling with an Alternative Proposal (Option 3) for the RCPPP. Under Option 3, the CPUC proposes to use its Preferred System Plan (PSP) modelling as the basis for compliance requirements, with LSEs subject to 100% contracting requirements 3 years forward from when the compliance requirements are issued and 100% online requirements 5 years forward. Procurement requirements would also be bucketed by attributes (such as clean, firm or long lead time) and each LSE would be responsible for contracting and bringing online the specific quantity of resources meeting the different attribute categories.

CalCCA filed Opening Comments in response to the Option 3 proposal in August 2026 stating that Option 3 should be rejected because it would establish binding procurement requirements based on modelling assumptions that may not align with market realities and may risk distorting the market, creating the potential for supplier market power, and raising ratepayer costs. The CPUC should instead adopt Option 1 + Clean Energy Standard (an earlier proposal issued in April 2025)[1], because a procurement framework based on total needs including new plus existing resources will better align reliability and policy procurement needs with an efficient and affordable procurement environment. To the extent the CPUC moves forward with Option 3, CalCCA recommended the following significant modifications: (1) Establish technology neutral procurement requirements using Slice of Day (SOD) accounting; (2) Remove procurement buffers to avoid unnecessary and costly over procurement; (3) Allocate requirements associated with data center loads through a separate, milestone-based process that accounts for the significant uncertainty associated with these loads; (4) Allocate requirements based on each LSEs' load ratio share in the year of need to ensure allocations accurately reflect each LSEs' contributions to the need; and (5) Adopt a "good faith efforts" standard that accounts for circumstances outside an LSE's control that affect its ability to comply.

Fiscal Impacts: There are no immediate fiscal impacts to MCE.

d. Billing Modernization

In October 2024, PG&E submitted an Application for approval to recover 2023-2030 revenue requirements ($761.3 million) for its Billing Modernization Initiative (BMI). BMI will replace PG&E's aging billing system currently used to serve its electric and gas customers, including MCE customers, as the IOUs are statutorily required to serve as the billing agents for CCAs. PG&E proposes to recover the costs of these upgrades from all customers, bundled and unbundled.

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[1] For additional context, see MCE Board of Directors Meeting Packet, September 18, 2025. https://mcecleanenergy.org/wp-content/uploads/2025/09/MCE-Board-Meeting-Packet-September-2025.pdf.

MCE has been working with a group of Joint CCAs in PG&E's service territory to advocate for billing systems and processes that result from this upgrade to be: 1) sufficient to meet CCA customer needs and 2) designed to equitably serve both PG&E's bundled and unbundled (CCA) customers. The Joint CCAs also stated the need for the costs of this upgrade to be fairly allocated.

As part of this engagement, the Joint CCAs discussed and reached a Partial Settlement Agreement with PG&E on specific contested issues in PG&E's Application. In July 2026, the Joint CCAs filed a Joint Motion with PG&E for adoption and approval of the Partial Settlement Agreement[2]. Following the Motion, the Joint CCAs filed a Joint Reply Brief with PG&E explaining the importance of BMI that enables PG&E to implement an end-state billing system to meet the provisions of the Settlement Agreement.

The Utility Reform Network (TURN), California Public Advocates Office (PAO), and Small Business Utility Advocates (SBUA) filed joint comments on the Settlement opposing the cost provisions and arguing that the cost terms are unreasonable and the Joint CCAs position regarding cost reasonableness is weak. The Joint CCAs filed Joint Reply Comments with PG&E arguing that: (1) the cost terms are reasonable because they enable PG&E to implement core functionalities in an upgraded billing system whose benefits will flow through to all customers; and (2) the Commission should not dismiss the Joint CCAs unique perspectives as ratepayer advocates. The Joint CCAs advocated for cost reasonableness, cost functionalization, and cost effectiveness—i.e., ensuring the BMI project is well designed and benefits all customers, including CCA customers.

Fiscal Impacts: There are no direct fiscal impacts on MCE at this time.

e. PG&E 2027 Energy Resource and Recovery Account (ERRA) Forecast Proceeding

MCE is currently engaging in PG&E's 2027 ERRA Forecast Proceeding with CalCCA. This proceeding determines PG&E's generation and PCIA rates for 2027.
PG&E filed its 2027 ERRA Forecast Application in May 2026. The forecast generation and PCIA rates are preliminary and do not incorporate multiple factors that would affect the final rates published on January 1, 2027, including changes in energy prices or changes implemented through the ongoing PCIA OIR. CalCCA filed Intervenor Testimony in August 2026 responding to PG&E's testimony and application. The testimony was broadly aimed at ensuring that PG&E's methodology and accounting of PCIA resources values them fairly, accurately, and are consistent with current market realities. Two main focal points were how PG&E is implementing the Slice of Day (SOD) methodology and PG&E's data center forecast methodology and its impacts on PCIA volatility.

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[2] For additional details regarding the settlement provisions, see MCE Board of Directors Meeting Packet, August 20, 2026. https://mcecleanenergy.org/wp-content/uploads/2026/08/MCE-Board-Meeting-Packet-August-2026.pdf

MCE will continue to work with CalCCA on additional filings in this proceeding due in October and November 2026.

Fiscal Impact: There is no immediate fiscal impact to MCE. However, the outcomes from this proceeding will impact PCIA rates for MCE's customers in 2027.

f. Climate Credit

The Climate Credit proceeding is evaluating potential modifications to the California Climate Credit, which is funded through revenues generated by California's Cap-and-Invest Program and distributed to residential gas and electric customers. In June 2026, the CPUC issued a Phase 1B Proposed Decision that establishes key priorities and guiding principles for this stage of the proceeding and presents several alternative credit distribution methodologies.

Options under consideration include climate zone-based tiers, baseline usage-based tiers, targeted support for lower-income customers, such as CARE and FERA participants, and a fully volumetric approach that ties credit allocations directly to energy consumption.

On August 11, the CPUC convened a Climate Credit workshop to evaluate these distribution concepts and solicit stakeholder input. At the workshop, CalCCA presented a proposal supporting the existing distribution framework, with consideration for enhanced benefits for CARE and FERA customers. Parties have until September 14, 2026, to submit formal proposals, and a Ruling providing further guidance on the Assigned Commissioner's preferred approach is expected on September 25, 2026.

Fiscal Impacts: There are no immediate fiscal impacts to MCE. However, the proceeding considers alternative ways to distribute the climate credit, which directly impacts customer bills.

g. Disconnections

In July, the CPUC issued a Proposed Decision to extend the Arrearage Management Program (AMP) from its current October 1, 2026, sunset date to February 1, 2027. MCE worked with CalCCA to submit comments supporting the extension, noting that aligning AMP's sunset date with the Percentage of Income Payment Plan (PIPP) Pilot Program's sunset date is a straightforward, low-burden solution. On August 13, the Proposed Decision was approved by the CPUC, officially extending AMP through February 1, 2027.

Fiscal Impacts: The extension of the AMP program allows MCE to continue recovering its AMP program costs through the program's new sunset date of February 1, 2027.

h. High Distributed Energy Resources (DERs) Future

The High DER Future proceeding aims to prepare the grid for a high number of DER connections to the distribution-level grid. The proceeding includes three tracks, with two phases each for Tracks 1 and 3: (1) Distribution Planning and Execution Process (DPEP) and Data Improvements; (2)

Distribution System Operator (DSO) Roles and Responsibilities; and (3) Smart Inverter Operationalization (SIO) and Grid Modernization Planning.

Track 1 focuses on the implementation of recent improvements to the DPEP of each IOU. The scope also includes the Electrification Impact Studies (EIS) and integration capacity analysis (ICA) maps. The CPUC issued a Proposed Decision on July 28, 2026, that would revise the ICA workshop schedule to occur biannually rather than quarterly and order the IOUs to produce Grid Modernization Progress Reports in the fall of even-numbered years. MCE and CalCCA decided to not file comments or responses to the Proposed Decision and are awaiting the subsequent Final Decision and respective comment period.

Track 2 focuses on the roles and responsibilities of a potential DSO. This Summer, the CPUC held two workshops related to this track, the first on their proposal to have IOUs serve as the DSOs in their respective territories, and the second on how the DSOs would coordinate with CAISO serving as the Transmission System Operator (TSO). In July, the CPUC drafted a report from the workshops that will inform the development of a DER Orchestration Framework, including data access and coordination between the IOUs and CAISO on DERs. MCE worked with CalCCA to file opening and reply comments on the CPUC report, advocating for a holistic approach to creating a demand flexibility marketplace, which should be operated by an objective third party. Such a marketplace would remove the conflicts of interest for IOU-owned DERs, as well as provide fair market access and data visibility to all non-IOU parties.

Fiscal Impacts: There are no direct fiscal impacts on MCE at this time.

i. Electric Rule 21: Generating Facility Interconnections

The Rule 21 proceeding was opened in August 2025 to update distribution-level interconnection rules for DERs under Electric Rule 21. Rule 21 covers interconnection pathways and standards, cost sharing responsibilities, DER communications interoperability, and more.

On July 14, the CPUC issued a ruling directing the IOUs to produce data related to Rule 21 applications and the current associated flat fee. The Commission seeks data from the IOUs to optimize cost recovery and adjust the fee structure. The IOUs issued their responses to the ruling on August 11, answering the questions posed to them by the CPUC. MCE deliberated with CalCCA and ultimately decided not to file comments on the ruling or IOU responses.

Fiscal Impacts: There are no direct fiscal impacts to MCE at this time.

III. California Energy Commission (CEC)

a. Integrated Energy Policy Report (IEPR)

The 2026 IEPR Update is currently underway. Through the IEPR process, the CEC will create the state’s baseline electricity and natural gas demand forecast. In August, the CEC hosted two workshops on inputs and assumptions for its energy demand forecasts. The first workshop focused on forecasts for known loads and data center forecasts. Known loads are energization requests at the distribution level, handled by the IOUs. Presentations from the workshop conveyed that known load and data center forecasts are large but still very uncertain in how much of the requested load will materialize. The second workshop focused on load modifiers, exploring the inputs and assumptions around behind-the-meter solar and storage supply in California, as well as various sensitivity scenarios for fuel substitution, transportation electrification, and energy efficiency.

MCE is currently working with CalCCA to file comments on the workshops by the September 15 deadline, after which the CEC will conduct their energy forecasts and release their draft results over November and December.

Fiscal Impacts: There are no direct fiscal impacts to MCE at this time. However, updates to the IEPR energy demand forecast are used by the CPUC to determine future compliance requirements, including procurement mandates. Thus, changes to the energy demand forecast may ultimately impact MCE's procurement costs.

