



# Executive Committee Meeting

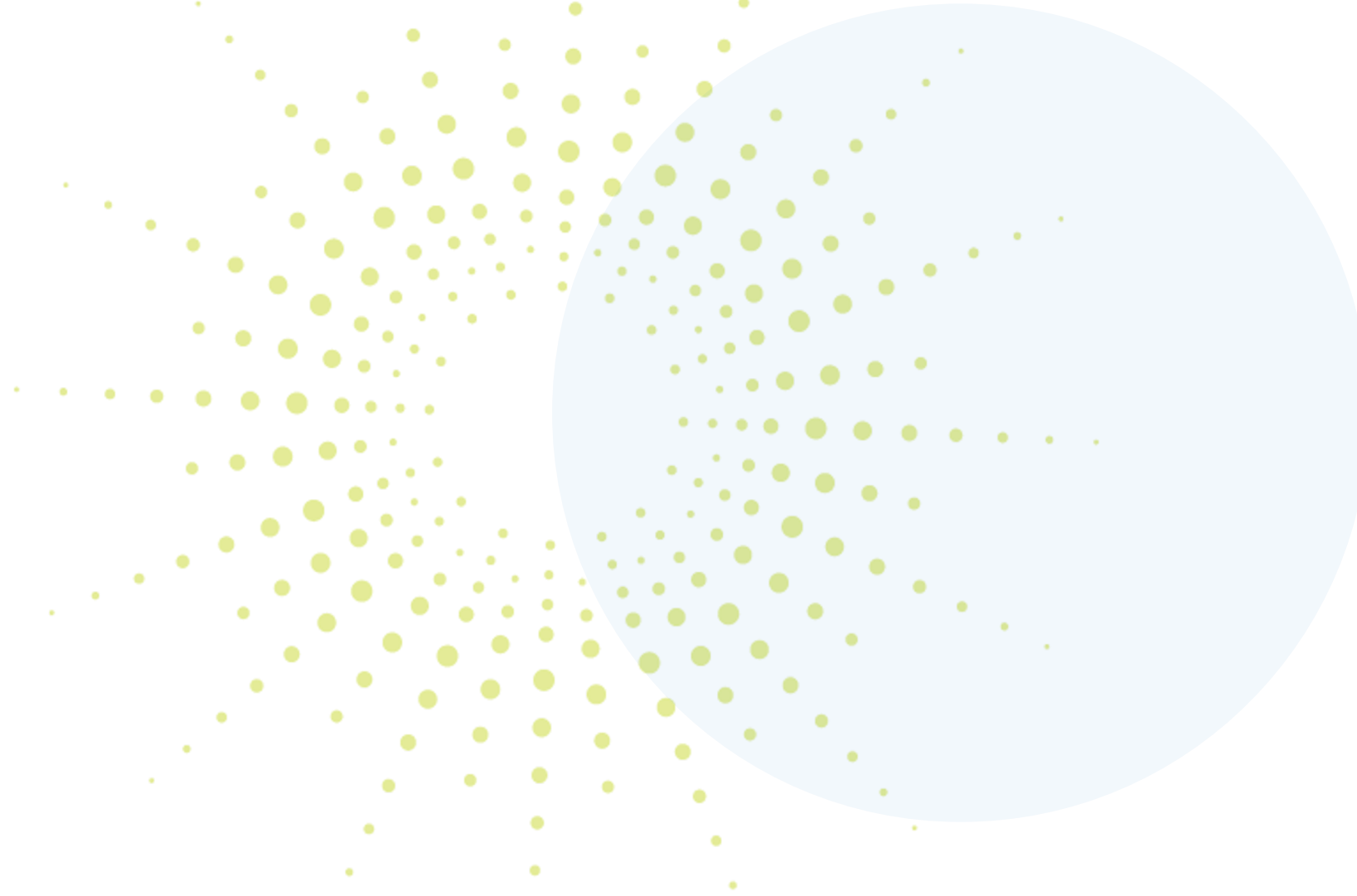
May 10, 2021

# FY2021-2022

(July 1, 2021 – June 30, 2022)

