



# Ensuring a Bright, Clean Future

Mid-Year  
Operating Budget

Fiscal Year 2019-20

Policy Board  
March 4, 2020

**Monterey Bay Community Power**  
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# Budgetary Summary

## MONTEREY BAY COMMUNITY POWER AUTHORITY FY 2019-20 MID-YEAR OPERATING BUDGET

(\$ in thousands)								
Period Ending Sep 30	Audited Financials FY 2018/19	% of Rev	Approved Budget FY 2019/20	% of Rev	Mid-Year Budget FY 2019/20	% of Rev	Change \$	Change %
<b>REVENUE AND OTHER SOURCES</b>								
Net Revenue - Electricity	249,929	100.0%	273,944	100.0%	246,660	100.0%	(27,284)	(10.0%)
Investment and Miscellaneous Income	1,321	0.5%	1,285	0.5%	2,820	1.1%	1,535	119.5%
<b>Total net revenue and other sources</b>	<b>251,250</b>	<b>100.5%</b>	<b>275,229</b>	<b>100.5%</b>	<b>249,480</b>	<b>101.1%</b>	<b>(25,749)</b>	<b>(9.4%)</b>
<b>EXPENDITURES AND OTHER USES</b>								
<b>CURRENT EXPENDITURES</b>								
Cost of energy	151,592	60.7%	176,488	64.4%	176,715	71.6%	227	0.1%
Data manager	2,051	0.8%	2,680	1.0%	2,554	1.0%	(126)	(4.7%)
PG&E service fees	1,159	0.5%	1,251	0.5%	1,213	0.5%	(38)	(3.1%)
Staffing	3,016	1.2%	6,457	2.4%	5,180	2.1%	(1,278)	(19.8%)
Professional services	711	0.3%	690	0.3%	718	0.3%	28	4.1%
Legal Services	400	0.2%	200	0.1%	310	0.1%	110	55.1%
Marketing and Customer Enrollment	518	0.2%	1,128	0.4%	1,114	0.5%	(14)	(1.3%)
General and administration	881	0.4%	1,152	0.4%	1,138	0.5%	(14)	(1.2%)
<b>Total current expenditures</b>	<b>160,328</b>	<b>64.1%</b>	<b>190,046</b>	<b>69.4%</b>	<b>188,940</b>	<b>76.6%</b>	<b>(1,105)</b>	<b>(0.6%)</b>
<b>OTHER USES</b>								
Capital outlay	98	0.0%	4,092	1.5%	4,092	1.7%	0	0.0%
<b>Total other uses</b>	<b>98</b>	<b>0.0%</b>	<b>4,092</b>	<b>1.5%</b>	<b>4,092</b>	<b>1.7%</b>	<b>0</b>	<b>0.0%</b>
<b>DEBT SERVICE</b>								
Principal and interest	0	0.0%	0	0.0%	0	0.0%		0.0%
<b>Total expenditures, Other Uses and Debt Service</b>	<b>160,425</b>	<b>64.2%</b>	<b>194,137</b>	<b>70.9%</b>	<b>193,032</b>	<b>78.3%</b>	<b>(1,105)</b>	<b>(0.6%)</b>
