



Financial Statements

Fiscal Years Ended June 30, 2025 and 2024
with Report of Independent Auditors



ORANGE COUNTY
POWER AUTHORITY
YOUR CLEAN ENERGY CHOICE

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Independent Auditor's Report

To the Board of Directors
Orange County Power Authority

Opinion

We have audited the accompanying financial statements of Orange County Power Authority (OCPA), which comprise the statements of net position as of June 30, 2025 and 2024, the related statements of revenue, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of OCPA as of June 30, 2025 and 2024, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of OCPA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about OCPA's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued, including any currently known information that may raise substantial doubt shortly thereafter.

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OCPA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about OCPA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Independent Auditor's Report (continued)

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Sorren CPAs P.C.

Santa Rosa, California
November 5, 2025

**ORANGE COUNTY POWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2025 AND 2024**

The purpose of management's discussion and analysis (MD&A) is to help stakeholders and other readers understand what the financial statements and notes in this report say about Orange County Power Authority's (OCPA) financial health and why it has changed since last year. It contains information drawn from other parts of the report, accompanied by explanations informed by the finance staff's knowledge of OCPA's finances.

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

Overview of the Financial Statements

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

- The *Statements of Net Position* include all of OCPA's assets, liabilities, and net position and provides information about the nature and amounts of resources and obligations at a specific point in time.
- The *Statements of Revenues, Expenses, and Changes in Net Position* report all of OCPA's revenue and expenses for the years shown.
- The *Statements of Cash Flows* report on the cash provided and used by operating activities, as well as other sources and uses, such as capital and investing activities.
- The notes to the Basic Financial Statements provide additional details and information related to the basic financial statements.

**ORANGE COUNTY POWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2025 AND 2024**

Financial Summary

OCA's Net Position

	2025	2024	2023
Current assets	\$130,247,587	\$158,152,396	\$ 88,628,950
Noncurrent assets	14,107,749	14,278,857	5,000,000
Total assets	144,355,336	172,431,253	93,628,950
Current liabilities	60,483,211	74,718,452	47,445,424
Noncurrent liabilities	8,857,683	7,847,131	7,646,933
Total liabilities	69,340,894	82,565,583	55,092,357
Deferred inflows of resources	30,000,000	45,000,000	-
Net position			
Net investment in capital assets	206,965	-	-
Restricted for security collateral	1,241,140	-	-
Unrestricted	43,566,337	44,865,670	38,536,593
Total net position	\$ 45,014,442	\$ 44,865,670	\$ 38,536,593

As of June 30, 2025, OCA's total net position was approximately \$45,014,000, an increase of \$149,000 compared to June 30, 2024.

OCA's Changes in Net Position

	2025	2024	2023
Operating revenues	\$ 283,584,250	\$ 337,084,243	\$ 275,734,014
Nonoperating revenues	4,630,570	2,467,019	963,543
Total income	288,214,820	339,551,262	276,697,557
Operating expenses	287,767,291	333,022,450	237,669,189
Nonoperating expenses	298,757	199,735	701,477
Total expenses	288,066,048	333,222,185	238,370,666
Change in net position	\$ 148,772	\$ 6,329,077	\$ 38,326,891

The decrease in operating revenues and operating expenses from 2024 to 2025 was primarily attributable to the City of Huntington Beach's return to Southern California Edison (SCE) service in June 2024, partially offset by revenue from the rate stabilization fund and higher investment income.

**ORANGE COUNTY POWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2025 AND 2024**

Detailed Analysis

Current assets decreased from \$158,200,000 at the end of fiscal year 2024 to \$130,200,000 at the end of fiscal year 2025. This decrease was primarily due to the withdrawal of the City Huntington Beach as well as accelerated payments made for certain energy products during fiscal year 2025. Current assets at the end of fiscal year 2025 were primarily comprised of cash and investments of \$80,635,000, accounts receivable of \$14,300,000, accrued revenue of \$14,058,000 and deposits of \$16,370,000.

Noncurrent assets remained stable from 2024 to 2025 and mostly consisted of cash restricted for security purposes and collateral deposits required to be paid to energy suppliers. Also included at the end of fiscal year 2025 were capital assets, comprised of equipment, leasehold improvements, and right-of-use asset related to OCPA's offices.