## Budget Review

*Initial Draft*



# Schedule – Budget Review and Approval

---

- May 10, 2021 – Review Initial Draft with Audit & Finance Committee
- May 10, 2021 – Review Initial Draft with Executive Committee
- May 27, 2021 – Review Current Draft with Board of Directors
- June 14, 2021 – Review Revised Draft with Audit & Finance Committee
- June 24, 2021 – Approve Final by Board of Directors

# Draft Budget FY2021-2022 – Key Assumptions

---

## PG&E Generation Rates

- October 1, 2021 – increase 4%
- January 1, 2022 – increase 1%

## PCIA

- January 1, 2022 – decrease 2%


## Load

- Increase of 4.3% over FY21 forecast – includes Los Banos for 3 months

## Energy Prices


- Increase of 11% over FY21 forecast – based on 3<sup>rd</sup> party forecast

# Draft Budget FY22 – Summary



FY 2020-2021 Budget & Forecast	FY 2020-2021		FY 2021-2022	Variance FY2022 Proposed Budget vs. FY2021 Forecast	
	Approved Budget	Forecasted Full Year FY2020-2021	Proposed Budget	\$ Change	% Change
<b>OPERATING REVENUES</b>					
Electricity Sales, net	213,552,721	229,828,896	219,588,443	(10,240,453)	-4.5%
ECO100 Premium	2,150,775	2,613,655	2,621,034	7,379	0.3%
<b>Total Operating Revenues</b>	<b>215,703,496</b>	<b>232,442,551</b>	<b>222,209,477</b>	<b>(10,233,073)</b>	<b>-4.4%</b>
<b>OPERATING EXPENSES</b>					
Cost of electricity	197,445,054	214,249,772	216,404,926	2,155,154	1.0%
Personnel	6,236,981	5,576,086	6,464,275	888,189	15.9%
Data Manager	3,420,000	3,390,410	3,420,000	29,590	0.9%
Service Fees - PG&E	1,260,000	1,254,698	1,260,000	5,302	0.4%
Professional Services	3,068,340	2,020,086	1,351,204	(668,882)	-33.1%
Legal	1,708,230	1,482,772	1,615,500	132,728	9.0%
Marketing and Noticing	2,873,350	1,436,873	2,068,197	631,324	43.9%
General and Administrative	1,947,282	1,821,441	2,259,391	437,950	24.0%
Community Energy Programs	7,550,000	5,655,000	6,555,671	900,670	15.9%
Depreciation	133,216	90,018	105,287	15,269	17.0%
<b>Total Operating Expenses</b>	<b>225,642,453</b>	<b>236,977,155</b>	<b>241,504,451</b>	<b>4,527,296</b>	<b>1.9%</b>
<b>Operating Income/(Loss)</b>	<b>(9,938,957)</b>	<b>(4,534,604)</b>	<b>(19,294,973)</b>	<b>(5,705,777)</b>	<b>-125.8%</b>
<b>Total Non-operating Income/(Expense)</b>	<b>1,408,000</b>	<b>(16,836)</b>	<b>900,000</b>	<b>916,836</b>	<b>-5445.7%</b>
<b>CHANGE IN NET POSITION</b>	<b>(8,530,957)</b>	<b>(4,551,440)</b>	<b>(18,394,973)</b>	<b>(4,788,941)</b>	<b>-105.2%</b>
Net Position at the end of period	186,927,291	184,520,292	166,125,319	(18,394,973)	
<b>Approx. Cash &amp; Cash Equivalents</b>	<b>186,646,421</b>	<b>187,316,165</b>	<b>168,421,192</b>	<b>(18,894,973)</b>	
<b>Days Cash on Hand</b>	<b>294</b>	<b>284</b>	<b>250</b>		

