



2075 Woodside Road | Redwood City, CA 94061
(650) 260-0005 | peninsulacleanenergy.com

**Regular meeting of the Audit and Finance Committee of the
Peninsula Clean Energy Authority (PCEA)
AGENDA**

**Monday, February 12, 2024
8:30 am**

PLEASE NOTE: This meeting will be held in a hybrid format with both in-person and Zoom participation options for members of the public; Board members shall appear in person.

In-Person Meeting Location:
PCEA Lobby, **2075 Woodside Road, Redwood City, CA 94061**

Zoom, **Virtual Meeting Link:** <https://pencleanenergy.zoom.us/j/89514559357>
Meeting ID: 895-1455-9357 **Passcode:** 2075 **Phone:** +1 (669) 444-9171

This meeting of the Peninsula Clean Energy Audit and Finance Committee will be held at the Peninsula Clean Energy Lobby: 2075 Woodside Road, Redwood City, CA 94061 and by teleconference pursuant to California Assembly Bill 2449 and the Ralph M. Brown Act, CA Gov't Code. Section 54950, et seq. Members of the Committee are expected to attend the meeting in person and should reach out to Assistant General Counsel for Peninsula Clean Energy, Jennifer Stalzer, with questions or accommodation information (jstalzer@smcgov.org). For information regarding how to participate in the meeting remotely, please refer to the instructions at the end of the agenda. In addition, a video broadcast of the meeting can be viewed at [https://www.peninsulacleanenergy.com/Audit and Finance-committee](https://www.peninsulacleanenergy.com/Audit%20and%20Finance-committee) following the meeting.

Public Participation

The PCEA Audit and Finance Committee meeting may be accessed through Zoom online at <https://pencleanenergy.zoom.us/j/89514559357>. The meeting ID is: 895-1455-9357 and the passcode is: 2075. The meeting may also be accessed via telephone by dialing +1(669) 444-9171. Enter the webinar ID: 895-1455-9357, then press #. (Find your local number: <https://pencleanenergy.zoom.us/j/89514559357>). Peninsula Clean Energy uses best efforts to ensure audio and visual clarity and connectivity. However, it cannot guarantee the connection quality.

Members of the public can also attend this meeting physically at the **Peninsula Clean Energy Lobby** at 2075 Woodside Road, Redwood City, CA 94061.

Written public comments may be emailed to PCEA Board Clerk, Nelly Wogberg (nwogberg@peninsulacleanenergy.com) and such written comments should indicate the specific agenda item on which the member of the public is commenting.

Spoken public comments will be accepted during the meeting in the Board Room(s) or remotely through Zoom at the option of the speaker. Please use the "Raise Your Hand" function in the Zoom platform, or press *6 if you phoned into the meeting, to indicate that you would like to provide comment.

Please note that Peninsula Clean Energy Audit and Finance Committee meetings are a limited public forum, and all public comment must relate to something that is within the subject matter jurisdiction of the Committee. If comments do not relate to the subject matter jurisdiction of the Committee, we will stop the comment and move on to the next speaker. General Counsel will assist in identifying comments that are not related to the subject matter jurisdiction of the Committee.

ADA Requests

Individuals who require special assistance or a disability related modification or accommodation to participate in this meeting, or who have a disability and wish to request an alternative format for the meeting, should contact Nelly Wogberg, Board Clerk, by 10:00 a.m. on the day before the meeting at (nwogberg@peninsulacleanenergy.com). Notification in advance of the meeting will enable PCEA to make reasonable arrangements to ensure accessibility to this meeting, the materials related to it, and your ability to comment.

Closed Captioning is available for all PCEA Board meetings. While watching the video broadcast in Zoom, please enable captioning.

CALL TO ORDER / ROLL CALL / APPROVE TELECONFERENCE PARTICIPATION UNDER AB 2449

This item is reserved to approve teleconference participation request for this meeting by Director pursuant to Brown Act revisions of AB 2449 due to an emergency circumstance to be briefly described.

PUBLIC COMMENT

This item is reserved for persons wishing to address the Committee on any PCEA-related matters that are not otherwise on this meeting agenda. Public comments on matters listed on the agenda shall be heard at the time the matter is called. Members of the public who wish to address the Committee are customarily limited to two minutes per speaker. The Committee Chair may increase or decrease the time allotted to each speaker.

ACTION TO SET AGENDA AND TO APPROVE CONSENT AGENDA ITEMS

1. [Approval of Minutes from the May 16, 2023 and June 12, 2023 Audit and Finance Committee meetings \(Action\)](#)

REGULAR AGENDA

2. Chair Report
3. Staff Report
4. [Q2 Fiscal Year 2024 Financial Report \(Quarter Ending December 31, 2023\) \(Discussion\)](#)
5. [Overview of Pre-Pay Bond Structure \(Discussion\)](#)

ADJOURNMENT

Public records that relate to any item on the open session agenda are available for public inspection. The records are available at the Peninsula Clean Energy offices or on PCEA Website at: <https://www.peninsulacleanenergy.com>.

Instructions for Joining a Zoom Meeting via Computer or Phone

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Options for Joining

- Videoconference with Computer Audio - see Option 1 below
- Videoconference with Phone Call Audio - see Option 2 below
- Calling in via Telephone/Landline - see Option 3 below

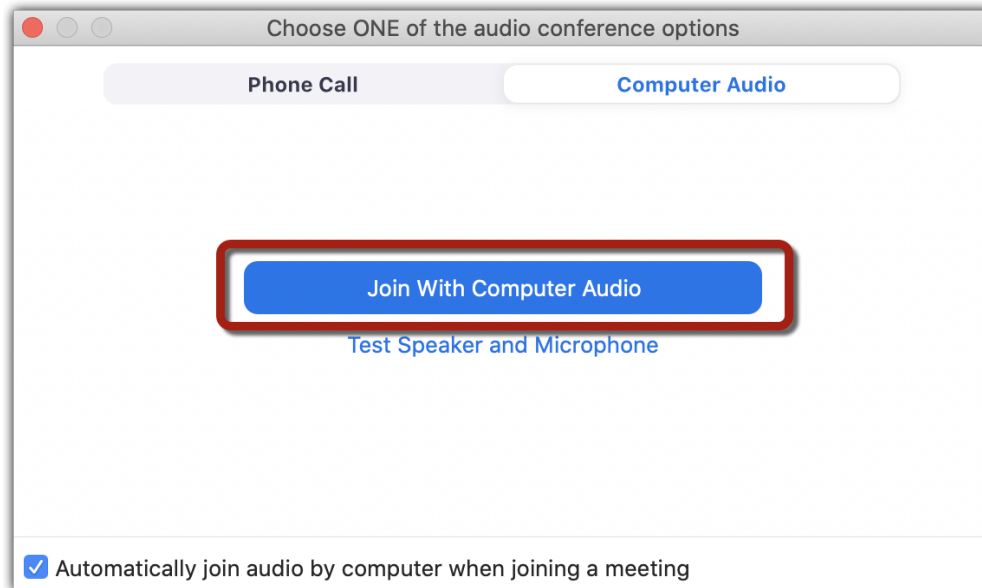
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Option 1 Videoconference with Computer Audio:

- From your computer, click on the following link that is also included in the meeting calendar invitation: <https://pencleanenergy.zoom.us/j/89514559357>
- The Zoom application will open on its own or you will be instructed to open Zoom.
- After the application opens, the pop-up screen below will appear asking you to choose ONE of the audio conference options. Click on the Computer Audio option at the top of the pop-up screen.



