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, August 14, 2023
8:30 a.m.

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/88100966124
Meeting ID: 881-0096-6124 **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 following the meeting.

Public Participation

The PCEA Audit and Finance Committee meeting may be accessed through Zoom online at https://pencleanenergy.zoom.us/j/88100966124. The meeting ID is: 881-0096-6124 and the passcode is: 2075. The meeting may also be accessed via telephone by dialing +1(669) 444-9171. Enter the webinar ID: 881-0096-6124, then press #. (Find your local number: https://pencleanenergy.zoom.us/u/kTlH1Ocod). 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.

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 Audit and Finance Committee 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. Staff Report (Discussion)

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

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

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

6. 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's 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

A. **Videoconference with Computer Audio – see Option 1 below**
B. **Videoconference with Phone Call Audio– see Option 2 below**
C. **Calling in via Telephone/Landline – see Option 3 below**

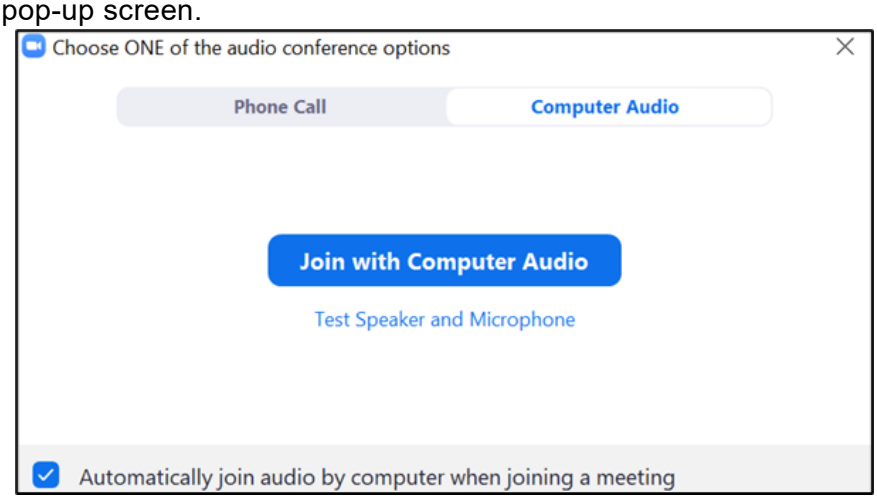
Videoconference Options:

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:

1. From your computer, click on the following link that is also included in the Meeting Calendar Invitation : https://pencleanenergy.zoom.us/j/82172572134
2. The Zoom application will open on its own or you will be instructed to open Zoom.
3. 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.



4. Click the blue, “Join with Computer Audio” button.
5. 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:

1. From your computer, click on the following link that is also included in the Meeting Calendar Invitation: https://pencleanenergy.zoom.us/j/82172572134
2. The Zoom Application will open on its own or you will be instructed to Open Zoom.

3. 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.

4. Please dial +1 (253) 215-8782.
5. You will be instructed to enter the meeting ID: **821-7257-2134 followed by #.**
6. 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.
7. After a few seconds, your phone audio should be connected to the Zoom application on your computer.
8. 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:

1. Dial +1 (253) 215-8782.
2. You will be instructed to enter the meeting ID: **821-7257-2134 followed by #**.
3. 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.
4. You will be instructed to enter the meeting passcode **2075 followed by #**.

PRELIMINARY RESULTS - YEAR-END AUDIT UNDERWAY

Peninsula Clean Energy
Performance at a Glance
Results for the Fiscal Quarter Ended
June 30, 2023
($000s)

Peninsula Clean Energy
Performance at a Glance
Results for the Fiscal Quarter Ended
June 30, 2023
($000s)

Net Position Balance

Fiscal Year	Actual/Budget	Amount
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	Unaudited Actual	$301,827
June 30, 2023	Budget	$248,165

Unrestricted Cash/Investments Balance

Fiscal Year	Actual/Budget	Amount
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	Unaudited Actual	$254,074
June 30, 2023	Budget	$232,830

Change in Net Position

Fiscal Year	Actual/Budget	Amount
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)
June 30, 2023	Unaudited Actual	$134,156
FY2022-2023	Budget	$73,954

Cost of Electricty

Fiscal Year	Actual/Budget	Amount
June 30, 2016	Audited	$0
June 30, 2017	Audited	$64,501
June 30, 2018	Audited	$170,135
June 30, 2019	Audited	$194,035
June 30, 2020	Audited	$216,066
June 30, 2021	Audited	$213,834
June 30, 2022	Audited	$226,678
June 30, 2023	Unaudited Actual	$270,659
June 30, 2023	Budget	$264,208

