

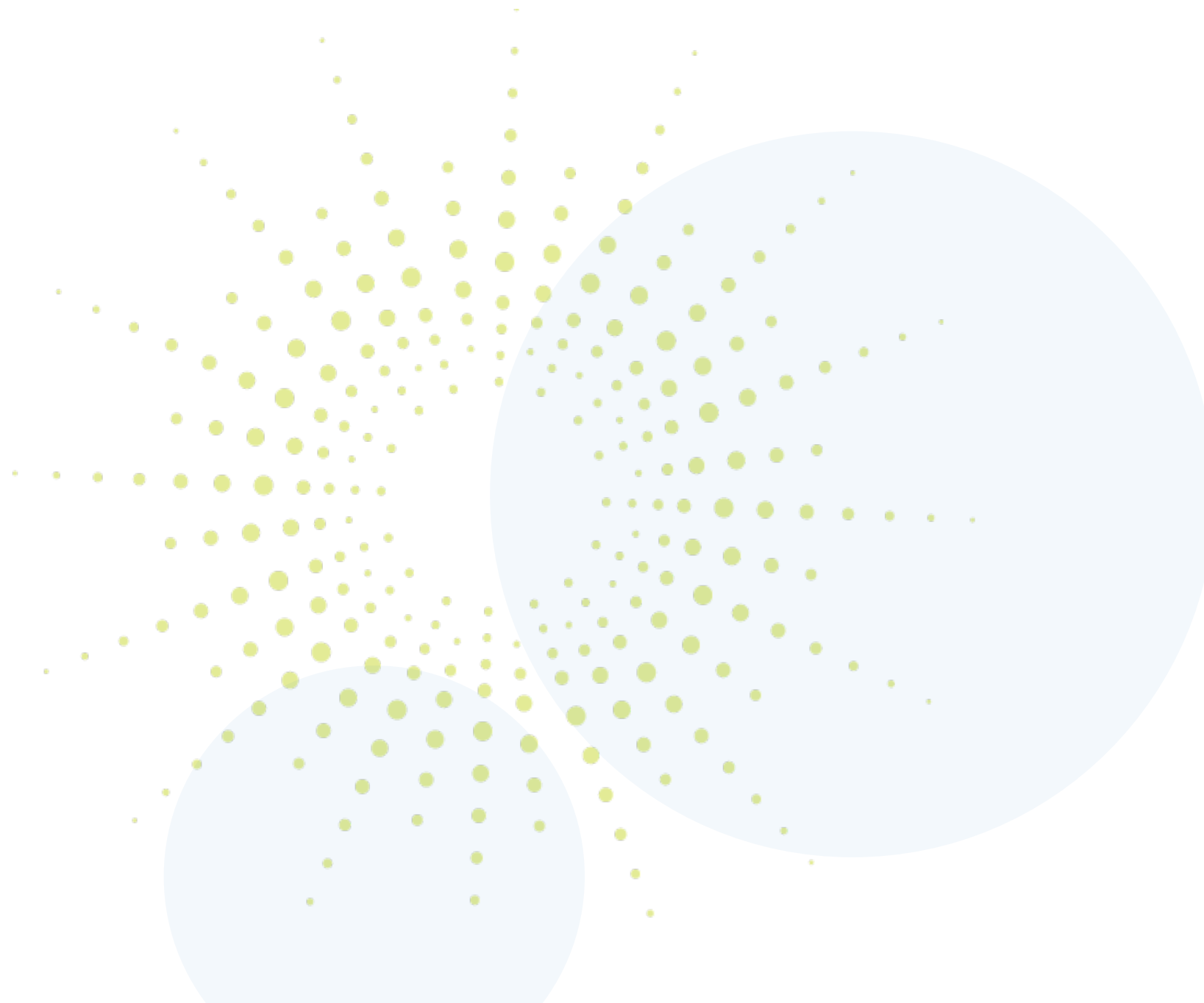


Audit & Finance Committee Meeting

May 13, 2024

The meeting will begin shortly. Thank you!

