



FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2012 AND 2011
WITH REPORT OF
INDEPENDENT AUDITORS



MARIN ENERGY AUTHORITY
YEARS ENDED MARCH 31, 2012 AND 2011

TABLE OF CONTENTS

Independent Auditors' Report	1
Management's Discussion and Analysis	2
Financial Statements:	
Statements of Net Assets	5
Statements of Revenues, Expenses and Changes in Fund Net Assets	6
Statements of Cash Flows	7
Notes to the Financial Statements	9



VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

Board of Directors
Marin Energy Authority
San Rafael, California

We have audited the accompanying financial statements of the Marin Energy Authority ("MEA"), as of and for the years ended March 31, 2012 and 2011, which collectively comprise MEA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of MEA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Marin Energy Authority, as of March 31, 2012 and 2011, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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.

Vavrinek, Trine, Day & Co., LLP.

Pleasanton, California
June 29, 2012

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MARIN ENERGY AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis provides an overview of Marin Energy Authority (MEA) financial activities for the fiscal years ended March 31, 2012 and 2011. Please read it along with the MEA's financial statements, which begin on page 5.

FINANCIAL HIGHLIGHTS

MEA began providing electrical power to customers in May 2010 and continues to experience increases in its number of customers. Its efficient use of financial resources and growing customer base allowed MEA to see a significant jump in net assets from the prior year. During the 2011-12 fiscal year, revenues exceeded expenses by approximately \$3,599,000, causing net assets to increase from approximately \$319,000 to \$3,918,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to MEA's basic financial statements. MEA's basic financial statements comprise two components: (1) government-wide financial statements and (2) notes to the financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of MEA's finances, similar to a private-sector business.

The Statement of Net Assets presents information on all of MEA's assets and liabilities, with the difference between assets and liabilities reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of MEA is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Fund Net Assets presents information showing how MEA's net assets changed during the fiscal period. All changes in net assets are recognized at the date the underlying event that gives rise to the change occurs, regardless of the timing of the related cash flows.

The Statement of Cash Flows presents information about MEA's cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. This statement shows the sources and uses of cash, as well as the change in the cash balances during the fiscal years.

MEA is a single-purpose entity that has elected to account for its activity as a governmental enterprise fund under governmental accounting standards. Accordingly, MEA presents only government-wide financial statements.

MARIN ENERGY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The following table is a summary of MEA's assets, liabilities, and net assets.

	<u>2012</u>	<u>2011</u>	<u>2010</u> <u>(9 months)</u>
Other assets	\$ 7,549,498	\$ 3,308,530	\$ 493,768
Capital assets	<u>32,566</u>	<u>430,792</u>	<u>139,132</u>
Total assets	<u>7,582,064</u>	<u>3,739,322</u>	<u>632,900</u>
Current liabilities	<u>2,283,437</u>	<u>1,599,794</u>	<u>304,151</u>
Noncurrent liabilities	<u>1,380,702</u>	<u>1,820,690</u>	<u>1,290,000</u>
Total liabilities	<u>3,664,139</u>	<u>3,420,484</u>	<u>1,594,151</u>
Net assets:			
Invested in capital assets	32,566	32,890	-
Restricted	263,200	263,200	-
Unrestricted	<u>3,622,159</u>	<u>22,748</u>	<u>(961,251)</u>
Total net assets	<u>\$ 3,917,925</u>	<u>\$ 318,838</u>	<u>\$ (961,251)</u>

MEA began serving customers in May 2010 and completed fiscal 2010-11 with 8,100 customers. During 2011-2012 the number of active customer accounts increased by 5,800, to 13,900. This increase in activity resulted in an increase in cash and receivables as well as trade liabilities. MEA continued to make payments on our debt, reducing the amount owed by \$417,000.

