



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 4th 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 commentors, 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.