<b>Fund balance surplus BEFORE Rebate, Program and Reserve</b>	<b>90,825</b>	<b>36.3%</b>	<b>81,092</b>	<b>29.6%</b>	<b>56,448</b>	<b>22.9%</b>	<b>(24,643)</b>	<b>(30.4%)</b>
<b>Rebate Expenditures</b>	<b>11,607</b>	<b>4.6%</b>	<b>19,176</b>	<b>7.0%</b>	<b>3,234</b>	<b>1.3%</b>	<b>(15,942)</b>	<b>(83.1%)</b>
<b>Transfer to Rate Stabilization Reserve</b>	<b>74,219</b>	<b>29.7%</b>	<b>50,958</b>	<b>18.6%</b>	<b>43,347</b>	<b>17.6%</b>	<b>(7,610)</b>	<b>(14.9%)</b>
<b>Transfer to Program Funds</b>	<b>4,999</b>	<b>2.0%</b>	<b>10,958</b>	<b>4.0%</b>	<b>9,866</b>	<b>4.0%</b>	<b>(1,091)</b>	<b>(10.0%)</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>Program Balance:</b>								
Carryover balance	2,342		5,955		7,009		1,054	
Net increase	4,999	2.0%	10,958	4.0%	9,866	4.0%	(1,091)	(10.0%)
Propose to spend	(331)	(0.1%)	(4,276)	(1.6%)	(5,419)	(2.2%)	(1,143)	26.7%
<b>Ending balance</b>	<b>7,009</b>		<b>12,637</b>		<b>11,457</b>		<b>(1,180)</b>	<b>(9.3%)</b>
<b>Rate Stabilization Reserve Balance:</b>								
Carryover balance	38,137		95,276		112,356		17,080	
Net increase - Rate Stabilization Reserve	74,219	29.7%	50,958	18.6%	43,347	17.6%	(7,610)	(14.9%)
<b>Transfer to Uninterruptible Power Supply Fund</b>					<b>(25,000)</b>	<b>(10.1%)</b>	<b>(25,000)</b>	<b>0.0%</b>
<b>Ending balance</b>	<b>112,356</b>		<b>146,234</b>		<b>130,704</b>		<b>(15,530)</b>	<b>(10.6%)</b>
<b>% of operating expenses</b>	<b>70%</b>		<b>75%</b>		<b>68%</b>			
	<b>Above Target</b>		<b>At Max</b>		<b>Above Target</b>			
<b>Uninterruptible Power Supply Fund Balance:</b>								
Carryover balance					0		0	
Net increase - Uninterruptible Power Supply Fund		0.0%		0.0%	25,000	10.1%	25,000	0.0%
<b>Ending balance</b>	<b>0</b>		<b>0</b>		<b>25,000</b>		<b>25,000</b>	<b>0.0%</b>
<b>% of operating expenses</b>					<b>13%</b>			
<b>Key Statistics:</b>								
Total Load (MWh)	3,030,461		3,157,473		3,187,187			
\$/MWh - Net Electricity Sales	\$ 82.47		\$ 86.76		\$ 77.39			
\$/MWh - Cost of Energy	\$ 50.02		\$ 55.90		\$ 55.45			
\$/MWh - Total Expenditures	\$ 52.94		\$ 61.49		\$ 60.57			
Gross Margin %	39.3%		35.6%		28.4%			

