Strategic Work Plan Update

Adopt Strategic Focus Areas

September 14, 2022
SVCE Board

SILICON VALLEY
CLEAN ENERGY

STRATEGIC PLAN & BUDGET

- [x] April & May & Q3- Staff input
- [x] May 27 - Executive Committee (strategic plan)
- [x] June 8 - Board (strategic plan)
- [x] June 24 - Executive Committee (strategic plan & budget)
- [x] August 10- Board (budget)
- [x] August 26 – EC update (Strategic Focus Areas)
- [ ] September 14 – Strategic Focus Areas and Budget Approval
- [ ] October 12– SVCE Work Plan presented to Board– NEW- with re-formatting for customer lens and connection to Strategic Focus Areas

May
Board starts CEO evaluation

May-Aug
Strategic Plan Input & Updates

September
Approve Budget, Strategic Focus Areas

Sep-Oct
CEO evaluation& Priorities (Sep/Oct)
Present detailed work plan and measures (Oct)

Oct-May
Implementation

No Changes to Mission & Measure

Board supports keeping the Mission and the Overall Measure the same

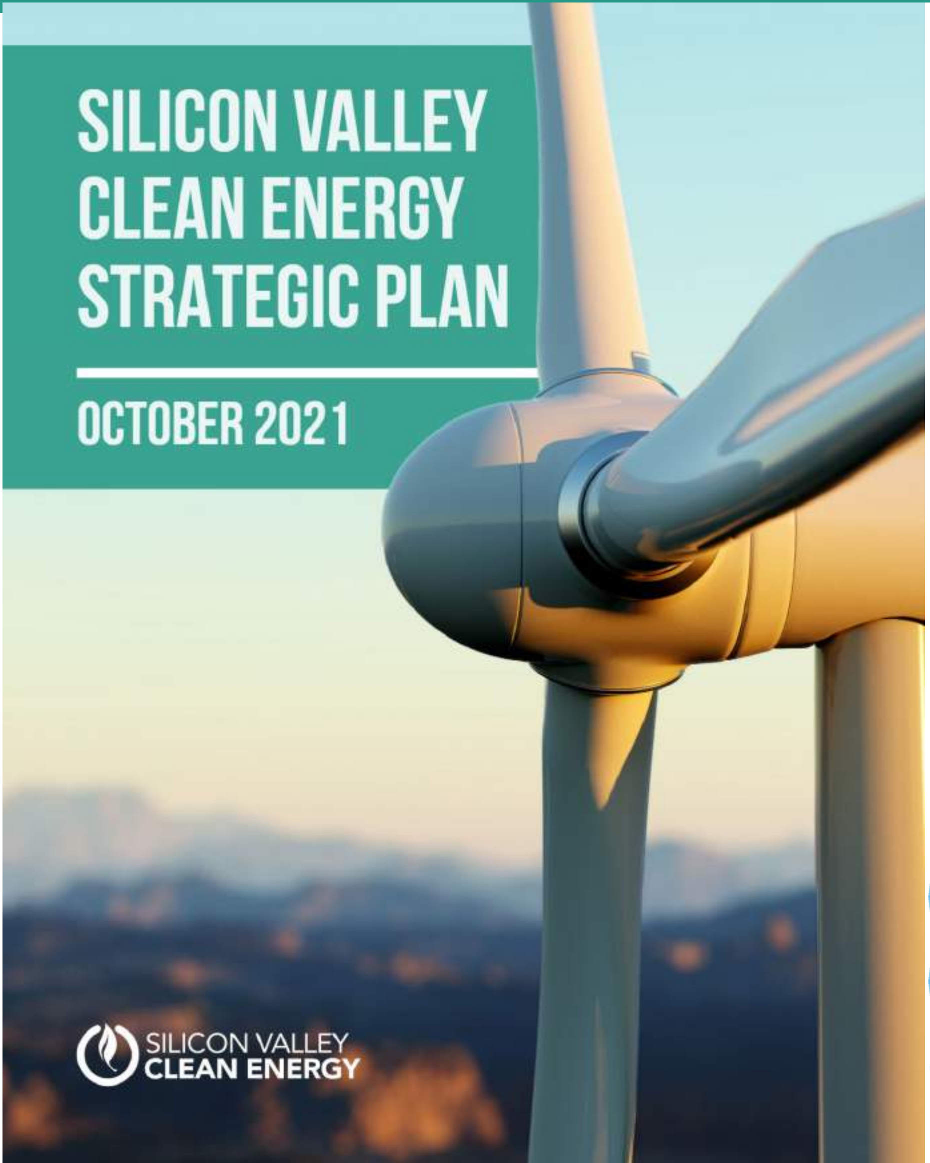
MISSION

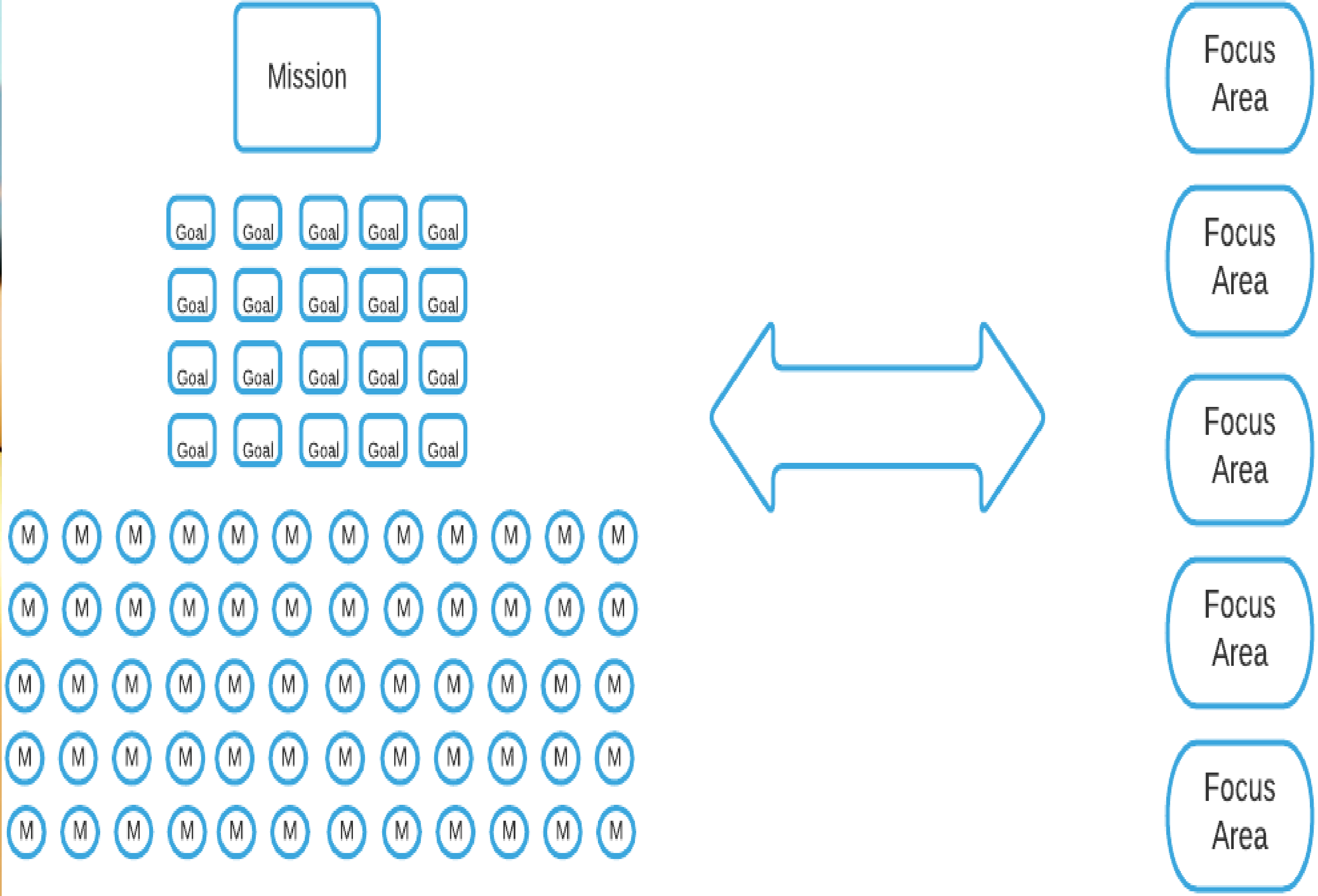
Reduce dependence on fossil fuels by providing carbon free, affordable, and reliable electricity and innovative programs for the SVCE community

MEASURE:

SVCE, working with SVCE member agencies, aspires to achieve energy and transportation GHG reductions of 30% from the 2015 baseline by 2021, 40% by 2025, and 50% by 2030

