

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

Monday, February 13, 2023
8:30 a.m.
Zoom Video Conference and Teleconference

CALL TO ORDER

Meeting was called to order at 8:35 a.m. in virtual teleconference.

ROLL CALL

Participating Remotely:

Donna Colson, Burlingame, Vice Chair
Carlos Romero, East Palo Alto
Jeff Aalfs, Portola Valley
Marty Medina, San Bruno

John Keener, Director Emeritus

Absent: Pradeep Gupta, Director Emeritus

A quorum was established.

PUBLIC COMMENT

None

ACTION TO SET AGENDA AND TO APPROVE CONSENT AGENDA ITEMS

MOTION: Director Medina moved, seconded by Director Aalfs 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: 4-0 (Absent: none)

JURISDICTION	BOARD MEMBER	YES	NO	ABSTAIN	ABSENT
Burlingame	Director Colson	X			
East Palo Alto	Director Romero	X			
Portola Valley	Director Aalfs	X			
San Bruno	Director Medina	X			
	Totals	4			

REGULAR AGENDA

2. Chair Report

None

3. Staff Report

None

4. Review of Financial Reports and Investment Summary for 2nd Quarter Fiscal Year (FY) 2022-2023 (Discussion)

Kristina Cordero, Chief Financial Officer, gave a presentation including year-to-date actual versus budgeted load performance for Fiscal Year (FY) 2022-2023, year-to-date actual vs. budget & monthly trend for revenue and cost of energy, Quarter Two financial performance, change in net position, and cash position.

Vice Chair Colson asked if there was consumer price sensitivity going on due to the high cost of electricity. Kristina responded that we could do some research to explore whether this is happening, but we do not know if this is the case right now.

Director Aalfs added the weather trend affecting this may be the lack of a massive heat wave that has occurred in past years. Director Aalfs added that he finds winter heating loads to be larger and less variable than summer cooling loads.

Director Emeritus Keener noted more than double the revenue from December 2021 to December 2022.

5. Discussion on Mid-Year Review and Impact on Rates

Kristina Cordero, Chief Financial Officer, gave a presentation of the Projected Impact of the February 1, 2023 Peninsula Clean Energy Rate Change on Fiscal Year 2022-2023 Performance.

Director Romero asked what drives the \$23.5 million variance in cost of energy given that Peninsula Clean Energy has power purchase agreements. Kristina explained that while Peninsula Clean Energy has a good sense of contractual costs, there is exposure to the market price of energy based on the amount needed to purchase and secure. Director Romero asked if the bulk of this variance comes from energy that we don't have under contract. Jan Pepper, Chief Executive Officer, explained that Peninsula Clean Energy (PCE) hedges, but that PCE pays a Default Load Aggregation Point (DLAP) price and gets credited for inputting electricity into the grid. These two prices are tracked similarly. The price PCE has had to pay for hedges has gone up more than expected, which increased our cost of energy. Market energy prices are around \$47 now, but in December, were about \$200 and we predict high prices remaining throughout the remainder of the Fiscal Year.

6. Discussion on Budget Variances from Fiscal Year 2023

Kristina Cordero, Chief Financial Officer, gave a presentation on budget variances from Fiscal Year 2023 including a framework to discuss the budget variances, timing, the nature of the variances, and tools to address variances framework.

Director Aalfs noted that the biggest risk to Peninsula Clean Energy is volatility in demand of price and that these variances are both structural and one-time. Jeff added that this conversation is also about Peninsula Clean Energy's long-term strategy to shelter from market volatility, and that as a 24/7 time-coincident greenhouse gas free load serving entity we are insulating ourselves from that. Kristina added that Peninsula Clean Energy has tools to address variances but should find tolerable levels of quantifiable risk and ensure we have sufficient cushion for rare events.

Director Romero suggested looking at reserves and how strong they should be to address sharp increases, and considered increasing them from 180 days.

Vice Chair Colson added that risk management is a primary fiduciary responsibility of the Audit and Finance Committee and the Board, but noted it is a fine line to walk between risk management and providing cost-effective services to our customers.

Director Medina asked if there is any insight into what other Community Choice Aggregators (CCA's) are experiencing. Kristina explained that this comparison would occur on a look-back basis but that comparison with these organizations is possible. Kristina added that there are limited resources, and it comes down to strategic priorities, which may vary between CCAs.

Jan Pepper, Chief Executive Officer, added that Peninsula Clean Energy has not changed policy as far as rate discount and has maintained a 5% discount for customers on generation. This results in our financials reflecting a loss while other CCAs may opt to reduce the discount to offset a loss.

Shawn Marshall, Chief Operating Officer, added that the rate stabilization has been a practice of some CCAs that Peninsula Clean Energy may want to look at, and that it is important to dig into managing structural risk.

Director Aalfs noted that the 24/7 time-coincident greenhouse gas free strategy makes us more immune to risk in a way that other CCAs might not be doing. This puts us in a unique position where other CCAs may look at us in terms of how to manage grid risks.

Jan added that the data shows going to a 99% time-coincident strategy puts us at lower risk than our current strategy.

Shawn added that 24/7 implementation along with the cost-of-service study will be very illuminating, but that one concern is the technological readiness of battery storage and long-duration battery storage.

Director Aalfs noted that many are optimistic in the long-term battery supplies as the bottleneck is manufacturing, which is being influenced by the market, but takes time. Director Aalfs also noted that demand management is important and is interested in virtual power plants.

Director Keener asked if there was any news on Peninsula Clean Energy's bond rating. Kristina explained that Peninsula Clean Energy is currently rated BAA2 category with Moody's and BBB+ with Fitch.

7. Committee Members' Reports

Vice Chair Colson noted that there is an open position on the Audit and Finance Committee and to ask colleagues for interest in joining.

ADJOURNMENT

The meeting was adjourned at 9:41 a.m.