

# Audit & Finance Committee Meeting

June 14, 2021

# Staff report

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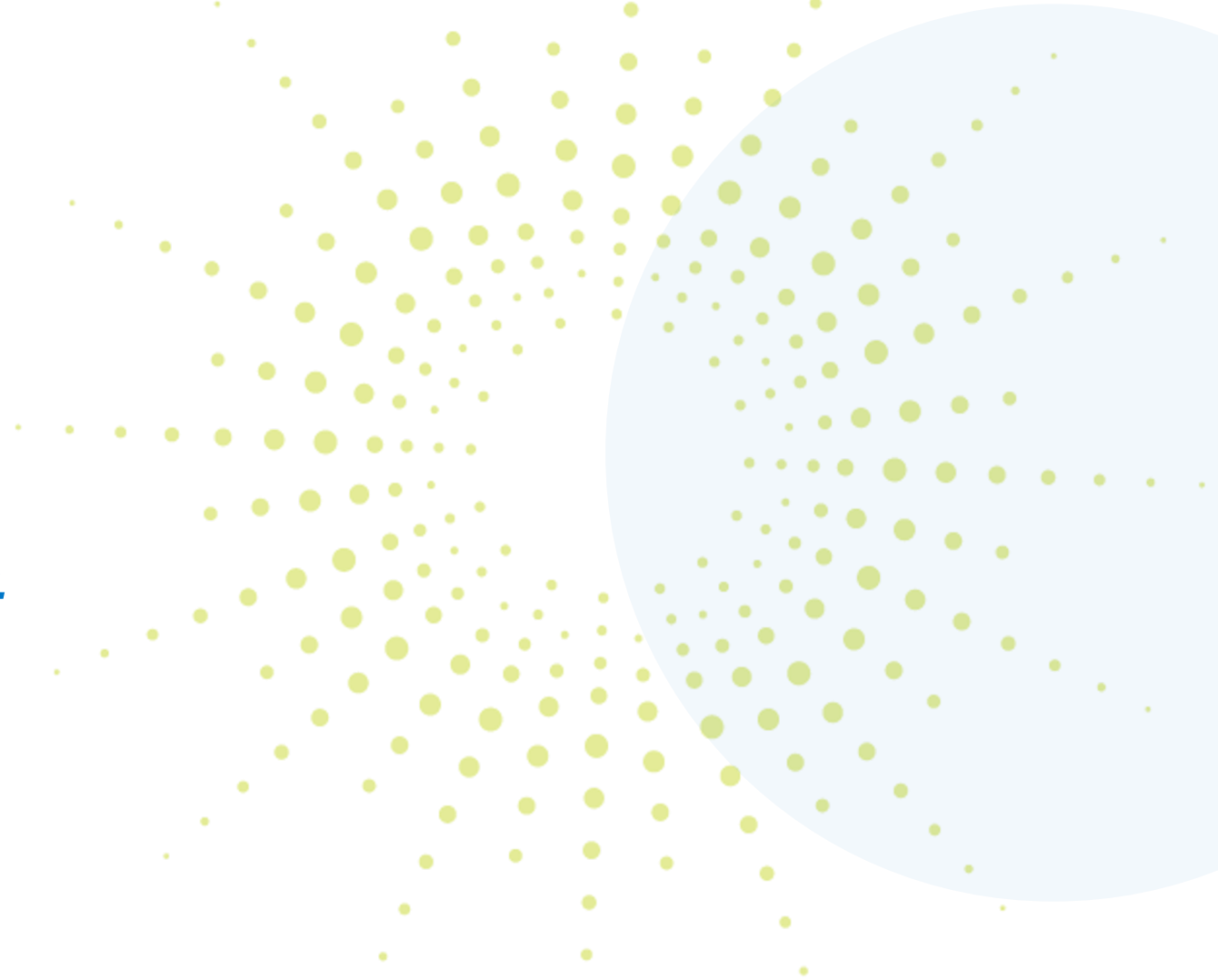
- Maher Accountancy Contract Renewal – Board Meeting on June 24?
- Investment Manager Presentations –A&F Meeting on August 9
- Moving to Zoom soon

# FY2021-2022

(July 1, 2021 – June 30, 2022)

## Budget Review

### *Proposed Budget*



# Proposed Budget FY2021-2022 – Key Assumptions

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## Changes from prior Initial Draft Budget - Very minimal changes

- Update to more current YTD actuals for current fiscal year FY2021
- Minor updates to energy price forecasts

