



# FY 2020-2021 Draft Budget

PRESENTED BY: Nick Chaset

DATE: May 24, 2019



# FY 2020-21 Draft Budget (Informational)

Agenda:

- 1. Budget Overview**
- 2. Overview of Revenue**
- 3. Overview of Expenses**
  - a. Energy Operations
  - b. Personnel
  - c. Legal, Policy, & Regulatory Affairs
  - d. Marketing Services
  - e. General and Administration
  - f. Other Professional Services
  - g. Local Development
  - h. Interest
- 4. New Communities**
- 5. Overview of EBCE Net Position and Reserve Allocation**
- 6. Review of EBCE Value Proposition and Discount**
- 7. Risks and Mitigants**
- 8. Alternative Budget Scenarios**

# 1. FY 2020-21 Draft Budget

- Budget reflects staff's current projections for both electricity sales and energy costs. Actual results may change over the course of the year due to a wide variety of factors ranging from COVID impacts, weather, and commodity prices.
- The FY 2019-20 Budget presented is the budget approved by the Board in June of 2019
- Local Development will be represented as a Fund with a carry over balance of FY 2019-20 unspent dollars in addition to Overhead allocation
- New Communities Revenue and Expenses are not included in the table to the right, but are discussed separately in this presentation

	FY 2019-20 BUDGET	FY 2020-21 BUDGET	Fiscal Year Difference
<b>REVENUE AND OTHER SOURCES</b>			
Electricity Sales	487,014,000	391,499,000	(95,515,000)
Investment Income	578,000	1,231,000	653,000
Other Income	-	-	-
Uncollectables	(2,447,000)	(9,787,000)	(7,340,000)
<b>Total Revenue and Other Sources</b>	<b>485,145,000</b>	<b>382,943,000</b>	<b>(102,202,000)</b>
<i>Margin:</i>	<i>13.8%</i>	<i>0.3%</i>	
<b>EXPENSES AND OTHER USES</b>			
<b>ENERGY OPERATIONS</b>			
Cost of Energy	386,905,000	349,917,000	(36,988,000)
<i>\$/MWh</i>	<i>60.42</i>	<i>55.28</i>	
Data Management/Customer Service	6,758,000	7,704,000	946,000
PG&E Service Fees (Billing/Metering)	2,253,000	2,396,000	143,000
Scheduling	653,000	660,000	7,000
<b>Total Energy Operating Costs</b>	<b>396,569,000</b>	<b>360,677,000</b>	<b>(35,892,000)</b>
<b>OVERHEAD OPERATIONS</b>			
Personnel	6,703,000	7,429,000	726,000
Marketing, Outreach, Communications	2,263,000	1,499,000	(764,000)
Legal, Policy, & Regulatory Affairs	1,586,000	1,297,000	(289,000)
Other Professional Services	1,214,000	1,345,000	131,000
General & Administrative	2,290,000	2,146,000	(144,000)
Local Development Funding	6,340,000	6,570,000	230,000
Depreciation	61,000	60,000	(1,000)
<b>Total Overhead Operating Costs</b>	<b>20,457,000</b>	<b>20,346,000</b>	<b>(111,000)</b>
<b>TOTAL ENERGY &amp; OPERATING EX</b>	<b>417,026,000</b>	<b>381,023,000</b>	<b>(36,003,000)</b>
<b>Earnings Before Interest &amp; Capital</b>	<b>68,119,000</b>	<b>1,920,000</b>	<b>(66,199,000)</b>
<b>INTEREST PAYMENTS</b>			
Borrowing Interest	1,229,000	804,000	(425,000)
<b>Total Interest Payments</b>	<b>1,229,000</b>	<b>804,000</b>	<b>(425,000)</b>
<b>TOTAL EXPENSES &amp; INTEREST DU</b>	<b>418,255,000</b>	<b>381,827,000</b>	<b>(36,428,000)</b>
<b>NET INCREASE (DECREASE) IN PO!</b>	<b>66,890,000</b>	<b>1,116,000</b>	<b>(65,774,000)</b>

# FY 2019-20 Budget to Actuals

- Actuals are unaudited results through Q3 (July, 2019 - March, 2020) plus Q4 projections
- Electricity sales are lower than expected due to reduced load based on weather conditions and PCIA increases, effective May 1, 2020
- Cost of energy is lower than expected due to reduced load and softer energy prices
- Overhead is lower than projected primarily due to some deferred allocation of local development spend into the next fiscal year, and general cost saving measures across functional areas

