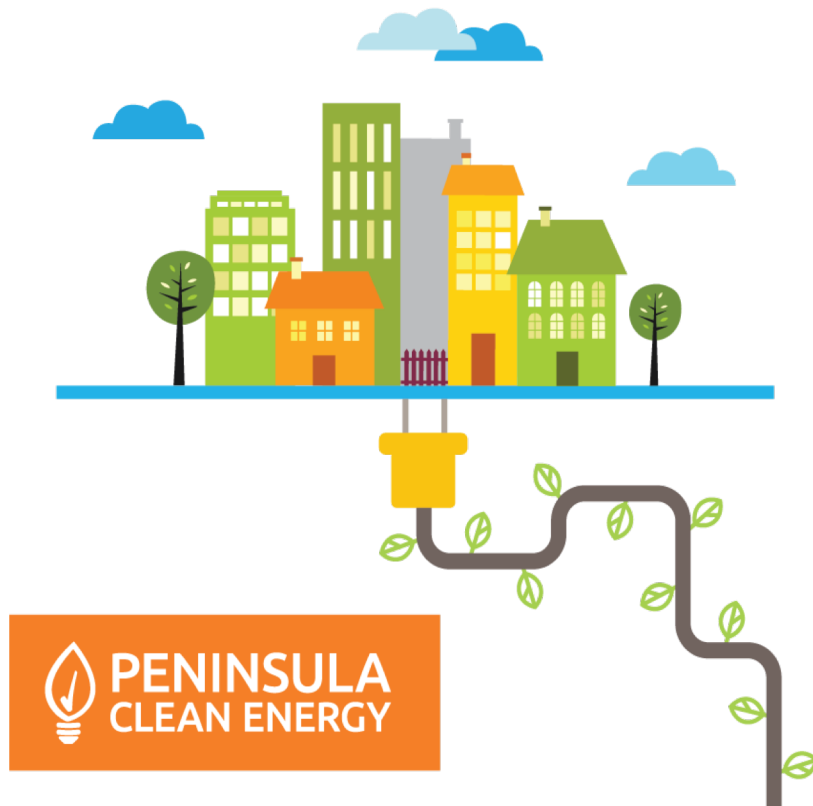


Peninsula Clean Energy Board Meeting June 27, 2019

Finance and Budget Presentation



3. Budget Amendment

The forecast for end of FY2018-2019 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 forecast to exceed budget by ~\$13.7 million
- Cost of Electricity is forecasted to exceed budget by ~\$18.4 million
- All other categories combined - forecasted to be ~\$4.7 million below budget

- **Net Position \$134.8 million -- \$5.6 million less than budgeted level (actual starting position was higher than budgeted starting position)**

- **Recommend: Revised budget for each expense category to allow for overage and small amount for inexact forecast – Total of \$210.0 million (\$2.56 million above most recent forecast)**

FY2018-2019 Forecast

FY 2018-2019 Budget & Projections	FY 2019	FY 2019	FY 2019	Variance
	Approved Budget	YTD Actual through April 2019	Forecasted FY2019 - 10 mos Actual	Fav/(Unf) vs. FY18/19 Budget
OPERATING REVENUES				
Electricity Sales, net	254,018,832	205,770,801	252,607,046	(1,411,786)
ECO100 Premium	1,627,364	2,028,166	2,424,181	796,817
Total Operating Revenues	255,646,196	207,798,967	255,031,227	(614,969)
OPERATING EXPENSES				
Cost of electricity	176,147,894	159,806,966	194,539,220	(18,391,326)
Personnel	4,492,745	2,505,670	3,085,587	1,407,158
Data Manager	3,758,400	3,138,543	3,766,150	(7,750)
Service Fees - PG&E	1,260,000	1,031,672	1,237,921	22,079
Professional Services	1,432,511	482,997	596,564	835,947
Legal	1,146,600	1,126,348	1,366,348	(219,748)
Communications and Outreach	1,010,600	678,605	793,905	216,695
General and Administrative	1,227,200	881,112	1,069,026	158,174
Community Energy Programs	3,200,000	562,766	911,100	2,288,900
Depreciation	42,000	60,510	72,910	(30,910)
Total Operating Expenses	193,717,950	170,275,190	207,438,731	(13,720,781)
Operating Income/(Loss)	61,928,246	37,523,777	47,592,496	(14,335,750)
Total Non-operating Income/(Expense)	272,000	1,520,456	1,828,456	1,556,456
CHANGE IN NET POSITION	62,200,246	39,044,233	49,420,952	(12,779,294)
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	39,044,233	49,420,952	(12,779,294)
Net Position at the end of period	140,397,688	124,409,723	134,786,442	(5,611,246)