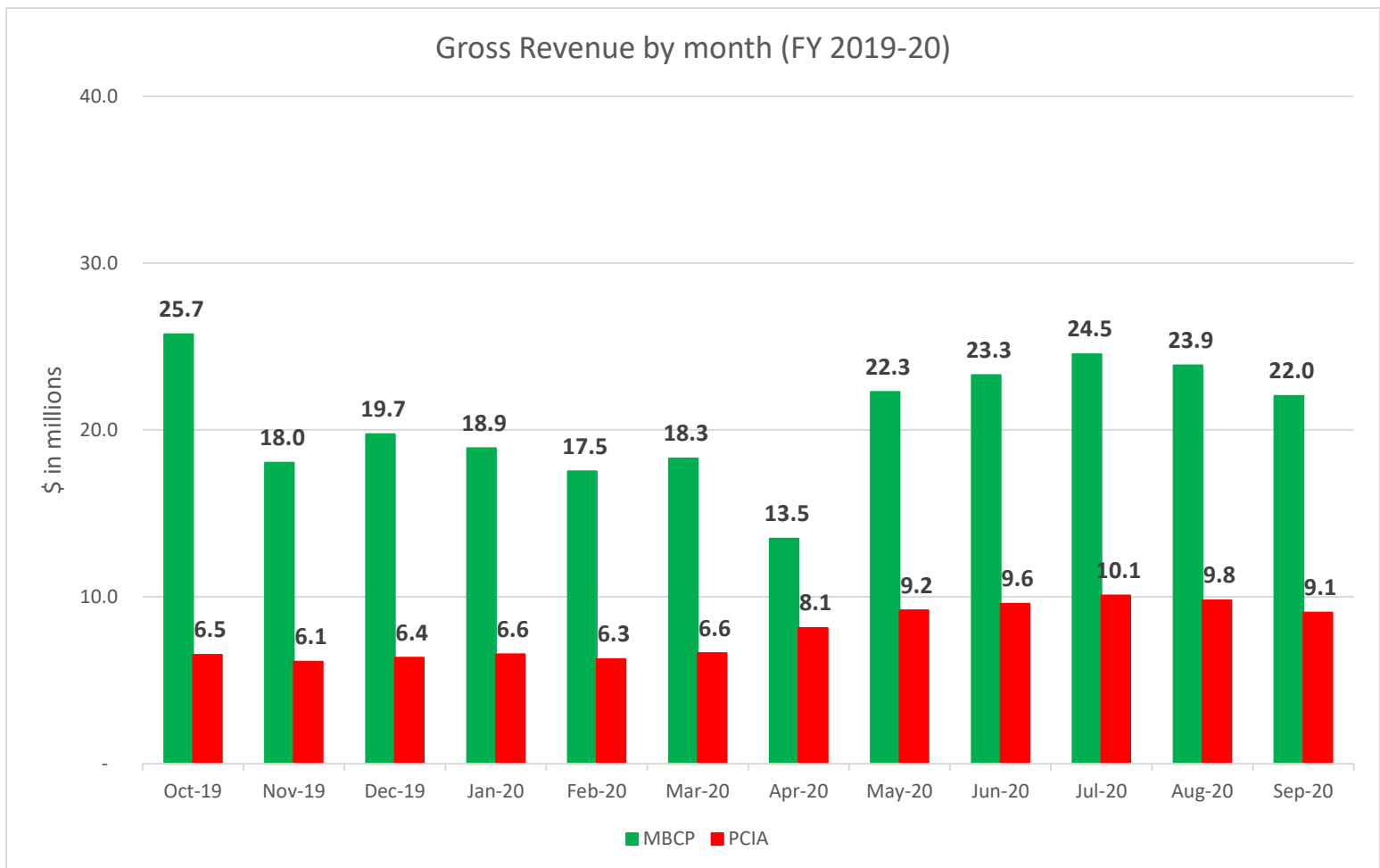
# Analytical Review

<b>Net Revenue - Electricity</b>	Revenue includes actual and forecasted retail sales for the period ending September 30, 2020, reduced by 0.5% of assumed uncollectable. The reasons of the lower-than-expected revenues of \$27.3 mil are the incorporation of 7% monthly discounts (\$14 mil) from Jan to Sep 2020 in the MBCP rates instead of itemizing it under the “rebates expenditures” category. In addition, MBCP had to lower retail rates to account for the unexpected sizable increase in PG&E Power Charge Indifference Adjustment (refer to “Revenue Assumptions” for more information).
<b>Investment &amp; Misc. Income</b>	Interest income is \$1.5 mil higher than expected as a result of favorable negotiations with River City Bank.
<b>Cost of Energy</b>	There is a slight reduction in energy cost due to variation in demand forecast.
<b>Staffing</b>	Payroll and benefits expenses are under budget (\$1.3 mil) due to the timing of new hires.
<b>Legal Services</b>	There is an expected increase in legal expenses to address MBCP’s expected name change.
<b>Rebate Expenditures</b>	The significant decrease of \$15.9 mil is due to shifting the annual rebate to a monthly discount. The decrease in rebate is reflected in the revenue category.
<b>Energy Program</b>	The increase of program spending by \$1.1 mil is primarily due to the Resilient Energy Distribution (RED) program that will provide backup power supply directly to residential customers in Tier 3 and Tier 2 High Fire Risk Districts.
<b>Rate Stabilization Reserve (RSR)</b>	The RSR ending balance has been reduced from 75% (\$146.2 mil) to 68% (\$130.7 mil) of operating expenses to accommodate the funding of \$25 mil for the Uninterruptable Power Supply (UPS) Fund.
<b>Uninterruptible Power Supply (UPS) Fund</b>	The \$25 mil UPS Fund is to promote financing for backup power supply to critical infrastructure facility resiliency investments for public and private sector entities within the MBCP service area.



