

**Regular Meeting of the Audit and Finance Committee of the  
Peninsula Clean Energy Authority (PCEA)****AGENDA****Tuesday, October 12, 2021****8:30 a.m.****Zoom Link:** <https://pencleanenergy.zoom.us/j/82172572134>**Meeting ID:** 821-7257-2134 **Passcode:** 2075 **Phone:** +1(253)215-8782**NOTE: Please see attached document for additional detailed teleconference instructions.**

*PCEA shall make every effort to ensure that its video conferenced meetings are accessible to people with disabilities as required by Governor Newsom's March 17, 2020 Executive Order N-29-20. Individuals who need special assistance or a disability-related modification or accommodation to participate in this meeting, or who have a disability and wish to request an alternative format for the meeting materials should contact Nelly Wogberg, Board Clerk, at least 2 working days before the meeting at [nwogberg@peninsulacleanenergy.com](mailto:nwogberg@peninsulacleanenergy.com). Notification in advance of the meeting will enable PCEA to make best efforts to reasonably accommodate accessibility to this meeting and the materials related to it.*

*If you wish to speak to the Audit and Finance Committee, please use the "Raise Your Hand" function in the Zoom platform or press \*6 if you phoned into the meeting. If you have anything that you wish to be distributed to the Audit and Finance Committee and included in the official record, please send to [nwogberg@peninsulacleanenergy.com](mailto:nwogberg@peninsulacleanenergy.com).*

**CALL TO ORDER / ROLL CALL****PUBLIC COMMENT**

*This item is reserved for persons wishing to address the Committee on any PCEA-related matters that are not otherwise on this meeting agenda. Public comments on matters listed on the agenda shall be heard at the time the matter is called. Members of the public who wish to address the Committee are customarily limited to two minutes per speaker. The Committee Chair may increase or decrease the time allotted to each speaker.*

**ACTION TO SET AGENDA and to APPROVE CONSENT AGENDA ITEMS**

1. Approval of the Minutes for the September 29, 2021 Meeting
2. Adopt Findings Pursuant to AB 361 to Continue Fully Teleconferenced Board Meetings Due to Health Risks Posed by In-Person Meetings

**REGULAR AGENDA**

3. Chair Report (Discussion)
4. Staff Report (Discussion)

5. Recommend Board Approval of Revised Spending Plan for the prior Fiscal Year (FY) 2020-2021 to Authorize Operating Expenses in an Amount Not to Exceed \$236,361,472, an Amount that is \$10,719,019 Above the Originally Approved Budget of \$225,642,453. (Action)
6. Recommend Board Approval of the Audited Financial Statements for Fiscal Year (FY) 2020-2021 (Action)
7. Committee Members' Reports (Discussion)

### **ADJOURNMENT**

Public records that relate to any item on the open session agenda are available for public inspection. The records are available at the Peninsula Clean Energy offices or on PCEA's Website at: <https://www.peninsulacleanenergy.com>.

## Instructions for Joining a Zoom Meeting via Computer or Phone

### Best Practices:

- Please mute your microphone when you are not speaking to minimize audio feedback
- If possible, utilize headphones or ear buds to minimize audio feedback
- If participating via videoconference, audio quality is often better if you use the dial-in option (Option 2 below) rather than your computer audio

### Options for Joining

- A. Videoconference with Computer Audio – see Option 1 below
- B. Videoconference with Phone Call Audio– see Option 2 below
- C. Calling in via Telephone/Landline – see Option 3 below

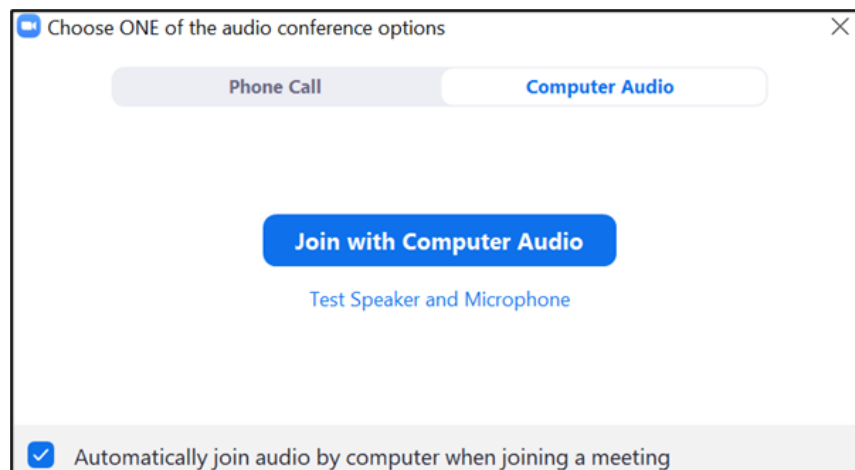
### Videoconference Options:

Prior to the meeting, we recommend that you install the Zoom Meetings application on your computer by clicking here <https://zoom.us/download>.

If you want full capabilities for videoconferencing (audio, video, screensharing) you must download the Zoom application.

### Option 1 Videoconference with Computer Audio:

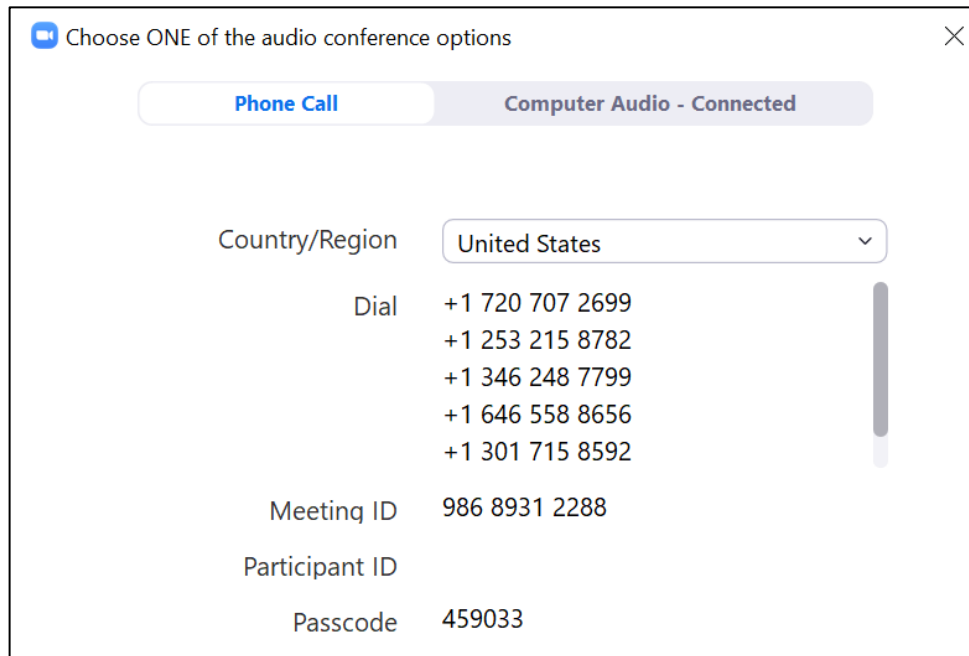
1. From your computer, click on the following link that is also included in the Meeting Calendar Invitation : <https://pencleanenergy.zoom.us/j/82172572134>
2. The Zoom application will open on its own or you will be instructed to open Zoom.
3. After the application opens, the pop-up screen below will appear asking you to choose ONE of the audio conference options. Click on the Computer Audio option at the top of the pop-up screen.



4. Click the blue, "Join with Computer Audio" button.
5. In order to enable video, click on "Start Video" in the bottom left hand corner of the screen. This menu bar is also where you can mute/unmute your audio.

### **Option 2 Videoconference with Phone Call Audio:**

1. From your computer, click on the following link that is also included in the Meeting Calendar Invitation: <https://pencleanenergy.zoom.us/j/82172572134>
2. The Zoom Application will open on its own or you will be instructed to Open Zoom.
3. After the application opens, the pop-up screen below will appear asking you to choose ONE of the audio conference options. Click on the Phone Call option at the top of the pop-up screen.



4. Please dial +1 (669) 900-9128
5. You will be instructed to enter the meeting ID: **821-7257-2134 followed by #**
6. You will be instructed to enter in your participant ID. Your participant ID is unique to you and is what connects your phone number to your Zoom account.
7. After a few seconds, your phone audio should be connected to the Zoom application on your computer.
8. In order to enable video, click on "Start Video" in the bottom left-hand corner of the screen. This menu bar is also where you can mute/unmute your audio.

