



Executive Committee Meeting

Wednesday, May 3, 2023
9:00 am

In Person:

Conference Room 1
East Bay Community Energy
1999 Harrison St, Suite 800
Oakland, CA 94612

Or from the following remote location:

- Dublin Civic Center, Second Floor, 100 Civic Plaza, Dublin, CA 94568

Via Zoom:

<https://ebce-org.zoom.us/j/88267670367>

Or join by phone:

Dial (for higher quality, dial a number based on your current location):
US: +1 669 900 6833 or +1 253 215 8782 or +1 346 248 7799 or +1 301 715 8592 or
+1 312 626 6799 or 877 853 5257 (Toll Free) or 888 475 4499 (Toll Free)
Webinar ID: 882 676 70367

Meetings are accessible to people with disabilities. Individuals who need special assistance or a disability-related modification or accommodation to participate in this meeting, or who have a disability and wish to request an alternative format for the meeting materials, should contact the Clerk of the Board at least 2 working days before the meeting at (510) 906-0491 or cob@ebce.org.

If you have anything that you wish to be distributed to the Executive Committee, please email it to the clerk by 5:00 pm the day prior to the meeting.

1. Welcome & Roll Call

2. Public Comment

This item is reserved for persons wishing to address the Executive Committee on any EBCE-related matters that are not otherwise on this meeting agenda. Public comments on matters listed on the agenda shall be heard at the time the matter is called. As with all public comment, members of the public who wish to address the Committee are customarily limited to three minutes per speaker and must complete an electronic [speaker slip](#). The Executive Committee Chair may increase or decrease the time allotted to each speaker.

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- 3. Approval of Minutes from April 5, 2023**
- 4. 2023/24 Budget (Informational Item)**
Review of next year's draft budget
- 5. Energy Prepay (Informational Item)**
Overview of historical energy prepay transactions and future plans
- 6. Committee Member and Staff Announcements including requests to place items on future Committee Agendas**
- 7. Adjournment to June 7, 2023 at 9:00 am**



Draft Minutes

Executive Committee Meeting

Wednesday, April 5, 2023

9:00 am

In Person:

Conference Room 1
East Bay Community Energy
1999 Harrison St, Suite 800
Oakland, CA 94612

Or from the following remote location:

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1. Welcome & Roll Call

Present: Members: Tiedemann, Hu, Kalb and Marquez

Excused: Chair Balch

2. Public Comment

This item is reserved for persons wishing to address the Executive Committee on any EBCE-related matters that are not otherwise on this meeting agenda. Public comments on matters listed on the agenda shall be heard at the time the matter is called. As

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with all public comment, members of the public who wish to address the Committee are customarily limited to three minutes per speaker and must complete an electronic [speaker slip](#). The Executive Committee Chair may increase or decrease the time allotted to each speaker.

Tom Kelly urged the Executive Committee and Board of Directors to review contracts with power plants and fossil fuel providers, and to consider the impact of these facilities on local communities and the environment. Tom Kelly suggested that a report be provided on the location and conditions of these plants, as well as the health of surrounding communities. He encouraged the Board to take action to prevent contracting with facilities that harm communities and contribute to climate change.

Jessica Tovar asked EBCE to consider accessing government funding and using its revenues to build microgrids in locations that are trusted by the community. Additionally, Jessica Tovar stated that community members are asking about Net Energy Metering and suggested that this is a good opportunity for EBCE to offer new NEM incentives that work for the people they serve.

3. Approval of Minutes from December 2, 2022

Member Tiedemann motioned to approve the minutes. The motion was seconded by Member Kalb, which passed 4/0. Excused: Chair Balch.

4. Brand Evolution (Informational Item)

Sharing background on brand efforts

The Committee Discussed:

- **Member Marquez** asked for clarification about how survey data was collected for cities in San Joaquin County, and for an overview of next steps in the process. Member Marquez also asked if an ad hoc group from Stockton and Tracy was being organized.
- **Member Kalb** asked if brand strategy and design firms have been retained to work on this process. Member Kalb also expressed his preference for “clean energy” as a replacement for “community energy” in the brand name.

Tom Kelly stated that EBCE continues to advertise itself as clean and green, but that its emissions compare negatively to PG&E. He urged the Board to either clean up the power supply or be transparent about what the agency is providing to customers.

Jessica Tovar emphasized the importance of keeping "Community Energy" in the name, as it reflects the agency's accountability to its community. Jessica Tovar also recommended avoiding acronyms and corporate-sounding names.

5. Transportation Electrification Loan (Informational Item)

\$3M loan for Heavy Duty Vehicle Electrification project

The Committee Discussed:

- **Member Kalb** asked for an estimate of new range trucks at the Port of Oakland as part of this project. Staff clarified that the project is in Livermore, not the Port of Oakland, but that the trucks will be in service of port-related logistics. Member Kalb also asked if new trucks would displace currently used dirty trucks.
- **Member Marquez** asked if cities could partner with this project to electrify their fleets. Member Marquez also asked for the timeline and location of the project, and for staff to provide a status update in the fall.

Tom Kelly spoke in approval of the proposal and asked if low carbon fuel standard credits are being utilized in the project.

