

# Fiscal Year 2023-24 Recommended Budget



Central Coast  
**Community  
Energy**

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Cover photo: The Slate facility in Kings County was one of California’s largest integrated solar-and-storage projects when contracted. Funded in part by 3CE in partnership with Silicon Valley Clean Energy, it was the two CCAs’ first Power Purchase Agreement associated with a solar-plus-energy-storage project, and came online in March 2022. The facility produces 390 megawatts (MW) of solar generation alongside 561 megawatt-hours (MWh) of storage — enough electricity to power about 126,000 households. 3CE receives 67.5 MW of solar and 33.75 MW/135 MWh of storage under a contract term of 17 years. Slate’s solar-plus-storage power is essential to meeting our renewable energy procurement goals, bringing a new source of clean, renewable energy to the state and a battery-storage system that will help facilitate the transition to a carbon-free power grid.



# About 3CE

Through its dedicated Boards and professional staff, Central Coast Community Energy (3CE) is committed to reducing greenhouse gas emissions by accelerating the transition to 100% clean and renewable energy, while maintaining competitive rates. We believe investing in the development of a renewable and reliable grid that supports the electrification of sectors such as transportation, agriculture, and buildings — and incentivizing that change through innovative and impactful energy programs — is necessary to address the effects of climate change.

3CE is an A-rated public electric generation provider comprised of 35 municipal jurisdictions across five counties. With two jurisdictions remaining to enroll, 3CE currently serves nearly 1.5 million people through 430,000 customer accounts representing approximately 95% of the region’s electricity load. 3CE has a peak retail load of 5,200 MW and provides roughly 5 million MWh of power to its customers annually. 3CE promotes long-term electric rate stability and energy security while reducing reliance on fossil fuels and stimulating our local economies.





# Our Boards


3CE is governed by a Policy Board and an Operations Board, each composed of 19 seats, representing our 35 member agencies.

The Policy Board of Directors is composed of duly elected public officials, each appointed by their home agency. The Policy Board oversees the strategic direction of 3CE, approves the recommended budget, sets rates, and approves large non-power-procurement capital expenses.


The Operations Board of Directors is a group of City Managers, Chief Administrative Officers, and other career leadership executives appointed by their home jurisdictions. The Operations Board approves contracts and agreements not reserved by the Policy Board or not otherwise delegated, and oversees matters related to policies to ensure the successful administration of 3CE.



# Policy Board



**Steve McShane**  
Chair  
City of Salinas




**Das Williams**  
Vice Chair  
County of Santa Barbara



**Yvette Brooks**  
City of Capitola




**Jeff Baron**  
City of Carmel-by-the-Sea



**Wade Nomura**  
City of Carpinteria



**Scott Donaldson**  
City of Del Rey Oaks



**Jose Rios**  
City of Gonzales



**Mary Adams**  
County of Monterey



**Ed Waage**  
City of Pismo Beach



**Kollin Kosmicki**  
County of San Benito



**John Freeman**  
City of San Juan Bautista



**Jan Marx**  
City of San Luis Obispo




**Fred Keeley**  
City of Santa Cruz



**Bruce McPherson**  
County of Santa Cruz



**Alice Patino**  
City of Santa Maria



**Claudia Orona**  
City of Solvang



**Jimmy Dutra**  
City of Watsonville

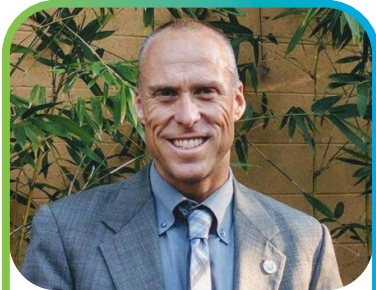


**Dawn Ortiz-Legg**  
County of San Luis Obispo

**Open Seat:** City of Paso Robles Representative, *Pending Appointment*



# Operations Board



**Derek Johnson**  
Chair  
City of San Luis Obispo



**Jamie Goldstein**  
Vice Chair  
City of Capitola



**John Guertin**  
City of Del Rey Oaks



**Peter Imhof**  
City of Goleta



**Paul Wood**  
City of Greenfield



**Sonia De La Rosa**  
County of Monterey



**Ty Lewis**  
City of Paso Robles



**Jorge Garcia**  
City of Pismo Beach



**Jim Pia**  
City of Salinas



**Ray Espinosa**  
County of San Benito



**Don Reynolds**  
City of San Juan Bautista



**Mona Miyasato**  
County of Santa Barbara



**Matt Huffaker**  
City of Santa Cruz



**Carlos Palacios**  
County of Santa Cruz



**Rebecca Campbell**  
County of San Luis Obispo



**Jason Stilwell**  
City of Santa Maria



**Randy Murphy**  
City of Solvang



**Rene Mendez**  
City of Watsonville

**Open Seat:** Monterey Peninsula Cities Representative, *Pending Appointment*

# Community Advisory Council



**Seth Capron**  
Chair



**Katie Davis**  
Vice Chair

**Heather Allen**

**Jeff Byron**

**Norm Groot**

**John Hughes**

**Wayne Norton**

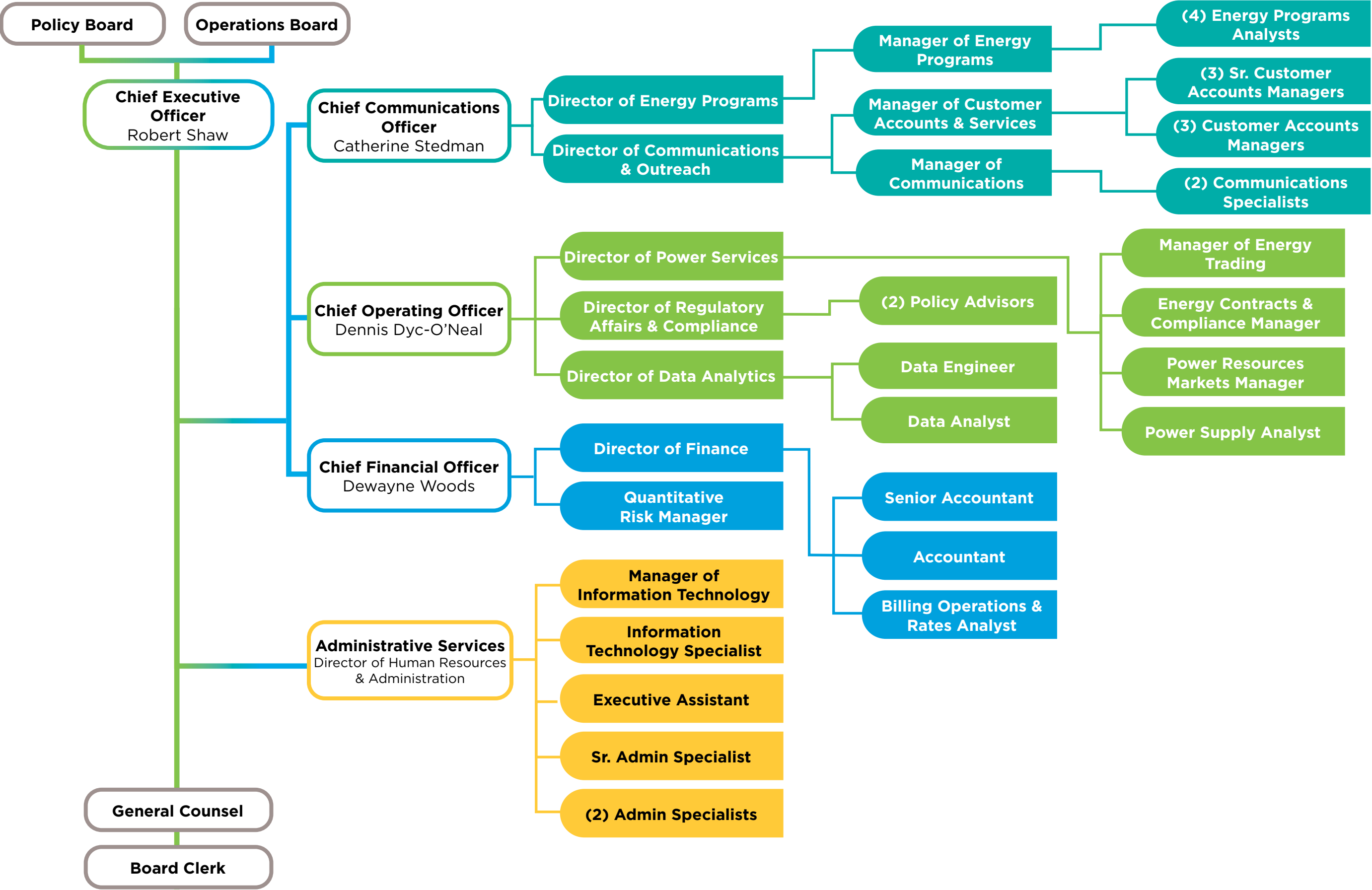
**Brandon O'Rourke**

**Dennis Osmer**

**Richard Stedman**

**Norman Tuitavuki**

# Organization Chart





September 2023

Honorable Chair McShane, Our Esteemed Board Members, Customers, and Community Members,

I'm pleased to present the Recommended Budget for Fiscal Year 2023-24. This budget builds on 3CE's strong financial foundation established by the Board's policies and priority setting. It allows 3CE to cost-effectively accelerate the transition to a clean and renewable electric grid. Specifically, this budget positions 3CE to lead on Resource Adequacy compliance; grow the agency to meet the changing demands of our communities; create additional financial structures to ensure 3CE's fiscal health and prepare against market volatility; and maintain our strong commitment to energy programs focused on combating climate change, improving health, and stimulating our local economies.

Despite the numerous challenges faced within the energy industry this year, I am optimistic about the opportunities at hand and remain strongly committed to our mission and our communities.

**Resource Adequacy**

The past year saw historic increases in the price of energy. Our agency has been particularly impacted by an unprecedented rise in the cost of Resource Adequacy, a non-energy compliance product. In 2023, Resource Adequacy grew from 11% of our power resources budget to more than 29%, accounting for \$109 million of a \$116.7 million increase, yet we are confronting this challenge head-on.

The Recommended Budget invests \$150 million toward Resource Adequacy and supports a strategic new approach to its procurement that was developed by the Energy Risk Management Committee and supported by our Operations Board. This new approach supports 3CE's acceleration of renewables

along with baseload and storage assets, and hedges our Resource Adequacy obligations through a diverse set of products, which will be strategically layered to minimize cost risk.

**Meeting Our Changing Needs**

In 2017, we embarked on a journey to build an organization that is responsive, resilient, and reflective of the communities we serve. Today, as our agency matures, we find ourselves at a pivotal point where we need to draw on a broader range of talents to meet our expanding scope and ambition. This brings with it the challenge of retaining and recruiting quality staff in a competitive environment. We are actively working to improve our human resource offerings to ensure that we not only attract top talent but also encourage our existing team to grow and thrive.

3CE successfully recruited and filled numerous vacant positions in FY 2022-23 to ensure we remain fully capable of responding to changing market pressures, political realities, and customer needs. The most impactful staffing and operational needs include:

- 1. Market operations and asset scheduling to further maximize our online projects' economic and environmental benefits;
- 2. Increasing 3CE's capacity to use data and analytics to improve forecasting, target programs, track performance, and manage operational risk;
- 3. Planning and development of innovative approaches and emerging generation technologies;
- 4. Improving 3CE's effectiveness in state and regional policy arenas to better support the Community Choice Aggregator (CCA) industry, member agencies, customers, and the local economy;
- 5. Reducing reliance on vendor services; and
- 6. Further investing in customer care and communications in anticipation of enrolling and serving customers in Atascadero and unincorporated San Luis Obispo County.

The Recommended Budget funds six additional full-time equivalent employees that will be developed to address these needs.

**Financial Transparency**

Transparency in our operations and financial planning is a cornerstone of our approach. In this spirit, we've sought to provide greater depth and clarity in our budget presentation. We've included more information on the specifics of our operations and our vision for the future.

The Recommended Budget provides a more formal structure in alignment with the Boards' direction to ensure financial prudence, rate predictability, and support for innovative solutions to the challenges facing 3CE and our communities.

**Commitment to Energy Programs**

3CE's first-in-class portfolio of energy programs continues to enjoy growing demand. In addition to driving climate action, our programs build connection and value with customers, better preparing 3CE to mobilize our communities for demand-side load management initiatives, and better preparing our customers to respond to the changing landscape of energy regulation and pricing.

The Recommended Budget invests \$16.8 million to support an array of energy programs helping residents, businesses, and member agencies to electrify transportation, buildings, and agricultural operations, and expands our offerings to include demand-management program development and administration.

