

Monterey Bay Community Power Authority



Mid-Year Operating Budget Fiscal Year 2018-2019

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Budgetary Summary

MONTEREY BAY COMMUNITY POWER AUTHORITY FY 2018-19 MID-YEAR BUDGET

(\$ in thousands)								
Period Ending Sep 30	Audited Financial FY 2017/18	% of Rev	Approved Budget FY 2018/19	% of Rev	Mid-Year Budget FY 2018/19	% of Rev	Change \$	Change %
REVENUE AND OTHER SOURCES								
Revenue - Electricity	117,686		229,341		221,333		(8,008)	
Less: Uncollectible Accounts	(588)		(1,296)		(1,107)		190	
Net Revenue - Electricity	117,098	100.0%	228,045	100.0%	220,226	100.0%	(7,819)	(3.4%)
Other Source - Misc Income	14	0.0%	0	0.0%	978	0.4%	978	0.0%
Total net revenue and other sources	117,112	100.0%	228,045	100.0%	221,204	100.4%	(6,841)	(3.0%)
EXPENDITURES AND OTHER USES								
CURRENT EXPENDITURES								
Cost of energy	70,469	60.2%	174,564	76.5%	165,689	75.2%	(8,875)	(5.1%)
Data manager	1,178	1.0%	2,659	1.2%	2,703	1.2%	44	1.7%
PG&E service fees	281	0.2%	1,210	0.5%	1,143	0.5%	(68)	(5.6%)
Staffing	1,598	1.4%	4,399	1.9%	3,851	1.7%	(548)	(12.5%)
Professional services	1,068	0.9%	838	0.4%	482	0.2%	(356)	(42.5%)
Legal Services	355	0.3%	200	0.1%	298	0.1%	98	49.1%
Marketing and Customer Enrollment	601	0.5%	787	0.3%	945	0.4%	158	20.1%
General and administration	543	0.5%	1,100	0.5%	1,033	0.5%	(68)	(6.1%)
Total current expenditures	76,093	65.0%	185,758	81.5%	176,143	80.0%	(9,615)	(5.2%)
OTHER USES								
Capital outlay	42	0.0%	98	0.0%	98	0.0%	0	(0.0%)
Total other uses	42	0.0%	98	0.0%	98	0.0%	0	(0.0%)
DEBT SERVICE								
Principal and interest	135	0.1%	44	0.0%		0.0%	(44)	(100.0%)
Total expenditures, Other Uses and Debt Service	76,270	65.1%	185,900	81.5%	176,241	80.0%	(9,659)	(5.2%)
Fund balance surplus BEFORE Rebate, Program and Reserve	40,842	34.9%	42,145	18.5%	44,962	20.4%	2,817	6.7%
Rebate Expenditures		0.0%	7,517	3.3%	8,112	3.7%	595	7.9%
Program Expenditures		0.0%	4,561	2.0%	4,405	2.0%	(156)	(3.4%)
Fund balance surplus AFTER Rebate and Program	40,842	34.9%	30,067	13.2%	32,446	14.7%	2,379	7.9%
Program Balance:								
Carryover balance			2,520		2,342		(178)	
Net increase		0.0%	4,561	2.0%	4,405	2.0%	(156)	(3.4%)
Propose to spend		0.0%	(1,292)	(0.6%)	(1,292)	(0.6%)	0	
Ending balance			5,789		5,454		(334)	
Reserve Balance:								
Carryover balance	(363)		38,254		40,479		2,225	
Net increase	40,842	34.9%	30,067	13.2%	32,446	14.7%	2,379	7.9%
Ending balance	40,479		68,321		72,925		4,604	
% of operating expenses	53%		37%		41%			
Key Statistics:								
Total Load (kWh)	1,417,000,000		3,336,675,000		3,119,081,000			
\$/kWh - Net Electricity Sales	\$ 0.08		\$ 0.07		\$ 0.07			
\$/kWh - Cost of Electricity	\$ 0.05		\$ 0.05		\$ 0.05			

Note: FY2018/19 fiscal year is the first full year of service to customers, and is generally the cause of the large variances from the prior year

