

THE POWER  
OF CHOICE  
**IS YOURS**



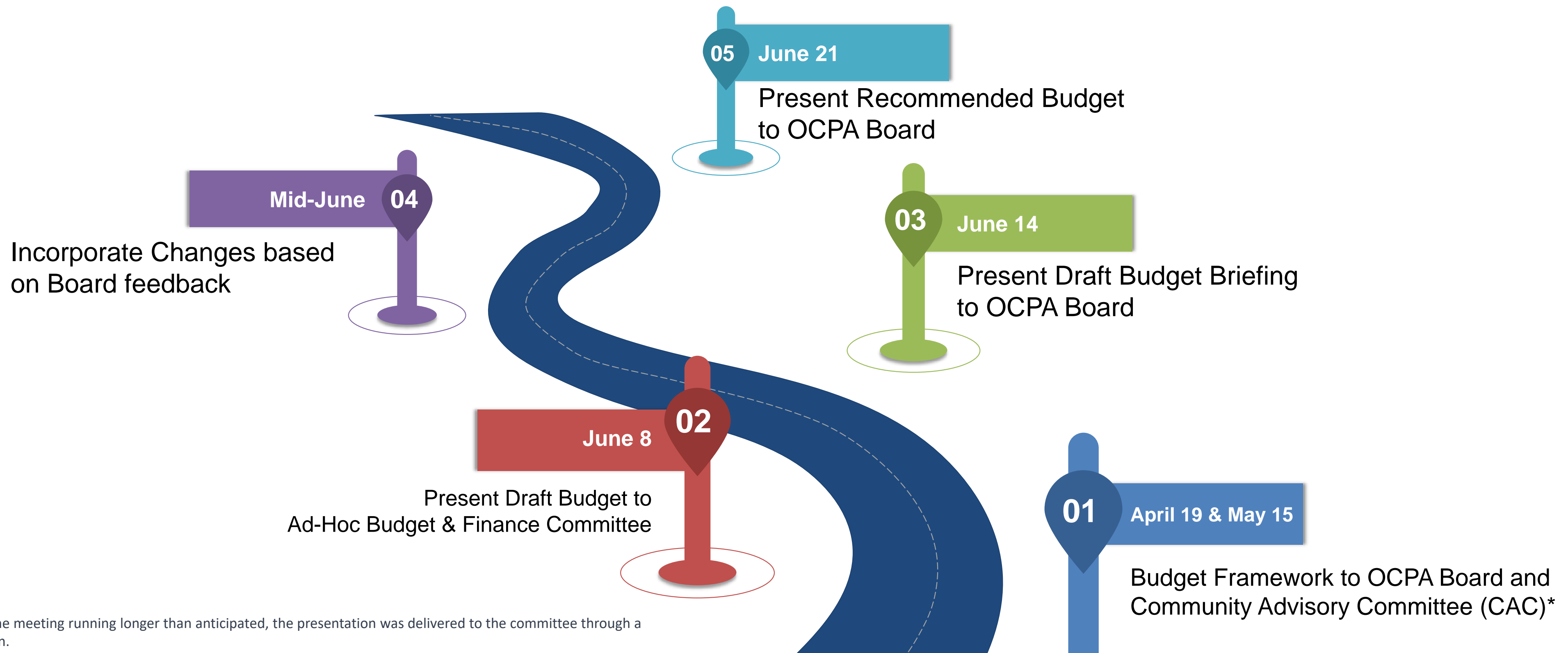
## **FISCAL YEAR OPERATING BUDGET 2023-2024**

June 2023

# Table of Contents

**FISCAL YEAR OPERATING BUDGET 2023-2024**

- 02 Operating Budget Roadmap
- 03 Operating Budget Background and Highlights
- 05 FY23/24 Recommended OCPA Operating Budget
- 07 Revenue and Cost Energy of Assumptions
- 13 Operating Expense Highlights
- 24 5-Year OCPA Financial Proforma FY24/25 – FY28/29
- 28 About OCPA
- 29 2023 OCPA Board
- 31 2023 OCPA Community Advisory Committee



\*As a result of the meeting running longer than anticipated, the presentation was delivered to the committee through a video submission.

# OCPA FY2023/24 Operating Budget - Roadmap

Staff is pleased to present a balanced budget for Fiscal Year 2023-2024 (the first year of full operations for OCPA). The budget is updated annually and amended mid-year to balance immediate needs with long term considerations and rate affordability. It outlines estimated revenues and costs, following a fiscal year from July 1 to June 30.

The proposed budget is structured into two categories: revenues and expenses. These categories are intentionally designed to be general, providing flexibility without the need for frequent budget adjustments.

- 1. Financially strong:** establish a strong net position of \$41 million and expect to reach \$88 million in the Rate Stabilization Reserves (31% of operating expenses) by June 30, 2024
- 2. Affordable rates:** offer Basic Choice rates at a 2% discount to SCE's equivalent generation rates. Smart Choice rates (at least 69% renewable energy) adds 1c/kWh to Basic Choice rates, while 100% Renewable Choice rates adds 1.5c/kWh. Any rate changes to the Basic Choice rates benefit all rate tiers proportionally
- 3. Competitive Net Energy Metering program:** set Net Surplus Compensation (NSC) at 10% above SCE's NSC rate
- 4. Clean and renewable procurement strategy:** contract for long-term clean and renewable generation resources to meet 90% of OCPA's electric demand
- 5. Talented workforce:** propose four additional full-time employees and two interns to ensure adequate coverage of essential functions
- 6. Public outreach:** increase funding for marketing and public outreach to raise awareness of OCPA's clean energy mission and goals
- 7. Harnessing data analytics:** implement scalable data analytic platform to improve customer data access
- 8. Advancing local climate solutions:** provide reliable, affordable, clean electricity and electrification programs to reduce greenhouse gas emissions and strengthen our local economy

# Recommended OCPA Operating Budget FY2023/24



| (\$ in thousands)                           | Approved<br>Mid-Year<br>Budget<br>FY 2022/23 | % of Rev      | Rereforecast<br>FY2022/23 | % of Rev      | Proposed<br>Budget<br>FY2023/24 | % of Rev      | Change \$      | Change %      |
|---|--|---------------|---------------------------|---------------|---------------------------------|---------------|----------------|---------------|
| <b>Period Ending Jun 30</b>                 |  |               |                           |               |                                 |               |                |               |
| <b>REVENUE AND OTHER SOURCES</b>            |  |               |                           |               |                                 |               |                |               |
| Revenue - Electricity Base                  | 258,486                                      |               | 252,450                   |               | 300,570                         |               | 48,121         |               |
| Revenue - Smart Choice Premium              | 4,145  |               | 4,063                     |               | 4,896                           |               | 833            |               |
| Revenue - 100% Renewable Premium            | 26,876                                       |               | 24,962                    |               | 27,875                          |               | 2,913          |               |
| Less: Uncollectible Accounts                | (3,619)                                      | (1.3%)        | (3,518)                   | (1.3%)        | (4,167)                         | (1.3%)        | (648)          |               |
| Net Revenue - Electricity                   | 285,887                                      | 100.0%        | 277,956                   | 100.0%        | 329,175                         | 100.0%        | 51,219         | 18.4%         |
| Investment and Miscellaneous Income         | 8  | 0.0%          | 8                         | 0.0%          | 0                               | 0.0%          | (8)            | (100.0%)      |
| <b>Total Net Revenue and Other Sources</b>  | <b>285,895</b>                               | <b>100.0%</b> | <b>277,964</b>            | <b>100.0%</b> | <b>329,175</b>                  | <b>100.0%</b> | <b>51,211</b>  | <b>18.4%</b>  |
| <b>EXPENDITURES AND OTHER USES</b>          |  |               |                           |               |                                 |               |                |               |
| <b>CURRENT EXPENDITURES</b>                 |  |               |                           |               |                                 |               |                |               |
| Cost of Energy                              | 234,366                                      | 82.0%         | 225,332                   | 81.1%         | 271,934                         | 82.6%         | 46,602         | 20.7%         |
| Data Manager                                | 1,403  | 0.5%          | 1,401                     | 0.5%          | 2,345                           | 0.7%          | 944            | 67.4%         |
| Utilities Service Fees                      | 690  | 0.2%          | 620                       | 0.2%          | 372                             | 0.1%          | (248)          | (40.0%)       |
| Staffing Costs                              | 3,070  | 1.1%          | 2,517                     | 0.9%          | 6,346                           | 1.9%          | 3,829          | 152.1%        |
| Contract Services                           | 1,287  | 0.5%          | 1,207                     | 0.4%          | 1,721                           | 0.5%          | 514            | 42.6%         |
| Legal Services                              | 790  | 0.3%          | 933                       | 0.3%          | 675                             | 0.2%          | (258)          | (27.6%)       |
| Marketing and Customer Enrollment           | 1,241  | 0.4%          | 1,183                     | 0.4%          | 2,304                           | 0.7%          | 1,121          | 94.8%         |
| Other G&A                                   | 800  | 0.3%          | 808                       | 0.3%          | 1,086                           | 0.3%          | 278            | 34.3%         |
| Energy Programs (Transfer to Programs Fund) | 500  | 0.2%          | 500                       | 0.2%          | 750                             | 0.2%          | 250            | 50.0%         |
|   | 244,146                                      | 85.4%         | 234,500                   | 84.4%         | 287,533                         | 87.3%         | 53,033         | 22.6%         |
| <b>OTHER USES</b>                           |  |               |                           |               |                                 |               |                |               |
| Capital Outlay                              | 10   | 0.0%          | 0                         | 0.0%          | 125                             | 0.0%          | 125            | 0.0%          |
| Total Other Uses                            | 10   | 0.0%          | 0                         | 0.0%          | 125                             | 0.0%          | 125            | 0.0%          |
| <b>DEBT SERVICE</b>                         |  |               |                           |               |                                 |               |                |               |
| Interest costs - nonoperating               | 753  | 0.3%          | 629                       | 0.2%          | 314                             | 0.1%          | (316)          | (50.2%)       |
| Finance costs - Principal                   | 0  | 0.0%          | 0                         | 0.0%          | 68                              | 0.0%          | 68             | 0.0%          |
| <b>Total Expenditures and Other Uses</b>    | <b>244,909</b>                               | <b>85.7%</b>  | <b>235,130</b>            | <b>84.6%</b>  | <b>288,040</b>                  | <b>87.5%</b>  | <b>52,910</b>  | <b>22.5%</b>  |
| <b>Net Income (Surplus/Deficit)</b>         | <b>40,986</b>                                | <b>14.3%</b>  | <b>42,834</b>             | <b>15.4%</b>  | <b>41,135</b>                   | <b>12.5%</b>  | <b>(1,699)</b> | <b>(4.0%)</b> |
| <b>Key Statistics:</b>                      |  |               |                           |               |                                 |               |                |               |
| Total Load (MWh) - Retail                   | 2,231,452                                    |               | 2,327,891                 |               | 2,584,561                       |               |                |               |
| \$/MWh - Net Electricity Sales              | \$ 128.12                                    |               | \$ 119.40                 |               | \$ 127.36                       |               |                |               |
| Total Load (MWh) - Wholesale                | 2,365,340                                    |               | 2,467,564                 |               | 2,739,635                       |               |                |               |
| \$/MWh - Cost of Energy                     | \$ 99.08                                     |               | \$ 91.32                  |               | \$ 99.26                        |               |                |               |

