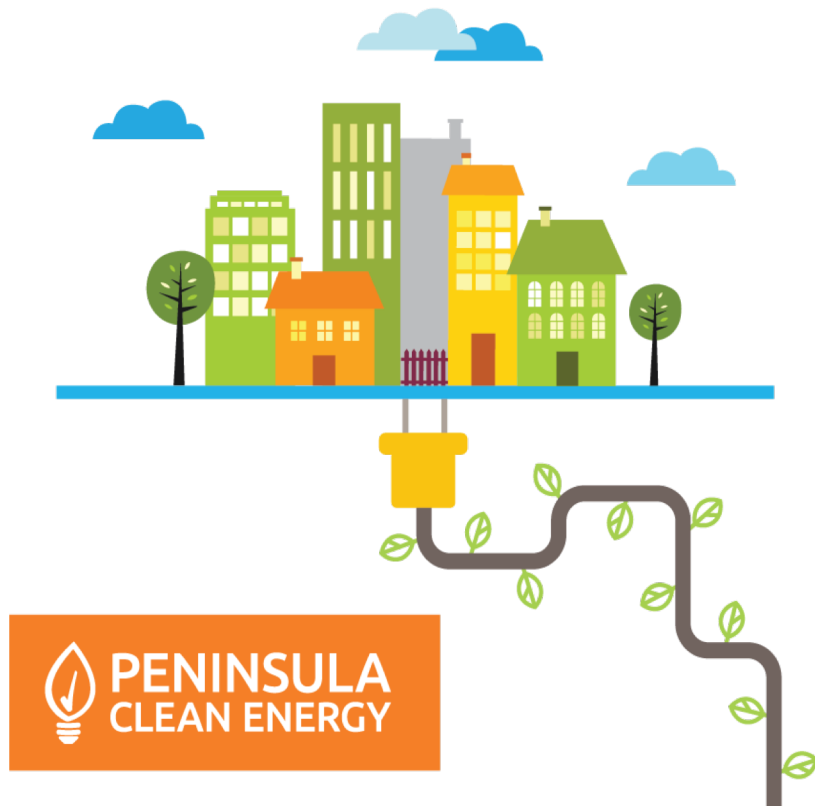


Peninsula Clean Energy Audit & Finance Committee June 10, 2019



1. Chair Report

1. Chair Report

2. Staff Report

- Initiated discussions with Calpine
- In-process to review Employee health contribution policies to assess impact on families
- Initiated annual Audit preparation with Picenti & Brinker

3. Budget Amendment

Forecast for end of FY2018-2019 year indicates that we will exceed the authorized spending budget in several categories. Standard practice requires the Board to authorize additional spending.

Per the most recent forecast:

- Total Operating Expenses approved budget was ~\$193.7 million
- Total Operating Expenses are expected to exceed budget by ~\$13.8 million
- Cost of Electricity expected to exceed by ~\$18.5 million (*deeper dive on slides to follow*)
- All other categories are expected to be ~\$4.7 million below budget in total
- Recommend: Revised budget for each expense category to allow for overage and small amount for inexact forecast – Total of \$210.0 million (\$2.5 million above current forecast)

Energy Cost Analysis

Biggest category of over-spending is Cost of Electricity

- Responses to Energy cost questions from prior meeting
 - Open Position Percent
 - Energy Pricing
 - Energy Hedging – Strategy, Plan, Update
 - PCC1 vs PCC2

Cost of Energy – Quarterly Detail

Cost of Energy as of

March, 2019

\$ in millions

Quarter	COE Comparison vs Budget		
	Actual	Budget	Var Fav/(Unf)
Q1-FY2018/19	\$46.1	\$46.5	\$0.3
Q2-FY2018/19	41.7	42.4	0.7
Q3-FY2018/19	58.6	44.7	(13.9)
Total YTD	\$146.5	\$133.6	(12.9)

