

JUNE 7, 2023

# Draft Budget for Fiscal Year 2023-2024

PRESENTED BY:

NICK CHASET, CEO



# Executive Summary - June Update

- PG&E May ERRA Forecast – filed after May Budget presentation – results in less than \$3M change in EBCE’s project net position targets set in 2022
  - No changes to base case value proposition (5% discount for BC and \$0.0025 premium for R100)
  - This additional \$3M is added to local programs to extend Community Grant funding and provide technical assistance to CBO Resilience Hubs
- Staff has also provided more detailed discussion of:
  - Major Risk Factors
  - Personnel Budget Build Out
  - Use of Funds under different Value Proposition scenarios

# Summary Draft Budget for Fiscal Year 2023-2024

	FY 2023-24 DRAFT BUDGET	FY 2022-23 BUDGET	FY 2022-23 YTD* + EST
<b>OPERATING ACTIVITY</b>			
<b>REVENUE &amp; OTHER SOURCES</b>			
GASB 62 Unrecognized Revenue Balance	15,814,000	15,814,000	15,814,000
<b>Operating Revenue</b>			
Electricity Sales	957,762,000	792,009,000	870,993,000
Uncollectables	(12,102,000)	(15,840,000)	(17,420,000)
Other Operations Revenue	(6,642,000)	(6,229,000)	10,146,000
<b>Total Operating Revenue</b>	<b>939,018,000</b>	<b>769,940,000</b>	<b>863,719,000</b>
<b>EXPENSES &amp; OTHER USES</b>			
<b>Energy Operating Expenses</b>			
Cost of Energy	685,288,000	523,996,000	657,730,000
Energy Operating Services	11,230,000	11,245,000	11,277,000
<b>Total Energy Operating Expenses</b>	<b>696,518,000</b>	<b>535,241,000</b>	<b>669,007,000</b>
<b>Total Overhead Operating Expenses</b>	<b>39,299,000</b>	<b>27,426,000</b>	<b>21,793,000</b>
<b>NON-OPERATING ACTIVITY</b>			
<b>Total Non-Operating Revenue</b>	<b>1,728,000</b>	<b>276,000</b>	<b>3,275,000</b>
<b>Total Non-Operating Expenses</b>	<b>27,650,000</b>	<b>30,990,000</b>	<b>23,893,000</b>
<b>TOTAL EXPENSES</b>	<b>763,467,000</b>	<b>593,657,000</b>	<b>714,693,000</b>
<b>NET INCREASE(DECREASE) IN POSITION</b>	<b>177,279,000</b>	<b>176,559,000</b>	<b>152,301,000</b>
<b>RESERVE BALANCE</b>			
Beginning Reserve Balance*	230,873,000	155,873,000	155,873,000
<b>Operating Target (50%)</b>	<b>367,909,000</b>	<b>281,334,000</b>	<b>281,334,000</b>
*Expected value after FY 2022-23 contribution			

## Notes:

YTD\* reflects actuals through Mar 31, 2023

EST are most current projections as of May 31, 2023

Net Position through Mar 31, 2023: \$76MM

# 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 \$23.2MM
- \$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 from May ERRA filing
- 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, mean forecasted
- Carbon free energy (which can include either RE or CO2-free) is above recent board approved targets by 10% above EBCEs
  - 2023: CF 66% --> 71% (FY 22/23 5% increase) --> 76%
  - 2024: CF 71% --> 81%
  - Adds between \$3.6 and \$21MM to costs
  - Each one 1% increases costs between \$720,000 and \$4MM

## Other Costs

- Adding incremental staff of 15 FTE
- \$2.6MM increase in Marketing for re-branding campaign
- \$2MM increase in G&A to account for increased staff requirements
- Significant Program funding of \$25.9MM

# Draft Budget: Carbon Free Procurement Options

## Variation in the Renewable/Carbon Free targets

- Recommendation to increase the total carbon free target of the Bright Choice product by 10% for 2023 and 2024 above the annual targets set in 2022
  - Current targets for both years are 71% retail load
- Staff is requesting flexibility to achieve the proposed increases by sourcing from either Renewable or carbon free/large hydro resources in light of a highly constrained and volatile market
- Each increase of carbon free procurement of 5% has an expected cost impact of between \$3.6-21MM depending on the product type

Calendar Year	<b>2023</b>	<b>2024</b>
Current Carbon Free Targets	71%	71%
Proposed Increases for FY 2024	5%	10%
Proposed Carbon Free Targets	76%	81%

