



# FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 & 2024

WITH REPORT OF

INDEPENDENT AUDITORS

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## **Independent Auditor's Report**

To the Board of Directors  
San Diego Community Power

### **Opinion**

We have audited the accompanying financial statements of San Diego Community Power (Community Power), 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 Community Power 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 Community Power 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 Community Power'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 Community Power'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 Community Power'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  
October 30, 2025

**SAN DIEGO COMMUNITY POWER  
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 San Diego Community Power's (Community Power) 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 Community Power's finances.

If you have questions about this report or require further information, please contact Community Power at [customerservice@sdcommunitypower.org](mailto:customerservice@sdcommunitypower.org)

**Overview of the Financial Statements**

Community Power's financial report contains basic financial statements, which include:

- The *Statements of Net Position* include all of Community Power's assets, liabilities, and net position and provide 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 Community Power's revenue and expenses for the years shown.
- The *Statements of Cash Flows* report the cash provided and used by operating activities, as well as other sources and uses, such as capital and non-capital and investing activities.
- The notes to the Basic Financial Statements provide additional details and information related to the basic financial statements.

**SAN DIEGO COMMUNITY POWER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2025 AND 2024**

**Financial Summary**

**COMMUNITY POWER'S NET POSITION**

	<b>2025</b>	<b>2024</b>	<b>2023</b>
Current assets	\$ 547,449,994	\$ 533,740,155	\$ 300,522,958
Noncurrent assets:			
Other noncurrent assets	70,552,811	1,147,000	5,032,000
Capital assets, net	1,317,542	1,258,843	1,032,334
Total noncurrent assets	71,870,353	2,405,843	6,064,334
<b>Total assets</b>	<b>619,320,347</b>	<b>536,145,998</b>	<b>306,587,292</b>
Current liabilities	135,046,542	159,813,660	83,699,768
Noncurrent liabilities	8,041,641	949,956	36,875,193
<b>Total liabilities</b>	<b>143,088,183</b>	<b>160,763,616</b>	<b>120,574,961</b>
Net position			
Restricted for security collateral	1,147,000	1,647,000	2,147,000
Unrestricted	475,085,164	373,735,382	183,865,331
<b>Total net position</b>	<b>\$ 476,232,164</b>	<b>\$ 375,382,382</b>	<b>\$ 186,012,331</b>

As of June 30, 2025, Community Power's total net position was approximately \$476,232,000, an increase of \$118,800,000 compared with June 30, 2024. Most of the increase in net position was concentrated in increases in cash, cash equivalents and investments, as a result of Community Power's operating surplus discussed in the following sections.

**COMMUNITY POWER's Changes in Net Position**

	<b>2025</b>	<b>2024</b>	<b>2023</b>
Operating revenues	\$ 1,243,031,946	\$ 1,264,369,520	\$ 891,178,064
Nonoperating revenues	13,467,273	9,384,873	433,366
<b>Total income</b>	<b>1,256,499,219</b>	<b>1,273,754,393</b>	<b>891,611,430</b>
Operating expenses	1,155,213,375	1,082,692,389	746,131,125
Nonoperating expenses	436,062	1,691,953	1,998,926
<b>Total expenses</b>	<b>1,155,649,437</b>	<b>1,084,384,342</b>	<b>748,130,051</b>
<b>Change in net position</b>	<b>\$ 100,849,782</b>	<b>\$ 189,370,051</b>	<b>\$ 143,481,379</b>

Total income was fairly steady in FY 2025. Increases in electricity sales accounted for most of the increase in total income from FY 2023 to FY 2024 due to territory expansions and increases in electricity rates. See the following sections of MD&A for a detailed analysis of the changes in net position.

**SAN DIEGO COMMUNITY POWER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2025 AND 2024**

**Detailed Analysis**

Total current assets increased significantly year-over-year, reflecting growth in cash balances and receivables. Unrestricted cash and cash equivalents totaled approximately \$292,772,000 at June 30, 2025, compared to \$299,795,000 in the prior year. Restricted cash increased to \$25,756,000 from \$500,000, due to the receipt of grants not expended by June 30, 2025. Accounts receivable rose to \$116,027,000 from \$103,512,000 reflecting increased rates charged to customers. Accrued revenue declined modestly to \$72,742,000 from \$76,863,000 based on billing cycle cutoffs.

