



Central Coast
**Community
Energy**

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2024 AND 2023
INCLUDING REPORT OF INDEPENDENT AUDITORS

**CENTRAL COAST COMMUNITY ENERGY
YEARS ENDED SEPTEMBER 30, 2024 AND 2023**

TABLE OF CONTENTS

Independent Auditor’s Report	1
Management’s Discussion and Analysis	4
Basic Financial Statements:	
Statements of Net Position	10
Statements of Revenues, Expenses and Changes in Net Position	11
Statements of Cash Flows	12
Notes to the Basic Financial Statements	14

Independent Auditor's Report

To the Board of Directors
Central Coast Community Energy

Opinion

We have audited the accompanying financial statements of Central Coast Community Energy (3CE), which comprise the statements of net position as of September 30, 2024 and 2023, the related statements of revenue, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of 3CE as of September 30, 2024 and 2023, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 3CE 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 3CE's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued, including any currently known information that may raise substantial doubt shortly thereafter.



Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 3CE'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 3CE's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Kosmatka, Donnelly & Co., LLP

Santa Rosa, California

February 12, 2025

**CENTRAL COAST COMMUNITY ENERGY
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2024 AND 2023**

The purpose of management’s discussion and analysis (MD&A) is to help stakeholders and other readers understand what the financial statements and notes in this report say about Central Coast Community Energy’s (3CE) 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 3CE’s finances.

Overview of the Financial Statements

3CE’s financial report contains basic financial statements, which include:

- The *Statements of Net Position* include all of 3CE’s assets, liabilities, and net position and provides information about the nature and amount of resources and obligations at a specific point in time.
- The *Statements of Revenues, Expenses, and Changes in Net Position* report all of 3CE’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.

**CENTRAL COAST COMMUNITY ENERGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2024 AND 2023**

Financial Summary

3CE's Net Position

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Current assets	\$ 314,501,404	\$ 324,238,888	\$ 259,993,090
Noncurrent assets			
Capital assets, net	3,817,033	2,008,218	219,319
Other noncurrent assets	8,916,927	1,543,979	1,731,180
Total noncurrent assets	<u>12,733,960</u>	<u>3,552,197</u>	<u>1,950,499</u>
Total assets	<u>327,235,364</u>	<u>327,791,085</u>	<u>261,943,589</u>
Current liabilities	97,925,104	54,996,528	45,601,781
Noncurrent liabilities	11,144,817	30,923,232	9,131,250
Total liabilities	<u>109,069,921</u>	<u>85,919,760</u>	<u>54,733,031</u>
Net position			
Net investment in capital assets	2,650,082	520,678	219,319
Unrestricted	<u>215,515,361</u>	<u>241,350,647</u>	<u>206,991,239</u>
Total net position	<u>\$ 218,165,443</u>	<u>\$ 241,871,325</u>	<u>\$ 207,210,558</u>

As of September 30, 2024, 3CE's total net position was approximately \$218,000,000, a decrease of \$24,000,000 as compared to September 30, 2023.

3CE's Change in Net Position

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Operating revenues	\$ 544,456,634	\$ 451,619,272	\$ 401,698,835
Nonoperating revenues	12,893,661	9,635,091	3,800,219
Total income	<u>557,350,295</u>	<u>461,254,363</u>	<u>405,499,054</u>
Operating expenses	580,996,244	426,540,098	388,276,955
Nonoperating expenses	59,933	53,498	-
Total expenses	<u>581,056,177</u>	<u>426,593,596</u>	<u>388,276,955</u>
Change in net position	<u>\$ (23,705,882)</u>	<u>\$ 34,660,767</u>	<u>\$ 17,222,099</u>

Electricity sales increased in 2024 as a result of price increases. Despite the increase in revenues, there was a decrease in net position in 2024 due to significant increases in the cost of electricity incurred by 3CE which were driven by market price increases for renewable energy and regulatory resource adequacy.

**CENTRAL COAST COMMUNITY ENERGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2024 AND 2023**

Detailed Analysis

Current assets decreased from \$324,000,000 at the end of fiscal year 2023 to \$315,000,000 at the end of fiscal year 2024. The decrease was primarily due to cash outflows to cover increasing energy costs. Current assets at the end of fiscal year 2024 were primarily comprised of cash and investments of \$219,000,000, accounts receivable of \$44,000,000, and accrued revenue of \$31,000,000.

Capital assets are reported net of depreciation and amortization. Each year, the change is mostly due to capital asset acquisitions less depreciation and amortization expense. Capital assets include construction in progress, land, software, leasehold improvements, furniture, equipment, a vehicle, building and a leased asset. The increase from 2023 to 2024 was primarily the result of an office building purchased during the current year in the City of San Luis Obispo.

