

A large, stylized lightbulb graphic on the left side of the slide. The bulb is light green with a blue checkmark inside. The base of the bulb is also light green.

Executive Committee

Finance Update
September 10, 2019

Financial Update and Review

**Review Financial Reports
And
Investment Summary**

**Fourth Quarter and Year-end (Draft)
FY2018-2019**

Change in Net Position – Full Year FY2018-19

Draft

Change in Net Position - As of

June, 2019

\$ in millions

Accounts	Year-to-date vs Budget		
	Actual	Budget	Var Fav/(Unf)
Revenues	\$259.8	\$255.6	\$4.1
Cost of Energy	191.2	176.1	(15.1)
Other Opex	12.9	17.6	4.7
Non-Opex/(Income)	(1.9)	(0.3)	1.6
Net Position	\$57.6	\$62.2	(\$4.6)

Note: This is compared to the original budget

- Change in Net Position \$4.6 million below budget despite ending \$15.1 million over on Energy costs
- Community Energy Programs - \$3.1 million below budget (delays)
- Higher interest/investment income than budgeted
- Ending Net Position \$2.5 million above budget even though current year change was \$4.6 million below budget for the year due to a higher actual starting point than budgeted

Ending Net Position and Cash – Full Year FY2018-19

			vs. Original Budget
FY 2018-2019 Budget & Projections	FY 2019	FY 2019	Variance
	Approved Budget	YTD Actual through June 2019	Fav/(Unf) vs. FY18/19 Budget
CHANGE IN NET POSITION			
Net Position at the beginning of period	78,197,442	85,365,490	7,168,048
Inc/(Dec) in Net Position	62,200,246	57,578,734	(4,621,512)
Net Position at the end of period	140,397,688	142,944,224	2,546,536
Approx. Cash & Cash Equivalents	130,397,688	127,235,206	(3,162,482)

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- **Ending Net Position** = \$142.9 million → \$2.5 million above budget
 - Change during year → \$4.6 million less than budget
 - Starting position → \$7.2 million above budget
- **Ending Cash Position** = \$127.2 million → \$3.1 million below budget

Note: This is compared to the original budget

Q4 Financial Summary

	Quarter 4 ending June 2019			Original Budget		
	Quarter			Year-to-date		
	Actual	Budget	Var Fav/(Unf)	Actual	Budget	Var Fav/(Unf)
OPERATING REVENUES						
Electricity Sales, net	68,668,498	64,921,862	3,746,635	257,336,289	254,018,832	3,317,457
Green electricity premium	617,588	429,585	188,003	2,445,533	1,627,364	818,169
Total Operating Revenues	69,286,086	65,351,448	3,934,639	259,781,822	255,646,196	4,135,626
OPERATING EXPENSES						
Cost of energy	46,806,700	42,574,431	(4,232,269)	191,229,850	176,147,894	(15,081,956)
Staff compensation	837,672	1,080,414	242,742	3,075,991	4,492,745	1,416,755
Data Manager	946,945	939,600	(7,345)	3,771,174	3,758,400	(12,774)
Service Fees - PG&E	311,642	315,000	3,358	1,239,762	1,260,000	20,238
Consultants & Professional Services	142,280	153,228	10,947	587,932	632,511	44,578
Legal	322,561	286,650	(35,911)	1,345,338	1,146,600	(198,738)
Communications and noticing	163,879	256,400	92,521	765,151	1,010,600	245,450
General and Administrative	287,404	307,050	19,646	1,067,972	1,227,200	159,228
Community Energy Programs	551,031	1,150,000	598,969	949,482	4,000,000	3,050,518
Depreciation	20,073	10,500	(9,573)	74,362	42,000	(32,362)
Total Operating Expenses	50,390,187	47,073,272	(3,316,915)	204,107,013	193,717,950	(10,389,063)
Operating Income (Loss)	18,895,900	18,278,175	617,724	55,674,809	61,928,246	(6,253,437)
NON-OPERATING REVENUES (EXP.)						
Total Nonoperating Income/(Expense)	573,615	68,000	505,615	1,903,925	272,000	1,631,925
CHANGE IN NET POSITION	19,469,515	18,346,175	1,123,339	57,578,734	62,200,246	(4,621,512)
CHANGE IN NET POSITION						
Net Position at the beginning of period	123,474,709	132,527,795	(9,053,086)	85,365,490	78,453,160	6,912,330
Change in Net Position	19,469,515	18,346,175	1,123,339	57,578,734	62,200,246	(4,621,512)
Net Position at the end of period	142,944,224	150,873,971	(7,929,746)	142,944,224	140,653,405	2,290,819

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Revenue – Quarterly & Full Year FY2018-19

