

A large, stylized lightbulb graphic is positioned on the left side of the slide. The bulb is light green, and the base is composed of several horizontal green bars. A blue checkmark is visible inside the bulb.

# Audit & Finance Committee Meeting

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*December 9, 2019*

# Staff Report

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- Sapna Dixit joined as Strategic Accounts Manager
  - 7 years at PG&E – most recently supporting economic development and advanced energy projects with PG&E’s large commercial customers
  - Will focus on relationships with PCE’s large commercial customers
- Areas to cover in this meeting
  - Financial Summary – examples
  - Reserve Policy and implications
  - Rubric for Investment Manager RFP
  - Explanation of Revenues by month – explain why 1<sup>st</sup> quarter is higher

# Sample Investment Reports

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Peninsula Clean Energy  
Performance at a Glance  
Results for the Period Ended  
September, 2019  
(\$000s)

Net Position Balance Trend

<u>Fiscal Year</u>	<u>Actual/Budget</u>	<u>Amount</u>
June 30, 2016	Audited	(\$1,044)
June 30, 2017	Audited	\$21,711
June 30, 2018	Audited	\$85,365
June 30, 2019	Audited	\$140,139
September 30, 2019	Unaudited YTD Actual	\$167,937
June 30, 2020	Budget	\$167,992

Change in Net Position Trend

<u>Fiscal Year</u>	<u>Actual/Budget</u>	<u>Amount</u>
FY2015-2016	Audited	(\$1,044)
FY2016-2017	Audited	\$22,755
FY2017-2018	Audited	\$63,655
FY2018-2019	Audited	\$54,774
September 30, 2019	Unaudited YTD Actual	\$27,798
FY2019-2020	Budget	\$33,205

Revenue Trend

<u>Fiscal Year</u>	<u>Actual/Budget</u>	<u>Amount</u>
FY2015-2016	Audited	\$0
FY2016-2017	Audited	\$93,129
FY2017-2018	Audited	\$244,738
FY2018-2019	Audited	\$259,782
September 30, 2019	Unaudited YTD Actual	\$85,338
FY2019-2020	Budget	\$267,782

Cash/Investments Balance Trend

<u>Fiscal Year</u>	<u>Actual/Budget</u>	<u>Amount</u>
June 30, 2016	Audited	\$3,833
June 30, 2017	Audited	\$18,882
June 30, 2018	Audited	\$66,889
June 30, 2019	Audited	\$127,235
September 30, 2019	Unaudited YTD Actual	\$155,490
June 30, 2020	Budget	\$159,103

Cash in Excess of Reserve Policy

<u>Fiscal Year</u>	<u>Actual/Budget</u>	<u>Amount</u>
June 30, 2016	Audited	n/a
June 30, 2017	Audited	n/a
June 30, 2018	Audited	n/a
June 30, 2019	Audited	\$58,265
September 30, 2019	Unaudited YTD Actual	\$77,969
June 30, 2020	Budget	\$80,166

Operating Expenses Trend

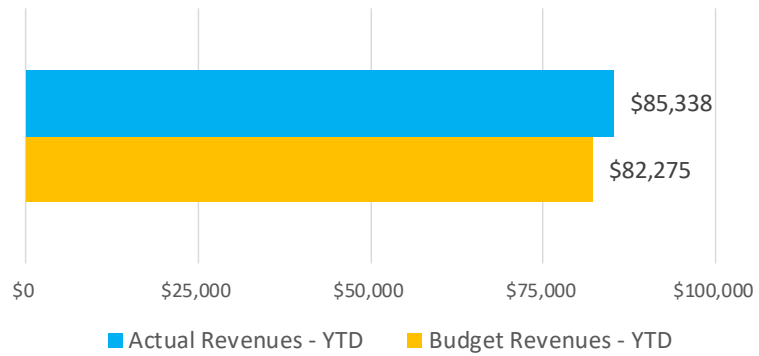
<u>Fiscal Year</u>	<u>Actual/Budget</u>	<u>Amount</u>
FY2015-2016	Audited	\$1,041
FY2016-2017	Audited	\$70,104
FY2017-2018	Audited	\$180,970
FY2018-2019	Audited	\$206,912
September 30, 2019	Unaudited YTD Actual	\$58,141
FY2019-2020	Budget	\$236,809

Would publish this  
in portrait version

Peninsula Clean Energy  
 Performance at a Glance  
 Results for the Period Ended  
 September, 2019  
 (\$000s)