Chair Report



Appointment of Audit and Finance Committee Chair

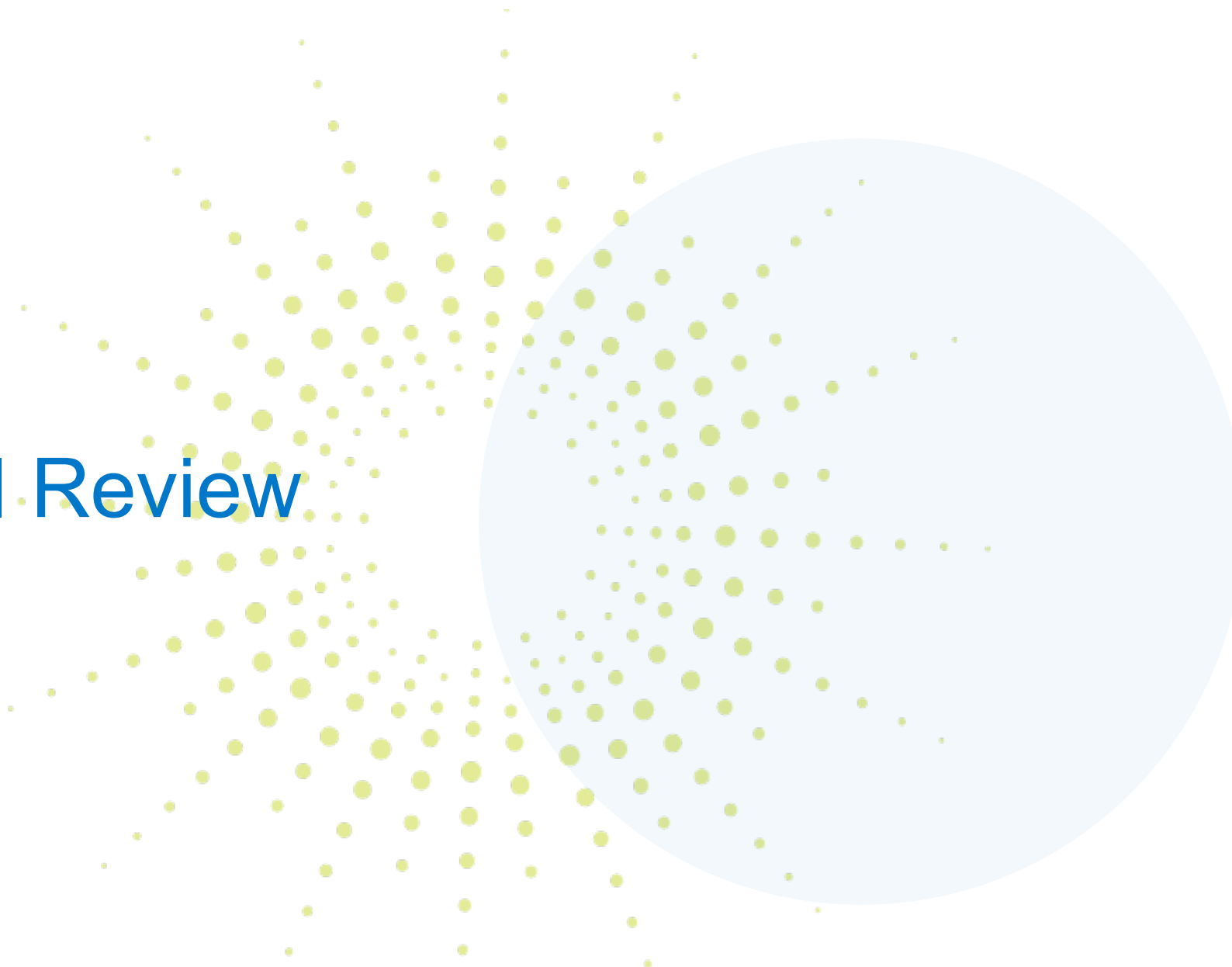
Staff Report



Staff Report

- Excess cash fully invested -- CAMP (~\$140M), Chandler (~\$100M) and PFM (~\$100M)
- Moody's meeting on May 7
- Preparing for possible Prepay transaction
 - Engaged PFM and Chapman & Cutler
 - Launched RFP for investment bank, presentations planned for the week of June 3
- FY 2025 budget and 5-year forecast, including updated cost of service rate setting methodology (presentation today)
- Rate Stabilization Fund (presentation today)
- Staffing update