# Draft Budget Detail - Revenues




FY 2020-2021 Budget & Forecast	FY 2020-2021		FY 2021-2022	Variance FY2022 Proposed Budget vs. FY2021 Forecast	
	Approved Budget	Forecasted Full Year FY2020-2021	Proposed Budget	\$ Change	% Change
<b>OPERATING REVENUES</b>					
Electricity Sales, net	213,552,721	229,828,896	219,588,443	(10,240,453)	-4.5%
Commercial - Demand	22,280,055	23,716,009	18,450,298	(5,265,711)	-22.2%
Streetlight and Agr- Demand	192,168	326,094	156,350	(169,744)	-52.1%
Commercial - Gen	104,896,767	99,611,709	102,460,681	2,848,972	2.9%
Residential - Gen	85,360,056	104,836,294	97,658,233	(7,178,061)	-6.8%
Street lighting and Agr - Gen	1,573,735	2,097,434	1,634,140	(463,294)	-22.1%
Bad Debt expense	(750,060)	(758,644)	(771,259)	(12,615)	1.7%
ECO100 Premium	2,150,775	2,613,655	2,621,034	7,379	0.3%
Commercial - Green Premium	1,191,221	2,130,290	2,126,916	(3,374)	-0.2%
Residential - Green Premium	930,078	198,391	317,843	119,452	60.2%
Streetlight and Agr - Green Pre	29,476	284,974	176,275	(108,699)	-38.1%
<b>Total Operating Revenues</b>	<b>215,703,496</b>	<b>232,442,551</b>	<b>222,209,477</b>	<b>(10,233,073)</b>	<b>-4.4%</b>

Total Revenues expected to be down by 4.4% from FY21 Forecast

- Load expected to be 4% higher than prior year forecast
- PG&E rates lower than last year
- PCIA higher

# Draft Budget Detail – Cost of Energy




FY 2020-2021 Budget & Forecast	FY 2020-2021		FY 2021-2022	Variance FY2022 Proposed Budget vs. FY2021 Forecast	
	Approved Budget	Forecasted Full Year FY2020-2021	Proposed Budget	\$ Change	% Change
<b>OPERATING EXPENSES</b>					
Cost of electricity	197,445,054	214,249,772	216,404,926	2,155,154	1.0%
CAISO Charges (Admin)	-	446,303	420,000	(26,303)	-5.9%
CAISO Charges (Ancillary Svcs)	3,000,000	4,568,519	5,048,503	479,984	10.5%
CAISO - Hedge Credit	(102,969,185)	(113,667,410)	(74,607,282)	39,060,128	-34.4%
Resettlements	3,000,000	6,810,507	6,000,000	(810,507)	-11.9%
DA Energy (DLAP)	136,237,707	144,732,626	143,376,517	(1,356,109)	-0.9%
Capacity - Resource Adequacy	31,474,662	39,206,621	31,800,552	(7,406,069)	-18.9%
CAISO - PPA Credit	(37,706,427)	(31,900,707)	(56,577,647)	(24,676,940)	77.4%
PPA Energy purchases	38,991,129	42,266,447	67,441,561	25,175,114	59.6%
Hedge Energy Purchases	106,222,381	109,741,186	80,041,373	(29,699,812)	-27.1%
50160 · RECs and Carbon Free exp	16,717,285	17,759,548	11,123,185	(6,636,362)	-37.4%
50190 · Resale of Resource Adequacy	-	(7,929,023)	-	7,929,023	-100.0%
Forecasting and scheduling	1,477,502	960,904	379,741	(581,163)	-60.5%
NEM Expense	1,000,000	1,254,250	1,958,421	704,171	56.1%

Load expected to be 4% higher than prior year forecast

Cost of Energy expected to be 1% higher than current year forecast

- RECs/GHG- Free – Expected to be \$6.6 million lower
- RA – Expected to be \$7.4 million lower
- Ancillary Services/Resettlements – Budgeted higher after surprises in Summer 2021


# Draft Budget Detail – Staff Compensation



FY 2020-2021 Budget & Forecast	FY 2020-2021		FY 2021-2022	Variance FY2022 Proposed Budget vs. FY2021 Forecast	
	Approved Budget	Forecasted Full Year FY2020-2021	Proposed Budget	\$ Change	% Change
<b>OPERATING EXPENSES</b>					
Personnel	6,236,981	5,576,086	6,464,275	888,189	15.9%
Employee Health Benefits	442,592	423,561	456,981	33,420	7.9%
Payroll tax expense	306,797	270,902	316,771	45,869	16.9%
Retirement plan contributions	455,633	391,648	472,560	80,912	20.7%
Salaries and wages	5,006,958	4,472,695	5,192,964	720,268	16.1%
Workers comp insurance	25,000	17,279	25,000	7,721	44.7%

