Item No. 10

PENINSULA CLEAN ENERGY
JPA Board Correspondence

DATE: June 16, 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

SUBJECT: Procurement Update

RECOMMENDATION:
Procurement Update

BACKGROUND:
Attached are three memos that cover the following procurement related topics:
- Renewable Project Evaluation Factors
- Energy Contracts Executed to Date
- Resource Adequacy Status Update

DISCUSSION:

Renewable Project Evaluation Factors
The first memo reviews the key evaluation factors PCE staff used in evaluating the projects that were considered as part of PCE's renewable energy procurement last fall. It also discusses the factors specifically with respect to those projects PCE purchased.

Energy Contracts Executed to Date
The second memo describes all of the energy contracts that PCE has executed to date, including those with Energy Service Providers (ESPs), long-term power purchase agreements (PPAs), and shorter term Edison Electric Institute (EEI) and Western States Power Pool (WSPP) contracts.

At the board meeting, PCE will show graphs of PCE's load curve and how these energy contracts meet PCE's load requirements.

Resource Adequacy Status Update

The third memo describes resource adequacy (RA), including the multiple types of resource adequacy PCE must procure, and PCE's procurement status to meet these RA obligations.

At the board meeting, PCE will show graphs of PCE's RA requirements and how our procurement to date is meeting those requirements.

PENINSULA CLEAN ENERGY
JPA Board Correspondence

DATE: June 16, 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

SUBJECT: Renewable Project Evaluation Factors

RECOMMENDATION:
For information only.

BACKGROUND:
The Peninsula Clean Energy board adopted a strategic goal to source 100% of PCE's energy from California RPS eligible renewables by 2025. As a first step in meeting this strategic goal, PCE issued a request for proposals for renewable energy on October 17, 2016. On November 7, 2016, PCE received 242 responses from 62 projects. Over the past several months, PCE staff has been evaluating the proposals and conducting negotiations with some of the bidders. In previous Board meetings, the PCE board has approved two solar, three wind and three small hydro PPAs, as follows (names abbreviated):

- Hatchet Creek Hydro
- Roaring Creek Hydro
- Bidwell Ditch Hydro
- Buena Vista Wind
- Karen Avenue Wind
- Shiloh Wind
- Cuyama Solar
- Wright Solar

At the October 27, 2016 board meeting, PCE staff reviewed the specific evaluation criteria that PCE staff would use in evaluating and ranking the projects. In this board meeting, PCE staff provides a review of those evaluation factors against the projects that have been selected to date. PCE continues to use these factors as we continue to evaluate and finalize negotiations with the projects that best fit PCE's needs.

DISCUSSION:

At the October 27, 2016 board meeting, PCE described its strategy to diversify its power supply, and consider contract length, project ownership, project location, and project technology in selecting projects. Other key issues considered in the evaluation include the proper mix of renewables in terms of Bucket 1 and Bucket 2 resources, power price, and the use of labor agreements for new projects.

In the Procedural Overview & Instructions issued by PCE upon launching the 2016 Renewables RFO, the following evaluation factors were listed (along with completeness of offers and proposed contract price) to inform offerors how their offers would be considered for selection:

- Project location and local benefits (including local hiring and prevailing wage consideration)
- Interconnection status, including queue position, full deliverability of RA capacity, and related study completion, if applicable
- Siting, zoning, permitting status
- Qualifications of project team
- Ownership structure
- Environmental impacts and related mitigation requirements
- Financing plan and financial stability of project owner/developer
- Acceptance of PCE's pro forma contract terms
- Development milestone schedule, if applicable

During the evaluation phase, after initial screening of offers and consideration of pricing, PCE staff presented the best offers to an Ad Hoc Committee of board members. The group discussed the relative merits of the projects using the evaluation factors listed above. Below are some observations about the eight projects that have been contracted to date versus the evaluation factors. The attached table consolidates these projects and factors for easy comparison.