6. Emissions Overview (Informational Item)

Informational overview on emissions

The Committee Discussed:

- **Member Kalb** asked if the recent large storms would increase the available large hydro that can be purchased over the next couple of years. Member Kalb also stated that he requested a staff report from the City of Oakland to transition their customers to Renewable 100. Member Kalb stated that he hoped to make recommendations to the Oakland City Council by the end of the year.
- **Member Tiedemann** asked if, going by its 2030 Plan, EBCE is on track to see a significant decrease in its emissions factor over the next year. Tiedemann suggested that the narrative provided in the CCA comparison chart should be emphasized in future discussions. Additionally, Tiedemann asked about the impact of the agency's size on its emissions factor, and how the decision on the nuclear allocation has affected its emissions. Tiedemann also asked if the Board could reassess its decision on the nuclear allocation.
- **Member Marquez** agreed with Member Tiedemann's suggestion to consolidate the information and frame the discussion more clearly for the public. Member Marquez also raised a question about the agency's acceptance of nuclear, citing confusion over the indication of a small amount of nuclear (1.7%) on the power content label despite the agency's previous decision to refuse nuclear allocation. Member Marquez asked if staff could provide charts that model their projections of a decrease in unspecified energy, and an increase in hydro, solar, and wind energy in upcoming years. Member Marquez also requested a cost analysis of options to move five or ten percent of customers to Renewable 100.
- **Member Kalb** asked if there might be a decision point in the upcoming year that would provide means for the agency to increase its investment in renewables and thereby obtain a cleaner power mix.
- **Member Kalb** encouraged Executive Committee members to read an opinion/editorial published in the April 5, 2023 edition of the East Bay Times titled "How community solar could transform clean energy access - New law requires utility regulators to emphasize lower-income households when it assesses new community solar proposals". This article can be found at

<https://www.eastbaytimes.com/2023/04/05/opinion-how-community-solar-could-transform-clean-energy-access/>

Tom Kelly stated that the staff presentation was missing important details. He referred to the JPA agreement, which stated that EBCE would beat PG&E on greenhouse gas emissions. He stated that every city that still has Bright Choice as its default product has seen its greenhouse gas emissions spike five times greater than PG&E's. Tom Kelly stated that he would provide a fuller analysis on this issue but felt that the JPA agreement was no longer being adhered to.

Jim Lutz commended the presentation but noted that it was missing some important information. He requested details on the mix of Bright Choice and Renewable 100 over the years, including how many dollars and megawatt hours are under each, and what fraction of EBCE's product is Bright Choice and how this fraction has changed over time. Jim Lutz also asked how these percentages would change with Stockton being added to EBCE.

Becky Dennis requested information about how well the current programs are meeting emissions limits. Becky Davis suggested that more people could help by signing up for Renewable 100, but recognized the need for incentives to encourage participation. She asked if the board had considered providing incentives for individuals who sign up for Renewable 100, such as rebates tied to the price of carbon credits in the market. Becky Davis stated that although the benefits might not be immediate, participants could potentially participate in the emerging carbon market, which could provide an additional incentive to sign up.

Jessica Tovar emphasized the need for EBCE to provide incentives that mirror those provided by Net Energy Metering 2.0. Jessica Tovar stated that with the proper incentives, residents in EBCE's service territory could power their own communities with microgrids and on-site solar.

7. Committee Member and Staff Announcements including requests to place items on future Committee Agendas

- **Member Marquez** requested that the following topics be brought back in May or June:
 - Solar grids and microgrids;
 - Emissions content level;
 - Incentivizing customers to move to Renewable 100.
- **Member Marquez** stated that, in order to maintain order during meetings, members of the public should be prepared to raise their hands when the public comment period is called.

8. Adjournment to May 3, 2023 at 9:00 am

MAY 3, 2023

Draft Budget Review for Fiscal Year 2022-2023

PRESENTED BY:

NICK CHASET, CEO



Executive Summary

- In the face of rising energy costs, EBCE is able to continue to serve our local community and customers with cost competitive & cleaner energy while providing local jobs and equitable programs.
- Rates are up and PCIA is down, driven by a historic increase in market energy prices starting in 2021 and forecasted to persist in 2023-2024.
- With EBCE rates indexed to PG&E rates, we are forecasting significant headroom to operate and a strong financial surplus.
- Draft budget includes the following:
 - Significant contributions to working capital and reserves
 - Improvements to the Value Proposition (increased discount and bill credits)
 - Increased carbon free energy procurement targets
 - Meaningful contribution to local development budget
 - Expand on staff expertise, build more depth, and scale operations further

Summary Draft Budget for Fiscal Year 2021-2022

	FY 2023-24 DRAFT BUDGET	FY 2022-23 BUDGET	FY 2022-23 YTD* + EST
OPERATING ACTIVITY			
REVENUE & OTHER SOURCES			
GASB 62 Unrecognized Revenue Balance	15,814,000	15,814,000	15,814,000
Total Operating Revenue	934,627,000	769,940,000	865,646,000
EXPENSES & OTHER USES			
Total Energy Operating Expenses	696,681,000	535,241,000	666,257,000
Total Overhead Operating Expenses	38,887,000	27,426,000	22,016,000
NON-OPERATING ACTIVITY			
Total Non-Operating Revenue	1,728,000	276,000	2,821,000
Total Non-Operating Expenses	23,150,000	30,990,000	23,854,000
NET NON-OPERATING ACTIVITY	(21,422,000)	(30,714,000)	(21,033,000)
TOTAL REVENUES	936,355,000	770,216,000	868,467,000
TOTAL EXPENSES	758,718,000	593,657,000	712,127,000
NET INCREASE(DECREASE) IN POSITION	177,637,000	176,559,000	156,340,000
RESERVE BALANCE			
Beginning Reserve Balance*	230,873,000	155,873,000	155,873,000
Operating Target (50%)	367,784,000	281,334,000	281,334,000

*Expected value after FY 2022-23 contribution

Notes:

