



Audit & Finance Committee Meeting

August 9, 2021

Staff Report

- Board Action Required
- Total Expenses Over Budget for FY20-21
 - Board approved total spending for Operating Expenses of \$225,642,453
 - Will need a resolution (on Consent) to authorize spending above budget
 - Will wait until we are done (or, nearly done) with the audit
 - Preliminary spending estimate of \$238.5 million
 - All categories under budget except for Cost of Energy
- Audit Started (Detail on next slide)

Staff Report (Audit)

- Audit
 - Work started
 - 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 12, 2021
 - Meet with Auditors
 - Auditor Required Communications
 - Approval at Board Meeting on October 28, 2021
 - Alternative/backup date November 18, 2021
 - **Meet with Auditors**
 - Larry May and 1 other member (non-public meeting)

FY2020-2021 Q4 and Year-end

PRELIMINARY
Financial Review

Ending June 30, 2021



Financial Statement vs. Budget – Quarter and YTD

	Quarter ending June 2021					
	Current Quarter			Year-to-date		
	Actual	Budget	Var Fav/(Unf)	Actual	Budget	Var Fav/(Unf)
OPERATING REVENUES						
Electricity Sales, net	43,031,163	55,032,741	(12,001,578)	225,223,525	213,552,721	11,670,804
Green electricity premium	642,855	520,033	122,821	2,649,804	2,150,775	499,029
Total Operating Revenues	43,674,018	55,552,775	(11,878,757)	227,873,329	215,703,496	12,169,833
OPERATING EXPENSES						
Cost of energy	48,727,464	44,402,767	(4,324,696)	216,108,676	197,445,054	(18,663,621)
Staff compensation	1,501,229	1,617,628	116,399	5,637,451	6,236,981	599,530
Data Manager	849,155	855,000	5,846	3,384,564	3,420,000	35,436
Service Fees - PG&E	314,867	315,000	133	1,254,565	1,260,000	5,435
Consultants & Professional Services	469,686	719,310	249,624	1,980,213	3,068,340	1,088,127
Legal	309,294	420,390	111,096	1,371,676	1,708,230	336,554
Marketing and Noticing	260,499	297,045	36,546	1,360,033	2,873,350	1,513,317
General and Administrative	383,510	515,619	132,109	1,652,980	1,947,282	294,302
Community Energy Programs	4,437,381	2,852,253	(1,585,128)	5,621,986	7,550,000	1,928,014
Depreciation	21,509	36,679	15,170	90,830	133,216	42,386
Total Operating Expenses	57,274,595	52,031,691	(5,242,904)	238,462,973	225,642,453	(12,820,520)
Operating Income (Loss)	(13,600,577)	3,521,084	(17,121,660)	(10,589,644)	(9,938,957)	(650,688)
NON-OPERATING REVENUES (EXP.)						
Total Nonoperating Income/(Expense)	320,211	352,000	(31,789)	(48,624)	1,408,000	(1,456,624)
CHANGE IN NET POSITION	(13,280,366)	3,873,084	(17,153,449)	(10,638,269)	(8,530,957)	(2,107,312)
CHANGE IN NET POSITION						
Net Position at the beginning of period	191,713,828	183,054,208	8,659,620	189,071,732	195,458,248	(6,386,517)
Change in Net Position	(13,280,366)	3,873,084	(17,153,449)	(10,638,269)	(8,530,957)	(2,107,312)
Net Position at the end of period	178,433,463	186,927,291	(8,493,829)	178,433,463	186,927,291	(8,493,829)

Quarterly and YTD Results

Revenues

- Q4 was \$11.9 MM below Budget although Load was 6.6% above Budget – PG&E rate reduction on January 1 and PCIA Trigger finally implemented on March 1
- Total Year was \$12.2 MM above Budget – 7.9% higher load than budgeted and delay in PCIA implementation from October 2020 expected

Expenses

- Q4 was \$5.2 MM above Budget
 - Energy costs \$4.3 MM above Budget as energy prices increased
 - Energy Programs \$1.6 MM above Budget due to significant EV Infrastructure funding
- Total Year was \$12.8 MM above Budget largely due to Q1 and Q4 energy costs

