

Staff Report

DATE: June 26, 2025

TO: Clean Energy Alliance Board of Directors

FROM: Andy Stern, Chief Financial Officer

ITEM 8: Consider Adoption of Resolution No. 2025-026, Approving the Fiscal Year 2025/2026 Budget

RECOMMENDATION:

That the Clean Energy Alliance (CEA) Board adopt Resolution No. 2025-026 approving the Fiscal Year 2025/2026 Budget.

BACKGROUND AND DISCUSSION:

At its May 29, 2025 regular meeting, the Clean Energy Alliance (CEA) Board reviewed and discussed a preliminary version of the Fiscal Year 2025/2026 Budget.

The following key assumptions were used to develop the preliminary Budget:

- Revenue based on current adopted rates and projected usage
- Power supply costs based on actual executed contracts and a recent version of forward energy price curves
- Reasonable power supply cost contingency based on historical volatility
- Consulting services based on approved contracts

At that meeting, the Board asked questions about various budget assumptions. Based on those questions and the direction of the Board, Staff is proposing a FY 2025/2026 Budget for approval that is unchanged from the preliminary version that was presented to the Board on May 29, 2025.

Proposed Fiscal Year 2025/2026 Operating Budget

The FY 2025/2026 proposed budget is based on the following priorities and goals:

- Financial Stability
- Meeting Regulatory Compliance
- Meeting Line of Credit Covenants
- Supporting the Achievement of Member Agency Climate Action Plan Goals

A. Energy Expenses

The single largest expense category for CEA is Energy procurement representing more than 96% of total expenses. Costs are budgeted at \$333.5 million, an increase of \$24.8 million in the upcoming fiscal year as compared to the year-end forecast for the FY 2024/2025 year despite recent declines in projected pricing for attributes (e.g. Resource Adequacy and Renewable Energy Credits). Costs are projected to be higher as a result of a full year of service to Oceanside, Vista, and the Channelside desalination plant (the prior year

included partial year service). In addition, the proposed budget includes a 10% contingency (equal to \$28.7 million). Given the volatile nature of energy costs, Staff recommends a 10% contingency to ensure that we have adequately protected against unexpected increases. If some or all of the contingency is not necessary, any difference will revert back into the general fund.

	Forecast through 6/30/2025	Proposed Budget FY2025-2026
Total Operating Revenues	\$350,984,553	\$383,146,909
Resource Adequacy	49,509,059	69,054,700
Energy Purchases	160,845,050	157,078,636
Energy Carbon Free	6,203,429	7,860,061
Congestion Revenue Rights	(2,350,356)	-
RECS Purchases PCC1	71,549,627	65,056,940
RECS Purchases PCC2	4,000	-
CAISO	17,400,006	3,164,522
CAISO Chg/Credit Other	327,655	-
Broker Fees	419,197	-
VAMO Adjustment	-	-
Contingency	2,280,755	28,716,809
Total Cost of Energy	306,188,422	330,931,667
NEM Expense	2,547,883	2,608,654
Total Cost of Energy	308,736,305	333,540,321

B. Other Operating Expenses

The Proposed Budget also reflects an increase of approximately \$3.9 million in the projected cost of Other Operating Expenses (excluding Energy expenses). The budgeted line item for Programs of \$2.0 million represents more than 50% of that increase. In the prior year, \$600,000 was allocated to Programs but none of that allocation was spent. All other expense increases reflect increased activity relative to expanded territory as well as an increase in staffing levels to support the increased activity.

