

MAY, 2021

# Draft Budget Review for Fiscal Year 2021-2022



# The Draft Budget for Fiscal Year 2021-2022

	DRAFT FY 2021-22 BUDGET	Through Mar FY 2020-21 YTD+Remaining	CURRENT FY 2020-21 BUDGET	Draft to YTD+Remaining Difference	YTD+Remaining Percent Difference	Draft to Current Budget Difference	Budget Percent Difference
<b>REVENUE AND OTHER SOURCES</b>							
Electricity Sales	503,087,000	436,669,000	401,405,000	66,418,000	15.2%	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	839,000	1,231,000	(41,000)	-4.9%	(433,000)	-35.2%
Other Income	562,000	466,000	275,000	96,000	20.6%	287,000	104.4%
Uncollectables	(8,810,000)	(10,784,000)	(9,902,000)	1,974,000	-18.3%	1,092,000	-11.0%
<b>Total Revenue and Other Sources</b>	<b>495,637,000</b>	<b>406,790,000</b>	<b>393,009,000</b>	<b>88,847,000</b>	<b>21.8%</b>	<b>102,628,000</b>	<b>26.1%</b>
<b>EXPENSES AND OTHER USES</b>							
<b>ENERGY OPERATIONS</b>							
Cost of Energy	442,165,000	372,125,000	358,078,000	70,040,000	18.8%	84,087,000	23.5%
Data Management/Customer Service	8,645,000	7,655,000	8,003,000	990,000	12.9%	642,000	8.0%
PG&E Service Fees (Billing/Metering)	2,752,000	2,458,000	2,483,000	294,000	12.0%	269,000	10.8%
Scheduling	843,000	665,000	660,000	178,000	26.8%	183,000	27.7%
<b>Total Energy Operating Costs</b>	<b>454,405,000</b>	<b>382,903,000</b>	<b>369,224,000</b>	<b>71,502,000</b>	<b>18.7%</b>	<b>85,181,000</b>	<b>23.1%</b>
<b>OVERHEAD OPERATIONS</b>							
Personnel	9,381,000	7,055,000	7,429,000	2,326,000	33.0%	1,952,000	26.3%
Marketing, Outreach, Communications	1,614,000	1,092,000	1,544,000	522,000	47.8%	70,000	4.5%
Legal, Policy, & Regulatory Affairs	1,517,000	879,000	1,297,000	638,000	72.6%	220,000	17.0%
Other Professional Services	850,000	848,000	1,345,000	2,000	0.2%	(495,000)	-36.8%
General & Administrative	3,007,000	1,851,000	2,146,000	1,156,000	62.5%	861,000	40.1%
Depreciation	60,000	55,000	60,000	5,000	9.1%	0	0.0%
<b>Total Overhead Operating Costs</b>	<b>16,429,000</b>	<b>11,780,000</b>	<b>13,821,000</b>	<b>4,649,000</b>	<b>39.5%</b>	<b>2,608,000</b>	<b>18.9%</b>
<b>NON-OPERATING EXPENSES</b>							
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%
<b>Total Non-Operating Expenses</b>	<b>11,523,000</b>	<b>7,187,000</b>	<b>7,144,000</b>	<b>4,336,000</b>	<b>60.3%</b>	<b>4,379,000</b>	<b>61.3%</b>
<b>TOTAL EXPENSES</b>	<b>482,357,000</b>	<b>401,870,000</b>	<b>390,189,000</b>	<b>80,487,000</b>	<b>20.0%</b>	<b>92,168,000</b>	<b>23.6%</b>
<b>NET INCREASE (DECREASE) IN POSITION</b>	<b>13,280,000</b>	<b>4,920,000</b>	<b>2,820,000</b>	<b>8,360,000</b>		<b>10,460,000</b>	

# Current Budget to Draft Budget Comparison

## Draft Budget Highlights

- No change to value proposition
- YoY Revenue growth
- Reduced Uncollectables
- Increasing energy price environment
- Increase to staff/software budget vs. consultant spend
- Increase in staffing
- Building Capital Expenditures
- Local Development budget increase