Change in Net Position

- Q4 was negative \$13.3 MM – following negative \$8.5 MM in Q3
- Total Year of negative \$10.6 MM was \$2.1 MM worse than Budget

Q4 Summary Financial Observations

1. Financial reports are preliminary
2. Revenues in Q4 were \$11.9 MM less than Budget - \$4.6 MM less than expected a few months ago
 - a) Although Commercial Demand Charges were less than Budgeted and less than Forecasted in March
 - Budget difference could be timing – additional charges could show up in July
 - b) \$1.4 MM accrual for uncollectible accounts in June
 - Normal end-of-year reconciliation
 - Early estimate of increase in levels – probably due to economic conditions – could be adjusted down with more analysis
3. Energy expenses in Q4 were \$4.3 MM higher than Budget – only slightly higher than had been expected
 - a) Early Summer heat waves
4. Community Energy Programs
 - a) \$1.9 MM below Budget for the full year
 - b) Q4 included \$3.7 MM funding for approved EV Infrastructure program
5. Non-Operating Income higher in Q4 than most of the fiscal year which ended well below Budgeted level
 - a) Interest rates near zero during entire fiscal year – well below Budget expectations
6. Cash Mgmt after 06/30 - transferred \$17.5 MM from investment to operating accounts – higher cash needs
 - a) \$7 MM of collateral requirements in support of PCE as its own Scheduling Coordinator
 - b) Losses in Q3/Q4 related to lower revenues, higher energy costs, and EV infrastructure payments

Revenue – Quarterly Trend

Revenue by Quarter as of

June-21

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
Q3-FY2020/21	46.3	49.7	(3.4)
Q4-FY2020/21	43.7	55.6	(11.9)
Total YTD 2020/21	\$227.9	\$215.7	\$12.2

Quarterly & YTD Revenues

- Q4 revenues were \$11.9 MM below Budget although Load was 6.6% above Budget – PG&E rate reduction on January 1 and PCIA Trigger finally implemented on March 1
- Preliminary revenue level includes accrual of an additional \$1.4 MM of uncollectible accounts
- **Total Year** was \$12.2 MM above Budget – 7.9% higher load than budgeted and delay in PCIA implementation from October 2020 expected.

Revenue – Monthly Trend

Revenue (Last 13 months)

June-21

Month	Revenue Comparison vs Budget		
	Actual	Budget	Var Fav/(Unf)
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
Jan-21	\$19.4	\$17.1	\$2.2
Feb-21	\$13.1	\$15.4	(\$2.3)
Mar-21	\$13.8	\$17.2	(\$3.4)
Apr-21	\$12.7	\$15.0	(\$2.2)
May-21	\$13.9	\$17.2	(\$3.4)
Jun-21	\$17.1	\$23.4	(\$6.3)

Energy Usage vs. Budget

Usage was above Budget in every month in FY2020-2021



Cost of Energy – Quarterly Trend

Cost of Energy by Quarter as of

June-21

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

Quarterly & YTD Expenses

- Q4 was \$5.2 MM above Budget
- Q4 Energy costs were \$4.3 MM above Budget as energy prices increased
- **Total Year** was \$18.7 MM above Budget largely due to Q1 and Q4 energy cost spikes
- Load was also 6.6% higher than Budget in Q4 and 7.9% higher than Budget for the Full Year

Q1-FY2020/21	66.7	55.3	(11.4)
Q2-FY2020/21	51.2	51.0	(0.1)
Q3-FY2020/21	49.4	46.7	(2.8)
Q4-FY2020/21	48.7	44.4	(4.3)
Total YTD 2020/21	\$216.1	\$197.4	(\$18.7)



Cost of Energy – Monthly Trend

Cost of Energy (Last 13 months)

June-21

Month	COE Comparison vs Budget		
	Actual	Budget	Var Fav/(Unf)
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)
Jan-21	\$17.8	\$16.3	(\$1.5)
Feb-21	\$15.8	\$15.2	(\$0.6)
Mar-21	\$15.9	\$15.2	(\$0.7)
Apr-21	\$15.4	\$14.1	(\$1.3)
May-21	\$16.9	\$14.5	(\$2.4)
Jun-21	\$16.4	\$15.8	(\$0.6)

