



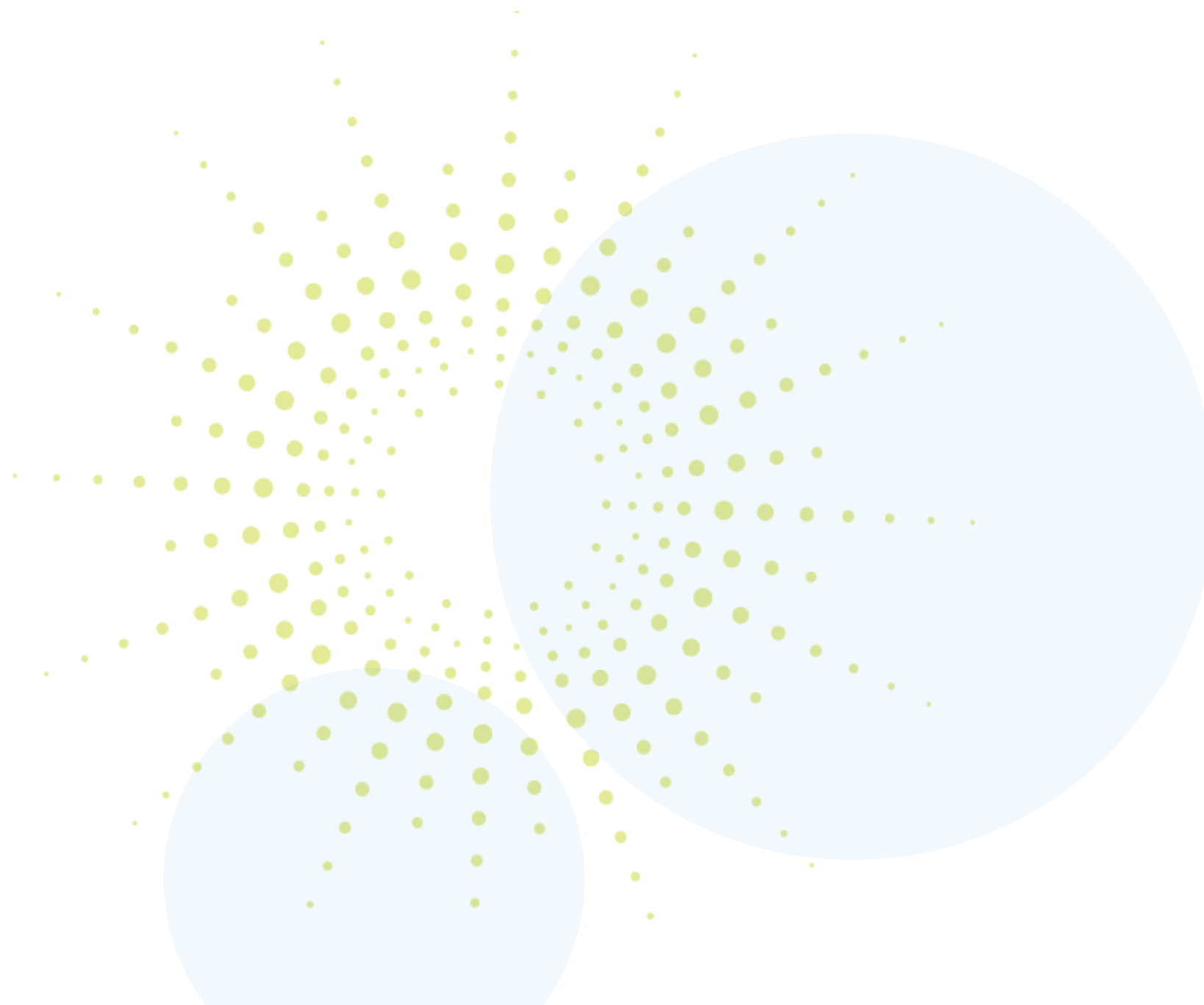
Audit & Finance Committee Meeting

August 14, 2023

Chair Report



Staff Report



Staff Report

Audit

- Audit Update
 - Engaged and started audit activities
 - Picienti & Brinker
- Audit Schedule
 - October 16 - Target for Audit & Finance Committee to review draft audit financials
 - October 26 – Target for Board of Directors approval of Final Audited Financials

Investment Management – Special A&F Meeting Sept 11?

