



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

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

**Monday, May 13, 2024
8:30 am**

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

In-Person Meeting Location:

PCEA Lobby, **2075 Woodside Road, Redwood City, CA 94061**
Los Banos City Hall, Conference Room B, **520 J Street, Los Banos, CA 93635**
M4R 08. CAN TORRES, PUERTO DE ALCUDIA
Garballons 5, Alcudia, Balearic Islands, 07400, ES

Zoom, **Virtual Meeting Link:** <https://pencleanenergy.zoom.us/j/89514559357>

Meeting ID: 895-1455-9357 **Passcode:** 2075 **Phone:** +1 (669) 444-9171

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

Public Participation

The PCEA Audit and Finance Committee meeting may be accessed through Zoom online at <https://pencleanenergy.zoom.us/j/89514559357>. The meeting ID is: 895-1455-9357 and the passcode is: 2075. The meeting may also be accessed via telephone by dialing +1(669) 444-9171. Enter the webinar ID: 895-1455-9357, then press #. (Find your local number: <https://pencleanenergy.zoom.us/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.

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

Spoken public comments will be accepted during the meeting in the Board Room(s) or remotely through Zoom at the option of the speaker. Please use the "Raise Your Hand" function in the Zoom platform, or

press *6 if you phoned into the meeting, to indicate that you would like to provide comment.

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

ADA Requests

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

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

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

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

PUBLIC COMMENT

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

ACTION TO SET AGENDA AND TO APPROVE CONSENT AGENDA ITEMS

1. [Approval of Minutes from the August 14, 2023 and September 11, 2023 Audit and Finance Committee Meetings](#)

REGULAR AGENDA

2. Chair Report
3. Staff Report
4. Appointment of Audit and Finance Committee Chair (Action)
5. [Q3 Fiscal Year 2024 Financial Report \(Quarter Ending March 31, 2024\) \(Discussion\)](#)
6. [Recommend to the Board of Directors to Approve the Establishment of a Rate Stabilization Fund \(Action\)](#)
7. [Review Fiscal Year 2024-2025 Draft Budget \(Discussion\)](#)
8. 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

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Options for Joining

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

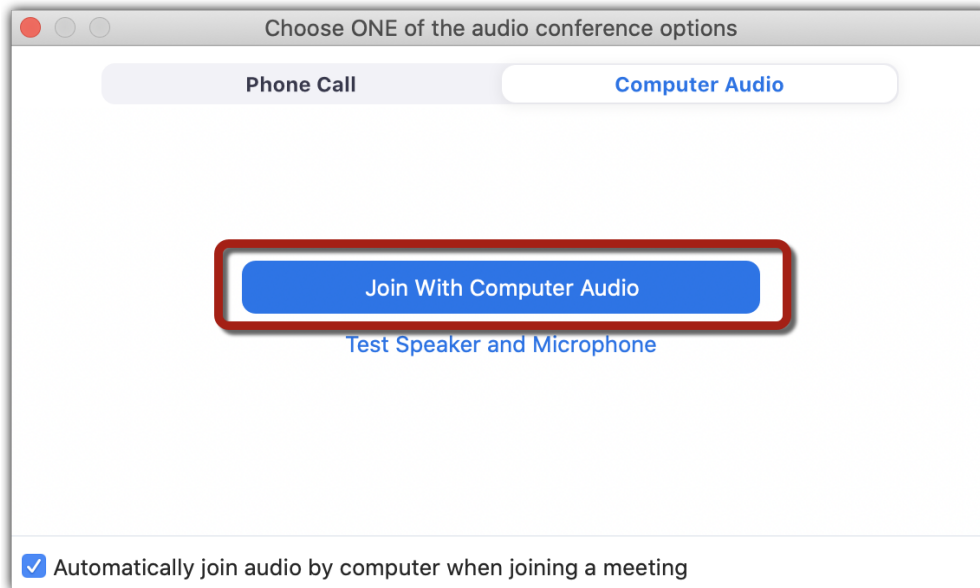
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- From your computer, click on the following link that is also included in the meeting calendar invitation: <https://pencleanenergy.zoom.us/j/89514559357>
- The Zoom application will open on its own or you will be instructed to open Zoom.
- After the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

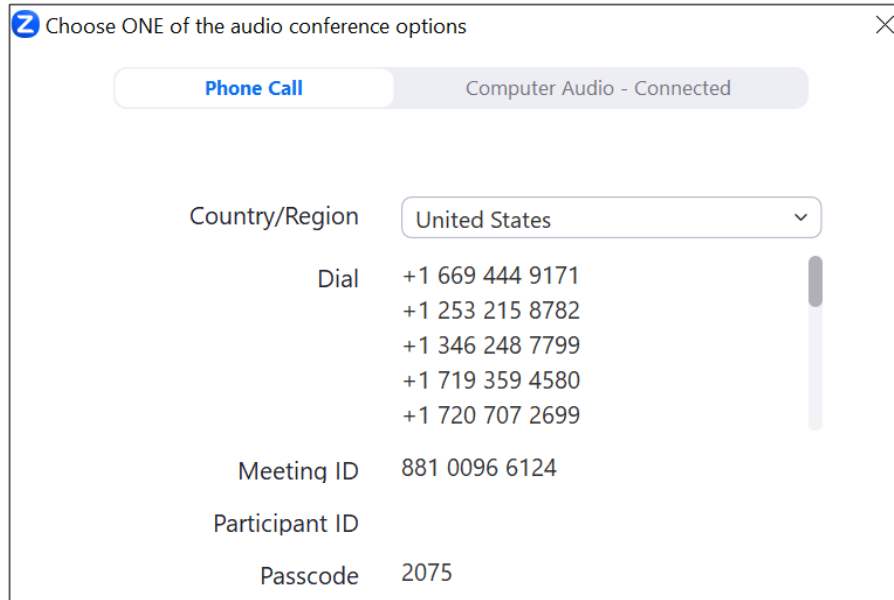


- Click the blue, "Join with Computer Audio" button.
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Option 2 Videoconference with Phone Call Audio

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

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- 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.
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- 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.
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- 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: May 6, 2024
MEETING DATE: May 13, 2024
VOTE REQUIRED: Majority Vote

TO: Honorable Peninsula Clean Energy Authority Executive Committee
FROM: Nelly Wogberg, Board Clerk
SUBJECT: Approval of Minutes from the August 14, 2023 and September 11, 2023 Audit and Finance Committee Meetings

RECOMMENDATION

Approve minutes from the August 14 and September 11, 2023 Audit and Finance Committee Meetings.