IV. California Independent System Operator (CAISO)

a. Demand and Distributed Energy Market Integration (DDEMI)

The DDEMI working group is focused on the creation and enhancement of distributed energy resource (DER) participation models and market rules in the CAISO day-ahead and real-time markets.

In August, the CAISO postponed the planned August 27 meeting, as well as the release of a further Revised Straw Proposal for a model of end-use customer exports, until further notice.

Fiscal Impacts: There are no direct fiscal impacts to MCE at this time.

V. Bay Area Air District (Air District)

a. Regulation 9, Rule 6 – Building Appliance Rules

In August, MCE along with CleanPowerSF, Sonoma Clean Power, San Jose Clean Energy, and Silicon Valley Clean Energy (Joint CCAs) jointly submitted comments to the Air District supporting draft language on exemptions to Regulation 9, Rule 6 published in July 2026 on Small Water Heaters. In July, the Air District proposed delaying the existing implementation date of the rule from January 2027 to January 2028 and other limited exemptions. The Air District adopted Regulation 9, Rule 6 in March of 2023 and established a zero nitrogen oxides standard for all sales and installations of water heaters beginning with those manufactured after January 2027.

Following the adoption of Regulation 9, Rule 6 in March of 2023, Air District staff have collaborated with stakeholders, including CCAs, on potential amendments and research related to the corresponding technology readiness, possible costs, workforce, permitting, grid, equity and access to related incentives and financing topics.

In July 2026, the Air District proposed draft exemptions for space constrained installations, existing electrical system or panel upgrades, low-income qualified property owners, water heaters with less than 30 gallons capacity, delaying hydronic water heating systems until 2031, delay multifamily and deed-restricted affordable housing installations until 2033, businesses with high-heat demand (e.g. restaurants, healthcare, dry cleaners) and temporary emergency gas water heater installed by licensed contractor.

In August 2026 comments, Joint CCAs supported the draft exemptions because they respond to known space constrained installation issues, affordability, and equity issues. The Joint CCAs found the time extensions create more time for beneficial public education on the rules prior to the moment of an emergency replacement scenario. The Joint CCAs explained further support for low-income exemptions and recommended upgrades to streamline the proposed income verification process. The Joint CCAs finally supported sunset dates for temporary exemptions to help market certainty and planning.

The Air District is tentatively scheduled to vote on the draft exemptions in November 2026.

Fiscal Impacts: There are no direct fiscal impacts to MCE at this time.

Marin Clean Energy

2026 Financial Statement Audit

Auditor's Report to Governing Body

September 17, 2026

Agenda

01 / Audit Results

02 / Required Communication to Governing Body

03 / Impact of Future Standards

04 / Discussion

Credible audit leadership, proven utility experience

A dedicated Baker Tilly team with relevant experience across community choice aggregation, public power, energy markets, and regional utility organizations.

Relevant client experience

COMMUNITY CHOICE & AUTHORITIES

- Clean Power Alliance of Southern California
- Redwood Coast Energy Authority
- California Community Choice Financing Authority

ENERGY MARKETS & OPERATIONS

- California Independent System Operator
- Electric Reliability Council of Texas
- The Energy Authority
- Balancing Authority of Northern California

PUBLIC POWER & MUNICIPAL UTILITIES

- Sacramento Municipal Utility District
- Modesto Irrigation District
- Imperial Irrigation District
- Seattle City Light
- Gainesville Regional Utilities

REGIONAL, GENERATION & JOINT ACTION ENTITIES

- MSR Public Power Agency
- MSR Energy Authority
- Transmission Agency of Northern California
- Energy Northwest
- Lower Colorado River Authority
- Grand River Dam Authority

Engagement leadership

Aaron Worthman, CPA
Principal
28 years of experience

Ryan Theiler, CPA
Senior Audit Manager
10 years of experience

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Our responsibilities

As your independent auditor, our responsibilities include:

- Planning and performing the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement. Reasonable assurance is a high level of assurance.
- Assessing the risks of material misstatement of the basic financial statements, whether due to fraud or error. Included in that assessment is a consideration of MCE's internal control over financial reporting.
- Performing appropriate procedures based upon our risk assessment.
- Evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management.
- Forming and expressing an opinion based on our audit about whether the basic financial statements prepared by management, with the oversight of the Board of Directors:
  - Are free from material misstatement
  - Present fairly, in all material respects, and in accordance with accounting principles generally accepted in the United States of America
- Our audit of the basic financial statements does not relieve management or the Board of Directors of their responsibilities.

Planned scope and timing

- Audit focus
- Based on our understanding of MCE and the environment in which you operate, we focused our audit on the following key areas:
  - Key transaction cycles
  - Areas with significant estimates
- Our areas of audit focus were informed by, among other things, our assessment of materiality. Materiality in the context of our audit was determined based on specific qualitative and quantitative factors combined with our expectations about MCE's current year results.

Key areas of focus and significant findings

- **Other key areas of emphasis**
- We also focused on other areas that did not meet the definition of a significant risk but were determined to require specific awareness and a unique audit response.

Other key areas of emphasis		
Cash and investments	Revenues and receivables	General disbursements
Payroll	Net position calculations	Financial reporting and required disclosures

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Audit approach and results

- Audit performed in accordance with *Generally Accepted Auditing Standards*
- Audit objective – reasonable assurance that financial statements are free from material misstatement
- Financial statements of MCE received an *Unmodified Opinion*
- There were no material weaknesses or significant deficiencies in controls

Auditor communication to those charged with governance

Auditor responsibility & independence

Board responsibility

Accounting policies and estimates

Baker Tilly agrees with MCE's accounting policies and disclosures

There was no adjustment to the financial statements

No other audit findings or concerns

Other Recommendations

Future accounting standards update

GASB Statement Number	Description	Potentially Impacts You	Effective Date
103	Financial Reporting Model Improvements	✓	3/31/2027
104	Disclosure of certain capital assets	✓	3/31/2027
105	Subsequent events	✓	3/31/2028

Discussion

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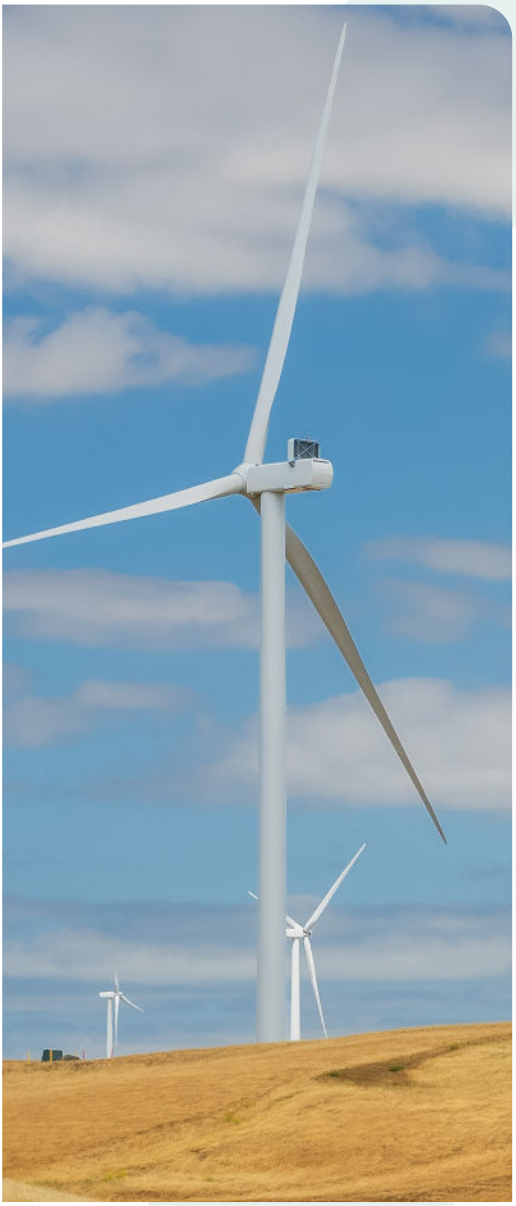
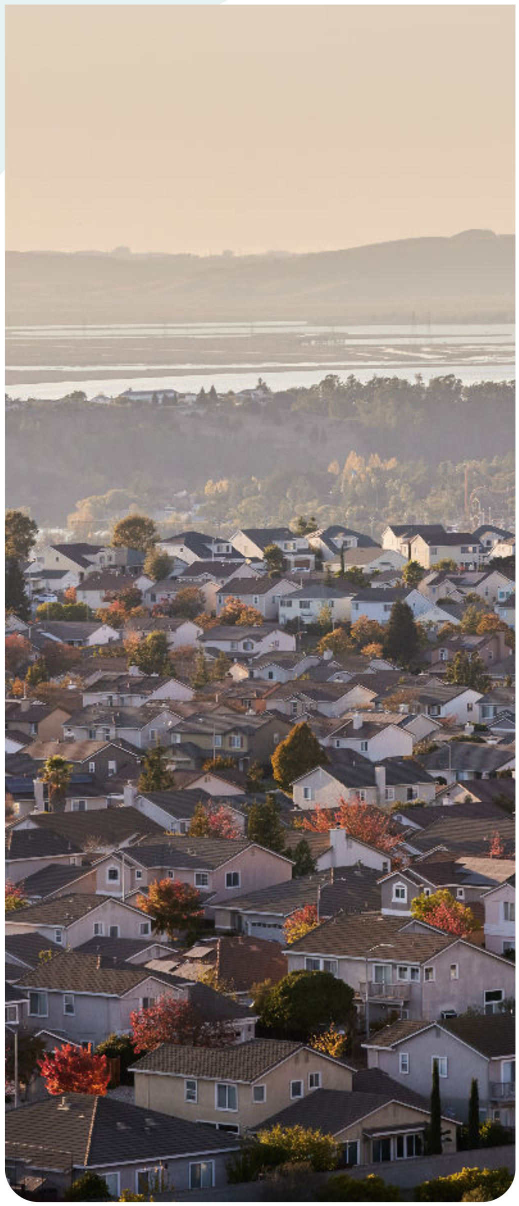
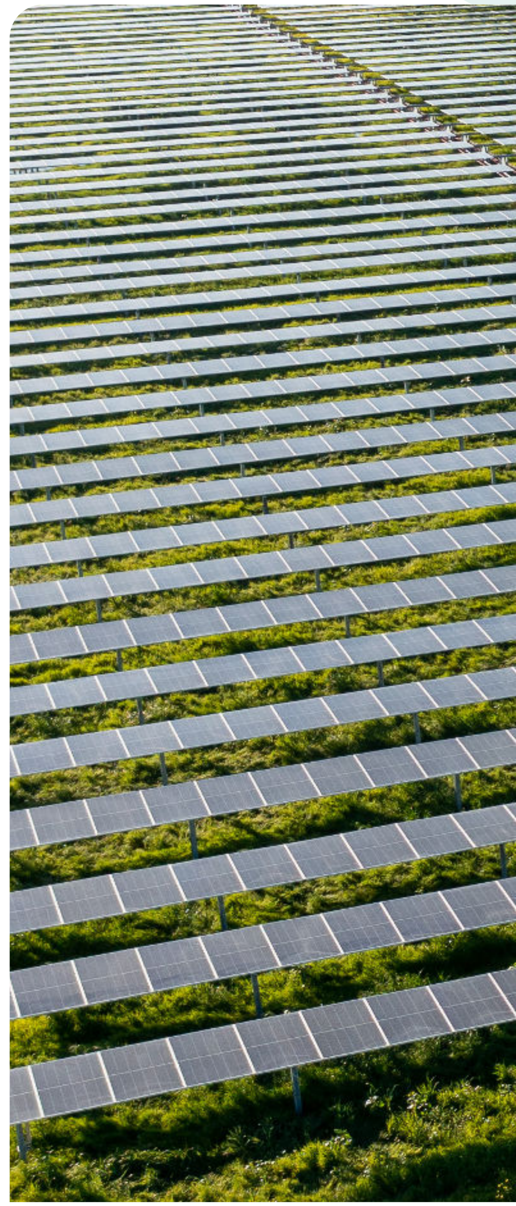
MCE

