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Audit & Finance Committee Meeting

August 10, 2020

Staff Report/Agenda

- Expense Categories Over Budget
 - Board resolution (on Consent) to authorize once we are further into the audit
 - Only G&A (so far) – Over by \$42K (Unbudgeted rent)
- ESG Investment Portfolio (Environmental, Social, Governance) implemented at FRB and PFM
- Audit Started (see next page)


Audit Schedule and Planning

Work done already:

- Preliminary year-end close (some additional reconciliations still ongoing)
- Accumulating/uploading documents and backup materials
- Updating internal control narratives

Targeted completion dates:

- Audit & Finance Committee Meeting on **Tuesday**, October 13, 2020
 - Meet with Auditors
 - Auditor Required Communications
 - Tighter timeline than last year—Alternative/backup date November 9, 2020
- Approval at Board Meeting on October 22, 2020
 - Alternative/backup date November 19, 2020

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FY2019-2020, Q4 Financial Review Ending June 30, 2020

Preliminary Year-End Financials

Revenue – Quarterly Trend

Revenue by Quarter as of

June-20

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 2018-2019	\$259.8	\$255.6	\$4.1
Q1-FY2019/20	85.3	82.3	3.1
Q2-FY2019/20	70.4	65.2	5.1
Q3-FY2019/20	61.5	57.5	4.1
Q4-FY2019/20	\$60.9	\$62.8	(\$1.9)
Total YTD 2019/20	\$278.1	\$267.8	\$10.3

- Q4 Revenues were \$1.9 million lower than budget:
 - Includes \$3.7 million of Residential Bill Credits
 - Continued impact of COVID-19 (although not as low as forecast earlier in Q4)
 - PCIA rate increase implemented on May 1

Revenue – Monthly Trend

Revenue (Last 13 months)

June-20

Month	Revenue Comparison vs Budget		
	Actual	Budget	Var Fav/(Unf)
Jun-19	\$27.9	\$24.5	\$3.5
Jul-19	\$27.6	\$27.5	\$0.1
Aug-19	\$29.6	\$27.9	\$1.7
Sep-19	\$28.2	\$26.9	\$1.2
Oct-19	\$27.6	\$27.6	(\$0.0)
Nov-19	\$18.9	\$16.2	\$2.7
Dec-19	\$23.9	\$21.5	\$2.4
Jan-20	\$22.0	\$19.6	\$2.4
Feb-20	\$19.2	\$18.2	\$1.0
Mar-20	\$20.3	\$19.6	\$0.6
Apr-20	\$15.3	\$17.2	(\$1.9)
May-20	\$22.5	\$20.4	\$2.1
Jun-20	\$23.1	\$25.1	(\$2.1)

Cost of Energy – Quarterly Trend

Cost of Energy by Quarter as of

June-20

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	49.6	42.6	(7.0)
Total YTD 2018-2019	\$194.0	\$176.1	(\$17.9)
Q1-FY2019/20	54.7	56.6	1.8
Q2-FY2019/20	48.3	54.0	5.7
Q3-FY2019/20	56.7	56.9	0.2
Q4-FY2019/20	\$56.3	\$49.0	(\$7.3)
Total YTD 2019/20	\$216.1	\$216.5	\$0.5

- Q4 energy costs \$7.3 million above budget
- Q4 Energy usage was 8.3% below budget and 11.3% below usage in the prior year
- Q4 Expense for RECs was \$8.5 million above budget due to catch-up related to change in methodology. Evaluating moving approximately \$6.6 million to prior year to make methodology consistent

Cost of Energy – Monthly Trend

Cost of Energy (Last 13 months)

June-20

Month	COE Comparison vs Budget		
	Actual	Budget	Var Fav/(Unf)
Jun-19	\$16.4	\$14.8	(\$1.6)
Jul-19	\$16.6	\$18.7	\$2.0
Aug-19	\$18.8	\$18.9	\$0.2
Sep-19	\$19.3	\$19.0	(\$0.3)
Oct-19	\$16.8	\$18.2	\$1.3
Nov-19	\$14.0	\$17.1	\$3.1
Dec-19	\$17.5	\$18.8	\$1.3
Jan-20	\$17.9	\$20.3	\$2.4
Feb-20	\$20.1	\$18.3	(\$1.8)
Mar-20	\$18.8	\$18.3	(\$0.5)
Apr-20	\$15.8	\$16.0	\$0.2
May-20	\$16.3	\$16.0	(\$0.3)
Jun-20	\$24.2	\$17.0	(\$7.2)