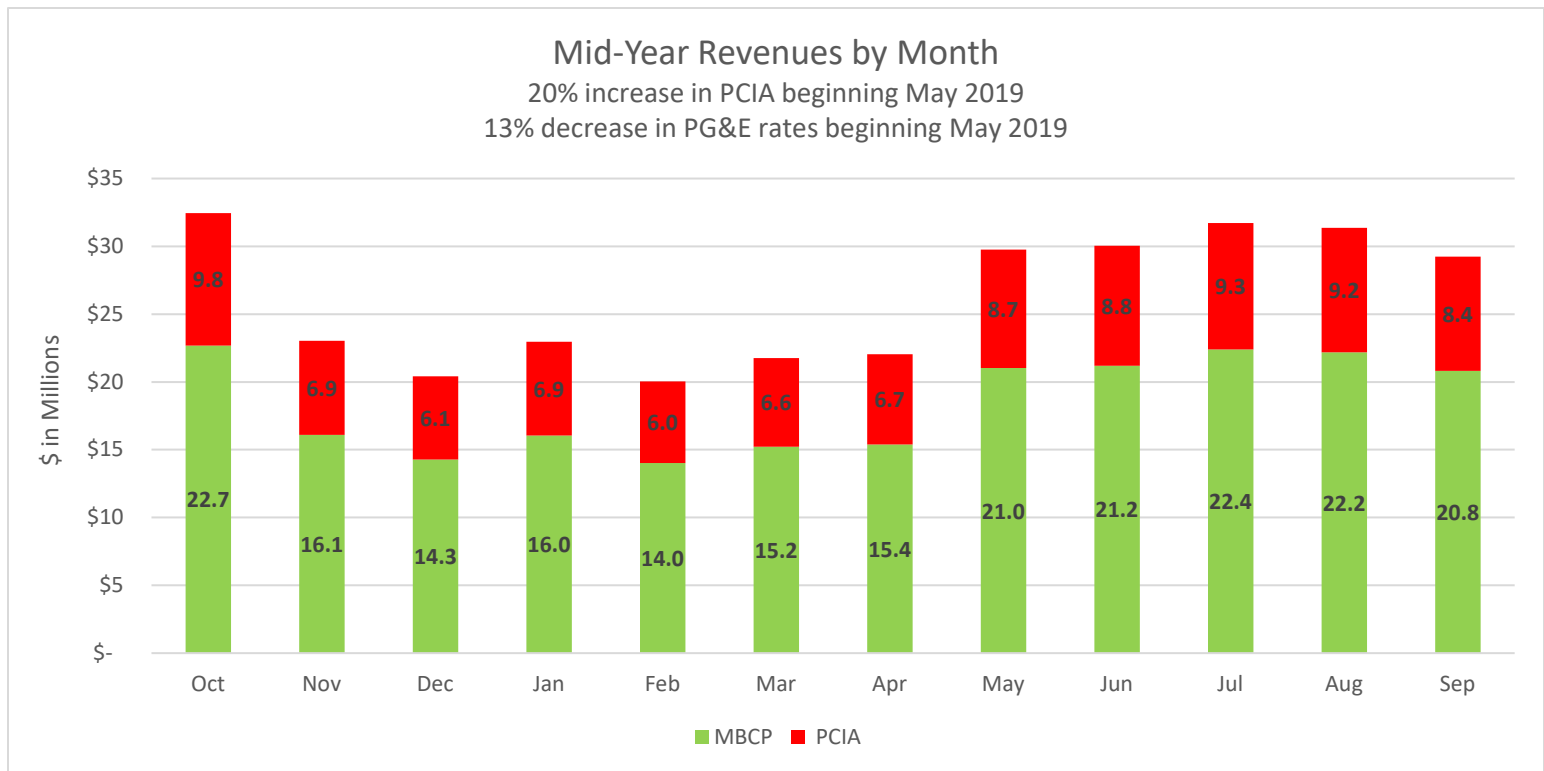
Analytical Review

Net Revenue - Electricity	Sales revenue includes invoices issued to customers during the period and electricity estimated to have been delivered but not yet billed as of the end of the period. Management estimates that 0.5% of the billed amounts will be uncollectible. The main drivers of the lower than expected result (-\$8mil) are lower volume used by customers during October to December 2018 and lower average customer meter counts (-16,000 meters). Please refer to "Revenue Assumptions" for more information.
Other Source - Misc Income	Misc income includes interest income earned from River City Bank (+\$950k).
Cost of Energy	The cost of power and related delivery costs have been recognized as "cost of energy". MBCP purchases renewable energy as bundled product consisting of the energy and the associated Renewable Energy Certificates (REC) to comply with external mandates and self-imposed benchmarks. An expense is recognized at the point that the cost of the REC is due and payable to the supplier. The lower than expected result (-\$8.9mil) is primarily due to (1) lower than expected volume used by customers during October to December 2018, (2) savings achieved through MBCP hedging strategy, better than anticipated market prices, and improved load forecasting, (3) timing difference between projected and actual REC deliveries, and (4) earning more congestion revenue rights (CRR) revenues than expected.
Data Manager	MBCP's contracts with GridX for data management services, billing services, and call center operations. Data manager expense is higher than expected (+\$44k) due to the 3-month implementation delay for the 223,000 non-NEM residential accounts from Bill-Ready to Rate-Ready billing model. The Rate-Ready billing model is approximately \$0.25/account cheaper than the Bill-Ready billing model.
PG&E Service Fees	The reduced fees of \$68k is due to the lower average customer meter counts (-16,000 meters).
Staffing	The lower staffing expenses of \$548k is due to the timing of new hires.
Professional Services	The lower professional services expenses are mainly due to the account reclassifications to Marketing and Customer Enrollment (-\$168k) and Cost of Energy (-\$300k).
Legal Services	Outside legal cost for regulatory needs have been greater than planned (+\$22k). From October 2018 to February 2019, MBCP general counsel services were outsourced (part-time basis) vs. in-house full time employee as planned (+\$55k). The in-house full time employee compensation from March to September 2019 has been budgeted under Staffing expenses item.
Marketing and Customer Enrollment	The higher marketing expenses are mainly due to the account reclassifications from Professional Services (+\$168k).
General & Administration	This category includes occupancy costs, industry membership dues, and other general and administrative costs. MBCP has been able to maintain a favorable variance for this budget item from October to December 2018.
Principal & Interest	No anticipation to draw down the MBCP Revolving Line of Credit (\$10mil) for the remaining of the fiscal year.
Rebate / Program / Reserve	Based on the approved Base Case scenario for FY 2018-19, funding for programs is set at 2% of total revenues (\$4.4mil). Surplus revenue will be allocated at 80% to reserves (\$32.4mil) and 20% to rebates (\$8.1mil).
Fund balance surplus BEFORE Rebate, Program and Reserve	44,962
Minus: Programs at 2% of Revenue	4,405
Surplus revenue	40,558
Reserve at 80%	32,446
Rebate at 20%	8,112

Revenue Assumptions

- Service Accounts were updated to factor in move-ins, move-outs, rate changes and opt-outs (2.6%).
- October 2018 through December 2018 are actual.
- January 2019 through June 2019 revenue is based on PG&E generation and PCIA rates.
- July 2019 through September 2019 revenue is based on conservative forecast of PG&E generation and PCIA rates (28% increase in PCIA and 7% increase in PG&E rates).
- Uncollectible is assumed at 0.5%.
- Total consumption will be 3,119,000 MWh

