EBCE DRAFT BUDGET FAP MEMO
FISCAL YEAR JULY 1, 2021 – JUNE 30, 2022
DRAFT BUDGET COMPARED TO CURRENT YEAR'S APPROVED BUDGET AND ACTUALS THROUGH FEB WITH REMAINING BUDGET

	FY 2021-22 BUDGET	Through Feb FY 2020-21 YTD+Remaining	FY 2020-21 BUDGET	FY 21-22 YTD+Remaining Difference	*YTD+Remaining Percent Difference*	FY 21-22 Budget Difference	*Budget Percent Difference*
REVENUE AND OTHER SOURCES							
Electricity Sales	503,087,000	435,277,000	401,405,000	67,810,000	15.6%	101,682,000	25.3%
GASB 62 Recognition (Deferral)	0	(20,400,000)	0	20,400,000	-100.0%	0	0.0%
Investment Income	798,000	899,000	1,231,000	(101,000)	-11.2%	(433,000)	-35.2%
Other Income	562,000	328,000	275,000	234,000	71.3%	287,000	104.4%
Uncollectables	(8,810,000)	(10,749,000)	(9,902,000)	1,939,000	-18.0%	1,092,000	-11.0%
Total Revenue and Other Sources	**495,637,000**	**405,355,000**	**393,009,000**	**90,282,000**	22.3%	**102,628,000**	26.1%
EXPENSES AND OTHER USES							
ENERGY OPERATIONS							
Cost of Energy	442,165,000	367,487,000	358,078,000	74,678,000	20.3%	84,087,000	23.5%
Data Management/Customer Service	8,645,000	7,753,000	8,003,000	892,000	11.5%	642,000	8.0%
PG&E Service Fees (Billing/Metering)	2,752,000	2,461,000	2,483,000	291,000	11.8%	269,000	10.8%
Scheduling	843,000	664,000	660,000	179,000	27.0%	183,000	27.7%
Total Energy Operating Costs	**454,405,000**	**378,365,000**	**369,224,000**	**76,040,000**	20.1%	**85,181,000**	23.1%
OVERHEAD OPERATIONS							
Personnel	9,041,000	7,125,000	7,429,000	1,916,000	26.9%	1,612,000	21.7%
Marketing, Outreach, Communications	1,614,000	1,147,000	1,544,000	467,000	40.7%	70,000	4.5%
Legal, Policy, & Reglatory Affairs	1,517,000	941,000	1,297,000	576,000	61.2%	220,000	17.0%
Other Professional Services	850,000	927,000	1,345,000	(77,000)	-8.3%	(495,000)	-36.8%
General & Administrative	3,007,000	1,869,000	2,146,000	1,138,000	60.9%	861,000	40.1%
Depreciation	60,000	55,000	60,000	5,000	9.1%	0	0.0%
Total Overhead Operating Costs	**16,089,000**	**12,064,000**	**13,821,000**	**4,025,000**	33.4%	**2,268,000**	16.4%
NON-OPERATING EXPENSES							
Borrowing Interest	898,000	847,000	804,000	51,000	6.0%	94,000	11.7%
Capital Expenditures	2,500,000	0	0	2,500,000	0.0%	2,500,000	0.0%
Local Development Funding	8,125,000	6,340,000	6,340,000	1,785,000	28.2%	1,785,000	28.2%
Total Non-Operating Expenses	**11,523,000**	**7,187,000**	**7,144,000**	**4,336,000**	60.3%	**4,379,000**	61.3%
TOTAL EXPENSES	**482,017,000**	**397,616,000**	**390,189,000**	**84,401,000**	21.2%	**91,828,000**	23.5%
NET INCREASE (DECREASE) IN POSITION	**13,620,000**	**7,739,000**	**2,820,000**	**5,881,000**		**10,800,000**	

BASE CASE ASSUMPTIONS

Revenues

- Assumes 5% opt out rate for new community enrollments
- Does not include transition of Brilliant 100 customers
  - Could be as much as $657,000 adjustment
- Includes reduction from TOU rate transition
  - Includes TOU conversion for Tracy through whole year, but actually begins Nov 1st. This is about $125-$200k adjustment
- No recognition of 2019-2020 GASB 62 revenue
- Assumes 0.4% interest earned in cash balances in accounts
- $562,000 of Other Income is expected PG&E reimbursement for administrative and marketing costs for Green Tariff program
- Uncollectables reduced from 2.5% to 2% for remaining 2021 then 1.5% for 2022

Energy Costs

- Brilliant 100 discontinued in January of 2022
  - $2M cost reduction from carbon free energy demand
  - 90% migration of current Brilliant 100 customers to Bright Choice in January 2022, 10% to Renewable 100
- Significant increase in open position due to rising prices and increase in service area

Energy Service Costs

- Increase in fees due to increase in service area

Overhead Costs

- No significant change in Marketing, Outreach, and Communications
- No significant change in Legal, Policy, and Regulatory Affairs
- No change in depreciation
- Increase in personnel due to hiring of six additional positions in local programs, marketing, technology, and backfilling two existing positions, COLA (2.5%), and merit/promotion poll (5%).
- The decrease in Other Professional Services and the increase in G&A are related
  - More work taken internally
  - More software/technology-related subscriptions utilized by internal staff

