



Central Coast  
**Community  
Energy**



## **Ensuring a Bright, Clean Future**

### **Proposed Operating Budget**

Fiscal Year 2020-21

### **Policy Board September 2, 2020**

Central Coast Community Energy  
70 Garden Court, Suite 300  
Monterey, CA 93940



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## CEO'S MESSAGE



### **FY 2019-20 Has Been a Challenging Year**

We started the Fiscal Year optimistic, fueled by the excitement of enrolling the cities of San Luis Obispo and Morro Bay into MBCP (now Central Coast Community Energy or CCCE) and the pending expansion into the Counties of SLO and Santa Barbara, to serve the largest geographical footprint of any CCE. We expected, and planned for, a reasonable net margin that allowed us to offer rates 7 percent below comparable rates offered by PG&E, while ensuring that the balance of the Rate Stabilization Reserve will reach the target of 50% of operating expenses.

That initial excitement waned as news of a possible pandemic became a world-wide reality, changing societal and operational norms and bringing severe economic and social impacts to every state in our Nation. The entertainment and hospitality sectors of the economy, a staple job provider in our communities, were devastated by the closure of hotels, restaurants and the cancellation of events and conferences. CCCE was not exempted from these impacts. Overall demand for electricity declined by an average of 6-7 percent. That reduction in demand, along with anticipated higher uncollectable than planned, was a clear sign that the net margin would be lower than forecasted. Yet, CCCE board recognized that the financial impact on CCCE dwarfs in comparison to that suffered by residents and businesses of our Central Coast community. Accordingly, the Board quickly enacted a 50% rate deferment for May and June 2020.

This action by the Board is a testament of the value that community choice energy brings to the region. That agility and the willingness to make tough decisions to tackle climate change head on have been key to approving several long-term power purchase agreements for renewable resources that will provide sufficient energy to meet 35% of CCCE's total demand. Furthermore, in September, the Board will address staff's recommendation to increase renewables to 60% of demand by 2025 and 100% by 2030, well ahead of State mandates.

### **FY 2020-21 Brings More Exciting Initiatives**

CCCE will enroll 11 new member agencies in 2021, extending membership to 32 jurisdictions, over 450,000 customers, and expanding service area footprint to more than 8,000 square miles. To accommodate this expansion, CCCE is planning to construct a new headquarters in Monterey County by 2023 and intends to open 2 satellite offices in San Luis Obispo and Santa Barbara counties to provide local presence and enhance customer experience and interaction with our staff.

Provided Board approval, CCCE will make a fundamental change to the way we acquire resources to meet demand. In 2021, CCCE will chart a new path to reach the goal of meeting 100% of customer demand using renewable resources acquired on long-term contracts by 2030 instead of the current approach of relying, predominantly, on acquiring renewable and carbon free credits to report that we are 100% carbon free.



# CEO Message

Emissions attributed to the production of electricity are a small fraction of the total emissions that California, and the Nation, need to reduce in order to address climate change. Therefore, in 2021 CCCE will intensify its effort to adopt and promote energy programs aimed at fuel switching in the transportation and the built sectors of the economy. Combined, these two sectors are responsible for nearly two thirds of all emissions. When electricity is predominantly produced by cleaner resources and when the economy is more reliant on electricity instead of burning fossil fuels to generate energy, then we can truly achieve sizable reductions in GHG and begin to reverse the impact of global warming.

## The Challenges Ahead

The steep escalation of the Power Charge Indifference Adjustment (PCIA), or Exit fee, imposed upon our customers in the name of fairness to the IOUs' bundled customers is becoming a serious challenge to community choice energy agencies' competitive position throughout California, including CCCE. While we have managed to accumulate sufficient reserves to help us deal with this seemingly chronic problem, the PCIA is becoming a huge deterrent for potential CCE growth in the State.

To make matters worse, the California Public Utilities Commission – the agency entrusted to ensure that the IOUs' rates are just and reasonable – has for the most part sided with the IOUs' positions in the majority of filings where IOUs and other load serving entities like CCCE were at opposite positions, especially regarding the approach to calculating the PCIA. These calculations have become so distorted to the point where we expect that for every \$1.00 we collect from our customers in 2021 to cover our entire cost of operations, PG&E will be collecting an exit fee of \$0.60 to \$0.65.

The COVID-19 pandemic is also a challenge, however, less significant. CCCE's customers are well diversified and our energy hedging strategy anticipates similar events. While the overall impact is a reduction in revenue, the net margin remains positive and CCCE's prudent fiscal planning has ensured the Rate Stabilization Fund balance is sufficient to handle similarly impactful events.

## In Conclusion

The trend towards cleaner sources of electric supply is clearly irreversible, not only in California, but worldwide.

Harnessing the power of clean and renewable resources, such as the wind and sun, is increasingly becoming the norm and the technology to store that power is making considerable strides to answer the critics. With the proper national support for renewables and the steady leadership of CCCE's Boards, I believe we can manage the transition into the new paradigm of securing cleaner and breathable air for generations to come.

Sincerely,



Tom Habashi, Chief Executive Officer



# FY 2019-20 Key Accomplishments

## **Fiscal Stability**

- Established a strong net position balance of \$157 million as of May 31, 2020
- Expect to reach a balance of \$119.6 million in the Rate Stabilization Reserves and \$24.8 million in the Uninterruptible Power Supply Fund, totaling \$144.4 million or 76% of operating expenses by September 30, 2020
- Secured high return on investment (ROI); projected at more than \$3.7 million by September 30, 2020

## **Reduction of Greenhouse Gas (GHG) Emissions**

- Added five new long-term agreements, bringing our total PPA portfolio to seven contracts totaling 470 MW of renewable energy plus 130 MW of new energy storage. These contracts will generate enough power to meet 32% of MBCP electricity demand
- Entered into a long-term resource adequacy agreement for construction of a new 60 MW Energy Storage System within MBCP's service area
- Entered into two memorandums of understanding: one with Castle Wind to negotiate a long-term agreement for a portion of a 1,000 MW floating offshore wind project, off the coast of Morro Bay, and another with Photosol to negotiate a long-term agreement for the development of a renewable energy project located within MBCP's service area

## **Affordable Rates and High Customer Participation**

- Delivered 5% rebate to all customers in Q4 of 2019, 7%, 50% and 2% discounts of PG&E rates for the periods of January to April, May and June, and July through December of 2020 respectively
- Maintained enrollment rates at 93% of eligible customers or 295,000 customers

## **Energy Programs**

- Reserved \$1.3 million in incentives to build 395 affordable and 187 market-rate all-electric housing units
- Approved \$1.2 million to incentivize the purchase of six electric school buses through a partnership with the Monterey Bay Air Resources District
- Launched the Ag Electrification Grant Program to provide \$160,000 in grant incentives to electrify ag operations throughout MBCP's service area
- Through a co-funding partnership with the California Energy Commission, reserved over \$6.5 million to support EV charging infrastructure through the California Electric Vehicle Infrastructure Project (CALeVIP)

## **Communication & Outreach**

- Successfully enrolled the Cities of San Luis Obispo and Morro Bay
- Rebuilt MBCP's website and developed a second Spanish website
- Established the first CCA Spanish Facebook page
- Provided over 800 farmworkers with available energy resources through MBCP's Farmworker Outreach Program

# CCCE's Economic Outlook: 2020-2026

## Unifying the Central Coast

CCCE successfully expanded through California's five-county Central Coast. Residents and businesses in the cities of Del Rey Oaks, Paso Robles, Arroyo Grande, Pismo Beach, Grover Beach, Guadalupe, Solvang, Santa Maria and the northern portion of Unincorporated Santa Barbara County will enroll in January 2021. The cities of Carpinteria, Goleta as well as the Southern portion of unincorporated Santa Barbara County are scheduled to be enrolled in October 2021. The City of Buellton (Santa Barbara County) has taken steps to join CCCE and pending Policy Board approval, will become CCCE's 33rd member with enrollment expected in 2022.

The expansion will lead to increase in annual revenue by approx. \$84 million or 24%.

