

City of San José
Statement of Net Position
Proprietary Funds
December 31, 2019
(Unaudited)

		<u>San José Clean Energy</u>
ASSETS		
Current assets:		
Equity in pooled cash and investments held in City Treasury	\$	18,958,832
Receivables (net of allowance for uncollectibles)		39,161,509
Total unrestricted current assets		<u>58,120,341</u>
Restricted assets:		
Equity in pooled cash and investments held in City Treasury		-
Cash investment held with City		-
Cash held in operating reserve account		20,000,000
Cash Investment held with fiscal agent		4,044
Total restricted current assets		<u>20,004,044</u>
Noncurrent assets:		
Net OPEB Assets - GASB 75		741,804
Total noncurrent assets		<u>741,804</u>
Total assets		<u>78,866,189</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension Contributions		803,946
OPEB Contributions		173,522
LIABILITIES		
Current liabilities:		
Accounts payable	\$	37,676,549
Accrued liabilities		298,545
Accrued vacation, sick leave and compensatory time		125,490
Estimated liability for claims and judgment		6,791,155
Advances and deposits payable		609,118
Short-term Notes payable		10,000,000
Total current liabilities		<u>55,500,857</u>
Total liabilities		<u>55,500,857</u>
DEFERRED INFLOWS OF RESOURCES		
Pension Contributions		-
OPEB Contributions		294,151
NET POSITION		
Restricted for operating reserve		20,000,000
Unrestricted		4,048,649
Total net position	\$	<u>24,048,649</u>

City of San José
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Period July 1, 2019 to December 31, 2019
(Unaudited)

		<u>San José Clean Energy</u>
OPERATING REVENUES		
Power sales	\$	189,320,573
SJCE product sales		493,000
Total operating revenues		<u>189,813,573</u>
OPERATING EXPENSES		
Operations and maintenance		3,661,412
Power purchases		160,860,525
General and administrative		3,623,278
Depreciation and amortization		-
Materials and supplies		16,247
Total operating expenses		<u>168,161,462</u>
Operating income (loss)		<u>21,652,111</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income		289,651
Interest Expense		(336,878)
Letter of Credit Fees		(216,829)
Commercial Paper Fees		-
Net nonoperating revenues (expenses)		<u>(264,056)</u>
Income (loss) before capital contributions and transfers		<u>21,388,055</u>
Transfers out		<u>(215,789)</u>
Change in net position		21,172,266
Total net position - beginning		2,876,383
Adjustment to total net position		-
Total net assets - ending	\$	<u><u>24,048,649</u></u>

City of San José
Statement of Cash Flows
Proprietary Funds
For the Period July 1, 2019 to December 31, 2019
(Unaudited)

	<u>San José Clean Energy</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 192,935,528
Receipts from interfund services provided	-
Payments to suppliers	(162,458,909)
Payments to employees	(2,314,827)
Payments for interfund services used	-
Net cash provided by (used in) operating activities	<u>28,161,792</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer to other funds	(215,789)
Net cash provided (used) by noncapital and related financing activities	<u>(215,789)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest paid on debt	(336,878)
Letter of credit Fees	(216,829)
Commercial Paper Fees	-
Net cash provided (used) by capital and related financing activities	<u>(553,707)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	289,651
Net cash provided (used) by investing activities	<u>289,651</u>
Net change in cash and cash equivalents	27,681,947
Cash and cash equivalents - beginning	11,280,929
Cash and cash equivalents - ending	<u>\$ 38,962,876</u>
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income (loss)	\$ <u>21,652,111</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Decrease (increase) in:	
Accounts receivable	3,121,955
Increase (decrease) in:	
Accounts payable	2,649,995
Accrued salaries, wages, and payroll taxes	(169,932)
Accrued interest payable	298,545
Net pension liability, deferred outflows/inflows of resources related to pension - GASB 68	-
Net OPEB liability, deferred outflows/inflows of resources related to OPEB - GASB 75	-
Advances and deposits payable	609,118
Total adjustments	<u>6,509,681</u>
Net cash provided by (used in) operating activities	<u>\$ 28,161,792</u>

City of San José
Statement of Cash Flows
Proprietary Funds
For the Period July 1, 2019 to December 31, 2019
(Unaudited)

		<u>San José Clean Energy</u>
Reconciliation of cash and cash equivalents to the balance sheet:		
Equity in pooled cash and investments held in City Treasury		
Unrestricted	\$	18,958,832
Restricted		20,000,000
Cash investment held with City		-
Cash and investments held with fiscal agent		4,044
	\$	<u>38,962,876</u>