- Q4 Expense for RECs was \$8.5 million above budget due to catch-up related to change in methodology.
- Evaluating moving approximately \$6.6 million to prior year to make methodology consistent

Change in Net Position (Year-to-date)

Change in Net Position - YTD as of

June-20

Accounts	Year-to-date vs Budget		
	Actual	Budget	Var Fav/(Unf)
Revenues	\$278.1	\$267.8	\$10.3
Cost of Energy	216.1	216.5	0.5
Other Opex	15.3	20.3	5.0
Non-Opex/(Income)	(2.2)	(2.2)	(0.1)
Net Position	\$48.9	\$33.2	\$15.7

Higher revenues than budgeted – unbudgeted rate increase

Energy Costs near budget – Evaluating \$6.6 million decrease adjustment

Lower expenses than budgeted across multiple areas – some are timing-related

Non-Operating Income lower than planned due to low investment interest income environment

Financial Statement vs. Budget – Quarter and YTD

	Quarter 4 ending June 2020					
	Current Quarter			Year-to-date		
	Actual	Budget	Var Fav/(Unf)	Actual	Budget	Var Fav/(Unf)
OPERATING REVENUES						
Electricity Sales, net	60,280,714	62,173,069	(1,892,355)	275,534,023	265,221,745	10,312,277
Green electricity premium	580,376	629,815	(49,439)	2,558,513	2,560,486	(1,973)
Total Operating Revenues	60,861,090	62,802,885	(1,941,795)	278,092,536	267,782,231	10,310,305
OPERATING EXPENSES						
Cost of energy	56,261,360	49,000,944	(7,260,416)	216,096,976	216,549,065	452,089
Staff compensation	1,331,697	1,260,906	(70,791)	4,522,467	4,589,149	66,682
Data Manager	840,869	955,531	114,662	3,580,229	3,822,123	241,895
Service Fees - PG&E	316,209	314,014	(2,195)	1,255,183	1,256,056	873
Consultants & Professional Services	241,977	176,750	(65,227)	725,349	896,333	170,984
Legal	421,896	367,875	(54,021)	1,309,477	1,471,500	162,023
Communications and Noticing	266,929	438,700	171,771	1,116,387	1,754,800	638,413
General and Administrative	318,300	320,721	2,421	1,318,756	1,277,187	(41,569)
Community Energy Programs	314,639	1,721,471	1,406,832	1,351,626	5,094,473	3,742,847
Depreciation	23,892	24,600	708	93,124	98,400	5,276
Total Operating Expenses	60,337,768	54,581,512	(5,756,256)	231,369,572	236,809,086	5,439,514
Operating Income (Loss)	523,322	8,221,373	(7,698,051)	46,722,964	30,973,145	15,749,819
NON-OPERATING REVENUES (EXP.)						
Total Nonoperating Income/(Expense)	447,258	558,000	(110,742)	2,177,295	2,232,000	(54,705)
CHANGE IN NET POSITION	970,580	8,779,373	(7,808,793)	48,900,259	33,205,145	15,695,114
CHANGE IN NET POSITION						
Net Position at the beginning of period	188,168,400	159,212,214	28,956,186	140,238,721	134,786,442	5,452,279
Change in Net Position	970,580	8,779,373	(7,808,793)	48,900,259	33,205,145	15,695,114
Net Position at the end of period	189,138,979	167,991,587	21,147,393	189,138,979	167,991,587	21,147,393
Ending Cash & Cash Equivalents	210,562,154	159,102,751	51,459,403			

Year-end Results:

- **Revenues** were \$10.3 million above Budget – Commercial revenues were \$8.6 million above budget and Residential revenues were \$0.9 million above budget (PG&E rate increase not fully-budgeted since it was finalized after budget approval).
- **Expenses** were \$5.4 million below budget mostly due to delay in spending on Programs. Evaluating \$6.6 million reduction in Energy costs as adjustment into prior year.
- **Change in Net Position** was \$48.9 million, \$15.7 million better than budget. May end up \$6.6 million higher following evaluation of adjustment (If so, prior year would be \$6.6 million lower than previously reported).

