



**REGULAR MEETING of the Board of Directors of the
Peninsula Clean Energy Authority (PCEA)
Thursday, June 22, 2017**

San Mateo County Office of Education, Corte Madera Room
101 Twin Dolphin Drive, Redwood City, CA 94065
6:30 p.m.

Teleconference Locations:

Hôtel Le St. James, 355 Saint-Jacques Street
Montréal, Quebec, Canada H2Y-1N9

118 17th Street,
Huntington Beach, CA 92648

Meetings are accessible to people with disabilities. Individuals who need special assistance or a disability-related modification or accommodation (including auxiliary aids or services) to participate in this meeting, or who have a disability and wish to request an alternative format for the agenda, meeting notice, agenda packet or other writings that may be distributed at the meeting, should contact Anne Bartoletti, Board Clerk, at least 2 working days before the meeting at abartoletti@peninsulacleanenergy.com. Notification in advance of the meeting will enable the PCEA to make reasonable arrangements to ensure accessibility to this meeting and the materials related to it. Attendees to this meeting are reminded that other attendees may be sensitive to various chemical based products.

If you wish to speak to the Board, please fill out a speaker's slip located on the tables as you enter the Board meeting room. If you have anything that you wish to be distributed to the Board and included in the official record, please hand it to a member of PCEA staff who will distribute the information to the Board members and other staff.

CALL TO ORDER / ROLL CALL

PUBLIC COMMENT

This item is reserved for persons wishing to address the Board on any PCEA-related matters that are as follows: 1) Not otherwise on this meeting agenda; 2) Listed on the Consent Agenda and/or Closed Session Agenda; 3) Chief Executive Officer's or Staff Report on the Regular Agenda; or 4) Board Members' Reports on the Regular Agenda. Public comments on matters not listed above shall be heard at the time the matter is called.

As with all public comment, members of the public who wish to address the Board are requested to complete a speaker's slip and provide it to PCEA staff. Speakers are customarily limited to two minutes, but an extension can be provided to you at the discretion of the Board Chair.

ACTION TO SET AGENDA and TO APPROVE CONSENT AGENDA ITEMS

This item is to set the final consent and regular agenda, and for the approval of the items listed on the consent agenda. All items on the consent agenda are approved by one action.

CLOSED SESSION

(The Board will adjourn to closed session to consider the following items at the beginning of the agenda, or at any time during the meeting as time permits. At the conclusion of closed session, the Board will reconvene in open session to report on any actions taken for which a report is required by law.)

1. PUBLIC EMPLOYEE PERFORMANCE EVALUATION
Title: Chief Executive Officer
2. CONFERENCE WITH LABOR NEGOTIATORS
Agency Designated Representatives: Dave Pine and David Silberman
Unrepresented Employee: Chief Executive Officer
3. RECONVENE OPEN SESSION AND REPORT OUT OF CLOSED SESSION

REGULAR AGENDA

4. Approval of Employment Contract Amendment and Compensation Adjustment for Chief Executive Officer (Action)
5. Chair Report (Discussion)
6. CEO Report (Discussion)
7. Marketing and Outreach Report (Discussion)
8. Regulatory and Legislative Report (Discussion)
9. Approve Final Fiscal Year 2017-2018 Budget (Action)
10. Procurement Update (Discussion)
11. Integrated Resource Plan (IRP) Progress Update (Discussion)
12. PCE Local Program Criteria Development (Discussion)
13. Citizens Advisory Committee Report (Discussion)
14. Board Members' Reports (Discussion)

CONSENT AGENDA

15. Approval of the Minutes for the May 25th, 2017 Meeting (Action)
16. Approve Amendment to the 2016-2017 Budget (Action)
17. Monthly Financial Statements (Information Only)

Public records that relate to any item on the open session agenda for a regular board meeting are available for public inspection. Those records that are distributed less than 72 hours prior to the meeting are available for public inspection at the same time they are distributed to all members, or a majority of the members of the Board. The Board has designated the Peninsula Clean Energy office, located at 555 Marshall St, 2nd Floor, Redwood City, CA 94063, for the purpose of making those public records available for inspection. The documents are also available on the PCEA's Internet Web site. The website is located at: <http://www.peninsulacleanenergy.com>.



**PENINSULA CLEAN ENERGY
JPA Board Correspondence**

DATE: June 15, 2017
BOARD MEETING DATE: June 22, 2017
SPECIAL NOTICE/HEARING: None
VOTE REQUIRED: Majority Present

TO: Honorable Peninsula Clean Energy Authority Board of Directors
FROM: Jan Pepper, Chief Executive Officer
SUBJECT: Approve Final Fiscal Year 2017-2018 Budget.

RECOMMENDATION:

Approve the final fiscal year 2017-2018 budget.

BACKGROUND:

The budget outlines the expected revenues and expenses for Peninsula Clean Energy for fiscal year 2017-2018, running from July 1, 2017 through June 30, 2018.

DISCUSSION:

The budget lines and a brief description of each are as follows in order of presentation:

Revenue-Electricity – PCE estimates annual load growth of 0.5%, an opt out rate of 5%, and rates set at 5% below PG&E's.

PCE estimates that 0.35% of its sales will not be collected from customers. Accordingly, revenues presented in this budget are shown net of this reduction. PCE is monitoring the accuracy of this estimate and may make adjustments to it as more data is collected.

Revenue – Green Premium – This represents the \$0.01 per kWh premium charged to our ECO100 customers. Customers who choose this option are buying 100% renewable and 100% carbon free electricity.