YTD* reflects actuals through Feb 28, 2023

EST are most current projections as of April 26, 2023

Net Position through FY Feb 28, 2023: \$57.7MM

Draft Budget: Base Case Assumptions

Revenues

- Increase to customer value proposition by
 - Bright Choice from 3% to 5% discount to PG&E
 - R100 from \$0.0075 to \$0.0025 above PG&E
 - Estimated revenue reduction of \$29.2MM
- \$50 bill credit applied to all CARE & FERA customers in Q1/Q2, totaling an estimated \$6.6MM in one time bill savings
- Assumes current rates and PCIA are unchanged through 2023
- Rates and PCIA for 2024 are non-stressed, or as forecasted, energy rates
- 1.5% uncollectable rate for 2023, then 1.0% for 2024
- No recognition of GASB 62 revenue (\$15,814,000)
- Non-operating revenue assumes 2.5% interest earned on treasury backed cash balance accounts

Energy Costs

- Costs are derived from a blend of contracted and open positions for all energy, attributes, and RA
 - Open prices are non-stressed, or as forecasted
- Carbon free energy is above recent board approved targets by 5% for calendar 2023 and 10% for 2024
Bright Choice targets
 - 2023: CF 71% --> 76%
 - 2024: CF 75% --> 85%
 - Adds \$5.6MM to costs (Each 1% is ~\$373,000)

Other Costs

- Additional staffing requirements of 17 FTE
- \$2.6MM increase in Marketing for re-branding campaign
- \$2MM increase in G&A to account for increased staff requirements
- Significant Program funding maintained at \$21MM

Draft Budget: Proposed Surplus Allocations

Net Position Estimated at \$177.3MM

Proposed Budget Surplus Waterfall Allocation:

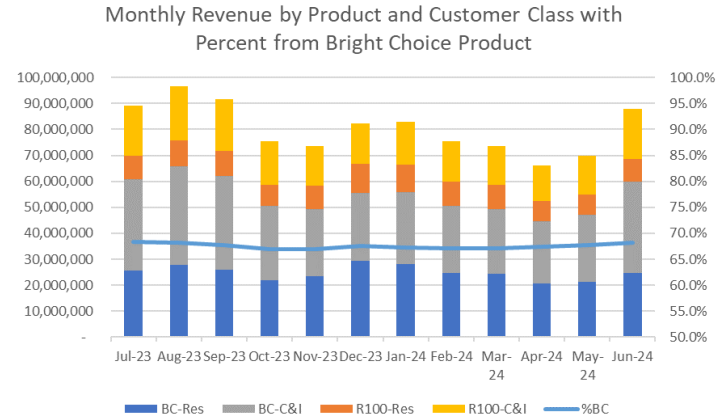
- 1) Working Capital Needs: \$50MM*
- 2) Reserve Account Funding: \$100MM*
- 3) 50/50% split of any excess to:**
 - Incremental Long-Term Renewable Energy/Clean Energy Storage Investments: ~\$13.6MM
 - One-time On-Bill Credits to Customers: ~\$13.6MM

**Allocations to be made after the end of the fiscal period ending June 30, 2024*

***Assuming a budget surplus that is materially consistent with this forecast, staff would plan for an even allocation. Formal action would be brought forth to the board to formally adopt prior to, or in conjunction with, the presentation of the audit in October of 2024. This timing would allow for staff to have exact knowledge of available surplus.*

Draft Budget: Operating Revenues

	FY 2023-24 DRAFT BUDGET	FY 2022-23 BUDGET	FY 2022-23 YTD* + EST
REVENUE & OTHER SOURCES			
GASB 62 Unrecognized Revenue Balance	15,814,000	15,814,000	15,814,000
Operating Revenue			
Electricity Sales	953,323,000	792,009,000	873,457,000
Uncollectables	(12,054,000)	(15,840,000)	(17,469,000)
Other Operations Revenue	(6,642,000)	(6,229,000)	9,658,000
Total Operating Revenue	934,627,000	769,940,000	865,646,000

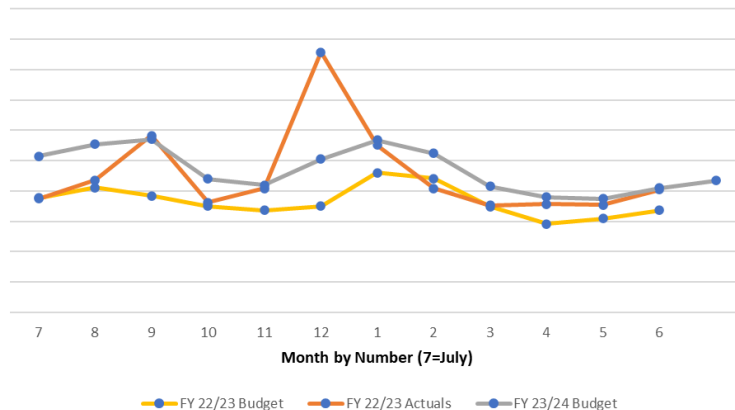


- Increase to value proposition
 - Bright Choice from 3% to 5% discount to PG&E
 - Renewable 100 from \$0.0075 to \$0.0025 above PG&E
 - \$50 bill credit to all CARE & FERA customers in July-Sept 2022, shown as Other Operations Revenue reduction
- Assumes current rates and PCIA are unchanged through 2023
- Rates and PCIA for 2024 are non-stressed, or as expected, energy rates
- 1.5% uncollectable rate for rest of 2023 and 1.0% for 2024
- No recognition of GASB 62 revenue (\$15,814,000)
- Current Year Other Operations Revenue is damages received from counterparties