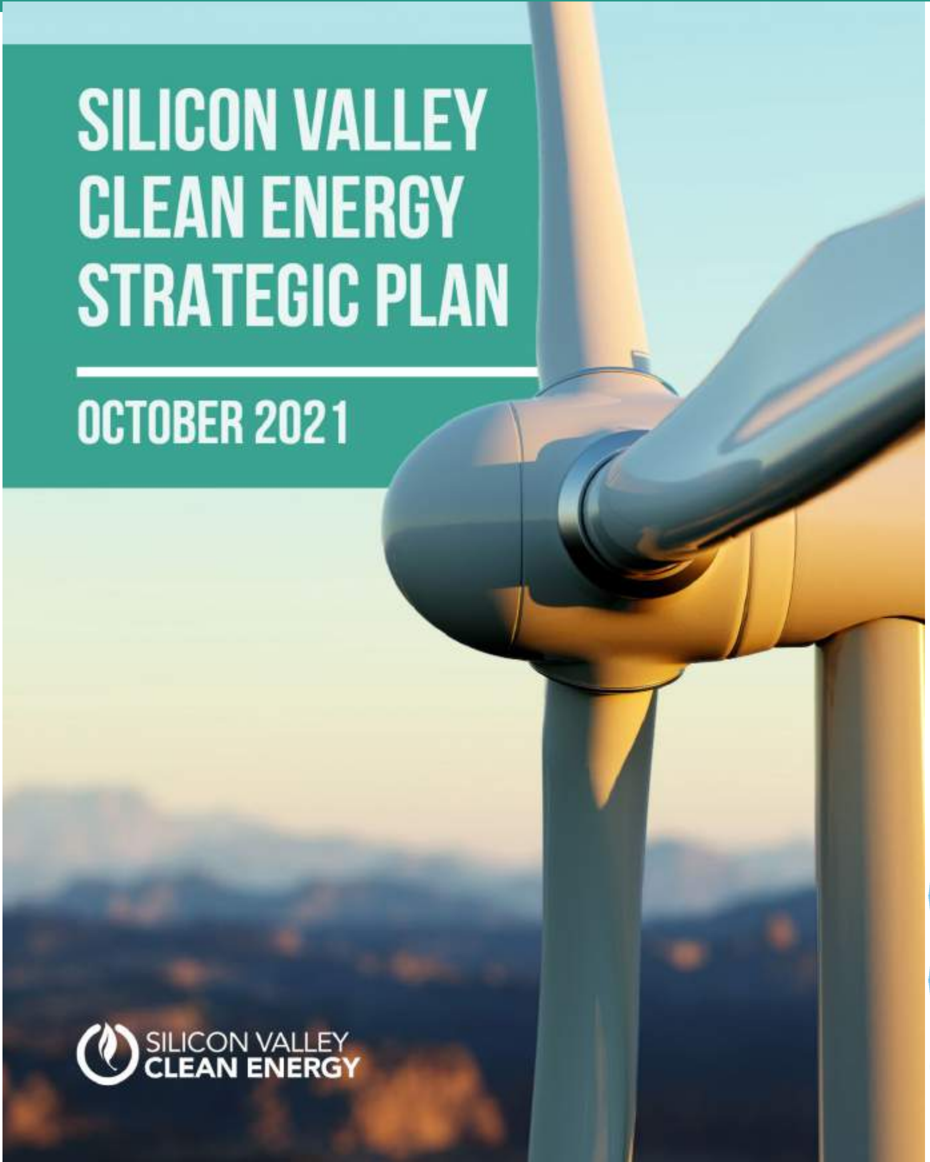
Strategic Work Plan & Focus Areas

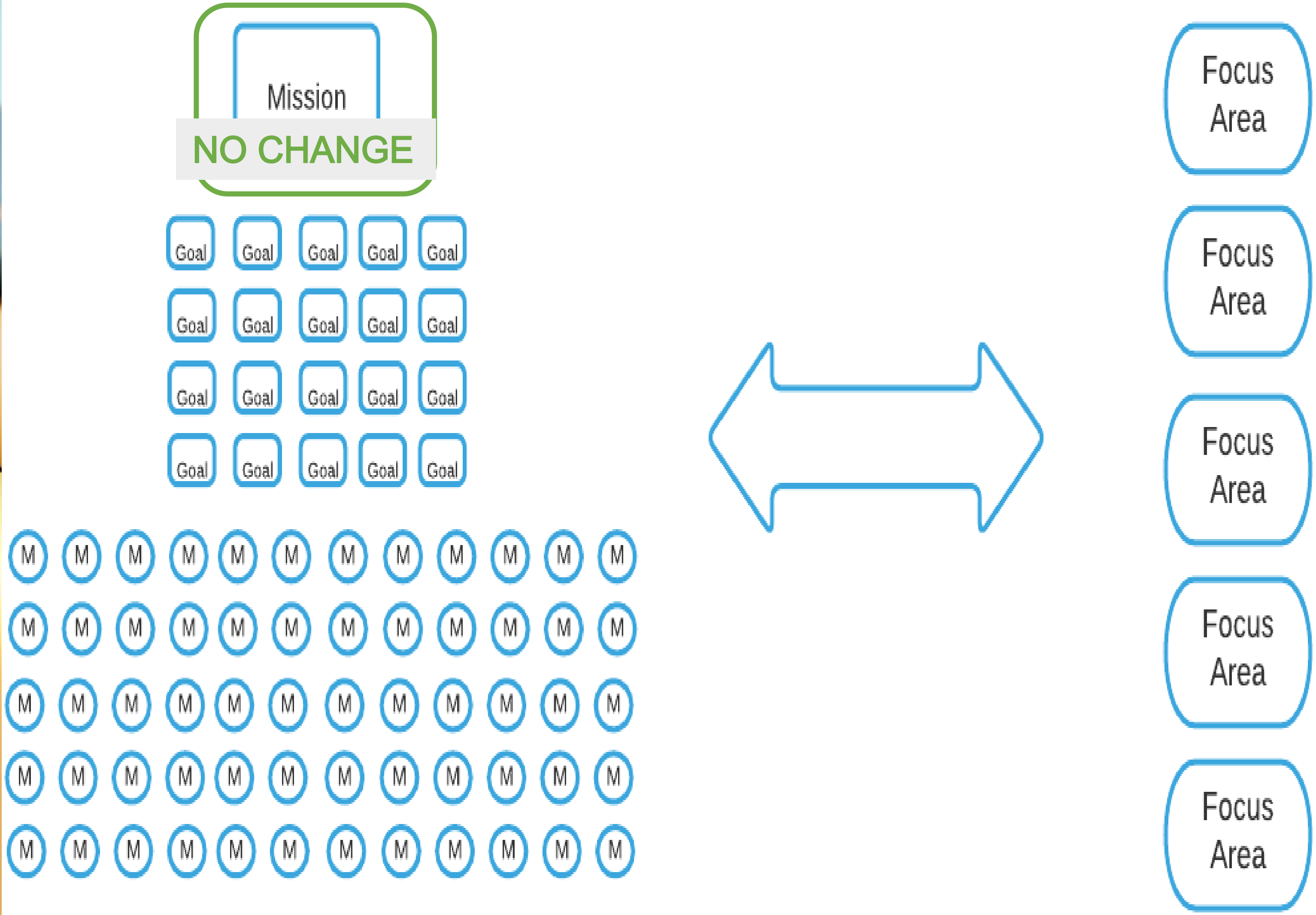




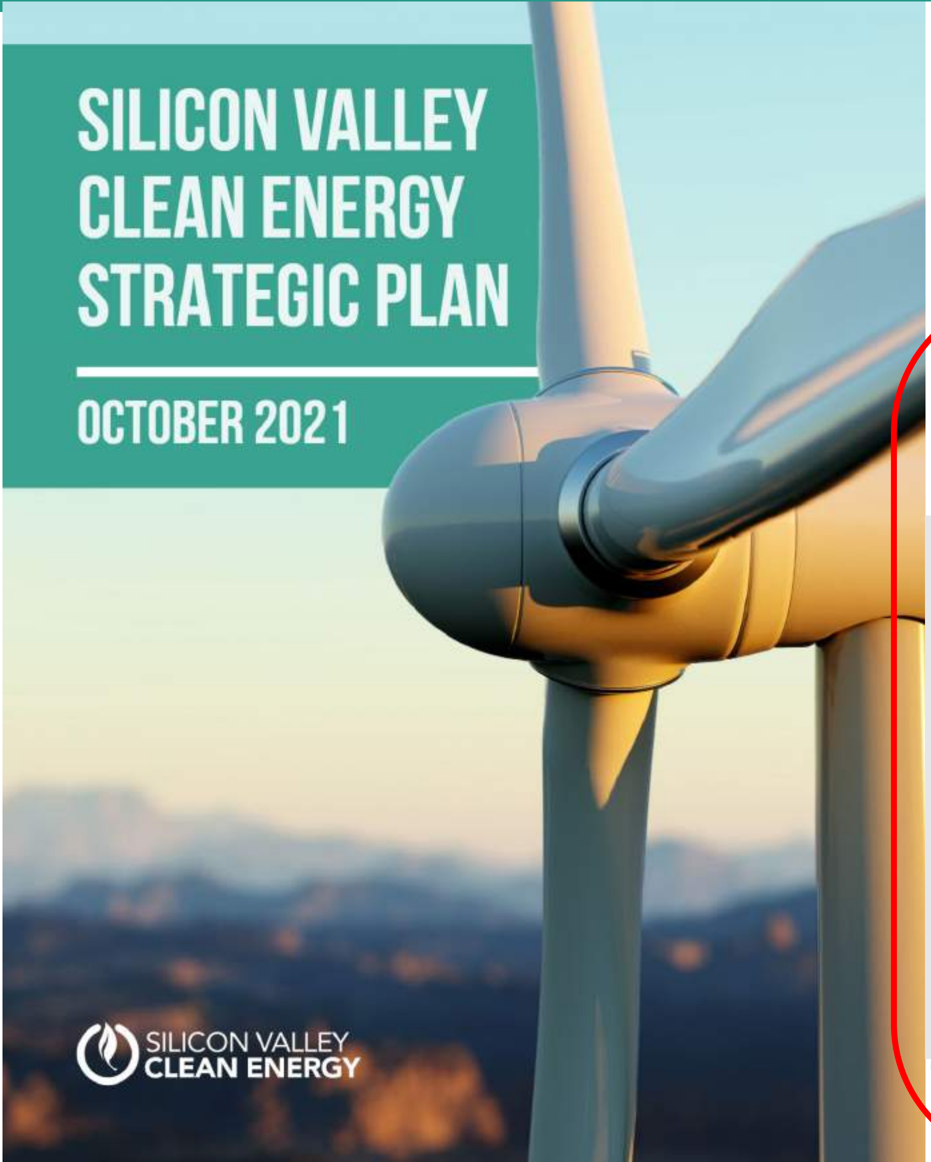
Item 3
PRESENTATION

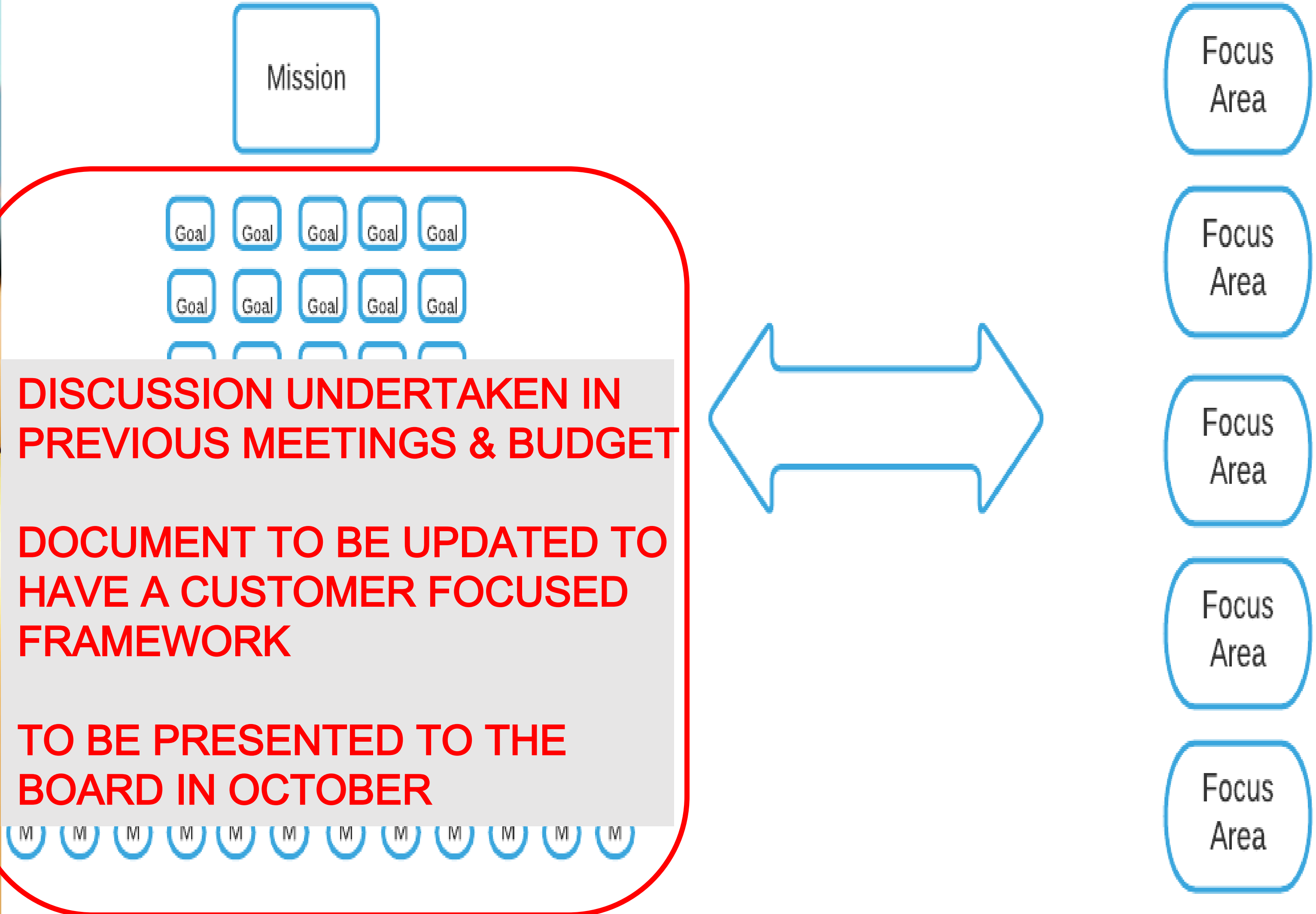
Strategic Work Plan & Focus Areas





Strategic Work Plan & Focus Areas



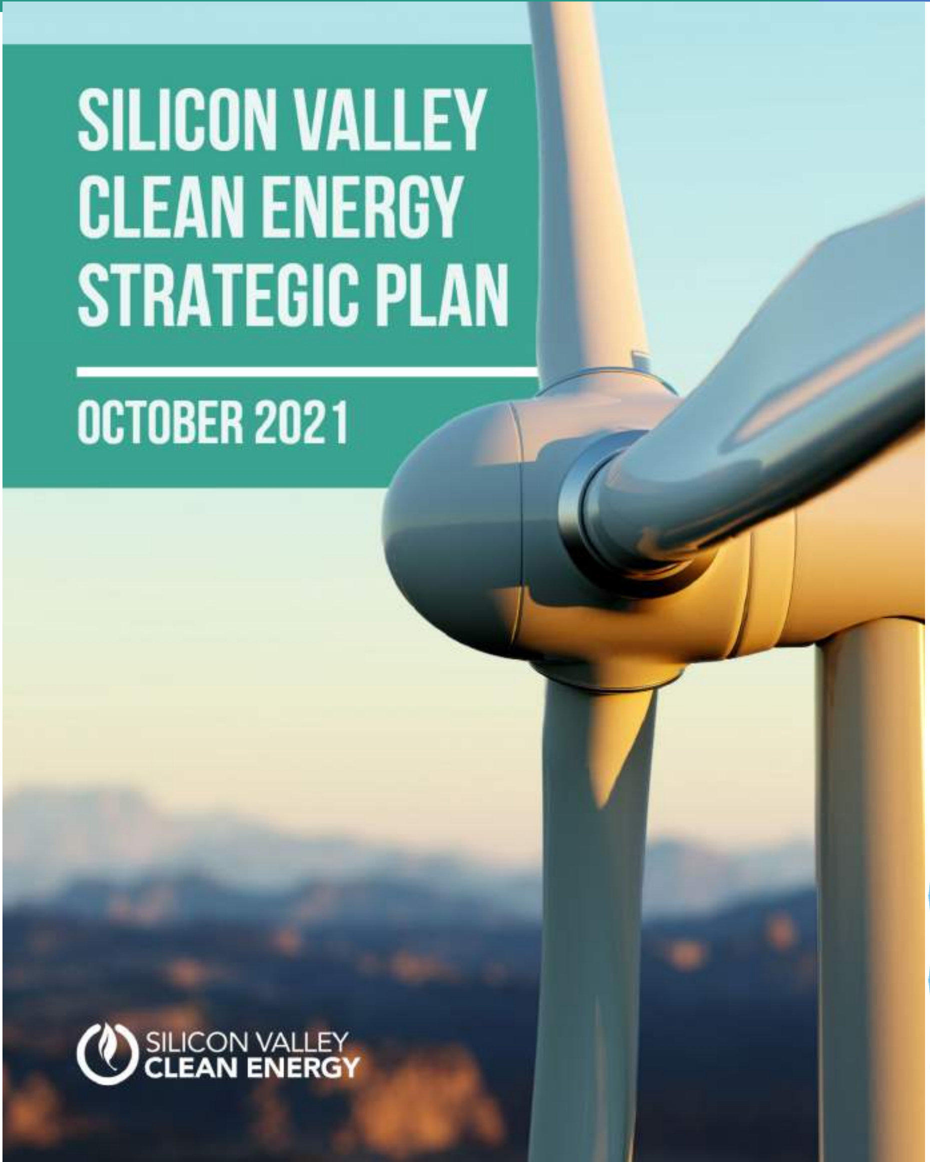


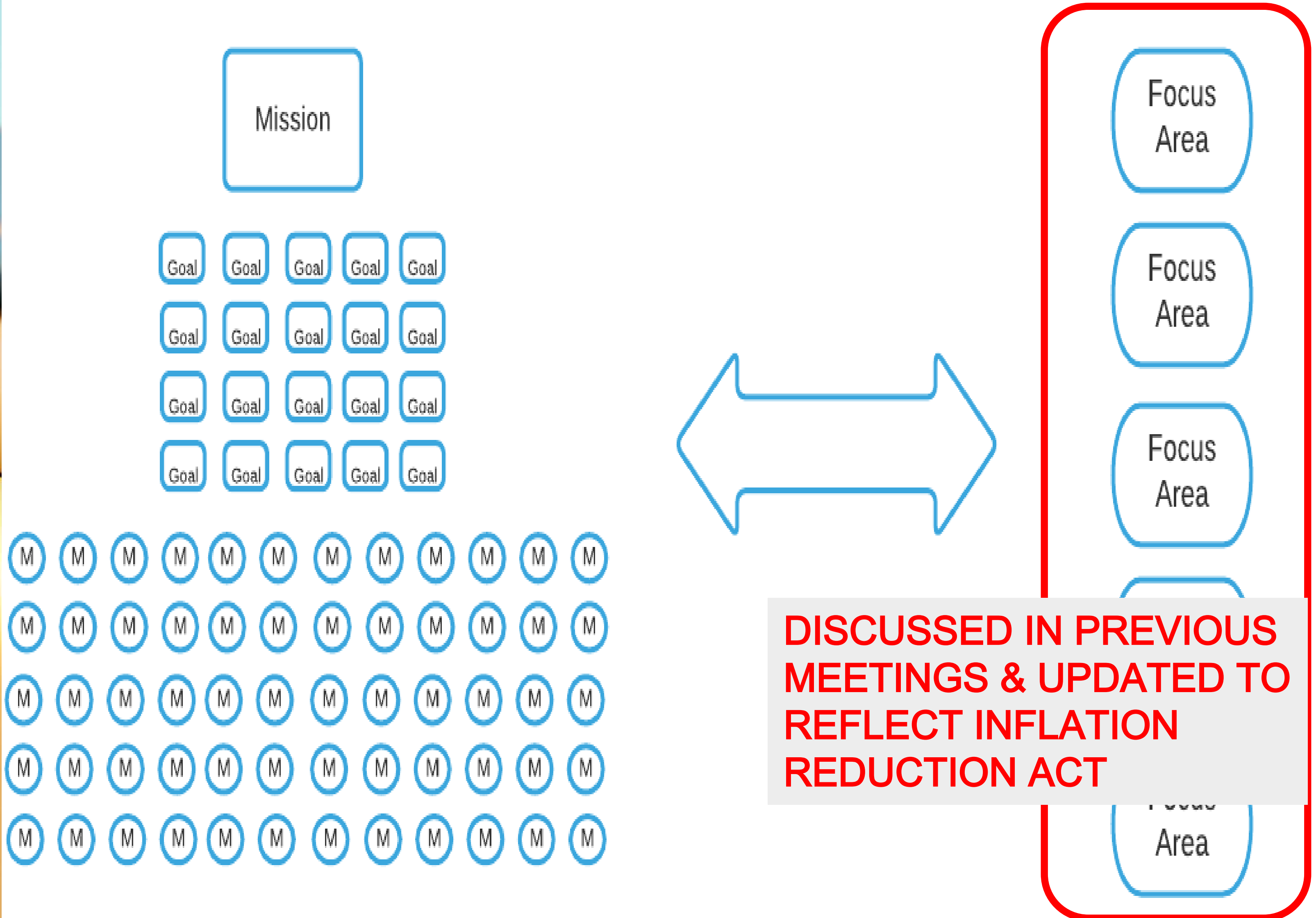
DISCUSSION UNDERTAKEN IN PREVIOUS MEETINGS & BUDGET

DOCUMENT TO BE UPDATED TO HAVE A CUSTOMER FOCUSED FRAMEWORK

TO BE PRESENTED TO THE BOARD IN OCTOBER

Strategic Work Plan & Focus Areas





DISCUSSED IN PREVIOUS MEETINGS & UPDATED TO REFLECT INFLATION REDUCTION ACT

STRATEGIC FOCUS AREAS
Limited to 5

Strategic Focus Areas are a lens to spotlight cross-cutting and incremental priorities. They do not replace the workplan and goals.

Useful for Board and CEO establishing priorities

Prioritizes and drives detailed workplan development

Workplan currently has 21 Goals and 75 Measures

5 Strategic Focus Areas

Changes: combined 2 employee related focus areas; added Inflation Reduction Act (IRA)

5 Strategic Focus Areas

Changes: combined 2 employee related focus areas; added IRA

Synergy & Overlap

24x7 Clean Energy	Customer Base & Electrification	Inflation Reduction Act	Finance	Employee
Explore 24x7 clean energy delivery at scale, to improve on the current 100% clean energy goal	Grow Customer Base & Offerings, Emphasize Electrification	Accelerate deployment of currently adopted decarbonization strategies and goals; evaluate and capitalize on the Inflation Reduction Act to further improve programs	Leverage Balance Sheet for Structured Financing and use financing solutions to increase impact of decarbonization program offerings, especially to lower-income customers	Be the Employer of Choice, and Increase Staffing

Synergy & Overlap

5 Strategic Focus Areas*

Changes: combined 2 employee related focus areas; added IRA

Synergy & Overlap

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Explore 24x7 clean energy delivery at scale, to improve on the current 100% clean energy goal	Grow Customer Base & Offerings, Emphasize Electrification	Accelerate deployment of currently adopted decarbonization strategies and goals; evaluate and capitalize on the Inflation Reduction Act & California state budget climate funds to further improve programs	Leverage Balance Sheet for Structured Financing and use financing solutions to increase impact of decarbonization program offerings, especially to lower-income customers	Be the Employer of Choice, and Increase Staffing

Synergy & Overlap

*Appendix provides more detail on each of these Focus Areas

NEXT STEPS

- [x] April & May & Q3- Staff input
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REQUEST

Approve Strategic Focus Areas as presented

APPENDIX

STRATEGIC FOCUS AREAS DETAIL

1. 24x7 CLEAN ENERGY

Explore 24x7 clean energy delivery at scale, to improve on the current 100% clean energy goal

- Explore pathways to measure & achieve carbon free 24x7 for the entire portfolio
- Implement 24/7 service with Google and explore with other customers
- Explore VPP opportunities and how we can demonstrate the “grid of the future”

2. CUSTOMER BASE & ELECTRIFICATION

Grow Customer Base, Offerings, & Emphasize Electrification

- Be the Supplier of Choice; attract and retain DA customers
- Maintain competitive rates; increase customer offerings and demand side programs
- Expand value proposition emphasizing electrification

3. INFLATION REDUCTION ACT

Accelerate deployment of currently adopted decarbonization strategies and goals; evaluate and capitalize on the Inflation Reduction Act & California state budget climate funds to further improve programs

- Evaluate clean energy asset ownership to structurally lower costs and lower risk
- Grow our capacity and deploy programs at a much larger scale
- Operationalize equity into programs; utilize SEVI framework in double-down programs
- Assist member agencies in evaluating IRA and California state budget to magnify decarbonization policies and program impacts
- Evaluate policies related to the utilization of organized labor in utility-scale projects and decarbonization programs and present options to the Board

4. FINANCE

Leverage Balance Sheet for Structured Financing and use financing solutions to increase impact of decarbonization program offerings, especially to lower-income customers

- Continue building strong financial reserves
- Attract and retain DA customers
- Strategically use balance sheet to advance our mission; providing innovative financing solutions to customers, particularly to reach those with barriers to conventional programs (e.g., low income, renters)

5. EMPLOYEES

Be The Employer of Choice, & Increase Staffing

- Attract and Hire New Employees, passionate about our mission and with excellent job knowledge
- Build and maintain a high-performance agency; preserve start-up culture of employee innovation, engagement, and collaboration
- Develop plans for remote, hybrid and in-person work

WORKPLAN CHANGES

WORKPLAN- 21 Goals and 75 Measures (to be updated & presented to Board in October 2022)

STRATEGIC PLAN GOALS

1. Build and maintain a high-performing team
2. Maintain an enjoyable and rewarding workplace
3. Get great at prioritizing, and rebalancing to align work plan with higher level goals
4. Plan for resources to meet SVCE's mission while balancing multiple stakeholder objectives
5. Acquire clean and reliable electricity in a cost effective, equitable and sustainable manner
6. Manage and optimize power supply resources to meet affordability, GHG reduction and reliability objectives
7. Work with the community to plan and track achieving energy and transportation GHG reductions of 30% from the 2015 baseline by 2021, 40% by 2025, and 50% by 2030
8. Coordinate development of decarbonization and resilience strategy, lead design of local policy and programs, and support program deployment
9. Use DAISY to enable data-driven decision-making across the organization
10. Empower customers with the awareness, knowledge and resources needed to make effective clean energy choices
11. Engage a full range of public, private, and non-profit stakeholders to leverage our decarbonization efforts
12. Enact competitive service offerings and programs that deliver measurable environmental and economic benefits
13. Commit to maintaining a strong financial position
14. Avoid failures in management of market, credit, liquidity, operational and enterprise risks
15. Advocate for policies that protect CCA customer investments and furthers decarbonization, grid reliability, affordability, and social equity with federal and state elected officials and regulators
16. Engage regulators, legislators, and local elected officials in representing SVCE priorities
17. Develop and enhance internal processes related to Supplier Diversity, Staffing and Compliance
18. Encourage the development of regulations that proactively support the changing, evolving energy market and facilitate grid innovation
19. Drive SVCE's local policy objectives by leveraging key stakeholders
20. Ensure SVCE's Information Technology infrastructure is secure, reliable, and disaster resilient to provide 24/7/365 online access
21. Enable data-driven decision-making across the organization; automate, integrate, and streamline business processes to minimize operational risk and move organization toward industry best practices from its startup phase

Each Goal associated with Measures

B. POWER SUPPLY

SVCE's Power Resource Team is responsible for planning, acquiring, and managing power supply resources to meet the community's clean energy goals and state-mandated power and reliability requirements. This is done through a balanced approach which considers cost, risk, long-term value, and best fit in meeting community goals. This requires sustainable planning, innovative thinking, prudent risk management and the constant search for the best solutions. Going forward, to be successful SVCE must adapt to new climate and social challenges; customer specific needs; support region-wide decarbonization and electrification goals; integrate distributed energy resources; collaborate and leverage opportunities for joint procurement; and become technology and data driven.

GOAL	MEASURES
4. Plan for resources to meet SVCE's mission while balancing multiple stakeholder objectives	**1.** Integrated Resource affordable, reliable, and 2030 and beyond (204 **2.** Develop a platform t distributed energy reso operations **3.** Implement process a and policy integration b Policy Teams
5. Acquire clean and reliable electricity in a cost effective, equitable and sustainable manner	**1.** Achieve SVCE 100% RPS mandate of 65%; n procurement mandates **2.** Meet SVCE's standar (i.e., GreenPrime and G development of sustain GreenPrime Direct and custom product offerin **3.** Pursue joint procurer resource adequacy and through CC Power and power partners

"The successful planning and acquisition of clean and reliable energy serves as the foundation of SVCE's mission. Moving forward, we aspire to strengthen and diversify our portfolio with new cost-effective and innovative resources such as long-duration storage."