Cost of Energy – This includes the cost of electricity and resource adequacy as well as fees to the CAISO and Scheduling Coordinator services. This takes into account current energy contracts through mid-2018 and makes conservative assumptions

around the cost of energy for non-contracted portions based on current contracted energy costs. We assume an energy mix of 50% renewable energy and 80% GHG free for 2017 and 85% GHG free for 2018 for ECOPlus.

Data Manager – PCE contracts with Calpine Energy Solutions to maintain the customer database, perform billing data validation, manage the call center and billing support, and other services. Our contract with Calpine is a single fixed per meter charge.

PG&E Service Fees – As mandated by the California Public Utilities Commission (CPUC), PG&E charges PCE a service fee of \$0.44 per account per month. In addition to these per account charges, this budget category also includes minor fees associated with data requests from PG&E.

Personnel – Personnel costs includes payroll, taxes, benefits and other related costs for the agency. There are a number of new positions that are intended to be filled during Fiscal Year 2017-18, and this budget includes best estimates of target start dates. Note that employee benefits were separately budgeted in the prior year.

<u>Position</u>	<u>Target Start Date</u>
Director of Finance	Jul-17
Energy Programs Manager I	Jul-17
Legislative Analyst	Aug-17
Administrative Assistant	Sep-17
Marketing Analyst	Sep-17
Accountant	Oct-17
Key Accounts Manager	Nov-17
Call Center Supervisor	Nov-17
Energy Analyst II	Oct-17
Energy Programs Manager II	Dec-17
Regulatory Analyst	Dec-17
CEO	Existing
Board Clerk / Asst to CEO	Existing
Director of Marketing and Public Affairs	Existing
Community Outreach Manager	Existing
Manager of Customer Care	Existing
Director of Power Resources	Existing
Manager of Contracts	Existing
Renewable Energy Analyst I	Existing
Senior Leg / Reg Analyst	Existing

Customer Noticing – Customer noticing generally covers required noticing to customers, including but not limited to move-in mailers, programmatic mailers, power content and cost comparison mailers.

Outreach and Communications – Outreach and communications includes costs for marketing design, advertising, promotions, and translation services. Also included are outreach and sponsorships at local events throughout PCE's jurisdiction.

Professional Services – Professional services includes costs for outside consultants and vendors who perform specialized services for PCE. These are estimated to include the following:

<u>Description</u>	<u>Amount</u>
Technical Consulting	\$462,000
IRP Development	150,000
Program Design	150,000
Accounting	115,000
Auditing	40,000
IT Consulting	50,000
Other	<u>50,000</u>
Total	\$1,017,000

Technical Consulting covers analysis of rates, data, risk, validation and other supportive services.

IRP Development covers assistance with our Integrated Resource Plan, which is used by PCE to manage agency goals and objectives around power procurement risk and diversification.

Program Design covers planning, design, and cost benefit analysis of potential energy programs.

Accounting covers day-to-day accounting for PCE, preparation of financial statements and reports, and external oversight and internal controls over the cash and financial functions of the agency.

Auditing covers the cost of the required annual financial audit to be performed by an independent, outside auditor.

IT Consulting covers cost of routine and as needed support for the agency.

Legal and Regulatory – Legal and Regulatory services covers costs for General Counsel as well as outside counsel relating to power purchase agreements and negotiation, and regulatory and legislative guidance.

Energy Programs – Energy Programs covers costs for local energy program implementation. PCE intends to initiate a limited energy program effort during this fiscal year and expects to ramp this up further in future years.

General and Administration – General and Administration covers various operating expenses like rent, insurance, office supplies, telephone and internet, small equipment, industry dues and memberships, travel etc.

Rate Stabilization Reserve – The Rate Stabilization Reserve is set at 5% of revenue from electricity sales. PCE is developing a reserve policy that will be presented to the Board at a future date. In the absence of this policy, all funds are considered available for operating purposes and are not specifically restricted.

Capital Outlay – Capital Outlay covers equipment and leasehold improvements in excess of the capitalization threshold of \$1,000. The main drivers of this category are due to PCE's headquarters relocation in the 2017/18 year, along with an increase in employees. Capital outlay costs were included in the general and administration budget in the prior year.

Debt Service – Debt Services covers both principal and interest on the agency's debt. Although no principal is due in the 2017/18 year, it is management's intention to pay down 100% of its debt this year. This budget represents that potential transaction.

Five-Year Projection

Attached for the board's information is a five-year financial projection, not intended for budget purposes.

FISCAL IMPACT:

The net fiscal impact shows total budgeted revenues of \$248,819,000, total budgeted expenses of \$194,782,000, capital outlay of \$484,000, and total debt service of \$7,997,000.

