



Staff Report Item 4

TO: East Bay Community Energy Board of Directors
FROM: Nick Chaset, Chief Executive Officer
SUBJECT: 2019-2020 Budget (Informational Item)
DATE: May 24, 2019

Recommendation

Accept Chief Executive Officer (CEO) report draft East Bay Community Energy 2019-2020 Budget.

Background

East Bay Community Energy Staff is presenting its initial draft 2019-2020 budget to the Executive Committee for feedback. EBCE staff will be holding a series of public meetings to present this budget along with a review of EBCE's value proposition. EBCE staff intends to bring the budget forward to the full Board of Directors for review and a vote at EBCE's June 2019 meeting.

Attachment

- A. 2019-2020 Budget Presentation



FY 2019-20

Proposed Budget

PRESENTED BY: Nick Chaset

DATE: May 24, 2019



East Bay Community Energy: FY 2019-20 Budget Proposal

EBCE staff is pleased to present this draft 2019-2020 Budget.
Items covered through this presentation:

1. Overview of Revenues: Electricity Sales

2. Overview of Expenditures

- Cost of Energy

- Personnel

- Legal, Policy, & Regulatory Affairs

- Marketing Services

- General and Administration

- Other Professional Services

- Local Development

- Interest Payments

3. Overview of EBCE Expected Net Position at the end of the fiscal year and EBCE Reserve Policy

4. Review of EBCE Value Proposition and Discount

East Bay Community Energy: FY 2019-20 Budget Proposal

Caveats on EBCE's 2019/2020 Budget Projections:

1. EBCE's 2019/2020 Budget reflects staff's current projections for both electricity sales and energy costs. Both of these variables are subject to change over the course of the year due to a wide variety of factors ranging from the weather, to commodity prices and interest rates.
2. Recent Direct Access decisions are reflected in both Electricity Sales and Cost of Energy, assumed to begin Jan 1, 2020

	FY 2019-20 BUDGET
REVENUE AND OTHER SOURCES	
Electricity Sales	467,149,000
Uncollectables	(2,348,000)
Investment Income	579,000
Other Income	-
Total Revenue and Other Sources	465,380,000
EXPENDITURES AND OTHER USES	
ENERGY OPERATIONS	
Cost of Energy	386,609,000
Scheduling	653,000
Data Management/Billing/Customer Service	6,758,000
PG&E Service Fees	2,253,000
Total Energy Operating Costs	396,273,000
OVERHEAD OPERATIONS	
Personnel	6,192,000
Marketing, Outreach, Communications	2,063,000
Legal, Policy, & Regulatory Affairs	1,586,000
Local Development	3,640,000
Other Professional Services	1,214,000
General & Administrative	2,282,000
Total Overhead Operating Costs	16,977,000
TOTAL ENERGY & OPERATING EXPENSES	413,250,000
Earnings Before Interest Payments	52,130,000
INTEREST PAYMENTS	
Barclay's Interest	1,230,000
Total Interest Payments	1,230,000
TOTAL EXPENDITURES & INTEREST DUE	414,480,000
Net Increase (Decrease) in Position	50,900,000

1. Overview of Revenues: Electricity Sales

REVENUE AND OTHER SOURCES	
Electricity Sales	467,149,000
Uncollectables	(2,348,000)
Investment Income	579,000
Other Income	-
Total Revenue and Other Sources	
	465,380,000

Electricity Sales Assumptions and Statistics

- Opt-Out Rate: 5% (EBCE opt-out is currently approximately 3.4%)
- Direct Access impact included in Electricity Sales
- Uncollectables: 0.5% (based on observed monthly average)
- 89% of customers Bright Choice (1.5% discount)
- 10% of customers Brilliant 100 Opt Up (no discount)
- 1% of customers 100% Renewable Opt Up (\$0.01/kWh premium)
- Total Customers Served: 545,197 (as of 5/17/2019)