The largest component of current liabilities is the cost of electricity delivered to customers that is not yet paid by OCPA. Current liabilities for the cost of energy decreased in fiscal year 2025 due to less quantities purchased as a result of the City of Huntington Beach withdrawal, as well as changes in the payment terms for certain energy products. Accrued cost of electricity was approximately \$58,010,000 and \$71,613,000 at the end of fiscal years 2025 and 2024, respectively.

Noncurrent liabilities consist of a loan due to the City of Irvine and a lease liability related to right-to-use lease asset. With the exception of the addition of the lease liability in 2025, other noncurrent liabilities were fairly stable from 2024.

In fiscal year 2024, OCPA set aside \$45,000,000 in a Rate Stabilization Fund in accordance with the Board approved Rate Stabilization Fund Policy. The Rate Stabilization Fund is designed to defer revenue for future years when financial conditions necessitate draws on reserves. By deferring and subsequently recognizing revenue, OCPA aims to mitigate the need for sudden rate increases rising from spikes in energy costs, regulatory shifts, and other unforeseen circumstances. OCPA recognized \$15,000,000 in revenue from the Rate Stabilization Fund in fiscal year 2025.

Operating revenues increased from fiscal years 2023 to 2024, despite the \$45,000,000 revenue deferral recognized in 2024. The increase was primarily due to territory expansions and increases in rates charged to customers. However, there was a significant decrease from 2024 to 2025 due to the City of Huntington Beach withdrawal, despite being partially offset by recognition of \$15,000,000 in revenue from the Rate Stabilization Fund in 2025.

**ORANGE COUNTY POWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2025 AND 2024**

Detailed Analysis (continued)

The largest operating expense is the cost of electricity which increased from 2023 to 2024 due to territory expansion and higher prices charged by electricity providers but decreased from 2024 to 2025 as a result of the member withdrawal previously mentioned. As OCPA continued to strengthen its operations over the last several years, there was an overall increase in expenses related to staff compensation for an expanded workforce, the rollout of customer incentive and rebate programs, and other general and administrative costs.

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

Significant Capital Asset and Long-Term Financing Activity

OCPA does not own assets used for electric generation or distribution. Included in capital assets are office equipment, such as computers, furniture, leasehold improvements, and a right-of-use lease asset.

Assets that are leased by OCPA, such as office premises, are recorded in the Statements of Net Position with a related liability for future obligations.

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

**ORANGE COUNTY POWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2025 AND 2024**

Currently Known Facts, Decisions, or Conditions

OCPA continues to operate in a challenging market environment shaped by both regulatory changes and evolving energy market conditions for 2026.

On the regulatory side, the California Public Utilities Commission's (CPUC) Track-1 decision modified the calculation of the Resource Adequacy (RA) Market Price Benchmark to use a three-year historical average instead of a single-year snapshot. Although intended as a short-term adjustment, this change disproportionately benefits SCE's bundled customers by lowering their generation rates while increasing Power Charge Indifference Adjustment (PCIA) costs for Community Choice Aggregators (CCAs) and their customers.

On the market side, prices for energy, RA, and Renewable Portfolio Standard (RPS) attributes have declined statewide. These lower market prices reduce SCE's forecasted generation costs and further lower its bundled generation rates. In addition, SCE is expected to issue a one-time refund to bundled customers in 2026 for 2025 overcollections, further reducing its generation rates. Collectively, these factors are expected to significantly decrease SCE's 2026 generation rates while substantially increasing PCIA charges.

To manage these pressures and maintain financial and operational sustainability, OCPA plans to utilize the remaining \$30 million balance in the Rate Stabilization Fund to help mitigate the anticipated impacts on financial performance and customer rates in 2026.

