



# FISCAL YEAR OPERATING BUDGET 2022-2023

JUNE 2022



# HIGHLIGHTS

FISCAL YEAR OPERATING  
BUDGET 2022-2023



## 91%+ of Energy from Renewables



**35K+**

number of accounts  
we are currently  
serving



**300K+**

number of accounts  
served at full roll out



**23K+**

accounts receiving  
100% renewable  
energy



**825K+**

residents and  
businesses in  
service area

**6<sup>TH</sup> LARGEST**

CCA at  
full launch

**846 MW**

in peak  
load

**3,604,243 MWh**

the forecasted amount of annual  
electric consumption by 2023

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# CEO's Message

Orange County Power Authority (OCPA) has heralded in a new era of consumer choice and renewable energy in Orange County.

With our April 1<sup>st</sup> commercial launch, more than 35,000 commercial accounts have chosen a more sustainable source of power that will help fight climate change and reduce carbon emissions. As Orange County Power Authority prepares for our October rollout to residential accounts, our team is excited to present a responsible Fiscal Year 2022-23 budget that results in:

- **One of the Cleanest Energy Portfolios in California:** Orange County Power Authority is projected to procure over 91% of its energy from renewable energy sources. Making it one of the greenest energy portfolios in California. Annual GHG reductions from OCPA will result in the equivalent of removing 200,000 cars from the road.
- **A Budget in line with Projected Revenue:** OCPA will come in over 99% of projections with a net deficit under one million dollars. Forward projections present yearly increases in net income, including reserve allocations and repayment of financing beginning in FY 2022/2023.
- **Competitive Rates with Maximum Consumer Choice:** Local rates will remain stable and competitive throughout CY 2022. Basic Choice rates will remain at parity to the incumbent IOU, who has a 100-year head start on us. Despite extreme volatility in the power markets, we forecast proportionate single digit increases in CY 2023.

Our power supply team has expertly managed the risk of power supply price volatility, fully hedging our 2022 needs with significant progress for future years, including into 2025. Despite the labor market remaining highly competitive we successfully filled seven key positions in FY2021-22. In total OCPA staff now have more than a decade of hands-on CCA experience.

We are building strong community support and customer engagement by participating in local events, including the Irvine Korean Cultural Festival, Surf City Nights in Huntington Beach, the Day of Music in Fullerton, and summer concerts in Buena Park.

Orange County Power Authority remains committed to our mission of providing cleaner energy at competitive prices while promoting the economic vitality for our community.

Respectfully Submitted,



Brian S. Probolsky, Chief Executive Officer



# Background

Staff is pleased to present a balanced budget for Fiscal Year 2022-2023 that fulfills Orange County Power Authority's adopted goals for providing cost competitive electric service, promotes economic development, and reduces electric sector greenhouse gas emissions ("GHG") within the OCPA service territory.

The Proposed Budget reflects a recommended Base Case scenario where our current rates from April 1, 2022, are sustained through December 31, 2022, with a one-time 2.4% increase to Smart Choice and 100% Renewable Choice in January 2023 to meet metrics. **It is important to note the proposed 2023 rates are assumptions based on budgetary revenue requirements with the best information available to OCPA at this time. Upon receipt of SCE's final 2023 ERRA rate information, staff will return to the Board in early December, if any 2023 rate adjustments are necessary.**

To ensure that OCPA balances immediate needs with long term considerations and rate affordability, the authority develops a budget that is updated annually and amended at mid-year cycle. The budget is a detailed operating plan that identifies estimated costs in relation to estimated revenue. OCPA's fiscal year begins July 1 and ends June 30<sup>th</sup> each year.

The Proposed Budget is presented in the form that will be used for adoption, and then may be followed by supplemental information. At its most basic level, the budget is divided into revenues (sources) and expenses (uses). The budget categories intentionally are general enough to allow some measure of discretion, without requiring frequent budget adjustments.

# FY 2021-2022 Key Accomplishments

Orange County Power Authority began serving customers on April 1, 2022, giving commercial, industrial, and agricultural customers the option to have more of their electricity supplied from clean, renewable sources – such as solar and wind – at competitive rates. When customers join OCPA service, they reduce the carbon footprint associated with their electricity consumption, support the growth of local economic benefits, and combat global climate change.

OCPA's diverse service area requires strategic engagement with our member agencies, legislators, customers, community organizations, and underserved communities to ensure all customers can actively participate. We use our Business Relationship Managers to provide education, access, and support for customers to electrify their businesses affordably, while helping to support the local economy.

## Reduction of Green House Gas (GHG) Emissions

- OCPA expects to be one the greenest Community Choice Energy programs in the State of California. The annual reduction in carbon emissions will exceed nearly one million metric tons of carbon dioxide equivalent or MTCO<sub>2e</sub>. OCPA's reduction in emissions through its renewable energy is equivalent to taking over 200,000 cars off the road.
- OCPA's member cities have selected the default renewable energy plans that will power their communities – taking bold steps to address climate change.
  - Buena Park – 100% Renewable Energy
  - Huntington Beach - 100% Renewable Energy
  - Irvine - 100% Renewable Energy
  - Fullerton - 69% Renewable Energy

## Tiered Rates Program and High Customer Participation

- OCPA's tiered program allows all customers total control over their renewable energy consumption and environmental responsibility. Customers can choose from 38% renewable ("Basic Choice"), which is the same cost as Southern California Edison's default rate, 69% renewable ("Smart Choice"), which is 1 cent per kWh higher than Basic Choice or 100% clean energy ("100% Renewable Choice"), which is 1.5 cents higher than Basic Choice.
- Maintained participation rates at over 94% of eligible non-residential (commercial, industrial, and agricultural) customers' accounts.
- Support outreach and awareness for payment assistance programs like CARE/FERA.

## Communication and Outreach

- Successful enrollment of non-residential customers in the Cities of Buena Park, Fullerton, Huntington Beach, and Irvine.
- Successful outreach programs that include:
  - Attend civic events in each member agency service area.
  - Coordinate with community organizations that provide career exploration and development to middle and high school students.
  - Meet with every school district in OCPA's service area.
  - Attend business and industry events to share our agency with local business owners and industry professionals.
  - Develop digital collateral to share with customers and key accounts.

# Future of OCPA: 2022 - 2028

OCPA will roll out its service offering to customers over the course of the following phases:

Phase 1 – Four Cities Non-Residential Accounts (April 1, 2022) - Completed

Phase 2 – Four Cities Residential Accounts (October 1, 2022) - Expected

Phase 3 – Unincorporated Area of Orange County All Accounts (In 2023) - Expected

This approach provides OCPA with the ability to initiate its activities with sufficient economic scale before building to full program integration for an expected customer base of approximately 341,000 accounts. OCPA will offer service to all customers on a phased basis, which is expected to be completed within 20 months of the initial service to Phase 1 customers. At the end of the full enrollment, OCPA will be the sixth largest and greenest community choice energy provider in California, with approximately 846 MW in peak load serving over 825,000 residents and businesses in its service area.