**Progress to Renewables**

We have made significant strides toward meeting our renewable energy goals. Despite the hurdles we have encountered, we have not wavered from our commitment to a clean, sustainable future. We continue to explore and invest in renewable energy sources, solidifying

our place as a leader in the fight to solve the climate crisis.

Six projects supported by Power Purchase Agreements (PPAs) with 3CE have now come online, two just in the past year. These projects are delivering cost-competitive, clean and renewable power to the grid, avoiding more than an estimated 323,000 metric tons of carbon dioxide emissions (MT CO2e) in 2022. The Recommended Budget seeks to boost this progress by establishing a Renewable Energy Innovation and Initiatives Fund designed to spur investment in new and scalable technologies to hasten the transition to clean and renewable energy.

As we navigate through challenges and changes, I am deeply appreciative of your continued trust and support. I have great confidence in our collective strength and ability to overcome obstacles, and I am excited about what the future holds. As we move forward, let's continue to work together to lead the change that is possible – and necessary – to solve the climate crisis and foster a sustainable energy future for our community.

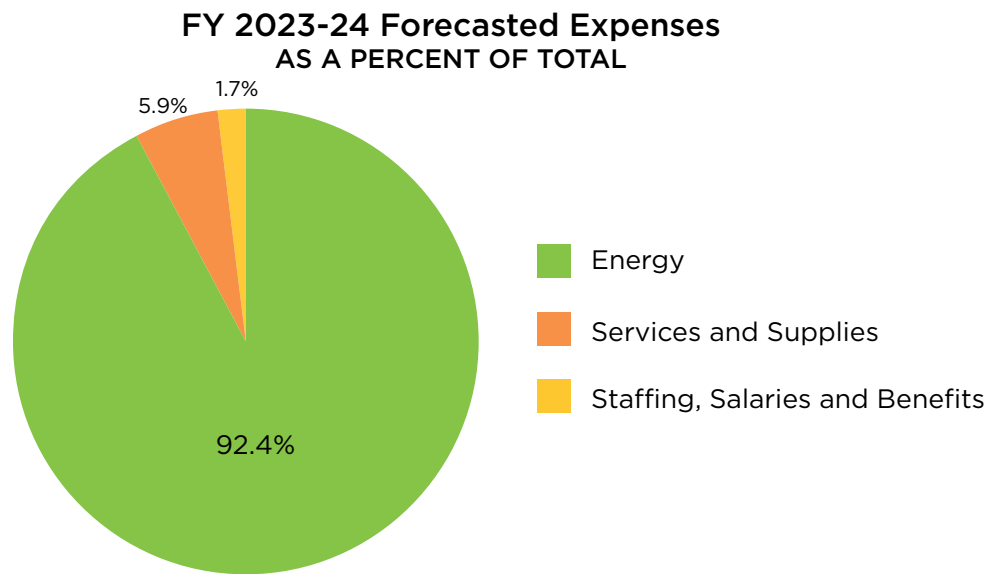
Thank you,

Robert M. Shaw  
Chief Executive Officer  
Central Coast Community Energy



# Executive Summary

Fiscal Year (FY) 2023-24 is 3CE’S sixth year of operation, and over this short period, much has been accomplished. The Recommended Budget for FY 2023-24 totals \$562.8 million and funds 52 Full-Time Equivalent (FTE) positions. Significant changes since the adoption of the FY 2022-23 budget include: increases in Cost of Energy (COE) by \$116.9 million or 29%, increases in Salary and Benefits by \$346,541 (3.8%), and increases in Services and Supplies of \$2.6 million (8.5%), for an overall increase in appropriations of \$119.6 million (27%). The COE accounts for 92.4% of all expenditures and drives 3CE’s rates, outpacing all other expenditures, which total a mere 7.6% of overall costs combined.



The above chart reflects the importance of COE to the agency’s forecasted expenditures. After accounting for the COE, the remaining 7.6% is comprised of 1.7% related to staffing, and the remaining 5.9% is allocated for services and supplies, including all energy incentive programs. Salary and benefit increases reflect annual salary increases and the expected filling of vacancies.

The two major cost increases in Services and Supplies are a contracted increase in Data Manager fees of \$1.7 million and an increase in the agency’s operational contingency of \$900,000. The increase in Data Manager fees was expected due to the FY 2022-23 transition to a single data and customer billing operations provider. In FY 2023-24, this transition will be complete. The increase in contingency reflects a policy recommendation to budget 5% of operational appropriations for contingencies.

Customers’ electric generation rates in Pacific Gas & Electric’s (PG&E’s) service area are based solely on 3CE’s actual costs. With only 7.6% of budgeted costs related to non-energy procurement, cost-based rates in combination with prudent financial management provide substantial benefits to our customers. The increase in COE and other expenditures is funded by a recommended adjustment to electricity generation rates as follows: increases by an average of \$0.025 per kilowatt-hour (kWh) in the PG&E service area and maintenance of a 2%-minus per kWh rate in the Southern California Edison (SCE) service area, resulting in a \$101 million increase in revenue collection.

To keep rates as low as possible for our customers, this year’s Recommended Budget does not anticipate adding to the agency’s Net Position given that reserves are within an acceptable range as defined by 3CE’s Financial Policies.

The chart below provides a summary of the FY 2023-24 Recommended Budget:

FY 2023-24 Budget Summary					
	FY 22-23 Final Adopted	FY 23-24 Baseline	FY 23-24 Recommended Augmentation	FY 23-24 Recommended Budget	FY 23-24 Variance Prior Year Budget
REVENUE					
Total	\$461,797,031	\$455,128,399	\$107,705,049	\$562,833,447	\$101,036,416
COST OF ENERGY SOLD					
Total	\$403,427,380	\$520,297,514		\$520,297,514	\$116,870,134
SALARIES & BENEFITS					
Total	\$9,190,535	\$9,537,076		\$9,537,076	\$346,541
SERVICES & SUPPLIES					
Total	\$30,416,173	\$29,968,253	\$3,030,605	\$32,998,858	\$2,582,685
CAPITAL					
Subtotal	\$202,779				(\$202,779)
Total Appropriations	\$443,236,867	\$559,802,843	\$3,030,605	\$562,833,448	\$119,596,581
Total Financing Sources	\$461,797,031	\$455,128,399	\$107,705,049	\$562,833,448	\$101,036,416
Total Budgeted Change to Net Position	\$18,560,164	(\$104,674,444)	\$104,674,444	(\$0)	(\$18,560,164)

Maintaining competitive rates is a core goal and key component of 3CE’s stated aims of achieving 100% renewable energy, local control of our energy decisions, local economic stimulation, and decarbonization through electrification. This Recommended Budget provides rates that range on average between 3% to 22% below PG&E’s estimated rates (see chart below).

Customer Classes		Average Difference 3Cchoice to PG&E Rates		3Cchoice Rate Comparison to PG&E	
Residential		-16%		PG&E Average \$/kWh	\$0.138
Small Commercial		-17%		3Cchoice (PG&E Territory) \$/kWh	\$0.116
Medium Commercial		-22%			
Large Commercial		-21%			
Agricultural		-18%			
Streetlights		-3%			



# Executive Summary (continued)

The 3CE service area overlapping with SCE’s service territory is planned to transition to cost-based rates as part of our next three-year rate-setting cycle covering years 2025-2027. Rates for our customers in this area are currently set to follow SCE’s generation rates minus 2%, maintaining 3CE’s competitiveness in the market.

In September 2020, 3CE’s Policy Board voted to serve 60% of retail sales with clean and renewable energy by the end of 2025, with the larger goal of being 100% clean and renewable by 2030. Today we are on our way toward meeting those goals while maintaining competitive electricity rates and providing innovative services for our community.

In recent years 3CE has increased our number of long-term PPAs, which serve to stabilize rates in addition to growing our renewable energy portfolio. 3CE currently has six renewable projects online that are producing energy that meets more than a quarter of retail sales. Six more projects are in development with anticipated commercial operation dates prior to 2026. Assuming the on-time delivery of these projects, 3CE will meet its goal of 60% clean and renewable energy in 2025.

While 3CE has demonstrated success bringing new clean and renewable resources online, the electricity generation sector, including 3CE, faces several challenges that could impact 3CE’s aggressive renewable goals.

## Project Delays

Developers continue to claim impacts to contractual online dates from supply chain disruptions, inflation, the Russian War in Ukraine, and mounting interconnection issues. Delays to 3CE’s new generation projects jeopardize our ability to meet compliance obligations, and to stabilize the cost of energy with fixed low-cost contracts. 3CE is working with developers to help address these impacts, ensure value for customers, and bring resources online as fast and cost-effectively as possible.

## Wholesale Market Volatility

Natural gas storage and distribution constraints, a colder-than-usual winter, prolonged summer heat events throughout California and the western United States, and many of the same macroeconomic conditions impacting developers, continue to fuel unprecedented wholesale market volatility. A strategic and layered procurement approach in accordance with 3CE’s Energy Risk Management Policy, maintenance of a strong credit rating, and disciplined fiscal management by our Boards has enabled 3CE to minimize the cost impacts to date.

## Resource Adequacy

Resource Adequacy (RA) is not energy and does not create additional capacity for the grid. Rather, RA is a compliance product that commits generators to be available to dispatch when needed. Regulatory changes have increased the amount of RA that Load Serving Entities (LSEs) are required to purchase, while the retirement of fossil-burning generators and limitations on qualifying imports have decreased the supply of available RA resources. The imbalance of supply and demand has spiked RA prices by over 200% year over year to levels that exceed price caps set by many regulatory commissions across the country. While California has no resource adequacy price cap, states that do generally set the cap below what officials deem excessive.

The impact on 3CE has been dramatic. RA constituted 11% of the budgeted FY 2022-23 COE. That number is anticipated to be 17.5% of COE at the current fiscal year close. In the FY 2023-24 Recommended Budget, RA accounts for 29% of the total COE and 93% of the total increase in COE.

The current environment presents many challenges to bringing new renewable electricity projects to 3CE’s energy portfolio. Developing PPAs will need to be expanded to bring pricing stability and ensure the attainment of our renewable goals in the years ahead.

Regardless of the increased COE and an ever-changing regulatory environment, 3CE’s rates remain extremely competitive on average when benched to those of Investor-Owned Utilities (IOUs) like PG&E and SCE. This Recommended Budget strives to balance increased costs with our mission to provide renewable energy at affordable rates. We present this budget as a step in the right direction to serve our communities while meeting the challenges associated with a highly competitive energy procurement market and heavily regulated industry.



1. Purpose and Background

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- 3.2 Principal Functions of the Chief Executive Officer
- 3.3 Principal Functions of the Chief Financial Officer
- 3.4 Principal Functions of the Audit and Finance Committee
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- 4.2 Proprietary Fund
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- 4.4 Rate Structure and Net Position

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- 5.4 Capital Facilities and Equipment
- 5.5 Appropriations and Transfers
- 5.6 Responsibility for Budget Management and Budgetary Control
- 5.7 Preparation of Financial Reports
- 5.8 Publication of Budget
- 5.9 3CE Budget Development
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- 5.11 Amendments to the Adopted Budget
- 5.12 Budgetary Basis
- 5.13 Capital Asset Definition
- 5.14 Appropriations for Contingencies
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- 6.2 Use of Unreserved Net Position
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- 6.4 Energy Rate Stabilization Reserve
- 6.5 Renewable Energy Initiative Reserve
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7. Capital Facilities and Improvement Policies

7.1 Capital Investments

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## 1. Purpose and Background

Prudent and conservative stewardship of public assets is a principal responsibility given to the officials and managers of 3CE. The development and maintenance of financial policies enable 3CE officials to protect those public assets, ensure transparency, and build public trust. Financial policies define a shared understanding of how 3CE administers its financial affairs and communicates how the agency manages its resources to provide the highest value to the communities we serve.

This document centralizes 3CE’s financial policies and establishes a framework for overall fiscal planning, management, and decision-making related to public assets controlled by 3CE. These policies are reviewed, updated, and brought before the Policy Board as needed but at least annually for adoption. This continued review and adoption promotes sound financial management and helps maintain 3CE’s stability, efficiency, and effectiveness by ensuring the Policy Board’s financial policy guidance is provided before 3CE takes any financial actions. The policies also offer guidelines for evaluating both current activities and proposals for future programs and direct 3CE’s financial resources toward meeting its objectives and strategic initiatives.

These policies provide general guidance in the management of the 3CE’s fiscal affairs and are to be used by all 3CE employees to meet their obligation to operate in a financially prudent manner. The Recommended Budget adheres to these policies.