	Forecast through 6/30/2025	Proposed Budget FY2025-2026
Communications and Outreach	361,518	409,791
General and Administrative	941,954	1,080,635
Consultants & Professional Services	6,423,201	7,142,001
Staff compensation	1,691,506	2,730,818
Programs	-	2,000,000
Total Other Expenses (excluding Energy)	9,418,179	13,363,246

C. Revenues

The primary source of revenue comes from payment of customer electricity rates. CEA sets customer rates based on the following priorities:

- Address cash flow needs
- Rate Stability
- Financial stability and credit rating
- JPMorgan credit line covenant compliance
 - Result in revenues sufficient to recover costs and fund reserves
 - Meet Debt Service Coverage Ratio & Days Liquidity on Hand
- Fund Board-established operating reserve policy
- Sufficient funding to support increased renewable energy procurement to achieve climate goals and implement local programs
- Rates competitive to SDG&E

The Board previously approved customer rate increases at its meeting on June 27, 2004. Staff believes the current rates are sufficient to provide adequate revenues to meet all of the above priorities for the proposed Budget and for the following 4 years of operations.

D. Overall Budget

The forecasted FY 2024/2025 Budget and the proposed FY 2025/2026 Budget are as follows:

	Forecast through	Proposed Budget
	6/30/2025	FY2025-2026
Total Operating Revenues	\$350,984,553	\$383,146,909
Total Cost of Energy	308,736,305	333,540,321
Other Expenses (excluding Energy)	9,418,179	13,363,246
Total Operating Expenses	318,154,485	346,903,567
Operating Income (Loss)	32,830,068	36,243,342
Total Nonoperating Income/(Expense)	<u>(1,077,968)</u>	<u>(380,692)</u>
CHANGE IN NET POSITION	<u>\$31,752,100</u>	<u>\$35,862,650</u>
Net Position at the end of period	\$14,787,266	\$50,649,916

E. Five-Year Outlook

CEA has grown to be an organization serving electricity to more than 250,000 customers and generating \$388 million in revenues. Customers depend on the stability of CEA's operations based on CEA's financial stability and to meets its obligations even if energy costs are volatile. To that end, Staff believes it important to take a long-term view of the organizations expected financial results and position. While the Board is only approving a Budget covering the upcoming one-year period, it is expected that the current rates will be

sufficient to meet obligations for at least the following 4 years while building financial reserves consistent with industry norms.

The proposed FY 2025/2026 Budget along with the estimated Net Position for each of the following four fiscal years is as follows:

	Proposed Budget FY2025-2026		Outlook FY2026-2027	Outlook FY2027-2028	Outlook FY2028-2029	Outlook FY2029-2030
Total Operating Revenues	\$383,146,909		\$388,089,267	\$383,501,212	\$383,507,082	\$383,513,055
Total Cost of Energy	333,540,321		334,844,585	312,629,543	298,903,726	297,664,935
Other Expenses (excluding Energy)	13,363,246		16,646,758	20,674,112	25,379,524	31,715,530
Total Operating Expenses	346,903,567		351,491,343	333,303,655	324,283,250	329,380,465
Operating Income (Loss)	36,243,342		36,597,923	50,197,557	59,223,832	54,132,590
Total Nonoperating Income/(Expense)	(380,692)		(3,635)	444,240	1,481,379	2,703,573
CHANGE IN NET POSITION	\$35,862,650		\$36,594,289	\$50,641,797	\$60,705,211	\$56,836,163
Net Position at the end of period	\$50,649,916		\$87,244,205	\$137,886,001	\$198,591,212	\$255,427,375

FISCAL IMPACT:

Revenues from energy sales to customers would provide sufficient funds for the proposed expenditures and the required contribution to reserves.

Submitted for Board consideration:



Gregory Wade
Chief Executive Officer

ATTACHMENTS:

- A. Resolution No. 2025-026, Approving the Fiscal Year 2025/2026 Budget

Exhibit A

	Proposed Budget
	FY2025-2026
Total Operating Revenues	\$383,146,909
Total Cost of Energy	333,540,321
Other Expenses (excluding Energy)	13,363,246
Total Operating Expenses	346,903,567
Operating Income (Loss)	36,243,342
Total Nonoperating Income/(Expense)	<u>(380,692)</u>
CHANGE IN NET POSITION	<u>\$35,862,650</u>
Net Position at the end of period	\$50,649,916