Operating Expenses – FY2019 Revised Spending

FY 2018-2019 Budget & Projections	FY 2019 Approved Budget	FY 2019 YTD Actual through April 2019	FY 2019 Forecasted FY2019 - 10 mos Actual	Variance Fav/(Unf) vs. FY18/19 Budget	FY 2019 Revised Spending
OPERATING EXPENSES					
Cost of electricity	176,147,894	159,806,966	194,539,220	(18,391,326)	196,500,000
Personnel	4,492,745	2,505,670	3,085,587	1,407,158	3,200,000
Data Manager	3,758,400	3,138,543	3,766,150	(7,750)	3,900,000
Service Fees - PG&E	1,260,000	1,031,672	1,237,921	22,079	1,270,000
Professional Services	1,432,511	482,997	596,564	835,947	650,000
Legal	1,146,600	1,126,348	1,366,348	(219,748)	1,450,000
Communications and Outreach	1,010,600	678,605	793,905	216,695	850,000
General and Administrative	1,227,200	881,112	1,069,026	158,174	1,100,000
Community Energy Programs	3,200,000	562,766	911,100	2,288,900	1,000,000
Depreciation	42,000	60,510	72,910	(30,910)	80,000
Total Operating Expenses	193,717,950	170,275,190	207,438,731	(13,720,781)	210,000,000

- **Recommend: Revised budget for each expense category to allow for overage and small amount for inexact forecast – Total of \$210.0 million (\$2.56 million above current forecast)**

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
- Assumption re: generation rates – No change in rates next 5 years
- Assumptions regarding increases in PCIA
 - One-half cent effective January 2020 (~\$18 million/year impact in 3-5 year timeframe), and
 - One-quarter cent effective January 2021 (~\$9 million/year impact in 3-5 year timeframe)

- 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
- Cash
 - Budget shows ending FY2019-2020 at 225 days of Unrestricted Cash

Proposed FY2019-2020 Budget



FY 2019-2020 Budget & Projections	FY 2019 Approved Budget	FY 2019 Forecasted FY2019 - 10 mos Actual	FY 2020 Proposed Budget FY2020	FY 2020 Inc/(Dec) FY2020 Budget vs. Forecast FY2019	FY 2020 Percent Change: FY2020 Draft Budget vs. Forecast FY2019
OPERATING REVENUES					
Electricity Sales, net	254,018,832	252,607,046	265,221,745	12,614,699	5.0%
ECO100 Premium	1,627,364	2,424,181	2,560,486	136,305	5.6%
Total Operating Revenues	255,646,196	255,031,227	267,782,231	12,751,004	5.0%
Total Operating Expenses	193,717,950	207,438,731	236,809,086	29,370,355	14.2%
Operating Income/(Loss)	61,928,246	47,592,496	30,973,145	(16,619,351)	-34.9%
Total Non-operating Revenues/(Expenses)	272,000	1,828,456	2,232,000	403,544	22.1%
CHANGE IN NET POSITION	62,200,246	49,420,952	33,205,145	(16,215,807)	-32.8%
CHANGE IN NET POSITION					
Net Position at the beginning of period	78,197,442	85,365,490	134,786,442		
Inc/(Dec) in Net Position	62,200,246	49,420,952	33,205,145		
Net Position at the end of period	140,397,688	134,786,442	167,991,587		
Approx. Cash & Cash Equivalents	66,689,412	125,897,606	159,102,751		

Significant Revenue Assumptions

- Overall 5.0% increase in total revenues
- Volume Pricing Agreements – assume 50% of Top 20 customers signed by July 2020
- 5.6% overall increase in ECO100 volume

Proposed FY2019-2020 Budget – Cash and Net Position



FY 2019-2020 Budget & Projections	FY 2019	FY 2019	FY 2020
	Approved Budget	Forecasted FY2019	Proposed Budget FY2020
CHANGE IN NET POSITION			
Net Position at the beginning of period	78,197,442	85,365,490	134,786,442
Inc/(Dec) in Net Position	62,200,246	49,420,952	33,205,145
Net Position at the end of period	140,397,688	134,786,442	167,991,587
Approx. Cash & Cash Equivalents	66,689,412	125,897,606	159,102,751
Target Operating Reserves (Days cash on hand)	120	120	120
Actual Days Cash on Hand	126	222	245
Cash in Excess of Operating Reserve	\$ 3,001,319	\$ 57,698,571	\$ 81,247,709
Actual Days Cash on Hand (Unrestricted)		198	225

