

**ORANGE COUNTY POWER AUTHORITY**  
**Staff Report – Item 5.3**

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To: Orange County Power Authority Board of Directors

From: Brian Probolsky, Chief Executive Officer  
Mike Maher, Authority Contract Treasurer

Subject: FISCAL YEAR 2021-22 BUDGET ADOPTION

Date: June 22, 2021

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**RECOMMENDED ACTION**

Approve the proposed FY 2021-22 budget.

**BACKGROUND**

OCPA is currently in a startup phase as we plan and prepare for the Phase 1 customer launch anticipated for Spring 2022, the final fiscal quarter of the 2021-22 budget year. Accordingly, most of the expenses and all the customer revenues are going to occur during the final months of the year. OCPA is preparing this budget with certain assumptions about future market prices and customer rates scenarios. These assumptions will be discussed in further detail in subsequent sections of this report.

**BUDGET OVERVIEW**

The Fiscal Year 2021-22 proposed budget presented in this item seek to:

- Allow for revenues from sales of electricity to customers included in Phase 1
- Procure a supply portfolio of electricity generation in accordance with our renewable targets
- Provide for costs relating to community outreach and notification
- Provide for other operational costs of the organization

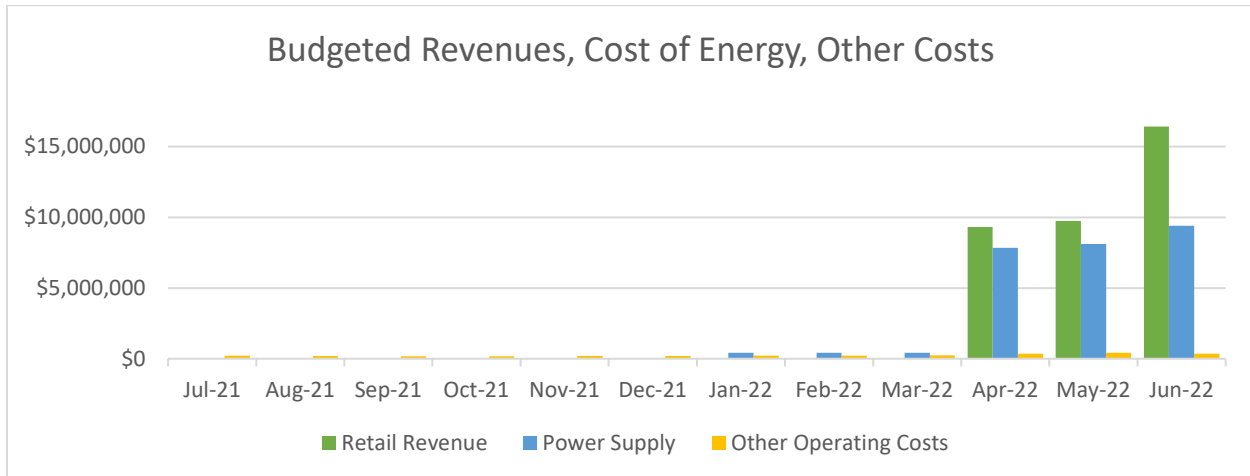
The draft budget is presented first in the form that will be used for adoption, and then is followed by supplemental information. The budget categories are intentionally general to allow some measure of Staff discretion, without requiring frequent budget adjustments.

**ORANGE COUNTY POWER AUTHORITY  
OPERATING FUND  
PROPOSED BUDGET  
July 1, 2021 through June 30, 2022**

	<b>FY 2021 Adopted Budget</b>	<b>FY 2022 Proposed Annual Budget</b>	<b>Change from Prior Year</b>
<b>OPERATING REVENUES</b>			
Electricity Sales, net	\$ -	\$ 35,475,000	\$ 35,475,000
<b>OPERATING EXPENSES</b>			
Cost of Electricity	\$ -	\$ 26,632,000	\$ 26,632,000
Data Manager	-	96,000	96,000
Service Fees - SCE	1,200	10,000	8,800
Personnel	268,515	1,262,000	993,485
Professional Services	505,000	903,000	398,000
Legal	150,000	354,000	204,000
Communications & Outreach	200,000	458,000	258,000
General and Administration	100,000	402,000	302,000
Total Operating Expenses	<u>\$ 1,224,715</u>	<u>\$ 30,117,000</u>	<u>\$ 28,892,285</u>
Operating Income (Loss)	<u>\$ (1,224,715)</u>	<u>\$ 5,358,000</u>	<u>\$ 6,582,715</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest and Related Expenses	<u>(25,000)</u>	<u>(858,000)</u>	<u>(833,000)</u>
Total Non-Operating Revenues (Expenses)	<u>\$ (25,000)</u>	<u>\$ (858,000)</u>	<u>\$ (833,000)</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ (1,249,715)</u>	<u>\$ 4,500,000</u>	<u>\$ 5,749,715</u>
Beginning Net Position	\$ -	\$ (800,000)	
Change in Net Position (projected actual for 20/21)	<u>(800,000)</u>	<u>4,500,000</u>	
Projected Ending Net Position	<u>\$ (800,000)</u>	<u>\$ 3,700,000</u>	
<b>NON-BUDGETED CASH OUTFLOWS/INFLOWS</b>			
Cash from Financing	\$ 2,500,000	\$ 26,000,000	\$ 23,500,000
Deposits (CAISO, SCE)	\$ (100,000)	\$ (647,000)	\$ (547,000)