Monica Padilla
Director of Power Resources

GOAL	MEASURES
6. Manage and optimize power supply resources to meet affordability, GHG reduction and reliability objectives	**1.** Manage Power Supply Portfolio and Energy Risk **2.** Implement and Operate Power Purchase Agreements to enhance value to SVCE **3.** Ensure SVCE adopts the appropriate tools, systems, and resources to support portfolio optimization, risk management, load forecasting, compliance, and settlements

FY 22-23 Operating Budget

Amrit Singh
Board of Directors
September 14, 2022

SILICON VALLEY CLEAN ENERGY

Purpose

Adopt Fiscal Year 2022-2023 (FY 23) Operating Budget and the Revised Reserves Policy

Main Areas of Discussion

1. Recap of Key Messages
2. Proposed Budget
3. Minor Variance from the August 10th Proposed Budget

FY22-23 Budget Approval Timeline

June 24
Budget Framework at Exec Comm

August 1
Present Draft Budget to Finance & Admin Comm

August 10
Present Draft Budget to BOD

Late August
Incorporate Changes based on BOD feedback

Sept. 14
Present Recommended Budget to BOD.

March 2023
Mid-Year Budget Review / Adjustment

Recap of Key Messages

1. **Good Financial Year**
    - **Forecast** shows Zero PCIA and high PG&E Gen Rates
        - Year-over-year SVCE revenues increase ~ 25%
    - High revenues offset higher Power Supply costs (18%)
    - Healthy contribution to reserves of **$115.4 million**

2. **Update Reserve Target Levels to Withstand Modeled Stress Test Events**
    - Target increased from 230 days of cash on hand to 285 days of cash on hand (DCOH)
    - Upper target level is increased from 320 DCOH to 490 DCOH.

3. **3% Overall Customer Discount**
    - 2% discount for all customers
    - Add'l 1% in bill credits to low-income customers
    - 1% remains until new PG&E rates are in effect
    - Primarily for setting the budget. Revisit (likely in December) once there's more certainty on PG&E rates.

4. **Other Changes**
    - 10 additional full-time positions
    - Adjustment of employee compensation for cost of living and merit
    - Enhancement of employee benefits to remain competitive with peer CCAs

Proposed FY 23 vs FY 22 Mid-Year Adjusted Budget

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

SILICON VALLEY CLEAN ENERGY
FY 2022-23 OPERATING BUDGET
($ in thousands)

	FY 2021-22 ADJUSTED BUDGET	FY 2022-23 PROPOSED BUDGET	YEAR OVER YEAR CHANGE $	YEAR OVER YEAR CHANGE %
Energy Revenues	385,502	483,860	98,358	25.5%
Power Supply Expense	274,979	325,296	50,317	18.3%
Operating Margin	**110,523**	**158,564**	**48,041**	**43.5%**
Operating Expenses	21,693	28,299	6,606	30.5%
Non-Operating Revenues/(Expenses)	310	639	329	106.0%
Transfers and Other Expenses	$27,531	$15,465	$12,066	-43.8%
BALANCE AVAILABLE FOR RESERVES	**$61,609**	**$115,439**	**$53,830**	**87.4%**

Proposed vs Recommended Budget

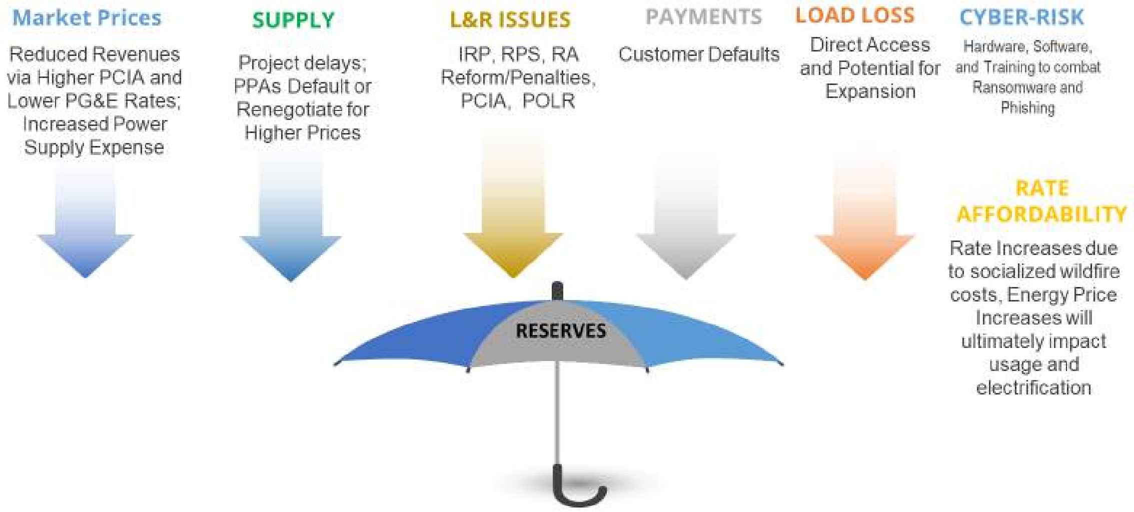
Minor change because of updated CC Power costs to reflect projected increases to capitalize on Inflation Reduction Act (IRA) opportunities

Organization	Previous Amount ($000s)	Adjusted Amount ($000s)
CA Community Power (CC Power)	60	150

Summary - Despite ongoing uncertainty, the overall financial picture looks good for FY22-23

- Biggest risks include late-year adjustments to PCIA / PG&E Gen Rate and significant volatility in power prices
- Reserve targets increase to account for risks as modeled in the stress test analyses
- Keep 1% customer discount rate and revisit once PG&E and PCIA rates are known
- Power supply costs increase, but margins showing favorable improvement
- Budget increases for operating expenses other than power supply needed to advance strategic focus areas including retaining and attracting employees, reducing operational risks, and enhancing operational efficiency.

Many Risks can Deplete Reserves



Board Approval

- Approve the following:
  - Resolution 2022-21, Adopting the FY 2022-2023 Operating Budget
  - Updated Financial Reserves Policies

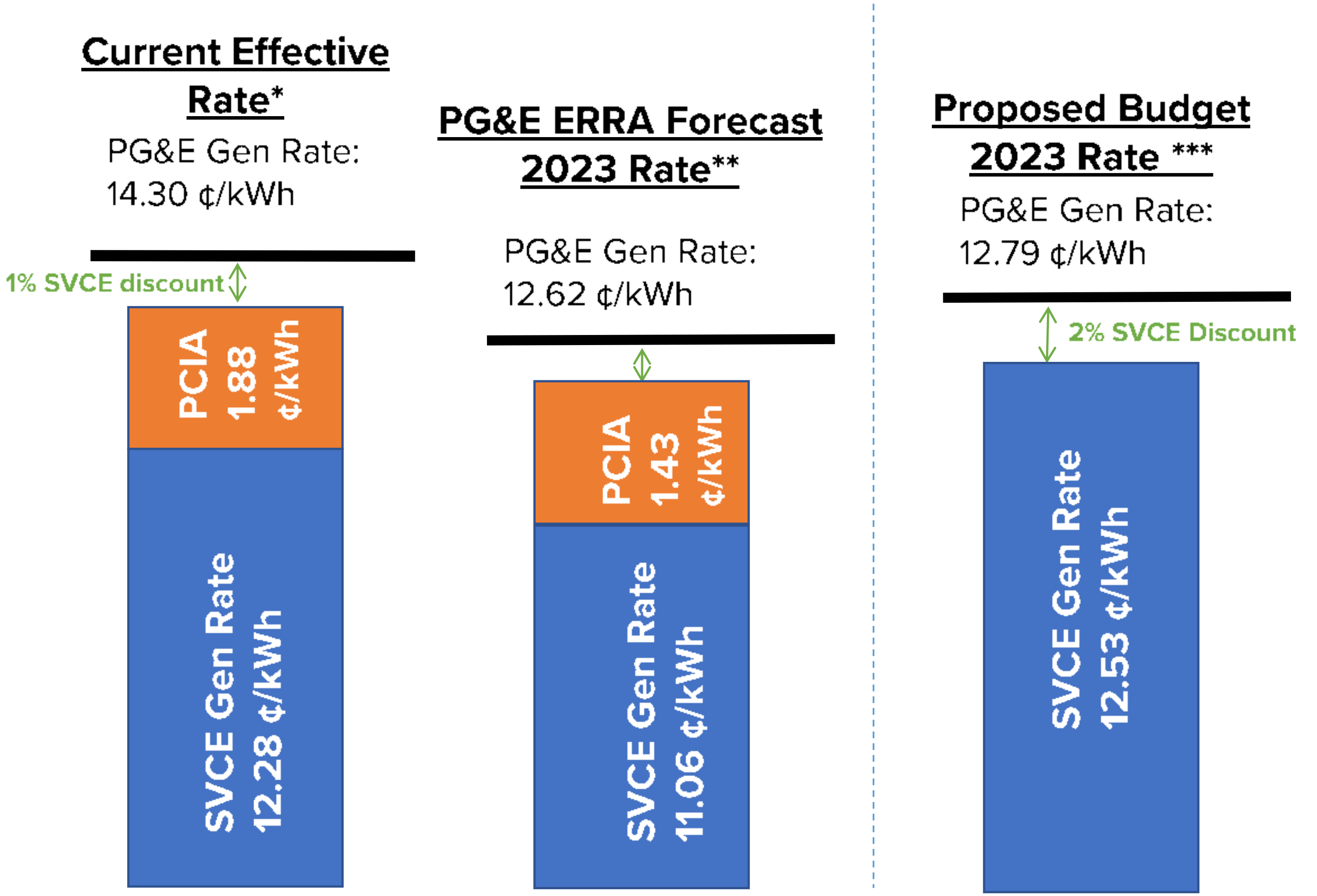
Thank you! / Questions?

Revenues

	Issue	Proposed Budget	Implications/Reasons
1. Revenues	• PG&E's preliminary 2023 rate forecast, issued in May, is based on outdated market prices. Results in lower SVCE revenues than likely the case. • Attempt to calibrate NewGen Model to likely prices used by PG&E overstates SVCE Margins by ~10%*. **Using latest version 3.1 – version 2.5 used for Executive Committee presentation.*	• Uses latest market data in NewGen model and discounts results (reduce SVCE Margins) by 10% for modeling error.	• Likely aligns revenues closer to rates that PG&E will update in October. • Better aligns revenues with power supply costs • Primarily for budget setting purposes. • Additional expenditures based on headroom projections will be made by the Board likely in December when actual PG&E and PCIA rates are known.

Healthy SVCE Margins Remain

- PG&E filed it's forecast of 2023 Rates in May
  - PG&E Gen Rate down ~12%
  - PCIA Down ~24%
  - SVCE Margin Down ~10%
- PG&E Used 3/28 Forward Prices
- Prices since have increased ~20%
- PG&E will update this forecast in the Fall ; CPUC will rule in December
- Relative to PG&E Forecast NewGen Model shows (using 3/28 prices) ~10% higher SVCE Margin.
- Proposed budget uses the latest NewGen Model results
  - Reduces model's PG&E GenRate by 10% for modeling error
  - Sets PCIA to Zero per PG&E Tariff since it's forecast to be slightly negative



* Source: PG&E June 2022 Updated Rates
** Source: PG&E 2022 ERRA Forecast (Weighted for SVCE Portfolio Load)
*** Using NewGen Model with 7/16/2022 Forward Curves and 10% haircut
Above margin analyses ignores minor reductions for franchise fees (0.09 ¢/kWh)

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Reserve Targets

	Issue	Proposed Budget	Implications/Reasons
2. Reserve Targets	• Ensure SVCE maintains sufficient reserves to manage risks such as those modeled under Stress Test Scenario Two. • Prices collapse reducing revenues and there's additional draw on reserves from increase in financial posting requirements to the Provider of Last Resort (PG&E). • Use stress test 2 scenario assumptions and update for Fiscal Year period (Oct 2022 to Sep 2023) and latest market data	Targets to keep reserves above 120 Days Cash On Hand (DCOH) for FY 2022-2023 and FY 2023-2024 (under stress test scenario 2 assumptions) Resets Upper Reserve Target such that over the next 5 fiscal years reserves do not fall below 90 DCOH	• FY 23 margins not guaranteed given true-up in 2024 for PCIA and PG&E Gen rate • If adverse conditions materialize, need 120 days to reshape strategy and secure additional liquidity • Increase upper reserve target to take advantage of good margin years to manage risks over 5-year period

New Reserve Targets

Reserve Targets (DCOH)	Current	New Targets
Minimum	120	120
Goal (Target)	230	285
Maximum (Upper Target)	320	490

Derived using stress test scenario 2*:

- Draw on reserves in FY 2024 would be ~$186 million
- To end up with 120 DCOH in FY 2024, need to end 2023 with ~$288 million in reserves
- $288 million is equivalent to holding 285 DCOH (@ $1.01 million a day burn rate)

* Updated with budget assumptions and modeled over fiscal year as opposed to calendar year

Add'l Expenditure – Discount Rate & Programs Funding

	Issue	Proposed Budget	Implications/Reasons

3. Additional Expenditure
 	
1% discount over 12 months ~$5 million
 	
1% discount over 9 months (Jan – Sep) ~$3.6 million
 	
Monthly Average Bill Savings of 1% Discount:
• Residential - ~$0.66
• Small Commercial - ~$2.39
• Medium Commercial - ~$26.89
	• Continue to provide competitively-priced and high-valued services to SVCE customers
	
	• Funds not needed to cover cost-of-service flow to customers via lower SVCE rates (discount to comparable PG&E rates)
	
	• Cost-of-service includes funds needed to cover operations, meet reserve targets, and fund decarbonization programs
		• Target discount at 3%
		  • 2% for all customers
		  • Additional 1% converted to $ bill credits to CARE & FERA customers
		
		• Board can change the budgeted discount rate, once actual PG&E rates are known, which is expected to occur in late Dec 2022. Until then current 1% discount rate continues.
		
		• Revisit additional funding for programs during mid-year budget update in March given time needed to ramp up new initiatives to utilize existing authorized funds
			• Reaching new target reserve levels ensures SVCE can withstand adverse risk scenarios
			
			• Keeping the discount rate to a reasonable level
			  • Enables additional funding for valued customer programs such as decarbonization efforts
			  • Ensures there's more organizational resiliency to respond to risks over the 5-yr planning horizon
			
			• Time SVCE rate change with PG&E rate change when Board will have more certainty on PG&E Gen and PCIA rates

Power Supply Expenses

<table>
<tr><th></th><th>Issue</th><th>Proposed Budget</th><th>Implications/Reasons</th></tr>
<tr><td>4. Power Supply

~90% of Expenses</td><td>• Power prices are near record high levels and market is very volatile
• In addition to PG&E Gen Rate and PCIA uncertainty, power price volatility makes budget projections more uncertain
  • Currently hedged ~79% for FY 2023
  • Remaining 21% exposed to volatile market prices
• Load Projection for FY2023 is ~3.9 Twh, slightly higher than Mid-Year Budget
  • Commercial load is to yet to recover pre-Covid levels (-)
  • Offset by increase in number of meters served by SVCE (+)
• Contract delays/negotiations further add uncertainty
• Cost of carbon-free energy is high due to low hydro conditions. PG&E allocations help
• Resource Adequacy requirements are changing, and costs are high</td><td>• Continue hedging to current ERM (Energy Risk Management) targets
  • Staff conducting additional analyses of hedging targets based on stress test findings. Recommendations to be developed later.
• Continue with SVCE 100% clean policy
  • Purchasing remaining carbon free allocations expected to cost about $1.2 million to $6 million depending on PG&E allocations.</td><td>• High hedge targets increase risk to price collapse; does not account for correlation of prices to PCIA and PG&E Gen rate
  • Need further analysis before changing policy given challenges of uncertainty in modeling PCIA and PG&E Gen Rates
• Maintain high customer value proposition with 100% clean energy and serve SVCE mission
• Furthers SVCE focus toward 24x7 clean energy goal</td></tr>
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Other Major Additional Costs

	Issue	Proposed Budget	Implications/Reasons

4. Additional Costs	• Growth in all areas of the organization requires additional staffing
	• Decarb Programs effort increasing from ~$2M/year to ~$20/year for the next 3 years
	  • Going from hundreds of rebates to thousands
	  • Increased engagement with local agencies
	• Increase employee salaries for cost-of-adjustment and merit/promotions
	• Enhance employee benefits to remain competitive with peer CCAs
	• Budget for BPO, legal costs, consulting for structed financing, and cybersecurity enhancements
		• Add 10 full time staff positions to the current headcount of 39, bringing new headcount level to 49 (Details in next slide)
		• 5.3% adjustment for COLA
		  • Based on 6-month rolling average of SF Bay Area CPI (Dec-21 to June-22)
		  • CEO discretion applied depending on employee pay relative to market range, performance, and date of hire
		  • ~$350k annual cost increase @ 39 FTE
		• Any additional increases for merit and promotions based on CEO discretion
		  • ~$330k annual cost increase @ 39 FTE
		• Employee benefit enhancements (see detailed slide) - ~$370k annual cost increase
		• Other Additional Costs:
		  • BPO - $1.375 million
		  • Legal - $1.5 million
		  • Structured Finance: $150k
		  • Cybersecurity improvements: $250k
			• Additional staff needed to:
			  • Scale up programs team for double down effort (more details in appendix)
			  • Reduce high level of existing employee workload
			  • Advance strategic focus area goals
			  • Create organization depth for business continuity
			• Adjustments to employee compensation and benefits needed to retain and attract talent
			• BPO, a key FY 21-22 strategic focus area to mature operations to industry standards and reduce operational risks
			• Sustained investments in cybersecurity preparedness; FY22-23 efforts include virtual CISO; Incident Response Tabletop exercises; and a combined IT audit / security assessment, along with continued monitoring and security tools.

Staffing – Propose 10 Additional Full-time Positions

Current Staffing

- 39 full-time employee
  - 6 vacancies; 1 on Maternity Leave
- 5 intern positions
  - 1 currently filled
- 4 part-time employees
  - Don Bray transitioned to part-time as Director of Strategic Development
- 2 Climate Corps Fellows
- 2 long-term independent consultants

Personnel Authority

- 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

Per CEO personnel authority, these and existing positions may change to address evolving business needs.