## Impactful New Procurement Strategy

To achieve measurable reductions in GHG emissions by focusing its power supply acquisition toward accelerating the deployment of utility scale clean and renewable resources, staff recommends that instead of acquiring carbon free attributes to offset unspecified power acquired to meet a self-imposed obligation to 100% carbon free energy, CCCE enter into long-term agreements for renewable resources that will be sufficient to meet 60% of retail demand by 2025, five years ahead of SB100's statutory mandate, and 100% of demand by 2030, exceeding the state goal by 40%. To contribute to grid reliability, staff further recommends that by 2030, CCCE balance its renewable supply and customer demand monthly as opposed to the current annual balancing approach.

Altering CCCE's Current Procurement Strategy will allow CCCE to achieve a potential savings of approx. \$8 million to \$15 million per year between 2020 and 2030.

## Postponement of Cost-Plus Rate Structures

With COVID-19 impacts, reduced sales, sizable drop in wholesale market power prices, and high PCIA charges, there is too much uncertainty to make the change to the recommended conventional cost-plus approach to rate design in January 2021.

Staff recommends the cost-of-service rates implementation be postponed until October 2021 for customers in the PG&E service area and October 2022 in the SCE service area. The Rates Stabilization Reserve will be used to address revenue shortfall. Meanwhile, rates for FY 2020/21 are set to mirror PG&E's minus 2% for all customer classes.

# FY20/21 Revenue - Key Assumptions

## **Power Charge Indifference Adjustment (PCIA)**

- Annual PCIA increase is capped at 0.5 cent per KWh from Jan to Sept 2021 and the cap creates an under-collection. Once the under-collection reaches a certain level, PG&E must request an adjustment to the PCIA, which we expect in September 2020. Subject to CPUC decision, the PCIA increase will range from 19.2% (Base Case) to 30% (Worst Case)

## **Demand Forecast**

- Total retail load consumption is estimated at 4,183 GWh. This assumes the successful enrollment of the Cities of Del Rey Oaks (Monterey County), Arroyo Grande, Grover Beach, Paso Robles, and Pismo Beach (San Luis Obispo County), Guadalupe, Santa Maria and Solvang (Santa Barbara County) and the County of Santa Barbara (PG&E territory) in Jan 2021

## **Rates**

- Rates will be at a discount of 2% from PG&E less the PCIA
- For the Base Case, PCIA for the PG&E service area is 3.4 cents per KWh for the period Oct to Dec 2020 and 4.1 cents KWh for the period Jan to Sep 2021
- Uncollectible is assumed at 1% in anticipation of COVID-19 recessionary impacts



## FY20/21 Cost of Energy - Key Assumptions

- New Procurement Strategy: Cost of Energy estimates are based on CCCE adopting the New Procurement Strategy, in effect negating the need to acquire carbon free attributes and assumes that any attributes that were previously acquired will be sold in the wholesale market
- Cost of Energy including eligible renewable credits is estimated at \$218 million, or 88% of the total power supply cost
- Resource adequacy cost is forecasted at \$30.9 million, or 12% of the total power supply cost
- Cost of Energy rates increased by 42% in FY20/21 as a result of expansion in San Luis Obispo and Santa Barbara counties
- Total wholesale demand is estimated at 4,443 GWh to account for system and distribution losses of 5.85%
- Energy prices are hedged for 95% of expected consumption. Therefore, changes in market price, demand forecast deviation, unusual weather and regulatory risks could cause slight deviations from current forecast

# FY20/21 Budget Summary – Recommending Scenario

## CENTRAL COAST COMMUNITY ENERGY FY 2020-21 PROPOSED BUDGET NEW PROCUREMENT / BASE CASE

(\$ in thousands)	Approved Budget FY 2019/20	% of Rev	Reforecast (8A + 4F) FY 2019/20	% of Rev	Proposed Budget FY 2020/21	% of Rev	Change \$	Change %
<b>Period Ending Sep 30</b>								
<b>REVENUE AND OTHER SOURCES</b>								
Revenue - Electricity	275,319		232,307		290,464		58,158	
Less: Uncollectible Accounts	(1,375)		(1,090)		(2,905)		(1,814)	
Net Revenue - Electricity	273,944	100.0%	231,216	100.0%	287,560	100.0%	56,343	24.4%
Investment and Miscellaneous Income	1,285	0.5%	2,416	1.0%	1,800	0.6%	(616)	(25.5%)
<b>Total net revenue and other sources</b>	<b>275,229</b>	<b>100.5%</b>	<b>233,632</b>	<b>101.0%</b>	<b>289,360</b>	<b>100.6%</b>	<b>55,728</b>	<b>23.9%</b>
<b>EXPENDITURES AND OTHER USES</b>								
<b>CURRENT EXPENDITURES</b>								
Cost of energy	176,488	64.4%	178,570	77.2%	249,241	86.7%	70,671	39.6%
Data manager	2,680	1.0%	2,525	1.1%	3,315	1.2%	790	31.3%
PG&E service fees	1,251	0.5%	1,213	0.5%	1,572	0.5%	359	29.6%
Staffing	6,457	2.4%	4,875	2.1%	8,156	2.8%	3,281	67.3%
Professional services	690	0.3%	622	0.3%	740	0.3%	118	18.9%
Legal Services	200	0.1%	361	0.2%	572	0.2%	211	58.2%
Marketing and Customer Enrollment	1,128	0.4%	1,020	0.4%	1,302	0.5%	282	27.7%
General and administration	1,152	0.4%	1,080	0.5%	1,640	0.6%	561	51.9%
	190,046		190,267		266,538		76,271	40.1%
<b>OTHER USES</b>								
Capital outlay	4,092	1.5%	303	0.1%	3,963	1.4%	3,660	1209.7%
Total other uses	4,092	1.5%	303	0.1%	3,963	1.4%	3,660	1209.7%
<b>DEBT SERVICE</b>								
Principal and interest	0	0.0%	0	0.0%	0	0.0%		0.0%
<b>Total expenditures and Other Uses</b>	<b>194,137</b>	<b>70.9%</b>	<b>190,570</b>	<b>82.4%</b>	<b>270,501</b>	<b>94.1%</b>	<b>79,932</b>	<b>41.9%</b>
<b>Fund balance surplus BEFORE Rebate, Program and Reserve</b>	<b>81,092</b>	<b>29.6%</b>	<b>43,062</b>	<b>18.6%</b>	<b>18,858</b>	<b>6.6%</b>	<b>(24,204)</b>	<b>(56.2%)</b>
Rebate Expenditures	19,176	7.0%	3,875	1.7%	0	0.0%	(3,875)	(100.0%)
Transfer to Rate Stabilization Reserve	50,958	18.6%	32,251	13.9%	10,232	3.6%	(22,019)	(68.3%)
Transfer to Program Funds	10,958	4.0%	6,936	3.0%	8,627	3.0%	1,690	24.4%
<b>Fund balance surplus AFTER Rebate, Program and Reserve</b>	<b>0</b>		<b>0</b>		<b>0</b>		<b>0</b>	<b>0</b>
<b>Program Balance:</b>								
Carryover balance	5,955		7,009		13,749		6,740	
Net increase	10,958	4.0%	6,936	3.0%	8,627	3.0%	1,690	24.4%
Propose to spend	(4,276)	(1.6%)	(197)	(0.1%)	(6,153)	(2.1%)	(5,957)	3030.7%
<b>Ending balance</b>	<b>12,637</b>		<b>13,749</b>		<b>16,223</b>		<b>2,474</b>	<b>18.0%</b>
<b>Uninterruptible Power Supply Fund Balance:</b>								
Carryover balance			0		24,825		24,825	
Net increase - Uninterruptible Power Supply Fund		0.0%	25,000	10.8%	0	0.0%	(25,000)	(100.0%)
Propose to spend			(175)		(60)			
<b>Ending balance</b>	<b>0</b>		<b>24,825</b>		<b>24,765</b>	<b>8.6%</b>	<b>(175)</b>	<b>(0.2%)</b>
<b>Rate Stabilization Reserve Balance:</b>								
Carryover balance	95,276		112,356		119,607		7,251	
Net increase - Rate Stabilization Reserve	50,958	18.6%	32,251	13.9%	10,232	3.6%	(22,019)	(68.3%)
Transfer to Uninterruptible Power Supply Fund			(25,000)			0.0%	25,000	(100.0%)
<b>Ending balance</b>	<b>146,234</b>		<b>119,607</b>		<b>129,839</b>		<b>10,232</b>	<b>8.6%</b>
% of operating expenses	75%		63%		48%			
	<b>Above Target</b>		<b>Above Target</b>		<b>Below Target</b>			

