



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, April 8, 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**

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/j/83252507093>). 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](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**

#### **REGULAR AGENDA**

1. Chair Report (Discussion)
2. CEO Report (Discussion)
3. [Recommend to the Board of Directors Continued Pursuit and Evaluation of a Possible Prepay Bond Transaction, Including Approval to Join the California Community Choice Finance Authority at the Appropriate Time, and the Nearer Term Engagement of Financial Advisor, Prepay Counsel, and Tax and Bond Counsel \(Action\)](#)
4. Committee Members' Reports (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

### Best Practices:

- Please mute your microphone when you are not speaking to minimize audio feedback
- If possible, utilize headphones or ear buds to minimize audio feedback
- If participating via videoconference, audio quality is often better if you use the dial-in option (option 2 below) rather than your computer audio

### 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

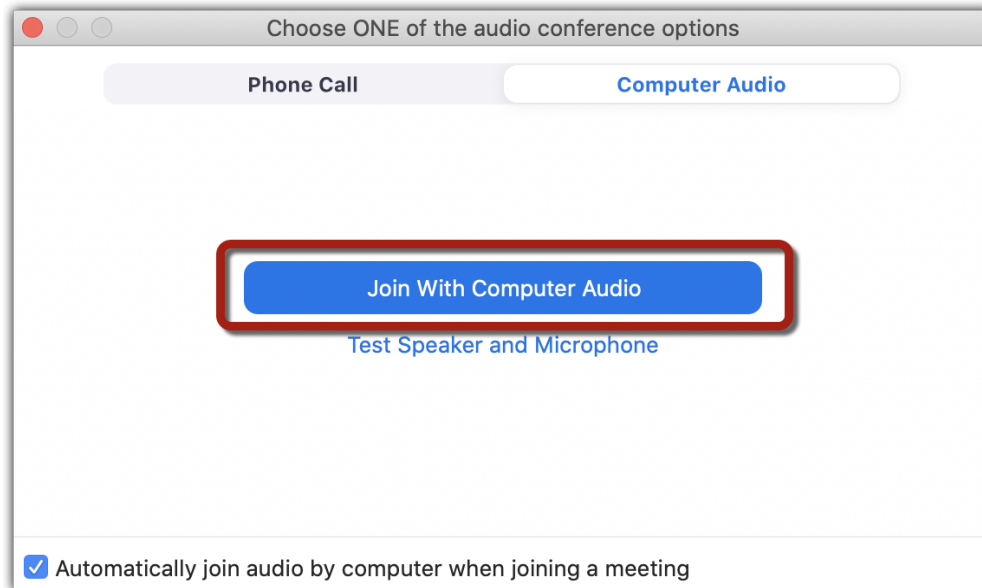
### Videoconference Options:

Prior to the meeting, we recommend that you install the Zoom Meetings application on your computer by clicking here <https://zoom.us/download>.

If you want full capabilities for videoconferencing (audio, video, screensharing) you must download the Zoom application.

### 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/83252507093>
- 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.

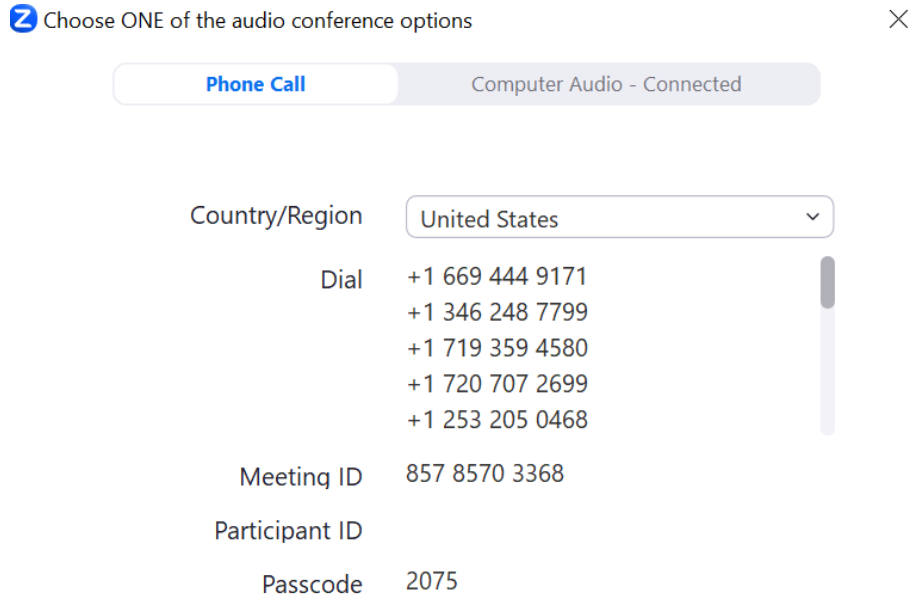


- Click the blue, "Join with Computer Audio" button.
- In order to enable video, click on "Start Video" in the bottom left-hand corner of the screen. This menu bar is also where you can mute/unmute your audio.