Our results of operations are summarized as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u> <u>(9 months)</u>
Operating revenues	\$ 22,918,843	\$ 14,323,650	\$ -
Contributions received	-	22,260	2,074
Interest income	-	-	1,674
Total income	<u>22,918,843</u>	<u>14,345,910</u>	<u>3,748</u>
Operating expenses	<u>19,210,349</u>	<u>12,892,000</u>	<u>786,630</u>
Other expenses	<u>109,407</u>	<u>173,821</u>	<u>5,904</u>
Total expenses	<u>19,319,756</u>	<u>13,065,821</u>	<u>792,534</u>
Increase (decrease) in net assets	<u>\$ 3,599,087</u>	<u>\$ 1,280,089</u>	<u>\$ (788,786)</u>

The increase in electricity sales was accompanied by corresponding increases in costs directly related to acquiring energy and servicing customer accounts. Other expenses of operations held steady and allowed MEA to increase its net assets in preparation for anticipated future growth.

**MARIN ENERGY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

DEBT ADMINISTRATION

In January 2011, MEA obtained a new loan for \$2,300,000 and retired the outstanding balance of its previous debts. The notes to the financial statements provide details on debt activity.

ECONOMIC OUTLOOK

Prior to commencing service to MEA's initial customers in May 2010, MEA entered into a five-year contract to acquire energy to serve the load for those customers. MEA has since entered into several power purchase agreements with various providers to serve a portion of MEA's projected load. On a going forward basis, MEA will take a similar approach, contracting for power prior to enrolling future phases of customers. This process creates price certainty as MEA enrolls its remaining customers. In the second quarter of the upcoming year, MEA will enter its next phase, with the expectation that the number of customers will grow from approximately 13,900 to 95,000. The additional customers will increase revenue volume, but gross profit margin is expected to decline. Management intends to continue its conservative use of financial resources and expects ongoing operating profits.

REQUESTS FOR INFORMATION

This financial report is designed to provide MEA's customers and creditors with a general overview of the Authority's finances and to demonstrate MEA's accountability for the funds under its stewardship.

Please address any questions about this report or requests for additional financial information to 781 Lincoln Avenue, Suite 320, San Rafael, CA 94901.

Respectfully submitted,


Dawn Weisz, Executive Officer

BASIC FINANCIAL STATEMENTS

MARIN ENERGY AUTHORITY
STATEMENTS OF NET ASSETS
AS OF MARCH 31, 2012 AND 2011

	2012	2011
ASSETS		
Current assets		
Cash in bank	\$ 3,790,860	\$ 1,214,268
Accounts receivable, net	2,180,568	1,530,712
Accrued revenue	1,151,397	555,300
Prepaid expenses	30,475	8,250
Total current assets	7,153,300	3,308,530
Noncurrent assets		
Furniture & equipment, net	32,566	32,890
Restricted cash - debt service reserve account	263,200	263,200
Deposits	132,998	134,702
Total noncurrent assets	428,764	430,792
Total assets	7,582,064	3,739,322
LIABILITIES		
Current liabilities		
Accounts payable	201,158	180,224
Accrued cost of electricity	1,568,514	985,013
Other accrued liabilities	73,776	17,589
Note payable to bank - due within one year	439,989	416,968
Total current liabilities	2,283,437	1,599,794
Noncurrent liabilities		
Note payable to bank	1,380,702	1,820,690
Total liabilities	3,664,139	3,420,484
NET ASSETS		
Invested in capital assets	32,566	32,890
Restricted for debt service reserve	263,200	263,200
Unrestricted	3,622,159	22,748
Total net assets	\$ 3,917,925	\$ 318,838

MARIN ENERGY AUTHORITY
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
YEARS ENDED MARCH 31, 2012 AND 2011

	2012	2011
OPERATING REVENUES		
Electricity sales	\$ 22,918,843	\$ 14,323,650
OPERATING EXPENSES		
Cost of electricity	16,868,479	10,704,976
Professional services	1,535,634	1,598,947
Staff compensation	634,232	496,314
General and administration	172,004	91,763
Total operating expenses	19,210,349	12,892,000
Operating income	3,708,494	1,431,650
NONOPERATING REVENUES (EXPENSES)		
Contributions received	-	22,260
Consideration for loan guarantees	-	(56,656)
Interest expense	(109,407)	(117,165)
Total nonoperating revenues (expenses)	(109,407)	(151,561)
CHANGE IN NET ASSETS	3,599,087	1,280,089
Net assets at beginning of period	318,838	(961,251)
Net assets at end of period	\$ 3,917,925	\$ 318,838

