

Desert Community Energy
Unaudited Statement of Net Position Prev Year Comparison
As of December 31, 2024

| | Dec 31, 24 | Dec 31, 23 | \$ Change | % Change |
|---|-------------------|-------------------|-------------------|---------------|
| ASSETS | | | | |
| Current Assets | | | | |
| Checking/Savings | | | | |
| 1100 · Unrestricted Funds | | | | |
| 1103 · CAMP Account | 14,158,763 | - | 14,158,763 | 100.0% |
| 1104 · LAIF Account | 6,377,761 | - | 6,377,761 | 100.0% |
| 1105 · Operating Account -8099 | 199,405 | 199,749 | (345) | (0.17%) |
| 1109 · DDM Marketplace Sweep - 0991 | 3,379,147 | 8,649,244 | (5,270,097) | (60.93%) |
| 1115 · Lockbox -4446 | 3,715,957 | 9,171,887 | (5,455,930) | (59.49%) |
| Total 1100 · Unrestricted Funds | 27,831,033 | 18,020,880 | 9,810,154 | 54.44% |
| 1145 · Fair Value Adjustment | (2,411) | - | (2,411) | (100.0%) |
| 1199 · Restricted Funds | | | | |
| 1110 · Money Market -5470 | 405,773 | 405,775 | (2) | 0.0% |
| 1120 · FSR Letter of Credit Collateral | 147,000 | 147,000 | - | 0.0% |
| Total 1199 · Restricted Funds | 552,773 | 552,775 | (2) | 0.0% |
| Total Checking/Savings | 28,381,395 | 18,573,655 | 9,807,741 | 52.81% |
| Accounts Receivable | | | | |
| 1221 · Accounts Receivable | 14,548,925 | 14,939,714 | (390,789) | (2.62%) |
| 1223 · Accrued Accounts Receivable | 1,980,391 | 1,735,509 | 244,881 | 14.11% |
| 1250 · Interest Receivable | 70,000 | - | 70,000 | 100.0% |
| Total Accounts Receivable | 16,599,316 | 16,675,223 | (75,908) | (0.46%) |
| Other Current Assets | | | | |
| 1225 · Allowance for Doubtful Accounts | (2,586,535) | (4,347,091) | 1,760,556 | 40.5% |
| 1240 · Prepaid Expenses | 5,770 | 32,705 | (26,935) | (82.36%) |
| Total Other Current Assets | (2,580,765) | (4,314,387) | 1,733,622 | 40.18% |
| Total Current Assets | 42,399,946 | 30,934,491 | 11,465,455 | 37.06% |
| Other Assets | | | | |
| 1170 · Deposits/Bonds | 710,584 | 610,584 | 100,000 | 16.38% |
| Total Other Assets | 710,584 | 610,584 | 100,000 | 16.38% |
| TOTAL ASSETS | 43,110,530 | 31,545,075 | 11,565,455 | 36.66% |
| LIABILITIES & NET POSITION | | | | |
| Liabilities | | | | |
| Current Liabilities | | | | |
| Accounts Payable | | | | |
| 2110 · Accounts Payable | 7,090,830 | 2,430,391 | 4,660,440 | 191.76% |
| 2112 · Accrued Accounts Payable | 2,993,710 | 1,690,043 | 1,303,667 | 77.14% |
| 2120 · Due to Other Governments | 378,753 | 1,035,104 | (656,352) | (63.41%) |
| Total Accounts Payable | 10,463,293 | 5,155,538 | 5,307,755 | 102.95% |
| Other Current Liabilities | | | | |
| 2115 · NEM Escrow Account | 58,306 | - | 58,306 | 100.0% |
| 2230 · Taxes payable | | | | |
| 2231 · Utility Users Tax (UUT) | 91,703 | 80,170 | 11,533 | 14.39% |
| 2232 · Electric Energy Surcharge | 3,491 | 2,527 | 965 | 38.18% |
| Total 2230 · Taxes payable | 95,194 | 82,696 | 12,498 | 15.11% |
| Total Other Current Liabilities | 153,500 | 82,696 | 70,803 | 85.62% |
| Total Current Liabilities | 10,616,793 | 5,238,234 | 5,378,558 | 102.68% |
| Long Term Liabilities | | | | |
| 2260 · Vendor Security Deposits | | | | |
| 2262 · PPA Development Security | 225,000 | 225,000 | - | 0.0% |
| 2263 · Contract Development Deposit | 180,000 | 180,000 | - | 0.0% |
| Total 2260 · Vendor Security Deposits | 405,000 | 405,000 | - | 0.0% |
| Total Long Term Liabilities | 405,000 | 405,000 | - | 0.0% |
| Total Liabilities | 11,021,793 | 5,643,234 | 5,378,558 | 95.31% |
| Net Position | | | | |
| 31000 · Restricted Net Position | 147,000 | 147,000 | - | 0.0% |
| 32000 · Unrestricted Net Position | 35,039,779 | 19,167,378 | 15,872,401 | 82.81% |
| Net Income | (3,098,042) | 6,587,463 | (9,685,505) | (147.03%) |
| Total Net Position | 32,088,738 | 25,901,841 | 6,186,897 | 23.89% |
| TOTAL LIABILITIES & NET POSITION | 43,110,530 | 31,545,075 | 11,565,455 | 36.66% |