### **Audio Only Options:**

Please note that if you call in/use the audio only option, you will not be able to see the speakers or any presentation materials in real time.

### **Option 3: Calling in via Telephone/Landline:**

1. Dial +1 (669) 900-9128.
2. You will be instructed to enter the meeting ID: **821-7257-2134 followed by #**.
3. You will be instructed to enter your **Participant ID** followed by #. If you do not have a participant ID or do not know it, you can press # to stay on the line.
4. You will be instructed to enter the meeting passcode **2075 followed by #**.

## **Special Meeting of the Audit and Finance Committee of the Peninsula Clean Energy Authority (PCEA) Minutes**

Wednesday, September 29, 2021  
11:00 a.m.  
Zoom Video Conference and Teleconference

### **CALL TO ORDER**

Meeting was called to order at 11:07 a.m. in virtual teleconference.

### **ROLL CALL**

#### **Participating Remotely:**

Donna Colson, Burlingame  
Laurence May, Hillsborough, *Chair*  
Jeff Aalfs, Portola Valley

John Keener, Director Emeritus  
Pradeep Gupta, Director Emeritus

#### **Absent:**

Carole Groom, San Mateo County  
Carlos Romero, East Palo Alto

#### **Staff:**

Jennifer Stalzer Kraske, Deputy County Counsel  
Marc Hershman, Director of Government Affairs  
Nelly Wogberg, Board Clerk

**A quorum was established.**

### **PUBLIC COMMENT**

None.

### **ACTION TO SET AGENDA**

**MOTION:** Director Aalfs moved, seconded by Director Colson to set the Agenda.

**MOTION PASSED:** 3-0 (Absent: San Mateo County, East Palo Alto)

| <b>JURISDICTION</b> | <b>BOARD MEMBER</b> | <b>YES</b> | <b>NO</b> | <b>ABSTAIN</b> | <b>ABSENT</b> |
|---------------------|---------------------|------------|-----------|----------------|---------------|
| San Mateo County    | Director Groom      |            |           |                | X             |
| Burlingame          | Director Colson     | X          |           |                |               |
| East Palo Alto      | Director Romero     |            |           |                | X             |
| Hillsborough        | Director May        | X          |           |                |               |

|                |                |   |  |  |   |
|----------------|----------------|---|--|--|---|
| Portola Valley | Director Aalfs | X |  |  |   |
|                | Totals         | 3 |  |  | 2 |

## **REGULAR AGENDA**

1. Adopt Findings Pursuant to AB 361 to Continue Fully Teleconferenced Committee Meetings Due to Health Risks Posed by In-Person Meetings (Action)

Jennifer Stalzer-Kraske, Deputy County Counsel, reported on AB 361 and answered Committee Member's questions on the scheduling of this item every 30 days.

**MOTION:** Director Aalfs Moved, Seconded by Director Colson to Adopt the Resolution Finding That, as a Result of the Continuing Covid-19 Pandemic State of Emergency Declared by Governor Newsom, Meeting in Person for Meetings of the Peninsula Clean Energy Audit and Finance Committee Would Present Imminent Risks to the Health or Safety of Attendees.

**MOTION PASSED:** 3-0 (Absent: San Mateo County, East Palo Alto)

| JURISDICTION     | BOARD MEMBER    | YES | NO | ABSTAIN | ABSENT |
|------------------|-----------------|-----|----|---------|--------|
| San Mateo County | Director Groom  |     |    |         | x      |
| Burlingame       | Director Colson | x   |    |         |        |
| East Palo Alto   | Director Romero |     |    |         | x      |
| Hillsborough     | Director May    | x   |    |         |        |
| Portola Valley   | Director Aalfs  | x   |    |         |        |
|                  | Totals          | 3   |    |         | 2      |

## **ADJOURNMENT**

Meeting was adjourned at 11:12 a.m.

**PENINSULA CLEAN ENERGY AUTHORITY  
JPA Board Correspondence**

**DATE:** October 6, 2021  
**COMMITTEE MEETING DATE:** October 12, 2021  
**SPECIAL NOTICE/HEARING:** None  
**VOTE REQUIRED:** Majority Present

**TO:** Honorable Peninsula Clean Energy Authority Audit & Finance  
Committee

**FROM:** Jan Pepper, Chief Executive Officer, Peninsula Clean Energy Authority

**SUBJECT:** Resolution to Make Findings Allowing Continued Remote Meetings  
Under Brown Act

**RECOMMENDATION:**

Adopt a resolution finding that, as a result of the continuing COVID-19 pandemic state of emergency declared by Governor Newsom, meeting in person would present imminent risks to the health or safety of attendees.

**BACKGROUND:**

On June 11, 2021, Governor Newsom issued Executive Order N-08-21, which rescinded his prior Executive Order N-29-20 and set a date of October 1, 2021 for public agencies to transition back to public meetings held in full compliance with the Brown Act. The original Executive Order provided that all provisions of the Brown Act that required the physical presence of members or other personnel as a condition of participation or as a quorum for a public meeting were waived for public health reasons. If these waivers fully sunset on October 1, 2021, legislative bodies subject to the Brown Act would have to contend with a sudden return to full compliance with in-person meeting requirements as they existed prior to March 2020, including the requirement for full physical public access to all teleconference locations from which committee members were participating.

On September 16, 2021, the Governor signed AB 361, a bill that formalizes and modifies the teleconference procedures implemented by California public agencies in response to the Governor's Executive Orders addressing Brown Act compliance during shelter-in-place periods. AB 361 allows a local agency to continue to use teleconferencing under the same basic rules as provided in the Executive Orders when certain circumstances occur or when certain findings have been made and adopted by the local agency.

AB 361 also requires that, if the state of emergency remains active for more than 30 days, the agency must make findings by majority vote every 30 days to continue using the bill's exemption to the Brown Act teleconferencing rules. The findings are to the

effect that the need for teleconferencing persists due to the nature of the ongoing public health emergency and the social distancing recommendations of local public health officials. **Effectively, this means that agencies, including PCEA, must agendaize a Brown Act meeting once every thirty days to make findings regarding the circumstances of the emergency and to vote to continue relying upon the law's provision for teleconference procedures in lieu of in-person meetings.**

AB 361 provides that Brown Act legislative bodies must return to in-person meetings on October 1, 2021, unless they choose to continue with fully teleconferenced meetings because a specific declaration of a state or local health emergency is appropriately made. AB 361 allows for meetings to be conducted virtually *as long as* there is a gubernatorially-proclaimed public emergency in combination with (1) local health official recommendations for social distancing or (2) adopted findings that meeting in person would present risks to health. AB 361 is effective immediately as urgency legislation and will sunset on January 1, 2024.

On September 25, 2021, the Peninsula Clean Energy Board of Directors approved a thirty (30) day extension of remote meetings in accordance with AB 361. Out of an abundance of caution given AB 361's narrative that describes each legislative body's responsibility to reauthorize remote meetings, staff and counsel brings this memo and corresponding resolution to the attention of the Audit and Finance Committee.

On September 29, 2021, the Peninsula Clean Energy Audit & Finance Committee approved a thirty (30) day extension of remote meetings in accordance with AB 361.

**DISCUSSION:**

Because local rates of transmission of COVID-19 are still in the "substantial" tier as measured by the Centers for Disease Control, it is recommended that the Peninsula Clean Energy Audit and Finance Committee avail itself of the provisions of AB 361 allowing continuation of online meetings by adopting findings to the effect that conducting in-person meetings would present an imminent risk to the health and safety of attendees. A resolution to that effect, and directing staff to return each 30 days with the opportunity to renew such findings, is attached hereto.



