

**ATTENTION: DCE VOTING MEMBERS WILL RECEIVE A UNIQUE PANELIST LINK BY EMAIL. PLEASE USE THIS LINK TO PARTICIPATE IN THIS MEETING.**



## **DESERT COMMUNITY ENERGY BOARD MEETING AGENDA**

**Friday, November 18, 2022  
10:30 a.m.**

*Pursuant to Assembly Bill 361 and the findings made by the DCE Board, this meeting will only be conducted via video/teleconferencing.*

### **INSTRUCTIONS FOR PUBLIC PARTICIPATION**

**Online:**

<https://us02web.zoom.us/j/89467205603?pwd=UWF6QUk4SExqS2g4NnZReXBZQUUpWUT09>

**Passcode:** 852388

**One tap mobile:**

US: +16699009128,,89467205603#

**By Phone:**

**Dial In #:** +1 669 900 9128

**Webinar ID:** 894 6720 5603

**Passcode:** 852388

This will provide listening access and ability to address the DCE Board when called upon.

**IF YOU ARE UNABLE TO CONNECT VIA DIAL IN OPTION, PLEASE CALL 760-346-1127**

Members of the public are encouraged to submit comment in connection with the Desert Community Energy meeting by email to: [cvag@cvag.org](mailto:cvag@cvag.org) by 5:00 p.m. on the day prior to the committee meeting. Comments intended to be read aloud into the record should be no more than 300 characters in length.

**THIS MEETING IS HANDICAPPED ACCESSIBLE.  
ACTION MAY RESULT ON ANY ITEMS ON THIS AGENDA.**

1. **CALL TO ORDER-** Chair Geoff Kors, Councilmember, City of Palm Springs

2. **ROLL CALL –**

A. **Member Roster**

**P4**

3. **AGENDA MODIFICATIONS (IF ANY)**

4. **PUBLIC COMMENTS ON AGENDA ITEMS**

Any person wishing to address the Desert Community Energy Board on items appearing on this agenda may do so at this time. Please limit comments to 3 minutes. At the discretion of the chair, additional public comment time and/or opportunities during the meeting may be granted.

5. **BOARD MEMBER / DIRECTOR COMMENTS**

6. **CONSENT CALENDAR**

A. **Approve Minutes from the October 17, 2022 Board Meeting**

**P5**

B. **Reaffirm that findings still exist, pursuant to Assembly Bill 361, and authorize continuation of remote teleconference/virtual meetings of Desert Community Energy**

**P8**

7. **DISCUSSION / ACTION**

A. **DCE's Audit for Fiscal Year 2021/22 and Related Reports – Claude Kilgore**

**P9**

**Recommendation:** Receive and file the Audited Financial Statements for the year ended June 30, 2022, Report on Internal Controls over Financial Reporting, and the Auditor's Communication with Those Charged with Governance

8. **INFORMATION**

A. **Attendance Record**

**P42**

B. **Unaudited Financial Report as of September 30, 2022**

**P43**

C. **Unaudited Year-to-Year Financial Report as of September 30, 2022**

**P45**

D. **Update on DCE's Distributed Energy Resources Program**

**P47**

E. **Carbon Free Commercial Customer Recognition Program**

**P49**

**9. PUBLIC COMMENTS ON NON-AGENDA ITEMS**

Any person wishing to address the Board on items not appearing on this agenda may do so at this time. Please limit comments to 2 minutes. At the discretion of the chair, additional public comment time and/or opportunities during the meeting may be granted.

**10. ANNOUNCEMENTS**

The next DCE meeting will be held January 9, 2023 at 3:00 p.m. via Zoom webinar.

**11. CLOSED SESSION**

**Conference with Legal Counsel – Anticipated Litigation**

Initiation of litigation pursuant to Government Code Section 54956.9(d)(4)

Number of potential cases: 1

**12. ADJOURNMENT**



## DESERT COMMUNITY ENERGY BOARD MEMBER ROSTER

Voting Members	Seat on Committee	Representative
City of Palm Desert	DCE Vice Chair	<b>Sabby Jonathan</b> Mayor Pro Tem <i>Alternate: Councilmember Kathleen Kelly</i>
City of Palm Springs	DCE Chair	<b>Geoff Kors</b> Councilmember <i>Alternate: Mayor Lisa Middleton</i>
DCE Staff		
Tom Kirk, Executive Director		
Kenyon Potter, Director of Energy & Sustainability		
Katie Barrows, Part-Time Interim Director		
David Freedman, Program Manager		
Liz Barnwell, Management Analyst		
Janice Reitman, Accounting Manager		

## **ITEM 6A**

### **Desert Community Energy Board Meeting Minutes October 17, 2022**



**Held via Zoom videoconference**

*The audio file for this meeting can be found at: <http://www.desertcommunityenergy.org>*

#### **1. CALL TO ORDER**

The meeting of the DCE Board was called to order by Chair Geoff Kors, City of Palm Springs, at 2 p.m. via Zoom videoconferencing, pursuant to Assembly Bill 361.

#### **2. ROLL CALL**

Roll call was taken, and it was determined that a quorum was present.

##### **Members Present**

Councilmember Geoff Kors, Chair  
Mayor Pro Tem Sabby Jonathan, Vice Chair

##### **Agency**

City of Palm Springs  
City of Palm Desert

#### **3. AGENDA MODIFICATIONS (IF ANY)**

#### **4. PUBLIC COMMENTS ON AGENDA ITEMS**

#### **5. BOARD MEMBER / DIRECTOR COMMENTS**

Executive Director Tom Kirk highlighted a recent Desert Sun news article about a start-up company that chose Palm Springs because of DCE and the availability of Carbon Free electricity. Mr. Kirk also noted a recent memo he sent to the Board that compared the percentage of enrollment SCE has with its Green Product to DCE with its Carbon Free product. Finally, Mr. Kirk noted a recent analysis that DCE will release with its Power Content Label that shows the significant GHG reductions in 2021, which were the equivalent of taking nearly 23,000 cars off the road.

Chair Kors extended his appreciation to DCE staff for their work to implement policies. The Chair also noted previous Board discussions about a business recognition program and asked that the Board revisit how to promote the Carbon Free product among businesses and tourists.

#### **6. CONSENT CALENDAR**

**IT WAS MOVED BY VICE CHAIR JONATHAN AND SECONDED BY CHAIR KORS TO:**

- A. Approve Minutes from the September 28, 2022 Board Meeting**
- B. Reaffirm that findings still exist, pursuant to Assembly Bill 361, and authorize continuation of remote teleconference/virtual meetings of Desert Community Energy**

**THE MOTION CARRIED WITH 2 AYES.**

**Mayor Pro Tem Jonathan  
Councilmember Kors**

**Aye  
Aye**

## **7. DISCUSSION / ACTION**

### **A. DCE's 2022 Integrated Resource Plan – David Freedman**

Program Manager David Freedman presented the staff report and highlights of the Integrated Resource Plan. Brief member discussion ensued.

**IT WAS MOVED BY VICE CHAIR JONATHAN AND SECONDED BY CHAIR KORS TO ADOPT RESOLUTION 2022-09 APPROVING THE DESERT COMMUNITY ENERGY 2022 INTEGRATED RESOURCE PLAN AND AUTHORIZE THE EXECUTIVE DIRECTOR TO MAKE ANY CLARIFYING CHANGES AND COMPLETE ALL ACTIONS NECESSARY FOR SUBMITTAL TO THE CALIFORNIA PUBLIC UTILITIES COMMISSION**

**THE MOTION CARRIED WITH 2 AYES.**

**Mayor Pro Tem Jonathan  
Councilmember Kors**

**Aye  
Aye**

### **B. DCE Financial Outlook – Jaclyn Harr**

Jaclyn Harr of The Energy Authority (TEA) provided the financial outlook, including the recent heatwave's impact on rates. Member discussion ensued. To address Vice Chair Jonathan's question, staff outlined plans about how DCE is building reserve while addressing the outstanding line of credit.

There was no action taken on this informational item.

### **C. October 2022 Rate Adjustment Summary – Don Dame**

DCE consultant Don Dame provided the staff report. Member discussion ensued.

There was no action taken on this informational item.

## **8. INFORMATION**

The following items were included in the agenda packet for members' information :

**A. Attendance Record**

**B. Unaudited Financial Report as of August 31, 2022**

**C. Unaudited Year-to-Year Financial Report as of August 31, 2022**

**9. PUBLIC COMMENT ON NON-AGENDA ITEMS**

Palm Springs resident Don Barrett stated he found a recent DCE update on a geothermal project insightful and suggested DCE highlight the impact it is having by spotlighting development of renewable energy projects like these.

**10. ANNOUNCEMENTS**

The next DCE meeting will be held November 21, 2022 at 3:00 p.m. via Zoom webinar.

It was noted that this is the week of Thanksgiving and that an alternate date may be needed. Vice Chair Jonathan also noted the request made at the September meeting to have information on how DCE Board members are appointed.

