



2075 Woodside Road | Redwood City, CA 94061  
(650) 260-0005 | [peninsulacleanenergy.com](http://peninsulacleanenergy.com)

**Regular Meeting of the Executive Committee of the  
Peninsula Clean Energy Authority (PCEA)  
AGENDA**

**Monday, March 11, 2024  
10:00 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** and  
**55661 Riviera, La Quinta, CA 92253**

Zoom, Virtual Meeting Link: <https://pencleanenergy.zoom.us/j/83252507093>  
**Meeting ID: 832-5250-7093 Passcode: 2075 Phone: +1 (669) 444-9171**

This meeting of the Peninsula Clean Energy Executive 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](mailto: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/executive-committee> following the meeting.

**Public Participation**

The PCEA Executive Committee meeting may be accessed through Zoom online at <https://pencleanenergy.zoom.us/j/83252507093>. The meeting ID is: 832 5250 7093 and the passcode is: 2075. The meeting may also be accessed via telephone by dialing +1(669) 444-9171. Enter the webinar ID: 832 5250 7093, then press #. (Find your local number: <https://pencleanenergy.zoom.us/u/kTIH1Ocod>). 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, and at 55661 Riviera, La Quinta, CA 92253.

Written public comments may be emailed to PCEA Board Clerk, Nelly Wogberg ([nwogberg@peninsulacleanenergy.com](mailto: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 Executive 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](mailto: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 January 9, March 13 and April 10, 2023 Executive Committee Meetings \(Action\)](#)

### **REGULAR AGENDA**

2. Chair Report (Discussion)
3. CEO Report (Discussion)
4. [Recommendation to Approve Peninsula Clean Energy's \(PCE\) Rate Setting Methodology \(Action\)](#)
5. [Recommendation to Approve Revisions to the Net Energy Metering \(NEM\) Annual Cash Out Policy \(Action\)](#)

### **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>.

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- Calling in via Telephone/Landline - see Option 3 below

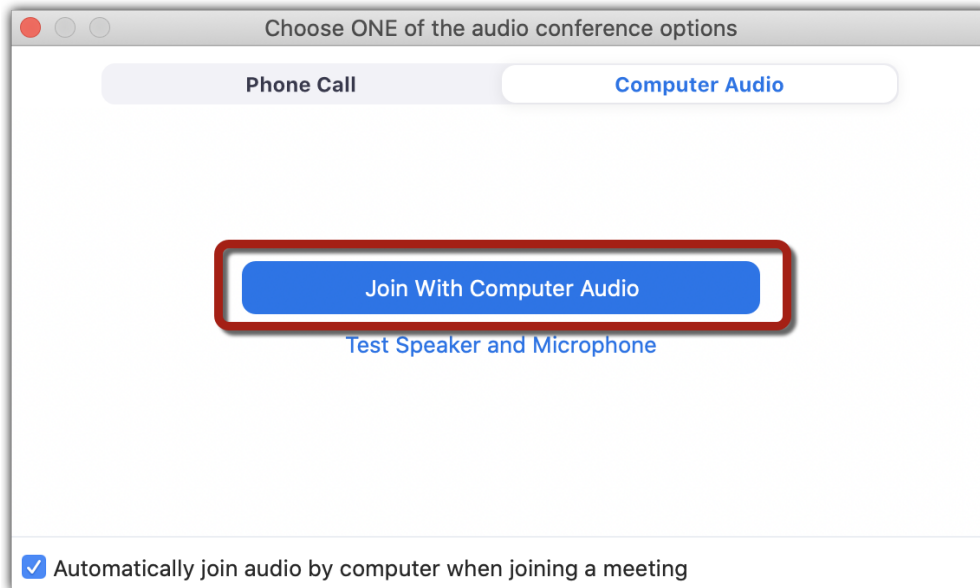
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- Please dial +1 (669) 444-9171.
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- You will be instructed to enter the meeting passcode **2075 followed by #.**



## Regular Meeting of the Executive Committee of the Peninsula Clean Energy Authority (PCEA) Minutes

Monday, January 9, 2023 10:00 a.m.  
Zoom Video Conference and Teleconference

### CALL TO ORDER

Meeting was called to order at 10:02 a.m. in virtual teleconference.

### ROLL CALL

#### **Participating Remotely:**

Dave Pine, San Mateo County  
Rick DeGolia, Atherton, *Chair*  
Julia Mates, Belmont  
Donna Colson, Burlingame, *Vice Chair*  
Carlos Romero, East Palo Alto  
Anders Fung, Millbrae  
Marty Medina, San Bruno  
Jeff Aalfs, Portola Valley, arrived at 10:04 a.m.

Pradeep Gupta, Director Emeritus  
John Keener, Director Emeritus

**A quorum was established.**

### PUBLIC COMMENT

None

### ACTION TO SET AGENDA AND TO APPROVE CONSENT AGENDA ITEMS

**MOTION:** Director Romero moved, seconded by Director Medina 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:** 7-0 (Absent: Portola Valley)

JURISDICTION	BOARD MEMBER	YES	NO	ABSTAIN	ABSENT
San Mateo County	Director Pine	X			
Atherton	Director DeGolia	X			
Belmont	Director Mates	X			
Burlingame	Director Colson	X			
East Palo Alto	Director Romero	X			
Millbrae	Director Fung	X			

San Bruno	Director Medina	X			
Portola Valley	Director Aalfs				X
	Totals	7			1

**REGULAR AGENDA**

2. Chair Report

Chair DeGolia welcomed Director Anders Fung for joining the Executive Committee.

3. CEO Report

Jan Pepper, Chief Executive Officer, provided a report that covered the following topics:

- Staffing update on open positions;
- White paper on achieving 24/7 renewable energy by 2025 will be published tomorrow, with a press release;
- An update on new PG&E rates from December 29, 2023
- An update on cohorts 1 and 2 of the Solar and Storage on Public Buildings program
- Quarterly All Staff in-person meeting will be held on January 24<sup>th</sup> at Allied Arts in Menlo Park; and`
- An update on credit rating agencies

Director Pine asked for more information on cohort 2 for Solar and Storage on Public Buildings. Jan explained that Staff is reaching out to cities and the school districts for behind the meter solar or behind the meter solar and storage. If there is a site you believe could be a good site, she asked to let Staff know as soon as possible.

Chair DeGolia referred to the April 15<sup>th</sup> deadline and encouraged decision-makers with public agencies to get in front of Peninsula Clean Energy as quickly as possible.

Public Comments: Rick Bonilla

Director Pine asked if solar and storage installations need to be installed by April 15<sup>th</sup>? Chair DeGolia explained that the interconnection application would need to be filed by that date.

4. Reconstitution of Peninsula Clean Energy’s Ex-Officio Board of Director Seat and Alumni Engagement (Action)

Vice Chair Colson explained that a subcommittee was formed to determine a process by which they could move through transition on the Director Emeritus ex-officio Board positions. After discussion with the attorneys and team many options were considered such as: 1) A status quo which is to re-elect 2 people every 2 years; or 2) dissolve the seats altogether. Both options did not seem appropriate given the large number of graduates from the board who want to remain involved.

They came up with a combination of ideas which is to create a Director Emeritus advisory pool where former Directors and their alternates would be able to sign up on a list of Emeritus volunteers willing to serve on subcommittees, or at farmers’ markets, advocacy events, and advise staff and the Citizens Advisory Committee on topics germane to their

skill set. Someone would only be eligible once their public office term concluded. They would receive agendas and newsletters, attend meetings, and they called for outreach, legislative advocacy, technical assistance, teaching, review of staff work product, enthusiasm and passion around clean energy and advancing the mission of Peninsula Clean Energy. They would dissolve the Emeritus seats and they would be more organized like a pool where participation was more voluntary.

Director Emeritus Keener added that he supports this proposal despite this bringing his tenure as an Emeritus to an end. He noted that Emeritus members have never been voting members on any committee. Vice Chair Colson said they are on their roll call list and if expanded, the work would become unmanageable.

