Financial Statements

Fiscal Years Ended June 30, 2024 and 2023
with Report of Independent Auditors

ORANGE COUNTY POWER AUTHORITY
THE POWER OF COMMUNITY

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Independent Auditor's Report

To the Board of Directors
Orange County Power Authority

Opinion

We have audited the accompanying financial statements of Orange County Power Authority (OCPA), which comprise the statements of net position as of June 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 OCPA as of June 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 OCPA 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 OCPA'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.

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 OCPA'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 OCPA'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.

Pisenti & Brinker LLP

Santa Rosa, California
November 18, 2024

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 Orange County Power Authority's (OCPA) 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 OCPA's finances.

If you have questions about this report or require further information, our website at https://www.ocpower.org/contact-us/ contains information on how to contact us.

Overview of the Financial Statements

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

- The *Statements of Net Position* include all of OCPA'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 OCPA's revenue and expenses for the years shown.

- The *Statements of Cash Flows* report the cash provided and used by operating activities, as well as other sources and uses, such as capital and investing activities.

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

Financial Summary

OCPA's Net Position

	2024	2023	2022
Current assets	$158,152,396	$ 88,628,950	$ 45,652,857
Noncurrent assets	14,278,857	5,000,000	-
Total assets	**172,431,253**	**93,628,950**	**45,652,857**
Current liabilities	74,718,452	47,445,424	30,048,848
Noncurrent liabilities	7,847,131	7,646,933	15,394,307
Total liabilities	**82,565,583**	**55,092,357**	**45,443,155**
Deferred inflows of resources	**45,000,000**	**-**	**-**
Net position			
Unrestricted	**$ 44,865,670**	**$ 38,536,593**	**$ 209,702**

As of June 30, 2024, OCPA's total net position was approximately $44,900,000, an increase of $6,300,000 or 16% as compared to June 30, 2023. This increase in net position primarily reflects the growth in cash and investments resulting from OCPA's operating surplus, as discussed below.

OCPA's Changes in Net Position

	2024	2023	2022
Operating revenues	$ 337,084,243	$ 275,734,014	$ 37,789,664
Nonoperating revenues	2,467,019	963,543	852
Total income	**339,551,262**	**276,697,557**	**37,790,516**
Operating expenses	332,757,588	237,669,189	36,446,326
Nonoperating expenses	464,597	701,477	199,424
Total expenses	**333,222,185**	**238,370,666**	**36,645,750**
Change in net position	**$ 6,329,077**	**$ 38,326,891**	**$ 1,144,766**

Increased electricity sales accounted for most of the growth in total income. The cost of electricity, the largest component of operating expenses, increased from fiscal year 2023 to fiscal year 2024 due to higher renewable energy and resource adequacy market costs.

Detailed Analysis

Current assets increased from $88,600,000 at the end of fiscal year 2023 to $158,200,000 at the end of fiscal year 2024. This increase was due to an operating surplus primarily driven by an increase in electricity rates charged to customers and to the territory expansion that occurred during fiscal year 2023 that affected the entirety of fiscal year 2024. Current assets at the end of fiscal year 2024 were primarily comprised of cash and investments of $100,300,000, accounts receivable of $26,800,000, and accrued revenue of $20,100,000.

Noncurrent assets increased due to collateral deposits required to be paid to energy suppliers. Also included in noncurrent assets at the end of fiscal year 2023 and 2024 is restricted cash of $5,000,000 held as part of OCPA's credit agreement.

The largest component of current liabilities is the cost of electricity delivered to customers that is not yet paid by OCPA. Current liabilities for the cost of energy increased each year due to greater volumes purchased, changes in payment terms for certain energy products, and rising prices of those products. Accrued cost of electricity was approximately $71,600,000 and $44,700,000 at the end of fiscal years 2024 and 2023, respectively.

Noncurrent liabilities consist of supplier security deposits and a loan due to the City of Irvine. The large decrease during fiscal year 2023 is a result of retiring debt to a financial institution lender.