Revenues

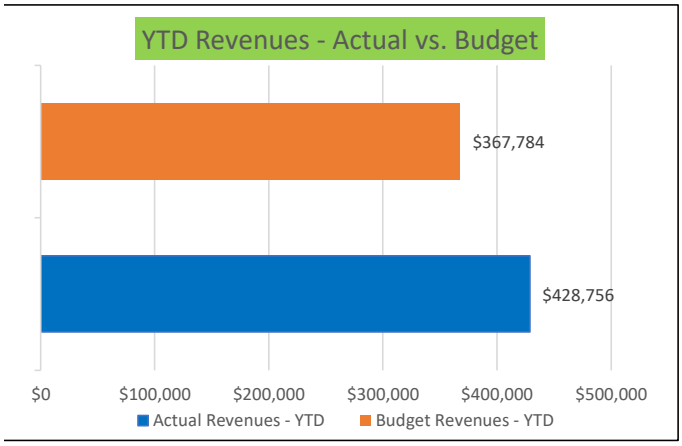
Fiscal Year	Actual/Budget	Amount
FY2015-2016	Audited	$0
FY2016-2017	Audited	$93,129
FY2017-2018	Audited	$244,738
FY2018-2019	Audited	$259,782
FY2019-2020	Audited	$278,093
FY2020-2021	Audited	$228,101
FY2021-2022	Audited	$237,899
June 30, 2023	Unaudited Actual	$428,756
FY2022-2023	Budget	$367,784

Total Operating Expenses

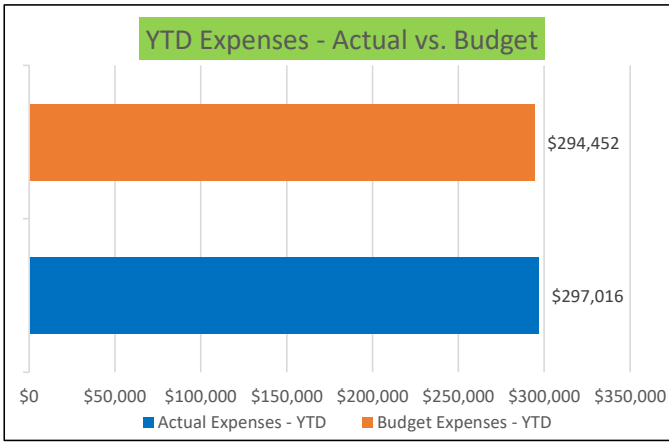
Fiscal Year	Actual/Budget	Amount
FY2015-2016	Audited	$1,041
FY2016-2017	Audited	$70,104
FY2017-2018	Audited	$180,970
FY2018-2019	Audited	$206,912
FY2019-2020	Audited	$231,337
FY2020-2021	Audited	$236,303
FY2021-2022	Audited	$246,539
June 30, 2023	Unaudited Actual	$297,016
FY2022-2023	Budget	$294,429

Peninsula Clean Energy
Performance at a Glance
Results for the Fiscal Quarter Ended
June 30, 2023
($000s)

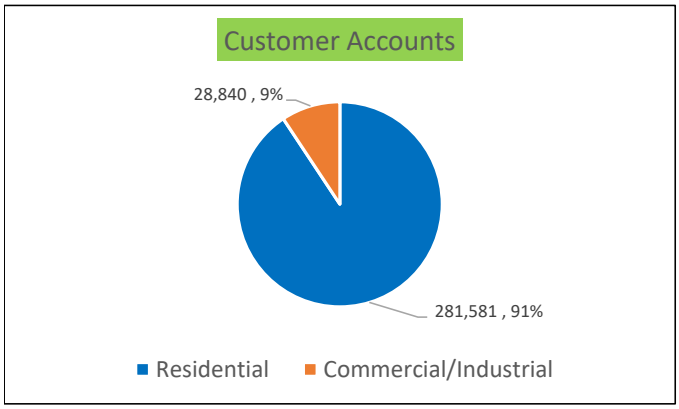
YTD Revenues



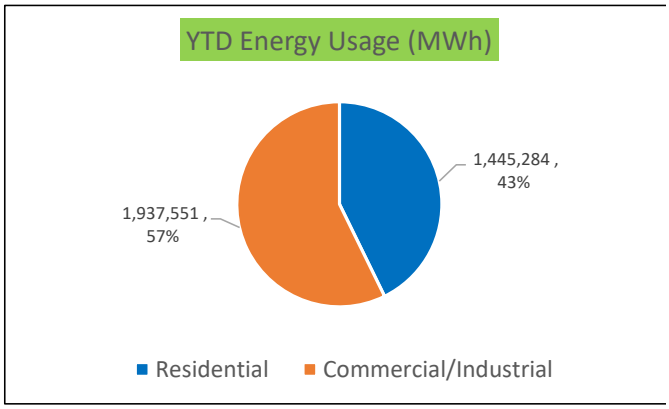
YTD Expenses



Customer Accounts



Energy Used



MAHER
ACCOUNTANCY

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 June 30, 2023, and the statement of revenues, expenses, and changes in net position, and the statement of cash flows for the period then ended, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the accompanying statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, conclusion, nor provide any assurance on these financial statements.