ATTACHMENTS:

[08-14-2023 A&FC Final Draft Minutes.docx](#)
[09-11-2023 A&FC Final Draft Minutes.docx](#)



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

Monday, August 14, 2023
8:30 a.m.
Zoom Video Conference and Teleconference

CALL TO ORDER

The meeting was called to order at 8:30 a.m. in virtual teleconference and in the Peninsula Clean Energy Authority lobby.

ROLL CALL

Participating:

Donna Colson, Burlingame
Leslie Ragsdale, Hillsborough
Marty Medina, San Bruno

Absent:

Carlos Romero, East Palo Alto
Jeff Aalfs, Portola Valley

A quorum was established.

PUBLIC COMMENT

None

ACTION TO SET AGENDA AND TO APPROVE CONSENT AGENDA ITEMS

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

MOTION PASSED: 3-0 (Absent: East Palo Alto, San Bruno)

JURISDICTION	BOARD MEMBER	YES	NO	ABSTAIN	ABSENT
Burlingame	Director Colson	X			
East Palo Alto	Director Romero				X
Hillsborough	Director Ragsdale	X			
Portola Valley	Director Aalfs				X
San Bruno	Director Medina	X			
Totals		3			2

REGULAR AGENDA

1. Chair Report

Chair Colson shared that Peninsula Clean Energy is working with a recruiting firm for the Chief Financial Officer Recruitment.

2. Staff Report

Andy Stern, Interim Chief Financial Officer, provided an update to the Committee including an audit update with Picensi & Brinker including the audit schedule, and a potential special Audit and Finance Committee Meeting on September 11, 2023. They would target the October 26th Boardmember to approve the final audited financials. Andy noted that Peninsula Clean Energy is out of compliance with the investment policy at the moment as they are not allowed to have more than 20% of their assets in money market funds and he began discussions with Schwab and Fidelity.

Chair Colson explained that this cap on the money market fund might have to do with fees and active management fees and she asked if it makes sense to hire PFM to actively manage the portfolio and then they hire someone to put money into their money market fund.

Andy explained that the recommendation is that Peninsula Clean Energy go into a camp fund, which is a pool of purchased money market investments and the earning is 4.75% or 5.5% now, so rates are good. This allows them to get around the rule by basically investing in an investment vehicles. For example, Silicon Clean Energy has all of their money in this camp fund, but this is because they have been slow to implement what they agreed is their policy.

Chair Colson commented that the ladder approach is not the most optimal investment strategy because of volatility on securities. Andy suggested scheduling this for discussion at a special meeting in September.

3. Review Financial Reports and Investment Summary for 4th Quarter Fiscal Year (FY) 2022-2023 (Discussion)

Andy Stern, Interim Chief Financial Officer, gave a presentation on the preliminary Fiscal Year (FY) 2022-2023 Quarter 4 and End of Year Financial Report including load performance, the quarterly and monthly trend for revenue, the quarterly and monthly trend for cost of energy, financial performance year-to-date actual versus budget, the change in net position, days cash on hand, and the quarterly trend in cash and investment summary.

Chair Colson asked if the numbers are higher and she asked what for the percentage. Andy said they budgeted much higher Resource Adequacy for this coming fiscal year and explained the monthly trends driven by gas prices spiking. He pointed to 3 highlights regarding total costs and energy costs, year to date increases because of revenues, and total operating expenses.

Public Comments: None

Chair Colson asked about the \$14.7 million cash with the California Independent System Operator (CAISO) not being included on the summary. Andy explained it is not required, but the total collateral would be between \$6 and \$8 million. Peninsula Clean Energy has collateral of \$18 million because they were given \$3 or \$4 million of unsecured credit and then they have \$14.7 million with CAISO. They are probably over-deposited by about \$8 or \$10 million at the moment; however, in the summer, when collateral requirements will increase, they pay interest on it and there is not much reason in moving it back and forth, so they have been leaving it there.

Chair Colson asked if it is held as a reclassified asset and not as cash. Andy explained it could be actively managed but when they make a collateral call, it needs to be paid in two days. Chair Colson noted that it is important to know we have a hedge there.

4. Recommend to the Board of Directors Approval of an Update to Policy 14, Delegation of Authority Policy (Action)

Andy Stern, Interim Chief Financial Officer, explained the reasoning behind updating Policy 14 which is delegation of authority, and the proposed changes.

Director Ragsdale commented that she thinks the updates make sense.

Director Medina asked after the approval is completed, who is informed that it happened. Andy explained that the revised policy requires a monthly written report upon request. This policy does not authorize payment but instead authorizes signing the contract or commitment. The payment is handled on multiple levels. Director Medina noted that at the City level, he has seen contracts deliberately kept under \$100,000 and repeated.

Chair Colson asked if it is cumulative or individual. Andy explained that the language in the agreement says "CEO/CFO may approve and enter into any contract agreement if the total amount payable under the agreement is less than \$100,000 in any fiscal year." This does not preclude separate agreements so there is no policy that will be foolproof.

Shawn Marshall, Chief Executive Officer, noted that it may be important internally if they are going to expand who is able to approve, that they keep a monthly record which should come as part of a report.

Chair Colson said the report should be monthly and cumulative to see what has been paid. She asked if \$100,000 is enough as this gets used up quickly. Andy explained that he believes the Joint Powers Authority (JPA) might hold that \$100,000 limit and if changed, the JPA would need to be updated.

Chair Colson suggested it may be important to look at the JPA for updating that could be needed. Andy asked if the report should be monthly and if "upon request" be removed from the policy. Shawn explained that her intention would be an internal operating policy that requires weekly and monthly reports and a cumulative report that goes to the CEO. Andy said this would enable them to easily respond to requests.

Director Ragsdale noted it should be shared internally among the c-suite.

Chair Colson emphasized this does not need to be codified in Board policy but should be an internal policy.

MOTION: Director Medina moved, seconded by Director Ragsdale to Recommend approval by the full Board of Directors approve a revised Policy number 14 at its meeting on August 22, 2023.

