



## Finance, Administration & Procurement Subcommittee Meeting

Tuesday, October 13, 2020

3:00 pm

<https://us02web.zoom.us/j/83072445105>

Or Telephone:

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Webinar ID: 830 7244 5105

*Meetings are accessible to people with disabilities. Individuals who need special assistance or a disability-related modification or accommodation to participate in this meeting, or who have a disability and wish to request an alternative format for the meeting materials, should contact the Clerk of the Board at least 2 working days before the meeting at (510) 736-4981 or [cob@ebce.org](mailto:cob@ebce.org)*

*If you have anything that you wish to be distributed to the committee, please email it to the clerk by 5:00 pm the day prior to the meeting.*

### 1. Welcome & Roll Call

### 2. Public Comment

*This item is reserved for persons wishing to address the committee on any EBCE-related matters that are not otherwise on this meeting agenda. Public comments on matters listed on the agenda shall be heard at the time the matter is called. As with all public comment, members of the public who wish to address the committee are customarily limited to three minutes per speaker and must complete an electronic [speaker slip](#). The Committee Chair may increase or decrease the time allotted to each speaker*

### 3. Approval of Minutes from September 11, 2020

### 4. Draft Audit Review (Informational Item)

Review the A Draft version of the Audit.

### 5. Accountant Contract Renewal (Informational Item)

Discuss renewing the accountant contract for the next year.

### 6. Days Liquidity (Informational Item)

Discuss the Authority's Days Liquidity on Hand (DLOH) position.

### 7. Bank Interest Rate Update (Informational Item)

Discuss the impact of lower than expected interest rates on budget.

EBCE is committed to protecting our environment and is proud to be a

[Certified California Green Business](#)

- 8. Committee Member and Staff Announcements including requests to place items on future Board Agendas**
- 9. Adjournment - to Date: Friday, December 11, 2020**



**Finance, Administration & Procurement Subcommittee  
Meeting**

**Draft Minutes**

Friday, September 11, 2020

3:00 pm

<https://us02web.zoom.us/j/81244698394>

Or Telephone:

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If you have anything that you wish to be distributed to the Committee, please email it to the clerk by 5:00 pm the day prior to the meeting.

**1. Welcome & Roll Call**

Present: Directors: Kalb (Oakland), Mendall (Hayward) and Chair Hernandez (San Leandro)

**2. Public Comment**

*This item is reserved for persons wishing to address the committee on any EBCE-related matters that are not otherwise on this meeting agenda. Public comments on matters listed on the agenda shall be heard at the time the matter is called. As with all public comment, members of the public who wish to address the committee are customarily limited to three minutes per speaker and must complete an electronic [speaker slip](#). The Committee Chair may increase or decrease the time allotted to each speaker*

There were no public speakers.

**3. Approval of Minutes from June 12, 2020**

**Chair Hernandez motioned to approve the June 12, 2020 minutes. Director Mendall seconded the motion which carried 2/0. Excused: Member Kalb**

#### 4. Finance Update (Informational Item)

Update on current Finance priorities, including Rate Stabilization Fund and Audit Status.

##### The Committee discussed:

- The differences between Rate Stabilization *Reserve* and *Deferral* Funds
- How deferred revenues are recorded on the balance sheet
- Planning for unexpected cost fluctuations

**Audrey Ichinose** requested clarification about the impact of revenue deferral on the Local Development budget and asked if Local Development funds can be spent in the current fiscal year. A. Ichinose also asked if staff could explain the factors that contributed to the strong current fiscal year.

**Barbera Stebbins** spoke in support of increased budget transparency. B. Stebbins also asked if concern about the net position is being driven by the PCIA.

#### 5. Power Procurement Update (Informational Item)

Update on Power Procurement priorities, including Prepay energy transactions, August heat wave, and Fall Renewables RFO.

##### The Committee discussed:

- Board authorization timing for Prepay resolution
- Selection criteria for Prepay supplier
- Cost structure for Prepay transaction vehicle
- Evaluation of Prepay structure by other CCAs
- Energy and budget impacts of August heat wave
- Clarification of Day Ahead and Real Time Hourly Price data
- Weather and load forecasting data sources

**Audrey Ichinose** requested information about the power purchase agreements that will be assigned to this Prepay energy transaction. A. Ichinose also asked about resource adequacy performance evaluation and usage.

**Barbara Stebbins** spoke regarding the incentives in the Prepay transaction for the Prepay supplier. B. Stebbins also spoke in favor of supporting local, resilient, and sustainable energy resource planning.

**Chuck Rosselle** spoke in support of regulatory changes at the CPUC that would increase local resource availability.

**6. Committee Member and Staff Announcements including requests to place items on future Board Agendas**

Chair Hernandez requested an update on the Resilient Homes program at a future EBCE meeting.

