PROPOSED FY 2019-20 BUDGET
FINANCE & ADMINISTRATION COMMITTEE
August 6, 2019
Budget Timeline

Roadmap

FY 2019-20 Operating Budget

Strategic Plan approved

Department Budgets developed

Proposed Budget reviewed by Board

Finance & Admin Committee Review

Approval from Board

Oct 1 – New Budget Year

Jun

Jul

Aug

Sept

Oct

Aug
HIGHLIGHTS

1. SVCE FINANCIALLY STABLE
   BALANCE AVAILABLE FOR RESERVES
   $52.4 MILLION

2. ASSUMING RATES AND POWER
   SUPPLY ASSUMPTIONS HOLD TRUE,
   RESERVE TARGETS MET END OF FY

3. RISKS INCLUDES CHANGES TO RATES,
   PCIA, POWER SUPPLY AND REG/LEG
PRESENTATION

SURPLUS INCREASE $22.8 MILLION

ENERGY REVENUES $35.7 MILLION FAVORABLE
- No change to rates or PCIA
- GreenPrime increase due to better participation

POWER SUPPLY $10.3 MILLION UNFAVORABLE
- Energy and REC costs increased slightly based on market prices while capacity increased is based on actual requirements from CPUC
- Fiscal Year load is well hedged at >80% with 100% for Oct-Dec
- 10% of REC needs assumed at PCC2 prices for a benefit of $5 million
- 3% contingency built in budget to cover price spikes

BILLING & DATA MGMT $0.2 MILLION UNFAVORABLE
- Slight increase due to update of rates/meter from PG&E

OTHER OPERATING $2.6 MILLION UNFAVORABLE
- Employment expenses assume for full year funding of positions and 1 new position
- Professional Services increase due to credit rating process, long-term PPA negotiations support and cybersecurity
- Marketing & Notifications is near flat but includes support for long-term data management strategy
- General & Admin increase due to software support for Programs
- Lease increase is based on expected office expansion

NON-OPERATING $1.2 MILLION FAVORABLE
- Investment income reflects better interest rates and higher cash balance
- Debt service is for the renewal of the line of credit
- Grants revenues from HPWH Grant

TRANSFERS AND OTHER EXPENSES $0.9 MILLION UNFAVORABLE
- Programs is formula based with 2% of energy revenues allocated to programs
- CAPEX increase for facility improvements
REVENUES INPUTS

- No changes to rates from last rate change
  - Generation rates change effective August 1
  - 4% discount to PG&E rates
  - Most likely rates remain stable till Spring 2020
- No load growth
  - Direct Access not a factor in 2020
- No change to customer participation rate
ACCOUNTS & SALES

Customer Accounts
• 267,000 Accounts

Energy Sales (MWh’s)
• 3.9 million MWh’s
• Nearly all of $320.3 million of budgeted revenues are from energy sales to customers
• SVCE vulnerable to economic downturn and changes in rates
• Long-term revenue vulnerability from Direct Access
**POWER SUPPLY**

- $244.6 million Energy Supply Cost
- Modest increase vs. the Mid-Year as commodity prices have stabilized
- Well hedged for FY 2019-20
- Capacity continues to creep up in costs
TOTAL EXPENSES

$267.9 Million Expense Budget

$16.9 Million Fixed Cost Budget
BREAK-EVEN

Low fixed costs keeps us nimble to changing environment
Strategic Plan
Funding to support increased Board input into the strategic planning process.
Overall focus change of the document to be less task specific and more agency directional

PG&E Bankruptcy
Funding for continued monitoring and strategic action as the bankruptcy unfolds

Collaboration
Continued collaboration with the “Mag 5” or other South Bay Area CCA’s on various issues

Board
General Counsel Board/Committee meetings support
**Cybersecurity**
Major new funding to support cybersecurity initiatives
Focus is on security and reliability

**Credit Rating**
Funding for Moody’s Financial Advisor
Renew Line of Credit

**Facility Improvements**
Increased rent budget to support larger work area
Increase capital budget to support move either in this building or somewhere else