# FY20/21 Budget Summary – All 4 Scenarios

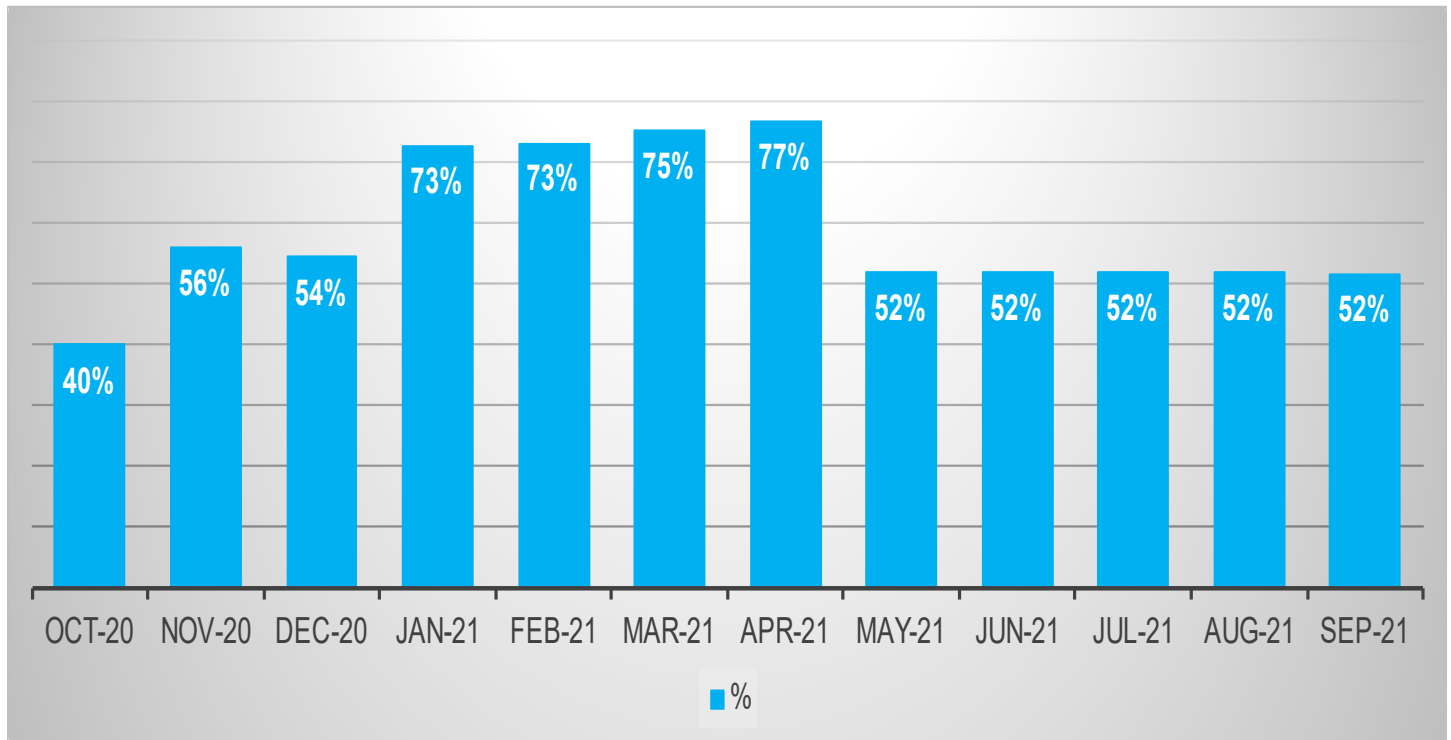
(\$ in thousands)	Current Procurement Strategy		New Procurement Strategy	
	Base Case	Worst Case	Base Case	Worst Case
Total Net Revenue	289,360	277,386	289,360	277,386
Total Expenditures	290,883	290,524	279,128	278,769
<b>Net Margin</b>	<b>(1,523)</b>	<b>(13,138)</b>	<b>10,232</b>	<b>(1,383)</b>
Program Fund Ending Balance	16,223	15,864	16,223	15,864
Rate Stabilization Reserve (RSR) Ending Balance	118,084	106,469	129,839	118,224
RSR Ending Balance (% of Operating Expenses)	42%	38%	48%	44%
UPS Fund Ending Balance	24,765	24,765	24,765	24,765
Retail Load (MWh)	4,182,727	4,182,727	4,182,727	4,182,727
Average Retail Rate (Cent/KWh)	6.9	6.6	6.9	6.9
PCIA - Oct to Dec 2020 (Cent/KWh)	3.4	3.4	3.4	3.4
PCIA - Jan to Sep 2021 (Cent/KWh)	4.1	4.5	4.1	4.5
PCIA increase %	19.2%	30.0%	19.2%	30.0%
<b>PCIA in a percentage of Average Retail Rate</b>	<b>59.6%</b>	<b>67.8%</b>	<b>59.6%</b>	<b>65.0%</b>

Staff recommends adopting the New Procurement/Base Case scenario.

All graph illustrations in this budget book are based on this recommended scenario.

## FY20/21 Revenue vs. PCIA

The following graph illustrates the PCIA as a percentage of Revenue:

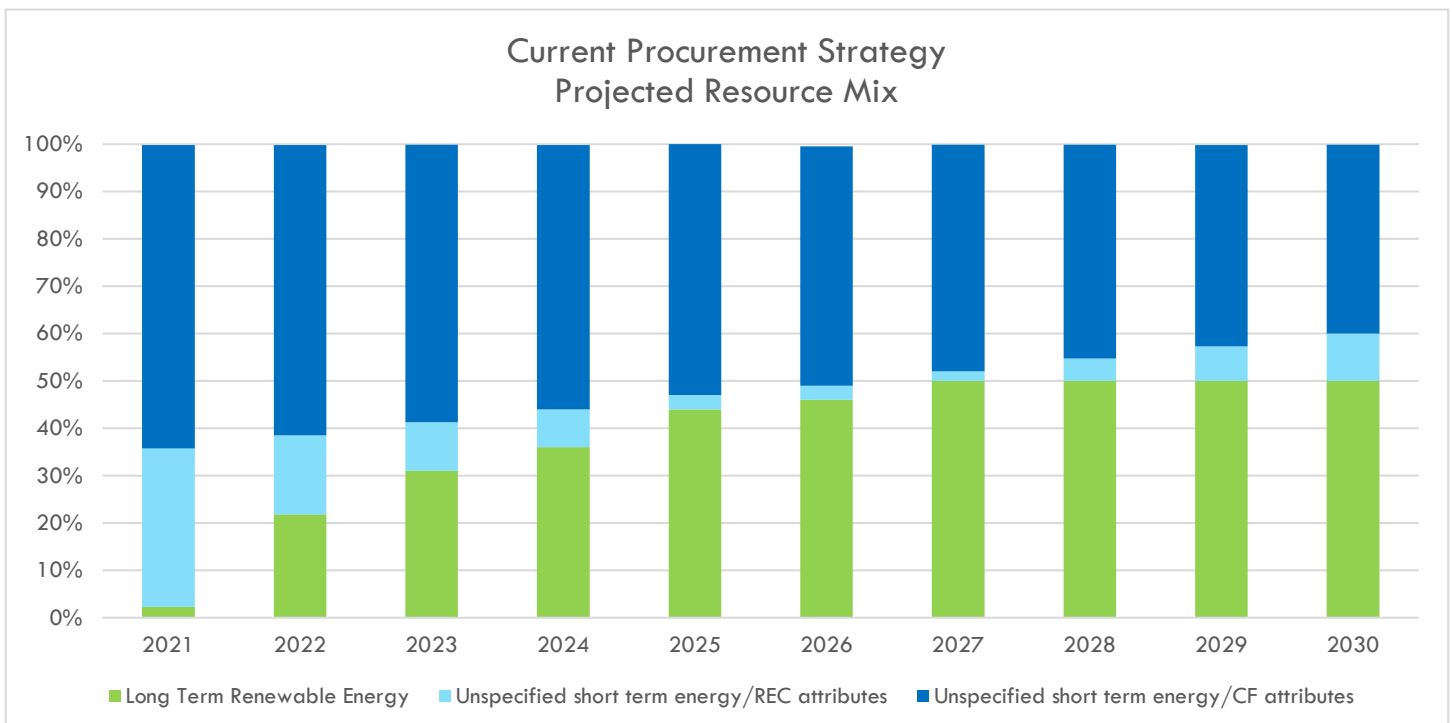
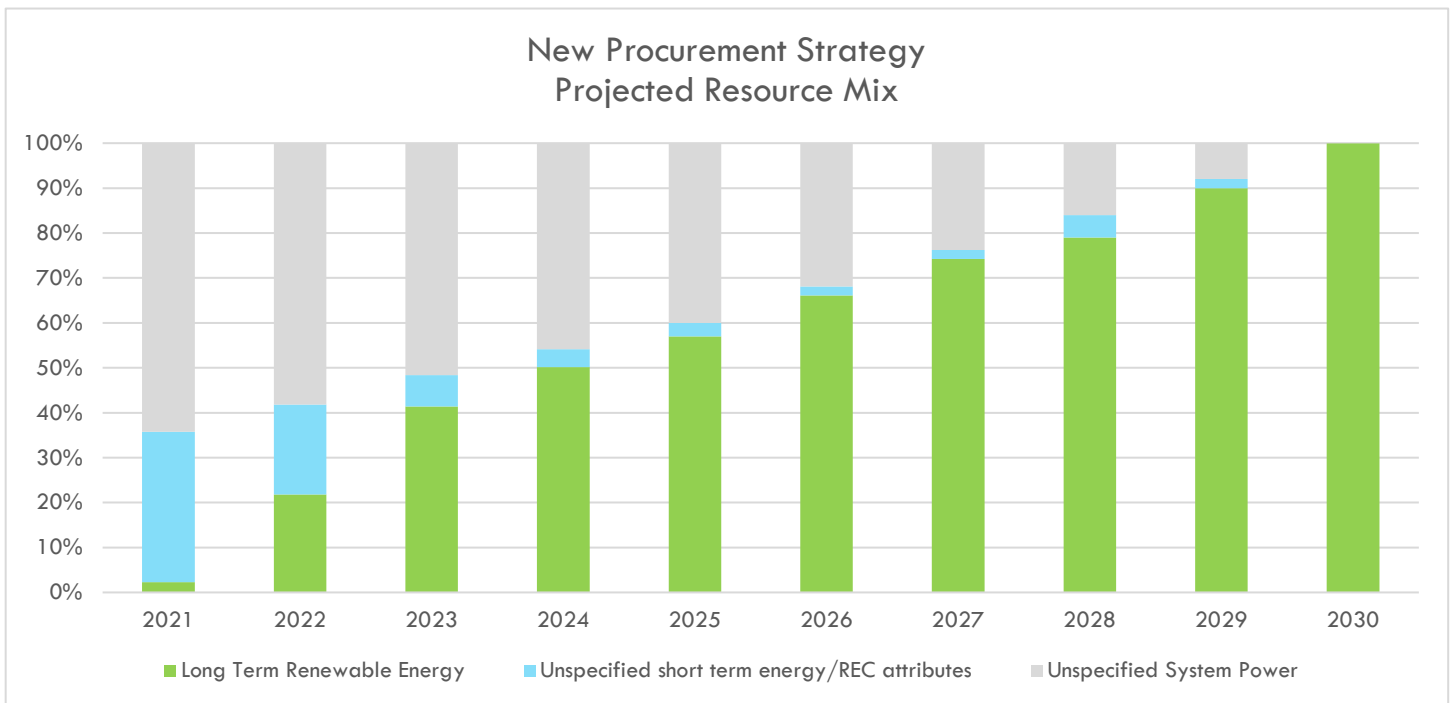


Revenue = \$290 Million  
PCIA = \$165 Million

The big spike from Jan to Apr 2021 is due to the increased PCIA from 3.4 cents per kWh in Dec 2020 to 4.1 cents per kWh in Jan 2021 (approx. 19% increase). The percentage drops starting in May 2021 because summer rates (May to October) for Commercial and Agricultural classes are twice as much as the winter rates.

# FY20/21 New vs. Current Procurement Strategy

The following figures compare the resource mix of the New Procurement Strategy with the Current Procurement Strategy:





# 5-Year Financial Proforma Key Assumptions

## Revenue

- CCCE plans to implement the Cost-of-Service Rates (Cost-Plus Approach) in October 2021 for customers in the PG&E service area and October 2022 for customers in the SCE area
- Revenue is calculated to recover expenses including cost of wholesale energy, energy programs funded at 3% of revenue, capital expenditures, additional funds to bring the Rate Stabilization Reserve to the target of 50% of operating expenses
- Rates will routinely be compared to similar rates offered by PG&E and SCE and adjusted when necessary to ensure that CCCE is competitive. Withdrawals from the Rates Stabilization Reserve may be warranted from time to time to manage exposure to energy markets, regulatory risks, and the PCIA to reduce impacts to CCCE's customers

## Expenses

- Cost of Energy estimates are based on CCCE adopting a New Procurement Strategy
- Cost of Energy increased by 21% in FY21/22 from prior year as a result of completion of our enrollment of Carpinteria and Goleta (Santa Barbara County) and certain unincorporated areas of the County of Santa Barbara. These jurisdictions are all located within the SCE service area and the enrollment will potentially be delayed from January 2021 to October 2021. The increased wholesale demand for the three new jurisdictions is estimated at 721MWh.
- Total wholesale demand is estimated as the following:
  - FY21/22 at 5,520 GWh
  - FY22/23 at 5,568 GWh
  - FY23/24 at 5,696 GWh
  - FY24/25 at 5,701 GWh
  - FY25/26 at 5,696 GWh