ATTACHMENTS:

- A. PCE 2017-2018 Operating Fund Budget
- B. PCE Five-Year Financial Projections

**PENINSULA CLEAN ENERGY AUTHORITY
OPERATING FUND**

	<u>2016/17 Annual Budget (proposed amended)</u>	<u>2017/18 Budget Proposed</u>	<u>Variance from 2016/17*</u>	<u>Variance from 2016/17</u>
REVENUE AND OTHER SOURCES				
Revenue - Electricity (net of allowance for bad debt)	\$ 96,569,760	\$ 248,082,000	\$ 151,512,240	257%
Revenue - Green Premium (net of allowance for bad debt)	267,843	737,000	469,157	275%
Other Source - bank loan proceeds	4,000,000	-	(4,000,000)	0%
Total revenue and other sources	<u>100,837,603</u>	<u>248,819,000</u>	<u>147,981,397</u>	
EXPENDITURES AND OTHER USES				
CURRENT EXPENDITURES				
Cost of energy	70,448,147	181,715,000	111,266,853	258%
Data manager	1,538,853	3,970,000	2,431,147	258%
PG&E service fees	594,892	1,636,000	1,041,108	275%
Personnel	1,211,250	3,320,000	2,108,750	274%
Benefits	418,000	-	(418,000)	0%
Customer noticing	680,000	425,000	(255,000)	63%
Outreach and communications	540,000	624,000	84,000	116%
Professional services	230,000	1,017,000	787,000	442%
Legal and regulatory	900,000	1,030,000	130,000	114%
Energy Programs	100,000	250,000	150,000	250%
General and administration	700,625	795,000	94,375	113%
Total current expenditures	<u>77,361,767</u>	<u>194,782,000</u>	<u>117,420,233</u>	
OTHER USES				
Rate stabilization reserve **	4,841,880	12,440,950	7,599,070	257%
CCA Bond, CAISO and PG&E deposits	100,000	-	(100,000)	0%
Capital outlay	-	484,000	484,000	*
Total other uses	<u>4,941,880</u>	<u>12,924,950</u>	<u>7,983,070</u>	
DEBT SERVICE				
Principal and interest	<u>376,675</u>	<u>7,997,000</u>	<u>7,620,325</u>	2123%
Total expenditures, Other Uses and Debt Service	<u>82,680,322</u>	<u>215,703,950</u>	<u>133,023,628</u>	
Net increase	<u>\$ 18,157,281</u>	<u>\$ 33,115,050</u>	<u>\$ 14,957,769</u>	

* The 2017/18 fiscal year is the first full year of service to customers, and is generally the cause of the large variances from the prior year

** As PCE develops a reserve policy, all funds will be accumulated as operating reserves and not designated for specific purposes.

PENINSULA CLEAN ENERGY FIVE-YEAR FINANCIAL PROJECTIONS

	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>
REVENUE AND OTHER SOURCES					
Revenue - Electricity (net of allowance)	\$ 248,082,000	\$ 252,191,401	\$ 260,379,768	\$ 269,532,117	\$ 279,006,171
Revenue - Green Premium (net of allowance)	737,000	740,506	744,209	747,930	751,669
Total revenue and other sources	<u>248,819,000</u>	<u>252,931,907</u>	<u>261,123,977</u>	<u>270,280,047</u>	<u>279,757,840</u>
EXPENDITURES AND OTHER USES					
CURRENT EXPENDITURES					
Cost of energy	181,715,000	188,241,864	202,222,741	209,083,606	218,046,424
Data manager	3,970,000	4,009,700	4,049,797	4,090,295	4,131,198
PG&E service fees	1,636,000	1,652,360	1,668,884	1,685,572	1,702,428
Personnel	3,320,000	3,818,000	4,390,700	4,829,770	5,312,747
Customer noticing	425,000	437,750	450,883	464,409	478,341
Outreach and communications	624,000	642,720	662,002	681,862	702,317
Professional services	1,017,000	1,047,510	1,078,935	1,111,303	1,144,642
Legal and regulatory	1,030,000	1,060,900	1,092,727	1,125,509	1,159,274
Energy Programs	250,000	3,000,000	3,000,000	3,000,000	3,000,000
General and administration	795,000	874,500	961,950	1,058,145	1,163,960
Total current expenditures	<u>194,782,000</u>	<u>204,785,304</u>	<u>219,578,618</u>	<u>227,130,471</u>	<u>236,841,332</u>
OTHER USES					
Rate stabilization reserve	12,440,950	12,646,595	13,056,199	13,514,002	13,987,892
Capital outlay	484,000	100,000	100,000	100,000	100,000
Total other uses	<u>12,924,950</u>	<u>12,746,595</u>	<u>13,156,199</u>	<u>13,614,002</u>	<u>14,087,892</u>
DEBT SERVICE					
Principal and interest	7,997,000	-	-	-	-
Total expenditures, Other Uses and Debt Service	<u>215,703,950</u>	<u>217,531,899</u>	<u>232,734,817</u>	<u>240,744,474</u>	<u>250,929,224</u>
Net increase	<u>\$ 33,115,050</u>	<u>\$ 35,400,008</u>	<u>\$ 28,389,160</u>	<u>\$ 29,535,573</u>	<u>\$ 28,828,617</u>
<hr/>					
Reserve and fund balance at year end *					
Accumulated rate stabilization reserve	\$ 17,282,830	\$ 29,929,425	\$ 42,985,624	\$ 56,499,627	\$ 70,487,519
Accumulated other fund balance **	\$ 53,830,050	\$ 89,230,058	\$ 117,619,217	\$ 147,154,790	\$ 175,983,407

* Includes beginning balance of \$4,841,880 for rate stabilization reserve, and an estimate of \$20,715,000 for other fund balance.

** Calculated as Revenue less Other Uses and Debt Service displayed above. Will vary from net position due to modified accrual adjustments.