Significant Cash Observations

- Expect to end FY2018-2019 year with \$125.9 million, or 222 days of Cash; 198 days of Unrestricted Cash
- Budget to end FY2019-2020 year with \$159.1 million, or 245 days of Cash; 225 days of Unrestricted Cash
- Will investigate pros/cons of changing policy to higher reserve than the current 120 days level

Proposed FY2019-2020 Budget



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	252,607,046	265,221,745	12,614,699	5.0%
ECO100 Premium	1,627,364	2,424,181	2,560,486	136,305	5.6%
Total Operating Revenues	255,646,196	255,031,227	267,782,231	12,751,004	5.0%
OPERATING EXPENSES					
Cost of electricity	176,147,894	194,539,220	216,549,065	22,009,844	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	207,438,731	236,809,086	29,370,355	14.2%
Operating Income/(Loss)	61,928,246	47,592,496	30,973,145	(16,619,351)	-34.9%
NON-OPERATING REVENUES (EXP.)					
Interest Income	440,000	1,998,323	2,400,000	401,677	10,000
Interest and related expense	(168,000)	(169,867)	(168,000)	1,867	-
Total Non-operating Revenues/(Expenses)	272,000	1,828,456	2,232,000	403,544	22.1%
CHANGE IN NET POSITION	62,200,246	49,420,952	33,205,145	(16,215,807)	-32.8%
CHANGE IN NET POSITION					
Net Position at the beginning of period	78,197,442	85,365,490	134,786,442		
Inc/(Dec) in Net Position	62,200,246	49,420,952	33,205,145		
Net Position at the end of period	140,397,688	134,786,442	167,991,587		
Approx. Cash & Cash Equivalents	66,689,412	125,897,606	159,102,751		

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	194,539,220	216,549,065	22,009,844	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	24,698,608	26,787,350	2,088,742	8.5%
Wholesale Sales Energy		(2,389,592)	-	2,389,592	-100.0%
Forecasting and scheduling	1,157,337	1,275,850	1,313,079	37,229	2.9%
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 8.5%
- 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 Approved Budget	FY 2019 Forecasted FY2019	FY 2020 Proposed Budget FY2020	FY 2020 Inc/(Dec) FY2020 Budget vs. Forecast FY2019	FY 2020 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 - 10 mos Actual	Proposed Budget	Plan	Plan	Plan	Plan
OPERATING REVENUES							
Electricity Sales, net	254,018,832	252,607,046	265,221,745	257,377,055	255,073,508	257,730,313	260,604,973
ECO100 Premium	1,627,364	2,424,181	2,560,486	2,740,547	2,941,925	3,158,652	3,396,027
Total Operating Revenues	255,646,196	255,031,227	267,782,231	260,117,602	258,015,432	260,888,965	264,001,000
OPERATING EXPENSES							
Cost of electricity	176,147,894	194,539,220	216,549,065	225,473,066	225,671,292	231,985,731	228,523,942
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	207,438,731	236,809,086	249,196,410	252,897,068	260,079,277	257,769,391
Operating Income/(Loss)	61,928,246	47,592,496	30,973,145	10,921,192	5,118,364	809,688	6,231,609
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	49,420,952	33,205,145	13,273,192	7,596,364	3,419,988	8,980,824
CHANGE IN NET POSITION							
Net Position at the beginning of period	78,197,442	85,365,490	134,786,442	167,991,587	181,264,779	188,861,143	192,281,131
Inc/(Dec) in Net Position	62,200,246	49,420,952	33,205,145	13,273,192	7,596,364	3,419,988	8,980,824
Net Position at the end of period	140,397,688	134,786,442	167,991,587	181,264,779	188,861,143	192,281,131	201,261,955
Approx. Cash & Cash Equivalents	66,689,412	125,897,606	159,102,751	172,375,943	179,972,307	183,392,295	192,373,119

Days Cash on Hand	126	222	245	252	260	257	272
Days Cash on Hand (Unrestricted Cash)	121	198	225	233	241	239	254