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

AGENDA

Wednesday October 12, 2022

8:30 a.m.

Zoom Link: *https://pencleanenergy.zoom.us/j/82172572134*
Meeting ID: *821-7257-2134* ***Passcode:*** *2075* ***Phone:*** *+1(253)215-8782*
NOTE: Please see attached document for additional detailed teleconference instructions.

In accordance with AB 361, the Committee will adopt findings that meeting in person would present imminent risks to the health or safety of attendees of in-person meetings. Consistent with those findings, this Committee Meeting will be held remotely. PCEA shall make every effort to ensure that its video conferenced meetings are accessible to people with disabilities as required by Governor Newsom's March 17, 2020 Executive Order N-29-20. Individuals who need 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 materials should contact Nelly Wogberg, Board Clerk, at least 2 working days before the meeting at nwogberg@peninsulacleanenergy.com. Notification in advance of the meeting will enable PCEA to make best efforts to reasonably accommodate accessibility to this meeting and the materials related to it.

*If you wish to speak to the Audit and Finance Committee, please use the "Raise Your Hand" function in the Zoom platform or press *6 if you phoned into the meeting. If you have anything that you wish to be distributed to the Audit and Finance Committee and included in the official record, please send to nwogberg@peninsulacleanenergy.com.*

CALL TO ORDER / ROLL CALL

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. Adopt Findings Pursuant to AB 361 to Continue Fully Teleconferenced Committee Meetings Due to Health Risks Posed by In-Person Meetings

2. Approval of the Minutes for the August 15, 2022 Audit & Finance Committee Meeting

REGULAR AGENDA

3. Chair Report (Discussion)

4. Staff Report (Discussion)

5. Recommend Board Approval of the Audited Financial Statements for Fiscal Year (FY) 2021-2022 (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**

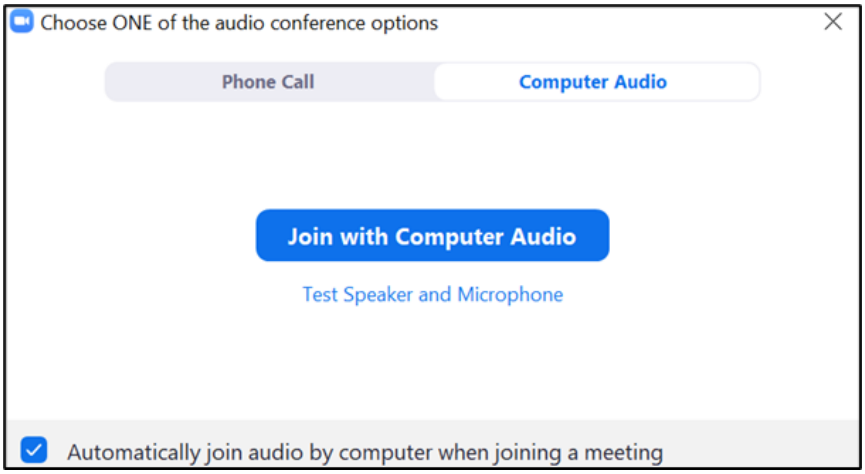
Videoconference Options:

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 #**.

PENINSULA CLEAN ENERGY AUTHORITY
JPA Board Correspondence

DATE: October 7, 2022
COMMITTEE MEETING DATE: October 12, 2022
SPECIAL NOTICE/HEARING: None
VOTE REQUIRED: Majority Present

TO: Honorable Peninsula Clean Energy Authority Audit & Finance Committee
FROM: Jan Pepper, Chief Executive Officer, Peninsula Clean Energy Authority

SUBJECT: Resolution to Make Findings Allowing Continued Remote Meetings Under Brown Act

RECOMMENDATION:
Adopt a resolution finding that, as a result of the continuing COVID-19 pandemic state of emergency declared by Governor Newsom, meeting in person would present imminent risks to the health or safety of attendees.

BACKGROUND:
On June 11, 2021, Governor Newsom issued Executive Order N-08-21, which rescinded his prior Executive Order N-29-20 and set a date of October 1, 2021 for public agencies to transition back to public meetings held in full compliance with the Brown Act. The original Executive Order provided that all provisions of the Brown Act that required the physical presence of members or other personnel as a condition of participation or as a quorum for a public meeting were waived for public health reasons.

On September 16, 2021, the Governor signed AB 361, a bill that formalizes and modifies the teleconference procedures implemented by California public agencies in response to the Governor's Executive Orders addressing Brown Act compliance during shelter-in-place periods. AB 361 allows a local agency to continue to use teleconferencing under the same basic rules as provided in the Executive Orders when certain circumstances occur or when certain findings have been made and adopted by the local agency.

AB 361 requires that, if the state of emergency remains active for more than thirty (30) days, the agency must make findings by majority vote to continue using the bill's exemption to the Brown Act teleconferencing rules. The findings are to the effect that the need for teleconferencing persists due to the nature of the ongoing public health emergency and the social distancing recommendations of local public health officials. **Effectively, this means that agencies, including PCEA, must agendize a Brown Act meeting and make findings regarding the circumstances of the emergency on a thirty (30) day basis. If at least thirty (30) days have transpired since its last meeting,**

the Boards must vote whether to continue to rely upon the law's provision for teleconference procedures in lieu of in-person meetings.

AB 361 allows for meetings to be conducted virtually *as long as* there is a gubernatorially-proclaimed public emergency in combination with (1) local health official recommendations for social distancing or (2) adopted findings that meeting in person would present risks to health. AB 361 will sunset on January 1, 2024.

On September 25, 2021, the Peninsula Clean Energy Board of Directors approved a thirty (30) day extension of remote meetings in accordance with AB 361. Out of an abundance of caution given AB 361's narrative that describes each legislative body's responsibility to reauthorize remote meetings, staff and counsel brings this memo and corresponding resolution to the attention of the Audit and Finance Committee.

On September 29, 2021, the Peninsula Clean Energy Audit and Finance Committee approved a thirty (30) day extension of remote meetings in accordance with AB 361.

On October 12, 2021, the Peninsula Clean Energy Audit and Finance Committee approved a thirty (30) day extension of remote meetings in accordance with AB 361.

On November 8, 2021, the Peninsula Clean Energy Audit and Finance Committee approved a thirty (30) day extension of remote meetings in accordance with AB 361.

On November 18, 2021, the Peninsula Clean Energy Audit and Finance Committee approved a thirty (30) day extension of remote meetings in accordance with AB 361.

On February 14, 2022, the Peninsula Clean Energy Audit and Finance Committee approved a thirty (30) day extension of remote meetings in accordance with AB 361.

On May 9, 2022, the Peninsula Clean Energy Audit and Finance Committee approved a thirty (30) day extension of remote meetings in accordance with AB 361.

On June 13, 2022, the Peninsula Clean Energy Audit and Finance Committee approved a thirty (30) day extension of remote meetings in accordance with AB 361.

On August 15, 2022, the Peninsula Clean Energy Audit and Finance Committee approved a thirty (30) day extension of remote meetings in accordance with AB 361.

DISCUSSION:

Because of continuing concerns regarding COVID-19 transmission, especially when individuals are grouped together in close quarters, it is recommended that the Peninsula Clean Energy Audit and Finance Committee avail itself of the provisions of AB 361 allowing continuation of online meetings by adopting findings to the effect that conducting in-person meetings would present risk to the health and safety of attendees. A resolution to that effect and directing staff to agendize the renewal of such findings in the event that thirty (30) days has passed since the Committee's last meeting, is attached hereto.