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

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

Maher Accountancy
San Rafael, CA
August 4, 2023

PENINSULA CLEAN ENERGY AUTHORITY

STATEMENT OF NET POSITION
As of June 30, 2023

ASSETS	
Current assets	
Cash and cash equivalents	$ 130,225,289
Accounts receivable, net of allowance	37,224,799
Accrued revenue	22,224,560
Investments	9,473,416
Other receivables	2,068,633
Prepaid expenses	8,566,209
Deposits	16,242,233
Total current assets	226,025,139
Noncurrent assets	
Investments	113,806,280
Deposits and other assets	188,874
Lease asset, net of amortization	1,601,332
Capital assets, net of depreciation	210,336
Total noncurrent assets	115,806,822
Total assets	341,831,961
LIABILITIES	
Current liabilities	
Accrued cost of electricity	25,698,011
Accounts payable	1,161,115
Other accrued liabilities	744,201
Deferred revenue	4,844,063
User taxes and energy surcharges due to other governments	1,240,296
Deposits - energy suppliers	2,758,099
Lease liability	499,837
Total current liabilities	36,945,622
Noncurrent liabilities	
Deposits - energy suppliers	1,799,451
Lease liability	1,260,088
Total noncurrent liabilities	3,059,539
Total liabilities	40,005,161
NET POSITION	
Net investment in capital assets	51,743
Unrestricted	301,775,057
Total net position	$ 301,826,800

See accountants' compilation report.

PENINSULA CLEAN ENERGY AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Twelve Months Ended June 30, 2023

OPERATING REVENUES		
Electricity sales, net	$	423,844,350
Green electricity premium		3,011,461
Liquidated damages revenue		252,060
Grant revenue		1,110,328
Total operating revenues		428,218,199
OPERATING EXPENSES		
Cost of electricity		270,659,009
Contract services		11,074,244
Staff compensation		8,001,778
Other operating expenses		6,650,426
Depreciation and amortization		567,798
Total operating expenses		296,953,255
Operating income (loss)		131,264,944
NONOPERATING REVENUES (EXPENSES)		
Grant revenue		789,539
Interest and investment income (loss)		2,164,071
Finance costs		(62,488)
Nonoperating revenues (expenses), net		2,891,122
CHANGE IN NET POSITION		134,156,066
Net position at beginning of period		167,670,734
Net position at end of period	$	301,826,800

See accountants' compilation report.

PENINSULA CLEAN ENERGY AUTHORITY

STATEMENT OF CASH FLOWS
Twelve Months Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$	427,757,814
Receipts from grantors		5,788,891
Receipts from supplier security deposits		
Payments to suppliers for electricity		(273,473,707)
Payments for other goods and services		(19,298,863)
Payments for staff compensation		(7,970,571)
Payments of taxes and surcharges to other governments		(6,064,477)
Net cash provided (used) by operating activities		126,739,087
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Grant revenue		789,539
Deposits and collateral received		16,363,798
Deposits and collateral paid		(26,743,771)
Net cash provided (used) by non-capital financing activities		(9,590,434)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments of lease liability		(605,965)
Payments to acquire capital assets		(23,641)
Net cash provided (used) by capital financing activities		(629,606)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from investment sales		42,294,286
Investment income received		3,440,698
Purchase of investments		(41,806,194)
Net cash provided (used) by investing activities		3,928,790
Net change in cash and cash equivalents		120,447,837
Cash and cash equivalents at beginning of period		9,777,452
Cash and cash equivalents at end of period	$	130,225,289

See accountants' compilation report.

PENINSULA CLEAN ENERGY AUTHORITY

STATEMENT OF CASH FLOWS (continued)
Twelve Months Ended June 30, 2023

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

Operating income (loss)	$ 131,264,944
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation and amortization expense	567,798
Provision for uncollectible accounts	1,564,535
(Increase) decrease in:	
Accounts receivable	(5,919,955)
Accrued revenue	(1,502,579)
Other receivables	1,062,627
Prepaid expenses	(3,589,638)
Increase (decrease) in:	
Accrued cost of electricity	(1,440,908)
Accounts payable	(10,688)
Deferred revenue	4,570,563
Other accrued liabilities	13,923
User taxes and energy surcharges due to other governments	158,465
Net cash provided (used) by operating activities	$ 126,739,087

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PENINSULA CLEAN ENERGY - PFM

Period from April 1, 2023 to June 30, 2023

MARKET VALUE RECONCILIATION

	CURRENT PERIOD 04/01/2023 TO 06/30/2023	YEAR TO DATE 07/01/2022 TO 06/30/2023
Beginning Market Value	**64,720,430.11**	**64,271,543.36**
Disbursements		
Benefit Payments	.00	- 16,855.73
Total Disbursements	**.00**	**- 16,855.73**
Asset Activity		
Taxable Interest	253,345.95	964,943.68
Realized Gain/Loss	- 466,128.93	- 1,291,791.69
Change In Unrealized Gain/Loss	- 216,767.39	327,484.59
Change In Accrued Income	47,447.60	83,003.13
Total Asset Activity	**- 382,102.77**	**83,639.71**
Net Change In Market Value	**- 382,102.77**	**66,783.98**
Ending Market Value	**64,338,327.34**	**64,338,327.34**

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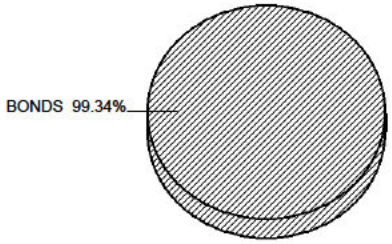
PENINSULA CLEAN ENERGY - PFM
[redacted]