- Click the blue, "Join with Computer Audio" button.
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Option 2 Videoconference with Phone Call Audio

- From your computer, click on the following link that is also included in the Meeting Calendar Invitation: <https://pencleanenergy.zoom.us/j/89514559357>
- The Zoom Application will open on its own or you will be instructed to Open Zoom.

- After the application opens, the pop-up screen below will appear asking you to choose ONE of the audio conference options. Click on the Phone Call option at the top of the pop-up screen.

Choose ONE of the audio conference options

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Participant ID: 2075

Passcode: 2075

- Please dial +1 (669) 444-9171.
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Audio Only Options:

Please note that if you call in/use the audio only option, you will not be able to see the speakers or any presentation materials in real time.

Option 3: Calling in via Telephone/Landline:

- Please dial +1 (669) 444-9171.
- You will be instructed to enter the meeting ID: **895-1455-9357 followed by #**.
- You will be instructed to enter your **Participant ID** followed by #. If you do not have a participant ID or do not know it, you can press # to stay on the line.
- You will be instructed to enter the meeting passcode **2075 followed by #**.



**PENINSULA CLEAN ENERGY AUTHORITY
JPA Board Correspondence**

DATE: February 12, 2024
MEETING DATE: February 12, 2024
VOTE REQUIRED: Majority Vote

TO: Honorable Peninsula Clean Energy Authority Executive Committee
FROM: Nelly Wogberg, Board Clerk
SUBJECT: Approval of Minutes from the May 16, 2023 and June 12, 2023 Audit and Finance Committee meetings (Action)

RECOMMENDATION

Approve minutes from the May 16, 2023 and June 12, 2023 Audit and Finance Committee meetings.

ATTACHMENTS:

[05-16-2023 A&FC Final Draft Minutes](#)
[06-12-2023 A&FC Final Draft Minutes.docx](#)



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

Tuesday, May 16, 2023
10:00 a.m.
Zoom Video Conference and Teleconference

CALL TO ORDER

The Meeting was called to order at 10:04 a.m. in virtual teleconference and in the Peninsula Clean Energy Authority lobby.

ROLL CALL

Participating Remotely:

Donna Colson, Burlingame, participating remotely under AB 2449
Carlos Romero, East Palo Alto
Leslie Ragsdale, Hillsborough
Jeff Aalfs, Portola Valley
Marty Medina, San Bruno

Absent:

None

A quorum was established.

PUBLIC COMMENT

None

ACTION TO SET AGENDA AND TO APPROVE CONSENT AGENDA ITEMS

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

1. Approval of the Minutes for the November 7, 2022 and February 13, 2023 Audit & Finance Committee Meetings

MOTION PASSED: 5-0 (Absent: None)

JURISDICTION	BOARD MEMBER	YES	NO	ABSTAIN	ABSENT
Burlingame	Director Colson	X			
East Palo Alto	Director Romero	X			
Hillsborough	Director Ragsdale	X			
Portola Valley	Director Aalfs	X			
San Bruno	Director Medina	X			
	Totals	5			

REGULAR AGENDA

2. Chair Report

Chair Colson shared that Andy Stern will serve as interim Chief Financial Officer and she and Chair DeGolia are continuing to work on the Chief Executive Officer search. There are three candidates under consideration and will provide another update as soon as they have more public information.

3. Staff Report

Andy Stern, Interim Chief Financial Officer, provided an update to the Committee on the closure of the Wilmington account noting that the funds were transferred to Schwab and an update on the renewal of insurance policies.

4. Appointment of Audit and Finance Committee Chair (Action)

Director Romero nominated Director Donna Colson as the Audit and Finance Committee Chair.

MOTION: Director Romero moved, seconded by Director Medina to appoint Donna Colson as the Audit and Finance Committee Chair.

MOTION PASSED: 5-0 (Absent: None)

JURISDICTION	BOARD MEMBER	YES	NO	ABSTAIN	ABSENT
Burlingame	Director Colson	X			
East Palo Alto	Director Romero	X			
Hillsborough	Director Ragsdale	X			
Portola Valley	Director Aalfs	X			
San Bruno	Director Medina	X			
	Totals	5			

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

Andy Stern, Interim Chief Financial Officer, gave a presentation for Fiscal Year (FY) 2022-2023 including increased revenues in the third quarter.

Director Romero asked if the change in net position was through the 3rd quarter which he confirmed ends March 31st and also that the presentation is the year to date (YTD) through the end of the 3rd quarter. Andy confirmed the presentation is the YTD through the 3rd quarter.

Andy continued the presentation with cash reserves, quarterly trend of cash and investments, a historical view of cash balances over time and as of May 5, 2023, and the forecast for the full year FY 2023.

Director Romero asked about unrestricted operating funds, and Andy explained that their policy requires them to maintain 180 days of unrestricted cash on hand. The balance as of March 31st was a calculated \$220 million for 239 days, which is 59 days over the requirement not because of energy costs.

Director Romero asked if Wilmington is considered a regional bank and this is why they moved over. Andy explained that Wilmington was set up when Peninsula Clean Energy was set up as a lockbox account for all PG&E transfers and over the years they do not need to have a lock box any longer and PG&E deposits are going directly to any account they designate which is the First Republic Bank account, so they do not need an intermediary account anymore.

Director Romero asked if they will be totally closing the account out, and Andy confirmed that is the plan.

Chair Colson asked if they can put a sub-bullet under US Bank and a parenthetical because they do not have \$125 million. They have \$125 million in securities in custody at US Bank and as PCE's custodian, she thinks it should be differentiated. Andy explained that on the prior slide there was a sub-note, but the reality is that they are mostly holding direct ownership of municipal bonds, treasuries, and a few corporate bonds.

Chair Colson disagreed and said they do not control the banking relationship at US Bank. If there was a problem at US Bank, it would be PFM or First Republic Bank that would terminate the custodian relationship and move it to a different custody.

Andy explained they have a direct relationship with US Bank as their custodian. A year ago when they were running negative cash balances where they had to withdraw funds, they would tell First Republic Bank (FRB) and PFM to send money, but that US Bank had to give direction to FRB to send money, so the agreement is between Peninsula Clean Energy and US Bank.