	FY 2019-20 BUDGET	FY 2019-20 ACTUALS	Fiscal Year Difference
<b>REVENUE AND OTHER SOURCES</b>			
Electricity Sales	487,014,000	468,961,000	(18,053,000)
Uncollectables	(2,447,000)	(2,346,000)	101,000
Investment Income	578,000	1,141,000	563,000
Other Income	-	113,000	113,000
<b>Total Revenue and Other Sources</b>	<b>485,145,000</b>	<b>467,869,000</b>	<b>(17,276,000)</b>
<b>EXPENSES AND OTHER USES</b>			
<b>ENERGY OPERATIONS</b>			
Cost of Energy	386,905,000	377,424,000	(9,481,000)
Scheduling/Broker Fees	653,000	758,000	105,000
Data Management/Customer Service	6,758,000	7,057,000	299,000
PG&E Service Fees (Billing/Metering)	2,253,000	2,326,000	73,000
<b>Total Energy Operating Costs</b>	<b>396,569,000</b>	<b>387,565,000</b>	<b>(9,004,000)</b>
<b>OVERHEAD OPERATIONS</b>			
Personnel	6,703,000	5,871,000	(832,000)
Marketing, Outreach, Communications	2,263,000	1,410,000	(853,000)
Legal, Policy, & Regulatory Affairs	1,586,000	1,250,000	(336,000)
Local Development	6,340,000	5,002,000	(1,338,000)
Other Professional Services	1,214,000	685,000	(529,000)
General & Administrative	2,290,000	1,607,000	(683,000)
Depreciation	61,000	46,000	(15,000)
<b>Total Overhead Operating Costs</b>	<b>20,457,000</b>	<b>15,871,000</b>	<b>(4,586,000)</b>
<b>TOTAL ENERGY &amp; OPERATING EXPENSES</b>	<b>417,026,000</b>	<b>403,436,000</b>	<b>(13,590,000)</b>
<b>INTEREST PAYMENTS</b>			
Borrowing Interest	1,229,000	743,000	(486,000)
<b>Total Interest Payments</b>	<b>1,229,000</b>	<b>743,000</b>	<b>(486,000)</b>
<b>TOTAL EXPENSES &amp; INTEREST DUE</b>	<b>418,255,000</b>	<b>404,179,000</b>	<b>(14,076,000)</b>
<b>NET INCREASE (DECREASE) IN POSITION</b>	<b>66,890,000</b>	<b>63,690,000</b>	<b>(3,200,000)</b>

## 2. Overview of Revenue

	<b>FY 2019-20 BUDGET</b>	<b>FY 2020-21 BUDGET</b>	<b>Fiscal Year Difference</b>
<b>REVENUE AND OTHER SOURCES</b>			
Electricity Sales	487,014,000	391,499,000	(95,515,000)
Investment Income	578,000	1,231,000	653,000
Other Income	-	-	-
Uncollectables	(2,447,000)	(9,787,000)	(7,340,000)
<b>Total Revenue and Other Sources</b>	<b>485,145,000</b>	<b>382,943,000</b>	<b>(102,202,000)</b>

### Revenue Assumptions and Statistics

- Reduction in revenues from Electricity Sales are due largely to increases in PCIA, effective May 1, 2020. Assumptions:
  - PUBA trigger occurs in December and PCIA increases in January to maintain 7% under-collection
  - 2021 PCIA rate changes occur after June 30, 2021—beyond the scope of this draft budget
  - Modest increase in general rates, effective May 1, 2020. Additional rate increase assumed to occur in Jan 2021, per GRC
- Electricity Sales also assume the following rate changes:
  - Bright Choice is at 1.0% discount to PG&E, and Brilliant 100 is at a 3% premium
  - This is estimated to increase revenue by approx. \$5.7MM (\$2.7MM from Bright Choice, and \$3MM from Brilliant 100)
- Increase in Investment Income is due to current, higher bank account balances in interest bearing accounts (reserves and ICS) than last year but projected at slightly lower interest rate of 1.5%. Current rate is 1.79%
- Uncollectables increased from 0.5% to 2.5% (in anticipation of COVID recessionary impacts)

# 3. Overview of Expenses: Energy Operations

	FY 2019-20 BUDGET	FY 2020-21 BUDGET	Fiscal Year Difference
<b>ENERGY OPERATIONS</b>			
Cost of Energy	386,905,000	349,917,000	(36,988,000)
Data Management/Customer Service	6,758,000	7,704,000	946,000
PG&E Service Fees (Billing/Metering)	2,253,000	2,396,000	143,000
Scheduling	653,000	660,000	7,000
<b>Total Energy Operating Costs</b>	<b>396,569,000</b>	<b>360,677,000</b>	<b>(35,892,000)</b>

**Energy Costs are made up of four primary energy products—block or shaped energy, renewable energy, carbon free energy, resource adequacy—and CAISO fees**

- Costs of Energy are estimated based on contracted energy costs and estimated open position costs
- Costs are lower due to softer energy market prices
- Additional reductions due to anticipated PG&E large hydro allocation and revised power content targets

**Data Management, PG&E Service Fees, and Scheduling costs**

- Data Management/Customer Service are paid to SMUD at \$1.05/meter/month through Dec of 2020. EBCE is currently reviewing options to extend the contract with SMUD and as a result, EBCE is preparing for potentially higher Data Management/Customer Service costs depending on outcome of action on SMUD contract. EBCE has input a placeholder cost of \$1.20/meter/month for the second half of the fiscal year to reflect the current uncertainty.
- PG&E Service Fees are paid to PG&E to use their billing and metering systems at \$0.35/customer/month
- Scheduling costs are paid to NCPA to manage EBCE’s energy purchases and market activity

# 3. Overview of Expenses: Personnel

	<b>FY 2019-20 BUDGET</b>	<b>FY 2020-21 BUDGET</b>	<b>Fiscal Year Difference</b>
Personnel	6,703,000	7,429,000	726,000