Decarbonization Programs and Policy (3; tbd)

- Senior Programs Specialist – Community Programs (1)– to design and implement decarbonization programs
- Programs Specialist – Policy (1) – to support state and local policy and government initiatives
- Program Implementation Manager (1) – to oversee program delivery and effectiveness
- Additional Staff (tbd)– Will need additional staff over coming 12 months as programs scale up and more clarity is gained on types of resources needed

4PRO (3)

- Regulatory Analyst (1) – to support engagement at CPUC, CAISO, CEC
- Power Data / Markets Analyst (2) – to support increased data analysis from operational PPAs and Load Forecasting

ESCR (3)

- Energy Services Specialists (2) – to support rate implementations and commercial / industrial offerings
- Outreach Specialist (1) – to support outreach directly to member agencies and community groups

Finance & Admin (1)

- Risk Control Analyst (1)– to support middle office functions and administration of internal controls including implementation of BPO

Proposed Benefit Improvements

SVCE is proposing benefit increases to remain competitive with peer CCAs

Benefit	Current	Proposed	Supporting Detail
Health Reimbursement Account (HRA) Cap	$6000 / year	Cap @ $18k (3x annual)	SVCE leading (3CE offers $3600 / year), but balances growing beyond useful limits.
Cash In Lieu of Health Benefits	$250 / mo	$600 / mo	CCA range ($250 - $750); **
Monthly Premium Contribution	$1200 / mo	$1500 / mo	CCA range ($1200 - $1891)
Phone / Internet Allowance	$50 / mo (phone only)	$120 / mo	CCA range ($50 - $150) – combine into a single “remote technology” allowance; **
Paid Parental Leave (bonding)	none	120 hours during 1st year after birth	Offered by MCE and PCE
Employee Participation in Program Incentives	none	$2500 / FTE	Recommend setting up a budget amount for staff to benefit from similar decarbonization incentives as customers but separated to avoid issues of unfair access. Estimating 50% utilization**

** Benefit may be taxable to employees; SVCE confirming tax status

5-year forecast

($ in Thousands)						
	2022	2023	2024	2025	2026	2027
Operating Revenue	(Budget)	(Budget)	(Forecast)	(Forecast)	(Forecast)	(Forecast)
GWh Sales	3,914	3,907	3,782	3,746	3,766	3,767
Electricity Sales, Net	$ 384,498	$ 482,930	$ 410,965	$ 394,285	$ 361,155	$ 338,749
Available for PCIA/Gen Rate/Power Supply Cost Changes	-	-	-	(13,000)	(27,000)	(35,000)
GreenPrime Electricity Premium	1,005	931	899	873	872	875
Total Operating Revenues	**385,502**	**483,860**	**411,864**	**382,158**	**335,028**	**304,624**
Operating Expense						
Power Supply	$ 274,979	$ 325,296	$ 302,663	$ 305,570	$ 300,691	$ 285,026
Operating Margin	**110,523**	**158,564**	**109,201**	**76,587**	**34,337**	**19,598**
Data Management	3,249	3,413	3,413	3,583	3,762	3,950
PG&E Service Fees	1,450	1,470	1,544	1,621	1,702	1,787
Staff Compensation	8,535	12,024	13,263	13,694	14,139	14,599
Consultants and other Professional Fees	5,669	8,016	8,417	8,838	9,280	9,744
Communications and Noticing	1,040	993	1,043	1,095	1,150	1,207
General and Administration	1,750	2,382	2,501	2,626	2,758	2,895
Programs	27,381	15,265	8,237	7,903	7,241	6,792
Total Operating Expenses	**324,053**	**368,860**	**341,081**	**344,930**	**340,722**	**326,001**
Operating Income	**61,449**	**115,000**	**70,784**	**37,227**	**(5,694)**	**(21,377)**
Nonoperating Revenue (Expense)						
Other Income	50	50	51	51	52	52
Investment Income	300	592	713	836	904	895
Capital Outlay & Financing Costs	(190)	(203)	(53)	(53)	(53)	(53)
Grant Income	-	-	-	-	-	-
Total Non-Operating Revenue (Expense)	**160**	**439**	**710**	**834**	**902**	**894**
Change in Net Position/Available for Reserves	**61,609**	**115,439**	**71,494**	**38,061**	**(4,792)**	**(20,483)**

For forecast years FY23-24 onward:

- **Revenues are based on GWh Sales from the CEC IEPR load forecast and CalCCA NewGen Model for SVCE margin analysis using latest market data**
- **Power Supply Costs are based on updated portfolio positions and latest market data**
- **Operating Expenses are assumed to grow 5% / year**
- **Staffing Headcount is unchanged from proposed FY22-23 level**

NewGen Projection vs PGE ERRA Forecast

Comparing 2023 PCIA / Gen Rates using 3/28 curves

	Proposed PGE ERRA Rate (3/28)	NewGen Projection (3/28)*	Variance
Gen Rate (₵/KWH)	12.62	13.05	0.43
PCIA (₵/KWH)	1.43	0.93	-0.50
Headroom (₵/KWH)	11.19	12.12	0.93

* *Source: NewGen 3.1*

Stress Test Scenarios

Extreme but plausible scenarios that can deplete reserves and make SVCE uncompetitive.

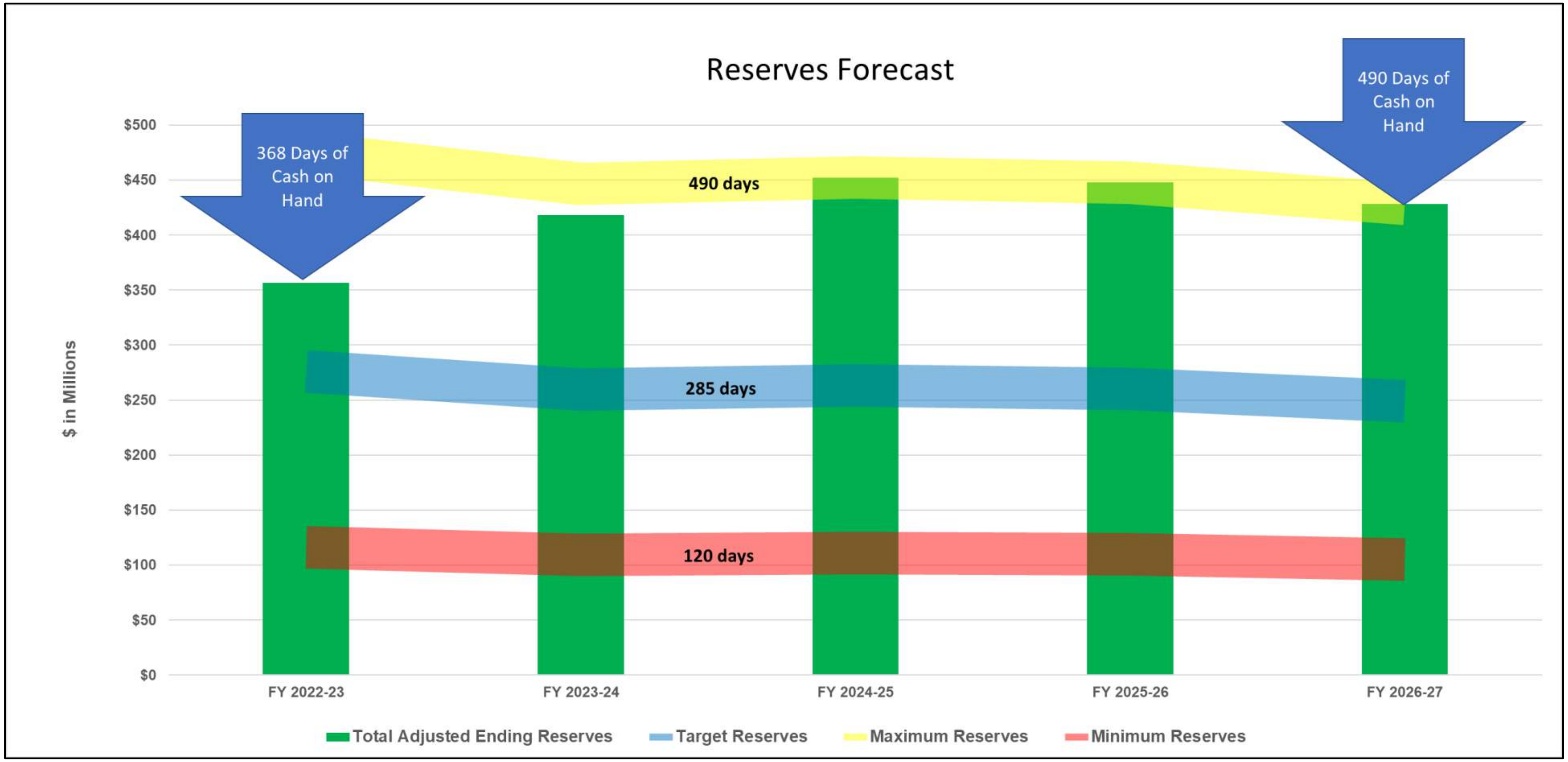
- Ensure adequacy of reserves and organizational resiliency
- Guide development of strategic plan
- Shape FY 22-23 budget and reserve targets
- Price uncertainty Drives the first 4 scenarios

Stress Scenarios for CY 2023 to CY2027 (five-year horizon):

1. Significant drop in energy prices including REC
   - Higher PCIA and lower PG&E Gen Rate
2. Insufficient financial liquidity
   - Price collapse triggers credit downgrade
   - Collateral calls from counterparties and CAISO
   - Increase in POLR (Provider of Last Resort) funding (called FSR – Financial Security Requirement)
3. PPAs default, renegotiate for higher prices, and/or delay start
   - RPS non-compliance penalty
   - Replacement at higher prices
4. Load loss due to direct access and distributed load
5. Threat to Public Services or Facilities

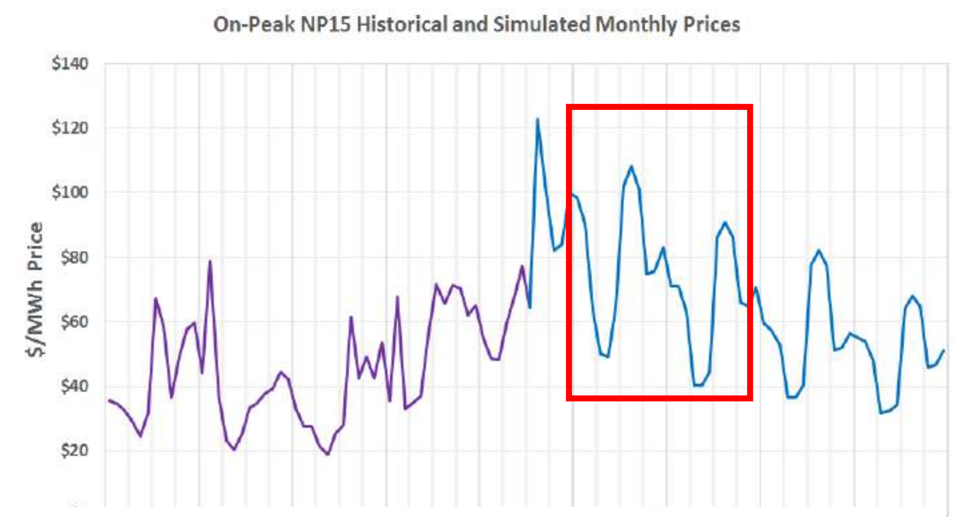
Reserve Projection

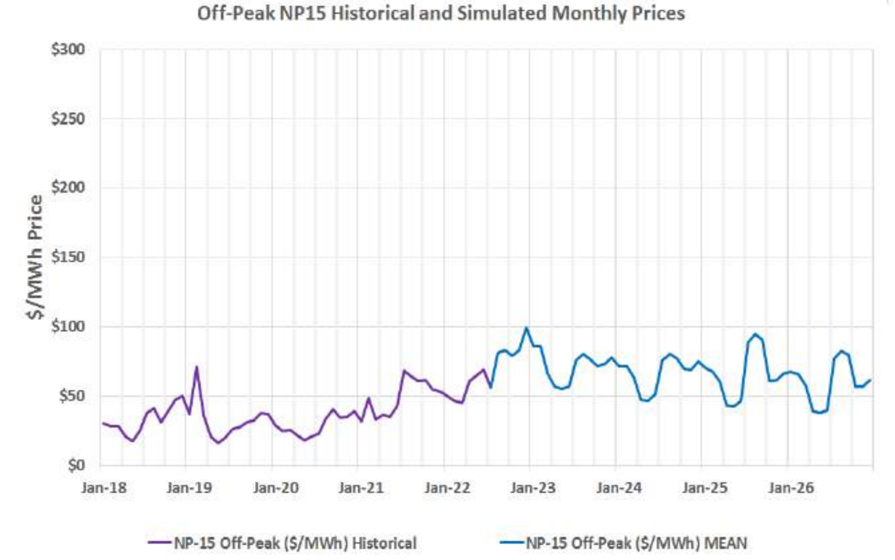
Projections include unspent program dollars



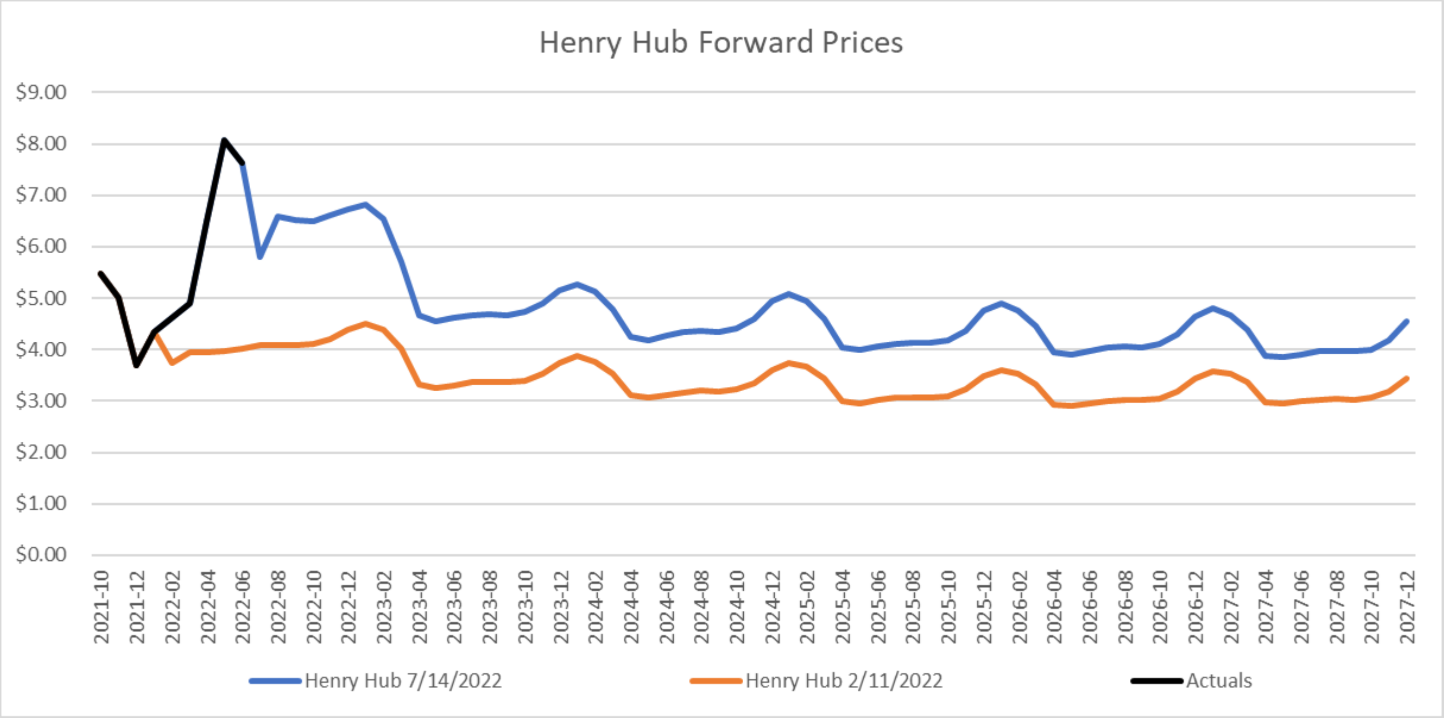
Source: FY2022-23 Proposed Budget

Power Market Price Volatility





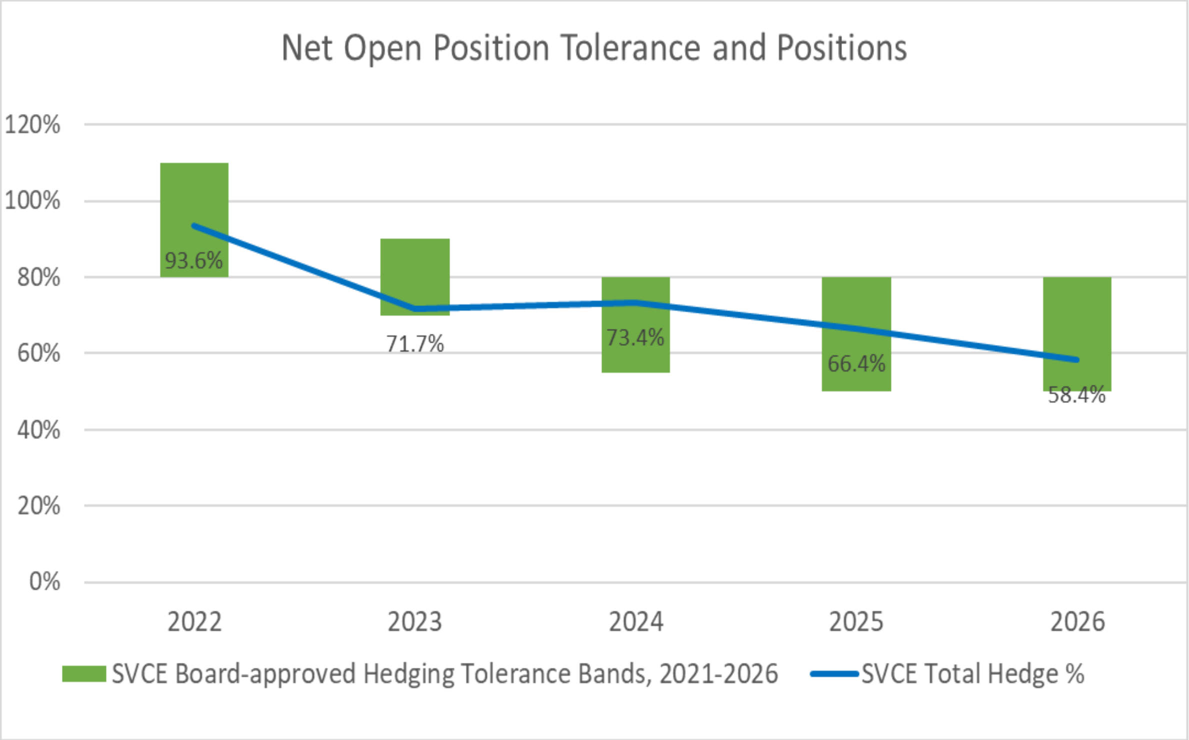
Forward Price Levels elevated compared to history, driven by gas prices recently due to Ukraine Crisis



Energy Risk Management Min/Max Bands

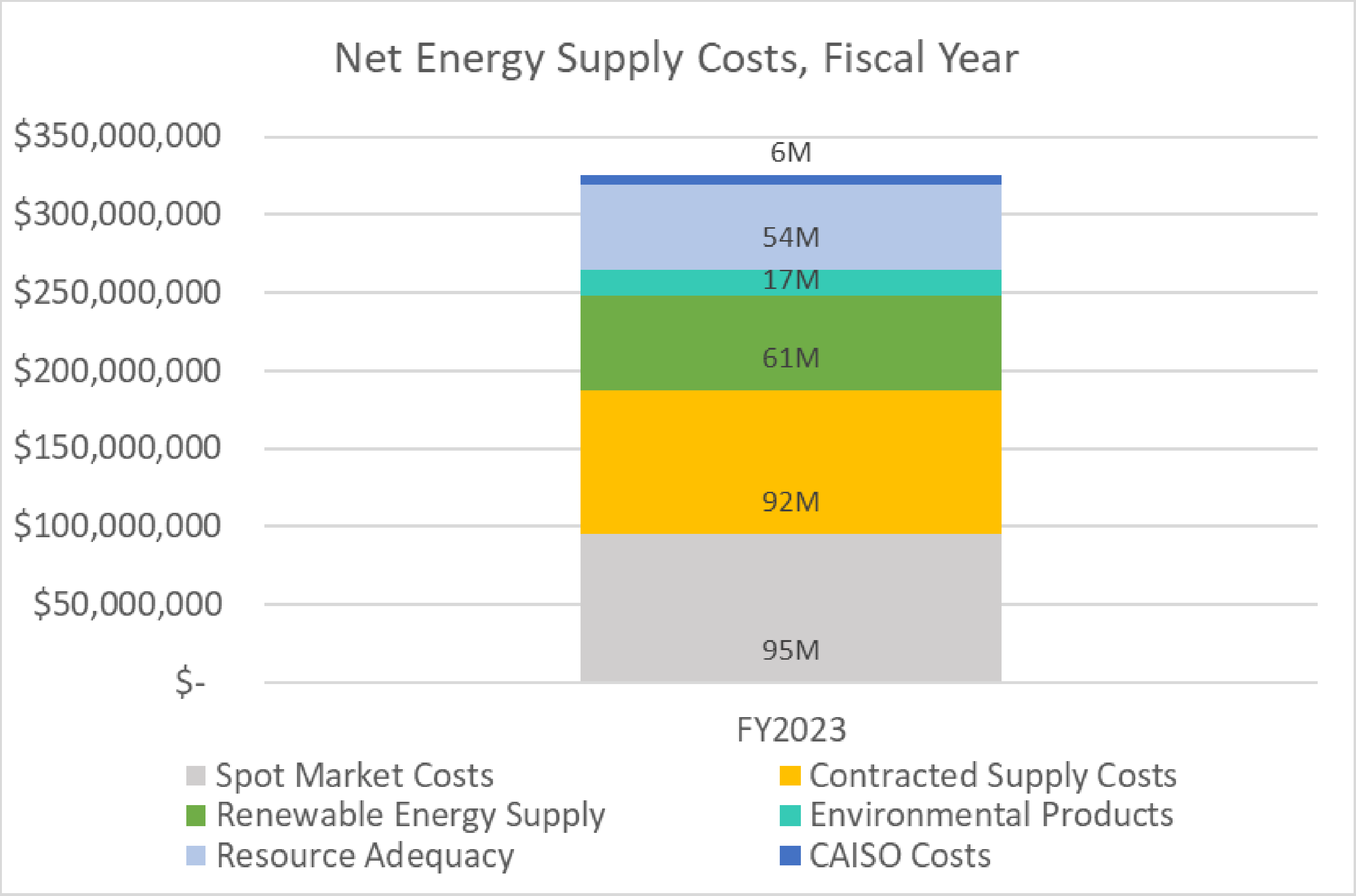
We hedge to manage market price risk. 79% of FY 23 load is hedged. However only 72% of CY 23 is hedged.