System and distribution losses are estimated at 5.85%

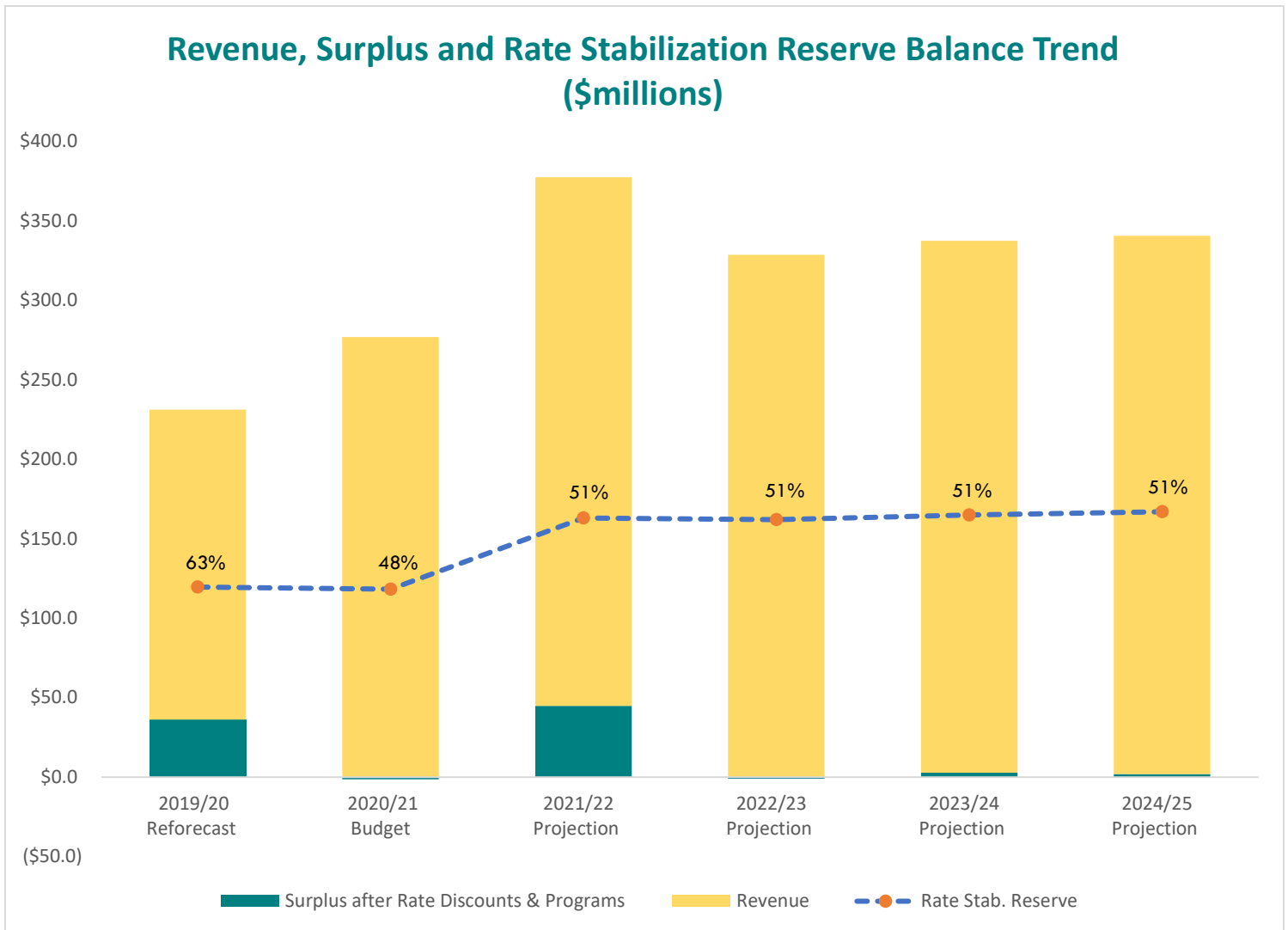
- 5% inflation rates each year for Non-Power Supply Expenses

# 5-Year Financial Proforma – Recommending Scenario

## CENTRAL COAST COMMUNITY ENERGY FINANCIAL PLAN FOR FISCAL YEAR 2020/21 THROUGH 2025/26 NEW PROCUREMENT / BASE CASE

(\$ in thousands)	Proposed Budget FY2020/21	% of Rev	Projection FY2021/22	% of Rev	Projection FY2022/23	% of Rev	Projection FY2023/24	% of Rev	Projection FY2024/25	% of Rev	Projection FY2025/26	% of Rev
<b>Period Ending Sep 30</b>												
<b>REVENUE AND OTHER SOURCES</b>												
Revenue - Electricity	290,464		369,440		331,731		341,806		345,052		352,571	
Less: Uncollectible Accounts	(2,905)	(1.0%)	(3,912)	(1.1%)	(4,180)	(1.3%)	(4,360)	(1.3%)	(4,445)	(1.3%)	(4,522)	(1.3%)
Net Revenue - Electricity	287,560	100.0%	365,528	100.0%	327,550	100.0%	337,446	100.0%	340,607	100.0%	348,048	100.0%
Other Source - Misc Income	1,800	0.6%	1,800	0.5%	1,800	0.5%	1,800	0.5%	1,800	0.5%	1,800	0.5%
<b>Total net revenue and other sources</b>	<b>289,360</b>	<b>100.6%</b>	<b>367,328</b>	<b>100.5%</b>	<b>329,350</b>	<b>100.5%</b>	<b>339,246</b>	<b>100.5%</b>	<b>342,407</b>	<b>100.5%</b>	<b>349,848</b>	<b>100.5%</b>
<b>EXPENDITURES AND OTHER USES</b>												
<b>CURRENT EXPENDITURES</b>												
Cost of energy	249,241	86.7%	300,814	82.3%	300,753	91.8%	306,495	90.8%	309,790	91.0%	315,246	90.6%
Data manager	3,315	1.2%	4,070	1.1%	4,070	1.2%	4,070	1.2%	4,070	1.2%	4,070	1.2%
PG&E service fees	1,572	0.5%	1,860	0.5%	1,860	0.6%	1,860	0.6%	1,860	0.5%	1,860	0.5%
Staffing	8,156	2.8%	8,890	2.4%	9,640	2.9%	10,122	3.0%	10,628	3.1%	11,159	3.2%
Professional services	740	0.3%	721	0.2%	680	0.2%	663	0.2%	681	0.2%	739	0.2%
Legal Services	572	0.2%	585	0.2%	575	0.2%	589	0.2%	603	0.2%	618	0.2%
Marketing and Customer Enrollment	1,302	0.5%	841	0.2%	742	0.2%	754	0.2%	789	0.2%	808	0.2%
General and administration	1,640	0.6%	1,650	0.5%	1,519	0.5%	1,517	0.4%	1,593	0.5%	1,665	0.5%
Total current expenditures	266,538	92.7%	319,433	87.4%	319,838	97.6%	326,070	96.6%	330,014	96.9%	336,165	96.6%
<b>OTHER USES</b>												
Capital outlay	3,963	1.4%	3,498	1.0%	648	0.2%	27	0.0%	27	0.0%	4	0.0%
Total other uses	3,963	1.4%	3,498	1.0%	648	0.2%	27	0.0%	27	0.0%	4	0.0%
<b>DEBT SERVICE</b>												
Principal and interest	0	0.0%		0.0%		0.0%		0.0%		0.0%		0.0%
<b>Total expenditures, Other Uses and Debt Service</b>	<b>270,501</b>	<b>94.1%</b>	<b>322,931</b>	<b>88.3%</b>	<b>320,487</b>	<b>97.8%</b>	<b>326,097</b>	<b>96.6%</b>	<b>330,041</b>	<b>96.9%</b>	<b>336,169</b>	<b>96.6%</b>
<b>Reserve</b>	<b>18,858</b>	<b>6.6%</b>	<b>44,397</b>	<b>12.1%</b>	<b>8,864</b>	<b>2.7%</b>	<b>13,149</b>	<b>3.9%</b>	<b>12,366</b>	<b>3.6%</b>	<b>13,680</b>	<b>3.9%</b>
<b>Rebate Expenditures</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>
<b>Transfer to Rate Stabilization Reserve</b>	<b>10,232</b>	<b>3.6%</b>	<b>33,314</b>	<b>9.1%</b>	<b>(1,088)</b>	<b>(0.3%)</b>	<b>2,895</b>	<b>0.9%</b>	<b>2,014</b>	<b>0.6%</b>	<b>3,103</b>	<b>0.9%</b>
<b>Transfer to Program Funds</b>	<b>8,627</b>	<b>3.0%</b>	<b>11,083</b>	<b>3.0%</b>	<b>9,952</b>	<b>3.0%</b>	<b>10,254</b>	<b>3.0%</b>	<b>10,352</b>	<b>3.0%</b>	<b>10,577</b>	<b>3.0%</b>
<b>Fund balance surplus AFTER Rebate, Program and Reserve</b>	<b>0</b>		<b>0</b>		<b>0</b>		<b>0</b>		<b>0</b>		<b>0</b>	
<b>Program Balance:</b>												
Carryover balance	13,749		16,223		19,504		20,121		25,175		31,058	
Net increase	8,627	3.0%	11,083	3.0%	9,952	3.0%	10,254	3.0%	10,352	3.0%	10,577	3.0%
Propose to spend	(6,153)	(2.1%)	(7,802)	(2.1%)	(9,335)	(2.9%)	(5,200)	(1.5%)	(4,468)	(1.3%)	(4,477)	(1.3%)
<b>Ending balance</b>	<b>16,223</b>		<b>19,504</b>		<b>20,121</b>		<b>25,175</b>		<b>31,058</b>		<b>37,158</b>	
<b>Uninterruptible Power Supply Fund Balance:</b>												
Carryover balance	24,825		24,765		24,702		24,636		24,566		24,493	
Net increase - Uninterruptible Power Supply Fund	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Propose to spend	(60)		(63)		(66)		(69)		(73)		(77)	
<b>Ending balance</b>	<b>24,765</b>		<b>24,702</b>		<b>24,636</b>		<b>24,566</b>		<b>24,493</b>		<b>24,417</b>	
<b>% of operating expenses</b>	<b>9%</b>		<b>8%</b>		<b>8%</b>		<b>8%</b>		<b>7%</b>		<b>7%</b>	
<b>Rate Stabilization Reserve Balance:</b>												
Carryover balance	119,607		129,839		163,152		162,064		164,959		166,974	
Net increase - Rate Stabilization Reserve	10,232	3.6%	33,314	9.1%	(1,088)	(0.3%)	2,895	0.9%	2,014	0.6%	3,103	0.9%
Transfer to Uninterruptible Power Supply Fund												
<b>Ending balance</b>	<b>129,839</b>		<b>163,152</b>		<b>162,064</b>		<b>164,959</b>		<b>166,974</b>		<b>170,076</b>	
<b>% of operating expenses</b>	<b>48%</b>		<b>51%</b>		<b>51%</b>		<b>51%</b>		<b>51%</b>		<b>51%</b>	
	<b>Below Target</b>		<b>Above Target</b>		<b>Above Target</b>		<b>Above Target</b>		<b>Above Target</b>		<b>Above Target</b>	
Program/Rebate/RSR Reserve	3%*/48%		3%*/51%		3%*/51%		3%*/51%		3%*/51%		3%*/51%	