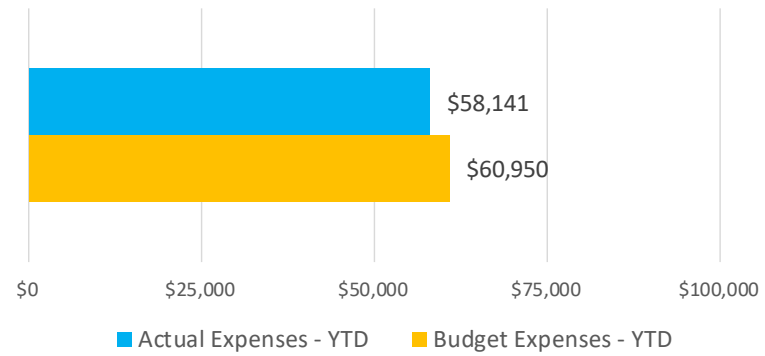
YTD Revenues

YTD Revenues - Actual vs. Budget



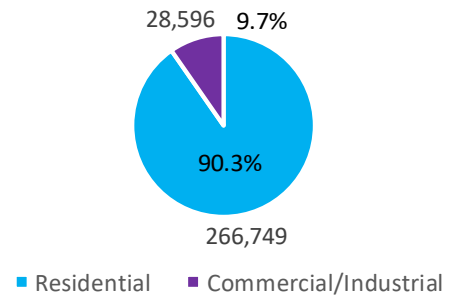
YTD Expenses

YTD Expenses - Actual vs. Budget



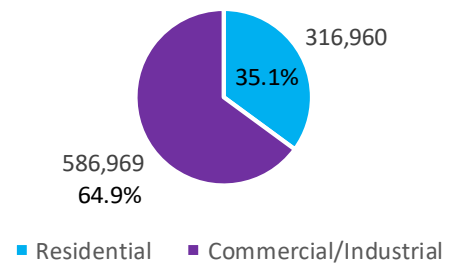
Customer Accounts

Customer Accounts



Energy Used

YTD Energy Used (MWh)



Peninsula Clean Energy  
Performance at a Glance  
Results for the Period Ended  
September, 2019  
(\$000s)

	Year-to-date				Full Year (FY 2019-2020)		Year-to-date
	Actual	Budget	Var Fav/(Unf)	Variance %	Budget	Actual as % of Full Year Budget	Prior Year Actual
<b>OPERATING REVENUES</b>							
Electricity Sales, net	\$ 84,646	\$ 81,647	\$ 2,999	3.7%	\$ 265,222	31.9%	\$ 71,251
Green electricity premium	693	628	65	10.3%	2,560	27.0%	590
<b>Total Operating Revenues</b>	<b>\$85,338</b>	<b>\$82,275</b>	<b>\$3,063</b>	<b>3.7%</b>	<b>\$267,782</b>	<b>31.9%</b>	<b>\$71,841</b>
<b>OPERATING EXPENSES</b>							
Cost of energy	54,749	56,587	1,838	3.2%	216,549	25.3%	45,943
Staff compensation	904	1,034	129	12.5%	4,589	19.7%	655
Data Manager	950	956	5	0.6%	3,822	24.9%	945
Service Fees - PG&E	313	314	1	0.2%	1,256	24.9%	310
Consultants & Professional Services	69	297	228	76.8%	896	7.7%	205
Legal	268	368	100	27.1%	1,472	18.2%	243
Communications and Noticing	230	439	208	47.5%	1,755	13.1%	134
General and Administrative	326	319	(7)	-2.3%	1,277	25.5%	261
Community Energy Programs	308	613	305	49.7%	5,094	6.0%	57
Depreciation	22	25	2	9.8%	98	22.5%	18
<b>Total Operating Expenses</b>	<b>58,141</b>	<b>60,950</b>	<b>2,809</b>	<b>4.6%</b>	<b>236,809</b>	<b>24.6%</b>	<b>48,770</b>
<b>Operating Income (Loss)</b>	<b>\$27,197</b>	<b>\$21,325</b>	<b>\$5,872</b>	<b>27.5%</b>	<b>\$30,973</b>	<b>87.8%</b>	<b>\$23,071</b>
<b>Total Nonoperating Income/(Expense)</b>	<b>601</b>	<b>558</b>	<b>43</b>	<b>7.7%</b>	<b>2,232</b>	<b>26.9%</b>	<b>207</b>
<b>CHANGE IN NET POSITION</b>	<b>\$27,798</b>	<b>\$21,883</b>	<b>\$5,915</b>		<b>\$33,205</b>	<b>83.7%</b>	<b>\$23,278</b>

# Current Reserve Policy

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PCE will maintain reserves at the following funding levels:

Operating / Working Capital Reserve equal to 120 days of operating expenses, including power supply expenses:

- The Operating / Working Capital Reserve includes the Rate Stabilization/ Contingency Reserve equal to 15% of projected revenues to mitigate volatility in the power markets and the Power Charge Indifference Adjustment (PCIA).
- If the Rate Stabilization Reserve calculation exceeds 120 days of operating expenses, the Operating Reserve will be increased accordingly.