Other noncurrent assets consist of the long-term portion (\$1,330,000) of a \$2,000,000 loan made in 2022 to the County of Santa Cruz to acquire electric generation equipment.

The largest component of current liabilities is the cost of electricity delivered to customers that was not paid by 3CE at the end of the fiscal year. Current liabilities for the cost of energy increased each year due to changes in payment terms of certain energy products, as well as the prices of those products. Accrued cost of electricity was approximately \$77,000,000 and \$49,000,000 at the end of fiscal years 2024 and 2023, respectively. The primary driver of the increased cost of electricity was market price increases for renewable energy and resource adequacy resulting from constrained supply.

Noncurrent liabilities consist of supplier security deposits and the long-term portion of lease liability related to 3CE's office premises. The reduction in noncurrent liabilities was a result of repayment of security deposits to suppliers that had been held by 3CE.

Operating revenues increased each year from fiscal years 2022 to 2024, primarily from increases in rates charged to customers. 3CE also receives revenues from sources other than retail customer sales. These sources include liquidated damage revenue resulting from electricity suppliers' noncompliance with contract provisions and grant income used to assist with various customer programs.

**CENTRAL COAST COMMUNITY ENERGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2024 AND 2023**

Detailed Analysis (continued)

Grant income from the California Arrearage Payment Plan (CAPP) was included in nonoperating revenues for fiscal years 2022 and 2023. This grant was applicable for two years and did not recur in fiscal year 2024. Investment income increased each year due to changes in market interest rates as well as increases in invested assets.

Operating expenses increased each year primarily due to market forces that resulted in increases in the cost of electricity, 3CE's largest expense. 3CE procures energy from a variety of sources to reduce market risk and to maintain a balanced renewable power portfolio. The primary driver of the increase in energy costs from 2023 to 2024 was the rising costs in the resource adequacy market and the timing of certain contracts that were executed to comply with the State's Renewable Portfolio Standards (RPS) through its acquisition of Renewable Energy Certificates (RECs).

Significant Capital Asset and Long-Term Financing Activity

Capital assets include office equipment, such as computers, furniture, a vehicle, leasehold improvements and a leased asset for 3CE's office premises. Additionally, during fiscal year 2024, 3CE purchased real estate to be used for future office operations in the San Luis Obispo region.

Assets that are leased by 3CE, such as office premises, are recorded in the Statement of Net Position with a related liability for future obligations.

**CENTRAL COAST COMMUNITY ENERGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2024 AND 2023**

Currently Known Facts, Decisions, or Conditions

The fiscal year ended September 30, 2024 was a year of stable operations and growing cost pressures from increased costs of energy (COE), resource adequacy (RA) compliance and environmental attributes. Total revenue of \$557.3 million is estimated at 99.0% of budget. Total expenditures of \$581.1 million were over budget, representing a 3.3% variance. RA compliance and meeting Renewable Portfolio Standard (RPS) requirements for Compliance Period 4 contributed to higher COE. Like other load-serving entities (LSEs), 3CE faced delays in long-term PPAs caused by interconnection issues, supply chain disruptions, rising project costs, and contractual negotiations.

Infrastructure supply development remains constrained. These constraints are driven by the increased demand for renewable and other energy resources by urban electrification and the growth in technology data centers and associated artificial intelligence processing needs. 3CE views interconnection delays to existing or planned new build clean and renewable projects as the largest risk. The average wait time for projects entering the interconnection queue has increased to 5-8 years before becoming operational, whereas in the past, it took 2-3 years. Furthermore, a recent report indicated only 15% of projects within the California Independent System Operator (CAISO) queue were successful at coming online. CAISO, in coordination with the CPUC and CEC, has been endeavoring to reform the interconnection process, 3CE has a deep understanding of this challenging environment and will adjust business strategies as necessary to succeed.

3CE holds a portfolio of contracts that mitigate exposure to price spikes in the CAISO markets. However, in the past fiscal year, CAISO market prices, as well as electricity futures prices in liquid forward markets, declined, leading to cost pressures for counterparty suppliers. At the same time, the overall market for electricity and related commodity products is experiencing a rising price environment. The rising price environment is driven by elevated costs to enter into long-term offtake agreements such as power purchase agreements (PPAs) and energy storage offtake agreements, elevated prices for RA, and environmental attributes such as Renewable Energy Certificates (RECs). While the forward prices for energy indicate higher-than-normal wholesale prices for the foreseeable future, with every new fixed-price PPA project to come online, 3CE limits its exposure to these spot market prices.

