

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

Monday, May 9, 2022
8:30 a.m.
Zoom Video Conference and Teleconference

CALL TO ORDER

Meeting was called to order at 8:30 a.m. in virtual teleconference.

ROLL CALL

Participating Remotely:

Donna Colson, Burlingame
Carlos Romero, East Palo Alto
Laurence May, Hillsborough, *Chair*
Jeff Aalfs, Portola Valley, arrived at 8:32 a.m.

John Keener, Director Emeritus
Pradeep Gupta, Director Emeritus

Absent:

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 Numbers 1-2.

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 February 14, 2022 Audit & Finance Committee Meeting

MOTION PASSED: 4-0

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	4			

REGULAR AGENDA

3. Chair Report

None

4. Staff Report

None

5. Review Financial Reports and Investment Summary for Third Quarter Fiscal Year (FY) 2022-2023 (Discussion)

Andy Stern, Chief Financial Officer, gave a presentation covering the Third Quarter Financials including the quarterly and monthly trends for revenue and cost of energy, a review of the financial statement versus the budget, the change in net position, the cash and investment summary and the days cash on hand.

Chair May asked for clarification on the budgeting timeline when looking at projected revenues. Andy explained that the budget is done by quarter based off load forecasting on an hour-by-hour, day-by-day basis. Andy also explained that residential load, with higher rates, was below expected for the year. Chair May asked if this was due to weather. Siobhan Doherty, Director of Power Resources, explained that there might have been milder weather, but that her team could look into this further. Jan Pepper, Chief Executive Officer, explained that the commercial load remained low despite thinking it would increase with people returning to work from their offices, but that residential use also remained low. Director Colson asked if residential solar panels were having an influence on the low residential usage. Jan explained that this was something the team could investigate further.

Director Romero asked if the projected improvement in the fourth quarter is due to the Power Charge Indifference Adjustment (PCIA) adjusting downward. Andy explained that it is largely affected by the PCIA.

Director Emeritus Gupta asked if there is an estimate of how much revenue goes to PG&E under the PCIA. Andy gave a rough estimate of an equivalent of \$150 million per year before the adjustment. Jan added that while it appears there was a 33% increase in rate, with the PCIA decreasing the net rate change for customers was approximately one cent per kilowatt hour.

6. Review Fiscal Year 2022-2023 Draft Budget (Discussion)

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

Director Romero asked when Los Banos customers would be fully included. Andy explained that all non Net Energy Metering (NEM) customers were enrolled in April, but that other

customers would be enrolled on a rolling basis over the next 3-5 months. Andy further explained that by the middle of the first quarter all customers would be included.

Director Romero asked if the \$150 million increase in electricity sales in 2023 was attributed to an increase in electricity costs or an increase in load. Andy explained that the increase in load is projected to be about 3% and that the 62% increase in revenue is not coming from a 62% increase in customer cost, but more likely a 33% increase for generation with a larger portion of that coming to Peninsula Clean Energy due to the PCIA. Director Romero asked for clarification on the decrease of \$50 million in 2024. Andy explained that for FY 2023-2024, generation rates are expected to go down by 10%.

Director Emeritus Gupta asked for clarification on the 2023 residential sales forecast. Andy explained that the forecasting is adjusted by every quarter based on load changes and long term weather forecasts.

Chair May stated that the ratepayers would be most severely impacted by the changing costs and that Peninsula Clean Energy should take a look at what to do with days cash on hand since it will grow to 300. Andy explained that the industry is very volatile and tied to PG&E's rates, but that Peninsula Clean Energy is looking into cost-based rate setting. Director Romero expressed interest in looking into a mechanism to redistribute the excess cash on hand to those most affected by the increases. Jan Pepper, Chief Executive Officer, added that Board feedback on what to do with the excess is helpful, and that it is helpful to have a cushion for energy costs.

Jan shared that a possibility might be to offer discounts to California Alternate Rates for Energy Program (CARE) and Family Electric Rate Assistance Program (FERA) customers as opposed to increasing the discount to all customers in such a volatile market. Chair May agreed that a dynamic discount would be preferred to an upfront discount in terms of not incentivizing greater consumption.

Director Colson suggested rebates or a credit on a future bill. Director Romero suggested a check in hand rebate to maximize awareness of the rebate as opposed to a rebate line on the bill. Andy agreed that checks are highly visible but logistically not practical and included a reminder that a year ago the fear was cash-on-hand dropping below 200 days. Director Colson suggested creating a policy for what to do in the event that cash-on-hand reaches a predetermined threshold.

Director Emeritus Gupta cautioned that these rates are tied to PG&E and if Peninsula Clean Energy moved toward cost-based rate setting the estimating may look different.

Director Emeritus Keener suggested investing the excess to subsidize more energy production, such as with rooftop solar.

7. Overview of Stochastic Modeling to Evaluate and Measure Risk to Cost of Energy (Discussion)

Siobhan Doherty, Director of Power Resources, introduced the overview to stochastic modeling to evaluate and measure the risk to cost of energy.

Mehdi Shahriari, Senior Analyst, gave a presentation detailing this process including sharing the difference between deterministic versus stochastic modeling, software and the pilot for stochastic models, as well as background on the modeling.

Due to time constraints this item will be continued at the June 13, 2022 Audit and Finance Committee Meeting.

8. Committee Members' Reports

None

ADJOURNMENT

Meeting was adjourned at 10:00 a.m.