### 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/83252507093>
- 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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Meeting ID 857 8570 3368

Participant ID

Passcode 2075

- Please dial +1 (669) 444-9171.
- You will be instructed to enter the meeting ID: **832-5250-7093 followed by #.**
- You will be instructed to enter in your participant ID. Your participant ID is unique to you and is what connects your phone number to your Zoom account.
- After a few seconds, your phone audio should be connected to the Zoom application on your computer.
- In order to enable video, click on "Start Video" in the bottom left-hand corner of the screen. This menu bar is also where you can mute/unmute your audio.

### 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: **832-5250-7093 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:** April 3, 2024  
**MEETING DATE:** April 8, 2024  
**VOTE REQUIRED:** Majority Vote

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

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

**SUBJECT:** Recommend to the Board of Directors Continued Pursuit and Evaluation of a Possible Prepay Bond Transaction, Including Approval to Join the California Community Choice Finance Authority at the Appropriate Time, and the Nearer Term Engagement of Financial Advisor, Prepay Counsel, and Tax and Bond Counsel (Action)

**RECOMMENDATION**

Recommend to the Board of Directors continued pursuit and evaluation of a possible Prepay bond transaction potentially in late 2024, including approval to join the California Community Choice Finance Authority (CCCFA) at the appropriate time as conduit for the bond issuance, and the nearer term engagement of the following advisors:

- 1) PFM Financial Advisors (PFM) as Financial Advisor;
- 2) Chapman & Culter as Prepay Counsel; and
- 3) Orrick Harrington & Sutcliff (Orrick) as Tax and Bond Counsel.

**BACKGROUND**

An energy prepayment – or ‘Prepay’ – is a long-term financial transaction available to municipal utilities and tax-exempt entities such as CCAs that enables a meaningful power procurement cost savings opportunity. The Prepay structure has historically been utilized for natural gas procurement and is now being applied in the renewable energy sector. Over the past 2½ years there have been 11 Prepay transactions involving six different California CCAs, raising approximately \$10 billion in bond proceeds and generating \$60 million in annual energy procurement cost savings.

Staff have been evaluating Prepays for almost a year to familiarize themselves with the structure, process, benefits, and risks. Garth Salisbury, Chief Financial Officer at MCE Clean Energy (MCE) and Board Member/Treasurer of CCCFA, presented to Peninsula Clean Energy’s (PCE) Audit & Finance Committee in June 2023. MCE has executed two Prepay transactions and CCCFA has been the conduit issuer for those two and the additional nine CCA Prepay transactions completed by Ava Community Energy, Silicon Valley Clean Energy, Pioneer Community Energy, Clean Power Alliance, and Central Coast Community Energy.

After extensive further research, staff provided an updated Prepay presentation to the Audit & Finance Committee in February 2024, and Rick Degolia, Donna Colson and Carlos Romero met with Garth Salisbury and Doug Bird from Chapman & Cutler on March 29, 2024, to better understand the Prepay structure, its benefits and possible risks. It is worth noting that Chapman & Cutler has served as Prepay Counsel on all but one of the CCA Prepay transactions.

### Prepay Process

Utilizing the municipal bond market, a tax-exempt Load Serving Entity such as Peninsula Clean Energy (LSE, also called “Prepay Buyer”) and a taxable financial counterparty (bank, called “Prepay Supplier”) enter into a 30-year agreement through which the LSE assigns existing power supply contracts (or power purchase agreements, “PPAs”) to the Prepay Supplier. The Prepay Supplier pays the contract price to the PPA provider, while the LSE pays the Prepay Supplier at a discounted rate. The discounted rate is agreed upon in the Prepay documents and is based in large part on the spread between the taxable and tax-exempt bond interest rates. The market availability of this interest rate spread is critical to the savings opportunity available to the LSE.

Tax-exempt bonds are issued by a third-party conduit such as CCCFA to raise funds for the Prepay transaction. The funds flow from the conduit issuer (CCCFA) to the Prepay Supplier. The LSE does a limited assignment of one or more of their long-term PPAs to the Prepay Supplier. The LSE is required to continue to perform under the contract, while maintaining rights to the electricity and attributes under the PPA. The Prepay Supplier utilizes the bond funds and provides a discount on the PPA to the LSE based on the spread between the taxable and tax-exempt interest rates. The discount over the past 2½ years has ranged from 8-12% but is subject to change based on market conditions.