Draft Budget: Energy Expenses

	FY 2023-24 DRAFT BUDGET	FY 2022-23 BUDGET	FY 2022-23 YTD* + EST
Energy Operating Expenses			
Cost of Energy	685,451,000	523,996,000	654,987,000
Data Management/Customer Service	7,777,000	7,834,000	7,859,000
PG&E Service Fees (Billing/Metering)	2,722,000	2,715,000	2,711,000
CAISO Scheduling Coordinator	731,000	696,000	700,000
Total Energy Operating Expenses	696,681,000	535,241,000	666,257,000

Relative Monthly Average Energy Costs



Energy Costs

- Costs are derived from a blend of contracted and open positions for all energy, attributes, and RA
 - Open prices are non-stressed, or as forecasted
 - FY 23/24 overall price projections are about on par with FY 22/23 actuals on average
 - Most materially significant increase for FY 23/24 is with RECs and capacity charges
- Carbon free energy is above recent board approved targets by 5% for calendar 2023 and 10% for 2024 Bright Choice targets
 - 2023: CF 71% --> 76%
 - 2024: CF 75% --> 85%
 - Adds \$5.6MM to costs (Each 1% is ~\$373,000)
- Note: We are still in a period of historically high energy pricing and significant uncertainty/volatility
 - Forecasted market energy costs in 2023 and 2024 are approximately double the historical 10-year average and has persisted since 2021

Draft Budget: Overhead Expenses

	FY 2023-24 DRAFT BUDGET	FY 2022-23 BUDGET	FY 2022-23 YTD* + EST
Overhead Operating Expenses			
Personnel	21,262,000	15,711,000	13,317,000
Marketing & Communications	5,303,000	2,824,000	2,073,000
Legal, Policy, & Regulatory Affairs	3,459,000	2,411,000	1,603,000
Other Professional Services	2,520,000	2,293,000	1,302,000
General & Administrative	5,983,000	4,007,000	3,563,000
Depreciation	360,000	180,000	158,000
Total Overhead Operating Expenses	38,887,000	27,426,000	22,016,000

Material Overhead Items for FY 23-24:

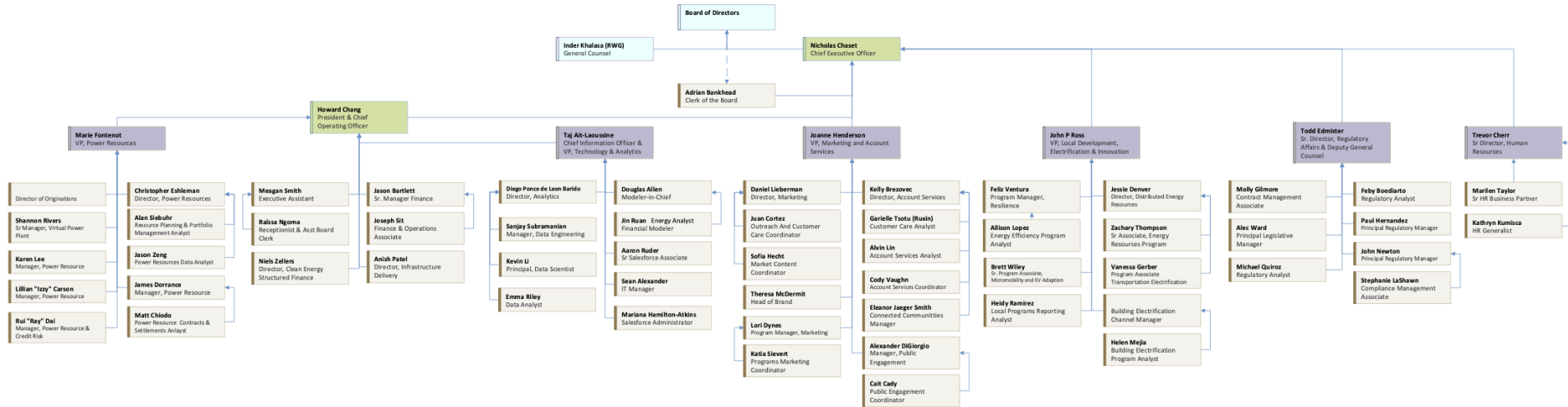
- Personnel costs will be discussed more in-depth on the next slide
- \$2.5MM increase in Marketing costs is specifically driven by re-branding campaign
 - Also includes approx. \$1MM of Programs related marketing costs
- \$1.0MM increase in Legal, Policy, & Regulatory affairs is due to a couple of factors
 - Membership expansion (Stockton)
 - Additional volume of consulting/vendor agreements and power contracts
- Larger staffing demand, from Personnel costs, increases in Professional Services with HR/recruiting and additional project support
- Increase to G&A is also directly related to increase in staffing with software subscriptions, membership dues, equipment, office space, insurance, and the like
- Depreciation increases due to new building

Draft Budget: Overhead Expenses—Personnel

	FY 2023-24 DRAFT BUDGET	FY 2022-23 BUDGET	FY 2022-23 YTD* + EST
PERSONNEL			
Salaries & Wages	16,021,000	11,598,000	9,747,000
Retirement	2,012,000	1,544,000	1,340,000
Health Care/Benefits	2,868,000	2,292,000	864,000
Payroll Expenses	361,000	277,000	169,000
Total	21,262,000	15,711,000	12,120,000