	Quarter			Year-to-date		
	Actual	Budget	Var Fav/(Unf)	Actual	Budget	Var Fav/(Unf)
Cost of Energy						
Capacity purchases - RA	5,114,756	3,705,561	(1,409,195)	12,807,202	11,068,384	(1,738,818)
Energy purchases	43,372,103	37,467,548	(5,904,555)	115,228,536	112,892,050	(2,336,486)
RECs and GHG purchases	10,250,128	3,223,761	(7,026,367)	17,183,705	8,735,152	(8,448,553)
Other	(100,119)	292,033	392,152	1,243,049	877,877	(365,172)
Total Cost of Energy	58,636,867	44,688,902	(13,947,965)	146,462,492	133,573,463	(12,889,029)

Energy Price/Open Position Strategy

- Bigger Open position entering 2019
 - January – April 2018 prices were low and stable
 - Felt comfortable waiting to implement hedge to take advantage of lower Winter market prices
 - Prices spiked in Winter to as high as \$78/MWh in February
- Prices dropped substantially in April/May 2019
 - April Day-Ahead Actual - \$24.33
 - May Day-Ahead Actual - \$19.56

Hedge Plan

	Hedged Position	
	Min	Max
Current Year	90%	100%
Year 2	75%	90%
Year 3	65%	80%
Year 4	55%	70%

- Based on Targets set in PCE's Strategic 2018 IRP
- Conduct quarterly procurements to meet hedged position targets

PCC1 vs. PCC2 to Fulfill RPS Requirement

- AB1110: Updates to Power Source Disclosure Program (PSD)
 - Passed in 2016
 - Requires:
 - Annual disclosure of Power Content Label to customers disclosing fuel mix of electricity product for previous year
 - Added requirements around disclosing unbundled RECs and GHG emissions intensities
 - 2020 Requirements:
 - For Firmed-and-Shaped (RPS PCC2): Purchases will be assigned the GHG emissions intensity of the substitute power, NOT the renewable energy
 - Will go into effect in 2020 for reporting electricity delivered to customers in 2019
 - If the substitute power is unknown, purchases will be assigned GHG emissions intensity for unspecified electricity

RPS PCC1 v PCC2

- PCC2 is “Firmed-and-shaped power”:
 - Renewable energy is matched with substitute electricity imported from outside a California balancing authority
 - PCE has attempted to target 25% of its renewable portfolio sourced from PCC2 contracts
 - PCC2 is generally ~40% of the cost of PCC1
- Under AB1110, Firmed-and-Shaped purchases will be assigned the GHG emissions intensity of the substitute power, NOT the renewable energy
- AB1110 does allow for grandfathering PCC2 contracts signed before February 1, 2018

FY2018-2019 Forecast

FY 2018-2019 Budget & Projections	FY 2019 Approved Budget	FY 2019 YTD Actual through April 2019	FY 2019 Forecasted FY2019	Variance Fav/(Unf) vs. FY18/19 Budget
OPERATING REVENUES				
Electricity Sales, net	254,018,832	188,667,792	253,105,013	(913,819)
ECO100 Premium	1,627,364	1,827,944	2,424,570	797,206
Total Operating Revenues	255,646,196	190,495,736	255,529,584	(116,612)
OPERATING EXPENSES				
Cost of electricity	176,147,894	144,423,150	194,615,302	(18,467,407)
Personnel	4,492,745	2,238,319	3,085,587	1,407,158
Data Manager	3,758,400	2,824,229	3,766,150	(7,750)
Service Fees - PG&E	1,260,000	928,120	1,237,921	22,079
Professional Services	1,432,511	445,652	596,564	835,947
Legal	1,146,600	1,022,777	1,366,348	(219,748)
Communications and Outreach	1,010,600	601,272	793,905	216,695
General and Administrative	1,227,200	780,568	1,069,026	158,174
Community Energy Programs	3,200,000	398,451	911,100	2,288,900
Depreciation	42,000	54,289	72,910	(30,910)
Total Operating Expenses	193,717,950	153,716,826	207,514,812	(13,796,862)
Operating Income/(Loss)	61,928,246	36,778,909	48,014,772	(13,913,474)
Total Non-operating Income/(Expense)	272,000	1,202,443	1,700,589	1,428,589
CHANGE IN NET POSITION	62,200,246	37,981,353	49,715,361	(12,484,885)
CHANGE IN NET POSITION				
Net Position at the beginning of period	78,197,442	85,365,490	85,365,490	7,168,048
Inc/(Dec) in Net Position	62,200,246	37,981,353	49,715,361	(12,484,885)
Net Position at the end of period	140,397,688	123,346,843	135,080,851	(5,316,837)

