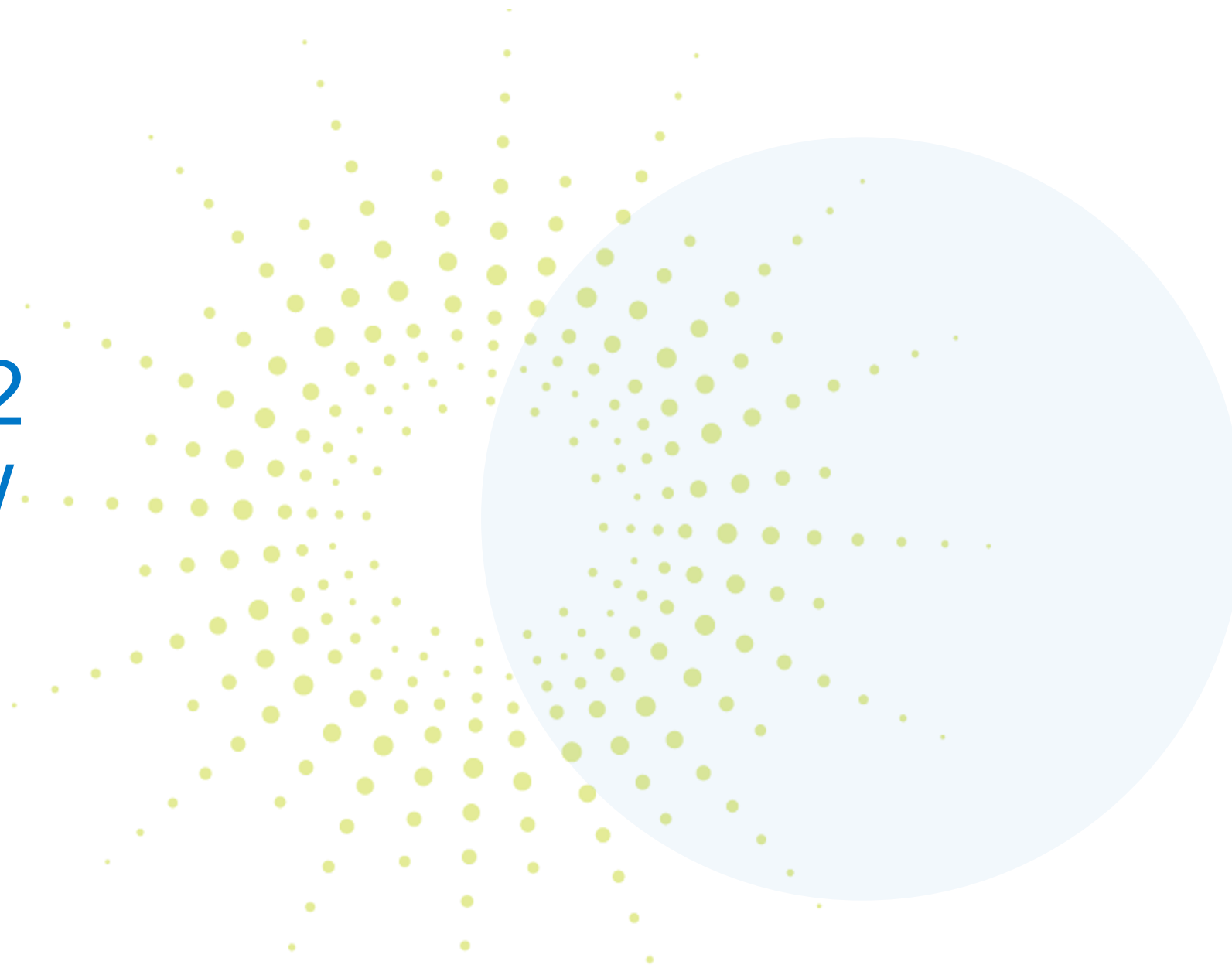


Audit & Finance Committee Meeting

February 8, 2021

FY2020-2021 Q2 Financial Review

Ending December 31, 2020



Financial Statement vs. Budget – Quarter and YTD

	Quarter ending December 2020					
	Current Quarter			Year-to-date		
	Actual	Budget	Var Fav/(Unf)	Actual	Budget	Var Fav/(Unf)
OPERATING REVENUES						
Electricity Sales, net	62,164,989	40,608,996	21,555,993	136,568,161	109,376,585	27,191,576
Green electricity premium	685,132	547,665	137,467	1,365,820	1,073,534	292,286
Total Operating Revenues	62,850,121	41,156,661	21,693,460	137,933,981	110,450,119	27,483,862
OPERATING EXPENSES						
Cost of energy	51,197,358	51,049,943	(147,415)	117,938,747	106,371,796	(11,566,951)
Staff compensation	1,361,370	1,617,628	256,257	2,717,348	3,001,725	284,377
Data Manager	843,561	855,000	11,439	1,688,881	1,710,000	21,119
Service Fees - PG&E	312,677	315,000	2,323	626,033	630,000	3,967
Consultants & Professional Services	463,801	759,710	295,909	1,304,464	1,622,220	317,756
Legal	411,502	434,850	23,348	785,713	867,450	81,737
Marketing and Noticing	378,579	267,885	(110,694)	601,398	1,644,420	1,043,022
General and Administrative	402,025	455,010	52,985	793,901	916,350	122,449
Community Energy Programs	533,347	1,417,749	884,402	836,602	2,180,498	1,343,896
Depreciation	23,397	32,179	8,782	47,724	62,108	14,384
Total Operating Expenses	55,927,619	57,204,954	1,277,335	127,340,812	119,006,567	(8,334,245)
Operating Income (Loss)	6,922,502	(16,048,293)	22,970,795	10,593,169	(8,556,448)	19,149,618
NON-OPERATING REVENUES (EXP.)						
Total Nonoperating Income/(Expense)	248,776	352,000	(103,224)	522,301	704,000	(181,699)
CHANGE IN NET POSITION	7,171,277	(15,696,293)	22,867,570	11,115,471	(7,852,448)	18,967,919
CHANGE IN NET POSITION						
Net Position at the beginning of period	193,015,925	203,302,093	(10,286,168)	189,071,732	195,458,248	(6,386,517)
Change in Net Position	7,171,277	(15,696,293)	22,867,570	11,115,471	(7,852,448)	18,967,919
Net Position at the end of period	200,187,202	187,605,800	12,581,402	200,187,202	187,605,800	12,581,402

Quarterly and YTD Results

• Revenues

- **Q2** was \$21.7 million above Budget – PCIA Trigger was delayed
- **YTD** is \$27.5 million above Budget – higher load than expected

• Expenses

- **Q2** was \$1.3 million below budget