As we are executing the scheduled enrollments in our member cities, OCPA's commitment to renewable generation adoption may involve both direct investment in new renewable generating resources, partnerships with other public power developers/operators and purchases of renewable energy from third party suppliers.

In addition, OCPA will make commitments to the development and implementation of local energy programs, including energy efficiency programs, distributed generation programs (i.e., behind the meter solar or community projects), and other energy programs responsive to community interests. These programs are likely to be phased in immediately after our financial commitment is met.

Altogether, OCPA's commitment to supporting the growth of clean and renewable energy, as well as providing equitable access to clean energy resources, will yield significant impacts for Orange County. Though OCPA is locally focused, these impacts are truly moving the needle on a statewide level.

# Summary of OCPA Rates Scenarios

There are many variables that can impact FY2022-23 (July 2022 to June 2023) projected revenue. The most significant of these variables are:

- Large swings in energy costs are forecasted.
- SCE's generation rates for CY2023 which are estimated but unknown and will not be finalized until mid-October 2022 and is expected to change from preliminary ERRR rates.
- SCE's Power Charge Indifference Adjustment (PCIA) for CY2023 which is estimated but unknown and will not be finalized until mid-October 2022 and is expected to change from preliminary ERRR rates.
- Bank covenant metrics compliance.

To address this uncertainty, the OCPA rates adjustments will be recommended based on two potential future scenarios:

## Base Case

**No Change to Basic Choice. One-time 2.4% Increase to Smart Choice (+0.225 cent per kWh) and 100% Renewable Choice (+0.24 cent per kWh) in January 2023 to meet metrics.**

- Staff **recommends** this Base Case scenario as it keeps Basic Choice at parity with SCE's default rate based on known SCE's generation and PCIA rates in CY2022. SCE's 2023 rates will not be finalized until mid-October 2022.

## Worst Case

**No Change to Basic Choice in 2022. In January 2023, Basic Choice will be set at Parity with SCE based on SCE's 2023 Preliminary ERRR Rates, with a One-time 3.4% Increase to Smart Choice (+0.465 cent per kWh) and 100% Renewable Choice (+0.48 cent per kWh) to meet metrics.**

- Worst Case is based on the SCE preliminary ERRR rates which do not timely reflect current/higher energy costs forecast. SCE's 2023 rates will not be finalized until mid-October 2022.



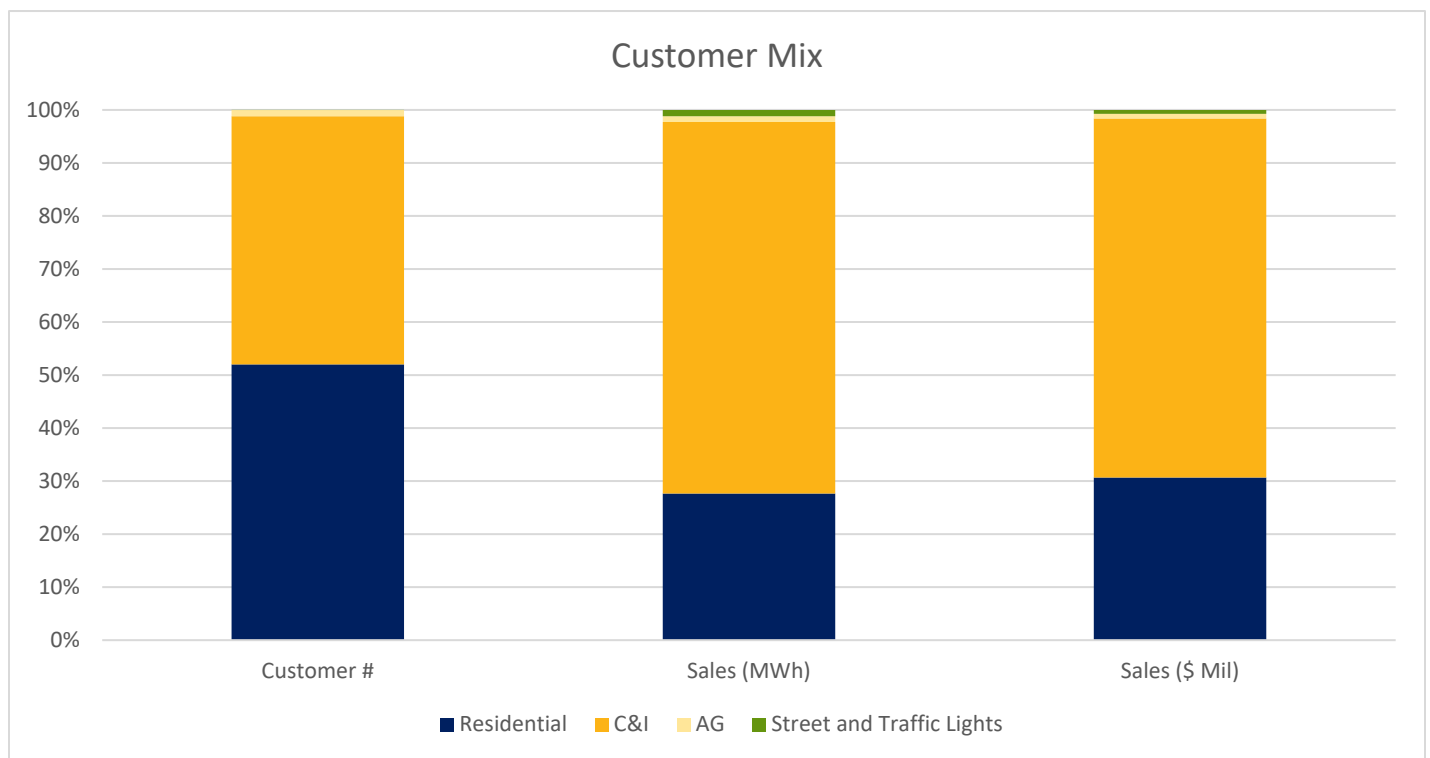
# FY 22/23 Budget Drivers and Assumptions

## Revenue

OCPA's primary source of revenue is the retail sale of electricity to customers through OCPA's generation rates (OCPA rates), which are designed to recover power procurement, operating, non-operating and capital costs, as well as funding the rate stabilization reserve.

The OCPA Basic Choice rates are set at SCE's published rates in March 2022 minus exit fees or cost responsibility surcharges that SCE will apply to OCPA customer bills. These surcharges include the Power Charge Indifference Adjustment (PCIA), which was instituted so Investor-Owned Utility customers would not face increased costs due to customers switching to direct access or CCA suppliers.

