Presentation Outline

1. Budget Approval Timeline
2. Recommended Budget
3. Variances from August 11th Proposed Budget
4. Revisions to Reserve and Budget Policies
5. Summary of Forward Outlook for FY2021-22
6. Recommendations to Board of Directors
Staff presents a Recommended Budget for FY21-22.

- August 2
- August 11
- Late August
- June 28
- Present Draft Budget to Finance & Admin Comm
- Budget Preview at Exec Comm
- Present Draft Budget to BOD
- March 2022
- Sept. 8
- Incorporate changes based on BOD feedback
- Present Recommended Budget to BOD.
- Mid-Year Budget Review / Adjustment
- September 8, 2022
Recommended vs Mid-Year Budget

Revenue increase, due to higher margins, outpaces rising energy costs

<table>
<thead>
<tr>
<th>Item</th>
<th>FY 2020-21 MIDYEAR BUDGET*</th>
<th>FY 2021-22 RECOMMENDED BUDGET</th>
<th>VARIANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
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<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Energy Revenues</td>
<td>251,728</td>
<td>339,073</td>
<td>87,345</td>
</tr>
<tr>
<td>Power Supply Expense</td>
<td>235,237</td>
<td>273,561</td>
<td>38,325</td>
</tr>
<tr>
<td>Operating Margin</td>
<td>16,491</td>
<td>65,511</td>
<td>49,021</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>17,147</td>
<td>22,407</td>
<td>5,260</td>
</tr>
<tr>
<td>Non-Operating Revenue/(Expense)</td>
<td>300</td>
<td>310</td>
<td>10</td>
</tr>
<tr>
<td>Transfers and Other Expenses</td>
<td>5,670</td>
<td>6,931</td>
<td>1,261</td>
</tr>
<tr>
<td>BALANCE AVAILABLE FOR RESERVES</td>
<td><strong>($6,025)</strong></td>
<td><strong>$36,483</strong></td>
<td><strong>$42,509</strong></td>
</tr>
</tbody>
</table>
Proposed vs Recommended Budget

Minor variance due to updated CaICCA & other Leg / Reg costs

<table>
<thead>
<tr>
<th>Item</th>
<th>FY 2021-22 PROPOSED BUDGET*</th>
<th>FY 2021-22 RECOMMENDED BUDGET</th>
<th>VARIANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>General &amp; Administrative</td>
<td>1,129</td>
<td>1,213</td>
<td>84</td>
</tr>
<tr>
<td>BALANCE AVAILABLE FOR RESERVES</td>
<td>$36,567</td>
<td>$36,483</td>
<td>($84)</td>
</tr>
</tbody>
</table>

- Legislative and Regulatory Policy membership fees are anticipated to increase by $80k, up from the Proposed Budget allocation.
- CaICCA membership fees (up $40k from the existing $360k): $40k budget increase to cover additional strategic memberships (CA Energy Storage Alliance, plus future additions).
- Additional $4k in the variance is due to the application of the 5% contingency on all operating expenses.
Enable a portion of the reserves to be used for power supply uncertainty

- Reserve and Budget Policy Revisions
- Staff proposed revising the reserve and budget policies to grant CEO authority to exceed the power supply budget by up to 10% to respond to market conditions.
- Based on Board feedback at the August 11th Meeting, staff made the following modifications:
  - Limit CEO authority to the lesser of 10% of power supply budget, or $30 million.
  - Clarify that Board approval is required if use of reserves will go below the Minimum Operating Reserve baseline (proposed to increase to 120 days of operating expenses).
  - Clarify that the CEO must present recommendations to the Board and receive authorization for any other use of reserves.
Despite ongoing uncertainty, the overall financial picture looks good for FY21-

