Financial Statements

Fiscal Years Ended June 30, 2023 and 2022
with Report of Independent Auditors

ORANGE COUNTY
POWER AUTHORITY
THE POWER OF COMMUNITY

ORANGE COUNTY POWER AUTHORITY
YEARS ENDED JUNE 30, 2023 AND 2022

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Independent Auditor's Report

To the Board of Directors
Orange County Power Authority
Irvine, California

Opinion

We have audited the financial statements of Orange County Power Authority (OCPA), which comprise the statements of net position as of June 30, 2023 and 2022, 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, 2023 and 2022, and the results of its operations and its 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management'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
December 12, 2023

The Management's Discussion and Analysis provides an overview of Orange County Power Authority's (OCPA) financial activities as of and for the years ended June 30, 2023 and 2022. The information presented here should be considered in conjunction with the audited financial statements.

BACKGROUND

The formation of OCPA was made possible in 2002 by the passage of California Assembly Bill 117, enabling communities to purchase power on behalf of their residents and businesses as an alternative to legacy Investor-Owned Utilities.

OCPA is a Community Choice Aggregator (CCA) established on November 20, 2020 pursuant to Public Utilities Code Section 366.2 and operating as a Joint Powers Authority (JPA) pursuant to Government Code section 6500 et seq. OCPA was established to provide for the acquisition of electric power for its service area as well as to provide other benefits to the residential, commercial, industrial, agricultural customers in communities located within the Cities of Buena Park, Fullerton, Huntington Beach, and Irvine.

OCPA serves approximately 257,000 accounts, with an approximate consumption of approximately 2,400 GWH in the fiscal year 2022/2023. At the core of OCPA's mission is a commitment to offering customer choice and competitive retail rates, alongside innovative energy programs designed to facilitate electrification and to reduce greenhouse gas (GHG) emissions. This reduction is achieved through long-term contracts for both existing and new utility scale renewable electricity generation. In a significant move, the OCPA Board, in July 2023, established a robust long-term strategic plan to further accelerate the reduction of GHG emissions. This plan commits OCPA to achieving a clean and renewable resource mix, with the goal of meeting 100% of its energy demand with long-term renewable sources by the year 2030.

Prior to the creation of OCPA, the City of Irvine (the City) managed the financial and administrative activities essential for the formation of this community choice aggregation program. This management included incurring various initial costs necessary to initiate OCPA and its programs. Subsequent to the formation of OCPA and in line with a capital funding agreement with the City of Irvine, OCPA accepted an obligation to reimburse the City for these specified costs. These costs encompassed not only those incurred prior to the formal Joint Powers Authority (JPA) agreement but also expenses accrued during the initial start-up phase of OCPA.

OCPA is governed by a Board consisting of five members and alternates, each representing the participating communities. This includes one elected official appointed by each member jurisdiction. The City of Irvine has a second representative until start-up funds provided by the City are fully repaid. OCPA has the rights and powers to set rates for its services, incur debt, and issue bonds or other obligations.

Financial Reporting

OCPA presents its financial statements as an enterprise fund under the economic resources measurement focus and accrual basis of accounting, in accordance with Generally Accepted Accounting Principles (GAAP) for proprietary funds, as prescribed by the Governmental Accounting Standards Board (GASB).

Contents of this report

This report is divided into the following sections:

- Management's discussion and analysis, which provides an overview of the financial operations.

- The basic financial statements:

  - The *Statements of Net Position* includes all of OCPA's assets, liabilities, and net position and provides information about the nature and amounts of resources and obligations at a specific point in time.

  - The *Statements of Revenues, Expenses, and Changes in Net Position* reports all OCPA's revenue and expenses for the years shown.

  - The *Statements of Cash Flows* reports the cash provided and used by operating activities, as well as other sources and uses, such as debt financing.