# Draft Budget: On-Bill Credit Average Allocations

*Average for Each Account*

	Residential		C&I		Total EBCE Wide	
	Bright Choice	Renewable 100	Bright Choice	Renewable 100	Bright Choice	Renewable 100
Current Avg Savings (Premium) to PG&E	\$20.68	(\$34.01)	\$262.73	(\$427.23)	\$41.50	(\$86.74)
Each 1% BC or 0.25c R100 change	6.58	10.89	83.25	136.11	13.17	27.68
5% BC and 0.25c R100	33.83	(12.24)	429.23	(155.02)	67.85	(31.38)
On Bill Credit	9.19	9.19	118.70	118.70	19.99	19.99
<b>Total Annual Savings (Premium)</b>	<b>43.02</b>	<b>(3.05)</b>	<b>547.93</b>	<b>(36.32)</b>	<b>87.84</b>	<b>(11.39)</b>

- Current annual average savings and premiums paid at the 3% discount for Bright Choice and the 0.75c premium on Renewable 100 products for customers are shown above
- Savings for each 1% discount with Bright Choice or decrease of 0.25c in premium for Renewable 100 is also shown
  - Total EBCE wide customer savings per 1% discount with Bright Choice is about \$6.6MM
  - Total EBCE wide customer savings per 0.25c decrease in Renewable 100 premium is about \$4.9MM
- With both the discount and the On-Bill credit at the end of the year, on average most customers would experience actual savings over PG&E rates
- **Total Customer Savings = Adjustment to Value Proposition + On-Bill Credits = \$23.2MM + \$13.7MM = \$36.9MM**

Base methodology for the On-Bill Credit:  $Dividend = Individual\ annual\ kWh \times (Total\ Surplus) / (Total\ annual\ kWh)$

# Draft Budget: Value Proposition Alternatives

**Customer Savings per Incremental Change in Product Rate**

	Residential	C&I	Total
Each 1% Change in Bright Choice	\$ 3,027,000	\$ 3,607,000	\$ 6,634,000
Each 0.25c Change in Renewable 100	1,684,000	3,260,000	4,944,000
<b>Total</b>	<b>4,711,000</b>	<b>6,867,000</b>	<b>11,578,000</b>

- Bright Choice/RE100 customer value proposition is generally correlated where 0.75% change in BC equates to a 0.25c change in RE100 at current procurement cost levels
- A decrease in customer savings of one increment - where BC would be priced at a 4% discount to PG&E and RE100 priced at a 0.50c premium to PG&E) – would increase expected Net Income by \$11.5m, while maintaining current value proposition (3% discount and 0.75% RE100 premium) would increase expected net income to \$23.2m

	1 increment Change	2 Increment Change
Bright Choice	\$6.6m	\$13.2m
RE 100	\$5m	\$10m
	\$11.5m	\$23.2m

Options for Use of Funds if Discount Reduced		
CO-2 Free energy options	\$11.5m	~2.5% increase in CO2-free energy content
Local Development options	EBCE staff has limited capacity to increase LD funding beyond current levels. At most \$3m could be allocated to extend existing work. -\$1m - \$2m to TE incentives -\$1m for Resilience project development	