Staff Report

DATE: June 26, 2025

TO: Clean Energy Alliance Board of Directors

FROM: Greg Wade, Chief Executive Officer

ITEM 9: Consider Adoption of Resolution Nos. 2025-027, 2025-028 and 2025-029 Approving the Fiscal Year (FY) 2025/26 – 2026/27 Work Plan, an Amendment to the Clean Energy Alliance Position Control Listing and Amendment to the Adopted Salary Schedule, Respectively

RECOMMENDATION:

That the Clean Energy Alliance (CEA) Board:

- 1) Adopt Resolution No. 2025-027 approving the FY 2025/26 – 2026/27 CEA Work Plan
- 2) Adopt Resolution No. 2025-028 amending the CEA Position Control Listing for FY 2025/26
- 3) Adopt Resolution No. 2025-029 amending the CEA Salary Schedule

BACKGROUND AND DISCUSSION:

At the Board Meeting on April 24, 2025, the CEA Board (Board) adopted Resolution No. 2025-018 approving the FY 2025/26 CEA Strategic Plan (Strategic Plan). Also during that meeting, the Board reviewed and discussed the FY 2025/26 Work Plan (Work Plan). The Strategic Plan was developed through review of key formation documents, prior Board direction and input gathered from meetings of the Community Advisory Committee (CAC). The Strategic Plan sets forth CEA's core guiding principles, goals and objectives for the next two years while the Work Plan is intended to identify specific implementation measures and key performance indicators to track progress towards meeting goals and objectives of the Strategic Plan. The Work Plan is also intended to set forth the priorities for staff to carry out as directed by the Board. Finally, the Work Plan identifies key partners/consultants and staff identified to lead the implementation of each listed objective.

The Strategic Plan consists of Core Guiding Principles, Goals and Objectives for CEA to follow in the next two years. The Core Guiding Principles of the Strategic Plan around which the Work Plan is based are:

1. ***Promote Use & Development of Clean Energy*** – reduce GHG emissions by providing 100% renewable energy as the default product for all CEA customers by 2035.
2. ***Build & Maintain Financial Sustainability*** – achieve financial sustainability and build reserves.

3. ***Provide Beneficial Customer Programs*** – offer a variety of programs that serve the needs of our customers, promote affordability, address communities of concern and further reduce GHG emissions.
4. ***Actively Engage in Customer Advocacy*** – engage and advocate for CEA and its customers in regulatory and legislative matters.
5. ***Provide Exceptional Customer Service & Community Engagement*** – provide highly responsive and helpful customer service and opportunities for our staff to engage with our customers and the communities in which they live.
6. ***Promote Organizational Development*** – create an organization that fosters employee creativity and engagement in meeting CEA’s goals, recognizes employee achievements and supports employee development and growth.

Each of these Six Core Guiding Principles are broken down into specific Goals and Objectives to be implemented through the Work Plan. The Work Plan prioritizes the Goals and Objectives of the Strategic Plan in alignment with prior Board direction and input from the CAC and community members and identifies specific implementation Measures, Key Performance Indicators (KPI), Staff Leads, Key Partners and Funding Source for each Objective. It is anticipated that the Work Plan will be an evolving document that can be modified over time to include or adjust to updated Board priorities.

Position Control Listing & Salary Schedule

Given the scope and breadth of the Work Plan, additional staff support will be needed both to carry out its implementation measures and to decrease dependency on consultant services upon which CEA has largely relied since its inception. As such, the FY 2025/26 Budget contemplates six (6) additional positions to support operational needs in the areas of power supply, energy programs, regulatory/legislative engagement and/or administrative support. Should the Board approve the FY 2025/26 Budget, Staff will return at a future Board meeting to identify the added positions along with recommended salaries.