## **FY 2019-2020 budget was established with 37 FTE**

- As of May, 2020 staff consists of 31 FTE and 2 interns

## **Current hiring plan for remainder of FY 2019-2020 and FY 2020-2021 is 6 FTE to remain flat to the FY 2019-2020 hiring plan**

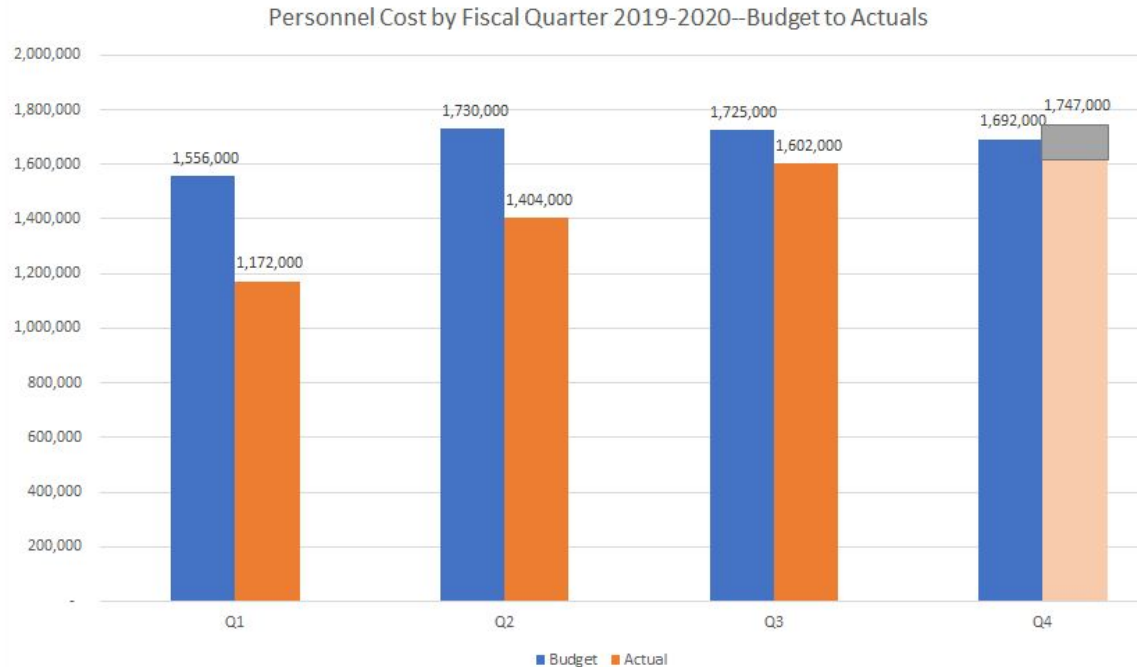
- 2 Outreach Fellows for Marketing
- Data Engineer for Technology
- CRM implementation Manager for Local Development/Technology
- Human Resources Business Partner for Operations
- Power Contracts Manager for Power Procurement

## **Increase in FY 2020-21 budget is driven by:**

- Staff salaries covering the full fiscal year (FY 2019-2020 budget assumed partial year hires)
- Enact a policy to allow staff to monetize PTO
- 2.5% merit-based adjustments (\$118,000)
- 3% discretionary promotions/retention-based compensation adjustments (\$169,000)

### 3. Overview of Expenses: Personnel Continued

- Actuals through Q3 with projections for Q4
- Reduction in current fiscal year personnel costs reflect hiring deferrals/delays
- Current Q4 personnel costs are forecasted at \$1,747,000, which includes the addition of 3 FTE in Q4





# 3. Overview of Expenses: Personnel Continued

Position Level	Filled	Open	2019/2020	2019/2020	2020/2021	2020/2021
			Low	High	Low	High
C-Level	2	-	285,600	309,750	295,600	320,590
Executive Vice President	-	-	285,600	309,750	295,600	320,590
General Counsel	-	-	260,100	288,750	269,200	298,860
Senior Vice President	-	-	260,100	288,750	269,200	298,860
Vice President	2	-	224,400	262,500	232,250	271,690
Senior Director	2	-	198,900	225,750	205,860	233,650
Director	3	-	173,400	199,500	179,470	206,480
Senior Manager	2	-	158,100	173,250	163,630	179,310
Senior Principle Analyst	-	-	158,100	173,250	163,630	179,310
Manager	6	4	132,600	152,250	137,240	157,580
Principal Analyst	2	-	132,600	152,250	137,240	157,580
Senior Analyst	-	-	131,250	137,813	135,840	142,640
Senior Associate	1	-	131,250	137,813	135,840	142,640
Associate	1	-	107,100	131,250	110,850	135,840
Analyst	6	-	81,600	110,250	84,460	114,110
Executive Assistant	2	-	81,600	115,500	84,460	119,540
Assistant	1	-	63,000	81,600	65,210	84,460
Coordinator	1	-	63,000	81,600	65,210	84,460
Specialist	-	-	63,000	81,600	65,210	84,460
Fellow	-	2	56,100	63,000	58,060	65,210
Total	31	6				