A notable change in 2025 was the presentation of \$69,906,000 in noncurrent investments for the first time. Management expects to hold these investments for over one year. Other noncurrent assets also include certain restricted cash and cash equivalents of \$647,000 at the end of 2025 and \$1,147,000 at the end of 2024.

Capital assets are reported net of depreciation and amortization. See Note 5 to the basic financial statements for a detail of changes for fiscal years 2025 and 2024. Capital assets held by Community Power include furniture, equipment, and intangible right-of-use lease assets.

The largest component of current liabilities remains the accrued cost of electricity, which decreased to \$102,202,000 from \$148,116,000 in 2024, reflecting changes in payment timing and energy procurement terms. Unlike 2025, suppliers had significant delays in sending Community Power invoices for certain energy products which resulted in a large accrued liability at the end of fiscal year 2024. Accounts payable and other accrued liabilities were stable, while deposits from energy suppliers dropped from \$4,055,000 in 2024 to \$229,000 in 2025 reflecting the return of deposits to suppliers. A new liability of \$25,256,000 is reported as Advances from Grantors, representing unspent San Diego Regional Energy Network ("SDREN") grant funds received during the year. Noncurrent liabilities decreased from 2023 to 2024 with the retirement of bank debt. While Community Power did draw on its credit line in both 2024 and 2025, it repaid the amounts in full within each year. Noncurrent liabilities increased from 2024 to 2025 as a result of increased supplier security deposits that are to be held longer than a year.

Revenues increased from 2023 to 2024 primarily due to higher sales volumes from territory expansion and rate adjustments. Although Community Power reduced rates in January 2024, the effect was offset by strong sales volumes earlier in the year, resulting in overall revenue growth. From 2024 to 2025, revenues were relatively flat because a March 2025 rate increase was largely offset by the lower rate environment in place at the beginning of the year.



**SAN DIEGO COMMUNITY POWER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2025 AND 2024**

**Detailed Analysis (continued)**

Community Power also receives revenues from sources other than retail customer sales. These sources include grant income used to assist with various customer programs and liquidated damage revenue resulting from supplier violations of contract provisions. Revenue from liquidated damages increased notably from 2023 to 2024 primarily due to delays in the operations of certain energy supplier facilities and other contractual shortfalls. There were fewer delays in 2025 resulting in a large drop in liquidated damages revenue.

Investment income increased from 2024 to 2025 with increases in the amount of invested assets and from achieving higher rates of return as a result of diversifying its investment portfolio by investing in high value debt instruments.

Operating expenses increased from 2023 to 2024, due to increased prices for certain products in the energy markets and operational territory expansion. In April 2023, Community Power expanded into National City as well as the unincorporated County of San Diego. Providing service to these additional customers, as well as providing service for full year to the customers enrolled prior to fiscal year 2023, accounted for much of the increased revenue in fiscal year 2024. While operating expenses also increased from 2024 to 2025, the change was less significant. For all the years presented, the largest expense was the cost of electricity. Community Power procures energy from a variety of sources to minimize this risk and maintain a balanced renewable power portfolio. The cost of electricity increased from 2024 to 2025 by \$53,992,000 (5.2%), primarily due to rising costs in the resource adequacy market and the pricing of certain contracts that were executed to comply with the State's Renewable Portfolio Standards. Other operating expenses that increased from 2024 to 2025 were staff compensation and other operating expenses. Staff compensation rose due to planned staffing increases needed to accommodate Community Power growing operational needs. Other operating expenses include costs to implement various new and expanding customer programs, including a significant amount of cash incentives paid to customers.

**Significant Capital Asset and Long-Term Financing Activity**

Community Power does not own assets used for electric generation or distribution. Capital assets represent office equipment, such as computers, furniture, and right-of-use assets related to Community Power's office lease.

During fiscal year 2024, Community Power repaid its bank note of \$35,730,000, reducing its outstanding financing debt to \$0. Community Power borrowed \$55,500,000 in fiscal year 2025 and repaid the balance in full in the same fiscal year.

**SAN DIEGO COMMUNITY POWER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2025 AND 2024**

**Currently Known Facts, Decisions, or Conditions**

Community Power is a community-owned organization that provides affordable clean energy and invests in the community to create an equitable and sustainable future for the San Diego region. The agency's vision is to be a global leader inspiring innovative solutions to climate change by powering our communities with 100% clean affordable energy while prioritizing equity, sustainability, and high-quality jobs.