## 2. General Financial Philosophy

The cornerstone and highest priority of 3CE’s financial policies is fiscal integrity. It shall be the goal of 3CE to achieve a strong financial condition with the ability to:

- Sustain adequate financial liquidity to meet normal operating and contingent obligations;
- Ensure a sufficient financial base is maintained to withstand local, regional, national, and global economic impacts;
- Foster the ability to adjust efficiently to the community’s changing service requirements;
- Maintain and improve infrastructure and capital assets;
- Regularly review programs and operational methods to improve processes that result in higher productivity, eliminate repetitive and duplicative functions;
- Encourage collaboration with other government entities, the private sector, and public-private partnerships where cost and risk are minimized in the delivery of services within 3CE’s service area;
- Promote sharing of costs and benefits by service users;
- Ensure the legal use of financial resources through an effective system of internal controls;
- Support sound financial management by providing accurate and timely information on 3CE’s financial condition; and
- Provide a framework for the wise and prudent use of debt financing and maintain a good credit rating in the financial community.



2.1 THE ANNUAL BUDGET

- The Chief Executive Officer (CEO) will recommend a balanced budget that aligns annual expenditures with market reasonable rates based on the cost to serve customers and to minimize the use of reserves and one-time financing sources for ongoing operating expenditures;
- 3CE will strive to maintain competitive rates while adherence to our renewable energy goals;
- Through the CEO, the Chief Financial Officer (CFO) will consult with 3CE Officers and seek their input in developing the Recommended Budget through cooperative discussions and financial education;
- CEO will keep the Policy Board apprised on the condition of the 3CE’s finances and emerging fiscal issues; and
- Through the CEO and Officers, 3CE will work with the California Community Choice Association (CalCCA), state representatives, legislative advocates in the State Capitol, and other local government organizations to assure our community voice is heard regarding any state legislation or regulation effecting our stakeholders.

3. Roles and Functions

3.1 ROLE OF THE CHIEF EXECUTIVE OFFICER

The CEO serves as the chief policy advisor to the Policy Board, Operations Board, and the various Board committees. The CEO promotes responsible resource allocation, strives to protect 3CE’s financial position and integrity, and provides independent analysis on policy and financial issues. The CEO is the fund manager for the 3CE Enterprise Fund and any other funds that may be created.

3.2 PRINCIPAL FUNCTIONS OF THE CHIEF EXECUTIVE OFFICER

Principal functions of the CEO include:

- Promoting continuous improvement of the structures, systems, processes, and effectiveness of programs;
- Preparing the annual financial plan (Recommended Budget);
- Working with departments to evaluate potential federal, state, and local budget impacts;
- Developing financial forecasts;
- Monitoring revenues and expenditures for conformance with the annual budget;
- Recommending effective fiscal policies to carry out the 3CE mission;
- Verifying Policy Board policies are consistently applied; and
- Ensuring items brought before the Policy Board are transparent, accurate, complete, fully justified, and reviewed by appropriate stakeholders.

3.3 PRINCIPAL FUNCTIONS OF THE CHIEF FINANCIAL OFFICER

The CFO is 3CE’s Policy Board appointed Treasurer and considered the subject matter expert for the financial management of the agency. The CFO is responsible for:

- Carrying out financial operations efficiently and cost-effectively while adhering to all 3CE, state, and federal laws, regulations, and policies;
- Preparing budgets and financial estimates with attention to accuracy based on financial expertise, 3CE, state, and federal funding changes, and economic indicators affecting revenues, expenditures, and service levels;
- Reviewing, evaluating, and assessing potential federal and state budget issues that may impact the agency;
- Developing and performing financial forecasts;
- Overseeing Middle Office responsibilities as identified in 3CE’s Energy Risk Management Policy;
- Monitoring monthly revenue, expenditure, and cash flow performance and conformance with the Adopted Budget;
- Meeting the Policy Board’s strategic financial initiatives and policies; and
- Ensuring items brought before the Policy Board are transparent, accurate, complete, fully justified, and reviewed by all appropriate stakeholders.

3.4 PRINCIPAL FUNCTIONS OF THE AUDIT AND FINANCE COMMITTEE

The Audit and Finance Committee’s principal functions include receiving staff updates on financial issues affecting 3CE and providing oversight and direction to staff in developing and modifying the budget and audits.

3.5 PRINCIPAL FUNCTIONS OF THE ENERGY RISK MANAGEMENT COMMITTEE

The Energy Risk Management Committee is formed by the CEO to implement and maintain the Energy Risk Management Policy, which requires 3CE to maintain sufficient financial reserves to:

- Establish long-term business sustainability;
- Build collateral for power procurement activities;
- Maintain an investment-grade credit rating;
- Develop funding sources for investment in generation and other local initiatives; and
- Reduce the business and customer impact of year-to-year volatility in energy markets and procurement costs.

4. Services and Fund Structure

4.1 ENTERPRISE FUND

3CE operates as an enterprise fund. The Enterprise Fund is used to account for revenues and expenditures for all 3CE activities. The Fund’s operations are financed and operated like private business enterprises, where services provided are primarily funded through user charges (electric generation rates).

4.2 PROPRIETARY FUND

An enterprise fund is classified as a Proprietary Fund and is financed and operated like private business enterprises whose services are primarily funded through user charges.

4.3 EXPENSES

Enterprise fund expenses and revenues will be established at sufficient levels to properly maintain the fund’s infrastructure and provide significant capital development.

4.4 RATE STRUCTURE AND NET POSITION

The enterprise fund will maintain an adequate rate structure to cover the cost of all operations, including cash flow, capital replacement and maintenance, debt service if applicable, contingency funding, reserve contributions, and depreciation. Rates may be offset from the available unreserved Net Position only after these requirements are met.

5. Operating Budget

5.1 THE 3CE BUDGET

The Recommended Budget is the central financial planning document that embodies all 3CE departments’ goals, objectives, priorities, levels of service, and the associated operating revenue and expenditures. Appropriations are recommended based on the relationship between expected expenditures and revenue. If revenues are estimated to fall below expected amounts, the agency will take all actions available to reestablish a revenue and expenditure relationship that conforms to the operating requirements.

The Recommended Budget shall be presented to the Policy Board for adoption in September of each year and presented clearly for a general audience of the public. The Recommended Budget may be modified as necessary by the Policy Board during the fiscal year.

5.2 BALANCED BUDGET

A budget is balanced when the total estimated financing sources (beginning fund balance plus revenues) equal the total appropriations (expenditures). At no time shall spending in a given year exceed total

current estimated revenues plus any net positive position (reserved and non-reserved).

In addition to adopting a balanced budget, 3CE ensures the ongoing sustainability of its services by implementing a robust reserve policy, covered later in these policies.

5.3 ONGOING MAINTENANCE AND OPERATIONS NEEDS

3CE will adequately fund ongoing maintenance and operational needs with ongoing annual revenue. Without prior direction and approval by the Policy Board, the use of one-time revenues or short-term borrowing is not allowed as a resource to finance ongoing maintenance and operational needs.

5.4 CAPITAL FACILITIES AND EQUIPMENT

3CE shall establish as a primary fiscal responsibility the acquisition, preservation, maintenance, improvement and, when applicable, orderly replacement of the 3CE’s capital facilities and equipment. 3CE shall endeavor to purchase a permanent headquarters and appropriate regional offices to provide continuity of location and operations while stabilizing and controlling facility costs into the future. 3CE will acquire and maintain high-quality equipment to maximize useful life and ensure efficient operations.

5.5 APPROPRIATIONS AND TRANSFERS

The agency fund (enterprise fund) is not constrained by appropriation controls. The CEO is charged with maintaining the relationship between financing uses and financing sources and shall report to the Policy Board any deviation in excess of the adopted budget. The CEO is authorized to make appropriation transfers between departments and divisions within the agency fund as necessary to adequately reflect the expenditure needs of the agency.

5.6 RESPONSIBILITY FOR BUDGET MANAGEMENT AND BUDGETARY CONTROL

The 3CE shall maintain a budgetary control system to help it adhere to the adopted budget. The CEO has budgetary control and authority over appropriations. The CFO shall administer and maintain the system utilized for budgetary control. As the administrator of the budgetary control system, the CFO shall notify the CEO when a department is reaching the departmental appropriation limit. The CFO shall seek guidance from the CEO on all issues relating to appropriations and controls.

3CE Officers in coordination with the CFO have primary responsibility for managing departmental budgets by:

- Providing accurate and timely budget estimates;
- Monitoring revenues to ensure timely receipt in the amounts anticipated;
- Ensuring that expenditures comply with the law, adopted resolutions, policies, and align appropriations relative to revenues;
- Providing prompt notification to the CEO when either revenues or expenditures are not as anticipated; and



5. Operating Budget

- Preparing and justifying budget revisions when necessary.

5.7 PREPARATION OF FINANCIAL REPORTS

The CEO annually prepares or causes to be prepared:

- An Annual Comprehensive Financial Report (ACFR), that reports on the 3CE’s financial position and activities adhering to Generally Accepted Accounting Principles (GAAP) or state law requirements, to provide readers with a broader understanding of the agency’s financial operations;
- A mid-year estimate to provide current-year performance and forward-looking perspective to advise the Policy Board on future challenges and provide a base for building the following year’s Recommended Budget; and
- Additional reports, as appropriate, to keep the Policy Board informed on current financial performance and developments.

The CEO has oversight and contract management over the external auditors reviewing the ACFR. External auditors shall report to the CEO or designated officer on audit findings. The CEO will take the audit findings thereafter to the Policy Board.

5.8 PUBLICATION OF BUDGET

The CEO shall publish annually a Recommended Budget document that satisfies nationally recognized standards for effective budget presentation. The Recommended Budget will be provided to the Policy Board a minimum of two weeks in advance of the annual budget hearings.

5.9 3CE BUDGET DEVELOPMENT

Budget development is an annual process incorporating the Policy Board’s priorities and weighing competing requests for 3CE resources within expected fiscal constraints. The process begins with departments preparing “baseline” budgets proposing levels of service and staffing that can be carried out within expected resources (e.g., revenues). To the extent there are increased costs, baseline budgets may indicate potential reductions to maintain budgetary balance if rate increases are not appropriate. Departments may submit “augmentation requests” for additional resources to mitigate potential impacts, increase staffing/services, or invest in infrastructure. The CEO evaluates baseline budgets and augmentation requests within the constraints of a balanced budget and builds the annual Recommended Budget. Staff considers the following criteria in formulating recommendations for the annual budget and subsequent mid-year budget modifications:

- Mandated by current law, regulation, or Policy Board policy;
- Alignment with the 3CE’s strategic initiatives and priorities;
- Necessary to maintain the current level of mission-critical services/operations;
- Substantiation of compelling public need (e.g., health, safety, economic vitality, quality of life) that cannot be met within existing resources;
- Likelihood of success based on prior performance, degree of planning/specificity, requested resources, and assumed timeline;

5. Operating Budget

- Leverages sustainable financial support from non-3CE sources;
- Appropriate placement of responsibility (federal, state, or local);
- Degree of urgency; and
- Critical infrastructure investment to ensure productivity and continuity of operations.

Criteria in the listing are not exhaustive or in any particular order, nor are they mutually exclusive; funding recommendations may align with more than one criterion.

5.10 ESTABLISH 3CE PRIORITIES

The Policy Board has a continuous process of establishing 3CE priorities for ensuing years. The Policy Board implements these priorities in the Recommended Budget. Understanding that elected officials, appointed officials, and agency officers are charged with the actual provision of services to the community, the Policy Board shall set broad priorities to ensure flexibility for the agency to concentrate on these priorities.

5.11 AMENDMENTS TO THE ADOPTED BUDGET

Modifications to the Adopted Budget require approval of a majority of Policy Board members. Amendments to the Adopted Budget will be made in compliance with Policy Board policies. As an enterprise fund, the relationship between financing uses and financing sources is the overriding principle; thus, appropriation controls are not required.

5.12 BUDGETARY BASIS

The 3CE uses the full accrual basis of accounting following GAAP. The budgetary basis is appropriation-based beginning October 1 and ending the last day of September of each year. 3CE is an enterprise fund, which is appropriation-based budgeted; however, accounting is on a full accrual basis.

5.13 CAPITAL ASSET DEFINITION

The 3CE defines capital assets as assets with initial, individual costs of \$5,000 or more and an estimated useful life greater than one year, except infrastructure, for which the threshold is set at \$100,000. Capital assets include both tangible and intangible assets categorized by asset type for reporting purposes.

5.14 APPROPRIATIONS FOR CONTINGENCIES

3CE annually adopts an appropriation for contingencies to provide sufficient working capital and a margin of safety for unplanned operational needs. The contingency appropriation is utilized only after all other budget resources have been examined. The appropriation for operational contingencies shall be equal to five percent (5%) of recommended agency appropriations excluding CEO unless expressly modified by the Policy Board as part of the annual budget adoption.