BASIC FINANCIAL STATEMENTS

ORANGE COUNTY POWER AUTHORITY
STATEMENTS OF NET POSITION
JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Current assets		
Cash - unrestricted	\$ 58,486,083	\$ 79,735,416
Cash - restricted	200,000	600,000
Investments	21,948,918	19,975,918
Accounts receivable, net of allowance	14,299,580	26,828,551
Accrued revenue	14,057,594	20,085,848
Other receivables	4,801,083	6,977,630
Prepaid expenses	84,241	193,444
Deposits	16,370,088	3,755,589
Total current assets	<u>130,247,587</u>	<u>158,152,396</u>
Noncurrent assets		
Cash - restricted	6,441,140	5,000,000
Deposits	6,578,659	9,278,857
Capital assets, net of depreciation and amortization	1,087,950	-
Total noncurrent assets	<u>14,107,749</u>	<u>14,278,857</u>
Total assets	<u>144,355,336</u>	<u>172,431,253</u>
LIABILITIES		
Current liabilities		
Accrued cost of electricity	58,010,025	71,612,632
Accounts payable	735,275	1,005,354
Other accrued liabilities	1,017,276	895,522
User taxes and energy surcharges due to other governments	605,921	1,204,944
Lease liability	114,714	-
Total current liabilities	<u>60,483,211</u>	<u>74,718,452</u>
Noncurrent liabilities		
Loans payable	7,527,841	7,527,841
Accrued interest	563,571	319,290
Lease liability	766,271	-
Total noncurrent liabilities	<u>8,857,683</u>	<u>7,847,131</u>
Total liabilities	<u>69,340,894</u>	<u>82,565,583</u>
DEFERRED INFLOWS OF RESOURCES		
Rate Stabilization Fund	<u>30,000,000</u>	<u>45,000,000</u>
NET POSITION		
Net investment in capital assets	206,965	-
Restricted for security collateral	1,241,140	-
Unrestricted	43,566,337	44,865,670
Total net position	<u>\$ 45,014,442</u>	<u>\$ 44,865,670</u>

**ORANGE COUNTY POWER AUTHORITY
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2025 AND 2024**

	2025	2024
OPERATING REVENUES		
Electricity sales, net	\$ 268,450,943	\$ 382,084,243
Revenue from (deferred to) Rate Stabilization Fund	15,000,000	(45,000,000)
Other income	133,307	-
Total operating revenues	<u>283,584,250</u>	<u>337,084,243</u>
OPERATING EXPENSES		
Cost of electricity	275,724,133	321,916,334
Contract services	6,049,763	7,279,861
Staff compensation	4,388,061	2,563,579
Other operating expenses	1,423,819	1,262,676
Depreciation and amortization	181,515	-
Total operating expenses	<u>287,767,291</u>	<u>333,022,450</u>
Operating income (loss)	<u>(4,183,041)</u>	<u>4,061,793</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	4,630,570	2,467,019
Interest expense	(298,757)	(199,735)
Nonoperating revenues (expenses), net	<u>4,331,813</u>	<u>2,267,284</u>
CHANGE IN NET POSITION	148,772	6,329,077
Net position at beginning of year	44,865,670	38,536,593
Net position at end of year	<u>\$ 45,014,442</u>	<u>\$ 44,865,670</u>

ORANGE COUNTY POWER AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 290,540,829	\$ 388,331,143
Receipts from wholesale sales and other operating receipts	34,113,300	10,015,931
Receipts of security deposits	1,472,695	1,466,303
Payments to suppliers for electricity	(320,719,896)	(297,182,886)
Payments for other goods and services	(7,689,536)	(8,505,009)
Payments for deposits and collateral	(11,622,600)	(12,647,698)
Payments for staff compensation	(4,127,457)	(2,444,883)
Payments of taxes and energy surcharges to other governments	(4,131,684)	(7,773,881)
Net cash provided (used) by operating activities	<u>(22,164,349)</u>	<u>71,259,020</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments of lease liability	(66,215)	-
Purchases of capital assets	(376,742)	-
Net cash used by capital and related financing activities	<u>(442,957)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	4,333,780	2,199,657
Proceeds from investment sales and maturities of investments	2,000,000	-
Purchase of investments	(3,934,667)	(19,950,556)
Net cash provided (used) by investing activities	<u>2,399,113</u>	<u>(17,750,899)</u>
Net change in cash	(20,208,193)	53,508,121
Cash at beginning of year	85,335,416	31,827,295
Cash at end of year	<u>\$ 65,127,223</u>	<u>\$ 85,335,416</u>
Reconciliation to the Statements of Net Position		
Cash - unrestricted, current	\$ 58,486,083	\$ 79,735,416
Cash - restricted, current	200,000	600,000
Cash - restricted, noncurrent	6,441,140	5,000,000
Total cash at end of year	<u>\$ 65,127,223</u>	<u>\$ 85,335,416</u>