# 5-Year Rate Stabilization Reserve Trend



- Rate Stabilization Reserve (RSR) in FY20/21 is projected at 48% (below Reserve Target of 50%) due to the unfavorable PCIA impact. Although not anticipated, if necessary, the Uninterruptible Power Supply Fund of \$24.8 million (which was originally allocated from RSR in FY19/20) could be reallocated to the RSR raising the total reserve balance is \$154.7 million or 57% of operating expenses
- RSR remains steady after FY20/21 because the proposed new rate design incorporates additional funding to keep the RSR at the 50% target of operating expenses
- CCCE may withdraw from its RSR to keep the proposed new rates competitive to the IOUs

# Non-Discretionary Spending

## Human Resources

Staff proposes to amend employee salary and benefits schedule, as follows:

- Offer across-the-board 1.1% Cost-of-Living Adjustments (COLA) and update salary max pay accordingly
- Increase CCCE's contribution to Health Insurance Premiums to \$1,500 per month per employee from the existing \$1,200 amount. Increase the employee opt out incentive accordingly
- 40 hours of non-accrued executive leave for Chief Operating Officer/General Counsel and Chief Financial & Technology Officer
- 4 days of paid winter break for 2020 (December 28-31)
- Employee Assistance Program (EAP)
- Reclassify the Senior Energy Risk Analyst to the Manager of Energy Risk and Analytics

Combined with the eight full-time positions for FY19/20 to FY20/21 that the Policy Board approved in June 2020, the above staffing costs represent an increase of \$349k or 0.13% of revenue in FY20/21 and \$1.4 million or 0.49% of revenue in FY20/21.

# Non-Discretionary Spending (Cont'd)

## Data Manager and PG&E Service Fees

- CCCE's contracts with GridX for data management, billing, and call center operations services. The data management fees are based on a fixed price per meter per month
- Service fees paid to PG&E consist of a charge of \$0.14 per account per month for meter data posting services, and \$0.21 per account per month for processing CCCE's energy charges and customer payments

## Professional and Legal Support Services

- Day-to-day accounting, annual financial audit, HR, IT, and rate design support services
- Consulting support for power procurement and risk management, collaboration with other CCAs to secure long duration storage resources, and for the operation of our long-term renewable projects
- Consulting support for video production, Spanish translation, customer survey development, digital design, and other outreach activities in the new service area
- Legal support for long-term power supply procurement negotiation
- Support for regulatory and legislative advocacy, as well as technical consulting support for CCCE's engagement on issues across two different investor owned utility service territories



# Non-Discretionary Spending (Cont'd)

## Communications and Customer Enrollment

- Successful completion of CCCE name change
- Engagement with relevant organizations, groups and underserved communities
- Continued sponsorships, advertisements, working with press/media outlets to share CCCE story and value proposition
- Impactful outreach related to CCCE Energy Programs
- Successful Enrollment of an estimated 150,000 customers over the course of 2021
- Engage customers on cost-of-service rate structure
- Development of key customer service tools to enhance customer experience
- Support the Community Advisory Council (CAC) on greater community engagement and facilitation of community needs
- Support of residential, commercial and agricultural accounts through re-enrollment campaign
- Development of CCCE Annual Report

## General and Administration:

- Ordinary business expenses such as conferences and professional development, rent, liability insurance, office supplies, phone and internet, small equipment and software, subscriptions, copier lease and usage, travel, business meals, and miscellaneous operational expenses

# Non-Discretionary Spending (Cont'd)

## Capital Expenditures

- CCCE Headquarters

Since August 2019, staff began investigating the acquisition of land and construction of CCCE Headquarters and Exploration Center in the Monterey Bay area. Following extensive negotiations, CCCE and Marina Partners agreed to preliminary terms to execute a letter of intent for approx. 3.4 acres of land.

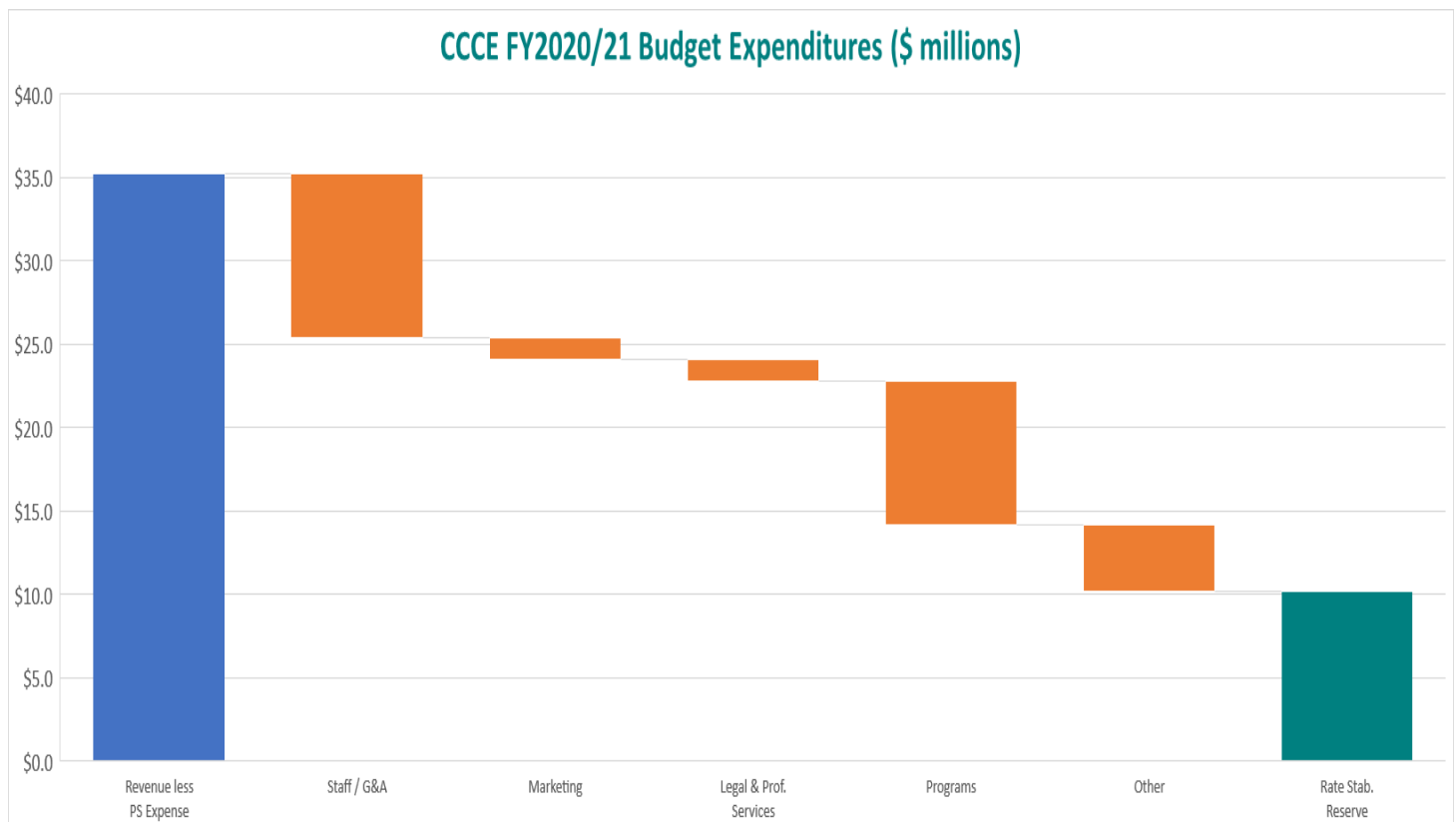
The estimated costs during FY20/21 to FY22/23 are as follows:

- Land acquisition for \$1.5 million
- Headquarters development \$5.7 million
- Construction consultants \$573k

The estimated completion time is by the end of 2022 (current Monterey's office lease expires).