3CE is working towards a 100% clean and renewable energy portfolio and is currently negotiating several agreements to add generation and energy storage to move closer to that goal. While the targeted timeline for achieving this goal is 2030, 3CE may choose to extend it to a later date, if interconnection wait times do not improve or customer affordability becomes a concern. 3CE has also taken steps to mitigate the elevated prices for RA. 3CE's RA procurement strategy seeks long-term fixed-price contracts for RA that will help reduce our exposure to the spot market RA prices. Beginning in 2026, 3CE has long-term contracts with two hybrid natural gas resources paired with energy storage that will provide valuable dispatchable energy and an RA benefit at fixed prices.

**CENTRAL COAST COMMUNITY ENERGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2024 AND 2023**

Currently Known Facts, Decisions, or Conditions (continued)

3CE is regularly reviewing its Energy Risk Management Policy (ERMP) to ensure it continues to meet 3CE's business needs while maintaining sufficient risk tolerances. Purchases made at fixed contractual prices reduce the need to purchase energy in the volatile daily open market. Fixed price energy purchases provide for suppliers to deliver to 3CE at a fixed price. They are used to manage the electricity commodity price risk that 3CE faces as an LSE. Specific to 3CE's customers, fixed price energy hedges are used to provide cost certainty and rate stability. The target hedge percentages depend on time and the hedge pricing relative to historical energy costs. In general, 3CE targets hedging 63-110% of its exposure in energy products on a short-duration basis of under a year. 3CE continues to comply with its ERMP and regularly updates its Energy Risk Committee on hedging.

3CE is participating in a joint procurement effort with CC Power (California Community Power), a joint action agency made up of member CCAs, to explore the possibility of entering into a build-transfer agreement. Currently, in its early stages, CC Power is soliciting developer bids for build-transfer projects and evaluating offers. If CC Power identifies a potential project, 3CE would have the option to participate in a portion of the project, the remainder of which would be shared by other CC Power members who opted to participate in the project.

3CE retains a strong customer and revenue base with low opt-out levels. 3CE will start serving the City of Atascadero and the County of San Luis Obispo beginning January 1, 2025. These two enrollments will add around 70,000 customer accounts, bringing the total customer count to about 515,000. 3CE continues prioritizing community outreach and communication efforts to ensure a strong local presence, establishing 3CE as the preferred renewable energy provider. 3CE serves approximately 94% of all eligible customers in the service area and that rate of participation is expected to remain stable.

3CE continues to actively engage in legislative and regulatory matters that can impact its energy procurement requirements and energy-related expenditures.

Requests for Information

This financial report is designed to provide 3CE's board members, stakeholders, customers, and creditors with a general overview of 3CE's finances and to demonstrate 3CE's accountability for the funds under its stewardship.

Please address any questions about this report or requests for additional financial information to the finance department at 70 Garden Court, Suite 300, Monterey, CA 93940.

BASIC FINANCIAL STATEMENTS

CENTRAL COAST COMMUNITY ENERGY
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2024 AND 2023

	2024	2023
ASSETS		
Current assets		
Cash and cash equivalents	\$ 150,539,681	\$ 196,033,869
Accounts receivable, net of allowance	44,437,895	32,759,275
Accrued revenue	30,948,530	24,865,108
Other receivables	6,363,531	4,273,462
Investments	68,632,549	59,245,668
Prepaid expenses	1,829,224	380,211
Deposits	11,559,276	6,494,094
Loan receivable	190,718	187,201
Total current assets	314,501,404	324,238,888
Noncurrent assets		
Investments	7,563,666	-
Deposits	23,182	23,182
Loan receivable	1,330,079	1,520,797
Capital assets, net of depreciation and amortization	3,817,033	2,008,218
Total noncurrent assets	12,733,960	3,552,197
Total assets	327,235,364	327,791,085
LIABILITIES		
Current liabilities		
Accrued cost of electricity	76,773,246	48,922,476
Accounts payable	4,864,146	2,777,101
Due to broker	12,035,076	-
Other accrued liabilities	800,930	741,801
User taxes and energy surcharges due to other governments	1,977,148	1,753,727
Security deposits - energy suppliers	1,149,299	501,000
Lease liability	325,259	300,423
Total current liabilities	97,925,104	54,996,528
Noncurrent liabilities		
Security deposits - energy suppliers	10,303,125	29,756,280
Lease liability	841,692	1,166,952
Total noncurrent liabilities	11,144,817	30,923,232
Total liabilities	109,069,921	85,919,760
NET POSITION		
Net investment in capital assets	2,650,082	520,678
Unrestricted	215,515,361	241,350,647
Total net position	\$ 218,165,443	\$ 241,871,325