- Review of Current Investment Policy
- Recommendations for portfolio

FY 2022-2023 Q4 and EOY Financial Report

PRELIMINARY (Subject to Audit)

July 1, 2022 through June 30, 2023

FY 2022-2023 Year-to-Date Actual vs. Budget Load Performance

- Total customer load
 - Year-to-date is 2.5% below budget
 - Q4 was 8.8%% below Budget due to mild spring mostly due to Residential 15.3% below Budget

	Year-to-date Base load as of June 2023			
(in kWh)	Actual	Budget	Variance	Variance as % Budget
Residential	1,445,284,498	1,533,630,259	(88,345,761)	-5.8%
Commercial and Industrial	1,937,550,834	1,936,472,230	1,078,604	0.1%
Total	3,382,835,333	3,470,102,490	(87,267,157)	-2.5%

Revenue – Quarterly Trend

Revenue by Quarter as of June 30,2023

June-23

Quarter	Revenue vs Budget		
	Actual	Budget	Var Fav/(Unf)
Q1-FY 2021/2022	\$58.4	\$61.0	(\$2.6)
Q2-FY 2021/2022	\$45.1	\$52.5	(\$7.5)
Q3-FY 2021/2022	\$43.8	\$50.3	(\$6.5)
Q4-FY 2021/2022	\$92.0	\$58.4	\$33.6
Total YTD 2021/2022	\$239.2	\$222.2	\$17.0
Q1-FY 2022/2023	\$114.0	\$120.0	(\$6.0)
Q2-FY 2022/2023	\$101.2	\$100.6	\$0.6
Q3-FY 2022/2023	\$107.1	\$72.1	\$35.1
Q4-FY 2022/2023	\$106.4	\$75.1	\$31.3
Total YTD FY22/23	\$428.8	\$367.8	\$61.0

Quarterly

- **Q4** revenues were \$31,3 MM above Budget
 - Offsetting earlier below-Budget performance
 - Current PCE customer rates increased by approximately 50% over prior rates
 - 15% increase in PG&E rates
 - 90% decrease in PCIA rates



Revenue – Monthly Trend

Revenue (Last 13 Months)

June-23

Month	Revenue Comparison vs Budget (in Millions)		
	Actual	Budget	Var Fav/(Unf)
Jun-22	\$36.3	\$23.3	\$13.0
Jul-22	\$35.2	\$39.2	(\$3.9)
Aug-22	\$37.0	\$41.1	(\$4.1)
Sep-22	\$41.7	\$39.7	\$2.0
Oct-22	\$32.4	\$33.8	(\$1.4)
Nov-22	\$33.8	\$31.6	\$2.2
Dec-22	\$35.0	\$35.2	(\$0.2)
Jan-23	\$34.9	\$26.6	\$8.3
Feb-23	\$35.2	\$23.2	\$12.0
Mar-23	\$37.1	\$22.3	\$14.8
Apr-23	\$32.0	\$20.0	\$12.1
May-23	\$34.6	\$24.0	\$10.6
Jun-23	\$39.8	\$31.2	\$8.7