Period	Year	ERM Min Tolerance – LRB %	ERM Max Tolerance LRB %	SVCE Total Hedge %
Balance of Year	2022	80%	110%	94%
Year 2 - 2023	2023	70%	90%	72%
Year 3 - 2024	2024	55%	80%	73%
Year 4 - 2025	2025	50%	80%	66%
Year 5 - 2026	2026	50%	80%	58%



Power Supply Costs

FY 23 costs are estimated to be higher than FY 22 at the Mid-Year Budget.



FY 23 Power Supply Cost ~$325.7M:

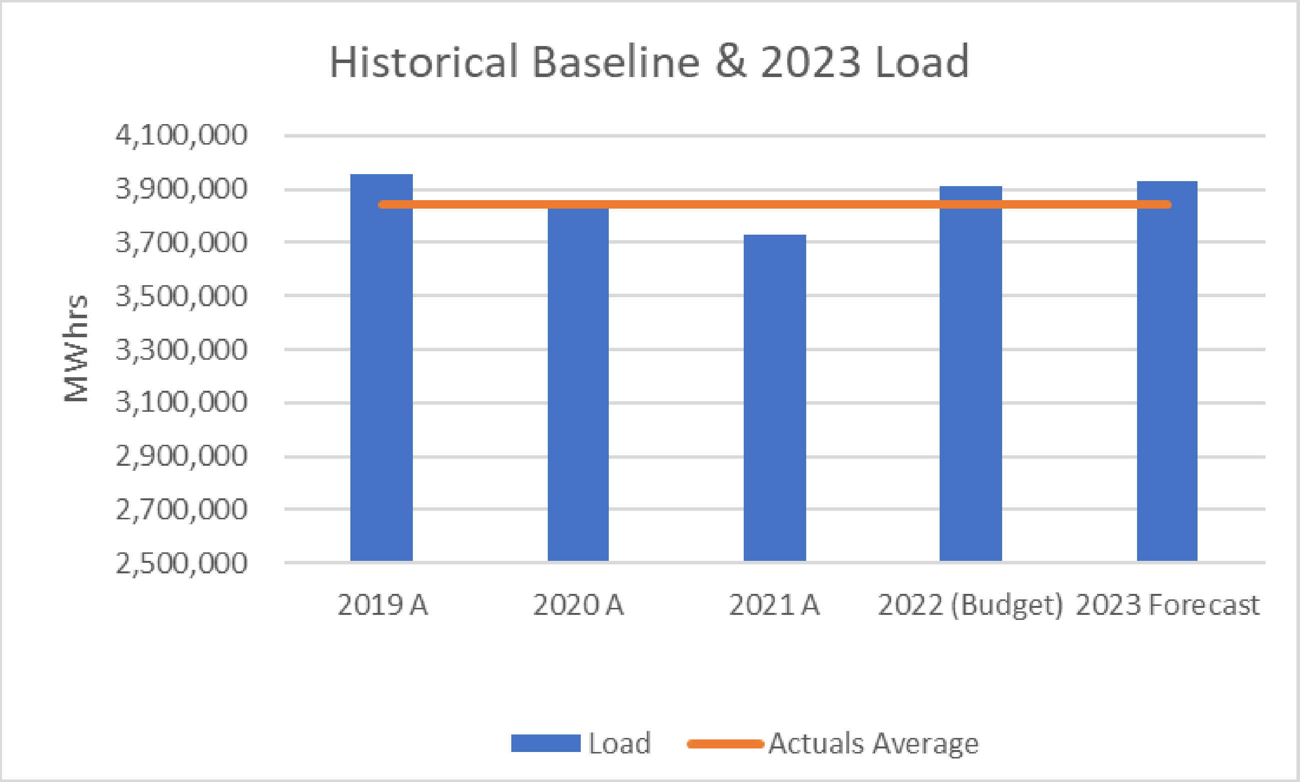
- Load Cost - CAISO energy **(+)**
- Energy hedges (net of CAISO revenues) **(+)**
- Renewable Energy Supply (PPAs) **(-)**
- Clean Environmental Products – short-term index + RECs and carbon-free resources **(+)**
- Resource Adequacy **(+)**
- CAISO non-energy costs **(+)**

Source: FY2022-23 Early Draft numbers

Load Projection

Load Recovery is assumed to be about 50%* offset by increase in new load moving into SVCE portfolio

- Load is yet to recover to Pre-COVID levels.
  - C&I Load is yet to recover
  - Shelter in place residential load increase has tapered off due to return to office and milder temperatures
- This Load loss is offset by some growth with new meters.



*Prior forecast had assumed 100% recovery by 2022.

CCA Comparisons

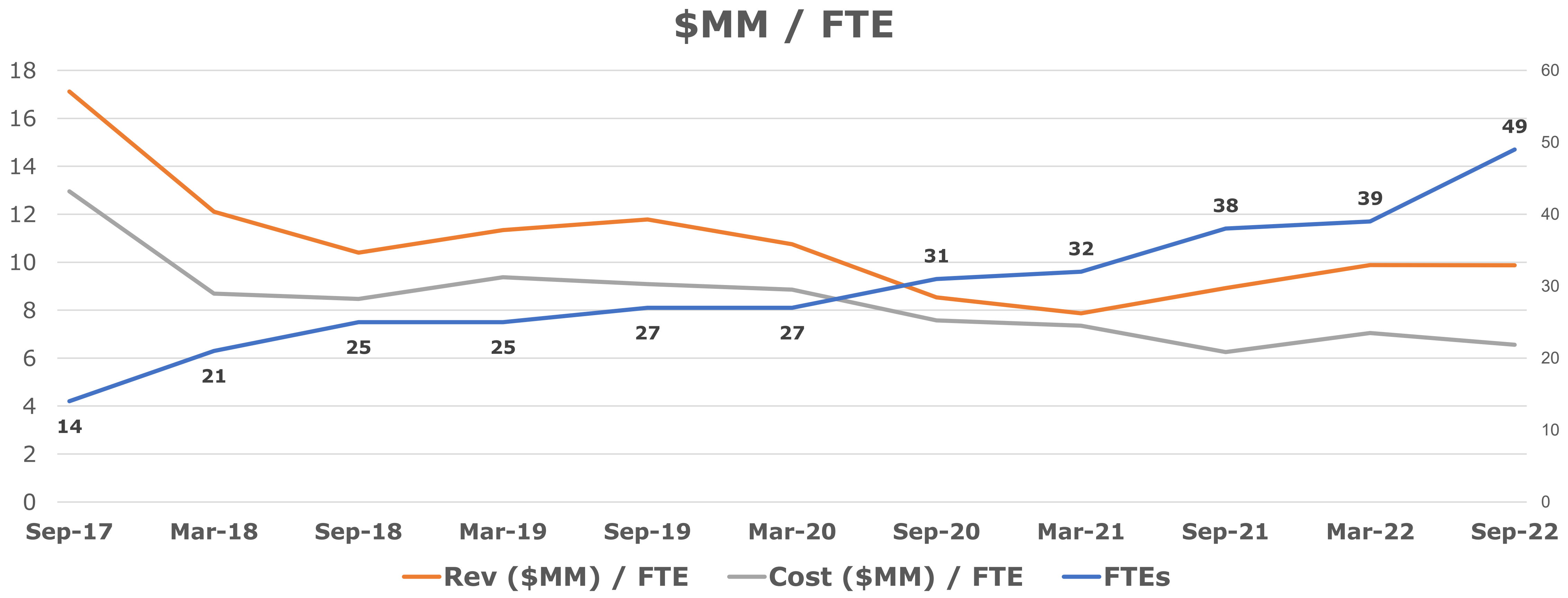
CCA Comparisons					
CCA Name	**FY20-21**			**Staffing**	
	Accounts	**Revenue ($MM)**	**Net Position ($MM)**	**FY21-22**	**FY22-23**
Silicon Valley Clean Energy	274,000	$242.9	$166.1	39	49
Peninsula Clean Energy	296,000	$228.2	$180.8	32	39
Central Coast Community Energy	430,000	$288.6	$190.0	43	43
Clean Power Alliance	1,033,800	$824.3	$74.2	59	69
East Bay Community Energy	640,000	$424.1	$171.9	49	68
MCE	470,000	$454.7	$189.4	63	76

CCA Discount Rates				
CCA Name	**2020***	**2021***	**2022***	**Proposed FY22-23**
Silicon Valley Clean Energy	4%	1%	1%	3%**
Peninsula Clean Energy	5%	5%	5%	5%
Central Coast Community Energy	2%	0%	2% / COS***	2% / COS***
Clean Power Alliance	0%	-17%	0%	0%
East Bay Community Energy	5%	0%	1%	3%
MCE	-3%	-15%	18%	7%

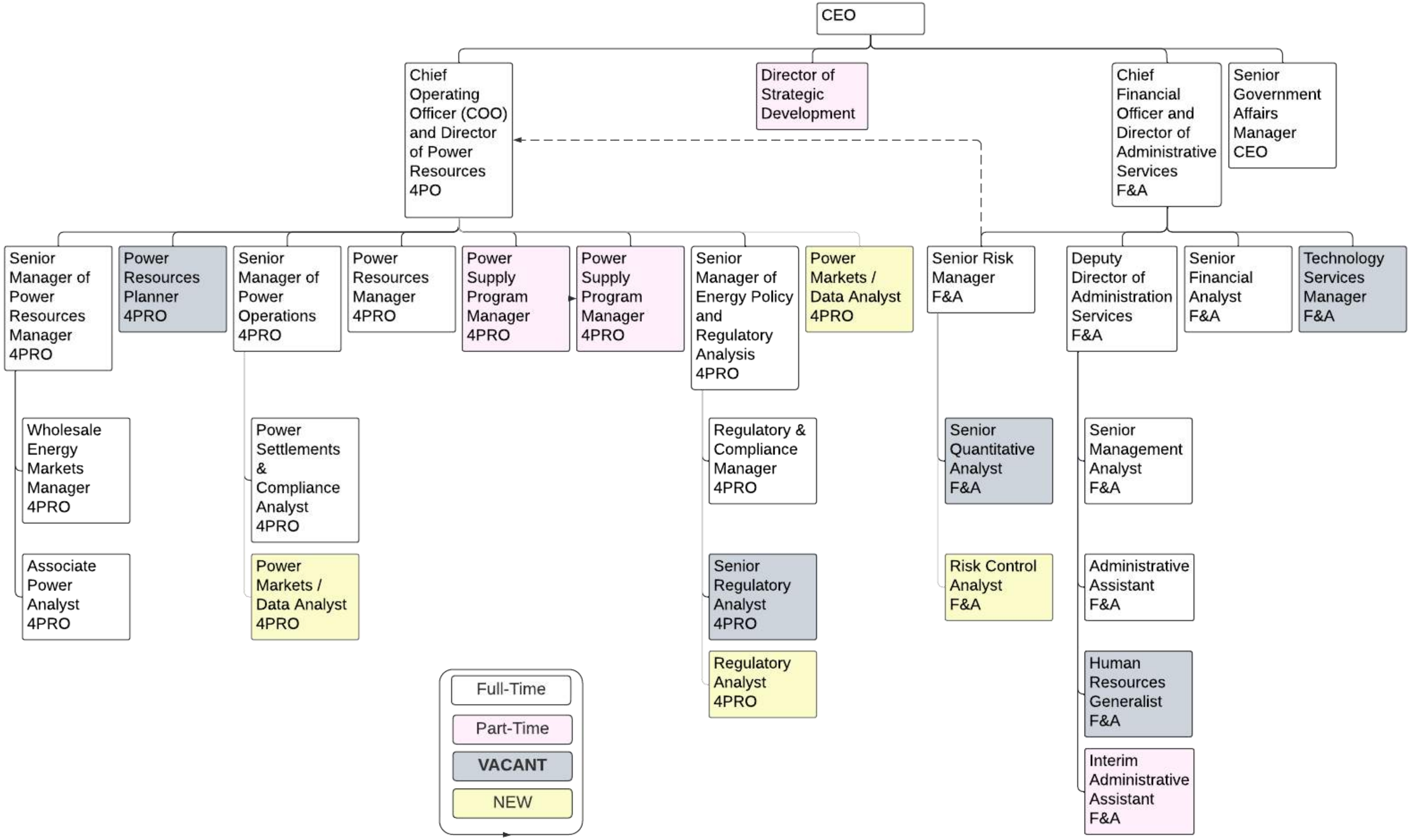
*2020-2022 discounts are determined from residential rates presented in the respective Joint Rate Mailer
**SVCE discount is 1% through CY22, becomes 3% in January 2023
**3CE provides a 2% discount in SCE service territory and bases rates on cost-of-service in PG&E territory

Revenues/FTE; Energy/FTE

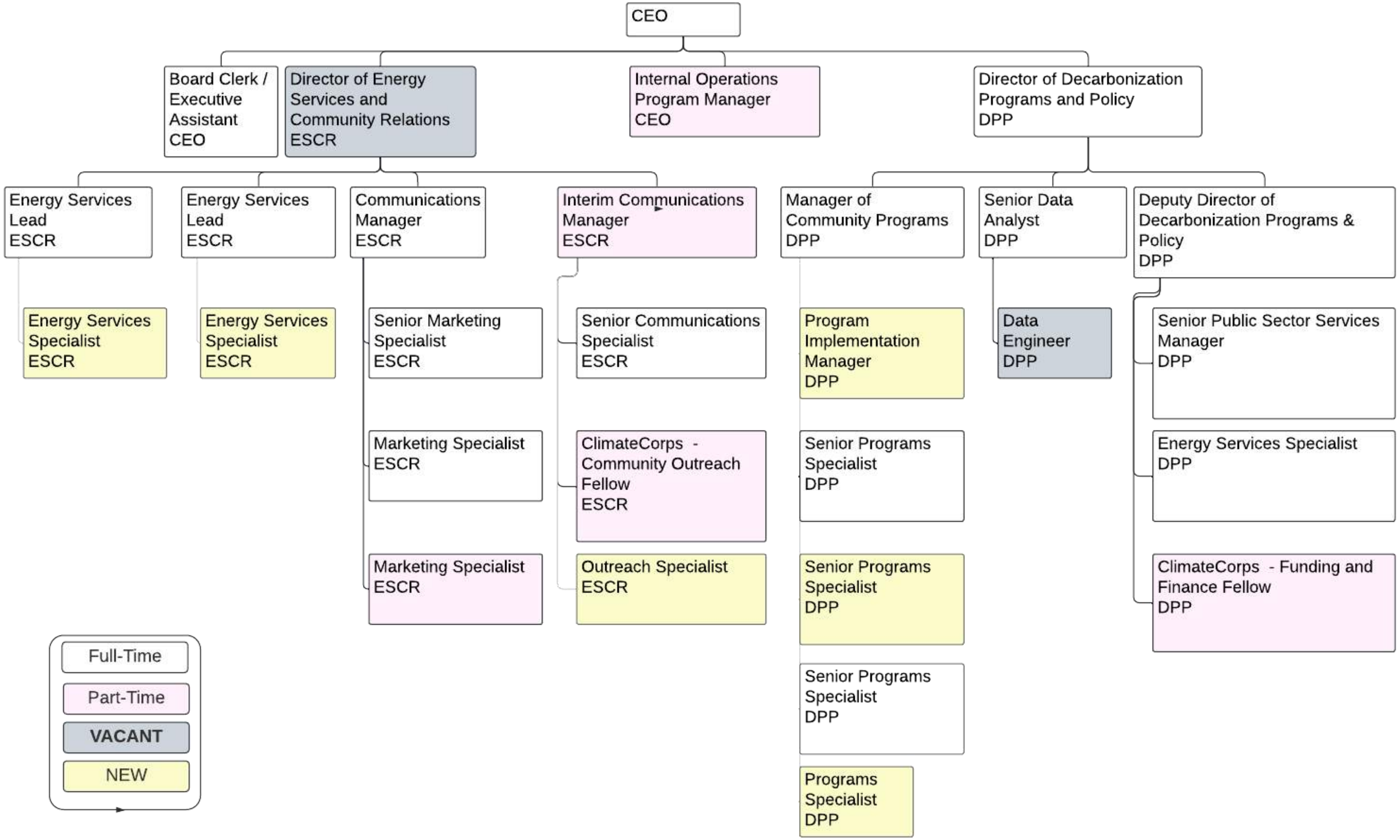
Revenue and Energy Costs / FTE have remained fairly flat over time.