5.15 PAYMENT FOR GOODS FROM PRIOR YEAR

Goods and services ordered but not received before the end of the prior fiscal year will be paid from the current year’s budgeted appropriations. The agencies payment for goods and services to be received or

5. Operating Budget / 6. Net Position and Reserve Policies

used in the next year are not authorized for payment from current year appropriations unless the items are recurring invoices for the next year and are generally due before year-end.

5.16 INTEREST EARNINGS

Unless otherwise directed by statute, regulation, or resolution, interest will be allocated as operational financing and used in the annual budgeting process. Interest from earnings is classified as non-operational revenue.

6. Net Position and Reserve Policies

6.1 NET POSITION

Net Position is a measurement of available financial resources. It is the difference between total assets and total liabilities. The Policy Board recognizes that the maintenance of a positive Net Position is essential to preserving 3CE’s financial integrity. Sufficient Net Position and reserve levels are a critical component of the 3CE’s overall financial management strategy. They are key factors in the ability to sustain service delivery and obtain external financing. Rating agencies analyze Net Position when considering 3CE’s overall financial strength and creditworthiness. Adequate reserves enable flexible financial planning in developing rate structures, future capital projects, dealing with unforeseen emergencies, and changes in general economic conditions.

6.2 USE OF UNRESERVED NET POSITION

3CE’s goal is to only use unreserved Net Position as a source to finance one-time investments, reserves, and/or commitments. As a one-time financing source, any end-of-year positive Net Position will be used for non-recurring expenditures and only after confirmation of the yearly audit.

6.3 STRATEGIC RESERVE POLICY

A Strategic Reserve is essential for 3CE to provide an adequate financial backstop throughout the year. 3CE shall adopt a Strategic Reserve Policy equal to twenty-five percent (25%) of budgeted appropriations. The mechanism to fund the Strategic Reserve shall be use of unreserved Net Position. The 3CE strategic reserve will provide sufficient working capital (cash flow), fund settlements of legal judgments against the 3CE in excess of reserves specifically designated for litigation, for natural disasters as determined by the CEO or Policy Board, and for one-time-only budget overruns that could not be addressed through the annual appropriations for contingencies.

If the strategic reserve is utilized to provide temporary funding of unforeseen needs, 3CE shall take measures necessary to prevent its use in the following fiscal year by increasing revenues and/or decreasing expenditures to regain balance. 3CE shall also restore the strategic reserve to the minimum level of twenty-five percent (25%) of budgeted appropriations within five fiscal years following the

6. Net Position and Reserve Policies / 7. Capital Facilities / 8. Debt Management

fiscal year in which the event occurred. The plan to restore the strategic reserve shall be included and highlighted in the 3CE’s Recommended Budget.

6.4 ENERGY RATE STABILIZATION RESERVE

The agency shall establish an Energy Rate Stabilization Reserve equal to twenty (20%) of the budgeted COE. The Energy Rate Stabilization Reserve shall be utilized for large fluctuations in the COE and/or required increased power purchasing needs including regulatory compliance. This reserve may be utilized throughout the fiscal year at the direction of the CEO with subsequent reporting to the Energy Risk Management Committee (RMC) and the Boards.

6.5 RENEWABLE ENERGY INNOVATION AND INITIATIVES RESERVE

The agency shall establish a Renewable Energy Innovation and Initiatives Reserve equal to five percent (5%) of the budgeted COE. The Renewable Energy Innovation and Initiatives Reserve shall be utilized for investments in furtherance of the Boards’ goals to accelerate utilization of 100% clean and renewable energy through the commitment to new or emerging, but scalable, technologies that can address the challenges of an intermittent renewable grid and reduce dependency on fossil fuels for electricity generation.

6.6 CAPITAL INFRASTRUCTURE RESERVE

The agency shall establish a Capital Infrastructure Reserve sufficient to provide for the operation, routine scheduled maintenance, reasonably anticipated unplanned repair, and ultimate replacement costs of 3CE’s capital infrastructure, including enterprise software, real estate, and electric generation and storage facilities.

7. Capital Facilities and Improvement Policies

7.1 CAPITAL INVESTMENTS

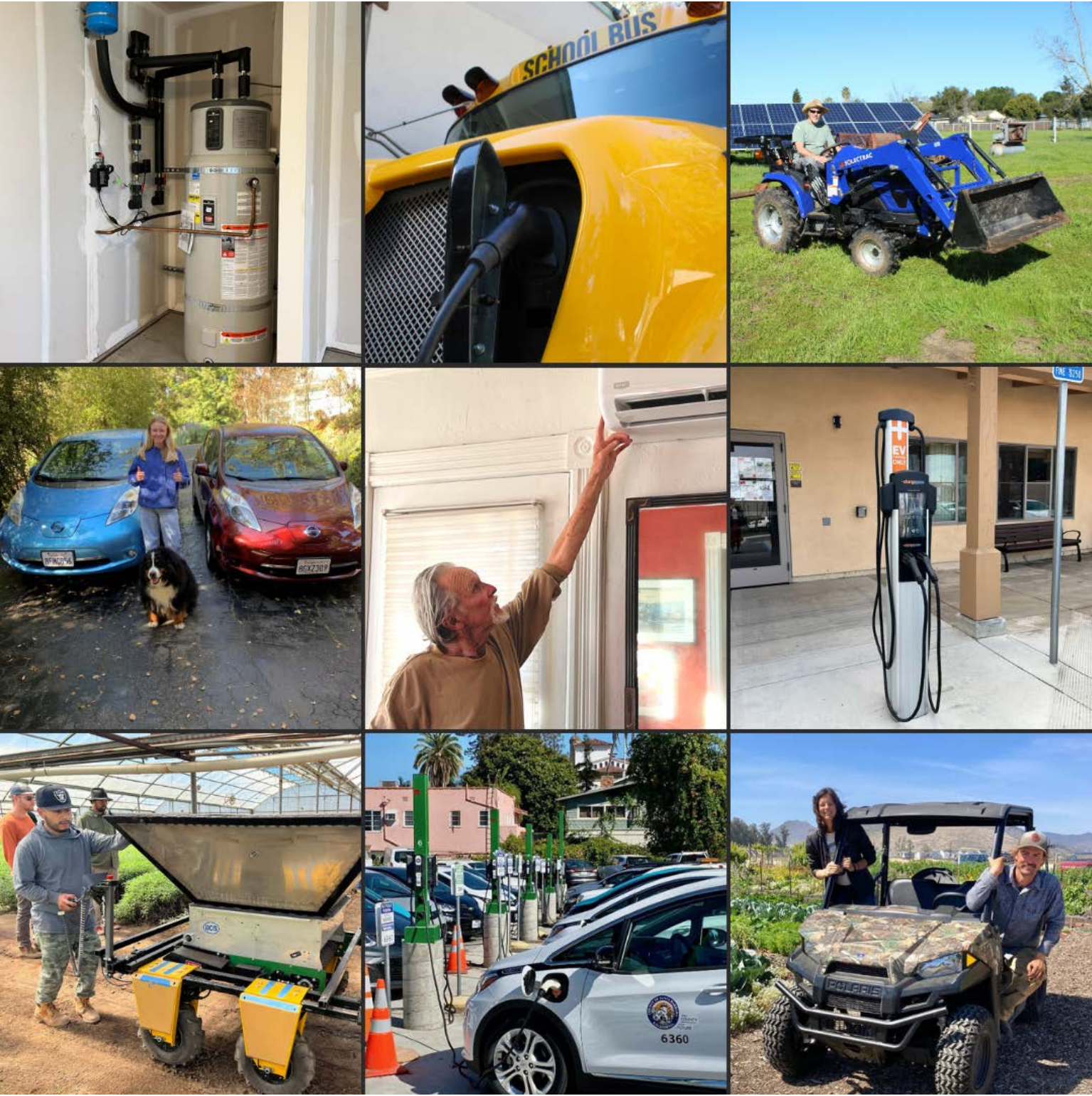
3CE is responsible for investing in the preservation, maintenance, and improvement of owned assets including buildings, equipment, and other capital infrastructure.

Projects in excess of \$100,000 that have an estimated useful life of at least five years and are non-recurring are considered capital projects and should be evaluated against other uses and priorities. All capital expenditures should be included in the Adopted Budget or taken to the Policy Board for approval and amendment to the Adopted Budget.

8. Debt Management

Due to its length and complexity, the Debt Management Policy is reviewed by the Policy Board separately from these policies.





FY 2023-24 Budget Summary					
	FY 22-23 Final Adopted	FY 23-24 Baseline	FY 23-24 Recommended Augmentation	FY 23-24 Recommended Budget	FY 23-24 Variance Prior Year Budget
REVENUE					
Total	\$461,797,031	\$455,128,399	\$107,705,049	\$562,833,447	\$101,036,416
COST OF ENERGY SOLD					
Total	\$403,427,380	\$520,297,514		\$520,297,514	\$116,870,134
SALARIES & BENEFITS					
Total	\$9,190,535	\$9,537,076		\$9,537,076	\$346,541
SERVICES & SUPPLIES					
Total	\$30,416,173	\$29,968,253	\$3,030,605	\$32,998,858	\$2,582,685
CAPITAL					
Subtotal	\$202,779				(\$202,779)
Total Appropriations	\$443,236,867	\$559,802,843	\$3,030,605	\$562,833,448	\$119,596,581
Total Financing Sources	\$461,797,031	\$455,128,399	\$107,705,049	\$562,833,448	\$101,036,416
Total Budgeted Change to Net Position	\$18,560,164	(\$104,674,444)	\$104,674,444	(\$0)	(\$18,560,164)

The Recommended Budget for FY 2023-24 totals \$562.8 million and authorizes 52 FTE positions. Significant changes since the adoption of the FY 2022-23 budget include: increases in COE by \$116.9 million or 29%, increases in Salary and Benefits by \$346,541 (3.8%), and increases in Services and Supplies of \$2.6 million (8.5%), for an overall increase in appropriations of \$119.6 million (27%). The two major cost increases in Services and Supplies are a contracted increase in Data Manager fees of \$1.7 million and an increase in operational contingency of \$900,000.

The increase in COE and other expenditures is funded by an adjustment in electricity rates as follows: increases by an average of \$0.025 per kWh in the PG&E region and maintenance of a 2% minus per kWh rate in the SCE region, for a total increase in revenue of \$101 million. The \$0.025 adjustment will be phased in with the first \$0.01 effective October 2023 and the remaining \$0.015 effective in January 2024. This phased approach will help to ease customers' transition, providing the lowest possible rates for as long as possible, while covering the annual cost of service.



# 3CE Staff Positions Schedule

Office/Department	Position Title	FTEs Current	FTEs Recommended
Office of the CEO	Chief Executive Officer	1	1
	General Counsel	1	1
	Clerk of the Board	1	1
	(To Be Determined)	0	6
Subtotal		3	9
Administrative Services	Director of Human Resources & Administration	1	1
	Executive Assistant	1	1
	Sr. Administrative Specialist	1	1
	Administrative Specialist	2	2
	Manager of Information Technology	1	1
	Information Technology Specialist	1	1
Subtotal		7	7
Total Positions		10	16

Office of the CFO	Chief Financial Officer	1	1
Finance	Director of Finance	1	1
	Senior Accountant	1	1
	Accountant	1	1
	Billing Operations & Rates Analyst	1	1
	Quantitative Risk Manager	1	1
Total Positions		6	6

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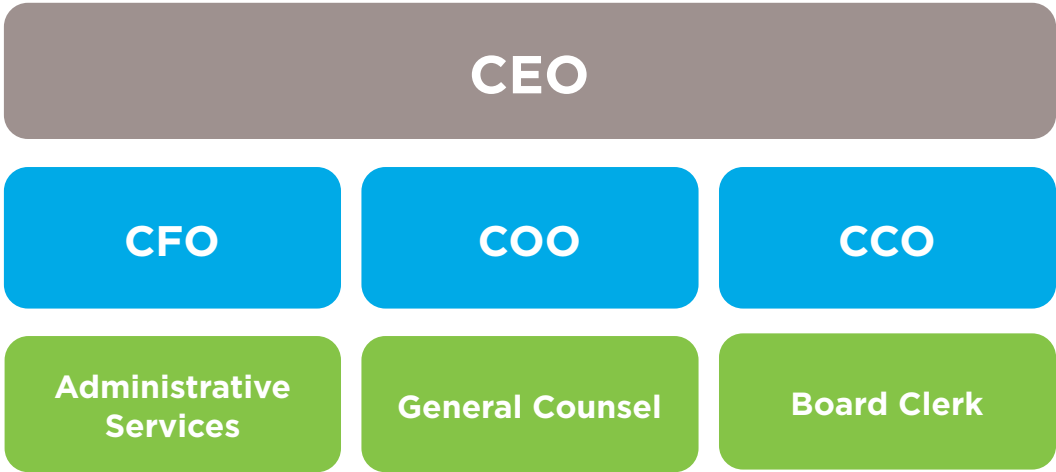
Office/Department	Position Title	FTEs Current	FTEs Recommended
Office of the COO	Chief Operating Officer	1	1
Power Services	Director of Power Services	1	1
	Manager of Energy Trading	1	1
	Energy Contracts & Compliance Manager	1	1
	Power Supply Analyst	1	1
	Power Resources Markets Manager	1	1
Subtotal		6	6
Regulatory Affairs & Compliance	Director of Regulatory Affairs & Compliance	1	1
	Policy Advisor	2	2
Subtotal		3	3
Data & Analytics	Director of Data & Analytics	1	1
	Data Analyst	1	1
	Data Engineer	1	1
Subtotal		3	3
Total Positions		12	12