Cost of Energy – Quarterly Trend

Cost of Energy by Quarter as of June 30,2023

June-23

Quarter	Cost of Energy vs. Budget		
	Actual	Budget	Var Fav/(Unf)
Q1-FY 2021/2022	\$56.5	\$57.6	\$1.1
Q2-FY 2021/2022	\$51.1	\$53.9	\$2.8
Q3-FY 2021/2022	\$56.2	\$52.9	(\$3.4)
Q4-FY 2021/2022	\$62.8	\$52.3	(\$10.5)
Total YTD 2021/2022	\$226.7	\$216.7	(\$10.0)
Q1-FY 2022/2023	\$84.9	\$77.3	(\$7.6)
Q2-FY 2022/2023	\$71.6	\$66.3	(\$5.3)
Q3-FY 2022/2023	\$51.3	\$58.2	\$6.9
Q4-FY 2022/2023	\$62.9	\$62.4	(\$0.5)
Total YTD FY22/23	\$270.7	\$264.2	(\$6.5)

Quarterly

- **Q4** Cost of Energy was \$0.5 MM above Budget
 - Despite higher load than Budget
 - Most significant negative variance was the result of high Resource Adequacy costs.
 - Other energy costs (in total) were below Budget



Cost of Energy – Monthly Trend

Cost of Energy (Last 13 months)

June-23

Month	Revenue Comparison vs Budget (in Millions)		
	Actual	Budget	Var Fav/(Unf)
Jun-22	\$23.6	\$18.2	(\$5.4)
Jul-22	\$23.1	\$23.7	\$0.6
Aug-22	\$25.7	\$26.9	\$1.2
Sep-22	\$36.1	\$26.7	(\$9.4)
Oct-22	\$19.1	\$21.9	\$2.8
Nov-22	\$21.1	\$21.5	\$0.5
Dec-22	\$31.4	\$22.8	(\$8.6)
Jan-23	\$16.3	\$19.8	\$3.5
Feb-23	\$17.6	\$18.4	\$0.7
Mar-23	\$17.3	\$20.0	\$2.7
Apr-23	\$19.1	\$19.3	\$0.1
May-23	\$19.9	\$21.4	\$1.5
Jun-23	\$23.9	\$21.8	(\$2.1)

FY 2022-23 Q4 Financial Performance – Year to Date Actual vs. Budget

	Quarter ending June 2023			Year-to-date		
	Current Quarter			Year-to-date		
	Actual	Budget	Var Fav/ (Unf)	Actual	Budget	Var Fav/ (Unf)
OPERATING REVENUES						
Electricity Sales, net	105,727,831	74,470,195	31,257,637	425,744,218	364,961,141	60,783,077
Green electricity premium	714,647	676,109	38,538	3,011,460	2,822,550	188,910
Total Operating Revenue	106,442,478	75,146,303	31,296,174	428,755,678	367,783,691	60,971,987
OPERATING EXPENSES						
Cost of energy	62,894,824	62,436,641	(458,182)	270,659,009	264,208,440	(6,450,570)
Staff compensation	2,208,995	2,145,805	(63,189)	8,001,778	8,583,221	581,443
Data Manager	885,321	900,000	14,679	3,604,390	3,600,000	(4,390)
Service Fees - PG&E	333,045	337,500	4,455	1,323,863	1,350,000	26,137
Consultants & Professional Services	240,898	316,360	75,461	951,686	1,431,813	480,127
Legal	217,047	368,500	151,453	1,205,757	1,474,000	268,243
Communications and Noticing	280,920	737,677	456,757	1,329,437	2,686,208	1,356,771
General and Administrative	618,780	588,669	(30,111)	2,283,867	2,382,000	98,133
Community Energy Programs	3,171,051	2,160,000	(1,011,051)	7,580,877	8,640,000	1,059,123
Depreciation	18,313	24,000	5,687	75,078	96,000	20,922
Total Operating Expenses	70,869,193	70,015,152	(854,041)	297,015,742	294,451,682	(2,564,060)
Operating Income (Loss)	35,573,284	5,131,151	30,442,133	131,739,936	73,332,009	58,407,927
NON-OPERATING REVENUES (EXP.)						
Total Nonoperating Income/(Expense)	448,719	150,000	298,719	2,416,131	600,000	1,816,131
CHANGE IN NET POSITION	36,022,004	5,281,151	30,740,852	134,156,067	73,932,009	60,224,058