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

FINANCIAL HIGHLIGHTS

The following table is a summary of OCPA's assets, liabilities, and net position and a discussion of significant changes for the years ended June 30:

	2023	2022	2021
Current assets			
Cash	$ 31,827,295	$ 14,239,994	$ 2,002,270
Acccounts receivable & accrued revenue	45,432,187	23,511,471	-
Other current assets	16,369,468	7,901,392	4,815
Total current assets	93,628,950	45,652,857	2,007,085
Current liabilities			
Accrued cost of electricity	44,739,619	28,601,167	-
Other current liabilities	2,705,805	1,447,681	289,769
Total current liabilities	47,445,424	30,048,848	289,769
Noncurrent liabilities	7,646,933	15,394,307	2,652,380
Total liabilities	55,092,357	45,443,155	2,942,149
Net position			
Unrestricted (deficit)	38,536,593	209,702	(935,064)
Total net position	$ 38,536,593	$ 209,702	$ (935,064)

Current Assets

Current assets were $93,629,000 at the end of June 30, 2023 and consist of cash, accounts receivable, accrued revenue, and other current assets. Accrued revenue differs from accounts receivable in that it is the result of electricity provided to OCPA customers that had not been invoiced as of the statement of net position date. The increase in other current assets each year from 2021 to 2023 is due to prepayments for electricity made to suppliers.

Current Liabilities

The most significant element of current liabilities is the obligation to pay the cost of electricity delivered to customers, which are not yet due to be paid by OCPA as of the statement of net position date. These current liabilities increased year-over-year with the roll-out of providing electricity to customers.

Noncurrent Liabilities

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.

Also included in OCPA's noncurrent liabilities is a note payable to its financial institution lender. Throughout 2022 and 2023, OCPA made several borrowings and repayments. 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.

Results of Operations

The following table is a summary of OCPA's results of operations and a discussion of significant changes for the years ended June 30:

	2023	2022	2021
Operating revenues	$ 275,734,014	$ 37,789,664	$ -
Nonoperating revenues	963,543	852	83
Total revenues	276,697,557	37,790,516	83
Operating expenses	237,669,189	36,446,326	918,400
Nonoperating expenses	701,477	199,424	16,747
Total expenses	238,370,666	36,645,750	935,147
Change in net position	$ 38,326,891	$ 1,144,766	$ (935,064)

Operating Revenues

OCPA initiated its first wave of customer enrollments, including commercial, industrial, agricultural, and municipal customer accounts, in April 2022. Operating revenues are primarily derived from the sale of electricity to nonresidential customers across its territory. OCPA reports its revenue net of an allowance for uncollectible accounts. Following the start of electricity sales in April 2022, OCPA had approximately 37,000 customers as of June 30, 2022. The onboarding of residential customers commenced in October 2022, and by the end of the fiscal year on June 30, 2023, the customer base had expanded to approximately 257,000 customers. OCPA's gross profit margin for 2022 was approximately 13.6%, with operating revenues exceeding the cost of electricity by $5,155,000. In 2023, the gross profit margin improved to approximately 16.9%, with operating revenues exceeding the cost of electricity by $46,501,000.

Operating Expenses

Expenses incurred during 2021 were primarily associated with the start-up and implementation phase of OCPA. In this phase, there were no expenses related to energy purchases. However, there was a significant increase in operating expenses from 2021 to 2023, primarily attributed to the acquisition of energy for customer use. OCPA procures energy from a variety of sources, focusing on maintaining competitive costs and a balanced renewable power portfolio. As OCPA transitioned into operational strength in 2022 and 2023, there was an increase in expenses related to contract services, staff compensation, and other general and administrative costs. This growth in expenses aligns with the organization's expansion and the scaling of its operations.

Nonoperating Revenues and Expenses

Nonoperating revenues include interest earnings on investments and an exit fee charged to a member who has elected to withdraw from OCPA. Interest expenses on borrowings are included as nonoperating expenses. These costs increased in 2022 and 2023 due to increased volume of borrowings.