 - Energy Programs below
 - Marketing/Noticing above Budget due to timing of grants that were budgeted in Q1
- **YTD** was \$8.3 million above Budget due to Q1 energy costs

• Change in Net Position

- **Q2** was \$7.1 million positive (vs. \$15.7 million budgeted loss), \$23.0 million better than Budget in Q2
- 1H was very positive, but the current full-year forecast is to be \$3.8 million positive for the full year

Revenue – Quarterly Trend

Revenue by Quarter as of

December-20

Quarter	Revenue Comparison vs Budget		
	Actual	Budget	Var Fav/(Unf)
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

Q1-FY2020/21	\$75.1	\$69.3	\$5.8
Q2-FY2020/21	62.9	41.2	21.7
Total YTD 2020/21	\$137.9	\$110.5	\$27.5



- Q2 Revenues were **\$21.7 million higher** than Budget
 - Delay of PCIA Trigger implementation until January 1 vs. significant negative planned in October-December period
- Load was approximately **11% above** Budget in Q2 and for YTD primarily due to Commercial use well above a conservative Budget
 - Residential – approx. 1% above YTD
 - Commercial – approx. 19% above YTD
- Compared to prior Fiscal YTD
 - Revenues are **\$17.8 million less**
 - Load is 3% less
- Q3 and Q4 revenues are expected to be below the Budgeted level

Revenue – Monthly Trend

Revenue (Last 13 months)

December-20

Month	Revenue Comparison vs Budget		
	Actual	Budget	Var Fav/(Unf)
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)
Jul-20	\$24.0	\$22.9	\$1.1
Aug-20	\$26.2	\$23.4	\$2.8
Sep-20	\$24.9	\$23.0	\$1.9
Oct-20	\$24.6	\$18.1	\$6.4
Nov-20	\$18.3	\$10.3	\$8.0
Dec-20	\$20.0	\$12.7	\$7.2



Cost of Energy – Quarterly Trend

Cost of Energy by Quarter as of

December-20

Quarter	COE Comparison vs Budget		
	Actual	Budget	Var Fav/(Unf)
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	\$56.2	\$49.0	(7.2)
Total YTD 2019/20	\$216.1	\$216.5	\$0.5

Q1-FY2020/21	\$66.7	\$55.3	(\$11.4)
Q2-FY2020/21	51.2	51.0	(0.1)
Total YTD 2020/21	\$117.9	\$106.4	(\$11.6)

- Q2 energy costs were just slightly above Budget
 - Although customer usage was almost 11% above Budget
- YTD energy costs were \$11.6 million above Budget due to significant cost spikes in Q1 related to
 - Heat waves in August and September
 - Smoke periods contributed to low solar production

Cost of Energy – Monthly Trend

Cost of Energy (Last 13 months)