**11. ADJOURNMENT** – Chair Kors adjourned the meeting at 2:42 p.m.

Respectfully submitted,

*Erica Felci, Assistant Executive Director*

## **ITEM 6B**

### **Desert Community Energy Board November 18, 2022**



#### **STAFF REPORT**

**Subject:** Remote Teleconference/Virtual Meetings Pursuant to Assembly Bill 361

**Contact:** Erica Felci, Assistant Executive Director ([efelci@cvag.org](mailto:efelci@cvag.org))

---

**Recommendation:** Reaffirm that findings still exist, pursuant to Assembly Bill 361, and authorize continuation of remote teleconference/virtual meetings of Desert Community Energy

**Background:** All meetings of the Desert Community Energy Board and its Community Advisory Committee are subject to the Ralph M. Brown Act (Gov. Code §§ 54950 *et seq.*), and must be open and public so that any member of the public may attend and participate in the meetings.

Starting in March 2020, Governor Newsom issued a series of executive orders aimed at preventing the spread of COVID-19, as it was determined that social distancing was an important factor addressing the pandemic. Among these were Executive Orders N-25-20, N-29-20 and N-35-20 (collectively, the “Brown Act Orders”) that waived the teleconferencing requirements of the Brown Act to allow legislative bodies to meet virtually.

On June 11, 2021, the Governor issued Executive Order N-08-21 to begin winding down some of the prior measures that were adopted to respond to COVID-19. Notably, this order rescinds the Brown Act Orders, effective September 30, 2021. On September 16, 2021, Governor Newsom signed Assembly Bill 361 (AB 361), which effective October 1, 2021, allows legislative bodies to meet virtually provided the legislative body makes specific findings.

#### ***Specific Findings Required under AB 361:***

The DCE Board has previously made the following findings pursuant to AB 361:

1. A statewide state of emergency is currently in place;
2. State or local officials have imposed or recommended measures to promote social distancing in connection with COVID-19; and
3. Meeting in person would present imminent risks to the health or safety of attendees.

With this item, staff is recommending the DCE Board confirm these findings still exist and continue virtual meetings, pursuant to AB 361.

**Fiscal Analysis:** There are no additional costs to DCE for hosting virtual meetings.



## **ITEM 7A**

### **Desert Community Energy Board November 18, 2022**



#### **STAFF REPORT**

**Subject:** DCE's Audit for Fiscal Year 2021/22 and Related Reports

**Contact:** Claude T. Kilgore, Director of Finance/ Administration ([ckilgore@cvag.org](mailto:ckilgore@cvag.org))

---

**Recommendation:** Receive and file the Audited Financial Statements for the year ended June 30, 2022, Report on Internal Controls over Financial Reporting, and the Auditor's Communication with Those Charged with Governance

**Background:** DCE has engaged the Coachella Valley Association of Governments (CVAG) to provide staffing and other administrative tasks since its inception. CVAG's Financial Statements Audit Procurement Policy, adopted on June 3, 2002, requires CVAG to obtain from qualified auditing firms, proposals to perform CVAG's annual financial audit every five years. In June 2021, CVAG hired the audit firm of Davis Farr LLP – a firm with an impressive history of professional work in the Coachella Valley – for engagement as the independent auditor for CVAG, DCE and the Coachella Valley Conservation Commission (CVCC). The contract is for five fiscal years starting with Fiscal Year 2020/21. Presented with this staff report is the second year-end audit by Davis Farr.

Davis Farr LLP performed the annual audit over DCE's Basic Financial Statements as of June 30, 2022, and for the fiscal year then ended which include the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows, and Notes to the Basic Financial Statements. Davis Farr issued an Unmodified Opinion, which means that DCE's Basic Financial Statements present fairly, in all material respects, the respective financial position of DCE as of June 30, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with US GAAP (Generally Accepted Accounting Principles).

In accordance with Government Auditing Standards, Davis Farr also issued a report on their consideration of DCE's internal control over financial reporting and their tests of DCE's compliance with certain provisions of laws, regulations, contracts, and grant agreements as well as other matters; Davis Farr was not engaged to provide an opinion on internal control over financial reporting or on compliance. During its testing, Davis Farr did not identify any material weaknesses or significant deficiencies in internal controls. Finally, Davis Farr has provided a letter to the DCE Board of Directors outlining Significant Audit Findings as promulgated by AU-C Section 260, "The Auditor's Communication with Those Charged With Governance."

DCE staff appreciated working with, and would like to thank, the Davis Farr team, which was led by Partner Shannon Ayala, for their diligence and hard work in issuing the reports and findings. A member of the Davis Farr team will present the reports and be available to address any Board questions or comments.

**Fiscal Analysis:** The professional fees associated with the audit were previously budgeted and there is no additional financial impact.

**Attachments:**

1. DCE's Audited Financial Statements for the year ended June 30, 2022
2. Report on Internal Controls over Financial Reporting
3. Auditor's Communication with Those Charged with Governance

**DESERT COMMUNITY ENERGY**  
**Financial Statements**  
**Year ended June 30, 2022**  
**(With Independent Auditor's Report Thereon)**

**DESERT COMMUNITY ENERGY**

**Financial Statements**

**Year ended June 30, 2022**

**TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	4
Financial Statements:	
Statement of Net Position	13
Statement of Revenues, Expenses and Changes in Net Position	14
Statement of Cash Flows	15
Notes to the Basic Financial Statements	16

## **Independent Auditor's Report**

To the Board of Directors  
Desert Community Energy  
Palm Desert, California

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of Desert Community Energy ("DCE"), as of and for the year June 30, 2022, and the related notes to the financial statements, which collectively comprise DCE's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of DCE as of June 30, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 DCE and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

DCE's 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 DCE's ability to continue as a going concern for one year after the date that the financial statements are 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 opinions. 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 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 DCE'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 DCE'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.

### ***Report on Summarized Comparative Information***

We have previously audited DCE's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 28, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2022 on our consideration of DCE's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering DCE's internal control over financial reporting and compliance.

DavisFarrLLP

Irvine, California  
October 21, 2022

**DESERT COMMUNITY ENERGY  
MANAGEMENT DISCUSSION & ANALYSIS  
YEAR ENDED JUNE 30, 2022**

The following is a discussion and analysis of Desert Community Energy (DCE) financial performance and includes an overview of DCE's financial activities for fiscal year ended June 30, 2022, with comparative information from the fiscal year ended June 30, 2021. Please read this discussion and analysis in conjunction with the financial statements, including the notes to the financial statements identified in the accompanying tables.

**TABLE OF CONTENTS**

The annual report consists of the following parts:

- Management's discussion and analysis (this section)
- Basic financial statements:
  - The *Statements of Net Position* include all DCE's assets, liabilities, and net position and provide 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 DCE's revenue and expenses for the year shown.
  - The *Statements of Cash Flows* report the cash provided and used by operating activities, as well as other sources and uses, such as non-capital financing activities.
  - The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data.



**DESERT COMMUNITY ENERGY  
MANAGEMENT DISCUSSION & ANALYSIS  
YEAR ENDED JUNE 30, 2022**

**BACKGROUND**

The formation of DCE was made possible by the passage, in 2002, of California Assembly Bill 117, enabling communities and counties to establish Community Choice Aggregation programs, to purchase power on behalf of their local residents and businesses, creating competition in power generation.

DCE was created as a California Joint Powers Authority in October 2017, for the purpose of implementing and administering a Community Choice Aggregation (CCA) program. DCE membership currently includes the cities of Palm Springs and Palm Desert, located within the geographic boundaries of Riverside County, and is certified by the California Public Utilities Commission (CPUC). DCE is governed by an appointed board of directors (Board), comprised of one elected representative from each participating member agency. The DCE Board authority includes the ability to set rates for the services it furnishes, to incur indebtedness, and to issue bonds or other obligations. DCE acquires electricity from wholesale and commercial suppliers and delivers it by way of existing physical local distribution infrastructure and equipment owned and managed by Southern California Edison (SCE), and high voltage transmission system overseen by the California Independent System Operator (CAISO) and the Federal Energy Regulatory Commission (FERC). DCE offers ratepayers a choice in retail electricity providers and in the type of electricity they use.

As a CCA, DCE contracts for, buys and/or develops power resources on behalf of electricity customers in its jurisdiction to achieve its objective of offering cleaner, competitively priced electricity while retaining local control, reinvesting revenues, encouraging local job creation, offering more renewable energy options, and reducing greenhouse gas (GHG) emissions.

The parties to DCE's Joint Powers Agreement consist of local governments whose governing bodies elect to join DCE. Pursuant to the Public Utilities Code, residential, commercial, and municipal electricity customers will be automatically enrolled in DCE and become default customers of DCE for electric generation when a CCA program launches in their city. Customers served under California's Direct Access Program are not included in automatic enrollment. According to state law, DCE must give customers the option to "opt out" and remain bundled customers of Southern California Edison.

In April 2020, DCE began serving approximately 5,317 municipal and commercial accounts and 30,074 residential customer accounts in Palm Springs. In May 2020, DCE enrolled approximately 3,778 additional residential customer accounts and 150 additional municipal and commercial customer accounts in Palm Springs. In June 2022, DCE served approximately 4,392 non-residential accounts and 28,618 residential customer accounts, for a total of 33,010 Palm Springs' accounts. The City of Palm Desert has not yet determined its launch plans; based on current CPUC regulations, the next soonest opportunity for Palm Desert to begin serving CCA customers is 2024.

DCE offers its customers two electricity products to choose from: 1) Carbon Free, which provides 100% carbon free and approximately 56% renewable electricity; and 2) Desert Saver, a basic product that fully complies with California's Renewable Portfolio Standard. DCE's premium Carbon Free product is priced at a premium above SCE's base bundled product and DCE's Desert Saver is priced at a discount to SCE's base bundled product. DCE's Desert Saver product is the least cost retail electricity option for Palm Springs' customers.