**RESOLUTION NO. \_\_\_\_\_**

**PENINSULA CLEAN ENERGY AUTHORITY, COUNTY OF SAN MATEO,**

**STATE OF CALIFORNIA**

\* \* \* \* \*

**RESOLUTION FINDING THAT, AS A RESULT OF THE CONTINUING COVID-19  
PANDEMIC STATE OF EMERGENCY DECLARED BY GOVERNOR NEWSOM,  
MEETING IN PERSON FOR MEETINGS OF THE PENINSULA CLEAN ENERGY  
AUDIT AND FINANCE COMMITTEE WOULD PRESENT IMMINENT RISKS TO THE  
HEALTH OR SAFETY OF ATTENDEES**

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**WHEREAS**, on March 4, 2020, the Governor proclaimed pursuant to his authority under the California Emergency Services Act, California Government Code section 8625, that a state of emergency exists with regard to a novel coronavirus (a disease now known as COVID-19); and

**WHEREAS**, on June 4, 2021, the Governor clarified that the “reopening” of California on June 15, 2021 did not include any change to the proclaimed state of emergency or the powers exercised thereunder, and as of the date of this Resolution, neither the Governor nor the Legislature have exercised their respective powers pursuant to California Government Code section 8629 to lift the state of emergency either by proclamation or by concurrent resolution in the state Legislature; and

**WHEREAS**, on March 17, 2020, Governor Newsom issued Executive Order N-29-20 that suspended the teleconferencing rules set forth in the California Open Meeting law, Government Code section 54950 et seq. (the “Brown Act”), provided certain requirements were met and followed; and

**WHEREAS**, on September 16, 2021, Governor Newsom signed AB 361 that provides that a legislative body subject to the Brown Act may continue to meet without fully complying with the teleconferencing rules in the Brown Act provided the legislative body determines that meeting in person would present imminent risks to the health or safety of attendees, and further requires that certain findings be made by the legislative body every thirty (30) days; and,

**WHEREAS**, California Department of Public Health (“CDPH”) and the federal Centers for Disease Control and Prevention (“CDC”) caution that the Delta variant of COVID-19, currently the dominant strain of COVID-19 in the country, is more transmissible than prior variants of the virus, may cause more severe illness, and that even fully vaccinated individuals can spread the virus to others resulting in rapid and alarming rates of COVID-19 cases and hospitalizations (<https://www.cdc.gov/coronavirus/2019-ncov/variants/delta-variant.html>); and,

**WHEREAS**, the CDC has established a “Community Transmission” metric with 4 tiers designed to reflect a community’s COVID-19 case rate and percent positivity; and,

**WHEREAS**, the County of San Mateo currently has a Community Transmission metric of “substantial” which is the second most serious of the tiers, and;

**WHEREAS**, the Committee has an important governmental interest in protecting the health, safety and welfare of those who participate in its meetings;

**WHEREAS**, on September 25, 2021, the Peninsula Clean Energy Board of Directors approved a thirty (30) day extension of remote meetings in accordance with

AB 361. Out of an abundance of caution given AB 361's narrative that describes each legislative body's responsibility to reauthorize remote meetings, staff and counsel bring this resolution to the attention of the Audit and Finance Committee, and;

**WHEREAS**, on September 29, 2021, the Peninsula Clean Audit and Finance Committee approved a thirty (30) day extension of remote meetings in accordance with AB 361, and;

**WHEREAS**, in the interest of public health and safety, as affected by the emergency caused by the spread of COVID-19, the Committee deems it necessary to find that meeting in person would present imminent risks to the health or safety of attendees, and thus intends to invoke the provisions of AB 361 related to teleconferencing.

**NOW, THEREFORE, IT IS HEREBY DETERMINED AND ORDERED** that

1. The recitals set forth above are true and correct.
2. The Committee finds that meeting in person would present imminent risks to the health or safety of attendees.
3. Staff is directed to return no later than thirty (30) days after the adoption of this resolution with an item for the Committee to consider making the findings required by AB 361 in order to continue meeting under its provisions.
4. Staff is directed to take such other necessary or appropriate actions to implement the intent and purposes of this resolution.

\* \* \* \* \*



**PENINSULA CLEAN ENERGY  
JPA Board Correspondence**

**DATE:** October 12, 2021  
**COMMITTEE MEETING DATE:** October 12, 2021  
**SPECIAL NOTICE/HEARING:** None  
**VOTE REQUIRED:** Majority Vote

**TO:** Honorable Peninsula Clean Energy Authority Audit and Finance  
Committee  
**FROM:** Andy Stern, Chief Financial Officer  
**SUBJECT:** Revised Spending Budget for FY2020-2021

**RECOMMENDATION:**

Recommend Approval by the Board of Directors of the revised spending budget for the prior fiscal year 2020-2021 to authorize total spending on Operating Expenses in an amount not to exceed \$236,361,472, an amount that is \$10,719,019 above the originally approved budget of \$225,642,453

**BACKGROUND:**

As of the end of June 2021, PCE's financial statements show spending relative to the budget that was approved by the Board in June 2020. Final financial results show that total operating expenses of \$236,361,472 exceeds the approved budget of \$225,642,453 by \$10,719,019.

The Board approved the Budget by authorizing a total expense amount. Year-end results show that only one category exceeded the expected level – Cost of Energy. Reasons for the overage of that category have been discussed with the Audit and Finance Committee throughout the fiscal year. However, in summary, it was mostly the result of energy costs and climate effects (i.e. smoke and fires) in the first fiscal quarter from July 1, 2020 through September 30, 2020.

**DISCUSSION:**

Per standard government budget management practice as it relates to Budget administration, Board approval represents an authorization to spend. Due to the overage in total operating expense spending, Staff is seeking official Board approval to increase spending.

|                                 | FY 2021            |   | FY 2021                         |  | Variance                                       |
|---------------------------------|--------------------|---|---------------------------------|--|--|
|                                 | Approved Budget    |   | YTD Actual through<br>June 2021 |  | Forecast \$ vs.<br>FY20/21 Budget<br>Fav/(Unf) |
| <b>OPERATING EXPENSES</b>       |                    |   |                                 |  |  |
| Cost of electricity             | 197,445,054        |   | 213,833,820                     |  | (16,388,766)                                   |
| Personnel                       | 6,236,981          | ✓ | 5,637,451                       |  | 599,530  |
| Data Manager                    | 3,420,000          |   | 3,384,564                       |  | 35,436   |
| Service Fees - PG&E             | 1,260,000          |   | 1,254,565                       |  | 5,435  |
| Professional Services           | 3,068,340          | ✓ | 1,995,013                       |  | 1,073,327                                      |
| Legal                           | 1,708,230          | ✓ | 1,371,676                       |  | 336,554  |
| Marketing and Noticing          | 2,873,350          | ✓ | 1,416,816                       |  | 1,456,534                                      |
| General and Administrative      | 1,947,282          | ✓ | 1,654,264                       |  | 293,018  |
| Community Energy Programs       | 7,550,000          | ✓ | 5,722,363                       |  | 1,827,637                                      |
| Depreciation                    | 133,216            |   | 90,940                          |  | 42,276   |
| <b>Total Operating Expenses</b> | <b>225,642,453</b> |   | <b>236,361,472</b>              |  | <b>(10,719,019)</b>                            |

**FISCAL IMPACT:**

No fiscal impact as the requested approval is to increase authorized spending for a period that has already passed. Actual spending for the year already ended will not change.

PENINSULA CLEAN ENERGY AUTHORITY, COUNTY OF SAN MATEO, STATE OF  
CALIFORNIA

\* \* \* \* \*

RESOLUTION RECOMMENDING BOARD APPROVAL OF REVISED SPENDING  
PLAN FOR THE PRIOR FISCAL YEAR 2020-2021 TO AUTHORIZE OPERATING  
EXPENSES IN AN AMOUNT NOT TO EXCEED \$236,361,472, AN AMOUNT THAT IS  
\$10,719,019 ABOVE THE ORIGINALLY APPROVED BUDGET OF \$225,642,453

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**RESOLVED**, by the Audit and Finance Committee of Peninsula Clean Energy  
Authority (PCE) of the County of San Mateo, State of California, that

**WHEREAS**, PCE was formed on February 29, 2016; and

**WHEREAS**, the Audit and Finance Committee, at its meeting on June 8, 2020,  
recommended approval of the FY2020-2021 budget by the Board of PCE; and

**WHEREAS**, the Board of PCE approved the full year FY2020-2021 budget at its  
meeting on June 25, 2020; and

**WHEREAS**, the Audit and Finance Committee of PCE reviewed preliminary  
financial results for the FY2020-2021 year at its meeting on August 9, 2021 showing  
detailed variances by major category detailed financial statements through the end of  
the year ending June 30, 2021 with variances compared to budget; and

**WHEREAS**, it is expected that the final, audited level of Total Operating Expenses is expected to be \$236,361,472, approximately \$10.7 million above the overall original, approved budgeted level of \$225,642,453; and

**WHEREAS**, PCE desires to document that the actual spending level for the Fiscal Year 2020-2021 was authorized; and

**WHEREAS**, approving an increase in the approved spending for the fiscal year which has already ended will have no additional impact on the financial position of PCE.