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

**CENTRAL COAST COMMUNITY ENERGY
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2024 AND 2023**

	2024	2023
OPERATING REVENUES		
Electricity sales, net	\$ 544,358,419	\$ 450,713,404
Liquidated damages	-	750,000
Other income	98,215	155,868
Total operating revenues	544,456,634	451,619,272
OPERATING EXPENSES		
Cost of electricity	547,248,240	398,746,769
Contract services	13,387,839	10,820,099
Staff compensation	7,830,528	6,200,592
Other operating expenses	1,695,758	1,869,295
Program incentives	10,248,121	8,484,775
Depreciation and amortization	585,758	418,568
Total operating expenses	580,996,244	426,540,098
Operating income (loss)	(36,539,610)	25,079,174
NONOPERATING REVENUES (EXPENSES)		
Investment income	12,893,661	8,184,122
Grant revenue	-	1,450,969
Interest and financing costs	(59,933)	(53,498)
Nonoperating revenues (expenses)	12,833,728	9,581,593
CHANGE IN NET POSITION	(23,705,882)	34,660,767
Net position at beginning of year	241,871,325	207,210,558
Net position at end of year	\$ 218,165,443	\$ 241,871,325

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

**CENTRAL COAST COMMUNITY ENERGY
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 536,022,766	\$ 466,288,740
Other operating receipts	23,814,719	1,052,868
Receipts of deposits and collateral	49,873,965	53,684,900
Payments to suppliers for electricity	(550,573,743)	(392,088,215)
Payments of deposits and collateral	(69,256,483)	(30,759,035)
Payments for other goods and services	(15,088,564)	(12,022,290)
Payments for program incentives	(8,250,194)	(7,797,967)
Payments of staff compensation	(7,654,438)	(6,467,227)
Payments of taxes and energy surcharges to other governments	(9,199,968)	(8,274,859)
Net cash provided (used) by operating activities	<u>(50,311,940)</u>	<u>63,616,915</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Grant revenue	<u>-</u>	<u>1,450,969</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments of lease liability	(360,354)	(264,318)
Payments to acquire capital assets	(2,413,580)	(509,105)
Net cash used by capital and related financing activities	<u>(2,773,934)</u>	<u>(773,423)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	10,981,615	7,060,790
Proceeds from investment sales	127,312,461	111,223,174
Principal payments received of loan receivable	187,201	292,002
Purchase of investments	(130,889,591)	(137,227,427)
Net cash provided (used) by investing activities	<u>7,591,686</u>	<u>(18,651,461)</u>
Net change in cash and cash equivalents	(45,494,188)	45,643,000
Cash and cash equivalents at beginning of year	<u>196,033,869</u>	<u>150,390,869</u>
Cash and cash equivalents at end of year	<u>\$ 150,539,681</u>	<u>\$ 196,033,869</u>

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

**CENTRAL COAST COMMUNITY ENERGY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2024 AND 2023**

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

	2024	2023
Operating income (loss)	\$ (36,539,610)	\$ 25,079,174
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation and amortization expense	585,758	418,568
(Increase) decrease in:		
Accounts receivable, net of allowance	(11,678,620)	14,348,325
Accrued revenue	(6,083,425)	(6,703,164)
Other receivables	(1,775,892)	(1,913,221)
Prepaid expenses	(1,449,013)	(71,792)
Deposits	(4,805,654)	1,799,836
Increase (decrease) in:		
Accrued cost of electricity	27,850,770	8,847,894
Accounts payable	2,106,052	1,167,725
Other accrued liabilities	59,129	(294,223)
User taxes and energy surcharges due to other governments	223,421	(188,237)
Security deposits - energy suppliers	(18,804,856)	21,126,030
Net cash provided (used) by operating activities	\$ (50,311,940)	\$ 63,616,915
NONCASH CAPITAL AND RELATED FINANCING ACTIVITES		
Acquisition of lease asset	\$ -	\$ 1,678,196
NONCASH INVESTING ACTIVITES		
Unrealized appreciation and timing differences in investment income	\$ 1,912,046	\$ 1,123,332

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

**CENTRAL COAST COMMUNITY ENERGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2024 AND 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Central Coast Community Energy (3CE) is a Joint Powers Authority created on February 21, 2017, and its jurisdictions consist of the following local governments as of September 30, 2024:

Counties	Cities and Towns	
Monterey	Arroyo Grande	Morro Bay
San Benito	Atascadero	Pacific Grove
San Luis Obispo	Buellton	Paso Robles
Santa Barbara	Capitola	Pismo Beach
Santa Cruz	Carmel-by-the-Sea	Salinas
	Carpinteria	San Juan Bautista
	Del Rey Oaks	San Luis Obispo
	Goleta	Sand City
	Gonzales	Santa Cruz
	Greenfield	Santa Maria
	Grover Beach	Scotts Valley
	Guadalupe	Seaside
	Hollister	Soledad
	Marina	Solvang
	Monterey	Watsonville

3CE is separate from and derives no financial support from its members. 3CE is governed by two Governing Boards, a Policy Board and an Operations Board. Each Board is comprised of 19 members with 19 alternates representing the participating communities. Some of the 19 members represent more than one jurisdiction. Policy Board Members are elected officials from 3CE member communities. Operations Board Members are executives leading the member cities and counties.

3CE was formed to acquire retail electricity for the residents and businesses within its members' jurisdictions, study, promote, conduct, operate, and manage energy and energy-related climate change programs, and to exercise all other powers necessary and incidental to accomplishing these objectives. A core function of 3CE is to provide electric service that includes the use of renewable sources under the Community Choice Aggregation Program under California Public Utilities Code (CPUC) Section 366.2.

3CE began its energy delivery operations in March 2018. Electricity is acquired from commercial suppliers and delivered through existing physical infrastructure and equipment managed by Pacific Gas and Electric Company (PG&E) and Southern California Edison (SCE).

**CENTRAL COAST COMMUNITY ENERGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2024 AND 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING

3CE'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.

3CE'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 3CE's policy to use restricted resources first, and then unrestricted resources as they are needed.

CASH AND CASH EQUIVALENTS

For purposes of the Statements of Cash Flows, 3CE 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.

INVESTMENTS

Investments are stated at fair value based on prices listed on a national exchange for debt securities. Certificates of deposits are stated at cost. 3CE 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.

3CE's Investment Policy permits the following types of investments:

- U.S. Treasury obligations
- Obligations of the State of California
- Obligations of any local agency within California
- Registered treasury notes or bonds of the other 49 states
- Commercial paper
- Repurchase agreements
- Local Agency Investment Fund (State Pool)
- County Investment Fund (County Pool)

**CENTRAL COAST COMMUNITY ENERGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2024 AND 2023**

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 3CE 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 ASSET AND LEASE LIABILITY

3CE 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 lease. The lease liability is the present value of payments expected to be paid to the lessor during the lease term. 3CE's only leased asset and liability relate to its office premises.

CAPITAL ASSETS AND DEPRECIATION

3CE's policy is to capitalize furniture and equipment valued over \$1,000 that is expected to be in service for over one year. Depreciation is computed according to the straight-line method over estimated useful lives of three years for electronic equipment, seven years for furniture, and six years for leasehold improvements. Buildings and improvements are depreciated over 30 years. 3CE does not own any electric generation, transmission or distribution assets.

DUE TO BROKER

Investments purchased before the end of the fiscal year, but settled after the fiscal year, are recorded as due to broker.

SECURITY DEPOSITS-ENERGY SUPPLIERS

Various energy purchase contracts entered into by 3CE require the supplier to provide 3CE with a security deposit. These deposits are generally held for the term of the contract or until the completion of certain benchmarks. Deposits are classified as current or noncurrent depending on the length of time the deposits will be held.

CENTRAL COAST COMMUNITY ENERGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2024 AND 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

NET POSITION

Net position is presented in the following components:

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

Unrestricted: This component of net position consists of net position that does not meet the definition of “net investment in capital assets”.

OPERATING AND NONOPERATING REVENUES

Operating revenues include energy sales to retail and wholesale customers, and liquidated damages from suppliers that fail to meet delivery commitments.

Investment income includes interest earned on bank deposits as well as unrealized gains and losses on its investment holdings. Interest and investment income are considered nonoperating revenues.

REVENUE RECOGNITION

3CE 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 at year-end. 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, contractor services, staffing, other operating expenses, program incentives, and depreciation and amortization of capital assets. Expenses not meeting this definition are reported as nonoperating expenses.

COST OF ELECTRICITY

During the normal course of business, 3CE purchases electrical power from numerous suppliers. Electricity costs include the cost of energy and capacity arising from contracts with energy suppliers and generation credits, and load and other charges arising from 3CE’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.

**CENTRAL COAST COMMUNITY ENERGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2024 AND 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ELECTRICAL POWER PURCHASED (CONTINUED)

To comply with the State of California's Renewable Portfolio Standards (RPS), 3CE acquires RPS eligible renewable energy evidenced by Renewable Energy Certificates (Certificates) recognized by the Western Renewable Energy Generation Information System. 3CE 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.