ECONOMIC OUTLOOK

OCPA successfully brought customer choice to Orange County, offering options for increased renewable energy at competitive rates. In less than a year of operation, OCPA procured over 95% renewable energy for more than 257,000 customers throughout Orange County, significantly outperforming the local investor-owned utility's 33% renewable energy delivery.

Following the launch of its residential services to over 200,000 customers in October 2022, OCPA was able to significantly reduce annual greenhouse gas emissions, equivalent to removing 200,000 traditionally powered vehicles from the roads. This achievement marks OCPA as a regional game-changer in its inaugural year.

Looking ahead to 2024, OCPA is strategically focused on expanding its environmental impact. We aim to attract more cities in Orange County to join our clean energy transition. To this end, OCPA has been busy meeting with staff members and policymakers from cities throughout the region. With all the momentum that OCPA is experiencing, it is likely that more of the 34 cities in Orange County will vote to join in 2024 and beyond.

An equally important goal for OCPA is to continue building a talented, creative, experienced, and high-functioning internal team to ensure that the agency's goals are met and that it is a part of the broader movement toward a clean energy future. OCPA views having a positive work culture and diverse team as critical to its future success.

Ultimately, the promise of OCPA is to be the preeminent clean energy public agency in the region, not only by equitably decarbonizing the electricity grid but also by reducing greenhouse gas emissions across all sectors.

REQUEST FOR INFORMATION

This financial report is designed to provide OCPA's customers and creditors with a general overview of the organization'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 P.O. Box 54283, Irvine, CA 92619.

Respectfully submitted,

Joe Mosca, Interim CEO

BASIC FINANCIAL STATEMENTS

ORANGE COUNTY POWER AUTHORITY
STATEMENTS OF NET POSITION
JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
Current assets		
Cash - unrestricted	$ 26,027,295	$ 8,239,994
Cash - restricted	5,800,000	6,000,000
Accounts receivable, net of allowance	23,368,725	11,001,319
Accrued revenue	22,063,462	12,510,152
Other receivables	3,271,945	1,872,916
Prepaid expenses	11,356,560	5,803,900
Deposits	1,740,963	224,576
Total current assets	93,628,950	45,652,857
LIABILITIES		
Current liabilities		
Accrued cost of electricity	44,739,619	28,601,167
Accounts payable	511,743	583,751
Other accrued liabilities	932,519	237,519
User taxes and surcharges due to other governments	1,249,713	594,784
Accrued interest and financing costs	11,830	31,627
Total current liabilities	47,445,424	30,048,848
Noncurrent liabilities		
Note payable	-	7,650,000
Loans payable	7,527,841	7,652,380
Accrued interest and financing costs	119,092	91,927
Total noncurrent liabilities	7,646,933	15,394,307
Total liabilities	55,092,357	45,443,155
NET POSITION		
Unrestricted	38,536,593	209,702
Total net position	$ 38,536,593	$ 209,702

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, 2023 AND 2022

	2023	2022
OPERATING REVENUES		
Electricity sales, net	$ 275,734,014	$ 37,789,664
OPERATING EXPENSES		
Cost of electricity	229,232,658	32,635,024
Contract services	5,279,249	2,572,456
Staff compensation	2,435,733	1,038,151
Other operating expenses	721,549	200,695
Total operating expenses	237,669,189	36,446,326
Operating income	38,064,825	1,343,338
NONOPERATING REVENUES (EXPENSES)		
Miscellaneous income	913,358	-
Investment income	50,185	852
Interest and financing expense	(701,477)	(199,424)
Nonoperating revenues (expenses), net	262,066	(198,572)
CHANGE IN NET POSITION	38,326,891	1,144,766
Net position (deficit) at beginning of year	209,702	(935,064)
Net position at end of year	$ 38,536,593	$ 209,702