EBCE proposes two adjustments to the 2019/2020 salary schedule

- Cost of Living Adjustment of 2.5%, which is below the Bay Area 3-year average CPI of 3.5% ([https://data.bls.gov/timeseries/CUURS49BSA0&output\\_view=pct\\_12mths](https://data.bls.gov/timeseries/CUURS49BSA0&output_view=pct_12mths))
- Merit-based salary adjustments averaging 2.5% to account for increased experience and performance within job bands

### 3. Overview of Expenses: Marketing, Outreach, and Communications

	FY 2019-20 BUDGET	FY 2020-21 BUDGET	Fiscal Year Difference
Marketing, Outreach, Communications	2,263,000	1,499,000	(764,000)

	2019-2020	2020-2021
Advertising/Sponsorships/Events:	587,000	365,000
Communications:	223,000	370,000
Community Grants	190,000	24,000
Data manager:	300,000	300,000
Noticing:	133,000	120,000
Promotional Items:	55,000	20,000
Mailings:	775,000	300,000
Total	2,263,000	1,499,000

#### Examples of Marketing, Outreach, and Communications expenses

- Advertising/Sponsorships/Events: Active community presence activities in local jurisdictions and operating communities
- Communications: Public relations, media, newsletters, consultants
- Community Grants: Grants provided to local community organizations
- Data Manager: Data/Billing management system enhancements
- Noticing: New account noticing (cost shown does not include new communities)
- Promotional Items: Promotional items for outreach/marketing events
- Mailings: Joint Rate Mailer/Power Content Label

### 3. Overview of Expenses: Legal, Policy, and Regulatory Affairs

	<b>FY 2019-20 BUDGET</b>	<b>FY 2020-21 BUDGET</b>	<b>Fiscal Year Difference</b>
Legal, Policy, & Regulatory Affairs	1,586,000	1,297,000	(289,000)

	<b>2019-2020</b>	<b>2020-2021</b>
Legal Consultants	1,076,000	970,000
Legislative Consultants	132,000	132,000
Other Consultants	259,000	195,000
Sponsorships	50,000	-
Temp. Employee	69,000	-
Total	1,586,000	1,297,000

#### Examples of Legal, Policy, and Regulatory Affairs expenses

- Legal Consultants: Outside General Counsel and legal counsel for procurement, programs, finance, and regulatory activities
- Legislative Consultants: Funds towards legislative advocacy
- Other Consultants: Economic analysis in regulatory/legislative cases and communications consultant

### 3. Overview of Expenses: Other Professional Services

	<b>FY 2019-20 BUDGET</b>	<b>FY 2020-21 BUDGET</b>	<b>Fiscal Year Difference</b>
Other Professional Services	1,214,000	1,345,000	131,000

	<b>2019-2020</b>	<b>2020-2021</b>
Accounting	205,000	220,000
Human Resources Consulting	25,000	-
IT Consulting	36,000	45,000
Other Professional Services	948,000	730,000
Customer Relationship Management	-	350,000
Total	1,214,000	1,345,000

#### Examples of Other Professional Services

- Accounting and auditing for financial compliance
- Technical consultants related to power procurement, risks analysis, and planning
- Customer Relationship Management include licensing and implementation of a CRM system to be utilized by the Local Development and Marketing teams for program offerings

### 3. Overview of Expenses: General & Administrative

	FY 2019-20 BUDGET	FY 2020-21 BUDGET	Fiscal Year Difference
General & Administrative	2,290,000	2,146,000	(144,000)

	2019-2020	2020-2021
Small Equipment & Software	636,000	740,000
Dues & Memberships	556,000	400,000
Operational Expenses	491,000	496,000
Rent & Utilities	470,000	429,000
Conferences & Prof. Development	137,000	81,000
<b>Total</b>	<b>2,290,000</b>	<b>2,146,000</b>

#### Examples of General & Administrative Expenditures

- Small Equipment & Software includes professional software across all functional areas as well as equipment replacement as needed
- Dues & Memberships includes \$375,000 for CalCCA and other essential cooperative organizations
- Operational Expenses include Energy Prepay fees, benefits-related administrative fees, office supplies, and miscellaneous expenses
- Rent & Utilities covers all planned costs for office space
- Conferences & Professional Development includes travel and lodging

### 3. Proposed Local Development Budget

<b>Program Areas</b>	<b>2021 Budget (\$000)</b>	<b>% of Budget</b>
Demand Response	\$ 100	1.52%
Energy Efficiency	\$ 340	5.18%
Building Electrification	\$ 700	10.65%
Vehicle Electrification	\$ 4,630	70.47%
Collaborative Procurement	\$ 800	12.18%
Local Development Budget Sub-Total	\$ 6,570	
<b>Staffing*</b>		
Staff Costs	\$ 825	
Fellow	\$ 25	
Staffing Sub-Total	\$ 850	
<b>Leveraged Funding</b>		
CEC Electric Vehicle Incentive Program**	\$ 4,000	
<b>Total Local Development Direct Investment</b>	<b>\$ 11,420</b>	

\*NB Staffing cost come from HR budget not Local Development

\*\*Assumed based on CEC approval of EBCE EVIP Partner Application, final amount subject to change

### 3. LDBP Program Budgeting Process

- Process
  - LDBP Document continues to be the blueprint for program planning and budgeting
  - Staff will continue to update the CAC and Board on an ongoing basis as programs are planned and implemented
- Budgets Overview
  - FY'21 Budget remains flat to FY'20
  - Programs are focused on job creation and local investment
  - Team has successfully pursued external funding from Federal and State sources (EPA funds and CEC) to leverage EBCE funding