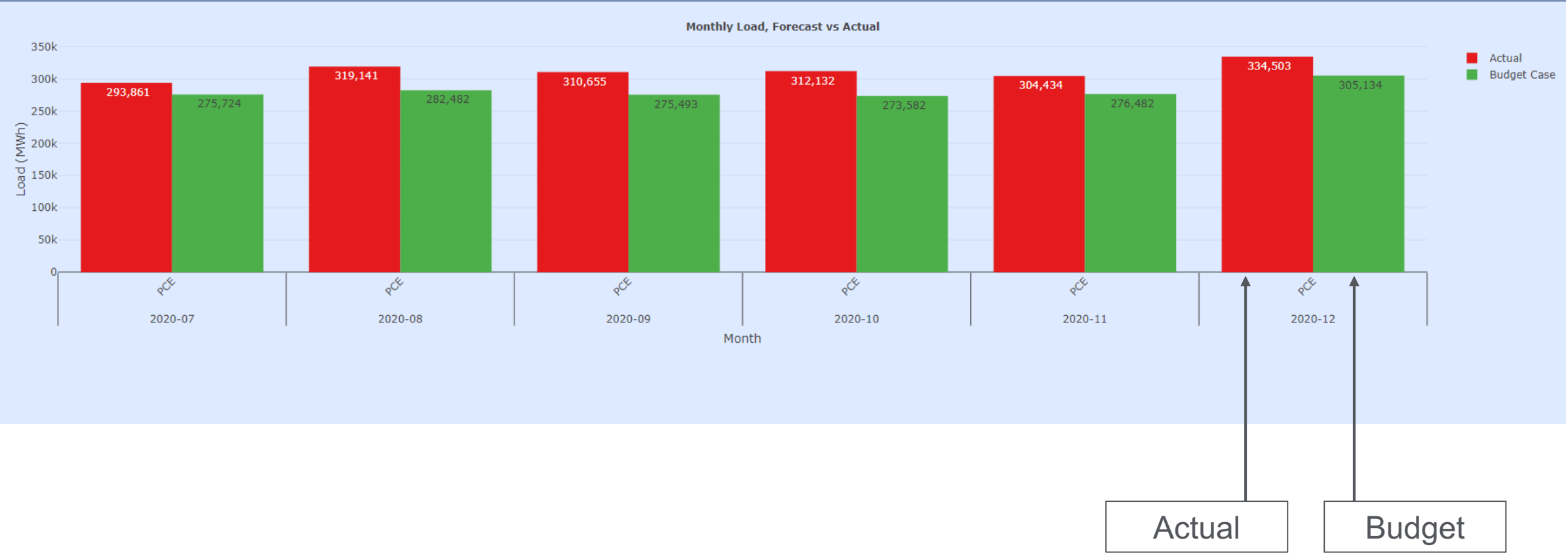
December-20

Month	COE Comparison vs Budget		
	Actual	Budget	Var Fav/(Unf)
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)
Jul-20	\$19.3	\$17.6	(\$1.8)
Aug-20	\$24.9	\$19.1	(\$5.8)
Sep-20	\$22.5	\$18.7	(\$3.9)
Oct-20	\$19.8	\$17.2	(\$2.6)
Nov-20	\$13.2	\$16.0	\$2.7
Dec-20	\$18.2	\$17.8	(\$0.3)



Energy Usage vs. Budget

Usage has been above Budget in every month so far in FY21



Change in Net Position (Year-to-date)

Change in Net Position - YTD as of

December-20

Accounts	Year-to-date vs Budget		
	Actual	Budget	Var Fav/(Unf)
Revenues	\$137.9	\$110.5	\$27.5
Cost of Energy	117.9	106.4	(11.6)
Other Opex	9.4	12.6	3.2
Non-Opex/(Income)	(0.5)	(0.7)	(0.2)
Net Position	\$11.1	(\$7.9)	\$19.0