OCPA's overall customer mix is diverse, which brings greater financial stability to the agency. The following graph shows our diversified customer mix:



Below are the key assumptions for revenue under the Base Case scenario:

- Demand Forecast: Total retail load is estimated at 3,073 GWh, inclusive of the residential customers from the Cities of Buena Park, Fullerton, Huntington Beach, and Irvine, that will be enrolled in October 2022.
- Participation Rate: 95% for residential accounts and accounts and 90% for commercial accounts. Since over 90% of OCPA's costs are related to power supply with a large customer base, marginal customer opt-outs above the opt-out assumptions will not lead to a significant impact in the short term. Staff will update the financial proforma if the opt-out number becomes significantly higher than the assumptions as OCPA's fixed costs would need to be spread over fewer kWhs.

# FY 22/23 Budget Drivers and Assumptions (Cont'd)

- Rates for Customers:
  - July to December 2022 (6 months) - Rates will remain the **same** for Basic Choice, Smart Choice, and 100% Renewable Choice customers.
  - January to June 2023 (6 months) - Rates will remain the **same** for Basic Choice customers. Proposes a one-time increase to premium rates to levels necessary to meet the bank covenant metrics on January 1, 2023 - Smart Choice will increase from 1 cent to **1.225 cents** per kWh above Basic Choice and 100% Renewable will increase from 1.5 cents to **1.740 cents** per kWh above Basic Choice.
- Bank Covenant Metric: The OCPA rates must meet the financial covenant metric required by MUFG Union Bank for the \$35 million credit facility. The metric is as follows:
  - Debt service coverage ratio (DSCR) is 1.25 by June 30, 2023 (by the end of FY22/23)
  - Debt service coverage ratio (DSCR) is 1.40 from June 30, 2024, and thereafter (by the end of FY23/24 and forward)
  - Rate Stabilization Reserve Fund of at least \$17 million beginning June 2025
- Uncollectible accounts are projected at 1.25 percent of operating revenue.

## Power Expenses

The energy landscape in California is consistently changing. There has been a large increase in the number of CCAs operating in California. As a result, Regulators are considering several rules for CCAs and other load-serving entities (LSEs) to address the impact of these changes on grid reliability. OCPA, in coordination with our consultants, monitors these pending changes and works to adapt our procurement strategies to any new regulatory requirements.

The budget is being formed at a time of rising energy markets challenged by supply chain disruptions affecting generation and battery storage equipment, spiking natural gas prices, generation capacity shortages exacerbated by severe drought and the planned retirement of natural gas and nuclear generating sources, and aggressive regulatory procurement mandates that are driving up prices for new generation sources. Wholesale power prices have more than doubled in the past 12 months, and prices are expected to remain elevated for this current planning period, especially during the summer months from June through September.

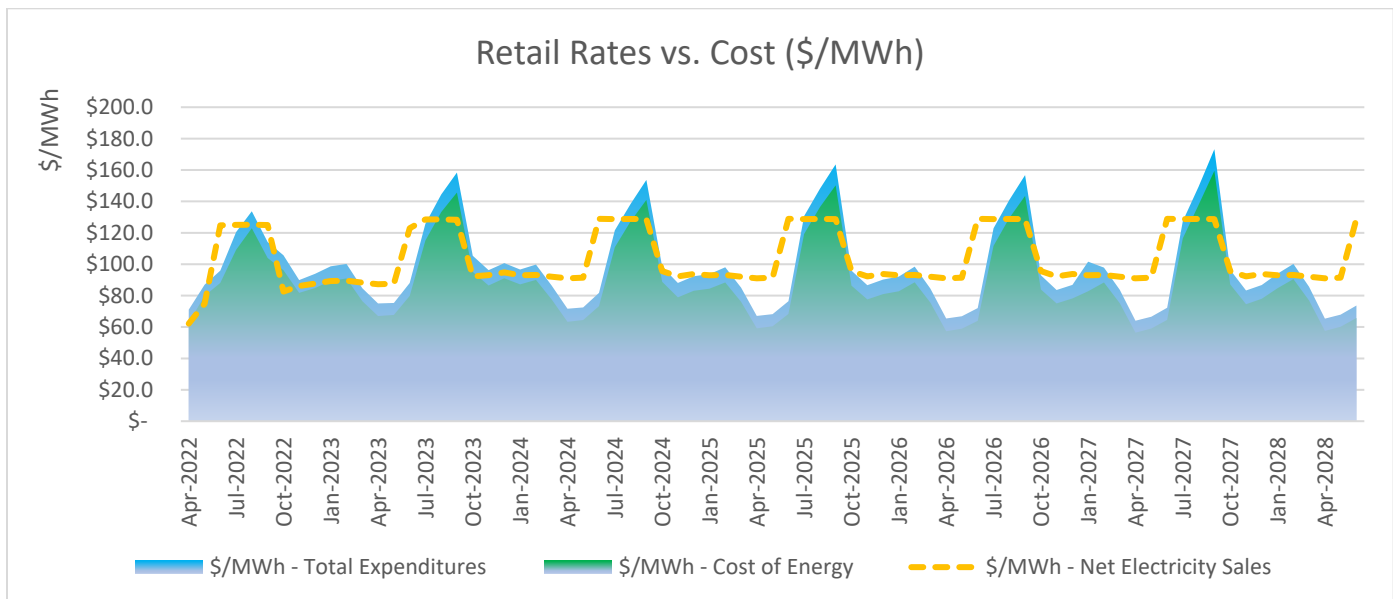
Below are the key assumptions for power supply cost in FY22/23:

- Power supply forecast is estimated at 3,258 GWh, or 106% of retail sales to account for transmission and distribution losses.
- OCPA uses forward contracts to lock in energy supply prior to delivery to its customers. This ensures sufficiency of resources and promotes cost certainty for OCPA's budget.
- Power supply cost consists of two major components - Energy and Resource Adequacy Capacity:
  - Energy, consisting predominantly of system energy, eligible renewable energy, and CAISO fees, is estimated at \$251 million, or 88% of total power supply cost.

# FY 22/23 Budget Drivers and Assumptions (Cont'd)

- Resource Adequacy (RA), a reliability obligation requiring generating capacity committed to operating when needed for system reliability, is estimated at \$34 million, or 12% of total power supply cost.
- Energy prices are hedged for approximately 100% of expected consumption. Changes in energy market prices, rates of customer participation, demand forecast deviations arising from unusual weather or other unpredictable factors, and legislative and regulatory risks could cause deviations from the current forecast.
- For solar customers, OCPA's Net Surplus Compensation (NSC) rate is set at 10% above SCE's April NSC rate (SCE NSC rate was at 3.926 cents/kWh in April 2022). The total payout amount forecast for OCPA NEM customers is estimated at \$45k for FY22/23.