2. Overview of Expenses: Energy Operations

ENERGY OPERATIONS		
Cost of Energy		386,609,000
Scheduling		653,000
Data Management/Billing'Customer Service		6,758,000
PG&E Service Fees		2,253,000
Total Energy Operating Costs		396,273,000

Energy Costs are made up of four primary energy products and CAISO costs

-Block or Shaped Energy, Renewable Energy, Carbon Free Energy, Resource Adequacy and CAISO fees

Scheduling, Data Management and Service Fees

-Scheduling costs are fees paid to NCPA to manage EBCE's energy purchases and market activity

-Data Management, Billing and Customer Service/Call Center are the fees paid to SMUD at \$1.05/customer meter/month

-PG&E Service Fees are the monthly costs paid to PG&E to use their billing and metering systems at \$0.35/customer/month

Note: EBCE's specific costs of energy are derived from a mix of EBCE's actual contracted costs of the four energy products and forecast costs for these four energy products. EBCE is currently in the process of soliciting and procuring for both its 2019 and 2020 power needs.

2. Overview of Expenses: Personnel

Personnel

6,192,000

EBCE currently employs twenty full time staff, one temporary employee, and has one planned employee joining the staff in early June.

There are currently three open positions where interviews are on-going.

EBCE is seeking to hire an additional eight full time employees during the fiscal 2019/2020 year to reach a total of thirty three employees.

Staffing Plan			
Number of staff			Salary Classification
Exec	Chief Executive Officer	Nick	CEO
Exec	Chief Operating Officer	Howard	COO
Exec	Finance Manager	Jason	Manager
Exec	Executive Assistant	Meagan	Executive Assistant
Exec	Council Clerk/Administrative Analyst	Steph	Analyst
Customer	VP of Marketing and Account Services	Annie	VP
Customer	Director of Marketing	Dan	Director
Customer	Customer Care Manager	Kelly	Manager
Customer	Outreach Fellow	Feby	Outreach Fellow
Customer	Outreach Fellow	Danny	Outreach Fellow
Customer	Public Engagement Manager	6/10/19	Manager
Customer	Key Account Manager	7/1/19	Manager
Customer	Customer Care Coordinator	9/1/19	Coordinator
Customer	Senior Communications Analyst	11/1/19	Analyst
Local Development	Director/VP of Local Development & Programs	JP	Sr Director
Local Development	Local Program Manager	Jessie	Manager
Local Development	Local Program Analyst	10/1/19	Analyst
Power	Director of Power Procurement	Bill	Director/Sr Director
Power	Power Resources Manager	7/1/19	Manager
Power	Power Resources Associate	Jim	Associate
Power	Power Resources Manager	7/1/19	Manager
Power	Power Resources Analyst	9/1/19	Analyst
Analysis	Data Analytics Manager/Analyst	Kevin	Manager
Analysis	Systems Analyst	9/1/19	Senior Analyst
Analysis	VP of Technology & Analytics	Taj	VP
Analysis	Principal Data Analyst	7/1/19	Principal Analyst
Public Policy	Sr. Directory of Public Policy	Melissa	Sr. Director
Public Policy	Director of Public Policy	Deidre	Director
Public Policy	Director of Reg Affairs	Todd	Director
Public Policy	Principal Analyst	Sam	Principal Analyst
Public Policy	Reg Associate	9/1/19	Associate
Public Policy	Compliance Analyst	Molly	Analyst
Legal	General Counsel	9/1/19	General Counsel

2. Overview of Expenses: Personnel Continued

	2018/2019 low	2018/2019 high	2019/2020 Low	2019/2020 High
Fellow	\$55,000	\$60,000	\$56,100	\$63,000
Executive Assistant	\$80,000	\$110,000	\$81,600	\$115,500
Coordinator/Specialist			\$63,000	\$81,600
Analyst	\$80,000	\$105,000	\$81,600	\$110,250
Associate	\$105,000	\$125,000	\$107,100	\$131,250
Senior Analyst/Senior Associate			\$131,250	\$137,813
Manager/Principle Analyst	\$130,000	\$145,000	\$137,813	\$152,250
Senior Manager/Senior Principle Analyst	\$155,000	\$165,000	\$152,250	\$173,250
Director	\$170,000	\$190,000	\$173,400	\$199,500
Senior Director	\$195,000	\$215,000	\$199,500	\$225,750
Vice President	\$220,000	\$250,000	\$225,750	\$262,500
Senior Vice President	\$255,000	\$275,000	\$262,500	\$288,750
Executive VP/C-level	\$280,000	\$295,000	\$288,750	\$309,750
General Counsel	\$255,000	\$275,000	\$260,100	\$288,750