- Project location and local benefits (including local hiring and prevailing wage consideration):
    - Six of the projects are in northern California and deliver to the NP-15 hub:
        - Hatchet Creek Hydro
        - Roaring Creek Hydro
        - Bidwell Ditch Hydro
        - Buena Vista Wind
        - Shiloh Wind
        - Wright Solar

  - One project (Karen Avenue Wind) is in Palm Springs and delivers to the SP-15 hub.
  - One project is in northeastern Santa Barbara County and delivers to the ZP-26 hub.
- Six of the projects are already operating, and thus rank very high in six categories:
  - Interconnection status, including queue position, full deliverability of RA capacity, and related study completion, if applicable.
  - Siting, zoning, permitting status.
  - Qualifications of project team.
  - Financing plan and financial stability of project owner/developer.
  - Development milestone schedule (not applicable).
  - The six projects that are already operating are:
    - Hatchet Creek Hydro
    - Roaring Creek Hydro
    - Bidwell Ditch Hydro
    - Buena Vista Wind
    - Karen Avenue Wind
    - Shiloh Wind
- The two solar projects (Cuyama and Wright) remain to be built; their rankings on the above five categories are:
  - Interconnection: both projects have executed Generator Interconnection Agreements.
  - Permitting: both projects have completed their permitting processes.
  - Project team: Cuyama's team is very strong; Wright is a successful small developer.
  - Financing: both projects will bring in third party investors.
  - Milestones: Cuyama will be operating by January 2018; Wright will be operating by November 2018.
- Ownership structure:
  - The three small hydro projects and the Karen Avenue Wind project are owned by private investors.
  - Buena Vista Wind is owned by a large corporation that specializes in wind energy projects.
  - The parent company of Shiloh Wind's owner is a very large Spanish utility company.
  - Cuyama Solar is owned by a large solar energy company that is traded on NASDAQ.
  - The Wright Solar developer is a very small developer that is in the process of selling the project to a qualified firm.
- Environmental impacts and related mitigation requirements:
  - The three small hydro projects have net positive environmental impacts as they control water flow rates and levels in their respective channels.
  - The two solar projects have net positive environmental impacts with respect to air quality and GHG. On a project-specific basis, there may be siting and land use constraints imposed by local permitting agencies for a number of possible reasons.

    - The three wind projects also have net positive environmental impacts with respect to air quality and GHG. Modern technology and siting have significantly reduced the issue of bird strikes.
- Acceptance of PCE's pro forma contract terms:
    - The PPAs for the three small hydro projects, Karen Avenue Wind, Cuyama Solar, and Wright Solar contain very few changes from the PCE pro forma PPA.
    - The Buena Vista Wind and Shiloh Wind PPAs contain more substantial changes due to project-specific factors such as sharing the project output with other buyers.

FISCAL IMPACT:

The fiscal impact of signing long-term power purchase agreements is substantial, and is included in all budgets for PCE.

PCE Renewable Project Evaluation Factors (Other than Price)

Executed Contracts	Location (City or County)	Interconnection Status	Permitting Status	Ownership	Environmental Impacts and Mitigation**	Financing Plan and Stability	Contract Terms***	Milestone Schedule	Local Construction Benefits/Project Labor Agreements
Hatchet Creek Hydro	Shasta County (NP-15)	Operating	Operating	Mega Renewables (Privately Owned)	Net Positive	Operating	Close to PCE's PPA Terms	Operating	Operating
Roaring Creek Hydro	Shasta County (NP-15)	Operating	Operating	Mega Renewables (Privately Owned)	Net Positive	Operating	Close to PCE's PPA Terms	Operating	Operating
Bidwell Ditch Hydro	Shasta County (NP-15)	Operating	Operating	Mega Renewables (Privately Owned)	Net Positive	Operating	Close to PCE's PPA Terms	Operating	Operating
Buena Vista Wind	Altamont Pass (NP-15)	Operating	Operating	Arclight Capital Partners	Net Positive/Bird Strikes Mitigated**	Operating	Significant Changes from PCE's PPA Terms	Operating	Operating
Karen Avenue Wind	Palm Springs (SP-15)	Operating	Operating	EDCC (Privately Owned)	Net Positive/Bird Strikes Mitigated**	Operating	Close to PCE's PPA Terms	Operating	Operating
Shiloh Wind	Solano County (NP-15)	Operating	Operating	Avangrid (Spanish Utility)	Net Positive/Bird Strikes Mitigated**	Operating	Significant Changes from PCE's PPA Terms	Operating	Operating
Cuyama Solar	Santa Barbara County (ZP-26)	Executed GIA*	Complete	First Solar (NASDAQ Traded)	Net Positive	Third Party Investor	Close to PCE's PPA Terms	COD**** January 2018	Multi-party PLA
Wright Solar	Los Banos (NP-15)	Executed GIA*	Complete	Frontier Solar (Privately Owned)	Net Positive	Third Party Investor/Owner	Close to PCE's PPA Terms	COD**** November 2018	Multi-party PLA

* GIA = Generator Interconnection Agreement; this is a contract between the project developer, the transmission provider (e.g., PG&E) and CAISO to construct the interconnection facilities that will allow the project to operate.