Financial Statements







Years ended March 31, 2026 & 2025
with Report of Independent Auditors

mceCleanEnergy.org

MARIN CLEAN ENERGY
YEARS ENDED MARCH 31, 2026 AND 2025
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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, 2026 and 2025, and the related notes to the financial statements, which collectively comprise the 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, 2026 and 2025, 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 the MCE and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 the 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 the 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 required supplementary information, as listed in the table of contents, 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
August 20, 2026

MARIN CLEAN ENERGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED MARCH 31, 2026 AND 2025
(UNAUDITED)

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. MCE's fiscal year runs from April 1 through March 31.

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

Overview of the Financial Statements

MCE's financial report contains basic financial statements:

- The *Statements of Net Position* include all of MCE's assets, liabilities, deferred inflows of resources, and net position and provide information about the nature and amounts 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.

(Continued)

Financial Summary

MCE's Net Position

	2026	2025	2024
Current assets	$ 479,004,853	$ 512,168,716	$ 426,376,427
Noncurrent assets			
Capital assets, net	6,189,785	555,816	863,432
Other noncurrent assets	174,819,822	166,328,849	164,792,317
Total noncurrent assets	181,009,607	166,884,665	165,655,749
Total assets	660,014,460	679,053,381	592,032,176
Current liabilities	91,705,235	192,190,329	118,346,661
Deferred inflows of resources	150,000,000	70,000,000	70,000,000
Net position:			
Net investment in capital assets	6,189,785	555,816	326,788
Restricted	17,581,784	15,000,000	15,000,000
Unrestricted	394,537,656	401,307,236	388,358,727
Total net position	$ 418,309,225	$ 416,863,052	$ 403,685,515

As of March 31, 2026, MCE's total net position was approximately $418 million, an increase of $1.446 million compared to March 31, 2025. See the discussion in the following section for the changes in the various components.

MCE's Changes in Net Position

	2026	2025	2024
Operating revenues	$ 701,422,195	$ 816,224,799	$ 767,779,391
Nonoperating revenues	21,369,348	25,354,208	15,420,160
Total income	722,791,543	841,579,007	783,199,551
Operating expenses	721,345,370	828,392,314	623,657,258
Nonoperating expenses	-	9,156	28,624
Total expenses	721,345,370	828,401,470	623,685,882
Change in net position	$ 1,446,173	$ 13,177,537	$ 159,513,669

For the year ended March 31, 2026, MCE's change in net position was an increase of approximately $1 million, a decrease of $12 million from the prior year. See the discussion in the following section for the changes in the various components.

Detailed Analysis

MCE continued to maintain a strong financial position during fiscal year 2026 while advancing its long-term objectives of rate stability, customer affordability, and prudent risk management. During the year, MCE increased its Operating Reserve Fund from $70 million to $150 million, remained debt-free, maintained investment-grade credit ratings, and strengthened its liquidity position. Although operating results were affected by the deferral of a portion of current-year revenues into reserves and by changes in energy market conditions, these actions reflect MCE's ongoing commitment to financial resilience and its ability to support customers through future market volatility. The following discussion highlights the key factors affecting MCE's financial performance and financial position during fiscal year 2026.

MCE's Operating Reserve Fund increased from $70,000,000 at the end of fiscal year 2025 to $150,000,000 at the end of fiscal year 2026. The Operating Reserve Fund allows MCE to defer revenues in years of strong financial performance for potential recognition in future periods when financial results may decline. The fiscal year 2026 deferral reduced the increase in net position but provides additional rate stabilization capacity to help MCE manage future energy market volatility and other financial risks.

Operating revenues decreased by $115,000,00 in fiscal year 2026 compared with fiscal year 2025. The decrease was primarily attributable to the $80,000,000 contribution to the Operating Reserve Fund, which is reported as a reduction of operating revenues. Retail electricity sales also declined by $36,000,000, reflecting slightly lower year over year electricity consumption. Mild weather during the summer of 2025 contributed to lower air-conditioning demand and, consequently, lower electricity load. MCE also receives revenue from sources other than retail customer sales, including grant revenue and liquidated damages resulting from electricity suppliers' noncompliance with contract provisions. Grant revenue increased modestly during the year, partially offsetting the decline in retail electricity sales.

Operating expenses decreased by $107,000,000 in fiscal year 2026 compared with fiscal year 2025. The decrease was primarily attributable to a $116,000,000 reduction in the cost of electricity. Several factors contributed to the lower cost of electricity. Renewable energy deliveries under a short-term contract occurred earlier than anticipated, shifting a significant portion of the related costs to fiscal year 2025. The contract allowed the seller discretion over the timing of deliveries within the applicable calendar year, and energy delivered under the contract was priced during a period of elevated renewable energy prices. As a result, fiscal year 2025 included a greater concentration of these higher-cost deliveries than fiscal year 2026.

Detailed Analysis (Continued)

Fiscal year 2026 costs also benefitted from lower electricity demand due to unusually cool weather, which contributed to lower California Independent System Operator (CAISO) market and settlement costs. Costs associated with renewable energy, resource adequacy, and contracts used to manage exposure to market price volatility were also lower than in the prior year. These decreases were partially offset by higher costs for certain carbon-free energy resources. Overall, the year over year decrease reflects the timing and pricing of contracted energy deliveries, lower customer demand, and more favorable energy market conditions during fiscal year 2026.

The table below summarizes the year-over-year change in MCE's main cost of energy categories.

	2026	2025	2024	$ change from 2026 to 2025	% change from 2026 to 2025
Energy contracts	$ 522,072,000	$ 626,255,000	$ 468,797,000	$ (104,183,000)	-17%
Resource adequacy	130,444,000	142,264,000	102,607,000	(11,820,000)	-8%
Total	$ 652,516,000	$ 768,519,000	$ 571,404,000	$ (116,003,000)	-15%

Energy contracts include PCC1 renewable energy agreements, non-renewable energy agreements, carbon free energy agreements, large hydro or asset-controlling supplier deals, and CAISO settlement costs.

Energy costs fluctuate based on retail load, market prices, renewable energy and resource adequacy requirements, contract terms, hydroelectric and renewable generation, CAISO settlements, congestion, and the timing and mix of procurement. The decrease in the cost of electricity was partially offset by increases in contract services, staff compensation, and other operating expenses necessary to support MCE's operations, regulatory requirements, customer programs, and expanded service area.

Current assets decreased from $512,000,000 at the end of fiscal year 2025 to $479,000,000 at the end of fiscal year 2026. The decrease primarily reflects a shift in the maturity composition of MCE's investment portfolio, including a $60,000,000 decrease in investments classified as current, partially offset by a $53,000,000 increase in unrestricted cash and cash equivalents. Current assets at the end of fiscal year 2026 were primarily comprised of cash and investments of $354,000,000, accounts receivable of $68,000,000, and accrued revenue of $29,000,000.

Capital assets are reported net of depreciation and amortization. Each year, the change is mostly due to capital asset acquisitions, less depreciation and amortization expenses. Capital assets include leasehold improvements, furniture and equipment, and real estate related to MCE's office premises. Capital assets, net of accumulated depreciation and amortization, increased from $600,000 at the end of fiscal 2025 to $6,000,000 at the end of fiscal year 2026. The increase primarily resulted from MCE's acquisition of land and an office building during fiscal year 2026.

Currently Known Facts, Decisions, or Conditions (continued)

Other noncurrent assets include investments of $175,000,000 and $166,000,000 at the end of fiscal years 2026 and 2025, respectively. MCE manages its investment portfolio in accordance with its adopted investment policy, with consideration given to safety, liquidity, maturity, diversification, and anticipated cash-flow requirements.

Current liabilities decreased from $192,000,000 at the end of fiscal year 2025 to $92,000,000 at the end of fiscal year 2026. The largest component of current liabilities is the cost of electricity delivered to customers that was not yet paid by MCE at the end of the fiscal year. Accrued cost of electricity was approximately $59,000,000 and $158,000,000 at the end of fiscal years 2026 and 2025, respectively. The fiscal 2025 balance was comparatively high because it included substantial uninvoiced deliveries under a renewable energy contract executed during a period of elevated renewable energy prices. The fiscal 2026 balance included a lower amount of delivered energy for which invoices had not yet been received at year-end. Accordingly, the decrease primarily reflects differences in the amount and cost of delivered, but uninvoiced energy included in the accrual at each fiscal year-end. Accrued cost of electricity may fluctuate from year to year based on the timing and volume of energy deliveries, supplier invoicing and settlement activity, contractual payment terms, and the prices applicable to the products delivered.

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, leasehold improvements and real estate. In July 2025, MCE purchased an office building and land for $5,400,000.

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 was effective until May 2026 and subsequently amended as described in Currently Known Facts, Decisions, or Conditions.

MCE signs renewable energy agreements, procures electricity 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 Plan. 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 procure for their customers.