# Revenue Assumptions

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

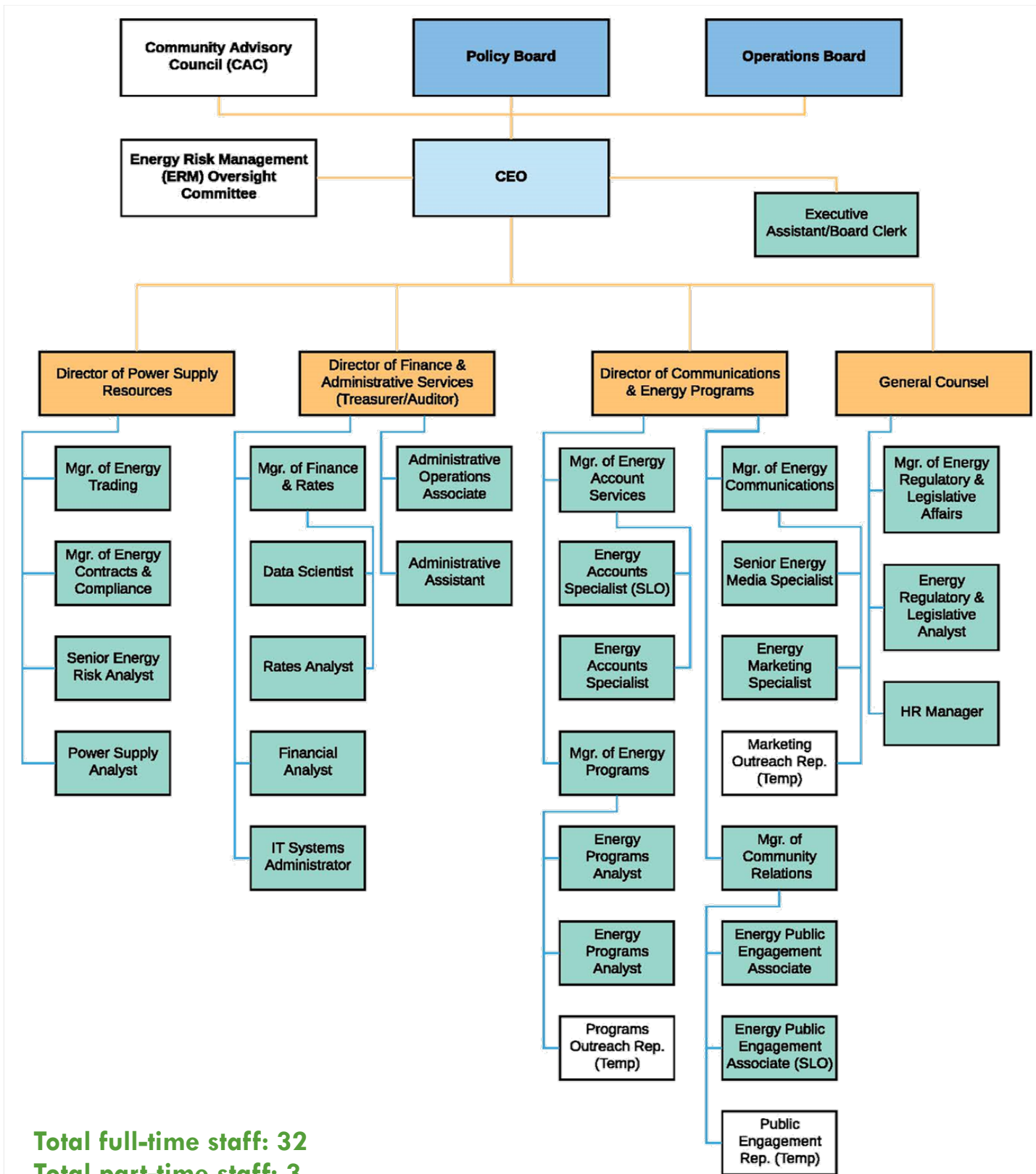


Gross Revenue = \$246.7 million

PCIA = \$94.3 million

# Organizational Chart

Proposed MBCP Organizational Chart (Mid-Year Update)



