EBCE DRAFT BUDGET SCENARIOS
FOR JULY 1, 2020 – JUNE 30, 2021

	FY 2020-21 Non-COVID	FY 2020-21 COVID	Scenario Difference
REVENUE AND OTHER SOURCES			
Electricity Sales	388,125,000	382,758,000	(5,367,000)
Investment Income	1,231,000	1,231,000	-
Other Income	275,000	275,000	-
Uncollectables	(9,703,000)	(9,568,000)	135,000
Total Revenue and Other Sources	**379,928,000**	**374,696,000**	**(5,232,000)**
EXPENSES AND OTHER USES			
ENERGY OPERATIONS			
Cost of Energy	347,594,000	342,796,000	(4,798,000)
Data Management/Customer Service	7,704,000	7,704,000	-
PG&E Service Fees (Billing/Metering)	2,396,000	2,396,000	-
Scheduling	660,000	660,000	-
Total Energy Operating Costs	**358,354,000**	**353,556,000**	**(4,798,000)**
OVERHEAD OPERATIONS			
Personnel	7,429,000	7,429,000	-
Marketing, Outreach, Communications	1,214,000	1,214,000	-
Legal, Policy, & Reglatory Affairs	1,297,000	1,297,000	-
Other Professional Services	1,345,000	1,345,000	-
General & Administrative	2,146,000	2,146,000	-
Local Development Funding	6,615,000	6,615,000	-
Depreciation	60,000	60,000	-
Total Overhead Operating Costs	**20,106,000**	**20,106,000**	**-**
INTEREST PAYMENTS			
Borrowing Interest	804,000	804,000	-
Total Interest Payments	**804,000**	**804,000**	**-**
TOTAL EXPENSES & INTEREST DUE	**379,264,000**	**374,466,000**	**(4,798,000)**
NET INCREASE (DECREASE) IN POSITION	**664,000**	**230,000**	**(434,000)**

NOTE: The above budget statement does not include financials related to new communities

CURRENT YEAR BUDGET AND DRAFT SCENARIOS

	FY 2019-20 BUDGET	FY 2020-21 Non-COVID	FY 2020-21 COVID
REVENUE AND OTHER SOURCES			
Electricity Sales	487,014,000	388,125,000	382,758,000
Investment Income	578,000	1,231,000	1,231,000
Other Income	-	275,000	275,000
Uncollectables	(2,447,000)	(9,703,000)	(9,568,000)
Total Revenue and Other Sources	**485,145,000**	**379,928,000**	**374,696,000**
EXPENSES AND OTHER USES			
ENERGY OPERATIONS			
Cost of Energy	386,905,000	347,594,000	342,796,000
Data Management/Customer Service	6,758,000	7,704,000	7,704,000
PG&E Service Fees (Billing/Metering)	2,253,000	2,396,000	2,396,000
Scheduling	653,000	660,000	660,000
Total Energy Operating Costs	**396,569,000**	**358,354,000**	**353,556,000**
OVERHEAD OPERATIONS			
Personnel	6,703,000	7,429,000	7,429,000
Marketing, Outreach, Communications	2,263,000	1,214,000	1,214,000
Legal, Policy, & Reglatory Affairs	1,586,000	1,297,000	1,297,000
Other Professional Services	1,214,000	1,345,000	1,345,000
General & Administrative	2,290,000	2,146,000	2,146,000
Local Development Funding	6,340,000	6,615,000	6,615,000
Depreciation	61,000	60,000	60,000
Total Overhead Operating Costs	**20,457,000**	**20,106,000**	**20,106,000**
INTEREST PAYMENTS			
Borrowing Interest	1,229,000	804,000	804,000
Total Interest Payments	**1,229,000**	**804,000**	**804,000**
TOTAL EXPENSES & INTEREST DUE	**418,255,000**	**379,264,000**	**374,466,000**
NET INCREASE (DECREASE) IN POSITION	**66,890,000**	**664,000**	**230,000**

UPDATES TO BASE CASE

- Non-COVID base case adjustments
  - Bright Choice at 1.0% discount to PG&E
  - No change to Brilliant 100 through December, 2020 then set to cost of service at 2.5% premium, with review and evaluation of options with the Board through the fall
  - 90% migration of current Brilliant 100 customers to Bright Choice in January 2021
  - Change power content to match RPS for Brilliant 100, but remain 100% carbon free
  - Migration causes $400k loss of revenue, and uptick in renewables by $251k
  - Difference from previous draft in energy costs is also due to beneficial changes in renewable contracts independent of budget process and capture of basis savings with highly hedged hours
  - Energy cost is further reduced by $1.5M with sale of carbon-free resources
  - Marketing is reduced by $300k