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

ORANGE COUNTY POWER AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 259,631,529	$ 14,872,977
Receipts from market settlements	44,563,948	913,054
Other operating receipts	1,410,916	4,815
Payments to suppliers for electricity	(266,607,579)	(12,794,428)
Payments for goods and services	(5,448,214)	(2,347,288)
Payments to employees for services	(2,381,535)	(969,641)
Payments of taxes and surcharges to other governments	(5,163,302)	-
Net cash provided (used) by operating activities	26,005,764	(320,511)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Proceeds from note payable	34,100,000	11,450,000
Proceeds from loan payable	-	5,000,000
Payments of loan principal	(124,539)	-
Payments of note principal	(41,750,000)	(3,800,000)
Payments of interest and related expenses	(694,109)	(92,617)
Net cash provided (used) by non-capital financing activities	(8,468,648)	12,557,383
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income received	50,185	348
Net change in cash	17,587,301	12,237,220
Cash at beginning of year	14,239,994	2,002,774
Cash at end of year	$ 31,827,295	$ 14,239,994
Reconciliation to the Statement of Net Position		
Cash (unrestricted)	$ 26,027,295	$ 8,239,994
Cash (restricted)	5,800,000	6,000,000
Cash	$ 31,827,295	$ 14,239,994

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

ORANGE COUNTY POWER AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2023 AND 2022

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

	2023	2022
Operating income	$ 38,064,825	$ 1,343,338
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
(Increase) decrease in:		
Accounts receivable, net	(12,367,406)	(11,001,319)
Other receivables	(485,671)	(1,872,916)
Accrued revenue	(9,553,310)	(12,510,152)
Prepaid expenses	(5,552,658)	(5,803,900)
Deposits	(1,516,387)	(219,761)
Increase (decrease) in:		
Accrued cost of electricity	16,138,451	28,601,167
Accounts payable	(72,009)	408,382
Other accrued liabilities	695,000	139,866
User taxes and surcharges due to other governments	654,929	594,784
Net cash provided (used) by operating activities	$ 26,005,764	$ (320,511)

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, 2023:

Cities		Counties
Buena Park	Huntington Beach	County of Orange
Fullerton	Irvine	

OCPA is separate from and derives no financial support from its members. OCPA is governed by a Board of Directors comprised of five regular members with three alternates representing the participating communities. OCPA's Board members are elected officials of the member governments.

OCPA was formed to acquire retail electricity for the residents and businesses within its members' jurisdiction, 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 OCPA is to provide electric service that includes the use of renewable sources under the Community Choice Aggregation Program under California Public Utilities Code Section 366.2.

OCPA began its energy delivery operations in April 2022. Electricity is acquired from commercial suppliers and delivered through existing physical 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 purpose 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 to be maintained in one of OCPA's bank accounts.

PREPAID EXPENSES AND 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. Also included are prepaid expenses and deposits for regulatory and other operating purposes.

OPERATING AND NONOPERATING REVENUE

Operating revenues include retail electricity sales to customers. The vast majority of operating revenue is derived from these sales. Investment income is considered nonoperating revenue.

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

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 as of the end of the period. 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.

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

OPERATING AND NONOPERATING EXPENSES

Operating expenses include the costs of electricity, data management expenses, SCE service fees, consultants and other professional fees, legal, staff compensation and benefits, 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, and 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 siting and construction of new resources needed for reliability in the future.

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.

RECLASSIFICATIONS

Certain amounts in the prior-year financial statement 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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 that banks 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, 2023 and 2022, 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:

	2023	2022
Accounts receivable from customers	$27,349,043	$11,485,998
Allowance for uncollectible accounts	(3,980,318)	(484,679)
Net accounts receivable	$23,368,725	$11,001,319

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 fiscal year.

4. DEBT

NOTE PAYABLE

On September 20, 2021, OCPA arranged to borrow up to $35 million from MUFG Union Bank, N.A. (MUFG) to provide cash for energy purchases and operating expenses that were due before sufficient cash could be collected from customers. In 2023, U.S. Bank acquired MUFG, and OCPA's credit line was continued with U.S. Bank. This credit facility is secured by a pledge of net revenues of OCPA after payment of energy providers and other operating expenses and a cash collateral account in the amount of $5 million, which was borrowed from the City of Irvine pursuant to a Capital Loan Agreement with OCPA.