**NOW, THEREFORE, IT IS HEREBY RESOLVED** that the Audit and Finance Committee recommend that the Board approve a revised spending budget for FY2020-2021 to authorize total spending on Operating Expenses in an amount not to exceed \$236,361,472, an amount that is \$10,719,019 above the originally approved budget of \$225,642,453.

\* \* \* \* \*





**PENINSULA CLEAN ENERGY  
JPA Board Correspondence**

**DATE:** October 12, 2021  
**BOARD MEETING DATE:** October 12, 2021  
**SPECIAL NOTICE/HEARING:** None  
**VOTE REQUIRED:** None

**TO:** Honorable Peninsula Clean Energy Authority Audit and Finance Committee

**FROM:** Andy Stern, Chief Financial Officer, Peninsula Clean Energy

**SUBJECT:** Recommend Approval by the Board of Directors of the Audited Financial Statements for Fiscal Year 2020-2021 (Action)

**RECOMMENDATION:**

Recommend Approval by the Board of Directors of the Audited Financial Statements for Fiscal Year 2020-2021.

**BACKGROUND:**

The financial statements for Fiscal Year 2020-2021 have been prepared by PCE management and audited by the independent auditor Pisenti & Brinker. The audit work began in July 2021 and the financial statements are ready for the Audit and Finance Committee's review. Upon recommendation of approval of these statements, these will be presented to the Board of Directors for their final approval.

**FISCAL IMPACT:**

No fiscal impact

**STRATEGIC PLAN:**

The annual independent financial audit supports the following objectives in Peninsula Clean Energy's strategic plan:

- Priority B: Implement financial controls and policies that meet or exceed best practices for leading not-for-profit organizations

**Handouts**

- A. Draft Audited Financial Statements for Fiscal Year 2020-2021

PENINSULA CLEAN ENERGY AUTHORITY, COUNTY OF SAN MATEO, STATE OF  
CALIFORNIA

\* \* \* \* \*

RESOLUTION RECOMMENDING APPROVAL BY THE BOARD OF DIRECTORS OF  
THE AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2020-2021

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**RESOLVED**, by the Audit and Finance Committee of Peninsula Clean Energy Authority (PCEA) of the County of San Mateo, State of California, that

**WHEREAS**, Pisenti & Brinker, LLP, certified public accountants and advisors, were selected as independent auditors to audit PCEA's financials for the fiscal years ending June 30, 2018, June 30, 2019, June 30, 2020 and June 30, 2021; and

**WHEREAS**, Pisenti & Brinker, LLP conducted the fieldwork to audit the financial statements for the fiscal year ending June 30, 2021; and

**WHEREAS**, Pisenti & Brinker, LLP presented the draft audited financial statements to the Audit and Finance Committee of PCEA with a clean opinion.

**NOW, THEREFORE, IT IS HEREBY RESOLVED** that the Audit and Finance Committee recommends that the PCEA Board of Directors approve the audited financial statements for Fiscal Year 2020-2021.

\* \* \* \* \*

FINANCIAL STATEMENTS  
FISCAL YEARS ENDED JUNE 30, 2021 AND 2020  
WITH REPORT OF  
INDEPENDENT AUDITORS



**PENINSULA**  
**CLEAN ENERGY**

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**PENINSULA CLEAN ENERGY AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2021 AND 2020**

The Management's Discussion and Analysis provides an overview of Peninsula Clean Energy Authority's financial activities as of and for the years ended June 30, 2021, and 2020. The information presented here should be considered in conjunction with the audited financial statements.

**BACKGROUND**

The formation of Peninsula Clean Energy was made possible in 2002 by the passage of California Assembly Bill 117, enabling communities to purchase power on behalf of their residents and businesses and creating competition in power generation.

Peninsula Clean Energy was created as a California Joint Powers Authority (JPA) on February 29, 2016. Peninsula Clean Energy was established to provide electric power at competitive cost as well as to provide other benefits within San Mateo County, including reducing greenhouse gas emissions related to the use of power, procuring energy with a priority on the use and development of local renewable resources, stimulating local job creation through various programs and development, promoting personal and community ownership of renewable resources, as well as promoting long-term electric rate stability and energy reliability for residents and businesses.

Peninsula Clean Energy currently serves twenty-one jurisdictions in San Mateo County including each of the twenty cities and towns that make up San Mateo County (Atherton, Belmont, Brisbane, Burlingame, Colma, Daly City, East Palo Alto, Foster City, Half Moon Bay, Hillsborough, Menlo Park, Millbrae, Pacifica, Portola Valley, Redwood City, San Bruno, San Carlos, San Mateo, South San Francisco, and Woodside) in addition to the unincorporated areas of San Mateo County. Peninsula Clean Energy is governed by twenty-three board members, with a representative from each of the twenty cities and towns of San Mateo County, two board members representing the unincorporated areas of San Mateo County, and one board member representing the City of Los Banos. Peninsula Clean Energy's Board of Directors has the rights and powers to set rates for the services it furnishes, incur indebtedness, and issue bonds or other obligations. Peninsula Clean Energy is responsible for the acquisition of electric power for its service area.

**PENINSULA CLEAN ENERGY AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2021 AND 2020**

**Financial Reporting**

Peninsula Clean Energy presents its financial statements as an enterprise fund under the economic resources measurement focus and the accrual basis of accounting, in accordance with Generally Accepted Accounting Principles (GAAP) for proprietary funds, as prescribed by the Governmental Accounting Standards Board (GASB).

**Contents of this report**

This report is divided into the following sections:

- Management discussion and analysis.
- The basic financial statements:
  - The *Statements of Net Position* include all of Peninsula Clean Energy's assets, liabilities, and net position and provides information about the nature and amount of resources and obligations at a specific point in time.
  - The *Statements of Revenues, Expenses, and Changes in Net Position* report all of Peninsula Clean Energy's revenue and expenses for the years shown.
  - The *Statements of Cash Flows* report the cash provided and used by operating activities, as well as other sources and uses, such as capital asset acquisitions and investment.
  - Notes to the Basic Financial Statements, which provide additional details and information related to the basic financial statements.



**PENINSULA CLEAN ENERGY AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2021 AND 2020**

**FINANCIAL HIGHLIGHTS**

The following table is a summary of Peninsula Clean Energy's assets, liabilities, and net position and a discussion of significant changes during the years ending June 30:

|                                    | <b>2021</b>          | <b>2020</b>          | <b>2019</b>          |
|------------------------------------|----------------------|----------------------|----------------------|
| Current assets                     |                      |                      |                      |
| Cash and cash equivalents          | \$ 11,704,409        | \$ 16,051,116        | \$ 48,873,644        |
| Investments                        | 16,672,184           | 81,408,338           | 65,195,764           |
| Other current assets               | 45,556,431           | 74,461,769           | 58,204,377           |
| Total current assets               | <u>73,933,024</u>    | <u>171,921,223</u>   | <u>172,273,785</u>   |
| Noncurrent assets                  |                      |                      |                      |
| Capital assets, net                | 343,640              | 427,683              | 335,445              |
| Investments                        | 137,275,212          | 80,169,968           | -                    |
| Other noncurrent assets            | 248,976              | 134,840              | 135,355              |
| Total noncurrent assets            | <u>137,867,828</u>   | <u>80,732,491</u>    | <u>470,800</u>       |
| Total assets                       | <u>211,800,852</u>   | <u>252,653,714</u>   | <u>172,744,585</u>   |
| Current liabilities                | 29,408,881           | 61,988,549           | 31,048,989           |
| Noncurrent liabilities             | 1,593,433            | 1,593,433            | 1,556,468            |
| Total liabilities                  | <u>31,002,314</u>    | <u>63,581,982</u>    | <u>32,605,457</u>    |
| Net position                       |                      |                      |                      |
| Investment in capital assets       | 343,640              | 427,683              | 335,445              |
| Restricted for security collateral | 4,449,194            | 5,618,194            | 13,165,799           |
| Unrestricted                       | 176,005,704          | 183,025,855          | 126,637,884          |
| Total net position                 | <u>\$180,798,538</u> | <u>\$189,071,732</u> | <u>\$140,139,128</u> |

**Current assets**

Current assets were approximately \$73,933,000 at the end of 2021 and were mostly comprised of cash and equivalents of \$11,704,000, accounts receivable of \$18,410,000, investments of \$16,672,000, accrued revenue of \$10,955,000, and restricted cash of \$4,449,000. The \$16,672,000 in current investments at the end of 2021 marked a significant drop from \$81,408,000 categorized as current at the end of 2020. While Peninsula Clean Energy did draw on a portion of its investments to cover operating costs, the primary reason for this change was an investment strategy change to invest in more investments with a maturity longer than one year that are accounted for as noncurrent assets. Another major cause of the decrease in current assets from 2020 to 2021 was the return of a \$26,800,000 supplier deposit during 2021.

