Ensuring a Bright, Clean Future

Mid-Year Operating Budget
Fiscal Year 2019-20

Policy Board
March 4, 2020

Monterey Bay Community Power
70 Garden Court, Suite 300
Monterey, CA 93940
(831) 641-7222
mbcp.org
## Budgetary Summary

### MONTEREY BAY COMMUNITY POWER AUTHORITY

**FY 2019-20 MID-YEAR OPERATING BUDGET**

<table>
<thead>
<tr>
<th>Period Ending Sep 30</th>
<th>Audited Financials FY 2018/19</th>
<th>% of Rev</th>
<th>Approved Budget FY 2019/20</th>
<th>% of Rev</th>
<th>Mid-Year Budget FY 2019/20</th>
<th>% of Rev</th>
<th>Change $</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUE AND OTHER SOURCES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Revenue - Electricity</td>
<td>249,929</td>
<td>100.0%</td>
<td>273,944</td>
<td>100.0%</td>
<td>246,660</td>
<td>100.0%</td>
<td>(27,284)</td>
<td>(10.0)%</td>
</tr>
<tr>
<td>Investment and Miscellaneous Income</td>
<td>1,321</td>
<td>0.5%</td>
<td>1,285</td>
<td>0.5%</td>
<td>2,820</td>
<td>1.1%</td>
<td>1,535</td>
<td>112.5%</td>
</tr>
<tr>
<td><strong>Total net revenue and other sources</strong></td>
<td>251,250</td>
<td>100.5%</td>
<td>275,229</td>
<td>100.5%</td>
<td>249,480</td>
<td>101.1%</td>
<td>(25,749)</td>
<td>(9.4)%</td>
</tr>
<tr>
<td><strong>EXPENDITURES AND OTHER USES</strong></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>CURRENT EXPENDITURES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of energy</td>
<td>151,592</td>
<td>60.7%</td>
<td>176,888</td>
<td>66.4%</td>
<td>176,715</td>
<td>71.4%</td>
<td>227</td>
<td>0.1%</td>
</tr>
<tr>
<td>Data manager</td>
<td>2,051</td>
<td>0.8%</td>
<td>2,880</td>
<td>1.0%</td>
<td>2,554</td>
<td>1.0%</td>
<td>(126)</td>
<td>(4.7)%</td>
</tr>
<tr>
<td>PG&amp;E service fees</td>
<td>1,159</td>
<td>0.5%</td>
<td>1,251</td>
<td>0.5%</td>
<td>1,213</td>
<td>0.5%</td>
<td>(38)</td>
<td>(1.3)%</td>
</tr>
<tr>
<td>Staffing</td>
<td>3,016</td>
<td>1.2%</td>
<td>6,457</td>
<td>2.4%</td>
<td>5,180</td>
<td>2.1%</td>
<td>(1,278)</td>
<td>(19.8)%</td>
</tr>
<tr>
<td>Professional services</td>
<td>711</td>
<td>0.3%</td>
<td>690</td>
<td>0.3%</td>
<td>718</td>
<td>0.3%</td>
<td>28</td>
<td>4.1%</td>
</tr>
<tr>
<td>Legal Services</td>
<td>400</td>
<td>0.2%</td>
<td>200</td>
<td>0.1%</td>
<td>510</td>
<td>0.1%</td>
<td>110</td>
<td>55.1%</td>
</tr>
<tr>
<td>Marketing and Customer Enrollment</td>
<td>518</td>
<td>0.2%</td>
<td>1,128</td>
<td>0.4%</td>
<td>1,114</td>
<td>0.5%</td>
<td>(14)</td>
<td>(1.2)%</td>
</tr>
<tr>
<td>General and administration</td>
<td>881</td>
<td>0.4%</td>
<td>1,152</td>
<td>0.4%</td>
<td>1,138</td>
<td>0.5%</td>
<td>(14)</td>
<td>(1.2)%</td>
</tr>
<tr>
<td><strong>Total current expenditures</strong></td>
<td>160,328</td>
<td>64.1%</td>
<td>190,046</td>
<td>70.9%</td>
<td>188,940</td>
<td>78.0%</td>
<td>(1,105)</td>
<td>(0.6)%</td>
</tr>
<tr>
<td><strong>OTHER USES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital outlay</td>
<td>98</td>
<td>0.0%</td>
<td>4,092</td>
<td>1.5%</td>
<td>4,092</td>
<td>1.7%</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Total other uses</td>
<td>98</td>
<td>0.0%</td>
<td>4,092</td>
<td>1.5%</td>
<td>4,092</td>
<td>1.7%</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>DEBT SERVICE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal and interest</td>
<td>0</td>
<td>0.0%</td>
<td>0</td>
<td>0.0%</td>
<td>0</td>
<td>0.0%</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Total expenditures, Other Uses and Debt Service</strong></td>
<td>160,425</td>
<td>64.2%</td>
<td>194,137</td>
<td>70.9%</td>
<td>193,032</td>
<td>78.3%</td>
<td>(1,105)</td>
<td>(0.6)%</td>
</tr>
<tr>
<td><strong>Fund balance surplus BEFORE Rebate, Program and Reserve</strong></td>
<td>90,825</td>
<td>36.3%</td>
<td>81,092</td>
<td>35.6%</td>
<td>56,448</td>
<td>22.9%</td>
<td>(24,643)</td>
<td>(35.4)%</td>
</tr>
<tr>
<td><strong>Rebate Expenditures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rebate Expenditures</td>
<td>11,607</td>
<td>4.6%</td>
<td>19,176</td>
<td>7.6%</td>
<td>3,234</td>
<td>1.3%</td>
<td>(15,943)</td>
<td>(83.1)%</td>
</tr>
<tr>
<td><strong>Transfer to Rate Stabilization Reserve</strong></td>
<td>74,219</td>
<td>29.7%</td>
<td>50,958</td>
<td>18.6%</td>
<td>43,347</td>
<td>17.6%</td>
<td>(7,610)</td>
<td>(14.9)%</td>
</tr>
<tr>
<td><strong>Transfer to Program Funds</strong></td>
<td>4,999</td>
<td>2.0%</td>
<td>10,958</td>
<td>4.0%</td>
<td>9,866</td>
<td>4.0%</td>
<td>(1,091)</td>
<td>(10.9)%</td>
</tr>
<tr>
<td><strong>Fund balance surplus AFTER Rebate, Program and Reserve</strong></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