**ORANGE COUNTY POWER AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2025 AND 2024**

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

	<u>2025</u>	<u>2024</u>
Operating income (loss)	\$ (4,183,041)	\$ 4,061,793
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation and amortization expense	181,515	-
(Increase) decrease in:		
Accounts receivable	12,528,971	(3,459,826)
Other receivables	2,381,817	(3,463,685)
Accrued revenue	6,028,254	1,977,614
Prepaid expenses	109,204	11,163,116
Deposits and other assets	(9,835,420)	(11,293,483)
Increase (decrease) in:		
Accrued cost of electricity	(13,602,607)	26,873,013
Accounts payable	(281,446)	493,611
Other accrued liabilities	107,427	(48,364)
User taxes and energy surcharges due to other governments	(599,023)	(44,769)
Rate Stabilization Fund	(15,000,000)	45,000,000
Net cash provided (used) by operating activities	<u>\$ (22,164,349)</u>	<u>\$ 71,259,020</u>

**NONCASH CAPITAL AND RELATED
FINANCING ACTIVITIES**

Acquisition of lease asset	\$ 892,723	\$ -
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NONCASH INVESTING ACTIVITIES

Change in fair value of investments	\$ 91,520	\$ 242,000
Change in interest receivable	\$ 205,270	\$ 25,362

**ORANGE COUNTY POWER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2025 AND 2024**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Orange County Power Authority (OCPA) is a California joint powers authority created on November 20, 2020, and its jurisdictions consist of the following local governments as of June 30, 2025:

Cities	
Buena Park	Fullerton
Fountain Valley	Irvine

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

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

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

BASIS OF ACCOUNTING

OCPA's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements.

OCPA's operations are accounted for as a governmental enterprise fund and are reported using the economic resources measurement focus and the accrual basis of accounting, similar to business enterprises. Accordingly, revenues are recognized when they are earned, and expenses are recognized at the time liabilities are incurred. Enterprise fund-type operating statements present increases (revenues) and decreases (expenses) in total net position. Reported net position is segregated into three categories, if applicable – net investment in capital assets, restricted and unrestricted. When both restricted and unrestricted resources are available for use, OCPA will use restricted resources first, and then unrestricted resources as they are needed.

**ORANGE COUNTY POWER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2025 AND 2024**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CASH

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

INVESTMENTS

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

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

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

ACCRUED REVENUE

Accrued revenue reflects the estimated value of electricity delivered to customers during the reporting period for which invoices had not been issued by the end of the fiscal year.

PREPAID EXPENSES

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid expenses.

DEPOSITS

Contracts to purchase energy may require OCPA to provide the supplier with advanced payments or security deposits. Deposits are generally held for the term of the contract and are classified as current or noncurrent assets depending on the length of time the deposits will be outstanding.

**ORANGE COUNTY POWER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2025 AND 2024**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LEASE ASSETS AND LEASE LIABILITIES

OCPA recognizes an asset and liability when it enters into certain leasing arrangements. The cost of the leased asset is amortized over the term of the lease. The lease liability is the present value of payments expected to be paid to the lessor during the lease term. OCPA's leased asset and liability are related to its office lease.

CAPITAL ASSETS AND DEPRECIATION

OCPA's policy is to capitalize furniture and equipment valued greater than \$5,000 that is expected to be in service for over one year. Depreciation is computed according to the straight-line method over estimated useful lives of three years for electronic equipment, five years for furniture, and the lease term for leasehold improvements. OCPA does not own any electric generation, transmission, or distribution assets.

RATE STABILIZATION FUND

In June 2024, OCPA established a Rate Stabilization Fund that is reported in accordance with GASB Statement No. 62. This fund allows OCPA to defer revenue during years of strong financial performance for use in future years when financial results may weaken. Amounts deposited into the fund are reported as a reduction of operating revenues and classified on the Statements of Net Position as deferred inflows of resources. OCPA deferred \$45,000,000 to the fund in 2024 and transferred \$15,000,000 out of the fund in 2025.

NET POSITION

Net position is presented in the following components:

Net investment in capital assets: This component of net position consists of capital assets, net of accumulated depreciation and amortization, and reduced by outstanding borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

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

**ORANGE COUNTY POWER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2025 AND 2024**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

OPERATING AND NONOPERATING REVENUES

Operating revenues include energy sales to retail and wholesale customers, grant revenue earned from the delivery of program activities, and liquidated damages from suppliers that fail to meet delivery commitments. Operating revenues also include contributions to and distributions from the Rate Stabilization Fund

Investment income is considered nonoperating revenues.