In fiscal year 2024 OCPA set aside $45,000,000 in a Rate Stabilization Fund in accordance with the Board approved Rate Stabilization Fund Policy. The Rate Stabilization Fund is used to defer revenue for future years when financial results necessitate draws on reserves. By postponing revenue recognition to future years, OCPA aims to avoid sudden rate increases due to unanticipated spikes in energy costs and other unforeseen circumstances. OCPA anticipates reducing the deferral and recognizing the related revenue in fiscal year 2025.

Operating revenues increased each year from fiscal years 2022 to 2024, primarily due to territory expansions and increases in rates charged to customers. However, this increase was reduced in 2024 by the deferral of revenue into the Rate Stabilization Fund.

Detailed Analysis (continued)

Nonoperating revenues include interest and investment income, with year-over-year changes reflecting higher average balances in diversified interest-bearing accounts.

The largest operating expense is the cost of electricity which increased each year, primarily from territory expansion and higher prices charged by electricity providers. As OCPA transitioned into operational strength in fiscal years 2022 and 2023, there was an increase in expenses related to contract services, staff compensation, and other general and administrative costs.

Significant Capital Asset and Long-Term Financing Activity

OCPA does not own assets used for electric generation or distribution.

During 2021, OCPA borrowed approximately $2,700,000 from the City of Irvine, which is classified as a noncurrent liability. These funds were primarily allocated to cover formation costs of $152,000, paid directly to various professional consultants by the City of Irvine, and pre-launch costs of $2,500,000 incurred during OCPA's start-up phase. Additionally, OCPA borrowed an additional $5,000,000 from the City of Irvine to be used as collateral for its bank credit facility.

Throughout 2022 and 2023, OCPA made several draws from and repayments to its financial institution lender. These borrowings were fully repaid by March 2023. Consequently, as of June 30, 2023, the outstanding balance on this note payable was $0, down from $7,650,000 as of June 30, 2022.

Currently Known Facts, Decisions, or Conditions

OCPA continues to navigate industry-wide challenges, including significant increases in renewable energy procurement and resource adequacy costs. These challenges, combined with the projected reduction in rate advantages between OCPA and Southern California Edison (SCE) in 2025, have prompted the agency to refine its procurement strategies and financial planning. To manage these risks, OCPA may need to consider adjusting its rates and renewable energy portfolio to better balance revenues and costs, while still meeting California's Renewable Portfolio Standard requirements.

OCPA is developing a Community Power Plan, a five-year strategic initiative to address gaps in local energy programs and respond to evolving community needs and market conditions. To further support its clean energy initiatives, OCPA is actively pursuing federal and state funding opportunities. These include the California Energy Commission's Equitable Decarbonization Direct Install Program, which helps low-income residents electrify their homes at no cost, and the California Public Utilities Commission's Public Purpose Program, which promotes local economic development, reduces greenhouse gas emissions, and increases the use of renewable energy.

Looking ahead, OCPA is preparing to expand its service area by adding new member communities. OCPA anticipates adding an estimated 12% to its load starting in the fall of 2026.

Requests for information

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

Please address any questions about this report or requests for additional financial information to the Chief Financial Officer, 15310 Barranca Parkway, Suite 250, Irvine, CA 92618.

BASIC FINANCIAL STATEMENTS

ORANGE COUNTY POWER AUTHORITY
STATEMENTS OF NET POSITION
JUNE 30, 2024 AND 2023

	2024	2023
ASSETS		
Current assets		
Cash - unrestricted	$ 79,735,416	$ 26,027,295
Cash - restricted	600,000	800,000
Investments	19,975,918	-
Accounts receivable, net of allowance	26,828,551	23,368,725
Accrued revenue	20,085,848	22,063,462
Other receivables	6,977,630	3,271,945
Prepaid expenses	193,444	11,356,560
Deposits	3,755,589	1,740,963
Total current assets	158,152,396	88,628,950
Noncurrent assets		
Cash - restricted	5,000,000	5,000,000
Deposits	9,278,857	-
Total noncurrent assets	14,278,857	5,000,000
Total assets	172,431,253	93,628,950
LIABILITIES		
Current liabilities		
Accrued cost of electricity	71,612,632	44,739,619
Accounts payable	1,005,354	511,743
Other accrued liabilities	895,522	944,349
User taxes and surcharges due to other governments	1,204,944	1,249,713
Total current liabilities	74,718,452	47,445,424
Noncurrent liabilities		
Loans payable	7,527,841	7,527,841
Accrued interest and financing costs	319,290	119,092
Total noncurrent liabilities	7,847,131	7,646,933
Total liabilities	82,565,583	55,092,357
DEFERRED INFLOWS OF RESOURCES		
Rate Stabilization Fund	45,000,000	-
NET POSITION		
Unrestricted	44,865,670	38,536,593
Total net position	$ 44,865,670	$ 38,536,593