- Computer Information Systems

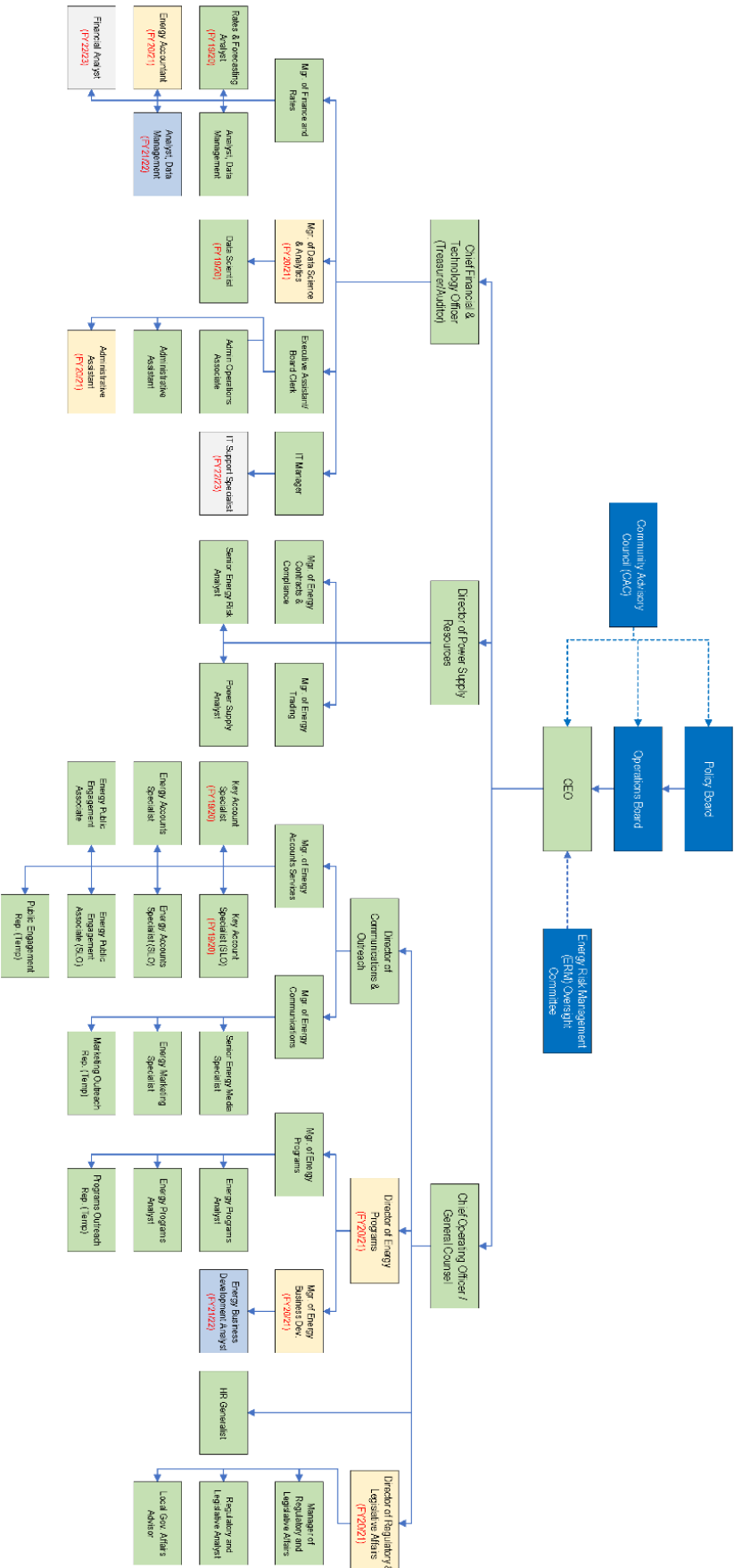
Staff plans to build a scalable in-house central data warehouse for query and analysis in a timely fashion.



# Energy Programs

- Programs will be funded at 3% of revenue or \$8.6 million
- CCCE designed its 2020-2021 program offerings in accordance to its Electrification Strategic Plan, focusing on reducing greenhouse gas emissions through the electrification of the transportation and built environments. CCCE built partnerships with key regional entities successfully launched several innovative electrification programs, including the Multi-unit Dwelling Electrification Grant Program, the Zero Emissions School Bus Electrification Program, the Reach Code Incentive Program, and the Agricultural Electrification Grant Program
- Program funding balance at the end of FY 2019-20, estimated at \$13.7 million, with approximately \$3.7 million of those funds reserved under existing programs
- Engaging regional partners and our Community Advisory Council more directly in the design and development of the FY2021-22 programs while working to accelerate the deployment and utilization of the FY2020-21 program offerings

# Approved CCCE Organizational Chart through FY22/23



## Organization Chart(3-Year Plan)

Total proposed headcounts:

19/20 – 34

20/21 – 40

21/22 – 42

22/23 – 44

**Total full-time staff: 40**

**Total part-time staff: 3**

**Note: 6 New FTEs for FY20/21 are highlighted in yellow**

# CCA FY 20/21 Proposed Budget Comparison

## COMPARISON ACROSS MULTIPLE CCAs FY 2020-21 PROPOSED BUDGETS (\$ in thousands)

Fiscal Year	10/1 - 9/30		4/1 - 3/31		7/1 - 6/30		7/1 - 6/30		10/1 - 9/30	
	CCCE	% of Rev	MCE	% of Rev	EBCE	% of Rev	PCE	% of Rev	SVCE	% of Rev
<b>NET REVENUE AND OTHER SOURCES</b>										
<b>Total revenue and other sources</b>	289,360	100.6%	449,268	100.8%	379,928	100.4%	217,111	100.7%	265,688	100.5%
<b>EXPENDITURES AND OTHER USES</b>										
<b>CURRENT EXPENDITURES</b>										
Cost of energy	249,241	86.7%	369,638	83.0%	347,594	91.9%	197,445	91.5%	234,662	88.7%
Power supply professional services	4,887		8,896		10,760		4,680		4,370	
Other expenditures	12,411		22,757		14,235		15,834		12,548	
<b>Total current expenditures</b>	266,538	92.7%	401,291	90.1%	372,589	98.5%	217,959	101.0%	251,580	95.1%
<b>OTHER USES</b>										
Capital outlay	3,963	1.4%	163	0.0%	60	0.0%	133	0.1%	400	0.2%
<b>Total other uses</b>	3,963	1.4%	163	0.0%	60	0.0%	133	0.1%	400	0.2%
<b>DEBT SERVICE</b>										
Principal and interest (Fees/Grant Expense-MCE)	0	0.0%	755	0.2%	804	0.2%	0	0.0%	165	0.1%
<b>Total Expenditures and Other Uses</b>	270,501	94.1%	401,454	90.1%	372,649	98.5%	218,092	101.1%	251,980	95.3%
<b>Fund balance surplus BEFORE Rebate, Program and Reserve</b>	18,858	6.6%	47,814	10.7%	7,279	1.9%	(981)	(0.5%)	13,708	5.2%
<b>Rebate Expenditures</b>	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>Program Expenditures</b>	8,627	3.0%	2,430	0.5%	6,615	1.7%	7,550	3.5%	5,270	2.0%
<b>Fund balance surplus AFTER Rebate and</b>	10,232	3.6%	45,384	10.2%	664	0.2%	(8,531)	(4.0%)	8,438	3.2%

	CCCE	MCE	EBCE	PCE	SVCE
Customer Accounts	296,000	474,000	575,000	297,000	271,000
Footprint (sq. mi)	5,129	2,613	691	448	1,070
Total Consumption (GWh)	4,183	5,000	6,300	3,600	3,900
Number of Juristictions	21	34	12	21	13



## CCA FY20/21 Proposed Budget Comparison (Cont'd)

For the purposes of comparing our proposed revenue and expenditures with those proposed by other CCAs we compiled the FY 2020-21 Proposed Budgets of MCE, East Bay Community Energy (EBCE), Peninsula Clean Energy (PCE) and Silicon Valley Clean Energy (SVCE).