REVENUE RECOGNITION

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

OPERATING AND NONOPERATING EXPENSES

Operating expenses include the costs of electricity, services, administrative expenses, and amortization and depreciation of capital assets. Interest expense is considered a nonoperating expense.

ORANGE COUNTY POWER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2025 AND 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

COST OF ELECTRICITY

During the normal course of business, OCPA purchases electrical power from numerous suppliers. Electricity costs include the cost of energy and capacity arising from contracts with energy suppliers as well as generation credits, load and other charges arising from OCPA's participation in the California Independent System Operator's (CAISO) centralized market. The cost of electricity and capacity is recognized as "Cost of Electricity" in the Statements of Revenues, Expenses and Changes in Net Position.

To comply with the State of California's Renewable Portfolio Standards (RPS) and self-imposed benchmarks, OCPA acquires RPS eligible renewable energy evidenced by Renewable Energy Certificates (Certificates) recognized by the Western Renewable Energy Generation Information System (WREGIS). OCPA obtains Certificates with the intent to retire them and does not sell or build surpluses of Certificates with a profit motive. An expense is recognized when the cost of the Certificate is due and payable to the supplier.

OCPA purchases capacity commitments from qualifying generators to comply with the California Public Utilities Commission's (CPUC) Resource Adequacy Program. The goals of the Resource Adequacy Program are to provide sufficient resources to CAISO to ensure the safe and reliable operation of the grid in real-time and to provide appropriate incentives for the siting and construction of new resources needed for reliability in the future.

STAFFING COSTS

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

OCPA provides compensated absences, including paid time off, which are accrued when earned and recorded as part of accrued liabilities. The liability includes leave that is attributable to services already rendered, accumulates, and is more likely than not to be used or paid. The liability is measured using the employee's pay rate as of the financial statement date.

**ORANGE COUNTY POWER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2025 AND 2024**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAXES

OCPA is a joint powers authority under the provision of the California Government Code and is not subject to federal or state income or franchise taxes.

USER TAXES AND ENERGY SURCHARGES DUE TO OTHER GOVERNMENTS

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

RECLASSIFICATIONS

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

ESTIMATES

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

2. CASH

OCPA maintains its cash in interest and non-interest-bearing accounts at U.S. Bank. OCPA's deposits are subject to California Government Code Section 16521 which requires banks to provide collateral of 110% of account balances in excess of the \$250,000 insurance coverage by Federal Deposit Insurance Corporation. OCPA has an investment policy addressing risks beyond the requirements of the relevant code and monitors its risk exposure on an ongoing basis. As of June 30, 2025 and 2024, all of OCPA's cash was held as depository accounts or certificates of deposit.

ORANGE COUNTY POWER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
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3. ACCOUNTS RECEIVABLE

Accounts receivable were as follows as of June 30:

	<u>2025</u>	<u>2024</u>
Accounts receivable from customers	\$ 26,649,580	\$ 35,595,551
Allowance for uncollectible accounts	(12,350,000)	(8,767,000)
Net accounts receivable	<u>\$ 14,299,580</u>	<u>\$ 26,828,551</u>

The majority of account collections occur within the first few months following customer invoicing. OCPA estimates that a portion of the billed accounts will not be collected. OCPA continues collection efforts on delinquent accounts in excess of *de minimis* balances regardless of the age of the account. Although collection success generally decreases with the age of the receivable, OCPA continues to have success in collecting older accounts.

4. INVESTMENTS

During the years ended June 30, 2025 and 2024, OCPA purchased investments with original maturities of three months or more. As of June 30, the fair value of investments, except for certificates of deposits which are stated at cost, was as follows:

	<u>2025</u>	<u>2024</u>
Current Investments:		
Certificate of deposits	\$ 20,000,000	\$ 18,000,000
U.S. Treasury Securities	1,948,918	1,975,918
Total current investments	<u>\$ 21,948,918</u>	<u>\$ 19,975,918</u>

FAIR VALUE MEASUREMENT

GASB Statement No. 72, *Fair Value Measurement and Application*, sets forth the framework for measuring fair value. This framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

In instances where inputs used to measure fair value fall into more than one level in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. OCPA's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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4. INVESTMENTS (continued)

As of June 30, 2025 and 2024, OCPA's investments are valued at quoted prices in active markets (Level 1 inputs), except for certificates of deposits which are valued at amortized cost.