# Draft Budget: Proposed Surplus Allocations

Net Position Estimated at \$177.3MM\*

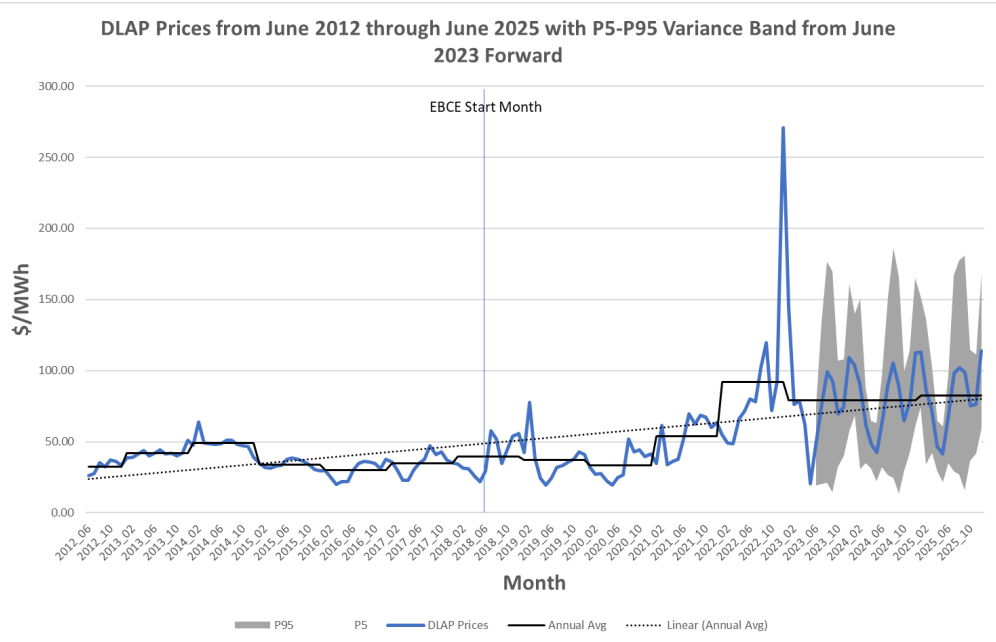
Proposed Budget Surplus Waterfall Allocation:

- 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: ~\$13.7MM
  - One-time On-Bill Credits to Customers: ~\$13.7MM

*\*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.*



# Risk Management—Market Risk



DLAP = Default Load Aggregation Point—the hub price where EBCE serves its customers

- Historically, market prices have averaged in the \$30-50/MWh range, but currently estimated near \$80/MWh
- Historically, volatility has ranged from 10-20% on a regular basis, but currently ranging 50-60%
- In recent months, prices have softened for the Draft Budget year, but volatility remains high
- This market volatility creates risk on working capital requirements and basis between hedge costs and retail rates.
- EBCE has approximately 60-80% of its budget year energy portfolio hedged against market prices with the balance effectively hedged via the PCIA - i.e. increase in market prices is offset somewhat by decrease in PCIA in future years
- When prices decrease, PCIA increases, which reduces operating headroom
- Although the fiscal years of 2020-2021 and 2021-2022 were positive with net position, calendar year 2021 was operationally negative in net position for EBCE with margins being squeezed from low 2020 prices setting PCIA and with rising 2021 market prices

# Risk Management—Additional Risks

- **Uncollectables/Write-offs:**
  - EBCE increased uncollectables from 0.5% to 2.5% of revenues for COVID crisis in 2020-21 FY
  - For FY 2022-2023 Budget, this estimation is reduced to 2.0%, and 2023-24 Draft Budget reduced further to 1.5% and 1.0% to align with trending aging actuals
  - Uncollectables are at the higher range than other CCA's based on regional income demographics
  - To mitigate, pushing CARE/FERA enrollments, AMP, PIPP, and Connected Communities programs DAC-GT/CS-GT
- **Opt-Out Risk:**
  - No anticipated risk of increased opt-outs for established communities
  - New community enrollment opt-outs are estimated at 5%-10% of total accounts—current jurisdiction-wide rate is 4.9%
  - Changes to value proposition or change in product decisions may increase opt-outs but difficult to estimate. Many constituents have opted-up to Renewable 100 product, which carries a slight premium relative to PG&E rates
- **Financial Market & Economic Risk**
  - Recessionary risks may drive reductions in load or an increase in uncollectables - mitigated in part by limiting overhedging
  - Banking sector risk may impact cash, deposits, and credit availability – mitigated by cash collateral requirements on gov't deposits, FDIC insurance, and diversification of banking deposits
- **Wildfire Risk:**
  - EBCE does not own or maintain any transmission or distribution facilities. PSPS events cause decreased customer use during peak periods, this can reduce estimated revenues if a significant area of EBCE service territory is affected
  - 2019 wildfire PSPS events impacted nearly 46,000 customers, disrupting 6% of load for a full day
  - 2020 events impacted nearly 20,000 customers disrupting about 2% of load over 4 days