- Power supply and operations cost increase, but margins showing favorable improvement in 2022
- Biggest risks include:
  - Late-year adjustments to PCIA / PG&E Gen Rate
  - Significant increase in power prices
- Keep 1% customer discount rate and revisit once PG&E and PCIA rates are known
- Update the reserves and budget policies to allow CEO to use reserve funds in an amount that is lesser of 10% of budgeted power supply costs or $30 million
- Increase reserve targets to support operations and eliminate Line of Credit
• Approve the following:
  • Resolution 2021-21, Adopting the FY 2021-22 Operating Budget
  • Updated Budget Adoption, Control and Reporting Policy
  • Updated Financial Reserves Policies
  • Resolution 2021-22, Creating a Personnel System and authorizing CEO as Chief Personnel Officer
Thank you! / Questions?
### FY 2021-22

#### DESCRIPTION

**ENERGY REVENUES**
1. Energy Sales: 338,603
2. Green Prime Premium: 470
3. TOTAL ENERGY REVENUES: 339,073

**ENERGY EXPENSES**
4. Power Supply: 273,561
5. OPERATING MARGIN: 65,511

**OPERATING EXPENSES**
6. Data Management: 3,249
7. PG&E Fees: 1,450
8. Employment Expenses: 9,271
9. Professional Services: 5,648
10. Marketing & Promotions: 919
11. Notifications: 131
12. Lease: 525
13. General & Administrative: 1,213
14. TOTAL OPERATING EXPENSES: 22,407
15. OPERATING INCOME (LOSS): 43,105

**NON-OPERATING REVENUES**
16. Other Income: 50
17. Interest Income: 300
18. Grant Income: 0
19. TOTAL NON-OPERATING REVENUES: 350

**NON-OPERATING EXPENSES**
20. Financing: 40
21. Interest: 0
22. TOTAL NON-OPERATING EXPENSES: 40

**TOTAL NON-OPERATING INCOME (EXPENSES):** 310

23. CHANGE IN NET POSITION: 43,415

**CAPITAL EXPENDITURES, INTERFUND TRANSFERS & OTHER**
24. Capital Outlay: 150
25. Other: 0
26. Transfer to CRCR Fund: 0
27. Transfer to Programs Fund: 6,781
28. TOTAL CAPITAL EXPENDITURES, INTERFUND TRANSFERS & OTHER: 6,931