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## 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

# Proposed Budget FY2021-2022 – Summary

	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	229,673,129	219,619,107	(10,054,021)	-4.4%
ECO100 Premium	2,150,775	2,642,168	2,621,034	(21,134)	-0.8%
<b>Total Operating Revenues</b>	<b>215,703,496</b>	<b>232,315,297</b>	<b>222,240,141</b>	<b>(10,075,156)</b>	<b>-4.3%</b>
<b>OPERATING EXPENSES</b>					
Cost of electricity	197,445,054	214,607,181	216,705,953	2,098,772	1.0%
Personnel	6,236,981	5,589,646	6,464,275	874,629	15.6%
Data Manager	3,420,000	3,388,341	3,420,000	31,659	0.9%
Service Fees - PG&E	1,260,000	1,254,695	1,260,000	5,305	0.4%
Professional Services	3,068,340	2,051,392	1,351,204	(700,188)	-34.1%
Legal	1,708,230	1,467,257	1,615,500	148,243	10.1%
Marketing and Noticing	2,873,350	1,392,384	2,068,197	675,813	48.5%
General and Administrative	1,947,282	1,800,879	2,259,391	458,511	25.5%
Community Energy Programs	7,550,000	5,655,000	6,555,671	900,670	15.9%
Depreciation	133,216	91,615	111,675	20,060	21.9%
<b>Total Operating Expenses</b>	<b>225,642,453</b>	<b>237,298,391</b>	<b>241,811,865</b>	<b>4,513,474</b>	<b>1.9%</b>
<b>Operating Income/(Loss)</b>	<b>(9,938,957)</b>	<b>(4,983,094)</b>	<b>(19,571,724)</b>	<b>(5,561,681)</b>	<b>-111.6%</b>
<b>Total Non-operating Income/(Expense)</b>	<b>1,408,000</b>	<b>182,582</b>	<b>900,000</b>	<b>717,418</b>	<b>392.9%</b>
<b>CHANGE IN NET POSITION</b>	<b>(8,530,957)</b>	<b>(4,800,512)</b>	<b>(18,671,724)</b>	<b>(4,844,263)</b>	<b>-100.9%</b>
Net Position at the end of period	186,927,291	184,271,220	165,599,496		
<b>Approx. Cash &amp; Cash Equivalents</b>	<b>186,646,421</b>	<b>187,504,568</b>	<b>168,332,845</b>		
<b>Days Cash on Hand</b>	<b>294</b>	<b>283</b>	<b>250</b>		

# Proposed Budget Detail – Revenues




	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	229,673,129	219,619,107	(10,054,021)	-4.4%
Commercial - Demand	22,280,055	23,894,242	18,481,070	(5,413,172)	-22.7%
Streetlight and Agr- Demand	192,168	326,094	156,350	(169,744)	-52.1%
Commercial - Gen	104,896,767	99,223,698	102,460,681	3,236,983	3.3%
Residential - Gen	85,360,056	104,875,484	97,658,233	(7,217,251)	-6.9%
Street lighting and Agr - Gen	1,573,735	2,108,656	1,634,140	(474,516)	-22.5%
Bad Debt expense	(750,060)	(755,044)	(771,367)	(16,322)	2.2%
ECO100 Premium	2,150,775	2,642,168	2,621,034	(21,134)	-0.8%
Commercial - Green Premium	1,191,221	2,158,142	2,126,916	(31,226)	-1.4%
Residential - Green Premium	930,078	190,066	317,843	127,777	67.2%
Streetlight and Agr - Green Pre	29,476	293,960	176,275	(117,685)	-40.0%
<b>Total Operating Revenues</b>	<b>215,703,496</b>	<b>232,315,297</b>	<b>222,240,141</b>	<b>(10,075,156)</b>	<b>-4.3%</b>