MOTION PASSED: 3-0 (Absent: East Palo Alto, Portola Valley)

JURISDICTION	BOARD MEMBER	YES	NO	ABSTAIN	ABSENT
Burlingame	Director Colson	X			
East Palo Alto	Director Romero				X
Hillsborough	Director Ragsdale	X			
Portola Valley	Director Aalfs				X
San Bruno	Director Medina	X			
	Totals	3			2

5. Recommend to the Board of Directors Approval of an Update to Policy 17, disbursement and Invoice Payment Policy (Action)

Andy Stern, Interim Chief Financial Officer, explained the reasoning behind updating Policy 17 and the proposed changes including the 3 categories of approval levels:

1. Invoices not related to Power Resources
2. Invoices related to Power Resources administration activities
3. Invoices related to Energy/Electricity procurement

Chair Colson asked and confirmed examples include:

1. Rent, program expenses, rebates to customers
2. Administrative services, forecasting services, hiring legal review, scheduling coordinators, and
3. Payments to Wright Energy and different power providers

Andy continued explaining that for 1, it would be reviewed by a Manager, Director, and then the CEO/CFO.

Chair Colson asked if things have been running smoothly. Andy explained that there have been no issues, but sometimes wrong invoices have been caught.

Shawn Marshall, Chief Executive Officer, explained this is a checks and balances policy. They have had some internal meetings about deadlines to get approvals in and make sure everything is flowing, but also it allows them to review things to conduct a checks and balance.

Andy shared that the change for Area 3 for Level 1 and 2 would change to increase to \$3,000,000 sharing that 378 payments fall into these categories and only 13 fell into this range. He further explained that the review is done by two Managers, the Director, and the CEO does a final check for anomalies. Shawn added that this was a bottleneck previously.

Director Ragsdale asked what if the change is \$3 million, and Andy said before, the prior CEO was approving every single invoice, and said he always approves every single invoice.

Chair Colson explained that at the start of Peninsula Clean Energy there were fewer contracts, but at this level, it has become unmanageable. Andy explained there is an additional check, and any payment sent in a wire must be released by Shawn.

Chair Colson noted that the process by which money was wired and transferred, noting the training around phishing, and that there was a situation which was rectified which resulted in these policies being put in place. She asked if training was included for Staff, and Shawn confirmed.

Andy shared that all wire transfers are set up with 3 levels of scrutiny, which he described.

Director Ragsdale asked if there has been any problem where some minor vendor insists on a wire for a small amount, and Andy explained they would resist that and they also do a verbal check of the wire instructions with the contact, so they make a phone call, through an email to verify.

Public Comment: David Mauro

MOTION: Director Ragsdale moved, seconded by Director Medina to Recommend approval by the full Board of Directors approve a revised Policy number 17 at its meeting on August 22, 2023

MOTION PASSED: 3-0 (Absent: East Palo Alto, Portola Valley)

JURISDICTION	BOARD MEMBER	YES	NO	ABSTAIN	ABSENT
Burlingame	Director Colson	X			
East Palo Alto	Director Romero				X
Hillsborough	Director Ragsdale	X			
Portola Valley	Director Aalfs				X
San Bruno	Director Medina	X			
	Totals	3			2

6. Committee Members' Reports

Chair Colson shared a report from the second meeting of the Surplus Fund Ad-hoc Subcommittee, noting that everyone has been collaborative and thoughtful and they are on track to come up with an overall strategy. She added that the Committee has been discussing ways to broadly impact clients and create structural ways to reduce carbon and structural ways to reduce the cost of electricity as opposed to one-time benefits.

Shawn and Directors acknowledged Andy for his expertise and time, and thanked him.

ADJOURNMENT

The Meeting was adjourned at 9:43 a.m.



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

Monday, September 11, 2023
8:30 a.m.
Zoom Video Conference and Teleconference

CALL TO ORDER

Meeting was called to order at 8:41 a.m. in virtual teleconference and in the Peninsula Clean Energy Authority lobby.

ROLL CALL

Participating:

Donna Colson, Burlingame
Carlos Romero, East Palo Alto
Leslie Ragsdale, Hillsborough
Jeff Aalfs, Portola Valley
Marty Medina, San Bruno, arrived at 9:31 a.m.

Absent: None

A quorum was established.

PUBLIC COMMENT

None

ACTION TO SET AGENDA AND TO APPROVE CONSENT AGENDA ITEMS

MOTION: Director Aalfs moved, seconded by Director Ragsdale to set the Agenda.

MOTION PASSED: 4-0 (Absent: San Bruno)

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

REGULAR AGENDA

1. Chair Report

None

2. Staff Report

Andy Stern, Interim Chief Financial Officer, provided an update to the Committee on the audit update and the audit schedule, including an offer for 2 Committee Members to join in a meeting with the auditors.

3. Investment Management and Investment Policy Review (Discussion)

Andy Stern, Interim Chief Financial Officer, gave a presentation including content and the status on cash and investment management, including the status relative to Peninsula Clean Energy (PCE) Investment Policy 19, noting PFM has helped PCE write their last investment policy when they went to an investment management firm, and Monique Spyke from PFM will provide a slide presentation.

Andy described investments with Schwab and Fidelity which have been added, with the bulk in money market institutional funds which exceeds the 25% maximum investment policy as well as exceedance in the up to 10% policy in any one money market fund. He is looking for input from the committee about revisions to the investment policy, whether they want a reduction in the number of institutions, whether they want limitations on amounts with any one institution, and noted \$125 million is actively managed by PFM and First Republic, and they could broach Fidelity and Schwab to do the same thing as PFM and First Republic.

Chair Colson asked for clarification on the 10%. Andy explained that that with a total cash/investment balance of \$266 million, it is hard to argue that Fidelity and Schwab are not over the 10% rule.

Monique Spyke, PFM Asset Management, gave a presentation on Peninsula Clean Energy's investment portfolio, with a market value portfolio of about \$241 million which does not include the operating accounts at First Republic. She discussed securities at 51% of the total, money market fund allocation at 49%, noting they are limited by the California Government Code Section 53601-L which states money market fund investments are limited to 20% of the portfolio. She then spoke about the money market fund breakdown, the limitation for PCE of 10% per fund which is an additional restriction they have flexibility to change,

Chair Colson added that if they have an actively managed portfolio, Peninsula Clean Energy did not want the money manager to use more than 10%, noting that the 10% policy was around the actively managed portfolios and not PCE's pool portfolio.