# Draft Budget: Local Development Fund

- 2023-2024 Local Development Fund allocation is set at \$25.9MM
- Allocating budget for capital intensive infrastructure development projects
- Allocating EBCE capital to reduce cost of ownership for building and vehicle electrification
- 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
<b>BEGINNING BALANCE</b>	35,927,953	16,626,143	10,398,245	5,201,410	0
<b>REVENUE &amp; OTHER SOURCES</b>					
Transfer from Operating Fund	25,500,000	22,550,000	8,475,000	6,340,000	6,340,000
Grants/Interest	-	1,200,405	335,460	395,000	219,673
<b>Total Revenues &amp; Other Sources</b>	<b>25,500,000</b>	<b>23,750,405</b>	<b>8,810,460</b>	<b>6,735,000</b>	<b>6,559,673</b>
<b>EXPENSES &amp; OTHER USES</b>					
Actual Program Expenses	-	3,235,594	2,582,563	1,538,165	1,358,263
Expected Remaining Expenses	61,427,953	1,213,000	-	-	-
<b>Total Expenses &amp; Other Uses</b>	<b>61,427,953</b>	<b>4,448,594</b>	<b>2,582,563</b>	<b>1,538,165</b>	<b>1,358,263</b>
<b>ENDING BALANCE</b>	<b>-</b>	<b>35,927,953</b>	<b>16,626,143</b>	<b>10,398,245</b>	<b>5,201,410</b>

Local Development Areas of Emphasis Budget Allocation	
Transportation Electrification	\$11.75M
Building Electrification	\$8.5M
Energy Efficiency	No Direct EBCE Cost
Community Resilience/VPPs	\$4M
Community Grants	\$1.4M (\$4.2M allocated in FY23)
Sponsorships/Memberships	\$250k

# Transportation Electrification

- Transportation is the largest source of emissions of GHG and particulate matter from Light, Medium and Heavy-duty vehicles
- EBCE is developing publicly available charging infrastructure tailored to renters and low-income communities to ensure these residents can transition to EVs (currently developing the first 3 charging hubs)
- Goods movement is particularly important with Port impacts to communities and access through the territory and into the Central Valley
- EBCE will continue assisting Cities to electrify fleets; providing fleet electrification technical assistance and offering to develop and operate charging infrastructure for Cities with "Charging as a Service" product
- With more vehicle models becoming available EBCE will develop programs to facilitate the buying process and make EVs accessible across all customer income levels
- Partner with local agencies and local business to increase access to eMobility solutions
- Provide capital to reduce cost of ownership through credit enhancements across multiple vehicle classes

# Transportation Electrification

- **Publicly Available Fast Charging Hubs (\$3.75M)**
  - Funds to support EBCEs efforts to build a network of public fast chargers across the communities we serve with an emphasis on siting these chargers close to high densities of multi-family housing where home charging is often not accessible. EBCE BOD approved \$30M NTE over 10 years at 11/16/22 BOD meeting
- **Medium/Heavy duty project investment capital (\$3M)**
  - Funds to support Medium/Heavy duty vehicle electrification projects in EBCE territory
- **EV adoption acceleration program with emphasis on access for low and moderate income consumers (\$3M)**
  - Funds to support one or more projects to accelerate EV Adoption and enroll EV drivers in manage charging programs to manage new EV electricity load with an emphasis on low and moderate income consumers
- **EBCE Ride Electric Program (\$2M)**
  - Funding for year 2 of EBCE e-bike Lending and Incentive Program

# Building Electrification

- Electrification installation network (\$2M)

- Develop an installation network of electrical contractors to deliver reasonably priced electrification upgrades to customers
- Partner with 10-20 contractors across the territory so that customers can obtain multiple competitively priced proposals for electrical upgrades in a timely manner
- EBCE incentive enables contractors to offer standard pricing for electrical service panel upgrades that facilitate full electrification

## Electrification Workforce Training Program (\$1.5M)

- Increase qualified workforce for electrification
- Provide apprenticeship stipends to enable on the job training for graduates of workforce training organizations
- Partner with electricians in the EBCE network to hire apprentices

# Health-e Communities

Budget Request: \$5M for first year of \$15M 3-year Program

Program Summary:

- Replace 1000 - 2000+ gas stoves with induction ranges in households with children suffering from pulmonary disease (eg. asthma) and households with a newborn child with focus on low-income and disadvantaged communities
- EBCE to deliver and install induction cooktops, while partnering with health care research partner that can provide medical referrals and complete longitudinal health study

Program Development Progress

EBCE has identified a Health Care Provider with research capabilities that we are working to secure