Office of the CCO	Chief Communications Officer	1	1
Communications & Outreach	Director of Communications & Outreach	1	1
	Manager of Communications	1	1
	Communications Specialist	2	2
	Manager of Customer Accounts & Services	1	1
	Sr. Customer Accounts Manager	3	3
	Customer Accounts Manager	3	3
Subtotal		12	12
Energy Programs	Director of Energy Programs	1	1
	Manager of Energy Programs	1	1
	Energy Programs Analyst	4	4
Subtotal		6	6
Total Positions		18	18
3CE Grand Total		46	52

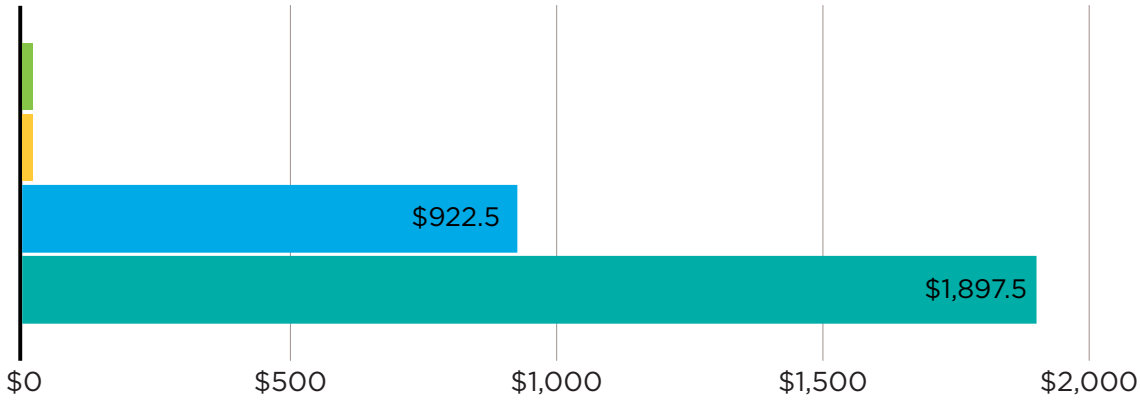


Office Summary

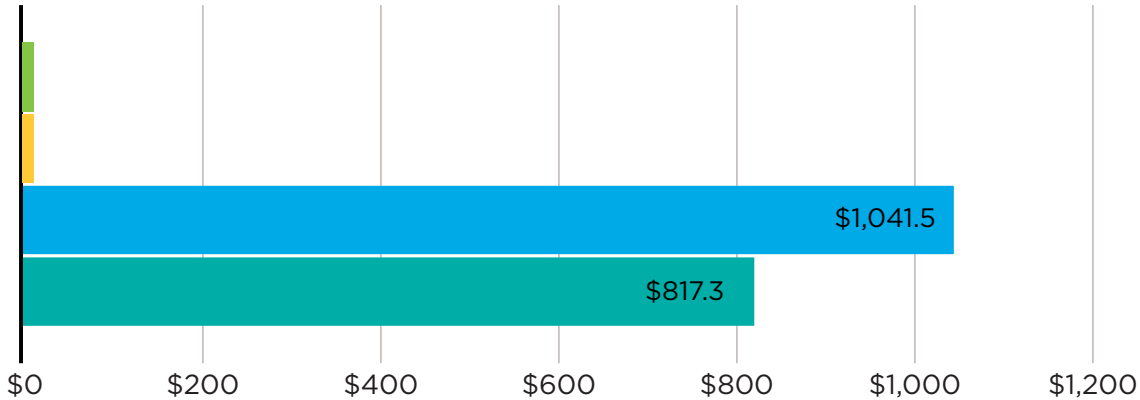
Office of the CEO



OFFICE OF THE CEO  
BUDGET SUMMARY  
in 000s



ADMINISTRATIVE SERVICES  
BUDGET SUMMARY  
in 000s



Revenues    Energy    Salaries and Benefits    Services and Supplies

FY 2023-24 Summary - Office of the CEO					
	FY 22-23 Final Adopted	FY 23-24 Baseline	FY 23-24 Recommended Augmentation	FY 23-24 Recommended Budget	FY 23-24 Variance Prior Year Budget
REVENUE					
Total					
COST OF ENERGY SOLD					
Total					
SALARIES & BENEFITS					
Total		\$922,506		\$922,506	\$922,506
SERVICES & SUPPLIES					
Total	\$1,737,200	\$1,897,521		\$1,897,521	\$160,321
CAPITAL					
Total Appropriations	\$1,737,200	\$2,820,027		\$2,820,027	\$1,082,827
Total Financing Sources					
Total Budgeted Change to Net Position	(\$1,737,200)	(\$2,820,027)		(\$2,820,027)	(\$1,082,827)

The Office of the Chief Executive Officer provides leadership and directs the implementation of 3CE’s business functions, programs, and initiatives in accordance with the Policy Board’s strategic vision and policies. An integral part of this work involves communication and collaboration with customers and stakeholders, cultivation of strong relationships with our member agencies, and facilitation of programs that advance the Boards’ goals. The Chief Executive Officer works to accelerate the adoption of renewable energy sources, leading development of power purchase agreements and ensuring our plans align with our commitment to environmental stewardship. At its heart, the focus of the executive office is to lead our agency in a way that serves our customers, empowers our staff, and respects our planet.

ACCOMPLISHMENTS

- Developed Project Selection Criteria responsive to Board and community values including commitments to a skilled and trained local workforce, innovation, environmental justice, and environmental stewardship, while promoting local investment and 3CE’s core mission of cost-effectively delivering new 100% clean and renewable projects;
- Delivered on the Board’s direction to include the unincorporated County of San Luis Obispo as a 3CE member agency. Developed a procurement strategy to prioritize Resource Adequacy compliance designed to enable the enrollment of customers in the City of Atascadero and unincorporated County of San Luis Obispo in 2025;
- Assembled a robust executive leadership team, including a Chief Financial Officer (CFO), Chief Operations Officer (COO), Chief Communications Officer (CCO), and an expert General Counsel to ensure our operations are supported by sound legal guidance and risk mitigation; and
- Conducted organizational culture assessment to align internal processes, responsibilities, and decision-making with agency needs and Board direction.

FY 2023-24 FOCUS AREAS

- Provide high-level leadership, oversight and support of 3CE’s staff and operations to professionally deliver services and programs while providing timely, accurate information, analysis, and recommendations to the Boards to assist in policymaking;
- Through the CCO, strategically and effectively engage with customers, member agencies, stakeholders, policymakers, and our communities to create awareness of key issues, 3CE programs, and initiatives;
- Through the COO, deliver additional generation and storage PPAs to meet the Boards’ 100% by 2030 goal while simultaneously implementing a cost-effective, strategic approach toward RA compliance that includes baseload resources, varied storage technologies, RA hedging inclusive of long- and short-term products, control over dispatchable resources, and load-shifting strategies; and
- Through the CFO, maintain 3CE’s A credit rating and establish an equitable and sustainable cost-based three-year rate period (2025-2027) for all customers that covers the cost of service and programs, and accounts for revenue fluctuations.

FY 2023-24 Summary - Administrative Services					
	FY 22-23 Final Adopted	FY 23-24 Baseline	FY 23-24 Recommended Augmentation	FY 23-24 Recommended Budget	FY 23-24 Variance Prior Year Budget
REVENUE					
Total					
COST OF ENERGY SOLD					
Total					
SALARIES & BENEFITS					
Total	\$9,190,535	\$1,041,502		\$1,041,502	(\$8,149,033)
SERVICES & SUPPLIES					
Total	\$717,912	\$620,298	\$196,990	\$817,288	\$99,376
CAPITAL					
Total Appropriations	\$9,908,447	\$1,661,800	\$196,990	\$1,858,790	(\$8,049,657)
Total Financing Sources					
Total Budgeted Change to Net Position	(\$9,908,447)	(\$1,661,800)	(\$196,990)	(\$1,858,790)	\$8,049,657

The Administrative Services Department serves 3CE’s mission and customers by developing, retaining, and enabling a diverse, high-performing workforce that has effective technology support and access to innovative solutions. It includes human resources, administrative support, and information technology. Its staff is dedicated to fostering a productive and harmonious work environment, attracting and retaining qualified talent, and efficiently managing administrative operations to support the overall functioning of the organization. The Recommended Budget for the Administrative Services Department totals \$1,858,790, with \$1,041,502 in Salary and Benefits and \$817,288 and in Services and Supplies. This Department has no revenue. It is managed by the Director of Human Resources & Administration and has a total of seven staff.

ACCOMPLISHMENTS

- Recruited, hired and onboarded 11 full-time employees;
- Established position control standards and implemented NeoGov Performance Evaluation and Onboarding Platform Modules, streamlining and improving our processes with job candidates and enhancing the employee experience;
- Responded to more than 800 technology system user requests with more than 75% of requests for technical service resolved within 24 hours; and
- Improved 3CE platform security by completing Web Application Firewalls monitoring and conducting monthly financial system compliance audits.

FY 2023-24 FOCUS AREAS

- Implement an agency Leadership Development program. The program will consist of post-academy assessments on demonstrated competencies; the creation of individual development plans that identify activities to continue building leadership competencies; and a quarterly one-hour Leadership Series session to introduce new competencies;
- Establish a Wellness Committee made up of a diverse group of internal Wellness Champions who will recommend wellness initiatives that align with 3CE’s strategic goals and budget;
- Continue improvement in the development of a reliable and secure computer infrastructure with high-speed network access to all departments; and
- Identify new agency-wide technology solutions to automate tasks and improve operational efficiencies.



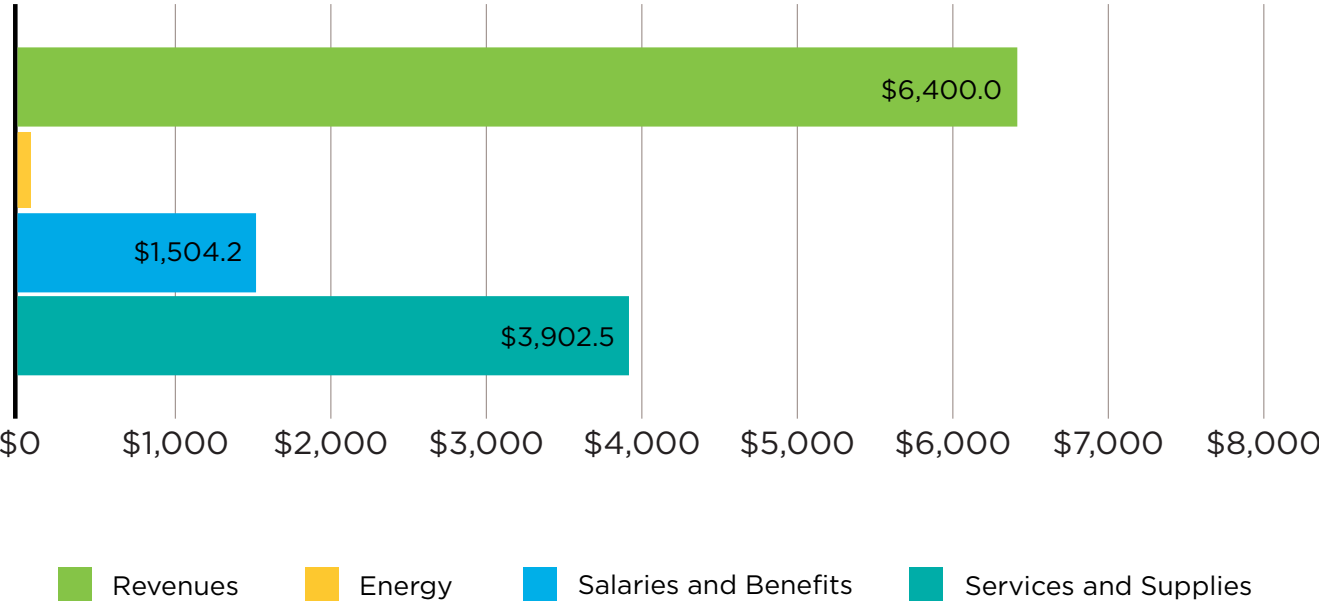


# Office Summary

Office of the CFO: Finance



FINANCE  
BUDGET SUMMARY  
in 000s



FY 2023-24 Summary - Finance					
	FY 22-23 Final Adopted	FY 23-24 Baseline	FY 23-24 Recommended Augmentation	FY 23-24 Recommended Budget	FY 23-24 Variance Prior Year Budget
REVENUE					
Total	\$461,751,851	\$6,400,000		\$6,400,000	(\$455,351,851)
COST OF ENERGY SOLD					
Total					
SALARIES & BENEFITS					
Total		\$1,504,193		\$1,504,193	\$1,504,193
SERVICES & SUPPLIES					
Total	\$2,824,700	\$3,804,560	\$97,928	\$3,902,488	\$1,077,788
CAPITAL					
Total Appropriations	\$2,824,700	\$5,308,753	\$97,928	\$5,406,681	\$2,581,981
Total Financing Sources	\$461,751,851	\$6,400,000		\$6,400,000	(\$455,351,851)
Total Budgeted Change to Net Position	\$458,927,151	\$1,091,247	(\$97,928)	\$993,319	(\$457,933,832)

The Office of the Chief Financial Offer is charged with overseeing all aspects of financial planning and budgeting, financial reporting and analysis, energy risk management, investment management, internal controls and compliance, cost management, and financial strategy and decision support for the Chief Executive Officer. The Recommended Budget for the Finance Department totals \$5,406,681, with \$1,504,193 in Salary and Benefits and \$3,902,488 in Services and Supplies. Included in this group is interest income budgeted at \$6,400,000. This Office is managed by the CFO and has a total of six staff dedicated to ensuring 3CE remains financially sound and capable of delivering excellent service to customers, member agencies, and our communities.

