

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

Monday, November 7, 2022
8:30 a.m.
Zoom Video Conference and Teleconference

CALL TO ORDER

Meeting was called to order at 8:37 a.m. in virtual teleconference.

ROLL CALL

Participating Remotely:

Carlos Romero, East Palo Alto
Laurence May, Hillsborough, *Chair*
Jeff Aalfs, Portola Valley
Marty Medina, San Bruno, arrived at 8:42 a.m.

John Keener, Director Emeritus
Pradeep Gupta, Director Emeritus

Absent: Donna Colson, Burlingame

A quorum was established.

PUBLIC COMMENT

None

ACTION TO SET AGENDA AND TO APPROVE CONSENT AGENDA ITEMS

MOTION: Director Aalfs moved, seconded by Director Romero to set the Agenda and approve Agenda Item Numbers 1-3.

1. Adopt Findings Pursuant to AB 361 to Continue Fully Teleconferenced Committee Meetings Due to Health Risks Posed by In-Person Meetings
2. Approval of the Minutes for the October 12, 2022 Audit & Finance Committee Meeting
3. Approval of 2023 Audit & Finance Committee Schedule of Meetings

MOTION PASSED: 3-0 (Absent: Burlingame, San Bruno)

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			
San Bruno	Director Medina				X
	Totals	3			2

REGULAR AGENDA

4. Chair Report

None

5. Staff Report

None

6. Chair May announced that Agenda Item Number 7 would be heard before Agenda Item Number

7. Update on Inflation Reduction Act (Discussion)

Rafael Reyes, Director of Energy Programs, gave a high-level overview of the Inflation Reduction Act (IRA) including areas of interest to Peninsula Clean Energy and other Community Choice Aggregators (CCA's), the three priority funding buckets for CCA's, and renewable generation tax credits.

Jan Pepper, Chief Executive Officer, added that a new component is allowing the Production Tax Credit (PTC) for solar, and that the PTC will extend to 2032.

Rafael continued the presentation with programs for building decarbonization.

Director Emeritus Gupta asked if Peninsula Clean Energy could start planning for rebates despite that benefits would be flowing in 2024. Rafael explained that these rebates are targeted at residential installations and thus too early to be talking to customers about them as information on the full requirements is not yet available.

Director Aalfs asked if energy modeling would be required to show a year of energy savings. Rafael explained that not much is known about the details, but that Recurve was materially involved in developing the provisions and expects that this would become a meter-based rebate program.

Rafael continued the presentation with programs for environmental justice and priority direct opportunities.

Director Aalfs noted that there may be sites for Solar + Storage on Public Buildings where there is not a good net metering option, but that there may be opportunities to reimburse a different way.

Rafael continued the presentation with additional opportunities and timing.

Director Emeritus Gupta asked if CalCCA was in contact with the California Energy Commission to ensure that the role played by CCA's is not minimized. Rafael shared that he was not aware of

conversations at that level at this time. Jan Pepper added that currently most discussions have occurred at the staff level, and it is unclear what CalCCA's role would be at this point.

Director Romero asked if we would slow the Solar + Storage on Public Buildings program to see how the implementation through the IRA unfolds.

Jan Pepper explained that Peninsula Clean Energy will own the solar facilities and the way the direct pay provision is written, the owner can get the tax credits directly. Jan added that Peninsula Clean Energy is working with a tax attorney and County Council to make sure the definitions are correct and that Peninsula Clean Energy will be eligible for direct pay.

6. Review of FY 2022-2023 Q1 Financials (Discussion)

Kristina Cordero, Chief Financial Officer, gave a presentation on the first quarter financial report for Fiscal Year (FY) 2022-2023 including actual versus budget load performance, the monthly trend in revenue and cost of energy, quarter one actual versus budget financial performance, and the quarterly trend of cash and investments.

Director Aalfs asked if the \$9 million variance was due solely to the heat event. Kristina explained that the market was extraordinary during that timeframe. Director Aalfs noted that procuring more storage becomes a hedge against price shocks in the market during a heat event.

Director Romero asked why Peninsula Clean Energy is anticipating catching up on revenues. Kristina explained that the negative trend in revenues was partially due to the rebill that will show up in September.

8. Discussion on Negative Power Charge Indifference Adjustment (PCIA) Rates and Impact on Rate Model (Discussion)

Kristina Cordero, Chief Financial Officer, explained that PG&E made a rate filing in October suggesting the Power Charge Indifference Adjustment (PCIA) would be negative in January 2023 and that this could provide Peninsula Clean Energy with additional revenues in comparison to budgeted expectations.

Director Emeritus Gupta asked for clarification on what made the PCIA go negative. He stated that the assets that PG&E have to sell are selling for more than what they cost, causing the PCIA to be negative. Jan Pepper, Chief Executive Officer, added that the PCIA is based on the above market costs and that because prices have gone up so much, in part due to the war in Ukraine, the whole energy picture has changed.

Director Aalfs asked if Peninsula Clean Energy is facing the same situation in the wholesale market and what could be a revenue windfall? Jan Pepper explained the high energy prices in September were due to that, but that everything evens out as Peninsula Clean Energy has hedges which lock in a price. Jan added that when we contract for renewables we are not subject to the volatility of the market.

Director Romero asked how far out is Peninsula Clean Energy hedged? Jan explained that Peninsula Clean Energy is 100% hedged 3-6 months out, based on forecast load. Jan added that while PG&E is projecting negative PCIA in 2023, this could very well flip in 2024.

Director Aalfs asked if the current proposal for the restructuring of PG&E's assets is related to the price fluctuations. Jan explained that at this point, there isn't an answer to that question.

Director Romero suggested when bringing this item to the Board of Directors to present both the market context and the regulatory context.

9. Committee Members' Reports

None

ADJOURNMENT

Meeting was adjourned at 9:41 a.m.