**DESERT COMMUNITY ENERGY  
MANAGEMENT DISCUSSION & ANALYSIS  
YEAR ENDED JUNE 30, 2022**

**OVERVIEW OF THE FINANCIAL STATEMENTS**

**FINANCIAL REPORTING**

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

**FINANCIAL HIGHLIGHTS**

The figures considered for fiscal year ended June 30, 2021 are presented only for information purposes because during that period DCE had not yet completed enrollment and service provision to its full customer base. This period represents DCE's first full year of CCA business operations.

The following table summarizes DCE's assets, liabilities, and net position and provides a discussion of significant changes for the two fiscal years ending June 30.

**Net Position**

Statements of Net Position

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Dollar Change</u>
Current Assets	\$ 14,170,725	\$ 12,879,345	\$ 1,291,380
Total Assets	<u>14,170,725</u>	<u>12,879,345</u>	<u>1,291,380</u>
Current Liabilities	7,099,338	5,744,485	1,354,853
Non-Current Liabilities	<u>2,200,000</u>	<u>1,680,000</u>	<u>520,000</u>
Total Liabilities	<u>9,299,338</u>	<u>7,424,485</u>	<u>1,874,853</u>
Restricted Net Position	147,000	347,000	(200,000)
Unrestricted Net Position	<u>4,724,387</u>	<u>4,927,860</u>	<u>(203,473)</u>
Total Net Position	<u>\$ 4,871,387</u>	<u>\$ 5,274,860</u>	<u>\$ (403,473)</u>

**DESERT COMMUNITY ENERGY  
MANAGEMENT DISCUSSION & ANALYSIS  
YEAR ENDED JUNE 30, 2022**

**Current Assets**

Current Assets were \$14,170,725 at the end of June 30, 2022, and mostly comprised of accounts receivable (net), cash and cash equivalents, including restricted cash, accrued revenue, and prepaid expenses. Accrued revenue differs from accounts receivable in that it includes electricity used by DCE customers before invoicing to those customers occurs. The total of current assets increased in 2022 as a result of an increase in accounts receivable, net as DCE experienced revenue growth during its second full year of operations primarily associated with increased prices of its power products.

At the end of June 30, 2022, and June 30, 2021, DCE presented the following balances in its current asset accounts:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Dollar Change</u>
Cash and Investments	\$ 1,970,935	\$ 3,184,898	\$ (1,213,963)
Restricted Cash	1,827,000	2,027,000	(200,000)
Accounts Receivables	10,240,775	7,667,447	2,573,328
Accrued Revenue	<u>132,015</u>	<u>-</u>	<u>132,015</u>
 Total Current Assets	 <u><u>\$ 14,170,725</u></u>	 <u><u>\$ 12,879,345</u></u>	 <u><u>\$ 1,291,380</u></u>

**DESERT COMMUNITY ENERGY  
MANAGEMENT DISCUSSION & ANALYSIS  
YEAR ENDED JUNE 30, 2022**

**Current Liabilities**

Current liabilities primarily consist of the cost of wholesale electricity supply delivered to customers for which such supply charges are not yet due and payable per invoice terms. Other components include trade accounts payable, taxes, surcharges, and amounts due to other vendors, consultants, and business services providers. At the end of June 30, 2022, and June 30, 2021, DCE presented the following balances in its current liability accounts:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Dollar Change</u>
Accounts Payable	\$ 384,035	\$ 200,693	\$ 183,342
Accrued Electricity Cost	4,278,231	3,172,650	1,105,581
Deposit Payable	1,680,000	165,000	1,515,000
Utility User Taxes and Electric Energy Surcharges due to other governments	433,054	322,221	110,833
Related party-due to other governments	324,018	563,921	(239,903)
Loan Payable	<u>-</u>	<u>1,500,000</u>	<u>(1,500,000)</u>
Total Current Liabilities	<u>\$ 7,099,338</u>	<u>\$ 5,924,485</u>	<u>\$ 1,174,853</u>

Current liabilities increased year-over-year due to increased wholesale energy supply costs related to generally rising power market conditions. In addition, a contractual deposit being held as development security becomes payable within one year from the balance sheet date.

**Non-Current Liabilities**

Non-current liabilities consist of funds payable on a revolving line of credit payable in 2025.

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Dollar Change</u>
Loans Payable - Long Term	\$ 2,200,000	\$ -	\$ 2,200,000
Development Security Deposit	<u>-</u>	<u>1,680,000</u>	<u>(1,680,000)</u>
Total Non-Current Liabilities	<u>\$ 2,200,000</u>	<u>\$ 1,680,000</u>	<u>\$ 520,000</u>

Non-Current Liabilities increased due to a new credit agreement with River City Bank and decreased due to development security deposits moving to Current-Liabilities.

**DESERT COMMUNITY ENERGY  
MANAGEMENT DISCUSSION & ANALYSIS  
YEAR ENDED JUNE 30, 2022**

**Revenues, Expenses and Changes in Net Position**

Statements of Revenues, Expenses, and Changes in Net Position

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Dollar Change</u>
Operating Revenues	\$ 44,831,088	\$ 36,087,172	\$ 8,743,916
Non-Operating Revenues	4,103	14,004	(9,901)
Total Revenues	<u>44,835,191</u>	<u>36,101,176</u>	<u>8,734,015</u>
Operating Expenses	45,114,848	38,029,885	7,084,963
Non-Operating Expenses	123,816	17,499	106,317
Total Expenses	<u>45,238,664</u>	<u>38,047,384</u>	<u>7,191,280</u>
Changes in Net Position	<u>\$ (403,473)</u>	<u>\$ (1,946,208)</u>	<u>\$ 1,542,735</u>

Operating revenues amounted to approximately \$44,831,088 in FY 2021-2022, mostly comprised of retail electricity sold by DCE to Palm Springs CCA customers during the period July 1, 2021, to June 30, 2022, to its customer base of approximately 33,143 accounts (municipal, residential and commercial) as well as revenues resulting from wholesale transactions in the CAISO markets and power sales to other power entities. Non-operating revenues include interest.

**Operating Expenses**

Operating Expenses amounted to approximately \$45,114,848 in FY 2021-2022 and primarily includes the cost of wholesale energy supply utilized to serve DCE CCA customers. Power market price conditions to serve current load and to hedge for future out-year load continued their increase from the prior year. Operating expenses also include costs paid to consultants and other vendors as well as general and administrative expenses to maintain staffing and business operations. Non-operating expenses include debt service costs which increased from the prior year as DCE drew down on its newly established revolving line of credit for working capital needs.

**ECONOMIC OUTLOOK**

DCE launched operation in the City of Palm Springs in April 2020 and currently has enrolled approximately 28,800 residential customer accounts and 4,343 municipal and commercial accounts. Of these, approximately 4,757 residential and 114 municipal and commercial customer accounts have installed rooftop solar and are included in DCE's Net Energy Metering program.

At the end of June 30, 2022, DCE had an eligible customer participation rate of 85%, which tracks DCE's enrollment expectations when DCE was first launched. DCE's 100% Carbon Free default electricity product serves approximately 72% of its customer base.

DCE, along with other California load-serving entities including CCAs and Investor-Owned Utilities, is required by SB 350 (de Leon, 2015, the "Clean Energy and Pollution Reduction Act") to procure at least 65% of its required Renewable Portfolio Standard (RPS) energy under long-term contracts starting with California's fourth RPS compliance period (2021-2024). In May 2020, DCE launched its first Request

**DESERT COMMUNITY ENERGY  
MANAGEMENT DISCUSSION & ANALYSIS  
YEAR ENDED JUNE 30, 2022**

for Offers in order to meet these compliance objectives and secure added firm renewable energy supply for DCE's customers.

Following a competitive bid process, in December 2020, the DCE Board approved power purchase agreements (PPA) for three wind energy projects located in DCE's Palm Springs' service area. As a result, DCE is providing carbon free electricity from local renewable sources, expanding local jobs, and community investment. These fixed price long-term contracts for DCE's renewable portfolio are expected to help stabilize and reduce DCE's overall program costs. This easing of power market supply cost pressure over both the near-term and longer-term is due to the relatively favorable cost of these PPAs versus purchasing the same amounts of energy, capacity, and other renewable energy products on the open market.

A fourth contract, a solar plus battery storage project in Tulare County, was approved in February 2021 and is scheduled to come online for DCE customers in early 2024. The net cost savings over the lifetime of these four PPAs is estimated at between \$60 and \$80 million when compared to the expected cost of the same quantity of short-term market purchases. These projects will lock in and stabilize costs for a significant portion of DCE's portfolio, providing increased rate certainty and predictability for DCE customers.