Organization Chart (4PRO / F&A)



Organization Chart (ESCR / DPP)



Decarb Programs and Policy Staffing - today

Current Staff

- Director
- Programs-focused team (3 staff)
- Policy and government support team (3 staff)
- Data team (1 staff, hiring another now)

Recent Re-org

- Consolidated staff working to design and manage programs
- Emphasized tie-in for programs to support local government initiatives and policy

Double Down

- Direction from Board to increase efforts 2X over next few years
- Major scale-up in program scope and local policy support
- On top of ongoing and planned current efforts

Decarb Programs and Policy Staffing - future

Significant Increase in Efforts

- Need to go from ~$2M/year to ~20M/year for next three years
- Need to go from hundreds of rebates to thousands
- Need to meet more with local agencies to explore options and provide support

More Staff Required

- Build capacity for managing additional, larger programs
- Ensure time available for analysis, review and optimizing efforts
- Developing relationships is labor intensive

Tools Required

- Simplify and streamline budgeting, tracking and reporting
- Facilitate increased volume of applications

Decarb Programs and Policy Staffing - needs

Known

- Data analysis support – further inform program approaches and respond to policy questions from cities *(hiring Data Engineer now)*
- Program roll-out capacity – move planned but de-prioritized projects forward, add ability to handle new projects that arise, and increase ability to dig deeper into program details to improve the offerings we have *(requesting Sr Programs Specialist)*
- Government and policy support – allow for more concurrent analysis of requests from different cities, ramp up conversations sooner, and deeply participate in key state-level proceedings impacting decarbonization *(requesting Programs Specialist)*

Currently Unknown – will evolve over coming 12 months

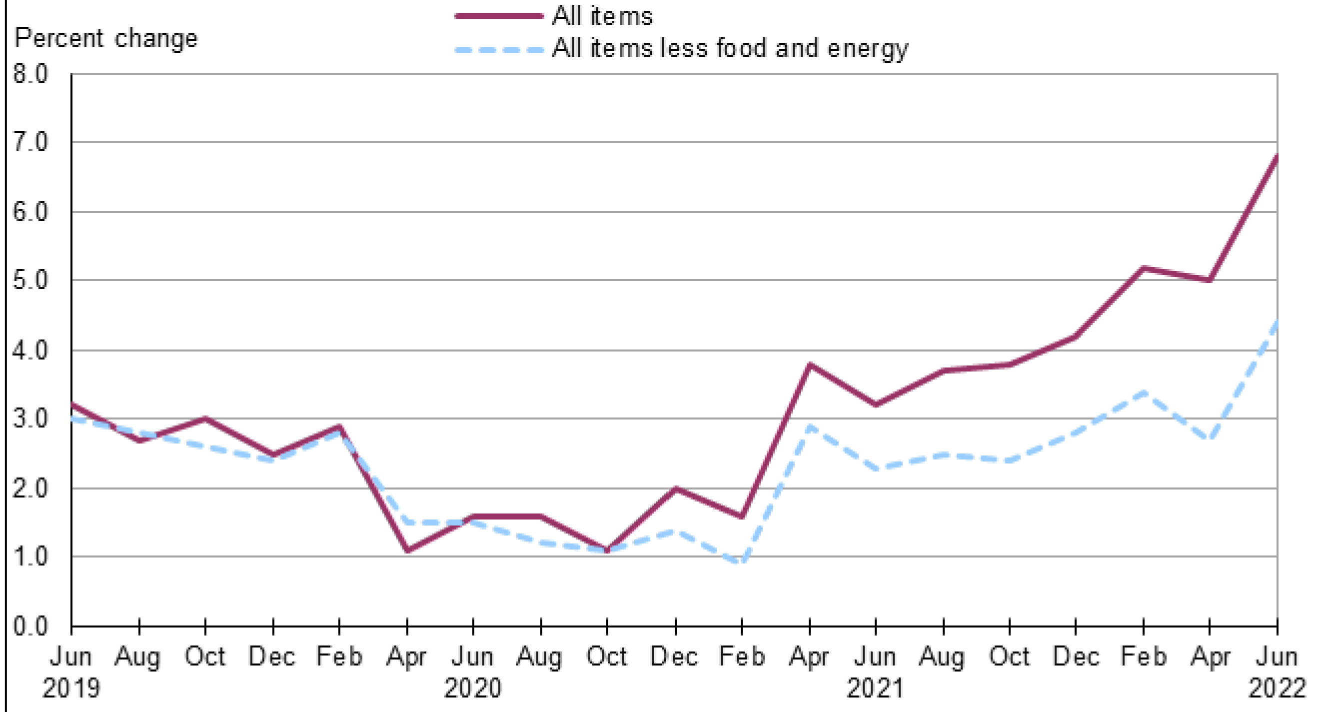
- To reach necessary scale of programs, do we need more staff? Consultants?
- What is the level of uptake from our cities in policy experimentation and exploration?
- How much effort is required to implement new tools? Once in place, how much time do they free up?

Cost-of-Living & Adjustment (COLA) & Merit Increase Proposals

Proposed 5.3% COLA based on SF Bay Area CPI; smoothed over trailing months

Add'l Merit/promotional increases at CEO discretion

Chart 1. Over-the-year percent change in CPI-U, San Francisco-Oakland-Hayward, CA, June 2019–June 2022



Source: U.S. Bureau of Labor Statistics.

Year	COLA
FY17-18	3%
FY18-19	4%
FY19-20	4%
FY20-21	0%
FY21-22	5%
FY22-23 (6 mo trailing CPI) - proposed	5.3%

Consumer Price Index, San Francisco Area — U.S. Bureau of Labor Statistics (bls.gov)

Budget Impact of COLA & Merit Increase Proposals

Proposed 5.3% COLA to be based on SF Bay Area CPI; smoothed over trailing 6 months

Merit increases at CEO discretion

Headcount	Base Salary Cost*	COLA (5.3%)	Merit (5% avg)	Total Annual Salary Cost*
39	$6,582,670	$348,882	$329,134	$7,260,685

*Salary, not including benefits or contingency

Proposed Benefit Improvements – Cost Breakdown

SVCE is proposing benefit increases to remain competitive with peer CCAs

Benefit	Current	Proposed	Total Added Annual Cost	% of Personnel Budget	Supporting Detail
Health Reimbursement Account (HRA) Cap	$6000 / year	Cap @ $18k (3x annual)	$0	0%	SVCE leading (3CE offers $3600 / year), but balances growing beyond useful limits.
Cash In Lieu of Health Benefits	$250 / mo	$600 / mo	$37,800	0.31%	CCA range ($250 - $750) **
Monthly Premium Contribution	$1200 / mo	$1500 / mo	$144,000	1.20%	CCA range ($1200 - $1891)
Phone / Internet Allowance	$50 / mo (phone only)	$120 / mo	$41,160	0.34%	CCA range ($50 - $150) – combine into a single "remote technology" allowance **
Paid Parental Leave (bonding)	none	120 hours during 1st year after birth	$84,000	0.70%	Offered by MCE and PCE
Employee Participation in Program Incentives	none	$2500 / FTE	$61,250	0.51%	Recommend setting up a budget amount for staff to benefit from similar decarbonization incentives as customers, but separated to avoid issues of unfair access. Assumes 50% utilization.**
		TOTAL	**$368,210**	**3.06%**	

** Benefit may be taxable to employees; SVCE confirming tax status

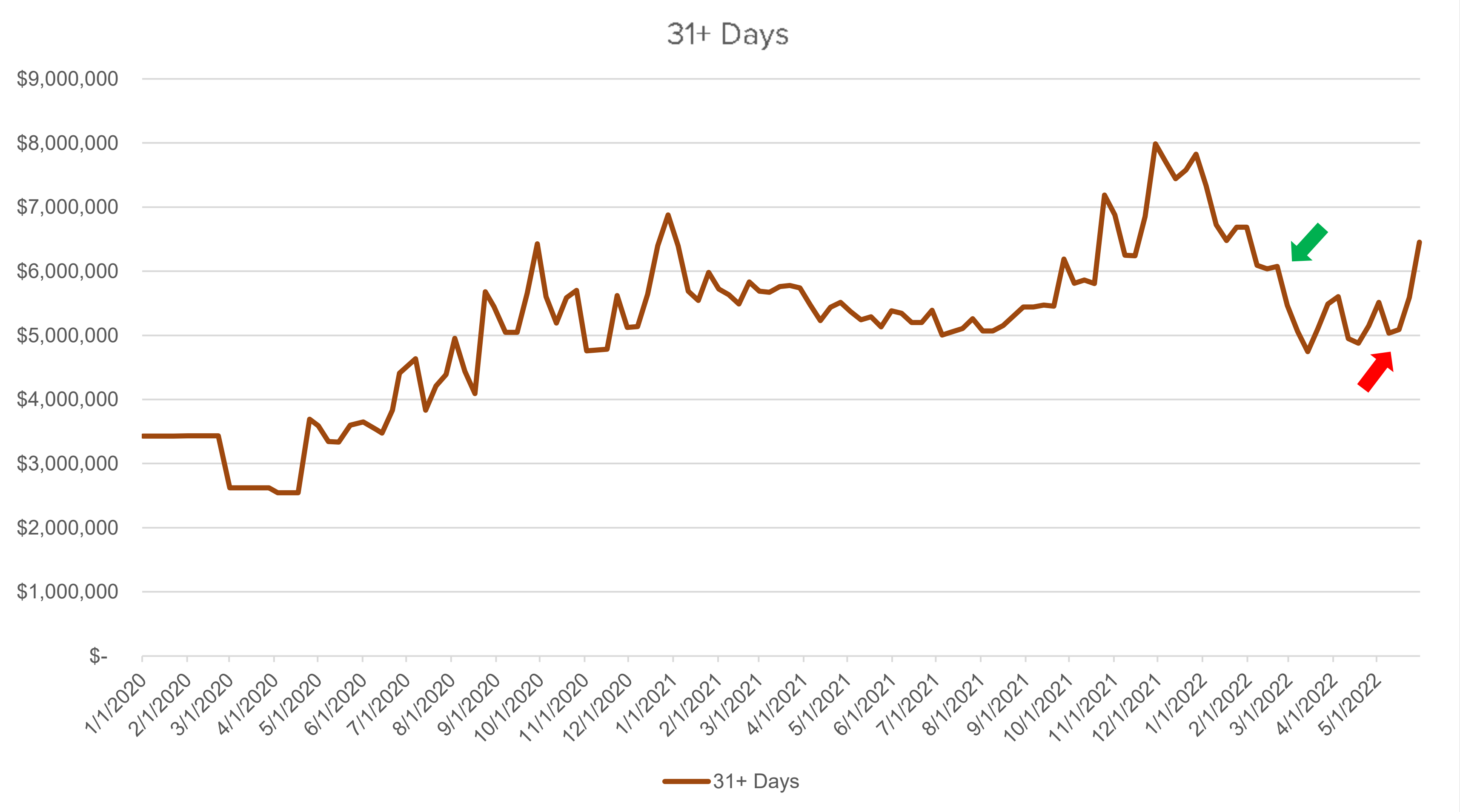
Staffing / Benefits – Fiscal Impacts

HRA Levels by # of FTEs

HRA Balance	# of FTEs
Above $18k	6
$10k - $18k	5
$5k - $10k	10
Under $5k	4

Since March 2020, the overall arrearage amounts have grown roughly 2.5x.

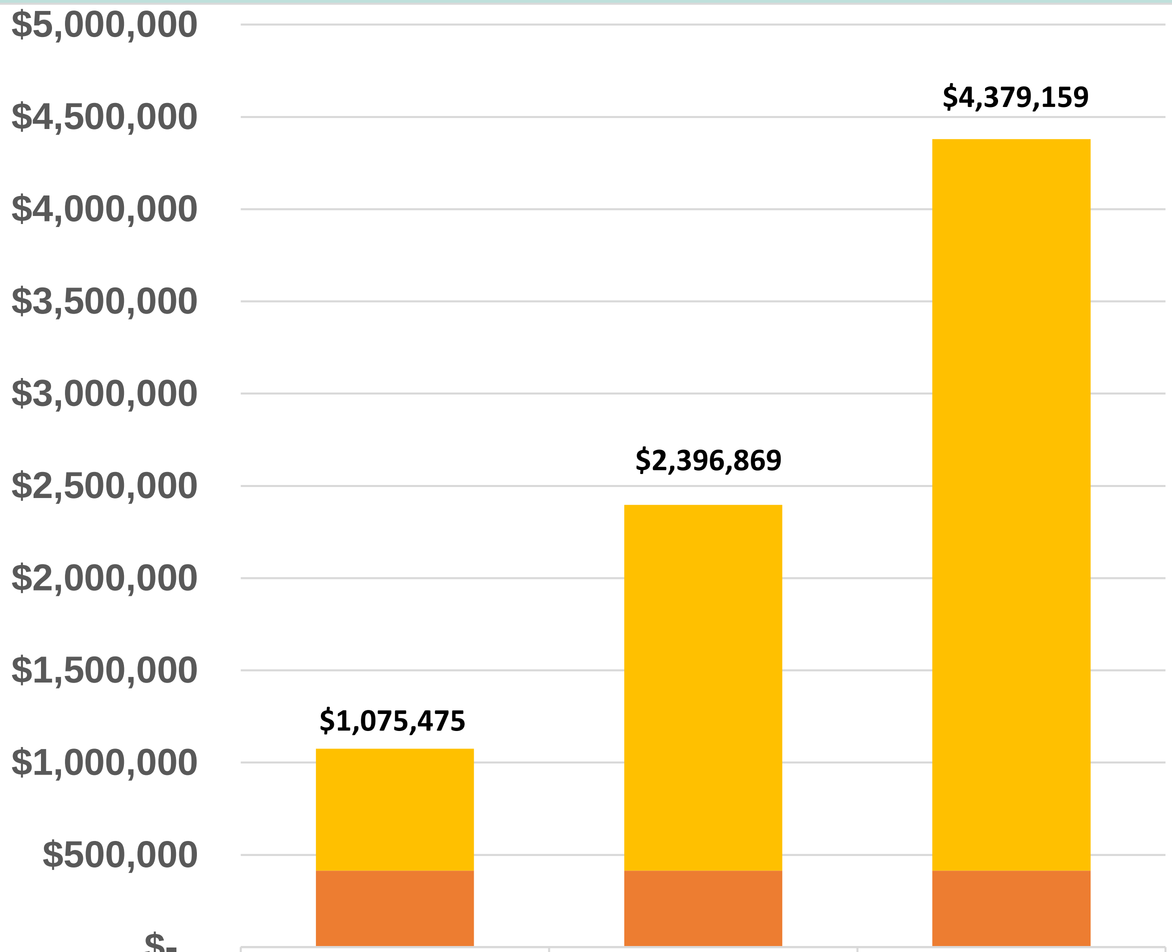
SVCEs Arrearage Total for customers 31+ days late



	Date	Amount
High	11/29/2021	$7.99M
Low	4/17/2020	$2.54M
Current	**5/30/2022**	**$6.45M**

- Green arrow indicates receipt of $1.3M in Federal CAPP funds
- A second round of CAPP funding is expected for late summer/fall 2022
- Growth at red arrow indicates short-term growth in 31-60 day aging bucket only - will likely decrease

SVCE 2022 Customer Debt Write-off Bookends



	Low	Medium	High
2022 Additional	$660,895	$1,982,290	$3,964,579
2019 Ordinary Loss	$414,580	$414,580	$414,580

- 2019 Average 31+ Day Arrearage of $2.5M yielded $415k in Write-offs (16.7% of total)
- 2022 Arrearage is $3.9M higher than 2019 after receiving $1.3M in CAPP payments in March 2022
- Remaining $3.9M used as basis for the following write-off scenarios:

Scenario	Assumptions
Low	16.7% of $2.5M **PLUS 16.7%** of $3.9M- same as 'normal' year
Medium	16.7% of $2.5M **PLUS 50%** of $3.9M
High	16.7% of $2.5M **PLUS 100%** of $3.9M

Data Current 5/30/2022

BPO Overview

BPO is a key initiative under the strategic focus area: Internal Operations & Cyber Risk Management

CURRENT STATE

1. Small group of people managing multiple large transactions (~$275MM annually)
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

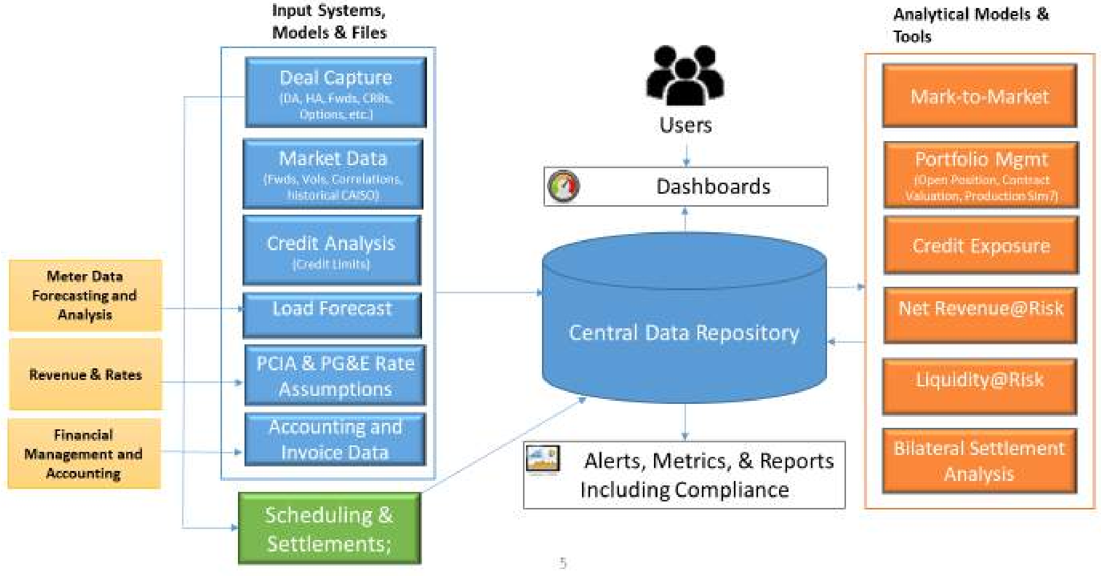
Future

BPO - Phased Implementation of a Detailed Roadmap

- Current: Phase 1 of the project focuses on Deal Capture and Settlements
  - $500k year 1 license
  - $600k implementation
  - $275k contingency
- Phase 2 will focus on portfolio and risk management integrations
- Phase 3 will be defined later but could include:
  - Customer Relationship Management Including Program Design and Implementation
  - Meter Data Forecasting and Analysis
  - Financial Management and Modeling

ETRM & Regulatory Compliance Mgmt.

