



# **Item 4**

## **CPA Financial Outlook**

May 21, 2020

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# FY 2020/21 Budget Schedule

- ✓ April 15 (Executive) – Budget Priorities
- ✓ April 29 (Finance) – Draft FY 2020/21 Budget (Operating Only)
- ✓ May 7 (Board) – Budget Priorities
- May 20 (Executive) – Draft FY 2020/21 Budget
- May 27 (Finance) – Proposed FY 2020/21 Budget
- June 4 (Board) – Proposed FY 2020/21 Budget

# FY 2020/21 Highlights

## CLEAN POWER ALLIANCE of SOUTHERN CALIFORNIA Fiscal Year 2020/2021 BUDGET

		<b>DRAFT</b>			
<b>A</b>		<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
		FY 2019/20 Budget (Amended)	FY 2020/21 Budget	Difference (\$)	Difference (%)
<b>1</b>	Revenue - Electricity net	794,725,000	745,942,000	(48,783,000)	-6%
<b>2</b>	Other revenue	10,000	566,000	556,000	5560%
<b>3</b>	<b>TOTAL REVENUE</b>	<b>794,735,000</b>	<b>746,508,000</b>	<b>(48,227,000)</b>	-6%
<b>4</b>	<b>TOTAL ENERGY COSTS</b>	<b>738,943,000</b>	<b>683,946,000</b>	<b>(54,997,000)</b>	-7%
<b>5</b>	<b>NET ENERGY REVENUE</b>	<b>55,792,000</b>	<b>62,562,000</b>	<b>6,770,000</b>	12%

- Revenues reflect board approved competitive rate differentials with SCE and include new rates approved by the board in May 2020 and a probable change to Phases 1 and 2 customer rates in June 2020. Revenue also reflects lower expected demand resulting from recession and shelter in place, and 2.5x increase in bad debt expense
- Cost of energy reflects recession driven lower electricity use and lower forward energy prices. Margins (net/total energy revenue) improve from 7% to 8.4% aided by rate adjustments
- Shelter in Place (SIP) and recession impacts highly are uncertain. Load, revenue, cost of energy and bad debt expense reflect CPA base case load and economic forecast

# FY 2020/21 Highlights

	A	B	C	D	E
		DRAFT			
		FY 2019/20			
		Budget	FY 2020/21	Difference	Difference
		(Amended)	Budget	(\$)	(%)
<b>OPERATING EXPENSES</b>					
<b>6</b>	Staffing	4,646,000	7,791,000	3,145,000	68%
<b>7</b>	Technical services	1,677,000	2,752,000	1,075,000	64%
<b>8</b>	Legal services	1,099,000	1,849,000	750,000	68%
<b>9</b>	Other services	942,000	1,003,000	61,000	6%
<b>10</b>	Communications and marketing services	248,000	525,000	277,000	112%
<b>11</b>	Customer notices and mailing services	400,000	865,000	465,000	116%
<b>12</b>	Billing data management services	11,930,000	11,881,000	(49,000)	-0.4%
<b>13</b>	Service fees - SCE	2,215,000	2,315,000	100,000	5%
<b>14</b>	Customer programs	1,450,000	1,360,000	(90,000)	-6%
<b>15</b>	Covid-19 Bill Assistance	1,000,000	-	(1,000,000)	n/a
<b>16</b>	General and administration	757,000	1,325,000	568,000	75%
<b>17</b>	Occupancy	414,000	516,000	102,000	25%
<b>18</b>	<b>TOTAL OPERATING EXPENSES</b>	<b>26,778,000</b>	<b>32,182,000</b>	<b>5,404,000</b>	<b>24%</b>

- ~92% of expenses is cost of energy; ~45% of budgeted operating expenses (rows 11-13) are fixed by regulatory or contract obligation
- CPA is still building organizational capacity in key areas such as energy risk management, data analytics, and Customer programs (rows 6, 7, 9). General and administration, marketing, occupancy and some legal and other services costs support that effort (rows 8, 9, 10, 16, 17). Data analytics is key to energy risk management and customer programs/demand side management initiatives.
- Customer programs (row 14) represent direct costs (customer rebates and third-party implementation). FY 2020/21 Covid-19 Bill Assistance (row 15) is under review

# FY 2020/21 Highlights

		<b>DRAFT</b>				
		<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
			FY 2019/20	FY 2020/21	Difference	Difference
			Budget	Budget	(\$)	(%)
			(Amended)			
3	Plus	TOTAL REVENUE	794,735,000	746,508,000	(48,227,000)	-6%
4	Minus	TOTAL ENERGY COSTS	738,943,000	683,946,000	(54,997,000)	-7%
18	Minus	TOTAL OPERATING EXPENSES	26,778,000	32,182,000	5,404,000	24%
25	Plus	NON OPERATING REVENUE (EXPENSE)	249,000	(224,000)	(473,000)	
26	Equals	CHANGE IN NET POSITION	29,263,000	30,156,000	893,000	3%
27		NET POSITION BEGINNING OF PERIOD	15,989,000	45,252,000	29,263,000	183%
28		NET POSITION END OF PERIOD	45,252,000	75,408,000	30,156,000	67%