Change in Net Position (Year-to-date)

Change in Net Position - YTD as of June 2023

June-23

	Year-to-date vs Budget		
	Actual	Budget	Variance
Revenues	\$ 428,755,678	\$ 367,783,691	\$ 60,971,987
Cost of Energy	270,659,009	264,208,440	(6,450,570)
Other Opex	26,356,733	30,243,242	3,886,509
Non-Opex/ (Income)	2,416,131	600,000	1,816,131
Net Position	\$ 134,156,067	\$ 73,932,009	\$ 60,224,058

YTD

- CINP is \$134.2 MM, well above the Budget level

Change in Net Position - Year-over-year as of June 2023

	Year-over-year Comparison (YTD)		
	YTD 2022-23	YTD 2021-22	Variance
Revenues	\$ 428,755,678	\$ 237,898,558	\$ 190,857,120
Cost of Energy	270,659,009	226,678,063	(43,980,946)
Other Opex	26,356,733	19,861,267	(6,495,466)
Non-Opex/ (Income)	2,416,131	(4,405,547)	6,821,678
Net Position	\$ 134,156,067	\$ (13,046,319)	\$ 147,202,386

Compared to Prior Year

- Full-year CINP of \$134.2 MM is significantly better than \$31.5 MM loss in the prior year
- Significant increases in rates more than offset higher energy costs

Cash Reserves – Days Cash on Hand

	Actual June 30, 2023
Total Cash/ Investments Balance	\$254,073,593
Restricted by Term/ Covenant	\$0
Unrestricted Cash (per Approved Reserve Policy)	\$254,073,593
Days Cash on Hand (per Approved Reserve Policy)	312
Approved Reserve Policy (Days Cash on Hand)	180
Unrestricted Cash in Excess of Current Reserve Policy	\$107,600,077

Cash and Investment Summary – Quarterly Trend

Cash and Investment Summary - Quarterly Trend

	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23
Investment Account - US Bank (Combined PFM/FRB)					
Asset Summary					
Cash & Equivalents	\$ 181,685	\$ 2,561,110	\$ 184,866	\$ 284,672	\$ 505,766
Accrued Income		\$ -	\$ -	\$ -	\$ 568,609
Fixed Income	\$ 125,734,015	\$ 119,021,594	\$ 122,716,994	\$ 124,675,994	\$ 123,279,696
Ending Balance	\$ 125,915,700	\$ 121,582,704	\$ 122,901,860	\$ 124,960,666	\$ 124,354,070
Other Accounts (Unrestricted)					
Unrestricted - Wilmington LockBox	\$ 8,133,146	\$ 8,629,298	\$ 9,255,756	\$ 46,206,759	\$ 62,335
Operating Account - First Republic	\$ 1,365,681	\$ 13,332,832	\$ 17,476,093	\$ 29,023,794	\$ 32,373,431
Savings Account - First Republic	\$ 74,032	\$ 678,657	\$ 36,540,546	\$ 1,908,497	\$ 8,497
Fidelity MMA		\$ -	\$ -	\$ 20,029,063	\$ 50,529,226
Schwab MMA		\$ -	\$ -	\$ -	\$ 46,743,235
Other Accounts	\$ 22,908	\$ 2,800	\$ 2,800	\$ (1,300)	\$ 2,800
Subtotal Unrestricted (non-Investment accounts)	\$ 9,595,766	\$ 22,643,588	\$ 63,275,194	\$ 97,166,813	\$ 129,719,523
Other Accounts (Restricted)					
Restricted Cash - Wilmington LockBox	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted Cash - First Republic	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal Restricted (non-Investment accounts)	\$ -	\$ -	\$ -	\$ -	\$ -
Total Cash	\$ 135,511,466	\$ 144,226,292	\$ 186,177,054	\$ 222,127,480	\$ 254,073,593

