



ACCOUNTANTS' COMPILATION REPORT

Management
Orange County Power Authority

Management is responsible for the accompanying financial statements of Orange County Power Authority (a California Joint Powers Authority) which comprise the statement of net position as of December 31, 2022, and the related statement of revenues, expenses, and changes in net position, and the statement of cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the accompanying statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, conclusion, nor provide any assurance on these financial statements.

Management has elected to omit substantially all of the note disclosures required by accounting principles generally accepted in the United States of America in these interim financial statements. Orange County Power Authority's annual audited financial statements include the note disclosures omitted from these interim statements. If the omitted disclosures were included in these financial statements, they might influence the user's conclusions about the Authority's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

We are not independent with respect to the Authority because we performed certain accounting services that impaired our independence.

Maher Accountancy

San Rafael, CA
January 30, 2023

ORANGE COUNTY POWER AUTHORITY
STATEMENT OF NET POSITION
As of December 31, 2022

ASSETS

Current assets

Cash	\$ 8,609,377
Restricted cash	6,000,000
Investments	147,809
Accounts receivable, net of allowance	15,559,229
Accrued revenue	12,687,279
Other receivables	20,714,606
Prepaid expenses	26,334
Deposits	1,358,972
Total current assets	65,103,606

LIABILITIES

Current liabilities

Accrued cost of electricity	38,129,864
Accounts payable	454,181
Other accrued liabilities	590,225
User taxes and energy surcharges due to other governments	837,823
Accrued interest and financing costs	83,190
Total current liabilities	40,095,283

Noncurrent liabilities

Note payable	17,350,000
Loan payable	7,541,380
Total noncurrent liabilities	24,891,380
Total liabilities	64,986,663

NET POSITION

Unrestricted (deficit)	116,943
Total net position	\$ 116,943

**ORANGE COUNTY POWER AUTHORITY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Six Months Ended December 31, 2022**

OPERATING REVENUES

Electricity sales, net	\$ 118,586,879
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OPERATING EXPENSES

Cost of electricity	115,175,251
Contract services	2,065,614
Staff compensation	813,970
General and administration	333,241
Total operating expenses	118,388,076
Operating income (loss)	198,803

NONOPERATING REVENUES (EXPENSES)

Investment income	7,493
Interest and financing expense	(299,055)
Nonoperating revenues (expenses), net	(291,562)

CHANGE IN NET POSITION

	(92,759)
Net position at beginning of period	209,702
Net position at end of period	\$ 116,943

ORANGE COUNTY POWER AUTHORITY
STATEMENT OF CASH FLOWS
Six Months Ended December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 116,465,964
Receipts from market settlements	13,181,242
Payments to suppliers for electricity	(133,022,496)
Payments for goods and services	(2,216,770)
Payments to employees for services	(776,739)
Payments of taxes and energy surcharges to other governments	(2,371,083)
Net cash provided (used) by operating activities	(8,739,881)

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Proceeds from note payable	31,600,000
Principal payments on loan payable	(111,000)
Principal payments on note payable	(21,900,000)
Interest and related expense payments	(339,419)
Net cash provided (used) by non-capital financing activities	9,249,581

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income received	7,270
Net cash provided (used) by investing activities	7,270

Net change in cash	516,970
Cash at beginning of period	14,092,407
Cash at end of period	\$ 14,609,377

Reconciliation to the Statement of Net Position

Cash (unrestricted)	\$ 8,609,377
Restricted cash	6,000,000
Cash	\$ 14,609,377

ORANGE COUNTY POWER AUTHORITY
STATEMENT OF CASH FLOWS (continued)
Six Months Ended December 31, 2022

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

Operating income (loss)	\$ 198,803
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Revenue adjusted for allowance for uncollectible accounts	1,501,100
(Increase) decrease in:	
Accounts receivable	(6,059,010)
Other receivables	(18,841,690)
Accrued revenue	(177,127)
Prepaid expenses	5,777,567
Deposits	(1,134,396)
Increase (decrease) in:	
Accrued cost of electricity	9,528,697
Accounts payable	(129,570)
Other accrued liabilities	352,706
User taxes and energy surcharges due to other governments	243,039
Net cash provided (used) by operating activities	<u>\$ (8,739,881)</u>



ACCOUNTANTS' COMPILATION REPORT

Board of Directors
Orange County Power Authority

Management is responsible for the budgetary comparison schedule of Orange County Power Authority (OCPA), a California Joint Powers Authority, for the period ended December 31, 2022, and for determining that the budgetary basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the accompanying statement nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any assurance on this special purpose budgetary comparison statement.

The special purpose statement is prepared in accordance with the budgetary basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This report is intended for the information of the Board of Directors of OCPA.

Management has elected to omit substantially all of the note disclosures required by accounting principles generally accepted in the United States of America in these interim financial statements. OCPA's annual audited financial statements include the note disclosures omitted from these interim statements. If the omitted disclosures were included in these financial statements, they might influence the user's conclusions about the Authority's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

We are not independent with respect to OCPA because we performed certain accounting services that impaired our independence.