**HR/Payroll Improvements**
Maintain competitive compensation and benefits package
Rollout of better payroll and human resource services

**Risk Management**
Support for risk management of agency (insurance, etc.)
Support for risk management of energy supply and compliance

**Power Pre-Pay**
Support for analysis and possible execution of an agreement
Power Supply

PPA Negotiations
Consultants and Legal support for not just new PPA negotiations but issues that arise from the 3 PPA’s signed last year

Portfolio Optimization
Controlling Power Supply Costs
Assist with Direct Access strategies and response

Operations
Scheduling Coordination
Resource Adequacy cost-sharing consultant
Other Power Procurement support including risk management, load forecasting, and software tools to support more integrated trade system

Integrated Resource Plan (IRP)
Preparation and filing in 2020
All areas of the agency involved but Reg/Leg will be partnering with Power Supply
Data Management
Negotiations for contract renewal with Calpine
Long-Term data management strategies

Outreach
Outreach grants
Events

Awareness
Market surveys
Advertising

Programs Support
Continued rollout of Heat Pump Water Heater program
Various support to rollout programs

Required Notifications
Funding for various mailers that are required by the CPUC such as the annual joint rate mailer with coordination of PG&E
Regulatory & Legislative

- **Pro-Active with Legislature**
  - Funding for Lobbyist presence
  - Funding for continued communications with key stakeholders

- **CaICCA**
  - Membership Dues
  - Support of various committee’s and initiatives

- **Rates**
  - PG&E General Rate Case
  - 2020 ERRA Forecast

- **Workforce Development**
  - Funding for continued support of the workforce development initiative
Programs Funding

Continue with the 2% of energy revenues formula for annual funding of programs

Carryover unused $ from this fiscal year by creating programs fund

Programs Roadmap

Continued rollout of various programs identified in the roadmap with updates during the fiscal year

Other

Various software and licensing support to pursue data analytics, customer resource center and other programs support
PERSONNEL

• Increase of one (1) position
  • Analyst position in the Decarbonization Grid Innovations Dept.
    • Support for programs rollout with a focus on the “building/construction” related decarbonization
• Adjust salary tables by 4% based on CPI Bay Area-Urban index
• This summer conduct compensation survey (2 year cycle)
PERSONNEL (cont.)

• Additional job titles.descriptions
  • Sr. Communications Specialist
  • Sr. Communications Outreach Specialist

• Mid-Year Budget (March 2020)
  • Rates Manager
    • Possible change approach to rates or more customer specific options

• Longer-Term may add 1-2 positions
  • Unknown now but would reflect needs of the agency in the future
## CASH RESERVES

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<tr>
<th>FY</th>
<th>Reserves</th>
<th>Target</th>
<th>Min</th>
<th>Max</th>
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<td>FY 2022-23</td>
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</table>

### Graphical Representation

- **Reserves**: Green
- **Target**: Blue
- **Min**: Red
- **Max**: Yellow

FY 2017-18 to FY 2022-23, the reserves trend lines show an upward trajectory with varying levels of confidence intervals.
Still unknown on PCIA and PG&E Rates

REGULATIONS
PG&E Restructuring; Central Buyer

POWER SUPPLY
Higher market prices for capacity and energy; underlying commodity volatility; credit rating

PG&E BANKRUPTCY
Customer reserves; plan of reorganization

LEGISLATION
IOUs exit retail; Central Buyer; credit rating

DIRECT ACCESS
Prepare now for 2020 and potential further expansion

RATES
Still unknown on PCIA and PG&E Rates

RESERVES
1. HR, $1,889
2. Rates, $155
3. Awareness, $470
4. Customer Satisfaction, $225
5. GHG Reductions, $7,000
6. Financial Excellence, $235
7. Credit Rating, $52,420
8. Data Decision Making, $273
9. Leg and Reg, $547
10. Bundled energy and renewable resources, $200
11. Carbon-Free Energy, $244,756
12. Energy Risk Mgmt., $1,207
13. IT Security, $370

$ in Thousands
THANK YOU