ASSET SUMMARY

ASSETS	06/30/2023 MARKET VALUE	% OF MARKET
Cash And Equivalents	107,965.33	0.17
U.S. Government Issues	40,856,145.08	63.50
Corporate Issues	15,804,084.67	24.56
Foreign Issues	944,341.10	1.47
Municipal Issues	6,313,517.15	9.81
Total Assets	**64,026,053.33**	**99.51**
Accrued Income	312,274.01	0.49
Grand Total	**64,338,327.34**	**100.00**



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PENINSULA CLEAN ENERGY - FRB
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Period from April 1, 2023 to June 30, 2023

MARKET VALUE RECONCILIATION

	CURRENT PERIOD 04/01/2023 TO 06/30/2023	YEAR TO DATE 07/01/2022 TO 06/30/2023
Beginning Market Value	**60,240,236.23**	**61,644,156.86**
Disbursements		
Cash Disbursements	- 18,061.66	- 2,071,990.86
Total Disbursements	**- 18,061.66**	**- 2,071,990.86**
Asset Activity		
Taxable Interest	360,809.11	959,892.02
Realized Gain/Loss	- 10,722.65	- 780,625.15
Change In Unrealized Gain/Loss	- 485,302.07	199,719.13
Change In Accrued Income	- 71,216.14	64,590.82
Total Asset Activity	**- 206,431.75**	**443,576.82**
Net Change In Market Value	**- 224,493.41**	**- 1,628,414.04**
Ending Market Value	**60,015,742.82**	**60,015,742.82**

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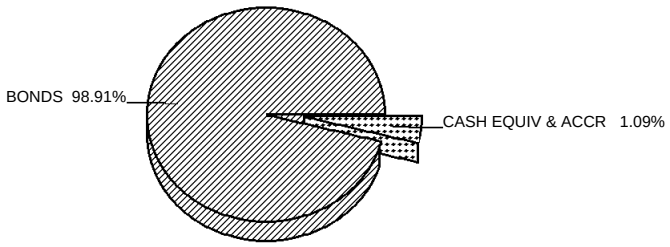
PENINSULA CLEAN ENERGY - FRB
[redacted]

ASSET SUMMARY

ASSETS	06/30/2023 MARKET VALUE	% OF MARKET
Cash And Equivalents	397,800.22	0.66
U.S. Government Issues	41,687,530.34	69.46
Corporate Issues	17,674,077.49	29.45
Total Assets	**59,759,408.05**	**99.57**
Accrued Income	256,334.77	0.43
Grand Total	**60,015,742.82**	**100.00**



PENINSULA CLEAN ENERGY AUTHORITY
JPA Board Correspondence

DATE: August 2, 2023
COMMITTEE MEETING DATE: August 14, 2023
SPECIAL NOTICE/HEARING: None
VOTE REQUIRED: Majority Vote

TO: Honorable Peninsula Clean Energy Authority Audit and Finance Committee

FROM: Andy Stern, Chief Financial Officer

SUBJECT: Revise Policy #14 – Delegation of Authority Policy

RECOMMENDATION:
Recommend approval by the full Board of Directors approve a revised Policy #14 at its meeting on August 22, 2023

BACKGROUND:
Policy #14, Delegation of Authority, lays out the authority for who can approve non-energy contracts, who can sign such contracts, and which employes can commit the organization to financial obligations. Policy #14 was first approved by Peninsula Clean Energy's Board of Directors on November 16, 2017, when Peninsula Clean Energy had very few employees and limited operations. It was amended on January 24, 2019, following the appointment of Peninsula Clean Energy's first Chief Financial Officer (CFO) to authorize the CFO to approve some limited transactions and to diversify some approval authority beyond a select few financial operations personnel. On January 26, 2023, following the appointment of Peninsula Clean Energy's first Chief Operating Officer (COO), the policy was amended to authorize the COO To approve some limited transactions and to further diversify the approval authority.

Now that Peninsula Clean Energy has grown significantly and matured in its operations, Staff recommends further expansion of authority to streamline operations and place some limited responsibility for the approval of commitments by several senior-level staff who are closer to the specific area of commitment for better scrutiny of necessity and reasonableness.

DISCUSSION:
Peninsula Clean Energy employee organization calls for 3 senior-level employees including a Chief Executive Officer (CEO), Chief Operating Officer (COO), and a Chief Financial Officer (CFO). Given the significant and diverse operations that PCE is now engaged in, Staff recommends that the authority to sign contracts that commits PCE, for amounts which are not greater than $100,000 in any fiscal year, be granted to the CEO, COO, and CFO.