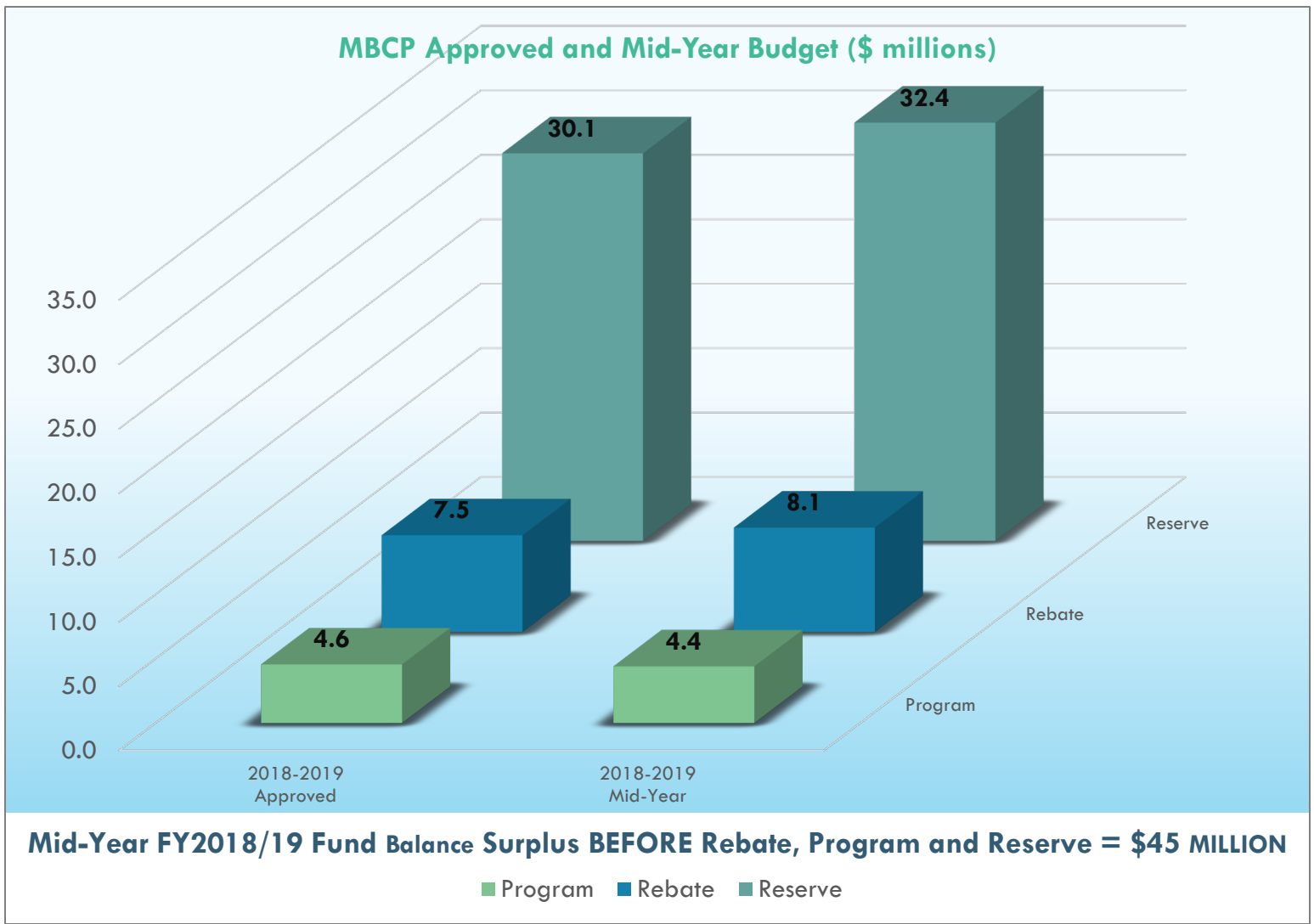
Revenue by Month



Mid-Year Revenue = \$221 MILLION