Much higher revenue

- Higher load than expected in 1H
- Delay in PCIA increase

Cash and Investment Summary – Quarterly Trend

PENINSULA CLEAN ENERGY					
<u>Cash Balance and Investment Summary</u>					
	Jun-18	Jun-19	Jun-20	Sep-20	Dec-20
Investment Account - USBank (Combined PFM/FRB)					
Asset Summary					
Cash & Equivalents	\$ 20,019,851	\$ 4,507,825	\$ 58,937,363	\$ 54,047,650	\$ 9,283,620
Fixed Income	\$ 30,105,348	\$ 90,743,561	\$ 105,343,286	\$ 125,610,688	\$ 160,508,274
Accrued Income			\$ 546,170	\$ 432,135	\$ 549,077
Ending Balance	\$ 50,125,199	\$ 95,251,385	\$ 164,826,819	\$ 180,090,473	\$ 170,340,970
Other Accounts (Unrestricted)					
Unrestricted - M&T LockBox					
Unrestricted - Wilmington LockBox	\$ 5,376,290	\$ 5,632,155	\$ 5,030,087	\$ 5,838,019	\$ 6,671,119
Operating Account - First Republic	\$ 2,413,747	\$ 3,299,345	\$ 5,834,142	\$ 8,847,073	\$ 31,266,703
Savings Account - First Republic	\$ 5,995,341	\$ 9,885,949	\$ 2,484,545	\$ (7,361,517)	\$ (17,173,545)
Other Accounts	\$ 278,835	\$ 573	\$ -	\$ 1,608	\$ 11,437
Subtotal Unrestricted (non-Investment accounts)	\$ 14,064,213	\$ 18,818,022	\$ 13,348,775	\$ 7,325,183	\$ 20,775,714
Other Accounts (Restricted)					
Restricted Cash - Wilmington LockBox	\$ 2,500,000	\$ 1,500,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Restricted Cash - First Republic	\$ -	\$ 11,665,799	\$ 31,386,560	\$ 31,386,560	\$ 30,717,560
Subtotal Restricted (non-Investment accounts)	\$ 2,500,000	\$ 13,165,799	\$ 32,386,560	\$ 32,386,560	\$ 31,717,560
Total Cash	\$ 66,689,412	\$ 127,235,206	\$ 210,562,154	\$ 219,802,216	\$ 222,834,244
Unrestricted Cash (incl Funds Restricted for Programs)	\$ 64,189,412	\$ 114,069,407	\$ 178,175,594	\$ 187,415,656	\$ 191,116,684

Cash Reserves – Days Cash on Hand

	Actual December 31, 2020	Forecast June 30, 2021
Total Cash/Investments Balance	\$222,834,244	\$178,991,238
Restricted by Term/Covenant	4,949,194	4,449,194
Held temporarily for Wright Solar	26,768,366	
Unrestricted Cash per Financial Statements	\$191,116,684	\$174,542,044
Restricted for Programs (spending in subsequent fiscal years)	30,537,013	30,000,000
Unrestricted Cash (per Approved Reserve Policy)	\$160,579,671	\$144,542,044
Days Cash on Hand (per Approved Reserve Policy)	251	226
Approved Reserve Policy (Days Cash on Hand)	180	180
Unrestricted Operating Reserve Requirement (180 Days)	111,275,730	115,292,085
Unrestricted Cash in Excess of Current Reserve Policy	\$49,303,941	\$29,249,959
Note: Days Cash on Hand based on full-year forecast of Operating Expenses		

Unrestricted Cash per Financial Statements

New Changes in Forecast for PCIA/PG&E Gen Rates

- Over the past 10 days, there have been 2 significant forecast models shared with the CCAs.
 - They were wildly different
 - The first was released around Jan 22 - “*1st Set of Revised*” Rates
 - After further discussion with the consultant, a second was released around Jan 25 - “*Current Revised*” Rates
 - Swing of Net Position of approximately \$150 million over the 5-year outlook period
- Most recent “*Current Revised*”: Improvement from mid-January forecast
 - PCIA – Lower on Jan 1, 2022 and Jan 1, 2023
 - PG&E Gen Rates – Higher on March 1, 2021 and Jan 1, 2022
 - These are included in latest forecast
- However:
 - There is not a good forecasting infrastructure
 - Rates and forecasts bounce around significantly
 - Even the ones we are now using could be off...

PG&E Generation Rate Comparison – Budget vs. Mid-January Forecast vs. New Forecast

PG&E Generation Rate	7/1/20	10/1/20	1/1/21	3/1/21	1/1/22	1/1/23	1/1/24	1/1/25
Budget								
Assumption	0.11224	0.11224	0.11448		0.11506	0.11563	0.11621	0.11679
Change from last adjustment		0.0%	2.0%		0.5%	0.5%	0.5%	0.5%
Cumulative change		0.0%	2.0%		2.5%	3.0%	3.5%	4.1%
Mid-January Update								
Forecast			0.10703	0.10884	0.10558	0.10769	0.11630	0.10933
Change from last adjustment			-4.6%	1.7%	-3.0%	2.0%	8.0%	-6.0%
Cumulative change			-4.6%	-3.0%	-5.9%	-4.1%	3.6%	-2.6%
Revised Update								
Forecast			0.10703	0.11131	0.11498	0.10751	0.10859	0.10967
Change from last adjustment			-4.6%	4.0%	3.3%	-6.5%	1.0%	1.0%
Cumulative change			-4.6%	-0.8%	2.4%	-4.2%	-3.3%	-2.3%

