

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:

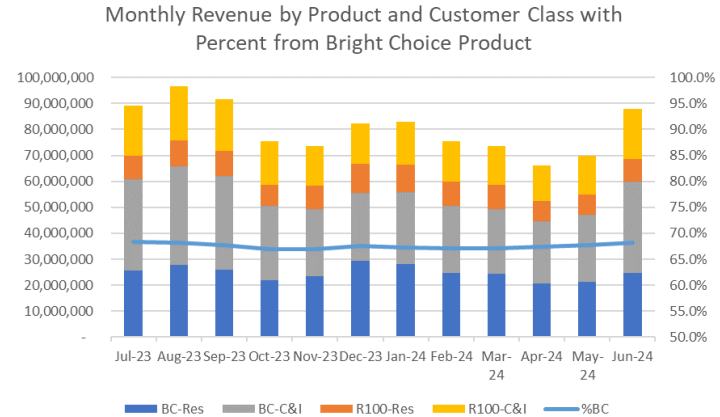
- 1) Working Capital Needs: \$50MM*
- 2) Reserve Account Funding: \$100MM*
- 3) 50/50% split of any excess to:**
 - Incremental Long-Term Renewable Energy/Clean Energy Storage Investments: ~\$13.6MM
 - One-time On-Bill Credits to Customers: ~\$13.6MM

**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

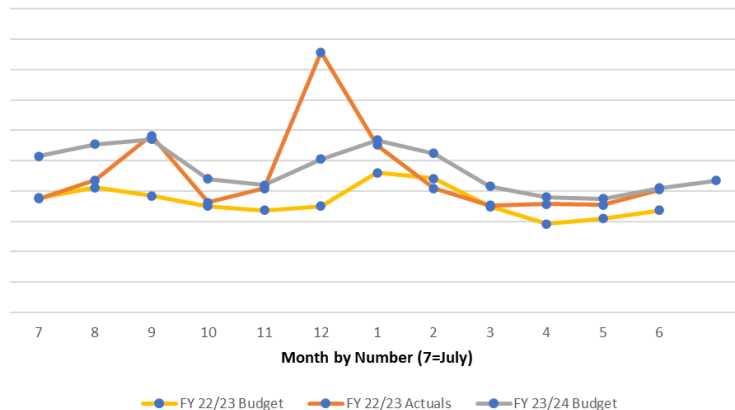


- Increase to value proposition
 - Bright Choice from 3% to 5% discount to PG&E
 - Renewable 100 from \$0.0075 to \$0.0025 above PG&E
 - \$50 bill credit to all CARE & FERA customers in July-Sept 2022, shown as Other Operations Revenue reduction
- Assumes current rates and PCIA are unchanged through 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:

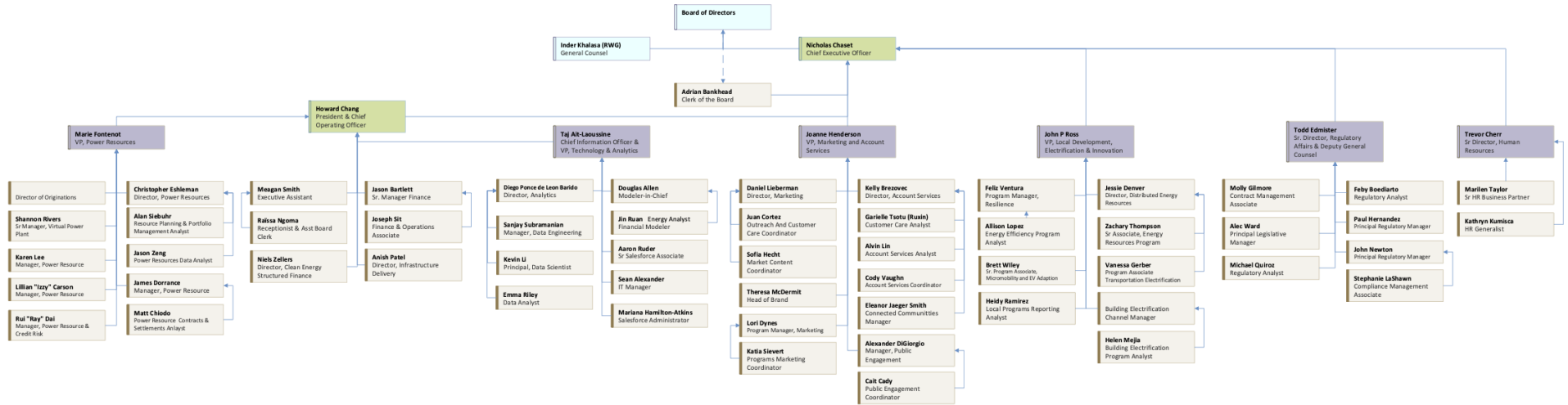
- Personnel costs will be discussed more in-depth on the next slide
- \$2.5MM increase in Marketing costs is specifically driven by re-branding campaign
 - Also includes approx. \$1MM of Programs related marketing costs
- \$1.0MM increase in Legal, Policy, & Regulatory affairs is due to a couple of factors
 - 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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