Currently Known Facts, Decisions, or Conditions (continued)

As of March 31, 2026, MCE had executed RPS contracts of ten years or more in duration that are projected to meet MCE's Senate Bill 350 long-term contracting requirements. Additionally, MCE is planning to continue its long-term RPS procurement as opportunities arise. Expected obligations under power purchase agreements totaled approximately $6.0 billion as of March 31, 2026 and $5.9 billion as of March 31, 2025. Actual future costs under these agreements may vary based on the timing and volume of energy deliveries, contract performance, and curtailment. MCE manages these risks by aligning procurement with forecast customer demand, diversifying its portfolio by technology, project location, contract term, delivery profile, and supplier. MCE also maintains counterparty credit, collateral, liquidity, and energy-risk-management practices.

Effective April 1, 2026, MCE implemented a 14% reduction in customer generation rates. MCE also implemented a temporary bill credit of $0.0062 per kilowatt-hour through December 2026 and approved an additional $10.0 million for the MCE Cares Credit program, which provides bill assistance to qualifying residential and small-business customers. These rate actions were adopted in consideration of declining forecasted energy costs, MCE's revenue requirements, rate competitiveness, and increases in the Power Charge Indifference Adjustment, or PCIA, charged by PG&E to MCE customers. The rate reduction, temporary bill credit, and expanded customer assistance are expected to reduce fiscal year 2027 operating revenues compared with the amounts that would have been generated under the prior rates schedule. To partially offset this reduction, MCE's Board approved the recognition of $62.0 million of previously deferred Operating Reserve Fund revenue during fiscal year 2027. Actual operating results may vary based on customer electricity usage, weather, market conditions, and future rate actions.

The PCIA is a state-authorized charge assessed and collected by PG&E from customers receiving generation service from community choice aggregators, including MCE. Changes in the PCIA do not directly affect MCE's reported revenues or expenses; however, they affect customers' total electricity bills and may influence MCE's rate competitiveness, customer participation, and future rate-setting decisions. The 2026 increase in the PCIA was one of the factors considered by MCE when approving the generation-rate reduction, temporary bill credit, and expansion of customer bill assistance. MCE will continue to monitor regulatory proceedings and changes in PG&E charges when evaluating future rates and customer programs.

In May 2026, S&P Global Ratings affirmed MCE's A issuer credit rating with a stable outlook. The rating assessment cited MCE's liquidity, diversified renewable energy portfolio, broad customer base, customer retention, and absence of outstanding debt. Fitch Ratings also maintained MCE's A- issuer default rating following its December 2025 review. MCE's investment-grade ratings support its ability to negotiate energy supply agreements and access financing and liquidity facilities on favorable terms.

Currently Known Facts, Decisions, or Conditions (continued)

In July 2026, following a 45-day extension, MCE finalized an amendment to its revolving credit agreement with Royal Bank of Canada. The amendment extended the facility through May 2027 and increased the available commitment from $60 million to $80 million. As of the date of this report, MCE had no outstanding borrowings or standby letters of credit under the facility. The facility provides an additional source of liquidity for operating and energy procurement requirements.

MCE continues to evaluate a Remedial Action Scheme, or RAS, in coordination with CAISO and PG&E to reduce curtailment affecting a contracted solar project in California's Central Valley. If implemented, the software-based solution may improve project deliverability and reduce curtailment-related energy costs. MCE budgeted approximately $10.2 million of capital outlay for the project in fiscal year 2027. The project's timing, ownership structure, implementation costs, regulatory approvals, and ultimate financial effects remain subject to technical evaluation and negotiations.

BASIC FINANCIAL STATEMENTS

MARIN CLEAN ENERGY

STATEMENTS OF NET POSITION

MARCH 31, 2026 AND 2025

	2026	2025
ASSETS		
Current assets		
Cash and cash equivalents - unrestricted	$ 242,125,512	$ 189,331,563
Cash equivalents - restricted for grant purposes	16,270,080	22,294,426
Cash equivalents - restricted for security reserve	17,581,784	15,000,000
Accounts receivable, net of allowance	67,953,267	63,716,419
Accrued revenue	29,032,067	32,246,942
Other receivables	18,803,237	22,849,094
Prepaid expenses	1,071,840	2,372,584
Investments	78,048,161	138,291,067
Deposits	8,118,905	26,066,621
Total current assets	479,004,853	512,168,716
Noncurrent assets		
Investments	174,622,647	166,170,227
Capital assets, net of depreciation and amortization	6,189,785	555,816
Deposits	197,175	158,622
Total noncurrent assets	181,009,607	166,884,665
Total assets	660,014,460	679,053,381
LIABILITIES		
Current liabilities		
Accrued cost of electricity	58,642,896	158,422,801
Accounts payable	4,433,294	3,980,165
Other accrued liabilities	10,160,357	5,353,759
User taxes and energy surcharges due to other governments	1,341,808	1,282,378
Security deposits - energy suppliers	856,800	856,800
Advances from grantors	16,270,080	22,294,426
Total current liabilities	91,705,235	192,190,329
DEFERRED INFLOWS OF RESOURCES		
Operating Reserve Fund	150,000,000	70,000,000
NET POSITION		
Net position		
Net investment in capital assets	6,189,785	555,816
Restricted	17,581,784	15,000,000
Unrestricted	394,537,656	401,307,236
Total net position	$ 418,309,225	$ 416,863,052

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, 2026 AND 2025

	2026	2025
OPERATING REVENUES		
Electricity sales, net	$ 768,857,882	$ 801,542,634
Rate stabilization	(80,000,000)	-
Grant revenue	11,829,585	14,393,254
Other revenue	734,728	288,911
Total operating revenues	701,422,195	816,224,799
OPERATING EXPENSES		
Cost of electricity	652,516,462	768,519,084
Contract services	23,707,524	22,184,759
Staff compensation	28,475,316	24,719,274
Other operating expenses	16,417,632	12,336,595
Depreciation and amortization	228,436	632,602
Total operating expenses	721,345,370	828,392,314
Operating loss	(19,923,175)	(12,167,515)
NONOPERATING REVENUES (EXPENSES)		
Investment income	21,369,348	25,354,208
Finance costs	-	(9,156)
Nonoperating revenues (expenses), net	21,369,348	25,345,052
CHANGE IN NET POSITION	1,446,173	13,177,537
Net position at beginning of year	416,863,052	403,685,515
Net position at end of year	$ 418,309,225	$ 416,863,052

The accompanying notes are an integral part of these financial statements

MARIN CLEAN ENERGY

STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2026 AND 2025

	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 782,441,917	$ 811,751,482
Receipts from grantors	6,228,908	12,584,238
Receipts of security deposits	18,988,991	4,118,400
Receipts from wholesale sales and other operating activities	23,803,994	61,191
Payments to suppliers for electricity and collateral	(769,518,931)	(705,397,207)
Payments for other goods and services	(39,785,558)	(35,595,730)
Payments for deposits and collateral	(449,563)	(21,226,265)
Payments for staff compensation	(27,094,705)	(22,614,450)
Payments of taxes and surcharges to other governments	(13,249,249)	(12,818,095)
Net cash provided (used) by operating activities	(18,634,196)	30,863,564
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments of lease liabilities	-	(545,801)
Payments to acquire capital assets	(5,612,405)	(324,986)
Net cash used by capital and related financing activities	(5,612,405)	(870,787)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	23,355,477	16,641,296
Proceeds from sales and maturities of investments	115,447,674	47,017,973
Purchase of investments	(65,205,163)	(78,375,562)
Net cash provided (used) by investing activities	73,597,988	(14,716,293)
NET INCREASE IN CASH AND CASH EQUIVALENTS	49,351,387	15,276,484
Cash and cash equivalents at beginning of year	226,625,989	211,349,505
Cash and cash equivalents at end of year	$ 275,977,376	$ 226,625,989
Reconciliation to the Statement of Net Position		
Cash and cash equivalents - unrestricted	$ 242,125,512	$ 189,331,563
Cash equivalents - restricted for grant purposes	16,270,080	22,294,426
Cash equivalents - restricted for security reserve	17,581,784	15,000,000
Cash and cash equivalents	$ 275,977,376	$ 226,625,989
NONCASH INVESTING ACTIVITIES:		
Change in fair value of investments	$ (667,708)	$ 8,712,912
Change in interest receivable	$ (1,318,421)	$ 81,606

The accompanying notes are an integral part of these financial statements

MARIN CLEAN ENERGY

STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2026 AND 2025
(Continued)

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

	2026	2025
Operating loss	$ (19,923,175)	$ (12,167,515)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation and amortization expense	228,436	632,602
(Increase) decrease in:		
Accounts receivable, net	(4,236,848)	(2,268,779)
Accrued revenue	3,214,875	(334,474)
Other receivables	2,727,436	(16,944,778)
Prepaid expenses	1,300,744	(1,400,381)
Deposits	18,539,430	(11,033,423)
Increase (decrease) in:		
Accrued cost of electricity	(99,779,905)	90,472,512
Accounts payable	453,129	(572,277)
Other accrued liabilities	4,806,598	2,640,346
User taxes and energy surcharges due to other governments	59,430	(5,994)
Security deposits - energy suppliers	-	(126,600)
Operating Reserve Fund contribution	80,000,000	-
Advances from grantors	(6,024,346)	(18,027,675)
Net cash provided (used) by operating activities	$ (18,634,196)	$ 30,863,564

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, 2026, the 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	Vallejo
Hercules	Larkspur	St. Helena	Unincorporated area
Lafayette	Mill Valley	Yountville	
Martinez	Novato	Unincorporated area	
Moraga	Ross		
Oakley	San Anselmo		
Pinole	San Rafael		
Pittsburg	Sausalito		
Pleasant Hill	Tiburon		
Richmond	Unincorporated area		
San Pablo			
San Ramon			
Walnut Creek			
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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

REPORTING ENTITY (Continued)

MCE's mission is to confront the climate crisis by eliminating fossil fuel greenhouse gas emissions, producing renewable energy, and creating an equitable community. MCE provides electricity 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 by ratepayers and regulated by the California Public Utilities Commission.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and reserves required by MCE's line of credit agreement.

INVESTMENTS

Investments are stated at fair value based on prices listed on a national exchange for debt securities except for certificates of deposit which 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 following types of investments:

Local Agency Investment Fund (LAIF)
United States Treasury obligations
Federal agency securities
Commercial paper
Certificates of deposits
Money market funds
Municipal securities
Corporate bonds
Collateralized mortgage obligations
Supranationals

OTHER RECEIVABLES

At March 31, 2026 and 2025, the balance of other receivables totaled approximately $18,803,000 and $22,849,000, respectively. These amounts primarily consist of receivables related to the resale of excess energy purchased, anticipated refunds from suppliers due to overpayments, and accrued investment income. These receivables are expected to be collected within the next fiscal year and are considered fully collectible.