Even as we deliver near-term savings, we continue to plan for long-term energy security and stability. The broader power market remains volatile, shaped by a constrained statewide resource supply and uncertain federal tax credit and trade policies. Our Power Services team is navigating these challenges through disciplined procurement and long-range planning. To date, we've executed 17 long-term power purchase and energy storage agreements that will deliver reliable, renewable electricity to nearly 1 million homes and businesses across our region. These investments not only support our goal of 100% renewable energy by 2035, but also help insulate customers from future price spikes.

In 2024, we marked a major milestone with the ribbon cutting of the Vikings Solar and Storage Project in Imperial County. Developed by Arevon, with Community Power as the offtaker, Vikings is more than just a solar generation site. As one of the first utility-scale solar peaker plants in the United States, the project is designed to keep the lights on and costs down when demand is at its highest — powering the equivalent of 50,000 San Diego homes with clean, affordable energy. It exemplifies our broader procurement strategy: securing long-term renewable power while creating local and regional economic opportunity.

Community Power also launched its Solar Battery Savings Program as a pilot with \$11,500,000 million in funding in the summer of 2024. Shortly thereafter, the California Public Utilities Commission approved Community Power and the County of San Diego's joint effort to establish a regional energy network, called "SDREN" that is poised to bring \$124,300,000 million in energy efficiency programs to the region through 2027.

**SAN DIEGO COMMUNITY POWER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2025 AND 2024**

**Currently Known Facts, Decisions, or Conditions (continued)**

Community Power anticipates \$344,300,000 in similar one-time investments through its fiscal year 2026-30 Capital Investment Plan. These investments reflect Community Power's priorities as we transition toward our mid-term program strategy, which focuses on optimizing customer energy use around time-of-use rate schedules and individual preferences. These efforts reduce participants' bills while lowering major cost drivers like energy procurement and resource adequacy — creating system-wide savings that benefit all ratepayers. In the years ahead, we will continue building the tools and incentives that align customer behavior with grid needs, helping make our clean energy system smarter, more affordable and more resilient.

Community Power remains on track to meet its 100% renewable energy goal by 2035. As Community Power looks ahead, our focus remains on driving measurable impact: accelerating the region's clean energy transition, supporting local climate goals and building a more just and resilient energy system. With the continued leadership of our Board of Directors, Community Advisory Committee and dedicated staff, San Diego Community Power is proud to power the path toward a cleaner, more resilient future — together.

**Requests for Information**

This financial report is designed to provide Community Power's board members, stakeholders, customers, and creditors with a general overview of Community Power's finances and to demonstrate Community Power's accountability for the funds under its stewardship.

Please address any questions about this report or requests for additional financial information to the finance department at P.O. Box 12716, San Diego, CA 92112-3716.

## **BASIC FINANCIAL STATEMENTS**

**SAN DIEGO COMMUNITY POWER**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents - unrestricted	\$ 292,771,532	\$ 299,795,110
Cash and cash equivalents - restricted	25,755,714	500,000
Accounts receivable, net of allowance	116,027,223	103,512,165
Accrued revenue	72,742,359	76,863,423
Prepaid expenses	23,802,135	35,018,400
Other receivables	4,099,991	5,888,858
Deposits	11,094,211	12,162,199
Investments	1,156,829	-
Total current assets	<u>547,449,994</u>	<u>533,740,155</u>
Noncurrent assets		
Cash and cash equivalents - restricted	647,000	1,147,000
Investments	69,905,811	-
Capital assets, net of depreciation and amortization	1,317,542	1,258,843
Total noncurrent assets	<u>71,870,353</u>	<u>2,405,843</u>
Total assets	<u>619,320,347</u>	<u>536,145,998</u>
<b>LIABILITIES</b>		
Current liabilities		
Accrued cost of electricity	102,447,166	148,116,316
Accounts payable	3,565,972	4,726,594
Other accrued liabilities	2,159,955	1,141,121
State surcharges payable	535,146	528,942
Deposits - energy suppliers	228,731	4,055,000
Interest and finance costs payable	-	281,283
Lease liability	853,858	964,404
Advances from grantors	25,255,714	-
Total current liabilities	<u>135,046,542</u>	<u>159,813,660</u>
Noncurrent liabilities		
Lease liability	598,191	325,956
Deposits - energy suppliers	7,443,450	624,000
Total noncurrent liabilities	<u>8,041,641</u>	<u>949,956</u>
Total liabilities	<u>143,088,183</u>	<u>160,763,616</u>
<b>NET POSITION</b>		
Restricted for security collateral	1,147,000	1,647,000
Unrestricted	475,085,164	373,735,382
Total net position	<u>\$ 476,232,164</u>	<u>\$ 375,382,382</u>