Operating Expenses – FY2019 Revised Spending

FY 2018-2019 Budget & Projections	FY 2019	FY 2019	FY 2019	Variance	FY 2019
	Approved Budget	YTD Actual through April 2019	Forecasted FY2019	Fav/(Unf) vs. FY18/19 Budget	Revised Spending
OPERATING EXPENSES					
Cost of electricity	176,147,894	144,423,150	194,615,302	(18,467,407)	196,500,000
Personnel	4,492,745	2,238,319	3,085,587	1,407,158	3,200,000
Data Manager	3,758,400	2,824,229	3,766,150	(7,750)	3,900,000
Service Fees - PG&E	1,260,000	928,120	1,237,921	22,079	1,270,000
Professional Services	1,432,511	445,652	596,564	835,947	650,000
Legal	1,146,600	1,022,777	1,366,348	(219,748)	1,450,000
Communications and Outreach	1,010,600	601,272	793,905	216,695	850,000
General and Administrative	1,227,200	780,568	1,069,026	158,174	1,100,000
Community Energy Programs	3,200,000	398,451	911,100	2,288,900	1,000,000
Depreciation	42,000	54,289	72,910	(30,910)	80,000
Total Operating Expenses	193,717,950	153,716,826	207,514,812	(13,796,862)	210,000,000

4. FY2019-2020 Budget

FY2019-2020 Budget
and
5-Year Projection through FY2023-2024

Significant Budget Assumptions

FY2019-2020 and 5-year Projections

- Customer Electricity Rates

- Rate update as of July 1, 2019 reflecting most recent PG&E Advice Letter showing effective PG&E rates and PCIA fees
- Assumptions regarding increases in PCIA
 - One-half cent effective January 2020, and
 - One-quarter cent effective January 2021

- Energy Costs

- Cost of RECs significantly higher than prior year budget
- Open Position Energy cost higher than prior year budget
- New PPAs assumed:
 - New 100MW Solar project starting operations on 1/1/2023
 - New 100MW Wind project starting operations on 6/1/2021
 - New Solar/Storage project starting operations on 7/1/2023

FY2019/20 Significant Budget Assumptions

- Community Energy Programs
 - Significant EV Infrastructure rebates start in September 2019
 - Significant expansion/initiation of several programs
- Communications and Outreach
 - Increase in Community Outreach Grants to \$200K (5)
 - Implementation of School Energy Dashboard Program
- Staffing
 - Increase of 9 additional headcount added in FY2019-2020 from current 18 (plus 1 contractor)
 - Increase of 3 additional headcount added in FY2020-2021
- Contingency
 - Not included