**PENINSULA CLEAN ENERGY AUTHORITY
Board Correspondence**

DATE: June 14, 2017
BOARD MEETING DATE: June 22, 2017
SPECIAL NOTICE/HEARING: None
VOTE REQUIRED: None

TO: Honorable Peninsula Clean Energy Authority Board of Directors
FROM: Jan Pepper, Chief Executive Officer, Peninsula Clean Energy Authority
SUBJECT: Integrated Resource Plan Progress Update

BACKGROUND:

An Integrated Resource Plan (IRP) is document that articulates Peninsula Clean Energy Authority's (PCE) plans for meeting its forecasted peak and energy demand over a specified timeframe through a diversified mix of supply-side and demand-side resources. While there is no statutory requirement that PCE produce an IRP (at present), creating an IRP will illuminate PCE's current efforts to meet forecasted demand over the planning period, which is useful for internal planning and for review by external stakeholders such as developers. Accordingly, in consultation with Board members, staff at Peninsula Clean Energy Authority has begun the process of developing PCE's first IRP (Internal IRP). This memorandum provides discussion of PCE's plan for production of an IRP for PCE's near term use.

Moreover, as discussed below, starting in 2018, PCE will be required by state law to submit an IRP to the California Public Utilities Commission (CPUC) for certification along with all community choice aggregators (CCAs) in the state. This memorandum discusses the status of efforts at the CPUC to develop rules and requirements for CCAs in submitting their plans to the CPUC.

DISCUSSION:

I. PCE's Internal IRP

At the April 27, 2017 Board meeting, George Wiltsee and Joseph Wiedman gave a presentation to the Board discussing the regulatory and legislative considerations in producing an IRP along with discussion of the types of information that are included in an IRP such as the electric load forecast, existing resource commitments and the current resource mix, state law required programs (energy storage and net energy metering), procurement methods, and the types of guidance from the Board (risk management, program preferences) that will be necessary to complete future IRPs.

Since the April board meeting, PCE staff has been moving forward with production of PCE's first IRP. During May, we reviewed the form and contents of IRPs from sister CCAs to obtain a feel for what is standard practice among CCAs in California. With the conclusion of that process, staff has turned its attention to production of a list and matrix of PCE's current contracts for discussion at the June 22nd board meeting. This information will inform the production of various parts of the IRP. PCE staff anticipates producing a draft IRP for Board consideration and discussion at the July 27th board meeting. PCE staff anticipates taking feedback from the board on the draft and producing a final IRP for Board review and discussion at the August 24th board meeting.

II. CPUC's Integrated Resource Planning ("IRP") Proceeding

In 2015, the California Legislature passed Senate Bill ("SB") 350, which among other things, introduced integrated resource planning ("IRP") as a statewide approach to electric resource planning in California. SB 350 requires the use of the IRP process to meet California's greenhouse gas ("GHG") emissions reduction targets for the electric sector, consistent with the statewide goal of achieving a 40 percent reduction in GHG emissions below 1990 levels by 2030, while maintaining reliability, minimizing bill impacts, and prioritizing air quality benefits in disadvantaged communities.

In response to SB 350, the California Public Utilities Commission ("CPUC") opened Rulemaking ("R.") 16-02-007, to develop an IRP framework for the electricity sector. Traditionally, the CPUC has relied on a long-term procurement planning ("LTPP") proceeding to determine what types and quantities of resources California load serving entities ("LSEs") should seek to procure. The new IRP proceeding looks to take a more coordinated approach to energy generation and transmission planning in the state.

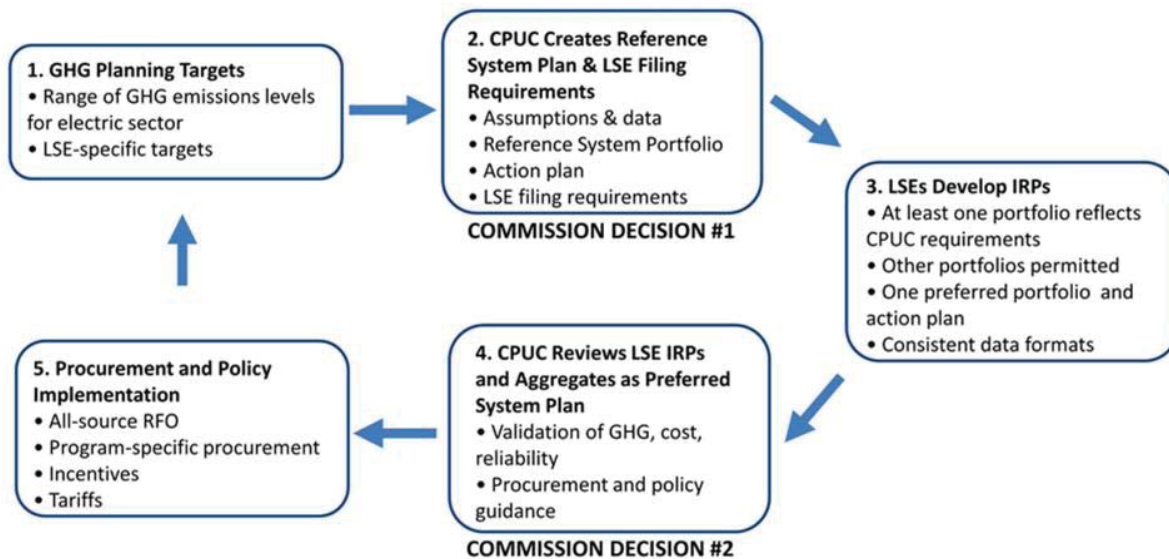
Energy resource planning in California also involves multiple state agencies—the CPUC, California Energy Commission (CEC) and California Air Resources Board (CARB)—and the California Independent System Operator (CAISO). Thus, the IRP process will necessarily include substantial coordination between various state agencies.