In April 2021, DCE entered into a \$2,000,000 credit agreement with River City Bank. This line of credit was not intended to provide long-term financing and had a term date of December 31, 2021. On February 11, 2022, DCE entered into a revolving line of credit agreement in the amount of \$8,000,000 with River City Bank. The line of credit accrues interest at a rate of three-month treasury constant maturity rate plus 1.75 percent and terminates February 1, 2025. The credit agreement provides DCE with the liquidity necessary to maintain short-term working-capital needs. Subsequent to June 30, 2022, DCE amended its Credit Agreement so that the Revolving Credit Commitment was increased from \$8,000,000 to \$13,000,000. All working-capital advances are subject to a sublimit of \$8,000,000. DCE is a relatively new CCA and is in the process of building financial reserves to augment its financial stability. Cash flow fluctuations are not uncommon for retail electricity service providers like DCE and are largely a result of timing differences between when it receives its retail revenues and when it must pay for energy supply, resource adequacy compliance, and other operating expenses. In short, revenues typically lag expenses. These cash flow fluctuations are generally managed by utilizing operating reserves that accumulate over time. As DCE launched service in April 2020 during the Covid-19 pandemic, it has not had sufficient time to accumulate necessary reserve levels to temper cash flow variability. DCE is currently projecting accumulating its 180-day operating reserve objective on or around the end of Fiscal Year 2023/24.

The 2010 through 2019 period prior to DCE's launch was characterized by both relatively low annual price escalation and equally low market volatility. Average year over year wholesale prices increased below 1% annually throughout this period. During DCE's initial 2020 start-up period DCE relied fully on wholesale power purchases and CAISO markets to serve its retail loads and to attain its RPS and carbon free energy components. Since early 2020 through June 30, 2022, wholesale power prices have been increasing about 20% annually with periods of extreme price volatility, especially during summer heat-storm events and supply curtailments. DCE's business strategies to help mitigate these pressures and uncertainties include contracting for longer-term renewable and carbon free supply at fixed prices, attaining a 180-day operating reserve, coordinating with other CCAs to address CPUC and SCE regulatory activities, and adjusting rate and revenue levels to timely and fully recover all operating costs.

**DESERT COMMUNITY ENERGY  
MANAGEMENT DISCUSSION & ANALYSIS  
YEAR ENDED JUNE 30, 2022**

DCE launched operations in April 2020 during the Covid-19 pandemic which impacted its operations in several ways. With more residential customers working from home, DCE experienced increased residential load. The Covid-19 pandemic also prompted the CPUC to enact a customer disconnect moratorium affecting DCE's planned collections process on past-due accounts. In late 2021, DCE applied for the California Arrearage Payment Program (CAPP) funding which is a statewide program to reduce or eliminate past due energy bills for qualified energy utility customers economically impacted by the COVID-19 pandemic. For the year-ended June 30, 2022, DCE customers received CAPP Benefits in the amount of \$609,655 applied to eligible accounts as bill credits. After June 30, 2022, DCE applied for the 2022 California Arrearage Payment Program (2022 CAPP) funding, and an estimated \$466,681 issued to customers as bill credits is expected on or around March 2023. DCE's launch during the Covid-19 pandemic has presented obstacles in collecting on accounts receivable given the disconnect moratorium. However, DCE is currently exploring collection options for accounts ineligible for 2022 CAPP. Once the 2022 CAPP disbursement is made to accounts, DCE will then be able to more fully analyze its accounts receivable and resume its collection process as intended.

Consistent with DCE's goals to invest in the local community and promote local jobs, the DCE Board has directed staff to evaluate potential energy programs that would benefit customers and help lower energy consumption. Programs to expand the use of distributed energy resources including rooftop solar and battery storage as well as promoting energy efficiency are being considered. Such programs would be designed to support and benefit the community, while maintaining competitive rates and meeting DCE's environmental goals.

**CONTACTING DCE'S FINANCIAL MANAGEMENT**

This financial report is designed to provide customers, business counterparties, resource providers and other interested entities with a general overview of DCE's business finances and accountability. If you have questions about this report or need additional financial information, contact DCE's office administered by the Coachella Valley Association of Governments, attention Director of Finance/Administration, at 73-710 Fred Waring Drive, Suite 200, Palm Desert, CA 92260.

## **BASIC FINANCIAL STATEMENTS**



**Desert Community Energy**  
**Statement of Net Position**  
**June 30, 2022**  
**(With prior year comparative totals)**

	<u>2022</u>	<u>2021</u>
Assets:		
Current Assets:		
Cash (note 2)	\$ 1,970,935	\$ 3,184,898
Restricted cash (note 2)	1,827,000	2,027,000
Accounts receivable, net (note 3)	10,240,775	7,667,447
Prepays	<u>132,015</u>	<u>-</u>
Total Current Assets	<u>14,170,725</u>	<u>12,879,345</u>
Total Assets	<u>\$ 14,170,725</u>	<u>\$ 12,879,345</u>
Liabilities:		
Current Liabilities:		
Accounts payable (note 4)	\$ 4,662,266	\$ 3,373,343
Deposits payable	1,680,000	165,000
Due to other governments (note 5)	757,072	886,142
Nonrevolving line of credit (note 6)	<u>-</u>	<u>1,500,000</u>
Total Current Liabilities	<u>7,099,338</u>	<u>5,924,485</u>
Non-current Liabilities:		
Revolving line of credit (note 6)	2,200,000	-
Deposits payable	<u>-</u>	<u>1,680,000</u>
Total Non-current Liabilities	<u>2,200,000</u>	<u>1,680,000</u>
Total Liabilities	<u>9,299,338</u>	<u>7,604,485</u>
Net Position:		
Restricted	147,000	347,000
Unrestricted	<u>4,724,387</u>	<u>4,927,860</u>
Total Net Position	<u>\$ 4,871,387</u>	<u>\$ 5,274,860</u>

See accompanying notes to financial statements.

**Desert Community Energy**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Year ended June 30, 2022**  
**(With prior year comparative totals)**

	<u>2022</u>	<u>2021</u>
Operating Revenues:		
Electricity sales	\$ 42,866,582	\$ 35,159,899
Miscellaneous	<u>1,964,506</u>	<u>927,273</u>
Total operating revenues	<u>44,831,088</u>	<u>36,087,172</u>
Operating Expenses:		
Electricity cost	42,404,994	35,528,297
Consultants charges	2,358,011	2,265,581
Administration and general	195,408	118,381
Professional services	<u>156,435</u>	<u>117,626</u>
Total operating expenses	<u>45,114,848</u>	<u>38,029,885</u>
Operating income (loss)	<u>(283,760)</u>	<u>(1,942,713)</u>
Nonoperating Revenues (Expenses):		
Interest revenue	4,103	14,004
Interest expense	<u>(123,816)</u>	<u>(17,499)</u>
Total nonoperating revenues (expenses)	<u>(119,713)</u>	<u>(3,495)</u>
Change in net position	(403,473)	(1,946,208)
Net Position - beginning	<u>5,274,860</u>	<u>7,221,068</u>
Net Position - ending	<u>\$ 4,871,387</u>	<u>\$ 5,274,860</u>

See accompanying notes to financial statements.

**Desert Community Energy**  
**Statement of Cash Flows**  
**Year ended June 30, 2022**  
**(With prior year comparative totals)**

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Cash received from customers and users	\$ 42,257,760	\$ 33,187,646
Cash paid to suppliers for goods and services	<u>(44,252,010)</u>	<u>(33,872,631)</u>
Net cash (used for) operating Activities	<u>(1,994,250)</u>	<u>(684,985)</u>
Cash Flows from Noncapital Financing Activities:		
Loan proceeds	2,200,000	1,500,000
Loan payments	(1,500,000)	-
Interest expense	<u>(123,816)</u>	<u>(17,499)</u>
Net Cash Provided by noncapital financing activities	<u>576,184</u>	<u>1,482,501</u>
Cash Flows from Investing Activities:		
Investment income	<u>4,103</u>	<u>14,004</u>
Net cash provided by investing activities	<u>4,103</u>	<u>14,004</u>
Net increase in cash and cash equivalents	(1,413,963)	811,520
Cash and Cash Equivalents, beginning of year	<u>5,211,898</u>	<u>4,400,378</u>
Cash and Cash Equivalents, end of year	<u>\$ 3,797,935</u>	<u>\$ 5,211,898</u>
Reconciliation of Operating Income to Net Cash (Used for) Operating Activities:		
Operating income (loss)	\$ (283,760)	\$ (1,942,713)
Adjustments to reconcile operating income (loss) to net cash (used for) operating activities)		
Decrease (increase) in accounts receivable	(2,573,328)	(2,999,526)
Decrease (increase) in prepaids	(132,015)	100,000
Increase (decrease) in accounts payable	1,288,923	1,957,296
Increase (decrease) in deposits payable	(165,000)	1,845,000
Increase (decrease) in due to other governments	<u>(129,070)</u>	<u>354,958</u>
Total adjustments	<u>(1,710,490)</u>	<u>1,257,728</u>
Net cash (used for) operating activities	<u>\$ (1,994,250)</u>	<u>\$ (684,985)</u>

There were no significant noncash financing, capital, or investing activities. The Statement of Cash Flows is presented on a net basis.

See accompanying notes to financial statements.

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

**Desert Community Energy**  
**Notes to the Basic Financial Statements**  
**Year ended June 30, 2022**

**(1) Summary of Significant Accounting Policies**

(a) Description of Reporting Entity

Desert Community Energy (DCE) is a public joint powers agency located within the geographic boundaries of Riverside County, formed in October 2017 for the purpose of implementing and administering a Community Choice Aggregation (CCA) program. DCE was formed by the cities of Palm Springs, Palm Desert and Cathedral City and is certified by the California Public Utilities Commission. Community Choice Aggregation is a local energy program established by state law that allows cities and counties to pool (or aggregate) the electricity demand of participating communities. DCE buys and/or develops power resources on behalf of the electricity customers in its jurisdiction to offer cleaner, competitively priced electricity while retaining local control, reinvesting revenues, encouraging local job creation, offering more renewable energy options, and reducing greenhouse gas (GHG) emissions. DCE offers ratepayers a choice in electricity providers and in the type of electricity they use. DCE began serving customers in Palm Springs in April 2020 while Palm Desert plans to launch no sooner than 2024. Per Resolution number 2020-09, Cathedral City has withdrawn from DCE effective July 1, 2021. DCE is governed by a Board of Directors comprised of one local elected representative from each of the participating city councils. The Board schedules regular meetings that are open to the public, ensuring transparency and encouraging community involvement. Formation of a CCA through a JPA does not require contributions from participating member agencies. The assets and liabilities of the CCA program remain separate from those of the participating agencies' general fund.

