Executive Committee Meeting

August 8, 2022

Agenda

- Call to Order / Roll Call
- Public Comment (for items not on the Agenda)
- Action to set the Agenda and Approve Consent Items
    - Public Comment
- Regular Agenda
- Committee Members Reports
- Adjourn

Chair Report

Item 3

CEO Report

Item 4

Staffing Updates

Many successful recruitments!

- CFO – Kristina Alagar Cordero started on July 25
- Director of Human Resources – Cora Dino starting on August 15
- Power Resources Manager – Jeff Wright starting on August 31
- Renewable Energy Analyst – Moya Enright starting on September 1
- Electric Vehicle Associate Programs Manager – Joe Ficalora starting on August 22
- Regulatory Compliance Analyst – Zsuzsanna Klara starting on September 12

Open Positions:

- Director of Power Resources
- Strategic Accounts Manager

Proposed Agenda for September Board of Directors Retreat

Executive Committee Meeting

August 8, 2022

September 22 Board Retreat – 5:30 to 9:30 pm

- Consent Agenda (5 min)
- DEAI Policy Adoption (30 min)
- Strategic Plan Dashboard Update (25 min)
  - Break (5 min)
- Update and Discussion on 100% renewable on 24/7 basis by 2025 (75 min)
  - Break (5 min)
- Update and Discussion on 2035 Decarbonization Plan (75 min)

PENINSULA CLEAN ENERGY

EV Ready – EV Charging Program

Executive Committee Meeting

August 8, 2022

EV Ready Program Overview

Overview

- $28M+ for EV charging infrastructure
- Targeting 3,500 ports installed by 2024
- Launched Sept. 2020
- Co-funding partnership with state program (CALeVIP)
- Progress to-date: 241

Technical Assistance ($2M)

PCE Incentives ($4M)

CALeVIP ($12M CEC + $8M PCE)

Workforce Development ($1M)

Key Elements

- Outreach, free technical assistance and incentives
- Workplace, multi-unit dwellings, public
- Advanced designs reduces costs, increases ports
- Network of contractors

Challenges

- Progress towards goal is very slow
- Last completed installation with network contractor: January 28th
- Three major challenges
  - Supply chain and inflation: raising costs
  - Low contractor engagement: few or new bids per project
  - Major delays with CALeVIP (state incentive program PCE co-funds)

Program Updates

Challenge	Program Updates
Rising Costs	Adjust incentives to account for rising costs of labor and materials.
Contractor Engagement	Increase flexibility for sites to use the contractor of their choice plus increased recruitment of diverse contractor pool.
CALeVIP delays	PCE will assume direct administration of $4 million in remaining PCE funds that were to be administered by CALeVIP administrator, Center for Sustainable Energy. Incentive levels will be aligned.

Timeline

- August
  - Program design refinement – updated incentives and eligibility
  - Document and systems updates
  - Contractor recruitment
  - Soft-launch to public agencies for projects, including unfunded projects formerly planned for CALeVIP incentives
- September
  - General communications on program updates including to workplaces, charging vendors, and other property owners

PENINSULA CLEAN ENERGY

Public Facilities Solar + Storage Update

Executive Committee Meeting

August 8, 2022

Program Overview

Summary: Accelerate local renewable energy deployment at local government facilities

Objectives

- Local solar and storage towards PCE’s goal of 20 MW by 2025
- Reduce customer energy costs; insulate against rise in PG&E rates
- Help local governments achieve sustainability goals
- Develop a reproducible program and new service model

Pilot Portfolio: 2.0 MW

Agency	Site(s)	Size (kW)	Status
Atherton	Town Hall	113.5	Approved
Belmont	Belmont City Hall	88.5	Approved
Brisbane	Brisbane Mission Blue Center	11	Approved
Colma	Colma Community Center	61.5	Approved
San Mateo County	HSA Building	126	Approved
Hillsborough	Hillsborough Public Works Yard	41.8	Approved
Los Banos	Community Center, Waste Water Treatment Plant	152 287	Approved
Millbrae	Millbrae Rec Center	155	Approved
Millbrae	Millbrae Chetcuti Complex	412	Approved
Pacifica	Pacifica Community Center	77	Approved
Redwood City	Fair Oaks Community Center	89	Approved
San Bruno	Aquatics Center	271.8	Approved
San Carlos	San Carlos Youth Center	30	Approved
San Mateo	San Mateo Police Building	170	Approved