29. BALANCE AVAILABLE FOR RESERVES: $36,483
## 5-year forecast

<table>
<thead>
<tr>
<th>Item</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
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</thead>
<tbody>
<tr>
<td><strong>Operating Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Budget)</td>
<td>(Forecast)</td>
<td>(Forecast)</td>
<td>(Forecast)</td>
<td>(Forecast)</td>
<td>(Forecast)</td>
<td>(Forecast)</td>
</tr>
<tr>
<td>GWh Sales</td>
<td>3,762</td>
<td>3,914</td>
<td>3,949</td>
<td>3,983</td>
<td>4,001</td>
<td>4,014</td>
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<tr>
<td>Electricity Sales, Net</td>
<td>$ 250,747</td>
<td>$ 338,603</td>
<td>$ 329,066</td>
<td>$ 316,925</td>
<td>$ 334,013</td>
<td>$ 346,258</td>
</tr>
<tr>
<td>Available for PCIA/Gen Rate/Power Supply Cost Changes</td>
<td>-</td>
<td>-</td>
<td>$(55,000)</td>
<td>$(55,000)</td>
<td>$(55,000)</td>
<td>$(55,000)</td>
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<tr>
<td>GreenPrime Electricity Premium</td>
<td>981</td>
<td>$ 470</td>
<td>$ 474</td>
<td>$ 478</td>
<td>$ 480</td>
<td>$ 482</td>
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<tr>
<td>Other Income</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Operating Revenues</strong></td>
<td>251,728</td>
<td>339,073</td>
<td>274,540</td>
<td>262,403</td>
<td>279,493</td>
<td>291,740</td>
</tr>
<tr>
<td><strong>Operating Expense</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Power Supply</td>
<td>235,237</td>
<td>$ 273,561</td>
<td>$ 238,522</td>
<td>$ 231,043</td>
<td>$ 233,526</td>
<td>$ 239,219</td>
</tr>
<tr>
<td>Operating Margin</td>
<td>16,491</td>
<td>65,511</td>
<td>36,018</td>
<td>31,360</td>
<td>45,967</td>
<td>52,521</td>
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<tr>
<td>Data Management</td>
<td>3,258</td>
<td>3,249</td>
<td>3,412</td>
<td>3,583</td>
<td>3,762</td>
<td>3,950</td>
</tr>
<tr>
<td>PG&amp;E Service Fees</td>
<td>1,350</td>
<td>1,450</td>
<td>1,522</td>
<td>1,598</td>
<td>1,678</td>
<td>1,762</td>
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<tr>
<td>Staff Compensation</td>
<td>6,248</td>
<td>9,271</td>
<td>9,735</td>
<td>10,222</td>
<td>10,733</td>
<td>11,270</td>
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<tr>
<td>Consultants and other Professional Fees</td>
<td>3,800</td>
<td>5,648</td>
<td>5,931</td>
<td>6,228</td>
<td>6,539</td>
<td>6,866</td>
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<tr>
<td>Communications and Noticing</td>
<td>920</td>
<td>1,050</td>
<td>1,103</td>
<td>1,158</td>
<td>1,216</td>
<td>1,277</td>
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<tr>
<td>General and Administration</td>
<td>1,570</td>
<td>1,738</td>
<td>1,825</td>
<td>1,916</td>
<td>2,012</td>
<td>2,113</td>
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<tr>
<td>Programs</td>
<td>5,270</td>
<td>6,781</td>
<td>5,491</td>
<td>5,248</td>
<td>5,590</td>
<td>5,835</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>257,653</td>
<td>302,749</td>
<td>267,541</td>
<td>260,996</td>
<td>265,056</td>
<td>272,292</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>(5,925)</td>
<td>36,324</td>
<td>6,999</td>
<td>1,407</td>
<td>14,437</td>
<td>19,448</td>
</tr>
<tr>
<td><strong>Nonoperating Revenue (Expense)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Income</td>
<td>321</td>
<td>300</td>
<td>908</td>
<td>1,019</td>
<td>1,045</td>
<td>1,089</td>
</tr>
<tr>
<td>Capital Outlay &amp; Financing Costs</td>
<td>(539)</td>
<td>(190)</td>
<td>(108)</td>
<td>(108)</td>
<td>(108)</td>
<td>(108)</td>
</tr>
<tr>
<td>Grant/Other Income</td>
<td>118</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td><strong>Total Non-Operating Revenue (Expense)</strong></td>
<td>(100)</td>
<td>160</td>
<td>850</td>
<td>961</td>
<td>987</td>
<td>1,031</td>
</tr>
<tr>
<td><strong>Change in Net Position/Available for Reserves</strong></td>
<td>(6,025)</td>
<td>36,484</td>
<td>7,849</td>
<td>2,368</td>
<td>15,424</td>
<td>20,479</td>
</tr>
</tbody>
</table>
2. Substantially Improved Margins

- PG&E’s generation rate is expected to increase by about 9.5%
- PCIA is expected to decrease by about 47%
- Actual rates not known until late December
- If these rates prevail, SVCE’s margin improve by about 50% (in calendar year 2022)
- Staff recommends to keep SVCE customer discount at 1% for the budget
- Revise the discount rate after PG&E publishes its rates
Power Supply Costs are expected to increase for FY 22 – estimated $273.5M

- Load remains stable
- Cost to serve load is high due to high and volatile market prices.
  - 82% of load is hedged, remaining 18% exposed to market
- Cost for Carbon-free, non-RPS, attributes high due to low hydro conditions, but expect to receive PG&E allocations in 2022
- RPS PPAs will come on-line end of 2021 and 2022, driving down Power Supply Costs, but expected delays require substitute RPS and RA driving costs up
- Resource Adequacy - RA requirements changing, products are expensive and SVCE is subject to penalties for non-compliance
- CAISO non-energy costs - driven by many variables but remain stable
Market Price Volatility

Forward Price Levels elevated compared to history

On-Peak NP15 Historical and Simulated Monthly Prices

Off-Peak NP15 Historical and Simulated Monthly Prices
Power Supply Costs

FY 22 costs are estimated to be higher than FY 21.