	CCCE	MCE	EBCE	PCE	SVCE	Avg	vs Avg
Average Rate - \$/kWh	\$ 0.06918	\$ 0.08985	\$ 0.06031	\$ 0.06031	\$ 0.06813	\$ 0.06965	-0.7%
Cost of Energy - \$/kWh	\$ 0.05959	\$ 0.07393	\$ 0.05517	\$ 0.05485	\$ 0.06017	\$ 0.06103	-2.4%
Power Supply Services - \$/kWh	\$ 0.00117	\$ 0.00158	\$ 0.00160	\$ 0.00130	\$ 0.00112	\$ 0.00140	-16.6%
Other Expenditures - \$/kWh	\$ 0.00297	\$ 0.00455	\$ 0.00226	\$ 0.00440	\$ 0.00322	\$ 0.00361	-17.7%
Programs - \$/kWh	\$ 0.00206	\$ 0.00049	\$ 0.00105	\$ 0.00210	\$ 0.00135	\$ 0.00125	65.5%
Reserve - \$/kWh	\$ 0.00245	\$ 0.00908	\$ 0.00011	\$ (0.00237)	\$ 0.00216	\$ 0.00224	9.0%

# About CCCE

By March 2017, the County Board of Supervisors from Monterey, San Benito and Santa Cruz counties as well as City Councils in sixteen local communities voted to establish the Joint Powers Authority. In December 2018, the inclusion of the Cities of San Luis Obispo and Morro Bay as part of the expansion into San Luis Obispo County were approved by the Board. The JPA was further expanded in December 2019 with the inclusion of the Cities of Arroyo Grande, Carpinteria, Del Rey Oaks, Goleta, Grover Beach, Guadalupe, Paso Robles, Pismo Beach, Santa Maria, Solvang and the County of Santa Barbara. Central Coast Community Energy (CCCE) was formed to provide locally controlled, source clean and renewable energy to residents and businesses on the Central Coast through the Community Choice Energy (CCE) model established by the State of California.



# CCCE Major Milestones

2017

- CCCE established as Monterey Bay Community Power (MBCP)
- Implementation Plan certified by the CPUC

Mar  
2018

- **Phase 1 enrollment launched** - Commercial customers

Jun  
2018

- Policy Board appoints the Community Advisory Council (CAC)

July  
2018

- **Phase 2 enrollment launched** - Residential customer & NEM
- New 100% eligible renewable service offering, MBprime launched

Nov  
2018

- Signing of solar + storage contracts set to increase US storage capacity 12%
- Delivery of \$4.4 million in rebates

Dec  
2018

- Cities of San Luis Obispo and Morro Bay join JPA

Mar  
2019

- Launch of "Project Sunshine" - affordable housing solar incentive program

May  
2019

- Launch of MBeVIP - electric vehicle incentive program

Nov  
2019

- Launch of CALeVIP-CCIP - electric vehicle charger incentive program

Dec  
2019

- Cities of Arroyo Grande, Carpinteria, Del Rey Oaks, Goleta, Grover Beach, Guadalupe, Paso Robles, Pismo Beach, Santa Maria, Solvang and Santa Barbara County join JPA

Jan  
2020

- Delivery of \$12.8 million in rebates and moves to discount rate model
- Enrollment of the Cities of San Luis Obispo and Morro Bay

Mar  
2020

- Launch of UPS Fund Program - Uninterruptible Power Supply Program

May  
2020

- Launch of MUD Electrification - all electric housing grant
- Launch of REACH Code Incentive Program - building code incentive

June  
2020

- Launch of Zero Emissions School Bus Grant - school bus electrification grant

July  
2020

- Launch of AgEE Program - agricultural equipment grant

## Our Boards

CCCE is governed by the Policy Board and the Operations Board. Each Board is comprised of 17 seats representing 32 member agencies. Both Boards will invite non-seated members to participate in meetings as non-voting members. Policy Board Members are elected officials from CCCE member communities and Operations Board Members are appointed executives leading the member cities and counties.

The Policy Board formed the CCCE Community Advisory Council comprised of 12 members appointed from member communities. The Council will be increasing to 15 members this year.





# 2020 Policy Board



**Chair**  
Bruce McPherson  
County of Santa Cruz



**Vice Chair**  
Steve McShane  
City of Salinas



**Member**  
Kyle Richards  
City of Goleta



**Member**  
Jeff Lee  
City of Grover Beach



**Member**  
Ariston Julian  
City of Guadalupe



**Member**  
Alan Haffa  
City of Monterey



**Member**  
Jane Parker  
County of Monterey



**Member**  
Mark Medina  
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



**Chair**  
Carlos Palacios  
County of Santa Cruz



**Vice Chair**  
Tina Friend  
City of Scotts Valley



**Member**  
Dave Durlinger  
City of Carpinteria



**Member**  
Rene Mendez  
City of Gonzales



**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 Corpuz  
City of Salinas



**Member**  
Ray Espinosa  
County of San Benito



**Member**  
Don Reynolds  
City of San Juan Bautista



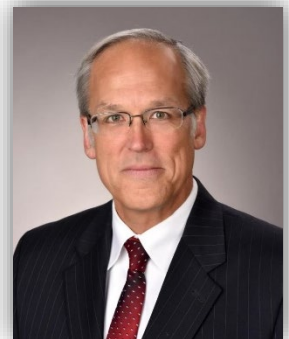
**Member**  
Derek Johnson  
City of San Luis Obispo



**Member**  
Mona Miyasato  
County of Santa Barbara



**Member**  
Martin Bernal  
City of Santa Cruz



**Member**  
Jason Stillwell  
City of Santa Maria



**Member**  
Craig Malin  
City of Seaside



**Member**  
Matt Huffaker  
City of Watsonville



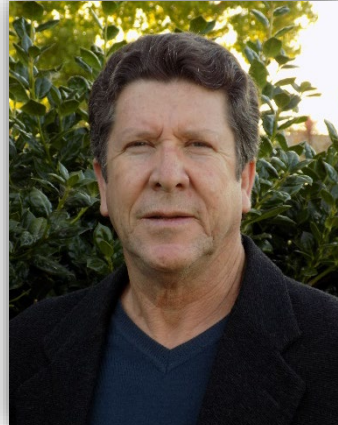
# 2020 Community Advisory Council



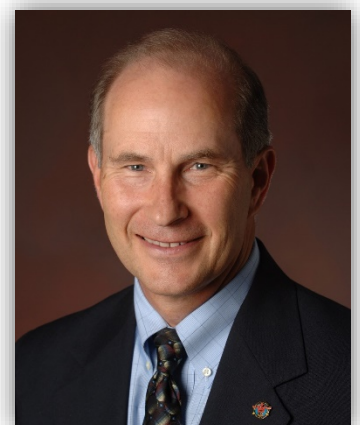
**Chair**  
Norman Groot  
County of Monterey



**Vice Chair**  
Seth Capron  
County of San Benito



**Member**  
Horacio Amezcuita  
County of Monterey



**Member**  
Jeff Byron  
County of Monterey



**Member**  
Richard Stedman  
County of Monterey



**Member**  
Amy Wolfrum  
County of Monterey



**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