Director Mates voiced support of the recommendation, thanked the subcommittee for their work and thinks it is a thoughtful way to have their experts continue to help out. She also thanked both Emeritus's for their work over the last few years.

Chair DeGolia commented that the Director Emeritus position is referenced in the JPA and he did not think they need to remove that and can choose they will not fill it. In terms of the engagement, he wants to be sure they can serve on subcommittees. Vice Chair Colson confirmed this is the intention, for subcommittee involvement and she thinks expressly pointing this out in a revised memo to the Board would be appropriate.

Director Pine stated this makes a lot of sense and thinks the onus would be on Staff and existing Board Members to avail themselves of talent they have. He suggested amending the agreement at a Board meeting and remove 3.1.1.

Chair DeGolia said for it to be amended it has to go back to the cities. Director Pine said he did not believe this would need to and said he did not think this ever went to the cities, but he agrees not to bother if it does need to go to the cities.

Jennifer Stalzer, Assistant General Counsel, said she can circle back on whether or not these need to go back to the cities.

Vice Chair Colson suggested leaving it 3.1.1 Directors Emeritus or changing it to the Talent Bank but revise the paragraph to describe the subcommittee.

Public Comments: None

#### 5. Diversity, Equity, Accessibility, and Inclusion (DEAI) Strategic Plan Amendments and Proposed Amendments to Policies 9 and 10 (Action)

Shayna Barnes, Operations Specialist, gave a presentation on the DEAI Strategic Plan Amendments, background, Proposed Amendments to the Strategic Plan, and edits to Policies 9 and 10.

Public Comments: Rick Bonilla, David Mauro

Vice Chair Colson said this seems like a good process and thinks staff can manage this. She appreciates the comments but not every business will necessarily be unionized. There might be women, minority, LGBTQ, and smaller businesses so she wants to ensure that they get the perspective of sourcing the businesses so they do not exclude

businesses that might meet some of their other objectives just because they are not unionized.

Public Comments: Rick Bonilla, David Mauro

Chair DeGolia said this is an action item and thinks the suggested changes to the Strategic Plan and Policy 9 are non-controversial. There are 3 issues in Policy 10 which would be helpful to comment on as to why those changes were made. The first is the change from getting information on suppliers and contractors, members of their workforces versus business owners so they will know the ownership of the firms they are engaging with.

The second change states for every renewable project Peninsula Clean Energy will require its regular workforce to be at least 50% journey level employees from an apprenticeship program and the changes would be to state “shall use best efforts” to require that.

The third change is the final language in Item e, which is deleting the parenthetical clause, “including proper assignment of work to crafts that traditionally perform that work.”

Shawn Marshall, Chief Operating Officer, said what they had in mind was thinking through their GovPV program and making sure they can get the work done expeditiously while still complying with values and policies around their workforce and labor agreements.

Director Romero referred to the union exclusivity piece, noting that they can return on this piece after Staff meetings with the unions. He believes there are many small businesses that are not signatories to various union agreements in the county, and to the extent that we want those small diverse businesses to thrive and eventually get to a place where they can have larger workforces, it behooves them to move to the next level to get into the union.

Director Pine asked where this policy currently applies. Item 3.d talks about Peninsula Clean Energy owned renewable development projects, and he asked if this encompasses the GovPV program.

Jan Pepper, Chief Executive Officer, explained that Peninsula Clean Energy has not owned any projects up until now, but the Inflation Reduction Act (IRA) allows direct pay provision where they can utilize the 30% investment tax credit directly. For those projects they are planning to own those projects and they expect the same for cohort 2. These are smaller ones, and it just happens that for this first cohort of programs the contractor they are recommending to use is a union contractor, but they would not want to be restricted in the future if they have many more projects to do and they need more than one contractor and to try to have some diversity in the makeup of those contractors. They are suggesting using “best efforts” rather than require it so they have the ability to receive bids from multiple contractors.

Director Pine explained that if it is the intent that this whole thing is supposed to be best efforts, he does not think it says that currently.

Jan suggested then in the first sentence they should be saying “shall use best efforts to use local businesses, union labor....” Director Pine agreed.



Chair DeGolia said the fact is they have had best efforts language in the kind of deals they have done, not ones they have owned, and this is referenced in the PCE programs in Item e which uses the “best efforts” language. That has not been an inhibitor for them and have used union labor at every opportunity when available and should continue to do that.

Vice Chair Colson thinks staff has worked hard on this and has come up with a very balanced and inclusive language.

**MOTION:** Vice Chair Colson moved, seconded by Director Mates to recommend to the Board of Directors to recommend approval to the Board of Directors of Diversity, Equity, Accessibility, and Inclusion (DEAI)-related amendments to the Strategic Plan and Policies 9 and 10, with requested changes (3.d. “shall use best efforts...” and in 3.e. “including proper assignment...”) and recommendation to check in with the labor council and the Unions around Policy 10.

Director Pine said this paragraph was intended to cover a situation where the Peninsula Clean Energy built a solar farm or installed wind turbines. He does not think it was envisioned for a GovPV type of program and wondered if they could distinguish between those things. They could approve and leave the labor language as is, and return with the labor language separately after the meeting with the labor unions.

Shayna asked if the proposal is to make the edits as stated, and then bring that version to labor. Director Pine said he did not think the proposal as just summarized should be voted on today. They should sit down with labor and talk about it as described.

Chair DeGolia agreed and thinks the meeting with labor showing them the revised language should be held before the Board finally approves this because it makes it more inclusive.

Director Aalfs said he agrees it is worth talking with labor before it goes to the Board and supported all of the items be done at once. But, if Directors want to move Policy 9 and the Strategic Plan forward, he was comfortable with those two, and thinks other Directors felt the same.

Director Mates said she was fine with holding off approving anything before they go to labor. She would like to recognize how much work has gone into this already, how long it has taken, and she is nervous about dragging it out any further. She thinks the 30 days is a good one and asked to stick to that.

Director Fung echoed Director Mates’ comments, and asked to see some statistics in terms of minority-owned and women-owned business and the opportunities given in the past.

**AMENDMENT:** Vice Chair Colson amended, seconded by Director Mates to continue the item to the Executive Committee at the February 13, 2023 meeting after staff meets with Labor.

Chair DeGolia said they can vote to continue this but wondered if this is necessary as Directors have given direction to staff on both changing the language, meeting with labor, and bringing it back in 30 days.

Vice Chair Colson withdrew her motion and said they will wait for 30 days, incorporate changes in Policy 10, and confirmed that Policy 9 and the Strategic Plan are okay as is. Directors agreed.

Public Comment: Rick Bonilla, David Mauro

6. Operational Amendments to Policy 14, “Delegation of Authority Policy” (Action)

Shawn Marshall, Chief Operating Officer, gave a presentation on an operational amendment to Policy 14 as well as an update to the title of the policy.

Public Comments: None

**MOTION:** Vice Chair Colson moved, seconded by Director Romero to recommend to the Board of Directors to Recommend approval to the Board of Directors of operational amendments to Policy 14.

**MOTION PASSED:** 8-0

JURISDICTION	BOARD MEMBER	YES	NO	ABSTAIN	ABSENT
San Mateo County	Director Pine	X			
Atherton	Director DeGolia	X			
Belmont	Director Mates	X			
Burlingame	Director Colson	X			
East Palo Alto	Director Romero	X			
Millbrae	Director Fung	X			
San Bruno	Director Medina	X			
Portola Valley	Director Aalfs	X			
	Totals	8			

7. Amendments to Policy 1, “Delegation of Authority to Chief Executive Officer Regarding the Legislative Platform” (Action)

Marc Hershman, Director of Government Affairs, gave a presentation on updates to Policy 1.

Public Comments: None

**MOTION:** Director Fung moved, seconded by Director Aalfs to recommend to the Board of Directors to recommend approval to the Board of Directors of updates to Policy 1, “Delegation of Authority to Chief Executive Officer Regarding the Legislative Platform”.