(b) Basic Financial Statements

The basic financial statements (i.e. Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows) report information on all the enterprise activities of the entity.

(c) Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements are presented using the full accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services. The principal operating revenues of the entity are sales of electricity. Operating expenses include the cost of electricity purchases, consultants' costs and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The preparation of the DCE's basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures of contingent amounts at the date of the basic financial statements, and revenues and expenses during the reported period. Actual results could differ from those estimates.

**Desert Community Energy**  
**Notes to the Basic Financial Statements**  
**Year ended June 30, 2022**

**(1) Summary of Significant Accounting Policies (Continued)**

(d) Assets, Liabilities and Net Position

Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered cash equivalents. The entity maintains a checking account and money market account which is considered a cash equivalent.

Net Position

Net position is an indicator of the DCE's financial position. For the fiscal year ended June 30, 2022, net position of the DCE was \$4,871,387. For the year ended June 30, 2022, DCE reported net position classifications are defined as follows:

- *Investment in capital assets* – This component of net position consists of capital assets reduced by accumulated depreciation and by any outstanding debt incurred to acquire, construct, or improve those assets. DCE did not have any capital assets at June 30, 2022.
- *Restricted* – This component of net position consists of resources with 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. DCE had a restricted net position of \$147,000 at June 30, 2022.
- *Unrestricted net position* – This component of net position consists of net position that do not meet the definition of "restricted" or "investment in capital assets." When both restricted and unrestricted resources are available for use, it is DCE's policy to use restricted resources first.

(e) Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

(f) Revenue Recognition

DCE 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.

**Desert Community Energy**  
**Notes to the Basic Financial Statements**  
**Year ended June 30, 2022**

**(1) Summary of Significant Accounting Policies (Continued)**

(g) Income Taxes

DCE 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.

(h) Utility Users Taxes and Electric Energy Surcharges Due to Other Governments

DCE is required by governmental authorities (state and local) to collect and remit user taxes on certain customer sales. These taxes do not represent revenues or expenses to DCE.

(i) Prior Year Comparative Information

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with DCE's prior year financial statements, from which this selected financial data was derived. In addition, certain minor reclassifications of the prior year data have been made to enhance their comparability to the current year.

**(2) Cash and Cash Equivalents**

Cash and cash equivalents of the entity consisted of demand deposits with financial institutions. At June 30, 2022, the carrying amount of DCE's cash accounts was \$3,797,935 of which \$1,827,000 was restricted.

Custodial credit risk – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

**Desert Community Energy**  
**Notes to the Basic Financial Statements**  
**Year ended June 30, 2022**

**(3) Accounts Receivable**

At June 30, 2022, DCE reported \$10,240,775 in accounts receivables, net of the allowance for uncollectible accounts. Due to pending arrearage payment to eligible DCE accounts under the 2022 California Arrearage Payment Program (2022 CAPP), the allowance for doubtful accounts was not reduced for write-off at June 30, 2022. See note 11 for additional information. The details of this balance are as follows:

Accounts receivable	\$ 12,042,217
Less: allowance for uncollectible accounts	<u>(1,801,442)</u>
Total Accounts Receivable	<u>\$ 10,240,775</u>

**(4) Accounts Payable**

At June 30, 2022, DCE reported \$4,662,266 in accounts payable. The details of this balance are as follows:

Accounts payable	\$ 384,035
Accrued electricity cost	<u>4,278,231</u>
Total Payables	<u>\$ 4,662,266</u>

**(5) Due to Other Governments**

At June 30, 2022, DCE reported \$757,072 in Due to Other Governments. The details of this balance are as follows:

Utility Users Taxes & Electric Energy Surcharges	\$ 433,054
Related Party Payables (Note 7)	<u>324,018</u>
Total Due to Other Governments	<u>\$ 757,072</u>

**(6) Line of Credit**

Nonrevolving Line of Credit

On April 26, 2021, DCE entered into a nonrevolving line of credit agreement for the amount of \$2,000,000 with River City Bank. The outstanding balance on the line of credit was paid in full as of December 2021.

Revolving Line of Credit

On February 11, 2022, DCE entered into a revolving line of credit agreement for the amount of \$8,000,000 with River City Bank. The revolving line of credit was amended in July 2022. See Note 11 for additional information. The line of credit accrues interest at a rate of three-month treasury constant maturity rate plus 1.75 percent and terminates February 1, 2025. Subject to satisfaction of the terms, DCE may exercise a one-time option to convert all outstanding Working Capital Advances to a Term Loan.



**Desert Community Energy  
Notes to the Basic Financial Statements  
Year ended June 30, 2022**

**(6) Line of Credit (Continued)**

If the Term Loan Conditions are satisfied, the Term Loan will be payable over a term of thirty-six(36) months, with equal fully amortizing monthly payments of principal and interest at the Applicable Rate as determined by Lender as of the date of conversion, and will be governed by the terms and conditions of this Agreement and evidenced by a separate promissory note.

Additionally, as security for the prompt payment and performances of all obligations, DCE has granted River City Bank with a continuing security interest as collateral per the terms on the agreement. On June 30, 2022, the outstanding balance on the line of credit was \$2,200,000.

**(7) Related Party Transactions**

DCE entered into a contract with Coachella Valley Association of Governments (CVAG), whereby CVAG, under the direction of the DCE, will coordinate and implement the DCE activities. The contract calls for DCE to pay CVAG based upon actual staff time spent at rates not to exceed the rates paid by CVAG. During the period from July 1, 2021 to June 30, 2022, CVAG incurred and charged DCE \$631,213 of staff time and allocated administrative expenses, all of which are accounted for in this period. As of June 30, 2022, \$324,018 of the total was payable to CVAG.

**(8) Risk Management**

On May 21, 2018, DCE's Board adopted the Energy Risk Management Policy (ERMP). The ERMP establishes DCE's Energy Risk Program and applies to all power procurement and related business activities that may impact the risk profile of DCE.

The ERMP documents the framework by which DCE staff and consultants will identify and quantify risk, develop and execute procurement strategies, develop controls and oversight and monitor, and measure and report on the effectiveness of the ERMP. Risks covered by the ERMP include market price risk, credit risk, volumetric risk, operational risk, opt-out risk, legislative and regulatory risk, counterparty credit risk, and other risks arising from operating as a Community Choice Aggregation program and participating in California energy markets. DCE's ERMP can be found on its website.

To ensure successful operation of the CCA program, DCE has partnered with experienced consultants to provide energy-related services. Specific to power procurement, DCE has partnered with The Energy Authority (TEA) which executes the preponderance of front-(transacting), middle-(monitoring) and back-office (settlement) related activities on DCE's behalf as discussed in the ERMP. In providing these services for DCE, TEA will adhere to and be governed by the ERMP. In addition, TEA maintains its own risk management policies and procedures, following industry practices of segregation of duties, which also govern activities executed on DCE's behalf.

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

**Desert Community Energy  
Notes to the Basic Financial Statements  
Year ended June 30, 2022**

**(9) Power Purchase Agreements**

*Terra-Gen, LLC*

On December 21, 2020, the DCE Board approved three, 15-year power purchase agreements (PPA) with Terra-Gen, LLC. Terra-Gen, LLC is a leading developer, owner, and operator of renewable energy projects that has been operating since 2008. Terra-Gen specializes in development, construction and operation of utility-scale wind, solar, energy storage as well as geothermal generation facilities.

Under the pricing terms in the agreement, DCE will pay for the electricity generated by the projects at a fixed-price rate per MWh (megawatt hour), with no escalation for the full 15-year term of the contracts. All attributes from the facility, including energy, Renewable Energy Credits (RECs), and Resource Adequacy (RA) will be available to DCE. The contracts reflect pricing that is typical in the current market for new and existing wind resources. The completion of long-term contracts for DCE's renewable portfolio represents an expected reduction in overall program costs. This cost reduction is over both the short-term and long-term due to the relatively low cost of the expected PPAs for the proposed projects compared to purchasing the same energy, capacity, and renewable energy credits on the open market. The expected commercial operation date for completion is January 1, 2023 for the Altwind Project and East Wind Project.

*Vesper Energy*

On February 25, 2021, the DCE Board approved a 20-year renewable power purchase agreement (PPA) with Deer Creek Solar I, LLC (Deer Creek) for the Deer Creek Solar + Storage Project in Tulare County, California. The Deer Creek project consists of a 50 MW solar component connected to a 50 MW/200 MWh battery storage component (i.e. a 50 MW battery that can discharge for four hours.) The solar component of the project will generate nearly 190,000 MWh annually in its first year of operation, which is equivalent to powering 15,500 homes with 100% carbon-free electricity. This is expected to give DCE customers a more cost-effective source of renewable power than buying on the short-term market.