Total Revenues expected to be down by 4.3% from FY21 Forecast

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

# Proposed Budget Detail – Cost of Energy




	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	214,607,181	216,705,953	2,098,772	1.0%
CAISO Charges (Admin)	-	411,303	420,000	8,697	2.1%
CAISO Charges (Ancillary Svcs)	3,000,000	4,878,249	5,048,503	170,254	3.5%
CAISO - Hedge Credit	(102,969,185)	(115,994,581)	(78,986,324)	37,008,257	-31.9%
Resettlements	3,000,000	6,225,212	6,000,000	(225,212)	-3.6%
DA Energy (DLAP)	136,237,707	148,592,871	151,858,578	3,265,707	2.2%
Capacity - Resource Adequacy	31,474,662	40,034,237	31,800,552	(8,233,685)	-20.6%
CAISO - PPA Credit	(37,706,427)	(33,413,905)	(60,358,832)	(26,944,928)	80.6%
PPA Energy purchases	38,991,129	42,934,700	67,441,561	24,506,861	57.1%
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	17,770,857	11,102,379	(6,668,478)	-37.5%
50190 · Resale of Resource Adequacy	-	(8,639,447)	-	8,639,447	-100.0%
Forecasting and scheduling	1,477,502	943,119	379,741	(563,378)	-59.7%
NEM Expense	1,000,000	1,123,381	1,958,421	835,041	74.3%

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

# Proposed Budget Detail – Staff Compensation




	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	5,589,646	6,464,275	874,629	15.6%
Employee Health Benefits	442,592	432,883	456,981	24,098	5.6%
Payroll tax expense	306,797	275,516	316,771	41,255	15.0%
Retirement plan contributions	455,633	391,937	472,560	80,623	20.6%
Salaries and wages	5,006,958	4,472,298	5,192,964	720,666	16.1%
Workers comp insurance	25,000	17,013	25,000	7,987	46.9%

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



# Proposed Budget Detail – Data Manager/Service Fees




	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	3,388,341	3,420,000	31,659	0.9%
Service Fees - PG&E	1,260,000	1,254,695	1,260,000	5,305	0.4%

Both areas are based on customer counts

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

# Proposed Budget Detail – Professional Services




	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	2,051,392	1,351,204	(700,188)	-34.1%
Accounting & Auditing	191,000	189,100	195,000	5,900	3.1%
Human Resources Consulting	72,000	65,875	36,000	(29,875)	-45.4%
IT Consulting	60,000	95,131	84,564	(10,567)	-11.1%
Other Consultants	527,000	129,506	340,000	210,494	162.5%
Power Resources Consulting	2,218,340	1,026,588	695,640	(330,948)	-32.2%
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 to Community Energy Programs as part of recent reorganization


# Proposed Budget Detail – Legal



	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	1,467,257	1,615,500	148,243	10.1%
Legal Legislative	126,750	101,259	96,000	(5,259)	-5.2%
Legal Power Resources	720,000	661,113	787,500	126,387	19.1%
Legal Agency	240,000	192,029	240,000	47,971	25.0%
Legal Regulatory	621,480	512,856	492,000	(20,856)	-4.1%

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

# Proposed Budget Detail – Marketing & Noticing




	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	1,392,384	2,068,197	675,813	48.5%
Advertising/Paid Media	503,850	200,671	170,234	(30,437)	-15.2%
Communications consultants	375,300	310,359	498,000	187,641	60.5%
Sponsorships and memberships	129,000	61,995	99,700	37,705	60.8%
Marketing Automation/Software	77,500	58,106	216,967	158,861	273.4%
Grants & Partner Contracts	1,297,500	18,520	45,000	26,480	143.0%
Promotions & Branding	83,200	3,296	30,960	27,664	839.4%
Communications - misc expenses	12,000	475,453	728,339	252,886	53.2%
Direct Mail	87,000	39,012	87,598	48,586	124.5%
Collateral	72,000	19,706	42,999	23,293	118.2%
Required Printing and Mailing	236,000	205,267	148,400	(56,867)	-27.7%

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		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	1,800,879	2,259,391	458,511	25.5%
Bank service fee	129,312	193,178	192,000	(1,178)	-0.6%
Building maintenance	15,000	3,333	7,500	4,167	125.0%
Business meals	30,000	7,625	18,000	10,375	136.1%
Conferences & Prof development	24,000	16,803	24,000	7,197	42.8%
Equipment lease	6,000	2,530	6,000	3,470	137.1%
Industry memberships and dues	480,000	465,641	690,000	224,359	48.2%
Insurance	120,000	105,505	162,000	56,495	53.5%
Miscellaneous G&A	-	4,213	-	(4,213)	-100.0%
Office supplies and postage	24,000	7,377	18,000	10,623	144.0%
Payroll service fees	21,000	25,398	30,000	4,602	18.1%
Rent	531,570	518,487	540,000	21,513	4.1%
Small equipment & software	390,000	273,893	361,876	87,982	32.1%
Subscriptions	72,000	66,731	120,000	53,269	79.8%
Utilities	60,000	51,082	66,000	14,918	29.2%
Donations (from operations)	-	50,000	-	(50,000)	-100.0%
Travel - Mileage/fuel	3,600	612	3,000	2,388	390.5%
Travel - Parking and Tolls	7,200	1,647	3,000	1,353	82.1%
Travel - Airfare	9,600	1,848	6,000	4,152	224.7%
Travel - Lodging	24,000	4,974	12,015	7,041	141.6%