1. Energy Division Proposal for Implementing IRP at the CPUC

On May 16, 2017, Administrative Law Judge Fitch released a Ruling containing an Energy Division Staff Proposal for how the CPUC intends to implement IRP (the “Staff Proposal”). It sets forth a proposed IRP process, including the timing of the process and the requirements for the integrated resource plans that all LSEs, including community choice aggregators (“CCAs”), will have to file.

A. Proposed IRP Timeline

As illustrated in the graphic below, the Staff Proposal envisions five steps in the development and implementation of the initial IRP process: (1) CARB establishes GHG planning targets for the IRP process in coordination with the CPUC and CEC, including developing LSE-specific GHG planning targets; (2) the CPUC identifies a portfolio of new resources that together meet state policy goals (“Reference System Portfolio”); (3) LSEs use the Reference System Portfolio as a benchmark for generating their own preferred portfolios; (4) the CPUC aggregates all individual LSE portfolios into a system-wide portfolio, which is evaluated for compliance with policy goals; and (5) the CPUC adopts an aggregate system-wide portfolio (the “Preferred System Portfolio”), which will then be used for procurement and program activity across multiple supply and demand resources.



The Staff Proposal anticipates that the IRP process will repeat every two years, with the 2017-2018 year acting as the first test-run of the IRP process.

B. PCE’s Integrated Resource Plan Requirements

As an LSE with an assigned load forecast of over 700 GWh/year, PCE will be required to file a standard integrated resource plan (“Standard Plan”) for the CPUC to certify. There are two main types of requirements for the Standard Plan: (1) general and (2) technical. General requirements outline the required format and content of the plan, while technical

requirements provide more detailed, quantitative guidance on specific assumptions that must be used to develop the plan.

The Staff Proposal outlines the six general sections that must be included in each Standard Plan:

1. Executive Summary: Summarize PCE's IRP process, outline major findings, and provide an overview of PCE's preferred portfolio and proposed next steps.
2. Study Design: Describe how PCE approached the process of developing its plan, including objectives, methodology, and assumptions.
3. Study Results: Present the results of the analytical work described in the previous section, including the portfolio results, preferred portfolio, deviations from the Reference System Plan, and deviations from the Current Resource plans.
4. Action Plan: Present all the actions that PCE proposes to take in the next 1-3 years to implement its plan, including proposed activities, a barrier analysis, proposed Commission direction, and lessons learned.
5. Resource Valuation Methodology: Describe how PCE will value different resources of all types (not only renewables) and evaluate solicitations.
6. Data: Describe all required data PCE used to develop its plan.

In addition, the Staff Proposal provides quantitative guidance on specific assumptions that must be used to develop the Standard Plan, including information on assumptions, scenarios, assigned load, resources for assigned load, GHG Planning Price, GHG Accounting, Unspecified Power, IRP Planning horizon, and resource types. PCE staff is currently reviewing the assumptions contained within the Staff Proposal to ensure they are reasonable and usable by PCE in developing our IRP.

2. Next Steps

Parties may comment on, or propose any changes to, the recommendations contained in the Staff Proposal. Comments are due June 28, 2017 and reply comments are due July 12, 2017. PCE Staff is coordinating with CalCCA on a common response while we continue our review of the Proposal.

Looking ahead, the preliminary RESOLVE modeling results based on scenarios proposed in the Staff Proposal is anticipated to be released on July 19, 2017, and a workshop on these results will be held on July 27, 2017. We also anticipate a ruling on the proposed Reference System Plan will be released for formal comment on September 12, 2017. The proposed Reference System Plan will include revised RESOLVE modeling results based on the comments received in June and July noted above. A two day workshop to discuss the proposed Reference System Plan is anticipated the week of September 25, 2017. Comments on the proposed Reference System Plan are set for

filing on October 26, 2017. Reply Comments on the proposed Reference System Plan are due November 9, 2017. The Commission set an all-party meeting with Commissioners for November 2, 2017. Finally, we anticipate a CPUC Decision on the IRP filing requirements and Reference System Plan by the end of 2017. If the docket remains on track, which is far from certain given the complexity embedded in the process, PCE should expect to file its Standard Plan for certification during the second quarter of 2018.

FISCAL IMPACT:

We expect the production of PCE's internal IRP will utilize staff resources. The expense involved in production of an IRP that will comply with the CPUC requirements is difficult to estimate at this time as the requirements of the IRP have not been established. However, we anticipate using staff resources and external expert resources.



**REGULAR MEETING of the Board of Directors of the Peninsula Clean
Energy Authority (PCEA)
Thursday, May 25, 2017
MINUTES**

San Mateo County Office of Education, Corte Madera Room
101 Twin Dolphin Drive, Redwood City, CA 94065
6:30pm

CALL TO ORDER

Meeting was called to order at 6:35 pm.

ROLL CALL

Present: Dave Pine, County of San Mateo, *Chair*
Jeff Aalfs, Town of Portola Valley, *Vice Chair*
Jim Eggemeyer, Director, Office of Sustainability, County of San Mateo
Charles Stone, City of Belmont
Lori Liu, City of Brisbane
Donna Colson, City of Burlingame
Rae P. Gonzalez, Town of Colma
Glenn Sylvester, City of Daly City
Carlos Romero, City of East Palo Alto
Gary Pollard, City of Foster City
Deborah Penrose, City of Half Moon Bay
Wayne Lee, City of Millbrae
Marty Medina, City of San Bruno
Cameron Johnson, City of San Carlos
Pradeep Gupta, City of South San Francisco

Absent: Town of Atherton
Town of Hillsborough
City of Menlo Park
City of Pacifica
City of Redwood City
City of San Mateo
Town of Woodside

Staff: Jan Pepper, Chief Executive Officer
Dan Lieberman, Director of Marketing and Public Affairs

Joseph Wiedman, Senior Regulatory/Legislative Analyst
Kirsten Andrews-Schwind, Communications and Outreach Manager
Leslie Brown, Manager of Customer Care
Nirit Eriksson, Associate General Counsel
Carolyn Raider, Acting Clerk of the Board

A quorum was established.