Net Energy Supply Costs, Fiscal Year

- CAISO Costs
- Resource Adequacy
- Environmental Products
- Renewable Energy Supply
- Contracted Supply Costs
- Spot Market Costs

Source: FY2021-22 Early Draft numbers
Hedging and Reserve policies offset inherent power market risk

- CEO authorized to purchase fixed-price energy to hedge load cost for terms up to 60 months with prequalified suppliers under the EEI.
- CEO authorized to purchase carbon-free and RPS resources for terms up to 60 months with prequalified suppliers under the EEI.
- CEO authorized to buy RA for terms up to 60 months with any supplier.

Risk Oversight Committee reviews CEO procurement monthly.

All long-term PPAs, and contracts greater than 60 months require Board approval.
We hedge to manage market price risk. 82% of FY 22 load is hedged.
Current Power Supply Portfolio Positions

We buy clean energy to meet 100% carbon-free goals and reliability mandates.

<table>
<thead>
<tr>
<th>Month</th>
<th>Renewable PPAs</th>
<th>Other Energy Hedges</th>
<th>Unhedged</th>
<th>CAISO Load</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oct-21</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nov-21</td>
<td></td>
<td></td>
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<tr>
<td>Dec-21</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jan-22</td>
<td>33.00%</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Feb-22</td>
<td></td>
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<tr>
<td>Mar-22</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Apr-22</td>
<td>33.50%</td>
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<tr>
<td>May-22</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Jun-22</td>
<td></td>
<td></td>
<td></td>
<td>38.50%</td>
</tr>
<tr>
<td>Jul-22</td>
<td></td>
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</tr>
<tr>
<td>Aug-22</td>
<td></td>
<td></td>
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<tr>
<td>Sep-22</td>
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</table>

**FY2022 Carbon-Free & RPS %**

- 100% 29%
- 80% 27%
- 60% 44%
- 40% 4%
- 20% 2%
- 0% 0%

**System and Local RA Balance, Fiscal Year 2022**

- Local Procurement
- System Procurement
- Local Requirement
- System Requirement

**Reference:**
- SB 100 RPS % Target (State RPS %)
- SVCE RPS % Target (Agency RPS %)
- RPS Target (mean of the above)
- Carbon Free Target

*The denominator is retail sales.*
~90% of expenses are power supply costs. SVCE’s overhead costs are low.

### TOTAL EXPENSES $302.8 MILLION

- **Power Supply**: 90.3%
- **Acct. Svc.**: 1.6%
- **Personnel**: 3.1%
- **Prof. Svc**: 1.9%
- **G&A**: 0.5%
- **Marketing**: 0.3%
- **Other**: 2.2%
- **Programs**: 0.1%
Higher Operating Expenses

Organizational maturity is introducing additional needs

<table>
<thead>
<tr>
<th>Expense Category</th>
<th>Description</th>
<th>Increase from FY20-21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operationalizing PPAs</td>
<td>Scheduling Coordination Services, Technical Consulting (Portfolio Modeling / CAISO Integration), Legal Support (PPA Implementation / 3CE coordination)</td>
<td>$550,000</td>
</tr>
<tr>
<td></td>
<td>Six New Staff Positions; Annualized positions from FY20-21; Four External Consultants; Additional Recruiting Support</td>
<td>$2,600,000</td>
</tr>
<tr>
<td>Business Process Optimization</td>
<td>Detailed Roadmap and Implementation for Phase 1 (Trade Capture and Contract Management)</td>
<td>$900,000</td>
</tr>
<tr>
<td>Cybersecurity Improvements</td>
<td>Upgrades and Training as identified through Gap Assessment and Architecture Review</td>
<td>$150,000</td>
</tr>
<tr>
<td>Operating Expense Contingency</td>
<td>5% Spending Contingency on all operating expenses</td>
<td>$1,000,000</td>
</tr>
</tbody>
</table>
Designate the CEO as Chief Personnel Officer to provide flexibility while responding to changing conditions

Board approves personnel budget; CEO implements staffing plan

**Current Practice**
- Staffing modifications brought to Board for approval
  - Job Descriptions
  - Headcount Changes
  - Salary Range Adjustments
  - Organizational Chart

**Proposed Practice**
- Provide flexibility to manage staffing within an approved overall budget
  - CEO can approve job titles, salary ranges, and org chart positions
  - Positions can be swapped / changed and added within Board-approved budget
  - Additions will not exceed 10% of authorized number shown in budget
  - Changes / hires communicated in next CEO report to Board
SVCE will start Next Year with Healthy Reserves

Do not renew line of credit (LOC); Update Reserve Targets.