While the contracts are assigned to the Prepay Supplier, the LSE continues to ultimately take and pay for all the energy and attributes delivered through the contract; all other terms of the PPA remain unchanged. If the Prepay terminates early for any reason – either the Prepay Supplier or the LSE fail to perform – the LSE forgoes future savings and the assigned PPA is put back completely to the LSE.

### **DISCUSSION**

Based on current market conditions, a preliminary evaluation of PCE’s current PPAs, and exploratory conversations with various Prepay advisors, it is estimated that an initial Prepay transaction will generate approximately \$3.5 million in annual energy cost savings, which could be used to lower rates and/or fund customer programs. The indicative size of the Prepay and associated savings assume the inclusion of three of our existing PPAs, which will be refined as we get closer to execution. The savings are based largely on the spread between taxable and tax-exempt interest rates, which is currently relatively wide thus creating a favorable market environment for Prepay transactions. PCE may be able to increase the size of the initial transaction and/or execute subsequent transactions with additional or future PPAs, thereby increasing the amount of annual savings. Limitations on sizing are based on investor demand, market conditions with meaningful taxable/tax-exempt spreads, and the available headroom to ensure PCE will have procurement-related costs to assign in a 30-year transaction.

The primary risk is if the Prepay program terminates early for any reason, in which case PCE

forgoes future savings but is no worse off than had it not executed the transaction at all. The fees paid to the various service providers are contingent on executing a transaction and are paid from the bond proceeds. If the transaction does not move forward or never occurs for whatever reason, the advisors are not paid. The above-mentioned estimated savings are after paying all transaction costs.

It is estimated to take approximately 6-9 months to execute a Prepay transaction and will require significant staff time. PCE is required to hire a Municipal Financial Advisor who will assist in the process. Staff recently completed an RFP process and recommend hiring PFM as its Prepay Financial Advisor. PFM has worked on seven of the 11 CCA Prepays and is very knowledgeable about Prepay bond finance and the CCA industry. PCE also has an existing working relationship with PFM and is comfortable with their team. The estimated fee to PFM is \$325,000, which is paid out of bond proceeds and only if the bond issuance closes.

Staff is also recommending engaging Chapman & Cutler as Prepay Counsel and Orrick as Tax and Bond Counsel. Chapman & Cutler and Orrick have worked in partnership on almost all the CCA Prepay transactions and have significant subject matter expertise; estimated fees are \$225,000 and \$350,000, respectively, under the same terms as PFM.

Finally, staff recommends joining CCCFA at the appropriate time if PCE moves forward with a Prepay transaction. CCCFA has been the conduit issuer for all CCA Prepay transactions and membership is required to execute a transaction. The membership fee is \$50,000. Because the membership fee is not contingent on a successful transaction, and would be a "sunk cost" if we do not proceed, staff will wait as long as possible before joining CCCFA, likely sometime over the summer or early fall.

Pending Executive Committee direction, staff will prepare contracts with the aforementioned vendors and will plan to bring those contracts to the Board of Directors for approval in late-April. In addition, staff will periodically return to the Audit & Finance/Executive Committee with updates and will seek transaction approval from the Board of Directors a few months prior to execution. This will include a resolution authorizing the execution of a power supply contract with CCCFA, parameters of a transaction, and approval to enter into certain other documents to enable PCE to complete a Prepay transaction.

## **FISCAL IMPACT**

The purpose of pursuing a Prepay transaction is to achieve meaningful energy procurement cost savings. Based on preliminary analysis and conversations with possible advisors, an initial transaction will result in approximately \$3.5 million in annual procurement cost savings.

The amount of savings is dependent on which PPAs are included in the transaction and market conditions, and will be refined over the next 6 months.

The fees paid to the various parties involved in the Prepay are contingent on a successful transaction and payable from the proceeds of the bonds. As a result, there is no out-of-pocket cost to PCE; the cost will be paid out of the savings realized from the Prepay transaction. If a transaction does not occur, the only costs to PCE would be the membership fee to join CCCFA (\$50,000) and the fees owed to the rating agency (approximately \$200,000); both costs will be incurred late in the process.

Additionally, it is important to note that the Prepay is non-recourse to PCE. The ultimate counterparty with the Prepay Supplier is CCCFA, so CCCFA is therefore the counterparty to all the underlying agreements. CCCFA is a separate public entity and the debts, liabilities and obligations of CCCFA will not constitute debts, liabilities or obligations of PCE.