- COVID base case adjustments
  - Load was reduced to reflect a moderate COVID scenario. Volumetric load is estimated down 5-6% in the near-term months with a peak demand reduction of 10-15% with a gradual reversion to about 1-3% volumetric load reduction and 4-6% peak reduction through the 2020 calendar year, which is returned to base line starting in 2021.
  - Bright Choice at 0.5% discount to PG&E
  - Non-COVID Brilliant 100 conditions are applied to this scenario as well
  - Revenue is reduced by about $5.4M
  - Cost of energy is reduced by about $4.8M from reduced COVID load
  - Energy cost is further reduced by $1.5M with sale of carbon-free resources
  - All noted overhead conditions from Non-COVID scenario apply

Additional conditions for both scenarios with the Brilliant 100 product:

- Brilliant 100 is maintained at least through December to evaluate how to appropriately manage the product, but should be locked to new accounts and opt-ups until a decision can be made
- Some options to evaluate this fall for Brilliant 100 product:
  - Maintain product at a rate below cost of service for existing customers
  - Discontinue product at some specified time and allow migration to other products
  - Set product to cost of service, currently at 2.5% premium to PG&E
  - If market conditions become favorable, continue Brilliant 100 as is or with some appropriate minor adjustments

QUARTERLY DISTRIBUTION

FY 2020-21 BUDGET Non-COVID	Q1	Q2	Q3	Q4
REVENUE AND OTHER SOURCES	121,785,000	97,813,000	75,065,000	85,265,000
ENERGY OPERATIONS	101,302,000	93,475,000	89,755,000	73,822,000
OVERHEAD OPERATIONS	5,228,000	5,228,000	5,228,000	5,228,000
NET INCREASE (DECREASE) IN POSITION	15,255,000	(890,000)	(19,918,000)	6,215,000

FY 2020-21 BUDGET COVID	Q1	Q2	Q3	Q4
REVENUE AND OTHER SOURCES	115,277,000	97,148,000	76,262,000	86,011,000
ENERGY OPERATIONS	99,945,000	92,224,000	88,554,000	72,833,000
OVERHEAD OPERATIONS	5,228,000	5,228,000	5,228,000	5,228,000
NET INCREASE (DECREASE) IN POSITION	10,104,000	(304,000)	(17,520,000)	7,950,000

In both scenarios it can be seen:

- Q1 results are generally the strongest quarter due to summer rates. Q1 includes the largest COVID load reductions
- Q2 results are flat due to a transition to winter rates
- Q3 results are negative due to winter rates and an increase in PCIA to reflect hitting the PCIA undercollection trigger
- Q4 results are positive due to a transition to summer rates and low spring energy costs

NEW COMMUNITIES DISCUSSION

	FY 2020-21 Non-COVID	FY 2020-21 COVID	Scenario Difference
REVENUE AND OTHER SOURCES			
Electricity Sales	13,280,000	13,369,000	89,000
Uncollectables	(199,000)	(201,000)	(2,000)
Total Revenue and Other Sources	**13,081,000**	**13,168,000**	**87,000**
EXPENSES AND OTHER USES			
ENERGY OPERATIONS			
Cost of Energy	9,470,000	9,470,000	-
Data Management/Customer Service	299,000	299,000	-
PG&E Service Fees (Billing/Metering)	87,000	87,000	-
Total Energy Operating Costs	**9,856,000**	**9,856,000**	**-**
OVERHEAD OPERATIONS			
Marketing, Outreach, Communications	330,000	330,000	-
Total Overhead Operating Costs	**330,000**	**330,000**	**-**
TOTAL ENERGY & OPERATING EXPENSES	**10,186,000**	**10,186,000**	**-**
NET INCREASE (DECREASE) IN POSITION	**2,895,000**	**2,982,000**	**87,000**

- COVID scenario expects slightly higher revenues because Bright Choice is at 0.5% discount to PG&E, whereas Non-COVID Bright Choice is at 1.0% discount to PG&E
- Because new communities are expected to join after the new year, there is very little difference between COVID and Non-COVID scenarios in terms of costs
- Inclusion of new communities is expected to have a positive lift on margins based on an April enrollment timeframe estimated at about $3MM in net margin based on current market conditions
- Positive margin is driven by a modest increase in operating overhead related to serving these customers and softer energy prices
- Revenues are based on:
    - 5% opt out rate
    - All new accounts are Bright Choice in both scenarios
- Additional analysis is underway to determine the optimal timing based on different customer rates and procurement risks/opportunities