- **FY 2021-22 Budget** was initially approved at 43 FTE and expanded mid-year to 49
 - 2.5% COLA and up to 5% merit-based/promotional compensation allotted
 - Currently at 45 FTE and interviewing for an additional 4 roles
- **FY 2022-23 Budget** was increased to 68 FTE to accommodate additional work requirements in all areas. Additional headcount will expand on internal expertise/skills, build more depth, and scale operations:
 - 3.5% COLA and up to 10% merit-based/promotional compensation pool
 - 5 Marketing, 4 Local Programs, 3 Operations, 3 Technology, 2 Power Resources, 2 Legal
- **FY 2023-24 Budget** seeks to add 17 FTE to accommodate additional work requirements in all areas. Additional headcount will expand on internal expertise/skills, build more depth, and scale operations:
 - 3.5% COLA and up to 10% merit-based/promotional compensation pool
 - 3 Marketing, 3 Local Programs, 3 Operations, 2 Technology, 3 Power Resources, 3 Legal

Draft Budget: Organization Chart



Draft Budget: Open Position Count

- # of New Roles to budget for next FY: 15
 - Add 2 carry-over roles from FY 22-23, so **17 Total**

Team	# of New Roles
Data & Tech	2
MAS	3
Operations, Admin & Finance	2 +1
Power Resources	3
Programs	3 +1
Public Policy	2
<i>Total New Roles:</i>	<i>15 + 2 (17)</i>

Draft Budget: New Positions

Team	Position Title (Draft)	Position Level	Desired Start	Comp Band	\$ Low (Base)	\$ High (Base)	\$ Mid (Base)
Data & Tech	IT HelpDesk Associate	Associate	Q2 (Oct - Dec 2023)	4	\$117,597	\$133,400	\$125,498
Data & Tech	Junior Data Engineer	Analyst	Q3 (Jan - Mar 2024)	3	\$89,597	\$117,596	\$103,596
MAS	Graphic Designer & Content Developer	Associate	Q1 (Jul - Sep 2023)	4	\$117,597	\$133,400	\$125,498
MAS	Copywriter	Associate	Q1 (Jul - Sep 2023)	4	\$117,597	\$133,400	\$125,498
MAS	Manager, Customer Experience	Manager/Principal	Q3 (Jan - Mar 2024)	6	\$151,319	\$167,170	\$159,245
Operations, Admin & Finance	Sr. Mgr / Mgr, Structured Finance (TBD)	Sr Manager/Sr Principal	Q2 (Oct - Dec 2023)	7	\$167,171	\$190,393	\$178,782
Operations, Admin & Finance	Finance Associate	Associate	Q2 (Oct - Dec 2023)	4	\$117,597	\$133,400	\$125,498
Operations, Admin & Finance	Coordinator, Ops & Admin (Carry-over from last yr)	Coordinator	Q1 (Jul - Sep 2023)	2	\$69,174	\$89,596	\$79,385
Power Resources	Contract Manager	Manager/Principal	Q1 (Jul - Sep 2023)	7	\$167,171	\$190,393	\$178,782
Power Resources	"CAISO Day Ahead Manager" Level	Manager/Principal	Q1 (Jul - Sep 2023)	7	\$167,171	\$190,393	\$178,782
Power Resources	Settlements Manager	Manager/Principal	Q3 (Jan - Mar 2024)	7	\$167,171	\$190,393	\$178,782
Programs	Programs Director Role	Director	Q1 (Jul - Sep 2023)	8	\$190,394	\$219,052	\$204,723
Programs	Program Lead / Associate	Associate	Q3 (Jan - Mar 2024)	4	\$117,597	\$133,400	\$125,498
Programs	Solar & Storage Programs / Associate	Associate	Q3 (Jan - Mar 2024)	4	\$117,597	\$133,400	\$125,498
Programs	Project Manager (Carry-over from last yr)	Sr Associate	Q2 (Oct - Dec 2023)	5	\$133,401	\$151,318	\$142,360
Public Policy	Contract Management	Manager/Principal	Q1 (Jul - Sep 2023)	6	\$151,319	\$167,170	\$159,245
Public Policy	Regulatory Analyst	Analyst	Q2 (Oct - Dec 2023)	3	\$89,597	\$117,596	\$103,596

Draft Budget: Overhead Expenses—Marketing & Account Services

	FY 2023-24 DRAFT BUDGET	FY 2022-23 BUDGET	FY 2022-23 YTD* + EST
Required Mailings	282,000	520,000	529,000
Advertising	2,044,000	986,000	629,000
Promotional Items	123,000	50,000	41,000
Communications	2,854,000	1,268,000	874,000
Total	5,303,000	2,824,000	2,073,000

Current Year Material Items:

Marketing has lower cost with advertising and communications consultant due to shifting in Programs related needs with Resilient Home and BlocPower campaigns

Next Year Material Items:

- Majority of increase is driven by \$2.6MM allocation for our first major foray into customer facing program campaigns where we are trying to acquire customers to participate and/or use our equipment (e.g. e-Bike, DCFC stations, induction cooking and EV adoption). Additionally, EBCE's rebranding campaign will carry incremental costs beyond past year marketing spends that will pull from this allocation Included in cost items is approximately \$1.0MM dedicated to Programs related marketing costs
- **Required Mailings:** Joint Rate Mailer w/ PG&E, Power Content Label, New Account Noticing
- **Advertising:** Active community presence activities, sponsorships, local events, increase due to Stockton and rebranding campaigns
- **Promotional Items:** Give away items
- **Communications:** Public relations, media, newsletters, consultants, minor software needs--**Website development from rebranding is biggest cost item at \$1MM**

Draft Budget: Overhead Expenses—Legal, Policy, & Regulatory Affairs

	FY 2023-24 DRAFT BUDGET	FY 2022-23 BUDGET	FY 2022-23 YTD* + EST
LEGAL AND POLICY			
Legal Consultants	3,117,000	2,135,000	1,384,000
Legislative Consultants	237,000	177,000	180,000
Other Consultants	105,000	99,000	39,000
Total	3,459,000	2,411,000	1,603,000