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 cost of the leased asset is amortized over the term of the leases. The lease liability is the present value of payments expected to be paid to the lessor during the lease term. MCE's leased asset and liability are related to its office lease that expired in March 2025.

CAPITAL ASSETS AND DEPRECIATION

MCE's policy is to capitalize furniture and equipment costing over $5,000 that are 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, ten years for leasehold improvements, and 30 years for buildings. MCE does not own any electric generation, transmission, or distribution assets.

SECURITY DEPOSITS FROM ENERGY SUPPLIERS

Various energy contracts 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 increase in net position is 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 in operating revenues and reported on the statements of net position as a deferred inflow of resources. Although the ORF Policy establishes a targeted maximum balance of 10% of current-year revenues, the Board approved a one-time waiver of the policy in fiscal year 2026 to permit a balance beyond this limit. Transfers to this fund were $80,000,000 and $0 in fiscal years 2026 and 2025, 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, 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.

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 NONOPERATING REVENUE

Operating revenues include energy sales 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 also include contributions to and distributions from the Operating Reserve Fund.

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

REVENUE RECOGNITION

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

OPERATING AND NONOPERATING EXPENSES

Operating expenses include the costs of electricity, services, administrative expenses, and amortization and depreciation of capital assets. Nonoperating expenses include expenses relating to financing.

COST OF ELECTRICITY

During the normal course of business MCE purchases electrical power from numerous suppliers. Electricity costs include the cost of electricity and generation capacity arising from bilateral contracts with energy suppliers and for generation credits, load and other charges arising from MCE’s participation in the California Independent System Operator’s (CAISO) centralized market. The cost of electricity and capacity is recognized as “Cost of Electricity” in the Statements of Revenues, Expenses and Changes in Net Position.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

COST OF ELECTRICITY (Continued)

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.

MCE purchases capacity commitments from qualifying electricity generators to comply with the California Energy Commission's Resource Adequacy Program. The goals of the Resource Adequacy Program are to provide sufficient resources to CAISO to ensure the safe and reliable operation of the electricity grid in real-time and to provide appropriate incentives for the siting and construction of new resources needed for reliability in the future.

STAFFING COSTS

MCE pays employees semi-monthly and fully satisfies its obligation for health benefits and contributions to its defined contribution retirement plan. MCE does not provide post-employment healthcare or other fringe benefits and accordingly, no related liability is recorded in these financial statements.

MCE provides compensated absences, including paid time off, which are accrued when earned and recorded as part of accrued liabilities. The liability includes leave that is attributable to services already rendered, accumulates, and is more likely than not to be used or paid. The liability is measured using the employee's pay rate as of the financial statement date.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

RECLASSIFICATIONS

Certain amounts reported in the prior year's 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 changes to 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 accounts. MCE's deposits are subject to California Government Code Section 16521 which requires banks to provide 110% collateralization on public funds in excess of the Federal Deposit Insurance Corporation (FDIC) limit of $250,000. Certain short-term investments with original maturities of less than three months are classified as cash and cash equivalents, which are not subject to the collateral requirement or FDIC coverage previously mentioned. Accordingly, the amount of risk is not disclosed. MCE monitors its risk on an ongoing basis.

3. ACCOUNTS RECEIVABLE

The balances of accounts receivable were as follows as of March 31:

	2026	2025
Accounts receivable from customers	$ 112,934,268	$ 98,746,419
Allowance for uncollectible accounts	(44,981,001)	(35,030,000)
Net accounts receivable	$ 67,953,267	$ 63,716,419

The majority of accounts receivable are collected within a few months after billing. MCE records and allowance for uncollectible accounts based on historical collection experience, customer aging, and other relevant factors. 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 be successful in collecting older accounts.

4. INVESTMENTS

During the years ended March 31, 2026 and 2025, MCE held investments with original maturities of three months or more. As of March 31, the fair value of investments, except for certificates of deposit which are stated at cost, was as follows:

	2026	2025	Level
Current Investments:			
U.S. Treasury securities	$ 16,481,262	$ 11,423,887	1
U.S. agency obligations	5,517,068	1,509,316	2
Asset backed securities	-	1,720,609	2
Collateralized mortgage obligations	-	743,359	2
Mutual Funds 457(f) plan	1,046,879	-	2
Certificates of deposit	55,002,952	122,893,896	NA
Total current investments	$ 78,048,161	$ 138,291,067	

	2026	2025	Level
Noncurrent Investments:			
U.S. Treasury securities	$ 59,903,669	$ 52,915,296	1
U.S. agency obligations	6,555,936	13,082,124	2
Asset backed securities	17,685,499	19,432,656	2
Collateralized mortgage obligations	24,256,597	21,333,952	2
Corporate bonds	55,666,130	48,919,999	2
Municipal bonds	1,785,935	1,771,864	2
Supranational	8,768,881	8,714,336	2
Total noncurrent investments	$ 174,622,647	$ 166,170,227	

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.

U.S. Treasury securities are classified as Level 1 inputs because they rely on unadjusted, quoted prices in active markets for identical assets.

Other investments, other than certificates of deposits, are classified as Level 2 inputs as they were valued using institutional bond quotes or valuations based on various market inputs.

4. INVESTMENTS (Continued)

FAIR VALUE MEASUREMENT (CONTINUED

Certificates of deposits are based on nominal value which is materially consistent with fair value.

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.

CREDIT RISK

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Certain investments, such as obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk. As of March 31, 2026 and 2025, MCE's investments were rated as follows:

	Standard & Poor's	
	2026	2025
Asset backed securities	NR- to AAA	NR- to AAA
Corporate bonds	BBB+ to AA+	A- to AAA
Municipal bonds	AA-	AA
Supranational	AAA	AAA
Certificates of deposit	NR	NR

MCE's investment policy addresses this risk. MCE's investment policy limits investments to those allowed by Section 53601 of the California Government Code that addresses the risk allowable for each investment.

CUSTODIAL CREDIT RISK

Cash and cash equivalents

Custodial credit risk is the risk that in the event of a financial institution failure, MCE's deposits may not be returned to MCE. MCE's deposits are subject to California Government Code Section 16521, which requires banks to collateralize public funds in excess of the FDIC limit of $250,000 by 110%.

4. INVESTMENTS (Continued)

CUSTODIAL CREDIT RISK (CONTINUED)

As of March 31, 2026 and 2025, none of MCE's bank balances are known to be individually exposed to credit risk.

CUSTODIAL CREDIT RISK – INVESTMENTS

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, 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 custodial credit risk.

MCE's investment policy addresses this risk. All investments owned by MCE are to 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. Duration 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, 2026:

		Investment Maturities	
Investment Type	**Fair Value**	**Under 1 Year**	**1-5 Years**
U.S. Treasury securities	$ 76,384,931	$ 16,481,262	$ 59,903,669
U.S. agency obligations	12,073,004	5,517,068	6,555,936
Asset backed securities	17,685,499	-	17,685,499
Collateralized mortgage obligations	24,256,597	-	24,256,597
Corporate bonds	55,666,130	-	55,666,130
Municipal bonds	1,785,935	-	1,785,935
Supranational	8,768,881	-	8,768,881
Mutual Funds 457f deposits	1,046,879	1,046,879	-
Certificates of deposit	55,002,952	55,002,952	-
	$252,670,808	$ 78,048,161	$ 174,622,647

4. INVESTMENTS (Continued)

INTEREST RATE RISK (Continued)

Following is a summary of investment maturities as of March 31, 2025:

		Investment Maturities	
Investment Type	**Fair Value**	**Under 1 Year**	**1-5 Years**
U.S. Treasury securities	$ 64,339,183	$ 11,423,887	$ 52,915,296
U.S. agency obligations	14,591,440	1,509,316	13,082,124
Asset backed securities	21,153,265	1,720,609	19,432,656
Collateralized mortgage obligations	22,077,311	743,359	21,333,952
Corporate bonds	48,919,999	-	48,919,999
Municipal bonds	1,771,864	-	1,771,864
Supranational	8,714,336	-	8,714,336
Certificates of deposit	122,893,896	122,893,896	-
	$304,461,294	$138,291,067	$ 166,170,227

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss to the magnitude of MCE's investment in a single issuer. MCE manages the concentration of credit risk by diversifying its portfolio so that reliance on any one issuer will not place an undue burden on MCE.

As of March 31, 2026 and 2025, MCE's investment portfolio was concentrated as follows:

		Percentage of Portfolio	
Issuer	**Investment Type**	**2026**	**2025**
Federal Home Loan Mortgage Corporation (Freddie Mac)	U.S. agency implicitly guaranteed	9.6%	7.3%

MARIN CLEAN ENERGY

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2026 AND 2025

5. CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2026, was as follows:

	Beginning balance	Increases	Decreases	Ending balance
Capital assets not being depreciated:				
Land	$ -	$ 2,025,000	$ -	$ 2,025,000
Capital assets being depreciated and amortized:				
Furniture and equipment	783,928	80,239	(184,982)	679,185
Leasehold improvements	1,089,769	202,221	(1,072,028)	219,962
Software	307,245	180,000	-	487,245
Building	-	3,591,751	-	3,591,751
Total capital assets being depreciated and amortized:	2,180,942	4,054,211	(1,257,010)	4,978,143
Less accumulated depreciation and amortization	(1,625,126)	(228,436)	1,040,204	(813,358)
Total capital assets, net of depreciation and amortization	$ 555,816	$ 5,850,775	$ (216,806)	$ 6,189,785

Capital asset activity for the year ended March 31 2025, was as follows:

	Beginning balance	Increases	Decreases	Ending balance
Capital assets being depreciated and amortized:				
Furniture and equipment	$ 799,573	$ -	$ (15,645)	$ 783,928
Leasehold improvements	1,072,028	17,741	-	1,089,769
Software	-	307,245	-	307,245
Intangible assets-buildings	2,878,560	-	(2,878,560)	-
Total capital assets being depreciated and amortized:	4,750,161	324,986	(2,894,205)	2,180,942
Less accumulated depreciation and amortization	(3,886,729)	(632,602)	2,894,205	(1,625,126)
Total capital assets, net of depreciation and amortization	$ 863,432	$ (307,616)	$ -	$ 555,816

6. DEBT

LINE OF CREDIT AND LETTERS OF CREDIT

MCE has a $60 million revolving credit agreement with Royal Bank of Canada (RBC) that matures in May 2026. The agreement enhances MCE's overall liquidity for potential working capital needs, collateral requirements, and enhances MCE's investment credit rating. The agreement requires MCE to hold $15 million in an operating reserve account. See the subsequent event note for further details.