MARIN ENERGY AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 21,672,890	\$ 12,237,638
Cash payments to purchase electricity	(16,284,978)	(9,719,963)
Cash payments for professional services	(1,535,634)	(1,629,524)
Cash payments for staff compensation	(578,045)	(572,075)
Cash payments for general and administration	(162,024)	(78,722)
Net cash provided by (used for) operating activities	<u>3,112,209</u>	<u>237,354</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Proceeds from bank financing, April 2010	-	1,450,000
Proceeds from bank financing, January 2011	-	1,151,664
Principal payments of notes payable to individuals	-	(750,000)
Principal payment of loan payable to County of Marin	-	(540,000)
Principal payments of bank term loans	(416,967)	(638,706)
Payments in consideration for use of credit	-	(56,656)
Cash received from donors	-	7,260
Interest expense	(109,407)	(117,165)
Net cash provided by (used for) noncapital financing activities and related financing activities	<u>(526,374)</u>	<u>506,397</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Acquisition of furniture and equipment	(9,243)	(23,251)
Net increase (decrease) in cash and cash equivalents	2,576,592	720,500
Cash and cash equivalents at beginning of year	1,214,268	493,768
Cash and cash equivalents at end of year	<u>\$ 3,790,860</u>	<u>\$ 1,214,268</u>

The accompanying notes are an integral part of these financial statements

MARIN ENERGY AUTHORITY
STATEMENTS OF CASH FLOWS
(CONTINUED)

YEARS ENDED MARCH 31, 2012 AND 2011

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

	<u>2012</u>	<u>2011</u>
Operating income (loss)	\$ 3,708,494	\$ 1,431,650
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation expense	9,568	5,361
Expenses financed through loan transaction	-	11,500
(Increase) decrease in net accounts receivable	(649,856)	(1,530,712)
(Increase) decrease in accrued revenue	(596,097)	(555,300)
(Increase) decrease in prepaid expenses	(22,225)	3,500
(Increase) decrease in security deposit	1,704	(7,320)
Increase (decrease) in accounts payable	20,934	(75,761)
Increase (decrease) in accrued cost of energy	583,501	985,013
Increase (decrease) in accrued liabilities	56,186	(30,577)
Net cash provided by operating activities	<u>\$ 3,112,209</u>	<u>\$ 237,354</u>

NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES

In-kind capital assets of \$15,000 were provided through contributions in 2011

MARIN ENERGY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2012 AND 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Marin Energy Authority (MEA) is a joint powers authority created on December 19, 2008 and its members consist of the following parties: the County of Marin, the cities of Belvedere, Larkspur, Mill Valley, Novato, San Rafael, Sausalito and the towns of Corte Madera, Fairfax, Ross, San Anselmo, and Tiburon (collectively, “the parties”). It is governed by a twelve member Board of Directors appointed by each of the parties.

MEA was formed to study, promote, conduct, operate, and manage energy and energy-related climate change programs, and to exercise all other powers necessary and incidental to accomplishing these objectives. The first priority of MEA 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.

MEA’s began its energy delivery operations in May 2010. Electricity is acquired from commercial suppliers and delivered through existing physical infrastructure and equipment managed by Pacific Gas and Electric Company.

INTRODUCTION

MEA’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 (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements.

MARIN ENERGY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2012 AND 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING

The Authority'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.

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

CASH AND CASH EQUIVALENTS

For purpose of the statement of cash flows, MEA has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments. Amounts restricted for debt service are not included.

CAPITAL ASSETS AND DEPRECIATION

MEA's policy is to capitalize furniture and equipment valued over \$500 that is expected to be in service for over one year. Contributed capital assets are valued at their estimated fair value as of the date contributed. Depreciation is computed according to the straight-line method over estimated useful lives of three years for electronic equipment and seven years for furniture.

OPERATING AND NON-OPERATING REVENUE

Revenue from the sale of electricity to customers is considered "operating" revenue. Contributions received from members of the public and investment income are classified as "non-operating revenue."

REVENUE RECOGNITION

MEA recognizes revenue on the accrual basis. This includes invoices issued to customers during the period and electricity estimated to have been delivered but yet to be billed. Management estimates that approximately one half of one percent of earned revenue will be uncollectible. Accordingly, an allowance has been recorded.