RESOLUTION NO. _____

PENINSULA CLEAN ENERGY AUTHORITY, COUNTY OF SAN MATEO,

STATE OF CALIFORNIA

* * * * * *

RESOLUTION FINDING THAT, AS A RESULT OF THE CONTINUING COVID-19 PANDEMIC STATE OF EMERGENCY DECLARED BY GOVERNOR NEWSOM, MEETING IN PERSON FOR MEETINGS OF THE PENINSULA CLEAN ENERGY EXECUTIVE COMMITTEE WOULD PRESENT IMMINENT RISKS TO THE HEALTH OR SAFETY OF ATTENDEES

WHEREAS, on March 4, 2020, the Governor proclaimed pursuant to his authority under the California Emergency Services Act, California Government Code section 8625, that a state of emergency exists with regard to a novel coronavirus (a disease now known as COVID-19); and

WHEREAS, on June 4, 2021, the Governor clarified that the "reopening" of California on June 15, 2021 did not include any change to the proclaimed state of emergency or the powers exercised thereunder, and as of the date of this Resolution, neither the Governor nor the Legislature have exercised their respective powers pursuant to California Government Code section 8629 to lift the state of emergency either by proclamation or by concurrent resolution in the state Legislature; and

WHEREAS, on March 17, 2020, Governor Newsom issued Executive Order N-29-20 that suspended the teleconferencing rules set forth in the California Open Meeting law, Government Code section 54950 et seq. (the "Brown Act"), provided certain requirements were met and followed; and

WHEREAS, on September 16, 2021, Governor Newsom signed AB 361 that provides that a legislative body subject to the Brown Act may continue to meet without fully complying with the teleconferencing rules in the Brown Act provided the legislative body determines that meeting in person would present imminent risks to the health or safety of attendees, and further requires that certain findings be made by the legislative body every thirty (30) days; and,

WHEREAS, on January 5, 2022, Governor Newsom extended the sunset provision of AB361 and Government Code Section 11133(g) to January 1, 2024 due to surges and instability in COVID-19 cases; and,

WHEREAS, California Department of Public Health ("CDPH") and the federal Centers for Disease Control and Prevention ("CDC") caution that COVID-19 continues to be highly transmissible and that even fully vaccinated individuals can spread the virus to others; and,

WHEREAS, the Committee has an important governmental interest in protecting the health, safety and welfare of those who participate in its meetings;

WHEREAS, on September 25, 2021, the Peninsula Clean Energy Board of Directors approved a thirty (30) day extension of remote meetings in accordance with AB 361. Out of an abundance of caution given AB 361's narrative that describes each legislative body's responsibility to reauthorize remote meetings, staff and counsel bring this resolution to the attention of the Audit & Finance Committee, and;

WHEREAS, on September 29, 2021, the Peninsula Clean Energy Audit and Finance Committee approved a thirty (30) day extension of remote meetings in accordance with AB 361, and;

WHEREAS, on October 12, 2021, the Peninsula Clean Energy Audit and Finance Committee approved a thirty (30) day extension of remote meetings in accordance with AB 361, and;

WHEREAS, on November 8, 2021, the Peninsula Clean Energy Audit and Finance Committee approved a thirty (30) day extension of remote meetings in accordance with AB 361, and;

WHEREAS, on February 14, 2022, the Peninsula Clean Energy Audit and Finance Committee approved a thirty (30) day extension of remote meetings in accordance with AB 361, and;

WHEREAS, on May 9, 2022, the Peninsula Clean Energy Audit and Finance Committee approved a thirty (30) day extension of remote meetings in accordance with AB 361, and;

WHEREAS, on June 13, 2022, the Peninsula Clean Energy Audit and Finance Committee approved a thirty (30) day extension of remote meetings in accordance with AB 361, and;

WHEREAS, on August 15, 2022, the Peninsula Clean Energy Audit and Finance Committee approved a thirty (30) day extension of remote meetings in accordance with AB 361, and;

WHEREAS, in the interest of public health and safety, as affected by the emergency caused by the spread of COVID-19, the Committee deems it necessary to find that meeting in person would present imminent risks to the health or safety of attendees, and thus intends to invoke the provisions of AB 361 related to teleconferencing.

NOW, THEREFORE, IT IS HEREBY DETERMINED AND ORDERED that

1. The recitals set forth above are true and correct.
2. The Committee finds that meeting in person would present imminent risks to the health or safety of attendees.
3. Staff is directed to return no later than thirty (30) days, or, alternatively, at the next scheduled meeting of the Committee, after the adoption of this resolution with an item for the Committee to consider making the findings required by AB 361 in order to continue meeting under its provisions.
4. Staff is directed to take such other necessary or appropriate actions to implement the intent and purposes of this resolution.

* * * * * *

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

Monday, August 15, 2022
8:30 a.m.
Zoom Video Conference and Teleconference

CALL TO ORDER

Meeting was called to order at 8:31 a.m. in virtual teleconference.

ROLL CALL

Participating Remotely:

Donna Colson, Burlingame, arrived at 8:32 a.m.
Carlos Romero, East Palo Alto
Laurence May, Hillsborough, *Chair*
Jeff Aalfs, Portola Valley

John Keener, Director Emeritus
Pradeep Gupta, Director Emeritus

Absent:

A quorum was established.

PUBLIC COMMENT

None

ACTION TO SET AGENDA AND TO APPROVE CONSENT AGENDA ITEMS

MOTION: Director Colson moved, seconded by Director Romero to set the Agenda and approve Agenda Item Numbers 1-2.

1. Adopt Findings Pursuant to AB 361 to Continue Fully Teleconferenced Committee Meetings Due to Health Risks Posed by In-Person Meetings

2. Approval of the Minutes for the June 13, 2022 Audit and Finance Committee Meeting

MOTION PASSED: 4-0

JURISDICTION	BOARD MEMBER	YES	NO	ABSTAIN	ABSENT
Burlingame	Director Colson	X			
East Palo Alto	Director Romero	X			
Hillsborough	Director May	X			
Portola Valley	Director Aalfs	X			
	Totals	4			

REGULAR AGENDA

3. Chair Report

None

4. Staff Report

None

Chair May announced that Kristina Cordero, Chief Financial Officer, could present the Agenda Items in the order of her choosing. Kristina chose to review Agenda Item Number 6 before Agenda Item Number 5.

6. Review of the Audit Schedule (Discussion)

Kristina Cordero, Chief Financial Officer, gave a review of the audit schedule for the Fiscal Year 2021-2022 financial statements.

5. Review Financial Reports and Investment Summary for 4th Quarter Fiscal Year (FY) 2021-2022 (Discussion)

Kristina Cordero, Chief Financial Officer, gave a presentation on the 4th Quarter Financial Review of the Preliminary Financial Statements for Fiscal Year 2021-2022 including a review of revenue trends, cost of energy, the financial statements versus budget, the change in net position, cash and investment summary and cash reserves.

Director Aalfs asked if it was a fair assessment to assume that higher energy prices result in higher PG&E prices and higher rates for the foreseeable future. Kristina explained that generally this is correct as Peninsula Clean Energy's rates are tied to PG&E but that contract engagements and power purchase costs also play a role. Andy Stern, Peninsula Clean Energy's outgoing Chief Financial Officer, added that the higher expected cost of energy also contributes to a lower Power Charge Indifference Adjustment (PCIA) which could be more impactful than PG&E's rates.