Investment Manager balances at 06/30/2023:

- PFM = \$64.3 MM
- FRB = \$60.0 MM

Note: \$14.7 MM of cash is on deposit with CAISO and not reflected in this summary

Proposed Revisions to Policy #14 and Policy #17

- Policy #14 spells out who can approve/sign contracts that commit PCE to payment
- Policy #17 spells out who must review and approve invoices to authorize payment by wire, check or ACH
- PCE has grown and matured and added significant strength in senior and middle management staff to warrant streamlining of activities and pushing responsibility closer to competent managers

Proposed Revisions to Policy #14

Delegation of Authority Policy

- Policy #14 spells out who can approve/sign contracts that commit PCE to payment
- Current policy
 - CEO can approve any contract/commitment up to \$100,000 if the commitment is included in the already Board-approved budget
 - CFO can approve any contract /commitment for “Operating or General and Administrative Expenses” up to \$100,000 if included in approved budget
- Proposed policy
 - CEO, COO, or CFO can approve any contract/commitment up to \$100,000 if included in approved budget

Recommendation/Resolution

**RESOLUTION RECOMMENDING THAT THE BOARD OF DIRECTORS
APPROVE THE REVISED POLICY #14**

Proposed Revisions to Policy #17

Disbursement and Invoice Payment Policy

- Invoice Approvals

- No change to policy that requires manager/director of each area, who are closest to the expense commitment, to be involved in approving any invoice before a payment can be processed
- No change to policy requiring final approval by CFO or CEO of every invoice payment before a payment can be processed

- Approval Levels - Different levels by expense area

1. Invoices not related to Power Resources
2. Invoices related to Power Resources administration activities
3. Invoices related to Energy/Electricity procurement

Proposed Revisions to Policy #17

Invoices NOT related to Power Resources activity

- Up to \$10,000 – Level 1: Responsible area Manager or Director approval
- \$10,000 to \$100,000 – Level 2: Responsible area Director approval is required.
- Over \$100,000 – Level 3: CEO or COO approval is required. COO can only approve invoices relating to areas of supervisory responsibility.
- Following the required approvals above, the CFO will review and approve ALL invoices, regardless of amount. In the event that CFO is not available, CEO approval is required.

Proposed Revisions to Policy #17

Invoices related to Power Resources administration

- Expenses in the following categories (examples)
 - Consulting
 - Legal
 - Forecasting and scheduling
 - Subscriptions
 - Penalties and interest
- Invoice Approval Levels
 - Up to \$10,000 – Level 1: Responsible area Manager or Director approval
 - \$10,000 to \$100,000 – Level 2: Responsible area Director approval is required.
 - Over \$100,000 – Level 3: CEO approval is required.
 - Following the required approvals above, the CFO will review and approve ALL invoices, regardless of amount. In the event that CFO is not available, CEO approval is required..

Proposed Revisions to Policy #17

Invoices related to Energy/Electricity activity

- Expenses in the following categories (examples)
 - CAISO charges and collateral deposits
 - Hedge and PPA energy purchases
 - RECs and Carbon Free expenses
 - Resource Adequacy
 - PPA and other Supplier Security Deposits
- Invoice Approval Levels
 - Up to \$3,000,000 – Level 1 and Level 2 - Responsible area Manager AND Director of Power Resources are required.
 - Over \$3,000,000 – Level 3 – CEO approval is required.
 - In the 10 months from July 1, 2022, through April 30, 2022, 378 payments were made. Of those, 14 were over \$3,000,000 and 137 were under \$100,000.
 - Following the required approvals above, the CFO will review and approve ALL invoices, regardless of amount. In the event that CFO is not available, CEO approval is required.

Recommendation/Resolution

**RESOLUTION RECOMMENDING THAT THE BOARD OF DIRECTORS
APPROVE THE REVISED POLICY #17**

Committee Members' Reports

Adjournment