Monique suggested that the 10% restriction can be removed on money market funds to give more flexibility if PCE decides to use money market funds as a place to hold larger sums of cash outside of the portfolios. The asset managers also have guidance around their use of money market funds, whether it be the duration strategies are longer or others. The reason they broke this out by dollar value is so PCE can see where the opportunity set is to move cash. The two funds out of compliance are Fidelity and Schwab because there are large sums of cash there.

Andy added the biggest Local Government Investment Pool (LGIP) is the County pool and they would not let PCE in as they did not want to expand any longer.

Chair Colson asked why it must be a ladder portfolio and not actively managed. Andy explained that these have been used interchangeably and referred to them as being used as multiple term investments. Andy shared that at the same time in the Surplus Funds Committee Meeting there

is an expectation currently that \$20 to 30 million will come out of the \$70 million allocation in the form of a rebate or something similar.

Monique added that the California Asset Management Program (CAMP) is an option. PFM is the investment advisor and government administrator for CAMP. They would not charge any fees associated with any funds PCE would have in CAMP. The current yield is 5.54% so it is the highest among all options described and they have been the highest levels they have been in the past 15 years.

Chair Colson asked where risk is being added to yield higher returns. Monique explained that the funds are in government funds, with additional yield because they can use commercial paper and other investments. CAMP is restricted to CA Government Codes.

Chair Colson asked if there is a BOD for CAMP. Monique confirmed that PFM is hired by CAMP which has a BOD which oversees the program and higher advisors. Chair Colson asked about the fees. Monique explained there are no fees to join and are incorporated into the yield. CAMP has overnight liquidity and noted that Silicon Valley Clean Energy uses CAMP.

Chair Colson asked if yields drop, they will depreciate the value, so they would make up some of the losses they have experienced when the yields rose. Monique confirmed and concluded her options for the \$70 million and she can next talk about the investment policy changes.

Chair Colson shared that the options are asset allocation reduction and decide if we want to move to a fund or an actively managed portfolio, and how many managers they want. They have PFM, First Republic which is a separate legal entity, and 2 money market Schwab accounts. Chair Colson shared she thinks PCE would want to reduce, change the structure, or they can consolidate.

Shawn Marshall, Chief Executive Officer, asked if they need to maintain Schwab and Fidelity. Chair Colson said she thinks the question is how many managers PCE should have. Director Aalfs noted Schwab and Fidelity are not actively managed. Chair Colson shared that they are actively managed, though not in particular for PCE. Shawn noted that once the allocation is figured out, the question is whether PCE needs 4 actively managed accounts.

Director Ragsdale asked how the custodial account at US Bank works. Chair Colson explained that US Bank makes sure securities are held in Peninsula Clean Energy's name. PCE always has a direct relationship with the bank to freeze accounts and hire a new manager.

Public Comments: None

Andy noted PFM is a subsidiary of US Bank and if they do not like PFM, they can hire a paper money manager with funds still held at US Bank.

Director Romero asked if Peninsula Clean Energy were to move money into CAMP if it would be managed by PFM. Monique explained that CAMP has a 3rd party custodian which is also US Bank, so PFM is not holding any of the assets and they could not move money in and out of CAMP. Because PFM is the program administrator of CAMP, they can do consolidated reporting, see CAMP balances, and take that into account for compliance purposes, but they would never be able to move funds.

Chair Colson asked what would be the benefit of having CAMP and CAMP-M as an active manager. Monique explained that PCE knows their process, they think PCE is confident in their

ability to manage assets, there is consolidated reporting, and they have the ability to see CAMP accounts.

Chair Colson said their overall philosophy will be similar between PCE's actively managed portfolio and the CAMP portfolio. She thinks the environmental, social, and governance (ESG) would be slightly different. Monique said the ESG overlay is not necessarily applicable to the CAMP portfolio.

Chair Colson clarified that if they put it in CAMP, they cannot have the ESG overlay and they may not want to. Andy added that PFM has a robust ESG management and oversight. The First Republic site does not. They have asked First Republic not to invest in energy-related stocks or bonds, but they do not have the same level of ESG overlay.

Chair Colson said she is trying to explain the difference between the pooled CAMP account and PCE's. To her, they would either consolidate and have one or the other, so she does not understand why they would have both accounts. Andy shared they do not have fees on them, and right now Staff does not have to keep track of them, but they do with Fidelity and Schwab.

Director Romero shared that he thinks there are benefits to CAMP, but it may be a hassle for Staff. Andy explained it is no more hassle than having Fidelity and Schwab the way they are set up now. Director Romero shared that CAMP has had decent performance, but suggested looking at this more seriously.

Chair Colson said she is assuming that PFM has an investment philosophy. Monique shared that what is the same between the CAMP portfolio and the PCE portfolio is their credit philosophy which does not change. The CAMP program is a very short duration fund. The maximum maturity is 60 days. It is an overnight investment pool and managed very differently.

Chair Colson said personally, as much as she likes the CAMP fund, she would like someone actively managing this the fund. Monique said she would advise it is time to move funds, and there are also options to join CAMP as an investor and where you have no say over what goes on, or joint as a participant where you are able to vote on the Board of Trustees or investment policy changes and things like that. Chair Colson said she would likely not suggest that given how small they are.

Director Aalfs said they could ask Fidelity and Schwab to be active money managers, and Chair Colson said yes. Most likely what they would do is they might pull out their securities and set them up into a separate account so they would not have transaction fees.

Director Romero asked if PCE can keep First Republic Bank. Chair Colson explained you could use CAMP with First Republic Bank because their operating account is there and put \$20 million in there, and she would use PFM for actively managed piece as a secondary overlay.

Chair Colson added that they can keep First Republic Bank's actively managed team. Her issue is that she has been working with them a lot and she thinks the bankruptcy destroyed a lot of wealth in that organization, and they did not do a great job managing the whole Silicon Valley problem. They were actively talking with their internal people but did not do a good job of stemming the problem, and they were overleveraged at that bank so she worries about the lack of stability at that organization as they transition over to Chase. Her choice would be Fidelity because Schwab is a different entity.

Chair Colson shared that they should do no more than 3 organizations other than operating banks. Director Romero agreed, but he asked if Staff would feel overburdened with 4 organizations. Andy shared that this is not overburdensome.

Chair Colson asked Andy to check on options and highlight restrictions on the CAMP, what fees would look like, yields, and understanding costs.

Public Comments: None

Shawn Marshall referred to the CFO interview process, and she is personally in favor of fewer than 4 organizations. She thinks the CFO should wear multiple hats because they have such a small team. The CFO will really have to understand the breadth and depth of this, and right now, she would be in favor of fewer than 4 organizations.