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

ORANGE COUNTY POWER AUTHORITY
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
OPERATING REVENUES		
Electricity sales, net	$ 382,084,243	$ 275,734,014
Revenue deferred to Rate Stabilization Fund	(45,000,000)	-
Total operating revenues	337,084,243	275,734,014
OPERATING EXPENSES		
Cost of electricity	321,916,334	229,232,658
Contract services	7,279,861	5,279,249
Staff compensation	2,563,579	2,435,733
Other operating expenses	997,814	721,549
Total operating expenses	332,757,588	237,669,189
Operating income	4,326,655	38,064,825
NONOPERATING REVENUES (EXPENSES)		
Miscellaneous income	-	913,358
Investment income	2,467,019	50,185
Interest and financing expense	(464,597)	(701,477)
Nonoperating revenues (expenses), net	2,002,422	262,066
CHANGE IN NET POSITION	6,329,077	38,326,891
Net position at beginning of year	38,536,593	209,702
Net position at end of year	$ 44,865,670	$ 38,536,593

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

ORANGE COUNTY POWER AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$388,331,143	$259,631,530
Receipts from market settlements	-	44,563,948
Other operating receipts	1,466,303	1,410,916
Payments to suppliers for electricity	(299,814,653)	(266,607,579)
Payments for goods and services	(8,240,147)	(5,448,214)
Payments of staff compensation and benefits	(2,444,883)	(2,381,535)
Payments of taxes and surcharges to other governments	(7,773,881)	(5,163,302)
Net cash provided by operating activities	71,523,882	26,005,764
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Proceeds from note payable	-	34,100,000
Payments of note principal	-	(41,750,000)
Payments of loan principal	-	(124,539)
Payments of interest and related expenses	(264,862)	(694,109)
Net cash used by non-capital financing activities	(264,862)	(8,468,648)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	2,199,657	50,185
Purchase of investments	(19,950,556)	-
Net cash (used) provided by investing activities	(17,750,899)	50,185
Net change in cash	53,508,121	17,587,301
Cash at beginning of year	31,827,295	14,239,994
Cash at end of year	$ 85,335,416	$ 31,827,295
Reconciliation to the Statement of Net Position		
Cash, unrestricted	$ 79,735,416	$ 26,027,295
Restricted cash, current	600,000	800,000
Restricted cash, noncurrent	5,000,000	5,000,000
Total cash at end of period	$ 85,335,416	$ 31,827,295

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

ORANGE COUNTY POWER AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2024 AND 2023

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	2024	2023
Operating income	$ 4,326,655	$ 38,064,825
Adjustments to reconcile operating income to net cash provided by operating activities		
(Increase) decrease in:		
Accounts receivable, net	(3,459,826)	(12,367,406)
Other receivables	(3,463,685)	(485,671)
Accrued revenue	1,977,614	(9,553,310)
Prepaid expenses	11,163,116	(5,552,658)
Deposits	(11,293,483)	(1,516,387)
Increase (decrease) in:		
Accrued cost of electricity	26,873,013	16,138,451
Accounts payable	493,611	(72,009)
Other accrued liabilities	(48,364)	695,000
User taxes and surcharges due to other governments	(44,769)	654,929
Rate Stabilization Fund	45,000,000	-
Net cash provided by operating activities	$ 71,523,882	$ 26,005,764

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Orange County Power Authority (OCPA) is a California joint powers authority created on November 20, 2020, and its jurisdictions consist of the following local governments as of June 30, 2024:

Cities	
Buena Park	Huntington Beach *
Fullerton	Irvine

* On July 1, 2024, Huntington Beach terminated its membership

OCPA is separate from and derives no financial support from its members. It is governed by a Board of Directors consisting of five regular members and three alternates, all of whom are elected officials representing the participating communities.