## ACCOMPLISHMENTS

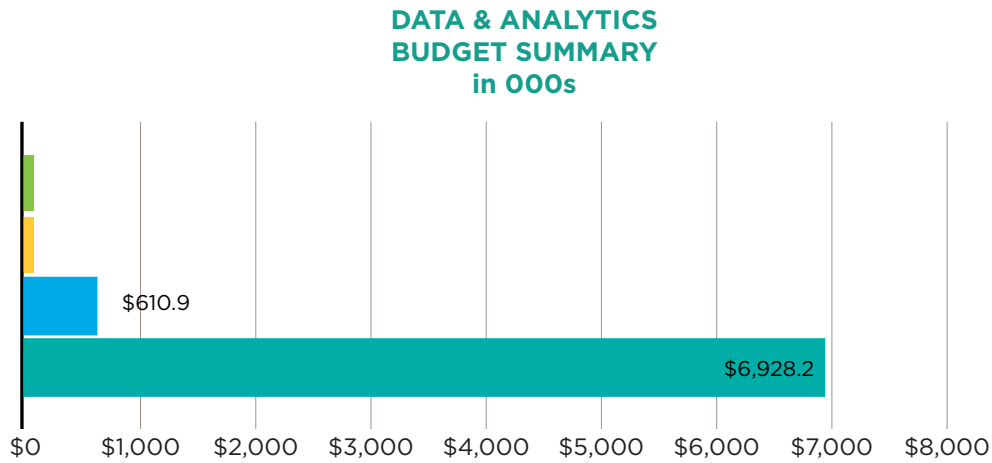
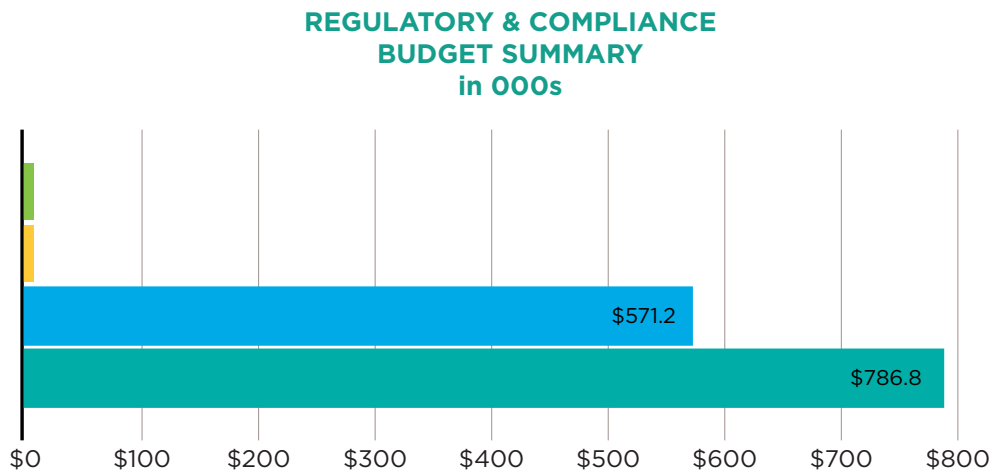
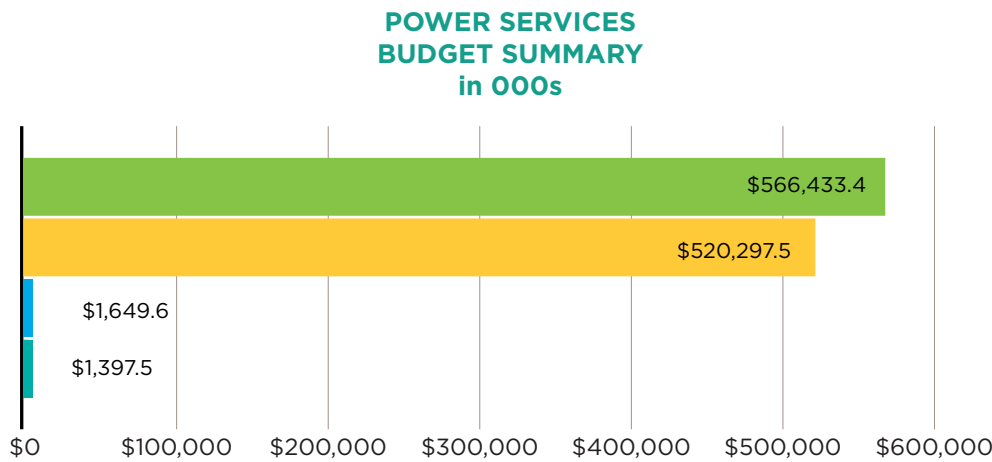
- Improved financial operations by successfully transitioning to Calpine for data and billing operations, as well as bringing payroll in-house;
- Partnered with IOUs to apply California Arrearage Payment Program (CAPP) 2.0 funds and participate in Arrearage Management Plan (AMP) and Percentage of Income Payment Plan (PIPP) pilots;
- Successfully uploaded all time-dependent rates to Market Informed Demand Automation Server (MIDAS) ahead of first deadline as set in the Load Management Standards set by the California Energy Commission (CEC); and
- Maintained a strong net position of \$247.5 million and high return on investment (ROI) at \$4.8 million (through May 31, 2023) while completing the first full year of Cost-of-Service (COS) rates in PG&E territory.

## FY 2023-24 FOCUS AREAS

- Complete a cost-of-service study for the entire 3CE service area, incorporating SCE territory;
- Implement Day-Ahead Real Time Pricing (DAH RTP) Pilot in close cooperation with PG&E;
- Implement a comprehensive Enterprise Resource Planning program for Budgeting, Financials, and Personnel; and
- Improve financial operation performance and management by evaluating a contingent full-service banking relationship and lower investment management fees by switching to a self-directed brokerage account for US Treasury purchases.

# Office Summary

## Office of the COO



Revenues Energy Salaries and Benefits Services and Supplies

FY 2023-24 Summary - Office of the COO					
	FY 22-23 Final Adopted	FY 23-24 Baseline	FY 23-24 Recommended Augmentation	FY 23-24 Recommended Budget	FY 23-24 Variance Prior Year Budget
REVENUE					
Total		\$448,728,399	\$107,705,049	\$556,433,447	\$556,433,447
COST OF ENERGY SOLD					
Total	\$403,427,380	\$520,297,514		\$520,297,514	\$116,870,134
SALARIES & BENEFITS					
Total		\$2,831,689		\$2,831,689	\$2,831,689
SERVICES & SUPPLIES					
Total	\$7,604,369	\$6,444,268	\$2,668,239	\$9,112,507	\$1,508,138
CAPITAL					
Total Appropriations	\$411,031,749	\$529,573,471	\$2,668,239	\$532,241,710	\$121,209,961
Total Financing Sources		\$448,728,399	\$107,705,049	\$556,433,447	\$556,433,447
Total Budgeted Change to Net Position	(\$411,031,749)	(\$80,845,072)	\$105,036,810	\$24,191,738	\$435,223,487

The Office of the Chief Operating Officer leads three departments: Power Supply, Regulatory Affairs & Compliance, and Data & Analytics. The Office’s focus is to operationalize 3CE’s adopted goal of achieving 100% clean and renewable electricity by 2030, in compliance with all regulations governing the industry.

The Chief Operating Officer is tasked with securing affordable clean and renewable electricity for 3CE’s customers, navigating and shaping the regulatory environment in which 3CE operates, ensuring compliance with all regulations, and managing and analyzing the large amount of data associated with serving our customers.



FY 2023-24 Summary - Power Services							
	FY 22-23 Final Adopted	FY 23-24 Baseline	FY 23-24 Augmentation Requests	FY 23-24 Requested	FY 23-24 Recommended Augmentation	FY 23-24 Recommended Budget	FY 23-24 Variance Prior Year Budget
REVENUE							
Total		\$448,728,399		\$448,728,399	\$107,705,049	\$556,433,447	\$556,433,447
COST OF ENERGY SOLD							
Total	\$403,427,380	\$520,297,514		\$520,297,514		\$520,297,514	\$116,870,134
SALARIES & BENEFITS							
Total		\$1,649,598	\$630,000	\$2,279,598		\$1,649,598	\$1,649,598
SERVICES & SUPPLIES							
Total	\$1,128,821	\$637,763	\$759,715	\$1,397,478	\$759,715	\$1,397,478	\$268,657
CAPITAL							
Total Appropriations	\$404,556,201	\$522,584,875	\$1,389,715	\$523,974,590	\$759,715	\$523,344,590	\$118,788,389
Total Financing Sources		\$448,728,399		\$448,728,399	\$107,705,049	\$556,433,447	\$556,433,447
Total Budgeted Change to Net Position	(\$404,556,201)	(\$73,856,476)	(\$1,389,715)	(\$75,246,191)	\$106,945,334	\$33,088,858	\$437,645,059

The Power Services Department is tasked with securing affordable, clean, and renewable electricity for 3CE customers through short-term and long-term contracting to attain cost certainty and meet regulatory procurement obligations.

Power Services staff operates within a dynamic and sometimes volatile energy market. Prices for energy and their underlying drivers are susceptible to unpredictable and significant changes. In addition, regulatory and legislative changes can structurally alter markets, price levels, and procurement requirements. 3CE adheres to their Energy Risk Management Policy to mitigate these risks and create rate stability while aggressively working to deploy clean and renewable generation resources.

The Recommended Budget for the Power Services Department totals \$523,344,590, with \$1,649,598 in Salary and Benefits and \$1,397,478 and in Services and Supplies. Included in this department are revenues from the sale of energy in the amount of \$556,433,447. The department is managed by the Director of Power Services and has a total of five staff.

ACCOMPLISHMENTS

- Avoided more than an estimated 323,000 MT CO2e in 2022;
- Brought online substantial new sources of renewable energy, including:
  - Rabbitbrush Solar Plus Storage Project, which began providing 60 MW of solar generation paired with 12 MW of energy storage, serving approximately 3% of 3CE’s demand;
  - Yellow Pine Solar Plus Storage Project, which began providing 75 MW of solar generation paired with 39 MW of storage, serving approximately 5% of 3CE’s demand; and
- Executed a 25-year agreement for a first-of-its-kind advanced compressed-air energy storage facility. This innovative energy storage project will allow 3CE to shift the energy deliveries of its renewable fleet to the times of day it is most needed.

FY 2023-24 FOCUS AREAS

- Implement the Board’s Project Selection Criteria while continuing to execute long-term fixed-price contracts for energy storage and/or renewable generation to realize the Board’s goal of meeting 60% of retail demand with renewables by 2025 and 100% by 2030;
- Implement and continually evaluate 3CE’s new Resource Adequacy procurement strategy to address both regulatory compliance and skyrocketing costs;
- Continue to work with developers and market stakeholders to alleviate supply-chain challenges, inflationary pressures, and interconnection delays; and
- Maximize market asset operations for the benefit of 3CE customers.