Proposed FY2019-2020 Budget vs. FY2018-2019 Budget/Forecast



FY 2019-2020 Budget & Projections	FY 2019	FY 2019	FY 2020	FY 2020	FY 2020
	Approved Budget	Forecasted FY2019	Proposed Budget FY2020	Inc/(Dec) FY2020 Budget vs. Forecast FY2019	Percent Change: FY2020 Draft Budget vs. Forecast FY2019
OPERATING REVENUES					
Total Operating Revenues	255,646,196	255,529,479	267,870,895	12,341,416	4.8%
Total Operating Expenses	193,717,950	207,514,812	236,812,867	29,298,055	14.1%
Operating Income/(Loss)	61,928,246	48,014,667	31,058,028	(16,956,639)	-35.3%
Total Non-operating Revenues/(Expenses)	272,000	1,828,456	2,232,000	403,544	22.1%
CHANGE IN NET POSITION	62,200,246	49,843,123	33,290,028	(16,553,095)	-33.2%
CHANGE IN NET POSITION					
Net Position at the beginning of period	78,197,442	85,365,490	135,208,613		
Inc/(Dec) in Net Position	62,200,246	49,843,123	33,290,028		
Net Position at the end of period	140,397,688	135,208,613	168,498,641		
Approx. Cash & Cash Equivalents	66,689,412	126,319,777	159,609,805		

Significant Revenue Assumptions

- Overall 4.8% increase in total revenues
- Volume Pricing Agreements – assume 50% of Top 20 customers signed by July 2020
- 5.7% overall increase in ECO100 volume

Proposed FY2019-2020 Budget vs. FY2018-2019 Budget/Forecast



FY 2019-2020 Budget & Projections	FY 2019	FY 2019	FY 2020	FY 2020	FY 2020
	Approved Budget	Forecasted FY2019	Proposed Budget FY2020	Inc/(Dec) FY2020 Budget vs. Forecast FY2019	Percent Change: FY2020 Draft Budget vs. Forecast FY2019
OPERATING REVENUES					
Electricity Sales, net	254,018,832	253,104,909	265,307,889	12,202,980	4.8%
ECO100 Premium	1,627,364	2,424,570	2,563,006	138,436	5.7%
Total Operating Revenues	255,646,196	255,529,479	267,870,895	12,341,416	4.8%
OPERATING EXPENSES					
Cost of electricity	176,147,894	194,615,302	216,552,845	21,937,544	11.3%
Personnel	4,492,745	3,085,587	4,589,149	1,503,562	48.7%
Data Manager	3,758,400	3,766,150	3,822,123	55,973	1.5%
Service Fees - PG&E	1,260,000	1,237,921	1,256,056	18,135	1.5%
Professional Services	632,510	596,564	896,333	299,769	50.2%
Legal	1,146,600	1,366,348	1,471,500	105,152	7.7%
Communications and Outreach	1,010,600	793,905	1,754,800	960,895	121.0%
General and Administrative	1,227,200	1,069,026	1,277,187	208,160	19.5%
Community Energy Programs	4,000,000	911,100	5,094,473	4,183,373	459.2%
Depreciation	42,000	72,910	98,400	25,490	35.0%
Total Operating Expenses	193,717,950	207,514,812	236,812,867	29,298,055	14.1%
Operating Income/(Loss)	61,928,246	48,014,667	31,058,028	(16,956,639)	-35.3%
Total Non-operating Revenues/(Expenses)	272,000	1,828,456	2,232,000	403,544	22.1%
CHANGE IN NET POSITION	62,200,246	49,843,123	33,290,028	(16,553,095)	-33.2%
CHANGE IN NET POSITION					
Net Position at the beginning of period	78,197,442	85,365,490	135,208,613		
Inc/(Dec) in Net Position	62,200,246	49,843,123	33,290,028		
Net Position at the end of period	140,397,688	135,208,613	168,498,641		
Approx. Cash & Cash Equivalents	66,689,412	126,319,777	159,609,805		