Under the pricing terms in the agreement, DCE will pay for the electricity generated by the project at a fixed-price rate per MWh (megawatt hour) for the renewable portion of the project and a fixed-price rate per MW for the storage portion of the project, with no escalation for the full 20-year term of the contract. All attributes from the facility, including energy, Renewable Energy Credits (RECs), and Resource Adequacy (RA) will be available to DCE. The contract currently under consideration reflect pricing that is typical in the current market for new and existing solar + storage resources. The completion of long-term contract for DCE's renewable portfolio represents an expected reduction in overall program costs. This cost reduction is over both the short-term and long-term due to the relatively low cost of the expected PPA for the proposed project compared to purchasing the same energy, capacity, and renewable energy credits on the open market.

DCE estimates that the cost savings over the lifetime of the Terra-Gen, LLC and Vesper Energy power purchase agreements will be between \$60 million and \$80 million compared to the expected cost of the same quantity of short-term market purchases. These projects will lock in the costs for a significant portion of DCE's portfolio, allowing for increased rate certainty for DCE's customers.

**Desert Community Energy**  
**Notes to the Basic Financial Statements**  
**Year ended June 30, 2022**

**(10) Contract Commitments**

At June 30, 2022, DCE had contract commitments that totaled approximately \$762,194.

**(11) Subsequent Events**

On July 08, 2022, DCE amended its Credit Agreement dated February 11, 2022 with River City Bank and the related Revolving Credit Promissory Note. The Revolving Credit Commitment was increased from \$8,000,000 to \$13,000,000. All Working Capital Advances are subject to a sublimit of \$8,000,000.

Subsequent to June 30, 2022, DCE applied for participation in the 2022 California Arrearage Payment Program ("2022 CAAP") as administered by the California Department of Community Services and Development. Under 2022 CAAP, active residential DCE customers with past due bills incurred during the COVID-19 pandemic bill relief period are considered eligible for 2022 CAPP assistance. The 2022 CAPP assistance amount to DCE customers is currently estimated at \$466,681 and will be issued to customers as bill credits on or around March 2023.

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

Board of Directors  
Desert Community Energy  
Palm Desert, California

**Independent Auditor's Report**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Desert Community Energy (DCE), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise DCE's basic financial statements, and have issued our report thereon dated October 21, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered DCE's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of DCE's internal control. Accordingly, we do not express an opinion on the effectiveness of DCE's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether DCE's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DavisFarrLLP

Irvine, California  
October 21, 2022

Board of Directors  
Desert Community Energy  
Palm Desert, California

We have audited the financial statements of Desert Community Energy (DCE) as of and for the year ended June 30, 2022, and have issued our report thereon dated October 21, 2022. Professional standards require that we advise you of the following matters relating to our audit.

### **Our Responsibility in Relation to the Financial Statement Audit<sup>1</sup>**

As communicated in our engagement letter dated June 22, 2022, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of Desert Community Energy solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

We identified self-review threats to independence as a result of non-attest services provided. Those non-attest services included the preparation of the financial statements. To mitigate the risk, management has compared the draft financial statements and footnotes to the underlying accounting records to verify accuracy and has reviewed a disclosure checklist to ensure footnotes are complete and accurate.

Additionally, we utilize a quality control reviewer to perform a second review of the financial statements. We believe these safeguards are sufficient to reduce the independence threats to an acceptable level.

### **Significant Risks Identified**

During the planning phase of the audit, we identified revenues and receivables as a significant risk, as a result of the materiality of the account balances. As a result, we documented the internal controls over revenue and receivables. In addition, we reviewed the System of Controls (SOC) Type 1 audit report for Calpine Energy Solutions, LLC and noted there were no modifications to the opinion for the described assertions. Additionally, we recalculated the amount of revenues received during the year using the underlying system reports.

### **Qualitative Aspects of the Entity's Significant Accounting Practices**

#### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by DCE is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2022. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

#### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements is:

Management's estimate of the allowance for doubtful accounts is based on management's knowledge of the likelihood of revenue collection from customers. We evaluated the key factors and assumptions used to develop the allowance for uncollectable accounts and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

#### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting DCE's financial statements relate to:

- The disclosure of allowance for uncollectable accounts in note 3 of the financial statements.

### **Significant Unusual Transactions**

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. There were no significant unusual transactions identified as a result of our audit procedures.

### **Identified or Suspected Fraud**

We have not identified or have obtained information that indicates fraud may have occurred.

### **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. We did not identify any uncorrected financial statement misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. We did not identify any material misstatements as a result of our audit procedures.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to DCE's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### **Circumstances that Affect the Form and Content of the Auditor's Report**

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. There were none.

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the letter dated October 21, 2022.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.



## **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with DCE, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as DCE's auditors.

### *Other Matters*

We applied certain limited procedures to Management's Discussion & Analysis which is required supplementary information (RSI) that supplements the financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

### *Restriction on Use*

This report is intended solely for the information and use of the Board of Directors and management of DCE and is not intended to be and should not be used by anyone other than these specified parties.


*DavisFarrLLP*

Irvine, California  
October 21, 2022

**ITEM 8A**

**DESERT COMMUNITY ENERGY BOARD  
FY2022-2023 ATTENDANCE RECORD**

<b>Voting Members</b>	<b>JUL*</b>	<b>AUG</b>	<b>SEP</b>	<b>OCT</b>	<b>NOV</b>	<b>DEC</b>	<b>JAN</b>	<b>FEB</b>	<b>MAR</b>	<b>APR</b>	<b>MAY</b>	<b>JUNE</b>
City of Palm Desert	✓	*	✓	✓								
City of Palm Springs	✓	*	✓	✓								

Absent   
No Meeting \*

\* July was a special meeting. The regular July meeting was cancelled.

**DESERT COMMUNITY ENERGY**  
**UNAUDITED FINANCIAL STATEMENTS**  
**STATEMENT OF NET POSITION**  
**AS OF SEPTEMBER 30, 2022**

	GENERAL		PALM SPRINGS		TOTAL	
<b>ASSETS</b>						
Unrestricted Funds						
Operating Account	-		202,818.81		202,818.81	
Money Market Account	70,004.30		-		70,004.30	
DDM Marketplace Sweep Account	885,897.49		-		885,897.49	
Lockbox Account	2,545,957.72		(2,388,604.76)		157,352.96	
Total Unrestricted Funds		3,501,859.51		(2,185,785.95)		1,316,073.56
Restricted Funds						
Restricted Cash (PPA Collateral)	-		1,680,000.00		1,680,000.00	
SCE FSR Letter of Credit Collateral	147,000.00		-		147,000.00	
Total Restricted Funds		147,000.00		1,680,000.00		1,827,000.00
Total Cash		3,648,859.51		(505,785.95)		3,143,073.56
Accounts Receivable						
Southern California Edison	-		10,010,634.82		10,010,634.82	
Southern California Edison (Escrow Account)	-		3,556,736.83		3,556,736.83	
Total Accounts Receivable		-		13,567,371.65		13,567,371.65
Accrued Accounts Receivable		-		3,621,306.16		3,621,306.16
Allowance for Doubtful Accounts		-		(2,548,287.30)		(2,548,287.30)
Prepaid Expenses						
Coachella Hills Wind	-		228,598.51		228,598.51	
AJ Gallagher & Co. Insurance	3,314.97		3,314.97		6,629.94	
Total Prepaid Expenses		3,314.97		231,913.48		235,228.45
Other Assets						
Deposits/Bonds	-		110,584.00		110,584.00	
Total Other Assets		-		110,584.00		110,584.00
<b>TOTAL ASSETS</b>		<b>3,652,174.48</b>		<b>14,477,102.04</b>		<b>18,129,276.52</b>
<b>LIABILITIES</b>						
Accounts Payable						
Ace Printing	949.54		949.54		1,899.07	
Best, Best & Krieger LLP	2,496.12		7,488.38		9,984.50	
Burke Rix Communications	-		4,780.67		4,780.67	
Calpine Energy Solutions LLC	-		44,281.90		44,281.90	
Donald D. Dame	356.56		1,069.69		1,426.25	
Davis Farr LLP	1,125.00		3,375.00		4,500.00	
MRW & Associates, LLC	4,619.44		13,858.31		18,477.75	
River City Bank	8,956.91		-		8,956.91	
SOCAL Edison	-		133,476.54		133,476.54	
The Energy Authority	-		5,993,812.17		5,993,812.17	
WREGIS Western Renewable Energy Generation Information System	-		649.50		649.50	
Total Accounts Payable		18,503.57		6,203,741.69		6,222,245.26
Due to Other Governments						
CA Department of Tax and Fee Admin	-		46,426.00		46,426.00	
Coachella Valley Assoc. of Governments	48,559.17		145,677.51		194,236.68	
Palm Springs, City of	-		376,676.12		376,676.12	
Total Due to Other Governments		48,559.17		568,779.63		617,338.80
Taxes Payable						
Utility Users Tax	-		167,043.70		167,043.70	
Electric Energy Surcharge	-		6,141.78		6,141.78	
Total Taxes Payable		-		173,185.48		173,185.48
Vendor Security Deposits						
Terra-Gen	-		1,680,000.00		1,680,000.00	
OhmConnect	-		180,000.00		180,000.00	
Total Vendor Security Deposits		-		1,860,000.00		1,860,000.00
Total Current Liabilities		67,062.74		8,805,706.80		8,872,769.54
<b>Non Current Liabilities</b>						
Loans Payable (long term)						
River City Bank Line of Credit (expires 02.01.2025)	-		2,700,000.00		2,700,000.00	
Total Loans Payable		-		2,700,000.00		2,700,000.00
Total Non Current Liabilities		-		2,700,000.00		2,700,000.00
<b>TOTAL LIABILITIES</b>		<b>67,062.74</b>		<b>11,505,706.80</b>		<b>11,572,769.54</b>
<b>NET POSITION</b>						
Restricted Net Position		147,000.00		-		147,000.00
Unrestricted Net Postion		3,438,111.74		2,971,395.24		6,409,506.98
Net Position		3,585,111.74		2,971,395.24		6,556,506.98
<b>TOTAL LIABILITIES AND NET POSITION</b>		<b>3,652,174.47</b>		<b>14,477,102.05</b>		<b>18,129,276.52</b>