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

# Proposed Budget Detail – Community Energy Programs



	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	1,226,731	1,720,362	493,632	40.2%
Energy Programs - G&A	-	5,000	151,975	146,975	2939.5%
Energy Programs - Marketing	250,000	8,336	75,000	66,664	799.7%
Energy Programs - Incentives	4,897,000	4,414,933	4,608,333	193,400	4.4%

## Significant assumptions:

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

# Proposed Budget FY2021-2026 – Key Assumptions

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## PG&E Generation Rates

- January 1, 2023 – decrease 6.5%
- January 1, 2024 – decrease 1%
- January 1, 2025 – increase 1%
- January 1, 2026 – increase 1%

## PCIA – expected to improve

- January 1, 2023 – decrease 4.5%
- January 1, 2024 – decrease 16%
- January 1, 2025 – decrease 23%
- January 1, 2026 – 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)

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

	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	229,673,129	219,619,107	230,167,440	234,022,321	265,168,500	288,434,591
ECO100 Premium	2,150,775	2,642,168	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>232,315,297</b>	<b>222,240,141</b>	<b>232,810,365</b>	<b>236,680,737</b>	<b>267,842,532</b>	<b>291,124,367</b>
<b>OPERATING EXPENSES</b>							
Cost of electricity	197,445,054	214,607,181	216,705,953	225,074,043	216,506,001	224,721,892	229,105,239
Personnel	6,236,981	5,589,646	6,464,275	6,833,256	7,169,830	7,523,232	7,894,305
Data Manager	3,420,000	3,388,341	3,420,000	3,454,200	3,488,742	3,523,629	3,558,866
Service Fees - PG&E	1,260,000	1,254,695	1,260,000	1,272,600	1,285,326	1,298,179	1,311,161
Professional Services	3,068,340	2,051,392	1,351,204	1,243,754	1,276,867	1,311,576	1,347,967
Legal	1,708,230	1,467,257	1,615,500	1,629,210	1,684,005	1,742,647	1,805,416
Marketing and Noticing	2,873,350	1,392,384	2,068,197	2,078,291	2,137,613	2,149,231	2,204,195
General and Administrative	1,947,282	1,800,879	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	91,615	111,675	147,675	183,675	219,675	255,675
<b>Total Operating Expenses</b>	<b>225,642,453</b>	<b>237,298,391</b>	<b>241,811,865</b>	<b>251,641,755</b>	<b>247,126,023</b>	<b>257,875,648</b>	<b>265,966,590</b>
<b>Operating Income/(Loss)</b>	<b>(9,938,957)</b>	<b>(4,983,094)</b>	<b>(19,571,724)</b>	<b>(18,831,389)</b>	<b>(10,445,286)</b>	<b>9,966,884</b>	<b>25,157,777</b>
<b>Total Non-operating Income/(Expense)</b>	<b>1,408,000</b>	<b>182,582</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>(4,800,512)</b>	<b>(18,671,724)</b>	<b>(17,931,389)</b>	<b>(9,545,286)</b>	<b>10,866,884</b>	<b>26,057,777</b>
Net Position at the end of period	186,927,291	184,271,220	165,599,496	147,668,107	138,122,821	148,989,705	175,047,482
<b>Approx. Cash &amp; Cash Equivalents</b>	<b>186,646,421</b>	<b>187,504,568</b>	<b>168,332,845</b>	<b>150,401,455</b>	<b>140,856,169</b>	<b>151,723,053</b>	<b>177,780,830</b>
<b>Days Cash on Hand</b>	<b>294</b>	<b>283</b>	<b>250</b>	<b>214</b>	<b>204</b>	<b>211</b>	<b>240</b>



# Committee Recommendation

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**RECOMMEND THAT  
THE BOARD OF DIRECTORS  
APPROVE THE FISCAL YEAR 2021-2022 BUDGET WITH  
TOTAL OPERATING EXPENSES NOT TO EXCEED \$241,811,865**