The following graph shows the cyclical nature of utility costs and revenues in which costs and revenues are higher in the summer and lower in the non-summer months:



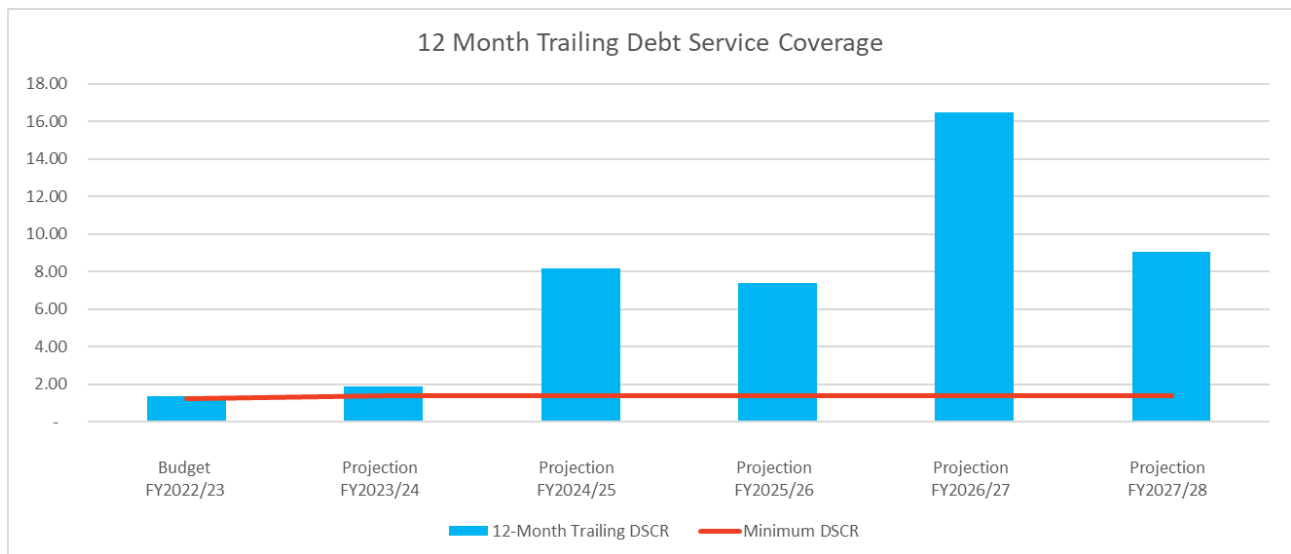
# FY22/23 Budget Summary (Recommended Base Case)

(\$ in thousands)	Mid-Year Approved Budget FY 2021/22	% of Rev	Reforecast (10A + 2F) FY 2021/22	% of Rev	Proposed Budget FY2022/23	% of Rev	Change \$	Change %
<b>REVENUE AND OTHER SOURCES</b>								
Net Revenue - Electricity	44,367	100.0%	44,024	100.0%	301,750	100.0%	257,726	585.4%
Investment and Miscellaneous Income	(0)	(0.0%)	1	0.0%	1	0.0%	0	34.2%
<b>Total Net Revenue and Other Sources</b>	<b>44,367</b>	<b>100.0%</b>	<b>44,025</b>	<b>100.0%</b>	<b>301,752</b>	<b>100.0%</b>	<b>257,727</b>	<b>585.4%</b>
<b>EXPENDITURES AND OTHER USES</b>								
<b>CURRENT EXPENDITURES</b>								
Cost of Energy	40,816	92.0%	41,051	93.2%	285,342	94.6%	244,291	595.1%
Data Manager	0	0.0%	0	0.0%	1,839	0.6%	1,839	0.0%
Utilities Service Fees	14	0.0%	33	0.1%	532	0.2%	499	1512.3%
Staffing Costs	1,522	3.4%	1,060	2.4%	4,046	1.3%	2,986	281.7%
Contract Services	1,137	2.6%	1,125	2.6%	1,302	0.4%	177	15.7%
Legal Services	800		799	1.8%	580	0.2%	(219)	(27.4%)
Marketing and Customer Enrollment	433	1.0%	531	1.2%	1,597	0.5%	1,066	200.7%
Other G&A	201	0.5%	210	0.5%	844	0.3%	634	301.3%
Energy Programs	0	0.0%	0	0.0%	500	0.2%	500	0.0%
	44,922	101.3%	44,809	101.8%	296,582	98.3%	251,772	561.9%
<b>OTHER USES</b>								
Capital Outlay	0	0.0%	0	0.0%	110	0.0%	110	0.0%
Total Other Uses	0	0.0%	0	0.0%	110	0.0%	110	0.0%
<b>DEBT SERVICE</b>								
Interest costs - nonoperating	149	0.3%	199	0.5%	329	0.1%	130	65.2%
Finance costs - Principal	0		0		0		0	0.0%
<b>Total Expenditures and Other Uses</b>	<b>45,071</b>	<b>101.6%</b>	<b>45,009</b>	<b>102.2%</b>	<b>297,021</b>	<b>98.4%</b>	<b>252,012</b>	<b>559.9%</b>
<b>Net Income (Surplus/Deficit)</b>	<b>(704)</b>	<b>(1.6%)</b>	<b>(983)</b>	<b>(2.2%)</b>	<b>4,731</b>	<b>1.6%</b>	<b>5,714</b>	<b>(581.2%)</b>
<b>Key Statistics:</b>								
Total Load (MWh) - Retail	468,334		482,193		3,073,713			
\$/MWh - Net Electricity Sales	\$ 94.73		\$ 91.30		\$ 98.17			
Total Load (MWh) - Wholesale	496,434		511,124		3,258,136			
\$/MWh - Cost of Energy	\$ 82.22		\$ 80.32		\$ 87.58			

# 5-Year Financial Proforma Key Assumptions

## Revenue

- Natural gas prices, which are a material driver of California power prices, are near 14-year highs. Uncertainty around which renewable projects will come online and the impact of solar tariffs is also weighing on power markets. These factors are reflected in historically elevated forward prices for the 2023-24 period; in effect, there is a significant risk premium built into forward prices. OCPA has continued to follow its Energy Risk Management (ERM) Policy of progressively hedging through time, steadily reducing its open position. Even with that approach, the impact of power prices on the total cost of energy remains significant. Therefore, it led us to the following rates projection:
  - Basic Choice: One-time 5.5% increase on July 1, 2023 (FY23/24)
  - Smart Choice: Remains at 1.225 cents per kWh above Basic Choice
  - 100% Renewable Choice: Remains at 1.740 cents per kWh above Basic Choice
  - All rates will remain unchanged from FY24/25 to FY27/28
- Staff will continue to analyze ways to manage power costs and reduce risks, with the goal of reducing potential rate increase in FY23/24 while meeting the bank covenant metrics (1.40 DSCR since June 2024 and \$17 million reserve beginning June 2025). The following graph illustrates the 12-month trailing DSCR:

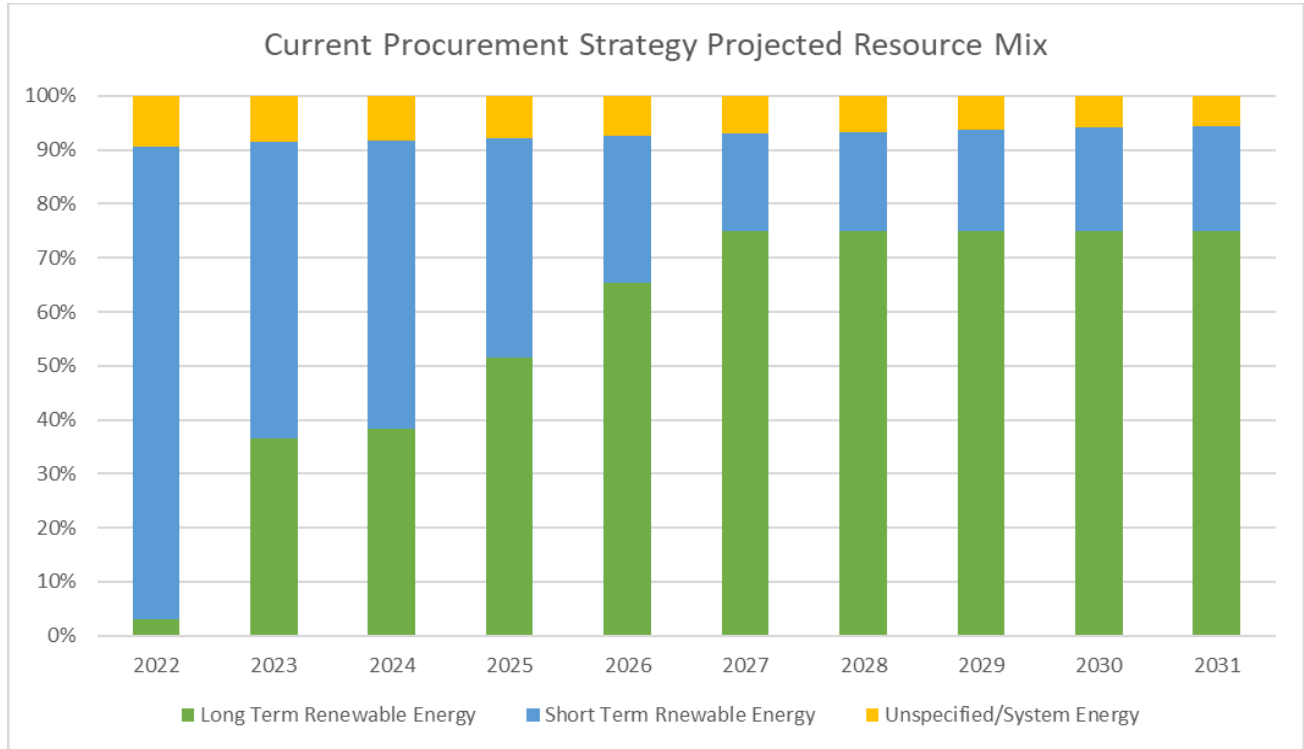


- As a result, energy sales revenues are estimated to increase significantly over the next 2 years, then lower to an average 0.5% increase over the following 3 years, primarily due to the projected rate increase since July 2023 and the enrollment in Fall 2023 of approximately 50,000 business and residential accounts (demand forecast of 597 GWh) in the unincorporated area of Orange County, located in the SCE and SDG&E service areas.

# 5-Year Financial Proforma Key Assumptions (Cont'd)

## Power Expenses

- Cost of Energy is estimated based on OCPA's long-term procurement strategy, existing power contracts, and market price expectations for future energy purchases. The following graph reflects the projected resource mix of the OCPA procurement strategy:

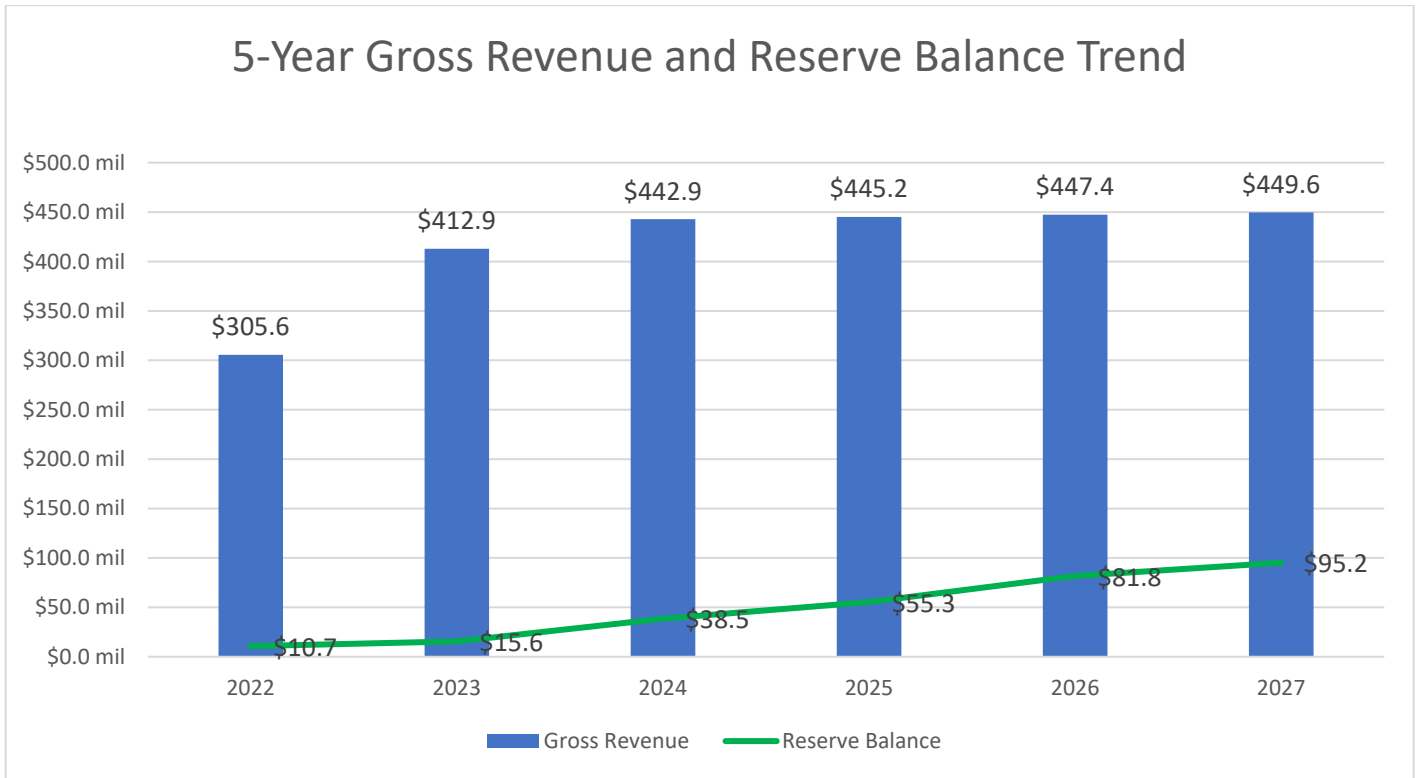


- For the 2023-24 period, the projected power supply costs increase due to relatively high forward energy prices and the increased wholesale demand of approximately 597 GWh for the unincorporated area of Orange County, as mentioned above. Power supply costs are expected to stabilize over the next 4 years as forward energy prices peak in 2023 and gradually decline. The fixed price contracts that OCPA entered in the past 9 months help stabilize OCPA's cost of energy. Over the long-term, market energy prices are assumed to increase annually by 3 percent. Resource Adequacy cost will continue to stay elevated and may follow an unpredictable path until sufficient storage capacity is built in California.
- Total wholesale demand is estimated as follows:
  1. FY 23/24 at 4,109 GWh
  2. FY 24/25 at 4,369 GWh
  3. FY 25/26 at 4,391 GWh
  4. FY 26/27 at 4,413 GWh
  5. FY 27/28 at 4,435 GWh

System and distribution losses are estimated at 6%.

# 5-Year Financial Proforma Key Assumptions (Cont'd)

## 5-Year Rate Stabilization Reserve Fund Trend



- OCPA will establish a Rate Stabilization Reserve Fund (RSF) to provide stable rates and secure financial creditability in the energy marketplace. The RSF will absorb any surplus or deficiency in each fiscal year. It is also one of the bank covenant requirements to build at least \$17 million beginning June 2025 (by the end of FY24/25).
- In FY24/25, the balance of RSF is projected at \$38.5 million (above Reserve Requirement by over \$21.5 million). The balance of the RSF will gradually increase to reach \$95.2 million by the end of 2028.
- OCPA may withdraw from the RSF to keep rates competitive or to address an emergency situation or event.

# 5-Year Financial Proforma

(\$ in thousands)	Reforecast (10A+2F)		Budget		Projection		Projection		Projection		Projection		Projection	
	Period Ending Jun 30	FY2021/22	% of Rev	FY2022/23	% of Rev	FY2023/24	% of Rev	FY2024/25	% of Rev	FY2025/26	% of Rev	FY2026/27	% of Rev	FY2027/28
<b>REVENUE AND OTHER SOURCES</b>														
Net Revenue - Electricity	44,024	100.0%	301,750	100.0%	407,779	100.0%	437,404	100.0%	439,591	100.0%	441,789	100.0%	443,998	100.0%
Investment and Miscellaneous Income	1	0.0%	1	0.0%	1	0.0%	1	0.0%	1	0.0%	1	0.0%	1	0.0%
<b>Total Net Revenue and Other Sources</b>	<b>44,025</b>	<b>100.0%</b>	<b>301,752</b>	<b>100.0%</b>	<b>407,780</b>	<b>100.0%</b>	<b>437,405</b>	<b>100.0%</b>	<b>439,592</b>	<b>100.0%</b>	<b>441,790</b>	<b>100.0%</b>	<b>443,999</b>	<b>100.0%</b>
<b>EXPENDITURES AND OTHER USES</b>														
<b>CURRENT EXPENDITURES</b>														
Cost of Energy	41,051	93.2%	285,342	94.6%	386,887	94.9%	397,068	90.8%	404,838	92.1%	394,775	89.4%	413,462	93.1%
Data Manager	0	0.0%	1,839	0.6%	3,294	0.8%	3,484	0.8%	3,696	0.8%	3,949	0.9%	4,062	0.9%
Utilities Service Fees	33	0.1%	532	0.2%	541	0.1%	578	0.1%	595	0.1%	613	0.1%	631	0.1%
Staffing Costs	1,060	2.4%	4,046	1.3%	5,582	1.4%	5,861	1.3%	6,153	1.4%	6,460	1.5%	6,783	1.5%
Contract Services	1,125	2.6%	1,302	0.4%	1,200	0.3%	1,094	0.3%	845	0.2%	821	0.2%	843	0.2%
Legal Services	799	1.8%	580	0.2%	525	0.1%	551	0.1%	579	0.1%	608	0.1%	638	0.1%
Marketing and Customer Enrollment	531	1.2%	1,597	0.5%	1,187	0.3%	1,259	0.3%	1,320	0.3%	1,383	0.3%	1,450	0.3%
Other G&A	210	0.5%	844	0.3%	970	0.2%	923	0.2%	957	0.2%	1,094	0.2%	1,101	0.2%
Energy Programs	0	0.0%	500	0.2%	750	0.2%	1,000	0.2%	1,250	0.3%	1,500	0.3%	1,500	0.3%
	44,809	101.8%	296,582	98.3%	400,936	98.3%	411,818	94.2%	420,233	95.6%	411,204	93.1%	430,470	97.0%
<b>OTHER USES</b>														
Capital Outlay	0	0.0%	110	0.0%	15	0.0%	15	0.0%	15	0.0%	15	0.0%	15	0.0%
Total Other Uses	0	0.0%	110	0.0%	15	0.0%	15	0.0%	15	0.0%	15	0.0%	15	0.0%
<b>DEBT SERVICE</b>														
Interest costs - nonoperating	199	0.5%	329	0.1%	310	0.1%	259	0.1%	207	0.0%	122	0.0%	104	0.0%
Finance costs - Principal	0	0.0%	0	0.0%	1,711	0.4%	2,322	0.5%	2,368	0.5%	3,981	0.9%	0	0.0%
<b>Total Expenditures and Other Uses</b>	<b>45,009</b>	<b>102.2%</b>	<b>297,021</b>	<b>98.4%</b>	<b>402,973</b>	<b>98.8%</b>	<b>414,414</b>	<b>94.7%</b>	<b>422,824</b>	<b>96.2%</b>	<b>415,322</b>	<b>94.0%</b>	<b>430,589</b>	<b>97.0%</b>
<b>Net Income Surplus/(Deficit) BEFORE Fund Transfers</b>	<b>(983)</b>	<b>(2.2%)</b>	<b>4,731</b>	<b>1.6%</b>	<b>4,808</b>	<b>1.2%</b>	<b>22,991</b>	<b>5.3%</b>	<b>16,768</b>	<b>3.8%</b>	<b>26,468</b>	<b>6.0%</b>	<b>13,410</b>	<b>3.0%</b>
Additional Transfer to Program Funds	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>Net Surplus/(Deficit) AFTER Program Fund Transfers</b>	<b>(983)</b>		<b>4,731</b>		<b>4,808</b>		<b>22,991</b>		<b>16,768</b>		<b>26,468</b>		<b>13,410</b>	
<b>Reserve Balance:</b>														
Carryover balance	0	0.0%	6,017	2.0%	10,748	2.6%	15,556	3.6%	38,547	8.8%	55,315	12.5%	81,783	18.4%
Net Margin	(983)	(2.2%)	4,731	1.6%	4,808	1.2%	22,991	5.3%	16,768	3.8%	26,468	6.0%	13,410	3.0%
Cash Financing	7,000	15.9%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>Ending balance</b>	<b>6,017</b>		<b>10,748</b>		<b>15,556</b>		<b>38,547</b>		<b>55,315</b>		<b>81,783</b>		<b>95,193</b>	