REVENUE DISCUSSION

REVENUE AND OTHER SOURCES	FY 2020-21 Non-COVID	FY 2020-21 COVID	Scenario Difference
Electricity Sales	388,125,000	382,758,000	(5,367,000)
Investment Income	1,231,000	1,231,000	-
Other Income	275,000	275,000	-
Uncollectables	(9,703,000)	(9,568,000)	135,000
Total Revenue and Other Sources	**379,928,000**	**374,696,000**	**(5,232,000)**

- The previous draft had Bright Choice at 1% discount to PG&E with Brilliant 100 at a 3% premium
- This draft assumes no changes to Brilliant 100 in both scenarios through the remainder of 2020, then adjusted to match the cost of service at 2.5% premium in January 2021
- Bright Choice at 1.0% discount to PG&E in the Non-COVID scenario, and at 0.5% discount in the COVID scenario
- Another key difference from the previous draft is a 90% migration of customers from Brilliant 100 to Bright Choice is assumed in January 2021 in both scenarios
    - This change incorporates the additional risk from migrating customers
- This draft includes anticipated changes in load based on a moderate COVID scenario expectation
    - Reduction of $5.4M in revenues due to load changes from COVID, primarily occurring in the summer months of 2020, and Bright Choice rate differences
    - The load reductions are assumed to be 1.7% in total through the fiscal year
    - Assumes a scenario of reduced load through the 2020 calendar year
    - The hardest hit months are in the first quarter at -5% with eventual tapering through December. Load reverts to a status quo/normal condition in Jan.
- Investment Income is based on projected bank account balances in interest bearing accounts (reserves and ICS) at a slightly lower interest rate of 1.5% than current rates (1.79%)
- Uncollectables is increased from 0.5% of sales to 2.5% in anticipation of COVID induced recessionary impacts in both scenarios
- Current budget does not reflect the inclusion of the new communities of Tracy, Newark, and Pleasanton. New Communities are separated in order to isolate the economic impacts, which will differ based on exact enrollment timing, and are previously discussed

ENERGY OPERATIONS DISCUSSION

	FY 2020-21 Non-COVID	FY 2020-21 COVID	Scenario Difference
ENERGY OPERATIONS			
Cost of Energy	347,594,000	342,796,000	(4,798,000)
Data Management/Customer Service	7,704,000	7,704,000	-
PG&E Service Fees (Billing/Metering)	2,396,000	2,396,000	-
Scheduling	660,000	660,000	-
Total Energy Operating Costs	**358,354,000**	**353,556,000**	**(4,798,000)**

- Decrease in cost of energy from the previous draft and the Non-COVID scenario are from:
  - Reduction in renewable contract position costs of about $400k
  - Increase in renewable attributes due to migration in 2021 of about $251k
  - Capture of basis costs and market purchases in highly hedged hours of about $760k
  - $1.5M from sale of carbon-free assets
- Difference in energy costs between the two scenarios are due to the following impacts from the COVID reduced load:
  - $4.0M reduction in physical energy cost and basis costs
  - $640k reduction in renewable attributes due to load reduction
  - $140k reduction in CAISO costs
  - $1.5M from sale of carbon-free assets
- The two scenarios are not expected to have any impact on energy related service costs provided by SMUD for data management and customer service, PG&E for billing and metering, and NCPA for scheduling

OVERHEAD OPERATIONS DISCUSSION

	FY 2019-20 BUDGET	FY 2020-21 BUDGET	Fiscal Year Difference
OVERHEAD OPERATIONS			
Personnel	6,703,000	7,429,000	726,000
Marketing, Outreach, Communications	2,263,000	1,214,000	(1,049,000)
Legal, Policy, & Reglatory Affairs	1,586,000	1,297,000	(289,000)
Other Professional Services	1,214,000	1,345,000	131,000
General & Administrative	2,290,000	2,146,000	(144,000)
Local Development Funding	6,340,000	6,615,000	275,000
Depreciation	61,000	60,000	(1,000)
Total Overhead Operating Costs	**20,457,000**	**20,106,000**	**(351,000)**

Because there is no anticipated impact on overhead operations between COVID and Non-COVID scenarios, this discussion is related to the current year budget but some changes to the previous draft were made:

- Marketing was reduced from the previous draft budget by an additional $300k in the areas of community grants and noticing
- Local Development was reduced by $230k to be on parity with the current year, with $275k added for COVID Outreach from a grant provided by EDPR. This can be seen in more detail on the next page

