

CECAC FINANCIAL REVIEW

March 24, 2022



Allen Fong, Division Manager, Budget & Financial Planning

KEY DOCUMENTS WEBPAGE

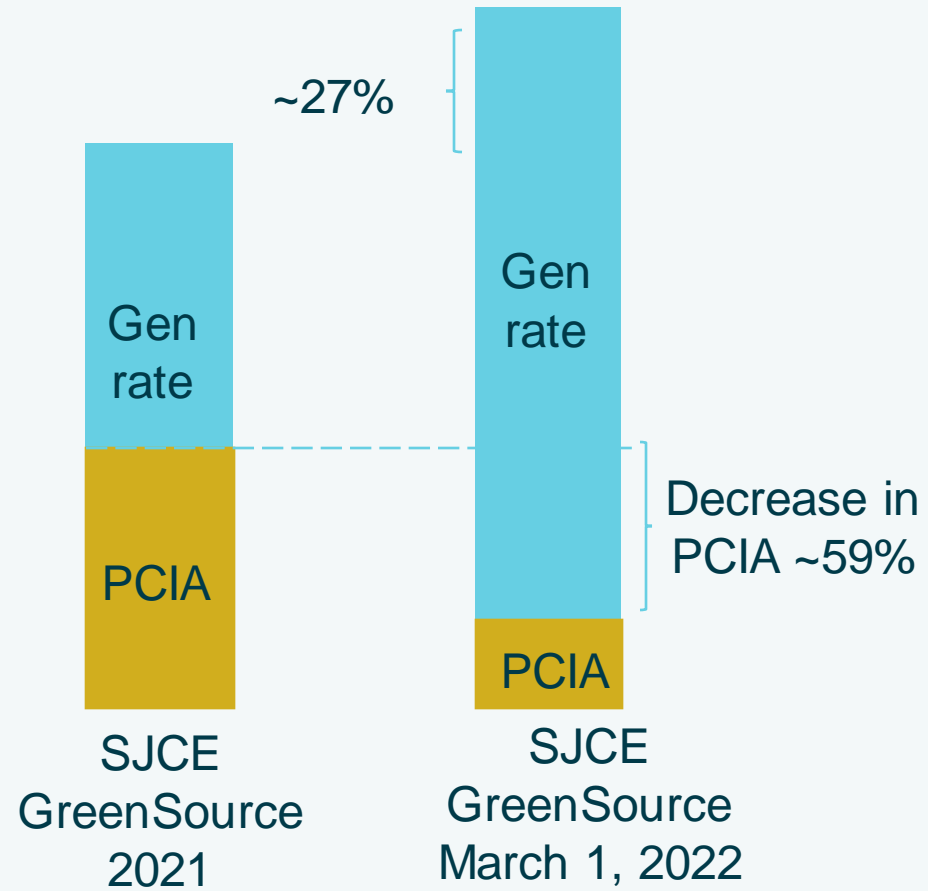
Financial Transparency

- <https://sanjosecleanenergy.org/key-documents/>

2021 – MARKET CHALLENGES & IMPACTS

- Historically high power costs
- High Power Charge Indifference Adjustment
- Borrowed \$60M commercial paper from City
Less than what was planned in June
- SJCE 2nd half 2021 operational performance
Slightly better than what was planned in June
- SJCE net income ~ -\$47.7M

PCIA – 2021 VS. 2022



SJCE RATES SUMMARY

¢/kWh	2020	2021	2022
PG&E Rate	\$ 11.49	\$ 11.10	\$ 14.07
PCIA Rate	\$ 3.13	\$ 4.60	\$ 2.46
SJCE blended Rate	\$ 8.13	\$ 6.52	\$ 12.40

- 2022 numbers are blended estimates:
 - Different rates (i.e., higher PCIA and lower generation rates) for Jan-Feb than Mar-Dec.
 - SJCE rates are blend of GreenSource, GreenValue, TotalGreen, SJ Cares
- Uncertainty remains for 2023 and beyond:
 - Power prices remain high in 2022 (which puts downward pressure on 2023 PCIA)
 - The total PG&E PCIA-eligible resources portfolio gets smaller in 2023 (some PPAs expire) and 2024-2025 (Diablo Canyon decommissioning)

2022 – 2023 FINANCIAL FORECAST

- Decrease in 2022 PG&E PCIA rates
 - Approximately 52% blended decrease for the year,
 - From approximately \$0.046/kWh to \$0.024/kWh
- An increase in 2022 PG&E generation rates
 - Approximately 27%, relative to 2021 PG&E rates,
 - From approximately \$0.111/kWh to \$0.141/kWh for average resident.
- SJCE should be in a position to:
 - Begin paying back Commercial Paper notes in Fiscal Year 2022-2023
 - SJCE should attain ninety (90) days of operating expenses in reserve net of the Commercial Paper notes in Fiscal Year 2022-2023

COST-OF-SERVICE RATE STUDY

- Cost-of-Service rates are commonly used by municipal utilities and provide several benefits:
 - More predictable and competitive rates for customers
 - Minimizes rate volatility by “de-coupling” from PG&E rates
 - Eliminates need to change rates multiple times during the year (based on PG&E rate changes)
 - Simplifies rates for customers
 - More consistent and steady revenues for SJCE

ENSURING SJCE FINANCIAL SUSTAINABILITY

- SJCE Business Plan Assessment provides the foundational framework for SJCE's financial objectives:
 - Build and sustain 180 days of financial reserves
 - Obtain credit rating
 - Provide competitive stable customer rates (Cost-of-Service rates)
 - Accelerate clean energy goals
 - Improve organizational effectiveness



Questions and Discussion