Director Aalfs added that barring something that is unforeseen, but that the future looks good for Peninsula Clean Energy. Jan explained that at the June 23, 2022 Board of Directors meeting a 5-year projection showed Peninsula Clean Energy's net position increasing by about $75 million and continuing around $15-18 million per year, but that factors such as Diablo Canyon coming back online creates uncertainties.

Vice Chair Colson asked if the energy from Diablo Canyon would be more expensive due to a $1.4 billion loan for PG&E that would be forgivable. Jan explained that the energy costs and operating costs for Diablo Canyon are high, and while the hope is that would not be reflected in the rates, Peninsula Clean Energy hasn't seen analysis on that yet.

Director Emeritus Gupta asked about cost-based rate setting rather than tying rates to PG&E. Jan explained that Kristina will be working on a cost-of-service analysis.

Kristina shared that an action is underway to work on the lockbox with Wilmington Bank and move all banking to First Republic Bank to streamline overall cash flow and processes as a growing organization. Vice Chair Colson asked for clarification. Andy explained that Peninsula Clean

Energy only has one contract with a vendor obligating a lockbox and that the Power Resources Team is working to get that removed. The intention would be to notify PG&E that the daily trend transfer could be sent directly to Peninsula Clean Energy's accountant.

7. Review of investment Managers (Discussion)

Kristina Cordero, Chief Financial Officer, introduced Kevin Douglas and Alan Remedios from First Republic Private Wealth Management who presented an investment portfolio review.

Director Romero asked, without regard to inflation, if Peninsula Clean Energy is holding most investments to maturity but selling some for cash flow. Kevin explained that to raise capital for unexpected needs some were liquidated prior to maturity. Carlos asked for clarification if the goal was to try and hold to maturity. Kevin explained that yes, the intent of the portfolio is to hold until maturity.

Andy Stern, Peninsula Clean Energy's outgoing Chief Financial Officer, added that all Peninsula Clean Energy's cash is sent from PG&E to the lockbox and that the setup was limited to once-a-month withdrawals. Andy explained that unexpected spikes in energy costs can result in a need for unexpected and rapid needs for cash which would result in a request to the investment managers to sell securities, but that with the plan to eliminate the lockbox this need should go away altogether.

Vice Chair Colson asked if there was anything in the forecast that could knock the portfolio off-course. Kevin explained that he didn't see any added risk right now and that Peninsula Clean Energy is in an opportunistic position.

Kristina introduced Monique Spyke, Sarah Walsh and David Reeser from PFM Asset Management who presented an update on portfolio, strategy, and market conditions.

Director Aalfs asked for an example of a high social risk. Dave explained that the ESG risk assessment is generally focused on risks that are considered to be significant with respect to that particular issuer.

Vice Chair Colson asked that if there were anything in Peninsula Clean Energy's policy resulting in adverse environmental and climate impacts if PFM would bring it to Peninsula Clean Energy's attention and assist in reimagining the policies.

Vice Chair Colson noted the difference in investment strategies between First Republic Private Wealth Management and PFM Asset Management and the importance of having these two managers.

Vice Chair Colson asked if Directors and staff remain confident in the investment managers. Director Aalfs responded that the two strategies are diversified, and that the overall strategy is sound and is comfortable with the approach being taken. Kristina responded that she would not change anything at this point but added that Peninsula Clean Energy should discuss a way to compare and contrast with the two different investment managers. Andy responded that diversity is good, but not required. Andy also added that only 30% of Peninsula Clean Energy's portfolio is invested in non-government securities which don't have an ESG. Andy also added that it is slightly more complicated to have two managers, but that it isn't a large burden and that there isn't an overwhelming need for change at this time. Jan Pepper, Chief Executive Officer, shared that diversification is good and that a review in six months for performance would be good.

Vice Chair Colson noted that during a slower time, a summary comparison of performance and to determine if the 10 basis points for ESG is a good strategy or should that change to a mandate to not invest in oil or gas, or to go into the next layer about diverse boards and hiring women as an extension of our DEAI work. Andy explained that ten basis points is not very much within a third of the portfolio.

8. Committee Members' Reports

None

ADJOURNMENT

Meeting was adjourned at 10:26 a.m.

PENINSULA CLEAN ENERGY AUTHORITY
JPA Board Correspondence

DATE: October 7, 2022
COMMITTEE MEETING DATE: October 12, 2022
SPECIAL NOTICE/HEARING: None
VOTE REQUIRED: Majority Present

TO: Honorable Peninsula Clean Energy Authority Audit and Finance Committee

FROM: Kristina Cordero, Chief Financial Officer, Peninsula Clean Energy

SUBJECT: Recommend Approval by the Board of Directors of the Audited Financial Statements for Fiscal Year 2021-2022 (Action)

RECOMMENDATION:
Recommend Approval by the Board of Directors of the Audited Financial Statements for Fiscal Year 2021-2022.

BACKGROUND:
The financial statements for Fiscal Year 2021-2022 have been prepared by Peninsula Clean Energy management and audited by the independent auditor Pisenti & Brinker. The audit work began in July 2022 and the draft financial statements are ready for the Audit and Finance Committee's review. Upon recommendation of approval of these draft statements, the completed audited financial statements will be presented to the Board of Directors for their final approval.

FISCAL IMPACT:
No fiscal impact

STRATEGIC PLAN:
The annual independent financial audit supports the following objectives in Peninsula Clean Energy's strategic plan:

- Priority B: Implement financial controls and policies that meet or exceed best practices for leading not-for-profit organizations

Handouts
A. Draft Audited Financial Statements for Fiscal Year 2021-2022

RESOLUTION NO. _____

PENINSULA CLEAN ENERGY AUTHORITY, COUNTY OF SAN MATEO,

STATE OF CALIFORNIA

* * * * * *

RESOLUTION RECOMMENDING APPROVAL BY THE BOARD OF DIRECTORS OF THE AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2021-2022

RESOLVED, by the Audit and Finance Committee of Peninsula Clean Energy Authority (PCEA) of the County of San Mateo, State of California, that

WHEREAS, Pisenti & Brinker, LLP, certified public accountants and advisors, were selected as independent auditors to audit PCEA's financials for the fiscal years ending June 30, 2018, June 30, 2019, June 30, 2020, June 30, 2021 and June 30, 2022; and

WHEREAS, Pisenti & Brinker, LLP conducted the fieldwork to audit the financial statements for the fiscal year ending June 30, 2022; and

WHEREAS, Pisenti & Brinker, LLP presented the draft audited financial statements to the Audit and Finance Committee of PCEA.

NOW, THEREFORE, IT IS HEREBY RESOLVED that the Audit and Finance Committee recommends that the PCEA Board of Directors approve the audited financial statements for Fiscal Year 2021-2022.

* * * * * *

FINANCIAL STATEMENTS

FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

WITH REPORT OF

INDEPENDENT AUDITORS

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PENINSULA

CLEAN ENERGY

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Auditor's Report Page 2

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The Management's Discussion and Analysis provides an overview of Peninsula Clean Energy Authority's financial activities as of and for the years ended June 30, 2022, and 2021. The information presented here should be considered in conjunction with the audited financial statements.