**7. Adjourned.**



# Finance

PRESENTED BY: Jason Bartlett

DATE: October 13, 2020

# Audit Status

- Audit is currently in the final draft stage
- Follow up AR testing is still being completed before finalization, as process updates and changes were implemented this year
- No issues have been reported to staff at this time
- Expected delivery of final version by end of week
- To be presented to Board on October 21, 2020

# Draft Audit Details

- **Financial Highlights**

- **Balance Sheet**

- EBCE ended FY 2019-20 with no financial debt
    - Assets were \$220M
      - \$108M cash, \$76M in accrued revenue and receivables, \$12.7M deferred revenues, \$11M in restricted cash, \$7.8M in prepaid expenses, and \$4.5M in settlements and deposits
    - Liabilities were \$57.9M
      - \$50.3M in accrued electricity costs, \$4.2M in user taxes and surcharges, \$2.6M in accounts payable, and \$800k in other current liabilities
    - Organization net position is **\$149.8M** (Assets – Liabilities – Deferred Revenue)

- **Income Statement**

- Total Revenue was \$477.4M
      - \$475.7M from sales, \$1.4M from interest, and \$300k from grants
      - \$12.7M was deferred to net revenues at \$464.7
    - Total Expenses were \$396.3M
      - \$373.5M in cost of electricity, \$21.4M in general operating expenses, and \$700k in interest costs
    - Change in net position in 2019-20 was **\$68.4M** (Net Revenues – Total Expenses )



# Additional Matters

- Accountant Contract Renewal
  - Accountant Contract with Maher Accountancy expires on Dec 31, 2020
  - Seeking to renew a 1-year extension at Nov 18 Board Meeting
- Days of Liquidity on Hand (DLOH) metric
  - 143 (As of 10/1/2020)
- Update on Bank Interest Rates
  - Bank rates have significantly declined since budget development, from 1.79% to 0.8%
  - Budget estimated \$1.2M in revenue from reserves and cash held in interest bearing accounts at 1.5%
  - Updated estimate \$700k in revenue from reserves and cash held in interest bearing accounts at 0.8%



# Financial Statements

Years Ended June 30, 2020 and June 30, 2019  
With Independent Auditor's Report

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**EAST BAY COMMUNITY ENERGY AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2020 AND 2019**

The Management's Discussion and Analysis provides an overview of East Bay Community Energy Authority's (EBCE) financial activities as of and for the years June 30, 2020 and 2019. The information presented here should be considered in conjunction with the audited financial statements.

**BACKGROUND**

The formation of EBCE 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 and creating competition in power generation.

EBCE was created as a California Joint Powers Authority (JPA) effective December 1, 2016, and was established to provide electric power at competitive costs as well as to provide other benefits within Alameda County, including reducing greenhouse gas emissions related to the use of power, procuring energy with a priority on the use and development of local renewable resources, stimulating local job creation through various programs and development, promote personal and community ownership of renewable resources, as well as promoting long-term electric rate stability and energy reliability for residents and businesses. Governed by a board of directors (Board) consisting of elected representatives from each jurisdiction, EBCE has the rights and powers to set rates for the services it furnishes, incur indebtedness, and issue bonds or other obligations. EBCE is responsible for the acquisition of electric power for its service area.

In June 2018, EBCE began providing service to its first approximately 55,000 customer accounts as part of its initial enrollment phase. This initial phase included municipal and business accounts. The next major enrollment of residential accounts began in November 2018, bringing the total customer count to approximately 545,000. Starting in April of 2019, EBCE began its final phase of enrollments to include net energy metering (NEM) customers. As of June 30, 2020, EBCE had approximately 560,000 customers enrolled.

**EAST BAY COMMUNITY ENERGY AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2020 AND 2019**

**Financial Reporting**

EBCE 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 discussion and analysis, which provides an overview of the financial operations.
- The basic financial statements:
  - The *Statements of Net Position* include all of EBCE's assets, liabilities, deferred inflows, 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 EBCE'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 asset acquisitions and non-capital financing activities.
  - Notes to the Basic Financial Statements, which provide additional details and information related to the basic financial statements.

