

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

Monday, June 13, 2022
8:30 a.m.
Zoom Video Conference and Teleconference

CALL TO ORDER

Meeting was called to order at 8:32 a.m. in virtual teleconference.

ROLL CALL

Participating Remotely:

Donna Colson, Burlingame
Carlos Romero, East Palo Alto
Laurence May, Hillsborough, *Chair*

John Keener, Director Emeritus
Pradeep Gupta, Director Emeritus

Absent: Jeff Aalfs, Portola Valley

A quorum was established.

PUBLIC COMMENT

None

ACTION TO SET AGENDA AND TO APPROVE CONSENT AGENDA ITEMS

MOTION: Director Colson moved, seconded by Director Romero to set the Agenda and approve Agenda Item Number 1.

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

MOTION PASSED: 3-0 (Absent: Portola Valley)

JURISDICTION	BOARD MEMBER	YES	NO	ABSTAIN	ABSENT
Burlingame	Director Colson	X			
East Palo Alto	Director Romero	X			
Hillsborough	Director May	X			
Portola Valley	Director Aalfs				X
	Totals	3			1

MOTION: Director Romero moved, seconded by Chair May to set the Agenda and approve Agenda Item Number 2.

2. Approval of the Minutes for the May 9, 2022 Meeting

MOTION PASSED: 3-0 (Absent: Portola Valley)

JURISDICTION	BOARD MEMBER	YES	NO	ABSTAIN	ABSENT
Burlingame	Director Colson	X			
East Palo Alto	Director Romero	X			
Hillsborough	Director May	X			
Portola Valley	Director Aalfs				X
	Totals	3			1

REGULAR AGENDA

3. Chair Report

None

4. Staff Report

None

5. Recommend Approval of Fiscal Year 2022-2023 Budget (Action)

Andy Stern, Chief Financial Officer, gave a presentation of the final draft of the Fiscal Year 2022-2023 Budget including key assumptions, PG&E and Power Charge Indifference Adjustment rate change summary, and a budget summary and 5-year plan.

Vice Chair Colson asked for clarification on the contingency reserves. Andy explained that contingency reserves are not shown as a line item on the summary page because it is embedded in the Cost of Energy line.

Chair May asked about the relative performance of Peninsula Clean Energy's investment portfolio. Director Colson suggested that investment portfolios should be viewed with a three to five year time horizon and not changed as a reaction to the market. Chair May suggested making the advisor aware of goals that were set 2.5 years ago. Andy added that the investment managers will be making a presentation at the August Audit and Finance Committee meeting.

Vice Chair Colson asked if the contingency reserves in the Cost of Energy line could only be used for cost of energy. Andy explained that Board approval would be required if the overall changes exceeded those approved in the proposed Resolution.

Director Colson asked how Peninsula Clean Energy's 8% operating margin compared to other Community Choice Aggregations (CCAs). Andy reported that he has not seen the budgets of other CCAs but that many CCAs would see dramatic changes in their financial outlooks, especially those with rates tied to PG&E.

Director Romero suggested a follow-up conversation with the Board on how to handle the \$74 million change in net position. Director Colson added that some markers may need to be added to days cash on hand to signify if actions need to be taken.

MOTION: Director Romero moved, seconded by Director Colson to recommend approval of the Fiscal Year 2022-2023 Budget.

MOTION PASSED: 3-0 (Absent: Portola Valley)

JURISDICTION	BOARD MEMBER	YES	NO	ABSTAIN	ABSENT
Burlingame	Director Colson	X			
East Palo Alto	Director Romero	X			
Hillsborough	Director May	X			
Portola Valley	Director Aalfs				1
Totals		3			

6. Overview of Stochastic Modeling to Evaluate and Measures Risk to Cost of Energy (Discussion) (Continued from May 09, 2022 Meeting)

Mehdi Shahriari, Senior Renewable Energy Analyst, continued a presentation from the May 9, 2022 Audit and Finance Committee Meeting detailing the Stochastic Analysis, background, examples of hourly simulation, cost of energy and load.

Director Emeritus Gupta asked if the serial correlation between hours was considered. Mehdi explained that yes, this was taken into account and that the stochastic simulation considers temperature in forecasting the load.

Director Emeritus Keener asked for clarification on the Price-Load Correlation graphs. Mehdi explained that the differing y-axis is due to pricing differences between August and December.

Vice Chair Colson asked if this type of modeling should be used as the basis from which to put the contingency in. Andy Stern, Chief Financial Officer, explained that this would make sense as currently the contingency number is arbitrarily made up and it would make sense to get this analysis in advance of the budgeting cycle. Director Romero asked how the arbitrary contingency number compared to what this model put out. Mehdi explained the difference was between \$254 million and \$245 million. Andy explained that this is approximately \$10 million in contingency and the budget used \$15 million.

Director Romero asked if this would have helped to address the issue of the Power Change Indifference Adjustment (PCIA). Andy explained that there is some aspect of how energy costs effect the PCIA.

7. Overview of Government Solar Business Models (Discussion)

Rafael Reyes, Director of Energy Programs, and Dave Fribush, Local Power Manager Contractor, gave a presentation with an overview of the Local Government Solar and Storage Program including a program overview, projects in the portfolio, the general deal structure, key customers PPA contract terms, basic financials, procurement models and tax structure as well as key next steps.

Director Romero asked if Peninsula Clean Energy would be liable for providing power at a particular guaranteed rate. Dave explained that the production guarantee would come from the EPC firm and Peninsula Clean Energy would pass that along.

Chair May asked how Peninsula Clean Energy's labor goals are being addressed. Dave explained that the guidelines are coming from San Mateo County as well as Peninsula Clean Energy and that key one would be prevailing wage as well as any standard requirements in normal RFPs, and that the procurement requirements exist in either procurement model.

Dave explained that this project has been thoroughly vetted by Peninsula Clean Energy's legal team, an external law firm, and an ITC Federal Tax Specialist. Rafael added that other Community Choice Aggregators including East Bay Community Energy and Cal Choice are also considering a plan similar to this.

Vice Chair Colson asked about California state laws regarding net energy metering for this situation. Jan Pepper, CEO, explained that the California Public Utilities Commission put out a controversial proposed decision, and that Peninsula Clean Energy is currently in the process of providing comments on a portion of their proposal. Jan predicts that the earliest NEM 3.0 might be adopted is September or October, but that others believe it may be postponed until November.

Director Romero asked a series of questions including: if this type of deal structure had been used before, what is the legal structure of the deal, what does the back end of the tax credit period look like, what is Peninsula Clean Energy's role in the partnership, have there been any CCA's that have entered a deal like this yet? Jan Pepper suggested setting up a separate meeting to discuss these detailed questions.

8. Committee Members' Reports

None

ADJOURNMENT

Meeting was adjourned at 10:19 a.m.