CREDIT RISK

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations. Certain investments, such as obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk.

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

CUSTODIAL CREDIT RISK

Cash and Cash Equivalents

Custodial credit risk is the risk that in the event of a financial institution failure, OCPA's deposits may not be returned to OCPA. OCPA's deposits are subject to California Government Code Section 16521, which requires banks to provide collateral of 110% of account balances in excess of the \$250,000 insurance coverage by Federal Deposit Insurance Corporation.

As of June 30, 2025 and 2024, none of OCPA's investments in certificates of deposit are considered to be exposed to custodial credit risk.

Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, OCPA would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. All of OCPA's investments are exposed to custodial credit risk.

OCPA's investment policy addresses this risk. All investments owned by OCPA are held in safekeeping by a third-party custodian, acting as an agent for OCPA under the terms of a custody agreement.

ORANGE COUNTY POWER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
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4. INVESTMENTS (continued)

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed income portfolio to changes in interest rates. It is calculated as the weighted average time to receive a bond's coupon and principal payments. The longer the duration of a portfolio, the greater its price sensitivity to changes in interest rates. OCPA manages its exposure to declines in fair values by limiting the weighted average maturity of its investments.

As of June 30, 2025 and 2024, all of OCPA's investments had a maturity of less than one year.

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss to the magnitude of OCPA's investment in a single issuer. OCPA manages the concentration of credit risk by diversifying its portfolio so that reliance on any one issuer will not place an undue burden on OCPA.

As of June 30, 2025 and 2024, there were no concentrations of credit risk.

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025 was as follows:

	Beginning balance	Increases	Decreases	Ending balance
Capital assets being depreciated and amortized:				
Furniture and equipment	\$ -	\$ 217,292	\$ -	\$ 217,292
Leasehold improvements	-	159,450	-	159,450
Lease asset	-	918,417	(25,694)	892,723
Total capital assets being depreciated and amortized:	-	1,295,159	(25,694)	1,269,465
Less accumulated depreciation and amortization:				
Furniture, equipment and leasehold improvements	-	(53,980)	-	(53,980)
Lease asset	-	(127,535)	-	(127,535)
Total accumulated depreciation and amortization	-	(181,515)	-	(181,515)
Total capital assets, net of depreciation and amortization	\$ -	\$ 1,113,644	\$ (25,694)	\$ 1,087,950

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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6. LEASE

A lease asset is reported in accordance with Governmental Accounting Standards Board No. 87 (GASB 87).

In February 2024, OCPA entered into an 84-month non-cancelable lease for its office premises effective July 2024. As part of a prior office space lease, OCPA made rental payments in the amounts of \$178,000 and \$228,000 for the fiscal years ended June 30, 2025 and 2024, respectively.

As of June 30, 2025, future minimum lease payments under this lease were projected as follows:

Year ending June 30,	Principal	Interest	Total
2026	\$ 114,714	\$ 49,811	\$ 164,525
2027	127,566	42,568	170,134
2028	141,211	34,531	175,742
2029	156,661	25,625	182,286
2030	173,065	15,765	188,830
2031	167,768	4,926	172,694
Total	<u>\$ 880,985</u>	<u>\$ 173,226</u>	<u>\$ 1,054,211</u>

7. DEBT

LOANS PAYABLE

Pre-launch

In January 2021, OCPA borrowed \$2,500,000 from the City of Irvine for working capital costs associated with its launch. In September 2021, OCPA borrowed an additional \$5,000,000 from the City of Irvine to use as collateral for its bank credit facility. The loan repayment is due on January 1, 2027. Interest on the loan is calculated based on the quarterly yield on the City of Irvine's Pooled Investment Portfolio. As of June 30, 2025, the estimated interest rate was 3.5% per annum.

Formation costs

In addition to the loans mentioned, formation-related costs were paid directly by the City of Irvine to various professional consultants. OCPA is obligated to reimburse the City of Irvine for these costs no later than January 1, 2027. Interest does not accrue on the formation costs advanced by the City of Irvine. In 2023, OCPA repaid approximately \$125,000 of these costs, leaving a balance of approximately \$28,000 outstanding as of June 30, 2025 and June 30, 2024.