3CE purchases capacity commitments from qualifying electricity generators to comply with the CPUC's Resource Adequacy Program. The goals of the Resource Adequacy Program are to provide sufficient resources to the CAISO to ensure the safe and reliable operation of the 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

3CE pays employees bi-weekly and fully pays its obligation for health benefits and contributions to its defined contribution retirement plan each month. 3CE is not obligated to provide post-employment healthcare or other fringe benefits, and accordingly, no related liability is recorded in these financial statements. 3CE provides compensated time off, and the related liability is recorded in these financial statements.

ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

RECLASSIFICATIONS

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation of the current-year financial statements. These reclassifications did not result in any change in the previously reported net position or change in net position.

CENTRAL COAST COMMUNITY ENERGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2024 AND 2023

2. CASH AND CASH EQUIVALENTS

3CE maintains its cash in both interest-bearing and non-interest-bearing deposit accounts in several banks. 3CE's deposits are subject to California Government Code Section 16521, which requires banks to collateralize public funds in excess of the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000 by 110%. Certain short-term investments with original maturities of less than three months are classified as cash and cash equivalents, which are not subject to the collateral requirement or FDIC coverage previously mentioned. Accordingly, the amount of risk is not disclosed. 3CE monitors its risk exposure on an ongoing basis.

3. RECEIVABLES AND DEPOSITS

ACCOUNTS RECEIVABLE

Accounts receivable was as follows as of September 30:

	2024	2023
Accounts receivable from customers	\$ 54,437,895	\$ 43,313,058
Allowance for uncollectible accounts	(10,000,000)	(10,553,783)
Net accounts receivable	\$ 44,437,895	\$ 32,759,275

The majority of account collections occur within the first few months following customer invoicing. 3CE estimates that a portion of the invoiced accounts will not be collected. 3CE 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, 3CE continues to have success in collecting older accounts. The allowance for uncollectible accounts at the end of a period includes reserves for amounts invoiced during the current and prior fiscal years. During 2024 and 2023, 3CE recorded \$7,233,000 and \$6,864,000, respectively, as an increase to the allowance in anticipation of uncollectible accounts. Amounts estimated to be uncollectible are reported as a reduction in electricity sales in the Statement of Revenues, Expenses and Changes in Net Position. Other changes in the allowance for uncollectible accounts from year-to-year are the result of account write-offs.

OTHER RECEIVABLES

Other receivables consist primarily of amounts due from energy suppliers, generally as a result of certain wholesale transactions for energy products.

DEPOSITS

Combined current and noncurrent deposits were approximately \$11,582,000 and \$6,517,000 as of September 30, 2024 and 2023, respectively. The majority of current deposits relate to collateral posted with the CAISO, which is determined based on 3CE's market exposure at a given time and funds provided to an energy program implementer to issue customer incentive payments.

CENTRAL COAST COMMUNITY ENERGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2024 AND 2023

4. INVESTMENTS

During the years ended September 30, 2024 and 2023, 3CE purchased investments with original maturities of three months or more. As of September 30, investments, presented at fair value, were as follows:

	2024	2023
Current Investments:		
U.S. Treasury Securities	\$ 68,632,549	\$ 45,545,580
Commercial paper	-	3,700,088
Certificate of deposits	-	10,000,000
Total current investments	\$ 68,632,549	\$ 59,245,668
	2024	2023
Noncurrent Investments:		
U.S. Treasury Securities	\$ 7,563,666	\$ -

FAIR VALUE MEASUREMENT

GASB Statement No. 72, *Fair Value Measurement and Application*, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. 3CE's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

As of September 30, 2024 and 2023, 3CE's investments are considered Level 1 inputs, except for certificates of deposits, which are based on the nominal value which is materially consistent with fair value. Quoted prices in active markets were used for determining fair value measurement.

CENTRAL COAST COMMUNITY ENERGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2024 AND 2023

4. INVESTMENTS (continued)

CREDIT RISK

Credit risk is the risk 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. Credit risk information for other investments is not available.

3CE's investment policy addresses this risk. 3CE limits investments to those allowed by Section 53600 of the California Government Code that addresses the risk allowable for each investment.

CUSTODIAL CREDIT RISK – CERTIFICATE OF DEPOSITS

Custodial credit risk is the risk that in the event of a financial institution failure, 3CE's deposits may not be returned to 3CE. 3CE's deposits are subject to California Government Code Section 16521, which requires banks to collateralize public funds in excess of the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000 by 110%.