**Mitigation or Mitigated = a significant reduction in environmental impacts, usually through land use changes or use of advanced technology.

*** Contract Terms = the extent to which the PPA was negotiated, ending up similar to, or significantly different from the PPA terms published by PCE for developers to consider.

****COD = Commercial Operation Date, or Commercial Operation Deadline.

PENINSULA CLEAN ENERGY
JPA Board Correspondence

DATE: June 16, 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

SUBJECT: Energy Contracts Executed to Date

RECOMMENDATION:
For information only.

BACKGROUND:
The Peninsula Clean Energy board adopted a strategic goal to source 100% of PCE's energy from greenhouse gas (GHG) free (also known as "carbon free") resources by 2021 and 100% of PCE's energy from California RPS eligible renewable resources (ERRs) by 2025. In this board meeting, PCE staff is presenting a discussion of the energy contracts executed to date in pursuit of these goals.

DISCUSSION:
PCE strives to provide stable and competitive electric rates to its customers, using the cleanest possible sources of electric energy. With these objectives in mind, PCE plans for and secures commitments from a diverse portfolio of generating resources to reliably serve the electric energy requirements of its customers over the near-, mid-, and long-term planning horizons. Results of PCE's procurement efforts to date are summarized in the table below.

Energy Contracts Executed as of June 22, 2017					
Counterparty (Abbreviated)	Contract	Resource Type	Effective Date	Term Start	Term End
Direct Energy (Energy America)	EEI	Energy	6/29/16	10/1/16	12/31/20
Constellation	EEI	Energy	2/28/17	4/1/17	12/31/18
Direct Energy (Energy America)	EEI	PCC1	6/29/16	10/1/16	12/31/20
Direct Energy (Energy America)	EEI	PCC1	12/13/16	1/1/17	12/31/26
Powerex	EEI	PCC1	5/18/17	6/1/17	4/30/18
PG&E	EEI	PCC1	5/1/17	5/1/17	12/31/17
Direct Energy (Energy America)	EEI	PCC2	6/29/16	10/1/16	12/31/20
Constellation	EEI	PCC2	2/28/17	4/1/17	12/31/18
Direct Energy (Energy America)	EEI	Carbon Free	6/29/16	10/1/16	12/31/20
Powerex	EEI	Carbon Free	5/18/17	6/1/17	4/30/18
Morgan Stanley	WSPP	Carbon Free	3/21/17	4/1/17	9/15/17
Hatchet Creek Hydro	PPA	Hydro	1/26/17	3/9/17	3/8/22
Roaring Creek Hydro	PPA	Hydro	1/26/17	3/16/17	3/15/19
Bidwell Ditch Hydro	PPA	Hydro	1/26/17	3/9/17	3/8/19
Buena Vista Wind	PPA	Wind	3/23/17	4/17/17	4/16/22
Karen Avenue Wind	PPA	Wind	3/23/17	8/1/17	7/31/20
Shiloh Wind	PPA	Wind	5/25/17	1/1/19	12/31/23
Cuyama Solar	PPA	Solar	3/23/17	1/1/18	12/31/18
Wright Solar	PPA	Solar	1/26/17	11/30/18	11/29/38

During the pre-launch period leading up to the launch of Phase 1 on October 1, 2016, PCE conducted a competitive solicitation seeking an electric service provider (ESP) to provide a diverse portfolio designed to move in the direction of meeting the longer-term goals stated above. This procurement resulted in PCE executing Edison Electric Institute (EEI) master enabling agreements with three ESPs. From this group, PCE subsequently selected Direct Energy (Energy America) to execute a confirmation agreement (“Confirm”) that would provide a portfolio consisting of Portfolio Content Category (PCC)1, PCC2, carbon free resources and “energy”, which is also known as system power. This contract with Direct Energy is designed to meet PCE’s energy requirements for its Phase 1 customers from October 1, 2016 to December 31, 2020. The contracted amounts meet 100% of the Phase 1 energy quantities for calendar year 2016, and then steps down by 10% each year (90% of Phase 1 quantities for calendar year 2017; 80% of Phase 1 quantities for calendar year 2018; 70% of Phase 1 quantities for calendar year 2019; and 60% of Phase 1 quantities for calendar year 2020). It was approved by the board and executed on June 29, 2016.

