



Peninsula Clean Energy Board of Directors Meeting

February 25, 2021

Agenda

- Call to order / Roll Call
- Public Comment
- Action to set the agenda and approve consent items

Regular Agenda

1. Chair Report (Discussion)

Regular Agenda

2. CEO Report (Discussion)

Today's Updates

- CC Power Board meeting
- CalCCA bill
- Open positions at PCE
- Upcoming PCE meetings

CC Power Board Meeting

- First board meeting held on February 17
- Notes from that meeting are in your agenda packet
- Discussion included development of policies for the new organization
 - Ad hoc policy development committee formed
 - Members: PCE, SCP, RCEA, EBCE

CalCCA bill

- SB 612, introduced by Senator Portantino, sponsored by CalCCA
 - Adopts PCIA Working Group 3 report submitted to the CPUC by CalCCA, SCE and Commercial Energy in February 2020
 - Provides IOU, CCA, and DA customers equal right to their proportionate share of IOU legacy resource products that we are paying for in the PCIA
 - Requires CPUC to establish market-price benchmark for GHG-free energy
 - Requires IOUs to sell excess legacy products to wholesale market
 - Requires IOUs to solicit interest from legacy contract holders to renegotiate or buyout the contracts to reduce costs to customers
 - Senators Becker and Wiener, and Assembly Members Berman and Mullin are co-authors

Open Positions at PCE

- Community Outreach Manager, Los Banos
- Legislative Analyst
- Energy Contracts Manager (will be posted tomorrow)

Upcoming Meetings

These meetings will continue to be held by video/teleconference

- Executive Committee:
 - March 8 at 8:00 a.m.
- Citizens Advisory Committee:
 - March 11 at 6:30 p.m.
- Board of Directors:
 - March 25 at 6:30 p.m.



Regular Agenda

3. Citizens Advisory Committee Report (Discussion)

Regular Agenda

4. Audit and Finance Committee Report (Discussion)

Regular Agenda

5. Selection of Chair and Vice Chair (Action)

Regular Agenda

6. Selection of Citizens Advisory Committee Recruitment Committee (Action)

Regular Agenda

7. Review Strategic Budget Priorities (Discussion)

Financial Forecast/Updates

- Over the past 2 months, Staff has evaluated the impact of several forecast models
- Update at Executive Committee Meeting – January 11, 2021
 - Lower revenues were forecasted (\$20 million less than budgeted over next 4.5 years)
 - Higher costs were forecasted (\$72 million more than budgeted over next 4.5 years)
- Executive Committee set Strategic Budget Priorities Subcommittee
 - Met on January 22 and on February 1

New Changes in Forecast for PCIA/PG&E Gen Rates

- During the review period with the Strategic Budget Priorities Subcommittee:
 - 2 forecasts of rate projections were released in late January over 3-day period
 - 5-year Net Position fluctuated significantly within years and for the 5-year total (\$150 million swing)
 - The latest forecast is better than the first two that were provided to the Executive Committee in January
- Forecasting
 - There is not a good forecasting infrastructure to rely on
 - Rates and forecasts bounce around significantly
 - Even the ones we are now using could be off...
- Conclusions
 - Expected continued volatility and lack of confidence in projections
 - Staff proposed some budget and process changes to tighten expenses over next few years and create some additional financial flexibility
 - Those changes were presented to both Executive and Audit/Finance Committees on February 9, 2021

Strategic Budget Changes to be Implemented

Both committees supported the proposed changes on February 9

1. Revised PPA Implementation Plans – **\$8.3 million**
2. **Revised Renewable Targets - \$28.0 million**
3. **Revised PCE Policy related to RA Penalty - \$4.4 million**
4. Program Implementation Timing Adjustments
 - Community Energy Programs - **\$11.0 million**
 - Marketing Programs - **\$2.1 million**
 - DER Programs - **\$2.7 million**
 - Innovation Programs - **\$2.0 million**

2. Eliminated Interim Annual Renewable Targets

Budget had assumed that Renewables Target was 50% through December 31, 2024, then 100% starting in CY 2025

Staff had planned to implement “Stair-Step” Renewables Targets:

- 60% in 2021
- 70% in 2022
- 80% in 2023
- 90% in 2024
- 100% in 2025 (unchanged from Budget since this was assumed)

Shortfalls would have been made up by purchase of RECs

Estimated savings of eliminating the stair-step approach is \$28.0 million

More Cost/(Less Cost)	2021	2022	2023	2024	2025	5-year Total
	Forecast (FY)	Forecast (FY)	Forecast (FY)	Forecast (FY)	Forecast (FY)	Forecast (FY)
Revised Renewables Targets	(1,327,391)	(4,306,638)	(7,680,468)	(9,682,645)	(4,981,423)	(27,978,565)