Chair Colson noted that US Bank is not managing the money for PCE. They are simply acting as the custodian of the money. All of the other organizations, such as Schwab, Wilmington, Fidelity, and FRB are managing money. Andy agreed to follow-up.

Public Comment: None

6. Review of Fiscal Year 2023-2024 Draft Budget (Discussion)

Andy Stern, Interim Chief Financial Officer, gave a presentation including the schedule for budget review and approval, key assumptions for the draft budget for Fiscal Year (FY) 2023-2024, PG&E Power Charge Indifference Adjustment (PCIA) assumptions, revenue assumptions, cost of energy assumptions, staffing assumptions, other budgeting assumptions, a summary of the FY 2024 draft budget, budget summary and 5-year plan for the draft budget for FY 2023-2028, context for discussion of excess funds, and alternatives for excess funds.

Director Romero asked if PCIA rates go negative if they get to bank that.

Jan Pepper, Chief Executive Officer, responded that they are setting it to zero. If it goes negative it would mean their customers would get a benefit from PG&E. Peninsula Clean Energy (PCE) does not bank that extra themselves, so they are not making their rate higher by adding in a negative PCIA.

Director Aalfs asked why doesn't the PCIA start going back up after 2024. Jan said it is a projection of energy prices- if energy prices go higher, the PCIA goes lower.

Director Aalfs asked what if their PCIA is almost gone in 2025 and 2026 because they are so far gone from PG&E and cannot argue their contracting quest, and asked how long this would go on

for. Jan said she thinks it goes on forever. Andy indicated it would go on for years because it is based on contracts that they signed that could be 20-25 years long.

Jeremy Waen, Director of Regulatory Policy, commented that resources in the PCIA portfolio will be under contract at least until 2040. For Diablo Canyon, it will roll out of the PCIA calculation for 2024 and 2025 but it will be kept operational for 5 years, and the costs will be calculated with a different cost recovery process and shared across the state. Based upon the CalCCA analysis, there will be downward pressure on the PCIA which should help with those resources falling out of the calculus.

Andy continued his presentation, stating customer rates at PCE are relatively flat for the next three years and lower in 2027 and 2028, although still well above the low year of 2021. He spoke on the cost of energy budgeted which is an increase over the forecast for this year, inclusion of two conservatism contingencies, did modeling around the 100% renewable in 2027 and this will achieve contracting for 15 additional projects, with \$50 million of contingency in the next four years.

Jan added that they will be 100% renewable on an annual basis by 2025. Their goal was to be 99% time-coincident by 2025 but the time-coincident is a bit challenging as projects are taking longer and not operational until 2027. The 99% hourly may shift and this will be discussed with the Board in May.

Director Romero asked about the energy cost volatility number and asked if this is based on previous spikes assuming there is a percentage of chance of spikes going forward based on history. Jan confirmed and noted that when there is a heat wave, prices go from \$100 to \$2000 and in a few hours, millions extra could be spent to serve customers.

Shawn Marshall, Chief Operating Officer, added that this number was modeled under the September 2022 event. Andy added that volatility that was extended for a week with high temperatures. PCE weathered it well because they are mostly hedged, which mitigated much of the cost.

Jan added that with Resource Adequacy (RA) they are assuming they will find RA and pay the exorbitant prices, but they may also be paying penalties if they do not hit requirements by certain dates. They are fighting this in the legislature as they currently have to show that they have procured 90% of their year-ahead requirement. This past year, they did not hit their year-ahead requirement for 3 months, even though now they have procured 2 of the months, and are being penalized for not hitting the year ahead on October 31st so they will have to pay the California Public Utilities Commission (CPUC) \$2 million in penalties.

Director Ragsdale asked if the penalty comes back to PCE. Jan explained it does not, and it does not go to creating more RA by paying this penalty. It likely goes into the State's general fund.

Chair Colson asked if they are penalized before meeting RA requirements by certain dates she asked if they have any obligation to not take the penalty and not then pay the very high price for the RA. Andy explained they could pay a follow-on penalty, but the early penalty does not negate the penalty for not meeting the obligation in the end. It is millions in savings if you take the penalty, but there is a process of penalty points that add up and, as you get to a certain threshold, the penalties double and triple.

Director Romero noted there is a technical discussion at the CalCCA conference on RA. He does not quite understand procurement and how they are getting this, and it sounds like it will be a

problem in the future. Jan explained that Jeff Wright went through the information on penalties at a Procurement Subcommittee meeting.

Shawn said the points can have an effect on counter-party negotiations and other areas.

Director Aalfs noted that a strategy is to procure more batteries. Batteries have an RA value absorbed into them. Jan said getting PG&E to do inter-connections is an issue and you do not necessarily get credit for batteries on the distribution system.

Andy continued the presentation and spoke about solar storage plans for public buildings, budgeting for capital outlay, outside consultant and legal advice on Biden's Inflation Reduction Act on investment tax credit, and assumption of repayment of capital outlay that will come through charges to municipalities over 20 years.

Director Romero noted that it will be important for the Board to understand that they have capital assets that they cannot touch so a certain percentage of "x" is invested in capital and when they go through the understanding of how much money they have to use now that they have capital investments.

Andy added that the budget shows the capital outlay of \$7.4 million in FY 2024 and \$43 million in FY 2025, and a capital inflow of \$2.2 million in 2026 and \$15 million in 2027 as a result of the investment tax credit. Even though there are cash outlays and inflows, the cash balance and unrestricted days cash on hand reflects those investments.

Andy then referred to excess funds, volatility in years and energy costs, discounts that reduce revenue, and to make a substantial impact on customers they will have to have a pretty big discount which might set precedence for a long period. Some Community Choice Aggregators (CCAs) implemented GASB 62 which allows you to move revenue from one accounting period to another which has the effect of smoothing the net position.

Director Aalfs asked if a credit rating agency will look at their cash accounting and GASB 62 will not influence that. Andy explained they will look at a trend over multiple years and he did not think they are fooled by using GASB 62 but the main reason would be bond convenience. He said one alternative is to provide a one-time benefit to low income customers.

Director Medina agreed with finding a balance between returning back and reducing rates and investing more in our programs.

Director Ragsdale added that while late in the program, they should encourage charging stations for multi-family housing.

Andy added that another piece is the cost of the service study. It will take time to do and if they do it, revenues would be more closely aligned with costs and they would not achieve that \$500 million.

Public Comments: None

Andy added, if there was anything that came out that would like to be incorporated into the budget at this time, or they can leave it as an open item as an idea to discuss with the Board, allowing them to adjust amounts. Director Ragsdale suggested more input. Chair Colson agreed with more input and also thinks given they will have a new CEO it is courteous to let them work it out. It is a big decision and it is worthwhile to hang on for 6 weeks.