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1

Investment accounts with the California Asset Management Program (CAMP) and Local Agency Investment Fund (LAIF) were opened in line with DCE Policy 23-03 Investment Policy.

2

DCE continues to accrue costs for Renewable Energy Certificates (RECs) delayed from a vendor due to Western Renewable Energy Generation Information System (WREGIS) system outages.

3

The net loss demonstrated through the second quarter is partly due to the timing of DCE's fiscal year and energy purchases compared to when the costs were budgeted and will partially offset in the future. Overall, costs actualized significantly higher than in the prior year particularly in the Resource Adequacy and Renewable Portfolio Standards markets. Another contributing factor is the implementation of a rate decrease. DCE staff are monitoring the financial situation closely and are presenting a proposed budget amendment to ensure adequate fixed charge coverage.

Desert Community Energy
Unaudited Changes to Net Position Prev Year Comparison
July through December 2024

| | Jul - Dec 24 | Jul - Dec 23 | \$ Change | % Change |
|---|--------------------|-------------------|---------------------|------------------|
| Ordinary Income/Expense | | | | |
| Income | | | | |
| 5010 · Electricity Sales | 40,836,861 | 42,036,097 | (1,199,237) | (2.85%) |
| 5100 · Other Revenue | 2,705,466 | 694,155 | 2,011,312 | 289.75% |
| Total Income | 43,542,327 | 42,730,252 | 812,075 | 1.9% |
| Expense | | | | |
| 4100 · Cost of Electricity | | | | |
| 4105 · Electricity Purchase | 17,767,148 | 23,877,006 | (6,109,858) | (25.59%) |
| 4110 · Resource Adequacy Settlement | 13,457,614 | 5,968,123 | 7,489,491 | 125.49% |
| 4115 · Carbon Free Settlement | 4,916,358 | 674,250 | 4,242,108 | 629.16% |
| 4120 · Renewable Energy Cr. Settlement | 3,910,276 | - | 3,910,276 | 100.0% |
| 4125 · Market Charges | 2,811,659 | 2,386,245 | 425,414 | 17.83% |
| 4175 · CPUC YARA Penalty | 1,750,159 | 650,105 | 1,100,054 | 169.21% |
| Total 4100 · Cost of Electricity | 44,613,213 | 33,555,728 | 11,057,485 | 32.95% |
| 4200 · Accounting / Bank Services | 2,779 | 1,755 | 1,024 | 58.37% |
| 4353 · Insurance | 4,022 | 4,294 | (272) | (6.34%) |
| 4423 · Office Supplies | - | 1,375 | (1,375) | (100.0%) |
| 4425 · Legal Services | 32,117 | 88,356 | (56,239) | (63.65%) |
| 4431 · Professional Services | 149,024 | 44,642 | 104,382 | 233.82% |
| 4432 · Consultants | 1,146,475 | 1,231,216 | (84,741) | (6.88%) |
| 4433 · Outreach Services | 6,294 | 19,965 | (13,671) | (68.48%) |
| 4435 · Technology Costs (IT) | 3,079 | 2,826 | 253 | 8.95% |
| 4440 · Postage | 7,016 | 9,682 | (2,667) | (27.54%) |
| 4441 · Printing | 5,632 | 7,543 | (1,911) | (25.34%) |
| 4452 · Marketing | 3,503 | 2,606 | 897 | 34.41% |
| 4455 · Customer Programs | 1,628 | - | 1,628 | 100.0% |
| 4500 · Registrations/Memberships | 43,790 | 47,597 | (3,807) | (8.0%) |
| 4750 · Bad Debt Expense | 1,197,224 | 1,261,072 | (63,848) | (5.06%) |
| Total Expense | 47,215,795 | 36,278,658 | 10,937,137 | 30.15% |
| Net Ordinary Income | (3,673,468) | 6,451,594 | (10,125,062) | (156.94%) |
| Other Income/Expense | | | | |
| Other Income | | | | |
| 5900 · Investment Revenue | 553,999 | 136,859 | 417,140 | 304.8% |
| 5925 · Gain/(Loss) in Investments | 21,417 | - | 21,417 | 100.0% |
| Total Other Income | 575,416 | 136,859 | 438,557 | 320.45% |
| Other Expense | | | | |
| 4610 · Interest Expense | (10) | 990 | (1,000) | (101.03%) |
| Total Other Expense | (10) | 990 | (1,000) | (101.03%) |
| Net Other Income | 575,426 | 135,869 | 439,557 | 323.52% |
| Net Income | (3,098,042) | 6,587,463 | (9,685,505) | (147.03%) |