| \$ in thousands<br>Period Ending June 30 | FY2022/23<br>Rereforecast | %<br>of Revenue | FY2023/24<br>Proposed Budget | %<br>of Revenue |
|--|---------------------------|-----------------|------------------------------|-----------------|
| Net Revenue                              | \$277,964                 | 100%            | \$329,175                    | 100%            |
| Less : Cost of Energy                    | \$(225,332)               | 81.1%           | \$(271,934)                  | 82.6%           |
| Data Manager & IOU Services              | \$(2,020)                 | 0.7%            | \$(2,717)                    | 0.8%            |
| Staffing                                 | \$(2,517)                 | 0.9%            | \$(6,346)                    | 1.9%            |
| Contract Services                        | \$(1,207)                 | 0.4%            | \$(1,721)                    | 0.5%            |
| Legal Services                           | \$(933)                   | 0.3%            | \$(675)                      | 0.2%            |
| Marketing & Customer Enrollment          | \$(1,183)                 | 0.4%            | \$(2,304)                    | 0.7%            |
| General & Admin                          | \$(808)                   | 0.3%            | \$(1,086)                    | 0.3%            |
| Energy Programs                          | \$(500)                   | 0.2%            | \$(750)                      | 0.2%            |
| Capital Expenditures & Debt Services     | \$(629)                   | 0.2%            | \$(506)                      | 0.1%            |
| Net Position (bottom line)               | \$42,834                  | 15.4%           | \$41,135                     | 12.5%           |
| Rate Stabilization Reserve Fund          | \$46,562                  |                 | \$87,698                     |                 |
| Reserve as a % of operating expenses     | 20%                       |                 | 31%                          |                 |

**Key Notes:**

- FY2023/24 is a balanced budget with net position of \$41.1mil or 12.5% of revenue
- Cost of Energy is projected at \$271.9mil or 82.6% of revenue
- Non-Power Supply Expenses are projected at \$16.1mil or 4.9% of revenue

OCPA's primary source of revenue stems from the retail sale of electricity to customers, facilitated through OCPA's generation rates. These rates are strategically devised to cover various costs, including power procurement, operating expenses, non-operating, capital expenditures, and the funding of the rate stabilization reserve.

- **Demand Forecast:** total retail load consumption is estimated at 2,585 GWh, inclusive of the residential customers from the Cities of Buena Park, Fullerton, Huntington Beach, and Irvine
- **Utilization of OCPA's Own Dataset:** customer count and load consumption are based on a combination of SCE and Calpine's actual customer enrollment reports
- **2023 OCPA Rates (July through December 2023):** based on the Board approved 2023 Rate Design on December 13, 2022:
  - Basic Choice at a 2% discount to SCE's equivalent generation rates
  - Smart Choice (at least 69% renewable energy) at Basic Choice plus 1c/kWh
  - 100% Renewable Choice at Basic Choice plus 1.5c/kWh
- **2024 and Future OCPA Revenues:** sufficient to cover the costs of power purchase, operational expenses, debt services, and targeted reserves
- **Uncollectible Accounts:** remains at 1.25% of operating revenue



OCPA customers have three rate options. All customers pay the **Basic Choice** rate as a base, and customers opting into Smart Choice or 100% Renewable Choice pay a renewable adder on top of the **Basic Choice** rates:

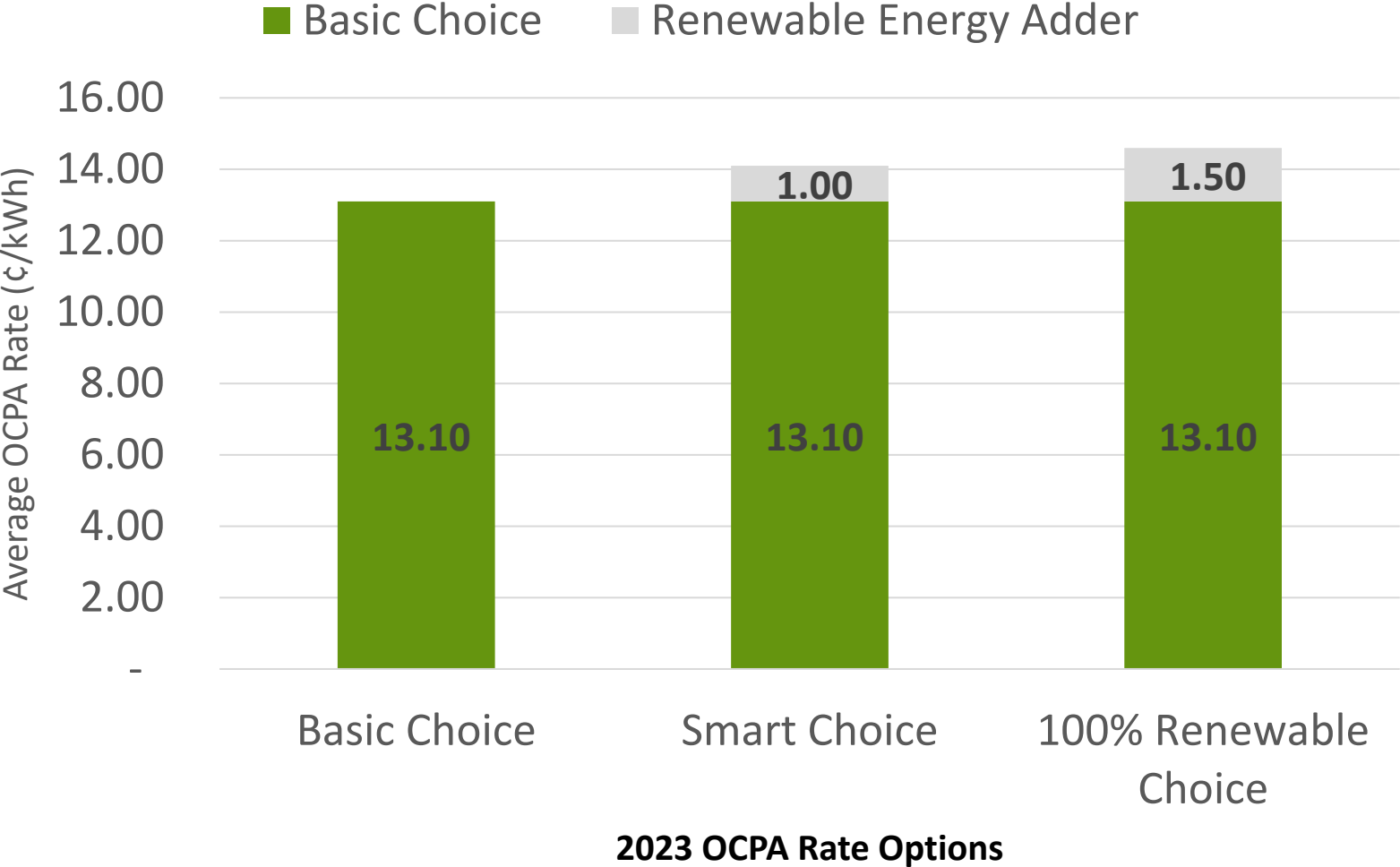
- 1) Basic Choice = **Basic Choice** rates with no additional adder
- 2) Smart Choice\* = **Basic Choice** rates with 1c/kWh adder
- 3) 100% Renewable Choice\* = **Basic Choice** rates with 1.5c/kWh adder

The 2% discount to SCE’s equivalent generation rates is applied to the **Basic Choice** rates and lowers the **Basic Choice** rates for all customers.

\* Key Fact: SCE customers desiring to receive service with a higher renewable content must opt into SCE’s Green Tariff Shared Renewables program (Green Rate Program). However, this program is currently **closed to new customers** as interest in the program exceeded the procured amount of available capacity. New customers applying for Green Rate Program will be placed on a waitlist. Currently, out of approximately 5,000,000 accounts in the entire SCE service area, only around 3,000 accounts are currently enrolled in the Green Rate Program.

Therefore, it is not feasible to compare OCPA Smart Choice and 100% Renewable Choice with the **closed** SCE’s Green Rate program.