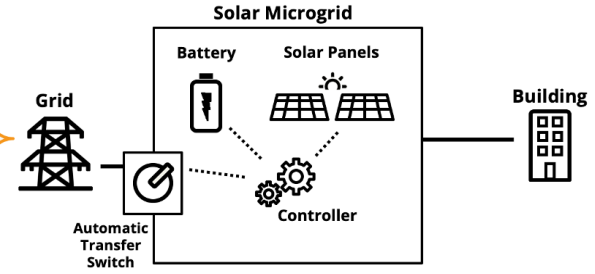
- EBCE has secured a verbal agreement for \$250k in funding to support health care partnership
- EBCE has identified several non-profit partners who can manage the health-care partnership
- EBCE is currently hiring a building electrification channel manager to develop EBCE's installation partner network

# Resilience and VPPs

Budget Request, \$2M to expand Community Resilience and Virtual Power Plant management capabilities

- Phase 1: Berkeley, Hayward, San Leandro, Fremont
  - Contracting for 2.7 MW solar PV + 4.8 MWh storage across 29 sites ranging from fire stations to senior centers, **resulting in \$25M in projects**
  - Largest procurement of its kind to date
  - Received \$2M in federal funds
- Phase 2: Emeryville, Livermore, Oakland, Pleasanton
  - Developing additional ~50 resilience projects with 7.5 MW solar PV & 5.5 MWh storage, **resulting in \$40M+ in projects**
- Phase 3: Albany, Piedmont...open for additional Cities
- Pursuing \$35M in Federal funding to expand Resilience to school districts and other public service agencies
  - Federal funding will enable facility upgrades and electrification
- All projects will be aggregated into Virtual Power Plant to reduce EBCE procurement needs

- ⚡ A miniature version of the big grid
- ⚡ Generates its own electricity with solar and battery
- ⚡ Disconnects when the grid is down via an automatic transfer switch ("islanding")
- ⚡ Can power a house, building or entire community



Fremont Fire Station Microgrid



# Resilience and VPPs - Resilience Hubs Technical Assistance

EBCE proposes to enhance its Community Resilience and VPP management program by adding an additional \$2M to fund technical assistance for community based organizations considering the development of microgrids and resilience hubs.

At this time, EBCE does not have the internal resources to directly support the inclusion of CBO sponsored projects in our community resilience program. But with significant local, state and federal available in the form of grants to support these projects, EBCE staff is able to provide technical assistance in the form of engineering and grant writing support.

EBCE staff proposes to allocate \$2m over the next two years to provide CBOs with engineering reviews of potential host sites for solar and storage microgrids and grant writing support for CBOs seeking to apply for Resilience Hub grants.

EBCE will provide these funds in the form of direct, in-kind engineering and grant writing up to \$15,000 per resilience hub site. Staff will develop a streamlined process for CBOs to bring forward projects to receive this technical assistance.

# Community Grant (update)

## Background:

- EBCE BOD approved \$4.2M in FY'23-24 budget for 3-year Community Grant Program (\$1.4M/year)
- EBCE proposes to add an additional \$1.4m from this FY to fund a fourth round of grants in 2026
- EBCE staff have developed a list of grant priorities to support EBCE Programs
- EBCE staff plans to issue first grant opportunity to increase education and awareness of induction cooking to start Summer 2023
- Staff and CAC Chair are collaborating to host a public workshop on June 7 to gather community feedback to develop additional grant funding cycles
- Proposed Grant Solicitation timing:
  - Round 1 - August 2023 / Round 2 - January 2024 / Round 3 - January 2025 / Round 4 - January 2026

# Break Page

# Draft Budget: Carbon Free Procurement

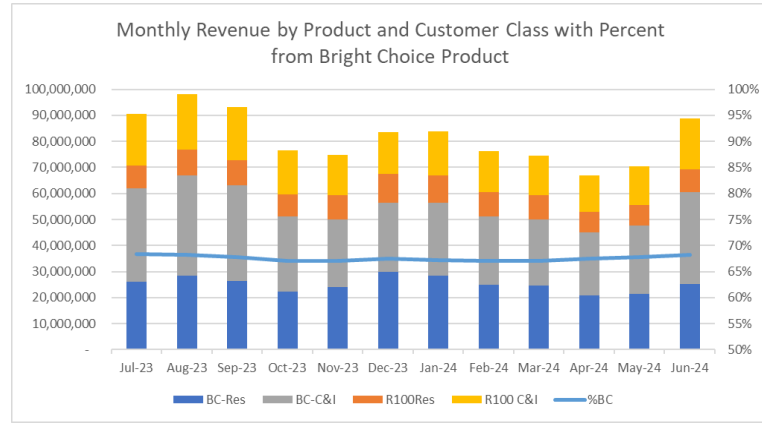
Year	Bright Choice				CA-RPS %
	Renewable %	Carbon Free %	TCR*-Emission Factor	PSDR-Emission Factor	Renewable %
2018	41%	87%	101	n/a	29%
2019	60%	85%	135	n/a	31%
2020	40%	54%	n/a	580	33%
2021	41%	55%	n/a	577	36%
2022	45%	63%	n/a	566	39%
2023	49%	66%	n/a	521	41%
2024	52%	71%	n/a	455	44%
2025	56%	76%	n/a	387	47%
2026	60%	81%	n/a	315	49%
2027	64%	85%	n/a	241	52%
2028	67%	90%	n/a	163	55%
2029	71%	95%	n/a	83	57%
2030	75%	100%	n/a	-	60%