Chair Colson said if it is set in a way where there is 280 of cash on hand, it is untouchable. The question is one or two managers, and then taking the average of \$70 million or whatever it is and putting it in a CAMP fund, which is a short-term duration, less volatility, unlikely to have huge changes.

Monique continued the presentation with the Peninsula Clean Energy investment policy review, given changes in the Government Code.

Chair Colson asked for a super national example, and Monique shared this would be World Bank. Andy asked why they decided not to include it, and Monique said it was not clear that all managers would be able to properly investigate or monitor for these investments.

Chair Colson asked if PFM feels comfortable working with them, and Monique confirmed and said PFM has a separate committee for asset backed securities.

Monique added that they will use the 10% money market in the policy, and this is something they could strike if needed.

Chair Colson said she thinks this will be Board level decisions, appreciates the opportunity to work with PFM, said Monique has been a great partner, and they all appreciate her guidance and the opportunity to work with her.

4. Committee Members' Reports

None

ADJOURNMENT

The Meeting was adjourned at 9:50 a.m.



**PENINSULA CLEAN ENERGY AUTHORITY
JPA Board Correspondence**

DATE: April 30, 2024
MEETING DATE: May 13, 2024
VOTE REQUIRED: None

TO: Honorable Peninsula Clean Energy Authority Audit and Finance Committee
FROM: Nicholas Bijur, Chief Financial Officer
SUBJECT: Q3 Fiscal Year 2024 Financial Report (Quarter Ending March 31, 2024)
(Discussion)

RECOMMENDATION

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

BACKGROUND

Staff will review financial results for the quarter ending March 31, 2024 and year-to-date.

ATTACHMENTS:

[3Q 2024 Financial Package.pdf](#)

Peninsula Clean Energy
Performance at a Glance
Results for the Fiscal Quarter Ended
March 31, 2024
(\$000s)

<u>Net Position Balance</u>		
<u>Fiscal Year</u>	<u>Actual/Budget</u>	<u>Amount</u>
June 30, 2016	Audited	(\$1,044)
June 30, 2017	Audited	\$21,711
June 30, 2018	Audited	\$85,365
June 30, 2019	Audited	\$140,139
June 30, 2020	Audited	\$189,072
June 30, 2021	Audited	\$180,717
June 30, 2022	Audited	\$167,671
June 30, 2023	Audited	\$307,626
March 31, 2024	Actual	\$392,015
June 30, 2024	Updated Forecast	\$404,352
June 30, 2024	Budget	\$425,043

<u>Unrestricted Cash/Investments Balance</u>		
<u>Fiscal Year</u>	<u>Actual/Budget</u>	<u>Amount</u>
June 30, 2016	Audited	\$3,833
June 30, 2017	Audited	\$18,882
June 30, 2018	Audited	\$64,689
June 30, 2019	Audited	\$114,069
June 30, 2020	Audited	\$177,629
June 30, 2021	Audited	\$165,652
June 30, 2022	Audited	\$135,090
June 30, 2023	Audited	\$254,074
March 31, 2024	Actual	\$366,044
June 30, 2024	Updated Forecast	\$381,949
June 30, 2024	Budget	\$377,162

<u>Change in Net Position</u>		
<u>Fiscal Year</u>	<u>Actual/Budget</u>	<u>Amount</u>
FY2015-2016	Audited	(\$1,044)
FY2016-2017	Audited	\$22,755
FY2017-2018	Audited	\$63,655
FY2018-2019	Audited	\$54,774
FY2019-2020	Audited	\$48,933
FY2020-2021	Audited	(\$8,355)
FY2021-2022	Audited	(\$13,046)
FY2022-2023	Audited	\$139,955
FY2023-2024	Updated Forecast	\$96,726
FY2023-2024	Budget	\$124,612

<u>Cost of Electricity</u>		
<u>Fiscal Year</u>	<u>Actual/Budget</u>	<u>Amount</u>
FY2015-2016	Audited	\$0
FY2016-2017	Audited	\$64,501
FY2017-2018	Audited	\$170,135
FY2018-2019	Audited	\$194,035
FY2019-2020	Audited	\$216,066
FY2020-2021	Audited	\$213,834
FY2021-2022	Audited	\$226,678
FY2022-2023	Audited	\$265,208
FY2023-2024	Updated Forecast	\$333,945
FY2023-2024	Budget	\$311,261

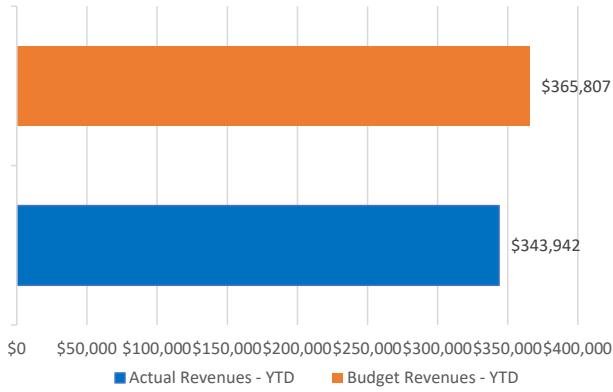
<u>Revenues</u>		
<u>Fiscal Year</u>	<u>Actual/Budget</u>	<u>Amount</u>
FY2015-2016	Audited	\$0
FY2016-2017	Audited	\$93,129
FY2017-2018	Audited	\$244,738
FY2018-2019	Audited	\$259,782
FY2019-2020	Audited	\$278,093
FY2020-2021	Audited	\$228,101
FY2021-2022	Audited	\$237,899
FY2022-2023	Audited	\$428,218
FY2023-2024	Updated Forecast	\$453,691
FY2023-2024	Budget	\$474,624

<u>Total Other Operating Expenses</u>		
<u>Fiscal Year</u>	<u>Actual/Budget</u>	<u>Amount</u>
FY2015-2016	Audited	\$1,041
FY2016-2017	Audited	\$5,603
FY2017-2018	Audited	\$10,836
FY2018-2019	Audited	\$12,877
FY2019-2020	Audited	\$15,272
FY2020-2021	Audited	\$22,469
FY2021-2022	Audited	\$19,861
FY2022-2023	Audited	\$25,946
FY2023-2024	Updated Forecast	\$35,668
FY2023-2024	Budget	\$39,396