Current year spending was less than budgeted this year due to a delay in expected litigation expenses and unused contingency set aside

Next Year:

- **Legal Consultants:** Outside general counsel for procurement, analysis, and general operations. Increase is driven by:
 - Multiple pending and on-going litigations expenses
 - 2023 Large Clean Energy RFO
 - Implementation of numerous local development initiatives
 - Additional volume of consulting/vendor agreements and power contracts
- **Legislative Consultants:** Retainer for legislative advocacy. For this coming fiscal year, EBCE has added additional resources focused on federal affairs to support both funding and policy initiatives.
- **Other Consultants:** Policy related advising and economic consulting

Draft Budget: Overhead Expenses—Other Professional Services

	FY 2023-24 DRAFT BUDGET	FY 2022-23 BUDGET	FY 2022-23 YTD* + EST
OPERATIONS CONSULTANTS			
Operations	931,000	363,000	435,000
Human Resources Consulting	634,000	1,000,000	338,000
Tech Consulting	325,000	325,000	209,000
Power Resources	630,000	605,000	320,000
Total	2,520,000	2,293,000	1,302,000

Current Year Material Items:

- **HR consulting** was approximated as first year need for consulting. Hiring of HR lead has led to reduced costs with active management
- **Technology Consulting** is lower than expected with reevaluation of timeline for cost-of-service implementation
- **Power Resources** consulting lower than expected with IRP below budget

Next Year Material Items:

- **Operations:** Accounting and auditing for financial compliance, general finance, and addition of new project with treasury management consulting
- **Human Resources Consulting:** Support for additional HR demand for increased staffing recruitment, professional development, and training
- **Tech Consulting:** Technical network assistance
- **Power Resources:** Technical consulting for Power Resources, operational compliance support and other various tasks

Draft Budget: Overhead Expenses—General & Administrative

	FY 2023-24 DRAFT BUDGET	FY 2022-23 BUDGET	FY 2022-23 YTD* + EST
GENERAL OPERATIONS			
Operational Expenses	1,523,000	1,039,000	1,133,000
Software, Subscriptions, SaaS	2,948,000	2,233,000	1,576,000
Small Equipment	510,000	210,000	113,000
Rent & Utilities	764,000	345,000	565,000
Conferences & Prof. Development	160,000	130,000	124,000
Board & Director Fees	78,000	50,000	52,000
Total	5,983,000	4,007,000	3,563,000

Current Year Material Items:

- **Operational Expenses** were higher than expected primarily due to inflationary increases in insurance costs and industry memberships dues
- **Software** costs were lower with delay in implementing customer portal development and battery optimization as well as data storage was under budget

Next Year Material Items:

- **Operational Expenses:** Increased staff costs related to insurance, service fees, supplies, membership dues, operational services, building maintenance, and other relevant G&A
- **Software, Subscriptions, SaaS:** Increase covers additional software needs for Finance, Power Resource, and Technology operations, as well as essential subscriptions for ongoing operations with expanded staff
- **Rent & Utilities:** Increases with office space needs due to expanded staff
- **Conferences & Professional Development:** Trainings, conferences, and related expenses
- **Board & Director Fees:** Monthly stipends and transportation reimbursements for board members

Draft Budget: Non-Operating Activity

	FY 2023-24 DRAFT BUDGET	FY 2022-23 BUDGET	FY 2022-23 YTD* + EST
NON-OPERATING REVENUE			
Interest Income	1,680,000	261,000	1,561,000
Grants	0	0	1,100,000
Other Non-Operating Revenue	48,000	15,000	160,000
Total Non-Operating Revenue	1,728,000	276,000	2,821,000
NON-OPERATING EXPENSES			
Borrowing Interest	1,650,000	1,440,000	587,000
Local Development Funding	21,000,000	22,550,000	22,550,000
Grant	0	0	0
Capital Expenditures	500,000	7,000,000	717,000
Total Non-Operating Expenses	23,150,000	30,990,000	23,854,000
NET NON-OPERATING ACTIVITY	(21,422,000)	(30,714,000)	(21,033,000)

- **Non-Operational Revenue:** Interest earned on Treasury backed cash account balances (estimated at 2.5%) and BlocPower loan (5.5% on \$500k)
- **Grants:** Generally only recognized against qualifying expenses as incurred, thus not projected
- **Other Non-Operational Revenue:** Rent from AT&T tower on new building
- **Borrowing Interest Expenses:** Expected costs associated with expanded credit facility
- **Local Development Funding:** Capital transfer to Local Development Fund
- **Capital Expenditures:** Moving and new equipment/furniture related to new office space

Draft Budget: Local Development Fund

- 2023-2024 Local Development Fund allocation is set at **\$21MM**
- Allocating budget for capital intensive infrastructure development projects
- Allocating EBCE capital to reduce cost of ownership for building and vehicle electrification
- Initiating programs to accelerate heavy and light duty vehicle adoption as well as eMobility
- \$1MM in Program marketing in the MAS budget
- Unspent Local Development budget carries forward year to year