**EAST BAY COMMUNITY ENERGY AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2020 AND 2019**

**FINANCIAL HIGHLIGHTS**

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current assets	\$ 207,412,111	\$ 128,753,445	\$ 26,884,073
Noncurrent assets			
Capital assets, net	148,053	48,842	24,961
Other noncurrent assets	12,821,208	22,507,440	6,158,176
Total noncurrent assets	<u>12,969,261</u>	<u>22,556,282</u>	<u>6,183,137</u>
Total assets	<u>220,381,372</u>	<u>151,309,727</u>	<u>33,067,210</u>
Current liabilities	57,899,438	57,423,768	11,182,690
Noncurrent liabilities	-	12,512,500	18,800,000
Total liabilities	<u>57,899,438</u>	<u>69,936,268</u>	<u>29,982,690</u>
Deferred inflows of resources	<u>12,680,000</u>	-	-
Net position			
Investment in capital assets	148,053	48,842	24,961
Restricted	11,000,000	17,100,000	-
Unrestricted	<u>138,653,881</u>	<u>64,224,617</u>	<u>3,059,559</u>
Total net position	<u>\$ 149,801,934</u>	<u>\$ 81,373,459</u>	<u>\$ 3,084,520</u>

**Current assets**

Current assets were approximately \$207,412,000 at the end of 2020 and are mostly comprised of \$108,481,000 in cash, \$50,082,000 in accounts receivable, \$26,130,000 in accrued revenue, \$11,000,000 in restricted cash and \$7,755,000 in prepaid expenses. Cash and restricted cash increased each year as a result of operating surpluses.

**Capital assets**

Capital assets are reported net of depreciation. Each year, the increase is mostly due to leasehold improvements at EBCE's office and the acquisition of furniture and equipment. EBCE does not own assets used for electricity generation or distribution.



**EAST BAY COMMUNITY ENERGY AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2020 AND 2019**

**Other noncurrent assets**

Included in other noncurrent assets at June 30, 2020 is \$12,680,000 in its Rate Stabilization Fund to be used in later years when financial results may not be as strong or are stressed. By deferring revenue to be used in future years, EBCE will be better able to avoid sudden rate increases to address unanticipated spikes in energy costs and other unforeseen circumstances.

Prior to 2019-20, other noncurrent assets of \$22,507,000 consisted of restricted cash for security collateral and various deposits for regulatory and other operating purposes. Included were deposit postings with the California Public Utilities Commission (CPUC) and the California Independent System Operator. The combination of these deposits decreased significantly during 2019-20. Also during 2019-20, in conjunction with repayment of its bank debt, the cash restriction related to a bank line of credit was recharacterized from noncurrent to current assets.

**Current liabilities**

Current liabilities consist mostly of the cost of electricity delivered to customers that is not yet due to be paid by EBCE. Other components include trade accounts payable, taxes and surcharges due to other governments, and various other accrued liabilities. Current liabilities were fairly level year-over-year.

**Noncurrent liabilities**

During 2017-18, EBCE borrowed \$18,800,000 from Barclays Bank. The debt was incurred to provide for working capital related to the procurement of electricity, as payments and deposits to suppliers are often required in advance of the collection of revenues from customers. At June 30, 2018, EBCE had a total of \$23,437,000 outstanding debt. During the fiscal year 2018-19, EBCE reduced its debt obligations by retiring its debt to Alameda County and by making payments toward its bank debt. Shortly after the end of 2018-19, EBCE repaid the remaining balance of its bank debt ahead of schedule.

**Deferred inflows of resources**

EBCE directed \$12,680,000 of electricity revenue to its Rate Stabilization Fund. The balance of the fund is classified as deferred inflow of resources until EBCE recognizes the revenue in the future.

**EAST BAY COMMUNITY ENERGY AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2020 AND 2019**

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating revenues	\$ 463,381,478	\$ 387,251,933	\$ 16,142,192
Interest income	1,357,175	248,702	-
Total income	464,738,653	387,500,635	16,142,192
Operating expenses	395,567,000	307,397,737	10,821,190
Nonoperating expenses	743,178	1,813,959	432,952
Total expenses	396,310,178	309,211,696	11,254,142
Change in net position	<u>\$ 68,428,475</u>	<u>\$ 78,288,939</u>	<u>\$ 4,888,050</u>

**Operating revenues**

EBCE enrolled its first wave of municipal and commercial customer accounts in June 2018. Operating revenues for 2017-18 consist entirely of sales for that month. EBCE began providing service to residential accounts starting in November 2018, which increased its operating revenues for the remainder of the fiscal year. During 2019-20, operating revenues increased as this was the first full year of customer enrollment. In 2019-20 EBCE directed \$12,680,000 to its Rate Stabilization Fund, effectively reducing revenue for that year and deferring the recognition to a future year.

Interest income increased each year as a result of rising cash balances and increased interest rates.

**Operating expenses**

EBCE's largest expense each year was the purchase of electricity delivered to customers which correlate with the related revenue. EBCE procures energy from a variety of sources and focuses on maintaining a balanced renewable power portfolio at competitive costs. Expenses for staff compensation, contracting services, and other general and administrative expenses increased each year as the organization continued to grow to support its business demands. EBCE had sufficient revenues each year to meet its operating expense obligations.