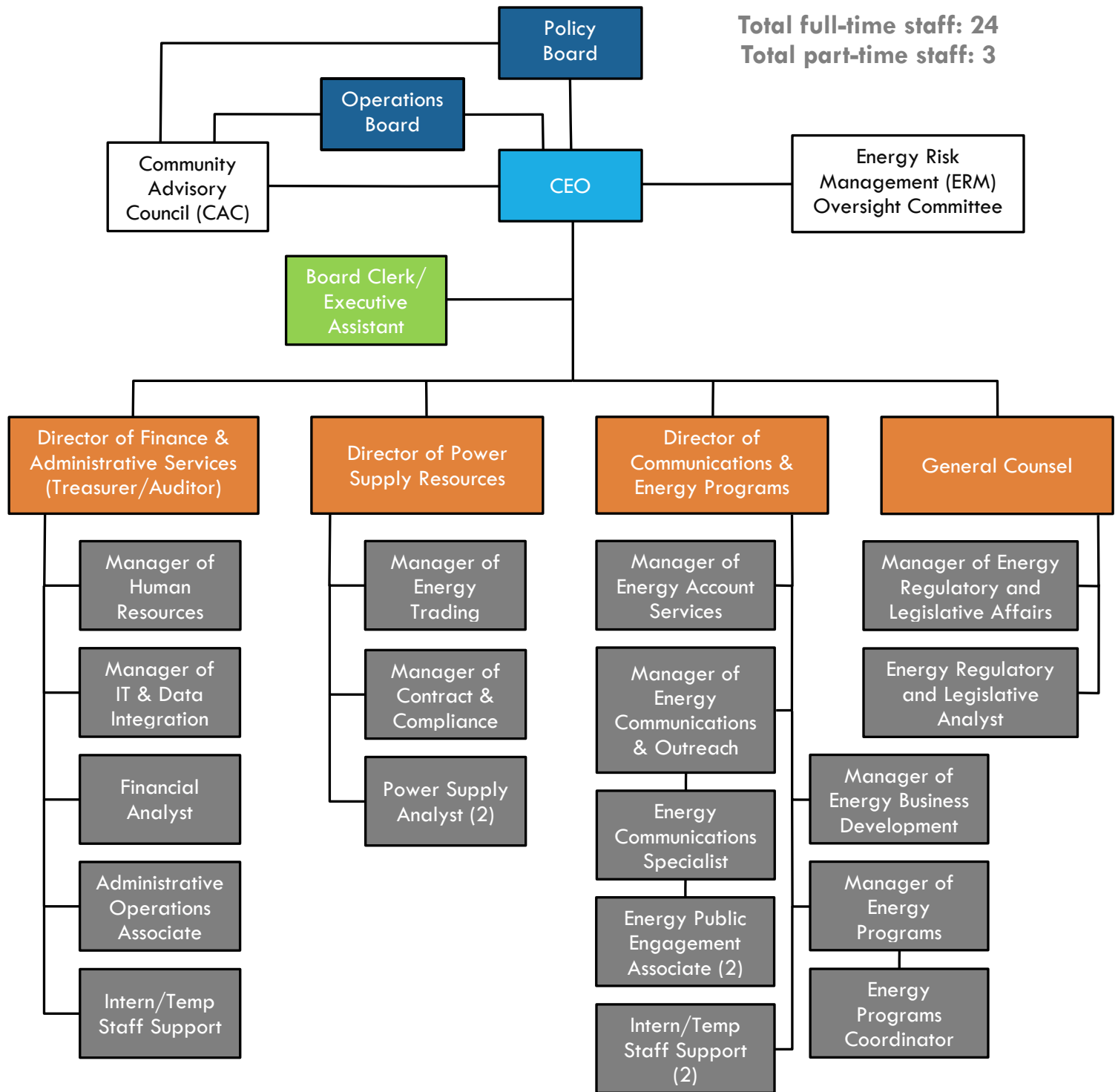
PCIA = \$93.5 MILLION (29.8% of Total)