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Investment Income	798,000	1,231,000	(433,000)	-35.2%
Other Income	562,000	275,000	287,000	104.4%
Uncollectables	(8,810,000)	(9,902,000)	1,092,000	-11.0%
<b>Total Revenue and Other Sources</b>	<b>495,637,000</b>	<b>393,009,000</b>	<b>102,628,000</b>	<b>26.1%</b>
<b>EXPENSES AND OTHER USES</b>				
<b>ENERGY OPERATIONS</b>				
Cost of Energy	442,165,000	358,078,000	84,087,000	23.5%
Data Management/Customer Service	8,645,000	8,003,000	642,000	8.0%
PG&E Service Fees (Billing/Metering)	2,752,000	2,483,000	269,000	10.8%
Scheduling	843,000	660,000	183,000	27.7%
<b>Total Energy Operating Costs</b>	<b>454,405,000</b>	<b>369,224,000</b>	<b>85,181,000</b>	<b>23.1%</b>
<b>OVERHEAD OPERATIONS</b>				
Personnel	9,381,000	7,429,000	1,952,000	26.3%
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<b>NON-OPERATING EXPENSES</b>				
Borrowing Interest	898,000	804,000	94,000	11.7%
Capital Expenditures	2,500,000	0	2,500,000	0.0%
Local Development Funding	8,125,000	6,340,000	1,785,000	28.2%
<b>Total Non-Operating Expenses</b>	<b>11,523,000</b>	<b>7,144,000</b>	<b>4,379,000</b>	<b>61.3%</b>
<b>TOTAL EXPENSES</b>	<b>482,357,000</b>	<b>390,189,000</b>	<b>92,168,000</b>	<b>23.6%</b>
<b>NET INCREASE (DECREASE) IN POSITION</b>	<b>13,280,000</b>	<b>2,820,000</b>	<b>10,460,000</b>	

# Current YTD (March) Actuals to Current Budget Comparison

## 2020-2021 Comparison Highlights

- Deferral of PCIA led to higher revenues from sales
- \$20MM GASB 62 Revenue Deferral sized to July 2022-Dec 2023 PUBA. May increase further for unspent local development budget
- Uncollectables set at 2.5% of revenue from sales
- Higher energy costs
- Reduced overhead relative to budget in tight year
- Positive net position

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Investment Income	839,000	1,231,000	(41,000)	-4.9%
Other Income	466,000	275,000	96,000	20.6%
Uncollectables	(10,784,000)	(9,902,000)	1,974,000	-18.3%
<b>Total Revenue and Other Sources</b>	<b>406,790,000</b>	<b>393,009,000</b>	<b>88,847,000</b>	<b>21.8%</b>
<b>EXPENSES AND OTHER USES</b>				
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Other Professional Services	848,000	1,345,000	2,000	0.2%
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Depreciation	55,000	60,000	5,000	9.1%
<b>Total Overhead Operating Costs</b>	<b>11,780,000</b>	<b>13,821,000</b>	<b>4,649,000</b>	<b>39.5%</b>
<b>NON-OPERATING EXPENSES</b>				
Borrowing Interest	847,000	804,000	51,000	6.0%
Capital Expenditures	0	0	2,500,000	0.0%
Local Development Funding	6,340,000	6,340,000	1,785,000	28.2%
<b>Total Non-Operating Expenses</b>	<b>7,187,000</b>	<b>7,144,000</b>	<b>4,336,000</b>	<b>60.3%</b>
<b>TOTAL EXPENSES</b>	<b>401,870,000</b>	<b>390,189,000</b>	<b>80,487,000</b>	<b>20.0%</b>
<b>NET INCREASE (DECREASE) IN POSITION</b>	<b>4,920,000</b>	<b>2,820,000</b>	<b>8,360,000</b>	

# Draft Budget Revenues

	FY 2021-22 BUDGET	FY 2020-21 BUDGET	FY 21-22 Budget Difference	Budget Percent Difference
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- **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**
  - Tracy actually begins Feb 2022. Could be as much as \$400,000 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**

# Draft Budget Energy Operations

	FY 2021-22 BUDGET	FY 2020-21 BUDGET	FY 21-22 Budget Difference	Budget Percent Difference
<b>ENERGY OPERATIONS</b>				
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Data Management/Customer Service	8,645,000	8,003,000	642,000	8.0%
PG&E Service Fees (Billing/Metering)	2,752,000	2,483,000	269,000	10.8%
Scheduling	843,000	660,000	183,000	27.7%
<b>Total Energy Operating Costs</b>	<b>454,405,000</b>	<b>369,224,000</b>	<b>85,181,000</b>	<b>23.1%</b>

- **Brilliant 100 discontinued in Jan 2022**
  - \$2M cost reduction from lower carbon free energy purchases
  - 90% migration of B100 customers to Bright Choice and 10% to Renewable 100 in Jan 2022
- **Significant increase in Cost of Energy due increased load from expansion of new communities and rising prices**
- **Increase in Energy Service fees due to increase in meters from new communities**