PUBLIC COMMENT:

Diane Bailey, Menlo Spark

ACTION TO SET THE AGENDA AND APPROVE CONSENT AGENDA ITEMS

Motion Made / Seconded: Gupta / Stone

Motion passed unanimously 15-0 (Absent: Atherton, Hillsborough, Menlo Park, Pacifica, Redwood City, San Mateo, Woodside)

REGULAR AGENDA

1. CHAIR REPORT

Dave Pine—Chair—reported that the City of San Jose has voted to create its own Community Choice Aggregation (CCA) program.

2. CEO REPORT

Jan Pepper—Chief Executive Officer—introduced Eric Weiner, Peninsula Clean Energy’s (PCE’s) newest employee who starts on June 1 as the Renewable Energy Analyst. She announced that the Director of Finance and Administration position will be posted in a few days. Jan reported that PCE staff held “PCE 101” training for new Board members on May 18th, and that PCE 202, which Pradeep Gupta will present, will be scheduled soon. She reported that she and Dave Pine served on a panel for the Local Energy Symposium in Long Beach on May 5th, and the Silicon Valley Leadership Group Energy and Sustainability Summit took place today.

3. MARKETING AND OUTREACH REPORT

Dan Lieberman—Director of Marketing and Public Affairs—reported on marketing and outreach efforts, participation in local events, and showed a video that PCE produced on “How to Read Your Bill”. The video will be posted on the PCE website.

4. REGULATORY AND LEGISLATIVE REPORT

Joseph Wiedman—Senior Regulatory/Legislative Analyst—reported on regulatory and legislative efforts, including attending the California Public Utilities Commission and California Energy Commission’s Retail Choice En Banc in Sacramento on May 19th, the May 23rd Regionally Integrated Climate Action Planning Suite (RICAPS) meeting, and a California CCA (CalCCA) meeting on May 24th about non-bypassable charges. Joe provided updates on several pieces of legislation that would impact CCAs, including SB 618, AB 79, and AB 920.

5. APPROVE AMENDMENT TO THE 2016-2017 BUDGET

Jan Pepper presented amended budget lines reflecting changes since the Board approved the 2016-17 fiscal year budget on July 14, 2016. The changes reflected lower than expected opt-out rates, legal counsel charges associated with the negotiation of energy procurement contracts, and increased costs for outreach and communication. Jan confirmed that the rate stabilization fund is calculated as 5% of revenues. The number reported was calculated incorrectly. The Board directed staff to correct the rate stabilization fund amount and bring the proposed amendment back to the Board as a Consent item at the next board meeting.

6. REVIEW DRAFT BUDGET

Jan Pepper reviewed the draft budget for Fiscal Year 2017-18, with the final budget to be presented to the Board at the June 22nd meeting. The Board suggested that a Board retreat be scheduled in the late summer to discuss future energy programs that may be incorporated into the budget.

PUBLIC COMMENT:

Mark Roest, Seawave Battery and Green Fleets Group

7. FINANCIAL REPORT

Jan Pepper reviewed the April financial reports.

8. REVIEW AND ADOPT POLICY REGARDING CUSTOMER DEBT COLLECTIONS

Leslie Brown—Manager of Customer Care—explained that the proposed policy addresses delinquent accounts and bad debt, and is consistent with best practices among other CCAs. She reported that the policy sets clear timelines and financial thresholds for Residential and Non-Residential accounts.

Motion Made / Seconded: Gupta / Pollard

Motion passed unanimously 15-0 (Absent: Atherton, Hillsborough, Menlo Park, Pacifica, Redwood City, San Mateo, Woodside)

9. AUTHORIZE THE CHIEF EXECUTIVE OFFICER TO EXECUTE A POWER PURCHASE AGREEMENT (PPA) FOR RENEWABLE SUPPLY WITH SHILOH 1 WIND PROJECT LLC, AN OREGON LIMITED LIABILITY COMPANY, AND ANY NECESSARY ANCILLARY DOCUMENTS. POWER DELIVERY TERM: FIVE YEARS, IN AN AMOUNT NOT TO EXCEED \$65,000,000 (ACTION)

Jan Pepper reported that this is a 5-year PPA for a wind project in Solano County, covering the years 2019 to 2023. This is a result of PCE's Request for Offers that was issued in October 2016. Jan introduced Jessica Johnson from Avangrid Renewables, a renewable developer based in Portland, Oregon, which is the developer of the Shiloh project.

Motion Made / Seconded: Lee / Stone

Motion passed unanimously 15-0 (Absent: Atherton, Hillsborough, Menlo Park, Pacifica, Redwood City, San Mateo, Woodside)

10. AUTHORIZE THE CHIEF EXECUTIVE OFFICER TO EXECUTE AN EEI (EDISON ELECTRIC INSTITUTE) MASTER AGREEMENT AND CONFIRMATION AGREEMENT FOR PURCHASE OF CARBON FREE ENERGY FROM POWEREX. POWER DELIVERY TERM: JULY 1, 2017 THROUGH JUNE 30, 2018, IN AN AMOUNT NOT TO EXCEED \$700,000

Jan Pepper reiterated the power delivery term of July 1, 2017 through June 30, 2018, and that it will not exceed \$700,000.