- Personnel costs increase due to:
  - Staff salaries covering the full fiscal year (FY 2019-2020 budget assumed partial year hires). Headcount maintained at 37FTE, flat to the 2019-2020 approved headcount
  - Enact a policy to allow staff to monetize PTO
  - 2.5% merit-based adjustments ($118,000)
  - 3% discretionary promotions/retention-based compensation adjustments ($169,000)
- Marketing, Outreach, Communications costs are reduced due to:
  - Reduced mailing requirements and availability of lower cost notification processes
  - Reduced advertising and sponsorship based on cost cutting measures
  - New Community costs are not included in this estimate
  - Internal call center development is not included in the current budget, assuming a deferral of that investment to FY 2021-2022
- Legal, Policy, & Regulatory Affairs: Reduction in policy related costs based on cost cutting measures
- Other Professional Services: Increase in costs due to development of the CRM platform, which is primarily utilized for effective local program customer outreach
- General &Administrative: Reduced based on cost cutting measures
- Local Development Funding: Maintaining local development budget with current year's budget. Additional funds of about $1.7M from expected grants and remaining funds rolled over from the 2019-2020 fiscal year to yield approximately $8M in total spend.

LOCAL DEVELOPMENT DISCUSSION

LOCAL DEVELOPMENT FUND	FY 2019-20 BUDGET	FY 2020-21 BUDGET	Fiscal Year Difference
Program Funding			
Beginning Balance	-	1,398,000	1,398,000
Funding from General Fund Revenues	6,340,000	6,340,000	-
Grants/Credits	1,150,000	275,000	(875,000)
Mid-Year adjustment	500,000	-	(500,000)
Total Available Funding	**7,990,000**	**8,013,000**	**23,000**
Program Areas			
Demand Response	195,000	100,000	(95,000)
Energy Efficiency	100,000	740,000	640,000
Building Electrification	782,000	950,000	168,000
Vehicle Electrification	1,750,000	4,930,000	3,180,000
Collaboartive Procurement	810,000	958,000	148,000
Community Investment	250,000	-	(250,000)
Sponsorships/Events	65,000	-	(65,000)
Capital Set Aside	1,200,000	-	(1,200,000)
COVID-19 Relief Fund	1,440,000	335,000	(1,105,000)
Total Program Expenses	**6,592,000**	**8,013,000**	**1,421,000**
Ending Balance	**1,398,000**	**-**	

Similar to overhead, the Local Development Fund is not expected to be impacted by the two scenarios being evaluated. As such, this discussion focuses on the between year changes

- In addition to the Local Development Programs related spending shown above, there is approximately an additional $4.7MM budgeted for locally generated utility-scale wholesale energy from projects such as EBCE's Altamont wind project, which is expected to come online during the fiscal year.
- Figures above do not reflect any local spending based on General & Administrative expenses

INTEREST PAYMENT DISCUSSION

	FY 2019-20 BUDGET	FY 2020-21 BUDGET	Fiscal Year Difference
INTEREST PAYMENTS			
Borrowing Interest	1,229,000	804,000	(425,000)
Total Interest Payments	**1,229,000**	**804,000**	**(425,000)**

Similar to overhead and Local Development, interest payments are not expected to be impacted by the two scenarios being evaluated. As such, this discussion focuses on the between year changes

Borrowing Interest accounts for commitment fees on undrawn debt and issuance fees for letters of credit. Assumes no outstanding debt.

RISKS DISCUSSION

EBCE is exposed to a variety of risks in this coming fiscal year. Below is a representative list of key risks, though it is not comprehensive in reflecting all risks.

Load Risk:
COVID impacts on load, collections, and energy market prices are being closely monitored and to date the Shelter in Place policy has been in effect for approximately two months. While this has provided meaningful data it is very difficult to extrapolate the insights to accurately forecast impacts on the next fiscal year.

Staff projects four potential scenarios for fiscal year 2020-2021:

1) **Moderate COVID load decrease:** Volumetric load is down 5-6% in the near-term months with a peak reduction of 10-15% and there is a gradual reversion to about 1-3% volumetric load reduction and 4-6% peak reduction, which is returned to base line starting in 2021.
2) Status quo: Quick reversion to a pre-COVID load. We anticipate continued county/city-based policies that will adjust work and personal interactions to account for public health and safety in light of COVID. With that said there is a scenario where electricity usage based on businesses partial reopening and moderately increased residential use that results in load that closely reflects EBCE load pre-COVID. This is the basis for the current budget.
3) Moderate COVID load increase: With the partial reopening of small businesses and large commercial space, we could see commercial load revert close to normal levels and residential load remain high based on partial families working from home. This could result in a moderate increase in volumetric load of 2-4% and a peak load similar to normal levels
4) Significant and sustained macro recession where volumetric load continues to be depressed. Volumetric load is down 6-10% and peak load is down 10-15% for next 12-24 months

- The base case COVID budget scenario presented assumes a moderate COVID load decrease. We believe this to be reasonable but somewhat conservative as we see some of the county and state level restrictions being lifted. However, we feel this approach is prudent in light of the uncertain trajectory of the COVID impacts. If load reverts to the status quo scenario net margin could increase between $1-3MM.