LOCAL DEVELOPMENT FUND	FY 2023-24	FY 2022-23	FY 2021-22	FY 2020-21	FY 2019-20
BEGINNING BALANCE	36,194,914	16,626,143	10,398,245	5,201,410	0
REVENUE & OTHER SOURCES					
Transfer from Operating Fund	21,000,000	22,550,000	8,475,000	6,340,000	6,340,000
Grants/Interest	-	1,025,980	335,460	395,000	219,673
Total Revenues & Other Sources	21,000,000	23,575,980	8,810,460	6,735,000	6,559,673
EXPENSES & OTHER USES					
Actual Program Expenses		2,671,209	2,582,563	1,538,165	1,358,263
Expected Remaining Expenses	57,194,914	1,336,000	-	-	-
Total Expenses & Other Uses	57,194,914	4,007,209	2,582,563	1,538,165	1,358,263
ENDING BALANCE	-	36,194,914	16,626,143	10,398,245	5,201,410

Local Development Areas of Emphasis Budget Allocation	
Transportation Electrification	\$11.75M
Building Electrification	\$7M
Energy Efficiency	No Direct EBCE Cost
Community Resilience/Local RE	\$2M
Community Grants	\$0 (\$4.2M allocated in FY'23)
Sponsorships/Memberships	\$250k

Thank You!



Questions? Give us a call:
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MAY 3, 2023

Energy Prepay Transaction Overview



Energy Prepay Overview

- EBCE executed two energy prepay transactions in 2021 and 2022, issuing through CA Community Choice Financing Authority (CCCFA), the JPA in which EBCE is a member
- The annual savings from these first two energy prepay transactions totals nearly \$7 Million at the outset
- Energy Prepay transactions are off balance sheet structures that allow EBCE to utilize its tax-exempt status to lower its energy procurement costs
- The discount that is applied to energy costs is based on the differential between taxable and tax-exempt dept spreads
- These spreads are historically volatile and therefore optimal prepay timing is difficult to predict
- EBCE is preparing a third energy prepay transaction and anticipates going to market in the next 2-4 months if conditions are suitable and will seek approval from the board as early as May or June 2023

Existing Energy Prepay Transaction Summary

EBCE First Transaction – Jointly executed with SVCE

- First Energy prepay closed by a CCA
- Closed: Sept. 23, 2021
- Total Bond Proceeds: \$1.48 Billion ("Green Bond" Certified)
- Initial Power Supply: 59 MW Around-the-Clock Carbon-Free Energy starting Jan 1, 2022
- Initial Bond Tenor Savings: 10 years

EBCE Second Transaction - Standalone prepay

- Third Energy prepay closed by a CCA
- Closed: July 12, 2022
- Total Bond Proceeds: \$939 Million ("Green Bond" Certified)
- Initial Power Supply: 75 MW Around-the-Clock Carbon-Free Energy starting April 1, 2023
- Initial Bond Tenor: 6 years

Historical Prepay Parties

Prepay Supplier/Bond Underwriter: Morgan Stanley

- Selected through solicitation issued November 2019

Municipal Financial Advisor: PFM

- Selected through solicitation issued September 2020

Counsel: Orrick, Herrington & Sutcliffe (Bond & Tax Counsel) | Chapman & Cutler LLP (POS, Disclosure & Issuer's Counsel)

- Both firms selected through solicitation issued June 2020

Bond Issuer: California Community Choice Financing Authority

- EBCE membership approved by Board in April 2021, JPA formed June 2021; Founding Members are EBCE, MCE, SVCE, 3CE

Custodian: BONY

- PFM issued solicitation early July 2021

Commodity Swap Counterparty: Natixis and RBC

- RBC was the swap counterparty in 2021 and Natixis was the swap counterparty in 2022