Revenue as of

June, 2019

\$ in millions

Quarter	Revenue Comparison vs Budget		
	Actual	Budget	Var Fav/(Unf)
Q1-FY2018/19	\$71.8	\$75.9	(\$4.0)
Q2-FY2018/19	64.2	60.3	3.9
Q3-FY2018/19	54.5	54.1	0.3
Q4-FY2018/19	69.3	65.4	3.9
Total YTD	\$259.8	\$255.6	\$4.1

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YTD Revenues 1.6% higher than budgeted level

- Q1 lower than budget due to cooler weather than prior year
- Q2 higher than budget mostly as a result of higher than expected commercial demand charges
- Q3 higher than budget due to commercial energy use 4.0% higher than budgeted
- Q4 higher than budget due to unplanned increase in rates effective May 1

Cost of Energy – Quarterly & Full Year FY2018-19

Cost of Energy as of

June, 2019

\$ in millions

Draft

Quarter	COE Comparison vs Budget		
	Actual	Budget	Var Fav/(Unf)
Q1-FY2018/19	\$45.9	\$46.5	\$0.5
Q2-FY2018/19	41.2	42.4	1.2
Q3-FY2018/19	57.3	44.7	(12.6)
Q4-FY2018/19	46.8	42.6	(4.2)
Total YTD	\$191.2	\$176.1	(\$15.1)

Note: This is compared to the original budget

YTD Cost of Energy \$15.1 million (7.9%) higher than budgeted level

- RECs/GHG costs
 - \$4.7 million over budget in Q4
 - \$13.2 million over budget for full year
- Resource Adequacy costs
 - \$1.9 million over budget in Q4
 - \$3.6 million over budget for full year
- Base Energy Costs were lower than budget

Cost of Energy - Detail

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Detailed Cost of Energy Components

	Quarter (Apr-Jun, 2019)			Year-to-date		
	Actual	Budget	Var Fav/(Unf)	Actual	Budget	Var Fav/(Unf)
Cost of energy						
Capacity purchases - RA	\$5,779,700	\$3,892,443	(\$1,887,257)	\$18,586,901	\$14,960,827	(\$3,626,074)
Energy purchases	33,195,220	35,178,767	\$1,983,548	148,423,756	148,070,817	(\$352,939)
RECs and GHG purchases	7,931,223	3,223,761	(\$4,707,462)	25,114,928	11,958,913	(\$13,156,015)
Other	(99,442)	279,460	\$378,902	(895,735)	1,157,337	\$2,053,072
Total Cost of energy	\$46,806,700	\$42,574,431	(\$4,232,269)	\$191,229,850	\$176,147,894	(\$15,081,956)

	Quarter (Jan-Mar, 2019)		
	Actual	Budget	Var Fav/(Unf)
Cost of energy			
Capacity purchases - RA	\$5,114,756	\$3,705,561	(\$1,409,195)
Energy purchases	43,372,103	37,467,548	(\$5,904,555)
RECs and GHG purchases	10,250,128	3,223,761	(\$7,026,367)
Other	(1,470,015)	292,033	\$1,762,048
Total Cost of energy	\$57,266,971	\$44,688,902	(\$12,578,069)

Full year

- \$15.1 million over budget – all in Q3/Q4
- Over budget - all due to RA and RECs

Actions to Mitigate Future Variances

- Resource Adequacy/RECs
 - Substantially increased budget level
- Hedging
 - Prices spiked in Jan-Mar quarter
 - Open position went from near zero to 15-25% in Q1
 - Quarterly hedging activity to ladder hedges to achieve below targets at any point:

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

Ending Cash Position – Quarterly Trend

	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
Investment Account - First Republic					
Asset Summary					
Cash	\$ 20,019,851	\$ 7,254	\$ 1,011,843	\$ 7,079	\$ 4,507,825
Fixed Income	\$ 30,105,348	\$ 70,351,518	\$ 99,774,998	\$ 87,171,037	\$ 90,743,561
Ending Balance	\$ 50,125,199	\$ 70,358,772	\$ 100,786,840	\$ 87,178,116	\$ 95,251,385
Other Accounts - Unrestricted					
Unrestricted - Wilmington LockBox	\$ 5,376,290	\$ 4,978,590	\$ 4,981,788	\$ 4,048,978	\$ 5,632,155
Operating Account - First Republic	\$ 2,413,747	\$ 2,493,707	\$ 1,986,181	\$ 3,819,874	\$ 3,299,345
Savings Account - First Republic	\$ 5,995,341	\$ 10,866,587	\$ 10,897,449	\$ 13,225,605	\$ 9,885,949
Other Accounts	\$ 278,835	\$ 558	\$ 558	\$ 274	\$ 573
Subtotal Unrestricted (non-Investment accounts)	\$ 14,064,213	\$ 18,339,443	\$ 17,865,976	\$ 21,094,731	\$ 18,818,022
Other Accounts - Restricted					
Restricted Cash - Wilmington LockBox	\$ 2,500,000	\$ 2,500,000	\$ 2,500,000	\$ 2,000,000	\$ 1,500,000
Restricted Cash - First Republic	\$ -	\$ -	\$ -	\$ 11,665,799	\$ 11,665,799
Subtotal Restricted (non-Investment accounts)	\$ 2,500,000	\$ 2,500,000	\$ 2,500,000	\$ 13,665,799	\$ 13,165,799
Total Cash	\$ 66,689,412	\$ 91,198,214	\$ 121,152,816	\$ 121,938,646	\$ 127,235,206