**SAN DIEGO COMMUNITY POWER  
STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
YEARS ENDED JUNE 30, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
<b>OPERATING REVENUES</b>		
Electricity sales, net	\$1,239,973,471	\$1,252,787,768
Grant revenue	1,780,217	983,500
Other income	1,278,258	10,598,252
Total operating revenues	<u>1,243,031,946</u>	<u>1,264,369,520</u>
<b>OPERATING EXPENSES</b>		
Cost of electricity	1,101,545,238	1,047,553,476
Contract services	19,487,406	19,750,534
Staff compensation	17,159,242	11,399,388
Other operating expenses	16,295,134	3,261,424
Depreciation and amortization	726,355	727,567
Total operating expenses	<u>1,155,213,375</u>	<u>1,082,692,389</u>
Operating income	<u>87,818,571</u>	<u>181,677,131</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	13,467,273	9,384,873
Interest expense	(436,062)	(1,691,953)
Nonoperating revenues (expenses), net	<u>13,031,211</u>	<u>7,692,920</u>
<b>CHANGE IN NET POSITION</b>	100,849,782	189,370,051
Net position at beginning of year	<u>375,382,382</u>	<u>186,012,331</u>
Net position at end of year	<u><u>\$ 476,232,164</u></u>	<u><u>\$ 375,382,382</u></u>

**SAN DIEGO COMMUNITY POWER  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2025 AND 2024**

	<b>2025</b>	<b>2024</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$1,233,997,068	\$1,264,068,317
Receipts from grantors	27,035,931	983,500
Receipts of supplier security deposits	15,196,186	37,126,179
Receipts from wholesale sales and other operating activities	13,235,888	14,572,544
Payments to suppliers for electricity	(1,155,287,321)	(1,002,775,871)
Payments for other goods and services	(35,849,830)	(22,030,135)
Payments for deposits and collateral	(1,984,371)	(15,783,943)
Payments for staff compensation	(17,174,536)	(11,066,586)
Payments of state surcharges	(2,411,387)	(2,321,269)
Net cash provided by operating activities	<u>76,757,628</u>	<u>262,772,736</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Proceeds from bank note	55,500,000	-
Principal payments - bank note	(55,500,000)	(35,730,000)
Interest payments	(393,962)	(1,909,624)
Net cash used by noncapital financing activities	<u>(393,962)</u>	<u>(37,639,624)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Payments of lease liability	(643,272)	(604,328)
Purchases of capital assets	-	(71,550)
Net cash used by capital and related financing activities	<u>(643,272)</u>	<u>(675,878)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income received	11,828,321	9,153,996
Proceeds from investment sales and maturities of investments	3,195,096	-
Purchase of investments	(73,011,675)	-
Net cash provided (used) by investing activities	<u>(57,988,258)</u>	<u>9,153,996</u>
Net change in cash and cash equivalents	17,732,136	233,611,230
Cash and cash equivalents at beginning of year	301,442,110	67,830,880
Cash and cash equivalents at end of year	<u>\$ 319,174,246</u>	<u>\$ 301,442,110</u>
<b>Reconciliation to the Statement of Net Position</b>		
Cash and cash equivalents (unrestricted)	\$ 292,771,532	\$ 299,795,110
Restricted cash - current	25,755,714	500,000
Restricted cash - noncurrent	647,000	1,147,000
Cash and cash equivalents	<u>\$ 319,174,246</u>	<u>\$ 301,442,110</u>
<b>NONCASH INVESTING ACTIVITIES</b>		
Change in fair value of investments	\$ 1,638,952	\$ -
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of lease asset	\$ 1,284,053	\$ -

