

City of Redding Electric Utility Quarterly Financial Report

Notes on Financial Operating Statement

Operating revenues are divided into three revenue elements: Retail Sales are sales of electricity to end-use customers; Wholesale Sales are to customers who resell electricity; Other Revenue includes the sale of services, joint-pole arrangements, interest income, and other miscellaneous revenue generated in the operations of Redding Electric Utility (REU).

Cost of Energy summarizes Purchased Power costs. The main sources of purchased power REU uses include Western Area Power Administration deliveries, as well as long-term contracts for Wind Energy through M-S-R. Fuel expenses and purchases from the spot market along with expenses associated with participation in the California Independent System Operator make up the remainder. The Generation and Transmission component comprises power plant variable costs (fuel) and fixed costs (all non-fuel costs), as well as all JPA costs (M-S-R and TANC), except Wind Energy.

The budgets for Wholesale Sales and Cost of Energy are based on known contracts and confirmed resources. Throughout the year, effort is made to provide the most efficient source of energy for our rate payers. This is often done by buying and selling natural gas or electricity to reduce the overall cost. This could include selling natural gas and replacing it with electricity that is less expensive than burning the gas in our own power plant. It could also include selling energy that we have contracted for at one trading hub and buying it at another trading hub that is less expensive. It could also include maximizing the value of our gas storage facility to buy natural gas in one month when it is less expensive and use it or sell it in another month. All these types of transactions have net benefits to our customers, but greatly inflate the Wholesale Sales and Cost of Energy numbers in excess of their original budgets. This is because accounting rules require us to record these transactions at their gross revenue and expense amounts and not on the net benefit to the Utility.

Other Operating Expenses summarizes costs for all other functional groups i.e. Administration, Customer Services, Engineering, Financial Services, Line, Resources, and Special Revenue funds i.e. Public Benefits and Cap & Trade.

Debt Service is paid twice per fiscal year, once in December and again in June.

Capital Outlay includes current-year appropriations as well as unfinished projects approved by Council in prior years.