Change in Net Position (Year-to-date)

Change in Net Position - YTD as of

June-21

Accounts	Year-to-date vs Budget		
	Actual	Budget	Var Fav/(Unf)
Revenues	\$227.9	\$215.7	\$12.2
Cost of Energy	216.1	197.4	(18.7)
Other Opex	22.4	28.2	5.8
Non-Opex/(Income)	0.0	(1.4)	(1.5)
Net Position	(\$10.6)	(\$8.5)	(\$2.1)

Quarterly and YTD Change in Net Position

- Q4 was negative \$13.3 MM – following negative \$8.5 MM in Q3
 - Combination of lower PCE rates and higher costs
- **Total Year** of negative \$10.6 MM was \$2.1 MM worse than Budget

Cash and Investment Summary – Quarterly Trend

	Jun-18	Jun-19	Jun-20	Mar-21	Jun-21
Investment Account - USBank (Combined PFM/FRB)					
Asset Summary					
Cash & Equivalents	\$ 20,019,851	\$ 4,507,825	\$ 58,937,363	\$ 5,122,519	\$ 2,785,233
Fixed Income	\$ 30,105,348	\$ 90,743,561	\$ 105,343,286	\$ 163,688,245	\$ 153,947,396
Accrued Income			\$ 546,170	\$ 619,229	\$ 520,977
Ending Balance	\$ 50,125,199	\$ 95,251,385	\$ 164,826,819	\$ 169,429,993	\$ 157,253,606
Other Accounts (Unrestricted)					
Unrestricted - M&T LockBox				\$ -	\$ 758,192
Unrestricted - Wilmington LockBox	\$ 5,376,290	\$ 5,632,155	\$ 5,030,087	\$ 4,975,045	\$ 2,465,340
Operating Account - First Republic	\$ 2,413,747	\$ 3,299,345	\$ 5,834,142	\$ 4,383,238	\$ 4,340,702
Savings Account - First Republic	\$ 5,995,341	\$ 9,885,949	\$ 2,484,545	\$ 11,272,231	\$ 1,354,942
Other Accounts	\$ 278,835	\$ 573	\$ -	\$ -	\$ (1,349)
Subtotal Unrestricted (non-Investment accounts)	\$ 14,064,213	\$ 18,818,022	\$ 13,348,775	\$ 20,630,515	\$ 8,917,826
Other Accounts (Restricted)					
Restricted Cash - Wilmington LockBox	\$ 2,500,000	\$ 1,500,000	\$ 1,000,000	\$ 1,000,000	\$ 500,000
Restricted Cash - First Republic	\$ -	\$ 11,665,799	\$ 31,386,560	\$ 3,949,194	\$ 3,949,194
Subtotal Restricted (non-Investment accounts)	\$ 2,500,000	\$ 13,165,799	\$ 32,386,560	\$ 4,949,194	\$ 4,449,194
Total Cash	\$ 66,689,412	\$ 127,235,206	\$ 210,562,154	\$ 195,009,702	\$ 170,620,626
Unrestricted Cash	\$ 64,189,412	\$ 114,069,407	\$ 178,175,594	\$ 190,060,508	\$ 166,171,432
Check (Investment Account Split)	\$ -	\$ -	\$ -	\$ -	\$ -
Check (Balance Sheet)		\$ -	\$ -	\$ -	\$ -
Net Position at end of period	\$ 85,405,582	\$ 140,139,128	\$ 189,071,732	\$ 191,713,828	\$ 178,433,463

Cash Reserves – Days Cash on Hand

	Actual June 30, 2021
Total Cash/Investments Balance	\$170,620,626
Restricted by Term/Covenant	4,449,194
Unrestricted Cash (per Approved Reserve Policy)	\$166,171,432
Days Cash on Hand (per Approved Reserve Policy)	254
Approved Reserve Policy (Days Cash on Hand)	180
Unrestricted Operating Reserve Requirement (180 Days)	117,598,179
Unrestricted Cash in Excess of Current Reserve Policy	\$48,573,254