Chair Colson said she thinks it is a financial decision and she would like the Audit and Finance committee to vet it a little more. She is happy to work hard on this over the next 30 days to throw out more comprehensive numbers to have the Board to discuss it at a broader level.

Director Aalfs said it feels like without prescribing a program he hates to waste rounds of iteration because the Board always wants to give input. He thinks they can bring alternatives to the Board which gives the committee one more round of feedback before the committee meets again.

Jan confirmed that for the Board of Directors meeting they will have a slide with possible alternatives for excess funds which is not quite as detailed. They can then take additional input at the Board meeting to expand that list, will ask for a subcommittee of volunteers to discuss further and then come back in 90 days with a recommendation as to what to do with excess reserves. Maybe 2 people from the AFC could participate and 4 from the EC could participate, and others as they wish, as long as there is less than 11 people on the subcommittee.

Chair Colson said she would like to talk to Chair DeGolia and run it by him for the Board of Directors meeting to obtain his input in the next day or two.

7. Committee Members' Reports

None

ADJOURNMENT

Meeting was adjourned at 11:48 a.m.



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

Monday, June 12, 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 and in the Peninsula Clean Energy Authority lobby.

ROLL CALL

Participating:

Donna Colson, Burlingame
Carlos Romero, East Palo Alto, arrived at 8:39 a.m.
Leslie Ragsdale, Hillsborough
Jeff Aalfs, Portola Valley
Marty Medina, San Bruno

Absent:

None

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.

MOTION PASSED: 4-0 (Absent: East Palo Alto)

JURISDICTION	BOARD MEMBER	YES	NO	ABSTAIN	ABSENT
Burlingame	Director Colson	X			
East Palo Alto	Director Romero				X
Hillsborough	Director Ragsdale	X			
Portola Valley	Director Aalfs	X			
San Bruno	Director Medina	X			
	Totals	4			1

REGULAR AGENDA

1. Chair Report

Chair Colson reported that she has been taking an interesting online training module from UC Davis and highly recommended it to other members.

2. Staff Report

Andy Stern, Interim Chief Financial Officer, provided an update to the Committee on the Fiscal Year (FY) 2021-2022 retroactive approval of spending. In the past, the Board has approved the budget in June and the following year they find out what the audited financials give them. The recommendation is because they skipped one year of retroactive approval of spending and it is so late this year and to be transparent, he asked if the Committee would like to circle back on this.

Chair Colson said she did not think there was any need to go back and she thinks it is more of an acknowledgement as opposed to approval.

3. Recommend Approval of Fiscal Year 2023-2024 Budget (Action)

Andy Stern, Interim Chief Financial Officer, gave a presentation covering the Fiscal Year (FY) 2023-2024 Budget and explained that the Committee recommends the Board approve the total operating expenses, and he presented an update of April financials, some minor modifications, and one change to the programs budget, explanation of contracts and costs, and built-in contingencies relating to contract signing. He said Staff will present the information to the Executive Committee on this Committee's behalf and then the Board will be asked to approve the final budget on June 22, 2023.

Chair Colson asked about the 99% of the 24x7 Hourly Renewable Project Delays \$56 million over 5 years. Andy explained that due to contract signing, Peninsula Clean Energy would need to buy renewable energy at market prices. Assumed for the 5-year plan that half of the contracts will be approved, the built-in contingency for the 5-year plan in case projects do not get signed.

Director Medina asked about the likelihood of signed contracts, and Andy explained that the \$56 million contingency would be modified as the dates grow closer.

Chair Colson asked if the \$56 million would still be in the budget if doing 24x7. Jan Pepper, Chief Executive Officer, explained that not doing 24x7 would be more expensive, as Renewable Energy Credits (RECs) would need to be covered for renewables, and that this project is less expensive.

Chair Colson asked if they were just targeting 24x7 and buying for procurement for a holistic portfolio, if they would be budgeting 50%. Jan explained this is for them to be 100% renewable by 2025 because right now they are 50% renewable and 50% clean. Jan added that this is a contingency fund and not something necessarily planned to be spent. Chair Colson noted that this is important when thinking about retained earnings and how much cash is kept on hand.

Andy explained there is an expected reduction in 2025 from \$393 million to \$326 million because operating expenses are higher and there are fewer days for cash, and secondly, this is the year they start spending significant monies for the GovPV programs before they start to recover that in the following 2 years afterwards.

Public Comments: None

MOTION: Director Medina moved, seconded by Director Aalfs to recommend approval by the full Board of Directors of the Fiscal Year 2023-2024 (July 1, 2023, through June 30, 2024) budget at its meeting on June 22, 2023, with an amount of \$350,657,317 as a not-to-exceed amount of Total Operating Expenses.

MOTION PASSED: 5-0

JURISDICTION	BOARD MEMBER	YES	NO	ABSTAIN	ABSENT
Burlingame	Director Colson	X			
East Palo Alto	Director Romero	X			
Hillsborough	Director Ragsdale	X			
Portola Valley	Director Aalfs	X			
San Bruno	Director Medina	X			
	Totals	5			

4. Discussion on Peninsula Clean Energy Investment Policy (Discussion)

Andy Stern, Interim Chief Financial Officer, gave a presentation including the current estimated investment management summary with various accounts and percentages of investments, such as Fidelity, US Bank, First Republic, PFM, and Schwab. He described and explained the Investment Policy 19 adopted on May 28, 2020 with three priorities: safety, liquidity, and return. He spoke about examples of adding certain guardrails, compliance by each manager and a violation of money market fund guidelines.

Director Romero asked if the violation was in Peninsula Clean Energy's internal controls. Jan Pepper, Chief Executive Officer, explained that it is that they do not allow more than "x" percent in any one type of investment. By having these large amounts in Schwab or Fidelity it exceeds that "x" percent amount that their policy says they can have for any one type of investment.

Chair Colson explained the money market/mutual fund guardrails noting that the limit was 10% mutual fund to avoid a doubling up on fees, rather than for diversification.

Andy shared that alternatives would be to remove or relax those money market mutual fund guardrails, establish fixed income management portfolios with Schwab and Fidelity, identify specific balances to maintain, or expand their investment policy to explain how to manage the portfolio by investment managers.

Chair Colson said the goal is to avoid paying mutual fund fees and active management fees which is why the limit of 10% exists.

Andy explained the fees in the mutual fund are .2% and the accounts are earning 5% due to high interest rates. Chair Colson said she believes they pay 8 to 10 basis points for PFM and First Republic Bank.

Director Aalfs clarified that there are two questions – diversification of the whole fund and not double dipping on fees. Chair Colson confirmed and asked if the value they get from management of the funds versus what the cost is in basis points and that more information would be helpful for the Committee. The investment policy has two levels: Actively-managed security selection level and the manager structure level.

Director Aalfs added that they hire investment managers to get value over and above what the fees are. They are diversifying between institutions and the institutions are diversifying within themselves.