- SVCE will start Next Year with Healthy Reserves
- Do not renew line of credit (LOC); Update Reserve Targets.
- SVCE will start Next Year with Healthy Reserves
- Do not renew line of credit (LOC); Update Reserve Targets.
- SVCE will start Next Year with Healthy Reserves
- Do not renew line of credit (LOC); Update Reserve Targets.
- SVCE will start Next Year with Healthy Reserves
- Do not renew line of credit (LOC); Update Reserve Targets.
- SVCE will start Next Year with Healthy Reserves
- Do not renew line of credit (LOC); Update Reserve Targets.
- SVCE will start Next Year with Healthy Reserves
- Do not renew line of credit (LOC); Update Reserve Targets.
- SVCE will start Next Year with Healthy Reserves
- Do not renew line of credit (LOC); Update Reserve Targets.
- SVCE will start Next Year with Healthy Reserves
- Do not renew line of credit (LOC); Update Reserve Targets.
- SVCE will start Next Year with Healthy Reserves
- Do not renew line of credit (LOC); Update Reserve Targets.
Six new positions are being requested:
  • Account Services
    • Energy Services Lead – lead new programs
  • Power Resources
    • Power Resources Manager - oversee operational PPAs
  • Regulatory and Legislative Policy
    • Compliance Manager - centralize our regulatory reporting work
  • Finance and Administration
    • Human Resources Generalist – administer benefits & support hybrid transition
    • Senior Risk Manager - provide credit analysis and middle office oversight
    • Technology Services Manager - lead the technical aspects of the business process optimization effort
Organizational Chart w/ External Resources

General Counsel

Power Counsel
Hall Energy Law

HR / Benefits
HRtoGo
Claremont / Bryce
Financial Levers to Manage Margin

Opportunity to reduce costs but lowers our value proposition.

<table>
<thead>
<tr>
<th>Levers</th>
<th>Potential Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintain minimum RPS compliance</td>
<td>~$0.8</td>
</tr>
<tr>
<td>Do not purchase additional carbon free (CF) attributes – with PG&amp;E allocations</td>
<td>~$2 million</td>
</tr>
<tr>
<td>Do not purchase additional carbon free (CF) attributes – without PG&amp;E allocations</td>
<td>~$6 million</td>
</tr>
<tr>
<td>Cut Programs Expenditure</td>
<td>Up to $5 million</td>
</tr>
<tr>
<td>Do not provide 1% discount to PG&amp;E Rates</td>
<td>~$4 million</td>
</tr>
<tr>
<td>Prepay Transaction</td>
<td>~$1.5 million</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2023 - 2025 (cumulative)</td>
</tr>
<tr>
<td>Maintain minimum RPS compliance</td>
<td>N/A – (Surplus position relative to state mandate given PPAs coming online)</td>
</tr>
<tr>
<td>Do not purchase additional carbon free (CF) attributes – with PG&amp;E allocations</td>
<td>~$7.5 million</td>
</tr>
<tr>
<td>Do not purchase additional carbon free (CF) attributes – without PG&amp;E allocations</td>
<td>~$23 million</td>
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<tr>
<td>Cut Programs Expenditure</td>
<td>Up to $15 million</td>
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<tr>
<td>Do not provide 1% discount to PG&amp;E Rates</td>
<td>~$12 million</td>
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<tr>
<td>Prepay Transaction</td>
<td>~$4.5 million</td>
</tr>
</tbody>
</table>
Numerous External Risks exist that could impact SVCE over FY 21 - 22