➤ Unrestricted cash at end of June 2019: \$114.1 million

Investment Account – First Republic



Brokerage Account Statement

June 1, 2019 - June 30, 2019

PENINSULA CLEAN ENERGY AUTHORITY
2075 WOODSIDE RD
REDWOOD CITY CA 94061-3338

Portfolio at a Glance

	This Period
BEGINNING ACCOUNT VALUE	\$87,598,171.90
Deposits (Cash & Securities)	7,500,000.00
Dividends, Interest and Other Income	109,609.96
Net Change in Portfolio¹	43,603.52
ENDING ACCOUNT VALUE	\$95,251,385.38
Accrued Interest	\$85,474.07
Account Value with Accrued Interest	\$95,336,859.45
Estimated Annual Income	\$445,130.92

¹ Net Change in Portfolio is the difference between the ending account value and beginning account value after activity.

Asset Summary



Percent	Asset Type	Last Period	This Period
5%	Cash, Money Funds, and Bank Deposits	17,059,770.99	4,507,824.78
95%	Fixed Income	70,538,400.91	90,743,560.60
100%	Account Total (Pie Chart)	\$87,598,171.90	\$95,251,385.38

Please review your allocation periodically with your Investment Specialist.

			vs. Original Budget
FY 2018-2019 Budget & Projections	FY 2019	FY 2019	Variance
	Approved Budget	YTD Actual through June 2019	Fav/(Unf) vs. FY18/19 Budget
OPERATING REVENUES			
Electricity Sales, net	254,018,832	257,336,289	3,317,457
ECO100 Premium	1,627,364	2,445,533	818,169
Total Operating Revenues	255,646,196	259,781,822	4,135,626
OPERATING EXPENSES			
Cost of electricity	176,147,894	191,229,850	(15,081,956)
Personnel	4,492,745	3,075,991	1,416,754
Data Manager	3,758,400	3,771,174	(12,774)
Service Fees - PG&E	1,260,000	1,239,762	20,238
Professional Services	1,432,511	587,932	844,579
Legal	1,146,600	1,345,338	(198,738)
Communications and Outreach	1,010,600	765,151	245,450
General and Administrative	1,227,200	1,067,972	159,228
Community Energy Programs	3,200,000	949,482	2,250,518
Depreciation	42,000	74,362	(32,362)
Total Operating Expenses	193,717,950	204,107,013	(10,389,063)
Operating Income/(Loss)	61,928,246	55,674,809	(6,253,437)
Total Non-operating Income/(Expense)	272,000	1,903,925	1,631,925
CHANGE IN NET POSITION	62,200,246	57,578,734	(4,621,512)

Full-year Income Statement
VS.
Original Budget

Draft

			vs. Revised Budget
FY 2018-2019 Budget & Projections	FY 2019	FY 2019	Variance
	Revised Spending Approved 06/27/19	YTD Actual through June 2019	YTD Actual vs. Revised FY18/19 Budget Fav/(Unf)
OPERATING REVENUES			
Electricity Sales, net	254,018,832	257,336,289	3,317,457
ECO100 Premium	1,627,364	2,445,533	818,169
Total Operating Revenues	255,646,196	259,781,822	4,135,626
OPERATING EXPENSES			
Cost of electricity	196,500,000	191,229,850	5,270,150
Personnel	3,200,000	3,075,991	124,009
Data Manager	3,900,000	3,771,174	128,826
Service Fees - PG&E	1,270,000	1,239,762	30,238
Professional Services	650,000	587,932	62,068
Legal	1,450,000	1,345,338	104,662
Communications and Outreach	850,000	765,151	84,850
General and Administrative	1,100,000	1,067,972	32,028
Community Energy Programs	1,000,000	949,482	50,518
Depreciation	80,000	74,362	5,638
Total Operating Expenses	210,000,000	204,107,013	5,892,987
Operating Income/(Loss)	45,646,196	55,674,809	10,028,613
Total Non-operating Income/(Expense)	272,000	1,903,925	1,631,925
CHANGE IN NET POSITION	45,918,196	57,578,734	11,660,538

Full-year Income Statement
 VS.
Revised Expense Budget
 (Approved 06/27/19)