**Projected CY2023 OCPA Average Residential Rates (¢)**



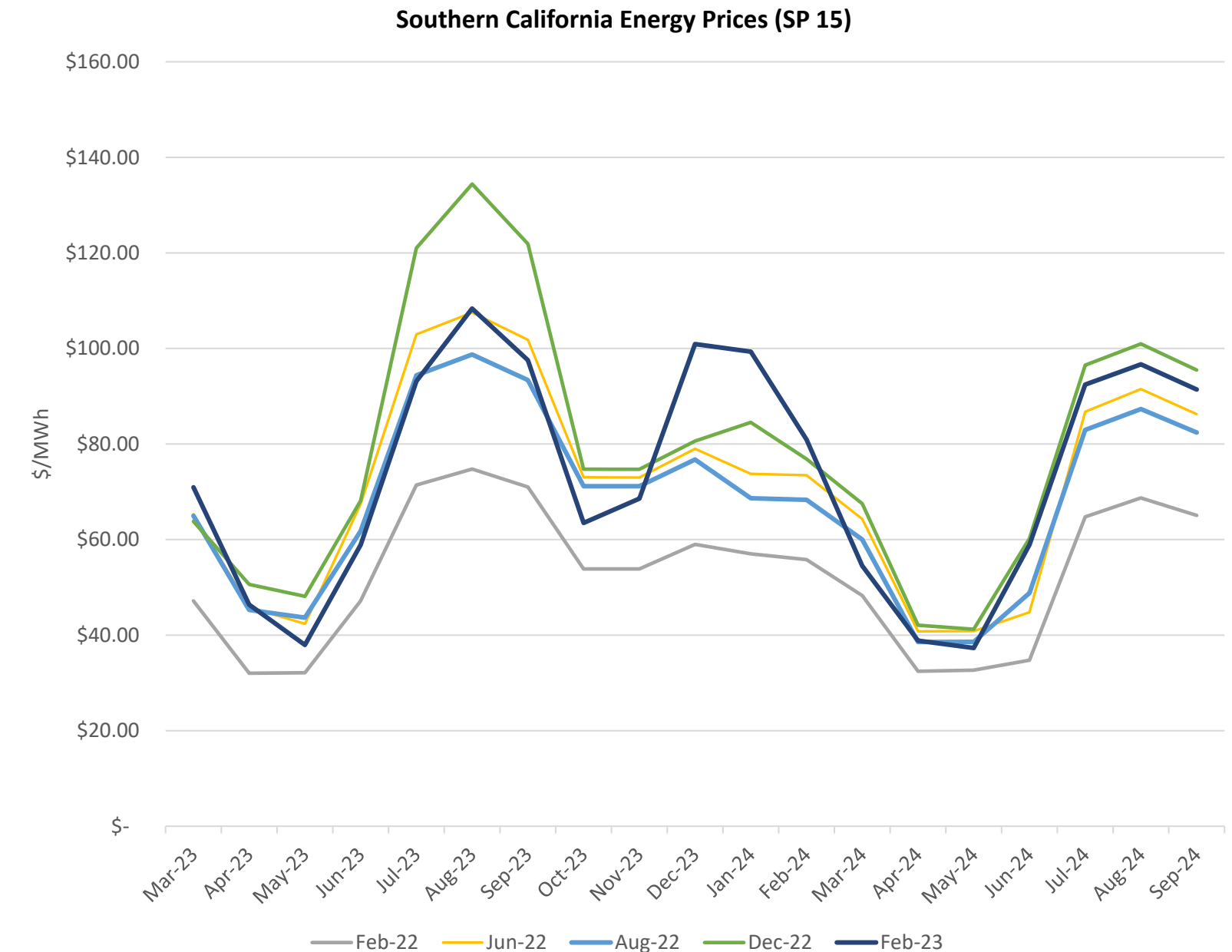
The evolving energy landscape in California, with the increasing number of CCAs, prompts regulators to consider rules for addressing grid reliability. OCPA closely monitors these changes and adjusts procurement strategies accordingly. However, the budget is being formed amidst challenges such as supply chain disruptions, rising natural gas prices, generation capacity shortages, and regulatory mandates driving up prices for new generation sources. Wholesale power prices have doubled in the past year and are expected to remain elevated, especially during summer months from June through September.

Below are the key assumptions for power supply cost in FY23/24:

- **Wholesale Purchase:** estimated at 2,740 GWh, 6% higher than estimated sales to account for system and distribution losses
- **Cost of Energy:** accounting for two major components – **Energy**, consisting predominantly of system energy, eligible renewable energy, and CAISO fees, is estimated at \$211 million, or 78% of total power supply cost. **Resource Adequacy (RA)**, a reliability obligation requiring generating capacity committed to operating when needed for system reliability, is estimated at \$61 million, or 22% of total power supply cost
- **Forecast Contracts:** OCPA utilizes forward contracts to secure energy supply in advance, ensuring the sufficiency of resources and promoting cost certainty for OCPA's budget
- **Competitive Net Energy Metering (NEM) program:** for solar customers, OCPA set its Net Surplus Compensation (NSC) rate at **10% above** SCE's NSC rate. The estimated total payout for OCPA's NEM customers in FY23/24 amounts to \$450k

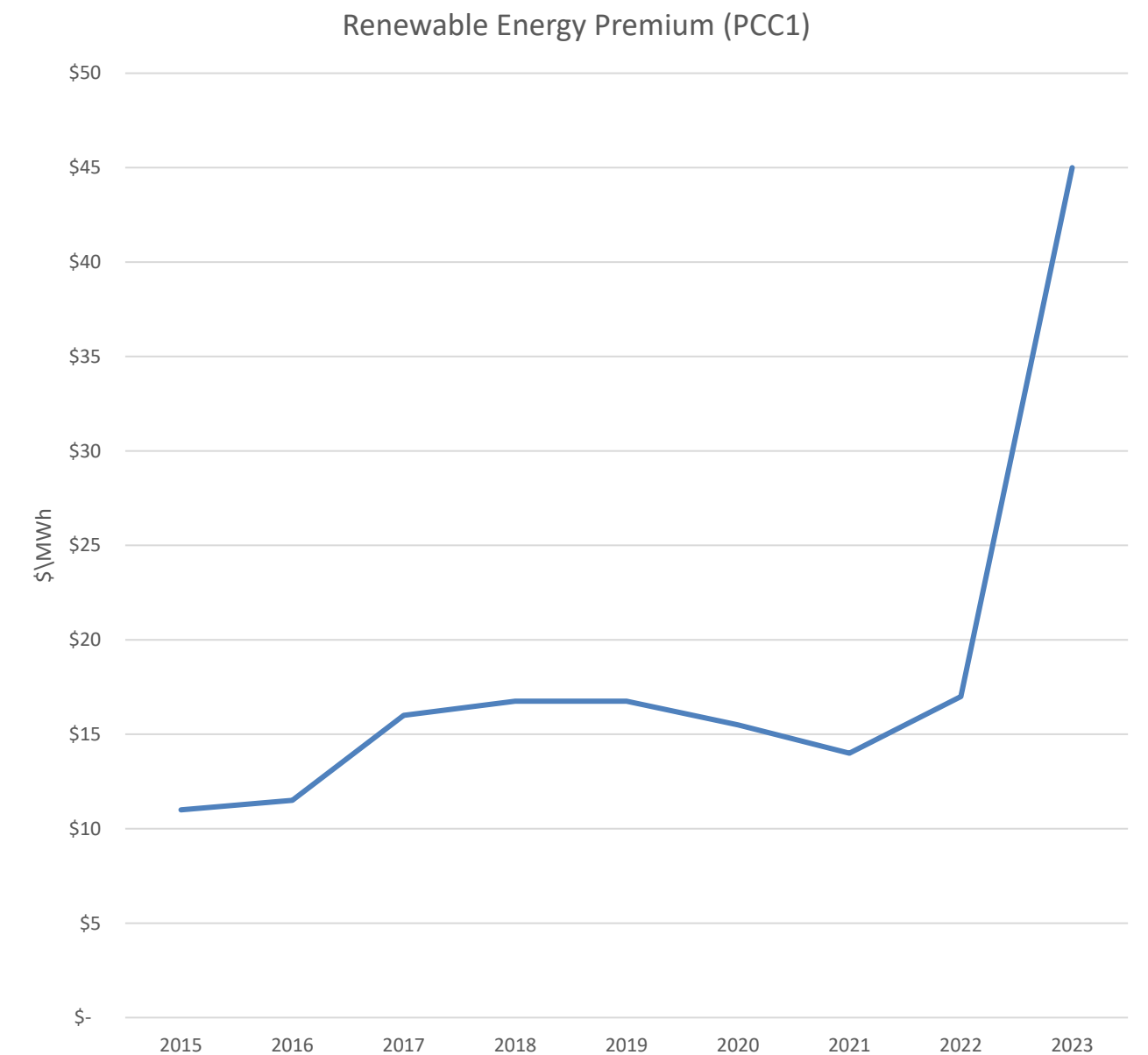
## Cost of Energy Component: System Energy

- Power market price volatility makes budget projections more uncertain
- 12-month peak forward prices are near record high (up 63% vs one year ago and 148% vs two years ago)
- Winter months are impacted by high prices for western US natural gas
- Prices have fallen from peak levels in December 2022, yet remain quite high
  - Currently hedged ~ 95% fixed price energy contracts provide price certainty for load scheduled through CAISO
  - Remaining ~5% exposed to volatile market prices