MARIN ENERGY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2012 AND 2011

ELECTRICAL POWER PURCHASED

Electrical power sold to customers was purchased primarily through one energy supplier, Shell Energy North America. The cost of power and related delivery costs have been recognized as “cost of electricity” in the statement of revenues, expenses and changes in net assets. As part of the agreement with Shell Energy to ensure MEA has the available funds to purchase electrical power, MEA is required to maintain a cash balance of \$1,300,000.

STAFFING COSTS

During 2011-12, MEA began to employ its staff directly. Prior to this year management and administrative services were provided on a contract basis through an independent staffing organization. MEA pays employees semi-monthly and fully pays its obligation for health benefits and contributions to its defined contribution retirement plan. MEA is not obligated to provide post-employment healthcare or other fringe benefits and, accordingly, no related liability is recorded in these financial statements. Employees are allowed to carry-over allowances for compensated absences up to a maximum of 30.5 days.

INCOME TAXES

MEA is a joint powers authority under the provision of the California Government code. As such it 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.

2. CASH AND INVESTMENTS

MEA maintains its cash in non-interest-bearing accounts at River City Bank of Sacramento, California (RCB).

MEA had no deposit or investment policy that addressed a specific type of risk that would impose additional restrictions beyond the California Government Code Section 53601. The amount of risk is not disclosed as non-interest bearing accounts are 100% FDIC insured through December 31, 2012. As this insurance is temporary, risk will need to be monitored on an ongoing basis.

MARIN ENERGY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2012 AND 2011

3. ACCOUNTS RECEIVABLE

	<u>2012</u>	<u>2011</u>
Accounts receivable from customers	\$ 2,367,348	\$ 1,675,395
Allowance for uncollectible accounts	<u>(186,780)</u>	<u>(144,683)</u>
Net accounts receivable	<u>\$ 2,180,568</u>	<u>\$ 1,530,712</u>

MEA has provided a reserve for uncollectible accounts accounted for on the reserve method. For the year ended March 31, 2011, the reserve was estimated at one percent of electricity sales. The reserve rate was adjusted to one-half of one percent for the year ended March 31, 2012, based on MEA's experience. Electricity sales revenue has been reduced by \$42,097 and \$144,683 in 2012 and 2011, respectively, for the estimated uncollectible amounts.

4. CAPITAL ASSETS

Changes in capital assets were as follows:

	<u>Furniture & Equipment</u>	<u>Leasehold Improvements</u>	<u>Accumulated Depreciation</u>	<u>Total</u>
Balances at March 31, 2010	\$ -	\$ -	\$ -	\$ -
Additions	38,251	-	5,361	32,890
Dispositions	-	-	-	-
Balances at March 31, 2011	<u>38,251</u>	<u>-</u>	<u>5,361</u>	<u>32,890</u>
Additions	7,590	1,654	9,568	(324)
Dispositions	-	-	-	-
Balances at March 31, 2012	<u>\$ 45,841</u>	<u>\$ 1,654</u>	<u>\$ 14,929</u>	<u>\$ 32,566</u>

MARIN ENERGY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2012 AND 2011

5. DEBT

NOTES PAYABLE TO INDIVIDUALS

MEA borrowed a total of \$750,000 from three individuals in February 2010. The notes were unsecured and provided for monthly payments of interest only computed at 5.75% per year. The notes were paid in full in January 2011.

LOANS PAYABLE TO COUNTY OF MARIN

The County of Marin advanced \$330,000 to MEA in April 2009 and \$210,000 in January 2010. The loans did not require interest payments. The County was paid in full in January 2011.

In addition to its loans, the County of Marin provided a guarantee of \$950,000 related to MEA's note payable to River City Bank (RCB) that was retired in January 2011. MEA paid the County \$49,288 in consideration for the guarantee. The Town of Fairfax was paid \$7,368 in consideration of its guarantee of \$100,000 related to a note payable to RCB. This note was also retired in January 2011.