Peninsula Clean Energy
Performance at a Glance
Results for the Fiscal Quarter Ended
March 31, 2024
 (\$000s)

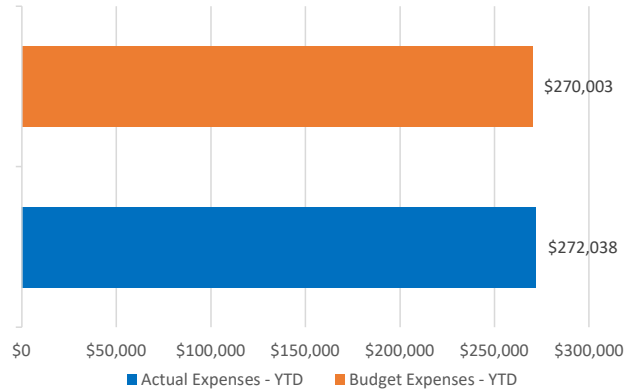
YTD Revenues

YTD Revenues - Actual vs. Budget



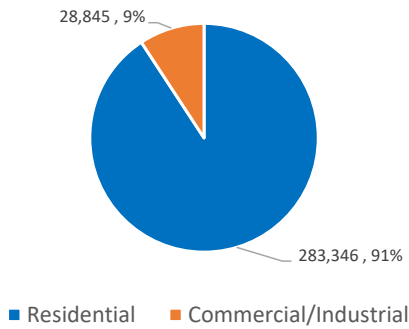
YTD Expenses

YTD Expenses - Actual vs. Budget



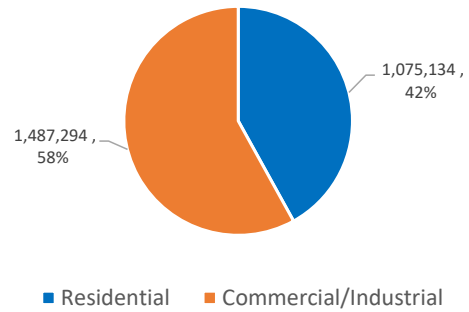
Customer Accounts

Customer Accounts



Energy Used

YTD Energy Usage (MWh)





ACCOUNTANTS' COMPILATION REPORT

Board of Directors
Peninsula Clean Energy Authority

Management is responsible for the accompanying financial statements of Peninsula Clean Energy Authority (PCE), a California Joint Powers Authority, which comprise the statement of net position as of March 31, 2024, and the statement of revenues, expenses, and changes in net position, and the statement of cash flows for the period then ended, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the accompanying statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, conclusion, nor provide any assurance on these financial statements.

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

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

Maher Accountancy

San Rafael, CA
April 24, 2024

PENINSULA CLEAN ENERGY AUTHORITY

STATEMENT OF NET POSITION

As of March 31, 2024

ASSETS

Current assets

Cash and cash equivalents	\$ 156,867,266
Accounts receivable, net of allowance	29,639,650
Accrued revenue	22,284,844
Investments	16,451,888
Other receivables	4,821,365
Prepaid expenses	1,258,741
Deposits and other assets	5,300,858
Total current assets	<u>236,624,612</u>

Noncurrent assets

Investments	191,389,376
Other receivables	3,609,149
Deposits and other assets	190,212
Lease asset, net of amortization	1,231,792
Construction in progress	3,946,385
Capital assets, net of depreciation	348,738
Total noncurrent assets	<u>200,715,652</u>

Total assets

437,340,264

LIABILITIES

Current liabilities

Accrued cost of electricity	30,655,613
Accounts payable	2,705,851
Other accrued liabilities	1,120,797
Deferred revenue	4,598,252
User taxes and energy surcharges due to other governments	1,167,982
Deposits - energy suppliers	1,889,999
Lease liability	524,012
Total current liabilities	<u>42,662,506</u>

Noncurrent liabilities

Deposits - energy suppliers	1,799,451
Lease liability	862,826
Total noncurrent liabilities	<u>2,662,277</u>

Total liabilities

45,324,783

NET POSITION

Net investment in capital assets	3,997,364
Unrestricted	<u>388,018,117</u>
Total net position	<u>\$ 392,015,481</u>

PENINSULA CLEAN ENERGY AUTHORITY

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION**

Nine Months Ended March 31, 2024

OPERATING REVENUES

Electricity sales, net	\$ 337,382,797
Green electricity premium	2,263,595
Liquidated damages revenue	2,090,711
Grant revenue	2,205,076
Other income	1,602,792
Total operating revenues	<u>345,544,971</u>

OPERATING EXPENSES

Cost of electricity	245,240,444
Contract services	9,292,846
Staff compensation	7,022,892
Other operating expenses	10,016,504
Depreciation and amortization	428,680
Total operating expenses	<u>272,001,366</u>
Operating income (loss)	<u>73,543,605</u>

NONOPERATING REVENUES (EXPENSES)

Interest and investment returns	10,882,981
Finance costs	(37,097)
Nonoperating revenues (expenses), net	<u>10,845,884</u>

CHANGE IN NET POSITION

Net position at beginning of period	<u>307,625,992</u>
Net position at end of period	<u>\$ 392,015,481</u>

PENINSULA CLEAN ENERGY AUTHORITY

STATEMENT OF CASH FLOWS Nine Months Ended March 31, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$	353,366,262
Receipts from grantors		2,205,076
Receipts of supplier security deposits		13,369,438
Other operating receipts		1,598,003
Payments to suppliers for electricity		(227,955,749)
Payments for other goods and services		(21,433,749)
Payments for deposits and collateral		(2,238,725)
Payments of staff compensation		(6,962,570)
Payments of taxes and surcharges to other governments		(4,871,929)
Net cash provided (used) by operating activities		<u>107,076,057</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Payments of lease obligation		(410,185)
Payments to acquire capital assets		(3,653,463)
Net cash provided (used) by capital and related financing activities		<u>(4,063,648)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from investment sales		39,936,072
Investment income received		6,160,211
Purchase of investments		(122,466,715)
Net cash provided (used) by investing activities		<u>(76,370,432)</u>

Net change in cash and cash equivalents		26,641,977
Cash and cash equivalents at beginning of period		130,225,289
Cash and cash equivalents at end of period	\$	<u>156,867,266</u>