## Cost of Energy Component: Eligible Renewable Energy

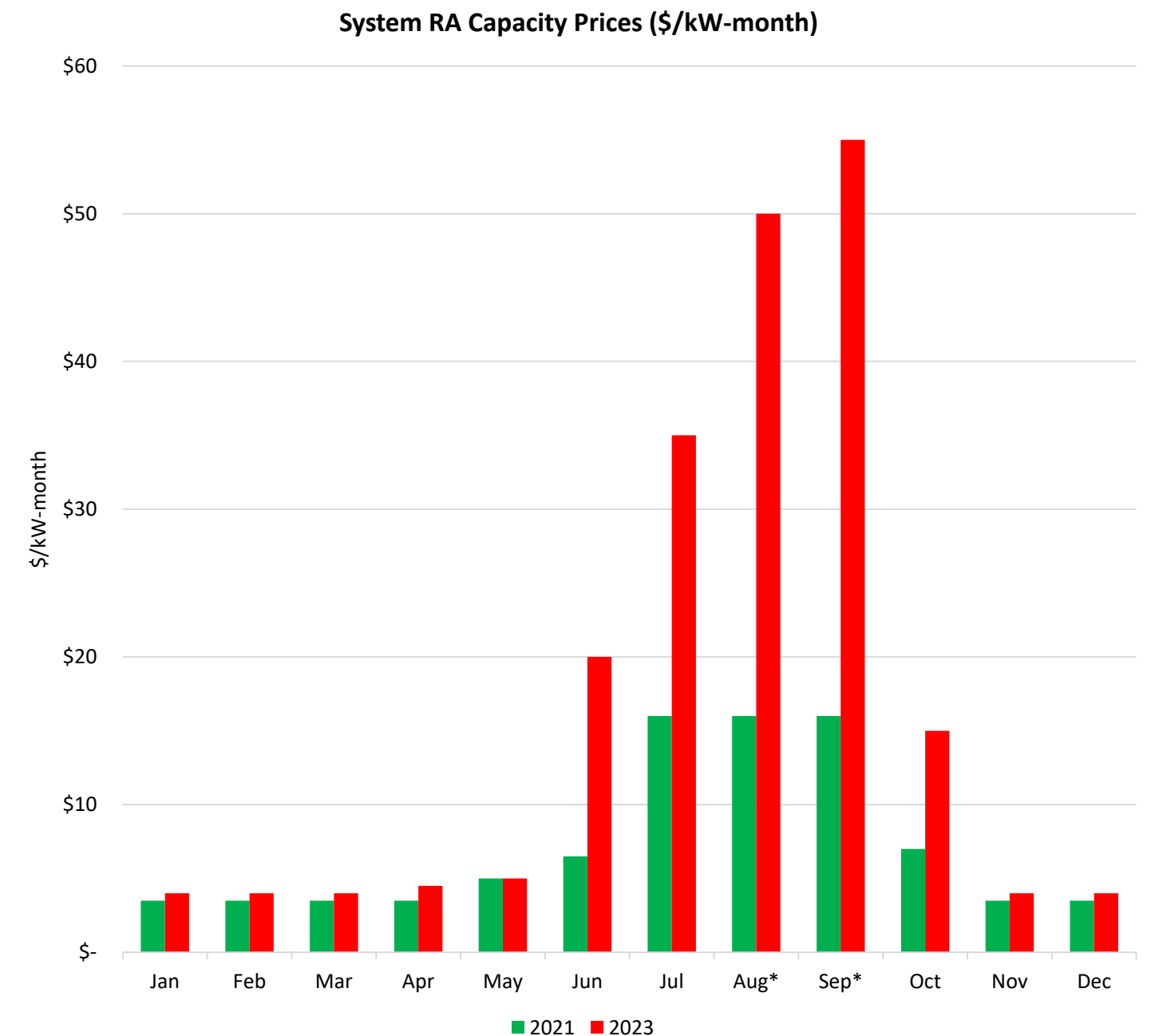
- PCC1 prices rose to nearly \$40/MWh in early 2023 vs \$15-20/MWh over the past few years. Currently offered at \$48-50/MWh (limited volumes)
- PCC2 prices rose to nearly doubled in early 2023. Currently offered at \$30/MWh
- Ongoing incremental procurement orders, supply chain challenges, and increased voluntary RPS targets have reduced the pipeline of available projects
- Seller credit expectations have generally increased, particularly for non-investment grade buyers
- Some sellers have walked away from “exclusive” negotiating processes to pursue higher-priced opportunities. Increased competition amongst buyers
  - Currently hedged ~ 181% of legally required renewable requirements and 84% of total renewable energy needs are under contract
  - Remaining ~16% is needed to meet voluntary renewable portfolio content standards associated with OCPA retail product offerings



Industry Foreword Curves for PCC1 Prices

## Cost of Energy Component: Resource Adequacy (RA)

- RA prices in the summer months have more than doubled over the last two years.
  - Increased demand due to higher state-mandated planning reserve margins.
  - Supply constraints due to lower Net Qualifying Capacity (“NQC”) values for intermittent resources, natural gas plant retirements, new-build project delays and stricter import capacity requirements.
- 100% of 2023 month-ahead RA positions are covered by existing contracts



\*Aug & Sep 2023 volumes are not being offered, and capacity prices are much higher than the costs assessed for non-compliance

OCPA's operating expenses are classified into eight categories: Data Management & Utilities Service Fees, Staffing Costs, Professional Contract, Legal Support, Marketing and Customer Enrollment, General and Administration, Energy Programs, and Capital Expenditures. In addition, OCPA's budget accounts for non-operating debt service expenses associated with interest and related costs used to finance its operations. Further details regarding expenses are as follows:

### Data Management & Utilities Service Fees

- Data management services primarily include billing data validation, bill coordination with investor-owned utilities (IOUs), and call center operations provided by Calpine. Calpine will waive the data management fees of \$333k due to the waiver of service fees clause in the contract
- Utilities services provided by SCE primarily include meter data posting and customer billing processing charges that are mandatory and regulated by the California Public Utilities Commission (CPUC)

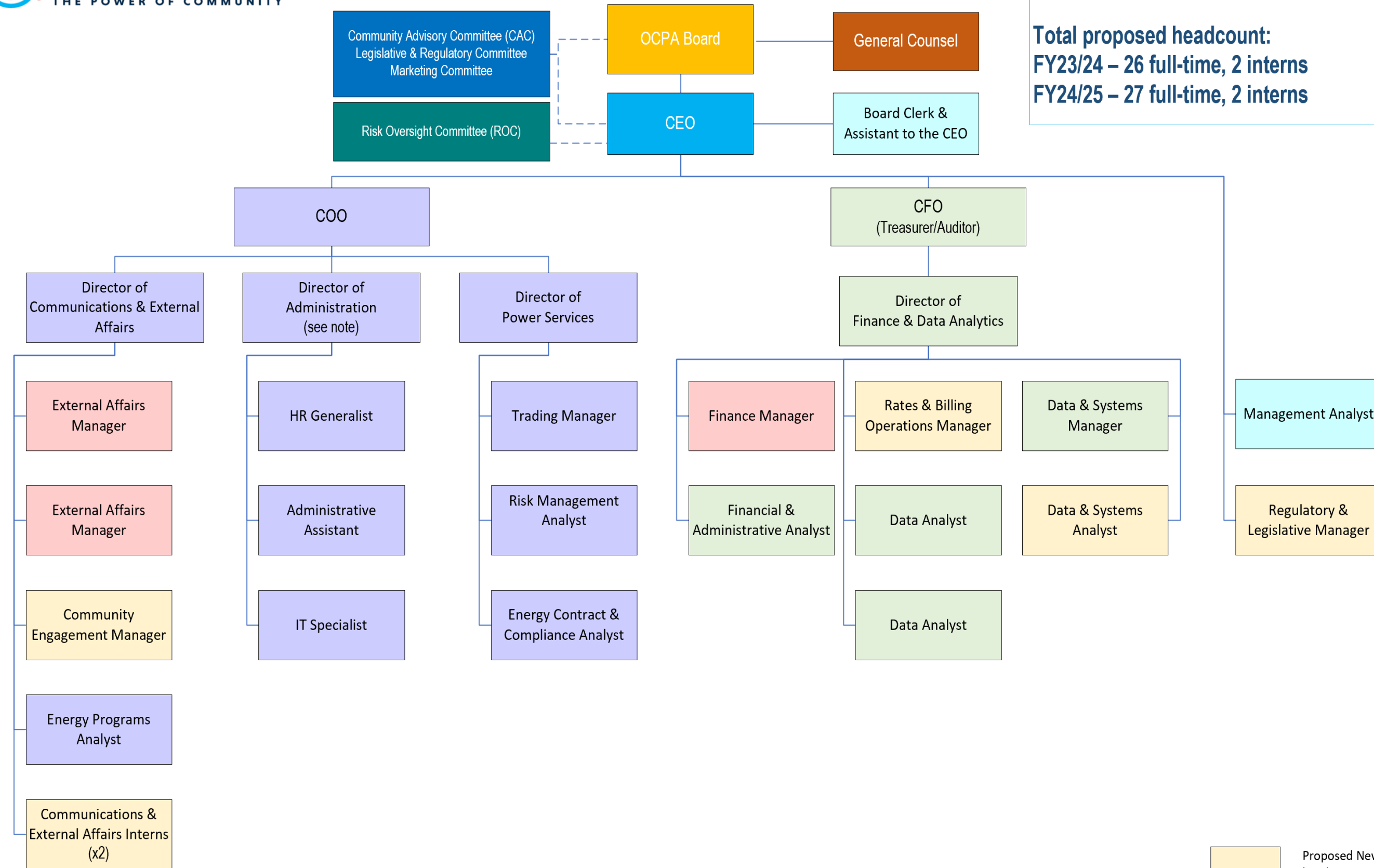
|  | OCPA           |          |
|--|----------------|----------|
| \$ in thousands<br>Period Ending June 30 | FY23/24 Budget | % of rev |
| Data Management Fee                      | \$2,678        | 0.8%     |
| Less: Fee Waiver                         | (\$333)        |          |
| Net Data Management Fee                  | \$2,345        | 0.7%     |
| Utilities Service Fee                    | \$372          | 0.1%     |
| Customer Accounts                        | 247,000        |          |