OCPA was established to procure retail electricity for residents and businesses within its members' jurisdiction, promote and manage energy and climate change programs, and exercise all other necessary powers to achieve these objectives. A core function of OCPA is to provide electric service using renewable energy sources through the Community Choice Aggregation Program, as authorized by California Public Utilities Code Section 366.2.

OCPA began energy delivery operations in April 2022. Electricity is purchased from commercial suppliers and delivered through the existing infrastructure and equipment managed by Southern California Edison (SCE).

BASIS OF ACCOUNTING

OCPA'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.

OCPA'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, if applicable – investment in capital assets, restricted and unrestricted. When both restricted and unrestricted resources are available for use, OCPA will use restricted resources first, and then unrestricted resources as they are needed.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CASH

For purposes of the Statement of Cash Flows, OCPA defines cash to include cash on hand, demand deposits, and short-term investments with an original maturity of three months or less. Restricted cash reported on the Statements of Net Position includes collateral for a note payable as well as a required minimum balance that must be maintained in one of OCPA's bank accounts.

INVESTMENTS

Investments are stated at fair value based on prices listed on a national exchange for debt securities, while certificates of deposits are stated at cost. OCPA intends to hold its securities to maturity. Investments with a maturity of less than one year are classified as current assets in the Statement of Net Position, while those with a maturity of one year or more are classified as noncurrent assets.

OCPA's Investment Policy permits the following types of investments:

U.S. Treasury obligations	Commercial paper
U.S. agency obligations	Medium-term notes
Municipal obligations	Negotiable certificates of deposits
Deposits at banks	Mortgage pass-through and asset-backed securities
Placement service deposits	Supranational obligations
Local Agency Investment Fund	Joint power authority pool

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 OCPA 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

RATE STABILIZATION FUND

In June 2024, OCPA established a Rate Stabilization Fund in accordance with GASB Statement No. 62. This fund allows OCPA to defer revenue in years when financial results are strong for use in future years when financial results may decline. The amount deposited into the fund is shown as a reduction of operating revenues and reported on the statements of net position as a deferred inflow of resources. Deferrals to this fund were $45,000,000 and $0 in fiscal years 2024 and 2023, respectively.

NET POSITION

Net position is presented in the following components:

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

OPERATING AND NONOPERATING REVENUES

Revenues that are derived from or related to the delivery of energy or other programs are classified as operating revenues. Electricity sales revenue is reported net of an allowance for uncollectible accounts. Operating revenue are decreased by contributions to the Rate Stabilization Fund, and are increased by distributions from it.

Nonoperating revenues include interest earnings on investments, as well as an exit fee charged to a member who elects to withdraw from OCPA.

REVENUE RECOGNITION

OCPA recognizes revenue on the accrual basis. This includes invoices issued to customers during the reporting period and electricity estimated to have been delivered, but not yet billed Management estimates that a portion of the billed amounts will be uncollectible. Accordingly, an allowance for uncollectible accounts has been recorded and revenues are reported net of this allowance.

OPERATING AND NONOPERATING EXPENSES

Operating expenses include the costs of electricity, data management expenses, SCE service fees, consultants, and other professional fees, legal services, staff compensation and benefits, and general and administrative expenses. Expenses not meeting this definition are reported as nonoperating expenses.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ELECTRICAL POWER PURCHASED

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

To comply with the State of California's Renewable Portfolio Standards (RPS) and self-imposed benchmarks, OCPA acquires RPS eligible renewable energy evidenced by Renewable Energy Certificates (Certificates) recognized by the Western Renewable Energy Generation Information System (WREGIS). OCPA 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.

OCPA purchases capacity commitments from qualifying generators to comply with the California Public Utilities Commission'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 grid in real-time and to provide appropriate incentives for the development of new resources necessary for future reliability.

STAFFING COSTS

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

INCOME TAXES

OCPA 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.