### 3. Transportation Electrification (\$4,630k)

- Electric Vehicle Incentive Program (\$4,000k)
- Center for Sustainability Incentive Administration and Support (\$254k)
- EViP Site Development Outreach and Development (\$126)
- Municipal Fleet Electrification Technical Support (\$125k)
- Medium/Heavy Duty Fleet Electrification (\$125k)



### 3. Building Electrification and DR (\$800k)

- Building Electrification (\$700k)
  - Heat Pump Hot Water heater incentives (\$250k)
  - Reach Code Implementation Support (\$50k)
  - Commercial Induction Grants (\$300k)
  - Electrification Consumer Awareness (\$100)
- Demand Response
  - Building Electrification Demand Response (\$100k)

### 3. EE and Local Procurement (\$990k)

- Collaborative Procurement (\$800k)
  - Solar+Storage Resilience Program (\$400k)
  - Connected Communities, reducing customer disconnections (\$50k)
  - EBCE Asset development and ownership (\$200k)
  - Municipal Renewable Electrification (\$150k)
- Energy Efficiency (\$340k)
  - Continue data sharing to increase efficacy of EE program
  - Phase II Pay for Performance EE Procurement (\$240k)
  - Technical/legal consultant to pursue public Energy Efficiency funding (\$100k)
  -

### 3. Overview of Expenses: Interest Due

	FY 2019-20 BUDGET	FY 2020-21 BUDGET	Fiscal Year Difference
Borrowing Interest	1,229,000	804,000	(425,000)

EBCE currently has an active credit facility with Barclays Bank with no outstanding debt

**The Barclays Credit Facility** is sized at \$80,000,000

- EBCE can draw up to \$60MM in cash and use up to \$35MM in letters of credit (LC's)
- EBCE pays 1% on the undrawn facility balance as a commitment fee, and 1-month LIBOR + 2.50% on any cash drawn facility balance up to \$25MM and LIBOR + 2.65% on any amount above \$25MM
- EBCE has outstanding LC's and pays 1.75% on this balance
- The interest on outstanding LC's and the commitment fee is the budgeted interest payments for FY 2020-2021—no cash borrowing is expected for this fiscal year

## 4. New Communities: Newark, Pleasanton, and Tracy

- Inclusion of new communities is expected to have a positive lift on margins based on an April enrollment timeframe estimated at \$3.5MM in net margin based on current market conditions.
  - April-June timeframe represents higher margin months. Full calendar year net margin is lower.
- Positive margin is driven by a modest increase in operating overhead related to serving these customers and softer energy prices.
- Additional analysis is underway to determine the optimal timing based on different customer rates and procurement risks/opportunities

	FY 2020-21 BUDGET	New Communities	Fiscal Year Adjusted
<b>REVENUE AND OTHER SOURCES</b>			
Electricity Sales	391,499,000	13,409,000	404,908,000
Uncollectables	(9,787,000)	(201,000)	(9,988,000)
<b>Total Revenue and Other Sources</b>	<b>382,943,000</b>	<b>13,208,000</b>	<b>396,151,000</b>
<b>EXPENSES AND OTHER USES</b>			
<b>ENERGY OPERATIONS</b>			
Cost of Energy	349,917,000	9,065,000	358,982,000
Data Management/ Customer Service	7,704,000	299,000	8,003,000
PG&E Service Fees (Billing/Metering)	2,396,000	87,000	2,483,000
<b>Total Energy Operating Costs</b>	<b>360,677,000</b>	<b>9,451,000</b>	<b>370,128,000</b>
<b>OVERHEAD OPERATIONS</b>			
Marketing, Outreach, Communications	1,499,000	274,000	1,773,000
<b>Total Overhead Operating Costs</b>	<b>20,346,000</b>	<b>274,000</b>	<b>20,620,000</b>
<b>NET INCREASE (DECREASE) IN POSITION</b>	<b>1,116,000</b>	<b>3,483,000</b>	<b>4,599,000</b>

# 5. Review of Net Position and Reserve Policy

**EBCE Estimated Net Position 2019-2020    \$    63,690,000**

<b>Reserve Fund</b>	<b>2018-19</b>	<b>2019-20*</b>	<b>Total 2019-20 Target</b>		<b>Remaining</b>
Operating/Credit	32,768,648	23,393,450	56,162,098	200,646,000	144,483,902
Rate Stabilization	1,936,260	2,339,345	4,275,605	7,018,035	2,742,430
Collateral	1,936,260	2,339,345	4,275,605	37,742,400	33,466,795
Local Development	3,872,519	4,678,690	8,551,209	46,786,900	38,235,691
<b>Total</b>	<b>40,513,687</b>	<b>32,750,830</b>	<b>73,264,517</b>	<b>292,193,335</b>	<b>218,928,818</b>