City of San José
Statement of Net Position
Proprietary Funds
June 30, 2019
(Audited)

		<u>San José Clean Energy</u>
ASSETS		
Current assets:		
Equity in pooled cash and investments held in City Treasury	\$	11,276,913
Receivables (net of allowance for uncollectibles)		42,283,464
Total unrestricted current assets		<u>53,560,377</u>
Restricted assets:		
Equity in pooled cash and investments held in City Treasury		-
Cash Investment held with fiscal agent		4,016
Total restricted current assets		<u>4,016</u>
Noncurrent assets:		
Net OPEB Assets - GASB 75		741,804
Total noncurrent assets		<u>741,804</u>
Total assets		<u>54,306,197</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension Contributions		803,946
OPEB Contributions		173,522
LIABILITIES		
Current liabilities:		
Accounts payable	\$	35,026,554
Accrued liabilities		169,932
Accrued vacation, sick leave and compensatory time		125,490
Estimated liability for claims and judgment		6,791,155
Advances and deposits payable		-
Notes payable		10,000,000
Total current liabilities		<u>52,113,131</u>
Total liabilities		<u>52,113,131</u>
DEFERRED INFLOWS OF RESOURCES		
Pension Contributions		-
OPEB Contributions		294,151
NET POSITION		
Unrestricted		2,876,383
Total net position	\$	<u><u>2,876,383</u></u>

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City of San José
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Period July 1, 2018 to June 30, 2019
(Audited)

		San José Clean Energy
OPERATING REVENUES		
Power sales	\$	102,575,088
SJCE product sales		281,000
Total operating revenues		102,856,088
OPERATING EXPENSES		
Operations and maintenance		4,438,432
Power purchases		91,373,094
General and administrative		2,603,303
Depreciation and amortization		-
Materials and supplies		135,982
Total operating expenses		98,550,811
Operating income (loss)		4,305,277
NONOPERATING REVENUES (EXPENSES)		
Investment income		139,779
Interest Expense		(66,729)
Letter of Credit Fees		(292,042)
Commercial Paper Fees		-
Net nonoperating revenues (expenses)		(218,992)
Income (loss) before capital contributions and transfers		4,086,285
Transfers out		(93,458)
Change in net position		3,992,827
Total net position - beginning		(1,116,444)
Adjustment to total net position		-
Total net assets - ending	\$	2,876,383

City of San José
Statement of Cash Flows
Proprietary Funds
For the Period July 1, 2018 to June 30, 2019
(Audited)

	<u>San José Clean Energy</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 60,572,624
Receipts from interfund services provided	-
Payments to suppliers	(55,150,455)
Payments to employees	(2,915,117)
Payments for interfund services used	-
Net cash provided by (used in) operating activities	<u>2,507,052</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer to other funds	(93,458)
Net cash provided (used) by noncapital and related financing activities	<u>(93,458)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest paid on debt	(66,729)
Letter of credit Fees	(292,042)
Commercial Paper Fees	-
Net cash provided (used) by capital and related financing activities	<u>(358,771)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	139,779
Net cash provided (used) by investing activities	<u>139,779</u>
Net change in cash and cash equivalents	2,194,602
Cash and cash equivalents - beginning	9,086,327
Cash and cash equivalents - ending	<u>\$ 11,280,929</u>
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income (loss)	\$ <u>4,305,277</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Decrease (increase) in:	
Accounts receivable	(42,283,464)
Increase (decrease) in:	
Accounts payable	34,896,048
Accrued salaries, wages, and payroll taxes	113,890
Accrued vacation, sick leave and compensatory time	109,267
Net pension liability, deferred outflows/inflows of resources related to pension - GASB 68	(803,946)
Net OPEB liability, deferred outflows/inflows of resources related to OPEB - GASB 75	(621,175)
Total adjustments	<u>(1,798,225)</u>
Net cash provided by (used in) operating activities	<u>\$ 2,507,052</u>
Reconciliation of cash and cash equivalents to the balance sheet:	
Equity in pooled cash and investments held in City Treasury	
Unrestricted	\$ 11,276,913
Cash and investments held with fiscal agent	4,016
	<u>\$ 11,280,929</u>



PG&E ALLOCATION

CECAC 2/4/2020

DESCRIPTION OF ALLOCATION

- **CURRENTLY:** CCA customers pay for PG&E's carbon-free power (large hydro and nuclear), but do not get to claim it on their Power Content Labels (PCL).
- **UPCOMING:** SJCE's PLC will reflect this with an increase in carbon-free power (and the amount of carbon-free on PG&E's PLC will be decreased).
- PG&E recommended this to the CPUC in their Advice Letter 5705-E. It will happen in 2020 if CPUC approves.