Committee members agreed to obtain more information about terms, fees, historical data, and whether it is worth making changes, and to identify balances with certain institutions on actively managed security selection level and the manager structure level.

5. Power Purchase Agreement Pre-Pay Presentation (Discussion)

Andy Stern, Interim Chief Financial Officer, introduced Garth Salisbury, Chief Financial Officer of Marin Clean Energy (MCE), who was invited to come and provide education and information to the Committee on Power Purchase Agreement (PPA) Pre-Pay which he presented at the CalCCA conference.

Andy asked who the Community Choice Aggregator (CCA) is actually paying since they are not paying for the bond. Garth explained all cash flows go to a trustee and in fact, the PPA payments go to pay the debt service, the prepaid suppliers paying for the energy, but the ultimate obligator is the prepaid supplier or the bank.

Andy added that there are 85 agreements within one of the deals, but there are agreements where you will pay the bank. The bank then makes the debt payments and take a margin for doing this.

Chair Colson asked who is banking the bonds. Garth explained it is Goldman Sachs which was the first to approach them.

Chair Colson asked who is buying the municipal bonds and asked what the interest rates are. Garth explained the savings are net of all of the fees, and he spoke about the MCE Board approving this as long as the upfront and issuance costs were under 1% of the amount of the bond proceeds. Chair Colson asked about the interest rates. Garth said interest rates are higher today than they were last year, but the purchase of these bonds are overwhelmingly intermediate bond funds by Fidelity and Putnam that come in for \$200 million in bonds at a time. As a tax-exempt bond, they are backed by corporate entities and not a retail municipal product.

Chair Colson said when initially issuing with lower interest rates, she asked if the 8%-12% discount is still holding given the increased interest rate. Garth explained, yes. It is all about the spread between taxable and tax exempt. A 2% environment is a lot less than 30% of a 6% environment. So, in a higher interest rate environment, these prepaids actually product more savings than they would in a low interest rate environment.

Chair Colson asked if the cost of setting up the deal will also be absorbed. Garth explained that this is paid out of bond proceeds. Staff time would be lost for putting the deal together, but all the costs work on a contingency basis and are paid at closing of the bond proceeds.

Chair Colson asked when moving from CCA to California Community Choice Financing Authority (CCCFA), if each individual contract is specific to a particular CCA or are they amalgamated or cross-collateralized, and asked how that works. Garth explained that the second deal done was for EBCE and SVCE that did a deal together. Those cash flows are distinct and specific so there is no cross-collateralization or otherwise between PPAs for a certain CCA or if there are multiple CCAs in a transaction, all cash flows are distinct and specific to that CCA. There are some economies of scale of doing a deal jointly with another CCA but it is not necessary.

Shawn Marshall, Chief Operating Officer, asked what other CCAs have done to guard against a higher PPA contract price to mitigate the middleman and perceived risk. Garth explained that these existing PPAs are already set up and there is assignment language if it is likely to be pre-paid.

Jan Pepper, Chief Executive Officer, asked if the agreements would affect the operation of the project, noting the importance of scheduling projects in a certain way to meet their particular goals and it looks like there might be ability for someone else who now has their fingers in their projects to affect that. Garth explained that nothing changes with the interactions with the PPA seller. What changes is the invoicing, but the interactions with the seller operationally remain exactly the same.

Jan asked where the Renewable Energy Credits (RECs) go. Garth explained they went to the California Public Utilities Commission (CPUC) and they have had no issues with prepayments.

Director Aalfs asked what it would take to create a deal where you actually bond the project itself as opposed to just prepaying it. Garth explained that then it would be a prepay and you cannot own the project outright and prepay it too.

Director Aalfs asked if CCCFA could issue bonds to buy a project and not a prepayment deal. Garth explained that they could, but that California Community Power (CC Power) would probably be a better place to do that.

Jan clarified that CCPower has not owned projects nor issued any debt, but if they wanted to own a project, she asked if they could use CCCFA as a vehicle to issue the bond directly.

Chair Colson noted that by owning them it would make PCE responsible for the bonds. Garth confirmed it would sit on the bank's balance sheet and this is a longer conversation.

Director Romero referred to the 1% transaction cost and he asked at what scale was the issuance or deal. Garth explained the deal sizes have ranged from \$500 million to \$1.4 billion.

Director Romero asked if they are not counting that cost in the transaction cost. Garth explained no, the 1% cost is included with all deal team members getting paid.

Director Romero asked if it includes all of the profits they issue or events. Garth confirmed.

Chair Colson asked where the risks are associated with this. Garth explained that the risks are minimal, primarily reputational, and the best example he has is from a Municipal Gas Authority of Georgia.

Director Ragsdale said if they are prepaying the supplier, she asked what happens if the supplier disappears.

Director Aalfs explained you are paying supplier who has the project, and the owner of the project would sell that project to someone. The generation source stays there unless in the case of bankruptcy.

Director Aalfs said in terms of risk, over the course of all of those agreements they pay a bank to take on that risk for the bonds themselves, so they forego some savings. The question is how much of a savings would be divided between them and the other parties. Even paying people to take on the risk for them it is still an 8% or 9% savings which is a lot of money for them.

Andy added that it is roughly \$25 million a year for 30 years.

Director Romero said therefore, 10% savings is pretty significant.

Director Aalfs said he thinks it is interesting and he would be interested in what it would take to buy some of these projects at present value.

Director Romero said to clarify, Peninsula Clean Energy would not be pre-paying the supplier, and Jan said no, they are not.

Director Aalfs noted the saving is also a tax advantage to municipal bonds.

Jan explained that they did not look into this more earlier because you need to have a big spread between your taxable and tax exempt interest rates. There was not any until the last year. It is a lots of work, many documents, many investment bankers, and after 7 years it must be redone because it is not a 30 year term.

Jan said when she was involved at SVP they did one for gas. It was very good since gas is so volatile where you lock in a price and it was a really good deal for them. But, with Peninsula Clean Energy, it is on our list but not the top of list.

6. Committee Members' Reports

None

ADJOURNMENT

Meeting was adjourned at 10:15 a.m.



**PENINSULA CLEAN ENERGY AUTHORITY
JPA Board Correspondence**

DATE: February 12, 2024
MEETING DATE: February 12, 2024
VOTE REQUIRED: None

TO: Honorable Peninsula Clean Energy Authority Audit and Finance Committee
FROM: Nicholas Bijur, Chief Financial Officer
SUBJECT: Q2 Fiscal Year 2024 Financial Report (Quarter Ending December 31, 2023)
(Discussion)

RECOMMENDATION

Receive report and provide any feedback. This is a discussion item only.

BACKGROUND

Staff will review financial results for the quarter ending December 31, 2023 and year-to-date.