**PENINSULA CLEAN ENERGY AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2021 AND 2020**

**Capital assets**

Capital assets are reported net of depreciation. Each year, the change is mostly due to leasehold improvements at Peninsula Clean Energy's office, the acquisition of furniture and equipment less depreciation expense. Peninsula Clean Energy does not own assets used for electricity generation or distribution.

**Investments - noncurrent**

During 2021, Peninsula Clean Energy increased its investments with maturities of over one year. These investments are valued at \$137,275,000 and are reported as noncurrent assets in the Statement of Net Position. See Note 5 of the financial statements for further discussion regarding investments.

**Other noncurrent assets**

Other noncurrent assets held fairly stable from 2020 to 2021. This account consists of various deposits for regulatory and other operating purposes expected to be held longer than a year. Included are deposit postings with the California Public Utilities Commission (CPUC), rent deposits, and collateral held by Peninsula Clean Energy from energy suppliers.

**Current liabilities**

Current liabilities consist mostly of the cost of electricity delivered to customers that is not yet due to be paid by Peninsula Clean Energy and deposits with energy suppliers. During 2020, Peninsula Clean Energy received a \$26,800,000 deposit from an energy supplier that was held as collateral until the supplier satisfied specified performance obligations. Peninsula Clean Energy returned the deposit to the supplier in 2021, which accounts for the majority of the reduction in current liabilities. Other components of current liabilities include trade accounts payable, taxes and surcharges due to governments, and various other accrued liabilities.

**Noncurrent liabilities**

Various contracts entered into by Peninsula Clean Energy require the supplier to provide Peninsula Clean Energy with a security deposit. These deposits will be returned by Peninsula Clean Energy at the completion of the related contract or as other milestones are met. There were no changes in 2021 as compared to 2020.

**PENINSULA CLEAN ENERGY AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2021 AND 2020**

The following table is a summary of Peninsula Clean Energy's results of operations and a discussion of significant changes for years ending June 30:

|                             | <b>2021</b>    | <b>2020</b>    | <b>2019</b>    |
|-----------------------------|----------------|----------------|----------------|
| Operating revenues          | \$ 228,101,324 | \$ 278,092,535 | \$ 259,781,823 |
| Investment and other income | 76,452         | 2,268,796      | 2,074,258      |
| Total income                | 228,177,776    | 280,361,331    | 261,856,081    |
| Operating expenses          | 236,311,470    | 231,337,227    | 206,912,110    |
| Charitable contributions    | 50,000         | -              | -              |
| Finance costs               | 89,500         | 91,500         | 170,333        |
| Total expenses              | 236,450,970    | 231,428,727    | 207,082,443    |
| Change in net position      | \$ (8,273,194) | \$ 48,932,604  | \$ 54,773,638  |

### **Operating revenues**

Peninsula Clean Energy's operating revenues are derived from the sale of electricity to commercial and residential customers throughout its territory. Peninsula Clean Energy reports its revenue net of an allowance for uncollectible accounts. In February 2021, Peninsula Clean Energy implemented a rate reduction across all customer classes in order to provide its customers relief from increased fees associated with the Power Charge Indifference Adjustment (PCIA) and to maintain a competitive advantage in the marketplace. This rate reduction corresponded directly with a large drop in revenue from 2020 to 2021. In order to compensate for this revenue shortfall, Peninsula Clean Energy has been able to draw on its reserve funds.

Investment income decreased as a result of a reduction of market interest rates.

### **Operating expenses**

Peninsula Clean Energy's largest expense each year was the purchase of electricity delivered to retail customers. Peninsula Clean Energy procures energy from a variety of sources and focuses on maintaining a balanced renewable power portfolio at competitive costs. Certain electricity costs increased from 2020 to 2021 while the volume of energy purchased from 2020 to 2021 experienced a small decrease. The ending result was a relatively stable overall cost in electricity from 2020 to 2021. Expenses for staff compensation, contract services, and other general and administrative expenses increased each year as the organization continued to grow to support its business demands. In particular, certain incentives and rebates paid out to customers for transportation and electrification programs increased from 2020 to 2021 as the related programs came to maturity. The cost increase in this category is reported with general and administration expenses.

**PENINSULA CLEAN ENERGY AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2021 AND 2020**

**ECONOMIC OUTLOOK**

In December 2017, Peninsula Clean Energy published its first Integrated Resource Plan (IRP), which outlines the procurement strategy to fulfill the State's regulatory mandates, while also accelerating the State's decarbonization goals. The IRP describes Peninsula Clean Energy's approach to mitigating risk by diversifying its power portfolio through contract term length, project ownership, location, technology, size, and additionality (increasing "steel in the ground").

Peninsula Clean Energy is developing energy programs to reduce greenhouse gas emission from transportation. Incentives are offered for used electric vehicles to reduce the costs of these vehicles for residents and to increase the number of electric vehicle charging stations. Peninsula Clean Energy has also approved and funded grants for community pilots to advance Peninsula Clean Energy's mission to reduce greenhouse gas emissions, support Peninsula Clean Energy's workforce policy and serve a high number of Peninsula Clean Energy customers.

On October 22, 2020, the Board approved a resolution adding the City of Los Banos as a member of Peninsula Clean Energy. Peninsula Clean Energy plans to start servicing electricity to the customers of Los Banos on April 1, 2022.

In March 2020, like many other businesses and economies, Peninsula Clean Energy's business was impacted by the effects of COVID-19. Those effects included an overall electricity load reduction, and resulting lower revenues, as a result of reduced economic activity and changed customer use patterns.

**REQUEST FOR INFORMATION**

This financial report is designed to provide Peninsula Clean Energy's customers and creditors with a general overview of the organization's finances and to demonstrate Peninsula Clean Energy's accountability for the funds under its stewardship.

Please address any questions about this report or requests for additional financial information to 2075 Woodside Road, Redwood City, CA 94061.

Respectfully submitted,

Janis Pepper, Chief Executive Officer

## **BASIC FINANCIAL STATEMENTS**

**PENINSULA CLEAN ENERGY AUTHORITY**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2021 AND 2020**

|   | <u>2021</u>           | <u>2020</u>           |
|---|-----------------------|-----------------------|
| <b>ASSETS</b>   |                       |                       |
| Current assets  |                       |                       |
| Cash and cash equivalents                                 | \$ 11,704,409         | \$ 16,051,116         |
| Accounts receivable, net of allowance                     | 18,409,996            | 22,908,592            |
| Accrued revenue   | 10,955,011            | 13,741,725            |
| Investments   | 16,672,184            | 81,408,338            |
| Other receivables   | 4,389,125             | 1,735,534             |
| Prepaid expenses  | 3,571,212             | 3,689,358             |
| Deposits  | 3,781,893             | -                     |
| Restricted cash   | 4,449,194             | 32,386,560            |
| Total current assets                                      | <u>73,933,024</u>     | <u>171,921,223</u>    |
| Noncurrent assets   |                       |                       |
| Capital assets, net of depreciation                       | 343,640               | 427,683               |
| Investments   | 137,275,212           | 80,169,968            |
| Deposits and other assets                                 | 248,976               | 134,840               |
| Total noncurrent assets                                   | <u>137,867,828</u>    | <u>80,732,491</u>     |
| Total assets  | <u>211,800,852</u>    | <u>252,653,714</u>    |
| <b>LIABILITIES</b>  |                       |                       |
| Current liabilities                                       |                       |                       |
| Accrued cost of electricity                               | 23,574,255            | 28,835,532            |
| Accounts payable  | 1,247,108             | 1,209,764             |
| Other accrued liabilities                                 | 1,103,134             | 2,064,351             |
| User taxes and energy surcharges due to other governments | 748,987               | 857,389               |
| Supplier deposits - energy suppliers                      | 2,735,397             | 29,021,513            |
| Total current liabilities                                 | <u>29,408,881</u>     | <u>61,988,549</u>     |
| Noncurrent liabilities                                    |                       |                       |
| Supplier deposits - energy suppliers                      | 1,593,433             | 1,593,433             |
| Total liabilities   | <u>31,002,314</u>     | <u>63,581,982</u>     |
| <b>NET POSITION</b>                                       |                       |                       |
| Investment in capital assets                              | 343,640               | 427,683               |
| Restricted for security collateral                        | 4,449,194             | 5,618,194             |
| Unrestricted  | 176,005,704           | 183,025,855           |
| Total net position  | <u>\$ 180,798,538</u> | <u>\$ 189,071,732</u> |