RFP Update

- RFP for construction services plus optional PPA
- Issued June 20, 2022
- Deadline for proposals was August 1
- Multiple bids received, under review

Financial Structure

Capital

- Installation can be financed, but with interest
- PCE capital may reduce cost of capital

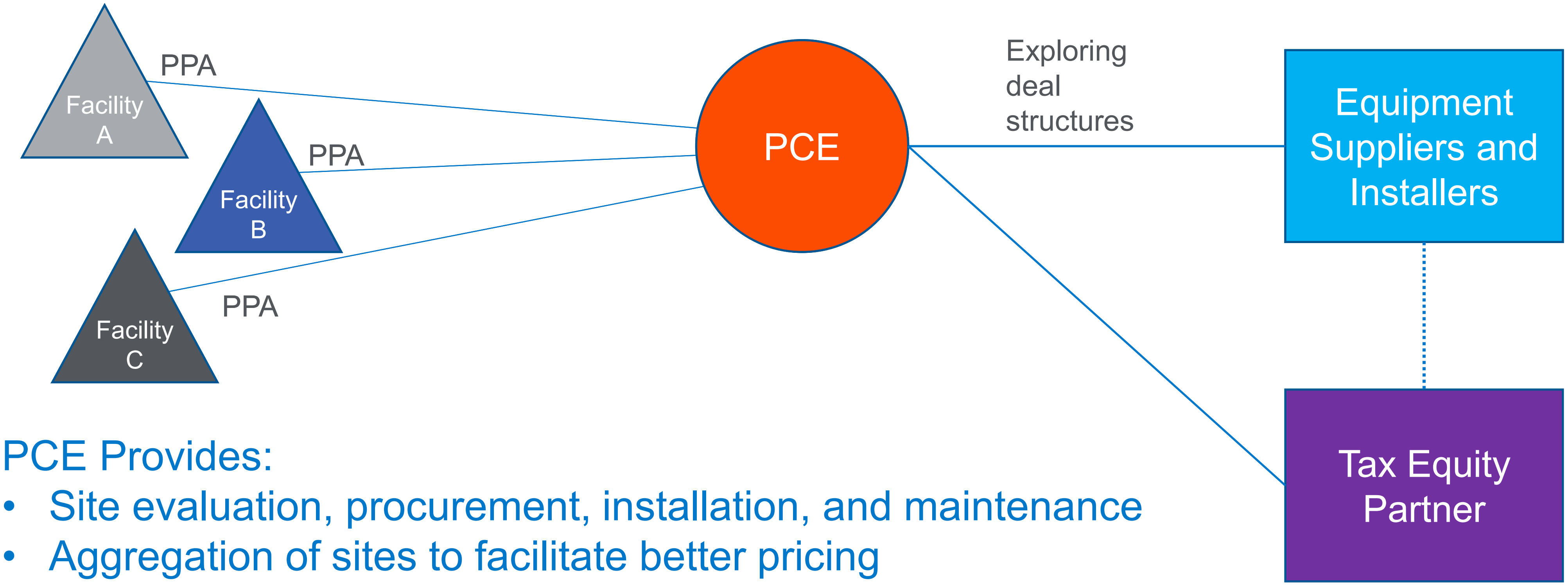
Tax Credit

- Federal Investment Tax Credit (ITC) + depreciation can reduce costs about one-third
- Currently requires tax liability to secure, however this is likely to change with “Direct Pay”
- PCE is tax-exempt so tax equity partnerships have been explored to capture share of tax benefits

Options being considered

1. Tax credit and finance secured together with a developer PPA (“all in” model)
2. PCE provides capital, secures tax credit with tax equity partner, contracts for install only
3. PCE provides capital, secures tax credit with federal “Direct Pay”, contracts for install only