1

Costs for resource adequacy products have significantly increased in fiscal year 2024-25 in addition to DCE procuring more products in an effort to achieve compliance with CPUC regulations, especially with new Slice of Day RA requirements and the illiquid market it created.

2

Costs for renewable products increased significantly in fiscal year 2024-25 in addition to DCE procuring more products to be compliant with California Renewable Portfolio Standards.

3

The net loss demonstrated in the first quarter can be partially attributed to the timing of DCE's fiscal year start coinciding with when energy procurement is most voluminous and costly. These costs are expected to lessen in future quarters. It can also be attributed to a dramatic increase in cost and amount of resource adequacy and renewable products needed for DCE to operate and maintain complainant in a stringent regulatory environment. DCE staff are monitoring this closely and are presenting a budget amendment to the DCE Board of Directors to ensure adequate fixed charge coverages.

Desert Community Energy
Unaudited Changes to Net Position Budget vs. Actual
July through December 2024

| | <u>Jul - Dec 24</u> | <u>Budget</u> | <u>\$ Over Budget</u> |
|---|----------------------|-------------------|-----------------------|
| Ordinary Revenue/Expense | | | |
| Revenue | | | |
| 5010 · Electricity Sales | 40,836,861 1 | 47,784,229 | (6,947,368) |
| 5100 · Other Revenue | 2,705,466 | - | 2,705,466 |
| Total Revenue | <u>43,542,327</u> | <u>47,784,229</u> | <u>(4,241,902)</u> |
| Expense | | | |
| 4100 · Cost of Electricity | | | |
| 4105 · Electricity Purchase | 17,767,148 | 20,538,876 | (2,771,728) |
| 4110 · Resource Adequacy Settlement | 13,457,614 | 5,188,634 | 8,268,980 |
| 4115 · Carbon Free Settlement | 4,916,358 2 | 2,588,736 | 2,327,622 |
| 4120 · Renewable Energy Cr. Settlement | 3,910,276 | 917,851 | 2,992,425 |
| 4125 · Market Charges | 2,811,659 | 455,354 | 2,356,305 |
| 4175 · CPUC YARA Penalty | 1,750,159 | - | 1,750,159 |
| Total 4100 · Cost of Electricity | <u>44,613,213</u> | <u>29,689,451</u> | <u>14,923,762</u> |
| 4200 · Accounting / Bank Services | 2,779 | 1,800 | 979 |
| 4353 · Insurance | 4,022 | 4,440 | (418) |
| 4423 · Office Supplies | - | 1,600 | (1,600) |
| 4425 · Legal Services | 32,117 | 60,000 | (27,883) |
| 4431 · Professional Services | 149,024 | 157,845 | (8,821) |
| 4432 · Consultants | 1,146,475 | 1,219,574 | (73,098) |
| 4433 · Outreach Services | 6,294 | 23,410 | (17,116) |
| 4435 · Technology Costs (IT) | 3,079 | 3,150 | (71) |
| 4440 · Postage | 7,016 | 8,500 | (1,484) |
| 4441 · Printing | 5,632 | 7,624 | (1,992) |
| 4452 · Marketing | 3,503 | 9,250 | (5,747) |
| 4455 · Customer Programs | 1,628 | 75,000 | (73,372) |
| 4500 · Registrations/Memberships | 43,790 | 152,625 | (108,835) |
| 4750 · Bad Debt Expense | 1,197,224 3 | 1,433,526 | (236,302) |
| Total Expense | <u>47,215,795</u> | <u>32,847,795</u> | <u>14,368,000</u> |
| Net Ordinary Revenue | <u>(3,673,468)</u> | <u>14,936,434</u> | <u>(18,609,902)</u> |
| Other Revenue/Expense | | | |
| Other Revenue | | | |
| 5900 · Investment Revenue | 553,999 | 498,969 | 55,030 |