BACKGROUND

The formation of Peninsula Clean Energy was made possible in 2002 by the passage of California Assembly Bill 117, enabling communities to purchase power on behalf of their residents and businesses and creating competition in power generation.

Peninsula Clean Energy was created as a California Joint Powers Authority (JPA) on February 29, 2016. Peninsula Clean Energy was established to provide electric power at a competitive cost as well as to provide other benefits within San Mateo County, including reducing greenhouse gas emissions related to the use of power, procuring energy with a priority on the use and development of local renewable resources, stimulating local job creation through various programs and development, promoting personal and community ownership of renewable resources, as well as promoting long-term electric rate stability and energy reliability for residents and businesses.

Peninsula Clean Energy currently serves twenty-two jurisdictions located in San Mateo County and Merced County. The jurisdictions include the City of Los Banos, in Merced County, which Peninsula Clean Energy began serving on April 1, 2022 and each of the twenty cities and towns that make up San Mateo County (Atherton, Belmont, Brisbane, Burlingame, Colma, Daly City, East Palo Alto, Foster City, Half Moon Bay, Hillsborough, Menlo Park, Millbrae, Pacifica, Portola Valley, Redwood City, San Bruno, San Carlos, San Mateo, South San Francisco, and Woodside) in addition to the unincorporated areas of San Mateo County. Peninsula Clean Energy is governed by twenty-three board members, with a representative from each of the twenty cities and towns of San Mateo County, two board members representing the unincorporated areas of San Mateo County, and one board member representing the City of Los Banos. Peninsula Clean Energy's Board of Directors has the rights and powers to set rates for the services it furnishes, incur indebtedness, and issue bonds or other obligations. Peninsula Clean Energy is responsible for the acquisition of electric power for its service area.

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Financial Reporting

Peninsula Clean Energy presents its financial statements as an enterprise fund under the economic resources measurement focus and the accrual basis of accounting, in accordance with Generally Accepted Accounting Principles (GAAP) for proprietary funds, as prescribed by the Governmental Accounting Standards Board (GASB).

Contents of this Report

This report is divided into the following sections:

- Management's discussion and analysis.
- The basic financial statements:
  - The *Statements of Net Position* include all of Peninsula Clean Energy's assets, liabilities, and net position and provides information about the nature and amount of resources and obligations at a specific point in time.
  - The *Statements of Revenues, Expenses and Changes in Net Position* report all of Peninsula Clean Energy's revenues and expenses for the years shown.
  - The *Statements of Cash Flows* report the cash provided and used by operating activities, as well as other sources and uses, such as capital asset acquisitions and investment.
  - The notes to the Basic Financial Statements, which provide additional details and information related to the basic financial statements.

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FINANCIAL HIGHLIGHTS

The following table is a summary of Peninsula Clean Energy's assets, liabilities, and net position and a discussion of significant changes during the years ended June 30:

	2022	2021	2020
Current assets			
Cash and cash equivalents	$ 9,777,452	$ 16,153,603	$ 48,437,676
Accounts receivable & accrued revenue	53,591,360	29,365,007	36,650,317
Investments	17,564,207	16,672,184	81,408,338
Other current assets	13,417,474	11,742,230	5,424,892
Total current assets	94,350,493	73,933,024	171,921,223
Noncurrent assets			
Capital and lease assets, net	2,355,826	2,930,410	2,152,196
Investments	107,748,793	137,275,212	80,169,968
Other noncurrent assets	192,878	248,976	134,840
Total noncurrent assets	110,297,497	140,454,598	82,457,004
Total assets	204,647,990	214,387,622	254,378,227
Accrued cost of electricity	27,138,918	23,574,255	28,835,532
Other current liabilities	6,424,980	6,274,032	33,564,250
Noncurrent liabilities	3,413,358	3,822,281	3,460,665
Total liabilities	36,977,256	33,670,568	65,860,447
Net position			
Investment in capital assets	261,774	343,640	427,683
Restricted for security collateral	-	4,449,194	5,618,194
Unrestricted	167,408,960	175,924,219	182,471,903
Total net position	$167,670,734	$180,717,053	$188,517,780

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Current Assets

Cash decreased from 2020 to 2021 as a result of planned operating losses that occurred during 2021 as well as the return of large cash collateral from energy suppliers. Planned operating losses occurred again in 2022, resulting in a further decrease in cash. Accounts receivable and accrued revenue dropped from 2020 to 2021 due to normal customer payment timing fluctuations. From 2021 to 2022, accounts receivable and accrued revenue increased by a large amount. This increase was due to customer rate increases that took effect in April 2022. The current portion of investments dropped from 2020 to 2021 due to the changing maturity dates of investments. Other current assets, which consist mostly of collateral deposits, increased significantly from 2020 to 2021, then held fairly steady from 2021 to 2022.

Noncurrent Assets

Capital assets are reported net of depreciation. Each year, the change is mostly due to leasehold improvements at Peninsula Clean Energy's office, and the acquisition of furniture and equipment less depreciation expense. Peninsula Clean Energy does not own assets used for electricity generation or distribution.

A lease asset is recorded in accordance with Governmental Accounting Standards Board No. 87 (GASB 87) that was implemented during 2022, with a restatement back to 2020. According to GASB, the Statement aims to increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that previously were not reported.

During 2022, Peninsula Clean Energy decreased its investments with maturities of over one year. These investments are valued at $107,749,000 and are reported as noncurrent assets in the Statement of Net Position. See Note 5 to the financial statements for further discussion regarding investments.

Other noncurrent assets held fairly stable from 2021 to 2022. This account consists of various deposits for regulatory and other operating purposes expected to be held longer than a year. Included are deposit postings with the California Public Utilities Commission (CPUC), rent deposits, and collateral held by Peninsula Clean Energy from energy suppliers.

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Current Liabilities

The most significant element of current liabilities are obligations to pay the cost of electricity delivered to customers. Accrued cost of electricity at the end of each year remained stable.

Peninsula Clean Energy returned a large energy supplier deposit in 2021, which accounts for the decrease in other current liabilities compared to 2020. Also included in other current liabilities are trade accounts payable, taxes and surcharges due to governments, and various other accrued liabilities.

Noncurrent Liabilities

Various contracts entered into by Peninsula Clean Energy require the supplier to provide Peninsula Clean Energy with a security deposit. These deposits will be returned by Peninsula Clean Energy at the completion of the related contract or as other milestones are met. There was little change in deposits in 2022 as compared to 2021.

The following table is a summary of Peninsula Clean Energy's results of operations and a discussion of significant changes for years ended June 30:

	2022	2021	2020
Operating revenues	$ 237,898,558	$ 228,101,324	$ 278,092,535
Nonoperating revenues	1,824,346	35,636	2,511
Interest and investment income (loss)	(6,153,368)	40,816	2,266,285
Total revenues	233,569,536	228,177,776	280,361,331
Operating expenses	246,539,330	236,303,283	231,271,144
Charitable contributions	-	50,000	-
Interest and finance costs	76,525	179,171	157,583
Total expenses	246,615,855	236,532,455	231,428,727
Change in net position	$ (13,046,319)	$ (8,354,679)	$ 48,932,604

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Operating revenues

Peninsula Clean Energy's operating revenues are derived from the sale of electricity to commercial and residential customers throughout its territory. Peninsula Clean Energy reports its revenue net of uncollectible accounts. In February 2021, Peninsula Clean Energy implemented a rate reduction across all customer classes in order to provide its customers relief from increased fees associated with the Power Charge Indifference Adjustment (PCIA) and to maintain a competitive advantage in the marketplace. This rate reduction corresponded directly with a large drop in revenue from 2020 to 2021. In order to compensate for this revenue shortfall, Peninsula Clean Energy has been able to draw on its reserve funds. Revenue increased from 2021 to 2022 as a result of customer rate increases in April 2022 as well as the expansion to Los Banos during the spring of 2022.