**MOTION PASSED:** 8-0 (Absent: 0)

JURISDICTION	BOARD MEMBER	YES	NO	ABSTAIN	ABSENT
San Mateo County	Director Pine	X			
Atherton	Director DeGolia	X			
Belmont	Director Mates	X			
Burlingame	Director Colson	X			
East Palo Alto	Director Romero	X			

Millbrae	Director Fung	X			
San Bruno	Director Medina	X			
Portola Valley	Director Aalfs	X			
	Totals	8			

Jennifer Stalzer, Deputy County Attorney, referred to the earlier Agenda Item Number 4. She has reviewed the JPA and there is no need to return to constituent cities. It is covered by Section 7.4 which requires a vote of the Board Members and added the following “7.4 Amendment of this Agreement. This Agreement may not be amended except by a written amendment approved by a vote of Board members as provided in Section 3.7.5. The Authority shall provide written notice to all Parties of amendments to this Agreement, including the effective date of such amendments, at least 30 days prior to the date upon which the Board votes on such amendments.”

Chair DeGolia asked Staff to revise the language based on the discussion today and propose an amendment.

8. Committee Members’ Reports

None

**ADJOURNMENT**

Meeting was adjourned at 11:41 p.m.



## Regular Meeting of the Executive Committee of the Peninsula Clean Energy Authority (PCEA) Minutes

Monday, March 13, 2023  
10:00 a.m.  
Zoom Video Conference and Teleconference

### CALL TO ORDER

Meeting was called to order at 10:05 a.m. in virtual teleconference and in the Peninsula Clean Energy Authority lobby.

### ROLL CALL

#### **Participating Remotely:**

Dave Pine, San Mateo County  
Rick DeGolia, Atherton, *Chair*  
Julia Mates, Belmont  
Donna Colson, Burlingame, *Vice Chair*  
Carlos Romero, East Palo Alto  
Marty Medina, San Bruno, arrived at 10:11 a.m.  
Anders Fung, Millbrae  
Jeff Aalfs, Portola Valley

Pradeep Gupta, Director Emeritus  
John Keener, Director Emeritus

**Absent:** None

**A quorum was established.**

### PUBLIC COMMENT

None

### ACTION TO SET AGENDA

**MOTION:** Director Mates moved, seconded by Director Romero to set the Agenda.

**MOTION PASSED:** 7-0 (Absent: San Bruno)

JURISDICTION	BOARD MEMBER	YES	NO	ABSTAIN	ABSENT
San Mateo County	Director Pine	X			
Atherton	Director DeGolia	X			
Belmont	Director Mates	X			
Burlingame	Director Colson	X			
East Palo Alto	Director Romero	X			
San Bruno	Director Medina				X

Millbrae	Director Fung	X			
Portola Valley	Director Aalfs	X			
	Totals	7			1

**REGULAR AGENDA**

1. Chair Report

Chair DeGolia, thanked Nelly Wogberg for the hybrid setup. He reported that the CEO Transition Subcommittee has met twice and approved language for the CEO job description.

2. CEO Report

Jan Pepper, CEO, provided a report that covered the following topics: Staffing update, updates on in-person meetings, office mask policy, new EV chargers at the office, an update on Silicon Valley Bank closure, and as a public agency, report that PCE’s deposits are guaranteed beyond the FDIC insurance as a public agency over the regular limit of \$250,000.

Kristina Cordero, Chief Financial Officer, expanded on the SVP banking closure. She explained that bank deposits held for Peninsula Clean Energy (PCE) are collateralized. First Republic Bank has collateral on amounts that cover PCE’s deposits as well as other governmental agency deposits with a Letter of Credit with the Federal Home Loan Bank of California. Secondly, they make payments to vendors through Bill.com, that has about 10% of its holdings at SVB; however, Bill.com has assured all of its clients that it is able to make payments through Bill.com. Kristina noted that more than 90% of payments are for energy products which are typically made via wire transfer from their First Republic Bank.

Vice Chair Colson commented that this is one of the reasons they moved money out of a checking account and into actively managed investments. Those assets are held in custody of PFM and they are splitting into two and diversifying banking. These are all risk reduction polices that were good policies to pursue.

Director Romero asked what the size of all of PCE’s capital at First Republic Bank. Kristina explained there roughly is about \$40 million dollars in the checking, operating, and savings accounts.

Chair DeGolia asked and confirmed that First Republic Bank investments are held by US Bank.

Director Aalfs asked about the 105% collateralization. Kristina explained it is 105% of the cash deposits, or whatever they have in their bank deposits with any of their banks is collateralized per California Government Code.

Director Mates agrees with Director Romero to have a meeting of the AFC before May as this is a big enough deal to delve into this further.

Vice Chair Colson added that she can speak with Staff and come up with an agenda and the report out would be an informational report to the Board as to how their system works, what their risk management is, investment policies and guidelines, and potential risk. Director Mates added that new board members would appreciate this information.

Chair DeGolia added that the mid-year financial report will be at their March Board meeting and this will be appropriate to include when they have the financial report to go through the issues resulting from the banking situation.

Director Fung asked if the California Government Code is mandating the public institution to collateralize any deposit from qualified agencies. Kristina explained that it is the Government Code that requires governmental agencies deposits to be collateralized at that amount.

Jennifer Stalzer, Assistant General Counsel said she thinks it would make the most sense to agendize this for a future meeting.

Jan said she will plan to have an agenda item to discuss this at the March 2023 Board meeting, with financial representatives from PFM and FRB. If there is a need for a special meeting of the AFC to research this further, this can also be scheduled.

Director Fung asked if they could bring in financial partners to brief them on it, which would be helpful to understand as to how to stay in compliance with the Government Code.

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

Kristina Cordero, Chief Financial Officer, gave a presentation with an update on Peninsula Clean Energy's (PCE) performance through Q2 of the current fiscal year. She explained there are 3 sections to this discussion:

- a. Discussion on their performance compared to budget through Q2 of the current fiscal year;
- b. What they are projecting for remainder of the year as far as year-end financial position with information they know and best adjustments to the remainder of the fiscal year; and
- c. Given what they know of performance through Q2, what are things they should keep in mind as they enter into budget season and tools as PCE has to address budget variances as the year progresses.

Chair DeGolia asked about the difference between non-operating expense versus expectation of revenue. Kristina explained that those are unrealized losses for the most part which are paper losses. Chair DeGolia asked if these are unrealized losses which have changed in their principle value due to changes in interest rates. Kristina explained they are changes in their investment portfolio value that have not yet been realized.

Vice Chair Colson asked if it makes sense to revise the budget mid-year. Kristina explained that making an adjustment to the budget might make sense, and tonight the recommendation is to revise the Budget. Jan Pepper, CEO, added that this was discussed internally and explained the budget change would be brought in April 2023.

Chair DeGolia commented that his City Council reviews and makes budget adjustments mid-term and they do not ask Finance to redo its whole level of assumptions. They are asked to approve any additional expenses. He noted PCE's big expense is the cost of power which is a fluctuation they will always be subject to.

Chair DeGolia noted that something that was missing under rates is not just what PG&E's generation rate is, but what PCE's chosen discount is from PG&E's rate, which has a significant impact on PCE's revenue. Given they are looking at generating more net cash than expected because of the rate change that occurred in January, the Board should look at some options for changing that discount and determine whether the cause is temporary or structural. He also observed they have also not independently set rates other than the discount from PG&E. What has been raised is because of the California Public Utility Commission's (CPUC) change from Net Energy Metering (NEM) NEM 2 to NEM 3 which is highly controversial. PCE has the ability to independently address that issue and they do not necessarily have to adopt what the CPUC has decided to do, and he thinks it is appropriate to have a discussion at some point about that.

Jan said when independently setting rates they are in the process of starting a rate study to look at cost of service for their different types of customers.