PCIA Rate Comparison – Budget vs. Mid-January Forecast vs. New Forecast

PCIA Rate	7/1/20	10/1/20	1/1/21	3/1/21	1/1/22	1/1/23	1/1/24	1/1/25
<u>Budget</u>								
Assumption	0.03175	0.05017	0.03444		0.03944	0.03944	0.03944	0.03944
Change from last adjustment		58.0%	-31.3%		14.5%	0.0%	0.0%	0.0%
Cumulative change		58.0%	8.5%		24.2%	24.2%	24.2%	24.2%
<u>Mid-January Update</u>								
Forecast			0.04237	0.04558	0.04558	0.04558	0.03829	0.02948
Change from last adjustment			33.4%	7.6%	0.0%	0.0%	-16.0%	-23.0%
Cumulative change			33.4%	43.6%	43.6%	43.6%	20.6%	-7.2%
<u>Revised Update</u>								
Forecast			0.04237	0.04576	0.04484	0.04283	0.03597	0.02770
Change from last adjustment			33.4%	8.0%	-2.0%	-4.5%	-16.0%	-23.0%
Cumulative change			33.4%	44.1%	41.2%	34.9%	13.3%	-12.8%

PCIA and PG&E Generation Rates Recap/Summary

PCIA

- Approved June 2020 Budget included October-December 2020 Trigger – removed
 - Significant positive in FY21 of approximately \$16 million
- PG&E's PCIA collection shortfall now being spread over 3 years at a higher rate than previously expected
- 2021 Changes
 - Published PCIA rates as of January 1 were 33.4% higher
 - Expected to increase again on March 1 by an additional 8.0%
 - Total of 44.1% increase from December 31 rate
 - Expected to decrease each year through 2025

PG&E Generation Rates

- 2021 Changes
 - Published Generation rates as of January 1 were approx. 4.6% lower than previous
 - March 1 rates were expected to be 4.0% higher (net for 2021 would be down 3.0%)
 - Expected to increase 3.3% on January 1, 2022 before another decrease in 2023

Strategic Budget Priorities

The background features a large, light blue circle on the right side. To its left is a dense cluster of small yellow dots, some of which are slightly larger than others, creating a starburst or sun-like effect. The dots are scattered across the upper and middle portions of the slide.

New Savings Initiatives

In anticipation of continuing expected volatility (and low confidence in predictability) in PCIA and PG&E Generation rates, Staff is implementing several changes:

- Adjustment of expense forecast to reflect the updated timing of spending expectations
- Internal policy adjustments to energy procurement

Note: The impact of each category is:

- related to the order that the calculation is done – components are dependent on one another
- The total would be the same, but the amount of each change would be different if they were updated in a different order

1. Revised PPA Implementation Plans

Revised plans for PPA various project implementations.

- Updated PPA assumptions based on projects shortlisted in the Fall 2020 RFO and optimized based on timing and cost.

Estimated savings of revised PPA project plan is \$8.3 million

More Cost/(Less Cost)	2021	2022	2023	2024	2025	5-year Total
	Forecast (FY)	Forecast (FY)	Forecast (FY)	Forecast (FY)	Forecast (FY)	Forecast (FY)
Revised PPA Implementation Plans	31,850	(2,667,197)	(1,328,681)	931,398	(5,247,622)	(8,280,252)

2. Eliminated Interim Annual Renewable Targets

Budget had assumed that Renewables Target was 50% through December 31, 2024, then 100% starting in CY 2025

Stair-Step Renewables Target Reporting:

- 60% in 2021
- 70% in 2022
- 80% in 2023
- 90% in 2024
- 100% in 2025 (unchanged from Budget since this was assumed)

Shortfalls would have been made up by purchase of RECs

Estimated savings of eliminating the stair-step approach is \$28.0 million

More Cost/(Less Cost)	2021	2022	2023	2024	2025	5-year Total
	Forecast (FY)	Forecast (FY)	Forecast (FY)	Forecast (FY)	Forecast (FY)	Forecast (FY)
Revised Renewables Targets	(1,327,391)	(4,306,638)	(7,680,468)	(9,682,645)	(4,981,423)	(27,978,565)

3. RA Penalty – Change in PCE’s Internal Policy

- CPUC and CAISO have rules that impose penalties for not meeting RA requirements
 - CPUC has imposed penalties to CCAs
 - CAISO has rarely imposed them, but has the authority to do so
- To date, PCE’s standard position has been to pay market prices for RA even if the cost is greater than the penalties
- Other CCAs have adopted a practice to choose the least costly option

Estimated savings of revised internal policy is \$4.4 million

More Cost/(Less Cost)	2021	2022	2023	2024	2025	5-year Total
	Forecast (FY)	Forecast (FY)	Forecast (FY)	Forecast (FY)	Forecast (FY)	Forecast (FY)
RA Penalty instead of Market Prices	-	(422,730)	(2,068,605)	(1,168,030)	(777,560)	(4,436,925)

Estimate of Cost – RA penalty vs. Market Cost

	FY21	FY22	FY23	FY24	FY25	Total	Savings
Cost at Full Market Price	447,850	7,397,200	15,041,575	7,188,850	4,553,075	34,628,550	0
Cost with CPUC Penalty	447,850	6,589,560	10,773,935	4,941,810	3,194,995	25,948,150	8,680,400
Cost with CPUC and 50% CAISO Penalty	447,850	6,974,470	12,972,970	6,020,820	3,775,515	30,191,625	4,436,925
Cost with CPUC and 100% CAISO Penalty	447,850	7,359,380	15,172,005	7,099,830	4,356,035	34,435,100	193,450