Other revenues

The nonoperating revenue increase from 2021 to 2022 was primarily the result of grant income from the California Arrearage Payment Plan (CAPP) that was received in 2022. Investment income decreased in 2022 as a result of a reduction of market interest rates. Management intends to hold investments to maturity. Accordingly, most of the reported investment loss was unrealized at the end of 2022.

Operating expenses

Peninsula Clean Energy's largest expense each year was the purchase of electricity delivered to retail customers. Peninsula Clean Energy procures energy from a variety of sources and focuses on maintaining a balanced renewable power portfolio at competitive costs. Electricity costs increased each year from 2020 to 2022. The main cause of the increase was overall higher market prices. In 2022, the expansion to Los Banos also required additional resources to be purchased. Expenses for staff compensation, contract services, and other general and administrative expenses increased each year as the organization continued to grow to support its business demands.

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ECONOMIC OUTLOOK

In December 2017, Peninsula Clean Energy published its first strategic Integrated Resource Plan (IRP), which outlines the procurement strategy to fulfill the State's regulatory mandates, while also accelerating the State's decarbonization goals. The IRP describes Peninsula Clean Energy's approach to mitigating risk by diversifying its power portfolio through contract term length, project ownership, location, technology, size, and additionality (increasing "steel in the ground").

Peninsula Clean Energy is developing energy programs to reduce greenhouse gas emission from transportation and buildings. Incentives are offered for used electric vehicles to reduce the costs of these vehicles for residents and to increase the number of electric vehicle charging stations. Peninsula Clean Energy has also approved and funded grants for community pilot programs to advance Peninsula Clean Energy's mission to reduce greenhouse gas emissions, support Peninsula Clean Energy's workforce policy and serve a high number of Peninsula Clean Energy customers.

Peninsula Clean Energy started delivering electricity services to customers of Los Banos on April 1, 2022.

The COVID-19 pandemic impacted Peninsula Clean Energy's business like many other businesses during fiscal years 2020-21 and 2021-22 as the regional economy slowed during shelter-in place orders and the subsequent return to a new normal of economic activity. While Peninsula Clean Energy's overall electricity loads have declined from a high of 3.71 million MWh in fiscal year 2019-20 to 3.55 million MWh in fiscal year 2021-22 driven by pandemic impact and recoveries, we project loads will recover to 3.69 million MWh in fiscal year 2022-23. Additionally included in the projected load are the impacts of electricity service to customers of Los Banos which began on April 1, 2022.

REQUEST FOR INFORMATION

This financial report is designed to provide Peninsula Clean Energy's customers and creditors with a general overview of the organization's finances and to demonstrate Peninsula Clean Energy's accountability for the funds under its stewardship.

Please address any questions about this report or requests for additional financial information to 2075 Woodside Road, Redwood City, CA 94061.

Respectfully submitted,

Janis Pepper, Chief Executive Officer

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BASIC FINANCIAL STATEMENTS

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PENINSULA CLEAN ENERGY AUTHORITY
STATEMENTS OF NET POSITION
JUNE 30, 2022 AND 2021

ASSETS	**2022**	**2021**
Current assets		
Cash and cash equivalents	$ 9,777,452	$ 11,704,409
Accounts receivable, net of allowance	32,869,379	18,409,996
Accrued revenue	20,721,981	10,955,011
Investments	17,564,207	16,672,184
Other receivables	2,986,880	4,389,125
Prepaid expenses	4,976,571	3,571,212
Deposits	5,454,023	3,781,893
Restricted cash	-	4,449,194
Total current assets	94,350,493	73,933,024
Noncurrent assets		
Investments	107,748,793	137,275,212
Deposits and other assets	192,878	248,976
Lease asset, net of amortization	2,094,052	2,586,770
Capital assets, net of depreciation	261,774	343,640
Total noncurrent assets	110,297,497	140,454,598
Total assets	204,647,990	214,387,622
LIABILITIES		
Current liabilities		
Accrued cost of electricity	27,138,918	23,574,255
Accounts payable	1,171,803	1,247,108
Other accrued liabilities	1,078,334	1,103,134
User taxes and energy surcharges due to other governments	1,081,831	748,987
Supplier deposits - energy suppliers	2,624,090	2,735,397
Lease liability	468,922	439,406
Total current liabilities	33,563,898	29,848,287
Noncurrent liabilities		
Supplier deposits - energy suppliers	1,653,433	1,593,433
Lease liability	1,759,925	2,228,848
Total noncurrent liabilities	3,413,358	3,822,281
Total liabilities	36,977,256	33,670,568
NET POSITION		
Investment in capital assets	261,774	343,640
Restricted for security collateral	-	4,449,194
Unrestricted	167,408,960	175,924,219
Total net position	$ 167,670,734	$ 180,717,053

The accompanying notes are an integral part of these financial statements.

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PENINSULA CLEAN ENERGY AUTHORITY
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
OPERATING REVENUES		
Electricity sales, net	$ 233,526,144	$ 225,451,521
Green electricity premium	2,858,977	2,649,803
Grant revenue	1,020,254	-
Liquidated damages revenue	493,183	-
Total operating revenues	237,898,558	228,101,324
OPERATING EXPENSES		
Cost of electricity	226,678,063	213,833,819
Contract services	10,188,609	10,531,713
Staff compensation	6,351,193	5,637,450
General and administration	2,747,244	5,716,643
Depreciation and amortization	574,221	583,658
Total operating expenses	246,539,330	236,303,283
Operating loss	(8,640,772)	(8,201,959)
NONOPERATING REVENUES (EXPENSES)		
Grant revenue	1,824,346	-
Miscellaneous income	-	35,636
Interest and investment income (loss)	(6,153,368)	40,816
Charitable contributions	-	(50,000)
Interest and finance costs	(76,525)	(179,171)
Nonoperating revenues (expenses), net	(4,405,547)	(152,719)
CHANGE IN NET POSITION	(13,046,319)	(8,354,679)
Net position at beginning of year (as restated)	180,717,053	189,071,732
Net position at end of year	$ 167,670,734	$ 180,717,053

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The accompanying notes are an integral part of these financial statements.