NOTES PAYABLE TO RIVER CITY BANK

In April 2010, MEA borrowed \$1,450,000 from River City Bank (RCB) under two related loan agreements. The promissory notes, with a June 2011 maturity, provided for monthly payments of principal and interest computed at the greater of 2% plus the Base Commercial Loan Rate (3.25% at date of agreement) or 5% per year.

In January 2011, MEA issued a note payable to RCB for \$2,300,000 and retired the outstanding balance of the two notes payable previously issued. The new note requires monthly payments of approximately \$44,000, including principal and interest at 5.25% and matures on January 31, 2016. As part of the debt covenant, MEA is required to maintain a balance of \$263,200 in a reserve account.

MARIN ENERGY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2012 AND 2011

5. DEBT (continued)

Changes in notes and loans payable were as follows:

	Beginning	Additions	Payments	Ending
Year ended March 31, 2011				
County of Marin	\$ 540,000	\$ -	\$ (540,000)	\$ -
Individuals	750,000	-	(750,000)	-
River City Bank	-	1,450,000	(1,450,000)	-
River City Bank	-	2,300,000	(62,342)	2,237,658
Totals	<u>\$ 1,290,000</u>	<u>\$ 3,750,000</u>	<u>\$ (2,802,342)</u>	<u>2,237,658</u>
Amounts due within one year				<u>(416,968)</u>
Non-current portion				<u>\$ 1,820,690</u>
Year ended March 31, 2012				
River City Bank	<u>\$ 2,237,658</u>	\$ -	<u>\$ (416,967)</u>	\$ 1,820,691
Amounts due within one year				<u>(439,989)</u>
Non-current portion				<u>\$ 1,380,702</u>

Future debt service requirements are as follows:

	Principal	Interest	Total
Year ending:			
March 31, 2013	\$ 439,989	\$ 86,384	\$ 526,373
March 31, 2014	463,989	62,384	526,373
March 31, 2015	489,299	37,075	526,374
March 31, 2016	427,413	10,577	437,990
Total	<u>\$ 1,820,690</u>	<u>\$ 196,420</u>	<u>\$ 2,017,110</u>

6. RISK MANAGEMENT

MEA 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, MEA purchased liability and property insurance from a commercial carrier. Coverage for property general liability, errors and omissions and non-owned automobile was \$2,000,000 with a \$1,000 deductible.

MARIN ENERGY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2012 AND 2011

7. COMMITMENTS AND CONTINGENCIES

In September 2011, River City Bank extended MEA a revolving line of credit of \$500,000 that expires in September 2012. The arrangement requires monthly payments of interest only at the bank's commercial lending rate plus 1.25%. As of March 31, 2012, MEA has made no draws on the line.

In February 2012, MEA entered into a credit agreement with River City Bank that enables borrowing of up to \$3,000,000. Monthly payments of interest only will be required based on the outstanding balance and the bank's base commercial loan rate. No later than October 31, 2012, monthly payments of principle and interest will be required over 60 months with interest fixed at the Federal Home Loan Bank Five-Year Rate plus 3.25%, but not less than 4.00%. As of March 31, 2012, there has been no borrowing against this line of credit.

MEA had outstanding power purchase commitments of \$328.4 million contingent upon construction of landfill waste to energy projects and solar photovoltaic generation facilities that continue for twenty years from the commercial operation date of each project.

MEA had outstanding non-cancelable power purchase commitments of \$169.6 million for energy and related services that have not yet been provided under power purchase agreements that continue from December 31, 2012 to December 31, 2024.

As of March 31, 2012, MEA had outstanding non-cancelable commitments of \$190,000 to professional service providers for services not yet performed.

8. OPERATING LEASE

Marin Energy Authority rents office space from San Rafael Corporate Center Phase One, LLC and entered into a five year non-cancelable lease beginning August 1, 2010. Starting February 1, 2012, MEA expanded its office space and approved an addendum to its current operating lease. Rental expense was \$70,000 and \$40,000 for the years ended March 31, 2012 and March 31, 2011, respectively.

MARIN ENERGY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2012 AND 2011

8. OPERATING LEASE (continued)

Future minimum lease payments under the lease are as follows:

Year ended March 31,	
2013	\$ 111,400
2014	120,900
2015	130,100
2016	<u>44,400</u>
	<u>\$ 406,800</u>