**DESERT COMMUNITY ENERGY**  
**UNAUDITED FINANCIAL STATEMENTS**  
**REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE PERIOD FROM JULY 1, 2022 TO SEPTEMBER 30, 2022**

	GENERAL		PALM SPRINGS		TOTAL	
<b>REVENUES</b>						
Electricity Sales	-		24,894,844.59		24,894,844.59	
Energy Market Settlements	-		569,611.90		569,611.90	
Investment Income	3,283.21		-		3,283.21	
<b>TOTAL REVENUES</b>		3,283.21		25,464,456.49		25,467,739.70
<b>EXPENSES</b>						
Cost of Electricity						
Electricity Purchase	-		14,785,096.83		14,785,096.83	
Resource Adequacy	-		4,450,660.00		4,450,660.00	
Renewable Energy Credit Settlement	-		134,106.10		134,106.10	
Market Charges	-		2,813,972.14		2,813,972.14	
Total Cost of Electricity		-		22,183,835.07		22,183,835.07
Accounting / Bank Services		11,447.88		11,447.88		22,895.75
Office Supplies		300.00		900.00		1,200.00
Legal Services		6,171.25		18,513.75		24,685.00
Professional Services						
AJ Gallagher & Co Insurance	234.75		234.75		469.50	
Davis Farr LLP	1,500.00		4,500.00		6,000.00	
SOCAL Edison	-		18,318.87		18,318.87	
Total Professional Services		1,734.75		23,053.62		24,788.37
Insurance						
- Directors & Officers	1,030.03		1,030.03		2,060.06	
- General Liability	75.00		75.00		150.00	
Total Insurance		1,105.03		1,105.03		2,210.06
Consultants						
Calpine Energy Solutions	33,190.44		99,571.31		132,761.75	
CVAG	95,708.94		95,708.94		191,417.87	
Don Dame	-		3,592.75		3,592.75	
MRW & Associates, LLC	11,052.00		11,052.00		22,104.00	
The Energy Authority	-		353,616.52		353,616.52	
White Rabbit Group	262.25		262.25		524.50	
Total Consultants		140,213.62		563,803.77		704,017.39
Outreach						
Burke Rix Communications	-		13,426.25		13,426.25	
Total Outreach		-		13,426.25		13,426.25
Postage						
Ace Printing	2,934.78		2,934.78		5,869.56	
Total Printing		2,934.78		2,934.78		5,869.56
Printing						
Ace Printing	3,355.62		3,355.62		6,711.23	
Total Printing		3,355.62		3,355.62		6,711.23
Sponsorships		609.06		1,827.19		2,436.25
Technology Costs		462.50		462.50		925.00
Registrations/Memberships						
WREGIS Western Renewable Energy Generation Information System	-		21,124.00		21,124.00	
CA Community Choice Association	31.25		93.75		125.00	
Total Registration/Memberships		31.25		21,217.75		21,249.00
Miscellaneous		-		283.17		283.17
Bad Debt		-		746,845.34		746,845.34
Interest Expense		-		21,244.39		21,244.39
<b>TOTAL EXPENSES</b>		168,365.74		23,614,256.10		23,782,621.83
Excess of Revenues over Expenses		(165,082.53)		1,850,200.39		1,685,117.87
Net Position - Beginning of the Period		3,750,194.26		1,121,194.85		4,871,389.11
Net Position - End of the Period		3,585,111.74		2,971,395.24		6,556,506.98

**Desert Community Energy**  
**Unaudited Statement of Net Position Prev Year Comparison**  
As of September 30, 2022

	Sep 30, 22	Sep 30, 21	\$ Change	% Change
<b>ASSETS</b>				
<b>Current Assets</b>				
<b>Checking/Savings</b>				
<b>1100 · Unrestricted Funds</b>				
1105 · Operating Account -8099	202,819	334,031	(131,212)	(39.28%)
1107 · ICS Account -0995	-	518,867	(518,867)	(100.00%)
1109 · DDM Marketplace Sweep - 0991	885,897	-	885,897	100.00%
1110 · Money Market -5470	70,004	66,125	3,879	5.87%
1115 · Lockbox -4446	157,353	107,603	49,750	46.24%
<b>Total 1100 · Unrestricted Funds</b>	<b>1,316,074</b>	<b>1,026,626</b>	<b>289,448</b>	<b>28.19%</b>
<b>1199 · Restricted Funds</b>				
1110 · Money Market -5470	1,680,000	1,680,000	-	0.00%
1120 · FSR Letter of Credit Collateral	147,000	147,000	-	0.00%
1125 · Debt Service Reserve Account	-	200,000	(200,000)	(100.00%)
<b>Total 1199 · Restricted Funds</b>	<b>1,827,000</b>	<b>2,027,000</b>	<b>(200,000)</b>	<b>(9.87%)</b>
<b>Total Checking/Savings</b>	<b>3,143,074</b>	<b>3,053,626</b>	<b>89,448</b>	<b>2.93%</b>
<b>Accounts Receivable</b>				
1221 · Accounts Receivable	13,567,372	10,349,712	3,217,660	31.09%
1223 · Accrued Accounts Receivable	3,621,306	3,270,159	351,147	10.74%
<b>Total Accounts Receivable</b>	<b>17,188,678</b>	<b>13,619,871</b>	<b>3,568,807</b>	<b>26.20%</b>
<b>Other Current Assets</b>				
1225 · Allowance for Doubtful Accounts	(2,548,287)	(1,657,494)	(890,793)	(53.74%)
1240 · Prepaid Expenses	235,228	-	235,228	100.00%
<b>Total Other Current Assets</b>	<b>(2,313,059)</b>	<b>(1,657,494)</b>	<b>(655,565)</b>	<b>(39.55%)</b>
<b>Total Current Assets</b>	<b>18,018,693</b>	<b>15,016,003</b>	<b>3,002,690</b>	<b>20.00%</b>
<b>Other Assets</b>				
1170 · Deposits/Bonds	110,584	-	110,584	100.00%
<b>Total Other Assets</b>	<b>110,584</b>	<b>-</b>	<b>110,584</b>	<b>100.00%</b>
<b>TOTAL ASSETS</b>	<b>18,129,277</b>	<b>15,016,003</b>	<b>3,113,274</b>	<b>20.73%</b>
<b>LIABILITIES &amp; NET POSITION</b>				
<b>Liabilities</b>				
<b>Current Liabilities</b>				
<b>Accounts Payable</b>				
2110 · Accounts Payable	6,222,245	7,236,982	(1,014,737)	(14.02%)
2112 · Accrued Accounts Payable	-	33,240	(33,240)	(100.00%)
2120 · Due to Other Governments	617,339	563,921	53,418	9.47%
<b>Total Accounts Payable</b>	<b>6,839,584</b>	<b>7,834,143</b>	<b>(994,559)</b>	<b>(12.70%)</b>
<b>Other Current Liabilities</b>				
2230 · Taxes payable				
2231 · Utility Users Tax (UUT)	167,044	1,024,205	(857,161)	(83.69%)
2232 · Electric Energy Surcharge	6,142	7,877	(1,735)	(22.03%)
<b>Total 2230 · Taxes payable</b>	<b>173,186</b>	<b>1,032,082</b>	<b>(858,896)</b>	<b>(83.22%)</b>
2250 · Loans Payable Short-Term	-	875,000	(875,000)	(100.00%)
2260 · Vendor Security Deposits				
2262 · PPA Development Security	1,680,000	1,680,000	-	0.00%
2263 · Contract Development Deposit	180,000	-	180,000	100.00%
<b>Total 2260 · Vendor Security Deposits</b>	<b>1,860,000</b>	<b>1,680,000</b>	<b>180,000</b>	<b>10.71%</b>
<b>Total Other Current Liabilities</b>	<b>2,033,186</b>	<b>3,587,082</b>	<b>(1,553,896)</b>	<b>(43.32%)</b>
<b>Total Current Liabilities</b>	<b>8,872,770</b>	<b>11,421,225</b>	<b>(2,548,455)</b>	<b>(22.31%)</b>
<b>Long Term Liabilities</b>				
2300 · Non-current Liability				
2350 · Loans Payable - Long Term	2,700,000	-	2,700,000	100.00%
<b>Total 2300 · Non-current Liability</b>	<b>2,700,000</b>	<b>-</b>	<b>2,700,000</b>	<b>100.00%</b>
<b>Total Long Term Liabilities</b>	<b>2,700,000</b>	<b>-</b>	<b>2,700,000</b>	<b>100.00%</b>
<b>Total Liabilities</b>	<b>11,572,770</b>	<b>11,421,225</b>	<b>151,545</b>	<b>1.33%</b>
<b>Net Position</b>				
31000 · Restricted Net Position	147,000	347,000	(200,000)	(57.64%)
32000 · Unrestricted Net Position	4,724,389	4,927,861	(203,472)	(4.13%)
<b>Net Position</b>	<b>1,685,118</b>	<b>(1,680,083)</b>	<b>3,365,201</b>	<b>200.30%</b>
<b>Total Net Position</b>	<b>6,556,507</b>	<b>3,594,778</b>	<b>2,961,729</b>	<b>82.39%</b>
<b>TOTAL LIABILITIES &amp; NET POSITION</b>	<b>18,129,277</b>	<b>15,016,003</b>	<b>3,113,274</b>	<b>20.73%</b>