**Nonoperating expenses**

In conjunction with repayment of bank debt and therefore less interest incurred in 2019-20, nonoperating expenses decreased.

**EAST BAY COMMUNITY ENERGY AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2020 AND 2019**

**ECONOMIC OUTLOOK**

California Independent System Operator (CAISO) system power prices experienced some level of volatility through the year ended June 30, 2020. This level of volatility was generally consistent with year to year historical volatility that occurs due to seasonal weather changes. These weather changes included short periods of more extreme cold weather and hot weather. Regional natural gas infrastructure issues, along with nationwide weather extremes, also had an impact at certain times on natural gas prices and, therefore, on market energy prices. Outside of a few periods of extreme weather changes, market energy prices remained relatively stable.

In March 2020, Alameda County formally issued a Shelter in Place (SIP) order in response to the global pandemic associated with the wide spread of the COVID-19 virus. The impact of SIP was to increase residential load and decrease commercial load, resulting in a modest decrease in load. With this similar pattern across CAISO along with generally mild weather conditions outside of a few periods, market energy prices were low relative to historical pricing.

EBCE has implemented a formal risk management policy that includes guidance on target hedge levels. Energy hedging is intended to reduce the financial risk of unexpected price surges by procuring future energy at fixed prices. The target hedge percentages depend on factors including time and the hedge pricing relative to historical energy costs. In general, EBCE targets hedging 60-100% of its exposure in energy products on a short-duration basis of under a year and aims to hedge greater than 80% of its exposure going into any particular month. EBCE has complied with its risk management policy and regulations.

Year-over-year EBCE has retained a strong customer and revenue base with low opt-out levels. EBCE is actively engaged in a number of ongoing regulatory proceedings and discussions on topics that can impact EBCE's energy procurement requirements and, therefore, energy-related expenditures. This provides some level of additional certainty on EBCE revenues. Going forward, there may be future changes and enhancements to the methodology and annually there will be an energy true-up to adjust the PCIA to reflect the latest mark to market conditions.

**REQUEST FOR INFORMATION**

This financial report is designed to provide EBCE's customers and creditors with an overview of the organization's finances and to demonstrate EBCE's accountability for the funds under its stewardship.

Please address any questions about this report or requests for additional financial information to 1999 Harrison Street, 8<sup>th</sup> Floor, Oakland, CA 94612.

Respectfully submitted,

Nick Chaset, Chief Executive Officer

## **BASIC FINANCIAL STATEMENTS**

**EAST BAY COMMUNITY ENERGY AUTHORITY  
STATEMENTS OF NET POSITION  
AS OF JUNE 30, 2020 AND 2019**

	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 108,481,294	\$ 38,773,514
Accounts receivable, net of allowance	50,082,004	43,551,376
Accrued revenue	26,130,467	28,125,065
Market settlements receivable	1,980,256	6,724,942
Other receivables	111,261	-
Prepaid energy purchases	7,755,269	4,816,629
Deposits	1,871,560	1,761,919
Restricted cash	11,000,000	5,000,000
Total current assets	207,412,111	128,753,445
Noncurrent assets		
Unrestricted cash in Rate Stabilization Fund	12,680,000	-
Capital assets, net of depreciation	148,053	48,842
Deposits	141,208	5,407,440
Restricted cash	-	17,100,000
Total noncurrent assets	12,969,261	22,556,282
Total assets	220,381,372	151,309,727
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	2,609,589	2,228,690
Accrued cost of electricity	50,320,296	50,768,250
Accrued payroll and benefits	573,885	319,263
Other accrued liabilities	124,951	23,258
User taxes and energy surcharges due to other governments	4,200,717	3,484,307
Security deposits - energy suppliers	70,000	600,000
Total current liabilities	57,899,438	57,423,768
Noncurrent liabilities		
Notes payable to bank	-	12,512,500
Total liabilities	57,899,438	69,936,268
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Rate Stabilization Fund	12,680,000	-
<b>NET POSITION</b>		
Investment in capital assets	148,053	48,842
Restricted for collateral	11,000,000	17,100,000
Unrestricted	138,653,881	64,224,617
Total net position	\$ 149,801,934	\$ 81,373,459