ELECTRIC UTILITY FINANCIAL RESULTS - MARCH 2020

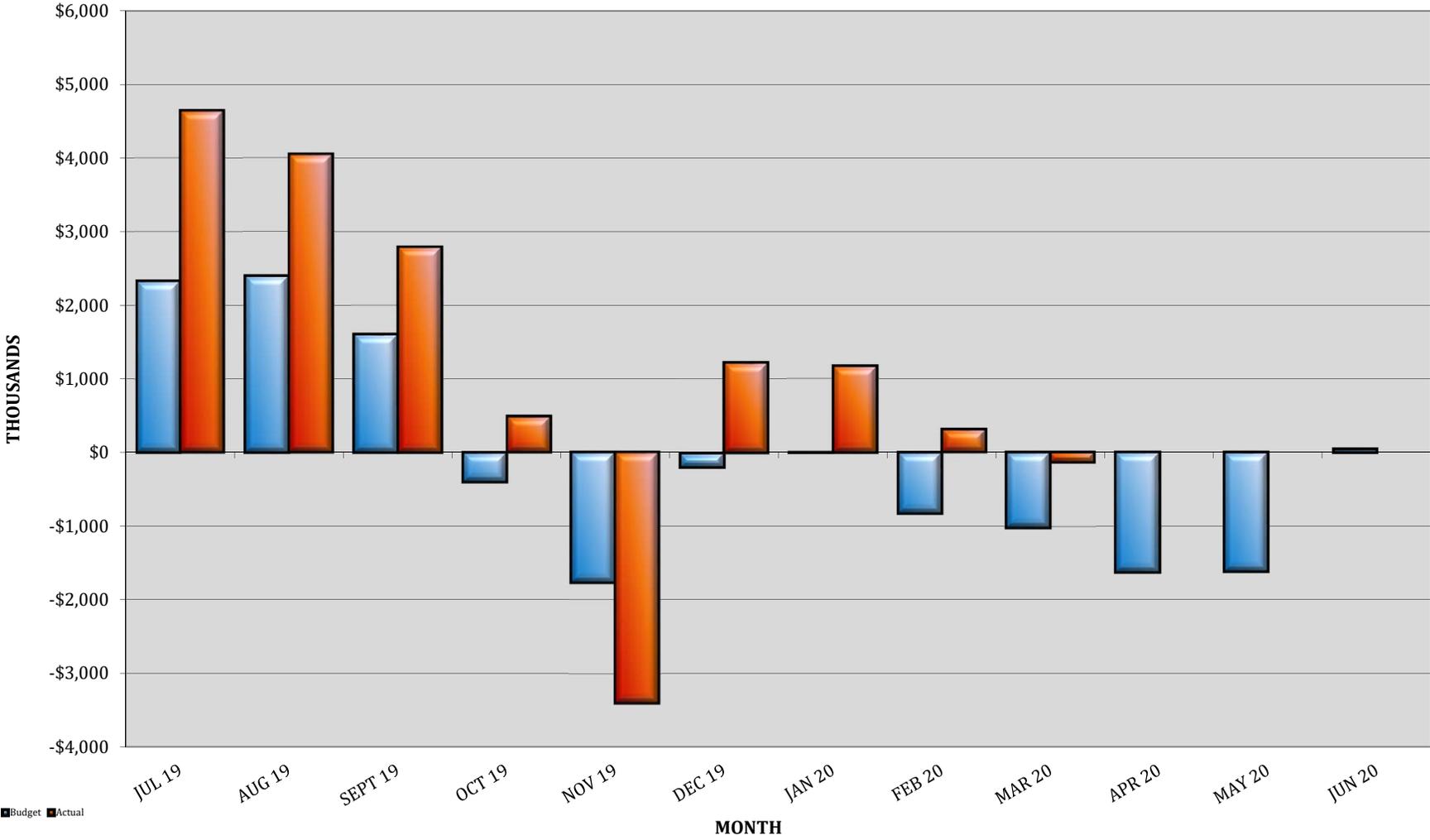
	Year-to-Date FY Ending June '20 Actual	Year-to-Date FY Ending June '20 Budget	BUDGET VARIANCE	BUDGET VARIANCE %	Year-to-Date March 2019 Actual
<u>Operating Revenues</u>					
Retail Sales	\$ 91,638,333	\$ 94,189,000	\$ (2,550,667)	-2.7%	\$ 92,563,084
Wholesale Sales	17,990,496	8,369,689	9,620,808	114.9%	14,205,045
Other Revenue	2,871,834	3,054,920	(183,086)	-6.0%	6,529,154
Total Operating Revenues	\$ 112,500,664	\$ 105,613,609	\$ 6,887,055	6.5%	\$ 113,297,283
<u>Cost of Energy</u>					
Purchased Power	\$ 24,158,047	\$ 17,717,712	\$ 6,440,335	36.3%	\$ 24,405,244
Generation & Transmission (inc JPA)	41,945,275	43,772,698	(1,827,423)	-4.2%	40,752,431
Total Cost of Energy	66,103,322	\$ 61,490,410	\$ 4,612,912	7.5%	\$ 65,157,675
<u>Operating Revenue after Energy Costs</u>	\$ 46,397,342	\$ 44,123,199	\$ 2,274,143	5.2%	\$ 48,139,609
<u>Other Operating Expenses</u>	25,678,938	\$ 32,403,041	\$ (6,724,103)	-20.8%	\$ 34,400,531
<u>Debt Service (spread evenly over the year)</u>	\$ 9,583,965	\$ 9,583,965	\$ -	0.0%	\$ 10,001,520
<u>Financial Results Before Capital Outlay</u>	\$ 11,134,439	\$ 2,136,193	8,998,246	421.2%	\$ 3,737,558

	Year-to-Date FY Ending June '20 Actual	Total FY Ending June '20 Budget	BUDGET REMAINING	% OF BUDGET SPENT	Year-To-Date March 2019 Actual
<u>Capital Outlay</u>					
Capital Outlay-Revenue Funded	\$ 3,746,734	\$ 25,447,410	\$ 21,700,677	14.7%	\$ 6,001,685
Capital Outlay-Bond Funded	\$ -	\$ -	\$ -	0.0%	\$ -