On October 17, 2016, PCE launched its 2016 Renewables Request for Offers (RFO). All proposed generating resources were required to be certified by the California Energy Commission (“CEC” or “Commission”) as eligible renewable resources as set forth in applicable sections of the California Public Utilities Code. Specific renewable energy product requirements were identified, based on projections consistent with PCE’s planning assumptions at that time. As discussed with the board during meetings in October through May, PCE received a large number of offers, and evaluated each using criteria discussed in a separate memo in this board meeting. As a result, the board has approved eight power purchase agreements (PPAs). PCE staff continues to evaluate offers and negotiate with selected sellers. This process is expected to continue for a few more months, and may result in several additional PPAs being presented to the board for approval.

From February through May 2017, PCE conducted additional competitive procurements for PCC1, PCC2, carbon free and energy resources to satisfy the projected amounts of the remainder of PCE's Phase 2 needs for 2017 and 2018. Constellation was selected to provide the majority of the system power for 2017 and 2018 under the EEI master enabling agreement previously negotiated in June 2016. The suppliers of the PCC1, PC2, and carbon free products are shown in the table above and include Constellation, PG&E, Powerex, and Morgan Stanley.

PCE staff will provide graphical representations of PCE's procurement status for all of these products in the board presentation.

FISCAL IMPACT:

The fiscal impact of signing short and long-term energy contracts is substantial, and is included in all budgets for PCE.

Item No. 10

PENINSULA CLEAN ENERGY
JPA Board Correspondence

DATE: June 13, 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

SUBJECT: Resource Adequacy Status Update

BACKGROUND:
Load serving entities (LSEs) including investor owned utilities (IOUs), energy service providers (ESPs), and community choice aggregators (CCAs) are required to comply with the California Public Utilities Commission (CPUC) Resource Adequacy (RA) program.

The purpose of the RA program is to:
- Ensure the availability of sufficient generating capacity to maintain grid reliability;
- Provide for "reserve" capacity to promote resource sufficiency during periods of extreme demand and infrastructure outages;
- Incentivize the construction of new generation in areas that are resource constrained (to reduce reliability risks); and
- Ensure the availability of "flexible" or "fast response" generators that will be needed to address resource intermittency (to promote grid reliability in a system that relies heavily on renewable generating resources).

This is a regulatory requirement. PCEA is not purchasing actual energy or even the right to purchase energy. Instead, it is paying to ensure that there is enough generation on the grid to ensure reliability. Further, because the regulatory requirements evolve over time, PCEA is frequently having to go to market to purchase RA to ensure the regulatory requirements are met and PCEA receives the most competitive prices possible.

DISCUSSION:

Regulatory Requirements

Three different entities regulate the RA program – the California Energy Commission (CEC), the California Public Utilities Commission (CPUC), and California Independent System Operator (CAISO).

- *California Energy Commission:* PCE submits periodic load forecasts to the CEC. The CEC uses PCE's monthly peak demand estimates and adjusts values based on the California system peak demand. CEC adjusted load data is provided to the CPUC and CAISO, which forms the basis for PCE's RA compliance mandates.
- *California Public Utilities Commission:* The CPUC receives adjusted peak demand data from the CEC and annually provides PCE with its monthly RA requirements. PCE must submit annual and monthly compliance filings to the CPUC.
- *California Independent System Operator:* The CAISO develops resource adequacy requirements for the entire California system, including local areas, on an annual basis. PCE must submit annual and monthly compliance filings to the CAISO.

There are three types of RA products that PCE must procure to meet its compliance requirements. The first two products are defined by locational characteristics and the third is defined by ability to quickly ramp up generation and respond to CAISO orders.