PENINSULA CLEAN ENERGY AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 216,039,305	$ 239,450,678
Receipts from grantors	1,020,254	-
Receipts from supplier security deposits	2,639,091	4,974,578
Receipts of liquidated damages	493,183	-
Payments to suppliers for electricity	(226,221,013)	(254,214,226)
Payments for other goods and services	(12,725,566)	(15,933,200)
Payments for staff compensation	(6,249,329)	(5,460,310)
Payments of taxes and surcharges to other governments	(3,547,693)	(4,136,810)
Payments of charitable contributions	-	(50,000)
Net cash used by operating activities	(28,551,768)	(35,369,290)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Grant revenue	1,824,346	-
Deposits and collateral received	4,000,000	2,247,128
Interest and finance costs paid	(76,525)	(179,389)
Deposits and collateral paid	(5,616,033)	(6,143,158)
Net cash provided by (used by) non-capital financing activities	131,788	(4,075,419)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments to acquire capital assets	-	(22,061)
Payments of lease liability	(533,808)	(514,839)
Net cash used by capital and related financing activities	(533,808)	(536,900)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from investment sales	58,926,086	140,659,234
Investment income received	1,947,354	1,828,256
Purchase of investments	(38,295,803)	(134,789,954)
Net cash provided by investing activities	22,577,637	7,697,536
Net change in cash and cash equivalents	(6,376,151)	(32,284,073)
Cash and cash equivalents at beginning of year	16,153,603	48,437,676
Cash and cash equivalents at end of year	$ 9,777,452	$ 16,153,603
Reconciliation to the Statement of Net Position		
Cash and cash equivalents (unrestricted)	$ 9,777,452	$ 11,704,409
Restricted cash	-	4,449,194
Cash and cash equivalents	$ 9,777,452	$ 16,153,603

The accompanying notes are an integral part of these financial statements.

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PENINSULA CLEAN ENERGY AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2022 AND 2021

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

	2022	2021
Operating loss	$ (8,640,772)	$ (8,201,959)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation and amortization expense	574,221	583,658
Provision for uncollectible accounts	(38,138)	996,988
Nonoperating miscellaneous income	-	35,636
Charitable contributions considered an operating activity for cash flow purposes only	-	(50,000)
(Increase) decrease in:		
Accounts receivable	(14,421,245)	3,501,608
Accrued revenue	(9,766,970)	2,786,714
Other receivables	1,305,636	(2,679,401)
Prepaid expenses	(1,405,359)	118,146
Increase (decrease) in:		
Accrued cost of electricity	3,564,669	(5,261,283)
Accounts payable	(75,305)	52,514
Other accrued liabilities	69,595	(961,217)
User taxes and energy surcharges due to other governments	333,207	(108,402)
Supplier security deposits	(51,307)	(26,182,292)
Net cash used by operating activities	$ (28,551,768)	$ (35,369,290)

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The accompanying notes are an integral part of these financial statements.

1. REPORTING ENTITY

Peninsula Clean Energy is a joint powers authority created on February 29, 2016. As of June 30, 2022, parties to its Joint Powers Agreement consist of the following local governments:

County	Cities and Towns	
San Mateo	Atherton	Menlo Park
	Belmont	Millbrae
	Brisbane	Pacifica
	Burlingame	Portola Valley
	Colma	Redwood City
	Daly City	San Bruno
	East Palo Alto	San Carlos
	Foster City	San Mateo
	Half Moon Bay	South San Francisco
	Hillsborough	Woodside
	Los Banos	

Peninsula Clean Energy is separate from and derives no financial support from its members. Peninsula Clean Energy is governed by a Board of Directors whose membership is composed of elected officials representing the member governments.

A core function of Peninsula Clean Energy is to provide electric service that includes renewable sources, and it operates as a Community Choice Aggregation Program subject to California Public Utilities Code Section 366.2.

Peninsula Clean Energy began its energy delivery operations in October 2016. Electricity is acquired from electricity suppliers and delivered through existing physical infrastructure and equipment managed by Pacific Gas and Electric Company.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

Peninsula Clean Energy's financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements.

Peninsula Clean Energy's operations are accounted for as a governmental enterprise fund and are reported using the economic resources measurement focus and the accrual basis of accounting – similar to business enterprises. Accordingly, revenues are recognized when they are earned, and expenses are recognized at the time liabilities are incurred. Enterprise fund-type operating statements present increases (revenues) and decreases (expenses) in total net position. Reported net position is segregated into three categories – investment in capital assets, restricted and unrestricted.

When both restricted and unrestricted resources are available for use, it is Peninsula Clean Energy's policy to use restricted resources first, and then unrestricted resources as they are needed.

CASH AND CASH EQUIVALENTS

For purposes of the Statements of Cash Flows, Peninsula Clean Energy defines cash and cash equivalents to include cash on hand, demand deposits and short-term investments with an original maturity of three months or less. For the purpose of the Statements of Net Position, restricted cash balances are presented separately. Restricted cash reported on the Statements of Net Position includes collateral for letters of credit, deposits from energy suppliers, as well as a required minimum balance to be maintained in one of Peninsula Clean Energy's bank accounts.

PREPAID EXPENSES AND DEPOSITS

Contracts to purchase energy may require Peninsula Clean Energy to provide the supplier with advanced payments or security deposits. Deposits are generally held for the term of the contract and are classified as current or noncurrent assets depending on the length of time the deposits will be outstanding. Also included are prepaid expenses and deposits for regulatory and other operating purposes.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LEASE ASSET AND LEASE LIABILITY

Peninsula Clean Energy recognizes an asset and liability when it enters into certain leasing arrangements. The leased asset is amortized over the term of the lease. The lease liability is the present value of payments expected to be paid to the lessor during the lease term. Peninsula Clean Energy's only leased asset and liability relates to its office premises.

CAPITAL ASSETS AND DEPRECIATION

Peninsula Clean Energy's policy is to capitalize furniture and equipment valued over $5,000 that is expected to be in service for over one year. Depreciation is computed according to the straight-line method over estimated useful lives of three years for electronic equipment, seven years for furniture and ten years for leasehold improvements. Peninsula Clean Energy does not own any electric generation assets.

SUPPLIER DEPOSITS – ENERGY SUPPLIERS

Various energy contracts entered into by Peninsula Clean Energy require the supplier to provide Peninsula Clean Energy with a security deposit. These deposits are generally held for the term of the contract or until the completion of certain benchmarks. Deposits are classified as current or noncurrent depending on the length of time the deposits will be held.

NET POSITION

Net position is presented in the following components:

Investment in capital assets: This component of net position consists of capital assets, net of accumulated depreciation and reduced by outstanding borrowings that are attributable to the acquisition, construction, or improvement of those assets. Peninsula Clean Energy did not have any such outstanding borrowings as of June 30, 2022 and 2021.

Restricted: This component of net position consists of constraints placed on net asset use through external creditor constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted: This component of net position consists of net position that does not meet the definition of "investment in capital assets" or "restricted."

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

OPERATING AND NONOPERATING REVENUES

Operating revenues include revenue derived from the provision of energy to retail and wholesale customers. Many of Peninsula Clean Energy's retail customers have opted to purchase a 100% renewable electricity product and pay a $0.01 per kilowatt hour premium. Revenues derived from this premium are reported throughout these financial statements as "Green electricity premium."

Investment income includes interest earned on bank deposits as well as unrealized gains and losses on its investment holdings. Interest and investment income (loss) is considered a nonoperating activity.

REVENUE RECOGNITION

Peninsula Clean Energy recognizes revenue on the accrual basis. This includes invoices issued to customers during the reporting period and electricity estimated to have been delivered but not yet billed. Management estimates that a portion of the billed amounts will be uncollectible. Accordingly, an allowance for uncollectible accounts has been recorded.

OPERATING AND NONOPERATING EXPENSES

Operating expenses include the costs of electricity and services, administrative expenses, and depreciation on capital assets. Expenses not meeting this definition are reported as nonoperating expenses.

ELECTRICAL POWER PURCHASED

During the normal course of business, Peninsula Clean Energy purchases electrical power from numerous suppliers. Electricity costs include the cost of energy and capacity arising from bilateral contracts with energy suppliers as well as generation credits, and load and other charges arising from Peninsula Clean Energy's participation in the California Independent System Operator's centralized market. The cost of electricity and capacity is recognized as "Cost of Electricity" in the Statements of Revenues, Expenses and Changes in Net Position.