## Staffing Costs

- Staffing costs include salaries, payroll taxes, and benefits for staff, as well as board member stipend
- The salaries have been budgeted according to the Board's approved maximum range. Staff will adjust salary projection during FY23/24 Mid-Year budget update to align with actual figures
- To recruit, retain, and cultivate a talented and inclusive workforce, OCPA will be participating in a collaborative effort with other CCAs to conduct a comprehensive Compensation and Benefits Study. This study is anticipated to yield results in Q3 2023
- Approved FY23/24 full time equivalents (FTEs) is 22. Currently hired 11 positions
- Propose 4 additional FTEs and 2 interns for FY23/24 to ensure sufficient coverage of essential functions as it moves into a growth phase:
  - ❑ Regulatory & Legislative Manager – representing OCPA before regulatory agencies, conducting outreach to legislators, participating in CalCCA working groups and committees, evaluating proposed regulatory policies and legislation to assess their impact on OCPA, and assisting in the analysis and development of positions on issues
  - ❑ Rates & Billing Operations Manager – ensuring the accurate development and maintenance of OCPA's rates in accordance with the approved rate structure, analyzing market trends and competitor pricing strategies, managing the precision of customer bills, and addressing any billing concerns and issues that may arise
  - ❑ Data & Systems Analyst – facilitating the development and implementation of OCPA's central data analytics platform and advancing and maintaining its functionality
  - ❑ Community Engagement Manager – participating in city council meetings, attending community events, and engaging with local nongovernmental organizations
  - ❑ Interns (x2) – providing support to staff on various administrative tasks, assisting with event planning and coordination, identifying engagement opportunities, and aiding in research projects

**Organizational Structure (2-Year Plan)**

**Total proposed headcount:**  
FY23/24 – 26 full-time, 2 interns  
FY24/25 – 27 full-time, 2 interns



Note: Director of Administration is scheduled to be hired in FY24/25

Proposed New headcount  
 Retitle

# OCPA Proposed 2-Year Org Chart for FY23/24 to FY24/25



## Cost-of-Living Adjustments (COLA)

- COLA is an increase in salary that counteracts inflation
- Propose to offer Cost-of-living adjustment (COLA) effective January 2024
- The adjustment will become **effective January 1** in each year based on April CPI (LA-Long-Beach-Anaheim) and the budgetary salary max pay range will be updated accordingly
- Staff contacted 14 CCAs regarding benefits. 13 offer COLA to their employees, one does not as it is staffed with consultants only
- For FY23/24, COLA assumption is budgeted at 3.8% based on April 2023 Consumer Price Index. Only full-time employees who have been employed **before December 2023** will receive Jan 2024 COLA **on a pro-rata basis** (e.g., Employee A who joined OCPA in July 2023 will receive 50% or 1.9% of COLA adjustment in January 2024; Employee B who joined OCPA in January 2024 will not receive any COLA adjustment in January 2024)

|  | OCPA              |               |          |
|--|-------------------|---------------|----------|
| \$ in thousands<br>Period Ending June 30 | FY23/24<br>Budget | % of<br>total | % of rev |
| Salaries                                 | \$4,454           | 70.9%         |          |
| Benefits                                 | \$1,591           | 25.3%         |          |
| COLA                                     | \$166             | 2.6%          |          |
| Payroll Taxes                            | \$73              | 1.2%          |          |
| Total                                    | \$6,283           | 100%          | 1.9%     |
| Total FTEs                               | 26                |               |          |
| Estimated Customer Accounts per FTE      | 9,500             |               |          |

## Professional Contract

OCPA follows industry best practices by initially engaging consultants during the early stages of operations and gradually enhancing its internal staffing capabilities to bring certain non-industry technical tasks in-house. This strategic approach is driven by the goal of optimizing operational efficiency and ensuring that the agency has the required expertise to handle various aspects of the operations internally. By combining the strengths of external consultants and internal staff, OCPA aims to strike a balance that leverages external expertise while building internal capacity.

- Day-to-day accounting, annual financial audit, advanced metering infrastructure (AMI) audit, HR, recruitment, board goal setting workshop, IT, rate design, banking, and technical analytics support services
- Consulting support for power supply portfolio management and power procurement, risk management, integrated resource and implementation plan, scheduling coordination and dispatch, load forecasting, market monitoring and congestion revenue rights, and CAISO settlements and reporting, and legislative & regulatory compliance services

|   | OCPA           |          |
|---|----------------|----------|
| \$ in thousands<br>Period Ending June 30          | FY23/24 Budget | % of rev |
| Power Supply & Related                            | \$686          |          |
| Accounting, Auditing & Banking                    | \$332          |          |
| Rate Design & Technical Analytics                 | \$250          |          |
| IT, HR, Recruitment & board goal setting workshop | \$453          |          |
| Total   | \$1,721        | 0.5%     |

## Legal Support Services

- Legal support for general counsel, power supply procurement transactional and negotiation, and labor related and clerk support
- Regulatory and legislative advocacy, as well as technical consulting support for OCPA’s engagement on the investor-owned utility issues

|   | OCPA           |             |
|---|----------------|-------------|
| \$ in thousands<br>Period Ending June 30      | FY23/24 Budget | % of rev    |
| General Counsel                               | \$240          |             |
| Regulatory & Legislative                      | \$150          |             |
| Power Procurement Transactional & Negotiation | \$90           |             |
| Labor Related                                 | \$100          |             |
| Clerk Support                                 | \$95           |             |
| <b>Total</b>                                  | <b>\$675</b>   | <b>0.2%</b> |
| Additional In-House Legal FTEs                | None           |             |

**Marketing & Customer Enrollment**

Being a community-focused public agency, OCPA places great emphasis on engaging with its customers. Through various channels such as direct customer contact, staff-hosted webinars, virtual workshops, community events, surveys, and membership in business, environmental, and community-based organizations, our staff actively seeks new opportunities to connect and cultivate positive relationships with our customers.

Our customer engagement efforts encompass several key areas:

- Developing, enhancing, implementing, and maintaining a comprehensive plan to raise awareness about our programs
- Engaging both residential and commercial customers to promote our 100% renewable program and other product offerings
- Providing support for website development and design requirements
- Building brand and program awareness, minimizing customer opt-outs, maximizing opt-ups to our 100% renewable product, and establishing a framework for long-term community engagement
- Utilizing direct mailers and covering postage costs for customer enrollment notifications, Joint Rate Comparisons (JRC), Power Content Label (PCL), as well as obtaining consulting support for strategic outreach and marketing initiatives

|   | OCPA           |          |
|---|----------------|----------|
| \$ in thousands<br>Period Ending June 30    | FY23/24 Budget | % of rev |
| Direct Mailers & Postage                    | \$350          |          |
| Marketing & Communications Consulting       | \$1,263        |          |
| Promotions, Sponsorships & Memberships      | \$239          |          |
| Advertising, Media, Translation and Related | \$452          |          |
| Total                                       | \$2,304        | 0.7%     |

## General & Administration

- Ordinary business expenses include leasing office space, office utilities and maintenance, liability insurance, office supplies, equipment and software, internet and telephone, subscriptions, copier usage, conferences and professional development, travel and business meals, and miscellaneous operational expenses
- California Community Choice Association (Cal-CCA) Membership dues. Cal-CCA provides legislative and regulatory support to its members to address many of the challenges that face our industry

|  | OCA            |          |
|--|----------------|----------|
| \$ in thousands<br>Period Ending June 30 | FY23/24 Budget | % of rev |
| CalCCA Membership Dues                   | \$400          |          |
| Office Rental                            | \$217          |          |
| Other Ordinary Business Expenses         | \$469          |          |
| Total                                    | \$1,086        | 0.3%     |

### Energy Programs

OCPA is committed to offering Energy Programs to its customers, which will serve as a significant catalyst for community reinvestment. These programs are specifically designed to assist households and businesses in transitioning from fossil fuel sources to cleaner energy solutions. They primarily target the transportation and building sectors, which are major contributors to greenhouse gas (GHG) emissions in Orange County.

- To assist households and businesses in transitioning from fossil-fuel sources to clean energy solutions. These energy programs specifically target the transportation and building sectors, which are the primary contributors to greenhouse gas (GHG) emissions in Orange County
- To improve energy resiliency by accelerating electrification efforts and making substantial contributions to GHG reductions
- To address equity and cater to the unique needs and priorities of Orange County's diverse communities

|  | OCPA           |          |
|--|----------------|----------|
| \$ in thousands<br>Period Ending June 30 | FY23/24 Budget | % of rev |
| Carryover Encumbrance from FY22/23       | \$500          |          |
| Transfers from Operating Fund in FY23/24 | \$750          | 0.2%     |
| Total to Spend in FY23/24                | \$1,250        |          |

**Capital Expenditures**

- Staff will collaborate with a consulting team to create an in-house analytics platform that enables team members to operate from a central data source. This cloud-based platform will be designed to scale alongside OCPA as its needs and capabilities evolve within this dynamic environment. By integrating automated data pipelines, reporting, and leveraging big data analysis capabilities, the platform will enhance data processing and analytics, enabling OCPA to make informed strategic decisions and optimize its operations. This initiative will also boost work efficiency by providing timely access to comprehensive data insights
- The budget allocation includes funds for lease office tenant improvements, including the purchase of furniture. It is important to note that this expense will be offset by a tenant improvement credit of \$200k provided by Calpine

|                         | OCPA           |          |
|-------------------------|----------------|----------|
| \$ in thousands         | FY23/24 Budget | % of rev |
| Period Ending June 30   |                |          |
| Data Analytics Platform | \$100          |          |
| New Office Renovation   | \$10           |          |
| IT System Refresh       | \$15           |          |
| Total                   | \$125          | 0.04%    |