- Using assumption of 50% CAISO Penalty in our model

More Cost/(Less Cost)	2021	2022	2023	2024	2025	5-year Total
	Forecast (FY)	Forecast (FY)	Forecast (FY)	Forecast (FY)	Forecast (FY)	Forecast (FY)
RA Penalty instead of Market Prices	-	(422,730)	(2,068,605)	(1,168,030)	(777,560)	(4,436,925)

Open Position Cost at Market Price	Current Policy: Fill out RA open position at Market Price						
Open Position Cost with CPUC Penalty	New policy to only procure to CPUC Penalty: Fill out open position at market price in months where market price is below CPUC penalty, pay CPUC penalty in other months. Assumes we are not penalized by CAISO.						
Open Position Cost with CPUC and 50% CAISO Penalty	New policy to only procure to CPUC Penalty: Fill out open position at market price in months where market price is below CPUC penalty, pay CPUC penalty in other months. Assumes we are penalized by CAISO for 50% of RA shortage.						
Open Position Cost with CPUC and 100% CAISO Penalty	New policy to only procure to CPUC Penalty: Fill out open position at market price in months where market price is below CPUC penalty, pay CPUC penalty in other months. Assumes we are penalized by CAISO for 100% of RA shortage.						
Open Position Cost with CPUC and Full CAISO Penalty	New policy to procure to CPUC + CAISO Penalty: Fill out open position at market price in months where market price is below CPUC+CAISO penalty, pay CPUC+CAISO penalty in other months						

4a. Energy Program Implementation Timing Adjustments

- Overall: Reduced spending projections by \$11.0M
- FY21 is expected to be \$1.4M below budget (est. of \$5.7M)
- FY22-24 reduced from \$32.2M to \$22.6M
 - Reduced uptake assumptions (EVs, water heaters)
 - Updated timing of EV charging incentive disbursements
 - Eliminated future New EV incentives
 - Delayed Curbside, EV Workforce

	2021	2022	2023	2024	2025	5-year Total
	Forecast (FY)	Forecast (FY)	Forecast (FY)	Forecast (FY)	Forecast (FY)	Forecast (FY)
Community Energy Program Cuts	(1,415,137)	(4,600,000)	(4,175,000)	(850,000)	-	(11,040,137)

4b. Other Program Implementation Timing Adjustments

- Overall: Reduced spending projections by \$6.9M
- **Distributed Energy Programs**
 - FY21 expected to be under budget (reduced by \$0.5 million)
 - Energy Resilience Programs
 - Delayed implementation of Future programs
 - Overall: FY22-24 reduced by \$2.2 million
 - Continue implementation of current programs:
 - Power on Peninsula Medical Resilience
 - Power on Peninsula
 - DER Evaluation for Municipal Facilities
- **Innovation Programs**
 - Reduced \$250K combined in FY21/FY22
 - Reduced \$900K per year in FY23 and FY24
- **Marketing Programs**
 - FY21 DER Marketing = \$1.0 million reduction
 - FY22 DER Marketing = \$1.1 million reduction

More Cost/(Less Cost)	2021	2022	2023	2024	2025	5-year Total
	Forecast (FY)	Forecast (FY)	Forecast (FY)	Forecast (FY)	Forecast (FY)	Forecast (FY)
Marketing Program Cuts	(1,015,000)	(1,118,198)	-	-	-	(2,133,198)
Innovation Program Cuts	(150,000)	(100,000)	(900,000)	(900,000)	-	(2,050,000)
Distributed Energy Program Cuts	(519,000)	(1,850,000)	(300,000)	-	-	(2,669,000)
Total	(1,684,000)	(3,068,198)	(1,200,000)	(900,000)	-	(6,852,198)