Maher Accountancy

San Rafael, CA
January 30, 2023

**ORANGE COUNTY POWER AUTHORITY
BUDGETARY COMPARISON REPORT
Six Months Ended December 31, 2022**

	<u>YTD Actual</u>	<u>YTD Budget</u>	<u>YTD Budget Variance (Under) Over</u>	<u>YTD Actual as a Percent of Budget</u>	<u>Annual Budget</u>	<u>Annual Budget Remaining</u>
OPERATING REVENUES						
Electricity Sales, net	\$ 118,586,879	\$ 146,374,478	\$ (27,787,599)	81.0%	\$ 301,750,000	\$ (183,163,121)
OPERATING EXPENSES						
Cost of Energy	115,175,251	148,494,370	(33,319,119)	77.6%	285,342,000	(170,166,749)
Data Manager	89,414	368,721	(279,307)	24.2%	1,839,000	(1,749,586)
Utilities Service Fees	306,135	304,585	1,550	100.5%	532,000	(225,865)
Staffing Costs	813,970	1,752,693	(938,723)	46.4%	4,046,000	(3,232,030)
Contract Services	515,294	704,916	(189,622)	73.1%	1,302,000	(786,706)
Legal Services	497,182	290,000	207,182	171.4%	580,000	(82,818)
Marketing and Customer Enrollment	651,282	1,173,500	(522,218)	55.5%	1,597,000	(945,718)
Other G&A	333,241	452,819	(119,578)	73.6%	844,000	(510,759)
Energy Programs	6,307	242,542	(236,235)	2.6%	500,000	(493,693)
Total operating expenses	<u>118,388,076</u>	<u>153,784,146</u>	<u>(35,396,070)</u>		<u>296,582,000</u>	<u>(178,193,924)</u>
Operating income (loss)	<u>198,803</u>	<u>(7,409,668)</u>	<u>7,608,471</u>		<u>5,168,000</u>	<u>(4,969,197)</u>
NONOPERATING REVENUES (EXPENSES)						
Investment and miscellaneous income	7,493	-	7,493	N/A	1,000	6,493
Interest and financing expense	(299,055)	(164,904)	(134,151)	181.4%	(329,000)	29,945
Capital Outlay		(50,000)	50,000	0.0%	(110,000)	110,000
Nonoperating revenues (expenses), net	<u>(291,562)</u>	<u>(214,904)</u>	<u>(76,658)</u>		<u>(438,000)</u>	<u>146,438</u>
CHANGE IN NET POSITION	<u>\$ (92,759)</u>	<u>\$ (7,624,572)</u>	<u>\$ 7,531,813</u>		<u>\$ 4,730,000</u>	<u>\$ (4,822,759)</u>

**ORANGE COUNTY POWER AUTHORITY
FORECAST COMPARISON REPORT
Six Months Ended December 31, 2022**

	<u>YTD Actual</u>	<u>YTD Forecast</u>	<u>YTD Forecast Variance (Under) Over</u>	<u>YTD Actual as a Percent of Forecast</u>	<u>Annual Forecast</u>	<u>Annual Forecast Remaining</u>
OPERATING REVENUES						
Electricity Sales, net	\$ 118,586,879	\$ 125,809,259	\$ (7,222,380)	94.3%	\$ 290,071,323	\$ (171,484,444)
OPERATING EXPENSES						
Cost of Energy	115,175,251	135,303,233	(20,127,982)	85.1%	254,826,135	(139,650,884)
Data Manager	89,414	187,080	(97,666)	47.8%	1,271,409	(1,181,995)
Utilities Service Fees	306,135	392,520	(86,385)	78.0%	560,907	(254,772)
Staffing Costs	813,970	1,245,121	(431,151)	65.4%	3,538,289	(2,724,319)
Contract Services	515,294	672,834	(157,540)	76.6%	1,269,474	(754,180)
Legal Services	497,182	427,933	69,249	116.2%	717,933	(220,751)
Marketing and Customer Enrollment	651,282	1,173,500	(522,218)	55.5%	1,597,000	(945,718)
Other G&A	333,241	407,834	(74,593)	81.7%	800,328	(467,087)
Energy Programs	6,307	134,573	(128,266)	4.7%	500,000	(493,693)
Total operating expenses	<u>118,388,076</u>	<u>139,944,629</u>	<u>(21,556,553)</u>		<u>265,081,476</u>	<u>(146,693,400)</u>
Operating income (loss)	<u>198,803</u>	<u>(14,135,370)</u>	<u>14,334,173</u>		<u>24,989,847</u>	<u>(24,791,044)</u>
NONOPERATING REVENUES (EXPENSES)						
Investment and miscellaneous income	7,493	442	7,051	1,696.6%	1,102	6,391
Interest and financing expense	(299,055)	(275,909)	(23,146)	108.4%	(655,038)	355,983
Capital Outlay	<u>(291,562)</u>	<u>(50,000)</u>	<u>50,000</u>	0.0%	<u>(110,000)</u>	<u>110,000</u>
Nonoperating revenues (expenses), net	<u>(291,562)</u>	<u>(325,468)</u>	<u>33,906</u>		<u>(763,936)</u>	<u>472,374</u>
CHANGE IN NET POSITION	<u>\$ (92,759)</u>	<u>\$ (14,460,838)</u>	<u>\$ 14,368,079</u>		<u>\$ 24,225,911</u>	<u>\$ (24,318,670)</u>