To comply with the State of California's Renewable Portfolio Standards (RPS) and self-imposed benchmarks, Peninsula Clean Energy acquires RPS eligible renewable energy evidenced by Renewable Energy Certificates (Certificates) recognized by the Western Renewable Energy Generation Information System (WREGIS). Peninsula Clean Energy obtains Certificates with the intent to retire them and does not sell or build surpluses of Certificates with a profit motive. Peninsula Clean Energy recognizes an expense on a monthly basis that corresponds to the volume sold to its customers for its various renewable and carbon free products. This expense recognition increases accrued cost of electricity reported on the Statements of Net Position. Payments made to suppliers reduce accrued cost of electricity.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ELECTRICAL POWER PURCHASED (CONTINUED)

Peninsula Clean Energy purchases capacity commitments from qualifying generators to comply with the California Public Utilities Commission's Resource Adequacy Program. The goals of the Resource Adequacy Program are to provide sufficient resources to the California Independent System Operator to ensure the safe and reliable operation of the grid in real-time and to provide appropriate incentives for the siting and construction of new resources needed for reliability in the future.

STAFFING COSTS

Peninsula Clean Energy fully pays employees semi-monthly and fully pays its obligation for health benefits and contributions to its defined contribution retirement plan each month. Peninsula Clean Energy is not obligated to provide post-employment healthcare or other fringe benefits and, accordingly, no related liability is recorded in these financial statements. Peninsula Clean Energy provides compensated time off, and the related liability is recorded in these financial statements.

INCOME TAXES

Peninsula Clean Energy is a joint powers authority under the provision of the California Government Code and is not subject to federal or state income or franchise taxes.

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

RECLASSIFICATIONS

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation of the current-year financial statements. These reclassifications did not result in any change in previously reported net position or change in net position.

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3. CASH AND CASH EQUIVALENTS

Peninsula Clean Energy maintains its cash in both interest-bearing and non-interest-bearing deposit accounts in several banks. Peninsula Clean Energy's deposits are subject to California Government Code Section 16521, which requires banks to collateralize public funds in excess of the Federal Deposit Insurance Corporation (FDIC) limit of $250,000 by 110%. Certain short-term investments with original maturities of less than three months are classified as cash and cash equivalents, which are not subject to the collateral requirement or FDIC coverage previously mentioned. Accordingly, the amount of risk is not disclosed. Peninsula Clean Energy monitors its risk exposure on an ongoing basis.

At the end of 2021, Peninsula Clean Energy had restricted cash that was held as collateral for letters of credit posted by Peninsula Clean Energy and for supplier security deposits received by Peninsula Clean Energy. The restriction expired in April 2022.

4. ACCOUNTS RECEIVABLE

Accounts receivable were as follows as of June 30:

	2022	2021
Accounts receivable from customers	$34,793,412	$20,372,167
Allowance for uncollectible accounts	(1,924,033)	(1,962,171)
Net accounts receivable	$32,869,379	$18,409,996

The majority of account collections occur within the first few months following customer invoicing. Peninsula Clean Energy estimates that a portion of the billed accounts will not be collected. Peninsula Clean Energy continues collection efforts on accounts in excess of *de minimis* balances regardless of the age of the account. Although collection success generally decreases with the age of the receivable, Peninsula Clean Energy continues to have success in collecting older accounts. The allowance for uncollectible accounts at the end of a period includes amounts billed during the current and prior fiscal years. During 2022 Peninsula Clean Energy recorded a combined $2,045,000 in accounts receivable write-offs and increases to its allowance for uncollectible accounts. In 2022, Peninsula Clean Energy received CAPP funds (see Note 8) that helped recover for previously written off accounts receivable.

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5. INVESTMENTS

During the years ended June 30, 2022, and 2021, Peninsula Clean Energy purchased investments with original maturities of three months or more. As of June 30, the fair value of investments were as follows:

	2022	2021
Current Investments:		
U.S. Treasury Securities	$ 16,280,704	$ 16,567,184
Corporate bonds	1,283,503	-
Municipal bonds	-	105,000
Total current investments	$ 17,564,207	$ 16,672,184

	2022	2021
Noncurrent Investments:		
U.S. Treasury Securities	$ 69,956,207	$ 95,313,500
Corporate bonds	31,409,654	34,917,691
Municipal bonds	6,382,932	7,044,021
Total noncurrent investments	$ 107,748,793	$ 137,275,212

FAIR VALUE MEASUREMENT

GASB Statement No. 72, *Fair Value Measurement and Application*, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. Peninsula Clean Energy's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

As of June 30, 2022 and 2021, Peninsula Clean Energy's investments are considered Level 1 inputs.

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5. INVESTMENTS (continued)

CUSTODIAL CREDIT RISK

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, Peninsula Clean Energy would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in Peninsula Clean Energy's name, and are held by the counterparty.

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed income portfolio to changes in interest rates. It is calculated as the weighted average time to receive a bond's coupon and principal payments. The longer the duration of a portfolio, the greater its price sensitivity to changes in interest rates. Peninsula Clean Energy manages its exposure to declines in fair values by limiting the weighted average maturity of its investments.

Following is a summary of investment maturities as of June 30, 2022:

		Investment Maturities	
Investment Type	**Fair Value**	**Less Than 1 Year**	**1-5 Years**
U.S. Treasury Securities	$ 86,236,911	$ 16,280,704	$ 69,956,206
Corporate bonds-U.S.	32,198,932	1,283,503	30,915,429
Corporate bonds-foreign	494,225	-	494,225
Municipal bonds	6,382,932	-	6,382,932
	$ 125,313,000	$ 17,564,207	$ 107,748,793

Following is a summary of investment maturities as of June 30, 2021:

		Investment Maturities	
Investment Type	**Fair Value**	**Less Than 1 Year**	**1-5 Years**
U.S. Treasury Securities	$ 111,880,684	$ 16,567,184	$ 95,313,500
Corporate bonds-U.S.	34,917,691	-	34,917,691
Municipal bonds	7,149,021	105,000	7,044,021
	$ 153,947,396	$ 16,672,184	$ 137,275,212

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6. CAPITAL ASSETS AND LEASE ASSET

Capital asset activity for the years ended June 30, 2022 and 2021 was as follows:

	Furniture & Equipment	Leasehold Improvements	Accumulated Depreciation	Total
Balances at June 30, 2020	$ 439,684	$ 213,233	$ (225,234)	$ 427,683
Additions	6,897	-	(90,940)	(84,043)
Balances at June 30, 2021	446,581	213,233	(316,174)	343,640
Additions	-	-	(81,503)	(81,503)
Dispositions	(2,179)	-	1,816	(363)
Balances at June 30, 2022	$ 444,402	$ 213,233	$ (395,861)	$ 261,774

Lease asset activity for the years ended June 30, 2022 and 2021 was as follows:

	Lease Asset	Accumulated Amortization	Total
Balances at June 30, 2020	$ -	$ -	$ -
Additions	3,079,488	(492,718)	2,586,770
Balances at June 30, 2021	3,079,488	(492,718)	2,586,770
Additions	-	(492,718)	(492,718)
Balances at June 30, 2022	$ 3,079,488	$ (985,436)	$ 2,094,052

7. DEBT

During fiscal year 2021, Peninsula Clean Energy had an available bank line of credit in the amount of $12,000,000 to provide additional liquidity for operations, as needed. There is no collateral requirement related to the line of credit and Peninsula Clean Energy did not draw any funds against it. Amounts drawn from the line of credit are charged interest at one-month LIBOR plus 3.1%. Peninsula Clean Energy terminated this line of credit as of June 30, 2021.