# Our Boards

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

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





# 2020 Policy Board



**Chair**  
Bruce McPherson  
County of Santa Cruz



**Vice Chair**  
Steve McShane  
City of Salinas



**Member**  
Kyle Richards  
City of 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**  
Jim Gilio  
County of San Benito



**Member**  
John Freeman  
City of San Juan Bautista



**Member**  
Heidi Harmon  
City of San Luis Obispo



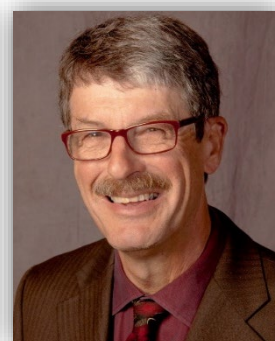
**Member**  
Das Williams  
County of Santa Barbara



**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**  
Rene Mendez  
City of Gonzales



**Vice Chair**  
Ray Corpuz  
City of Salinas



**Member**  
Dave Durlinger  
City of Carpinteria



**Member**  
Matthew Bronson  
City of Grover Beach



**Member**  
Todd Bodem  
City of Guadalupe



**Member**  
Hans Uslar  
City of Monterey



**Member**  
Charles McKee  
County of Monterey



**Member**  
Ray Espinosa  
County of San Benito



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



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



**Member**  
Mona Miyasato  
County of Santa Barbara



**Member**  
Martin Bernal  
City of Santa Cruz



**Member**  
Carlos Palacios  
County of Santa Cruz



**Member**  
Jason Stillwell  
City of Santa Maria



**Member**  
Tina Friend  
City of Scotts Valley



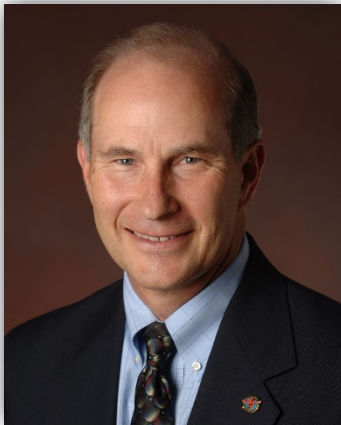
**Member**  
Craig Malin  
City of Seaside



**Member**  
Matt Huffaker  
City of Watsonville



# 2020 Community Advisory Council



**Chair**  
Jeff Byron  
County of Monterey



**Vice Chair**  
Natalie LaVan  
County of Santa Cruz



**Member**  
Horacio Amezcuita  
County of Monterey



**Member**  
Norman Groot  
County of Monterey



**Member**  
Richard Stedman  
County of Monterey



**Member**  
Amy Wolfrum  
County of Monterey



**Member**  
Seth Capron  
County of San Benito



**Member**  
Ludmila Wist  
County of San Benito



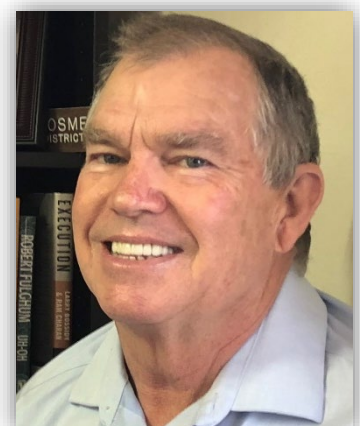
**Member**  
Brandon O'Rourke  
County of San Luis Obispo



**Member**  
Allen Bueno del Bosque  
County of Santa Cruz



**Member**  
Brian Kimball  
County of Santa Cruz



**Member**  
Dennis Osmer  
County of Santa Cruz