- Change in net position represents a contribution to CPA reserves consistent with Board approved Reserve Policy
- Growth of reserves is critical to ensuring CPA financial strength, meeting credit covenants and other commitments, satisfying energy suppliers and stakeholders in long term renewable energy projects
- CPA expects to have \$5-7 billion of energy and storage under contract (depending on future prices and energy demand) once it reaches steady state
- Building CPA reserves and financial strength allows renewable and storage projects to be financed and built while keeping energy costs down.

**Thank You!**

Questions?

<b>CLEAN POWER ALLIANCE of SOUTHERN CALIFORNIA</b>				
<b>Fiscal Year 2020/2021 BUDGET</b>				
<b>DRAFT - OPERATING EXPENSES</b>				
<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
	<b>FY 2019/20 Budget (Amended)</b>	<b>FY 2020/21 Budget</b>	<b>Difference (\$)</b>	<b>Difference (%)</b>
<b>1</b> Revenue - Electricity net	794,725,000	745,942,000	(48,783,000)	-6%
<b>2</b> Other revenue	10,000	566,000	556,000	5560%
<b>3</b> <b>TOTAL REVENUE</b>	<b>794,735,000</b>	<b>746,508,000</b>	<b>(48,227,000)</b>	-6%
<b>4</b> Cost of energy	738,943,000	683,946,000	(54,997,000)	-7%
<b>4</b> <b>TOTAL ENERGY COSTS</b>	<b>738,943,000</b>	<b>683,946,000</b>	<b>(54,997,000)</b>	-7%
<b>5</b> <b>NET ENERGY REVENUE</b>	<b>55,792,000</b>	<b>62,562,000</b>	<b>6,770,000</b>	12%
<b>OPERATING EXPENSES</b>				
<b>6</b> Staffing	4,646,000	7,791,000	3,145,000	68%
<b>7</b> Technical services	1,677,000	2,752,000	1,075,000	64%
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<b>13</b> Service fees - SCE	2,215,000	2,315,000	100,000	5%
<b>14</b> Local programs	1,450,000	1,360,000	(90,000)	-6%
<b>15</b> Covid-19 Bill Assistance	1,000,000	-	(1,000,000)	n/a
<b>16</b> General and administration	757,000	1,325,000	568,000	75%
<b>17</b> Occupancy	414,000	516,000	102,000	25%
<b>18</b> <b>TOTAL OPERATING EXPENSES</b>	<b>26,778,000</b>	<b>32,182,000</b>	<b>5,404,000</b>	24%
<b>19</b> <b>OPERATING INCOME</b>	<b>29,014,000</b>	<b>30,380,000</b>	<b>1,366,000</b>	5%
<b>20</b> Finance and interest expense	388,000	462,000	74,000	19%
<b>21</b> Depreciation	12,000	12,000	-	0%
<b>22</b> <b>TOTAL NON OPERATING EXPENSES</b>	<b>400,000</b>	<b>474,000</b>	<b>74,000</b>	19%
<b>23</b> Interest Income	649,000	250,000	(399,000)	-61%
<b>24</b> <b>TOTAL NON OPERATING REVENUE</b>	<b>649,000</b>	<b>250,000</b>	<b>(399,000)</b>	-61%
<b>25</b>				
<b>26</b> <b>CHANGE IN NET POSITION</b>	<b>29,263,000</b>	<b>30,156,000</b>	<b>893,000</b>	3%
<b>27</b> <b>NET POSITION BEGINNING OF PERIOD</b>	<b>15,989,000</b>	<b>45,252,000</b>	<b>29,263,000</b>	183%
<b>28</b> <b>NET POSITION END OF PERIOD</b>	<b>45,252,000</b>	<b>75,408,000</b>	<b>30,156,000</b>	67%
<b>29</b> <i>Other Uses</i>				
<b>30</b> Capital Outlay	1,074,000	1,074,000	-	0%
<b>31</b> Depreciation	(12,000)	(12,000)	-	0%
<b>32</b> <b>CHANGE IN FUND BALANCE</b>	<b>44,166,000</b>	<b>29,070,000</b>	<b>(15,096,000)</b>	-34%
<b>33</b> <i>Note: Funds may not sum precisely due to rounding</i>				
<b>34</b> <b>Contribution to net position / revenue</b>		4.04%		