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8. GRANTS

Peninsula Clean Energy administers a grant from the California Arrearage Payment Program (CAPP) that offers financial assistance for California energy utility customers to help reduce past due energy bill balances that increased during the COVID-19 pandemic. This program is funded through the federal American Rescue Plan Act (ARPA) with Coronavirus State and Local Fiscal Recovery Funds.

Peninsula Clean Energy also administers a grant from the California Public Utilities Commission (CPUC) for the Disadvantaged Communities Green Tariff (DAC-GT). This grant provides bill discounts for eligible customers.

The following is a summary of grant revenue for the years ending June 30:

	2022	2021
CAPP	$ 1,824,346	$ -
DAC	1,020,254	-
Total grant revenue	$ 2,844,600	$ -

9. DEFINED CONTRIBUTION RETIREMENT PLAN

Peninsula Clean Energy provides retirement benefits through the County of San Mateo 401(a) Retirement Plan (Plan). The Plan is a defined contribution (Internal Revenue Code 401(a)) retirement plan established to provide benefits at retirement to employees of certain qualified employers admitted by the Plan. The Plan is administered by Massachusetts Mutual Life Insurance Company. As of June 30, 2022, there were 33 plan members. Peninsula Clean Energy is required to contribute 6% of annual covered payroll and up to an additional 4% of annual covered payroll to match employee contributions. Peninsula Clean Energy contributed $473,000 and $395,000 during the years ended June 30, 2022 and 2021, respectively. Plan provisions and contribution requirements are established and may be amended by the Board of Directors.

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10. RISK MANAGEMENT

Peninsula Clean Energy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and errors and omissions. During the year, Peninsula Clean Energy purchased insurance policies from investment-grade commercial carriers to mitigate risks that include those associated with earthquakes, theft, general liability, errors and omissions, and property damage. Settled claims have not exceeded coverage in the last two years. There were no significant reductions in coverage compared to the prior year. Peninsula Clean Energy has general liability coverage of $2,000,000 as well as a $10,000,000 umbrella policy. Deductibles on the various policies range from $0 to $25,000. From time to time, Peninsula Clean Energy may be party to various pending claims and legal proceedings. Peninsula Clean Energy has no current litigation or claims pending that are expected to have a material adverse effect on Peninsula Clean Energy's financial position or results of operations.

Peninsula Clean Energy maintains risk management policies, procedures and systems that help mitigate credit, liquidity, market, operating, regulatory and other risks that arise from participation in the California energy market. Credit guidelines include a preference for transacting with investment-grade counterparties, evaluating counterparties' financial condition and assigning credit limits as applicable. These credit limits are established based on risk and return considerations under terms customarily available in the industry. In addition, Peninsula Clean Energy enters into netting arrangements whenever possible and where appropriate obtains collateral and other performance assurances from counter parties.

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11. PURCHASE COMMITMENTS

In the ordinary course of business, Peninsula Clean Energy enters into various power purchase agreements in order to acquire renewable and other energy and electric capacity. The price and volume of purchased power may be fixed or variable. Variable pricing is generally based on the market price of either natural gas or electricity at the date of delivery. Variable volume is generally associated with contracts to purchase energy from as-available resources such as solar, wind, and hydro-electric facilities.

The following table details the obligations to purchase existing energy, renewable, and resource adequacy (RA) contracts as of June 30, 2022:

Year ending June 30,	
2023	$ 228,000,000
2024	192,000,000
2025	157,000,000
2026	143,000,000
2027	140,000,000
2028-45	1,185,000,000
Total	$2,045,000,000

As of June 30, 2022, Peninsula Clean Energy had outstanding non-cancelable commitments to professional service providers through June 2024, for services yet to be performed. Fees associated with these contracts are based on volumetric activity and are expected to be approximately $6.7 million.

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12. LEASE

In June 2017, GASB issued Statement No. 87, *Leases*. As amended, the effective date of the Statement was for fiscal years beginning after June 15, 2021. Peninsula Clean Energy implemented the Statement in these financial statements. According to GASB, the Statement aims to increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that previously were not reported. As a result of implementing the Statement, net position has been reduced by approximately $449,000 and $455,000 for the years ended June 30, 2022 and 2021, respectively.

On August 1, 2017, Peninsula Clean Energy entered into an 86-month non-cancelable lease for its office premises. The rental agreement includes an option to renew the lease for two additional five-year terms. In September 2019, the lease was extended an additional two years to September 30, 2026. As part of the extension, Peninsula Clean Energy leased additional office space through the same termination date.

Rental expense under this lease was $530,000 and $512,000 for the years ended June 30, 2022 and 2021, respectively,

As of June 30, 2022, future minimum lease payments under this lease were projected as follows:

	Principal	Interest	Total
Years ending June 30,			
2023	$ 468,922	$ 62,487	$ 531,410
2024	499,837	47,515	547,352
2025	532,209	31,563	563,772
2026	566,100	14,586	580,686
2027	161,778	877	162,655
Total	$ 2,228,847	$ 157,028	$ 2,385,875

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13. FUTURE GASB PRONOUNCEMENTS

The requirements of the following GASB Statements are effective for years ending after June 30, 2022:

GASB has approved GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements,* GASB Statement No. 96, *Subscription-Based Information Technology Arrangements,* GASB Statement No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, GASB Statement No. 99, *Omnibus 2022*, GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, and GASB Statement No. 101, *Compensated Absences*. When they become effective, application of these standards may restate portions of these financial statements.

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SUPPLEMENTARY INFORMATION

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PENINSULA CLEAN ENERGY AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

Federal Grantor/Program Title	Federal ALN Number	Award Number	Federal Expenditures
AMERICAN RESCUE PLAN ACT (ARPA)			
California Department of Community Services and Development (CSD)			
California Arrearage Payment Program (CAPP)	21.027	68-0283471	$1,824,346

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See accompanying Notes to Schedule of Expenditures of Federal Awards

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Peninsula Clean Energy (PCE) under programs of the federal government for the year ended June 30, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles,* and *Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, PCE's financial statements. Because the Schedule presents only a selected portion of the operations of PCE, it is not intended to and does not present the financial position, changes in the net position or cash flows of PCE.

All federal awards received directly from federal agencies, as well as federal awards passed through nonfederal agencies and organizations are included in the Schedule. Pass-through entity identifying numbers are presented when available.

The reporting entity for PCE is based upon criteria established by the Governmental Accounting Standards Board.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR FEDERAL AWARDS

Expenditures on the accompanying Schedule are reported primarily on an accrual basis of accounting. Expenditures are recognized when approved for payment and posted to PCE's accounting system. Expenditures are paid prior to including on the Schedule. Expenditures for federal awards are recognized following the cost principles contained in the Uniform Guidance. Under these cost principles certain types of expenditures are not allowable or are limited as to reimbursement.

3. SUB-RECIPIENTS

Of the federal expenditures presented in the Schedule, PCE did not provide federal awards to sub-recipients for the year ended June 30, 2022.

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