PG&E POWER CONTENT LABEL

- PG&E's portfolio is 85% carbon-free:
 - 39% renewable
 - 34% nuclear
 - 13% large hydro
 - 15% natural gas and other fuels
- SJCE 2020 Council approved power mix:
 - 45% renewable, 86% carbon-free
- Climate Smart San José Goal
 - SJCE should be 100% carbon-neutral by 2021

POTENTIAL ALLOCATION

- Potential options:
 1. accept 100% of the nuclear and hydro
 2. accept 100% of the hydro and reject 100% of the nuclear
 3. accept 100% of the nuclear and reject 100% of the hydro
 4. reject 100% of the nuclear and hydro

DIABLO CANYON STATUS

- Diablo Canyon is in the process of being de-commissioned and is scheduled to close in 2026
- SJCE supports this closure
- PG&E will produce the same amount of nuclear power whether or not SJCE accepts the allocation



2020 TRADE-OFFS

With the PG&E nuclear allocation, SJCE will pay nothing to be more carbon-free.

91.7% carbon-free

Percentage of nuclear: 21.6%

Percentage of hydro: 33.3%

Additional cost to SJCE: \$0

Without the PG&E nuclear allocation, SJCE will pay ~\$5M to be less carbon-free.

86% carbon-free

Percentage of nuclear: 0%

Percentage of hydro: 49.4%

Additional cost to SJCE: \$5M

2021 TRADE-OFFS

With PG&E nuclear allocation, SJCE will be carbon-neutral without additional cost.

100% carbon-free

Percentage of nuclear: 26%

Percentage of hydro: 29.1%

Additional cost to SJCE: \$0

Without PG&E nuclear allocation, SJCE will be carbon-neutral at an additional cost of ~\$10M.

100% carbon-free

Percentage of nuclear: 0%

Percentage of hydro: 55%

Additional cost to SJCE: \$10M

OPPORTUNITY TO BUY ADDITIONAL NUCLEAR

- Some CCAs are accepting the nuclear allocation and some CCA's / Cities will not accept it due to anti-nuclear policies
- Some CCAs are interested in selling their nuclear allocation.
- SJCE could buy additional nuclear at low cost to increase our carbon-free mix and be carbon-neutral in 2020.

2020 POTENTIAL ADDITIONAL NUCLEAR

Accepting the allocation and **with** accepting additional nuclear from other CCAs.

100% carbon-free

Percentage of nuclear: 29.9%

Percentage of hydro: 33.3%

Cost to SJCE: ~ up to \$200,000

Accepting the allocation but **without** accepting additional nuclear from other CCAs.

91.7% carbon-free

Percentage of nuclear: 21.6%

Percentage of hydro: 33.3%

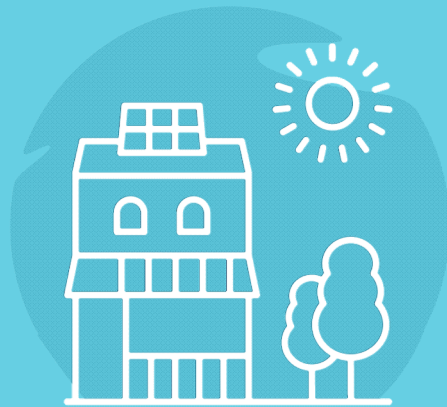
Cost to SJCE: \$0

STAFF RECOMMENDATION

- Accept the nuclear allocation
- Continue to support Diablo Canyon's decommissioning in 2026
 - SJCE can use the interim time to execute cost effective long-term renewable contracts that can provide carbon-free power
- Continue to advocate that legacy utility owned generation (UOG) costs should not be included in the PCIA
 - SJCE does not believe accepting this allocation impacts our advocacy related to UOG cost recovery in the PCIA

CECAC RECOMMENDATION TO COUNCIL

The Clean Energy Advisory Commission (CECAC) recommends that Council approve the recommendation that SJCE accept its allocation of greenhouse gas-free (GHG-free) attributes from large hydropower and nuclear power generation as part of an agreement set out in PG&E Advice Letter 5705-E. SJCE customers are already paying for costs related to this generation as part of the PCIA, and so accepting the allocation is a way to reduce the financial burden to SJCE customers. Given the financial benefits which will allow SJCE to bolster its operational reserves to shield customers from potential volatility from the PCIA, PG&E bankruptcy, and other factors, the CECAC recommends that SJCE accept its allocation.



QUESTIONS?