- System RA (Defined by location):
  - Sourced within the CAISO Balancing Area
  - Generators must be located in Northern California for CCA's operating within the PG&E footprint (a small amount can come from Southern California)
  - System requirements are determined based on each LSE's CEC adjusted forecast plus a 15% planning reserve margin.
- Local RA (Defined by location):
  - Local requirements are determined based on an annual CAISO study
  - Local RA procurement obligations require PCE to purchase a certain amount of RA capacity from generators located within the following regions
    - Greater Bay area
    - PG&E Other (consists of the Humboldt, North Coast/North Bay, Sierra, Stockton, Greater Fresno, and Kern regions on the map to the below)

- Flexible RA (Defined by generating characteristics):
  - Qualifying generating resources must be able to respond to CAISO dispatch instructions and manage variations in load/resource output
  - No location requirements
  - Flexible Requirements are based on an annual CAISO study

RA from a particular plant will be characterized as either Local or System depending on location and either Flex or not Flex depending on its ability to respond to CAISO instructions.

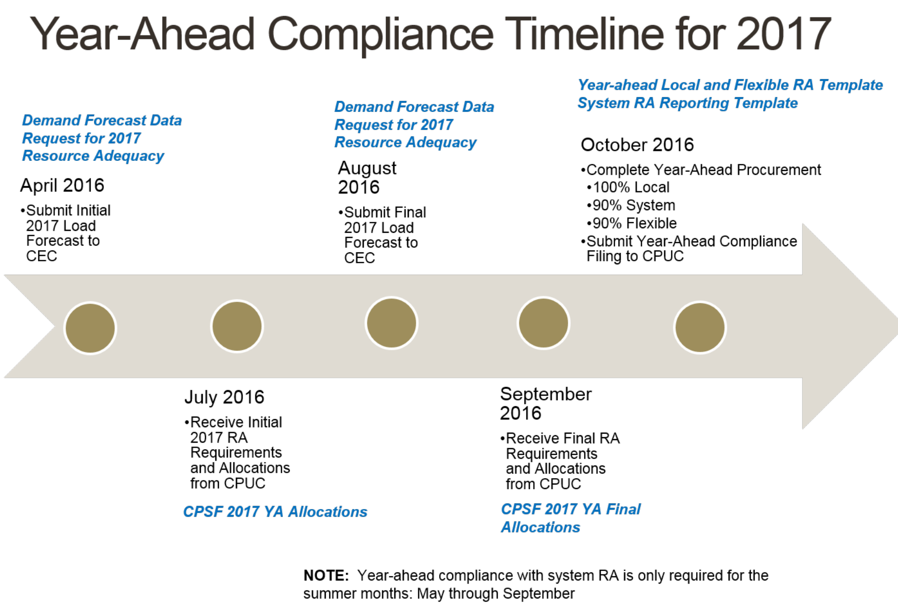
<u>Timeline and Reporting Requirements</u>

CCAs are required to complete two types of compliance filings – annual “Year Ahead” and monthly “Month Ahead” Filings.

The *Year Ahead* process starts in April of the previous year. For the 2017 RA compliance year, LSEs filed 2017 forecasted load in April 2016. LSEs then receive preliminary RA obligations in July, have the opportunity to revise their load forecast in August, and receive final RA obligations in September.

By October, LSEs must file a compliance document demonstrating that they have secured RA to meet requirements for the following year:

- System: 90% of total forecasted load plus 15% planning reserves for May through September
- Local: 100% of local RA requirements for all 12 months
- Flexible: 90% of flexible RA requirements for all 12 months



In addition, LSEs must complete *monthly compliance filings*, which are due 45 calendar days prior to the compliance month. For the monthly filings LSEs must demonstrate they have procured 100% of their monthly System and Flexible RA obligation.

Additionally, local and flexible RA requirements for July through December, may change through the RA Reallocation process. LSEs must demonstrate they have met these revised obligations.

Additionally, on a monthly basis, LSEs must update the CEC to changes in load forecast as a result of migrating load and update their local RA obligation accordingly.

In order to verify filings, CPUC will compare the LSE's RA filings against corresponding supply plans filed by generators.