**PENINSULA CLEAN ENERGY AUTHORITY  
STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
YEARS ENDED JUNE 30, 2021 AND 2020**

|   | <b>2021</b>           | <b>2020</b>           |
|---|-----------------------|-----------------------|
| <b>OPERATING REVENUES</b>               |                       |                       |
| Electricity sales, net                  | \$ 225,451,521        | \$ 275,534,022        |
| Green electricity premium               | 2,649,803             | 2,558,513             |
| Total operating revenues                | <u>228,101,324</u>    | <u>278,092,535</u>    |
| <b>OPERATING EXPENSES</b>               |                       |                       |
| Cost of electricity                     | 213,833,819           | 216,065,641           |
| Contract services                       | 10,531,713            | 8,819,490             |
| Staff compensation                      | 5,637,450             | 4,522,471             |
| General and administration              | 6,217,548             | 1,836,501             |
| Depreciation                            | 90,940                | 93,124                |
| Total operating expenses                | <u>236,311,470</u>    | <u>231,337,227</u>    |
| Operating income (loss)                 | <u>(8,210,146)</u>    | <u>46,755,308</u>     |
| <b>NONOPERATING REVENUES (EXPENSES)</b> |                       |                       |
| Miscellaneous income                    | 35,636                | 2,511                 |
| Interest and investment income          | 40,816                | 2,266,285             |
| Charitable contributions                | (50,000)              | -                     |
| Finance costs                           | (89,500)              | (91,500)              |
| Nonoperating revenues (expenses), net   | <u>(63,048)</u>       | <u>2,177,296</u>      |
| <b>CHANGE IN NET POSITION</b>           | (8,273,194)           | 48,932,604            |
| Net position at beginning of year       | 189,071,732           | 140,139,128           |
| Net position at end of year             | <u>\$ 180,798,538</u> | <u>\$ 189,071,732</u> |

**PENINSULA CLEAN ENERGY AUTHORITY**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

|   | <u>2021</u>          | <u>2020</u>          |
|---|----------------------|----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                     |                      |                      |
| Receipts from customers   | \$ 239,450,678       | \$ 286,315,796       |
| Receipts from supplier security deposits                        | 4,974,578            | 27,156,416           |
| Payments to suppliers for electricity                           | (258,110,256)        | (212,273,709)        |
| Payments for other goods and services                           | (16,537,928)         | (10,906,287)         |
| Payments for staff compensation                                 | (5,460,310)          | (4,382,683)          |
| Payments of taxes and surcharges to other governments           | (4,136,810)          | (4,652,257)          |
| Payments of charitable contributions                            | (50,000)             | -                    |
| Net cash provided (used) by operating activities                | <u>(39,870,048)</u>  | <u>81,257,276</u>    |
| <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>         |                      |                      |
| Finance costs paid  | <u>(89,500)</u>      | <u>(91,500)</u>      |
| Net cash (used) by non-capital financing activities             | <u>(89,500)</u>      | <u>(91,500)</u>      |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b> |                      |                      |
| Payments to acquire capital assets                              | <u>(22,061)</u>      | <u>(211,215)</u>     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                     |                      |                      |
| Proceeds from investment sales                                  | 140,659,234          | 190,855,243          |
| Investment income received                                      | 1,828,256            | 2,116,407            |
| Purchase of investments   | <u>(134,789,954)</u> | <u>(287,527,978)</u> |
| Net cash provided (used) by investing activities                | <u>7,697,536</u>     | <u>(94,556,328)</u>  |
| Net change in cash and cash equivalents                         | (32,284,073)         | (13,601,767)         |
| Cash and cash equivalents at beginning of year                  | 48,437,676           | 62,039,443           |
| Cash and cash equivalents at end of year                        | <u>\$ 16,153,603</u> | <u>\$ 48,437,676</u> |
| Reconciliation to the Statement of Net Position                 |                      |                      |
| Cash and cash equivalents (unrestricted)                        | \$ 11,704,409        | \$ 16,051,116        |
| Restricted cash   | 4,449,194            | 32,386,560           |
| Cash and cash equivalents                                       | <u>\$ 16,153,603</u> | <u>\$ 48,437,676</u> |



**PENINSULA CLEAN ENERGY AUTHORITY  
STATEMENTS OF CASH FLOWS (CONTINUED)  
YEARS ENDED JUNE 30, 2021 AND 2020**

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

|  | <u>2021</u>            | <u>2020</u>          |
|--|------------------------|----------------------|
| Operating income (loss)  | \$ (8,210,146)         | \$ 46,755,308        |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities |                        |                      |
| Depreciation expense   | 90,940                 | 93,124               |
| Revenue adjusted for allowance for uncollectible accounts  | 996,988                | 177,235              |
| Nonoperating miscellaneous income  | 35,636                 | 2,511                |
| Charitable contributions considered an operating activity for cash flow purposes only                | (50,000)               | -                    |
| (Increase) decrease in:  |                        |                      |
| Accounts receivable  | 3,501,608              | 976,046              |
| Accrued revenue  | 2,786,714              | 2,419,696            |
| Other receivables  | (2,679,401)            | (1,065,367)          |
| Prepaid expenses   | 118,146                | 620,260              |
| Deposits   | (3,896,029)            | 276,085              |
| Increase (decrease) in:  |                        |                      |
| Accrued cost of electricity  | (5,261,283)            | 4,406,575            |
| Accounts payable   | 52,514                 | 187,209              |
| Other accrued liabilities  | (961,217)              | 1,675,587            |
| User taxes and energy surcharges due to other governments  | (108,402)              | (4,484)              |
| Supplier security deposits   | (26,286,116)           | 24,737,491           |
| Net cash provided (used) by operating activities   | <u>\$ (39,870,048)</u> | <u>\$ 81,257,276</u> |

**PENINSULA CLEAN ENERGY AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

**1. REPORTING ENTITY**

Peninsula Clean Energy is a joint powers authority created on February 29, 2016. As of June 30, 2021, parties to its Joint Powers Agreement consist of the following local governments.

| <u>County</u> | <u>Cities and Towns</u> |                     |
|---------------|-------------------------|---------------------|
| San Mateo     | Atherton                | Menlo Park          |
|               | Belmont                 | Millbrae            |
|               | Brisbane                | Pacifica            |
|               | Burlingame              | Portola Valley      |
|               | Colma                   | Redwood City        |
|               | Daly City               | San Bruno           |
|               | East Palo Alto          | San Carlos          |
|               | Foster City             | San Mateo           |
|               | Half Moon Bay           | South San Francisco |
|               | Hillsborough            | Woodside            |
|               | Los Banos               |                     |

Peninsula Clean Energy is separate from and derives no financial support from its members. Peninsula Clean Energy is governed by a Board of Directors whose membership is composed of elected officials representing the member governments.

A core function of Peninsula Clean Energy is to provide electric service that includes renewable sources, and it operates as a Community Choice Aggregation Program subject to California Public Utilities Code Section 366.2.

Peninsula Clean Energy began its energy delivery operations in October 2016. Electricity is acquired from electricity suppliers and delivered through existing physical infrastructure and equipment managed by Pacific Gas and Electric Company.

**PENINSULA CLEAN ENERGY AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2021 AND 2020**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF ACCOUNTING**

Peninsula Clean Energy's financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements.