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.



# Operating and Non-Operating Expenses

OCPA's operating expenses fall into seven categories: Data Management & Utilities Service Fees, Staffing Costs, Professional Contract and Legal Support Services, Marketing and Customer Enrollment, General and Administration, Energy Programs, and Capital Expenditures. OCPA's budget also includes non-operating debt service expenses related to interest and related expenses used to finance its operations. Additional expense details are as follows:

## Data Management & Utilities Service Fees

- Data Management is a broad scope of services provided by contract through Calpine Energy Solutions. Services include billing data validation, bill coordination with investor-owned utilities (IOUs), call center operation services, and many support functions related to data reporting. The data management fees are based on a monthly fixed fee plus a fixed price per meter per month. Such fees will be waived from July to October 2022 due to the waiver of service fees clause in the contract.
- Service fees paid to SCE are based on charges per account per month for meter data posting and customer billing processing charges. There are also numerous small fees associated with data requests. The fees cover SCE's costs associated with additional data processing and coordination and are mandatory and regulated by the California Public Utilities Commission (CPUC).

## Staffing Costs

- Staffing costs include salaries, payroll taxes, and benefits for staff. The staffing strategy includes the addition of 12 new positions during FY22/23 to support the continued growth of OCPA. Most notably, the hiring strategy assumes:
  - Power Services: recruit 4 positions to build an in-house power services team. The team includes a Power Resources Director; a "Front Office" handling integrated resources planning, hedging & procurement, Energy Risk Management Policy management, and CAISO scheduling; a "Middle Office" handling market and credit risk oversight, load forecasting, power price curves management, and energy data analytics; and a "Back Office" handling PPA development & management, regulatory compliance, contract compliance, and invoice validation.
  - Communications, Outreach & Programs: recruit 2 positions including a Director of Communications & External Affairs to oversee marketing, media relations, outreach & public engagement, key accounts and customer management, energy programs, and business development.
  - The office of CEO: recruit an in-house Board Clerk/Assistant to the CEO and an IT Specialist to support board & committee management and information technology.
  - Finance and Data Analytics: recruit a Data Scientist and a Data Analyst to support OCPA data analytics platform development and data analytics strategy.
  - HR and Administrative Services: recruit a HR Generalist and an Administrative Assistant to support recruitment, employee relations & performance management, office management, front desk reception, and administrative support.
- Proposes to offer across-the-board Cost-of-Living Adjustments (COLA) effective January 1 in each year according to the Customer Price Index, Los Angeles-Long Beach-Anaheim, April 2022, and update salary max pay accordingly.
- Combined with the existing 8 positions, OCPA will have 20 full-time equivalents (FTEs) by June 30, 2023. Impact of total staffing costs is budgeted at approximately 1.3% of revenue.

# Operating and Non-Operating Expenses (Continued)

## Professional Contract and Legal Support Services

- Day-to-day accounting, annual financial audit, advanced metering infrastructure (AMI) audit, HR, board clerk, 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.
- Legal support for general counsel, special counsel representation of OCPA, and power supply procurement transactional and negotiation. Regulatory and legislative advocacy, as well as technical consulting support for OCPA's engagement on issues across two different investor-owned utility service territories (SCE and SDG&E).

## Marketing and Customer Enrollment

As a community-focused public agency, engagement with our customers is a driving force for much of the agency's work. Through direct customer contact, staff-hosted webinars, virtual workshops as well as community events, surveys, and membership in business, environmental and community-based organizations, OCPA staff is constantly looking for new opportunities to reach and build positive relationships with our customers:

- Engagement with relevant local business and industry organizations through memberships and sponsorships to increase awareness of OCPA and strengthen relationships.
- Coordination with press and media outlets to share OCPA story, enrollment, and value proposition, to reinforce brand awareness through our marketing and public relations.
- Successful enrollment of an estimated 256,000 residential customer accounts in October 2022.
- Engage key customers on enrollment and rate structure. Outreach will include meeting with customers and industry stakeholder groups.
- Development of key customer service tools to enhance customer experience.
- Support events and efforts which provide exposure and visibility for OCPA as a community partner committed to supporting our diverse communities.
- This budget also covers the direct mailers and postage for customer enrollment notifications, Joint Rate Comparisons (JRC), Power Content Label (PCL), and consulting support for strategic outreach and marketing efforts such as OCPA website enhancement and collateral development, social media and video development, language translation, customer survey development, and other outreach activities in the enrollment service areas.

# Operating and Non-Operating Expenses (Continued)

## General and Administration

- Ordinary business expenses include leasing office space (partially offset by a rental credit provided by Calpine Energy Solutions), 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.
- This budget covers the 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.
- In addition, this budget covers the California Community Power (CC Power) membership fees. CC Power is a joint powers authority designed to leverage the CCA purchasing power for long-duration energy storage.

## Energy Programs

- Energy Programs will be made available to OCPA customers and be one of the significant contributors to community reinvestment.
- Designed to assist households and businesses with the transition from fossil-fuel sources to clean energy solutions, Energy Programs target the two sectors which make the biggest contributions to Orange County GHG emissions: transportation and building.
- To improve energy resiliency, OCPA Energy Programs will be designed to accelerate electrification while making significant contributions to GHG reductions.
- To support agency goals, OCPA Energy Programs will help to address equity and the unique needs and priorities of Orange County's diverse communities.
- Achieving successful Energy Programs requires consistent community engagement to gain a clear understanding of what our OCPA communities need most. Energy programs will become a hallmark for local control and the power of community input.