Principal of the revolving credit facility can be drawn as needed, and interest accrues on the outstanding balance. The credit facility has a maturity date of September 18, 2026. Interest payments are due monthly and are calculated based on the daily Secured Overnight Financing Rate (SOFR). The outstanding balance of this note payable was $0 and $7,650,000 as of June 30, 2023 and 2022, respectively.

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. Then, 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 gross earnings for the respective quarter, as reported in the City of Irvine's Treasurer's monthly investment report. As of June 30, 2023, the estimated interest rate was 2.35% per annum.

Formation costs

In addition to the loans mentioned, there are formation-related costs that 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. Unlike the other loans, 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 $28,000 outstanding as of June 30, 2023.

4. DEBT (continued)

Note and loan principal activity and balances were as follows:

	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

	Beginning	Additions	Payments	Ending
Year ended June 30, 2022				
Note payable	$ -	$ 11,450,000	$ (3,800,000)	$ 7,650,000
Loan payable-pre-launch costs	2,500,000	5,000,000	-	7,500,000
Loan payable-formation costs	152,380	-	-	152,380
Total	$ 2,652,380	$ 16,450,000	$ (3,800,000)	15,302,380
Amounts due within one year				-
Amounts due after one year				$ 15,302,380

5. 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, 2023, there were 11 plan participants. OCPA is required to contribute 10% of annual covered payroll as a match to required employee contributions. During the fiscal years ended June 30, 2023 and 2022, OCPA contributed approximately $203,000 and $31,000, 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.

6. 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.

7. PURCHASE COMMITMENTS

POWER AND ELECTRIC CAPACITY

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

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

The following table details the expected, undiscounted, contractual obligations outstanding as of June 30, 2023:

Year ended June 30,	
2024	$ 275,700,000
2025	166,800,000
2026	105,600,000
2027	105,600,000
2028	87,100,000
2029-2046	703,500,000
Total	$ 1,444,300,000

8. FUTURE GASB PRONOUNCEMENTS

The requirements of the following GASB Statements are effective for years ending after June 30, 2023:

GASB has approved GASB Statement No. 100, *Accounting Changes and Error Corrections – Amendment of GASB Statement No. 62*, and GASB Statement No. 101, *Compensated Absences*. When they become effective, application of these standards may restate portions of these financial statements.

9. SUBSEQUENT EVENT

WITHDRAWAL OF COUNTY OF ORANGE

On December 21, 2022, the County of Orange (the County) provided a notice of withdrawal from the Orange County Power Authority (OCPA). According to OCPA's Joint Powers Agreement (JPA), a member may withdraw from OCPA by providing a notice of withdrawal at least 180 days before the start of OCPA's next fiscal year, which begins on July 1. Consequently, the County's withdrawal became effective July 1, 2023. Under the terms of the JPA, the County is responsible for all related costs, and OCPA is required to mitigate these costs in a reasonable and good faith manner, ensuring they are not passed on to the ratepayers of the remaining JPA members.

Following the receipt of the County's notice in December 2022, OCPA adjusted its load expectations and procurement strategy. This enabled OCPA to effectively mitigate energy products attributable to the County's load by fully utilizing its existing contracts for energy and renewable energy requirements for its ongoing operations (not including the County).

However, OCPA faced limitations in mitigating costs related to resource adequacy capacity. Due to the California Public Utilities Commission (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 included in OCPA's binding load forecast filed in April 2022. Selling this resource adequacy would have led to significant penalties from the CPUC, so it was retained and could not be monetized or otherwise mitigated. As a result, under Section 6.3 of the JPA, the County is responsible for the cost of this unutilized resource adequacy capacity. The liability for this resource adequacy, covering November and December 2023, amounted to $888,508, calculated by multiplying the County customers' resource adequacy needs for these months by the average price of OCPA's contracts.