Peninsula Clean Energy's operations are accounted for as a governmental enterprise fund and are reported using the economic resources measurement focus and the accrual basis of accounting – similar to business enterprises. Accordingly, revenues are recognized when they are earned, and expenses are recognized at the time liabilities are incurred. Enterprise fund-type operating statements present increases (revenues) and decreases (expenses) in total net position. Reported net position is segregated into three categories – investment in capital assets, restricted and unrestricted.

When both restricted and unrestricted resources are available for use, it is Peninsula Clean Energy's policy to use restricted resources first, then unrestricted resources as they are needed.

**CASH AND CASH EQUIVALENTS**

For purposes of the Statements of Cash Flows, Peninsula Clean Energy defines cash and cash equivalents to include cash on hand, demand deposits and short-term investments with an original maturity of three months or less. For the purpose of the Statements of Net Position, restricted cash balances are presented separately. Restricted cash reported on the Statements of Net Position includes collateral for letters of credit, deposits from energy suppliers, as well as a required minimum balance to be maintained in one of Peninsula Clean Energy's bank accounts.

**PREPAID EXPENSES AND DEPOSITS**

Contracts to purchase energy may require Peninsula Clean Energy to provide the supplier with advanced payments or security deposits. Deposits are generally held for the term of the contract and are classified as current or noncurrent assets depending on the length of time the deposits will be outstanding. Also included are prepaid expenses and deposits for regulatory and other operating purposes.

**CAPITAL ASSETS AND DEPRECIATION**

Peninsula Clean Energy's policy is to capitalize furniture and equipment valued over \$5,000 that is expected to be in service for over one year. Depreciation is computed according to the straight-line method over estimated useful lives of three years for electronic equipment, seven years for furniture and ten years for leasehold improvements. Peninsula Clean Energy does not own any electric generation assets.

**PENINSULA CLEAN ENERGY AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2021 AND 2020**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**SUPPLIER DEPOSITS – ENERGY SUPPLIERS**

Various energy contracts entered into by Peninsula Clean Energy require the supplier to provide Peninsula Clean Energy with a security deposit. These deposits are generally held for the term of the contract or until the completion of certain benchmarks. Deposits are classified as current or noncurrent depending on the length of the time the deposits will be held.

**NET POSITION**

Net position is presented in the following components:

*Investment in capital assets:* This component of net position consists of capital assets, net of accumulated depreciation and reduced by outstanding borrowings that are attributable to the acquisition, construction, or improvement of those assets. Peninsula Clean Energy did not have any such outstanding borrowings as of June 30, 2021 and 2020.

*Restricted:* This component of net position consists of constraints placed on net asset use through external creditor constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

*Unrestricted:* This component of net position consists of net position that does not meet the definition of “investment in capital assets” or “restricted”.

**OPERATING AND NON-OPERATING REVENUES**

Operating revenues include revenue derived from the provision of energy to retail and wholesale customers. Many of Peninsula Clean Energy’s retail customers have opted to purchase a 100% renewable electricity product and pay a \$.01 per kilowatt hour premium. Revenues derived from this premium are reported throughout these financial statements as “Green electricity premium.”

Investment income is considered “non-operating revenue.”

**REVENUE RECOGNITION**

Peninsula Clean Energy recognizes revenue on the accrual basis. This includes invoices issued to customers during the reporting period and electricity estimated to have been delivered but not yet billed. Management estimates that a portion of the billed amounts will be uncollectible. Accordingly, an allowance for uncollectible accounts has been recorded.

**PENINSULA CLEAN ENERGY AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**OPERATING AND NONOPERATING EXPENSES**

Operating expenses include the costs of electricity and services, administrative expenses, and depreciation on capital assets. Expenses not meeting this definition are reported as nonoperating expenses.

**ELECTRICAL POWER PURCHASED**

During the normal course of business, Peninsula Clean Energy purchases electrical power from numerous suppliers. Electricity costs include the cost of energy and capacity arising from bilateral contracts with energy suppliers as well as generation credits, and load and other charges arising from Peninsula Clean Energy's participation in the California Independent System Operator's centralized market. The cost of electricity and capacity is recognized as "Cost of Electricity" in the Statements of Revenues, Expenses and Changes in Net Position.

To comply with the State of California's Renewable Portfolio Standards (RPS) and self-imposed benchmarks, Peninsula Clean Energy acquires RPS eligible renewable energy evidenced by Renewable Energy Certificates (Certificates) recognized by the Western Renewable Energy Generation Information System (WREGIS). Peninsula Clean Energy obtains Certificates with the intent to retire them and does not sell or build surpluses of Certificates with a profit motive. Peninsula Clean Energy recognizes an expense on a monthly basis that corresponds to the volume sold to its customers for its various renewable and carbon free products. This expense recognition increases accrued cost of electricity reported on the Statements of Net Position. Payments made to suppliers reduce accrued cost of electricity.

Peninsula Clean Energy purchases capacity commitments from qualifying generators to comply with the California Public Utilities Commission's Resource Adequacy Program. The goals of the Resource Adequacy Program are to provide sufficient resources to the California Independent System Operator to ensure the safe and reliable operation of the grid in real-time and to provide appropriate incentives for the siting and construction of new resources needed for reliability in the future.

**STAFFING COSTS**

Peninsula Clean Energy fully pays employees semi-monthly and fully pays its obligation for health benefits and contributions to its defined contribution retirement plan each month. Peninsula Clean Energy is not obligated to provide post-employment healthcare or other fringe benefits and, accordingly, no related liability is recorded in these financial statements. Peninsula Clean Energy provides compensated time off, and the related liability is recorded in these financial statements.

**PENINSULA CLEAN ENERGY AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2021 AND 2020**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**INCOME TAXES**

Peninsula Clean Energy is a joint powers authority under the provision of the California Government Code and is not subject to federal or state income or franchise taxes.

**ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**RECLASSIFICATIONS**

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation of the current-year financial statements. These reclassifications did not result in any change in previously reported net position or change in net position.

**3. CASH AND CASH EQUIVALENTS**

Peninsula Clean Energy maintains its cash in both interest-bearing and non-interest-bearing deposit accounts in several banks. Peninsula Clean Energy's deposits are subject to California Government Code Section 16521 which requires banks to collateralize public funds in excess of the Federal Deposit Insurance Corporation limit of \$250,000 by 110%. Peninsula Clean Energy classifies certain short-term investments with original maturities of less than three months as cash and cash equivalents which are not subject to the collateral requirement or FDIC coverage previously mentioned. Accordingly, the amount of risk is not disclosed. Peninsula Clean Energy monitors its risk exposure on an ongoing basis.

At the end of each year, Peninsula Clean Energy had restricted cash that was held as collateral for letters of credit posted by Peninsula Clean Energy and for supplier security deposits received by Peninsula Clean Energy.

**PENINSULA CLEAN ENERGY AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

**4. ACCOUNTS RECEIVABLE**

Accounts receivable were as follows as of June 30:

|                                      | <u><b>2021</b></u>  | <u><b>2020</b></u>  |
|--------------------------------------|---------------------|---------------------|
| Accounts receivable from customers   | \$20,372,167        | \$23,873,775        |
| Allowance for uncollectible accounts | (1,962,171)         | (965,183)           |
| Net accounts receivable              | <u>\$18,409,996</u> | <u>\$22,908,592</u> |

The majority of account collections occur within the first few months following customer invoicing. Peninsula Clean Energy estimates that a portion of the billed accounts will not be collected. Peninsula Clean Energy continues collection efforts on accounts in excess of *de minimis* balances regardless of the age of the account. Although collection success generally decreases with the age of the receivable, Peninsula Clean Energy continues to have success in collecting older accounts. The allowance for uncollectible accounts at the end of a period includes amounts billed during the current and prior fiscal years. Peninsula Clean Energy expects lower than historical average collections success due to the economic impacts of Covid-19 and have increased the allowance for uncollectible accounts accordingly. During fiscal year 2021 Peninsula Clean Energy wrote off and provided an allowance for a combined approximately \$3,000,000 in accounts receivable.