Recap: General Deal Structure

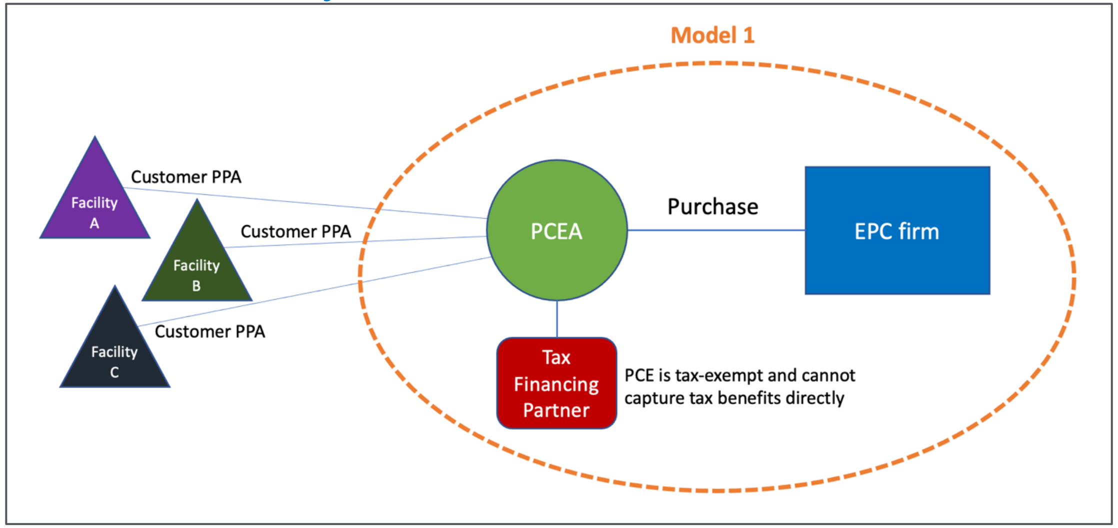


PCE Provides:

- Site evaluation, procurement, installation, and maintenance
- Aggregation of sites to facilitate better pricing
- Screen, select, and contract with reputable installers
- PPA to at a $/kWh that is lower than utility rate

Recap: Model 1 vs Model 2

Model 1: PCE works with Tax Equity Partner (TEP) directly. Procures via EPC from RFP



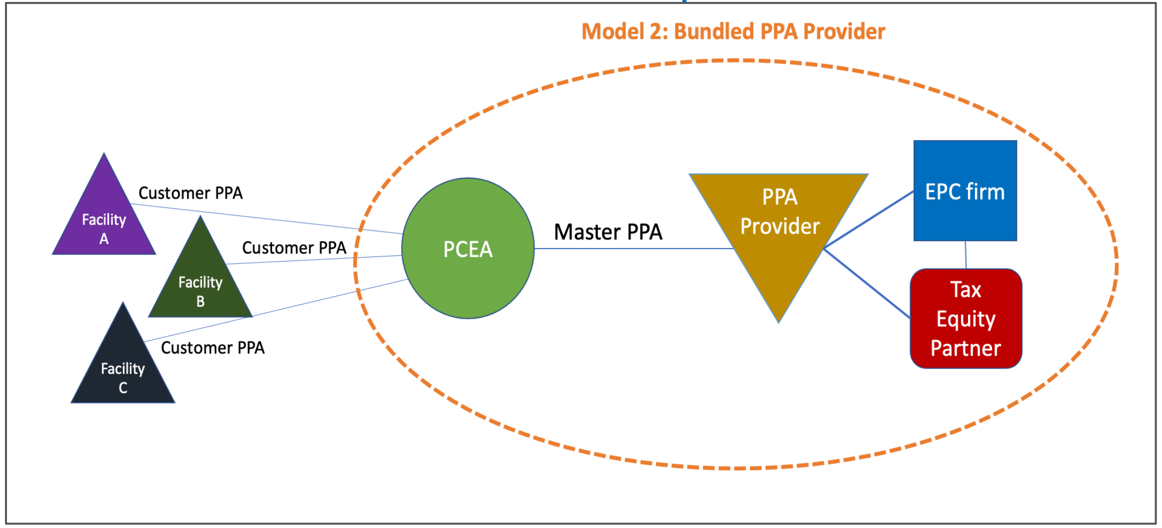
Advantages:

- Potentially better pricing
- Potentially wider vendor pool for installation contractors
- Utilize PCE's low-cost capital
- More control