MCE had no standby Letters of Credit or amounts outstanding under its lines of credit agreement as of March 31, 2026, and 2025. Any unused balance is subject to a 0.33% fee per annum.

7. GRANTS

MCE administers various grants from the California Public Utilities Commission (CPUC), California Energy Commission, and other sources. MCE's primary source of grant funding is through its CPUC-funded Energy Efficiency (EE) programs. MCE administers several programs under this funding source. Grant revenues are recognized when corresponding eligible expenses are incurred.

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

	2026	2025
Operating grants:		
EE	$ 11,009,121	$ 10,160,223
Other	820,464	4,233,031
	$ 11,829,585	$ 14,393,254

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. On March 31, 2026 and 2025, MCE had 108 and 102 plan participants, respectively. MCE is required to contribute 10% of covered payroll to the Plan and contributed approximately $2,035,000 and $1,679,000 during the years ended March 31, 2026 and 2025, 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. NONQUALIFIED DEFERRED COMPENSATION PLAN

Marin Clean Energy sponsors a nonqualified deferred compensation plan under Section 457(f) of the Internal Revenue Code for certain eligible employees. The plan is structured as a retention incentive to qualified personnel still employed and is not subject to the contribution limits applicable to qualified plans.

Under the terms of the plan, eligible employees may receive deferred compensation benefits upon meeting specified vesting conditions. The benefits are subject to a substantial risk of forfeiture until the vesting date, at which point the deferred amounts become taxable to the employee.

As of March 31, 2026 and 2025, the total liability recognized in the statement of net position for the 457(f) plan was $1,157,000 and $498,000, respectively.

10. 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.

10. RISK MANAGEMENT (Continued)

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 highly rated 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 MCE's website.

11. 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 (GHG) free products and to ensure stable and competitive electric rates for its customers.

The following table details the obligations to purchase existing energy, renewable, and RA contracts as of March 31, 2026:

Year ended March 31,	
2027	$ 520,000,000
2028	460,000,000
2029	380,000,000
2030	370,000,000
2031	370,000,000
2032-51	3,900,000,000
Total	$ 6,000,000,000

12. LEASES

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. The leases have expired and there are no future minimum lease payments as of March 31,2025.

STORAGE CONTRACT ARRANGEMENTS

Related to providing electricity to its customers, MCE 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 $12,986,000 and $4,260,000 in fiscal years 2026 and 2025, respectively.

13. JOINT VENTURE

MCE participates in a joint powers agreement (JPA) through the California Community Choice Financing Authority (CCCFA). CCCFA was formed to assist its members by undertaking the financing or refinancing of energy prepayments through tax-advantaged bonds on behalf of one or more of the members by 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 do not constitute an asset or reserve of that member.

13. JOINT VENTURE (Continued)

CCCFA issued the following bonds, excluding original issue premiums, which are to be used to finance energy purchases that will be delivered to MCE. No debt, liability, obligation of CCCFA is a debt, liability, or obligation of MCE.

Deal	Date issued	Amount Issued	Outstanding as of March 31, 2026	Outstanding as of March 31, 2025
2021A	November 2021	$ 602,655,000	$ 596,830,000	$ 598,715,000
2023G	December 2023	1,038,285,000	1,038,285,000	1,038,285,000
2025B	June 2025	1,062,605,000	1,062,605,000	-
		$ 2,703,545,000	$ 2,697,720,000	$ 1,637,000,000

MCE purchases energy from CCCFA in the same manner as it purchases energy from other suppliers. MCE purchased approximately $99,800,000 and $69,680,000 from CCCFA during the fiscal years ended March 31, 2026 and 2025, respectively. The outstanding commitments to purchase from CCCFA are included in Note 11. This amount represents executed energy contracts assigned to CCCFA as of March 31, 2026. Additional contracts may be assigned while the bond is outstanding.

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

14. CONTINGENCY

MCE is involved in pending contract related litigation. The complaint seeks damages of approximately $35 million, including attorney fees. MCE, after consultation with legal counsel, believes it has meritorious and complete defenses to the claims asserted. However, no assurance can be given as to the ultimate outcome of the litigation. Accordingly, no liability has been recorded in the accompanying financial statements.

15. SUBSEQUENT EVENT

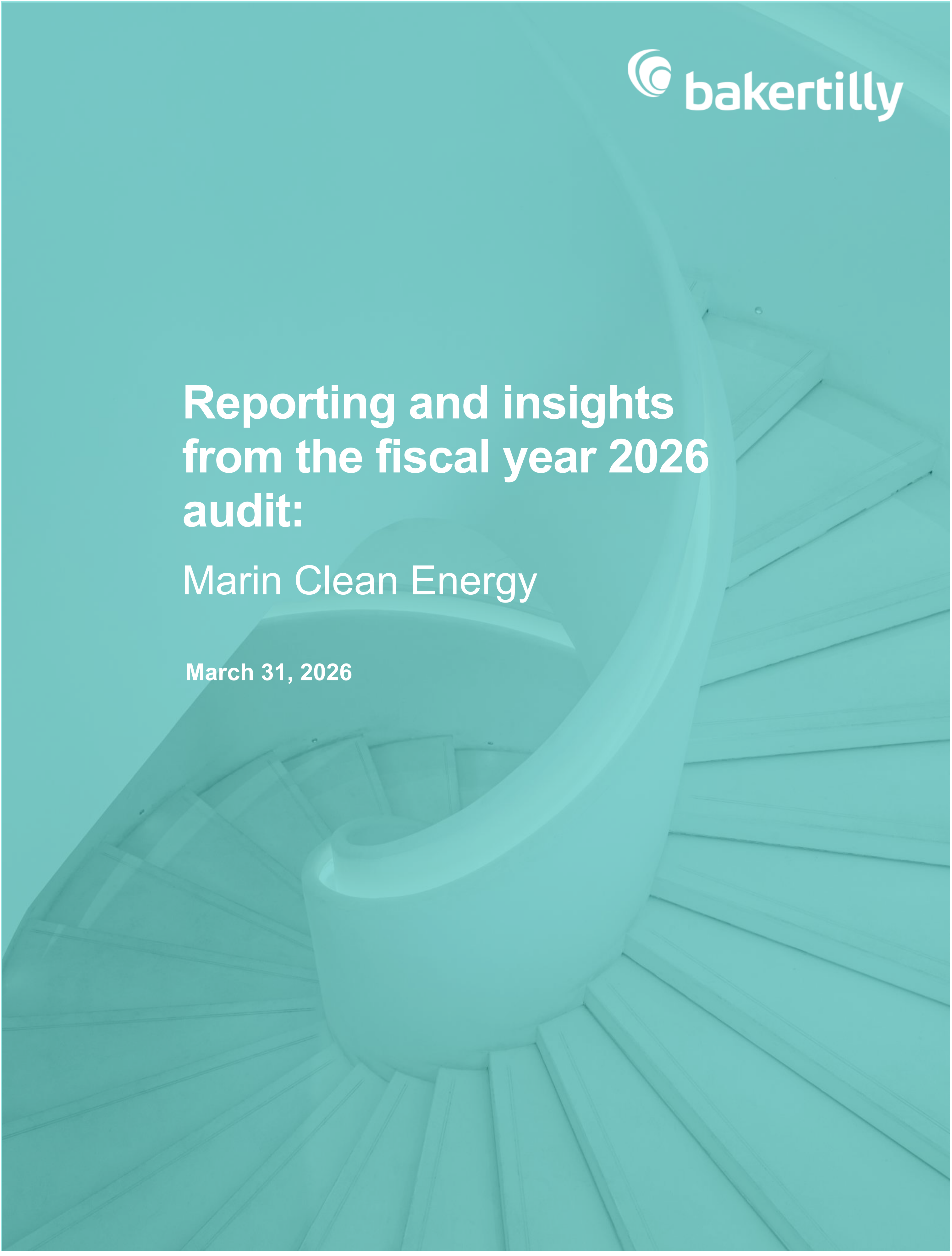
In July 2026, MCE extended their revolving credit agreement with Royal Bank of Canada. The credit line is $80 million until May 2027.

16. RECENTLY ADOPTED AND FUTURE ACCOUNTING PRONOUNCEMENTS

MCE implemented GASB Statement No. 102, *Certain Risk Disclosures*, which requires additional disclosures regarding concentrations and constraints that could impact MCE's financial position or results of operations. Implementation of this statement did not have a material effect on the financial statements.

GASB Statements No. 103, *Financial Reporting Model Improvements* and No .104, *Disclosure of Certain Capital Assets* are effective for fiscal years beginning after June 15, 2025. Management is evaluating the effect of implementation of this statement.

GASB Statements No. 105, *Subsequent Events*, is effective for fiscal years beginning after June 15, 2026. Management is evaluating the effect of implementation of this statement.



bakertilly

Reporting and insights from the fiscal year 2026 audit:

Marin Clean Energy

March 31, 2026

Executive summary

August 20, 2026

To the Board of Directors
Marin Clean Energy
1125 Tamalpais Avenue
San Rafael, CA 94901

We have completed our audit of the financial statements of Marin Clean Energy (MCE) for the year ended March 31, 2026, and have issued our report thereon dated August 20, 2026. This letter presents communications required by our professional standards.

Your audit should provide you with confidence in your financial statements. The audit was performed based on information obtained from meetings with management, data from your systems, knowledge of your operating environment and our risk assessment procedures. We strive to provide you clear, concise communication throughout the audit process and of the final results of our audit.

Additionally, we have included information on key risk areas MCE should be aware of in your strategic planning. We are available to discuss these risks as they relate to your organization's financial stability and future planning.

If you have questions at any point, please connect with us:

- Aaron Worthman, Principal: Aaron.Worthman@bakertilly.com or +1 (512) 975 7281
- Ryan Theiler, Senior Manager: Ryan.Theiler@bakertilly.com or +1 (608) 240 2571

Sincerely,

Baker Tilly US, LLP

Aaron Worthman

Aaron Worthman, CPA
Principal

Responsibilities

Our responsibilities

As your independent auditor, our responsibilities include:

- Planning and performing the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high level of assurance.
- Assessing the risks of material misstatement of the financial statements, whether due to fraud or error. Included in that assessment is a consideration of MCE’s internal control over financial reporting.
- Performing appropriate procedures based upon our risk assessment.
- Evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management.
- Forming and expressing an opinion based on our audit about whether the financial statements prepared by management, with the oversight of the Board of Directors:
  - Are free from material misstatement
  - Present fairly, in all material respects and in accordance with accounting principles generally accepted in the United States of America
- Our audit does not relieve management or the Board of Directors of their responsibilities.