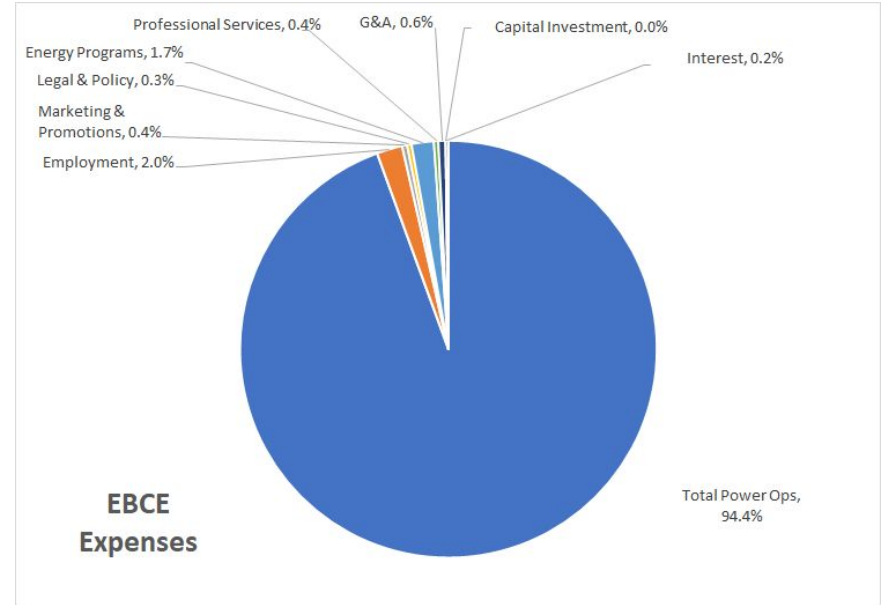
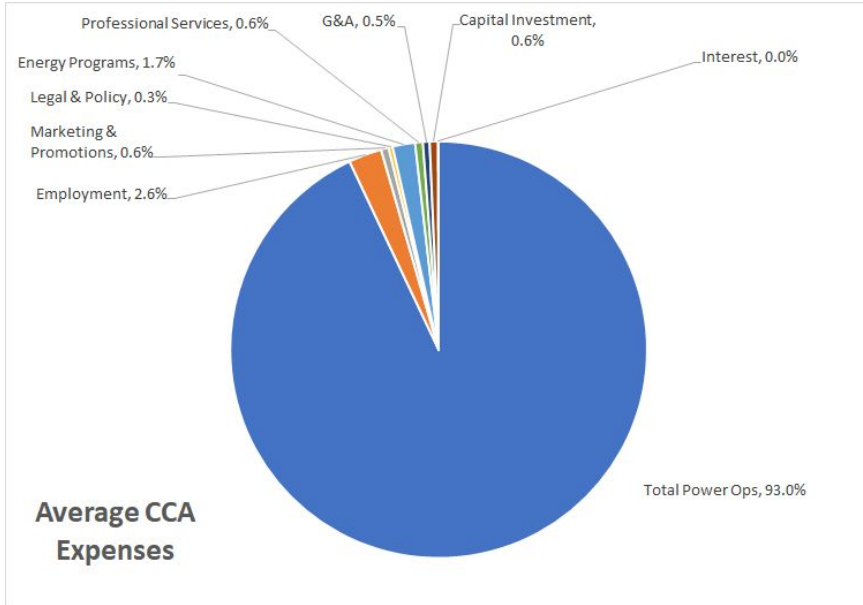
\* Expected contributions set to minimum amount

EBCE anticipates funding reserves with the minimum allocation from 2019-2020 net revenues for the following reasons:

1. Narrow 2020-21 margins
2. Uncertainty with COVID load demand
3. Uncertainty with 2021 PCIA adjustments
4. Retain a minimum 1 month liquidity of operating expenses (~\$30MM) under discretionary cash

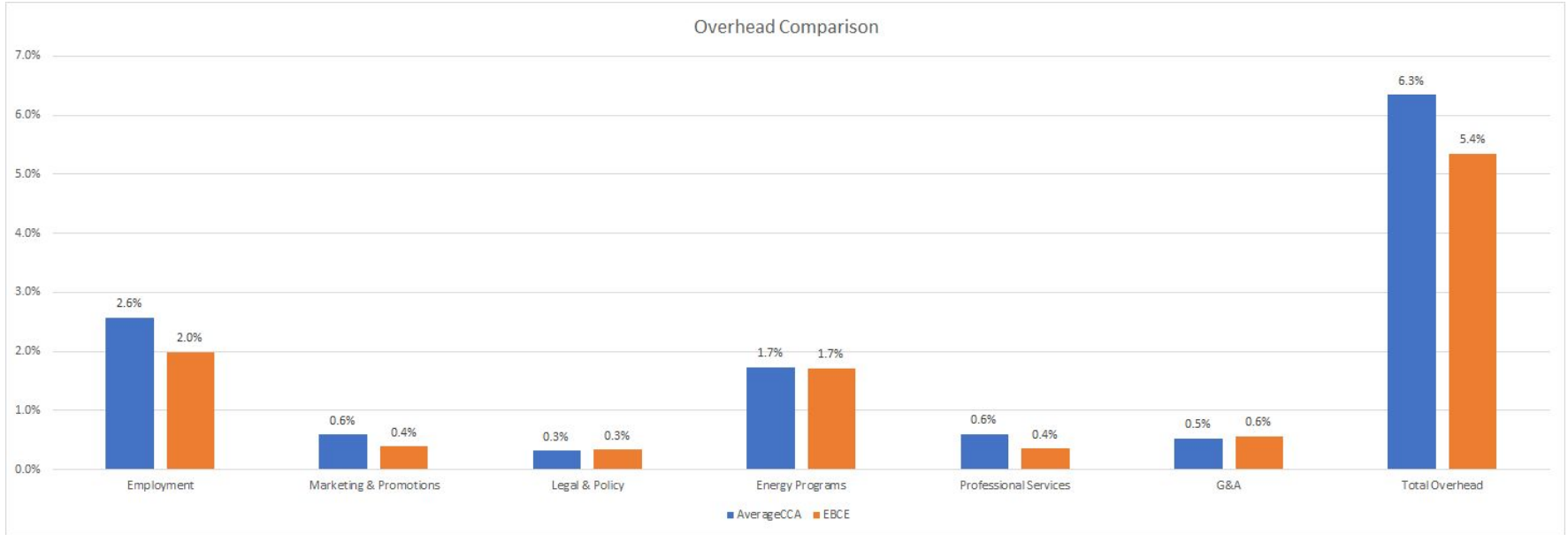
The allocation for fiscal year 2019-20 is pending completion of a formal audit and expected to occur in Nov/Dec 2020