| 5925 · Gain/(Loss) in Investments | 21,417 | - | 21,417 |
| Total Other Revenue | <u>575,416</u> | <u>498,969</u> | <u>76,447</u> |
| Other Expense | | | |
| 4610 · Interest Expense | (10) | - | (10) |
| Total Other Expense | <u>(10)</u> | <u>-</u> | <u>(10)</u> |
| Net Other Revenue | <u>575,426</u> | <u>498,969</u> | <u>76,457</u> |
| Net Revenue | <u>(3,098,042) 4</u> | <u>15,435,403</u> | <u>(18,533,445)</u> |

Desert Community Energy
Unaudited Changes to Net Position Budget vs. Actual
July through December 2024

1

The projected retail revenues in the original budget, developed in May 2024, were based on SCE's 2025-2028 General Rate Case (GRC), which anticipated an 11% increase in the generation rate year-over-year from 2024 to 2025. DCE assumed an 8% increase in the generation rate during this period which were closely aligned with Southern California Edison's filings based on DCE's then current Rate Stabilization Schedule. However, SCE's final 2025 generation rates, submitted in AL 5449-E on December 30, 2024, showed a 9% decrease compared to SCE's 2024 generation rates due to an overcollection trigger by SCE. Considering this unexpected decrease in 2025 generation rates, DCE decided to maintain its carbon-free generation at October 2024 rates (representing two modest rate decreases), which are 30% lower than DCE's GRC generation rate budget assumptions. Other factors contributing to the decline in projected revenue were lower-than-expected load results for the first half of the fiscal year due to periods of milder weather than has historically been observed as well as an increase in behind the meter solar activity.

2

The cost of compliance with Resource Adequacy (RA) and Renewable Portfolio Standards (RPS) increased from budgeted amounts including new Slice of Day (SOD) RA requirements and the illiquid market it created. Most significantly though, publicly filed forecasts in the form of Market Price Benchmarks for certain RPS products procured by DCE were used during budget development yet saw increases of 72 to 152 percent with updated filings in December 2024. In addition, a contractual sale of renewable energy from DCE's portfolio was inadvertently budgeted as a negative expense of about \$3.8 million which will be realized as revenue to DCE expected in the third quarter of fiscal year 24-25.

3

Reduction in bad debt expense mostly due to resumption of pre-Covid dunning processes by SCE as DCE's billing agent as well as to closed accounts being written off at the end of fiscal year 2023-2024 and updated methodology in line with DCE Policy 23-02 Delinquent Account, Collections and Bad Debt.

4

The net loss demonstrated through the second quarter is partly due to the timing of energy purchases compared to when the costs were budgeted and will partially offset in the future. Overall, as described above, costs actualized higher than budgeted particularly in the RA and RPS markets. Another contributing factor is that DCE had less usage than budgeted as well its implementation of a rate decrease. DCE staff are monitoring this closely and are presenting a proposed budget amendment to ensure adequate fixed charge coverage.