Director Romero asked if the reason they are realizing or pledging for the additional \$40 million in revenue is because of the reduction in the Power Charge Indifference Adjustment (PCIA) this year and it does not mean the PCIA remains low in the future. Kristina confirmed.

Chair DeGolia said there was also an increase in the PG&E generation rate. It is most significantly impacted by the reduction in PCIA, and PCE retained the 5% discount.

Jan noted that the PCIA is essentially zero right now and last year it was 3 to 4 cents. That difference is now coming to PCE, but there is no difference to customers. This is probably a one-time change that went down due to energy prices going up.

Chair DeGolia noted other issues related to the PCIA which would be highly negative if PG&E was still not paying off Diablo Canyon. Beginning next year, that changes to their benefit because the PCIA will go away with half of the Diablo Canyon obligation next year and goes away entirely in 2025.

Director Romero said when they discuss how to deal with the windfall, given the context of Diversity, Equity, Accessibility, and Inclusion (DEAI) work should be factored in.

Public Comments: None

#### 4. Building Electrification Strategy Update

Blake Herrschaft, Programs Manager for Buildings, gave a presentation that covered programs perspective of the future of building electrification programs, known as BE V2. He reviewed the 2035 decarbonization analysis findings and takeaways, their vision for building electrification Version 2, and how that relates to the Home Upgrade Program and its status.

Vice Chair Colson asked what Peninsula Clean Energy could do to assist when contractors were increasing their prices based on the amount of the BayREN rebate.

Rafael Reyes, Director of Energy Programs, said they have incentive programs today that allows people to go through BayREN and capture those and PCE incentives without going through BayREN. They have been hearing that costs were minor, that there are fewer contractors in the BayREN program, and preliminary data suggests that costs are higher if the contractor is going through BayREN.

Director Romero asked if solar was included in terms of the whole house electrification approach. Blake explained that solar is not included. Director Romero said this will mean an increase in electrical costs.

Chair DeGolia said in the 3 assumptions, the options were 1) they do not want to choose; 2) they do not have the time and give them someone to do it and just get it done, and 3) they cannot afford this. He thinks there is a 4<sup>th</sup> option which is they do not want to take the risk. The grid does not address that because it is above ground, and it creates a risk from power outages. This raises the issue of solar plus battery backup.

Director Mates said she thinks this is a core item on the list, and that any hit will be financially tricky for everyone and not just low-income families.

Rafael said they already have the program with Sunrun for solar plus storage, but clearly there is still a challenge and a gap there. Part of their goal is to start getting a handle on the cost and how to bring it down because batteries are extremely expensive and difficult to get.

Public Comments: Diane Bailey, Gladwyn d'Souza

Director Fung added that one of the most important parts is the success of this program. While everyone knows that PG&E delivers their power, not everyone knows that Peninsula Clean Energy supplies the electricity to them.

Director Pine said everyone likes the emphasis on the one-stop shop and while on-line, it is difficult for people to get their heads around as to how to do this so education can go a long way.

5. Discussion on Bay Area Air Quality Management District (BAAQMD) Proposed Amendments to Rule 9-4: Nitrogen Oxides from Fan Type Residential Central Furnaces and Rule 9-6: Nitrogen Oxides Emissions from Natural Gas-Fired Boilers and Water Heaters

Jan Pepper, CEO, gave a presentation explaining that Peninsula Clean Energy has been approached by the Bay Area Air Quality Management District (BAAQMD) to take a position on the proposed amendments to regulate Nitrogen Oxide (NOX) emissions from space heaters and water heaters, applying a zero NOX emissions standard which would require that retailers, wholesalers, and installers would need to meet this at the time of installing. Residential units must comply by January 1, 2027, space heating for commercial to comply by January 1, 2029, and larger commercial and multi-family by January 1, 2031.

Chair DeGolia said if households and businesses are not obligated to apply, what BAAQMD would do is make the NOX-generating appliances not available for sale in the 9 counties so it does not require replacement of what people already have, just says you cannot purchase or install the appliance.



Jan said the rule amendments apply only to new appliances and do not mandate existing appliances, but in 2027 only zero NOX water heaters can be sold or installed, and in 2029, commercial appliances. She said Staff had an internal discussion about this and they have a platform within Peninsula Clean Energy (PCE) for Policy 1 which states that authority is delegated to take a position on items within the platform, which she read and said these two rules do comply with that part of PCE's platform. Other Community Choice Aggregators (CCAs) have submitted letters of support such as Silicon Valley Energy and East Bay Community Energy. Since these rules have an impact on PCE customers, they wanted to bring this to Executive Committee before submitting a formal report.

Vice Chair Colson said she is not comfortable writing a letter on behalf of the whole Board. She thinks there are big concerns around this as well and she heard from many of her constituents, and she did not give anyone a reason to give anyone a reason to get upset with PCE and opt out.

Director Mates said this falls along PCE's goals and she thinks this is where they should be going ultimately. She is concerned for items brought up for Agenda Item 3, involving bad timing given that number of people in the county affected by electrical outages. She is interested in what others want the letter to say, perhaps have caveats and carve outs on concerns and not sure how they would address them, even to PCE's ratepayers.

Director Medina said he shares the same concerns. He feels that the full Board should be able to participate in this discussion and the timing is not the best right now.

Chair DeGolia shared that he does not think PCE should write a letter in opposition to this, as this would be against what Peninsula Clean Energy is focused on. He believes it is more appropriate for PCE than any City Councils to take a position because it is consistent with their strategic goals, but it raises that issue for him as he does not have any direction from his Council on it.

Jan explained that Staff can draft a letter and outline points that are important to consider. One option would be to write a letter saying this is consistent with our mission, but include things that PCE would want reconsidered.

Public Comments: Diane Bailey, Gladwyn d'Souza,

Director Mates shared she thinks there are many health benefits to getting rid of NOX, but there is also some cost issues to think about which is part of people's health—being able to afford things. She also asked if there are some sort of financial items that BAAQMD is offering at this point, such as grants.

Jan explained there are no particular grants BAAQMD is offering; however, under the Inflation Reduction Act, there are incentives for installing these types of devices. They also know the experience with Reach codes that having an ordinance or requirement that something happen will make things move more quickly rather than being a voluntary decision by a family to install these types of devices.

Director Mates added that, if PCE wanted to, they could put more money into programs that subsidize that too. Jan said they are looking at backup power, battery storage, and trying to work with PG&E to make progress, but there are other CCAs who did a micro-grid with PG&E where a portion of the grid can be islanded from the power going out and

have backup storage there so people can continue to get their power. This is something more in the future where PCE would want to work with them.

Public Comment: Tim Frank

Chair DeGolia said maybe qualifications can include some of the issues Director Mates addressed such as affordability.

Vice Chair Colson agreed and said if they sent the letter stating this complies with their goals of decarbonization, she would specifically want to call out their concerns around affordability, reliability of the grid, availability of product, and should call all of that out and concerns of lower, middle income, and coast side with strong grid unreliability.

Director Mates said she thinks it sounds like BAAQMD welcomes letters in support with some caveat to include some of their concerns. Especially for public commentators, if this is what they agree with today, this is what the letter will say—that it supports PCE’s mission and here are their concerns.

Director Romero agreed with Director Pine because there will be pain in making this transition. It is whether they take the pain today or in 4 to 5 years. He thinks it will hurt, but they need to start and he is in support. He would support sending it even though they know it may impact some folks.

6. Strategic Plan Amendments and Proposed Amendments to Policies 9 and 10  
(Continued from January 9, 2023 Executive Committee Meeting) (Action)

Shayna Barnes, Operations Specialist, gave a brief presentation including proposed edits to the Strategic Plan, Policy 9 (Ethical Vendor Standards) and Policy 10 (Inclusive and Sustainable Workforce Policy).

Chair DeGolia noted the time, and suggested undertaking Policy 10 next month or stay at the meeting until 1:00 p.m., and Directors supported continuing Policy 10 to next month.