ORANGE COUNTY POWER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
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7. DEBT (continued)

NOTE PAYABLE

In September 2021, OCPA and US Bank entered into a Revolving Credit Agreement for a \$35,000,000 credit facility. The credit agreement enhances OCPA's overall liquidity for potential working capital needs and collateral requirements. This agreement terminates in September 2026. The borrowing rate on the credit facility is based on the daily Secured Overnight Financing Rate (SOFR) plus 1.5%. OCPA had no debt outstanding under the credit agreement at June 30, 2025 or 2024. OCPA did issue Standby Letters of Credit secured by the line of credit. At June 30, 2025 and June 30, 2024, these Letters of Credit reduced the available portion of the line by \$0 and \$6,200,000, respectively, but are not considered debt to OCPA.

Loan principal activity and balances were as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending</u>
Years ended June 30, 2025 and 2024				
Loan payable-pre-launch costs	\$ 7,500,000	\$ -	\$ -	\$ 7,500,000
Loan payable-formation costs	27,841	-	-	27,841
Total	<u>\$ 7,527,841</u>	<u>\$ -</u>	<u>\$ -</u>	<u>7,527,841</u>
Amounts due within one year				-
Amounts due after one year				<u>\$ 7,527,841</u>

8. DEFINED CONTRIBUTION RETIREMENT PLAN

OCA provides retirement benefits to eligible employees through a 401(a) Retirement Plan (Plan), which is a defined contribution (IRC 401(a)) retirement plan administered by Lincoln Financial. As of June 30, 2025, there were 20 plan participants. OCA is required to contribute 10% of annual covered payroll. During the fiscal years ended June 30, 2025 and 2024, OCA contributed approximately \$375,000 and \$252,000, respectively, to the 401(a) Retirement Plan. OCA has elected out of the Social Security system for employees eligible for the Plan. The Plan's provisions and contribution requirements are established and may be amended by the Board. Additionally, OCA offers a 457(b) Retirement Plan where employees may elect to participate and make tax-deferred contributions. OCA provides an employer contribution to the 457(b) plan that matches the employee's voluntary contribution, up to a maximum of 4% of salary.

**ORANGE COUNTY POWER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
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9. RISK MANAGEMENT

OCPA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and errors and omissions. During the year, OCPA purchased insurance policies from investment-grade commercial carriers to mitigate risks that include those associated with cyber and private liability, earthquakes, theft, general liability, errors and omissions, and property damage. OCPA has general liability coverage of \$2,000,000 with a deductible of \$250.

OCPA maintains energy risk management policies, procedures and systems that help mitigate credit, liquidity, market, operating, regulatory and other risks that arise from participation in the California energy market.

Credit guidelines include a preference for transacting with investment-grade counterparties, evaluating counterparties' financial condition and assigning credit limits as applicable. These credit limits are established based on risk and return considerations under terms customarily available in the industry. In addition, OCPA enters into netting arrangements whenever possible and where appropriate obtains collateral and other performance assurances from counterparties.

10. PURCHASE COMMITMENTS

POWER AND ELECTRIC CAPACITY

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

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

The following table details the expected, undiscounted, contractual obligations outstanding as of June 30, 2025:

Year ended June 30,	
2026	\$ 279,300,000
2027	223,800,000
2028	173,100,000
2029	134,500,000
2030	128,500,000
2031-2047	1,000,100,000
Total	<u>\$ 1,939,300,000</u>

**ORANGE COUNTY POWER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
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11. RECENTLY ADOPTED AND FUTURE ACCOUNTING PRONOUNCEMENTS

OCPA implemented GASB Statement No. 102, *Certain Risk Disclosures*, which requires additional disclosures regarding concentrations and constraints that could impact OCPA's financial position or results of operations. Implementation of this statement did not have a material effect on the financial statements.

OCPA also implemented GASB Statement No. 103, *Financial Reporting Model Improvements*, which establishes revised guidance for the presentation of financial statements by state and local governments. The adoption of this statement did not have a material effect on OCPA's financial statements.

In addition, OCPA adopted GASB Statement No. 104, *Disclosure of Certain Capital Assets*. Implementation of this statement did not have a material effect on the financial statements.

12. WITHDRAWAL OF MEMBER

CITY OF HUNTINGTON BEACH

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

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

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

**ORANGE COUNTY POWER AUTHORITY
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12. WITHDRAWAL OF MEMBER (continued)

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

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