Q3 FY24 Financial Review



Detailed Financial Statement

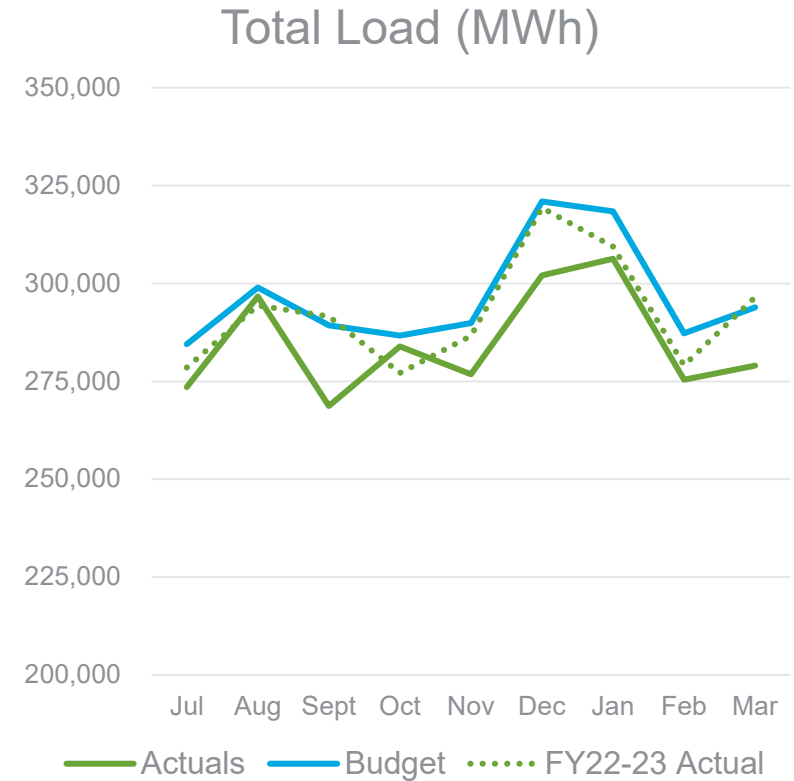
	Quarter Ending March 2024		
	Actual	Budget	Var Fav/(Unf)
OPERATING REVENUES			
Electricity sales, net	110,731,354	113,289,646	(2,558,292)
Green electricity premium	714,057	705,821	8,236
Total Operating Revenue	111,445,411	113,995,468	(2,550,057)
OPERATING EXPENSES			
Cost of energy	81,959,563	80,371,497	(1,588,066)
Gross Profit	29,485,848	33,623,971	(4,138,123)
OTHER OPERATING EXPENSES			
Staff compensation	2,637,659	2,708,200	70,542
Data manager	884,644	967,788	83,144
Service fees - PG&E	330,120	350,000	19,880
Consultants & professional services	243,630	349,412	105,782
Legal	252,786	390,640	137,853
Communications and noticing	825,937	626,710	(199,227)
General and administrative	666,374	1,009,701	343,328
Community Energy Programs	4,070,227	3,181,500	(888,727)
Depreciation	21,176	70,250	49,074
Total Other Operating Expenses	9,932,552	9,654,201	(278,351)
OPERATING INCOME	19,553,296	23,969,770	(4,416,474)
Non-Operating Income	4,554,066	161,298	4,392,768
CHANGE IN NET POSITION	24,107,362	24,131,068	(23,706)