**MOTION:** Director Anders moved, seconded by Director Mates to continue Agenda Item Number 6, “Strategic Plan Amendments and Proposed Amendments to Policies 9 and 10 (Continued from January 9, 2023 Executive Committee Meeting)” to the next Executive Committee meeting.

**MOTION PASSED:** 7-0 (Absent: Portola Valley)

JURISDICTION	BOARD MEMBER	YES	NO	ABSTAIN	ABSENT
San Mateo County	Director Pine	X			
Atherton	Director DeGolia	X			
Belmont	Director Mates	X			
Burlingame	Director Colson	X			
East Palo Alto	Director Romero	X			
San Bruno	Director Medina	X			
Millbrae	Director Fung	X			
Portola Valley	Director Aalfs				X
	Totals	7			1

Public Comments: Chair DeGolia asked that public comments be undertaken at the next meeting when the entire item is continued.

7. Committee Members' Reports

None

**ADJOURNMENT**

Meeting was adjourned at 12:28 p.m.



**Regular Meeting of the Executive Committee of the  
Peninsula Clean Energy Authority (PCEA)  
Minutes**

Monday, April 10, 2023  
10:00 a.m.  
Zoom Video Conference and Teleconference

**CALL TO ORDER**

Meeting was called to order at 10:01 a.m. in virtual teleconference and in the Peninsula Clean Energy Authority lobby.

**ROLL CALL**

**Participating Remotely:**

- Dave Pine, San Mateo County
- Rick DeGolia, Atherton, *Chair*
- Julia Mates, Belmont
- Coleen Mackin, Brisbane
- Donna Colson, Burlingame, *Vice Chair*
- Carlos Romero, East Palo Alto (arrived at 10:03 a.m.)
- Anders Fung, Millbrae (arrived at 10:02 a.m.)
- Marty Medina, San Bruno
- Jeff Aalfs, Portola Valley

**Absent:** None

**A quorum was established.**

**PUBLIC COMMENT**

None

**ACTION TO SET AGENDA**

**MOTION:** Director Medina moved, seconded by Director Pine to set the Agenda.

**MOTION PASSED/FAILED:** 7-0 (Absent: East Palo Alto, Millbrae)

JURISDICTION	BOARD MEMBER	YES	NO	ABSTAIN	ABSENT
San Mateo County	Director Pine	X			
Atherton	Director DeGolia	X			
Belmont	Director Mates	X			
Brisbane	Director Mackin	X			
Burlingame	Director Colson	X			
East Palo Alto	Director Romero				X
Millbrae	Director Fung				X
San Bruno	Director Medina	X			

Portola Valley	Director Aalfs	X			
	Totals	7			2

**REGULAR AGENDA**

1. Chair Report

Chair DeGolia noted that resumes are being collected for the open CEO position, and at the April 2023 Board Meeting, a consulting agreement with Jan Pepper will be brought to the Board.

2. CEO Report

Jan Pepper, *CEO*, provided a report and staffing update including summer internships, recruitment for the CEO position and Power Resources Analysts and Specialists, and provided information on the annual CalCCA Conference.

3. Approval of Strategic Plan Amendments and Proposed Amendments to Policy 9 and Policy 10 (Continued from January 9, 2023 Executive Committee Meeting) (Action)

Shayna Barnes, Operations Specialist, gave a presentation including the DEAI scope of work, proposed edits to the Strategic Plan, proposed edits to Policy 9 and Policy 10, information on meetings with labor on January 25, 2023 and March 6, 2023, and IRA apprenticeship requirements.

Director Mates asked if labor was able to provide any solutions in terms of businesses not bidding on smaller projects.

Rafael Reyes, Director of Energy Programs, spoke of extensive efforts to work with labor across multiple projects including Gov PV, EV Charging and Low-Income Home Upgrade programs and the challenges experienced, particularly with the EV charging program where there was a labor requirement. Initially, the team worked with IBEW to recruit union firms to work on the programs, but heard feedback that the programs were too small and overall, this was not particularly successful overall based in terms of bids received. Coming out of that process, the team engaged with Executive Committee Directors and made adjustments to remove the labor requirement while still having union firms participating in projects and have experienced a 5-fold increase in projects.

Director Mates asked what does “shall” look like in comparison to “best efforts”. Rafael explained that they would prefer to work with union firms and anticipate going forward that in their Request for Proposal (RFP) process having preferential inclination to choose a union firm if one came forward. They are willing to accommodate cost considerations and in the case of government solar program they use prevailing wage and use an evaluation process for the preferential inclination for labor union firms. Director Mackin asked if it would help to say “prioritize efforts.”

Chair DeGolia asked if IBEW is the only union organization that Staff has had real contact with. Rafael said no, they have also engaged with plumbers’ union, but much of Peninsula Clean Energy’s (PCE) work is electrical.

Chair DeGolia asked if the unions have provided a list of qualified contractors. Rafael explained that as part of their efforts around the EV charging program, they have received lists and have outreached to those contractors to seek to engage them.

Chair DeGolia asked if using “best efforts” means they will continue to give preference to union contractors if they have multiple parties responding, and Rafael said yes, this is how they have been viewing the language.

Vice Chair Colson asked if in the construct of that language, minority, women-owned, LGBTQ-owned, and other types of firms are getting excluded. Rafael explained that many minority contractors are not in unions which has created some concern with their ability to balance the Diversity, Equity, Accessibility, and Inclusion (DEAI) goals with union goals.

Director Aalfs stated the policy does not specifically address the project selection or prioritization in terms of fitting projects which have a substantial benefit for their local areas. There is no equity lens as far as which projects, they choose to move forward with which can be addressed in many ways. Shayna explained that this is not codified in policy but is part of the selection criteria in the Request for Offers (RFO).

Director Romero asked what percentage has been union versus non-union. Rafael explained they have two general classes of open-incentive programs and while they do not explicitly track union versus non-union in the broad residential incentive programs there is more union representation for the larger dollar and more turnkey programs.

Director Mates asked when exhausting the list provided by the unions if they were still not able to find bidders. Rafael explained they were not getting a lot of interest in the projects.

Chair DeGolia said the “best efforts” versus “shall use language” is in subsection D for PCE owned generation projects and asked if the language “to use best efforts and give preference to” would be consistent with current practice. Rafael confirmed.

Chair DeGolia announced that Public Comment will go until 11:15 a.m. to allow time for Board Discussion of this item.

Public Comment: Tim Frank, David Mauro, Eric Veium, Batoul Al-Sadi, Bart Pantoja, Emily Gartenberg, Julie Lind, Leslie Austin, Veronica Wilson, Benjamin Eichert, Alex Lantsberg, David Mauro

Director Mates noted that she cannot speak for full Board, but knowing how supportive the Board has been for using Labor workforce, the current amendments may not be accepted and could be viewed as the Board relaxing views on Labor. She believes there is some miscommunication and thinks they need Labor partners to help them get to the point where they can use Labor workforce to work on smaller projects.

Vice Chair Colson noted that their job as fiduciaries of this Board is to get the programs out and provide low-cost electricity. She is proud that is supporting union labor but wanted to be comfortable with the recommended Staff language, to follow up in a year, and see how it goes.

Director Aalfs said he is leaning towards leaving it as “shall” so they are committed to 100% union. Plan A is use 100% union labor and Plan B is that if the project is being

stopped because they are not getting bids from labor unions, then to use this as a backup to give some flexibility.

Chair DeGolia noted they are not able to get the contractors using only union labor and would rather say, “use best efforts to use union labor and give preference to union labor” or just say “we will give preference to union labor” because this is what they are currently doing.

Director Medina commented it is important to define what preference actually means, because when bidding for a job the word “shall” will prevent non-union from bidding.

Vice Chair Colson suggested bifurcating the policy so they use “shall” on everything where they have a dollar amount or size, and then divide it up into little jobs and go with “shall use best efforts” and try and see how they do in a year, get the data back, and then they can either pull that in or keep it separate.