Budgeted Cost Detail – Cost of Electricity



FY 2019-2020 Budget & Projections	FY 2019	FY 2019	FY 2020	FY 2020	FY 2020
	Approved Budget	Forecasted FY2019	Proposed Budget FY2020	Inc/(Dec) FY2020 Budget vs. Forecast FY2019	Percent Change
OPERATING EXPENSES					
Cost of electricity	176,147,894	194,615,302	216,552,845	21,937,544	11.3%
CAISO - Hedge Credit	6,710,845	(10,265,728)	(90,683,014)	(80,417,286)	783.4%
Capacity - Resource Adequacy	14,960,827	18,035,352	21,045,015	3,009,663	16.7%
CAISO - PPA Credit		(4,159,131)	(16,133,139)	(11,974,008)	287.9%
Energy purchases	141,359,972	166,762,526	273,745,394	106,982,868	64.2%
RECs and GHG purchases	11,958,913	24,772,603	26,791,131	2,018,528	8.1%
Wholesale Sales Energy		(2,389,592)	-	2,389,592	-100.0%
Forecasting and scheduling	1,157,337	1,277,937	1,313,079	35,142	2.7%
NEM Expense		581,334	474,380	(106,955)	-18.4%

Significant Assumptions

- Overall 11.3% increase in Cost of Electricity
 - RECs and GHG costs budgeted to increase 8.1%
- Revised account tracking versus prior year's budget to align better with CAISO billing and enable better analysis and tracking

Budgeted Cost Detail – Staff Compensation/Benefits



FY 2019-2020 Budget & Projections	FY 2019	FY 2019	FY 2020	FY 2020	FY 2020
	Approved Budget	Forecasted FY2019	Proposed Budget FY2020	Inc/(Dec) FY2020 Budget vs. Forecast FY2019	Percent Change
OPERATING EXPENSES					
Personnel	4,492,745	3,085,587	4,589,149	1,503,562	48.7%
Employee welfare	310,500	161,899	223,550	61,651	38.1%
Payroll tax expense	158,063	163,368	260,809	97,440	59.6%
Retirement plan contributions	328,057	237,629	353,954	116,326	49.0%
Salaries and wages	3,349,205	2,497,551	3,725,836	1,228,285	49.2%
Workers comp insurance	12,000	17,141	25,000	7,859	45.9%
Other	334,920	8,000	-	(8,000)	-100.0%

Significant Assumptions

- Increase of 9 additional headcount added in FY2019-2020 from current 18 (plus 1 contractor)
- Increase of 3 additional headcount added in FY2020-2021

Budgeted Cost Detail – Community Energy Programs



FY 2019-2020 Budget & Projections	FY 2019	FY 2019	FY 2020	FY 2020	FY 2020
	Approved Budget	Forecasted FY2019	Proposed Budget FY2020	Inc/(Dec) FY2020 Budget vs. Forecast FY2019	Percent Change
OPERATING EXPENSES					
Community Energy Programs	4,000,000	911,100	5,094,473	4,183,373	459.2%
Energy Programs - Consultants	800,000	610,211	1,569,447	959,236	157.2%
Energy Programs - G&A		11,940	-	(11,940)	-100.0%
Energy Programs - Marketing		22,915	-	(22,915)	-100.0%
Energy Programs - Incentives	3,200,000	266,033	3,525,026	3,258,992	1225.0%

Significant Assumptions

- EV Infrastructure (mostly rebates) - \$3.1 million
- Curbside/MUD EV Pilots - \$0.2 million
- Ride and Drive EV Marketing - \$0.25 million
- Reach Codes - \$0.3 million
- Community Pilots - \$0.5 million
- SamTrans Electrification - \$0.5 million

Budgeted Cost Detail – Data Manager/Service Fees



FY 2019-2020 Budget & Projections	FY 2019	FY 2019	FY 2020	FY 2020	FY 2020
	Approved Budget	Forecasted FY2019	Proposed Budget FY2020	Inc/(Dec) FY2020 Budget vs. Forecast FY2019	Percent Change
OPERATING EXPENSES					
Data Manager	3,758,400	3,766,150	3,822,123	55,973	1.5%
Service Fees - PG&E	1,260,000	1,237,921	1,256,056	18,135	1.5%

Significant Assumptions

➤ Data Manager Fees

- Calpine servicing for billing and coordination with PG&E
- Monthly fee per account