At the CEA Board Meeting on January 30, 2025, the Board amended the CEA Position Control Listing by adding four (4) new positions during FY2024/2025, which have since been filled, along with two (2) additional positions in FY2025/2026. The two positions authorized last January for FY2025/2026 included a Financial Analyst and an Administrative Clerk. As reported at the Board Meeting on May 29, 2025, it is recommended that, in addition to the Clerk to the Board/Executive Assistant (already filled), a candidate from that recruitment also be hired to fill an Executive Assistant/Office Manager position beginning in the next fiscal year. The latter of these positions would effectively replace the previously authorized Administrative Clerk with the combined salaries and resulting budget impact of these two positions being roughly equal. These positions provide additional executive, operational and administrative support as well as providing backup support for one another as needed.

The addition of two positions in the Position Control Listing is not expected to impact the FY 2025/26 Budget as they are replacing existing funded positions in the current Position Control Listing. The Executive Assistant/Office Manager position will replace the Administrative Clerk position already contemplated in the FY 2025/26 Budget. Similarly, the Senior Power Procurement Manager position will be filled by existing staff, which is also accounted for in the FY 2025/26 Budget. Other elements of the Work Plan will be funded in the proposed Operations Budget or, where applicable, through grant funding

sources such as the state's Self Generation Incentive Program (SGIP). Staff is seeking the Board's approval of the following two positions in the CEA's Position Control Listing and Salary Schedule:

POSITION	ANNUAL SALARY RANGE
Executive Assistant/Office Manager	\$98,000 - \$164,000
Senior Power Procurement Manager	\$145,000 - \$280,000

Staff is seeking Board approval of an amended Position Control Listing and Salary Schedule to create and fill an Executive Assistant/Office Manager position as well as adding a Senior Power Procurement Manager to provide proper operational structure in the Power Supply Department.

FISCAL IMPACT:

As noted above, the requested approval of the FY 2025/26 – 2026/27 Work Plan and the amendments to CEA's Position Control Listing and Salary Schedule are not expected to increase costs beyond those already contemplated and incorporated into the FY 2025/2026 Budget.

Submitted for Board consideration:



Gregory Wade
Chief Executive Officer

ATTACHMENTS:

- A. Resolution No. 2025-027 approving the FY 2025/26 – 2026/27 CEA Work Plan
- B. Resolution No. 2025-028 amending the CEA Position Control Listing for FY 2025/26
- C. Resolution No. 2025-029 amending the CEA Salary Schedule
- D. Fiscal Year 2025/26 – 2026/27 Final Work Plan