Chair DeGolia noted he is okay with “shall”, but it will impact decarbonization so they are giving up this goal in order to accomplish this firm language.

Director Pine suggested saying that in the event the engagement is more than “x” dollars, instead of using “best efforts” it would say “shall use, in the event the engagement is more than “x” dollars”.

Jan Pepper, CEO, asked what to do in the instance if there is a dollar limit and they get bids for projects with union bids above that dollar limit and non-union bids in below that dollar limit.

Director Medina talked about using preferences and asked if they are willing to spend “x” more to do union.

Director Aalfs said they are talking about two alternative efforts- how do they get more union involved. One is to say “shall” and the other is to say “best efforts” which would provide some kind of preference. As far as the recommendation, he thinks they all believe the policy should move forward. They have defined this point as best they can, and they understand that the rest of the policy is excellent as a whole.

Chair DeGolia said rather than bifurcating it by a dollar amount which has some problems, he would be more comfortable saying “shall use best efforts and give preference to...” to clarify what “best efforts” means, which is giving preference to unions.

Director Mates asked if using the language suggested “shall use best efforts with preference to” would slow down their decarbonization goal as it seems like a compromise. Chair DeGolia explained Staff is saying they need this change in order to get closer to their goals.

Vice Chair Colson said PCE's number one goal is to deliver clean electricity and diversify their market, and the number two goal is decarbonization. If they put a third goal which is to fully employ union labor, hypothetically, this is the problem. If you are elevating to the “must” you will be trading off on the second goal, and possibly even the first goal, because it may cost more for to be able to deliver energy.

Director Aalfs share the willingness to pay extra for union labor as an organization and is confident they can maintain the union labor and still have a 5% discount.

Jan said this was brought because they are working on their DEAI policy and they are trying to broaden the participation of groups that have not been well-represented.

Vice Chair Colson said ownership is important to her because ownership creates a pathway to job creation and wealth. She is not discounting that they should look at the workforce, but if everyone they are doing business with is owned by a white man then we are not meeting DEAI objectives. Director Aalfs agreed that ownership should be a factor separate from composition.

Director Mackin suggested adding, “union labor and apprenticeship programs, inclusive and diverse business ownership”. Shayna explained they cannot, as a public agency, give preference for minority or women-owned businesses. They can remove barriers but cannot make preferences.

Director Romero asked if you could use a point-score. Jan explained they cannot require people to provide that information in their bid and they cannot make the selection based on that.

Chair DeGolia said he is comfortable with it and confirmed the language would say “Shall give preference to local businesses, labor, and apprenticeship programs.” Director Pine suggested using “give preference to and prioritize.” Chair DeGolia agreed.

**MOTION:** Chair DeGolia moved, seconded by Director Mates to recommend approval to the Board of Directors of Diversity, Equity, Accessibility, and Inclusion (DEAI)-related amendments to the Strategic Plan and Policies 9 and 10 with the inclusion of “shall prioritize and give preference to...”.

**MOTION PASSED: 9-0**

JURISDICTION	BOARD MEMBER	YES	NO	ABSTAIN	ABSENT
San Mateo County	Director Pine	X			
Atherton	Director DeGolia	X			
Belmont	Director Mates	X			
Brisbane	Director Mackin	X			
Burlingame	Director Colson	X			
East Palo Alto	Director Romero	X			
Millbrae	Director Fung	X			
San Bruno	Director Medina	X			
Portola Valley	Director Aalfs	X			
	Totals	9			

4. Mid-year Update on Strategic Plan (Discussion)

Shawn Marshall, COO, gave a high-level overview on the Strategic Plan including a recap of adjustments made since September 2022.



Jan Pepper, CEO, said this is showing that they are on target with their organizational priorities. The main dashboard shows that they are moving well. They have changed the decarbonization target a bit but are going towards 2035.

Chair DeGolia referred to the 100% renewable they are incrementally improving the amount of power they are providing to customers each year and then there is a huge jump between 2022 and 2035. He guessed this is because they are selling Renewable Energy Credits (RECs) and asked if this is accurate.

Jan explained they are on track to get to 100% renewable energy by 2025 with the number of projects in the pipeline, but this is a snapshot of where they are at today. They have a couple of solar projects coming online in 2022/23, a geothermal project just come on line in 2023 and they are selling some excess RECs right now because they are aiming for the 50% renewable, but the target is they will contract for sufficient resources so in 2025, they will be 100% renewable.

Rafael Reyes, Director of Energy Programs, said they have both the 2022 results, and he noted the 2022 has shown moderate progress towards their goal, but last year they made several significant program changes that have had substantial impact where you see the results of that in the 2023 numbers. As for local resources, they are reasonably confident they can meet the 20 MGW target and they have been making well over their target for investment for low-income communities.

Shawn added that the rest of the report contains remaining information and highlights here which is a nuanced difference from when they met last in September. Shawn then explained one of the goals in the legislative area is expansion which has been a long-standing Board goal. Shawn explained that it has gotten more challenging, noting a regulatory battle underway with East Bay Community Energy and Central Coast Community Energy and the California Public Utilities Commission which has not certified their expansion implementation plan, issues around Resource Adequacy waivers, compliance, and others being worked out in parallel. Shawn explained that the Commission seems to be linking Community Choice Aggregators (CCA's) ability to expand with compliance issues.

Jan explained their growth in change in net-position and meeting with credit agencies to get their rating higher.

Public Comments: None

#### 5. Committee Members' Reports

Director Medina thanked Staff for the Egg Hunt and Pancake Breakfast.

### **ADJOURNMENT**

Meeting was adjourned at 12:00 p.m.



**PENINSULA CLEAN ENERGY AUTHORITY**  
**JPA Board Correspondence**

**DATE:** March 4, 2024  
**MEETING DATE:** March 11, 2024  
**VOTE REQUIRED:** Majority Vote

**TO:** Honorable Peninsula Clean Energy Authority Executive Committee

**FROM:** Nicholas Bijur, Chief Financial Officer

**SUBJECT:** Recommendation to Approve Peninsula Clean Energy's (PCE) Rate Setting Methodology (Action)

**RECOMMENDATION**

Recommend approval of updated Peninsula Clean Energy (PCE) rate setting methodology to the Board of Directors.

**BACKGROUND**

Since PCE's formation in 2016, PCE has set rates at a 5% discount to PG&E generation rates for all ECOplus customers, net of the Power Charge Indifference Adjustment (PCIA). PCE's rates are typically approved by the Board of Directors (Board) in February after Pacific Gas and Electric Company (PG&E) sets its generation rates at the beginning of each year.

In February 2024, for the first time, PCE elected not to adjust rates per the standard net 5% discount from PG&E generation rates. PCE's rates were maintained at 2023 levels through at least July 1, resulting in a net discount to PG&E rates significantly greater than 5% for almost all customers. The analysis, recommendation, and subsequent approval by the Board for this rate freeze was based in part on the recently approved 250 days cash on hand (DCOH) upper-end financial reserve target, which provided an important indicator for the level of discount PCE could provide customers while maintaining healthy financial reserves to absorb potential negative financial impacts such as those incurred during the COVID pandemic.

In 2023, PCE engaged NewGen Strategies and Solutions (NewGen), a well-known utility rate design firm, to help staff analyze cost of service ratemaking, which is how most regulated utilities, including PG&E, set their rates. NewGen worked with staff to develop a financial model that calculated the cost of providing service and contribution margins by customer class based on indicative 2024 and 2025 "test years".

The analysis required significant subjectivity to unbundle, classify, and then allocate costs among multiple customer classes. The result of the study indicated that, based on the test years and certain cost allocation assumptions, PCE rates at our standard net 5% discount are forecasted to exceed costs across many customer classes, and the contribution margin varies

widely by customer class.