USER TAXES AND ENERGY SURCHARGES DUE TO OTHER GOVERNMENTS

OCPA is required by governmental authorities to collect and remit user taxes on certain customer sales. These taxes are not considered revenues or expenses to OCPA.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 to the previously reported net position or change in net position.

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.

2. CASH

OCPA maintains its cash in interest and non-interest-bearing accounts at U.S. Bank. OCPA's deposits are subject to California Government Code Section 16521 which requires banks to collateralize the amount of public funds in excess of the Federal Deposit Insurance Corporation limit of $250,000 by 110%. OCPA has an investment policy addressing risks beyond the requirements of the relevant code. Accordingly, the amount of risk is not disclosed. OCPA monitors its risk exposure on an ongoing basis. As of June 30, 2024 and 2023, all of OCPA's cash was held in depository accounts or certificates of deposit.

3. ACCOUNTS RECEIVABLE

Accounts receivable were as follows as of June 30:

	2024	2023
Accounts receivable from customers	$35,595,551	$27,349,043
Allowance for uncollectible accounts	(8,767,000)	(3,980,318)
Net accounts receivable	$26,828,551	$23,368,725

The majority of account collections occur within the first few months following customer invoicing. OCPA estimates that a portion of the billed accounts will not be collected. OCPA continues collection efforts on delinquent 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, OCPA continues to have success in collecting older accounts. The allowance for uncollectible accounts at the end of a period includes amounts billed during the current and prior fiscal years. Amounts estimated to be uncollectable are reported as a reduction in electricity sales in the Statement of Revenues, Expenses and Changes in Net Position.

4. INVESTMENTS

During the year ended June 30, 2024, OCPA purchased investments with original maturities of three months or more. As of June 30, 2024, the fair value of investments was as follows:

Current Investments:	
Certificate of deposits	$ 18,000,000
U.S. Treasury Securities	1,975,918
Total current investments	$ 19,975,918

FAIR VALUE MEASUREMENT

GASB Statement No. 72, *Fair Value Measurement and Application*, sets forth the framework for measuring fair value. This 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. OCPA'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 June 30, 2024, OCPA's investments are considered Level 1 inputs. Quoted prices in active markets were used for determining fair value measurement.

CREDIT RISK

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations.

OCPA's investment policy addresses this risk by limiting investments to those allowed by Section 53601 of the California Government Code which specifies the risk allowable for each type of investment.

CUSTODIAL CREDIT RISK

Cash and Cash Equivalents

Custodial credit risk is the risk that in the event of a financial institution failure, OCPA's deposits may not be returned. OCPA's deposits are fully insured or collateralized.

As of June 30, 2024 and 2023, none of OCPA's bank balances were known to be individually exposed to custodial credit risk.

4. INVESTMENTS (continued)

CUSTODIAL CREDIT RISK (continued)

Investments

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

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

5. CAPITAL ASSETS

Capital assets for the year ended June 30, 2024 consisted of a lease asset related to its office premises. There were no capital assets for the year ended June 30, 2023.

6. DEBT

LOANS PAYABLE

Pre-launch

In January 2021, OCPA borrowed $2,500,000 from the City of Irvine for working capital costs associated with its launch. In September 2021, OCPA borrowed an additional $5,000,000 from the City of Irvine to use as collateral for its bank credit facility. The loan repayment is due on January 1, 2027. Interest on the loan is calculated based on the quarterly yield on the City of Irvine's Pooled Investment Portfolio. As of June 30, 2024, the estimated interest rate was 2.75% per annum.

Formation costs

In addition to the loans mentioned, formation-related costs were paid directly by the City of Irvine to various professional consultants. OCPA is obligated to reimburse the City of Irvine for these costs no later than January 1, 2027. Interest does not accrue on the formation costs advanced by the City of Irvine. In 2023, OCPA repaid approximately $125,000 of these costs, leaving a balance of approximately $28,000 outstanding as of June 30, 2024 and June 30, 2023.