Note: YTD Forecast is based on recent proforma as of December 9, 2022 and board approved 2023 OCPA rates

**ORANGE COUNTY POWER AUTHORITY
FORECAST COMPARISON REPORT
Six Months Ended December 31, 2022**

Forecast Item	Actual / Forecast %	Comment
Electric Sales, net	94.3%	Year-to-date energy sales are slightly lower than forecast by approx. \$784k or 5.7%. Sales revenue includes revenues actually billed to customers as well as estimated customer usage during the reporting period that is not yet billed.
Cost of Energy	85.1%	The variance is primarily due to the timing difference between projected and actual delivery of Renewable Energy Certificates (RECs) and fluctuating market prices. In addition, OCPA was able to sell the excess energy supply to the CAISO spot market for a gain of approx. \$9mil and made a downward adjustment of \$10.3mil for the estimated load consumption mistakenly reported by SCE for a commercial customer further reduced cost of energy .
Data Manager	47.8%	These fees are non-discretionary and are charged on a per customer basis. Calpine's monthly service fees incurred beginning November 2022 after crediting a full agreed-upon service fees waiver of \$750k to OCPA during the period of April to November 2022. Effective November 2022, Calpine began crediting another agreed-upon service fees waiver of \$1mil and the operational credit of \$400k to OCPA (both over 36-month period). The variance is due to the timing difference of the aforementioned credits.
Utilities Service Fees	78.0%	These are SCE fees charged on a per customer basis.
Staffing Costs	65.4%	Staffing expenses are under budget due to the timing delay of new hires.
Contract Services	76.6%	This category includes accounting, rates and financial & planning analysis, portfolio management, scheduling coordinator, HR and board clerk, and other
Legal Services	116.2%	This category includes outside legal costs for general counsel, energy procurement transactional support, labor, clerk support, regulatory, and RA appeal services. Actual costs exceeded budget due to the ad-hoc labor related investigation costs and high volume of regulatory and compliance filing services.
Marketing and Customer Enrollment	55.5%	This category includes customer noticing, advertising, and other customer communications.
Other G&A	81.7%	This category includes occupancy costs, industry membership dues, general business insurance, and other general and administrative costs.
Energy Programs	4.7%	Programs expenses have generally been delayed until future periods.
Interest and Financing Expenses	108.4%	This category includes interest and fees related to debt. Variance predominately due to the timing of loan draws and letters of credit posted for collateral for energy supply.

ORANGE COUNTY POWER AUTHORITY
SCHEDULE OF OUTSTANDING DEBT
As of December 31, 2022

CITY OF IRVINE

On January 2021, OCPA borrowed \$2,500,000 from the City of Irvine for working capital costs associated with OCPA's pre-launch. On September 2021, OCPA borrowed \$5,000,000 from the City of Irvine for cash collateral in the credit facility associated with OCPA's launch. The loan repayment date for the above is January 1, 2027. Interest is due on the loan in an amount based on the gross earnings for the respective quarter as reported in the City Treasurer's pooled investment portfolio report.

Also included as a loan payable are formation related costs - \$152,380 paid directly from the City to the vendors. OCPA will reimburse the City no later than January 1, 2027. Interest does not accrue on the formation costs advanced by the City. OCPA paid \$111,000 towards the outstanding principal on September 12, 2022.

Principal	Maturity	Interest Rate	Payments	Outstanding Principal
\$ 152,380	January 2027	0.00%	\$ -	\$ 41,380
		Variable - City Treasurer's report		
\$ 7,500,000	January 2027		\$ -	\$ 7,500,000

MUFG UNION BANK, N.A. CREDIT FACILITY

On September 2021, OCPA and MUFG Union Bank, N.A. entered into a Revolving Credit Agreement for a \$35 million credit facility OCPA has borrowed \$17,350,000 as of December 31, 2022, of which \$1,000,000 was used as a reserve for the lockbox account.

MUFG, N.A. has also issued a \$2,611,947.50 Letter of Credit to Pacific Gas & Electric; a \$1,600,000.00 Letter of Credit to Southern California Edison Company; a \$3,500,000 Letter of Credit to Shell and a \$1,600,000 Letter of Credit to California ISO, and a \$2,597,157 Letter of Credit to Marsh Landing. This leaves an unused credit balance of \$5,740,896.

Credit Facility	Letter of Credit	Borrowing	Unused Credit
\$ 35,000,000	\$ 11,909,105	\$ 17,350,000	\$ 5,740,896