# 5. Comparison of EBCE Budget to CCA Space



As percentage of expenses

# 5. Comparison of EBCE Budget to CCA Space



As percentage of expenses

## 5. Comparison of CCA Products & Value

	Basic Product	% Renewable	% Carbon-Free	Discount to PG&E (denotes a premium)	Upgrade 2	% Renewable	Premium to PG&E
<b>EBCE</b>	Bright Choice	39.5%	10%-15%	1.00% (proposed)	Renewable 100	100% RE	+\$0.01/kWh
<b>SVCE</b>	Green Start	100%		4.00%	Green Prime	100% RE	+\$0.008/kWh
<b>MCE</b>	Light Green	61%	N/A	0%-2%	Deep Green	100% RE	+11%
<b>SCP</b>	Clean Start	49%	42%	(2%-4)	Evergreen	100% RE	+\$0.025/kWh
<b>SJCE</b>	Green Source	45%	41%	1.00%	Total Green	100% RE	+\$0.005 -\$0.01/kWh
<b>MBCP</b>	MB Choice	30%	N/A	2%-7%	MB Prime	100% RE	+\$0.01/kWh
<b>PCE</b>	Eco Plus	51%	35%	5.00%	Eco 100	100% RE	+\$0.01/kWh
<b>CPSF</b>	Green	48%	40%		SuperGreen	100% RE	

\*Yellow cells denote discounts/premiums relative to last year; not yet confirmed if these CCAs have made adjustments to these values/



## 6. Review of EBCE Value Proposition and Staff Recommendation

- EBCE currently offers three products:
  - Bright Choice: 1.5% below PG&E rates
  - Brilliant 100: Parity with PG&E rates
  - Renewable 100: \$0.01/kWh more expensive than PG&E rates
  - For 2019/2020, EBCE expects to deliver over \$7MM in bill savings to customers
- Staff is recommending an adjustment to the value proposition for 2020/2021
  - Bright Choice: 1% below PG&E rates
  - Brilliant 100: 3% premium to PG&E rates to reflect the projected procurement costs to Bright Choice
  - Renewable 100: unchanged at \$0.01/kWh more expensive than PG&E rates
  - For 2020/2021 EBCE expects to deliver approximately \$5.4MM in bill savings to customers
- Every 0.5% discount for Bright Choice equals \$2.7MM in incremental revenue
- Every 1% in Brilliant 100 premium equals \$1MM (assuming no change to enrolled load)

## 7. Risks and Mitigations

EBCE is exposed to a variety of risks in this coming fiscal year. The following discussion is a representative list of key risks, though it is not comprehensive in reflecting all risks.

1. COVID/Load Risk
2. Energy Market Risk
3. Uncollectables/Write-off Risk
4. Opt-out Risk
5. Regulatory Risk

## 7. Risks and Mitigants: COVID/Load

COVID impacts on load, collections, and energy market prices are being closely monitored and to date the Shelter in Place policy has been in effect for approximately two months. While this has provided meaningful data it is very difficult to extrapolate the insights to accurately forecast impacts on the next fiscal year.

1. Status quo: Quick reversion to a pre-COVID load. Electricity usage based on businesses partial reopening and moderately increased residential use that results in load that closely reflects EBCE load pre-COVID. This is the basis for the current budget.
2. Moderate COVID load decrease: Volumetric load is down 6-8% in the near-term months with a peak reduction of 10-15% and there is a gradual reversion to about 1-3% volumetric load reduction and 4-6% peak reduction, which is maintained starting in 2021.
3. Moderate COVID load increase: With the partial reopening of small businesses and large commercial space, we could see commercial load revert close to normal levels and residential load remain high based on partial families working from home. This could result in a moderate increase in volumetric load of 2-4% and a peak load similar to normal levels
4. Significant and sustained macro recession where volumetric load continues to be depressed. Volumetric load is down 6-10% and peak load is down 10-15% for next 12-24 months

## 7. Risks and Mitigants: COVID/Load continued

Independent of which scenario EBCE experiences, there are some constant risk conditions to consider.