Need to maintain healthy reserves to absorb numerous risks

**SUPPLY**
PPA delays, Market Prices, and new RA rules; Ops and Implementation of PPAs

**PCIA**
PG&E PCIA/Gen Rate Uncertainty and Whiplash Effects

**LOAD LOSS**
Uncertainty around return to pre-COVID load level

**PAYMENTS**
Customer defaults, Collateral Postings, payment issues due to COVID

**L&R ISSUES**
Regulatory Uncertainty, Central buyer, Direct Access, PSPS

**RATE AFFORDABILITY**
Rate increases due to socialized wildfire, COVID arrearage, etc. – will ultimately impact usage and electrification

**CYBER-RISK**
Hardware, Software, and Training to combat Ransomware and Phishing

**RESERVES**
## Strategic Focus Areas

Budget will reflect the 5 Strategic Focus Areas

<table>
<thead>
<tr>
<th>Area</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Additional Staffing to Maintain Capacity</td>
<td></td>
</tr>
<tr>
<td>Operations Mode with PPA’s coming online</td>
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</tr>
<tr>
<td>Procurement, Clean Energy Mix &amp; Integration</td>
<td></td>
</tr>
<tr>
<td>Financial Stability &amp; Trade-</td>
<td></td>
</tr>
<tr>
<td>Internal Operations &amp; Cyber Risk Management</td>
<td></td>
</tr>
</tbody>
</table>
Business Process Optimization (BPO)

CURRENT STATE

1. Small group of people managing multiple large transactions (~$250MM)
2. Leveraging many consultants & outside experts
3. Adapting to new regulations continuously
4. Manual and labor-intensive processes create operational and business continuity risks
5. Non-integrated data impedes ability to efficiently and effectively make insightful data-driven decisions

PRESENTATION

Auditable
Data, systems, standards and processes are auditable, documented, and incorporate proper controls

Automated
Processes, analyses and reporting are automated, streamlined and efficient

Integrated
Integrated, single source of truth, common assumptions/inputs, connections between functions

Engaged
Full staff engagement, "buy-in", efficacy and efficiency, tools responsive to needs; appropriate training; embedded in culture

Secure
Data and systems are centralized and secure; users have appropriate levels of access

Adaptable
The system is adaptable to accommodate changes to business requirements and technology

Right-Sized
The system is right-sized for our org but scalable and extensible to accommodate anticipated needs

Overarching Achievement: Competitive Advantage
Keeping rates affordable while achieving climate targets; ability to move faster than our neighbors; industry leader

Effective Risk Management
Optimized system leads to effective risk management (market, credit, liquidity, operational, and enterprise risk); checks/controls prevent mistakes, compliance breaches, supplier requirements; data integrity garners confidence in results, decision-making, designated accountability

Data Security
Data is secure; clear IT/AMI audits; proper data permissioning

Efficiency
Staff is highly efficient, little to no re-work, manual processes; staff time freed up to focus on high-value work

Optimal Decision-Making
Rapid and enhanced analyses, better insight and judgement, optimal decision-making; enhanced ability to plan/resource/track resources & design/deploy programs, management of supplier relationship

Customer Satisfaction
High participation rate and enhanced customer experience through compelling rate and program offerings, effective digital engagement
BPO: Energy Trading and Risk Mgmt.
Integrated, Automated, and Auditable Business Process

Input Systems, Models & Files

- Deal Capture (DA, HA, Fwds, CRRs, Options, etc.)
- Market Data (Fwds, Vols, Correlations, historical CAISO)
- Credit Analysis (Credit Limits)
- Load Forecast
- PCIA & PG&E Rate Assumptions
- Accounting and Invoice Data

Scheduling & Settlements; (SettleCore)

Central Data Repository

Dashboards

Alerts, Metrics, & Reports Including Compliance

Users

Analytical Models & Tools

- Mark-to-Market
- Portfolio Mgmt (Open Position, Contract Valuation, Production Sim)
- Credit Exposure
- Net Revenue@Risk
- Liquidity@Risk
- Bilateral Settlement Analysis

PCIA & PG&E Rate Assumptions

Revenue & Rates

Financial Management and Accounting

Meter Data Forecasting and Analysis
Since March 2020, the overall arrearage amounts have grown roughly twofold.