## Capital Expenditures

- Staff will work with a consulting team to develop a flexible, in-house analytics platform to ensure team members are working from a central data source. This platform will be cloud based and set up to expand with OCPA as requirements and capabilities grow in this dynamic environment. Data process and analytics play essential roles in driving OCPA's strategic decision making and operations, and improves work efficiency through integrating automated data pipelines, reporting, and harnessing big data analysis capabilities in a timely fashion.
- This budget covers a lease office tenant improvement (95% offset by a tenant improvement credit provided by Calpine Energy Solutions).

## Debt Service

- Interest and related financing costs, including the repayment of loan principle, associated interest, loan commitment, and letters of credit issuance and facility fees.

# About OCPA

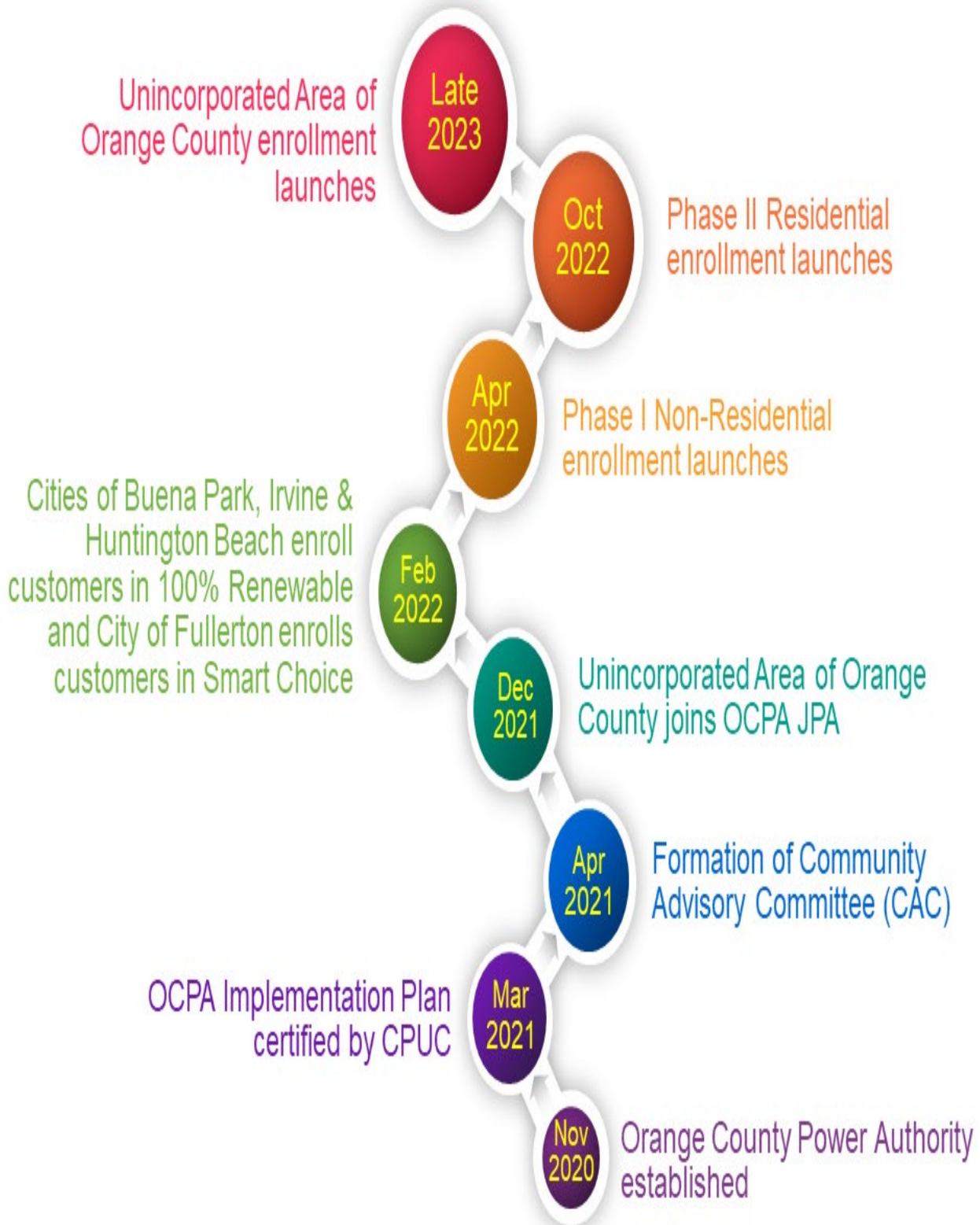
Orange County Power Authority (OCPA) is a Joint Powers Authority formed in November 2020 to provide electric generation service to residents and businesses in the Cities of Buena Park, Fullerton, Huntington Beach, and Irvine through the Community Choice Aggregation (CCA) model established by the State of California. In December 2021, the OCPA Board approved the inclusion of the unincorporated area of Orange County to the agency.

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) and San Diego Gas & Electric's (SDG&E) 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.



# OCPA Major Milestone



# OCPA Board

Orange County Power Authority is governed by the Board of Directors. All OCPA Board meetings are open and accessible to the public.

To assure representation of all communities and customers served, OCPA Board is comprised of six elected officials from five member communities.

OCPA's governance structure is unique among businesses, private or community-based alike. Our Board members are in the best position to understand how to implement OCPA policies that represent the needs of all our customers, from the underserved communities to our member agencies. We are governed by and work for the benefit of the communities we serve.



# 2022 OCPA Board



**Chairman**  
Mike Carroll  
City of Irvine



**Vice Chairman**  
Fred Jung  
City of Fullerton



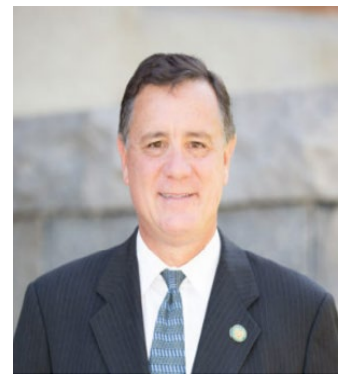
**Member**  
Susan Sonne  
City of Buena Park



**Member**  
Dan Kalmick  
City of Huntington Beach



**Member**  
Farrah Khan  
City of Irvine



**Member**  
Donald Wagner  
County of Orange

# 2022 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. Current appointees include:

Jose Trinidad Castaneda III - City of Buena Park

Shanin Ziemer - City of Buena Park

Angela Lindstrom - City of Fullerton

Deepak Nanda - City of Fullerton

Kathleen McGowan - City of Huntington Beach

Steven Shepherd - City of Huntington Beach

Mohammed Alrai - City of Irvine

Anil Kumar - City of Irvine

Scott Kitcher - Member at Large

Senait Forthal - Member at Large





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[ocpower.org](http://ocpower.org)