Conclusion:
 Spending ended below the revised expense budget in every category

Draft

FY 2018-2019 Budget & Projections	FY 2019	Forecast at 6/27 Mtg	vs. Fcst @ 6/27 Mtg
		FY19	Variance
	YTD Actual through June 2019	Full Year Forecast presented at 6/27/19 Mtg	6/27 Forecast vs. FY18/19 Actual Fav/(Unf)
OPERATING REVENUES			
Electricity Sales, net	257,336,289	252,607,046	4,729,243
ECO100 Premium	2,445,533	2,424,181	21,352
Total Operating Revenues	259,781,822	255,031,227	4,750,595
OPERATING EXPENSES			
Cost of electricity	191,229,850	194,539,220	3,309,370
Personnel	3,075,991	3,085,587	9,596
Data Manager	3,771,174	3,766,150	(5,024)
Service Fees - PG&E	1,239,762	1,237,921	(1,842)
Professional Services	587,932	596,564	8,632
Legal	1,345,338	1,366,348	21,010
Communications and Outreach	765,151	793,905	28,755
General and Administrative	1,067,972	1,069,026	1,054
Community Energy Programs	949,482	911,100	(38,382)
Depreciation	74,362	72,910	(1,453)
Total Operating Expenses	204,107,013	207,438,731	3,331,718
Operating Income/(Loss)	55,674,809	47,592,496	8,082,313
Total Non-operating Income/(Expense)	1,903,925	1,828,456	75,469
CHANGE IN NET POSITION	57,578,734	49,420,952	8,157,782

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Full-year Income Statement
VS.
Full-year Forecast
(Presented 06/27/19)

Conclusion:
Actual results were better than forecast. Forecast was overly conservative.

1. Revenue was higher than forecasted as a result of a rate increase implemented on May 1
2. May/June energy market costs were substantially lower than prior months
3. Q4 Energy costs were higher than budget but lower than forecast

Audit Update and Schedule

➤ Current Status

- Working closely with Maher/Picenti & Brinker
- Providing significant schedules and documentation to auditors

➤ Presentation to Audit Committee

- Scheduled presentation by P&B to Audit & Finance Committee
- November 13, 10:00 am

➤ Targeting approval by Full Board

- November 21 meeting
- Need to provide notice to 1 PPA about exceeding 120-day timeline

Scenario Context - Rates

➤ Current Budget/Plan

- Gen Rates = unchanged each year over 5 years
- PCIA
 - +0.5 cents on 1/1/20 (increase of 19.6%)
 - +0.025 cents on 1/1/21 (increase of 8.2%)
 - unchanged thereafter

➤ Historical

- Gen Rates
 - Increase of 3.7% on 7/1/19
 - Average increase of 6%/year over past 3 years
- PCIA = +0.2 cents on 7/1/19 (increase of 8.2%)

Scenario Context – Energy Costs

➤ Current Budget/Plan

- Base Energy = Growth of ~2.5%
- PCC1/Resource Adequacy
 - PCC1 – 25% increase over prior year budget
 - RA – significant increase over prior year budget

➤ Historical

- Base Energy = Unchanged on average past 12 months
- PCC1/Resource Adequacy
 - PCC1 – 5% increase in past 12 months
 - RA – 15% increase in past 12 months

Scenario Context – Load

- Current Budget/Plan

- Base Load = Based on ABB Forecast (1.4%)

- Commercial Customers

- 4 of Top 20 Customers sign VPA by EOY

- Historical

- Base Load = Increase 0.3%

Summary of Scenarios

	<u>Last 12 months</u>	<u>Last 3 years Avg</u>	<u>FY19-20 Budget</u>	<u>Case (5 years)</u>			<u>Notes</u>
				<u>Best</u>	<u>Likely</u>	<u>Worst</u>	
PCIA	8.2%	15.0%	19.6%	-4% year 1; unchanged each year after	15% year 1; 10% each year after	35% year 1; 20% each year after	Annual "max" 0.5 cents, or ~ 20%
PG&E Generation Rates	3.7%	5.9%	0.0%	+4%/year	+2%/year	unchanged	Annual changes are compounded
Base Energy	0.0%	2.0%	2.5%	-5%/year	+2.5%/year	+5%/year	Annual changes are compounded
PCC1	5.0%		25% over PY budget	-5%/year	unchanged	+5%/year	Annual changes are compounded
Resource Adequacy	15.0%			-5%/year	unchanged	+5%/year	Annual changes are compounded
Base Load	0.3%		1.4%	+1%/year	unchanged	-2%/year	Annual changes are compounded
Commerical Customers (VPA/DA)			4 of top 20 sign VPA's by EOY	12 of top 20 sign VPA in 3 years; no DA loss	8 of top 20 sign VPA in 3 years; 3 lost to DA	2 of top 20 sign VPA in 3 years; 6 lost to DA	