### Program Balance:

- Carryover balance: 2,342
- Net Increase: 4,999
- Propose to spend: (331) ($1.0%)

### Rate Stabilization Reserve Balance:

- Carryover balance: 38,137
- Net Increase - Rate Stabilization Reserve: 74,219
- Transfer to Uninterruptible Power Supply Fund: (25,000)

### Uninterruptible Power Supply Fund Balance:

- Carryover balance: 0
- Net Increase - Uninterruptible Power Supply Fund: 0

### Key Statistics:

- Total Load (MWh): 3,030,461
- $/MWh - Net Electricity Sales: $82.47
- $/MWh - Cost of Energy: $50.02
- $/MWh - Total Expenditures: $52.94
- Gross Margin %: 39.3%
## Analytical Review

### Net Revenue - Electricity
Revenue includes actual and forecasted retail sales for the period ending September 30, 2020, reduced by 0.5% of assumed uncollectable. The reasons for the lower-than-expected revenues of $27.3 mil are the incorporation of 7% monthly discounts ($14 mil) from Jan to Sep 2020 in the MBCP rates instead of itemizing it under the “rebates expenditures” category. In addition, MBCP had to lower retail rates to account for the unexpected sizable increase in PG&E Power Charge Indifference Adjustment (refer to “Revenue Assumptions” for more information).

### Investment & Misc. Income
Interest income is $1.5 mil higher than expected as a result of favorable negotiations with River City Bank.

### Cost of Energy
There is a slight reduction in energy cost due to variation in demand forecast.

### Staffing
Payroll and benefits expenses are under budget ($1.3 mil) due to the timing of new hires.

### Legal Services
There is an expected increase in legal expenses to address MBCP’s expected name change.

### Rebate Expenditures
The significant decrease of $15.9 mil is due to shifting the annual rebate to a monthly discount. The decrease in rebate is reflected in the revenue category.