Full-Year FY2020-2021 Forecast – Detailed

Includes Expense Delays/Adjustments and Updated PCIA/PG&E Gen Rates

FY 2020-2021 Budget & Forecast	FY 2021	FY 2021	FY 2021	Variance	Variance
	Approved Budget	YTD Actual through December 2020	Forecasted Full Year FY2020-2021	Forecast \$ vs. FY20/21 Budget Fav/(Unf)	Forecast % vs. FY20/21 Budget Fav/(Unf)
OPERATING REVENUES					
Electricity Sales, net	213,552,721	136,568,161	233,742,624	20,189,903	9.5%
ECO100 Premium	2,150,775	1,365,820	2,652,599	501,825	23.3%
Total Operating Revenues	215,703,496	137,933,981	236,395,224	20,691,728	9.6%
OPERATING EXPENSES					
Cost of electricity	197,445,054	117,938,747	209,352,459	(11,907,405)	-6.0%
Personnel	6,236,981	2,717,348	6,033,071	203,910	3.3%
Data Manager	3,420,000	1,688,881	3,402,881	17,119	0.5%
Service Fees - PG&E	1,260,000	626,033	1,256,858	3,142	0.2%
Professional Services	3,068,340	1,304,464	2,732,220	336,120	11.0%
Legal	1,708,230	785,713	1,622,169	86,061	5.0%
Marketing and Noticing	2,873,350	601,398	1,671,018	1,202,332	41.8%
General and Administrative	1,947,282	793,901	1,938,882	8,400	0.4%
Community Energy Programs	7,550,000	836,602	5,655,000	1,895,000	25.1%
Depreciation	133,216	47,724	122,170	11,046	8.3%
Total Operating Expenses	225,642,453	127,340,812	233,786,727	(8,144,274)	-3.6%
Operating Income/(Loss)	(9,938,957)	10,593,169	2,608,497	12,547,454	126.2%
Total Non-operating Income/(Expense)	1,408,000	522,301	1,180,795	(227,205)	-16.1%
CHANGE IN NET POSITION	(8,530,957)	11,115,471	3,789,292	12,320,248	144.4%
CHANGE IN NET POSITION					
Net Position at the beginning of period	195,458,248	189,071,732	189,071,732	(6,386,517)	
Inc/(Dec) in Net Position	(8,530,957)	11,115,471	3,789,292	12,320,248	
Net Position at the end of period	186,927,291	200,187,202	192,861,023	5,933,732	
Approx. Cash & Cash Equivalents	186,646,421	222,834,244	178,991,238		

FY2020-21 Forecast:

- **Revenues** are expected to be \$20.7 million above Budget
 - \$27.5 million above in 1H
 - 2H higher PCIA and lower PG&E rates
 - Offset by higher load
- **Expenses** are expected to be \$8.1 million above Budget
 - Energy costs in Q1
- **Change in Net Position** expected to be positive \$3.8 million - \$12.3 million better than budgeted loss

Summary of Changes

Includes Expense Delays/Adjustments and Updated PCIA/PG&E Gen Rates

	2021	2022	2023	2024	2025	5-year Total
	Forecast (FY)	Forecast (FY)	Forecast (FY)	Forecast (FY)	Forecast (FY)	Forecast (FY)
<u>OPERATING REVENUES (Plus is more revenue)</u>						
Budget	215,703,496	232,290,968	234,247,659	240,623,184	245,026,768	1,167,892,075
Changes resulting from Mid-January Forecast	18,207,204	(39,332,989)	(30,889,796)	(831,182)	32,819,704	(20,027,060)
Change from Revised PCIA/PG&E (Current Revised)	2,484,524	21,297,480	24,405,600	(3,106,324)	(5,497,472)	39,583,808
Total Revenue changes	20,691,728	(18,035,509)	(6,484,196)	(3,937,506)	27,322,232	19,556,749
Updated Revenue	236,395,224	214,255,459	227,763,463	236,685,678	272,349,000	1,187,448,824
<u>OPERATING EXPENSES (Minus is reduced cost)</u>						
Budget	225,642,453	235,267,423	239,214,533	236,055,745	248,158,683	1,184,338,837
Changes resulting from Mid-January Forecast	12,538,952	11,383,131	20,153,436	15,774,465	12,110,366	71,960,351
<u>Changes resulting from New Savings Initiatives</u>						
Revised Renewables Targets	(1,327,391)	(4,306,638)	(7,680,468)	(9,682,645)	(4,981,423)	(27,978,565)
Revised PPA Implementation Plans	31,850	(2,667,197)	(1,328,681)	931,398	(5,247,622)	(8,280,252)
RA Penalty instead of Market Prices	-	(422,730)	(2,068,605)	(1,168,030)	(777,560)	(4,436,925)
Community Energy Program Cuts	(1,415,137)	(4,600,000)	(4,175,000)	(850,000)	-	(11,040,137)
Power Resources Program Cuts	(669,000)	(1,950,000)	(1,200,000)	(900,000)	-	(4,719,000)
Marketing Program Cuts	(1,015,000)	(1,118,198)	-	-	-	(2,133,198)
Total changes from New Initiatives	(4,394,678)	(15,064,763)	(16,452,754)	(11,669,276)	(11,006,605)	(58,588,077)
Total Expense changes	8,144,274	(3,681,632)	3,700,682	4,105,189	1,103,761	13,372,275
Updated Expenses	233,786,727	231,585,791	242,915,215	240,160,934	249,262,444	1,197,711,111
Updated Change in Net Position *	3,789,292	(15,802,332)	(13,503,752)	(1,707,256)	24,974,556	(2,249,493)