CEA FY26-27 Work Plan

Guiding Principle	#	Objective	Measure	KPI	Staff Lead	Key Partners	Funding Source
1. CLEAN ENERGY	a)	Gradually increase CEA's Renewable Portfolio Standard (RPS) to achieve 100% renewable energy	Increase base RPS to 55% in 2026, 60% in 2027, 75% for 2028-2030, and 100% by 2035.	Meet or exceed the aforementioned RPS targets for each calendar year.	Dan P	PEA	Operational Budget
	b)	Support customer retention and engagement by highlighting customers that have opted up to CEA's 100% renewable energy Green Impact product	- Continue implementation of Green Impact Champion Program	- Add at least one more member agency to our Green Impact Champions list per year - Add two new Green Impact Champion businesses per year - Host one Green Impact Champions recognition event to recognize commercial participants - Monitor each member agency CAP for compliance with its goals	Kaitlin M & Rob H	Tripepi Smith	Operational Budget
	c)	Support achievement of member agencies' CAP goals for building decarbonization and energy efficiency goals through customer access to grant-funded and/or ratepayer-funded energy efficiency programs	- Pursue programs through the SoCal EBD Grant Coalition or SDREN - Tap into existing ratepayer funds to implement energy efficiency programs - Support member cities in achieving their CAP GHG Reduction Goals	- Establish a policy for member cities to adjust their default energy product - Present a draft policy for Board Adoption by May 2026	Kaitlin M & Rob H	Member Agency Staff, Frontier Energy. PEA	Operational Budget
	d)	Pursue local generation and dispatchable capacity projects, including in partnership with member agencies to utilize publicly owned facilities for solar and energy storage projects	- Total MW of local generation and dispatchable capacity projects - Number of relevant program offerings for publicly owned facilities	- 15MW of local PPAs or ESSAs executed by 2026 - 10MW of local PPAs or ESSAs operational by 2028 - 1-2 program offerings for publicly owned generation and/or capacity by 2026	Dan P (PPAs/ESSAs) Rob H / Kaitlin M (program)	Program partner (TBD)	Operational Budget
2. FINANCIAL STABILITY	a)	Achieve sufficient financial reserves with a minimum of one hundred twenty (120) days liquidity on hand (DLOH) to mitigate the impact of energy cost volatility on customer rates and support rate stability.	- End FY2025 with positive Net Position - Extend JP Morgan Line of Credit - Build reserves to meet all applicable targets	- End FY2025 with positive Net Position - Extend JP Morgan Line of Credit - Build reserves to meet all applicable targets	Greg W/Andy S		Operational Budget
	b)	Minimize procurement and financing costs through achievement of investment grade credit rating	Obtain investment grade credit rating by 2028	Obtain investment grade credit rating by 2028	Greg W/Andy S	JPMorgan	Operational Budget
	c)	Analyze and adjust the rate premiums for the Clean Impact Plus and Green Impact energy products to ensure appropriate cost recovery.	- Biannually calculate difference between cost of each rate product and the corresponding premium.	Ensure rates are covering costs annually	Dan P	PEA	Operational Budget
	d)	Support customer retention by offering competitive rates while maintaining financial stability and achieving renewable/clean energy goals.	- Focus on building financial reserves	Maintain rate competitiveness including lower PCIAs	Staff	Keyes & Fox	Operational Budget
	e)	Reduce Resource Adequacy (RA) costs by reducing peak load through energy demand management programs.	- Develop/Implement demand response programs		Staff	PEA	Operational Budget
3. CUSTOMER PROGRAMS	a)	Provide customers with access to programs that reduce energy use and address high electric bills	- Continue to implement Solar Plus and Battery Bonus Programs - Implement PeakSmartSavers Program	- Implement PeakSmart Savers Program - Implement Grid Services for battery dispatch	Kaitlin M & Rob H	P.E	Operational & Programs Budget
	b)	Provide access to solar and battery storage (and other Energy Programs) to all segments of the community that contributes to cost savings and decreases energy usage during peak periods while increasing the availability of and reliance upon clean energy.	- Establish a policy that creates a fair and effective distribution of programs that benefits all segments of the community and supports CEA's broader goals of sustainability and equity	Present a draft policy for Board Adoption by May 2026	Kaitlin M & Rob H	P.E, Calpine, TBD	Operational & Programs Budget