## **DISCUSSION**

Staff is considering adjusting PCE's rate setting methodology to maintain financial stability while also better reflecting our cost profile and maximizing the discount provided to customers. The net 5% discount from PG&E approach has served PCE and its customers well during PCE's start-up years when the Agency was building its operations and financial reserves. It may still be the approach the Board wishes to continue, but in this time of heightened cost sensitivity, staff wanted to consider other rate design options that have the potential to better reflect PCE's costs to serve customers and our desire to provide even deeper rate discounts as often as possible.

Below are discussions of three rate setting options for Executive Committee consideration.

### **Status Quo: PG&E minus 5%**

PCE customers have appreciated and enjoyed the 5% savings relative to PG&E's generation rates, which is easily understandable by customers and stakeholders. The message is simple and consistent, as can be seen on PCE's website. In most years, the 5% discount has allowed PCE to cover its operational costs.

However, in certain years PCE rates have been insufficient to recover its costs, resulting in a negative change in net position and a requirement to use reserves, which is viewed unfavorably by the rating agencies and power supply counterparties that underwrite contracts based on PCE's financial position. Going forward, it is even possible that PCE's financial viability could be at risk if costs to serve are significantly higher than what can be collected from customers assuming a 5% discount from PG&E. In other years, such as fiscal 2023, rates were set at levels that resulted in the collection of funds in excess of PCE's financial reserve policy. The surplus funds were subsequently allocated to various customer programs and returned to customers in the form of rebates. While a 5% generation rate discount pegged to PG&E rates may be consistent and easy to communicate, the impact on our budget can vary widely and is not taking PCE's cost to serve into account in any meaningful way.

### **Cost of Service**

Setting rates based solely on the cost of providing service will essentially "divorce" our ratemaking from PG&E. It could help PCE's financial planning, contribute to financial stability and allow for the maximum discount that can be justified, resulting in (possibly) increased savings for customers when compared to PG&E rates. However, cost of service ratemaking can also result in rates that are at times higher than PG&E's rates, which may not be favorably received by customers and could lead to increased opt-outs.

Another consideration is that allocating costs across customer classes, while theoretically equitable, involves a lot of subjectivity and assumptions, which can expose PCE to cost allocation debates and criticism by customers and stakeholders. As an example, Phase II of PG&E's General Rate Cases, which determines the share of costs each customer class is responsible for, is typically very contentious and time consuming. In addition, the resulting discount (or premium) to PG&E rates will vary by customer class and will be more difficult to succinctly communicate. Some customers may experience a significant discount, some a small discount, and others a premium to PG&E. This may not matter if the Board wishes to truly separate its ratemaking without any indexing to PG&E rates, but it potentially makes the

value proposition harder to compare and substantiate and much harder to communicate.

### **Hybrid Approach**

An alternative/hybrid form of ratemaking, which has been implemented by several of PCE's peers, is to set rates based on the Agency's costs to serve but utilize the utility's (i.e., PG&E's) cost allocation methodology and rate schedules. This is essentially the methodology PCE used to determine its ability to temporarily freeze rates in January 2024.

In this approach, PCE would calculate the revenue required to cover its costs while maintaining its financial position at a minimum 180 DCOH and an upper target of 250 DCOH to determine the discount that can be provided to all customers and applied on a uniform basis. Because PCE would still use PG&E's customer cost allocation methodology as our benchmark, PCE would maintain the ability to set and communicate comparative rates and avoid the subjectivity and possible disagreement regarding independent customer class cost allocation.

The hybrid approach offers several benefits to PCE and its customers. It continues to ensure financial viability by covering PCE costs and reserve margins, results in the maximum generation rate discount possible based on financial position, is easier to communicate as a uniform discount, and avoids the possible contention of allocating costs and setting different discounts and premiums across customer classes.

In conclusion, while each rate setting methodology described above has various benefits and considerations, staff recommends adopting the hybrid approach that includes elements of the current "PG&E minus 5%" and cost of service ratemaking methodologies.

### **Next Steps**

Staff will proceed with the annual budget process to forecast costs across the Agency. Pending Board approval of the recommended rate setting methodology, staff will calculate the maximum discount possible based on cost and revenue forecasts while maintaining 180-250 DCOH over the forecast period. The draft budget will be presented to the Audit & Finance Committee in April and to the Board for approval in June. PG&E is scheduled to update its generation rates in July, and PCE rates may be adjusted on August 1, pending further financial analysis.

### **FISCAL IMPACT**

Both cost of service ratemaking and a hybrid approach should result in less variability in change in net position each year as revenues and PCE rates will be set to approximate forecasted costs plus a financial reserve margin.

Implementing cost of service ratemaking by customer class would require PCE to engage NewGen for additional rate design and cost allocation support and likely additional internal resources. A hybrid approach, as recommended by staff, may require some incremental internal resources, which is within the proposed staffing plan to build out PCE's finance team.



**PENINSULA CLEAN ENERGY AUTHORITY**  
**JPA Board Correspondence**

**DATE:** March 1, 2024  
**MEETING DATE:** March 11, 2024  
**VOTE REQUIRED:** Majority Vote

**TO:** Honorable Peninsula Clean Energy Authority Executive Committee

**FROM:** Connor Prince, Senior Analyst, Account Services

**SUBJECT:** Recommendation to Approve Revisions to the Net Energy Metering (NEM) Annual Cash Out Policy (Action)

**RECOMMENDATION**

Provide recommendation of approval to bring the proposed changes to the Net Energy Metering (NEM) Annual Cash Out policy (Exhibit A) to the Board of Directors for adoption at the March board meeting on Thursday March 28, 2024.

**BACKGROUND**

Peninsula Clean Energy customers who have a behind-the-meter solar system and are enrolled in PG&E's NEM 1.0 or 2.0 programs are able to earn credits for excess generation to offset their energy consumption throughout the year. PCE currently credits these customers at the retail rate, the same rate that customers would otherwise be charged by PCE, plus a bonus \$0.01 per kWh. Over the solar year that runs from May to April, credits from excess generation are carried forward monthly for customers to use in months where their solar systems may not generate more energy than they use. After the April billing cycle each year, PCE NEM customers who have accrued solar credits are reconciled in the form of an annual cash out. To date, PCE has sent a check to any customer with a solar credit balance greater than \$100. Customers with a solar credit under \$100 have their credits rolled over into the next year's cycle.

There was no limit on the maximum amount of credit that would be dispersed via check during PCE's first 2 years of operating the NEM program. Larger businesses, some school districts, and municipalities with large solar systems were presented with checks up to \$33,000 for overgeneration that occurred throughout the year, with little usage consumption to offset it. In 2020, a cash out cap of \$20,000 was put into effect, resulting in NEM credit balances over this amount being forfeited by the customer.

**DISCUSSION**

PCE's annual cash out program remains one of the most generous of all CCAs. Most others have turned to a Net Surplus Compensation (NSC) model, where customers are credited 20-50% less than our retail rate structure. The NSC rate has fluctuated between \$0.04 and \$0.08

over the last two years, while retail rates have gone up to double and even triple that range in the same timeframe.

Looking to the future, PCE staff recommends lowering the existing \$20,000 cash out cap to \$10,000 starting in April 2025 to reduce overpayment. As mentioned in the background, customers earning this level of credit are typically municipal, school districts, and large commercial accounts, and are not residential customers trying to pay off their home systems. This particular group of customers have received large cash outs from PCE for multiple years, and staff believes this adjustment is an appropriate step for PCE to take at this time as we realign incentives with an eye towards more equitable distribution for all customers. The number of customers impacted by this new cap would vary slightly year to year, depending on how their individual systems perform and how energy use may fluctuate at their facilities. But as an example, of the estimated 9,500 accounts that will be part of the 2024 annual cash out, only 5 accounts would currently be affected by a lower cash-out cap of \$10,000.