Non-Operating Costs

- Borrowing interest slightly increased due to issued letters of credit
- $2.5M for capital expenditures related to real estate procurement
- Program funding increased due to service area expansion and increased community investment (see additional discussion for more details)

QUARTERLY DISTRIBUTION

	Q1	Q2	Q3	Q4
REVENUES	147,049,000	100,954,000	120,539,000	127,096,000
ENERGY COSTS	139,506,000	114,082,000	109,317,000	91,499,000
OPERATING COSTS	4,022,000	4,022,000	4,022,000	4,022,000
NON-OPERATING COSTS	2,258,000	2,258,000	2,253,000	4,755,000
NET INCREASE (DECREASE)	1,263,000	(19,408,000)	4,947,000	26,820,000

LOCAL DEVELOPMENT DISCUSSION

LOCAL DEVELOPMENT FUND	FY 2020-21 BUDGET	FY 2020-21 YTD+Est	FY 2021-22 BUDGET	FY 2021-22 BALANCE
Program Funding				
Beginning Balance	**1,398,000**	**4,871,000**		**8,094,000**
Funding from General Fund Revenues	6,340,000	6,340,000	8,125,000	8,125,000
Grants/Credits	275,000	225,000	382,000	382,000
Mid-Year adjustment	0	0		0
Total Available Funding	8,013,000	11,436,000	8,507,000	16,601,000
Program Areas				
Demand Response	100,000	28,000	0	236,000
Energy Efficiency	740,000	250,000	300,000	874,000
Building Electrification	950,000	268,000	900,000	2,241,000
Vehicle Electrification	4,930,000	1,116,000	5,295,000	10,222,000
Collaborative Procurement	958,000	385,000	180,000	1,196,000
Community Investment	0	211,000	1,532,000	1,532,000
Sponsorships/Events	0	5,000	100,000	100,000
Capital Set Aside	0	0	0	0
COVID-19 Relief Fund	335,000	1,079,000	0	0
Legal Resources	0	0	100,000	100,000
MAS Resources	0	0	100,000	100,000
Policy Resources	0	0	0	0
Other (actuals not classified)	0	0	0	0
Total Program Expenses	8,013,000	3,342,000	8,507,000	16,601,000
Ending Balance	**0**	**8,094,000**	**0**	**0**

After the 2019-20 Audit, in October of 2020, it was confirmed the Local Development Fund (the "Fund") had an ending balance of approximately $4.9M. Since the budget was passed earlier in the year, June of 2020, the FY 2020-21 YTD + Estimates represents the reality of the Fund's status through February of 2021, which reflects the Fund having $11.4M funding at the beginning of this current fiscal year.

The Budget required for this next fiscal year, 2021-2022, is $8,507,000.

The Balance column represents the outstanding amount allocated to each program area from previous years added to the required amount for the next fiscal year. These program balances are funds required for these programs and are ear-marked for specific purposes but have not yet had costs actualized. These costs may occur in this coming fiscal year and should not be seen as above budget spending, but as pre-approved carry-over spending.

RISKS DISCUSSION

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

Energy Market Risk:

- EBCE currently has approximately 30-35% of its energy portfolio with some exposure 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. With volatility we estimate that energy costs could increase reasonably as much as $14-28MM, though this could also result in a similar reduction in energy costs. In recent months, energy market prices have increased significantly above historical levels for the remainder of 2021 and 202. The PCIA actually serves as a form of risk mitigation based on the portfolio of resources under PG&E. An increase in energy market prices is partially offset by a decrease in PCIA the following calendar year and vice versa. EBCE is also currently evaluating an energy prepayment structure as another means to lower procurement costs and mitigate risk.

Uncollectables/Write-offs:

- EBCE increased expected exposure to uncollectable accounts from 0.5% to 2.5% of revenue for the COVID crisis in the 2020-2021 fiscal year. Staff is expecting this risk to reduce in the coming year. However, it will not dissipate entirely. EBCE is reducing the uncollectable estimation from 2.5% to 2% for the first half of the fiscal year, then to 1.5% for the second half. These estimates are at the higher end of the range compared to other CCAs based on our regional income demographics. To mitigate this risk, we are pursuing an increase in CARE/FERA enrollments, Arrearage Management Plan (AMP) enrollments, other disconnections communities programs efforts, such as DAC-GT and community solar, and other forms of debt relief that are currently under analysis.

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 for established communities under normal conditions. There is currently no active discussion of DA expansion that would take effect in 2022, beyond what has already been in process.
- New communities do pose a greater exposure to opt-out risk than established communities. Estimates set this risk to 5% of accounts. Currently, EBCE is experiencing about 3.5% of new community accounts opting out. This value is expected to increase and there is risk that this may increase above the 5% estimate.
- Change of product decisions may increase opt-outs, but this is difficult to estimate at this time based on the transition of Brilliant 100 customers to other products and discussions among cities to potentially opt up customers to Renewable 100.