Integrated, Automated, and Auditable Business Process



BPO - Next Steps for Deal Capture and Settlements System

June/July 2022	• Contract negotiation
Sep. 2022	• Seek BOD approval
Oct. 2022	• Work commences
Balance of FY22 & 23	• Project timeline • Vendor proposals indicate a 6–12-month implementation plan
Late FY23 & early FY24	• Implementation complete

Value of Deal Capture and Settlements

Scale of SVCE's Wholesale Portfolio

- SVCE's wholesale portfolio is scheduled and settled at an hourly and sub-hourly basis
- Monthly settlements with suppliers are payables of over **$25M per month** and based on over **348K rows of data**
- CAISO settlements have approximately 20 highly relevant charge codes applicable to SVCE's portfolio and CAISO settles each trading day 5 times resulting in nearly **35M rows of data** per month and over **$50M in total costs and revenues**
- Sheer magnitude of portfolio requires a Deal Capture and Settlements system
  - Not manageable with spreadsheets (Excel limit is ~1M rows)
  - Significant operational risk if SVCE operates without a scalable system
  - System is basis for confidence in accuracy of SVCE's portfolio costs and revenues

	Bilateral Settlements
# of PPAs	13
# of Data Points (Price, Quantity, Amount)	3
# of Intervals per Hour	12
# of Hours per Day	24
# of Days per Month	31
Total Intervals of Data	348,192

	CAISO Settlements
# of Relevant CAISO Charge Codes	20
# of Settlement Versions	5
Total Intervals of CAISO Data	34,819,200

Contract Costs Paid to Suppliers	$25,000,000
Absolute Value of CAISO Settlements per Month	$50,000,000
Total Dollars Settled per Month	$75,000,000

Budgeted Contributions to Other Organizations

Organization	Adjusted Amount ($000s)
CA Community Power (CC Power)	150
CA Community Financing Agency (CCCFA)	75
CA Community Choice Association (CalCCA)	400
TOTAL	625

2022-2023 Operating Budget

SILICON VALLEY CLEAN ENERGY
FY 2022-23 OPERATING BUDGET
($ in thousands)

DESCRIPTION	FY 2022-23 PROPOSED BUDGET
ENERGY REVENUES	
Energy Sales	482,930
Green Prime	931
TOTAL ENERGY REVENUES	483,860
ENERGY EXPENSES	
Power Supply	325,296
OPERATING MARGIN	158,564
OPERATING EXPENSES	
Data Management	3,413
PG&E Fees	1,470
Salaries and Retirement	12,024
Professional Services	8,016
Marketing & Promotions	862
Notifications	131
Lease	525
General & Administrative	1,857
TOTAL OPERATING EXPENSES	28,299
OPERATING INCOME (LOSS)	130,265
NON-OPERATING REVENUES	
Other Income	50
Interest Income	592
Grant Income	0
TOTAL NON-OPERATING REVENUES	642
NON-OPERATING EXPENSES	
Financing	3
Interest	0
TOTAL NON-OPERATING EXPENSES	3
TOTAL NON-OPERATING INCOME (EXPENSES)	639
CHANGE IN NET POSITION	130,904
CAPITAL EXPENDITURES, INTERFUND TRANSFERS & OTHER	
Capital Outlay	200
Transfer to CRCR Fund	0
Transfer to Program Fund	9,765
Nuclear Allocation	1,900
Add'l Programs Allocation	0
Add'l Customer Bill Relief	3,600
Other	0
TOTAL CAPITAL EXPENDITURES, INTERFUND TRANSFERS & OTHER	$15,465
BALANCE AVAILABLE FOR RESERVES	$115,439

Item 5
PRESENTATION

Approval of Mid-Term Reliability Baldy Mesa Resource Adequacy Agreement

SVCE Board Meeting
September 14, 2022

SILICON VALLEY CLEAN ENERGY

Baldy Mesa Recommendation

Delegate authority for CEO to execute with following parameters:

- 10-Year term Resource Adequacy (RA) Agreement with expected delivery from June 1, 2023 through May 31, 2033;
- Up to 75 MWs megawatts (MW) of lithium-ion battery incremental capacity; and
- The total contract amount not-to-exceed $81,477,000.

Mid-Term Reliability Order

11,500 MWs of additional clean capacity to be procured by 2026

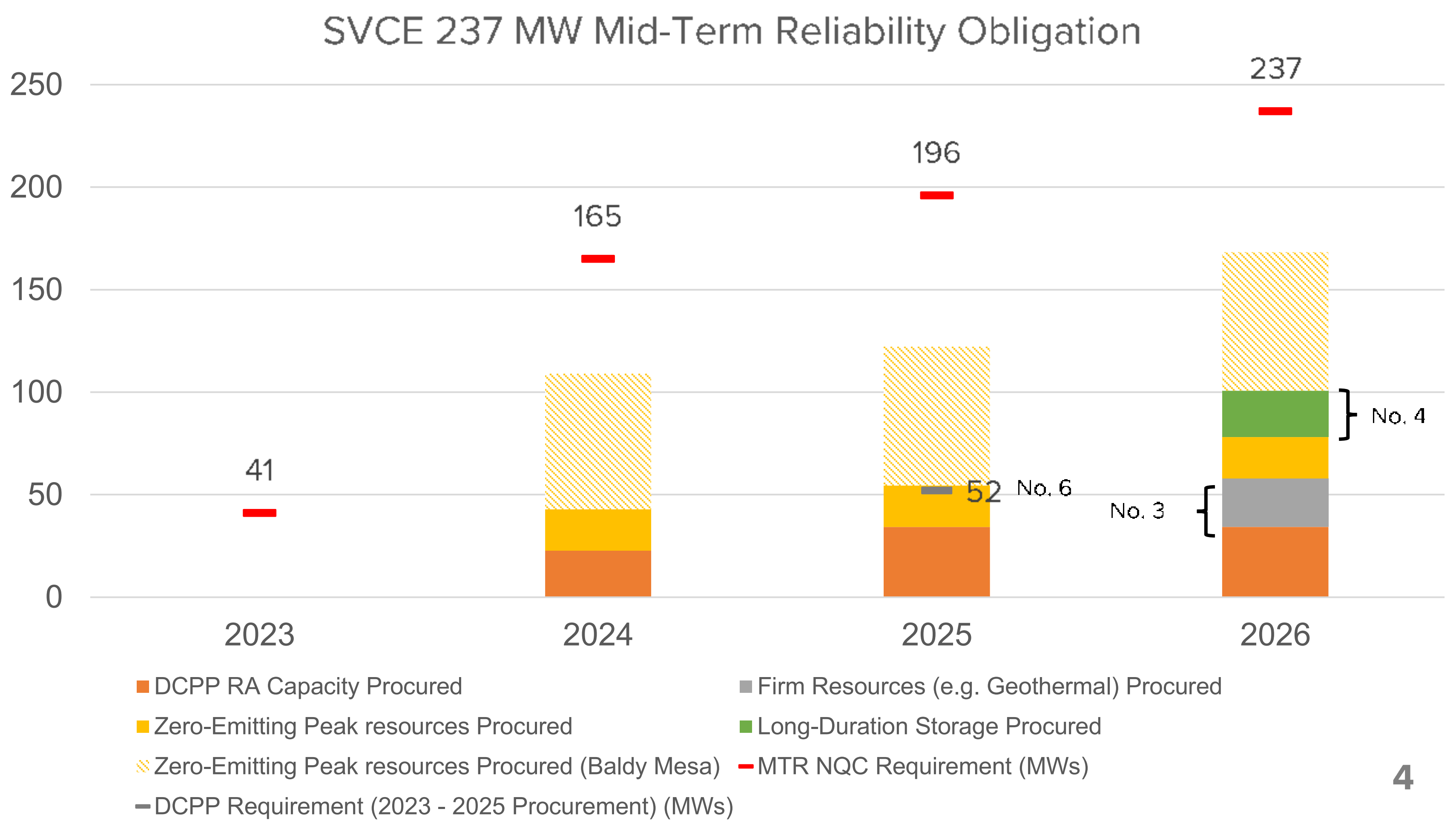
- **D.21-06-035 adopted by CPUC on June 24, 2021 to address reliability needs**
- **Designed to achieve ambitious greenhouse gas (GHG) emissions reduction targets by 2030**
- **Mandates the procurement of clean and reliability zero-carbon electricity resources**

- Objective of replacing the capacity retiring from the Diablo Canyon Power Plant and several once-through-cooling units
- Requirements are allocated to all LSEs in proportion to their overall load on the electric system
- The order further distinguishes technology specific procurement requirements such as:
  - Long-Duration Storage (8-Hour Duration)
  - Firm Clean Resources (Geothermal)
  - Paired Energy Producing Capacity (Solar + Storage)
  - Zero-Emitting Peak Resources (4-Hour Storage)

SVCE's Mid-Term Reliability Obligation

- ***MTR Requirement No. 1*** – Zero-Emitting Peak Resources (by 2023)
- ***MTR Requirement No. 2***– "Diablo Canyon Power Plant (DCPP) Replacement" (by 2025)
- ***MTR Requirement No 3.*** – Firm Clean Resources (by 2026) – New Geothermal ✓
- ***MTR Requirement No 4*** – 8-Hour Long Duration Storage (by 2026) ✓

SVCE required to procure 237 MWs to come online over calendar years 2023 – 2026 to address various capacity needs



Competitive Solicitation Process

Baldy Mesa was selected via the January 2022 SVCE/3CE/SCP Joint Solicitation for MTR Resources

- On January 5th, 2022, Silicon Valley Clean Energy, Sonoma Clean Power Authority, and Central Coast Community Energy, or “The Joint CCAs”, issued the MTR Procurement Joint CCA RFO
  - 38 other projects offered
- Extensive fundamental analysis and evaluation
- Shortlisted Baldy Mesa in March 2022
- Project was selected because of its near-term operation date, price, and experience of working with AES as a developer
- Contract negotiations commenced in April 2022

Baldy Mesa Project Details

AES Baldy Mesa is a paired Solar + 4 Hour Storage Resource

Selected from the March 2022 Mid-Term Reliability Solicitation

- Meets MTR Requirement #1
- Seller: Baldy Mesa Solar, LLC
- Developer: AES Clean Energy Development
- Technology: 4-Hour Duration Lithium Ion Battery
- Project Size: 75 MWs
- Product: Resource Adequacy attributes only of Baldy Mesa's Battery
- Term: 10 Years; (Meets Minimum MTR requirement)
- Price: $/kW-Month Fixed Price
- Location: San Bernardino County, CA
- Expected Commercial Operation Date: June 2023
- Other: Contract allows for the ability to add out of state bridge import to meet 2023 gap

Alternatives

Penalties and Additional Procurement Efforts

If SVCE fails to meet its procurement obligations, the following penalties may be imposed:

- IOUs will be ordered to backstop with costs assigned to LSEs and/or its customers
- SVCE will be assessed penalties if it is determined it did not achieve its requirements or made efforts to procure
- Deregistration as an LSE

SVCE can pursue other procurement efforts and delay procurement to future months

Future Mid-Term Reliability Procurement

Multi-pronged approach to meeting Mid-Term Reliability requirements

- Issued new Joint Solicitation with 3CE/SCP/PCE with focus on 2024 tranche (generic clean resources)
  - Evaluation in process

- Diablo Canyon Power Plant Replacement Procurement Focus
  - Regulatory Advocacy – Extension of deadlines given supply chain difficulty and Diablo Canyon Power Plant extension
  - Possible RFO late Fall 2022

- Preserving SVCE's current Power Purchase Agreements to provide MTR value
  - Administrative Law Judge Ruling – Staff is reviewing and will comment

Baldy Mesa Recommendation

Baldy Mesa will meet a portion of SVCE's MTR Requirement No. 1 for Zero-Emitting Peak Resources

Baldy Mesa will also provide Resource Adequacy to meet regular RA Requirements

Delegate authority for CEO to execute the Baldy Mesa RA-only agreement with following parameters:

- 10-Year term Resource Adequacy Agreement with expected delivery from June 1, 2023 through May 31, 2033;
- Up to 75 MWs megawatts (MW) of lithium-ion battery incremental capacity; and
- The total contract amount not-to-exceed $81,477,000.

Item 6
PRESENTATION
Revised

Integrated Resource Plan (IRP)

September 14, 2022
SVCE Board of Directors

SILICON VALLEY CLEAN ENERGY

Background & Context

Procedural Background

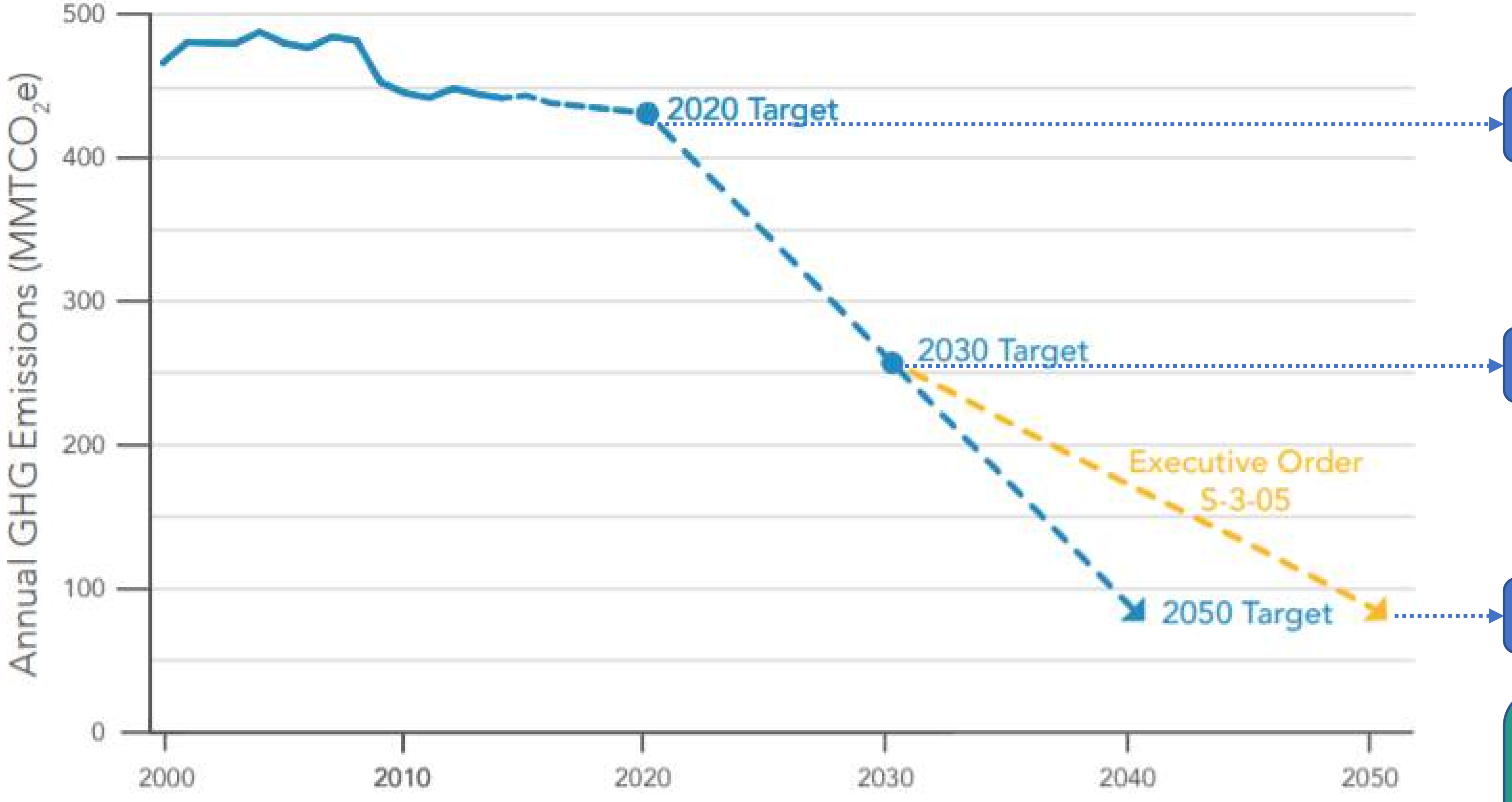
The IRP is used by CPUC as an “umbrella proceeding” connecting many policy issues and state goals.

The potential for procurement orders/ obligations also make it one of the most impactful.

- **LSEs submit IRPs every two years**
  - This is the 3rd IRP cycle
  - LSE Portfolios are required to show how they plan to meet RA, GHG & RPS goals.
    - Planning horizon extended to 2035
- **These plans are “stitched together” to form a Preferred System Plan, which the CPUC confirms will meet all system needs and policy goals**
- **Previous two cycles resulted in procurement orders totaling ~14.8 GW of NQC capacity**

Acronym Key:
LSE: Load Serving Entity
GHG: Green House Gases
RA: Resource Adequacy
MMT: Million Metric Tonnes
CPUC: California Public Utilities Commission
NQC: Net Qualifying Capacity

California's Ambitious Climate Goals



~~2020: Back to 1990 levels~~ ACHIEVED

2030: 40% below 1990 levels

2050: 80% below 1990 levels

SB 100: Renewable and carbon-free energy sources must supply 100% of retail electricity demand by 2045

SILICON VALLEY CLEAN ENERGY

Figure courtesy of California Climate Change Scoping Plan:
https://ww3.arb.ca.gov/cc/scopingplan/scoping_plan_2017.pdf

Electricity Sector's Role

2030 Statewide GHG goal: **260 Million Metric Tons (MMT)** of CO_2 equivalent

CARB set a planning range of 30-50 MMT by 2030 for the electricity sector in 2017. In 2021 the CPUC adopted a **38 MMT** target for the sector in 2030.
This cycle LSEs are directed to explore both **38 MMT** and **30 MMT** scenarios.

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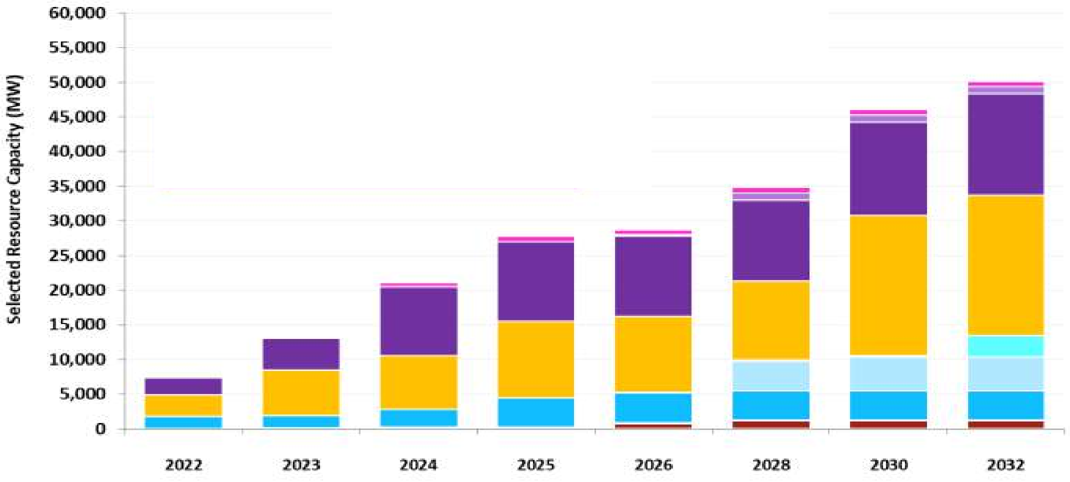
Figure courtesy of California Climate Change Scoping Plan:
https://ww3.arb.ca.gov/cc/scopingplan/scoping_plan_2017.pdf

2022 Reference System Plan

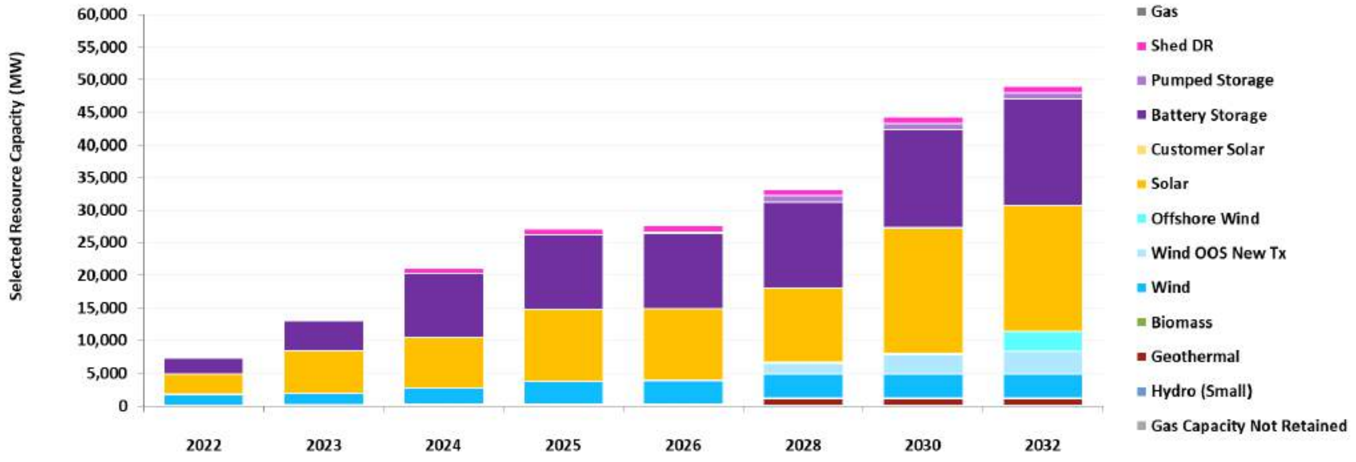
The CPUC believes between 34-46 GW of new capacity will be needed by 2030, depending on the GHG-target.