3. RA Penalty – Change in PCE’s Internal Policy

- CPUC and CAISO have rules that impose penalties for not meeting RA requirements
 - CPUC has imposed penalties to CCAs
 - CAISO has rarely imposed them, but has the authority to do so
- To date, PCE’s standard position has been to pay market prices for RA even if the cost is greater than the penalties
- Other CCAs have adopted a practice to choose the least costly option

Estimated savings of revised internal policy is \$4.4 million

More Cost/(Less Cost)	2021	2022	2023	2024	2025	5-year Total
	Forecast (FY)	Forecast (FY)	Forecast (FY)	Forecast (FY)	Forecast (FY)	Forecast (FY)
RA Penalty instead of Market Prices	-	(422,730)	(2,068,605)	(1,168,030)	(777,560)	(4,436,925)

Summary Forecast

Includes Expense Delays/Adjustments and Updated PCIA/PG&E Gen Rates

	2021	2022	2023	2024	2025	5-year Total
	Forecast (FY)	Forecast (FY)	Forecast (FY)	Forecast (FY)	Forecast (FY)	Forecast (FY)
OPERATING REVENUES						
	236,395,224	214,255,459	227,763,463	236,685,678	272,349,000	1,187,448,824
<i>Difference from Budget</i>						
OPERATING EXPENSES						
Total Operating Expenses	233,786,727	231,585,791	242,915,215	240,160,934	249,262,444	1,197,711,111
<i>Difference from Budget</i>						
Operating Income (Loss)	2,608,497	(17,330,332)	(15,151,752)	(3,475,256)	23,086,556	
NON-OPERATING REVENUES (EXP.)						
Total Nonoperating Income/(Expense)	1,180,795	1,528,000	1,648,000	1,768,000	1,888,000	
CHANGE IN NET POSITION	3,789,292	(15,802,332)	(13,503,752)	(1,707,256)	24,974,556	(2,249,493)
<i>Difference from Budget</i>						
Net Position at the beginning of period	189,071,732	192,861,023	177,058,691	163,554,939	161,847,683	
Net Position at the end of period	192,861,023	177,058,691	163,554,939	161,847,683	186,822,239	
<i>Difference from Budget</i>						
<u>Estimated</u>						
Days Cash on Hand	286	251	221	221	246	
Unrestricted Days Cash on Hand	273	245	215	216	241	
Unrestricted Days Cash on Hand - Per Policy	226	207	185	185	211	

Regular Agenda

8. Approve Revised Policy 18 Financial Reserves Policy (Action)

Current Reserve Policy

- PCE has a very conservative Reserve Policy

PCE will maintain cash reserves at the following funding level:

- *Operating / Working Capital Reserve equal to **one hundred eighty (180) days** of total operating expenses (including power supply expenses) held as unrestricted cash.*

Unrestricted cash is equal to total cash less:

- *cash held in restricted accounts (as collateral or by covenant), and*
- *estimated future fiscal year commitments for Community Energy programs that have been approved by the Board*

Reserve Policy – Compare to Other CCAs

CCA	Last Audited*	FY21 Budget**	Minimum	Target	Maximum	Rating	Notes
PCE	276	255		180		Baa2 (Moody's)	
3CE	267	227	108	180	270	A (S&P)	
EBCE	99	~100	108	180	270		
CPA	28	36	108	180			Expect to achieve minimum by 2026
SVCE	191***	219	90	180	270	Baa2 (Moody's)	
MCE	149	~168		216		BBB+ (Fitch)	Goal of achieving Reserve Target by 3/2022
SCP	138	147	120	252			
* Based on public documents at last year end financials							
** Estimated based on informal calculations of budget presentations							
*** Based on Moody's estimate in rating July 15, 2020							

Revised Reserve Policy – Discussion/Action

- Current policy requires annual review to ensure it meets PCE's needs
- Strategic Plan (adopted April 23, 2020) requires maintaining reserves of at least 180 days
- Observations and Issues:
 - Current reserve policy is among most conservative of CCAs
 - Evaluating more alignment/benchmark to other CCAs (i.e. Lower Target and/or Minimum)
 - Changing the reserve policy metrics would enable more flexibility on spending without violating the policy
 -
- Rating Agency Comments (summarized)
 - Amount of liquidity is more important than reserve policy target or minimum
 - Lowering the reserve target, or a lower minimum, would temper consideration of a ratings upgrade
 - Establishing a minimum (especially if lower than current Target) would create stronger expectation of action by the Board

Proposed Reserve Policy

*PCE will maintain an Operating / Working Capital Reserve equal to **one hundred eighty (180) days** of total operating expenses (including power supply expenses) held as unrestricted cash. Unrestricted cash is equal to total cash less cash held in accounts that are restricted from use (due to collateral or by covenant).*