Disadvantages

- Complex
- More liability management

Model 2: PCE procures via Master PPA from RFP, akin to wholesale procurements



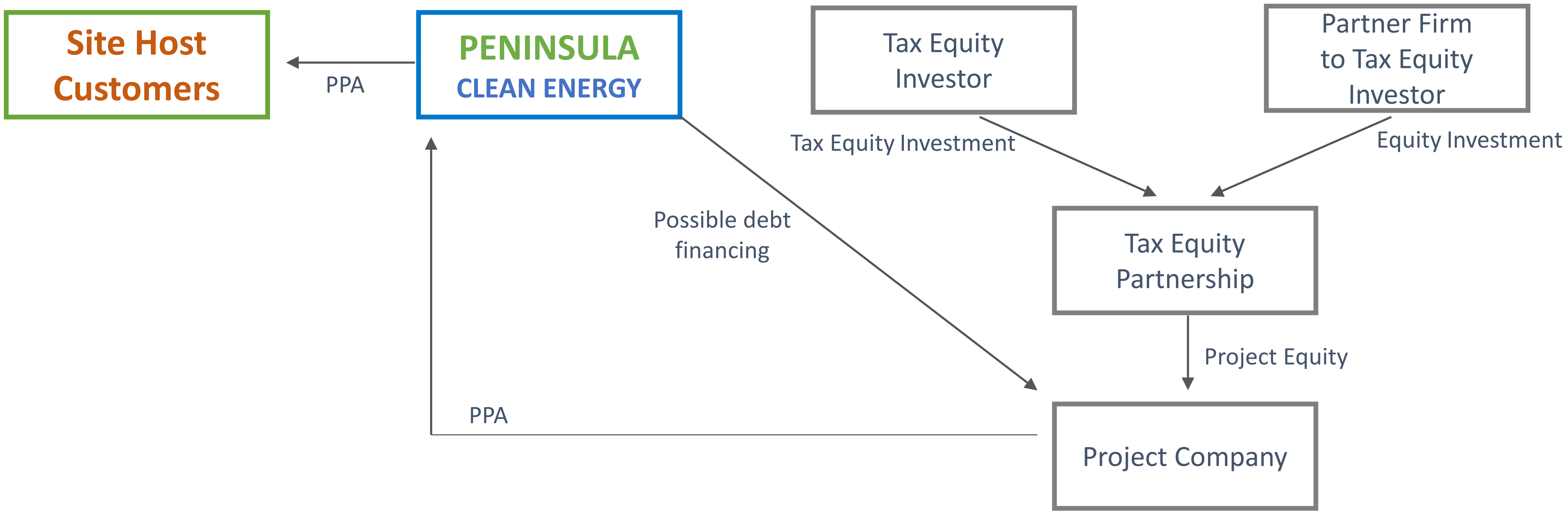
Advantages:

- Simpler for PCE
- Lower direct risk PCE

Disadvantages

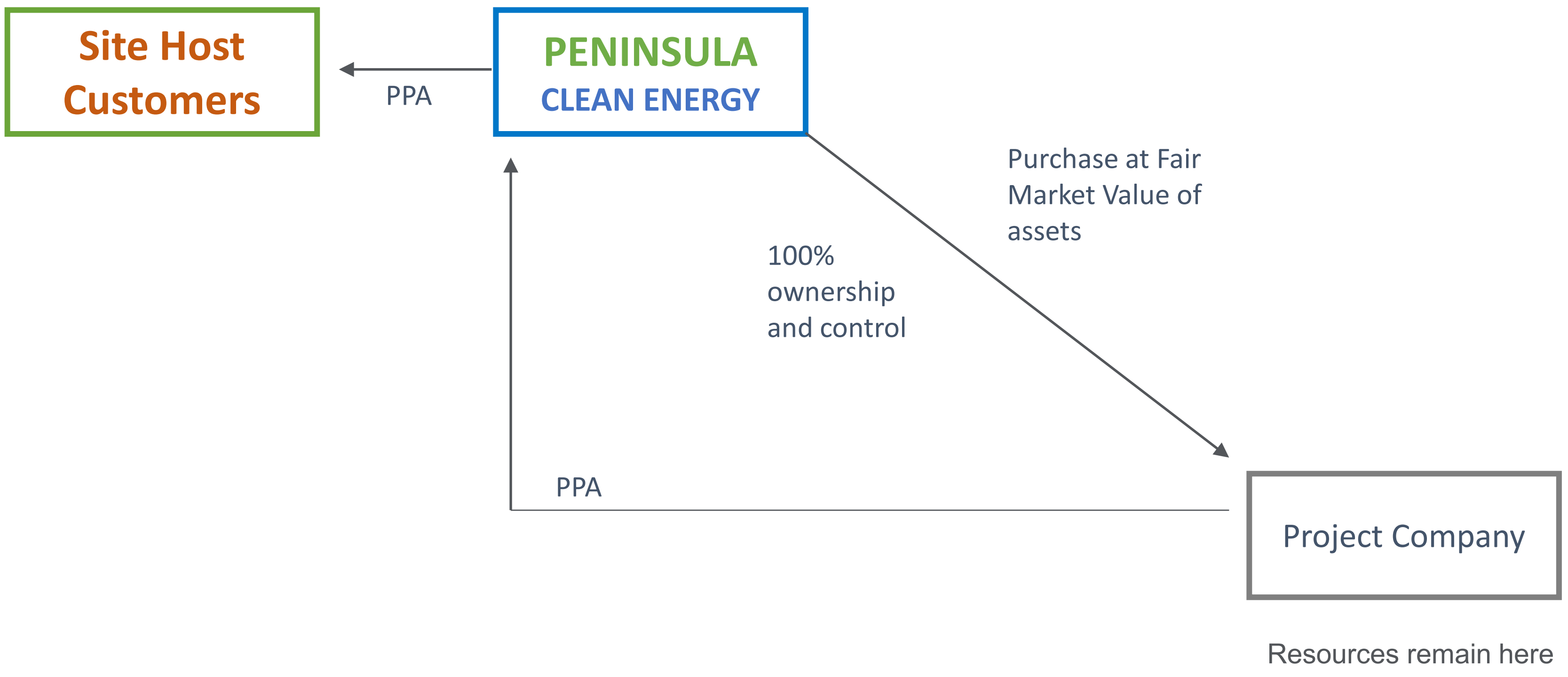
- Likely higher cost
- Probably doesn't fully leverage value of PCE's project development work
- Limits pool of potential bidders
- Less control – projects become a bit of a black box once we hand off to PPA provider

Partnership Flip Structure (Years 1 – 5)



Deal Structure Following Tax Equity Period (Years 6 – 20)

- After Tax Equity value captured (end of year 5), the other parties exit



Federal Policy: Status

- Inflation Reduction Act includes $369 billion in clean energy & climate provisions
- Passed by the Senate Aug 7th
- Near-certain passage in the House, likely this week
- Significantly improves the financials and reduces complexity for government solar projects

Inflation Reduction Act: ITC & Direct Pay

- Increases Investment Tax Credit (ITC) to 30% (from 26%) for projects with prevailing wage

- Establishes "Direct Pay" ITC which allows government agencies to directly monetize credits without intermediaries
  - But does not include depreciation value

- Removes need for complex tax equity partnership structure

- PCE could directly own systems without project company

- Evaluation of implications is not complete

Pending with Cities: Customer PPAs

- Goal is standard customer PPA for all cities. Pricing, which will vary by site, will be provided later
- Draft of contract with Terms and Conditions was circulated to all cities for review. Currently 7 of 13 jurisdictions have provided comments.
- Reviewing comments and attempting to get jurisdictions that have not provided comments to do so imminently

Next Steps

- **July-Aug.:** Receive city/county Customer PPA Terms (not pricing). Revise
- **Aug.-Sept.:** ***Revise plans to account for federal direct pay option.*** Determine PPA pricing for each facility in portfolio, send PPA with all items (including pricing) included; determine final portfolio.
- **Aug.-Sept.:** Begin submitting interconnection applications to secure NEM2 grandfathering
- **Aug.-Oct:** Negotiate on Customer PPA Terms, if necessary.
- **October:** Execute PPA contracts with final portfolio site owners.
- **November:** Execute EPC or Master PPA agreement
  - Need to expend 5% of contract value in 2022 to safe harbor 26% ITC
- If Climate Bill passes, the pressure to execute all contracts in 2022 will be reduced.

Committee Members' Reports