➤ PG&E Service Fees

- Service fees to bill customers and collect amounts
- Monthly fee per account

Budgeted Cost Detail – Professional Services



FY 2019-2020 Budget & Projections	FY 2019	FY 2019	FY 2020	FY 2020	FY 2020
	Approved Budget	Forecasted FY2019	Proposed Budget FY2020	Inc/(Dec) FY2020 Budget vs. Forecast FY2019	Percent Change
OPERATING EXPENSES					
Professional Services	632,510	596,564	896,333	299,769	50.2%
Accounting & Auditing	140,110	150,501	165,000	14,499	9.6%
Human Resources Consulting	18,000	68,779	68,000	(779)	-1.1%
IT Consulting	42,000	38,091	48,000	9,909	26.0%
Other Consultants	72,400	113,055	290,000	176,945	156.5%
Power Resources Consulting	360,000	226,138	325,333	99,196	43.9%

Significant Assumptions

- Higher investment in Energy Price forecasting and analytics
- Includes budget for Strategy Consulting
- Slightly higher accounting service fees

Budgeted Cost Detail – Legal



FY 2019-2020 Budget & Projections	FY 2019	FY 2019	FY 2020	FY 2020	FY 2020
	Approved Budget	Forecasted FY2019	Proposed Budget FY2020	Inc/(Dec) FY2020 Budget vs. Forecast FY2019	Percent Change
OPERATING EXPENSES					
Legal	1,146,600	1,366,348	1,471,500	105,152	7.7%
Legal Legislative	21,000	111,496	210,000	98,504	88.3%
Legal Power Resources	540,000	495,431	540,000	44,569	9.0%
Legal Agency	249,600	316,622	240,000	(76,622)	-24.2%
Legal Regulatory	336,000	442,799	481,500	38,701	8.7%

Significant Assumptions

- Change in methodology for allocating County Agency support fees
 - Higher Legislative fees and lower Agency fees
- Full year of Legislative Lobbying support

Budgeted Cost Detail – Communications & Outreach



FY 2019-2020 Budget & Projections	FY 2019	FY 2019	FY 2020	FY 2020	FY 2020
	Approved Budget	Forecasted FY2019	Proposed Budget FY2020	Inc/(Dec) FY2020 Budget vs. Forecast FY2019	Percent Change
OPERATING EXPENSES					
Communications and Outreach	1,010,600	793,905	1,754,800	960,895	121.0%
Advertising	160,000	42,210	73,000	30,790	72.9%
Communications consultants	219,600	144,716	420,000	275,284	190.2%
Sponsorships and memberships	102,000	47,865	100,000	52,136	108.9%
Website	20,000	5,816	14,800	8,984	154.5%
Promotions & Branding	63,000	109,864	50,000	(59,864)	-54.5%
Communications - misc expenses	30,000	15,128	8,000	(7,128)	-47.1%
Grants	196,000	109,500	747,000	637,500	582.2%
Required Printing and Mailing	220,000	318,807	342,000	23,193	7.3%

Significant Assumptions

- Expected increases in Consulting fees (Video, Graphic Design, PR) related to significant expansion in Community Energy Programs
- Expansion of local sponsorships due to increased visibility
- Expansion in local grants
 - Outreach Grants increased from \$10K per grant to \$40K (total of \$200K)
 - Roll-out of Energy Dashboard to County school districts