We are also required to communicate significant matters related to our audit that are relevant to the responsibilities of the Board of Directors, including:

- Internal control matters
- Qualitative aspects of MCE’s accounting practice including policies, accounting estimates and financial statement disclosures
- Significant unusual transactions
- Significant difficulties encountered
- Disagreements with management
- Circumstances that affect the form and content of the auditors' report
- Audit consultations outside the engagement team
- Corrected and uncorrected misstatements
- Other audit findings or issues

Audit status

Significant changes to the audit plan

There were no significant changes made to either our planned audit strategy or to the significant risks and other areas of emphasis identified during the performance of our risk assessment procedures.

Audit approach and results

Planned scope and timing

Audit focus

Based on our understanding of MCE and environment in which you operate, we focused our audit on the following key areas:

- Key transaction cycles
- Areas with significant estimates
- Implementation of new accounting standards

Our areas of audit focus were informed by, among other things, our assessment of materiality. Materiality in the context of our audit was determined based on specific qualitative and quantitative factors combined with our expectations about MCE's current year results.

Key areas of focus and significant findings

Significant risks of material misstatement

A significant risk is an identified and assessed risk of material misstatement that, in the auditors' professional judgment, requires special audit consideration. Within our audit, we focused on the following areas below.

Significant risk areas	Testing approach	Conclusion
Management override of controls	Incorporate unpredictability into audit procedures, emphasize professional skepticism and utilize audit team with industry expertise	Procedures identified provided sufficient evidence for our audit opinion
Improper revenue recognition due to fraud	Confirmation or validation of certain revenues supplemented with detailed predictive analytics based on non-financial data and substantive testing of related receivables	Procedures identified provided sufficient evidence for our audit opinion

Other areas of emphasis

We also focused on other areas that did not meet the definition of a significant risk, but were determined to require specific awareness and a unique audit response.

Other areas of emphasis		
Cash and investments	Revenues and receivables	General disbursements
Payroll	Net position calculations	Financial reporting and required disclosures
Power management and related expenses		

Internal control matters

We considered MCE's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing an opinion on the financial statements. We are not expressing an opinion on the effectiveness of MCE's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A material weakness is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

Required communications

Qualitative aspect of accounting practices

- Accounting policies: Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we have advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by MCE are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing accounting policies was not changed during fiscal year 2026. We noted no transactions entered into by MCE during the year for which accounting policies are controversial or for which there is a lack of authoritative guidance or consensus or diversity in practice.

- Accounting estimates: Accounting estimates, including fair value estimates, are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements, the degree of subjectivity involved in their development and because of the possibility that future events affecting them may differ significantly from those expected. The following estimates are of most significance to the financial statements:

Estimate	Management's process to determine	Baker Tilly's conclusions regarding reasonableness
Allowance for doubtful accounts	Evaluation of historical revenues and loss levels with the analysis on collectability of individual amounts	Reasonable in relation to the financial statements as a whole
Unbilled revenue	Evaluation of the T+12 data that is submitted to CAISO	Reasonable in relation to the financial statements as a whole

There have been no significant changes made by management to either the processes used to develop the particularly sensitive accounting estimates, or to the significant assumptions used to develop the estimates noted above.

- Financial statement disclosures: The disclosures in the financial statements are neutral, consistent and clear.

Significant unusual transactions

There have been no significant transactions that are outside the normal course of business for MCE or that otherwise appear to be unusual due to their timing, size or nature.

Significant difficulties encountered during the audit

We encountered no significant difficulties in dealing with management and completing our audit.

Disagreements with management

Professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Audit report

There have been no departures from the auditors' standard report.

Audit consultations outside the engagement team

We encountered no difficult or contentious matters for which we consulted outside of the engagement team.

Uncorrected misstatements and corrected misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no misstatements identified.

Other audit findings or issues

We encountered no other audit findings or issues that require communication at this time.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as MCE's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Management's consultations with other accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing or accounting matters.

Written communications between management and Baker Tilly

The attachments include copies of other material written communications, including a copy of the management representation letter.

Compliance with laws and regulations

We did not identify any non-compliance with laws and regulations during our audit.

Fraud

We did not identify any known or suspected fraud during our audit.

Going concern

Pursuant to professional standards, we are required to communicate to you, when applicable, certain matters relating to our evaluation of MCE's ability to continue as a going concern for a reasonable period of time but no less than 12 months from the date of the financial statements, including the effects on the financial statements and the adequacy of the related disclosures, and the effects on the auditors' report. No such matters or conditions have come to our attention during our engagement.

Independence

We are not aware of any relationships between Baker Tilly and MCE that, in our professional judgment, may reasonably be thought to bear on our independence.

Related parties

We did not have any significant findings or issues arise during the audit in connection with MCE's related parties.

Other matter

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Audit committee resources

Our business is to know every aspect of yours and to maintain a constant lookout for what's next. We invite you to learn about some of the trending challenges and opportunities for public sector organizations like yours and how Baker Tilly can help.

To explore more trending topics and regulatory updates, visit our resource page at https://www.bakertilly.com/insights/audit-committee-resource-page.

Capital project oversight

Public sector capital projects face increasing pressure from cost escalation, supply chain disruption, regulatory complexity and heightened scrutiny around transparency and accountability. Strong planning, governance and controls are critical across the full project life cycle, from feasibility and funding strategy through execution and closeout.

Independent oversight helps chart a clear course from planning to delivery. Our teams work alongside leadership to strengthen governance, establish financial and contractual controls, align funding with project goals and monitor performance throughout execution, helping projects stay on schedule, within budget and aligned with community priorities.

Succession planning

An aging workforce, rising retirement rates and competition for specialized talent make succession planning a fiscal and operational a priority for public sector organizations.

By identifying critical roles, assessing workforce risk, building internal talent pipelines and integrating succession planning with broader workforce strategies, Baker Tilly helps organizations preserve institutional knowledge and maintain continuity, today and into the future.

Economic development

Successful economic development depends on disciplined planning, sound financial analysis and coordinated execution. Public sector leaders must balance incentives, infrastructure investment, funding opportunities and stakeholder priorities while maintaining fiscal responsibility.

Baker Tilly's supports local governments with strategic and financial planning, incentive structuring and negotiation, tax increment financing administration, project financing, grant strategy, and economic and fiscal impact analysis. This integrated approach helps leaders move from vision to action, strengthening communities and advancing sustainable, long-term growth.

Management representation letter

August 20, 2026

Baker Tilly US, LLP
4807 Innovation Lane
P.O. Box 7398
Madison WI 53711

Dear Baker Tilly US, LLP:

We are providing this letter in connection with your audits of the financial statements of Marin Clean Energy (MCE) as of March 31, 2026 and 2025 and for the years then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position of MCE and the respective changes in financial position and cash flows in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with U.S. GAAP. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audits.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated February 14, 2024, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.

2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all financial information of MCE required by U.S. GAAP to be included in the financial reporting entity.

3. We acknowledge our responsibility 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.

4. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

5. Significant assumptions we used in making accounting estimates, including those measured at fair value, if any, are reasonable in accordance with U.S. GAAP.

6. All events subsequent to the date of the financial statements and for which U.S. GAAP require adjustment or disclosure have been adjusted or disclosed. No other events, including instances of noncompliance, have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

7. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

8. The effects of all known actual or threatened litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.

9. Guarantees, whether written or oral, under which MCE is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

10. We have provided you with:

    a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation and other matters.

    b. Additional information that you have requested from us for the purpose of the audit.

    c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

    d. Minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.

11. We have disclosed to you results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

12. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:

    a. Management,

    b. Employees who have significant roles in internal control, or

    c. Others where the fraud could have a material effect on the financial statements.

13. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators or others.

14. Except as otherwise disclosed by counsel, we have no knowledge of known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts or grant agreements or abuse, whose effects should be considered when preparing financial statements.

15. We have disclosed to you the names of our related parties and all the related party relationships and transactions, including side agreements, of which we are aware.

Other

16. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in, financial reporting practices.

17. We have not identified any noticed investigations of MCE by a regulatory agency or legal proceedings that have been initiated with respect to the periods under audit.

18. MCE has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources or net position.

19. We are responsible for compliance with federal, state and local laws, regulations and provisions of contracts and grant agreements applicable to us, including tax or debt limits, debt contracts and IRS arbitrage regulations; and we have identified and disclosed to you all known federal, state and local laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

20. For the periods under audit, there are no known:

    a. Material violations or possible violations of budget ordinances, federal, state and local laws or regulations (including those pertaining to adopting, approving and amending budgets), provisions of contracts and grant agreements, tax or debt limits and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency or for reporting on noncompliance, except those already disclosed in the financial statement, if any.

    b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by U.S. GAAP.

    c. Rates being charged to customers other than the rates as authorized by the applicable authoritative body.

21. For the periods under audit, we are not aware of any violations or instances of noncompliance with the provisions of the Ralph M. Brown Act (California Government Code Sections 54950 et seq., including matters related to open meetings, agenda posting requirements, closed sessions, or public notice requirements, that would have a material effect on the financial statements or related disclosures.

22. MCE has satisfactory title to all owned assets and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

23. Except as otherwise disclosed by counsel, MCE has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.

24. The financial statements include all component units as well as joint ventures with an equity interest and properly disclose all other joint ventures and other related organizations, if any. Component units have been properly presented as either blended or discrete.

25. Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.

26. MCE has no derivative financial instruments such as contracts that could be assigned to someone else or net settled, interest rate swaps, collars or caps.

27. Provisions for uncollectible receivables, if any, have been properly identified and recorded.

28. Deposits and investments are properly classified, valued and disclosed (including risk disclosures, collateralization agreements, valuation methods and key inputs, as applicable).

29. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated/amortized. Any known impairments have been recorded and disclosed.

30. The auditing standards define an annual report as "a document or combination of documents, typically prepared on an annual basis by management or those charged with governance in accordance with law, regulation or custom, the purpose of which is to provide owners (or similar stakeholders) with information on the entity's operations and the entity's financial results and financial position as set out in the financial statements." Among other items, an annual report contains, accompanies or incorporates by reference the financial statements and the auditor's report thereon. We do not prepare an annual report.