**SAN DIEGO COMMUNITY POWER  
STATEMENTS OF CASH FLOWS (CONTINUED)  
YEARS ENDED JUNE 30, 2025 AND 2024**

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

	<u>2025</u>	<u>2024</u>
Operating income	\$ 87,818,571	\$ 181,677,131
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization expense	726,355	727,567
(Increase) decrease in:		
Accounts receivable, net	(12,515,058)	7,001,566
Accrued revenue	4,121,064	1,929,361
Prepaid expenses	11,216,265	(4,490,902)
Other receivables	2,181,758	(5,424,266)
Deposits	1,067,988	5,494,151
Increase (decrease) in:		
Accrued cost of electricity	(45,914,150)	70,770,973
Accounts payable	(1,196,904)	4,287,328
Advances from grantors	25,255,714	-
Other accrued liabilities	996,640	(2,653,526)
State surcharges payable	6,204	28,353
Deposits - energy suppliers	2,993,181	3,425,000
Net cash provided by operating activities	<u>\$ 76,757,628</u>	<u>\$ 262,772,736</u>



**SAN DIEGO COMMUNITY POWER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2025 AND 2024**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**REPORTING ENTITY**

San Diego Community Power (Community Power) is a California Joint Powers Authority created on October 1, 2019. As of June 30, 2025, parties to its Joint Powers Agreement (JPA) consist of the following local governments:

<u>County</u>	<u>Cities</u>	
San Diego (Unincorporated)	Chula Vista	La Mesa
	Encinitas	National City
	Imperial Beach	San Diego

Community Power is separate from and derives no financial support from its members. Community Power is governed by a Board of Directors (Board) whose membership is composed of elected officials or other representatives of the member governments.

The core function of Community Power is to provide electric service that includes the use of renewable sources under the Community Choice Aggregation Program under California Public Utilities Code Section 366.2.

Community Power began its energy delivery operations in March 2021. Electricity is acquired from commercial suppliers and delivered through existing physical infrastructure and equipment managed by San Diego Gas and Electric.

**BASIS OF ACCOUNTING**

Community Power'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.

Community Power'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 related 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, it is Community Power's policy to use restricted resources first, then unrestricted resources as they are needed.

**SAN DIEGO COMMUNITY POWER  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2025 AND 2024**

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

**CASH AND CASH EQUIVALENTS**

For the purpose of the Statements of Cash Flows, Community Power defines cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with an original maturity of three months or less. The Statements of Net Position presents restricted cash balances separately. Restricted cash reported on the Statements of Net Position includes advanced funding from grantors, collateral related to a bank line of credit, as well as a required minimum balance to be maintained in one of its bank accounts.

**INVESTMENTS**

Investments are stated at fair value based on prices listed on a national exchange. Investments with a maturity of less than one year are shown 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.

Community Power's investment policy permits the following types of investments:

Deposits at banks	Money market funds
Local Agency Investment Fund	Commercial paper
Federal agency securities	Medium-term notes
Bankers' acceptances	Pass-through securities
Negotiable certificates of deposits	Municipal securities
Placement service deposits	Supranationals

**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 Community Power to provide a supplier with advanced payments or security deposits. Security deposits are generally held for the term of the contract and are classified as current or noncurrent assets depending on the length of the time the deposits will be outstanding.

**SAN DIEGO COMMUNITY POWER  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2025 AND 2024**

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

**CAPITAL ASSETS AND DEPRECIATION**

Community Power's policy is to capitalize furniture and equipment valued over \$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, and five years for furniture. Leasehold improvements are depreciated over the lesser of seven years or the length of the original lease term. Community Power does not own any electric generation, transmission, or distribution assets.

**LEASE ASSETS AND LEASE LIABILITIES**

Community Power recognizes an asset and liability when it enters into certain leasing arrangements. The leased assets are amortized over the term of the leases. The lease liabilities initially recognized at the present value of payments expected to be paid to the lessors during the terms of the lease. Community Power's leased assets and liabilities relate to its office premises.

**DEPOSITS - ENERGY SUPPLIERS**

Various energy contracts entered into by Community Power require the supplier to provide Community Power with a security deposit. These deposits are generally held for the term of the contract or until the completion of certain benchmarks. Deposits are classified as current or noncurrent, depending on the length of time the deposits will be held.

**ADVANCES FROM GRANTORS**

Community Power received grant funding from grantors. The amount in this category represents funds received by Community Power but not yet expended to carry out specific goals.

**NET POSITION**

Net position is presented in the following components:

*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 laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

*Unrestricted:* This component of net position consists of net position that does not meet the definition "restricted."

**OPERATING AND NONOPERATING REVENUE**

Operating revenues include energy sales to retail and wholesale customers, program-related grants, and liquidated damages from suppliers that fail to meet delivery commitments.

Investment income is considered nonoperating revenue.