## Variation in the Renewable/Carbon Free targets

- April 2022, the Board approved the “Path to Zero by 2030” for the Bright Choice product shown in the table to the left
  - Carbon Free percentages reflect renewable energy and large hydro energy
- June 2022, the Board approved 5% increases to the carbon free targets for calendar years 2022 and 2023, effectively increasing both renewable and carbon free targets
- This year, staff is proposing an additional increase in carbon free procurement that would result in an additional 5% increase in 2023 and 10% in 2024 targets
  - 2023: Carbon Free 66% --> 71% (22/23) --> 76%
  - 2024: Carbon Free 71% --> 81%

# Draft Budget: Operating Revenues

	FY 2023-24 DRAFT BUDGET	FY 2022-23 BUDGET	FY 2022-23 YTD* + EST
<b>REVENUE &amp; OTHER SOURCES</b>			
<b>GASB 62 Unrecognized Revenue Balance</b>	15,814,000	15,814,000	15,814,000
<b>Operating Revenue</b>			
Electricity Sales	957,762,000	792,009,000	870,993,000
Uncollectables	(12,102,000)	(15,840,000)	(17,420,000)
Other Operations Revenue	(6,642,000)	(6,229,000)	10,146,000
<b>Total Operating Revenue</b>	<b>939,018,000</b>	<b>769,940,000</b>	<b>863,719,000</b>



- 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 2023, 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 from May ERRR filing
- 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 CARE & FERA on-bill credits plus damages received from counterparties

# Draft Budget: Overview of Expenses

	FY 2023-24 DRAFT BUDGET	% Cost
<b>EXPENSES &amp; OTHER USES</b>		
<b>Energy Operating Expenses</b>		
Cost of Energy	685,288,000	89.8%
Energy Operating Services	11,230,000	1.5%
<b>Total Energy Operating Expenses</b>	<b>696,518,000</b>	<b>91.2%</b>
<b>Overhead Operating Expenses</b>		
Personnel	21,911,000	2.9%
Marketing & Communications	5,303,000	0.7%
Legal, Policy, & Regulatory Affairs	3,459,000	0.5%
Other Professional Services	2,555,000	0.3%
General & Administrative	5,711,000	0.7%
Depreciation	360,000	0.0%
<b>Total Overhead Operating Expenses</b>	<b>39,299,000</b>	<b>5.1%</b>
<b>NON-OPERATING EXPENSES</b>		
Borrowing Interest	1,650,000	0.2%
Local Development Funding	25,500,000	3.3%
Grant	0	
Capital Expenditures	500,000	0.1%
<b>Total Non-Operating Expenses</b>	<b>27,650,000</b>	<b>3.6%</b>
<b>TOTAL EXPENSES</b>	<b>763,467,000</b>	<b>100.0%</b>

- Expenses are divided into three overall cost center categories:
- Energy Operations** which includes all energy, energy attributes, and ancillary related costs and the services required to managing energy and attributes, such as scheduling, data management, and customer billing
  - This category comprises more than 90% of EBCE's total expenses
- Overhead Operations** which includes all personnel and staffing needs as well as work function cost centers required to manage the organization at large
- Non-Operating Expenses** which are all capital and capital transfer related costs