ATTACHMENTS:

[Q2 Quarterly Financial Package.pdf](#)

Peninsula Clean Energy
Performance at a Glance
Results for the Fiscal Quarter Ended
December 31, 2023
(\$000s)

Net Position Balance

<u>Fiscal Year</u>	<u>Actual/Budget</u>	<u>Amount</u>
June 30, 2016	Audited	(\$1,044)
June 30, 2017	Audited	\$21,711
June 30, 2018	Audited	\$85,365
June 30, 2019	Audited	\$140,139
June 30, 2020	Audited	\$189,072
June 30, 2021	Audited	\$180,717
June 30, 2022	Audited	\$167,671
June 30, 2023	Audited	\$307,626
December 31, 2023	Actual	\$367,908
June 30, 2024	Budget	\$425,043

Unrestricted Cash/Investments Balance

<u>Fiscal Year</u>	<u>Actual/Budget</u>	<u>Amount</u>
June 30, 2016	Audited	\$3,833
June 30, 2017	Audited	\$18,882
June 30, 2018	Audited	\$64,689
June 30, 2019	Audited	\$114,069
June 30, 2020	Audited	\$177,629
June 30, 2021	Audited	\$165,652
June 30, 2022	Audited	\$135,090
June 30, 2023	Audited	\$254,074
December 31, 2023	Actual	\$345,006
June 30, 2024	Budget	\$377,162

Change in Net Position

<u>Fiscal Year</u>	<u>Actual/Budget</u>	<u>Amount</u>
FY2015-2016	Audited	(\$1,044)
FY2016-2017	Audited	\$22,755
FY2017-2018	Audited	\$63,655
FY2018-2019	Audited	\$54,774
FY2019-2020	Audited	\$48,933
FY2020-2021	Audited	(\$8,355)
FY2021-2022	Audited	(\$13,046)
FY2022-2023	Audited	\$139,955
December 31, 2023	Actual	\$60,282
FY2023-2024	Budget	\$124,612

Cost of Electricity

<u>Fiscal Year</u>	<u>Actual/Budget</u>	<u>Amount</u>
June 30, 2016	Audited	\$0
June 30, 2017	Audited	\$64,501
June 30, 2018	Audited	\$170,135
June 30, 2019	Audited	\$194,035
June 30, 2020	Audited	\$216,066
June 30, 2021	Audited	\$213,834
June 30, 2022	Audited	\$226,678
June 30, 2023	Audited	\$265,208
December 31, 2023	Actual	\$163,922
June 30, 2024	Budget	\$311,261

Revenues

<u>Fiscal Year</u>	<u>Actual/Budget</u>	<u>Amount</u>
FY2015-2016	Audited	\$0
FY2016-2017	Audited	\$93,129
FY2017-2018	Audited	\$244,738
FY2018-2019	Audited	\$259,782
FY2019-2020	Audited	\$278,093
FY2020-2021	Audited	\$228,101
FY2021-2022	Audited	\$237,899
FY2022-2023	Audited	\$428,218
December 31, 2023	Actual	\$232,497
FY2023-2024	Budget	\$474,624

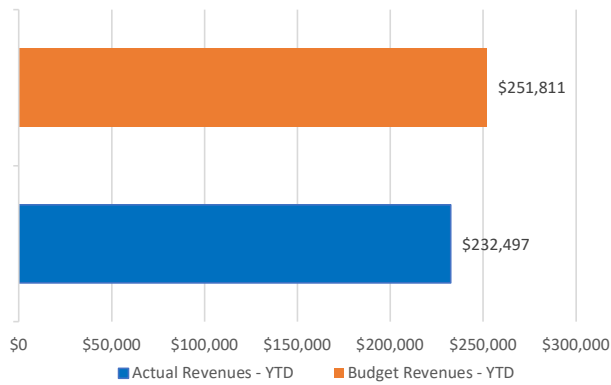
Total Other Operating Expenses

<u>Fiscal Year</u>	<u>Actual/Budget</u>	<u>Amount</u>
FY2015-2016	Audited	\$1,041
FY2016-2017	Audited	\$5,603
FY2017-2018	Audited	\$10,836
FY2018-2019	Audited	\$12,877
FY2019-2020	Audited	\$15,272
FY2020-2021	Audited	\$22,469
FY2021-2022	Audited	\$19,861
FY2022-2023	Audited	\$25,946
December 31, 2023	Actual	\$16,224
FY2023-2024	Budget	\$39,396

Peninsula Clean Energy
Performance at a Glance
Results for the Fiscal Quarter Ended
December 31, 2023
(\$000s)

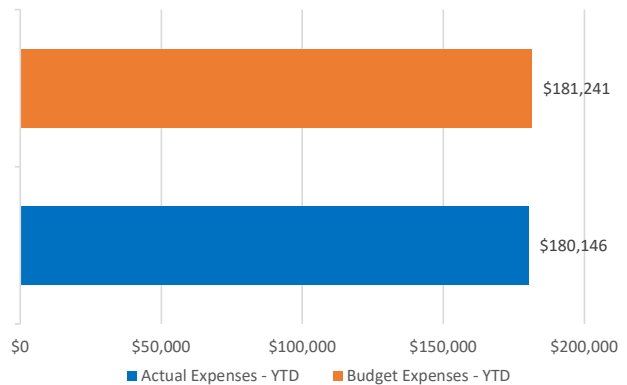
YTD Revenues

YTD Revenues - Actual vs. Budget



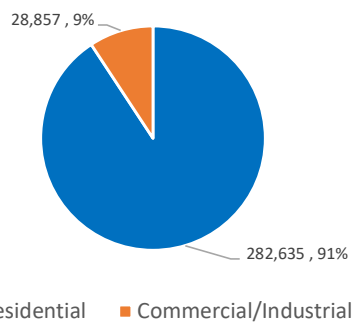
YTD Expenses

YTD Expenses - Actual vs. Budget



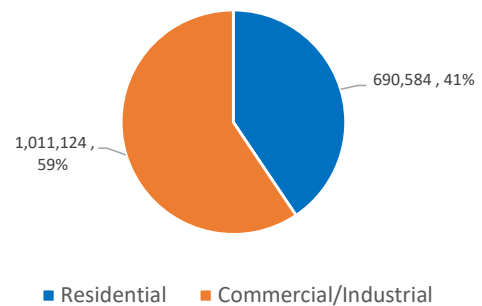
Customer Accounts

Customer Accounts



Energy Used

YTD Energy Usage (MWh)





ACCOUNTANTS' COMPILATION REPORT

Board of Directors
Peninsula Clean Energy Authority

Management is responsible for the accompanying financial statements of Peninsula Clean Energy Authority (PCE), a California Joint Powers Authority, which comprise the statement of net position as of December 31, 2023, and the statement of revenues, expenses, and changes in net position, and the statement of cash flows for the period then ended, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the accompanying statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, conclusion, nor provide any assurance on these financial statements.