	YTD March 2014		
	Actual	Budget	Var Fav/(Unf)
	341,678,584	363,569,288	(23,251,245)
	2,263,594	2,237,285	26,309
	343,942,178	365,806,573	(23,224,935)
	245,881,512	241,381,216	(4,500,296)
	98,060,666	124,425,357	(26,364,691)
	7,022,898	8,214,601	1,191,703
	2,651,838	2,903,364	251,526
	989,577	1,050,000	60,423
	908,504	1,434,079	525,575
	636,315	1,183,919	547,604
	1,626,332	2,323,430	697,098
	2,134,462	3,097,683	963,222
	10,127,887	9,544,500	(583,387)
	59,140	133,667	74,527
	26,156,952	29,885,243	3,728,290
	71,903,714	94,540,114	(22,636,400)
	12,485,774	483,894	12,001,880
	84,389,488	95,024,008	(10,634,521)

Customer Load

- YTD load 4% below budget due in part to mild summer and warmer winter
- Q3 variance (-5%) partly due to under-estimating behind the meter generation and over-estimating EV charging behavior
- Revisiting load forecasting methodology

(in MWh)	YTD Base Load			
	Actual	Budget	Variance	Var (%)
Residential	1,075,134	1,159,651	(84,517)	-7.3%
Commercial and Industrial	1,487,294	1,510,342	(23,048)	-1.5%
Total	2,562,428	2,669,994	(107,565)	-4.0%



Revenue

	Actual	Budget	Variance	
			Fav/(Unf)	Fav/(Unf)
Q1-FY 2022/2023	\$114.0	\$120.0	(\$6.0)	-5.0%
Q2-FY 2022/2023	101.2	100.6	0.6	0.6%
Q3-FY 2022/2023	107.1	72.1	35.1	48.6%
Q4-FY 2022/2023	106.4	75.1	31.3	41.6%
Total 2022/2023	\$428.8	\$367.8	\$61.0	16.6%
Q1-FY 2023/2024	\$133.0	\$136.0	(\$3.0)	-2.2%
Q2-FY 2023/2024	99.5	115.9	(16.3)	-14.1%
Q3-FY 2023/2024	111.4	114.0	(2.6)	-2.2%
YTD FY 2023/2024	\$343.9	\$365.8	(\$21.9)	-6.0%

- Q3 revenue is \$2.6 million (-2%) below budget
 - Due primarily to lower load than budgeted
- YTD revenue is \$21.9 million (-6%) below budget
 - \$12 million CARE/FERA rebate in December
 - Lower load than budgeted

Cost of Energy

	Actual	Budget	Variance	
			Fav/(Unf)	Fav/(Unf)
Q1-FY 2022/2023	\$84.9	\$77.3	(\$7.6)	-9.8%
Q2-FY 2022/2023	71.6	66.3	(5.3)	-8.0%
Q3-FY 2022/2023	51.3	58.2	6.9	11.9%
Q4-FY 2022/2023	57.4	62.4	5.0	8.0%
Total 2022/2023	\$265.2	\$264.2	(\$1.0)	-0.4%
Q1-FY 2023/2024	\$93.8	\$90.5	(\$3.3)	-3.6%
Q2-FY 2023/2024	70.2	70.5	0.4	0.5%
Q3-FY 2023/2024	82.0	80.4	(1.6)	-2.0%
YTD FY 2023/2024	\$245.9	\$241.4	(\$4.5)	-1.9%

- Q3 cost of energy is \$1.6 million (2%) higher than budget, despite lower load
- Due primarily to higher RA costs (\$5.5 million), which was expected, and congestion costs

Change in Net Position (CINP)

Year-to-Date vs Budget (in millions)				
	Actual	Budget	Var Fav/(Unf)	Var Fav/(Unf)
Revenues	\$343.9	\$365.8	(\$21.9)	-6.0%
Cost of Energy	245.9	241.4	(4.5)	-1.9%
Gross Profit	\$98.1	\$124.4	(\$26.4)	-21.2%
Other Opex	26.2	29.9	3.7	12.5%
Non-Operating Income	12.5	0.5	12.0	2480.3%
Change in Net Position	\$84.4	\$95.0	(\$10.6)	-11.2%