- Changes in volumetric load due to ongoing COVID conditions are expected to reduce revenue and margin, though there is a decrease in energy costs that would help mitigate that impact. To date, EBCE has generally experienced a positive impact to load shape that has reduced the more expensive peak hours that help to mute this margin impact.

- Load changes can have material implications to EBCE as it relates to planning, procurement, and scheduling. Less certainty when it comes to load forecasting can increase risk. Generally speaking, an overall industry reduction in load directionally leads to softer energy prices. However, the uncertainty also leads to more significant day to day volatility, which can increase or decrease energy costs where EBCE is not hedged.

Energy Market Risk:

- EBCE currently has an estimated unhedged energy portfolio of between $60-$80 million (depending upon scenario) which is exposed to the market. Short term energy prices can see volatility of 10-20% on a regular basis based on typical supply/demand dynamics that are heavily influenced by weather and electricity infrastructure. The volatility may be exacerbated by COVID due to general uncertainty of load and the impacts from the macro oil industry on gas prices. We estimate that energy costs could increase reasonably as much as $16-20MM, though this could also result in a similar reduction in energy costs. EBCE could consider hedging more load to reduce this risk. However, in an environment of softer energy prices, there are follow-on repercussions of an increasing PCIA the following year.

Uncollectables/Write-offs:

- While EBCE has increased our expected exposure from 0.5% to 2.5% to uncollectable accounts, the current data is limited in measuring the extent of this impact. This forecast of 2.5% is at the higher end of the range compared to other CCAs based on our regional income demographics. In researching other load serving entity uncollectables through prior recessions, we have seen data ranging from non-material impacts up to 6% write-offs. Based on the recessionary impacts of COVID and suspension of disconnects, we do anticipate an increase in uncollectables that would lead to write-offs. There is a potential for the uncollectables to exceed our current forecast based on a more severe and extended recession. To mitigate this risk, we have launched an active campaign to increase CARE enrollments as a way to lower customers' bills and are continuing to create a plan to enroll customers onto longer term payment plans as necessary. While enrollment in payment plans should reduce write-offs, it would reduce near term cash inflows. EBCE has a strong cash and reserve position to support payments deferrals.

Opt-out risk:

- Customer opt-outs are generally an ongoing risk to EBCE. However, we do not anticipate an increased risk of opt-outs for the fiscal year, depending on adjustments to the value propositions. There is currently no active discussion of DA expansion that would take effect in 2021 beyond what has already been in process.

Regulatory Risk:

- The current budget assumes a deferral of approximately $16MM in costs, which is based on maintaining an undercollection (PUBA) of 7%. The most significant regulatory risk to revenues in the near term is the management of this PUBA cap. The CPUC could rule to fully collect on the undercollection, which would decrease fiscal year revenues or potentially elect for a larger undercollection, which could increase revenues.
- AB110 Power Content reporting is anticipated to be finalized in mid 2020. These regulations will include potential updates to the reporting treatment of PCC3 unbundled RECs and Asset Controlling Supply (ACS) procurement. Currently procurement of PCC3 RECs is limited and serves as a flexible tool to balance the portfolio. ACS is also currently procured largely as a source of clean large hydro energy, a cost-effective energy hedging tool, and a source of import RA from the pacific northwest. ACS sources are generally made up of 85-95% large hydro resources but may also include up to 10% source specified nuclear or natural gas. The new reporting regulation will likely require disclosure of all underlying energy as source specified, which could limit future procurements of this product depending on board direction.

- PCIA Working Group 3, which is focused on the disposition of PG&E's current long portfolio may benefit EBCE's energy procurement related costs. Though those benefits are not expected to be material for the fiscal year.

RISK MITIGATION

Considering the previous discussion, EBCE has the following options to further mitigate these economic risks.

- Additional changes to EBCE's value proposition:
  - Further reduction to Bright Choice discount to 0.0% = $3.2MM
  - Increase to Brilliant 100 premium is expected to have negligible effect with 90% migration to Bright Choice
- EBCE has the opportunity to accept and resell PG&E's nuclear allocation. This could generate up to $2 million based on market demand, which is somewhat unknown. This could present some risk to EBCE's power content label, but we can likely structure an arrangement to largely mitigate this risk.