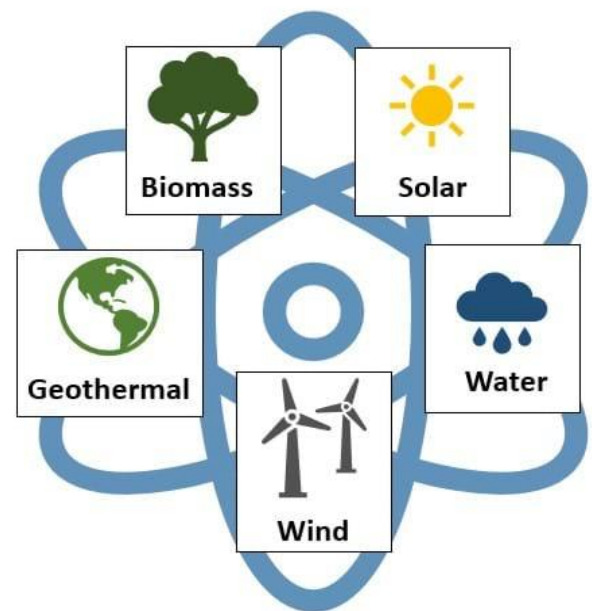
## Debt Services

- Interest and related financing costs, including the repayment of loan principal, associated interest, loan commitment, and letters of credit issuance and facility fees
- City of Irvine: Principal loan of \$7.5 million and total interest payment of **\$591k** will be due in December 2026
- MUFG/US Bank (Credit Facility of \$35 million):
  - Cash draw has been fully paid off in March 2023
  - Letters of credit issuance for energy related collateral postings is projected at \$20.2 million as of June 30, 2024

|  | OCA            |          |
|--|----------------|----------|
| \$ in thousands<br>Period Ending June 30 | FY23/24 Budget | % of rev |
| Interest & Financing Costs               | \$381          | 0.1%     |



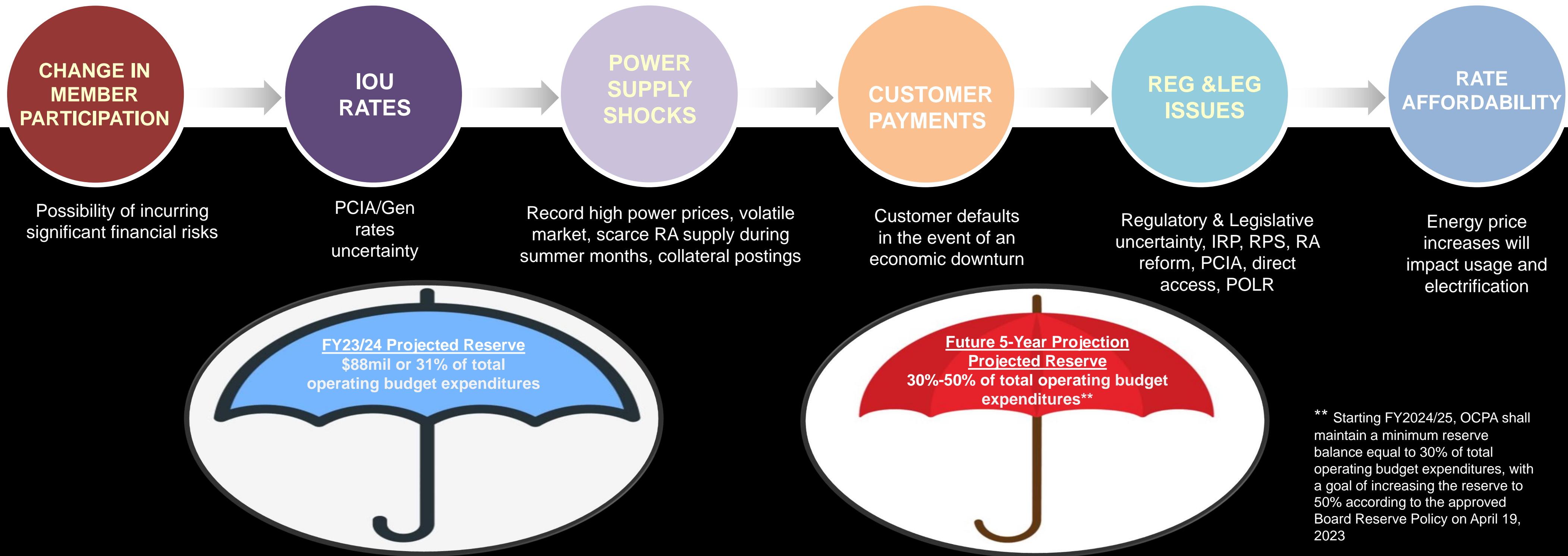
# 5-Year OCA Financial Proforma FY24/25 to 28/29



| (\$ in thousands)   | Reforecast<br>FY2022/23 | % of Rev      | Budget<br>FY2023/24 | % of Rev      | Projection<br>FY2024/25 | % of Rev      | Projection<br>FY2025/26 | % of Rev      | Projection<br>FY2026/27 | % of Rev      | Projection<br>FY2027/28 | % of Rev      | Projection<br>FY2028/29 | % of Rev      |
|---|-------------------------|---------------|---------------------|---------------|-------------------------|---------------|-------------------------|---------------|-------------------------|---------------|-------------------------|---------------|-------------------------|---------------|
| <b>REVENUE AND OTHER SOURCES</b>                          |                         |               |                     |               |                         |               |                         |               |                         |               |                         |               |                         |               |
| Revenue - Electricity Base                                | 252,450                 | 90.8%         | 300,570             | 91.3%         | 207,737                 | 90.2%         | 238,547                 | 91.4%         | 246,355                 | 91.6%         | 246,573                 | 91.6%         | 247,485                 | 91.6%         |
| Revenue - Smart Choice Premium                            | 4,063                   | 1.5%          | 4,896               | 1.5%          | 3,808                   | 1.7%          | 3,823                   | 1.5%          | 3,842                   | 1.4%          | 3,863                   | 1.4%          | 3,883                   | 1.4%          |
| Revenue - 100% Renewable Premium                          | 24,962                  | 9.0%          | 27,875              | 8.5%          | 21,772                  | 9.4%          | 21,893                  | 8.4%          | 22,007                  | 8.2%          | 22,124                  | 8.2%          | 22,241                  | 8.2%          |
| Less: Uncollectible Accounts                              | (3,518)                 | (1.3%)        | (4,167)             | (1.3%)        | (2,916)                 | (1.3%)        | (3,303)                 | (1.3%)        | (3,403)                 | (1.3%)        | (3,407)                 | (1.3%)        | (3,420)                 | (1.3%)        |
| Net Revenue - Electricity                                 | 277,956                 | 100.0%        | 329,175             | 100.0%        | 230,401                 | 100.0%        | 260,959                 | 100.0%        | 268,802                 | 100.0%        | 269,153                 | 100.0%        | 270,189                 | 100.0%        |
| Investment and Miscellaneous Income                       | 8                       | 0.0%          | 0                   | 0.0%          | 0                       | 0.0%          | 0                       | 0.0%          | 0                       | 0.0%          | 0                       | 0.0%          | 0                       | 0.0%          |
| <b>Total Net Revenue and Other Sources</b>                | <b>277,964</b>          | <b>100.0%</b> | <b>329,175</b>      | <b>100.0%</b> | <b>230,401</b>          | <b>100.0%</b> | <b>260,959</b>          | <b>100.0%</b> | <b>268,802</b>          | <b>100.0%</b> | <b>269,153</b>          | <b>100.0%</b> | <b>270,189</b>          | <b>100.0%</b> |
| <b>EXPENDITURES AND OTHER USES</b>                        |                         |               |                     |               |                         |               |                         |               |                         |               |                         |               |                         |               |
| <b>CURRENT EXPENDITURES</b>                               |                         |               |                     |               |                         |               |                         |               |                         |               |                         |               |                         |               |
| Cost of Energy  | 225,332                 | 81.1%         | 271,934             | 82.6%         | 201,686                 | 87.5%         | 237,481                 | 91.0%         | 217,661                 | 81.0%         | 244,419                 | 90.8%         | 250,793                 | 92.8%         |
| Data Manager  | 1,401                   | 0.5%          | 2,345               | 0.7%          | 1,688                   | 0.7%          | 1,891                   | 0.7%          | 2,084                   | 0.8%          | 2,137                   | 0.8%          | 2,191                   | 0.8%          |
| Utilities Service Fees                                    | 620                     | 0.2%          | 372                 | 0.1%          | 272                     | 0.1%          | 280                     | 0.1%          | 287                     | 0.1%          | 295                     | 0.1%          | 302                     | 0.1%          |
| Staffing Costs  | 2,517                   | 0.9%          | 6,346               | 1.9%          | 6,663                   | 2.9%          | 6,995                   | 2.7%          | 7,344                   | 2.7%          | 7,711                   | 2.9%          | 8,096                   | 3.0%          |
| Contract Services   | 1,207                   | 0.4%          | 1,721               | 0.5%          | 1,198                   | 0.5%          | 964                     | 0.4%          | 944                     | 0.4%          | 976                     | 0.4%          | 1,023                   | 0.4%          |
| Legal Services  | 933                     | 0.3%          | 675                 | 0.2%          | 704                     | 0.3%          | 739                     | 0.3%          | 776                     | 0.3%          | 814                     | 0.3%          | 855                     | 0.3%          |
| Marketing and Customer Enrollment                         | 1,183                   | 0.4%          | 2,304               | 0.7%          | 2,327                   | 1.0%          | 2,440                   | 0.9%          | 2,560                   | 1.0%          | 2,685                   | 1.0%          | 2,815                   | 1.0%          |
| Other G&A   | 808                     | 0.3%          | 1,086               | 0.3%          | 1,073                   | 0.5%          | 1,102                   | 0.4%          | 1,121                   | 0.4%          | 1,146                   | 0.4%          | 1,163                   | 0.4%          |
| Energy Programs (Transfer to Programs Fund)               | 500                     | 0.2%          | 750                 | 0.2%          | 1,000                   | 0.4%          | 1,250                   | 0.5%          | 1,500                   | 0.6%          | 1,750                   | 0.7%          | 2,000                   | 0.7%          |
|   | 234,500                 | 84.4%         | 287,533             | 87.3%         | 216,611                 | 94.0%         | 253,143                 | 97.0%         | 234,277                 | 87.2%         | 261,933                 | 97.3%         | 269,238                 | 99.6%         |
| <b>OTHER USES</b>   |                         |               |                     |               |                         |               |                         |               |                         |               |                         |               |                         |               |
| Capital Outlay  | 0                       | 0.0%          | 125                 | 0.0%          | 15                      | 0.0%          | 15                      | 0.0%          | 15                      | 0.0%          | 15                      | 0.0%          | 15                      | 0.0%          |
| Total Other Uses  | 0                       | 0.0%          | 125                 | 0.0%          | 15                      | 0.0%          | 15                      | 0.0%          | 15                      | 0.0%          | 15                      | 0.0%          | 15                      | 0.0%          |
| <b>DEBT SERVICE</b>                                       |                         |               |                     |               |                         |               |                         |               |                         |               |                         |               |                         |               |
| Interest costs - nonoperating                             | 629                     | 0.2%          | 314                 | 0.1%          | 353                     | 0.2%          | 366                     | 0.1%          | 409                     | 0.2%          | 416                     | 0.2%          | 82                      | 0.0%          |
| Finance costs - Principal                                 | 0                       | 0.0%          | 68                  | 0.0%          | 23                      | 0.0%          | (61)                    | (0.0%)        | 3,103                   | 1.2%          | 0                       | 0.0%          | 0                       | 0.0%          |
| <b>Total Expenditures and Other Uses</b>                  | <b>235,130</b>          | <b>84.6%</b>  | <b>288,040</b>      | <b>87.5%</b>  | <b>217,001</b>          | <b>94.2%</b>  | <b>253,463</b>          | <b>97.1%</b>  | <b>237,804</b>          | <b>88.5%</b>  | <b>262,364</b>          | <b>97.5%</b>  | <b>269,335</b>          | <b>99.7%</b>  |
| <b>Net Income Surplus/(Deficit) BEFORE Fund Transfers</b> | <b>42,834</b>           | <b>15.4%</b>  | <b>41,135</b>       | <b>12.5%</b>  | <b>13,400</b>           | <b>5.8%</b>   | <b>7,496</b>            | <b>2.9%</b>   | <b>30,998</b>           | <b>11.5%</b>  | <b>6,788</b>            | <b>2.5%</b>   | <b>854</b>              | <b>0.3%</b>   |
| <b>Program Balance:</b>                                   |                         |               |                     |               |                         |               |                         |               |                         |               |                         |               |                         |               |
| Carryover Balance   | 0                       |               | 500                 |               | 0                       |               | 0                       |               | 0                       |               | 0                       |               | 0                       |               |
| Transfers from Operating Fund                             | 500                     | 0.2%          | 750                 | 0.2%          | 1,000                   | 0.4%          | 1,250                   | 0.5%          | 1,500                   | 0.6%          | 1,750                   | 0.7%          | 2,000                   | 0.7%          |
| Propose to Spend  | 0                       | 0.0%          | (1,250)             | (0.4%)        | (1,000)                 | (0.4%)        | (1,250)                 | (0.5%)        | (1,500)                 | (0.6%)        | (1,750)                 | (0.7%)        | (2,000)                 | (0.7%)        |
| <b>Ending Balance</b>                                     | <b>500</b>              |               | <b>0</b>            |               | <b>0</b>                |               | <b>0</b>                |               | <b>0</b>                |               | <b>0</b>                |               | <b>0</b>                |               |
| <b>Reserve Balance:</b>                                   |                         |               |                     |               |                         |               |                         |               |                         |               |                         |               |                         |               |
| Carryover balance   | 11,378                  | 4.1%          | 46,562              | 14.1%         | 87,698                  | 38.1%         | 101,098                 | 38.7%         | 108,594                 | 40.4%         | 139,591                 | 51.9%         | 146,380                 | 54.2%         |
| Net Margin  | 42,834                  | 15.4%         | 41,135              | 12.5%         | 13,400                  | 5.8%          | 7,496                   | 2.9%          | 30,998                  | 11.5%         | 6,788                   | 2.5%          | 854                     | 0.3%          |
| Cash Financing  | (7,650)                 | (2.8%)        | 0                   | 0.0%          | 0                       | 0.0%          | 0                       | 0.0%          | 0                       | 0.0%          | 0                       | 0.0%          | 0                       | 0.0%          |
| <b>Ending balance</b>                                     | <b>46,562</b>           |               | <b>87,698</b>       |               | <b>101,098</b>          |               | <b>108,594</b>          |               | <b>139,591</b>          |               | <b>146,380</b>          |               | <b>147,234</b>          |               |
| % of operating expenses                                   | 20%                     |               | 31%                 |               | 47%                     |               | 43%                     |               | 60%                     |               | 56%                     |               | 55%                     |               |