PCE's 2017 RA Requirements

This table shows PCE's 2017 RA requirements for the different types of RA and the current amount of open positions we still have for RA for 2017. Because PCE still has a small amount of open positions for 2017, and the requirements for PCE are still subject to change in the monthly process for the last three months of 2017, PCE will still be purchasing a small amount of RA for the remaining part of 2017.

2017 Requirements	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
System	84	100	58	408	476	585	320	371	377	295	264	253
Other PG&E	54	54	54	54	54	54	235	235	235	235	235	235
Bay Area	45	45	45	45	45	45	48	48	48	48	48	48
Total	183	199	157	507	575	684	603	654	660	578	547	536

*The yellow highlights indicate that these are estimates, not final requirements. We expect to receive final requirements from the CPUC in July.

In the appendix, we have included a table showing PCE's open position for each of these three types of RA.

As described above, PCE will be receiving its preliminary 2018 RA requirements in July.

2017 RA Contracts

PCE procures RA in two ways

- Bilateral contracts with counterparties, after sending out a request for competitive proposals to companies that may have RA products to offer
- PCE receives the resource adequacy value/benefit from several of its renewable energy contracts. For example, PCE receives a small amount of RA from the Karen Avenue Wind and the Buena Vista Wind projects.

Throughout 2016 and 2017, PCE has executed a series of contracts to meet its RA compliance requirements. We have attached a table indicating the contracts that have been executed by RA type and compliance month for 2017.

PCE Resource Adequacy Requirements, Procurements and Net Open Position

Generic System	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Requirements	84	100	58	408	476	585	320	371	377	295	264	253
Procured	84	100	58	408	476	585	320	371	377	203	203	203
Net Open	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*92*	*61*	*50*
Counterparties	Direct	Direct	Direct	Direct	Direct	Direct	Direct	Direct	Direct	Direct	Direct	Direct
				NRG	NRG	NRG						
						PG&E	PG&E	PG&E	PG&E	PG&E	PG&E	PG&E
							Shell					
							SVP	SVP	SVP			
						Tenaska						
										Karen Wind	Karen Wind	Karen Wind
										Mega Hydro	Mega Hydro	Mega Hydro

** The yellow highlight indicates that this number has not been finalized by CPUC. We expect to receive final requirements in early July.*

PG&E Other	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Requirement	54	54	54	54	54	54	235	235	235	235	235	235
Procured	54	54	54	54	54	54	235	235	235	235	235	235
Net Open	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Counterparties	Direct	Direct	Direct	Direct	Direct	Direct	Direct	Direct	Direct	Direct	Direct	Direct
	Shell	Shell	Shell	Shell	Shell	Shell	Shell	Shell	Shell	Shell	Shell	Shell
							PG&E	PG&E	PG&E	PG&E	PG&E	PG&E

Bay Area	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Requirement	45	45	45	45	45	45	48	48	48	48	48	48
Procured	45	45	45	45	45	45	48	48	47	45.97	45.5	45.81
Net Open	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0.75*	*2.03*	*2.5*	*2.19*
Counterparties	Direct	Direct	Direct	Direct	Direct	Direct	Direct	Direct	Direct	Direct	Direct	Direct
	SVP	SVP	SVP	SVP	SVP	SVP	SVP	SVP	SVP	SVP	SVP	SVP
						BV Wind	BV Wind	BV Wind	BV Wind	BV Wind	BV Wind	BV Wind

MAHER ACCOUNTANCY 1101 FIFTH AVENUE • SUITE 200 • SAN RAFAEL, CA 94901

Financial Plumbline

ACCOUNTANTS' COMPILATION REPORT

Board of Directors
Peninsula Clean Energy Authority

Management is responsible for the accompanying financial statements of Peninsula Clean Energy Authority (a California Joint Powers Authority) which comprise the statement of net position as of May 31, 2017, and the related statement of revenues, expenses, and changes in net position, and the statement cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the accompanying statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, conclusion, nor provide any assurance on these financial statements.

Management has elected to omit substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Authority's financial position, results of operations, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

We are not independent with respect to the Authority because we performed certain accounting services that impaired our independence.