**SAN DIEGO COMMUNITY POWER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2025 AND 2024**

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

**REVENUE RECOGNITION**

Community Power recognizes revenue according to 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 estimated uncollectible accounts.

**OPERATING AND NONOPERATING EXPENSES**

Operating expenses include the costs of electricity, services, administrative expenses, and depreciation of capital assets. Operating expenses are expenses other than nonoperating expenses. Nonoperating expenses are expenses related to financing.

**COST OF ELECTRICITY**

During the normal course of business, Community Power purchases electrical power from numerous suppliers. Electricity costs include the cost of energy and capacity arising from bilateral contracts with energy suppliers as well as generation credits and load and other charges arising from Community Power'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, Community Power acquires RPS eligible renewable energy evidenced by Renewable Energy Certificates (Certificates) recognized by the Western Renewable Energy Generation Information System. Community Power obtains Certificates with the intent to retire them and does not sell or build surpluses of Certificates with a profit motive.

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

**SAN DIEGO COMMUNITY POWER  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2025 AND 2024**

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

**STAFFING COSTS**

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

Community Power 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.

**INCOME TAXES**

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

**ESTIMATES**

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

**RECLASSIFICATIONS**

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

**SAN DIEGO COMMUNITY POWER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2025 AND 2024**

**2. CASH AND CASH EQUIVALENTS**

Community Power maintains its cash in both interest-bearing and non-interest-bearing accounts. Community Power deposits are subject to California Government Code Section 16521 which requires banks to provide collateral of 110% of balances in excess of the \$250,000 insurance coverage provided by the Federal Deposit Insurance Corporation. Accordingly, the amount of risk is not disclosed for bank deposits. The risk disclosures in Note 4 address the risks related to certain short-term investments with original maturities of less than three months that are classified as cash and cash equivalents in the statements of net position and statements of cash flows. Community Power monitors its risk on an ongoing basis.

**3. ACCOUNTS RECEIVABLE**

Accounts receivable were as follows as of June 30:

	<b>2025</b>	<b>2024</b>
Accounts receivable from customers	\$ 164,527,223	\$ 141,912,165
Allowance for uncollectible accounts	(48,500,000)	(38,400,000)
Net accounts receivable	<u>\$ 116,027,223</u>	<u>\$ 103,512,165</u>

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

**SAN DIEGO COMMUNITY POWER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2025 AND 2024**

**4. INVESTMENTS**

During the year ended June 30, 2025, Community Power began holding investments with original maturities of three months or more. As of June 30, the fair value of investments was as follows:

	<u>2025</u>	<u>2024</u>	<u>Level</u>
<b>Current Investments:</b>			
U.S. Treasury securities	\$ 1,006,055	\$ -	1
Corporate bonds - U.S.	150,774	-	2
Total current investments	<u>\$ 1,156,829</u>	<u>\$ -</u>	
	<u>2025</u>	<u>2024</u>	<u>Level</u>
<b>Noncurrent Investments:</b>			
U.S. Treasury securities	\$ 36,261,017	\$ -	1
U.S. agency obligations	9,007,232	-	2
Corporate bonds - U.S.	21,457,839	-	2
Corporate bonds - foreign	2,302,456	-	2
Municipal bonds	877,267	-	2
Total noncurrent investments	<u>\$ 69,905,811</u>	<u>\$ -</u>	

**FAIR VALUE MEASUREMENT**

GASB Statement No. 72, *Fair Value Measurement and Application*, sets forth the framework for measuring fair value. That 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 different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. Community Power's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

**SAN DIEGO COMMUNITY POWER  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2025 AND 2024**

**4. INVESTMENTS (continued)**

**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. As of June 30, 2025, Community Power's investments were rated from A3 to Aaa, as measured by Moody's Investment Service.

Community Power's investment policy addresses this risk. Community Power 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, Community Power's deposits may not be returned to Community Power. Community Power's deposits are fully insured or collateralized.

As of June 30, 2025 and 2024, none of Community Power's bank balances are known to be individually exposed to credit risk.

**Investments**

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, Community Power 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 Community Power's investments are exposed to credit risk.

Community Power's investment policy addresses custodial credit risk. All investments owned by Community Power shall be held in safekeeping by a third-party custodian, acting as an agent for Community Power under the terms of a custody agreement.



**SAN DIEGO COMMUNITY POWER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2025 AND 2024**

**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. Duration 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. Community Power manages its exposure to declines in fair values by limiting the weighted average maturity of its investments.