Motion Made / Seconded: Penrose / Romero

Motion passed unanimously 15-0 (Absent: Atherton, Hillsborough, Menlo Park, Pacifica, Redwood City, San Mateo, Woodside)

11. AUTHORIZE THE CHIEF EXECUTIVE OFFICER TO EXECUTE AN EEI (EDISON ELECTRIC INSTITUTE) CONFIRMATION AGREEMENT, AND ANY NECESSARY ANCILLARY DOCUMENTS, FOR PURCHASE OF PCC1 RENEWABLE ENERGY FROM POWEREX. POWER DELIVERY TERM: MAY 1, 2017 THROUGH DECEMBER 31, 2017, IN AN AMOUNT NOT TO EXCEED \$1,600,000

Jan Pepper reported that this PPA is for Bucket 1 renewables, and that the actual duration of this agreement is shorter than what is reflected in the title of this action item, and it should read June 1, 2017 through December 31, 2017. Board members requested PCE staff create a summary of the contracts and terms for comparison and tracking purposes.

Motion Made / Seconded: Sylvester / Lee

Motion passed unanimously 15-0 (Absent: Atherton, Hillsborough, Menlo Park, Pacifica, Redwood City, San Mateo, Woodside)

PUBLIC COMMENT:

Emily Leslie, Pacifica

12. APPOINT CITIZENS ADVISORY COMMITTEE MEMBERS

Kirsten Andrews-Schwind—Communications and Outreach Manager—announced that PCE had 39 applicants, of which 20 were interviewed by the ad hoc committee, and 15 candidates have been nominated for membership in the Citizens Advisory Committee (CAC).

Motion Made / Seconded: Stone / Penrose

Motion passed unanimously 15-0 (Absent: Atherton, Hillsborough, Menlo Park, Pacifica, Redwood City, San Mateo, Woodside)

PUBLIC COMMENT:

Michael Closson, Citizens Advisory Committee

13. BOARD MEMBERS' REPORTS

ADJOURNMENT

Meeting was adjourned.



**PENINSULA CLEAN ENERGY
JPA Board Correspondence**

DATE: June 15, 2017
BOARD MEETING DATE: June 22, 2017
SPECIAL NOTICE/HEARING: None
VOTE REQUIRED: Majority Present

TO: Honorable Peninsula Clean Energy Authority Board of Directors
FROM: Jan Pepper, Chief Executive Officer
SUBJECT: Approve amendment to the 2016-2017 Budget.

RECOMMENDATION:

Approve an amendment to the 2016-2017 budget.

BACKGROUND:

On July 14, 2016, the Board approved the 2016-17 fiscal year budget. Certain factors have changed since PCE staff made the original assumptions which necessitate an adjustment to the budget. The main reasons for the adjustments are: 1) lower than expected opt out rates, 2) higher than anticipated legal costs associated with a more active than expected energy procurement program, and 3) increased costs for outreach and communication.

At the May 25, 2017 board meeting, amendments to the 2016-2017 budget were presented to the board. One correction was needed for the Rate Stabilization Reserve calculation which is reflected in this amendment to the 2016-2017 budget. All other categories are the same as presented on May 25, 2017.

DISCUSSION:

The amended budget lines and a brief description of each are as follows in order of appearance in the budget:

Revenue-Electricity – The combination of lower opt out rates and greater overall customer electricity usage than anticipated requires an increase to budgeted revenue. **The proposed Revenue-Electricity budget increase is \$10,687,000.**

Other Source-bank loan proceeds – In June 2016 PCE obtained a bank loan from Barclay’s Bank of \$12,000,000 to provide for operational costs, particularly to fund large energy purchases. Since that time, PCE has entered into contracts with favorable rates and terms and does not anticipate needing the entire available balance. PCE drew \$3,000,000 just prior to the 2016/17 fiscal year. The original budget that was adopted expected that the \$3,000,000 draw to occur in the current fiscal year. Although we do not think PCE will need to draw any more on the loan, we are providing for the possibility of a total of \$4,000,000 of bank loans to provide for certain energy costs that may be accelerated into the fiscal year outside of our control. **The proposed Other Source-bank loan proceeds budget decrease is \$8,000,000.**

Cost of Energy – The original budget included conservative estimates for cost of energy that had not yet been procured. PCE was able to procure energy at rates lower than originally assumed. These favorable rates outweigh the additional volume that was procured due to lower opt out rates. **The proposed Cost of Energy budget decrease is \$2,850,000.**

Internal Staffing – Staffing costs are under budget mostly due to delays in the timing of new hires. **The proposed Internal Staffing budget decrease is \$500,000.**

Benefits – Staffing Benefits costs are under budget mostly due to delays in the timing of new hires. **The proposed Internal Benefits budget decrease is \$255,000.**

Outreach and Communications – Additional budget is necessary relative to the massive advertising push for the consolidated Phase 2. **The proposed Outreach and Communications budget increase is \$100,000.**

Technical Consultants – In house staff has assumed some of the responsibility for this work. **The proposed Technical Consultants budget decrease is \$25,000.**