Note: This five-year outlook is subject to changes as new information is available regarding the market cost of energy, PCIA, and other industry expenditures.

# Maintaining healthy reserves to absorb numerous risks

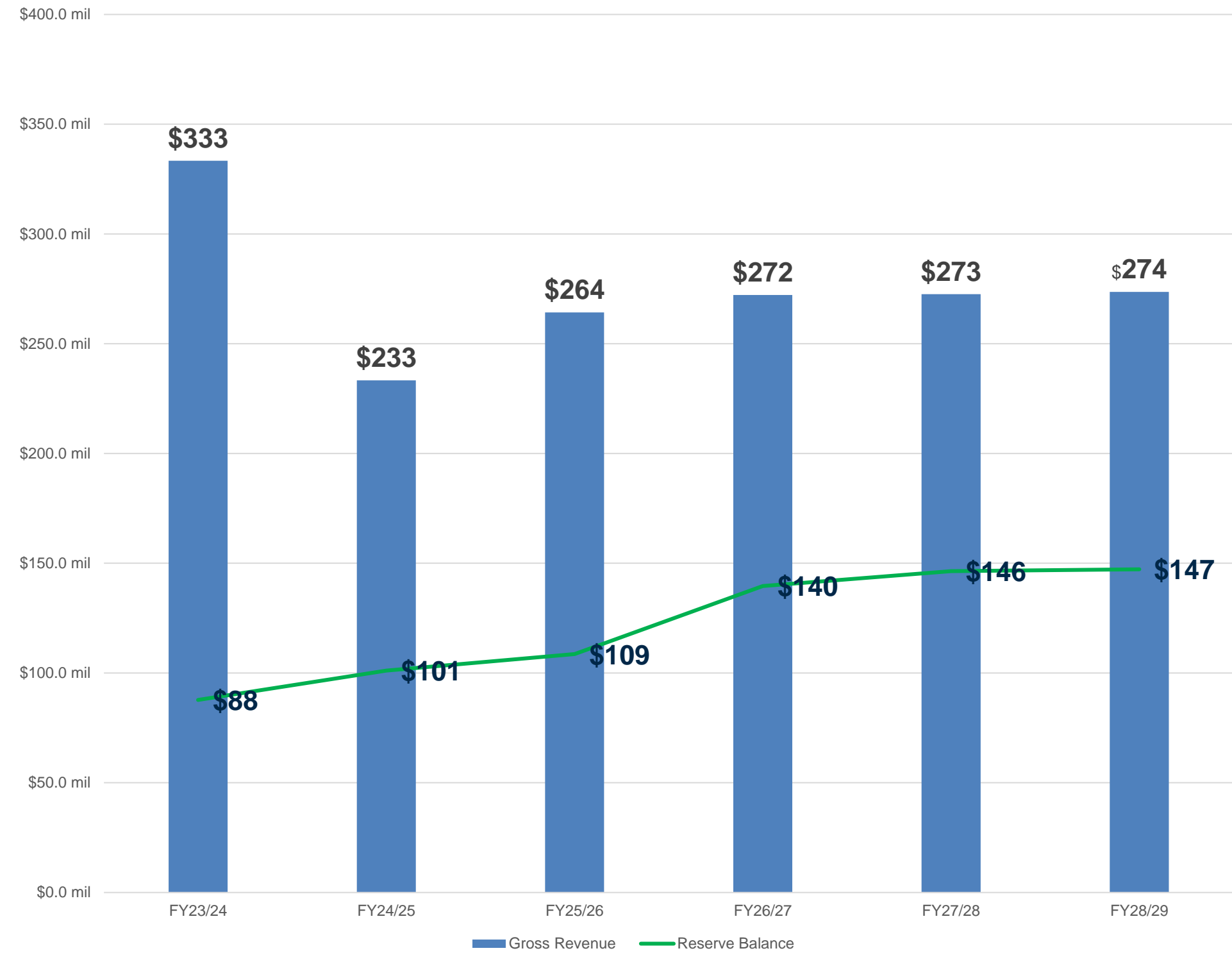


# 5-Year OCPA Financial Proforma – Rate Stabilization Reserve Fund Trend

OCPA has built a Rate Stabilization Reserve Fund (RSF) with the primary objective of establishing a long-term financial plan to obtain an investment-grade credit rating and secure energy procurement at competitive prices. Additionally, the RSF ensures stable rates for OCPA’s customers. Functioning as a safeguard, the RSF will absorb any surplus or deficiency that may arise in each fiscal year. In cases where necessary, OCPA may make withdrawals from the RSF to maintain competitive rates or address emergencies, subject to board approval.

In the first year of full operations for OCPA, FY23/24, the projected RSF balance is estimated to be \$88 million, equivalent to 31% of the total operating budget expenditures. Over the course of three years of full operations, it is anticipated that the RSF balance will grow and meet the reserve target equivalent to 50% of the total operating budget expenditures by the end of FY26/27. Meeting this target will enable OCPA to initiate the credit rating application process with S&P Global, further enhancing its financial position and credibility.