**EAST BAY COMMUNITY ENERGY AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**  
**JUNE 30, 2020 AND 2019**

	<b>2020</b>	<b>2019</b>
<b>OPERATING REVENUES</b>		
Electricity sales, net	\$ 475,727,273	\$ 387,065,191
Revenue directed to Rate Stabilization Fund	(12,680,000)	-
Other revenue	334,205	186,742
Total operating revenues	463,381,478	387,251,933
<b>OPERATING EXPENSES</b>		
Cost of electricity	373,477,417	293,176,788
Contract services	12,890,724	9,609,129
Staff compensation	5,852,793	3,830,701
General and administration	3,302,768	767,035
Depreciation	43,298	14,084
Total operating expenses	395,567,000	307,397,737
Operating income	67,814,478	79,854,196
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	1,357,175	248,702
Interest and financing expense	(743,178)	(1,813,959)
Total nonoperating revenues (expenses)	613,997	(1,565,257)
<b>CHANGE IN NET POSITION</b>		
Net position at beginning of year	81,373,459	3,084,520
Net position at end of year	\$ 149,801,934	\$ 81,373,459

**EAST BAY COMMUNITY ENERGY AUTHORITY**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 492,564,733	\$ 347,919,861
Receipts from market settlements	-	600,000
Other operating receipts	515,947	246,742
Payments to suppliers for electricity	(367,371,693)	(253,588,690)
Payments for other goods and services	(16,494,851)	(9,140,877)
Payments for staff compensation	(5,616,047)	(3,678,693)
Tax and surcharge payments to other governments	(20,380,830)	(12,905,088)
Net cash provided by operating activities	83,217,259	69,453,255
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Note proceeds from bank	-	9,500,000
Note principal payments	(12,512,500)	(20,424,156)
Interest and related expense payments	(621,548)	(2,155,196)
Net cash used by non-capital financing activities	(13,134,048)	(13,079,352)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of capital assets	(152,606)	(21,681)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income received	1,357,175	248,702
Net change in cash and cash equivalents	71,287,780	56,600,924
Cash and cash equivalents at beginning of year	60,873,514	4,272,590
Cash and cash equivalents at end of year	\$ 132,161,294	\$ 60,873,514
<b>Reconciliation to the Statement of Net Position</b>		
<b>Current assets</b>		
Cash and cash equivalents (unrestricted)	\$ 108,481,294	\$ 38,773,514
Restricted cash	11,000,000	5,000,000
<b>Noncurrent assets</b>		
Cash (unrestricted)	12,680,000	-
Cash (restricted)	-	17,100,000
Cash and cash equivalents	\$ 132,161,294	\$ 60,873,514

**EAST BAY COMMUNITY ENERGY AUTHORITY  
STATEMENTS OF CASH FLOWS (CONTINUED)  
YEARS ENDED JUNE 30, 2020 AND 2019**

**RECONCILIATION OF OPERATING INCOME TO NET  
CASH PROVIDED BY OPERATING ACTIVITIES**

	<u>2020</u>	<u>2019</u>
Operating income	\$ 67,814,478	\$ 79,854,196
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation expense	43,297	14,084
Revenue adjusted for allowance for uncollectible accounts	3,548,839	1,945,052
(Increase) decrease in:		
Accounts receivable	(10,079,467)	(45,557,750)
Market settlements receivable	4,744,686	(6,724,942)
Other receivables	(111,261)	-
Accrued revenue	1,994,598	(11,921,336)
Prepaid expenses	(2,938,640)	1,652,449
Noncurrent deposits	5,156,591	(1,011,183)
Increase (decrease) in:		
Accounts payable	269,367	1,332,160
Accrued cost of electricity	(447,954)	45,592,774
Accrued payroll and benefits	254,622	170,874
Deferred revenue	101,693	23,258
User taxes due to other governments	716,410	3,483,619
Security deposits from energy suppliers	(530,000)	600,000
Rate Stabilization Fund	12,680,000	-
Net cash provided by operating activities	<u>\$ 83,217,259</u>	<u>\$ 69,453,255</u>



**EAST BAY COMMUNITY ENERGY AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2020 AND 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**REPORTING ENTITY**

East Bay Community Energy Authority (EBCE) is a California joint powers authority created on December 1, 2016. As of June 30, 2020, parties to its Joint Powers Agreement consist of the following local governments, plus one representative (non-voting) from the Community Advisory Committee (CAC).

<b>County</b>	<b>Cities</b>	
Alameda	Albany	Newark
	Berkeley	Oakland
	Dublin	Piedmont
	Emeryville	Pleasanton
	Fremont	San Leandro
	Hayward	Tracy
	Livermore	Union City

EBCE is separate from and derives no financial support from its members. EBCE is governed by a Board of Directors whose membership is composed of elected officials representing the member governments.

A core function of EBCE 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.

EBCE began its energy delivery operations in June 2018. Electricity is acquired from electricity suppliers and delivered through existing physical infrastructure and equipment managed by Pacific Gas and Electric Company.