Planning for 5 additional headcount in FY22  
Official job descriptions and approvals and timing still TBD

# Draft Budget Detail – Data Manager/Service Fees




FY 2020-2021 Budget & Forecast	FY 2020-2021		FY 2021-2022	Variance FY2022 Proposed Budget vs. FY2021 Forecast	
	Approved Budget	Forecasted Full Year FY2020-2021	Proposed Budget	\$ Change	% Change
<b>OPERATING EXPENSES</b>					
Data Manager	3,420,000	3,390,410	3,420,000	29,590	0.9%
Service Fees - PG&E	1,260,000	1,254,698	1,260,000	5,302	0.4%

Both areas are based on customer counts

- Data Manager – Calpine: Customer Service and Billing
- Service Fees – PG&E: CCA partnership fees

# Draft Budget Detail – Professional Services



FY 2020-2021 Budget & Forecast	FY 2020-2021		FY 2021-2022	Variance FY2022 Proposed Budget vs. FY2021 Forecast	
	Approved Budget	Forecasted Full Year FY2020-2021	Proposed Budget	\$ Change	% Change
<b>OPERATING EXPENSES</b>					
Professional Services	3,068,340	2,020,086	1,351,204	(668,882)	-33.1%
Accounting & Auditing	191,000	189,100	195,000	5,900	3.1%
Human Resources Consulting	72,000	72,124	36,000	(36,124)	-50.1%
IT Consulting	60,000	73,825	84,564	10,739	14.5%
Other Consultants	527,000	142,979	340,000	197,021	137.8%
Power Resources Consulting	2,218,340	996,867	695,640	(301,227)	-30.2%
Power Resources Other	-	545,191	-	(545,191)	-100.0%

Additional spending to note:

- Assumed up to \$150K for DEAI project
- Assumed \$100K for Innovation projects

Significant reductions related to moving DER Programs from Power Resources Community Energy Programs as part of recent reorganization


# Draft Budget Detail - Legal



FY 2020-2021 Budget & Forecast	FY 2020-2021		FY 2021-2022	Variance FY2022 Proposed Budget vs. FY2021 Forecast	
	Approved Budget	Forecasted Full Year FY2020-2021	Proposed Budget	\$ Change	% Change
<b>OPERATING EXPENSES</b>					
Legal	1,708,230	1,482,772	1,615,500	132,728	9.0%
Legal Legislative	126,750	104,509	96,000	(8,509)	-8.1%
Legal Power Resources	720,000	650,545	787,500	136,955	21.1%
Legal Agency	240,000	197,129	240,000	42,871	21.7%
Legal Regulatory	621,480	530,589	492,000	(38,589)	-7.3%

Additional legal fees expected related to PPA efforts  
Also, increases due to conservatism

# Draft Budget Detail – Marketing & Noticing




FY 2020-2021 Budget & Forecast	FY 2020-2021		FY 2021-2022	Variance FY2022 Proposed Budget vs. FY2021 Forecast	
	Approved Budget	Forecasted Full Year FY2020-2021	Proposed Budget	\$ Change	% Change
<b>OPERATING EXPENSES</b>					
Marketing and Noticing	2,873,350	1,436,873	2,068,197	631,324	43.9%
Advertising/Paid Media	503,850	214,811	170,234	(44,577)	-20.8%
Communications consultants	375,300	288,049	498,000	209,951	72.9%
Sponsorships and memberships	129,000	70,689	99,700	29,011	41.0%
Marketing Automation/Software	77,500	58,084	216,967	158,883	273.5%
Grants & Partner Contracts	1,297,500	27,760	45,000	17,240	62.1%
Promotions & Branding	83,200	4,539	30,960	26,421	582.1%
Communications - misc expenses	12,000	475,453	728,339	252,886	53.2%
Direct Mail	87,000	46,235	87,598	41,363	89.5%
Collateral	72,000	27,511	42,999	15,488	56.3%
Required Printing and Mailing	236,000	223,743	148,400	(75,343)	-33.7%