# Draft Budget: Energy Expenses

## EXPENSES & OTHER USES

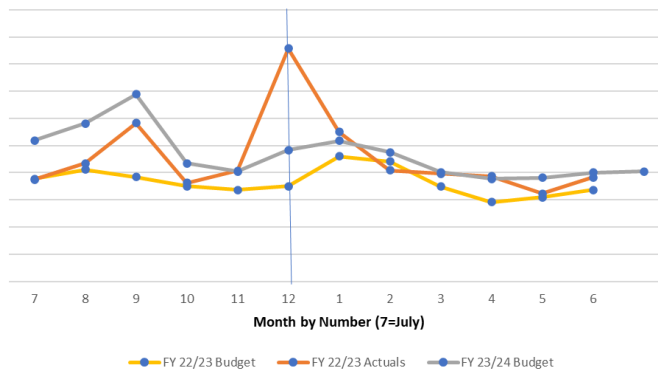
### Energy Operating Expenses

	FY 2023-24 DRAFT BUDGET	FY 2022-23 BUDGET	FY 2022-23 YTD* + EST
Cost of Energy	685,288,000	523,996,000	657,730,000
Data Management/Customer Service	7,777,000	7,834,000	7,867,000
PG&E Service Fees (Billing/Metering)	2,722,000	2,715,000	2,712,000
CAISO Scheduling Coordinator	731,000	696,000	698,000
<b>Total Energy Operating Expenses</b>	<b>696,518,000</b>	<b>535,241,000</b>	<b>669,007,000</b>

## 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 66% --> 71% (22/23) --> 76%
  - 2024: CF 71% --> 81%
  - Adds up to \$21MM costs
- 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

Relative Monthly Average Energy Costs



# Draft Budget: Overhead Expenses

	FY 2023-24 DRAFT BUDGET	FY 2022-23 BUDGET	FY 2022-23 YTD* + EST
<b>Overhead Operating Expenses</b>			
Personnel	21,911,000	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	2,555,000	2,293,000	1,302,000
General & Administrative	5,711,000	4,007,000	3,563,000
Depreciation	360,000	180,000	158,000
<b>Total Overhead Operating Expenses</b>	<b>39,299,000</b>	<b>27,426,000</b>	<b>22,016,000</b>

## 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
<b>PERSONNEL</b>			
Salaries & Wages	16,587,000	11,598,000	9,747,000
Retirement	2,058,000	1,544,000	1,340,000
Health Care/Benefits	2,893,000	2,292,000	864,000
Payroll Expenses	373,000	277,000	169,000
Total	21,911,000	15,711,000	12,120,000

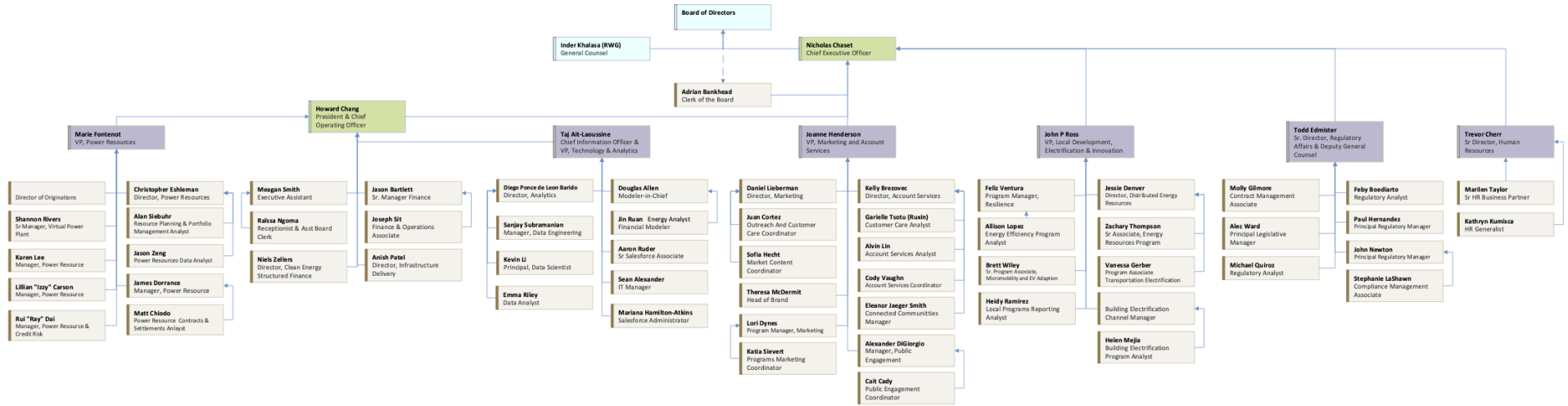
- **FY 2021-22 Budget** was initially approved at 43 FTE and expanded mid-year to 49
  - 2.5% COLA and up to 5% merit-based/promotional compensation allotted
  - Currently at 45 FTE and interviewing for an additional 4 roles
- **FY 2022-23 Budget** was increased to 68 FTE to accommodate additional work 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 an additional 15 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, 2 Local Programs, 2 Operations, 2 Technology, 3 Power Resources, 3 Legal