Summary Forecast

Includes Expense Delays/Adjustments and Updated PCIA/PG&E Gen Rates

	2021	2022	2023	2024	2025	5-year Total
	Forecast (FY)	Forecast (FY)	Forecast (FY)	Forecast (FY)	Forecast (FY)	Forecast (FY)
OPERATING REVENUES						
	236,395,224	214,255,459	227,763,463	236,685,678	272,349,000	1,187,448,824
<i>Difference from Budget</i>						
OPERATING EXPENSES						
Total Operating Expenses	233,786,727	231,585,791	242,915,215	240,160,934	249,262,444	1,197,711,111
<i>Difference from Budget</i>						
Operating Income (Loss)	2,608,497	(17,330,332)	(15,151,752)	(3,475,256)	23,086,556	
NON-OPERATING REVENUES (EXP.)						
Total Nonoperating Income/(Expense)	1,180,795	1,528,000	1,648,000	1,768,000	1,888,000	
CHANGE IN NET POSITION	3,789,292	(15,802,332)	(13,503,752)	(1,707,256)	24,974,556	(2,249,493)
<i>Difference from Budget</i>						
Net Position at the beginning of period	189,071,732	192,861,023	177,058,691	163,554,939	161,847,683	
Net Position at the end of period	192,861,023	177,058,691	163,554,939	161,847,683	186,822,239	
<i>Difference from Budget</i>						
<u>Estimated</u>						
Days Cash on Hand	286	251	221	221	246	
Unrestricted Days Cash on Hand	273	245	215	216	241	
Unrestricted Days Cash on Hand - Per Policy	226	207	185	185	211	

Strategic Objectives - Prioritization

Top 2 Priorities per Strategic Plan

- Design a power portfolio that is sourced by 100% carbon-free energy by 2025 that aligns supply and consumer demand on a 24 x 7 basis
- Contribute to San Mateo County reaching the state's goal to be 100% greenhouse gas-free by 2045

Other Priorities

- Discounted rates from PG&E
- Investment Grade Rating
- 100% Renewable Energy
- Community Programs

Budget/Plan Options for Consideration/Discussion

- Revised PPA Implementation Plans – **\$8.3 million**
- Revised Renewable Targets - **\$28.0 million**
- Revised PCE Policy related to RA Penalty - **\$4.4 million**
- Program Implementation Timing Adjustments
 - Community Energy Programs - **\$11.0 million**
 - Marketing Programs - **\$2.1 million**
 - DER Programs - **\$2.7 million**
 - Innovation Programs - **\$2.0 million**

Revised Reserve Policy

A decorative background featuring a large, light blue circle on the right side. To the left of the circle is a dense cluster of small yellow dots of varying sizes, some of which overlap the circle. The dots are arranged in a way that suggests a sunburst or a starburst pattern.

Revised Reserve Policy – Discussion/Action

- Current reserve policy is among most conservative of CCAs
- Evaluating whether we want to be more aligned/benchmarked to other CCAs
- Changing the reserve policy metrics would enable more flexibility on spending without violating the policy

Current Reserve Policy

- PCE has a very conservative Reserve Policy

PCE will maintain cash reserves at the following funding level:

- *Operating / Working Capital Reserve equal to **one hundred eighty (180) days** of total operating expenses (including power supply expenses) held as unrestricted cash. Unrestricted cash is equal to total cash less:*
 - *cash held in restricted accounts (as collateral or by covenant), and*
 - *estimated future fiscal year commitments for Community Energy programs that have been approved by the Board*

- Other alternatives include:

- Simple Days Cash on Hand
- Unrestricted Days Cash on Hand

- Note: DCOH is calculated based on assumptions of required deposits – forecasts for which could be off

Reserve Policy – Compare to Other CCAs

CCA	Last Audited*	FY21 Budget**	Minimum	Target	Maximum	Rating	Notes
PCE	276	255		180		Baa2 (Moody's)	
3CE	267	227	108	180	270	A (S&P)	
EBCE	99	~100	108	180	270		
CPA	28	36	108	180			Expect to achieve minimum by 2026
SVCE	191***	219	90	180	270	Baa2 (Moody's)	
MCE	149	~168		216		BBB+ (Fitch)	Goal of achieving Reserve Target by 3/2022
SCP	138	147	120	252			
* Based on public documents at last year end financials							
** Estimated based on informal calculations of budget presentations							
*** Based on Moody's estimate in rating July 15, 2020							

Revised Reserve Policy

PCE will maintain cash reserves at the following funding level:

- *Operating / Working Capital Reserve equal to ~~XXXXXXXXXXXX~~ of total operating expenses (including power supply expenses) held as unrestricted cash. Unrestricted cash is equal to total cash less:*
 - *cash held in restricted accounts (as collateral or by covenant), and*
 - ~~*estimated future fiscal year commitments for Community Energy programs that have been approved by the Board*~~

- **Summary:**

- ~~Simple Days Cash on Hand~~
- Unrestricted Days Cash on Hand