Year-to-Date vs FY23 (in millions)				
	YTD 2024	YTD 2023	Var Fav/(Unf)	Var Fav/(Unf)
Revenues	\$343.9	\$322.3	\$21.6	6.7%
Cost of Energy	245.9	207.8	(38.1)	-18.3%
Gross Profit	\$98.1	\$114.5	(\$16.5)	-14.4%
Other Opex	26.2	18.4	(7.8)	-42.3%
Non-Operating Income	12.5	2.0	10.5	534.6%
Change in Net Position	\$84.4	\$98.1	(\$13.7)	-14.0%

- YTD CINP of \$84.4 million is \$10.6 million (-11%) below budget
- Primarily due to CARE/FERA rebate and higher energy costs
- Offset in part by OpEx savings (\$3.7 million) and interest income (\$12 million)
 - Staff compensation below budget by \$1.2 million due to delayed hiring
 - Timing of communications and marketing spend

Cash and Investment Summary – Quarterly Trend

(in millions)	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
First Republic Bank	\$30.9	\$32.4	\$40.2	\$45.7	\$15.5
Other Accounts	46.2	0.1	0.0	0.0	0.0
Cash	\$77.1	\$32.4	\$40.2	\$45.7	\$15.5
CAMP	0.0	0.0	0.0	90.2	141.8
PFM	64.7	64.3	64.5	106.7	107.0
Chandler (was FRB)	60.2	60.0	60.2	102.1	102.6
Fidelity	20.0	50.5	71.4	0.0	0.0
Schwab	0.0	46.7	57.4	0.2	0.0
Total Investments	\$145.0	\$221.6	\$253.4	\$299.3	\$351.4
Total Cash & Investments	\$222.1	\$254.1	\$293.7	\$345.0	\$366.9
Days Cash on Hand	268	319		351	370

Appendix



Revenue – Monthly Trend

	Revenue Comparison vs. Budget (in millions)			
	Actual	Budget	Var Fav/(Unf)	Var Fav/(Unf) %
Dec-22	\$35.0	\$35.2	(\$0.2)	-0.5%
Jan-23	34.9	26.6	8.3	31.2%
Feb-23	35.2	23.2	12.0	51.9%
Mar-23	37.1	22.3	14.8	66.2%
Apr-23	32.0	20.0	12.1	60.4%
May-23	34.6	24.0	10.6	44.1%
Jun-23	39.8	31.2	8.7	27.8%
Jul-23	42.8	44.2	(1.3)	-3.0%
Aug-23	48.1	46.5	1.6	3.5%
Sep-23	42.0	45.3	(3.3)	-7.3%
Oct-23	37.8	38.2	(0.4)	-1.1%
Nov-23	35.0	36.8	(1.7)	-4.7%
Dec-23	26.7	40.9	(14.2)	-34.7%
Jan-24	39.3	41.9	(2.5)	-6.0%
Feb-24	36.2	37.7	(1.5)	-3.9%
Mar-24	35.9	34.4	1.4	4.2%

Cost of Energy – Monthly Trend

Cost of Energy Comparison vs. Budget (in millions)					
	Actual	Budget	Var Fav/(Unf)	Var Fav/(Unf) %	
Dec-22	\$31.4	\$22.8	(\$8.6)	-37.6%	
Jan-23	16.3	19.8	3.5	17.5%	
Feb-23	17.6	18.4	0.7	4.0%	
Mar-23	17.3	20.0	2.7	13.7%	
Apr-23	19.1	19.3	0.1	0.7%	
May-23	19.9	21.4	1.5	7.0%	
Jun-23	18.4	21.8	3.4	15.4%	
Jul-23	29.2	29.0	(0.2)	-0.7%	
Aug-23	37.3	34.0	(3.2)	-9.5%	
Sep-23	27.3	27.5	0.2	0.7%	
Oct-23	25.5	24.1	(1.4)	-5.7%	
Nov-23	21.0	21.4	0.4	1.7%	
Dec-23	23.7	25.0	1.4	5.5%	
Jan-24	32.6	32.1	(0.5)	-1.7%	
Feb-24	24.1	25.8	1.6	6.4%	
Mar-24	25.2	22.5	(2.7)	-12.0%	