SUPPLEMENTAL CASH FLOW INFORMATION

Capital acquisitions included in accounts payable and other liabilities	\$	142,713
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PENINSULA CLEAN ENERGY AUTHORITY
STATEMENT OF CASH FLOWS (continued)
Nine Months Ended March 31, 2024

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

Operating income (loss)	\$ 73,543,605
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation and amortization expense	428,680
(Increase) decrease in:	
Accounts receivable	7,585,149
Accrued revenue	(60,284)
Other receivables	671,189
Prepaid expenses	7,307,468
Deposits and other assets	11,998,813
Increase (decrease) in:	
Accrued cost of electricity	5,009,044
Accounts payable	1,544,736
Other accrued liabilities	233,883
Deferred revenue	(245,811)
User taxes and energy surcharges due to other governments	(72,314)
Deposits - energy suppliers	(868,100)
Net cash provided (used) by operating activities	<u>\$ 107,076,057</u>



PENINSULA CLEAN ENERGY - PFM

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Period from March 1, 2024 to March 31, 2024

MARKET VALUE RECONCILIATION

	CURRENT PERIOD 03/01/2024 TO 03/31/2024	YEAR TO DATE 07/01/2023 TO 03/31/2024
Beginning Market Value	106,579,036.71	64,338,327.34
Receipts		
Cash Receipts	.00	40,000,000.00
Total Receipts	.00	40,000,000.00
Asset Activity		
Taxable Interest	95,207.98	1,101,430.64
Realized Gain/Loss	- 143,640.23	- 1,208,636.63
Change In Unrealized Gain/Loss	320,822.25	2,245,677.24
Change In Accrued Income	165,871.93	540,500.05
Total Asset Activity	438,261.93	2,678,971.30
Net Change In Market Value	438,261.93	42,678,971.30
Ending Market Value	107,017,298.64	107,017,298.64

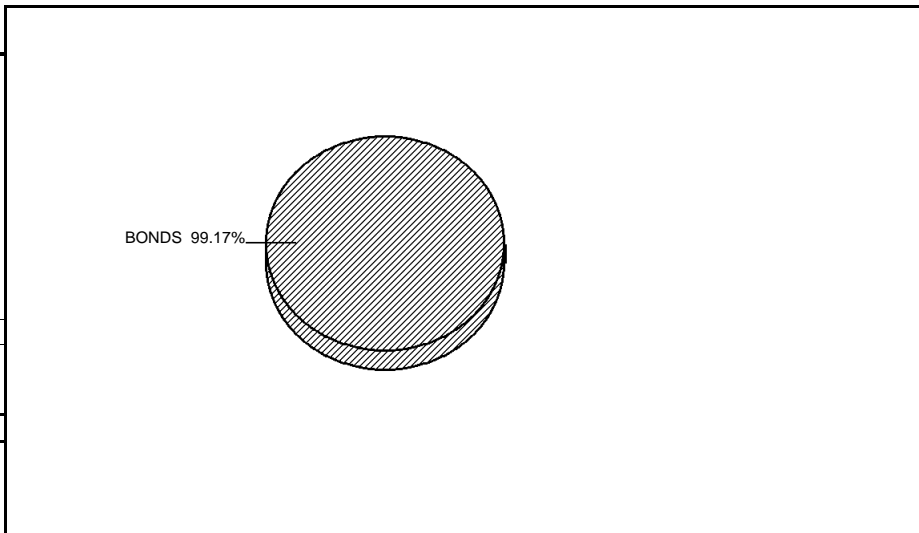


PENINSULA CLEAN ENERGY - PFM

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 Period from March 1, 2024 to March 31, 2024

ASSET SUMMARY

ASSETS	03/31/2024 MARKET VALUE	% OF MARKET
Cash And Equivalents	31,443.43	0.03
U.S. Government Issues	81,232,187.55	75.90
Corporate Issues	18,253,323.20	17.06
Foreign Issues	957,105.30	0.89
Municipal Issues	5,690,465.10	5.32
Total Assets	106,164,524.58	99.20
Accrued Income	852,774.06	0.80
Grand Total	107,017,298.64	100.00





PENINSULA CLEAN ENERGY - CHANDLER
 [REDACTED]

Page 3 of 31
 Period from March 1, 2024 to March 31, 2024

MARKET VALUE RECONCILIATION

	CURRENT PERIOD 03/01/2024 TO 03/31/2024	YEAR TO DATE 07/01/2023 TO 03/31/2024
Beginning Market Value	102,066,455.09	60,015,742.82
Receipts		
Cash Receipts	.00	40,000,000.00
Total Receipts	.00	40,000,000.00
Disbursements		
Cash Disbursements	.00	- 36,099.24
Total Disbursements	.00	- 36,099.24
Asset Activity		
Taxable Interest	118,300.21	1,110,779.22
Realized Gain/Loss	- 15,579.48	- 52,368.91
Change In Unrealized Gain/Loss	234,584.31	1,046,254.15
Change In Accrued Income	157,000.48	476,452.57
Total Asset Activity	494,305.52	2,581,117.03
Net Change In Market Value	494,305.52	42,545,017.79
Ending Market Value	102,560,760.61	102,560,760.61

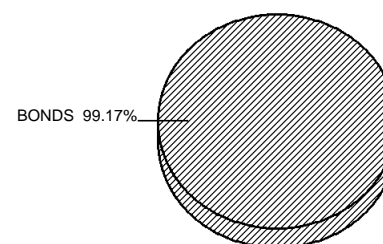


PENINSULA CLEAN ENERGY - CHANDLER

Page 5 of 31
Period from March 1, 2024 to March 31, 2024

ASSET SUMMARY

ASSETS	03/31/2024 MARKET VALUE	% OF MARKET
Cash And Equivalents	119,790.41	0.12
U.S. Government Issues	60,522,983.03	59.01
Corporate Issues	38,456,042.33	37.50
Foreign Issues	2,729,157.50	2.66
Total Assets	101,827,973.27	99.29
Accrued Income	732,787.34	0.71
Grand Total	102,560,760.61	100.00