As of September 30, 2024 and 2023, none of 3CE's bank balances are known to be individually exposed to custodial 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, 3CE 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 3CE's investments are exposed to custodial credit risk.

3CE's investment policy addresses custodial credit risk. All investments owned by 3CE shall be held in safekeeping by a third-party custodian, acting as an agent for 3CE under the terms of a custody agreement.

CENTRAL COAST COMMUNITY ENERGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2024 AND 2023

4. INVESTMENTS (continued)

INTEREST RATE RISK - INVESTMENTS

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed income portfolio to changes in interest rates. It is calculated as the weighted average time to receive a bond's coupon and principal payments. The longer the duration of a portfolio, the greater its price sensitivity to changes in interest rates. 3CE manages its exposure to declines in fair values by limiting the weighted average maturity of its investments. 3CE intends to hold investments to maturity.

Following is a summary of investment maturities as of September 30, 2024:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>Less Than 1 Year</u>	<u>1-5 Years</u>
U.S. Treasury Securities	\$ 76,196,215	\$ 68,632,549	\$ 7,563,666

All investments had a maturity of less than one year as of September 30, 2023.

5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2024 was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Ending balance</u>
Capital assets not being depreciated:			
Building - construction in progress	\$ -	\$ 74,068	\$ 74,068
Land	-	898,658	898,658
Capital assets being depreciated and amortized:			
Furniture and equipment	696,716	13,873	710,589
Leasehold improvements	90,661	-	90,661
Software	400,126	-	400,126
Building	-	1,407,974	1,407,974
Lease asset	1,678,196	-	1,678,196
Total capital assets being depreciated and amortized	<u>2,865,699</u>	<u>1,421,847</u>	<u>4,287,546</u>
Less accumulated depreciation and amortization:			
Furniture, equipment and leasehold improvements	(539,063)	(116,743)	(655,806)
Software	(66,688)	(133,376)	(200,064)
Lease asset	(251,730)	(335,639)	(587,369)
Total accumulated depreciation and amortization	<u>(857,481)</u>	<u>(585,758)</u>	<u>(1,443,239)</u>
Total capital assets, net of depreciation and amortization	<u>\$ 2,008,218</u>	<u>\$ 1,808,815</u>	<u>\$ 3,817,033</u>

CENTRAL COAST COMMUNITY ENERGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2024 AND 2023

5. CAPITAL ASSETS (continued)

Capital asset activity for the year ended September 30, 2023 was as follows:

	Beginning balance	Increases	Ending balance
Capital assets being depreciated and amortized:			
Furniture and equipment	\$ 599,545	\$ 97,171	\$ 696,716
Leasehold improvements	58,687	31,974	90,661
Software	-	400,126	400,126
Lease asset	-	1,678,196	1,678,196
Total capital assets being depreciated and amortized	<u>658,232</u>	<u>2,207,467</u>	<u>2,865,699</u>
Less accumulated depreciation and amortization:			
Furniture, equipment and leasehold improvements	(438,913)	(100,150)	(539,063)
Software	-	(66,688)	(66,688)
Lease asset	-	(251,730)	(251,730)
Total accumulated depreciation and amortization	<u>(438,913)</u>	<u>(418,568)</u>	<u>(857,481)</u>
Total capital assets, net of depreciation and amortization	<u>\$ 219,319</u>	<u>\$ 1,788,899</u>	<u>\$ 2,008,218</u>

6. LEASE

A lease asset is reported in accordance with GASB No. 87.

On October 27, 2022, 3CE entered into a 3-year non-cancelable lease for its office premises for a term commencing on January 1, 2023. The lease agreement includes an option to renew the lease for two additional one-year terms.

Rental payments under this lease were \$360,000 and \$330,000 for the years ended September 30, 2024 and 2023, respectively.

As of September 30, 2024, future minimum lease payments under this lease were projected as follows:

Year ending September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 325,259	\$ 45,905	\$ 371,164
2026	351,568	30,731	382,299
2027	379,426	14,342	393,768
2028	110,698	878	111,576
Total	<u>\$ 1,166,951</u>	<u>\$ 91,856</u>	<u>\$ 1,258,807</u>

CENTRAL COAST COMMUNITY ENERGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2024 AND 2023

7. GRANT REVENUE

3CE administered a grant from the California Arrearage Payment Program (CAPP) that offers financial assistance for California energy utility customers to help reduce past due energy account balances that increased during the COVID-19 pandemic. This program concluded in 2023.