**EAST BAY COMMUNITY ENERGY AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2020 AND 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**BASIS OF ACCOUNTING**

EBCE'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.

EBCE'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 – investment in capital assets, restricted and unrestricted.

When both restricted and unrestricted resources are available for use, it is EBCE's policy to use restricted resources first, then unrestricted resources as they are needed.

**CASH AND CASH EQUIVALENTS**

For purpose of the Statements of Cash Flows, EBCE has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with an original maturity of three months or less. For the purpose of the Statements of Net Position, restricted cash balances are presented separately. Restricted cash reported on the Statements of Net Position includes collateral on a bank loan, as well as a required minimum balance to be maintained in one of its bank accounts.

**MARKET SETTLEMENTS RECEIVABLE**

EBCE receives generation scheduling and other services from a registered, California Independent System Operator (CAISO) scheduling coordinator. Market settlements due from the scheduling coordinator were \$1,980,000 and \$6,725,000 as of June 30, 2020 and 2019, respectively.

**PREPAID ENERGY PURCHASES AND DEPOSITS**

Various energy contracts entered into by EBCE require EBCE to provide the supplier with a security deposit. The deposits are generally held for the term of the contract. Deposits are classified as current or noncurrent assets depending on the length of the time the deposits will be held. Also included are prepaid expenses and deposits for regulatory and other operating purposes.

**EAST BAY COMMUNITY ENERGY AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2020 AND 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**CAPITAL ASSETS AND DEPRECIATION**

EBCE's policy is to capitalize furniture and equipment valued over \$1,000 that is expected to be in service for over one year. Depreciation is computed according to the straight-line method over estimated useful lives of three years for electronic equipment and seven years for furniture and seven years for leasehold improvements unless limited by the length of the original lease term. EBCE does not own any electric generation assets.

**RATE STABILIZATION FUND**

EBCE created a Rate Stabilization Fund to allow EBCE to defer revenue in years when financial results are strong to be used in future years when financial results are not as strong or stressed. In accordance with GASB 62 and GASB 65, the amount recognized as an addition to the fund is shown as a reduction of operating revenues and reported on the statements of net position as a deferred inflow of resources.

EBCE directed revenue of \$12,680,000 to the Rate Stabilization Fund for the year ended June 30, 2020.

**NET POSITION**

Net position is presented in the following components:

*Investment in capital assets:* This component of net position consists of capital assets, net of accumulated depreciation and reduced by outstanding borrowings that are attributable to the acquisition, construction, or improvement of those assets. EBCE did not have any such borrowings outstanding as of June 30, 2020 and 2019.

*Restricted:* This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

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

**EAST BAY COMMUNITY ENERGY AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2020 AND 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**OPERATING AND NON-OPERATING REVENUES**

Operating revenues include revenues derived from the provision of energy to end-use retail customers, wholesale customers, and grant revenue earned from the delivery of program activities. Operating revenues are affected by amounts directed to or from the Rate Stabilization Fund.

Interest income is considered “non-operating revenue.”

**REVENUE RECOGNITION**

EBCE 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, a reserve for uncollectible accounts has been recorded.

**OPERATING AND NONOPERATING EXPENSES**

Operating expenses include the costs of sales and services, administrative expenses, and depreciation on capital assets. Expenses not meeting this definition are reported as nonoperating expenses.

**ELECTRICAL POWER PURCHASED**

During the normal course of business, EBCE purchases electrical power from numerous suppliers. Electricity costs include the cost of energy and capacity arising from bilateral contracts with energy suppliers as well as generation credits, and load and other charges arising from EBCE’s participation in the California Independent System Operator’s centralized market. The cost to acquire 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, EBCE acquires RPS eligible renewable energy evidenced by Renewable Energy Certificates (Certificates) recognized by the Western Renewable Energy Generation Information System (WREGIS). EBCE obtains Certificates with the intent to retire them and does not sell or build surpluses of Certificates with a profit motive. EBCE recognizes an expense on a monthly basis that corresponds to the volume sold to its customers for its various renewable and carbon-free products. This expense recognition increases accrued cost of electricity reported on the Statements of Net Position until the time the payment has been made to the supplier.

**EAST BAY COMMUNITY ENERGY AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2020 AND 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**ELECTRICAL POWER PURCHASED (continued)**

EBCE purchases capacity commitments from qualifying generators to comply with the California's Resource Adequacy Program. The goals of the Resource Adequacy Program are to provide sufficient resources to the California Independent System Operator 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**

EBCE pays employees semi-monthly and fully pays its obligation for health benefits and contributions to its defined contribution retirement plan monthly. EBCE is not obligated to provide post-employment healthcare or other fringe benefits, and accordingly, no related liability is recorded in these financial statements. EBCE provides compensated absences, and the related liability is recorded in these financial statements.