Policy Number: 14
Original Adoption Date:
November 16, 2017
Revised: August 24, 2023

Subject: Delegation of Non-Energy Contracts Commitment and Financial Authority Policy

1.0 PURPOSE:

Peninsula Clean Energy (PCE) is committed to effective and efficient management of its operations and finances. The purpose of this policy is to:

- Establish the principles that govern the delegation of non-energy contracting and financial commitment authority.
- Support accountability and efficiency in non-energy contracting
- Approval of expenses and disbursement authority is outlined in Policy #17 (Disbursement and Invoice Approval Authority)

2.0 RESPONSIBLE PARTIES:

The Chief Executive Officer, Chief Operating Officer and Chief Financial Officer are responsible for ensuring that uniform policies and procedures are followed for delegating and implementing approval authorities.

3.0 GENERAL POLICY GUIDELINES:

The cumulative amount of contracts and financial authority is limited by approved budgets. Approval from the Board of Directors for all financial commitments is required in order to exceed a budgeted amount as directed by PCE's Joint Powers Agreement, Section 5.2.3.

4.0 SCOPE:

4.1 This policy applies to all the employees of Peninsula Clean Energy.

4.2 This policy is for staff only and does not cover the Board of Directors' powers and responsibilities, which are detailed in PCE's Joint Powers Agreement.

5.0 POLICY DETAILS:

5.1 The Chief Executive Officer, the Chief Operating Officer, or the Chief Financial Officer 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, as stated in the PCE Joint Powers Agreement, section 3.4 (except for the specific approval authority granted in PCE Policy #15 related to energy supply procurement) and the approval amount is included in the then-current fiscal year's Board-approved budget.

5.2 Upon request by the Board of Directors, the Chief Financial Officer will prepare a written monthly report for the Chief Executive Officer and Chief Operating Officer that lists all contract agreements approved that month.

Policy Number: 14
Original Adoption Date: November 16, 2017
Revised: ~~January 24, 2019~~August 24, 2023

Subject: Delegation of Non-Energy Contracts Commitment and Financial Authority Policy

1.0 PURPOSE:

Peninsula Clean Energy (PCE) is committed to effective and efficient management of its operations and finances. The purpose of this policy is to:

- Establish the principles that govern the delegation of non-energy contracting and financial commitment authority.
- Support accountability and efficiency in non-energy contracting s~~ing and financial transactions~~
- ~~Establish non-energy contract authorization and expense approval limits by role for senior staff of Peninsula Clean Energy~~Approval of expenses and disbursement authority is outlined in Policy #17 (Disbursement and Invoice Approval Authority)

2.0 RESPONSIBLE PARTIES:

The Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer are responsible for ensuring that uniform policies and procedures are followed for delegating and implementing approval authorities.

3.0 GENERAL POLICY GUIDELINES:

The cumulative amount of contracts and financial authority is limited by approved budgets. Approval from the Board of Directors for all financial commitments is required in order to exceed a budgeted amount as ~~dictated~~ directed by~~in~~ PCE's Joint Powers Agreement, Section 5.2.3.

4.0 SCOPE:

4.1 This policy applies to all the employees of Peninsula Clean Energy.
4.2 This policy is for staff only and does not cover the Board of Directors' powers and responsibilities, which are detailed in PCE's Joint Powers Agreement.

5.0 POLICY DETAILS:

~~The limits of authority set forth in this policy are the maximum limits authorized for the referenced position. This policy addresses the most common types of commitments, agreements, and expenditures for PCE, and the corresponding approval level that is required.~~

~~By position title, the limits are as follows:~~

5.1 The Chief Executive Officer, the Chief Operating Officer, or the Chief Financial Officer 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, as stated in the PCE Joint Powers Agreement, section 3.4 (except for the specific approval authority granted in PCE Policy #15 related to energy supply procurement) and the approval amount is included in the then-current fiscal year's Board-approved budget.

~~5.2 Chief Operating Officer or Chief Financial Officer may approve and enter into contract agreements for Operating, General and Administrative Expenses in areas for which there is direct supervisorial or management responsibility if the total amount payable under the agreement is less than $100,000 in any fiscal year.~~

~~5.3~~5.2 Upon request by the Board of Directors, t~~T~~he Chief Financial Officer will prepare a written monthly report for the Chief Executive Officer and Chief Operating Officer that lists all contract agreements approved that month.

PENINSULA CLEAN ENERGY AUTHORITY
JPA Board Correspondence

DATE: August 2, 2023
COMMITTEE MEETING DATE: August 14, 2023
SPECIAL NOTICE/HEARING: None
VOTE REQUIRED: Majority Vote

TO: Honorable Peninsula Clean Energy Authority Audit and Finance Committee

FROM: Andy Stern, Chief Financial Officer

SUBJECT: Revise Policy #17 – Disbursement (and Invoice Payment) Policy

RECOMMENDATION:
Recommend approval by the full Board of Directors approve a revised Policy #17 at its meeting on August 24, 2023

BACKGROUND:
Policy #17, Disbursement Policy, was first approved by PCE's Board of Directors on May 24, 2018, when PCE had very few employees and limited operations. It was amended on January 24, 2019, following the appointment of PCE's first Chief Financial Officer (CFO) to authorize the CFO to oversee much of the disbursement of funds in payment of approved invoices due to vendors. Now that PCE has grown significantly and matured in its operations, Staff recommends that Policy #17 be renamed as the Disbursement and Invoice Payment Policy and to further lay out the roles and responsibilities for approval of invoices due by PCE. The expansion is intended to lay out multiple layers of approval based on the type of expense and the amount to provide better controls and oversight of expenses.