Following is a summary of investment maturities as of June 30, 2025:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Investment Maturities</b>	
		<b>Less Than 1 Year</b>	<b>1-5 Years</b>
U.S. Treasury securities	\$ 37,267,072	\$ 1,006,055	\$ 36,261,017
U.S. agency obligations	9,007,232	-	9,007,232
Corporate bonds-U.S.	21,608,613	150,774	21,457,839
Corporate bonds-foreign	2,302,456	-	2,302,456
Municipal bonds	877,267	-	877,267
	<u>\$ 71,062,640</u>	<u>\$ 1,156,829</u>	<u>\$ 69,905,811</u>

**CONCENTRATION OF CREDIT RISK**

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

As of June 30, 2025 and 2024, Community Power's investment portfolio was concentrated as follows:

<b>Issuer</b>	<b>Investment Type</b>	<b>Percentage of Portfolio</b>	
		<b>2025</b>	<b>2024</b>
Federal Home Loan Mortgage Corporation (Freddie Mac)	U.S. agency implicitly guaranteed	11.4%	0.0%

**SAN DIEGO COMMUNITY POWER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2025 AND 2024**

**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	\$ 163,138	\$ -	\$ -	\$ 163,138
Lease assets	2,076,825	1,284,053	(1,122,749)	2,238,129
Total capital assets being depreciated and amortized:	2,239,963	1,284,053	(1,122,749)	2,401,267
Less accumulated depreciation and amortization:				
Furniture and equipment	(39,354)	(35,301)	-	(74,655)
Lease assets	(941,766)	(691,054)	623,750	(1,009,070)
Total accumulated depreciation and amortization	(981,120)	(726,355)	623,750	(1,083,725)
Total capital assets, net of depreciation and amortization	\$ 1,258,843	\$ 557,698	\$ (498,999)	\$ 1,317,542

Capital asset activity for the year ended June 30, 2024 was as follows:

	Beginning balance	Increases	Decreases	Ending balance
Capital assets being depreciated and amortized:				
Furniture and equipment	\$ 163,138	\$ -	\$ -	\$ 163,138
Lease assets	1,122,749	954,076	-	2,076,825
Total capital assets being depreciated and amortized:	1,285,887	954,076	-	2,239,963
Less accumulated depreciation and amortization:				
Furniture and equipment	(4,055)	(35,299)	-	(39,354)
Lease assets	(249,498)	(692,268)	-	(941,766)
Total accumulated depreciation and amortization	(253,553)	(727,567)	-	(981,120)
Total capital assets, net of depreciation and amortization	\$ 1,032,334	\$ 226,509	\$ -	\$ 1,258,843

**SAN DIEGO COMMUNITY POWER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2025 AND 2024**

**6. DEBT**

**BANK NOTE PAYABLE**

In February 2023, Community Power entered into a revolving credit agreement with JPMorgan (JPM) to borrow up to \$150,000,000. In October 2024, Community Power amended its credit agreement with JPM to increase the borrowing limit to \$250,000,000 and Community Power assigned a security interest in all customer accounts receivable, revenues, debt service reserve accounts, and cash collateral accounts. Principal can be drawn as needed and interest is accrued on the outstanding balance. In the event of default, the note becomes immediately due and payable. In addition to borrowings, Community Power issues Standby Letters of Credit secured by the line of credit agreement that reduces the available portion of the line but is not considered debt to Community Power. The line of credit matures in February 2028.

Bank note activity and balances were as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending</u>
Year ended June 30, 2025				
Bank note payable - JPM	\$ -	\$ 55,500,000	\$ (55,500,000)	\$ -
Amounts due within one year				-
Amounts due after one year				\$ -
Year ended June 30, 2024				
Bank note payable - JPM	\$ 35,730,000	\$ -	\$ (35,730,000)	\$ -
Amounts due within one year				-
Amounts due after one year				\$ -

**SAN DIEGO COMMUNITY POWER  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2025 AND 2024**

**7. LEASES**

Lease assets and lease liabilities are reported in accordance with GASB 87.