# Draft Budget Overhead Operations

	FY 2021-22 BUDGET	FY 2020-21 BUDGET	FY 21-22 Budget Difference	Budget Percent Difference
<b>OVERHEAD OPERATIONS</b>				
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Marketing, Outreach, Communications	1,614,000	1,544,000	70,000	4.5%
Legal, Policy, & Regulatory Affairs	1,517,000	1,297,000	220,000	17.0%
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General & Administrative	3,007,000	2,146,000	861,000	40.1%
Depreciation	60,000	60,000	0	0.0%
<b>Total Overhead Operating Costs</b>	<b>16,429,000</b>	<b>13,821,000</b>	<b>2,608,000</b>	<b>18.9%</b>

- **Increase in personnel due to 2.5% COLA and 5% merit/promotion compensation pool and the hiring of six additional staff (2 Local Dev, 2 Marketing, 1 Power Resources, 1 Technology)**
  - Projected headcount at end of 2020-2021: 37 FTE
  - Projected headcount at end of 2021-2022: 43 FTE
- **No significant change in Marketing, Outreach, and Communications**
- **No significant change in Legal, Policy, & Regulatory Affairs**
- **Decrease in Other Professional Service is more work taken internally**
- **Increase in G&A is driven by increased software subscriptions**
- **No change expected in asset depreciation**

# Draft Budget Non-Operating Expenses

	FY 2021-22 BUDGET	FY 2020-21 BUDGET	FY 21-22 Budget Difference	Budget Percent Difference
<b>NON-OPERATING EXPENSES</b>				
Borrowing Interest	898,000	804,000	94,000	11.7%
Capital Expenditures	2,500,000	0	2,500,000	0.0%
Local Development Funding	8,125,000	6,340,000	1,785,000	28.2%
<b>Total Non-Operating Expenses</b>	<b>11,523,000</b>	<b>7,144,000</b>	<b>4,379,000</b>	<b>61.3%</b>

- **Borrowing Interest Costs slightly increased due to increased postings of Letters of Credit**
  - No outstanding debt
- **\$2.5MM for capital expenditures related to real estate procurement**
- **Local Development Funding increase due to service area expansion and increased community investment (see additional discussion for more details)**



# Draft Budget Local Development Fund

- Unspent Local Development budget carries forward year to year
- 2021-2022 Local Development budget set at \$8,125,000
- Cumulative Local development budget from prior periods forecasted at \$8,094,000
- Total spend for 2021-2022: \$16,601,000
- Community Investment includes priorities related to Connected Communities – DAC-GT, Community Solar, and community engagement efforts for debt relief and CARE/FERA enrollment

LOCAL DEVELOPMENT FUND	FY 2020-21 BUDGET	FY 2020-21 YTD+Est	FY 2021-22 BUDGET	FY 2021-22 BALANCE
<b>Program Funding</b>				
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
<b>Total Available Funding</b>	<b>8,013,000</b>	<b>11,436,000</b>	<b>8,507,000</b>	<b>16,601,000</b>
<b>Program Areas</b>				
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
<b>Total Program Expenses</b>	<b>8,013,000</b>	<b>3,342,000</b>	<b>8,507,000</b>	<b>16,601,000</b>
<b>Ending Balance</b>		<b>0</b>	<b>8,094,000</b>	<b>0</b>

# Draft Budget Risks Discussion

- **Energy Market Risk**

- EBCE has approximately 30-35% of its energy portfolio exposed to market prices
- Volatility can range from 10-20% on a regular basis
- In recent months, prices have increased for Draft Budget year
- PCIA is a form of risk mitigation based on PG&E's resources—increase in prices is offset somewhat by decrease in PCIA in future years
- EBCE is also evaluating Energy Prepay structure to help lower costs

- **Uncollectables/Write-offs:**

- EBCE increased uncollectables from 0.5% to 2.5% of revenues for COVID crisis in 2020-21 FY
- For Draft Budget, this estimation is reduced to 2.0% for the rest of 2021 then 1.5% for 2022
- These estimates are at the higher range than other CCA's as based on regional income demographics
- To mitigate, pushing CARE/FERA enrollments, AMP, and Connected Communities programs DAC-GT and community solar

- **Opt-Out Risk:**

- No anticipated risk of increased opt-outs for established communities
- New communities are estimated at 5% of total accounts—currently 3.5%
- Change of product decisions may increase opt-outs but difficult to estimate based on discussion among cities to potentially opt-up to Renewable 100

# Thank You!



Questions? Give us a call:  
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