***Issues with current policy:***

- 1. Enough to sustain significant volatility in rates and energy costs?***
- 2. Unclear how the Operating Reserve would be adjusted, but moot at this point because Rate Stabilization Reserve of 15% does not exceed 120 days***
- 3. Not limited to unrestricted cash***

# Cash Reserve Options (\$000s)

	As of Sep-19	Forecasted Jun-19	Projected Jun-24
Total Cash Balance	\$ 155,490	\$ 167,017	\$ 192,373
Restricted by Term/Covenant	13,038	13,038	13,038
Restricted by Program	10,000	10,000	10,000
Unrestricted Cash	\$ 132,452	\$ 143,979	\$ 169,335
Days Cash on Hand	205	222	236
<b><u>Current Policy</u></b>			
120 Days Reserve	77,521	78,000	85,923
15% of Projected Revenues	51,203	40,649	39,600
Adjusted Reserve based on 15% Test	77,521	78,000	85,923
Cash in excess of 120 Days Reserve	54,931	65,979	83,412
<b><u>Options</u></b>			
Cash in excess of 150 Days Reserve	35,550	46,479	61,931
Cash in excess of 180 Days Reserve	16,170	26,979	40,450
Cash in excess of 210 Days Reserve	(3,210)	7,479	18,969

Current reserve policy 15% test



# Proposed Reserve Policy

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PCE will strive to maintain the following two reserves:

- A. Operating / Working Capital Reserve equal to a minimum of **135 days of unrestricted cash on hand** of all operating expenses, including cost of electricity expenses, in order to:
- Provide a source of funds to mitigate significant negative impact of power market volatility
  - Provide a source of funds for unanticipated/unbudgeted expenditures that are approved by the Board

*and*

- B. Rate Stabilization Reserve equal to a minimum of **45 days of unrestricted cash on hand** of all operating expenses, including cost of electricity expenses, in order to:
- Provide a source of funds to provide rate stability to PCE customers in the event of the Board's determination that there is a need to pass along unanticipated significant increases in electricity rates and the Board desires to mitigate those increases

*Note: Unrestricted cash on hand is cash that is either (1) not restricted by contract term or loan covenant, or (2) not committed by a Board action*

# Cash Reserves (\$000s) – Proposed

	As of Sep-19	Forecasted Jun-19	Projected Jun-24
Total Cash Balance	\$ 155,490	\$ 167,017	\$ 192,373
Restricted by Term/Covenant	13,038	13,038	13,038
Restricted by Board - Program Commitment	10,000	10,000	10,000
Unrestricted Cash	\$ 132,452	\$ 143,979	\$ 169,335
Days Cash on Hand	205	222	236
<b><u>Current Policy</u></b>			
120 Day Reserve	77,521	78,000	85,923
<b><u>Proposed Policy (180 Days total)</u></b>			
135 Days Operating Reserve	87,212	87,750	96,664
45 Days Rate Stabilization Reserve	29,071	29,250	32,221
180 Days Operating Reserve Total	\$ 116,282	\$ 117,000	\$ 128,885
<b><u>Result</u></b>			
Cash in excess of 180 Day Reserve	16,170	26,979	40,450

# Investment Manager RFP – Sample Rubric

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## Evaluation Criteria

Demonstrated ability to provide all services as outlined in the Scope of Services

Knowledge and experience of the staff, related experience with similar entities like PCE, company background