6. DEBT (continued)

NOTE PAYABLE

In September 2021, OCPA and US Bank entered into a Revolving Credit Agreement for a $35,000,000 credit facility. The credit agreement enhances OCPA's overall liquidity for potential working capital needs and collateral requirements. This agreement terminates in September 2026. The borrowing rate on the credit facility is based on the daily Secured Overnight Financing Rate (SOFR) plus 1.5%. OCPA had no debt outstanding under the credit agreement at June 30, 2024 or 2023. OCPA did issue Standby Letters of Credit secured by the line of credit. At June 30, 2024 and June 30, 2023, these Letters of Credit reduced the available portion of the line by approximately $6,200,000 and $15,200,000, respectively, but are not considered debt to OCPA.

Note and loan principal activity and balances were as follows:

	Beginning	Additions	Payments	Ending
Year ended June 30, 2024				
Note payable	$ -	$ -	$ -	$ -
Loan payable-pre-launch costs	7,500,000	-	-	7,500,000
Loan payable-formation costs	27,841	-	-	27,841
Total	$ 7,527,841	$ -	$ -	7,527,841
Amounts due within one year				-
Amounts due after one year				$ 7,527,841

	Beginning	Additions	Payments	Ending
Year ended June 30, 2023				
Note payable	$ 7,650,000	$ 34,100,000	$ (41,750,000)	$ -
Loan payable-pre-launch costs	7,500,000	-	-	7,500,000
Loan payable-formation costs	152,380	-	(124,539)	27,841
Total	$ 15,302,380	$ 34,100,000	$ (41,874,539)	7,527,841
Amounts due within one year				-
Amounts due after one year				$ 7,527,841

7. DEFINED CONTRIBUTION RETIREMENT PLAN

OCPA provides retirement benefits to eligible employees through a 401(a) Retirement Plan (Plan), which is a defined contribution (IRC 401(a)) retirement plan administered by Lincoln Financial. As of June 30, 2024, there were 11 plan participants. OCPA is required to contribute 10% of annual covered payroll as a match to employee contributions. During the fiscal years ended June 30, 2024 and 2023, OCPA contributed approximately $252,000 and $203,000, respectively, to the 401(a) Retirement Plan. OCPA has elected out of the Social Security system for employees eligible for the Plan. The Plan's provisions and contribution requirements are established and may be amended by the Board of Directors. Additionally, OCPA offers a 457(b) Retirement Plan where employees may elect to participate and make tax-deferred contributions. OCPA provides an employer contribution to the 457(b) plan that matches the employee's voluntary contribution, up to a maximum of 4% of salary.

8. RISK MANAGEMENT

OCPA 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, OCPA purchased insurance policies from investment-grade commercial carriers to mitigate risks that include those associated with cyber and private liability, earthquakes, theft, general liability, errors and omissions, and property damage. OCPA has general liability coverage of $2,000,000 with a deductible of $250.

OCPA maintains energy 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, OCPA enters into netting arrangements whenever possible and where appropriate obtains collateral and other performance assurances from counterparties.

9. LEASES

In February 2024, OCPA entered into an 84-month non-cancelable lease for its office premises effective July 2024. As part of a prior office space lease, OCPA made rental payments in the amounts of $228,000 and $163,000 for the fiscal years ended June 30, 2024 and 2023, respectively.

9. LEASES (continued)

As of June 30, 2024, future minimum lease payments were projected as follows:

	Principal	Interest	Total
Year ending June 30,			
2025	$ 57,236	$ 35,465	$ 92,701
2026	109,330	55,195	164,525
2027	122,788	47,346	170,134
2028	137,190	38,553	175,743
2029	153,566	28,720	182,286
2030-2031	338,307	23,303	361,610
Total	$ 918,417	$ 228,582	$ 1,146,999

10. PURCHASE COMMITMENTS

POWER AND ELECTRIC CAPACITY

In the ordinary course of business, OCPA enters into various power purchase agreements to procure renewable energy, and other energy and electric capacity. The price and volume of purchased power are typically fixed but can also be variable. Variable pricing is generally based on the market price of either natural gas or electricity at the time of delivery. Variable volume is generally associated with contracts to purchase energy from as-available resources such as solar, wind, and hydroelectric facilities.