Account Statement - Transaction Summary

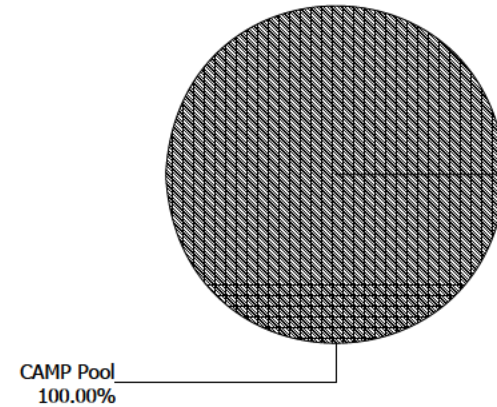
For the Month Ending **March 31, 2024**

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

CAMP Pool	
Opening Market Value	131,185,838.67
Purchases	10,616,364.78
Redemptions	0.00
Unsettled Trades	0.00
Change in Value	0.00
Closing Market Value	\$141,802,203.45
Cash Dividends and Income	616,364.78

Asset Summary		
	March 31, 2024	February 29, 2024
CAMP Pool	141,802,203.45	131,185,838.67
Total	\$141,802,203.45	\$131,185,838.67

Asset Allocation	
CAMP Pool	100.00%





Account Statement

For the Month Ending **March 31, 2024**

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

Trade Date	Settlement Date	Transaction Description	Share or Unit Price	Dollar Amount of Transaction	Total Shares Owned
CAMP Pool					
Opening Balance					131,185,838.67
03/27/24	03/27/24	Purchase - Incoming Wires	1.00	10,000,000.00	141,185,838.67
03/28/24	04/01/24	Accrual Income Div Reinvestment - Distributions	1.00	616,364.78	141,802,203.45
Closing Balance					141,802,203.45

	Month of March	Fiscal YTD July-March
Opening Balance	131,185,838.67	0.00
Purchases	10,616,364.78	141,802,203.45
Redemptions (Excl. Checks)	0.00	0.00
Check Disbursements	0.00	0.00
Closing Balance	141,802,203.45	141,802,203.45
Cash Dividends and Income	616,364.78	1,802,203.45

Closing Balance	141,802,203.45
Average Monthly Balance	132,878,272.84
Monthly Distribution Yield	5.48%



PENINSULA CLEAN ENERGY AUTHORITY
JPA Board Correspondence

DATE: May 2, 2024
MEETING DATE: May 13, 2024
VOTE REQUIRED: Majority Vote

TO: Honorable Peninsula Clean Energy Authority Audit and Finance Committee

FROM: Nicholas Bijur, Chief Financial Officer

SUBJECT: Recommend to the Board of Directors to Approve the Establishment of a Rate Stabilization Fund (Action)

RECOMMENDATION

Recommend to the Board of Directors establishment of a Rate Stabilization Fund under Government Accounting Standard Board (GASB) Standard 62 for the purpose of stabilizing customer electric generation charges.

BACKGROUND

The financial strength of Peninsula Clean Energy (PCE or the Agency) is one of the necessary pillars of the Agency if it is to deliver on its mission to reduce greenhouse gas emissions by expanding access to sustainable and affordable energy solutions. The Board of Directors sets rates as necessary to provide sufficient revenues to pay all operating expenses and all other financial obligations of the Agency. While expenses, specifically the cost of energy, can vary significantly, PCE customers value rate affordability and stability. Since PCE's inception, staff has worked to minimize rate changes while ensuring PCE has the resources necessary to meet its financial commitments.

A Rate Stabilization Fund is an accounting tool available to government entities under GASB 62 to mitigate rate changes and more importantly, rate spikes. The primary purpose of GASB 62 is to recognize expenses and the revenues from rates designed to recover those costs in the same period. This standard recognizes that rate regulated utilities and other Load Serving Entities (LSEs) often have to consider rate stability, and thus recover costs over different periods than those costs would be recognized as expenses under Generally Accepted Accounting Principles (GAAP).

MCE Energy, Clean Power Alliance, Ava Community Energy and Sonoma Clean Power have implemented Rate Stabilization Funds under GASB 62.

DISCUSSION

Staff proposes the establishment of a Rate Stabilization Fund to allow PCE to defer revenues in years when financial results are strong to be used in future years when financial results are

not as strong or are stressed. Deferring revenues to be used in future years would allow PCE to avoid sudden rate increases to address unanticipated spikes in energy costs, or conversely, to offset reductions in rate levels (and net revenues) to address large increases in the Power Charge Indifference Adjustment. Using deferred revenues in a future year would allow PCE to minimize the near-term impact on rates and net revenues. In addition, if in the future PCE decides to access the tax-exempt capital markets, the Agency will need to agree to several covenants. These covenants would be required to protect (and attract) bond investors in the offering and would require that PCE produces net revenues sufficient to pay debt service costs. The Rate Stabilization Fund could be drawn upon to allow PCE to meet its covenants if needed.

From an accounting standpoint, a deferral of revenues into the Rate Stabilization Fund would result in a reduction in PCE's reported revenues in that fiscal year, and an increase in reported revenues for the years withdrawals from the Rate Stabilization Fund are made. By deferring revenues into the Rate Stabilization Fund before it is recognized as revenues, PCE would effectively "bank" revenues for use in a future fiscal year. Staff have been working with PCE's accounting firm, Maher Accounting, in development of the Rate Stabilization Fund to ensure it conforms with the standards of GASB 62.

Staff will consider deferral of revenues into the Rate Stabilization Fund in a fiscal year when the projected addition to Net Position is greater than 3% of total budgeted revenues. Deposits can be made into the Rate Stabilization Fund until the balance equals 15% of the total budgeted revenues in the then-current fiscal year. Staff will consider withdrawals of revenues from the Rate Stabilization Fund in a fiscal year where net revenues are projected to be negative or as necessary to satisfy any covenants, contractual obligations, or to maintain investment grade credit ratings. Staff will notify the Board of Directors after a transfer is made.

FISCAL IMPACT

Establishment of the Rate Stabilization Fund would have no immediate fiscal impact. Deferring revenues into the Rate Stabilization Fund would have a commensurate negative effect on net revenues in that fiscal year. Withdrawals from the Rate Stabilization Fund would have commensurate positive effect on net revenues in that fiscal year.



**PENINSULA CLEAN ENERGY AUTHORITY
JPA Board Correspondence**

DATE: April 30, 2024
MEETING DATE: May 13, 2024
VOTE REQUIRED: None

TO: Honorable Peninsula Clean Energy Authority Audit and Finance Committee
FROM: Nicholas Bijur, Chief Financial Officer
SUBJECT: Review Fiscal Year 2024-2025 Draft Budget (Discussion)

RECOMMENDATION

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

BACKGROUND

Staff will present a preliminary look at the Fiscal Year 2024-2025 budget.