**INCOME TAXES**

EBCE 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.

**ESTIMATES**

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

**RECLASSIFICATIONS**

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

**EAST BAY COMMUNITY ENERGY AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2020 AND 2019**

**2. CASH AND CASH EQUIVALENTS**

EBCE maintains its cash in both interest-bearing and non-interest-bearing accounts at River City Bank in Sacramento, California. EBCE's deposits with River City Bank are subject to California Government Code Section 16521 which requires that River City Bank collateralize public funds in excess of the Federal Deposit Insurance Corporation limit of \$250,000 by 110%. EBCE has no deposit or investment policy that addresses a specific type of risk that would impose restrictions beyond this code. Accordingly, the amount of risk is not disclosed. EBCE monitors its risk exposure to River City Bank on an ongoing basis.

**3. ACCOUNTS RECEIVABLE**

Accounts receivable were as follows as of June 30:

	<b>2020</b>	<b>2019</b>
Accounts receivable from customers	\$55,652,434	\$45,572,967
Allowance for uncollectible accounts	(5,570,430)	(2,021,591)
Net accounts receivable	\$50,082,004	\$43,551,376

The majority of account collections occur within the first few months following customer invoicing. EBCE estimates that a portion of the billed accounts will not be collected. EBCE continues collection efforts on accounts in excess of *de minimis* balances regardless of the age of the account. Although collection success generally decreases with the age of the receivable, EBCE continues to have success collecting older accounts. The allowance for uncollectible accounts at the end of a period includes amounts billed during the current and prior fiscal years. EBCE increased its allowance for uncollectible accounts in light of the potential impacts of the COVID-19 global pandemic.

**4. CAPITAL ASSETS**

Capital asset activity for the years ended June 30, 2019 and 2020, was as follows:

	<b>Furniture &amp; Equipment</b>	<b>Leasehold Improvements</b>	<b>Accumulated Depreciation</b>	<b>Total</b>
Balances at June 30, 2018	\$ 30,265	\$ -	\$ (5,304)	\$ 24,961
Additions	27,596	10,369	(14,084)	23,881
Balances at June 30, 2019	57,861	10,369	(19,388)	48,842
Additions	139,344	3,165	(43,298)	99,211
Balances at June 30, 2020	\$ 197,205	\$ 13,534	\$ (62,686)	\$ 148,053

**EAST BAY COMMUNITY ENERGY AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2020 AND 2019**

**5. DEBT**

**Loan payable to Alameda County**

In April 2017, EBCE entered into a cooperative agreement with Alameda County. The purpose of the agreement was to reimburse the County for services, costs, and expenses incurred to investigate the feasibility of implementing a community choice aggregation program as well as to provide for other working capital needs. The agreement allowed for the repayment of advanced costs to be in the form of a loan not to exceed \$5,500,000, with interest accrued based on the Alameda County Pooled Investment Fund earnings rate plus two percent per annum. As of June 30, 2018, EBCE had drawn funds or become liable for expenses incurred of approximately \$4,637,000. Principal and interest payment dates are not specified in the agreement. The loan was repaid in February 2019.

**Note payable to bank**

In March 2018, EBCE arranged to borrow up to \$50 million through a revolving credit agreement from Barclays Bank to provide cash to provide for working capital before sufficient revenue was to be collected from customers. The loan is secured by assigning a first priority security interest in pledged revenues as well as interest in certain bank accounts held by EBCE. Principal can be drawn as needed and interest is accrued on the outstanding balance. The stated maturity date is March 15, 2021, with interest payable each month commencing on November 1, 2018. The interest rate at June 30, 2019 was computed at LIBOR plus a rate of 5.25%, for a total rate of 7.69%. In the event of default, the note becomes immediately due and payable.

In August 2019 EBCE paid off the balance of its revolving credit agreement. In addition, EBCE renegotiated the borrowing rate on the credit facility to LIBOR plus 2.5% and reduced the reserve requirement from \$17,100,000 to \$7,000,000. In December of 2019, EBCE executed a second amendment to the credit facility that increased the total borrowing amount available to \$80,000,000 with \$60,000,000 available for cash borrowing and a \$35,000,000 letter of credit sublimit.