DISCUSSION:
The proposed revisions to Policy #17 fall into several categories that are discussed below:

Invoice Approval Process – The revised policy describes in detail who must approve each type of expense and how many approvals are required based on the amount and type. This ensures that all expenses are reviewed and approved by the most senior person associated with the expense along with the CFO.

- Invoices Due to Vendors Other than for Power Resources
    i. Up to $10,000 – Level 1. Responsible area Manager or Director
    ii. Over $10,000 to $100,000 – Level 2. Responsible area Manager AND Director
    iii. Over $100,000 – Level 3. CEO or COO

iv. All invoices – CFO review and approval is required in addition to others above listed above as listed in subsections i, ii, or iii, as applicable.

- Power Resources Energy Activities (see list of categories in redline and clean version of the policy)
  i. Up to $3,000,000 – Level 1 and Level 2 are both required. Responsible area Manager AND Director are both required to approve. This encompasses most transactions.
  ii. Over $3,000,000 – Level 1, Level 2, and CEO are all required to approve. In the 10 months from July 1, 2022, through April 30, 2023, 378 payments were made. Of those, 14 were over $3,000,000 and 137 were under $100,000.
  iii. All invoices – CFO review and approval is required in addition to others above.

- Power Resources Administration Activities (see list of categories in redline and clean version of the policy)
  i. Up to $10,000 – Level 1. Responsible area Manager or Director
  ii. Over $10,000 to $100,000 – Level 2. Responsible area Manager AND Director
  iii. Over $100,000 – Level 3. CEO or COO
  iv. All invoices – CFO review and approval is required in addition to others above listed in subsections i, ii, or iii, as applicable.
  .

Payment Process – The revised policy describes in detail who is required to authorize release of payment, by payment type.

- Standard ACH or vendor check
  - CFO is required to release payment once all required approvals have been received.
- Wire Transfer – separation of authority required as standard operating procedure.
  - Maher Accountancy initiates wire set-up
  - CFO approves each wire.
  - CEO releases each wire.
  - Note: In instances where one of the above personnel is not available on a timely basis, at least 2 people must be involved in any wire release.
- Manual Check – very limited use, and only if required by vendor.

Subject: Disbursement and Invoice Payment Policy

1.0 Purpose:

The purpose of this policy is to provide procedures for the disbursement process through cash, check, wire, ACH or any other form of payment.

2.0 Responsible Parties:

The Chief Financial Officer (CFO), in conjunction with Chief Executive Officer (CEO) and Chief Operating Officer (COO), is responsible for ensuring uniform policies and procedures are followed for the disbursement policy.

3.0 Scope:

3.1 This policy applies to all employees of Peninsula Clean Energy.

3.2 This policy is for staff only and does not cover the Board of Directors' powers and responsibilities, which are detailed in PCE's Joint Powers Agreement.

4.0 Invoice Approval:

Invoices will only be processed if the underlying service or contract has conformed to the contractual commitment authority described in Policy #14 Delegation of Non-Energy Contracts Commitment and Financial Authority Policy.

For those invoices that have conformed to Policy #14, PCE uses Bill.com to administer compliance with the following invoice approval processes:

4.1 Invoice Approval Levels (invoices NOT related to Power Resources activity)

- 4.1.1 Up to $10,000 – Level 1: Responsible area Manager or Director approval
- 4.1.2 $10,000 to $100,000 – Level 2: Responsible area Director approval is required.
- 4.1.3 Over $100,000 – Level 3: CEO or COO approval is required. COO can only approve invoices relating to areas of supervisorial responsibility.
- 4.1.4 Following the required approvals above, the CFO will review and approve ALL invoices, regardless of amount. In the event that CFO is not available, CEO approval is required.

4.2 Invoices related to Power Resources procurement energy activities

4.2.1 Expenses in the following categories (examples)

4.2.1.1 CAISO charges and collateral deposits

4.2.1.2 Hedge and PPA energy purchases

4.2.1.3 RECs and Carbon Free expenses

4.2.1.4 Resource Adequacy

4.2.1.5 PPA and other Supplier Security Deposits

4.2.2 Invoice Approval Levels

4.2.2.1 Up to $3,000,000 – Level 1 and Level 2 - Responsible area Manager AND Director of Power Resources are required.

4.2.2.2 Over $3,000,000 – Level 3 – CEO approval is required.

4.2.2.3 Following the required approvals above, the CFO will review and approve ALL invoices, regardless of amount. In the event that CFO is not available, CEO approval is required.

4.3 Invoices related to Power Resources administration

4.3.1 Expenses in the following categories (examples)

4.3.1.1 Consulting

4.3.1.2 Legal

4.3.1.3 Forecasting and scheduling

4.3.1.4 Subscriptions

4.3.1.5 Penalties and interest

4.3.2 Invoice Approval Levels

4.3.2.1 Up to $10,000 – Level 1: Responsible area Manager or Director approval

4.3.2.2 $10,000 to $100,000 – Level 2: Responsible area Director approval is required.