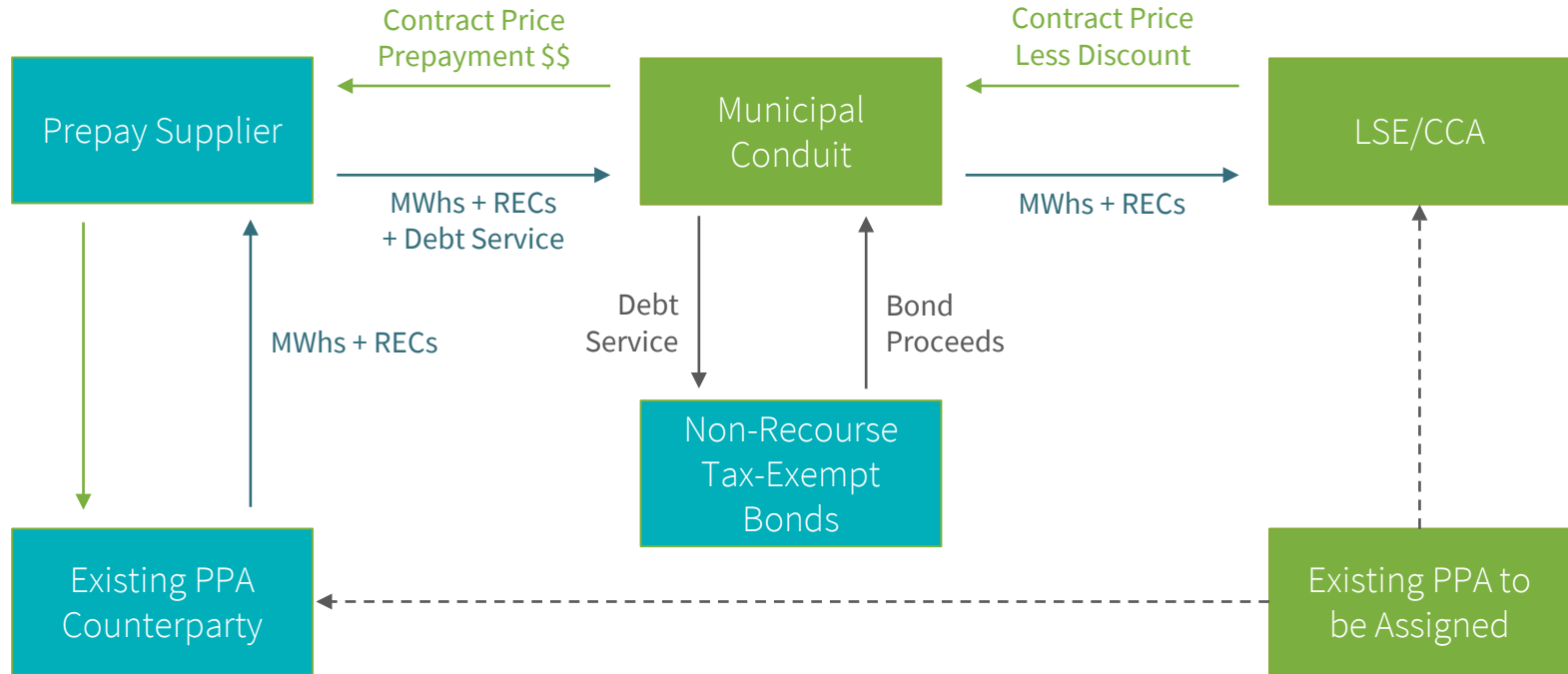
Appendix



Prepay Overview

- An energy prepayment is a long-term non-recourse financial transaction between a tax-exempt Load Serving Entity (LSE) and a taxable financial counterparty (bank, called “Prepay Supplier”) utilizing the municipal bond market.
- Typically 30-year term, LSE committing ~\$350MM-\$850MM of energy supply contracts (combined contract notional values)
- LSE utilizes in order to lower customer energy costs
- Prepay Supplier is assigned an existing energy supply contract, pays the contract price to PPA Seller and immediately transfers all electricity and attributes to LSE. LSE pays the Prepay Supplier.
- Municipal utilities (and tax-exempt entities such as CCAs) in the US can prepay for a supply of electricity or natural gas from a taxable entity and fund that prepayment with tax-exempt municipal bonds. The LSE must sell the commodity to their retail end-users residing within their traditional service area.
- This structure is well known and regularly used for gas and is now being applied towards renewables PPAs
- Codified in US Tax Law. Since first prepayments of natural gas were done in the early 1990’s, the IRS issued rules allowing tax-exempt prepayments and Congress enacted legislation specifically allowing the transactions (National Energy Policy Act of 2005; Section 1327)

Prepay Structure



Market Statistics

- Nationwide: 90+ municipal transactions
 - \$50+ Billion combined notional contract value
- California: 11 municipal transactions
 - \$5.7 Billion combined notional contract value
- Active Suppliers: Morgan Stanley, Goldman Sachs, JP Morgan, Royal Bank of Canada, Citi, TD Securities
 - All investment grade rated financial institutions
- Resource Types:
 - Majority of transactions to date have been exclusively for natural gas, remainder including an electricity ‘switch’ at a certain year.
 - The same tax law and similar transaction structure enables the program for electricity from renewables contracts, as well. The market is seeing activity and preparation for these transactions, particularly from CCAs.

Key Elements of a Prepay Transaction

Power Contract Assignment:

- Existing renewable PPAs are assigned to the taxable Prepay Supplier. The LSE continues to take and pay for energy and attributes delivered through the contract.
- All other terms of the PPA are unchanged
- If the prepay program terminates early, prepaid supplier fails to perform, or LSE fails to perform, the LSE forgoes the future savings and the assigned PPA contract is put back to the original LSE
- Active Suppliers: Goldman Sachs, Morgan Stanley, JP Morgan Royal Bank of Canada, Citi, Bank of America are all investment grade rated financial institutions

Debt:

- **Non-Recourse:** Prepays utilize non-recourse municipal bonds and are *not* secured or guaranteed by the referenced entity (i.e. the CCA). Rather the debt is recourse to the Prepay Supplier (i.e. the bank receiving the prepayment). This significantly protects the CCA and mitigates risk related to the payment of power contracts novated through the prepay.
- **Off Balance sheet** for LSE: Bonds are issued by a municipal bond conduit and arranged by the Prepay Supplier

Prepay Sizing and Discount

- The total bond proceeds may be as high as \$1.25bn and will be dependent on the CA bond market appetite.
 - EBCE will seek the maximum bond raise while maintaining optimal bond rates
 - The amount represents the present value of the PPA cashflows over the 30-year life of the transaction
- This transaction will likely translate to an estimated \$2-3MM of annual savings for EBCE for the initial bond term.
 - The transaction assumes an increase in the cashflows running through the prepay over the 30-year life.
 - As the transaction moves forward, the arbitrage value goes down since the present value benefits reduce with a shorter remaining tenor. The future discount rates will be reset every 5-10 years based on bond tenors and be dependent on future bond market conditions, but this puts downward pressure on the future discounts.
 - There is a negotiated minimum discount that, if not met by the Prepay Supplier, allows the LSE not to move forward in the repricing.
- Ultimately the discount is established by the spread between taxable and tax-exempt rates and deducts all transaction related costs, which include fees associated with bond underwriting, counsel (bond, disclosure, underwriter's, prepay), financial adviser, swap counterparty, credit rating, custodian, etc.
- 5-10 years is typically the optimal bond spread tenor. Maintaining this spread over a 30-year transaction life maximizes the available discount. This requires a repricing and re-issuance of bonds every 5-10 years and a reset of the discount rate. In general, a high interest rate environment will lead to a higher discount.
- The initial power flows for the transaction are anticipated to begin in 2024