Rate Stabilization Fund

Rate Stabilization Fund Overview

- Accounting policy that allows government entities, such as PCE, to recognize expenses and revenues from rates designed to recover those costs in the same period
- Rationale:
 - Stabilize customer rates by avoiding rate increases to address spikes in energy costs, or to offset reductions in rates due to the PCIA
 - Defer revenues in years when financial results are strong to be used in future years when financial results are not as strong or stressed
 - Could be drawn upon to meet potential financial covenants if needed
- Accounting impact (see next page):
 - Reduce revenues (and Change in Net Position) in the accounting period deferral is made
 - Increase revenues (and Change in Net Position) in the accounting period revenue is recognized
- **No impact to cash**
- MCE, Clean Power Alliance, Ava and Sonoma Clean Power have implemented Rate Stabilization Funds

Accounting Example

	Year 1	Year 2	Year 3
Electricity Sales	\$100	\$105	\$110
Revenue Deferred to/from Rate Stabilization Fund	-	-	-
Total Operating Revenue	100	105	110
Costs	85	109	103
Change in Net Position	\$15	(\$4)	\$7
Balance Sheet			
Cash	15	11	18
Rate Stabilization Fund			

With Rate Stabilization

Year 1	Year 2	Year 3
\$100	\$105	\$110
(10)	10	-
90	115	110
85	109	103
\$5	\$6	\$7
15	11	18
10	-	-

Revenue deferred to Year 2

Smooths net revenue without changing rates

No impact to cash

Proposed Guidelines

- Staff will consider deferral of revenues when projected addition to Net Position is greater than 3% of revenue
- Deposits can be made into the Rate Stabilization Fund until the balance equals 15% of revenues
- Staff will consider withdrawals of revenues when Change in Net Position is projected to be negative or as necessary to satisfy any covenants
- Staff will notify the Board of Directors after a transfer (deferral or recognition) is made

Recommendation

- Establish a Rate Stabilization Fund under GASB 62 to help PCE stabilize customer rates
- Authorize the Chief Executive Officer or the Chief Financial Officer to transfer in or transfer out, from time to time, such amount as prudent and appropriate and based on the proposed guidelines

Preliminary Budget and 5-Year Forecast



Cost of Energy

Items	2023	2024	2025	Variance vs FY2024	
	Actual	Actual + Forecast	Forecast	\$	%
Cost of energy	265,207,567	333,944,638	437,859,673	103,915,035	31%

- Cost of Energy increase due to:
 - Significantly higher REC, GHG-Free and RA prices (see below)
 - Contingency (~7.5% of FY25 costs)
 - Load increase largely due to normalized weather (~5%) and new commercial load for Google, Caltrain, Hudpac, and SMCCD (~3%)

	FY25 Increases
Energy	34,987,771
REC/GHG-Free	11,651,343
Capacity	36,542,643
Other	-1,260,983
Contingency	21,994,261
Total	103,915,035

Product	FY25 Increase relative to FY24
Energy (\$/MWh)	9%
REC (\$/MWh)	69%
GHG-Free (\$/MWh)	452%
RA (\$/kW-month)	46%

Programs - Expense

Items	2023	2024	2025	Variance vs FY2024	
	Actual	Actual + Forecast	Forecast	\$	%
Community Energy Programs	7,233,127	13,309,387	27,370,000	14,060,613	106%

- Increase in Programs expense driven by:
 - Surplus Funds (member agency grants and school building electrification)
 - New programs (GovBE, Turnkey BE, Resi PV+storage)
 - Ramp-up in existing programs (Home Upgrade, appliances, EV charging)