Management has elected to omit substantially all of the note disclosures required by accounting principles generally accepted in the United States of America in these interim financial statements. PCE's annual audited financial statements will include the note disclosures omitted from these interim statements. If the omitted disclosures were included in these financial statements, they might influence the user's conclusions about the Authority's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

We are not independent with respect to PCE because we performed certain accounting services that impaired our independence.

Maher Accountancy

San Rafael, CA
January 25, 2024

PENINSULA CLEAN ENERGY AUTHORITY

STATEMENT OF NET POSITION

As of December 31, 2023

ASSETS

Current assets

Cash and cash equivalents	\$ 176,323,430
Accounts receivable, net of allowance	26,752,496
Accrued revenue	25,580,813
Investments	16,520,272
Other receivables	2,021,208
Prepaid expenses	891,947
Deposits and other assets	4,340,805
Total current assets	<u>252,430,971</u>

Noncurrent assets

Investments	150,794,659
Other receivables	3,027,112
Deposits and other assets	189,766
Lease asset, net of amortization	1,354,972
Capital assets and construction in progress, net of depreciation	3,978,401
Total noncurrent assets	<u>159,344,910</u>

Total assets	<u>411,775,881</u>
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LIABILITIES

Current liabilities

Accrued cost of electricity	30,088,512
Accounts payable	2,372,623
Other accrued liabilities	1,008,218
Deferred revenue	4,463,052
User taxes and energy surcharges due to other governments	1,243,300
Deposits - energy suppliers	1,379,999
Lease liability	515,878
Total current liabilities	<u>41,071,582</u>

Noncurrent liabilities

Deposits - energy suppliers	1,799,451
Lease liability	996,732
Total noncurrent liabilities	<u>2,796,183</u>

Total liabilities	<u>43,867,765</u>
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NET POSITION

Net investment in capital assets	3,689,729
Unrestricted	<u>364,218,387</u>
Total net position	<u>\$ 367,908,116</u>

PENINSULA CLEAN ENERGY AUTHORITY

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Six Months Ended December 31, 2023**

OPERATING REVENUES

Electricity sales, net	\$ 229,800,258
Green electricity premium	1,549,537
Liquidated damages revenue	564,711
Grant revenue	584,538
Total operating revenues	<u>232,499,044</u>

OPERATING EXPENSES

Cost of electricity	163,921,949
Contract services	5,285,177
Staff compensation	4,385,239
Other operating expenses	6,243,964
Depreciation and amortization	284,324
Total operating expenses	<u>180,120,653</u>
Operating income (loss)	<u>52,378,391</u>

NONOPERATING REVENUES (EXPENSES)

Interest and investment returns	7,929,430
Finance costs	(25,697)
Nonoperating revenues (expenses), net	<u>7,903,733</u>

CHANGE IN NET POSITION

Net position at beginning of period	307,625,992
Net position at end of period	<u>\$ 367,908,116</u>

PENINSULA CLEAN ENERGY AUTHORITY

STATEMENT OF CASH FLOWS Six Months Ended December 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 242,498,400
Receipts from grantors	584,538
Receipts of supplier security deposits	12,755,000
Payments to suppliers for electricity	(146,968,437)
Payments for other goods and services	(12,613,945)
Payments for deposits and collateral	(2,148,725)
Payments of staff compensation	(4,170,117)
Payments of taxes and surcharges to other governments	(3,249,679)
Net cash provided (used) by operating activities	<u>86,687,035</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Payments of lease obligation	(273,012)
Payments to acquire capital assets	(3,327,244)
Net cash provided (used) by capital and related financing activities	<u>(3,600,256)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from investment sales	21,554,392
Investment income received	4,034,083
Purchase of investments	(62,577,113)
Net cash provided (used) by investing activities	<u>(36,988,638)</u>

Net change in cash and cash equivalents	46,098,141
Cash and cash equivalents at beginning of period	130,225,289
Cash and cash equivalents at end of period	<u>\$ 176,323,430</u>

SUPPLEMENTAL CASH FLOW INFORMATION

Capital acquisitions included in accounts payable and other liabilities	\$ 131,034
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PENINSULA CLEAN ENERGY AUTHORITY
STATEMENT OF CASH FLOWS (continued)
Six Months Ended December 31, 2023

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating income (loss)	\$ 52,378,391
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation and amortization expense	284,324
(Increase) decrease in:	
Accounts receivable	10,472,303
Accrued revenue	(3,356,253)
Other receivables	3,219,306
Prepaid expenses	7,674,262
Deposits and other assets	11,984,375
Increase (decrease) in:	
Accrued cost of electricity	4,441,943
Accounts payable	1,211,508
Other accrued liabilities	132,983
Deferred revenue	(381,011)
User taxes and energy surcharges due to other governments	3,004
Deposits - energy suppliers	(1,378,100)
Net cash provided (used) by operating activities	<u>\$ 86,687,035</u>



PENINSULA CLEAN ENERGY - CHANDLER

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Period from October 1, 2023 to December 31, 2023

MARKET VALUE RECONCILIATION

	CURRENT PERIOD 10/01/2023 TO 12/31/2023	YEAR TO DATE 07/01/2023 TO 12/31/2023
Beginning Market Value	60,160,631.45	60,015,742.82
Receipts		
Cash Receipts	40,000,000.00	40,000,000.00
Total Receipts	40,000,000.00	40,000,000.00
Disbursements		
Cash Disbursements	- 18,097.91	- 36,099.24
Total Disbursements	- 18,097.91	- 36,099.24
Asset Activity		
Taxable Interest	529,467.07	583,899.22
Realized Gain/Loss	.00	- 6,873.43
Change In Unrealized Gain/Loss	1,373,862.92	1,415,410.49
Change In Accrued Income	92,733.99	166,517.66
Total Asset Activity	1,996,063.98	2,158,953.94
Net Change In Market Value	41,977,966.07	42,122,854.70
Ending Market Value	102,138,597.52	102,138,597.52

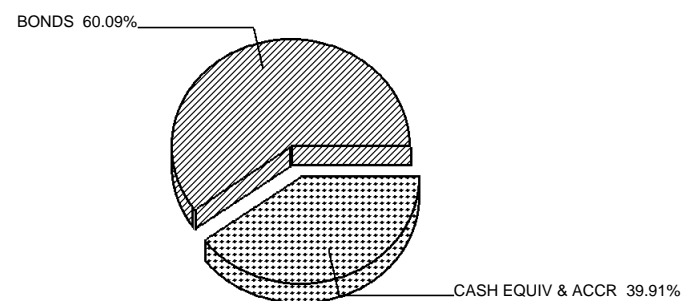


PENINSULA CLEAN ENERGY - CHANDLER

Page 5 of 22
Period from October 1, 2023 to December 31, 2023

ASSET SUMMARY

ASSETS	12/31/2023 MARKET VALUE	% OF MARKET
Cash And Equivalents	40,339,651.94	39.50
U.S. Government Issues	43,346,564.24	42.44
Corporate Issues	18,029,528.91	17.65
Total Assets	101,715,745.09	99.59
Accrued Income	422,852.43	0.41
Grand Total	102,138,597.52	100.00