Customer Accounts and Usage

<u>Customer Accounts - as of</u>		June-20		
Customer Type	Customer Accounts vs Budget			
	Actual	Budget	Var Fav/(Unf)	Var (%)
Residential	266,885	266,669	216	0.1%
Commercial/Industrial	28,528	28,570	(41)	-0.1%
Total	295,413	295,239	175	0.1%

<u>YTD Customer Energy Billed - as of</u>		June-20		
Customer Type	YTD Usage vs Budget (MWh)			
	Actual	Budget	Var Fav/(Unf)	Var %
Residential	1,400,125	1,398,162	1,963	0.1%
Commercial/Industrial	2,089,365	2,184,973	(95,608)	-4.4%
Total	3,489,490	3,583,135	(93,644)	-2.6%

<u>YTD Revenue: Res/Comm - as of</u>		June-20	
Customer Type	YTD Revenue		
	\$ in millions	% of Total	
Residential	\$110.9	39.9%	
Commercial/Industrial	167.2	60.1%	
Total	\$278.1	100.0%	

Cash and Investment Summary – Quarterly Trend

	Jun-18	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Investment Account - USBank (FRB)						
Asset Summary						
Cash & Equivalents	\$ 20,019,851	\$ 4,507,825	\$ 12,472	\$ 24,909,433	\$ 36,247	\$ 51,415,996
Fixed Income	\$ 30,105,348	\$ 90,743,561	\$ 125,751,451	\$ 118,775,356	\$ 164,172,725	\$ 30,774,879
Accrued Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 200,772
Ending Balance	\$ 50,125,199	\$ 95,251,385	\$ 125,763,923	\$ 143,684,789	\$ 164,208,972	\$ 82,391,647
Investment Account - USBank (PFM)						
Asset Summary						
Cash & Equivalents						\$ 7,521,367
Fixed Income						\$ 74,568,407
Accrued Income						\$ 345,398
Ending Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 82,435,173
Investment Account - USBank (Combined PFM/FRB)						
Asset Summary						
Cash & Equivalents	\$ 20,019,851	\$ 4,507,825	\$ 12,472	\$ 24,909,433	\$ 36,247	\$ 58,937,363
Fixed Income	\$ 30,105,348	\$ 90,743,561	\$ 125,751,451	\$ 118,775,356	\$ 164,172,725	\$ 105,343,286
Accrued Income						\$ 546,170
Ending Balance	\$ 50,125,199	\$ 95,251,385	\$ 125,763,923	\$ 143,684,789	\$ 164,208,972	\$ 164,826,819
Other Accounts (Unrestricted)						
Unrestricted - M&T LockBox				\$ 1,387,129		
Unrestricted - Wilmington LockBox	\$ 5,376,290	\$ 5,632,155	\$ 6,517,561	\$ 4,718,731	\$ 5,338,855	\$ 5,030,087
Operating Account - First Republic	\$ 2,413,747	\$ 3,299,345	\$ 6,938,712	\$ 3,807,695	\$ 10,395,956	\$ 5,834,142
Savings Account - First Republic	\$ 5,995,341	\$ 9,885,949	\$ 3,232,013	\$ 8,790,615	\$ 2,669,963	\$ 2,484,545
Other Accounts	\$ 278,835	\$ 573	\$ (49)	\$ (541)	\$ (836)	\$ -
Subtotal Unrestricted (non-Investment accounts)	\$ 14,064,213	\$ 18,818,022	\$ 16,688,237	\$ 18,703,629	\$ 18,403,939	\$ 13,348,775
Other Accounts (Restricted)						
Restricted Cash - Wilmington LockBox	\$ 2,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,000,000
Restricted Cash - First Republic	\$ -	\$ 11,665,799	\$ 11,538,299	\$ 11,538,299	\$ 31,386,560	\$ 31,386,560
Subtotal Restricted (non-Investment accounts)	\$ 2,500,000	\$ 13,165,799	\$ 13,038,299	\$ 13,038,299	\$ 32,886,560	\$ 32,386,560
Total Cash	\$ 66,689,412	\$ 127,235,206	\$ 155,490,459	\$ 175,426,717	\$ 215,499,471	\$ 210,562,154
Unrestricted Cash (incl Funds restricted for Programs)	\$ 64,189,412	\$ 114,069,407	\$ 142,452,160	\$ 162,388,418	\$ 182,612,911	\$ 178,175,594