Summary: Unrestricted Days Cash on Hand – Consistent with other CCAs

High Degree of Uncertainty

- Our confidence is not high in the ability to forecast rates
- Significant potential variability
- Not much room on the expense side to make further adjustments
 - Energy costs represent 90% of total expenses
- There is room on the revenue side if PCE's discount on rates relative to PG&E's rates were adjusted
 - Would be required if reserves dipped below required minimum level
 - PCE's current investment grade ratings are dependent largely on the expectation that the Board will adjust rates, if necessary, to maintain financial stability

PCE Rates are Discounted from PG&E's Rates

Current PCE Rate Calculation Policy

- PG&E Generation Rate *95% (5% discount) => Total PCE Customer Payment Rate
- Total PCE Customer Payment Rate minus PCIA and FFS => PCE Generation rate
 - PCE Generation rate = approx.
 - October 1, 2020 = 67% of PG&E Generation Rate
 - January 1, 2021 = 55% of PG&E Generation Rate
 - March 1, 2021 = 54% of PG&E Generation Rate (expected)
 - January 1, 2022 = 56% of PG&E Generation Rate (expected)
- Note: Los Banos customers will have a different PCIA rate, and, therefore, different PCE Generation Rates in order to maintain the same discount across all customers and rate classes
- We are exploring alternative methodologies to apply a PCIA credit to enable one set of rates – if possible, it might be simpler to explain to customers

Rate Discount by Other CCAs (informal)

CCA	Compare to PG&E
Silicon Valley Clean Energy	1% below PG&E (reduced from 4%)
East Bay	1% below PG&E
Redwood Coast	0.5% below PG&E (reduced from 3%)
CleanPower SF	1% above PG&E
San Jose Clean Energy	0.25% below PG&E
3CE	~1% below PG&E*

3CE: Calculated as
2% discount after
deducting PCIA

MCE and SCP have rates that are higher than PG&E's

Note: MCE agreed to match PG&E rates for Solano County expansion for 1 year

PG&E Rate Discount Options (under current forecast assumptions)

Discount vs. PG&E	Change in Net Position Relative to Current for 2.5-year period	FY23 Change in Net Position	Change in FY23 from Current	FY23 DCOH (Per Revised Policy)
A. 5% (Current)	(\$2.2 million)	(\$13.5 million)	n/a	215
B. 4% for 2.5 years*	+\$15.3 million	(\$7.3 million)	+\$6.2 million	232
C. 3% for 2.5 years*	+\$20.5 million	(\$5.2 million)	+8.3 million	237
D. 2% for 2.5 years*	+\$30.7 million	(\$1.1 million)	+\$12.4 million	248
E. 4% for CY2022, 3% for CY2023**	+\$14.5 million	(\$6.3 million)	+\$7.2 million	229
F. 4% for 6 mos, 3% for 2 years***	+\$19.5 million	(\$5.2 million)	+\$8.3 million	236
B1. 4% for 2.5 years* Except Los Banos kept at 5%	+\$14.6 million	(\$7.7 million)	+\$5.8 million	231
C1. 3% for 2.5 years* Except Los Banos kept at 5%	+\$19.5 million	(\$5.7 million)	\$7.8 million	236

* 2.5 years = July 1, 2021 through December 31, 2023

** 2 years = January 1, 2022 through December 31, 2023

*** 4% for 6 mos from 7/1/21, then 3% for 2 years through 12/31/23

Average Customer Impact

	Average Monthly Total Bill			Average Monthly Increase
Customer Class	Current 5% Discount	2% Discount		2% Discount
Residential	\$113.30	\$114.76		\$1.46
Small Com	\$372.54	\$377.52		\$4.99
Medium Com	\$4,135.28	\$4,201.58		\$66.31
Large Com	\$47,805.06	\$48,617.21		\$812.16
Industrial	\$123,736.26	\$125,856.70		\$2,120.45

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Regular Agenda

9. Approve Revised Policy 1 on legislative initiatives and adopt PCE legislative platform for CY (Calendar Year) 2021 (Action)

Revisions to Policy 1

Review redline

PCE 2021 Legislative Platform

1. Governance and Authority
2. Decarbonization
3. IOU Charges and Exit Fees (PCIA)
4. Resource Adequacy
5. Environmental Justice
6. Community Resilience
7. Local Economic Development
8. California Energy Market Structure

Regular Agenda

10. Approve Revised Policy 16 Selection of the Chair and Vice Chair and appointment to the Executive Committee and other standing Board Committees (Action)

Regular Agenda

11. Board Members' Reports (Discussion)

Regular Agenda

Adjourn