Maher Accountancy

San Rafael, CA
June 21, 2017

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PENINSULA CLEAN ENERGY AUTHORITY

STATEMENT OF NET POSITION
As of May 31, 2017

ASSETS	
Current assets	
Cash and cash equivalents	$ 14,218,962
Accounts receivable, net of allowance	15,904,451
Other receivables	78,606
Accrued revenue	14,038,516
Prepaid expenses	495,600
Total current assets	44,736,135
Noncurrent assets	
Capital assets, net of depreciation	19,542
Deposits	1,106,650
Total noncurrent assets	1,126,192
Total assets	45,862,327
LIABILITIES	
Current liabilities	
Accounts payable	544,211
Accrued cost of electricity	20,925,125
Accrued interest payable	30,906
Accrued payroll and related liabilities	109,657
Other accrued liabilities	93,904
User taxes and energy surcharges due to other governments	413,061
Total current liabilities	22,116,864
Noncurrent liabilities	
Loan payable to bank	3,000,000
Loans payable to County of San Mateo	4,480,800
Total noncurrent liabilities	7,480,800
Total liabilities	29,597,664
NET POSITION	
Net investment in capital assets	19,542
Unrestricted	16,245,121
Total net position	$ 16,264,663

PENINSULA CLEAN ENERGY AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

July 1, 2016 through May 31, 2017

OPERATING REVENUES	
Electricity sales, net	$ 72,723,657
Green electricity premium	150,970
Total operating revenues	72,874,627
OPERATING EXPENSES	
Cost of electricity	50,760,101
Staff compensation and benefits	878,236
Data manager	1,135,099
Service fees - PG&E	325,159
Consultants and other professional fees	318,858
Legal	744,714
Communications and noticing	1,012,077
General and administration	146,620
Depreciation	3,104
Total operating expenses	55,323,968
Operating income (loss)	17,550,659
NONOPERATING REVENUES (EXPENSES)	
Interest income	8,885
Interest and related expense	(135,864)
Financing costs	(116,693)
Total nonoperating revenues (expenses)	(243,672)
CHANGE IN NET POSITION	17,306,987
Net position at beginning of period	(1,042,324)
Net position at end of period	$ 16,264,663

PENINSULA CLEAN ENERGY AUTHORITY

STATEMENT OF CASH FLOWS
July 1, 2016 through May 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from electricity sales	$ 43,155,140
Tax and surcharge receipts from customers	764,575
Payments to purchase electricity	(30,409,181)
Payments for staff compensation and benefits	(796,225)
Payments for consultants and other professional fees	(1,328,085)
Payments for legal fees	(966,336)
Payments for communications and noticing	(941,383)
Payments for general and administration	(95,232)
Tax and surcharge payments to other governments	(574,993)
Net cash provided (used) by operating activities	8,808,280
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Loan proceeds from bank notes and loans	1,421,333
Deposits and collateral paid	(1,106,650)
Interest and related expense payments	(106,315)
Finance costs	(116,693)
Net cash provided (used) by non-capital financing activities	91,675
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(22,646)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income received	8,885
Net change in cash and cash equivalents	8,886,194
Cash and cash equivalents at beginning of year	5,332,768
Cash and cash equivalents at end of period	$ 14,218,962

See accountants' compilation report.

PENINSULA CLEAN ENERGY AUTHORITY

STATEMENT OF CASH FLOWS (continued)
July 1, 2016 through May 31, 2017

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating income (loss)	$ 17,550,659
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation expense	3,104
Revenue reduced for uncollectible accounts	255,957
(Increase) decrease in net accounts receivable	(16,160,408)
(Increase) decrease in other receivables	(78,606)
(Increase) decrease in accrued revenue	(14,038,516)
(Increase) decrease in prepaid expenses	(495,600)
Increase (decrease) in accounts payable	544,211
Increase (decrease) in accrued payroll and related	84,011
Increase (decrease) in accrued cost of electricity	20,925,125
Increase (decrease) in accrued liabilities	(194,718)
Increase (decrease) in user taxes and energy surcharges due to other governments	413,061
Net cash provided (used) by operating activities	$ 8,808,280

MAHER ACCOUNTANCY 1101 FIFTH AVENUE • SUITE 200 • SAN RAFAEL, CA 94901

Financial Plumbline

ACCOUNTANTS' COMPILATION REPORT

Board of Directors
Peninsula Clean Energy Authority

Management is responsible for the accompanying special purpose statement of Peninsula Clean Energy Authority (a California Joint Powers Authority) which comprise the budgetary comparison schedule for the period ended May 31, 2017, and for determining that the budgetary basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the accompanying statement nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any assurance on this special purpose budgetary comparison statement.