For the 2019/2020 Fiscal Year, EBCE proposes adjusting the approved salary scales in two ways.

- First is to add a Cost of Living Adjustment of 2% and a performance based adjustment of up to 3%. These adjustments mean that EBCE staff are eligible for an increase in pay of between 2% and 5% in 2019/2020.
- The second change is the addition of two new employee classifications:
 - 1) Coordination/Specialist
 - 2) Senior Analyst/Senior Associate

Based on these two proposed adjustments, EBCE is proposing to adjust its salary scales by increasing the 2018/2019 low by 2%, the 2018/2019 high by 5% and align salaries between positions to arrive at EBCE's 2019/2020 salary scale

2. Overview of Expenses: Marketing, Outreach, and Customer Service

Marketing, Outreach, Communications	2,063,000
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Required Mailings	908,000
Advertising	579,000
Communications	273,000
Other	63,000
Grants	140,000
Data Manager	100,000

Mailings: Joint Rate Mailer/Power Content Label

Advertising/Sponsorship/Events: Alameda County Fair, Hyper Local Campaign

Communications: public relations and media, newsletters

Other: travel costs, equipment, dues and membership

Grants: community grants

Data Management: change orders to data management systems

2. Overview of Expenses: Legal, Policy, and Regulatory Affairs

Legal, Policy, & Regulatory Affairs	1,586,000
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	Legal	Policy
Legal	846,000	230,000
Legislative	-	132,000
Technical consultants	-	214,000
Other Consultants	69,000	95,000

Examples of Legal, Policy, & Regulatory Affairs Activities

Legal: Outside General Counsel for regulatory engagement

Legislative: Retainer for Weideman group legislative advocacy

Technical consultants: economic analysis in regulatory and legislative cases

Other: communications, memberships in regional and statewide organizations

2. Overview of Expenses: Local Development and Programs

Local Development	3,640,000
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Programs	
Demand Response	150,000
Energy Efficiency	100,000
Building Electrification	675,000
Vehicle Electrification Program	2,000,000
Collaborative Procurement	600,000
Enhanced NEM	350,000
Community Investment	600,000
Sponsorships & Events	65,000
Total Programs	4,540,000
Non Operational Revenue	
BAAQMD	150,000
Grants & LCFS Credits	750,000
Total Revenue	900,000
Net Operational Budget	3,640,000

2. Overview of Expenses: Other Professional Services

Other Professional Services	1,214,000
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Accounting/Audit	205,000
IT Consulting	36,000
Other Consultants	73,000
Technical consultants	900,000

Examples of Other Professional Services

Accounting and auditing for financial compliance

Technical consultants help with power procurement and planning

Other consultants will help with various essential tasks, like videography, translation services, and the like.

2. Overview of Expenses: General & Administrative

General & Administrative	2,282,000
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Conferences & Prof Development	137,000
Rent & Utilities	470,000
Operational Expenses	491,000
Dues & Memberships	556,000
Small Equipment & Software	628,000

Examples of General & Administrative Expenditures

Small Equipment & Software includes complete development and furnishing of new office space

Dues & Memberships includes \$375,000 for CalCCA and other essential cooperative organizations

Operational Expenses include Director fees, service fees, supplies, and miscellaneous expenses

Rent & Utilities covers all planned costs for one month at current space and 11 months at new space

Conferences & Professional Development includes travel and lodging

2. Overview of Expenses: Interest Due

Barclay's Interest	1,230,000
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EBCE has only a single source of outstanding debt: Barclays Bank which loaned EBCE funds for energy purchases during Phase I launching in 2018.