Program Commitments and Reserves – Page 1 of 2

As of June 30, 2020								
Programs Approved by Board	Program Amount Approved by Board	Board Approval Date	Contract Amount Approved by Board	Other Expected Contract or Spending	Term	Already Spent as of July 1, 2020	Estimated Spending in Current FY (prior to June 30, 2021)	Future Fiscal Year Spending for Already Approved Programs (FY22-24)
Community Energy Programs								
EV Infrastructure	16,000,000	12/20/18		-	4 years	146,000	5,100,000	10,754,000
Contract - ClearResult		08/22/19	2,000,000			146,000	500,000	
Contract - Center for Sustainable Energy		10/24/19	850,000					
Customer Incentives provided through Center for Sustainable Energy				7,150,000			4,000,000	
Customer Incentives (other)				4,000,000				
Workforce Development				1,000,000			100,000	
Other Spending*				1,000,000			500,000	
New EV Incentives	1,500,000	04/27/19			3 years	220,000	800,000	480,000
Low Income Used EV - Contract with Peninsula Family Services	500,000	01/24/19			2 years	220,000	60,000	220,000
Ride & Drive EV Marketing - Contract with Reach Strategies	750,000	02/28/19			3 years	215,000	50,000	485,000
Ride Hailing Electrification - Contract with FlexDrive	500,000	03/26/20			2 years		100,000	400,000
E-Bikes	300,000	07/23/20			3 years		60,000	240,000
Curbside & Low Power Pilot	1,000,000	06/29/18		-	3 years	100,000	350,000	550,000
Low Power Pilot		03/28/19	400,000			100,000	250,000	
Curbside Pilot		03/29/19		600,000			100,000	
Existing Buildings	6,100,000	05/28/20		-	4 years	-	750,000	5,350,000
Contract - ClearResult		06/25/20	250,000				50,000	
Customer-direct incentives (originally part of ClearResult contract)		06/25/20	2,750,000				200,000	
Other Spending*				3,100,000			500,000	
Reach Codes & Technical Assistance	250,000	01/23/20		-	2 years	60,000	-	190,000
Contract - TRC		01/23/20	450,000			60,000		
Cost Sharing Contract -SVCE		01/23/20	(200,000)					
Climate Action Plans Support - Contract with SMCOOS	95,000	06/25/20	95,000		1 year		90,000	5,000
Community Energy Programs Authorized Subtotal	26,995,000					961,000	7,360,000	18,674,000

* Other Spending includes spending for program areas for which (a) Board approval is not required (e.g. incentives, contracts under \$100,000) or (b) have not yet been identified

Program Commitments and Reserves – Page 2 of 2

As of June 30, 2020								
Programs Approved by Board	Program Amount Approved by Board	Board Approval Date	Contract Amount Approved by Board	Other Expected Contract or Spending	Term	Already Spent as of July 1, 2020	Estimated Spending in Current FY (prior to June 30, 2021)	Future Fiscal Year Spending for Already Approved Programs (FY22-24)
Other Programs								
Resilience	10,000,000	01/23/20		-	3 years	20,000	1,281,987	8,698,013
Power On Peninsula - Medical								
Portable Battery Authorization (Hassett) - 2 BOD authorizations		07/23/20	750,000			-	683,237	-
Power On Peninsula - Residential/Commercial								
Program Admin Contract - TerraVerde		06/25/20	220,000			20,000	140,000	
Contract - Sunrun (10 year Agreement) - Residential		06/25/20	474,000					
Load Modification Agreement - Contractor TBD - Commercial		TBD		460,800				
Other Spending*				8,095,200			458,750	
Building Electrification Awareness	400,000	01/23/20		-	3 years	-	150,000	250,000
Contract - Gelfand		07/23/20	300,000				100,000	
Other Spending*				100,000			50,000	
Power Resources & Marketing Authorized Subtotal	10,400,000					20,000	1,431,987	8,948,013
Total Authorized Program Budget	37,395,000					981,000	8,791,987	27,622,013
* Other Spending includes spending for program areas for which (a) Board approval is not required (e.g. incentives, contracts under \$100,000) or (b) have not yet been identified								

Cash Reserves – Days Cash on Hand

	Budget June 30, 2020	Actual June 30, 2020
Total Cash/Investments Balance	\$159,102,751	\$210,562,154
Restricted by Term/Covenant	13,165,799	5,618,194
Held temporarily for Wright Solar		26,768,366
Unrestricted Cash per Financial Statements	\$145,936,952	\$178,175,594
Restricted for Programs (subsequent fiscal years)		27,622,013
Unrestricted Cash (per Approved Reserve Policy)	\$145,936,952	\$150,553,581
Days Cash on Hand (per Approved Reserve Policy)	225	238
Approved Reserve Policy	120	180
Unrestricted Operating Reserve (per then-approved policy)	77,855,042	114,100,063
Cash in Excess of Current Reserve Policy	\$68,081,910	\$36,453,518

Unrestricted Cash per Financial Statements