# Draft Budget: Overhead Expenses—Personnel

	FY 2023-24 DRAFT BUDGET	FY 2022-23 BUDGET	FY 2022-23 YTD* + EST
<b>PERSONNEL</b>			
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Retirement	2,058,000	1,544,000	1,340,000
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Payroll Expenses	373,000	277,000	169,000
Total	21,911,000	15,711,000	12,120,000

- Personnel costs account for 2.9% of total budget costs
- **FY 2023-24 Budget** seeks to add 15 FTE, to staff up to 83 FTE, to accommodate additional work requirements in all areas. Additional headcount will expand on internal expertise/skills, build more depth, and scale operations:
  - Inflation driven increases to existing benefit costs, with a 3.5% COLA and up to 10% merit-based/promotional compensation pool, increases the base 68 FTE cost to nearly \$18MM
  - 15 new FTE added at the fully loaded rate adds an additional \$3.5MM
  - About \$500k was given for variability and possible turn-over costs
  - Additional FTE will cover much needed assistance with scaling in all areas of operations: 3 Marketing, 2 Local Programs, 2 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: Personnel Demographics

Average Personnel Costs by Category*			Expected Loading Rate for Open Positions		Open Position Banding	
	Current	Open	Quarter	Positions Filled	Open Count	Title
Salary	157,984.45	142,368.59	Q1	9	1	Analyst
Merit	22,117.82	19,931.60	Q2	3	2	Associate
Retirement	23,887.25	21,526.13	Q3	5	6	Sr. Associate
Health Care	24,000.00	24,000.00	Q4	0	1	Manager
PTO	9,114.49	8,213.57			2	Sr. Manager
Life Insurance	789.92	711.84			4	Director
Other	12,553.33	12,553.33			1	Sr. Director
Payroll Tax	4,096.98	3,735.41				
<b>Total</b>	<b>254,544.25</b>	<b>233,040.48</b>				

\*C-list is not included

- Open position average costs are below current staff averages, as position band for open positions is lower than average staff
- Loading rate for new positions is expected to be complete by the end of financial Q3 (March 31, 2024)
- The average position band being hired is under the manager level

# 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
<b>Total</b>	<b>5,303,000</b>	<b>2,824,000</b>	<b>2,073,000</b>

## 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
<b>LEGAL AND POLICY</b>			
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
<b>Total</b>	<b>3,459,000</b>	<b>2,411,000</b>	<b>1,603,000</b>

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	931,000	363,000	435,000
Human Resources Consulting	634,000	1,000,000	338,000
Tech Consulting	360,000	325,000	209,000
Power Resources	630,000	605,000	320,000
Total	2,555,000	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
<b>GENERAL OPERATIONS</b>			
Operational Expenses	1,523,000	1,039,000	1,133,000
Software, Subscriptions, SaaS	2,676,000	2,345,000	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
<b>Total</b>	<b>5,711,000</b>	<b>4,119,000</b>	<b>3,563,000</b>

## 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
<b>NON-OPERATING REVENUE</b>			
Interest Income	1,680,000	261,000	1,837,000
Grants	0	0	1,272,000
Other Non-Operating Revenue	48,000	15,000	166,000
<b>Total Non-Operating Revenue</b>	<b>1,728,000</b>	<b>276,000</b>	<b>3,275,000</b>
<b>NON-OPERATING EXPENSES</b>			
Borrowing Interest	1,650,000	1,440,000	570,000
Local Development Funding	25,500,000	22,550,000	22,550,000
Grant	0	0	0
Capital Expenditures	500,000	7,000,000	773,000
<b>Total Non-Operating Expenses</b>	<b>27,650,000</b>	<b>30,990,000</b>	<b>23,893,000</b>
<b>NET NON-OPERATING ACTIVITY</b>	<b>(25,922,000)</b>	<b>(30,714,000)</b>	<b>(20,618,000)</b>

- **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

# Thank You!



Questions? Give us a call:  
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