Alongside the payout cap adjustment, staff is also recommending a change in how payments are distributed to customers on the lower end of the spectrum starting with this year's cash-out cycle (April 2024). Staff is proposing to transition to on-bill credits for customers who have \$300 or less in solar credits at the time of the annual cash-out while customers with over \$300 in credits will still receive a check from PCE. By significantly reducing the number of checks issued and eliminating the \$100 minimum cash out threshold, we can lower processing costs and time while simultaneously ensuring that more customers will immediately receive the benefit of their earned solar credits via direct credit on their bill. While checks can be considered a physical representation of PCE in customer hands, a significant number of them are lost and often not deposited. In those cases, the reissuing process requires tedious operational coordination between three outside parties (PG&E, Calpine, and Maher Accountancy) and takes up to a week or more for resolution. In the last two years alone there have been 358 requests to have checks reissued, and in all about 2% of our customers have never deposited their checks that averaged \$260 each. This has resulted in close to \$55,000 not reaching our solar customers to date. By reducing the number of checks we send out, we'll lessen operational inefficiencies and have a greater impact with the solar credits we are providing.

A comprehensive email and physical mail notification campaign would accompany these changes, including personalized outreach to customers likely to be affected by the new cap. This would begin in April and reach customers in tandem with their 2024 annual cash out, at the start of the new solar year (April 2024-April 2025).

## **FISCAL IMPACT**

The financial impact of the suggested changes is variable due to the variance in credits generated by customers and timing, but as of February 2024 the April 2024 annual cash out would include an additional \$130,000 in credits given to customers who would otherwise have their credits (<\$100) rolled forward into the next solar cash-out cycle. In regard to the number of checks posted, we would see a reduction of about 56% and reflected operational cost savings of about \$6,500. This is based solely on the \$300 check threshold taking effect in 2024 and 3,837 customers would receive a bill credit for an estimated \$725,000 applied directly to customer accounts.

Using 2024 data and projecting that forward to 2025, with a \$10,000 cap in place PCE would save approximately \$42,000 from the 5 accounts who would have previously been eligible for a \$20,000 payout.

**ATTACHMENTS:**

[PCE NEM Annual Cash Out Policy\\_Revised 2024.pdf](#)



## Net Energy Metering Service – NEM 1.0 and 2.0

**APPLICABILITY:** This net energy metering (NEM) schedule is applicable to a customer who uses an eligible Renewable Electrical Generation Facility, as defined in PG&E’s Electric Schedule NEM (<http://www.pge.com/tariffs/ERS.SHTML#ERS>), within the capacity limits described in PG&E’s Electric Schedule NEM that is located on the customer’s owned, leased, or rented premises, is interconnected and operates in parallel with PG&E’s transmission and distribution systems, and is intended primarily to offset part or all of the customer’s own electrical requirements (hereinafter “eligible customer-generator” or “customer”).

This rate schedule is only available to customers that had their solar applications approved before April 14, 2023, and are still within the system’s 20-year NEM legacy period. This NEM schedule also applies to customers served under NEMV (Virtual Net Energy Metering), NEMVMASH (Virtual Net Energy Metering for Multifamily Affordable Housing), NEMA (NEM Aggregation) and Multiple Tariff facilities as described by PG&E Electric Schedule NEM. New solar customers who apply to interconnect their solar system to the electric grid after April 14, 2023, will be enrolled on the Solar Billing Plan <https://www.peninsulacleanenergy.com/solar-billing-plan/>.

**TERRITORY:** The entire Peninsula Clean Energy service area of San Mateo County and the City of Los Banos.

**RATES:** All rates charged under this NEM schedule will be in accordance with the eligible customer-generator’s otherwise-applicable Peninsula Clean Energy rate schedule (OAS). An eligible customer-generator served under this schedule is responsible for all charges from its OAS including monthly minimum charges, customer charges, meter charges, facilities charges, demand charges and surcharges, and all other charges owed to Peninsula Clean Energy or PG&E – any applicable PG&E charges will be addressed in a corresponding tariff (<http://www.pge.com/tariffs/ERS.SHTML#ERS>). Charges for energy (kWh) supplied by Peninsula Clean Energy will be based on net metered usage in accordance with this NEM schedule.

**BILLING:** Customers with NEM service will be billed by Peninsula Clean Energy as follows:

1. **For a customer with Non-Time of Use (TOU) Rates:** The cost/(credit) associated with any net usage/(production) during the customer’s normal billing cycle shall be determined as follows: If the eligible customer-generator is a “Net Consumer,” as determined by usage exceeding production during a discrete billing cycle, the eligible customer-generator will be billed in accordance with the eligible customer-generator’s OAS. If the eligible customer-generator is a “Net Generator,” as determined by production exceeding usage during a





discrete billing cycle, the net energy production shall be valued at the OAS plus a NEM production premium of \$0.01/kWh. The value of all net energy production during the billing cycle shall be credited to PCE customers as described in Section (3).

2. **For a customer with TOU Rates:** If the eligible customer-generator is a Net Consumer (as defined above) during any discrete TOU period, the net kWh consumed during such period shall be billed in accordance with the eligible customer-generator's OAS. If the eligible customer-generator is a Net Generator (as defined above) during any discrete TOU period, net energy production during each TOU period shall be valued in consideration of the eligible customer-generator's OAS plus a NEM production premium of \$0.01/kWh, applying OAS rates to the quantity of energy produced within each TOU period. The value of all net energy production during the billing cycle shall be credited to Peninsula Clean Energy customers as described in Section (3).
3. **Monthly Settlement of Peninsula Clean Energy Charges/Credits:** NEM customers will receive a statement in their monthly PG&E bills indicating any accrued charges for their usage during the billing cycle. Customers who have accrued credits during previous billing cycles will see these credits applied against current charges. Any remaining balance will be due and must be paid in consideration of the due date and remittance advice reflected on each PG&E bill. When a customer's net energy production results in a net bill credit during any billing cycle, the value of any net energy production during the billing cycle shall be noted on the customer's bill and carried over as a bill credit for use in subsequent billing period(s).
4. **Peninsula Clean Energy Annual Cash-Out:** After the April billing cycle of each year, all current PCE NEM customers with a credit balance of more than \$300 will receive a check from Peninsula Clean Energy as compensation for the accrued escrow credit balance. Annual cash outs are capped at \$20,000 through April 2024, and any escrow credit balance over that threshold is forfeited and retained by PCE. Effective the 2024-2025 NEM year, the new annual cash out cap will be set to \$10,000. Customers will have an equivalent credit removed from their NEM account balance at the time of check issuance. Customers who have a credit balance of less than \$300 will have their credits applied as a bill credit on the following billing period. Customers who close their electric account through PG&E or move outside of the Peninsula Clean Energy service area prior to the April billing cycle of each year will have their NEM credit balance settled 60 days after their account closure.
5. **Return to PG&E Bundled Service:** Peninsula Clean Energy customers with NEM service may opt out and return to PG&E bundled service at any time. Customers should be advised that PG&E will perform a true-up of their account at the time such customers return to PG&E bundled service. As described in PG&E Electric Rule 23 (<http://www.pge.com/tariffs/ER.SHTML#ER>), certain PCE customers returning to PG&E service may receive Transitional Bundled Service (TBCC) for a limited period of time; TBCC



will expose such customers to various market price risks – please review PG&E’s applicable electric rules and tariffs for additional information.

6. **PG&E NEM Services:** Peninsula Clean Energy NEM customers are subject to PG&E’s terms, conditions and billing procedures for any non-generation services, as described in PG&E’s Electric Schedule NEM and related PG&E tariff options addressing NEM service. Customers should be advised that while Peninsula Clean Energy reconciles payment/credit balances for generation on a monthly basis, PG&E will continue to assess charges for delivery, transmission and other services. Most NEM customers will receive an annual true-up from PG&E for these non-generation services.

Customers are encouraged to review PG&E’s most up-to-date NEM tariffs, which are available on PG&E’s website: <http://www.pge.com/tariffs/ERS.SHTML#ERS>.