Budgeted Cost Detail – General & Administrative



FY 2019-2020 Budget & Projections	FY 2019	FY 2019	FY 2020	FY 2020	FY 2020
	Approved Budget	Forecasted FY2019	Proposed Budget FY2020	Inc/(Dec) FY2020 Budget vs. Forecast FY2019	Percent Change
OPERATING EXPENSES					
General and Administrative	1,262,600	1,069,026	1,277,187	208,160	19.5%
Bank service fee	24,000	60,786	60,000	(786)	-1.3%
Building maintenance	-	1,934	3,000	1,066	55.1%
Business meals	15,000	9,657	12,000	2,343	24.3%
Conferences & Prof development	100,000	20,542	42,000	21,458	104.5%
Equipment lease	24,000	3,519	3,600	81	2.3%
Industry memberships and dues	482,000	342,875	425,000	82,125	24.0%
Insurance	37,800	35,162	84,000	48,838	138.9%
Miscellaneous G&A	12,000	1,207	12,000	10,793	893.8%
Office supplies and postage	24,000	15,119	18,000	2,881	19.1%
Payroll service fees	12,000	18,441	18,000	(441)	-2.4%
Rent	371,000	369,771	381,787	12,015	3.2%
Small equipment & software	24,000	63,842	72,000	8,158	12.8%
Subscriptions	12,000	53,408	60,000	6,592	12.3%
Utilities	54,000	44,714	48,000	3,286	7.3%
Travel	35,400	28,049	37,800	9,751	34.8%

Significant Assumptions

- Increased insurance costs related to new Board-approved program
- Increase in Industry Memberships (including CalCCA)
- Increase in rent costs per contract

Proposed FY2019-2020 Budget and 5-year Plan



FY 2019-2020 Budget & Projections	FY 2019	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
	Approved Budget	Forecasted FY2019	Proposed Budget	Plan	Plan	Plan	Plan
OPERATING REVENUES							
Electricity Sales, net	254,018,832	253,104,909	265,307,889	257,464,364	255,162,073	257,820,157	260,696,108
ECO100 Premium	1,627,364	2,424,570	2,563,006	2,743,245	2,944,820	3,161,761	3,399,370
Total Operating Revenues	255,646,196	255,529,479	267,870,895	260,207,609	258,106,894	260,981,919	264,095,477
OPERATING EXPENSES							
Cost of electricity	176,147,894	194,615,302	216,552,845	225,477,112	225,675,636	223,012,021	218,742,851
Personnel	4,492,745	3,085,587	4,589,149	5,394,219	5,716,372	6,057,855	6,419,826
Data Manager	3,758,400	3,766,150	3,822,123	3,879,455	3,937,647	3,996,712	4,056,662
Service Fees - PG&E	1,260,000	1,237,921	1,256,056	1,274,897	1,294,020	1,313,430	1,333,132
Professional Services	632,510	596,564	896,333	742,900	766,495	791,270	817,283
Legal	1,146,600	1,366,348	1,471,500	1,517,295	1,553,557	1,604,473	1,646,241
Communications and Outreach	1,010,600	793,905	1,754,800	1,915,848	2,079,383	2,214,441	2,411,077
General and Administrative	1,227,200	1,069,026	1,277,187	1,345,410	1,419,816	1,501,456	1,591,622
Community Energy Programs	4,000,000	911,100	5,094,473	7,550,000	10,350,000	10,500,000	10,850,000
Depreciation	42,000	72,910	98,400	103,320	108,486	113,910	119,606
Total Operating Expenses	193,717,950	207,514,812	236,812,867	249,200,457	252,901,412	251,105,567	247,988,300
Operating Income/(Loss)	61,928,246	48,014,667	31,058,028	11,007,152	5,205,482	9,876,352	16,107,177
Total Nonoperating Revenues (Exp.)	272,000	1,828,456	2,232,000	2,352,000	2,478,000	2,610,300	2,749,215
CHANGE IN NET POSITION	62,200,246	49,843,123	33,290,028	13,359,152	7,683,482	12,486,652	18,856,392
CHANGE IN NET POSITION							
Net Position at the beginning of period	78,197,442	85,365,490	135,208,613	168,498,641	181,857,794	189,541,276	202,027,927
Inc/(Dec) in Net Position	62,200,246	49,843,123	33,290,028	13,359,152	7,683,482	12,486,652	18,856,392
Net Position at the end of period	140,397,688	135,208,613	168,498,641	181,857,794	189,541,276	202,027,927	220,884,319
Approx. Cash & Cash Equivalents	66,689,412	126,319,777	159,609,805	172,968,958	180,652,440	193,139,091	211,995,483

5. Committee Members' Reports