4.3.2.3 Over $100,000 – Level 3: CEO approval is required.

4.3.2.4 Following the required approvals above, the CFO will review and approve ALL invoices, regardless of amount. In the event that CFO is not available, CEO approval is required.

Draft

5.0 Payment Process:

Once all required approvals have been obtained, payment/disbursement can be made by one of the following methods:

5.1 For an ACH or Bill.com-generated check, CFO will release payment.

5.2 Wire Transfer:

PCE Staff will ensure segregation of duties to ensure that the same person cannot setup/initiate a wire and approve a payment:

5.2.1 A wire will be initiated by Maher Accountancy. Upon set-up of a wire, Maher Accountancy will notify the CFO, with cc to the CEO, that such wire is ready for approval and release.

5.2.2 Once a wire is set-up and ready for transmission, it will be approved by the CFO.

5.2.3 Once approved the CEO will release the wire.

5.2.4 In the unusual circumstance that time is of the essence and either the CFO or CEO is not available, one or the other may perform both the approval and release functions as long as written notification is provided to the other.

5.2.5 In no circumstances can the same person perform all three functions of set-up, approval, and release of any wire.

5.3 Manual Check:

5.3.1 Any PCE staff requesting a manual check will submit a written request to the Chief Financial Officer (CFO).

5.3.2 Check stock shall be physically secured in PCE's office at 2075 Woodside Road, Redwood City, CA 94061. Access will be limited to the CFO, the CEO, and the Office Manager.

5.3.3 The Positive Pay function at First Republic Bank (or similar function if PCE is using a different bank) is enabled to detect check fraud. The function allows matching of payee, check number and dollar amount of each check presented for payment against a list of checks previously authorized and issued by PCE.

Draft

Policy Number: 17
Original Adoption Date: May 24, 2018
Revised: ~~January 24, 2019~~August 24, 2023

Subject: Disbursement and Invoice Payment Policy

1.0 Purpose:

The purpose of this policy is to provide procedures for the disbursement process through cash, check, wire, ACH or any other form of payment.

2.0 Responsible Parties:

The Chief Financial Officer (CFO), in conjunction with Chief Executive Officer (CEO) and Chief Operating Officer (COO), is responsible for ensuring uniform policies and procedures are followed for the disbursement policy.

3.0 Scope:

3.1 This policy applies to all employees of Peninsula Clean Energy.

3.2 This policy is for staff only and does not cover the Board of Directors' powers and responsibilities, which are detailed in PCE's Joint Powers Agreement.

~~4.0 Signature Authority:~~

~~Any PCE staff requesting a manual check will submit a written request to the~~~~Check stock shall be physically secured in PCE's office at 2075 Woodside Road, Redwood City, CA 94061. Access will be limited to the Director of Finance and Administration, the CEO, and the Office Manager.~~

~~4.1 Director of Finance and Administration and the Chief Executive Officer (CEO). The Director of Finance and Administration can sign checks up to $1000 only after written approval from the CEO or CFO. Manual checks over $1,000 must be co-signed by any two of these signatories (CEO, CFO, Director of Finance and Administration) as long as such signatures are in compliance with the limits of Section 5 of PCE's Delegation of Authority Policy. PCE staff should attempt to keep the use of manual checks to a minimum.~~

~~5.0 Safeguard of Check Stock:~~

~~Check stock shall be physically secured in PCE's office at 2075 Woodside Road, Redwood City, CA 94061. Access will be limited to the Director of Finance and Administration, the CEO, and the Office Manager.~~

~~6.0 Controls at PCE's Bank:~~

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~~6.1 PCE maintains its Operating Account at First Republic Bank (FRB).~~

~~6.2 The Payee Positive Pay function has been enabled at FRB to detect check fraud. The function allows matching of payee, check number and dollar amount of each check presented for payment against a list of checks previously authorized and issued by PCE.~~

~~6.3 FRB will place a debit block to protect the account against fraud or unauthorized payments.~~

~~6.4 Direct Debit Vendors: At times, certain vendors or taxing authorities will only transact with PCE if we allow them to direct debit (extract funds) from a PCE-designated bank account. All vendors with this requirement will be preapproved by the CFO. The CFO, or his/her designee, will maintain a list of all vendors that fall into this category. PCE will attempt to keep the number of vendors with this type of arrangement to a minimum.~~

~~7.0 Segregation of Duties for Wire Transfers:~~

~~7.1 To ensure appropriate processing of payments, PCE staff must follow the approved segregation of duties to ensure that the same person cannot setup/initiate a wire and approve the payment. A wire can be initiated by Maher Accountancy. Upon setup of a wire, Maher Accountancy will notify the CFO, with cc to the CEO, that such wire is ready for approval/release. Any such wire release must be approved by either the CFO or the CEO~~

~~7.2 If the CFO and CEO are not available to approve the wire, the Chair of the Board may approve it. If the Chair of the Board is not available to approve the wire, the Vice Chair may approve it.~~

~~8.0~~4.0 Invoice Approval~~Payment Process~~:

Invoices will only be processed if the underlying service or contract has conformed to the contractual commitment authority described in Policy #14 Delegation of Non-Energy Contracts Commitment and Financial Authority Policy.