### Energy Program
The increase of program spending by $1.1 mil is primarily due to the Resilient Energy Distribution (RED) program that will provide backup power supply directly to residential customers in Tier 3 and Tier 2 High Fire Risk Districts.

### Rate Stabilization Reserve (RSR)
The RSR ending balance has been reduced from 75% ($146.2 mil) to 68% ($130.7 mil) of operating expenses to accommodate the funding of $25 mil for the Uninterruptable Power Supply (UPS) Fund.

### Uninterruptible Power Supply (UPS) Fund
The $25 mil UPS Fund is to promote financing for backup power supply to critical infrastructure facility resiliency investments for public and private sector entities within the MBCP service area.
Revenue Assumptions

- Service accounts and energy consumption were updated to factor in move-ins, move-outs, rate changes and opt-outs
- October through December 2019 have been actualized
- January through September 2020 reflect the 7% discount in the MBCP rates
- February through March 2020 are based on current PG&E generation and PCIA rates
- April through September 2020 are based on PG&E’s forecasts of an increase in both generation rates (+2%) and Power Charge Indifference Adjustment (PCIA) (+19.8%)
- Uncollectable is assumed at 0.5 percent

Gross Revenue by month (FY 2019-20)

Gross Revenue = $246.7 million  PCIA = $94.3 million
Total full-time staff: 32
Total part-time staff: 3
Our Boards

MBCP is governed by two Boards, a Policy Board and an Operations Board. Each Board is comprised of 17 members with 17 alternates representing the participating communities. Policy Board Members are elected officials from MBCP member communities; and Operations Board Members are appointed executives leading the members cities and counties.

In 2018, MBCP Policy Board formed MBCP Community Advisory Council comprised of 12 members appointed from member communities.
2020 Policy Board

Chair
Bruce McPherson
County of Santa Cruz

Vice Chair
Steve McShane
City of Salinas

Member
Kyle Richards
City of Scotts Valley

Member
Jeff Lee
City of Grover Beach

Member
Ariston Julian
City of Guadalupe

Member
Alan Hafha
City of Monterey

Member
Jane Parker
County of Monterey

Member
Jim Gillo
County of San Benito

Member
John Freeman
City of San Juan Bautista

Member
Heidi Harmon
City of San Luis Obispo

Member
Das Williams
County of Santa Barbara

Member
Justin Cummings
City of Santa Cruz

Member
Alice Patino
City of Santa Maria

Member
Jack Dilles
City of Scotts Valley

Member
Ian Oglesby
City of Seaside

Member
Anna Velazquez
City of Soledad

Member
Trina Coffman-Gomez
City of Watsonville
2020 Operations Board

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Rene Mendez
City of Gonzales

Vice Chair
Ray Corpuz
City of Salinas

Member
Dave Durflinger
City of Carpinteria

Member
Matthew Bronson
City of Grover Beach

Member
Todd Bodem
City of Guadalupe

Member
Hans Uslar
City of Monterey

Member
Charles McKee
County of Monterey

Member
Ray Espinosa
County of San Benito

Member
Don Reynolds
City of San Juan Bautista

Member
Derek Johnson
City of San Luis Obispo

Member
Mona Miyasato
County of Santa Barbara

Member
Martin Bernal
City of Santa Cruz

Member
Carlos Palacios
County of Santa Cruz

Member
Jason Stillwell
City of Santa Maria

Member
Tina Friend
City of Scotts Valley

Member
Craig Malin
City of Seaside

Member
Matt Huffaker
City of Watsonville
2020 Community Advisory Council

Chair
Jeff Byron
County of Monterey

Vice Chair
Natalie LaVan
County of Santa Cruz

Member
Horacio Amezquita
County of Monterey

Member
Norman Groot
County of Monterey

Member
Richard Stedman
County of Monterey

Member
Amy Wolfrum
County of Monterey

Member
Seth Capron
County of San Benito

Member
Ludmila Wist
County of San Benito

Member
Brandon O’Rourke
County of San Luis Obispo

Member
Allen Bueno del Bosque
County of Santa Cruz

Member
Brian Kimball
County of Santa Cruz

Member
Dennis Osmer
County of Santa Cruz