31. The operations and rate setting process meet the condition for application of accounting for regulated operations as outlined in GASB Statement No. 62. All regulatory items included in the financial statements have been approved and are being accounted for in accordance with specific action taken by the regulatory body and as such the expectation of future recovery or refund is reasonable.

32. We have appropriately disclosed MCE's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position was properly recognized under the policy.

33. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

34. We have previously implemented GASB Statement No. 87, *Leases,* and believe that all required disclosures and accounting considerations have been identified and properly classified in the financial statements in compliance with the Standard.

35. We have identified any leases or other contracts that are required to be reported as leases and are in agreement with the key assumptions used in the measurement of any lease related assets, liabilities or deferred inflows of resources.

36. We have assessed the impact of GASB Statement No. 96, *Subscription-Based Information Technology Arraignments* and determined the impact of the statements to be immaterial.

37. We have implemented GASB Statement No. 101, *Compensated Absences* and believe that all required disclosures and accounting considerations have been identified and properly classified in the financial statements in compliance with the Standard.

38. We have evaluated our ongoing operations and determined there are no concentrations or constraints meeting the requirements for disclosure under GASB Statement No. 102.

39. As a member of California Community Choice Financing Authority (CCCFA), MCE does not have an obligation for CCCFA's outstanding debt.

40. We are responsible for the estimation methods and assumptions used in measuring assets and liabilities reported or disclosed at fair value, including information obtained from brokers, pricing services or third parties. Our valuation methodologies have been consistently applied from period to period. The fair value measurements reported or disclosed represent our best estimate of fair value as the measurement date in accordance with the requirements of GASB Statement No. 72—*Fair Value Measurement*. In addition, our disclosures related to fair value measurements are consistent with the objectives outlined in GASB Statement No. 72. We have evaluated the fair value information provided to us by brokers, pricing services or other parties that has been used in the financial statements and believe this information to be reliable and consistent with the requirements.

Sincerely,

Maira Strauss
Signed: Maira Strauss (Aug 20, 2026 12:24:54 PDT)
Maira Strauss, Chief Financial Officer

Signed: Vicken Kasarjian (Aug 20, 2026 14:42:23 PDT)
Vicken Kasarjian, Acting Chief Executive Officer, and Chief Operating Officer

Client service team

Aaron Worthman, CPA
Principal

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Accounting changes relevant to Marin Clean Energy

Future accounting standards update

GASB statement number	Description	Potentially impacts you	Effective date
103	Financial reporting model improvements	✔	3/31/2027
104	Disclosure of certain capital assets	✔	3/31/2027
105	Subsequent events	✔	3/31/2028

Further information on upcoming GASB pronouncements.

Changes to the financial reporting model

GASB Statement 103, *Financial Reporting Model Improvements*, builds on Statement 34 by providing key targeted improvements to the financial reporting model. Its requirements are designed to:

- Enhance the effectiveness of governmental financial reports in providing information essential for decision making and assessing a government's accountability, and
- Address certain application issues.

The targeted improvements contained in Statement 103 establish or modify existing accounting and financial reporting requirements related to:

- Management's discussion and analysis: While the overall requirements do not substantially change management's discussion and analysis, the modifications are meant to improve the analysis included in this section and provide details about the items that should be discussed as currently known facts, decisions, or conditions expected to have a significant financial effect in the subsequent period.

- Unusual or infrequent items (previously known as extraordinary and special items): The new statement simplifies GASB literature by eliminating the separate presentation of extraordinary and special items. Under the requirement of Statement 103, applicable items will either be identified as unusual or infrequent, or both.

- Presentation of the proprietary fund statement of revenues, expenses and changes in fund net position: The changes are designed to improve consistency around the classification of items in these statements by better defining what should be included in operating revenues and expenses and nonoperating revenues and expenses including, for example, the addition of subsidies received or provided as a new category of nonoperating revenues and expenses.

- Major component unit information, and budgetary comparison information: Statement 103 is designed to improve the consistency of the reporting of major component unit information and budgetary comparison information by specifying required placement of that information.

Revisions to disclosures for certain capital assets

Governments are required to provide information on capital assets in the footnotes to the financial statements as outlined in GASB Statement No. 34. Recent standards have impacted the accounting and reporting for capital assets and as a result GASB issued Statement No. 104, *Disclosure of Certain Capital Assets* to provide enhanced disclosures for certain capital assets, including

(a) Lease assets reported under Statement No. 87, intangible right-to-use assets reported under Statement No. 94 and subscription assets reported under Statement No. 96 should all be disclosed separately, and by major class of underlying asset. In addition, if there are any other intangible assets reported, they should also be disclosed separately.

(b) Capital assets that are held for sale should have the ending balance with separate disclosure for historical cost and related accumulated depreciation as well as any outstanding debt for which the asset is pledged as collateral disclosed by major class of asset. Assets held for sale are defined as those for which the government has decided to pursue the sale, and it is probable that the sale will be finalized within one year of the financial statement date.

While these changes are focused on footnote disclosures, it is important to plan ahead to ensure the required information is available for implementation.

Updated guidance for the financial reporting of subsequent events

GASB Statement No. 105, *Subsequent Events, which supersedes GASB Statement No. 56*, is intended to enhance consistency in the application of requirements for subsequent events.

The Statement defines subsequent events as transactions or other events that occur after year end but before the date the financial statements are available to be issued. The date the financial statements are available to be issued is the date at which (a) the financial statements are complete in a form and format that complies with generally accepted accounting principles (GAAP) and (b) approvals necessary for issuance have been obtained, or typically the opinion date. The definition of subsequent events in this Statement modifies the subsequent events time frame throughout the GASB literature.

The Statement also clarifies:

- The different types of subsequent events (recognized and nonrecognized events)
- When note disclosures are required
- The information that should be included in those note disclosures

Two-way audit communications

As part of our audit of your financial statements, we are providing communications to you throughout the audit process. Auditing requirements provide for two-way communication and are important in assisting the auditor and you with more information relevant to the audit.

As this past audit is concluded, we use what we have learned to begin the planning process for next year's audit. It is important that you understand the following points about the scope and timing of our next audit:

a. We address the significant risks of material misstatement, whether due to fraud or error, through our detailed audit procedures.
b. We will obtain an understanding of the five components of internal control sufficient to assess the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing and extent of further audit procedures. We will obtain a sufficient understanding by performing risk assessment procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented. We will use such knowledge to:
    - Identify types of potential misstatements
    - Consider factors that affect the risks of material misstatement
    - Design tests of controls, when applicable and substantive procedures
c. We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations and provisions of contracts or grant programs.
d. The concept of materiality recognizes that some matters, either individually or in the aggregate, are important for fair presentation of financial statements in conformity with generally accepted accounting principles while other matters are not important. In performing the audit, we are concerned with matters that, either individually or in the aggregate, could be material to the financial statements. Our responsibility is to plan and perform the audit to obtain reasonable assurance that material misstatements, whether caused by errors or fraud, are detected.

Our audit will be performed in accordance with auditing standards generally accepted in the United States of America.

We are very interested in your views regarding certain matters. Those matters are listed here:

a. We typically will communicate with your top level of management unless you tell us otherwise.
b. We understand that the governing board has the responsibility to oversee the strategic direction of your organization, as well as the overall accountability of the entity. Management has the responsibility for achieving the objectives of the entity.
c. We need to know your views about your organization's objectives and strategies, and the related business risks that may result in material misstatements.
d. We anticipate that the MCE will receive an unmodified opinion on its financial statements.
e. Which matters do you consider warrant particular attention during the audit, and are there any areas where you request additional procedures to be undertaken?
f. Have you had any significant communications with regulators or grantor agencies?
g. Are there other matters that you believe are relevant to the audit of the financial statements?

Also, is there anything that we need to know about the attitudes, awareness and actions of the governing body concerning:

a. The entity's internal control and its importance in the entity, including how those charged with governance oversee the effectiveness of internal control?
b. The detection or the possibility of fraud?

We also need to know if you have taken action in response to developments in financial reporting, laws, accounting standards, governance practices or other related matters, or in response to previous communications with us.

With regard to the timing of our audit, here is some general information. If necessary, we may do preliminary financial audit work during the months of January-March, and sometimes early in April. Our final financial fieldwork is scheduled during the spring to best coincide with your readiness and report deadlines. After fieldwork, we wrap up our financial audit procedures at our office and may issue drafts of our report for your review. Final copies of our report and other communications are issued after approval by your staff. This is typically 6-12 weeks after final fieldwork but may vary depending on a number of factors.

Keep in mind that while this communication may assist us with planning the scope and timing of the audit, it does not change the auditor's sole responsibility to determine the overall audit strategy and the audit plan, including the nature, timing and extent of procedures necessary to obtain sufficient appropriate audit evidence.

We realize that you may have questions on what this all means or wish to provide other feedback. We welcome the opportunity to hear from you.

Other Recommendations

During our review of energy procurement transactions, we evaluated contracts representing various types of transaction, including physical energy purchases, renewable energy, resource adequacy, and financial products. Overall, transactions appeared consistent with MCE's procurement objectives and were approved by individuals with delegated authority.

However, we identified opportunities to strengthen governance and documentation surrounding the energy procurement process.

Specifically, we noted:

- MCE has adopted an Energy Risk Management Policy and delegated procurement authority; however, it has not established comprehensive written procedures documenting the responsibilities of the front office, middle office, and back-office functions, including required reviews, approvals, documentation requirements, and segregation of duties.
- Two time-sensitive physical energy transactions were approved verbally prior to execution. While management indicated the verbal approvals were necessary due to rapidly changing market conditions, documentation evidencing the required reviews and approvals was not retained.
- MCE does not maintain a formal approved counterparty list or authorized trader list identifying counterparties eligible to transact with MCE and individuals authorized to execute transactions on MCE's behalf.

Without documented procedures and governance controls, there is an increased risk of inconsistent transaction review, insufficient documentation supporting management approvals, unauthorized trading activity, ineffective segregation of duties, and reduced transparency over procurement decisions.

Recommendation

We recommend that management evaluate and enhance its written energy procurement procedures to address the matters identified above, including documentation of roles and responsibilities, required reviews and approvals, counterparty and trader authorization, segregation of duties, and documentation of approvals for transactions requiring expedited execution.

Management Response

MCE has established policies and delegated authorities governing its energy procurement activities and will enhance its written procedures to further document the roles and responsibilities of the front, middle, and back-office functions, including required reviews and approvals, segregation of duties, counterparty and trader authorization, and documentation requirements for transactions requiring expedited execution.