Expenses	
Buildings - Codes	200,000
Buildings - Existing	15,000,000
EV - Vehicles	800,000
EV - Managed Chg	150,000
EV - Chg (EV Ready)	4,000,000
EV - Fleet	360,000
EV - Bike	300,000
DER - Gov Solar	160,000
DER - Residential	500,000
DER - FLEXmarket	2,200,000
Member Agency Energy Grants	3,000,000
Other/misc/uncategorized	700,000

Programs – Revenue and Capital Expense

Program Revenues	
CPUC Revenues	(2,300,000)
Menlo Park CEC Grant	(2,000,000)
Other (CALeVIP return)	(800,000)
Total External Revenues	(5,100,000)

Balance Sheet	
Outlay	
OBF Capital	3,000,000
DER-Gov Solar	21,100,000
GovBE Capital	3,600,000
Resi Energy Storage	3,000,000

Inflow	
OBF Revenues	(950,000)
DER-Gov Solar	(240,000)
GovBE Revenue	(514,286)

All Revenues & Outlays	23,895,714
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- Expanded capital programs
 - GovPV (\$21 million)
 - Surplus Funds (~\$7 million) -- financing for GovBE and residential storage
- Programs expenses offset by external revenues (\$5.1 million) and return of capital (\$1.7 million)

Compensation

Items	2023	2024	2025	Variance vs FY2024	
	Actual	Actual + Forecast	Forecast	\$	%
Staff compensation	8,001,778	9,731,098	13,492,872	3,761,774	39%
# of FTE	39	53	61		
% of Revenue	1.9%	2.4%	2.8%		

- Staff compensation increase due to:
 - 14 additional headcount in FY24 (3 of which were vacancies from 2023)
 - 8 new headcount proposed in FY25 (4 of which are for the proposed in-house customer contact center)
 - Assumes 7% salary increase effective July 1 (average of 5% merit/COLA plus selective market adjustments)
- Proforma compensation increase of 18% (assuming full staffing in 2024)

Other Operating Expenses

Items	2023	2024	2025	Variance vs FY2024	
	Actual	Actual + Forecast	Forecast	\$	%
Data Manager	3,604,390	3,619,626	3,600,000	(19,626)	-1%
Service Fees - PG&E	1,323,863	1,339,577	1,334,400	(5,177)	0%
Consultants & Professional Services	951,686	1,262,916	1,641,002	378,086	30%
Legal	1,205,757	1,026,954	1,396,509	369,555	36%
Communications and Noticing	1,329,437	2,153,842	2,700,073	546,231	25%
General and Administrative	2,283,867	3,064,014	4,835,836	1,771,821	58%
Depreciation	75,078	160,223	338,644	178,421	111%

- Calpine and PG&E costs relatively stable
- Consultants increase primarily due to Power Resources (battery optimization, transmission and reclass of broker fees)
- Legal increase due to anticipated Federal and Power Resources support
- Communication increase due to branding, marketing and website support (\$550k) and community partner and school grants (\$200k)
- G&A increase primarily due to new software across multiple departments (\$1.5 million)

FY2025 Revenue Scenarios

	Fiscal Year 2025		
	No Rate Change	"Break-Even"	5% discount
Operating Revenues	495,637,925	487,205,448	475,333,286
Rate Stabilization Fund	-	-	15,000,000
Revenues	495,637,925	487,205,448	490,333,286
Total Costs	487,205,448	487,205,448	487,205,448
Change in Net Position	8,432,477	-	3,127,838
Total Cash & Cash Equivalents	355,843,715	347,511,696	335,539,076
Days Cash on Hand (DCOH)	263	257	248
Discount to PG&E	0%	-3%	-5%

- Anticipating 11% decrease in PG&E generation rates in July 2024 (will be confirmed in June)
- Three rate/revenues scenarios
- Recognition of revenue from the Rate Stabilization Fund in FY25 will allow PCE to offer a 5% discount to PG&E while maintaining sufficient DCOH (248 days)