SVCEs Arrearage Total for customers 31+ days late
SVCE 2021 Customer Debt Write-off Bookends

- 2019 Average 31+ Day Arrearage of $2.5M yielded $415k in Write-offs (16.7% of total)
- 2021 Arrearage is $2.6M higher than 2019 and used as the basis of the below assumptions
- Unexpected large customer write-off of $200k included in every scenario

### Scenario Assumptions

<table>
<thead>
<tr>
<th></th>
<th>Low</th>
<th>Medium</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021 Additional</td>
<td>$437,026</td>
<td>$1,310,817</td>
<td>$2,621,634</td>
</tr>
<tr>
<td>Dec 2020 Large Com Loss</td>
<td>$201,027</td>
<td>$201,027</td>
<td>$201,027</td>
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<tr>
<td>2019 Ordinary Loss</td>
<td>$414,580</td>
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</tr>
</tbody>
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### Assumptions

- 16.7% of $2.5M, $200k large customer write off, 16.7% of $2.6M
- 16.7% of $2.5M, $200k large customer, 50% of $2.6M
- 16.7% of $2.5M, $200k large customer, 100% of $2.6M
SVCE Strategic Focus

Girish Balachandran
September 8, 2021
May
Board starts CEO evaluation

May-Aug
Strategic Plan Input & Updates

September
Approve Budget, Strategic Focus Areas

Sep-Oct
- Complete CEO evaluation, set CEO Priorities (Sep)
- Present detailed work plan and measures (Oct)

Oct-May
Implementation
No Changes to Mission & Measure

Board supported keeping the Mission and the Overall Measure the same.
Recent External Shifts & Opportunities

California

- COVID recovery
- Budget surplus
- PCC “code red” report
- Blackouts
- 11,500 MW new clean energy
- PG&E Gen Rate
- Debt
- Possible 5,000 MW emergency procurement
- CalCCA leverage
- WCE bankruptcy
- Other shared services
Other Input to be incorporated

Executive Committee and Board provided additional input

- “Double-down” deployment of decarbonization efforts to accelerate deep decarbonization (IPCC “code red” report)
<table>
<thead>
<tr>
<th>Focus Area added based on Board discussion, supported and budget allocations provided</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Organization Succession Planning</strong></td>
</tr>
<tr>
<td><strong>Growing the organization to expand our strategic efforts on climate change and decarbonization</strong></td>
</tr>
<tr>
<td><strong>Board discussed need for growing efforts on decarbonization</strong></td>
</tr>
</tbody>
</table>
Sep 8 Board

- Approve FY 22 Strategic Focus Areas
- Proposed Budget for FY22 has been reviewed by the Finance Committee, Executive Committee and Board and is presented to the Board in this meeting in a separate item

October 13 Board

Detailed Strategic Work Plan update with Goals and Measures updated
Recommendation

Adopt FY22 Strategic Focus Areas

- Operations Mode with PPA's coming online
- Procurement, Clean Energy Mix & Integration
- Financial Stability & Trade-offs
- Internal Operations & Cyber Risk Management
- Grow the organization to expand our strategic efforts on climate change and decarbonization
responsive to internal & external risks & opportunities
Aggressive State Goals are Now Supported by Changes at the Federal Level

Statewide GHG Emissions
(including electricity, natural gas, transportation, agriculture and industrial sectors)

2020: Back to 1990 levels
ACHIEVED

2030: 40% below 1990 levels

2045: Carbon Neutrality

Graph based on data from the California Climate Change Scoping Plan:

Electricity makes up only 18% of allowable statewide emissions in 2030.
SVCE has set aggressive carbon reduction goals.
Over the last 4 years SVCE has reduced emissions tremendously.

2020 emissions were 35% below 2015 due to COVID, exceeding 2021 target of 30%.

2020 emissions: 2.6 million MT CO2e
Distilling Strategic Plan to Focus Areas for Upcoming Fiscal Year
Additional Resources & Efficiencies
Enterprise-wide systems, metrics & tools
Focus on Equity
Digital Pivot - Customer & Community engagement
Community outreach and leverage

Last Year Focus Areas