**EAST BAY COMMUNITY ENERGY AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2020 AND 2019**

**5. DEBT (continued)**

Loan principal activity and balances were as follows for the following direct borrowings:

	<u>Beginning</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending</u>
Year ended June 30, 2019				
Alameda County	\$ 4,636,656	\$ -	\$ (4,636,656)	\$ -
Bank	18,800,000	9,500,000	(15,787,500)	12,512,500
Total	<u>\$ 23,436,656</u>	<u>\$ 9,500,000</u>	<u>\$ (20,424,156)</u>	12,512,500
Amounts due within one year				-
Amounts due after one year				<u>\$ 12,512,500</u>
Year ended June 30, 2020				
Bank	<u>\$ 12,512,500</u>	<u>\$ -</u>	<u>\$ (12,512,500)</u>	\$ -
Amounts due within one year				-
Amounts due after one year				<u>\$ -</u>

**6. DEFINED CONTRIBUTION RETIREMENT PLAN**

The East Bay Energy Authority Plan 401(a) (Plan) is a defined contribution retirement plan administered by LT Trust. As of June 30, 2020, there were 33 plan members. EBCE is required to contribute a match up to 6% of annual covered payroll to the Plan and contributed \$574,000 and \$277,000 during the years ended June 30, 2020, and 2019, respectively. EBCE has elected out of the Social Security system for employees eligible for the 401(a) Plan. As part of this election, EBCE makes required “replacement” contributions to the Plan. Plan provisions are established and may be amended by the Board of Directors.

**7. RISK MANAGEMENT**

EBCE 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 ended June 30, 2020 EBCE purchased liability and property insurance from a commercial carrier. Coverage for property, general liability, errors and omissions and non-owned automobile was \$3,000,000 with a \$1,000 deductible.



**EAST BAY COMMUNITY ENERGY AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2020 AND 2019**

**8. PURCHASE COMMITMENTS**

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

The following table details the obligations on existing energy, renewable contracts, and resource adequacy (RA) as of June 30, 2020:

Year ended June 30,	
2021	\$ 255,183,080
2022	141,018,938
2023	91,033,069
2024	68,355,049
2025	53,589,374
2026-2042	826,602,820
Total	<u>\$ 1,435,782,331</u>

**9. OPERATING LEASE**

Rental expense for EBCE's office space was \$517,000 and \$214,000 for the years ended June 30, 2020, and 2019, respectively. In February 2019, EBCE entered into a 39-month non-cancelable lease for its office premise from August 1, 2019 through October 31, 2022.

Future minimum lease payments under this lease are as follows:

Year ended June 30,	
2021	\$ 429,000
2022	442,000
2023	149,000
Total	<u>\$ 1,020,000</u>

**EAST BAY COMMUNITY ENERGY AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2020 AND 2019**

**10. FUTURE GASB PRONOUNCEMENTS**

The requirements of the following GASB Statements are effective for years ending after June 30, 2020:

GASB has approved GASB Statement No. 87, *Leases*, GASB 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, GASB 96, *Subscription-Based Information Technology Arrangements*; and GASB No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. When they become effective, the application of these standards may restate portions of these financial statements.

**11. SUBSEQUENT EVENT**

***Covid-19***

In December 2019, a novel strain of coronavirus disease (“COVID-19”) was first reported. Less than four months later, on March 11, 2020, the World Health Organization declared COVID-19 a pandemic. The extent to which the ongoing response to and impacts of COVID-19 will affect EBCE’s operational and financial performance is unknown at this time and will be monitored by management. To date, EBCE has continued to provide electricity across its entire service territory without interruption.

***New JPA Members***

The cities of Newark, Pleasanton, and Tracy adopted ordinances and resolutions to join EBCE, and EBCE’s Board adopted a resolution to include those cities within EBCE’s JPA. EBCE will begin to enroll customers and provide electricity to them beginning in 2021.

**EBCE DAYS LIQUIDITY AND ADJUSTED DAYS LIQUIDITY ON HAND  
QUARTER 1, FISCAL YEAR 2020-2021**

**Days Liquid As of 10/1/2020**

Total Cash (From Q1 Treasurer's Report)	\$ 159,343,101	A
Restricted Cash (Lockbox and Barclays Reserve)	\$ 11,000,000	B
Unrestricted Cash	\$ 148,343,101	C = A - B
Barclays Cash Facility	\$ 60,000,000	D
Barclays Cash Facility Borrowing	\$ -	E
Available Cash Facility	\$ 60,000,000	F = D - E
Unrestricted Cash + Cash Facility	\$ 208,343,101	G = C + F
Total Budgeted Operating Expenses FY2021*	\$ 378,185,000	H
Daily Budgeted Operating Expenses FY2021	\$ 1,036,000	I = H/365
<b>Days Liquidity on Hand</b>	<b>143.2</b>	=C/I
<b>Adjusted Days Liquidity on Hand (w/Cash Facility)</b>	<b>201.1</b>	=G/I

*\*Less interest costs and depreciation*