For those invoices that have conformed to Policy #14, PCE uses Bill.com to administer compliance with the following invoice approval processes~~Invoice approvals and payments will follow the following process~~:

4.1 Invoice Approval Levels (invoices NOT related to Power Resources activity)

- 4.1.1 Up to $10,000 – Level 1: Responsible area Manager or Director approval
- 4.1.2 $10,000 to $100,000 – Level 2: Responsible area Director approval is required.

Draft

4.1.3 Over $100,000 – Level 3: CEO or COO approval is required. COO can only approve invoices relating to areas of supervisorial responsibility.

4.1.4 Following the required approvals above, the CFO will review and approve ALL invoices, regardless of amount. In the event that CFO is not available, CEO approval is required.

4.2 Invoices related to Power Resources procurement energy activities

4.2.1 Expenses in the following categories (examples)

4.2.1.1 CAISO charges and collateral deposits

4.2.1.2 Hedge and PPA energy purchases

4.2.1.3 RECs and Carbon Free expenses

4.2.1.4 Resource Adequacy

4.2.1.5 PPA and other Supplier Security Deposits

4.2.2 Invoice Approval Levels

4.2.2.1 Up to $3,000,000 – Level 1 and Level 2 - Responsible area Manager AND Director of Power Resources are required.

4.2.2.2 Over $3,000,000 – Level 3 – CEO approval is required.

4.2.2.3 Following the required approvals above, the CFO will review and approve ALL invoices, regardless of amount. In the event that CFO is not available, CEO approval is required.

4.3 Invoices related to Power Resources administration

4.3.1 Expenses in the following categories (examples)

4.3.1.1 Consulting

4.3.1.2 Legal

4.3.1.3 Forecasting and scheduling

4.3.1.4 Subscriptions

4.3.1.5 Penalties and interest

4.3.2 Invoice Approval Levels

4.3.2.1 Up to $10,000 – Level 1: Responsible area Manager or Director approval

4.3.2.2 $10,000 to $100,000 – Level 2: Responsible area Director approval is required.

4.3.2.3 Over $100,000 – Level 3: CEO approval is required.

4.3.2.4 Following the required approvals above, the CFO will review and approve ALL invoices, regardless of amount. In the event that CFO is not available, CEO approval is required.

Draft

5.0 Payment Process:

Once all required approvals have been obtained, payment/disbursement can be made by one of the following methods:

5.1 For an ACH or Bill.com-generated check, CFO will release payment.

5.2 Wire Transfer:

PCE Staff will ensure segregation of duties to ensure that the same person cannot setup/initiate a wire and approve a payment:

- 5.2.1 A wire will be initiated by Maher Accountancy. Upon set-up of a wire, Maher Accountancy will notify the CFO, with cc to the CEO, that such wire is ready for approval and release.
- 5.2.2 Once a wire is set-up and ready for transmission, it will be approved by the CFO.
- 5.2.3 Once approved the CEO will release the wire.
- 5.2.4 In the unusual circumstance that time is of the essence and either the CFO or CEO is not available, one or the other may perform both the approval and release functions as long as written notification is provided to the other.
- 5.2.5 In no circumstances can the same person perform all three functions of set-up, approval, and release of any wire.

5.3 Manual Check:

- 5.3.1 Any PCE staff requesting a manual check will submit a written request to the Chief Financial Officer (CFO).
- 5.3.2 Check stock shall be physically secured in PCE's office at 2075 Woodside Road, Redwood City, CA 94061. Access will be limited to the CFO, the CEO, and the Office Manager.
- 5.3.3 The Positive Pay function at First Republic Bank (or similar function if PCE is using a different bank) is enabled to detect check fraud. The function allows matching of payee, check number, and dollar amount of each check presented for payment against a list of checks previously authorized and issued by PCE.

~~8.1 Vendor or staff member sends invoice to PCE-Finance email box~~

~~8.2 Maher Accountancy uploads invoice to Bill.com~~

~~8.3 Approval~~

- ~~8.3.1 Approval Level 1 – Approval by Product/Service requestor~~
- ~~8.3.2 Approval Level 2a (non-Energy Procurement invoices) –~~

Draft

8.3.2.1 Approval by Director of Finance and Administration for invoices up to $10,000; or

8.3.2.2 Approval by CFO or CEO

8.3.3 Approval Level 2b (Energy Procurement invoices) – Approval by CEO

8.3.4 Approval Level 3 – Approval by Maher Accountancy

8.4 Maher Accountancy integrates invoice into accounting system

8.5 Maher Accountancy prepares payment for final release

8.6 Payment Release

8.6.1 Wire Payment - CFO or CEO approves release of wire payment

Bill.com Payment – CFO or CEO approves release of payment

9.0 Policy Enforcement:

9.1 This policy will be shared with Maher Accountancy and FRB, who are expected to follow the defined processes.Elimination of the approval step in the process or failing to follow this policy will be subject to disciplinary action or termination.

Elimination of the approval step in the process or failing to follow this policy will be subject to disciplinary action or termination.

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