5-Year Gross Revenue and Reserve Balance Trend

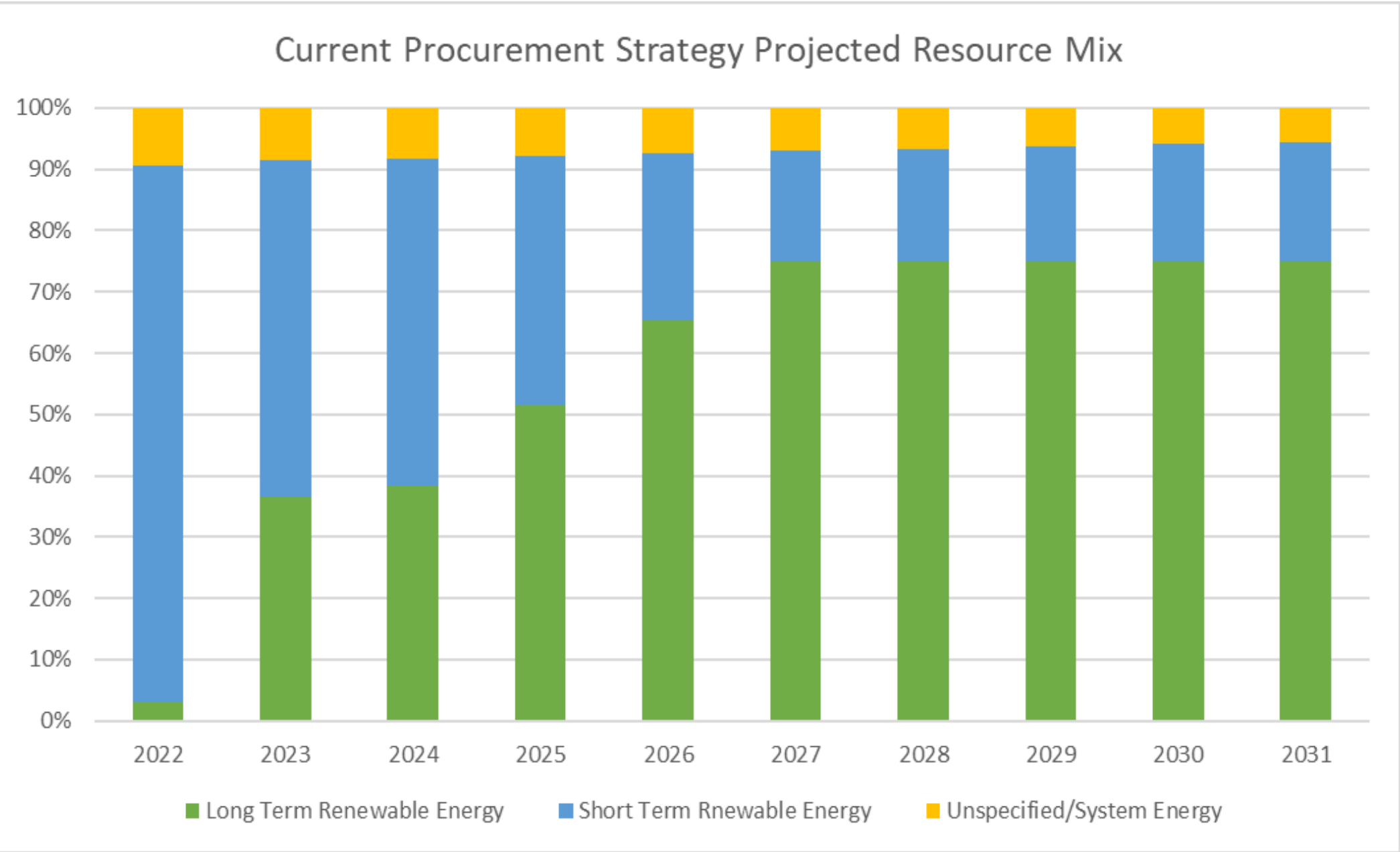


# 5-Year OCPA Financial Proforma – Long-Term Procurement Strategy

The estimation of the Cost of Energy is based on OCPA's long-term procurement strategy, existing power contracts, and market price projections for future energy purchases. The accompanying graph illustrates the projected resource mix aligned with OCPA's procurement strategy.

During the 2023-24 period, power supply costs are anticipated to rise due to high forward energy prices. However, over the subsequent four years, these costs are expected to stabilize as forward energy prices reach a peak in 2023 and gradually decrease. The implementation of fixed-price contracts has contributed to stabilizing OCPA's overall cost of energy.

Looking ahead, market energy prices are assumed to experience an annual increase of 3% over the long term. Resource Adequacy costs are expected to remain elevated and may follow an unpredictable trajectory until sufficient storage capacity is established in California.

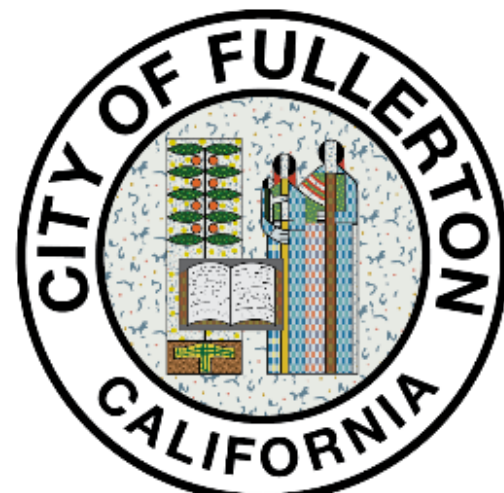


# About OCPA

Orange County Power Authority (OCPA) is a Joint Powers Authority formed in November 2020 to provide electric generation service to residents and businesses in the Cities of Buena Park, Fullerton, Huntington Beach, and Irvine through the Community Choice Aggregation (CCA) model established by the State of California.

The CCA will provide retail electricity customers the opportunity to procure electricity from competitive suppliers, with the electricity being delivered over Southern California Edison's (SCE) transmission and distribution system.

OCPA is committed to reducing greenhouse gas emissions through local control of renewable electricity generation provided at competitive rates and the implementation of innovative energy programs. OCPA promotes economic development, stimulates renewable energy development, implements distributed energy resources, and sustains long-term rate stability.



# 2023 OCPA BOARD



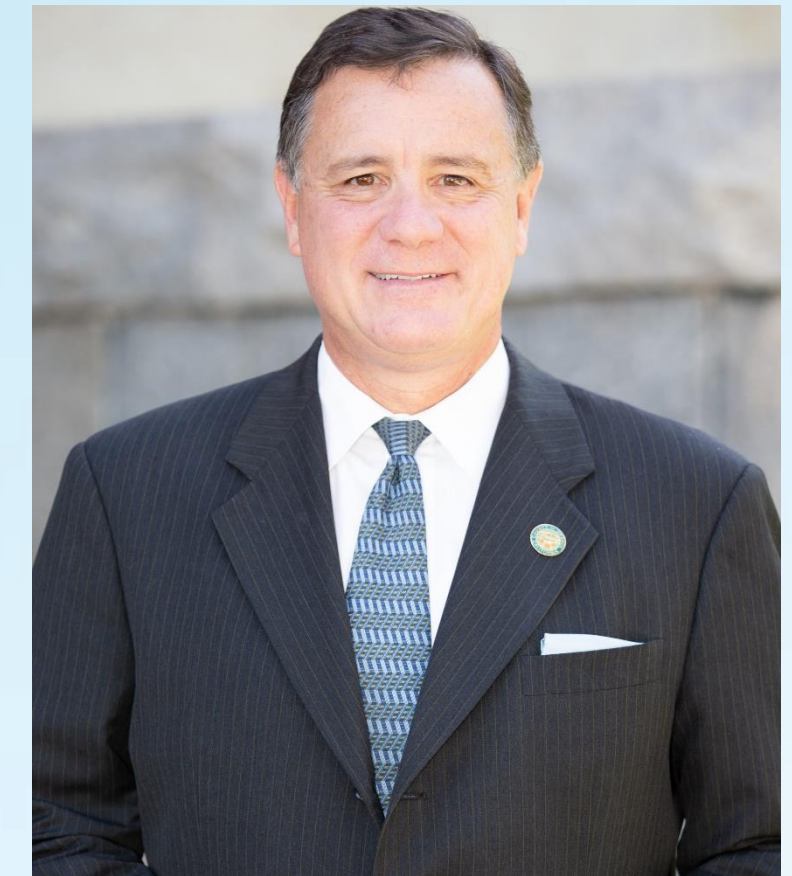
**Fred Jung**  
Chair

Mayor  
City of Fullerton



**Kathleen Treseder**  
Vice Chair

Councilmember  
Irvine



**Donald P. Wagner**  
Director

Third District Supervisor  
County of Orange

# 2023 OCPA BOARD



**Tammy Kim**  
Director

Vice Mayor  
Irvine



**Casey McKeon**  
Director

Councilmember  
Huntington Beach



**Jose Trinidad Castaneda**  
Director

Councilmember  
Buena Park

Art Montez – City of Buena Park

Shanin Ziemer – City of Buena Park

Vacant – City of Fullerton

Deepak Nanda – City of Fullerton

Michael Hoskinson – City of Huntington Beach

Russ Neal – City of Huntington Beach

Melisa Masri – City of Irvine

James Caiopoulos – City of Irvine

Oscar Valadez – Member at Large

Senait Forthal – Member at Large

Vacant – County of Orange

Vacant - County of Orange

# 2023 OCPA COMMUNITY ADVISORY COMMITTEE



**The OCPA Community Advisory Committee is comprised of 12 members consisting of two members appointed from each member jurisdiction and two at-large members.**