**5. INVESTMENTS**

During the years ended June 30, 2021, and 2020, Peninsula Clean Energy purchased investments with original maturities of three months or more. As of the year end, the fair value of investments were as follows:

|                                | <u><b>2021</b></u>    | <u><b>2020</b></u>   |
|--------------------------------|-----------------------|----------------------|
| <b>Current Investments:</b>    |                       |                      |
| U.S. Treasury Securities       | \$ 16,567,184         | \$ 56,235,021        |
| Corporate bonds                | 105,000               | 25,173,317           |
| Total current investments      | <u>\$ 16,672,184</u>  | <u>\$ 81,408,338</u> |
|                                |                       |                      |
|                                | <u><b>2021</b></u>    | <u><b>2020</b></u>   |
| <b>Noncurrent Investments:</b> |                       |                      |
| U.S. Treasury Securities       | \$ 95,313,500         | \$ 63,515,713        |
| Corporate bonds                | 34,917,691            | 16,546,997           |
| Municipal bonds                | 7,044,021             | 107,258              |
| Total noncurrent investments   | <u>\$ 137,275,212</u> | <u>\$ 80,169,968</u> |

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**5. INVESTMENTS (continued)**

**FAIR VALUE MEASUREMENT**

GASB Statement No. 72, *Fair Value Measurement and Application*, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, Level 3 inputs are significant unobservable inputs.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. Peninsula Clean Energy's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

As of June 30, 2021 and 2020, Peninsula Clean Energy's investments are considered Level 1 inputs.

**CUSTODIAL CREDIT RISK**

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, Peninsula Clean Energy would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in Peninsula Clean Energy's name, and held by the counterparty.

**INTEREST RATE RISK**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed income portfolio to changes in interest rates. It is calculated as the weighted average time to receive a bond's coupon and principal payments. The longer the duration of a portfolio, the greater its price sensitivity to changes in interest rates. Peninsula Clean Energy manages its exposure to declines in fair values by limiting the weighted average maturity of its investments.

| <b>Investment type</b>      | <b>Fair value</b>     | <b>Investment maturities</b> |                       |
|-----------------------------|-----------------------|------------------------------|-----------------------|
|                             |                       | <b>Less than 1 year</b>      | <b>1-5 years</b>      |
| U.S. Treasury Securities    | \$ 111,880,684        | \$ 16,567,184                | \$ 95,313,500         |
| Corporate bonds             | 34,917,691            | -                            | 34,917,691            |
| State and local obligations | 7,149,021             | 105,000                      | 7,044,021             |
|                             | <u>\$ 153,947,396</u> | <u>\$ 16,672,184</u>         | <u>\$ 137,275,212</u> |



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**6. CAPITAL ASSETS**

Capital asset activity for the years ended June 30, 2021, and 2020, was as follows:

|                           | <b>Furniture &amp;<br/>Equipment</b> | <b>Leasehold<br/>Improvements</b> | <b>Accumulated<br/>Depreciation</b> | <b>Total</b>      |
|---------------------------|--------------------------------------|-----------------------------------|-------------------------------------|-------------------|
| Balances at June 30, 2019 | \$ 364,550                           | \$ 104,669                        | \$ (133,774)                        | \$ 335,445        |
| Additions                 | 75,134                               | 108,564                           | (91,460)                            | 92,238            |
| Balances at June 30, 2020 | 439,684                              | 213,233                           | (225,234)                           | 427,683           |
| Additions                 | 6,897                                | -                                 | (90,940)                            | (84,043)          |
| Balances at June 30, 2021 | <u>\$ 446,581</u>                    | <u>\$ 213,233</u>                 | <u>\$ (316,174)</u>                 | <u>\$ 343,640</u> |

**7. DEBT**

During the fiscal year 2021, Peninsula Clean Energy had an available bank line of credit in the amount of \$12,000,000 to provide additional liquidity for operations, as needed. There is no collateral requirement related to the line of credit and Peninsula Clean Energy did not draw any funds against it. Amounts drawn from the line of credit are charged interest at one-month LIBOR plus 3.1%. Peninsula Clean Energy terminated this line of credit as of June 30, 2021.

**8. DEFINED CONTRIBUTION RETIREMENT PLAN**

Peninsula Clean Energy provides retirement benefits through the County of San Mateo 401(a) Retirement Plan (Plan). The Plan is a defined contribution (IRC 401(a)) retirement plan established to provide benefits at retirement to employees of certain qualified employers admitted by the Plan. The Plan is administered by the Massachusetts Mutual Life Insurance Company. As of June 30, 2021, there were 30 plan members. Peninsula Clean Energy is required to contribute 6% of annual covered payroll and up to an additional 4% of annual covered payroll to match employee contributions. Peninsula Clean Energy contributed \$395,000 and \$332,000 during the years ended June 30, 2021 and 2020, respectively. Plan provisions and contribution requirements are established and may be amended by the Board of Directors.

**PENINSULA CLEAN ENERGY AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**9. RISK MANAGEMENT**

Peninsula Clean Energy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and errors and omissions. During the year, Peninsula Clean Energy purchased insurance policies from investment-grade commercial carriers to mitigate risks that include those associated with earthquakes, theft, general liability, errors and omissions, and property damage. Settled claims have not exceeded coverage in the last two years. There were no significant reductions in coverage compared to the prior year. Peninsula Clean Energy has general liability coverage of \$2,000,000 as well as a \$10,000,000 umbrella policy. Deductibles on the various policies range from \$0 to \$25,000. From time to time, Peninsula Clean Energy may be party to various pending claims and legal proceedings. Peninsula Clean Energy has no current litigation or claims pending that are expected to have a material adverse effect on Peninsula Clean Energy's financial position or results of operations.

Peninsula Clean Energy maintains risk management policies, procedures and systems that help mitigate credit, liquidity, market, operating, regulatory and other risks that arise from participation in the California energy market. Credit guidelines include a preference for transacting with investment-grade counterparties, evaluating counterparties' financial condition and assigning credit limits as applicable. These credit limits are established based on risk and return considerations under terms customarily available in the industry. In addition, Peninsula Clean Energy enters into netting arrangements whenever possible and where appropriate obtains collateral and other performance assurances from counter parties.

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**10. PURCHASE COMMITMENTS**

In the ordinary course of business, Peninsula Clean Energy enters into various power purchase agreements in order to acquire renewable and other energy and electric capacity. The price and volume of purchased power may be fixed or variable. Variable pricing is generally based on the market price of either natural gas or electricity at the date of delivery. Variable volume is generally associated with contracts to purchase energy from as-available resources such as solar, wind, and hydro-electric facilities.

The following table details the obligations to purchase existing energy, renewable, and resource adequacy (RA) contracts as of June 30, 2021:

| <b>Year ending June 30,</b> |                               |
|-----------------------------|-------------------------------|
| 2022                        | \$ 194,000,000                |
| 2023                        | 173,000,000                   |
| 2024                        | 127,000,000                   |
| 2025                        | 95,000,000                    |
| 2026                        | 86,000,000                    |
| 2027-47                     | 713,000,000                   |
| Total                       | <u><u>\$1,388,000,000</u></u> |

As of June 30, 2021, Peninsula Clean Energy had outstanding non-cancelable commitments to professional service providers through June 2024, for services yet to be performed. Fees associated with these contracts are based on volumetric activity and are expected to be approximately \$10.1 million.

**PENINSULA CLEAN ENERGY AUTHORITY**  
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**11. OPERATING LEASE**

On August 1, 2017 Peninsula Clean Energy entered into an 86-month non-cancelable lease for its office premises. The rental agreement includes an option to renew the lease for two additional five-year terms. In September 2019, the lease was extended an additional two years to September 30, 2026. As part of the extension, Peninsula Clean Energy leased additional office space through the same termination date.

Rental expense under this lease was \$512,000 and \$428,000 for the years ended June 30, 2021 and 2020, respectively,

As of June 30, 2021, future minimum lease payments under this lease were projected as follows:

**Year ending June 30,**

|       |                     |
|-------|---------------------|
| 2022  | \$ 516,000          |
| 2023  | 531,000             |
| 2024  | 547,000             |
| 2025  | 564,000             |
| 2026  | 581,000             |
| 2027  | 148,000             |
| Total | <u>\$ 2,887,000</u> |

**12. FUTURE GASB PRONOUNCEMENTS**

The requirements of the following GASB Statements are effective for years ending after June 30, 2021:

GASB has approved GASB Statement No. 87, *Leases*, GASB 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, GASB 96, *Subscription-Based Information Technology Arrangements*; and GASB No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. When they become effective, application of these standards may restate portions of these financial statements.