The Barclays Credit Facility is sized at \$50,000,000. EBCE currently has \$13,108,000 in outstanding debt and is not anticipating any additional borrowings in the current fiscal year. EBCE pays 1% on undrawn facility balance, and 1-month LIBOR + 5.25% on its drawn facility balance. EBCE is paying down its loan to Barclays over a 24-month amortization period which started in May 2019 with full maturity in May 2021. EBCE anticipates accelerating repayment of the Barclays loan facility in the fiscal year 2019/2020.

EBCE paid its loan to Alameda County in full in February of 2019

3. Review of Net Position and Reserve Policy

EBCE Net Position

50,900,000

	Target		Min % of Rev	Max % of Rev			
Operating/Credit	6months expenses		5.0%	10.0%			
Rate Stabilization	1.5% of revenues		0.5%	1.5%			
Collateral	10% of energy		0.5%	2.0%			
Local Development	10% of revenues		1.0%	2.5%			
Net Position Before Principal Repayment			50,900,000				
Projected Revenues FY 2019-20	465,380,000						
Reserve Fund	Target	Min %	Min Allocated	Max %	Max Allocation	Total Allocated	% of Revenue
Operating/Credit	207,240,000	5.0%	23,269,000	10.0%	18,323,400	41,592,400	8.9%
Rate Stabilization	6,980,700	0.5%	2,326,900	1.5%	-	2,326,900	0.5%
Collateral	39,627,300	0.5%	2,326,900	2.0%	-	2,326,900	0.5%
Local Development	46,538,000	1.0%	4,653,800	2.5%	-	4,653,800	1.0%
Total	300,386,000	7.0%	32,576,600	16.0%	18,323,400	50,900,000	10.9%

4. Review of EBCE Value Proposition

- EBCE currently offers three products:
 - Bright Choice which is 1.5% below PG&E rates
 - Brilliant 100 which is a parity with PG&E rates
 - Renewable 100 which is \$0.01/kWh more expensive than PG&E rates
- For 2019/2020, EBCE expects to deliver over \$7m in bill savings to customers
- As EBCE considers its value proposition for the next fiscal year, there are two major considerations to evaluate:
 - Expected Load Loss from Direct Access
 - Calendar year 2020 Expected PG&E Rates and PCIA

4. Review of EBCE Value Proposition: Impact of Direct Access Loss of Load

- EBCE is forecasting that the current re-opening of Direct Access will result in 188 GWh of load departure starting Jan 1, 2020 which will reduce net revenue

	'19-'20 fiscal year	Calendar 2020
Reduced Revenue	\$4.7m	\$9.3m
Reduced Energy Costs	\$3.25m	\$6.5m
Impact on EBCE	-\$1.4m net revenue	-\$2.8m net revenue

4. Review of EBCE Value Proposition: 2020 PG&E Rates and PCIA

- EBCE is currently forecasting reductions in PG&Es rates and increases in the PCIA for calendar year 2020 that could significantly compress EBCE net revenues which could mean EBCE is facing significantly lower margins for calendar year 2020. These values remain highly uncertain and subject to change.

	Rate Change	Revenue Impact
2020 PG&E Rate	5%-8% reduction compared to 2019	Over \$40m reduction in revenue compared to Calendar year 2019
2020 PCIA	1.2% over 2019 20% over 2018	

4. Review of EBCE Value Proposition: Staff Recommendation

- In light of continued uncertainty around 2020 PG&E rates and PCIA and risks associated with Direct Access load loss, EBCE staff recommend the following:
 - Maintain 1.5% rate discount for Bright Choice
 - Make no change to Brilliant 100 or Renewable 100
 - Consider development of additional rate options to retain customers who are eligible for Direct Access that would be brought to the Board for further review
 - Review EBCE Value Proposition in December 2019 when PG&E 2020 Rates and PCIA are more clear, to assess whether deeper discount can be provided