PENINSULA CLEAN ENERGY - PFM

Page 3 of 73
Period from October 1, 2023 to December 31, 2023

MARKET VALUE RECONCILIATION

	CURRENT PERIOD 10/01/2023 TO 12/31/2023	YEAR TO DATE 07/01/2023 TO 12/31/2023
Beginning Market Value	64,488,357.02	64,338,327.34
Receipts		
Cash Receipts	40,000,000.00	40,000,000.00
Total Receipts	40,000,000.00	40,000,000.00
Asset Activity		
Taxable Interest	36,903.24	357,314.67
Realized Gain/Loss	- 311,894.76	- 858,141.05
Change In Unrealized Gain/Loss	2,064,908.49	2,462,118.23
Change In Accrued Income	454,636.88	433,291.68
Total Asset Activity	2,244,553.85	2,394,583.53
Net Change In Market Value	42,244,553.85	42,394,583.53
Ending Market Value	106,732,910.87	106,732,910.87

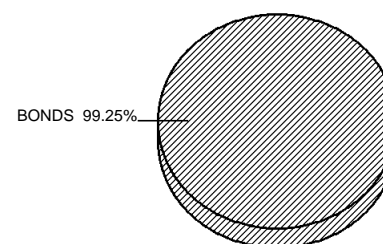


PENINSULA CLEAN ENERGY - PFM

Page 5 of 73
Period from October 1, 2023 to December 31, 2023

ASSET SUMMARY

ASSETS	12/31/2023 MARKET VALUE	% OF MARKET
Cash And Equivalents	48,507.41	0.05
U.S. Government Issues	82,710,514.57	77.49
Corporate Issues	16,603,789.40	15.56
Foreign Issues	965,488.40	0.90
Municipal Issues	5,659,045.40	5.30
Total Assets	105,987,345.18	99.30
Accrued Income	745,565.69	0.70
Grand Total	106,732,910.87	100.00





Account Statement - Transaction Summary

For the Month Ending **December 31, 2023**

Peninsula Clean Energy Authority - Peninsula Clean Energy - [REDACTED]

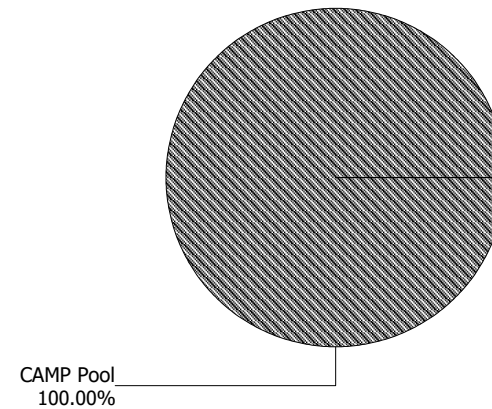
CAMP Pool

Opening Market Value	0.00
Purchases	90,199,431.00
Redemptions	0.00
Unsettled Trades	0.00
Change in Value	0.00
Closing Market Value	\$90,199,431.00
Cash Dividends and Income	199,431.00

Asset Summary

	December 31, 2023	November 30, 2023
CAMP Pool	90,199,431.00	0.00
Total	\$90,199,431.00	\$0.00

Asset Allocation





Account Statement

For the Month Ending **December 31, 2023**

Peninsula Clean Energy Authority - Peninsula Clean Energy - [REDACTED]

Trade Date	Settlement Date	Transaction Description	Share or Unit Price	Dollar Amount of Transaction	Total Shares Owned
CAMP Pool					
Opening Balance					0.00
12/13/23	12/13/23	Purchase - Incoming Wires	1.00	40,000,000.00	40,000,000.00
12/21/23	12/21/23	Purchase - Incoming Wires	1.00	50,000,000.00	90,000,000.00
12/29/23	01/02/24	Accrual Income Div Reinvestment - Distributions	1.00	199,431.00	90,199,431.00

Closing Balance **90,199,431.00**

	Month of December	Fiscal YTD July-December		
Opening Balance	0.00	0.00	Closing Balance	90,199,431.00
Purchases	90,199,431.00	90,199,431.00	Average Monthly Balance	42,277,364.29
Redemptions (Excl. Checks)	0.00	0.00	Monthly Distribution Yield	5.55%
Check Disbursements	0.00	0.00		
Closing Balance	90,199,431.00	90,199,431.00		
Cash Dividends and Income	199,431.00	199,431.00		



**PENINSULA CLEAN ENERGY AUTHORITY
JPA Board Correspondence**

DATE: February 12, 2024
MEETING DATE: February 12, 2024
VOTE REQUIRED: None

TO: Honorable Peninsula Clean Energy Authority Audit and Finance Committee
FROM: Nicholas Bijur, Chief Financial Officer
SUBJECT: Overview of Pre-Pay Bond Structure (Discussion)

RECOMMENDATION

Receive presentation on pre-pay bond structure and provide feedback and direction to either cease or proceed with investigation and potential implementation of pre-pay bond structure for certain long-term PCE power purchase agreements (PPAs).

BACKGROUND

To date, six California CCAs (MCE, Pioneer, Clean Power Alliance, 3CE, Silicon Valley Clean Energy and Ava) have executed a total of 11 pre-pay bond transactions over the past 2 1/2 years, raising almost \$10 billion in bonds. These transactions have generally resulted in annual savings of ~10% of the PPA contract costs when included in the pre-pay structure. The savings are driven by the ability of CCAs to access the tax-exempt debt market and then benefit from the rate differential between tax-exempt debt and taxable debt. Subject to Audit & Finance and Executive Committee feedback, PCE is considering executing a pre-pay bond transaction in 2024 if the economic value continues to be favorable.

In June 2023, Garth Salisbury, Board Member and Treasurer at CCCFA (California Community Choice Financing Authority) provided an overview of Pre-Pay transactions. CCCFA is the conduit through which CCAs access the tax-exempt bond market. Garth is also CFO at MCE, who has completed two pre-pay transactions.

DISCUSSION

Staff will provide an overview of the pre-pay bond structure including how it works, potential benefits and considerations, costs, key partners, a proposed timeline, and recommended next steps.

FISCAL IMPACT

Assuming an initial transaction of \$550 million and based on current market conditions, PCE may be able to realize annual savings of approximately 10% of the PPA payments included in

the structure, or approximately \$3.5 million per year. Future transactions with other PPAs could yield additional annual savings.

The vast majority of service provider fees are contingent on a successful transaction and paid from the proceeds of the bond offering. The only upfront costs incurred are staff time, the membership fee to join CCCFA (\$50,000), and the rating agency transaction fee (~\$200,000). PCE can wait until later in the process to join CCCFA and engage a rating agency should we decide to move forward.