## MAJOR POINTS

- Revenues begin in April 2022
- Approximately 90% of budgeted costs are cost of energy
- Anticipated increase in net position of \$4,500,000
- Anticipated accumulated ending net position of \$3,725,000



## REVENUES

OCPA's sole source of revenue is from the retail sale of electricity to its customers. While the customer base will eventually include residential, commercial, and industrial rate categories, the 2021-22 fiscal year will only include commercial and industrial categories. This is due to the planned staggered phasing of customer launch dates. OCPA has not set specific rates for its customers at this point, as there is uncertainty surrounding CPUC decisions, SCE rates, and our own power supply costs. Staff has used reasonable estimates to account for these variables. Retail rate revenue is calculated based on a 4% discount off forecast SCE generation rates inclusive of the exit fee (PCIA) that will be charged to CCA customers. Rate levels or specific rate structure decisions have not been made. It was also assumed that 90% of commercial and industrial customers would participate in the CCA program.

## EXPENDITURES

### ***POWER SUPPLY***

Cost of Energy includes all the various services purchased from the power market through our suppliers. This includes approximately 2,160,000 MWh of energy, capacity, green attributes, CAISO fees and other miscellaneous power market expenses. The volume of purchased energy is approximately 6-7% greater than the volume sold because of normal system losses.

## ***DATA MANAGER***

Data Management is a broad scope of services that includes billing data validation, bill coordination with SCE, call center services and billing technical support, customer enrollment database management, move-in/move-out services, and many support functions related to data reporting. OCPA is in the process of selecting their Data Manager.

## ***SERVICE FEES – SCE***

Service Fees to SCE consist of a charge of a fixed fee per account per month. The fees cover SCE's costs associated with additional data processing and bill coordination and are mandatory and regulated by the California Public Utilities Commission (CPUC). There are also numerous small fees associated with data requests.

## ***PERSONNEL***

Personnel costs include salaries, payroll taxes and benefits for Authority Board and Staff. OCPA has filled two full-time executive positions in the current fiscal year and expects to add two senior managers in power management and finance roles as well as three to five administrative and customer facing Staff in the upcoming budget year.

## ***PROFESSIONAL SERVICES***

Technical Consultants – OCPA has or plans to engage with consultants to assist with rate setting, policies, joint rate comparison with SCE, program research and design, load analysis, and Integrated Resource Plan design.

Portfolio Manager & Scheduling Coordinator – After electric power is scheduled for delivery to customers and ultimately consumed by those customers, the actual electric consumption must be trued up against the forecasted and scheduled energy. This true-up occurs through the settlement process. Settlements also entail addressing a number of other market and regulatory requirements. Staff are currently considering options for Scheduling Coordinator Service.

Other Miscellaneous - OCPA plans to contract for IT Services, Audit and Accounting, Human Resource, and several other tasks. As OCPA matures they will monitor these services to determine whether there is a need to bring some of this work in-house.

## ***LEGAL***

OCPA retains legal counsel to assist with the aspects of the regulatory, compliance, power supply contract negotiations as well as its general legal needs.

## ***COMMUNICATION AND OUTREACH***

An important focus of the agency is ensuring the community is informed about OCPA. There are certain required notifications that must be sent out to customers, informing them of their enrollment in OCPA, Opt-out procedures, rate comparisons, as well as other notices. OCPA is monitoring the requirements to make sure they are in compliance.

In addition to required noticing, OCPA intends to perform further outreach that educates the community of the benefits of OCPA and to encourage awareness of its mission. This will come in the form of media advertising, sponsorships of community events and organizations, mailers, as well as targeted customer communications.

## ***GENERAL AND ADMINISTRATION***

General and Administration costs include office space, industry memberships (e.x. CalCCA), equipment and software, as well as other general operational costs.

## ***NON-OPERATING REVENUES***

### ***INTEREST AND RELATED EXPENSES***

OCPA is financing its operations through debt until it receives sufficient cash inflows from customers. This category includes interest costs as well as potential renewal fees on debt or letters of credit.

## ***NON-BUDGETED CASH OUTFLOWS/INFLOWS***

OCPA has designed their budget following the accrual basis of accounting. This is the same basis OCPA's main financial states will use and is required by Generally Accepted Accounting Principles (GAAP) for governmental enterprise fund accounting. This basis omits certain cash inflows and outflows that are not determined to be a revenue or and expense under GAAP. However, Staff acknowledges that these are not insignificant and have chosen to display major items as an information only item at the bottom of the budget.