**1** The application for approximately \$476k CAPP 2.0 COVID-19 relief funding for utility customers is in process.

**2** SCE MCAM Resource Adequacy Settlement Reserve

**Desert Community Energy**  
**Unaudited Changes to Net Position Prev Year Comparison**  
July through September 2022

	<u>Jul - Sep 22</u>	<u>Jul - Sep 21</u>	<u>\$ Change</u>	<u>% Change</u>
<b>Revenue</b>				
5010 · Electricity Sales				
5011 · Carbon Free	20,303,654	16,387,913	3,915,741	23.89%
5012 · Carbon Free- CARE / FERA	599	1,648,073	(1,647,475) <sup>1</sup>	(99.96%)
5013 · Desert Saver	4,590,592	1,056,431	3,534,161	334.54%
<b>Total 5010 · Electricity Sales</b>	<b>24,894,845</b>	<b>19,092,417</b>	<b>5,802,428</b>	<b>30.39%</b>
5100 · Other Revenue				
5120 · Energy Market Settlements	569,612	375,943	193,669	51.52%
<b>Total 5100 · Other Revenue</b>	<b>569,612</b>	<b>375,943</b>	<b>193,669</b>	<b>51.52%</b>
5900 · Investment Income	3,283	1,163	2,120	182.31%
<b>Total Revenue</b>	<b>25,467,740</b>	<b>19,469,523</b>	<b>5,998,217</b>	<b>30.81%</b>
<b>Expense</b>				
4100 · Cost of Electricity				
4105 · Electricity Purchase	14,785,097	13,684,225	1,100,872	8.05%
4110 · Resource Adequacy Settlement	4,450,660	3,225,846	1,224,814	37.97%
4115 · Low Carbon Settlement	-	1,113,500	(1,113,500)	(100.00%)
4120 · Renewable Energy Cr. Settlement	134,106	349,700	(215,594)	(61.65%)
4125 · Market Charges	2,813,972	1,562,298	1,251,674	80.12%
<b>Total 4100 · Cost of Electricity</b>	<b>22,183,835</b>	<b>19,935,569</b>	<b>2,248,266</b>	<b>11.28%</b>
4200 · Accounting / Bank Services	22,896	233	22,663 <sup>2</sup>	9,726.50%
4353 · Insurance	2,210	7,690	(5,480)	(71.26%)
4423 · Office Supplies	1,200	-	1,200	100.00%
4425 · Legal Services	24,685	5,903	18,782	318.18%
4431 · Professional Services	24,788	20,656	4,132	20.01%
4432 · Consultants	704,017	506,443	197,574	39.01%
4433 · Outreach Services	13,426	7,258	6,168	84.99%
4435 · Technology Costs (IT)	925	-	925	100.00%
4440 · Postage	5,870	1,658	4,212	254.01%
4441 · Printing	6,711	4,422	2,289	51.77%
4450 · Sponsorships	2,436	-	2,436	100.00%
4455 · Customer Programs	-	20,615	(20,615)	(100.00%)
4500 · Registrations/Memberships	21,249	20,267	982	4.85%
4600 · Miscellaneous	283	-	283	100.00%
4610 · Interest Expense	21,244	46,706	(25,462)	(54.52%)
4750 · Bad Debt Expense	746,845	572,187	174,658	30.53%
<b>Total Expense</b>	<b>23,782,622</b>	<b>21,149,607</b>	<b>2,633,015</b>	<b>12.45%</b>
<b>Excess of Revenue over Expenses</b>	<b>1,685,118</b>	<b>(1,680,084)</b>	<b>3,365,202</b>	<b>200.30%</b>

<sup>1</sup> CARE/FERA was discontinued and converted to Desert Saver

<sup>2</sup> River City Bank fees for RLOC

## **ITEM 8D**

### **Desert Community Energy Board November 18, 2022**



#### **STAFF REPORT**

**Subject:** Update on DCE's Distributed Energy Resources Program

**Contact:** David Freedman, Program Manager ([dfreedman@cvag.org](mailto:dfreedman@cvag.org))

---

#### **Recommendation: Information**

**Background:** A distributed energy resource is a small-scale unit of power generation that operates locally and is connected to a larger power grid at the distribution level, often behind a customer's retail power meter. Rooftop solar, battery storage, microgrids, and energy efficiency and demand management are often collectively referred to as Distributed Energy Resources or DERs. When the energy from one of these DERs is generated at a home or business and can be used to directly offset the customer's retail load, the resource is considered behind the meter (BTM).

At the February 2022 meeting, the DCE Board approved a contract with TerraVerde Energy (TerraVerde) for a pilot Behind-the-Meter Distributed Energy Resources Program. Per the terms of the agreement, it requires no costs to DCE until additional Board action is taken. At the July 2022 meeting, staff updated the DCE board on progress in the DCE's Distributed Energy Resources Program and the work of TerraVerde and in support of the DERP program.

Since that time, TerraVerde is continuing to engage with target customers and to have customer-focused discussions, in close collaboration with DCE staff, and there are active discussions with several target customers in Palm Springs. Working with DCE's legal counsel, staff has also finalized the form agreements, e.g. customer agreements and a power purchase agreement that are a pre-requisite to launching a request for proposals (RFP) from solar and battery storage vendors while TerraVerde and staff are continuing to engage with these target customers.

Parallel to these customer-focused discussions, staff is working with The Energy Authority (TEA) to evaluate the financial benefits to DCE of this program, including the generation of renewable energy that would help ensure DCE meets its SB 350 long-term contracting requirements. Other benefits to DCE include exploring opportunities to promote local projects and local jobs, encouraging local investment and enhancing the clean energy profile of the Coachella Valley.

Should the DCE Board choose to proceed with the program and move to the program implementation phase, PPAs with developers selected through the RFP process would be brought to the Board for approval and funding authorization.

**Fiscal Analysis:** As noted at the February and July Board meetings, TerraVerde is providing technical and financial due diligence, RFP development and administration services, and contract negotiation support services for the current phases of the project at no cost to DCE. TerraVerde is only compensated when the DCE Board approves projects for implementation. Staff will provide an analysis of the funding for the implementation phase of the project as part of the Board consideration of implementation agreements following the conclusion of the RFP.

The costs associated with customer engagement and continued evaluation and monitoring of the project as it proceeds through its various phases are covered under the existing contracts with TEA and legal counsel as well as staff time.



## **ITEM 8E**

### **Desert Community Energy Board November 18, 2022**



#### **STAFF REPORT**

**Subject:** Carbon Free Commercial Customer Recognition Program

**Contact:** Kenyon Potter, Energy & Sustainability Director ([kpotter@cvag.org](mailto:kpotter@cvag.org))

---

#### **Recommendation: Information**

**Background:** Since DCE's launch in 2020, the Board has indicated an interest in providing recognition to businesses that choose to be Carbon Free customers. On April 13, 2022, DCE staff met with staff from Visit Greater Palm Springs and Palm Springs Convention Center & Bureau of Tourism along with DCE Board Chair Geoff Kors and Palm Springs Mayor Lisa Middleton, the City's alternate to the DCE Board, to discuss creating a program to recognize small, medium, and large commercial customers enrolled in DCE's Carbon Free program for doing their part for the environment.

Discussions during the April meeting focused on coming up with ideas to reward Palm Springs DCE Carbon Free commercial customers as well as ideas on how to promote these customers as environmentally conscientious. Some ideas included creating an online digital Carbon Free business directory, promoting these businesses through other organizations promoting ecotourism, and creating promotional items as a way to thank these organizations for being Carbon Free.

In anticipation of a program launch, DCE has created window decals for Carbon Free customers to promote themselves by placing the decals on storefronts and entrances to their establishments. These decals are window clings that are 6" circles made out of a clear poly with ultra- removable adhesive for the inside of a window (see attached).

More recently, DCE staff have embarked on a pilot program to reach out to businesses that already promote themselves as environmentally conscientious and to begin to distribute the decals to interested customers including but not limited to hotels and restaurants. This program is still being developed and staff anticipates roll-out of the decals and related recognition efforts in 2023. Additional updates will be provided at a future Board meeting.

**Fiscal Analysis:** There are no costs to DCE for this report. Costs associated with the Carbon Free commercial customer recognition program have been covered under DCE's existing marketing budget.

**Attachment:** DCE Carbon Free Window Decal

DCE 100% Carbon Free Window Decal

*(window cling made out of a clear poly w/ removable adhesive for the inside of a window)*

(ACTUAL SIZE)