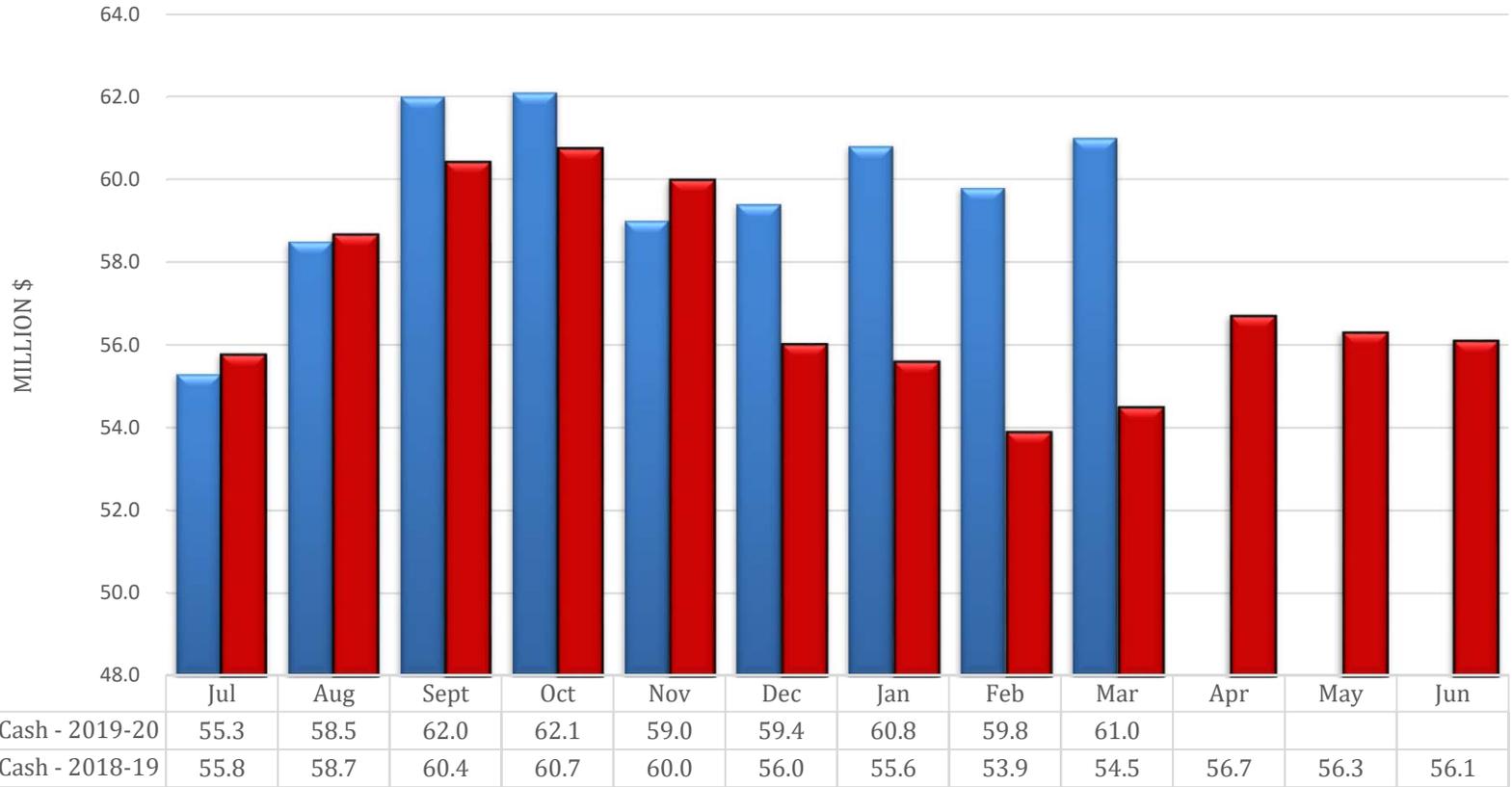
Notes:

Revenues and expenses are not recorded on a full accrual basis.

FY20 Actual Results Versus Budget



REU UNRESTRICTED CASH BALANCE JULY 2018 - JUNE 2020



City of Redding Electric Utility Industry Activities Update – May 2020

Federal Legislative Action

The Federal Government has approved more than \$2.8 Trillion dollars funding to aid in the fight against Coronavirus-19. This Stimulus package known as Coronavirus Aid, Relief, and Economic Security Act (**CARES Act**) is multi-pronged aiding individuals providing direct checks to many Americans who have lost their jobs or laid off. This Stimulus is greatly appreciated by the Redding community.

State Legislative Update

The state legislature will begin their delayed session in mid-May, and the Governor along with the leaders of both houses have cautioned all members to keep bills at a minimum and only work on bills which affect COVID-19 recovery, housing and the homeless, economic development and utility resiliency. Bills that will possibly gather traction due to economic development will be pumped hydro storage, and other large-scale green energy bills.

State Regulatory Update

COVID-19 Impacts to Regulatory Process

On March 30th Governor Newsom issued Executive Order N-40-20 which extends the Office of Administrative Law's deadlines to review regulations by 60 days. The order may result in delaying the release of final regulations as well as implementation dates for the foreseeable future.

CARB Considering Potential Changes to 2021-2030 GHG Free Allowance Allocations

The California Air Resource Board (CARB) developed electrical distribution utility allocations for 2020-2030 in changes to the cap-and-trade regulation becoming effective April 1, 2019. During the rulemaking, CARB stated its intent to potentially revisit the post-2020 allowance allocation to address Renewable Portfolio Standard changes and changes to load forecasts. REU is working with other publicly owned utilities and its associations to identify and advocate for measures that remain flexible and benefit our community.

CPUC to Establish Policies, Processes, and Rules to Ensure Safe and Reliable Gas Systems and Perform Long-Term Gas System Planning

The California Public Utilities Commission (CPUC) has opened a rulemaking to review and assess reliability of the natural gas system; look at the interrelationship between natural gas utilities and electric generation and electricity costs; and begin long-term planning for the future of the natural gas system in light of the state's climate goals and decarbonization objectives. REU is monitoring the proceeding for items of concern.