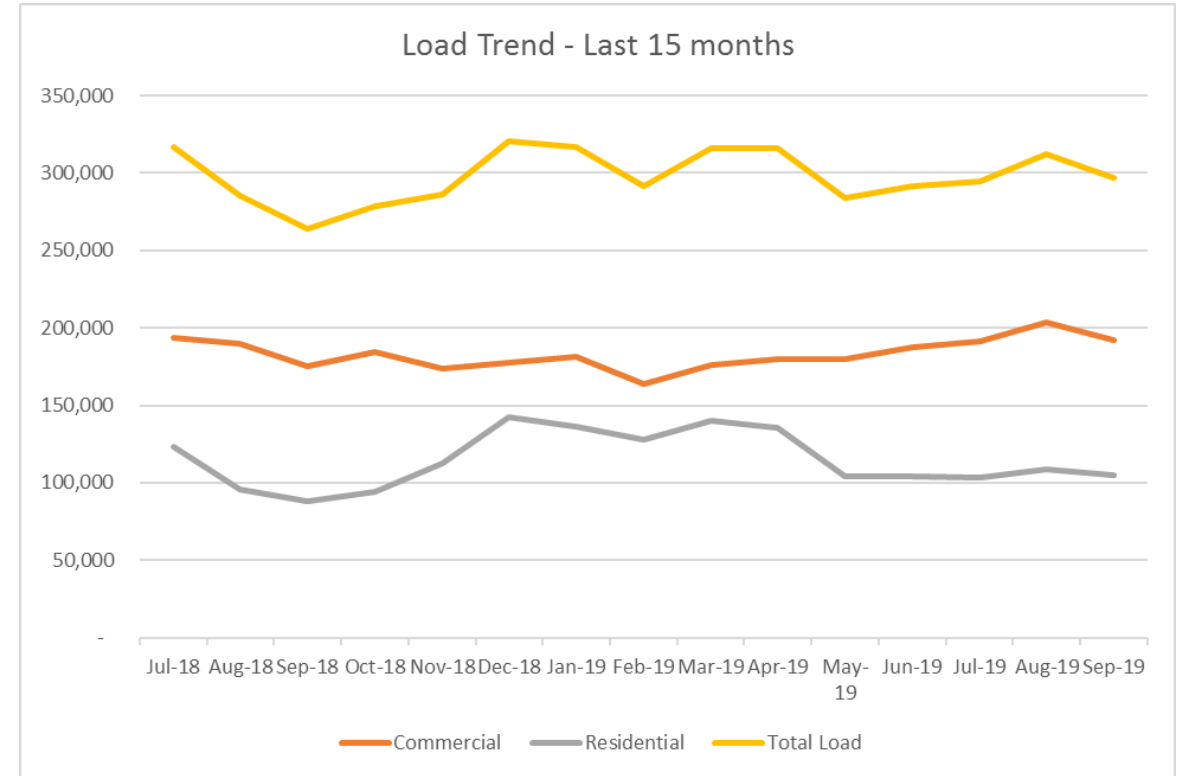
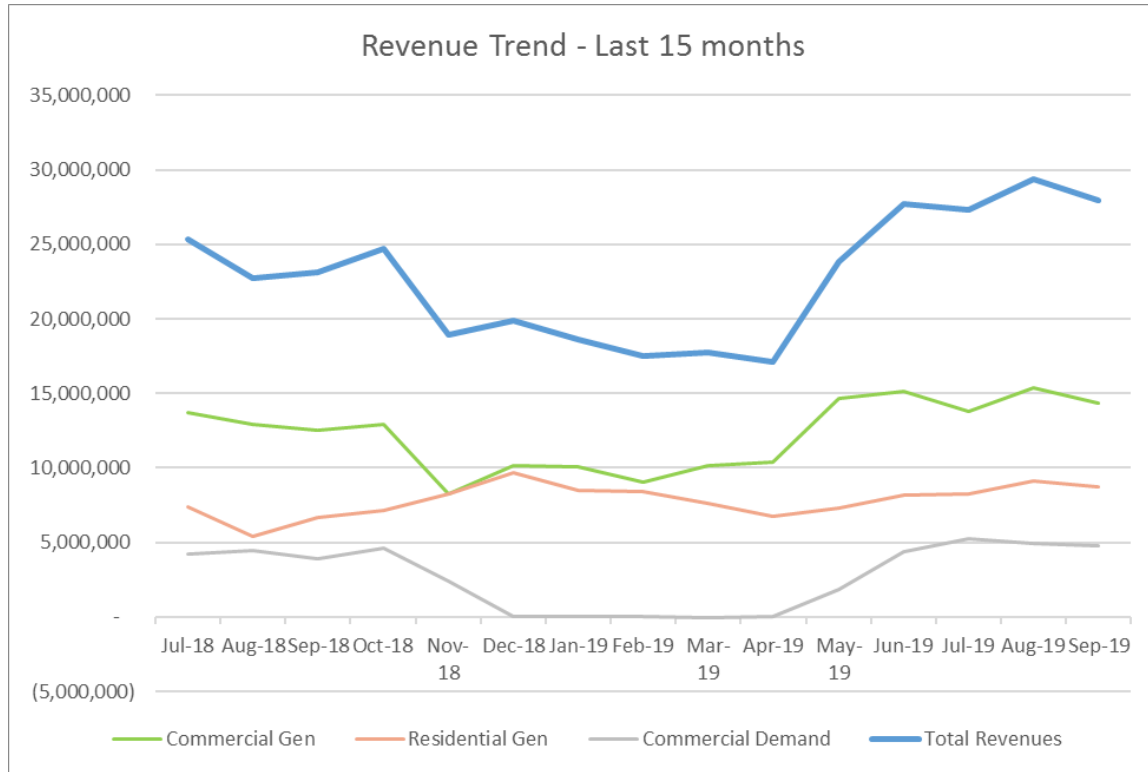
Explanation of investment philosophy

Fee Schedule

Contract/Agreement Terms

References

# Trend in Revenues and Load



- Load is reasonably stable all year (in fact, Residential load is slightly higher in the Winter months).
- However, revenues are significantly higher in Jun-Sept period due to higher rates in the Summer period coupled with Demand Charges.
- Other than as a result of market fluctuations, electricity costs are fairly flat at approx. \$18MM per month.