FY 2023-24 Summary - Regulatory & Compliance					
	FY 22-23 Final Adopted	FY 23-24 Baseline	FY 23-24 Recommended Augmentation	FY 23-24 Recommended Budget	FY 23-24 Variance Prior Year Budget
REVENUE					
Total					
COST OF ENERGY SOLD					
Total					
SALARIES & BENEFITS					
Total		\$571,161		\$571,161	\$571,161
SERVICES & SUPPLIES					
Total	\$728,344	\$725,862	\$60,943	\$786,805	\$58,461
CAPITAL					
Total Appropriations	\$728,344	\$1,297,023	\$60,943	\$1,357,966	\$629,622
Total Financing Sources					
Total Budgeted Change to Net Position	(\$728,344)	(\$1,297,023)	(\$60,943)	(\$1,357,966)	(\$629,622)

The Regulatory Affairs and Compliance Department engages regulatory bodies with jurisdiction over 3CE and the markets in which we operate and ensures compliance with all regulatory obligations. The department contributes to statewide planning, reliability, and renewable goals through Integrated Resource Planning, Mid-Term Reliability, Resource Adequacy, Renewable Portfolio Standards, and the Supplier Diversity Program. Regulatory Affairs and Compliance staff actively participate in rule-making proceedings before the California Public Utilities Commission (CPUC) concerning rates, affordability, and payment assistance programs.

The Recommended Budget for Regulatory Affairs & Compliance totals \$1,357,966 with \$571,161 in Salary and Benefits and \$786,805 and in Services and Supplies. This department has no revenue. It is managed by the Director of Regulatory Affairs & Compliance and has a total of three staff.

ACCOMPLISHMENTS

- Represented 3CE’s position in support of local decision-making and against arbitrary CPUC penalties for delays caused by interconnection backlogs;
- Successfully advocated for beneficial terms surrounding major changes to the Resource Adequacy program to take effect in 2025, as well as avoided arbitrary retroactive application of new CCA expansion rules;
- Worked in collaboration with other CCAs to develop rules and procedures for participation in the IOU-administered Bioenergy Market Adjusting Tariff (BioMAT) program to aid public agencies’ SB 1383 compliance; and
- Compiled and submitted 61 compliance filings to the CPUC, California Energy Commission (CEC), California Air Resources Board (CARB), US Energy Information Administration (US EIA), and Western Renewable Energy Generation Information System (WREGIS), including the 2022 Supplier Diversity Report, which demonstrates 3CE’s investments in small, local, and disadvantaged businesses, including a 33% annual increase in the amount of revenue spent with local businesses in 2022.

FY 2023-24 FOCUS AREAS

- Shape regulatory policy to bring new resources online faster and maximize benefits of load-shifting strategies in support of 3CE’s commitment to 100% clean and renewable energy by 2030;
- Track and participate in proceedings and initiatives before the CPUC, CEC, California Independent System Operator (CAISO), and other regulatory bodies on matters pertaining to 3CE’s service, renewable goals, energy programs, and engagement with underserved and disadvantaged communities;
- Inform 3CE’s customers and operations through timely and effective communication of regulatory changes and their implications; and
- Conduct timely and accurate compliance tracking and filing in coordination with regulatory authorities.

FY 2023-24 Summary - Data & Analytics					
	FY 22-23 Final Adopted	FY 23-24 Baseline	FY 23-24 Recommended Augmentation	FY 23-24 Recommended Budget	FY 23-24 Variance Prior Year Budget
REVENUE					
Total					
COST OF ENERGY SOLD					
Total					
SALARIES & BENEFITS					
Total		\$610,930		\$610,930	\$610,930
SERVICES & SUPPLIES					
Total	\$5,747,204	\$5,080,643	\$1,847,581	\$6,928,224	\$1,181,020
CAPITAL					
Total Appropriations	\$5,747,204	\$5,691,573	\$1,847,581	\$7,539,154	\$1,791,950
Total Financing Sources					
Total Budgeted Change to Net Position	(\$5,747,204)	(\$5,691,573)	(\$1,847,581)	(\$7,539,154)	(\$1,791,950)

The Data & Analytics Department oversees 3CE’s extensive customer, usage, and transaction data for more than 430,000 accounts, strategically employing it to make informed business decisions. The department’s primary objective is to craft and activate a strategic data plan, empowering the organization to embrace a more insights-driven approach, and to consolidate data into a unified environment, affording comprehensive visibility into system conditions at any given moment and across all levels of aggregation.

The Recommended Budget for the Data & Analytics Department totals \$7,539,154, with \$610,930 in Salary and Benefits and \$6,928,224 in Services and Supplies. This Department has no revenue. It is managed by the Director of Data & Analytics and has a total of three staff.

ACCOMPLISHMENTS

- Successfully overcame the hurdles associated with migrating data to a new data management and customer billing provider;
- Implemented a centralized Data Warehouse that ingests Calpine and IOU data;
- Constructed various initial dashboards and reports; and
- Completed more than 150 data requests from various stakeholders.

FY 2023-24 FOCUS AREAS

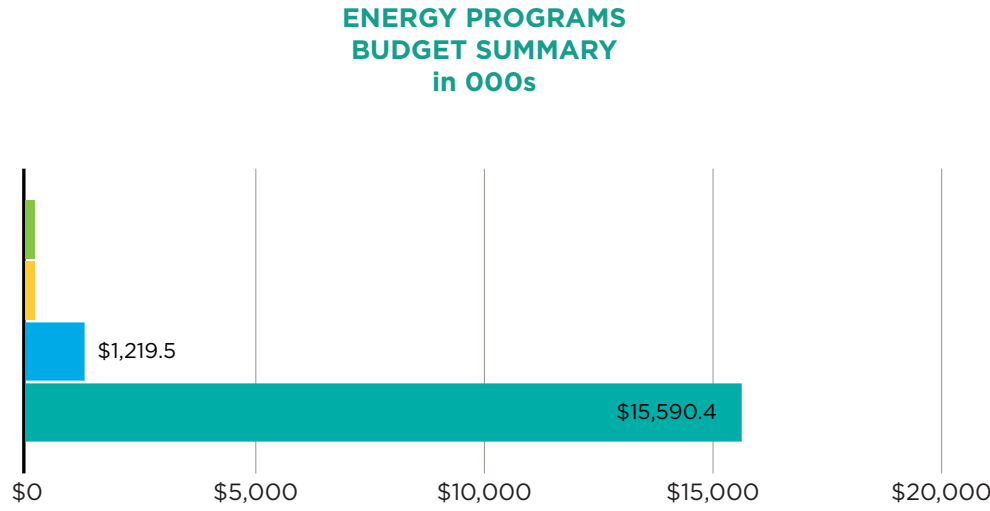
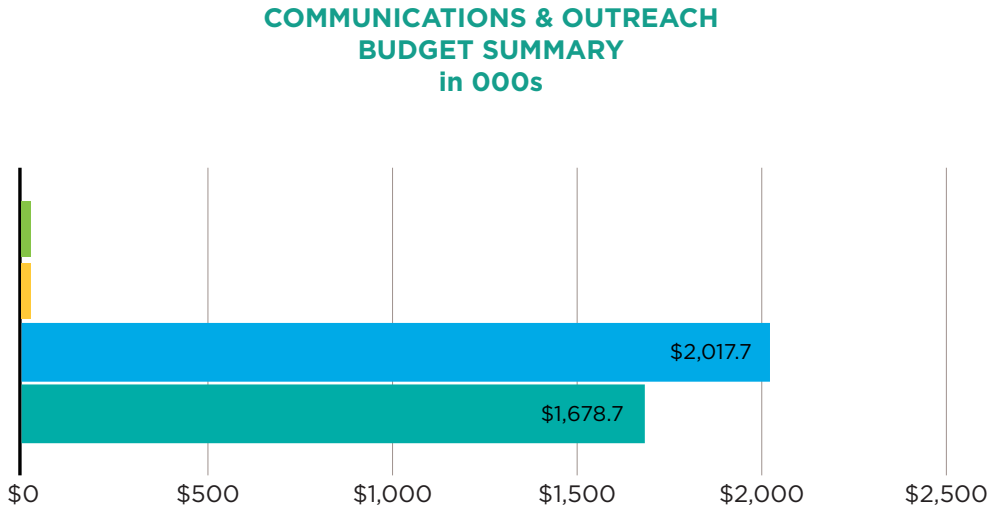
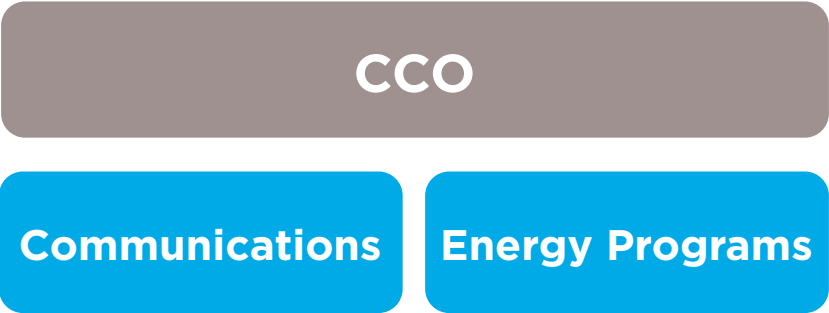
- Deploy a Data Analytics Hub to centralize dashboards and reporting and provide access to insights generated by the Data Warehouse;
- Train each department and their leads to operate within the Data Warehouse environment and apply data-driven insights to their respective functions;
- Identify and integrate additional public and protected data sources into the Data Warehouse to increase the value of insights; and
- Conduct analysis of various customer segments to optimize outreach and program adoption efforts.





# Office Summary

## Office of the CCO



Revenues Energy Salaries and Benefits Services and Supplies

FY 2023-24 Summary - Office of the CCO					
	FY 22-23 Final Adopted	FY 23-24 Baseline	FY 23-24 Recommended Augmentation	FY 23-24 Recommended Budget	FY 23-24 Variance Prior Year Budget
REVENUE					
Total	\$45,180				(\$45,180)
COST OF ENERGY SOLD					
Total					
SALARIES & BENEFITS					
Total		\$3,237,186		\$3,237,186	\$3,237,186
SERVICES & SUPPLIES					
Total	\$17,531,992	\$17,201,606	\$67,448	\$17,269,054	(\$262,938)
CAPITAL					
Total Appropriations	\$17,531,992	\$20,438,792	\$67,448	\$20,506,240	\$2,974,248
Total Financing Sources	\$45,180				(\$45,180)
Total Budgeted Change to Net Position	(\$17,486,812)	(\$20,438,792)	(\$67,448)	(\$20,506,240)	(\$3,019,428)

The Office of the Chief Communications Officer serves as a vital connection between 3CE and its communities. It includes the Communications & Outreach and Energy Programs Departments and encompasses customer communications, community relations, legislative affairs, and the creation and delivery of our energy programs, which provide significant reinvestment into our communities.

The Communications & Outreach and Energy Programs Departments work hand-in-hand to promote our diverse portfolio of energy programs, designed to meet the needs of residents, businesses, and local government. The Office of the Chief Communications Officer strives to build trust and understanding while demonstrating value in the areas of affordability, environmental stewardship, and public participation.

FY 2023-24 Summary - Communications & Outreach					
	FY 22-23 Final Adopted	FY 23-24 Baseline	FY 23-24 Recommended Augmentation	FY 23-24 Recommended Budget	FY 23-24 Variance Prior Year Budget
REVENUE					
Total					
COST OF ENERGY SOLD					
Total					
SALARIES & BENEFITS					
Total		\$2,017,719		\$2,017,719	\$2,017,719
SERVICES & SUPPLIES					
Total	\$1,592,322	\$1,631,866	\$46,825	\$1,678,691	\$86,369
CAPITAL					
Total Appropriations	\$1,592,322	\$3,649,585	\$46,825	\$3,696,410	\$2,104,088
Total Financing Sources					
Total Budgeted Change to Net Position	(\$1,592,322)	(\$3,649,585)	(\$46,825)	(\$3,696,410)	(\$2,104,088)

The Communications & Outreach Department’s staff act as direct advocates for 3CE’s customers. Through relationship building and community outreach, they help guide energy decisions and create partnerships in our shared journey toward reduced emissions. Through English and Spanish print, broadcast, and digital media, events, and community-based organizations, the department works to drive individual choice and impact regional sustainability.

Over the past year, the Communications & Outreach Department significantly extended its reach across the diverse communities we serve. Our accomplishments reflect our commitment to increasing awareness of the importance of clean energy, engaging with communities, providing excellent service, and communicating 3CE’s mission and progress.

The Recommended Budget for the Communication & Outreach Department totals \$3,696,410, with \$2,017,719 in Salary and Benefits and \$1,678,691 in Services and Supplies. This department has no revenue. It is managed by the Director of Communications & Outreach and has a total of 12 staff.