FY2025 Revenue – 5% discount

Items	2023	2024	2025	Variance vs FY2024	
	Actual	Actual + Forecast	Forecast	\$	%
OPERATING REVENUES					
Electricity Sales, net	423,844,351	446,408,470	466,932,277	20,523,807	5%
Green electricity premium	3,011,460	2,986,702	3,061,010	212,294	7%
Non-Energy Related Revenue	2,151,927	4,296,016	5,340,000	1,085,581	25%
Rate Stabilization Fund		(65,000,000)	15,000,000	74,660,000	-115%
Total Operating Revenues	429,007,738	388,691,188	490,333,286	21,642,098	6%

- 5% increase in revenues (excluding the Rate Stabilization Fund) due to increased base load (8%), CARE/FERA rebate in 2024, offset by lower average net rates

Excludes impact of Rate Stabilization Fund

Preliminary 5-Year Forecast

	2023	2024	2025	2026	2027	2028	2029
Items	Actual	Actual + Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
OPERATING REVENUES							
Electricity Sales, net	423,844,351	446,408,470	466,932,277	499,829,350	499,376,223	475,428,413	506,178,840
Green electricity premium	3,011,460	2,986,702	3,061,010	3,077,269	3,093,691	3,110,278	3,127,030
Non-Energy Related Revenue	2,151,927	4,296,016	5,340,000	13,365,000	3,950,000	2,235,000	12,820,000
Rate Stabilization Fund		(65,000,000)	15,000,000	20,000,000	-	-	-
Total Operating Revenues	429,007,738	388,691,188	490,333,286	536,271,619	506,419,914	480,773,691	522,125,870
OPERATING EXPENSES							
Cost of energy	265,207,567	333,944,638	437,859,673	472,862,283	431,493,210	409,195,902	442,113,059
Gross Profit	163,800,171	54,746,550	52,473,613	63,409,336	74,926,704	71,577,789	80,012,811
OTHER OPERATING EXPENSES							
Staff compensation	8,001,778	9,731,098	13,492,872	15,942,859	17,178,593	18,693,021	19,902,748
Data Manager	3,604,390	3,619,626	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000
Service Fees - PG&E	1,323,863	1,339,577	1,334,400	1,334,400	1,334,400	1,334,400	1,334,400
Consultants & Professional Services	951,686	1,262,916	1,641,002	1,664,706	1,676,312	1,681,077	1,700,590
Legal	1,205,757	1,026,954	1,396,509	1,444,598	1,496,382	1,548,977	1,605,545
Communications and Noticing	1,329,437	2,153,842	2,700,073	2,129,493	2,176,283	2,224,481	2,274,138
General and Administrative	2,283,867	3,064,014	4,835,836	4,896,589	5,142,698	5,383,924	5,615,312
Community Energy Programs	7,233,127	13,309,387	27,370,000	34,680,000	36,760,000	32,060,000	43,310,000
Depreciation	75,078	160,223	338,644	1,518,644	2,684,894	2,684,894	2,684,894
Total Other Operating Expenses	26,008,983	35,667,638	56,709,337	67,211,290	72,049,562	69,210,775	82,027,628
Operating Income (Loss)	137,791,188	19,078,912	(4,235,724)	(3,801,954)	2,877,142	2,367,014	(2,014,817)
NON-OPERATING REVENUES (EXP.)							
Total Nonoperating Income/(Expense)	2,164,071	12,647,072	7,363,562	7,363,562	7,363,562	7,363,562	7,363,562
CHANGE IN NET POSITION	139,955,259	31,725,983	3,127,838	3,455,104	10,127,809	9,610,908	5,221,897
Total Cash & Cash Equivalents	254,073,593	376,646,952	335,539,076	302,049,256	306,322,816	311,170,535	312,340,708
DCOH	319	372	248	205	223	239	219

Committee Members' Reports

Adjournment