Approved and Mid-Year Budget



Organization Chart

MBCP Organization Chart



Our Boards

MBCP is governed by two Boards, a Policy Board and an Operations Board. Each Board is comprised of 12 members with 12 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.

MBCP Policy Board formed an advisory Board comprised of 12 members appointed from member communities.



2019 Policy Board



Chair
Bruce McPherson
County of Santa Cruz



Vice Chair
Steve McShane
City of Salinas



Member
Alan Haffa
City of Monterey



Member
Jane Parker
County of Monterey



Member
Jaime De La Cruz
County of San Benito



Member
John Freeman
City of San Juan Bautista



Member
Heidi Harmon
City of San Luis Obispo



Member
Sandy Brown
City of Santa Cruz



Member
Ian Oglesby
City of Seaside



Member
Jack Dilles
City of Scotts Valley



Member
Anna Velazquez
City of Soledad



Member
Trina Coffman-Gomez
City of Watsonville

2019 Operations Board



Chair
Rene Mendez
City of Gonzales



Vice Chair
Ray Corpuz
City of Salinas



Member
Layne Long
City of Marina



Member
Hans Ulsar
City of Monterey



Member
Lew Bauman
County of Monterey



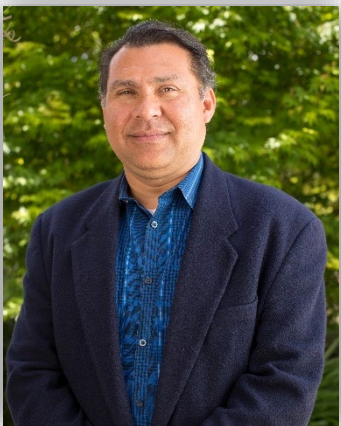
Member
Ray Espinosa
County of San Benito



Member
Vacant
City of San Juan Bautista



Member
Derek Johnson
City of San Luis Obispo



Member
Martin Bernal
City of Santa Cruz



Member
Carlos Palacios
County of Santa Cruz



Member
Jenny Haruyama
City of Scotts Valley



Member
Matt Huffaker
City of Watsonville

2019 Community Advisory Council



Chair
Jeff Byron
County of Monterey



Vice Chair
Natalie LaVan
County of Santa Cruz



Member
Horacio Amezquita
County of Monterey



Member
Norman Groot
County of Monterey



Member
Richard Stedman
County of Monterey



Member
Amy Wolfrum
County of Monterey



Member
Seth Capron
County of San Benito



Member
Ludmila Wist
County of San Benito



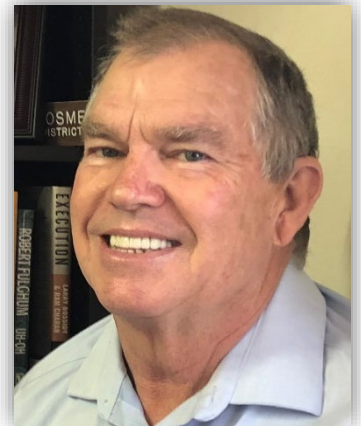
Member
Vacant
County of San Luis Obispo



Member
Allen Bueno del Bosque
County of Santa Cruz



Member
Andy Hartmann
County of Santa Cruz



Member
Dennis Osmer
County of Santa Cruz