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

The following table details the expected, undiscounted, contractual obligations outstanding as of June 30, 2024:

Year ended June 30,	
2025	$ 207,100,000
2026	180,900,000
2027	136,400,000
2028	88,200,000
2029	72,000,000
2030-2047	584,600,000
Total	$ 1,269,200,000

11. FUTURE GASB PRONOUNCEMENTS

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

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

Management is evaluating the effect of implementation of these statements.

12. WITHDRAWL OF MEMBERS

COUNTY OF ORANGE

On December 21, 2022, the County of Orange (the County) provided notice of its withdrawal from the OCPA. Following the County's notice, OCPA adjusted its load expectations and procurement strategy, effectively mitigating energy products attributable to the County's load by fully utilizing its existing contracts for energy and renewable energy for ongoing operations (excluding the County).

However, OCPA faced challenges in mitigating costs related to resource adequacy capacity. Due to the California Public Utilities Commission's (CPUC) year-ahead resource adequacy rules, OCPA was required to maintain all the resource adequacy it had procured for the County's anticipated 2023 load, as reflected in OCPA's binding load forecast filed in April 2022. Selling this resource adequacy would have resulted in significant penalties from the CPUC, so it had to be kept by OCPA and could not be monetized or mitigated.

As a result, under Section 6.3 of the Joint Powers Agreement (JPA), the County is responsible for the cost of this unutilized resource adequacy capacity. The cost for this resource adequacy, covering November and December 2023, amounted to $888,508, calculated by multiplying the County's resource adequacy needs for these months by the average price of OCPA's contracts. Additionally, OCPA incurred $24,850 in expenses with professional advisors to address legal and regulatory issues arising from the County's withdrawal. Therefore, as of June 30, 2024, the total receivable for the County's withdrawal amounted to $913,358.

CITY OF HUNTINGTON BEACH

On May 17, 2023, the City of Huntington Beach (the City) gave notice of its withdrawal as a member of OCPA. According to the terms of the JPA, the City's withdrawal took effect on July 1, 2024, and all OCPA customers within the City's geographic boundary have transitioned to SCE bundled service.

12. WITHDRAWAL OF MEMBERS (continued)

CITY OF HUNTINGTON BEACH (continued)

After receiving the City's withdrawal notice in May 2023, OCPA took steps to adjust its system energy and renewables portfolio for 2024. These adjustments included reducing the acquisition of system energy and renewables to fill open positions for the year, effectively mitigating potential liabilities. As a result, OCPA did not incur any liabilities related to system energy contracts due to the City's withdrawal and its share of OCPA's load.

OCPA had already purchased resource adequacy for 2024 to meet its year-ahead obligations with the CPUC and CAISO. The CPUC informed OCPA that its year-ahead load forecast could not be amended to reflect the City's return to SCE bundled service, meaning OCPA could not reduce its resource adequacy obligations. As a result, OCPA retained the resource adequacy attributed to the City's load for the months of July through December 2024, creating a stranded cost of $6,680,079, for which the City was liable.

Under Rule 23, OCPA is subject to SCE's imposition of reentry fees for the return of the City's customers, which includes SCE's incremental administrative and procurement costs. Additionally, OCPA incurred internal administrative and legal costs related to the City's reentry, including consulting fees, the hiring of a project manager to ensure a smooth transition back to SCE, printing costs for customer notifications, and legal expenses. These expenses totaled $352,029, for which the City was liable.

On October 23, 2023, the City approved the transition of all existing customers from the 100% Renewable Choice to the Basic Choice tier, effective January 1, 2024. This change reduced the cost of renewable energy that OCPA needed to purchase for the first six months of 2024 by $7,467,753 (Renewable Cost Savings). These savings, directly related to the withdrawal and transition of the City's customers, were applied to offset the City's liability for withdrawal costs, including stranded resource adequacy costs, SCE administrative costs, and OCPA administrative, consulting, and legal expenses.

On September 3, 2024, OCPA determined the final withdrawal costs incurred in connection with the City's departure, including resource adequacy costs, SCE reentry fees, and OCPA administrative expenses. These costs did not exceed the Renewable Cost Savings. As a result, the City has no further liability to OCPA regarding its withdrawal.