Legal and Regulatory – PCE’s energy procurement during the year has occurred at a faster pace than expected. Due to the complexities and importance of the underlying agreements, all contracts are thoroughly reviewed by outside legal firms. **The proposed Legal and Regulatory budget increase is \$450,000.**

Data Manager – PCE contracts with Calpine Energy Solutions to maintain the customer database, perform billing data validation, manage the call center and billing support, and many other services. Our contract with Calpine is a single fixed per meter charge. Due to customer opt outs being lower than expected, the aggregate cost of the per meter charge has increased. This budget increase will account for the additional charges related to these unanticipated customers. **The proposed Data Manager budget increase is \$175,000.**

Customer Noticing – Costs of designing and delivering required mailers to PCE’s customers is proving to be less than originally estimated. **The proposed Customer Noticing budget decrease is \$75,000.**

Energy Programs – The original budget provided for certain program expenses outside the normal operational scope of PCE, as well as a provision for Net Energy Metering (NEM) cash outs. Subsequently, PCE has determined that the NEM cash outs are not a separate budget expense, because the cost of the NEM program is effectively included in the cost of energy. The true cost of the NEM program is not reflected by the year end cash out; there are benefits to the customers throughout the year regardless of whether a cash out is received. PCE does intend to leave \$100,000 in this program budget to allow for local demonstration project costs that may be incurred in the fiscal year. **The proposed Energy Programs budget decrease is \$922,500.**

PG&E Service Fees – As mandated by the California Public Utilities Commission (CPUC), PG&E charges PCE a service fee of \$0.44 per account per month. In addition to these per account charges, this budget category also includes minor fees associated with data requests from PG&E. Due to customer opt outs being lower than expected, the aggregate cost of the per account charge has increased. This budget increase will account for the additional charges related to these unanticipated customers. **The proposed PG&E Service Fee budget increase is \$30,000.**

General and Administration– Costs have been less than anticipated, largely driven by lower rent than expected. **The proposed General and Administration budget decrease is \$100,000.**

Rate Stabilization Reserve– The reserve has been adjusted to reflect 5% of the amended revenue (excluding Other Sources). **The proposed Rate Stabilization Reserve budget increase is \$84,350.**

Bad Debt Reserve– Bad debt is now reported as a reduction in revenue. The rate is 0.35% of revenues. **The proposed Bad Debt Reserve budget decrease is \$300,590.**

CCA Bond, CAISO and PG&E deposits – Only the \$100,000 CCA bond was required of PCE. **The proposed CCA Bond, CAISO and PG&E deposits budget decrease is \$535,000.**

FISCAL IMPACT:

The net fiscal impact shows a budgeted increase in net position for FY 2016-2017 of \$14,960,090, for a total of \$19,099,161.

ATTACHMENTS:

- A. PCE 2016-2017 Budget Adjustment Spreadsheet

**PENINSULA CLEAN ENERGY AUTHORITY
OPERATING FUND
PROPOSED BUDGET AMENDMENT
FISCAL YEAR JULY 1, 2016 THROUGH JUNE 30, 2017**

	<u>2016/17 Annual Budget</u>	<u>Proposed Amendment</u>	<u>2016/17 Proposed Amended</u>
REVENUE AND OTHER SOURCES			
Revenue - Electricity, net of bad debt	\$ 85,882,760	\$ 10,687,000	\$ 96,569,760
Revenue - Green Premium, net of bad debt	267,843		267,843
Other Source - bank loan proceeds	12,000,000	(8,000,000)	4,000,000
Total revenue and other sources	<u>98,150,603</u>	<u>2,687,000</u>	<u>100,837,603</u>
EXPENDITURES AND OTHER USES			
CURRENT EXPENDITURES			
Cost of energy	73,298,147	(2,850,000)	70,448,147
Internal staffing	1,711,250	(500,000)	1,211,250
Benefits	673,000	(255,000)	418,000
Outreach and communications	440,000	100,000	540,000
Technical consultants	255,000	(25,000)	230,000
Legal and regulatory	450,000	450,000	900,000
Data manager	1,363,853	175,000	1,538,853
Customer noticing	755,000	(75,000)	680,000
Energy Programs (including NEM)	1,022,500	(922,500)	100,000
PG&E service fees	564,892	30,000	594,892
General and administration	800,625	(100,000)	700,625
Total current expenditures	<u>81,334,267</u>	<u>(3,972,500)</u>	<u>77,361,767</u>
OTHER USES			
Rate stabilization reserve	4,757,530	84,350	4,841,880
Bad debt reserve	300,590	(300,590)	-
CCA Bond, CAISO and PG&E deposits	635,000	(535,000)	100,000
Total other uses	<u>5,693,120</u>	<u>(751,240)</u>	<u>4,941,880</u>
DEBT SERVICE			
	376,675	-	376,675
Total expenditures, Other Uses and Debt Service	<u>87,404,062</u>	<u>(4,723,740)</u>	<u>82,680,322</u>
Net increase (decrease)	<u>\$ 10,746,541</u>	<u>\$ 7,410,740</u>	<u>\$ 18,157,281</u>
<i>Reconciliation to change in net position:</i>			
Remove: Other Source - bank loan proceeds	(12,000,000)	8,000,000	(4,000,000)
Add: Rate stabilization reserve	4,757,530	84,350	4,841,880
Add: CCA Bond, CAISO and PG&E deposits	635,000	(535,000)	100,000
Net increase (decrease) in net position	<u>\$ 4,139,071</u>	<u>\$ 14,960,090</u>	<u>\$ 19,099,161</u>