The special purpose statement is prepared in accordance with the budgetary basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This report is intended for the information of the Board of Directors of PCE.

Management has elected to omit substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the special purpose budgetary comparison statement, they might influence the user's conclusions about the Authority's results of operations. Accordingly, this special purpose budgetary comparison statement is not designed for those who are not informed about such matters.

We are not independent with respect to the Authority because we performed certain accounting services that impaired our independence.

Maher Accountancy

San Rafael, CA
June 21, 2017

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PENINSULA CLEAN ENERGY AUTHORITY
OPERATING FUND
BUDGETARY COMPARISON SCHEDULE
July 1, 2016 through May 31, 2017

	2016/17 YTD Budget	2016/17 YTD Actual	2016/17 YTD Budget Variance (Under) Over	2016/17 YTD Actual/Budget %	2016/17 Annual Budget	2016/17 Budget Remaining
REVENUE AND OTHER SOURCES						
Revenue - Electricity	$ 65,627,784	$ 72,979,614	$ 7,351,830	111%	$ 85,882,760	$ 12,903,146
Revenue - Green Premium	213,793	150,970	(62,823)	71%	267,843	116,873
Other Source - bank loan proceeds *	12,000,000	-	(12,000,000)	0%	12,000,000	12,000,000
Interest income	-	8,885	8,885	na	-	(8,885)
Total revenue and other sources	77,841,577	73,139,469	(4,702,108)	94%	98,150,603	25,011,134
EXPENDITURES AND OTHER USES						
CURRENT EXPENDITURES						
Cost of energy	58,723,960	50,760,101	(7,963,859)	86%	73,298,147	22,538,046
Internal staffing	1,520,415	731,452	(788,963)	48%	1,711,250	979,798
Benefits	585,665	146,784	(438,881)	25%	673,000	526,216
Outreach and communications	410,000	437,814	27,814	107%	440,000	2,186
Technical consultants	237,500	178,978	(58,522)	75%	255,000	76,022
Legal and regulatory	440,000	744,714	304,714	169%	450,000	(294,714)
Data manager	1,068,283	1,135,099	66,816	106%	1,363,853	228,754
Customer noticing	550,000	574,263	24,263	104%	755,000	180,737
Energy Programs (including NEM)	850,832	-	(850,832)	0%	1,022,500	1,022,500
PG&E service fees	444,918	325,159	(119,759)	73%	564,892	239,733
General and administration	725,521	309,146	(416,375)	43%	800,625	491,479
Total current expenditures	65,557,094	55,343,510	(10,213,584)	84%	81,334,267	25,990,757
OTHER USES						
Rate stabilization reserve	3,742,080	-	(3,742,080)	0%	4,757,530	4,757,530
Bad debt reserve	229,696	255,957	26,261	111%	300,590	44,633
CCA Bond, CAISO and PG&E deposits	635,000	100,000	(535,000)	16%	635,000	535,000
Capital outlay (grouped with G&A)						
Total other uses	4,606,776	355,957	(4,250,819)	8%	5,693,120	5,337,163
DEBT SERVICE	333,491	252,557	(80,934)	76%	376,675	124,118
Total Expenditures, Other Uses and Debt Service	70,497,361	55,952,024	(14,545,337)	79%	87,404,062	31,452,038
Net increase (decrease) in available fund balance	$ 7,344,216	$ 17,187,445	$ 9,843,229	234%	$ 10,746,541	$ (6,440,904)

* $3,000,000 proceeds from Barclays loan occurred prior to this fiscal year

PENINSULA CLEAN ENERGY AUTHORITY

OPERATING FUND
BUDGET RECONCILIATION TO STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
July 1, 2016 through May 31, 2017

Net increase (decrease) in available fund balance per budgetary comparison schedule:	$	17,187,445
Adjustments needed to reconcile to the changes in net position in the Statement of Revenues, Expenses and Changes in Net Position:		
Subtract depreciation expense		(3,104)
Add back capital asset acquisitions		22,646
Add back collateral deposits		100,000
Change in net position	$	17,306,987