Guiding Principle	#	Objective	Measure	KPI	Staff Lead	Key Partners	Funding Source
	c)	Expand access to solar and battery systems at significantly reduced costs to low-income customers	- Implement Solar Plus Connect Program - Implement Battery Bonus Program	Achieve a 1% conversion rate for the Battery Bonus Program. - Enroll 50-100 customers in Solar Plus Connect the first year of funding availability	Kaitlin M & Rob H	P.E	SGIP/Operational Budget/Programs Budget
	d)	Retain customers and encourage participation in State funded income-based assistance programs	Apply for SGIP assistance for eligible customers	- Enroll 50 customers in Battery Bonus Program Regularly report out CPUC required participation metrics tracked by SDREN	Kaitlin M & Rob H	P.E	SGIP/Operational Budget
	e)	Work with member agencies to identify and design energy programs for government on City-owned properties or community hubs	Participate in SDREN to develop and implement programs	- Execute MOU; - Develop Programs with SDCP & County	Kaitlin M & Rob H	SDCP	SDREN/Operational Budget
	f)	Collaborate with San Diego Regional Energy Network (SDREN) and Southern California Regional Energy Network (SoCal REN) to expand programs offered to CEA customers	Develop and Implement programs	- Engage with Lobbyist; - Engage with Keyes & Fox	Kaitlin M & Rob H	SDCP	SDREN/Operational Budget
4. CUSTOMER ADVOCACY	a)	Maintain participation in legislative and regulatory proceedings that support CEA's guiding principles and goals	Work with Regulatory Counsel and hired lobbyist	- Engage with Keyes & Fox	Emily F	Keyes & Fox Summit	Operational Budget
	b)	Actively advocate for CEA and its customers in issues such as affordability, renewable energy procurement, and local control	Hire a lobbyist to assist Legislative advocacy		Emily F	Keyes & Fox	Operational Budget
	c)	Monitor and advocate for fair and reasonable Power Charge Indifference Adjustment (PCIA) charges	Work with Regulatory Counsel on PCIA/ERRA proceeding		Emily F	Keyes & Fox	Operational Budget
	d)	Engage with local elected officials to communicate benefits CEA provides its customers and influence legislative decisions that support CEA's goals.	Annual City Council presentations to Member Agency's Councils		Greg W/Staff	CalCCA	Operational Budget
5. CUSTOMER SERVICE/ENGAGEMENT	a)	Increase CEA's presence in the communities served and provide accurate information to customers	- Continue marketing, education and outreach efforts - Directed social media effort	- Increase social media followers by [__] % annually - Develop a toolkit for CBOs to share information about CEA & programs.	Staff	Tripepi Smith	Operational Budget
	b)	Promote CEA as the preferred customer-focused renewable energy service provider in North San Diego County and add value to the community and the environment	- Continue marketing, education and outreach efforts. Improve strategic account management and stakeholder relationships Develop strategic relationships with large and/or under-represented commercial customers and community based organizations - Directed social media effort	- Develop relationships with 20% of the top 50 highest users by July 2026 - Establish a bench of partner CBOs by July 2026.	Staff	Tripepi Smith	Operational Budget
	c)	Engage with CEA customers to provide information about CEA's programs, services and benefits; maintain strong customer participation and communication; and, gather feedback from customers and community members	- Co-host or host informational sessions, workshops, and community forums to educate residents and businesses about CEA - Collaborate with local organizations, businesses, and government agencies to expand outreach efforts - Work with newspapers, radio stations, and local TV channels to feature stories and advertisements about the CEA program - Develop brochures, flyers, and FAQs that explain how CEA works and its benefits and introduce educational programs in local schools to raise awareness among students and their families - Improve trust and communication with CEA's customers	Increase external advertising partnerships by [__] % in FY 2026. Partner with at least 2 Spanish language media outlets	Staff	Tripepi Smith	Operational Budget
	d)	Develop a comprehensive customer communications strategy to reach CEA's diverse communities.	- Develop brochures, flyers, and FAQs that explain how CEA works and its benefits and introduce educational programs in local schools to raise awareness among students and their families - Improve trust and communication with CEA's	Develop a plan in FY 2026. Complete a review of marketing collateral.	Kaitlin M & Rob H	Tripepi Smith	Operational Budget

Guiding Principle	#	Objective	Measure	KPI	Staff Lead	Key Partners	Funding Source
6. ORGANIZATIONAL DEVELOPMENT		Achieve continuity in operations by developing or expanding upon key operational processes and procedures such as key workflows, performance evaluations, and recruitment and onboarding	Expand staff per Board-approved Position Control Plan	- Hire four employees in FY 2025 per Position Control Plan - Hire two employees in FY 2026 per Position Control Plan	Greg W	Recruiting Consultant	Operational Budget
	a)	Support employee development through participation in California Community Choice Association's committees, workshops and conferences.	- Assign/Attend CalCCA Committees - Attend Annul CalCCA Conference (all staff)		Greg W/Staff		Operational Budget
	b)	Encourage employee participation in professional education opportunities.	- New CEA staff participation in the upcoming USD EPIC Energy Academy Cohort (3).		Greg W/Staff		Operational Budget
	c)						