Additional spending in the following areas:

- Expansion of School Program (comprises 25% of Marketing budget)
- Los Banos enrollment efforts
- Building Electrification Awareness program (implementation partner is included in Communications Consultants line item)
- Proposed expansion of building electrification marketing
- Investment in upgrade to e-mail marketing infrastructure

# Draft Budget Detail – General & Administration




FY 2020-2021 Budget & Forecast	FY 2020-2021		FY 2021-2022	Variance FY2022 Proposed Budget vs. FY2021 Forecast	
	Approved Budget	Forecasted Full Year FY2020-2021	Proposed Budget	\$ Change	% Change
<b>OPERATING EXPENSES</b>					
General and Administrative	1,947,282	1,821,441	2,259,391	437,950	24.0%
Bank service fee	129,312	154,592	192,000	37,408	24.2%
Building maintenance	15,000	5,000	7,500	2,500	50.0%
Business meals	30,000	10,850	18,000	7,150	65.9%
Conferences & Prof development	24,000	15,809	24,000	8,191	51.8%
Equipment lease	6,000	2,953	6,000	3,047	103.2%
Industry memberships and dues	480,000	479,840	690,000	210,160	43.8%
Insurance	120,000	107,576	162,000	54,424	50.6%
Miscellaneous G&A	-	4,174	-	(4,174)	-100.0%
Office supplies and postage	24,000	9,437	18,000	8,563	90.7%
Payroll service fees	21,000	24,659	30,000	5,341	21.7%
Rent	531,570	520,311	540,000	19,689	3.8%
Small equipment & software	390,000	304,724	361,876	57,152	18.8%
Subscriptions	72,000	69,093	120,000	50,907	73.7%
Utilities	60,000	51,324	66,000	14,676	28.6%
Donations (from operations)	-	50,000	-	(50,000)	-100.0%
Travel - Mileage/fuel	3,600	900	3,000	2,100	233.3%
Travel - Parking and Tolls	7,200	1,800	3,000	1,200	66.7%
Travel - Airfare	9,600	2,400	6,000	3,600	150.0%
Travel - Lodging	24,000	6,000	12,015	6,015	100.3%

Additional spending in the following areas:

- Industry Memberships – related to CC Power participation
- Insurance – related to higher costs (especially for Cyber) and additional D&O coverage
- Other areas higher for conservatism

# Draft Budget Detail – Community Energy Programs



FY 2020-2021 Budget & Forecast		FY 2020-2021		FY 2021-2022	Variance FY2022 Proposed Budget vs. FY2021 Forecast	
	Approved Budget	Forecasted Full Year FY2020-2021		Proposed Budget	\$ Change	% Change
<b>OPERATING EXPENSES</b>						
Community Energy Programs	7,550,000	5,655,000		6,555,671	900,670	15.9%
Energy Programs - Consultants	2,403,000	1,268,240		1,720,362	452,122	35.6%
Energy Programs - G&A	-	5,000		151,975	146,975	2939.5%
Energy Programs - Marketing	250,000	12,504		75,000	62,496	499.8%
Energy Programs - Incentives	4,897,000	4,369,256		4,608,333	239,077	5.5%

## Significant assumptions:

- Prior approved budget and FY21 Forecast did not include DER Programs
- DER Programs now included in this budget – approx. \$800K

# Draft Budget FY2021-FY2026 – Key Assumptions

---

## PG&E Generation Rates

- January 1, 2023 – decrease 6.5%
- January 1, 2024 – decrease 1%
- January 1, 2025 – increase 1%
- January 1, 2025 – increase 1%

## PCIA – expected to improve

- January 1, 2023 – decrease 4.5%
- January 1, 2024 – decrease 16%
- January 1, 2025 – decrease 23%
- January 1, 2025 – unchanged


## Load

- FY21-22 (proposed budget) – increase of 4.3% (includes Los Banos for 3 months)
- FY22-23 – increase of 4.8%
- After – annual increases of approximately 1%