ACCOMPLISHMENTS

- Launched 3CE’s first Awareness Outreach campaign, which generated more than 3 million impressions in its first month alone and a 54% video engagement rate (average is 15%). Effectively developed and implemented engagement campaigns to increase awareness of 3CE benefits to all customers through 16 farmworker outreach events and bilingual multimedia energy program promotions, increasing website traffic by 11%, and hosting informational and networking events for customers;
- Helped to raise the agency’s profile through earned media including coverage by *PV Magazine*, *Utility Dive*, and the *American Power Association*, and as the lead story in “Boiling Point,” the prestigious climate newsletter from the *Los Angeles Times*;
- Conducted a research-based survey of customers’ attitudes and priorities, including perceptions of 3CE, its mission, and its service; and
- Developed the 3Cprime Certified program for commercial, industrial, and public sector customers that opted up to our 100% renewable energy service offering.

FY 2023-24 FOCUS AREAS

- Continue to provide excellent customer service and customer care through research-based customer surveys, and a direct stakeholder engagement and outreach process that is inclusionary, equitable, and effective, as well as continue to build enduring coalitions that enhance 3CE’s legislative engagement on behalf of customers, member agencies, and our communities;
- Implement customer outreach and engagement plans for implementation of service in the City of Atascadero and County of San Luis Obispo, and for implementation of the 2025-2027 rate period;
- Strengthen engagement with underserved and underrepresented communities and stakeholders. Use feedback to update and operationalize 3CE’s Underserved Communities Engagement Plan to promote Energy Programs and the Local Vendor Registry; and
- Conduct a robust Community Advisory Council (CAC) Workplan process, continuing the CAC’s focus on community education, engagement, and feedback on Energy Programs.

FY 2023-24 Summary - Energy Programs					
	FY 22-23 Final Adopted	FY 23-24 Baseline	FY 23-24 Recommended Augmentation	FY 23-24 Recommended Budget	FY 23-24 Variance Prior Year Budget
REVENUE					
Total	\$45,180				(\$45,180)
COST OF ENERGY SOLD					
Total					
SALARIES & BENEFITS					
Total		\$1,219,467		\$1,219,467	\$1,219,467
SERVICES & SUPPLIES					
Total	\$15,939,670	\$15,569,740	\$20,623	\$15,590,363	(\$349,307)
CAPITAL					
Total Appropriations	\$15,939,670	\$16,789,207	\$20,623	\$16,809,830	\$870,160
Total Financing Sources	\$45,180				(\$45,180)
Total Budgeted Change to Net Position	(\$15,894,490)	(\$16,789,207)	(\$20,623)	(\$16,809,830)	(\$915,340)

The Energy Programs Department promotes regional climate action through effective and equitable energy programs focused on the electrification of transportation, buildings, and agriculture, as well as demand-side management. 3CE’s energy programs provide incentives and technical assistance to customers so they can help reduce greenhouse gas emissions by switching from vehicles, equipment, and appliances that burn fossil fuels to clean, all-electric versions.

The Recommended Budget for the Energy Programs Department totals \$16,809,830, with \$1,219,467 in Salary and Benefits and \$15,590,363 in Services and Supplies, which is composed solely of incentive amounts and the implementation and administration of programs. This department has no revenue. It is managed by the Director of Energy Programs and has a total of six staff.

ACCOMPLISHMENTS

- Increased participation in 3CE’s Electrify Your Ride Program, which incentivizes the purchase of EVs and EV chargers, by 35% over the previous year;
- Contributed to an estimated annual reduction of more than 3,000 MT CO2e;
- Paid or reserved more than one-third of program incentive dollars for projects supporting underserved customers or communities; and
- Expanded “concierge-style” technical assistance services to include agriculture customers interested in developing DC fast-charging projects.

FY 2023-24 FOCUS AREAS

- Increase the impact of equitable energy programs on our customers’ lives and in the communities where they live and work by catalyzing market transformation and innovation to drive the fastest emissions reductions;
- Support customers and businesses that have been adversely impacted by declared disasters driven by climate change;
- Increase the development and availability of charging infrastructure throughout our service area, particularly along travel corridors and in charging deserts; and
- Design and launch Demand Response programs to help modify customer loads.



# Energy Programs 2023-24 Overview

3CE is dedicated to reinvesting in the communities it serves through Energy Program rebates and incentives that assist 3CE customers with switching their homes, workplaces, and transportation from fossil fuel power to clean-energy solutions.

## TRANSPORTATION ELECTRIFICATION

The **Electrify Your Ride** Program will provide both residential and commercial customers with a “one-stop-shop” for transportation electrification rebates and support. This program will also provide technical assistance services to multifamily and commercial property owners.  
**2023-24 BUDGET: \$4 MILLION**

The **Electric Bus** Program will provide 3CE customers with incentives for the purchase or lease of all-electric school buses, agricultural worker transport, and transit buses.  
**2023-24 BUDGET: \$2 MILLION**

The **Electrify Your Fleet** Program will provide Member Agencies with incentives for the purchase and construction/installation of electric vehicle service equipment including the time and materials required to install those chargers.  
**2023-24 BUDGET: \$2.1 MILLION**

The **Charge Your Fleet** Program will provide Member Agencies with incentives for the purchase/lease of duty, medium duty, and heavy-duty battery electric vehicles.  
**2023-24 BUDGET: \$1.2 MILLION**

The **Plan Your Fleet** Program will provide EV charging infrastructure and electric fleet transition support services to Member Agencies including planning, design, and engineering technical assistance.  
**2023-24 BUDGET: \$250,000**

## BUILDING ELECTRIFICATION

The **Electrify Your Home** Program is a 3CE partnership with TECH Clean California that will provide incentives to contractors switching gas-powered water heaters and HVAC equipment to all-electric versions in existing residential buildings.  
**2023-24 BUDGET: \$1.1 MILLION**

The **New Construction Eletrification** Program will provide affordable and farmworker housing developers and homeowners with incentives to build all-electric housing.  
**2023-24 BUDGET: \$1.1 MILLION**

The **Reach Code** Program will provide technical assistance and stakeholder engagement support to help cities and counties adopt and implement building and transportation electrification codes.  
**2023-24 BUDGET: \$100,000**

## AGRICULTURE ELECTRIFICATION

The **Ag Electrification** Program will provide incentives to Ag customers to replace fossil-fuel-powered agricultural equipment with new, all-electric versions. This program will also provide incentives and technical assistance services for DC fast-charging projects.  
**2023-24 BUDGET: \$1.8 MILLION**

## DEMAND RESPONSE

The **3CE Demand Side Management (DSM)** Program will reduce energy usage for 3CE’s customers during periods of high grid stress by rewarding customers for modifying their energy consumption.  
**2023-24 BUDGET: \$300,000**

## Steve Martin

### *In Memoriam*



3CE pays tribute to Paso Robles Mayor Steve Martin, a former board member, who passed away on August 14, 2023. Mayor Martin led by example and will be remembered for his significant giving of time and talent. Everyone who knew him will miss a highly intelligent, friendly, and vibrant individual.

We are grateful we had the privilege to know him.

# Power Purchase Agreements

A Power Purchase Agreement (PPA) is a contract between two parties, typically a renewable energy developer (such as a solar or wind farm) and an electricity consumer (such as a corporation, utility, or government entity, i.e. 3CE). In a PPA, the developer agrees to generate and deliver a certain amount of renewable energy to the consumer over a specified period, while the consumer commits to purchasing that energy at an agreed-upon price.

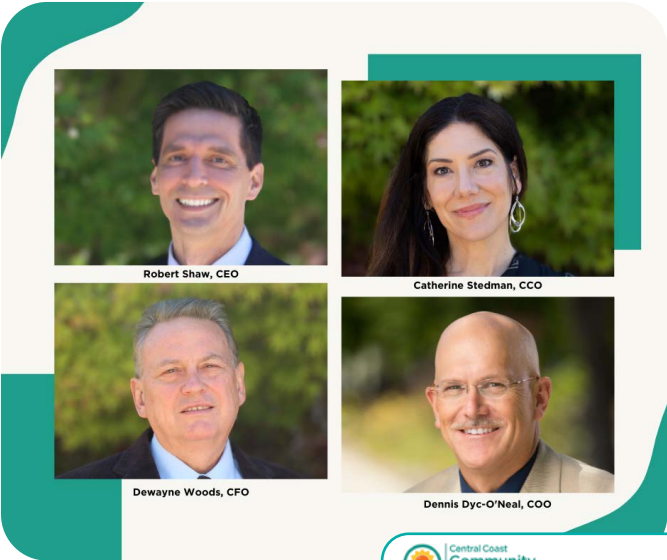
3CE enters PPAs for several reasons including commitment towards renewable energy goals, risk mitigation, hedging against energy price volatility, promotion of renewable energy market growth, regulatory compliance, and promoting local economic development. 3CE has invested over \$2 billion in 20 separate PPA and Energy Storage Agreements. The table on the right shows 3CE's current PPA agreements.



PPA	Technology	Renewable MW	Storage MW	MWh	% of Load	Online Date (Actual or Expected)	Term in Years
Coso Geothermal	Geothermal	66.3	N/A	570,000	11.2%	1/1/2022	15
Slate	PV + BESS	67.5	33.8	187,000	3.7%	3/3/2022	17
Mammoth Casa Diablo IV	Geothermal	7	N/A	57,000	1.1%	7/14/2022	10
Mountain View Wind	Wind	33.3	N/A	128,500	2.5%	7/26/2022	20
Rabbitbrush	Solar + Storage	60	12	178,000	3.5%	10/18/2022	15
Angela	Solar + Storage	20	10	56,000	1.1%	3/31/2023	15
Yellow Pine	Solar + Storage	75	39	240,000	4.7%	7/26/2023	20
Aratina	Solar + Storage	120	30	394,000	7.7%	6/30/2023	20
San Luis West	Solar + Storage	62.5	15.625	130,500	2.6%	12/1/2023	15
Clearway Victory Pass	Solar + Storage	100	25	301,000	5.9%	3/9/2024	15
Ormat Portfolio (CC Power)	Geothermal	22.38	N/A	187,000	3.7%	4/1/2024	20
OME Fish Lake (CC Power)	Geothermal	2.42	N/A	20,000	0.4%	6/1/2024	20
Jasmine	Solar + Storage	70	17.5	208,000	4.1%	6/30/2024	12
RPCA Storage 1	Standalone Storage	N/A	10	N/A	N/A	3/31/2025	20
Atlas	Solar Only	150	N/A	457,000	9.0%	12/31/2025	10
Bodega Energy Storage	Standalone Storage	N/A	10	N/A	N/A	1/1/2026	20
Green Valley Energy Storage	Standalone Storage	N/A	16	N/A	N/A	1/1/2026	20
Rava Mesa Energy Storage	Standalone Storage	N/A	6	N/A	N/A	1/1/2026	20
Willow Rock	Standalone Storage	N/A	200	N/A	N/A	6/1/2028	25
TOTAL		914	443	3,301,000	65%		



# FY 2022-23 At-a-Glance



323,000 MT  
CO2 emission reduction  
from PPAs

>3,500 MT  
CO2 emission reduction  
from programs



 200 Affordable Housing Units  
16 Accessory Dwelling Units



 21 Farm Equipment & Ag Vehicles



 700 Electric Vehicles & School Buses  
600 Light, Medium, & Heavy Duty Chargers  
430 Light, Medium, & Heavy Duty Readiness Projects

 126 Heat Pump HVAC & Water Heaters





# Glossary

3CE	Central Coast Community Energy
ACFR	Annual Comprehensive Financial Report
AMP	Arrearage Management Plan
BioMAT	Bioenergy Market Adjusting Tariff
CCA	Community Choice Aggregator
CAISO	California Independent System Operator
CalCCA	California Community Choice Association
CAPP	California Arrearage Payment Program
CARB	California Air Resources Board
CCO	Chief Communications Officer
CEC	California Energy Commission
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COE	Cost of Energy
COO	Chief Operations Officer
COS	Cost of Service
CPUC	California Public Utilities Commission
DAHRTPT	Day-Ahead Real Time Pricing
DSM	Demand-Side Management
FTE	Full-Time Equivalent
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
IOU	Investor-Owned Utility
kWh	Kilowatt-hour
LSE	Load Serving Entity
MT CO2e	Metric Tons of Carbon Dioxide Emissions
MW	Megawatt
MWh	Megawatt-hour
PG&E	Pacific Gas & Electric
PPA	Power Purchase Agreement
RA	Resource Adequacy
RMC	Risk Management Committee
ROI	Return on Investment
SCE	Southern California Edison
US EIA	US Energy Information Administration
WREGIS	Western Renewable Energy Generation Information System