8. DEFINED CONTRIBUTION RETIREMENT PLAN

3CE provides retirement benefits to eligible employees through a 401(a) Retirement Plan (Plan). The Plan is a defined contribution (Internal Revenue Code 401(a)) retirement plan established to provide benefits at retirement to employees of certain qualified employers admitted by the Plan. The Plan is administered by the Public Agency Retirement System (PARS). The number of Plan participants was 41 and 34 as of September 30, 2024 and 2023, respectively. 3CE is required to contribute 10% of covered payroll as a match to required employee contributions. 3CE contributed approximately \$591,000 and \$502,000 for the years ended September 30, 2024 and 2023, respectively. Plan provisions and contribution requirements as they apply to 3CE are established and may be amended by the Governing Board. 3CE elected out of the Social Security system for employees eligible for the Plan. 3CE also provides a 457(b) Retirement Plan where employees can make tax deferred contributions.

9. RISK MANAGEMENT

3CE 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, 3CE purchased insurance policies from investment-grade commercial carriers to mitigate risks that include those associated with earthquakes, theft, general liability, errors and omissions, and property damage. 3CE has general liability coverage of \$1,000,000, with a deductible of \$1,000.

3CE maintains risk management policies, procedures and systems that help mitigate credit, liquidity, market, operating, regulatory and other risks that arise from participation in the California energy market.

Credit guidelines include a preference for transacting with investment-grade counterparties, evaluating counterparties' financial condition and assigning credit limits as applicable. These credit limits are established based on risk and return considerations under terms customarily available in the industry. In addition, 3CE enters into netting arrangements whenever possible and, where appropriate, obtains collateral and other performance assurances from counterparties.

**CENTRAL COAST COMMUNITY ENERGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2024 AND 2023**

10. PURCHASE COMMITMENTS

POWER AND ELECTRIC CAPACITY

In the ordinary course of business, 3CE enters into power purchase agreements to acquire energy and electric capacity. The price and volume of purchased power is largely fixed. Variable priced power, which is a small part of 3CE's portfolio, is generally linked to the market price of either natural gas or power at the date of delivery. Variable volume is generally associated with contracts to purchase energy from resources with varying availability and production, such as solar, wind and hydroelectric facilities.

3CE enters into long-term power purchase agreements to ensure stable competitive rates for its customers and to comply with state law and voluntary targets for renewable and greenhouse gas (GHG) free products.

The following table represents the expected, undiscounted, contractual obligations outstanding as of September 30, 2024:

Year ending September 30,	
2025	\$ 554,000,000
2026	329,000,000
2027	265,000,000
2028	248,000,000
2029	270,000,000
2030-2053	<u>3,299,000,000</u>
Total	<u>\$ 4,965,000,000</u>

**CENTRAL COAST COMMUNITY ENERGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2024 AND 2023**

11. JOINT VENTURE

3CE participates in a joint powers agreement (JPA) through the California Community Choice Financing Authority (CCCFA). CCCFA was formed as 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, among other things, issuing or incurring bonds and entering into related contracts with its members. Any debt or liability incurred by CCCFA on behalf of a member to prepay for renewable energy is not a debt or liability of that member. Furthermore, the assets of CCCFA in the form of prepaid energy or reserves held by the respective bond trustees for any prepayment transaction undertaken on behalf of a member does not constitute an asset or reserve of that member.

CCCFA issued the following bonds, excluding original issue premium, which are to be used to finance energy purchases that will be delivered to 3CE. No debt, liability, or obligation of CCCFA is a debt, liability, obligation of 3CE.

Deal	Date issued	Amount
2023F	December 2023	\$ 647,750,000

3CE will purchase energy from CCCFA in the same manner as it purchases energy from other suppliers. 3CE purchased approximately \$22,579,000 and \$0 from CCCFA during fiscal years 2024 and 2023, respectively. The outstanding purchase commitments related to these financing facilities of \$463,011,000 are included in Note 10. This amount represents executed energy contracts assigned to CCCFA at September 30, 2024. Additional contracts will be assigned throughout the full bond period.

Each member of CCCFA is responsible for paying an equal portion of CCCFA’s general and administrative operating costs as determined by its board. During the years ended September 30, 2024, and 2023, 3CE contributed approximately \$30,000 and \$18,000, respectively, to CCCFA to assist in its operating activities.

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

12. FUTURE GASB PRONOUNCEMENTS

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

GASB has approved GASB Statement No. 102, *Certain Risk Disclosures*, GASB Statement No. 103, *Financial Reporting Model Improvements*, and GASB Statement No. 104, *Disclosure of Certain Capital Assets*.

Management is evaluating the effect of implementation of these statements.