## Energy Prices – based on 3<sup>rd</sup> party forecast

- FY21-22 (proposed budget) – increase of 11%
- FY22-26 – increases of 4%, 9%, 4%, 6% (expect higher costs over the next few years)

# Draft Budget FY2021-2026 – Budget Summary & 5-year Plan



FY 2020-2021 Budget & Forecast	FY 2020-2021		FY 2021-2022	FY 2022-2023	FY 2023-2024	FY 2024-2025	FY 2025-2026
	Approved Budget	Forecasted Full Year FY2020-2021	Proposed Budget	Plan	Plan	Plan	Plan
<b>OPERATING REVENUES</b>							
Electricity Sales, net	213,552,721	229,828,896	219,588,443	230,138,595	233,993,899	265,139,839	288,405,643
ECO100 Premium	2,150,775	2,613,655	2,621,034	2,642,925	2,658,416	2,674,032	2,689,776
<b>Total Operating Revenues</b>	<b>215,703,496</b>	<b>232,442,551</b>	<b>222,209,477</b>	<b>232,781,520</b>	<b>236,652,314</b>	<b>267,813,871</b>	<b>291,095,419</b>
<b>OPERATING EXPENSES</b>							
Cost of electricity	197,445,054	214,249,772	216,404,926	225,235,279	216,756,528	224,833,617	229,130,044
Personnel	6,236,981	5,576,086	6,464,275	6,833,256	7,169,830	7,523,232	7,894,305
Data Manager	3,420,000	3,390,410	3,420,000	3,454,200	3,488,742	3,523,629	3,558,866
Service Fees - PG&E	1,260,000	1,254,698	1,260,000	1,272,600	1,285,326	1,298,179	1,311,161
Professional Services	3,068,340	2,020,086	1,351,204	1,243,754	1,276,867	1,311,576	1,347,967
Legal	1,708,230	1,482,772	1,615,500	1,629,210	1,684,005	1,742,647	1,805,416
Marketing and Noticing	2,873,350	1,436,873	2,068,197	2,078,291	2,137,613	2,149,231	2,204,195
General and Administrative	1,947,282	1,821,441	2,259,391	2,297,191	2,372,735	2,459,519	2,552,717
Community Energy Programs	7,550,000	5,655,000	6,555,671	7,611,534	11,021,230	12,926,067	15,931,049
Depreciation	133,216	90,018	105,287	141,287	177,287	213,287	249,287
<b>Total Operating Expenses</b>	<b>225,642,453</b>	<b>236,977,155</b>	<b>241,504,451</b>	<b>251,796,602</b>	<b>247,370,163</b>	<b>257,980,985</b>	<b>265,985,008</b>
<b>Operating Income/(Loss)</b>	<b>(9,938,957)</b>	<b>(4,534,604)</b>	<b>(19,294,973)</b>	<b>(19,015,082)</b>	<b>(10,717,849)</b>	<b>9,832,886</b>	<b>25,110,412</b>
<b>Total Non-operating Income/(Expense)</b>	<b>1,408,000</b>	<b>(16,836)</b>	<b>900,000</b>	<b>900,000</b>	<b>900,000</b>	<b>900,000</b>	<b>900,000</b>
<b>CHANGE IN NET POSITION</b>	<b>(8,530,957)</b>	<b>(4,551,440)</b>	<b>(18,394,973)</b>	<b>(18,115,082)</b>	<b>(9,817,849)</b>	<b>10,732,886</b>	<b>26,010,412</b>
Net Position at the end of period	186,927,291	184,520,292	166,125,319	148,010,236	138,192,388	148,925,273	174,935,685
<b>Approx. Cash &amp; Cash Equivalents</b>	<b>186,646,421</b>	<b>187,316,165</b>	<b>168,421,192</b>	<b>150,306,110</b>	<b>140,488,261</b>	<b>151,221,147</b>	<b>177,231,558</b>
	#REF!						
<b>Days Cash on Hand</b>	<b>294</b>	<b>284</b>	<b>250</b>	<b>214</b>	<b>203</b>	<b>210</b>	<b>239</b>