9. SUBSEQUENT EVENT (continued)

In addition to this liability, 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, 2023, the total receivable for the County's withdrawal was at $913,358.

The withdrawal took effect before the scheduled transition of customers from Southern California Edison (SCE) and San Diego Gas & Electric (SDG&E) to OCPA in November 2023. OCPA has coordinated with the CPUC, SCE, and SDG&E and does not expect additional liabilities from SCE or SDG&E, as the County withdrew before the enrollment and service commencement for County residents and businesses.

WITHDRAWAL OF HUNTINGTON BEACH

On May 17, 2023, the City of Huntington Beach (the City) gave notice of its withdrawal as a member of OCPA. Pursuant to the terms of the JPA, the City's withdrawal will become effective July 1, 2024, and all OCPA customers within the City's geographic boundary will transition to SCE bundled service.

OCPA and SCE will begin transitioning City net energy metering ("NEM") customers starting on April 1, 2024, and throughout the month of April, based on the customers' regular billing periods and the annual true-up. The transition of the remaining City customers will begin on June 1, 2024, and continue throughout the month of June, concluding on June 30, 2024.

Upon receiving notice of the City's withdrawal in May 2023, OCPA took action 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, thereby effectively mitigating potential liabilities. As a result of these strategic actions, OCPA will not incur any liability from system energy contracts as a result of the City's withdrawal and its proportion of OCPA's load.

OCPA has purchased resource adequacy for 2024 to satisfy its year-ahead resource adequacy obligations with the CPUC and California Independent System Operator. The CPUC has notified OCPA that its year-ahead load forecast cannot be amended to reflect the City's return to SCE bundled service, which means OCPA cannot reduce its resource adequacy obligations. Consequently, OCPA must retain the resource adequacy that is attributable to the City's load for the months of July through December 2024. This situation prevents OCPA from selling any excess resource adequacy due to compliance obligations, resulting in a stranded cost of $6,680,079 to OCPA, for which the City is liable to reimburse OCPA.

9. SUBSEQUENT EVENT (continued)

In accordance with Rule 23, OCPA is subject to SCE's imposition of reentry fees for the return of the City's customers. These fees include SCE's incremental administrative and procurement costs. SCE has stated that if it receives six-month notice prior to the reentry date, procurement-related costs will not be charged, although administrative costs will still be incurred and recovered. Accordingly, a six-month notice for NEM customers was provided on September 29, 2023, and a six-month notice for non-NEM customers was provided on November 8, 2023. SCE's administrative costs, as detailed in its Schedule CCA-SF, are based on a per customer reentry fee. However, SCE may elect to track its actual incremental administrative costs in lieu of the per customer fee. Additionally, OCPA will not know SCE's methodology or the total reentry fees charged until SCE submits an advice letter to the CPUC, which will notify both the CPUC and OCPA of the fees. Ultimately, the costs imposed on OCPA by SCE, as outlined in the advice letter, will be the City's responsibility as per the terms of the JPA and will be subject to verification and documentation.

In addition to the SCE administrative costs, OCPA expects to incur internal administrative and legal costs in connection with the City's reentry, such as consulting fees associated with the transition and calculation of procurement costs, the hiring of a project manager to facilitate a smooth transition of customers back to SCE, printing costs required for customer notice of their return to bundled service, and OCPA legal costs.

Lastly, on October 23, 2023, the City approved the transition of all existing customers from the 100% Renewable to the Basic Choice tier, effective January 1, 2024. This change will reduce the cost of renewable energy that OCPA needs to purchase to meet its renewable energy requirements for the first six months of 2024 by $7,467,753 (Renewable Cost Savings). This is a direct cost savings to OCPA that is associated with the withdrawal and transition of the City's customers, and therefore the Renewable Cost Savings will be applied to the City's liability for all withdrawal costs, including stranded resource adequacy costs, SCE administrative costs, and OCPA administrative, consulting, and legal costs.