**PROPERTY LEASES**

In October 2023 and February 2025, Community Power entered into non-cancelable leases for its office space. Rental payments for Community Power's office space were \$705,000 and \$610,000 for the fiscal years ended June 30, 2025 and 2024, respectively.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ended June 30,			
2026	\$ 853,858	\$ 66,899	\$ 920,757
2027	598,191	13,859	612,050
Total	<u>\$ 1,452,049</u>	<u>\$ 80,758</u>	<u>\$ 1,532,807</u>

**8. GRANTS**

During the year ended June 30, 2025, Community Power, as the lead administrator of the San Diego Regional Energy Network ("SDREN"), received \$26,682,000 in grant funding approved by the CPUC. SDREN is a regional partnership focused on delivering energy efficiency, electrification, and climate resilience programs, with Community Power responsible for managing program design, contracting, and implementation. Of the funds received, \$1,427,000 was recognized as grant revenue in the current year upon meeting eligibility requirements. The unspent balance of approximately \$25,256,000 represents funds received in advance for which eligibility requirements had not yet been met as of year-end and accordingly is reported as Advances from Grantors in the liabilities section of the Statements of Net Position. Community Power also received approximately \$353,000 in funding from the CPUC as part of their Disadvantage Communities Green Tariff program.

**SAN DIEGO COMMUNITY POWER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2025 AND 2024**

**9. DEFINED CONTRIBUTION RETIREMENT PLAN**

The San Diego Community Power Plan (Plan) is a defined contribution retirement plan established by Community Power to provide benefits at retirement to its employees. The Plan is administered by Empower Retirement. As of June 30, 2025, there were 80 plan members. Community Power is required to contribute 10% of annual covered payroll to the Plan and contributed \$1,216,000 and \$864,000 during the fiscal years ended June 30, 2025 and 2024, respectively. The Plan includes vesting provisions intended to encourage employee retention. Plan provisions and contribution requirements are established and may be amended by the Board.

**10. RISK MANAGEMENT**

Community Power 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, Community Power purchased insurance policies from highly rated commercial carriers to mitigate risks that include those associated with earthquakes, theft, general liability, errors and omissions, cybersecurity, and property damage. There were no significant reductions in coverage compared to the prior year. Community Power has general liability coverage of \$2,000,000 with a deductible of \$100,000. From time to time, Community Power may be party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and Community Power's legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on Community Power's financial position or results of operations.

Community Power maintains a comprehensive risk management framework to identify and mitigate credit, liquidity, market, operational, regulatory, and other risks associated with participation in the California energy market. The framework employs credit risk strategies, including a preference for transacting with highly rated counterparties, establishing credit limits, and securing collateral when necessary. To address market risks, Community Power utilizes hedging strategies, netting arrangements, and liquidity monitoring. Internal controls and compliance mechanisms are in place to manage operational and regulatory risks, ensuring adherence to legal and market regulations. Risk monitoring and oversight are continuously performed through frequent reporting, with key risks communicated promptly to stakeholders. This integrated approach enables Community Power to maintain a balanced risk profile while adapting to evolving market conditions.

**SAN DIEGO COMMUNITY POWER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2025 AND 2024**

**11. PURCHASE COMMITMENTS**

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

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

Year ending June 30,	
2026	\$ 532,200,000
2027	624,800,000
2028	518,900,000
2029	595,300,000
2030	601,900,000
2031-2047	7,239,300,000
Total	<u>\$ 10,112,400,000</u>

**12. JOINT VENTURE**

Community Power participates in a JPA through the California Community Choice Financing Authority (CCCFA). CCCFA was formed to assist its members by undertaking the financing or refinancing of energy prepayments through tax-advantaged bonds on behalf of one or more of the members by issuing or incurring bonds and entering into related contracts with its members. Any debt or liability incurred by CCCFA on behalf of a member to prepay for renewable energy is not a debt or liability of that member. Furthermore, the assets of CCCFA in the form of prepaid energy or reserves held by the respective bond trustees for any prepayment transaction undertaken on behalf of a member does not constitute an asset or reserve of that member.

Community Power will purchase energy from CCCFA in the same manner as it purchases energy from other suppliers. Community Power purchased approximately \$12,836,000 and \$0 from CCCFA during fiscal years 2025 and 2024, respectively. The outstanding purchase commitments related to these financing facilities are included in Note 11. This amount represents executed energy contracts assigned to CCCFA at June 30, 2025. Additional contracts will be assigned throughout the full bond period. The financial statements of CCCFA are available online at <http://www.cccfa.org/key-documents.html>.

**SAN DIEGO COMMUNITY POWER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**13. RECENTLY ADOPTED AND FUTURE ACCOUNTING PRONOUNCEMENTS**

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

Community Power 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 Community Power's financial statements.

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