- Changes in volumetric load due to ongoing COVID conditions are expected to decrease costs proportional with the projected net decline in demand. Thus, any decline in revenue due to decline in demand should be reasonably offset with a decline in costs. EBCE is projecting a margin of 8.5% of revenues over electricity costs. This means for each dollar decrease in revenue from reduced demand, EBCE can expect an approximate \$0.915 reduction in costs. To date, EBCE has generally experienced a positive impact to load shape that has reduced the more expensive peak hours that help to mute this margin impact.
- Load changes can have material implications to EBCE as it relates to planning, procurement, and scheduling. Less certainty when it comes to load forecasting can increase risk. Generally speaking, an overall industry reduction in load directionally leads to softer energy prices. However, the uncertainty also leads to more significant day to day volatility, which can increase or decrease energy costs where EBCE is not hedged.

## 7. Risks and Mitigants: Energy Market Risk

EBCE currently has an estimated unhedged energy portfolio of approximately \$80 million which is exposed to the market. Short term energy prices can see volatility of 10-20% on a regular basis based on typical supply/demand dynamics that are heavily influenced by weather and electricity infrastructure.

The volatility may be exacerbated by COVID due to general uncertainty of load and the impacts from the macro oil industry on gas prices. We estimate that energy costs could increase reasonably as much as \$16-20MM, though this could also result in a similar reduction in energy costs.

EBCE could consider hedging more load to reduce this risk. However in an environment of softer energy prices, there are follow-on repercussions of an increasing PCIA the following year.

## 7. Risks and Mitigants: Uncollectables

While EBCE has increased our expected exposure from 0.5% to 2.5% of uncollectable accounts, the current data is limited in measuring the extent of this impact. This forecast of 2.5% is at the higher end of the range compared to other CCAs based on our regional income demographics. In researching other load serving entity uncollectables through prior recessions, we have seen data ranging from non-material impacts up to 6% write-offs.

Based on the recessionary impacts of COVID and suspension of disconnects, we do anticipate an increase in uncollectables that would lead to write-offs. There is a potential for the uncollectables to exceed our current forecast based on a more severe and extended recession. To mitigate this risk, we have launched an active campaign to increase CARE enrollments as a way to lower customers bills and are continuing to create a plan to enroll customers onto longer term payment plans as necessary. While enrollment in payment plans should reduce write-offs, it would reduce near term cash inflows. EBCE has a strong cash and reserve position to support payments deferrals.

## 7. Risks and Mitigants: Opt-out Risk

Customer opt-outs are generally an ongoing risk to EBCE. However, we do not anticipate an increased risk of opt-outs for the fiscal year, depending on adjustments to the value propositions. There is currently no active discussion of DA expansion that would take effect in 2021 beyond what has already been in process.

## 7. Risks and Mitigants: Regulatory Risk

- The current budget assumes a deferral of approximately \$16MM in costs, which is based on maintaining an undercollection (PUBA) of 7%. The most significant regulatory risk to revenues in the near term is the management of this PUBA cap. The CPUC could rule to fully collect on the undercollection, which would decrease fiscal year revenues or potentially elect for a larger undercollection, which could increase revenues.
- AB110 Power Content reporting is anticipated to be finalized in mid 2020. These regulations will include potential updates to the reporting treatment of PCC3 unbundled RECs and Asset Controlling Supply (ACS) procurement. Currently procurement of PCC3 RECs is limited and serves as a flexible tool to balance the portfolio. ACS is also currently procured largely as a source of clean large hydro energy, a cost-effective energy hedging tool, and a source of import RA from the pacific northwest. The new reporting regulation may require disclosure of all underlying energy as source specified, which could limit future procurements of this product depending on board direction.
- PCIA Working Group 3, which is focused on the disposition of PG&E's current long portfolio may benefit EBCE's energy procurement related costs. Though those benefits are not expected to be material for the fiscal year.



## 7. Risk and Mitigants: Mitigants

Considering the previous discussion, EBCE has the following options to further mitigate these economic risks.

- Additional changes to EBCE's value proposition:
  - Further reduction to Bright choice discount to 0.5% = \$2.7MM, or 0% = \$5.4MM
  - Further increase to Brilliant 100 premium to 4% = \$1MM, or 5% = \$2MM
- With the Board approval of the PG&E allocation and PCL restructuring, EBCE holds excess large hydro related carbon free attributes which can be resold. This is estimated to generate anywhere from \$1 to \$2 million, depending upon quantity sold and market conditions.
- EBCE has the opportunity to accept and resell PG&E's nuclear allocation. This could generate up to \$2 million based on market demand, which is uncertain. This could present some risk to EBCE's power content label, but we can likely structure an arrangement to largely mitigate this risk.

## 8. Alternative Budget Scenarios

- Alternative 1: Reduce Local Development budget by \$2.7MM, maintain the Bright Choice discount of 1.5%, resulting in the current projected margin in the presented budget
- Alternative 2: Increase Local Development budget by \$2.7MM, further decrease Bright Choice discount to 0.5%, resulting in the current projected margin in the presented budget
- Alternative 3: Reduce Bright Choice discount further to 0.5% and increase net margin by \$2.7MM to mitigate risk related to energy markets, COVID, and PUBA undercollection and built increased reserves