In the 30 MMT case model primarily adds wind (4 GW), solar (6 GW), batteries (1 GW) to hit GHG targets

30 MMT Case



38 MMT Case



2022 Filing Requirements

- **Due November 1st**
- **3 primary deliverables:**
  - Narrative
  - Resource Data Template (each portfolio)
  - Clean System Power Tool (each portfolio)
- **SVCE is required to file either:**
  - 38 MMT and 30 MMT compliant portfolios *OR*
  - Portfolio(s) that exceed 30 MMT ← Current Trajectory
- **Current status:**
  - Developing select narrative sections
  - Portfolio development

Draft Results & Next Steps

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SVCE Core Goals

SVCE must balance core goals of reliable, clean, and affordable while also meeting compliance requirements

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In evaluation portfolios SVCE must consider:

- **Affordability:** *Does the portfolio remain cost competitive and reasonably balance costs against other goals?*
- **Reliability:** *Does the portfolio contribute reasonably to total system reliability? Will it meet reliability needs in both the context of the IRP and RA proceedings going forward?*
- **Clean:** *Does the portfolio provide a **viable** set of clean energy resources to meet the needs of our customers and the grid? Does the plan put us on a path to carbon-free 24x7?*
- **Risks/ Durability:** *Does the portfolio reasonably balance portfolio risks, including financial and regulatory?*
- **Compliance:** *Does the portfolio meet the compliance obligations for all Conforming Portfolios?*

SVCE Modeling to Date

- **Assessing several potential conforming plans to file**
  - 75% RPS by 2030
  - 100% RPS by 2030
  - 100% RPS by 2035
- **Also completing sensitivity runs – not to be filed – which may inform specific narrative sections**
  - High Electrification Scenario
  - Offshore Wind
  - DCPP Extension
- **All conforming portfolios include SVCE's existing portfolio, PG&E allocations, VAMO allocation and additional short-term RA**
- **All conforming plans use IRP assigned IEPR Forecast – 11% load increase by 2035, 12% peak increase by 2035**

Results Summary

Results shown in this presentation are draft and subject to change.
Both inputs and results are still being revised. These results have not been fully reviewed and vetted.

Plan	Battery (MW), 2035	Generation (MW), 2035	Increase, Battery	Increase, Generation
Current SVCE Portfolio*	175	742	–	–
75% RPS by 2030	300	1332	71%	80%
100% RPS by 2035	300	1584	71%	113%
100% RPS by 2030	300	1584	71%	113%

Common Themes:

- **Hybrid resources often found most economic in near-term**
- **In outer years wind is utilized as system curtailment increases mid-day**
- **Replacing hydro with RPS in the 100% RPS cases requires significant generation build**

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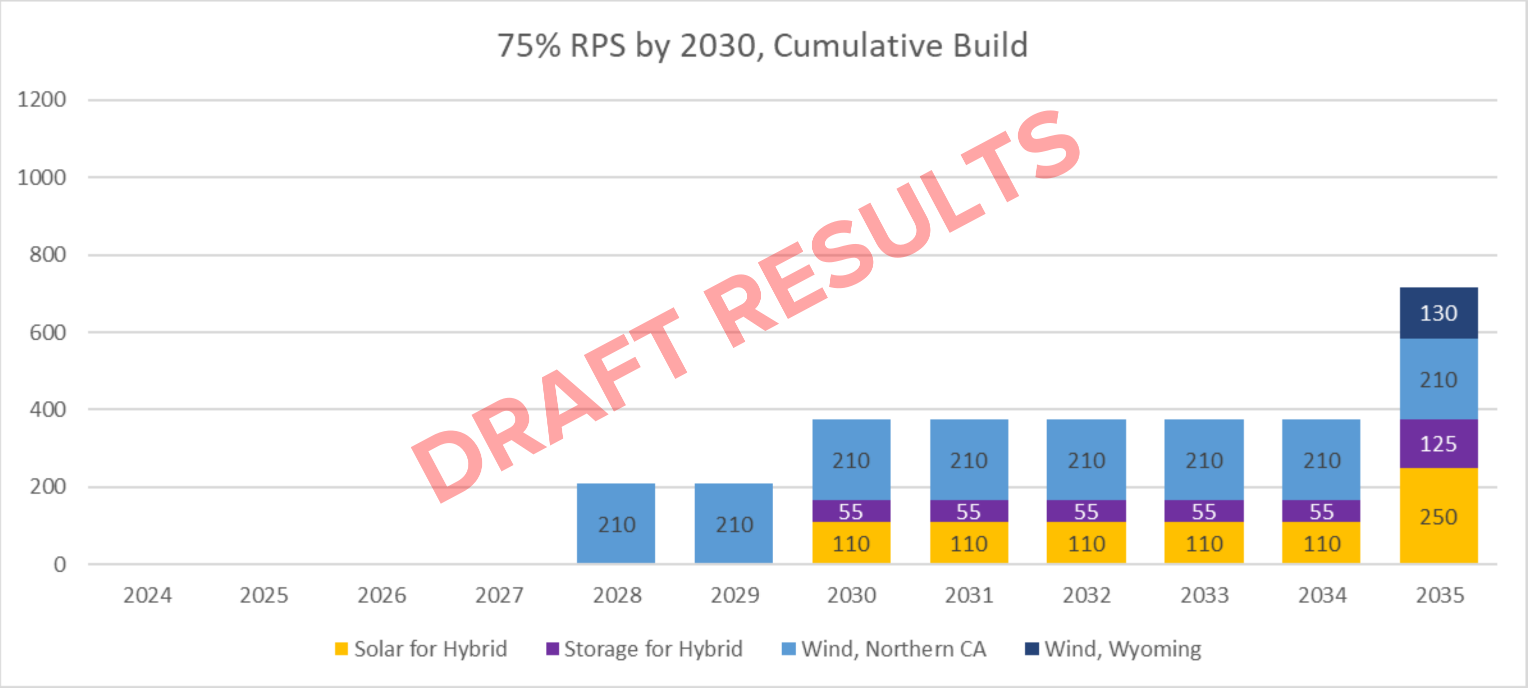
*Values represent all SVCE contracts expected online by 2030.

DRAFT Results – 75% RPS by 2030



- **RPS target stays at 75% post-2030 but load growth quickens**
- **Wind replaces hybrids as mid-day curtailment increases**

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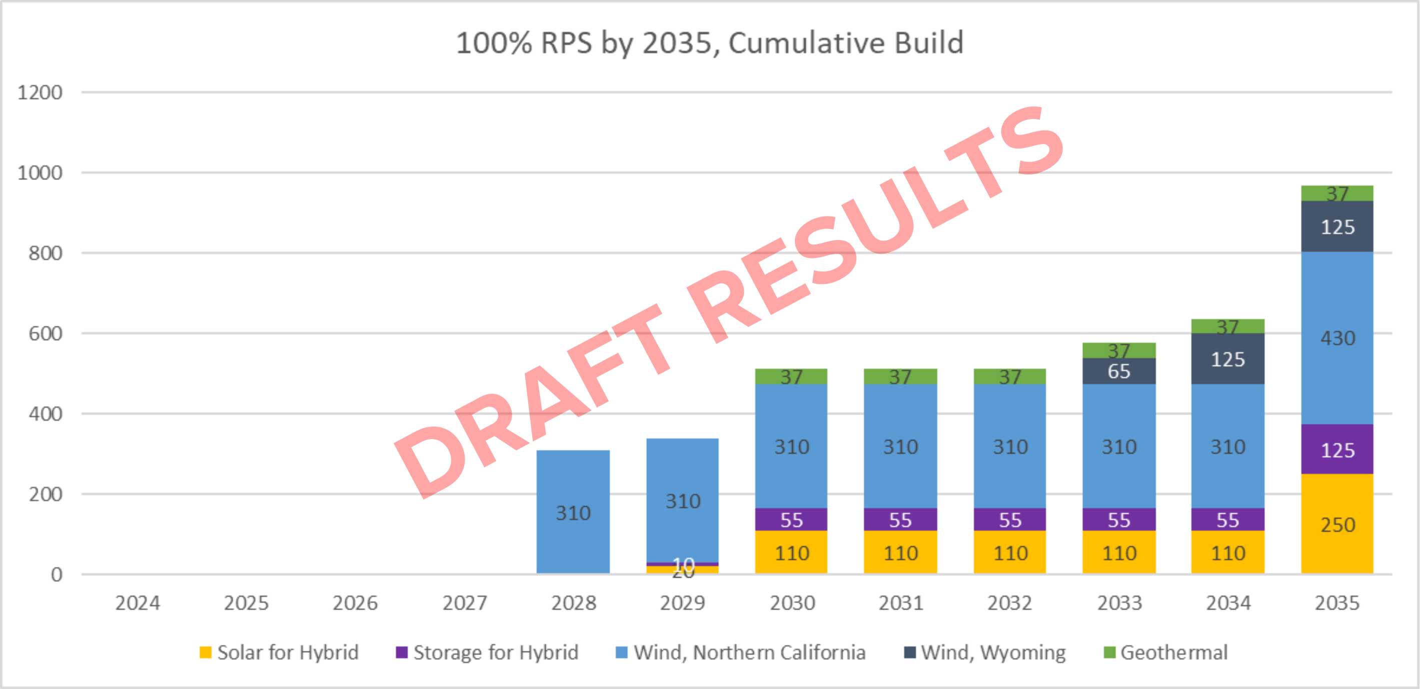
DRAFT Results – 100% RPS by 2035



- **Additional need for RPS energy requires significant ramping of build post 2030**
- **Removes PG&E hydro allocation starting in 2035**

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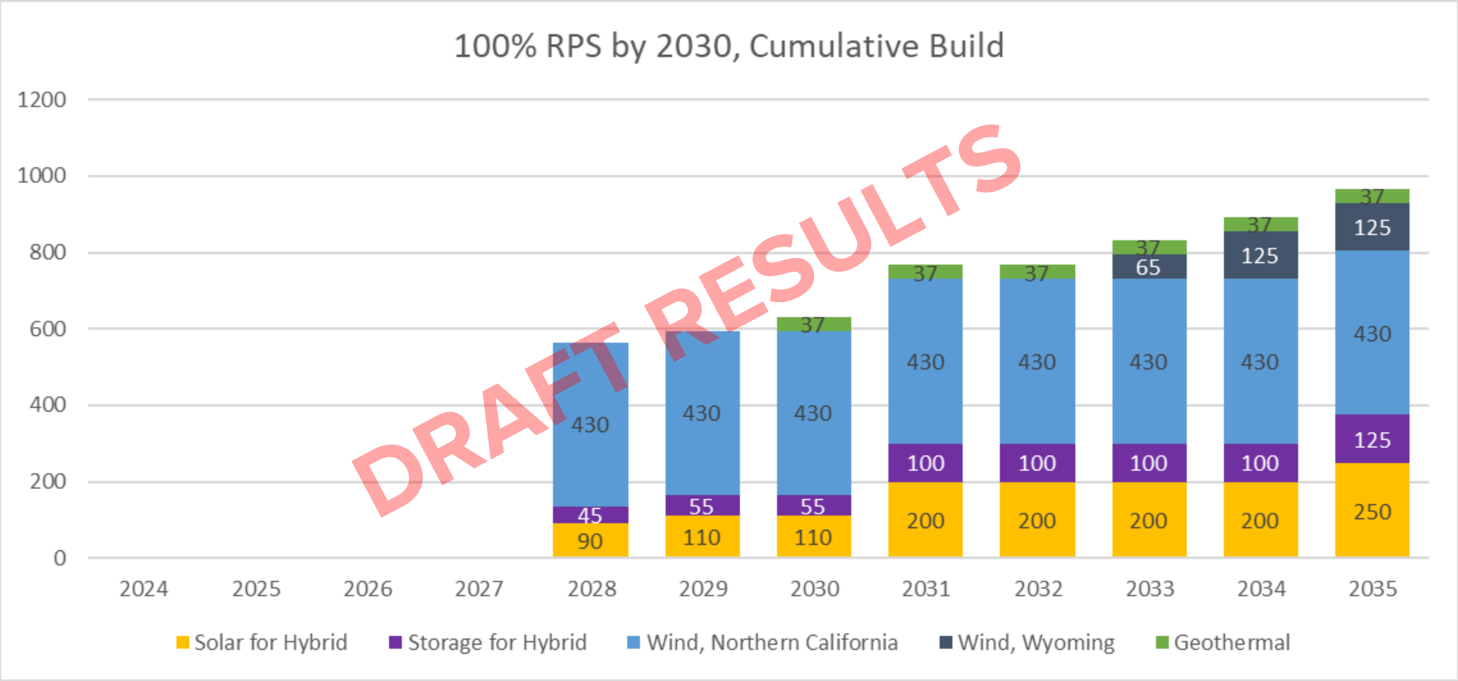
DRAFT Results – 100% RPS by 2030



- New wind requirement to achieve 2030 target may be unreasonable
- Removes PG&E hydro allocation starting in 2030

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Key Themes for Narrative

IRP staff has indicated they would like to make the IRP plan enforceable and are likely to order additional procurement going forward.

SVCE may pre-emptively include some "defensive" arguments for future strategic issues:

- **The Electricity Sector is rapidly evolving as are individual LSE needs. The IRP must allow flexibility in planning over time.**
- Highlight that portfolios are illustrative, not ones we will procure to
  - Procurement dependent on RFO results
- Highlight changes to policies/ procurement orders impact our needs
  - Offshore Wind sensitivity
  - Diablo Canyon Extension sensitivity

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November 1 filing and Next Steps

- **Staff will seek board approval on October 12th for SVCE's IRP filing**
  - Approval of portfolios to submit
  - Approval of key messages
  - Adoption of new policy goals
    - E.g. match preferred RPS targets to board adopted targets

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Appendix

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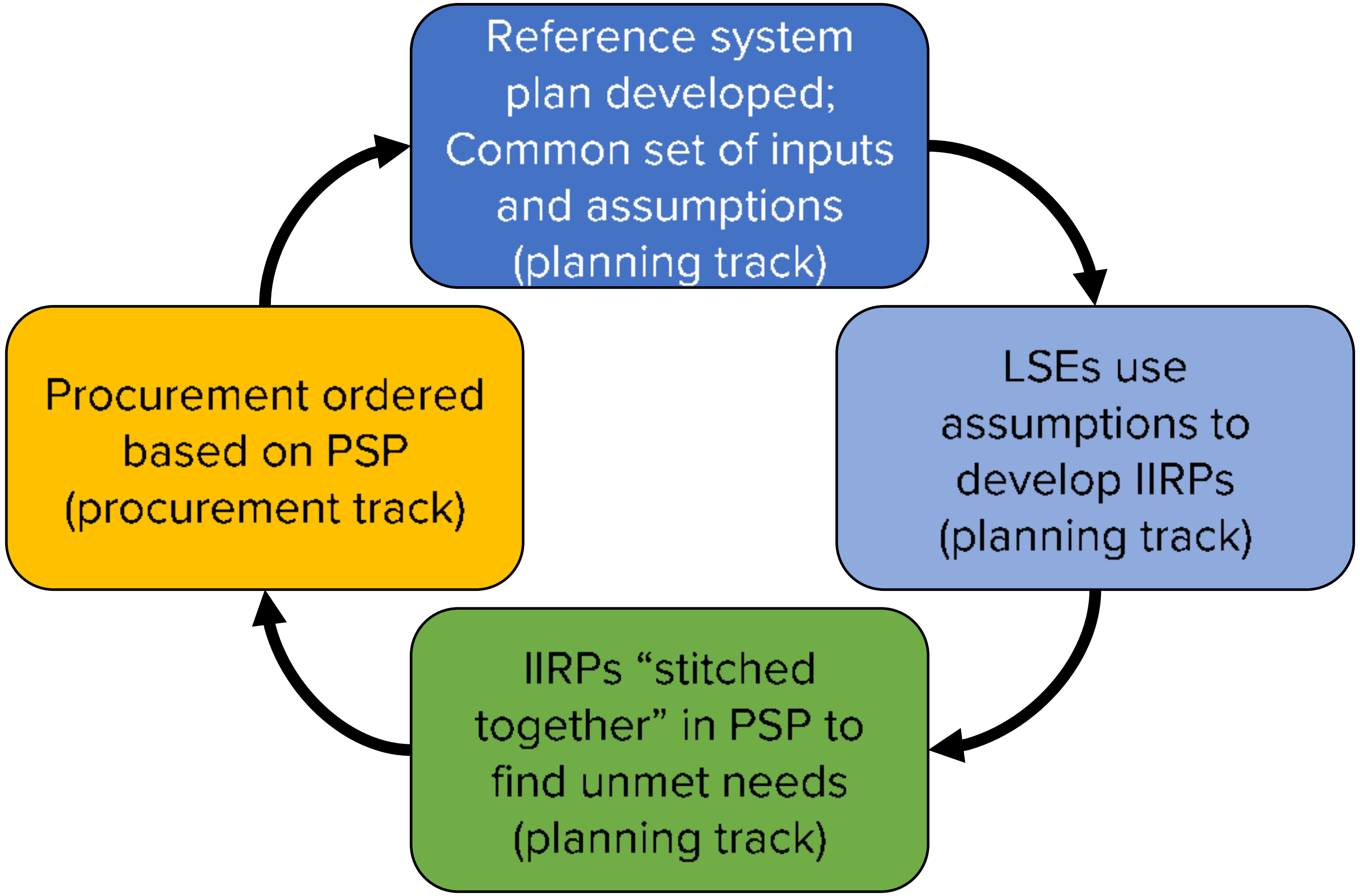
IRP Process Overview



The IRP is designed to check that LSEs and the system at large are on track to ensure system reliability and clean energy goals in the mid to long-term.

There are two primary "tracks"; planning and procurement.

Ideally, all steps of the process flow naturally, with each prior step informing the next.

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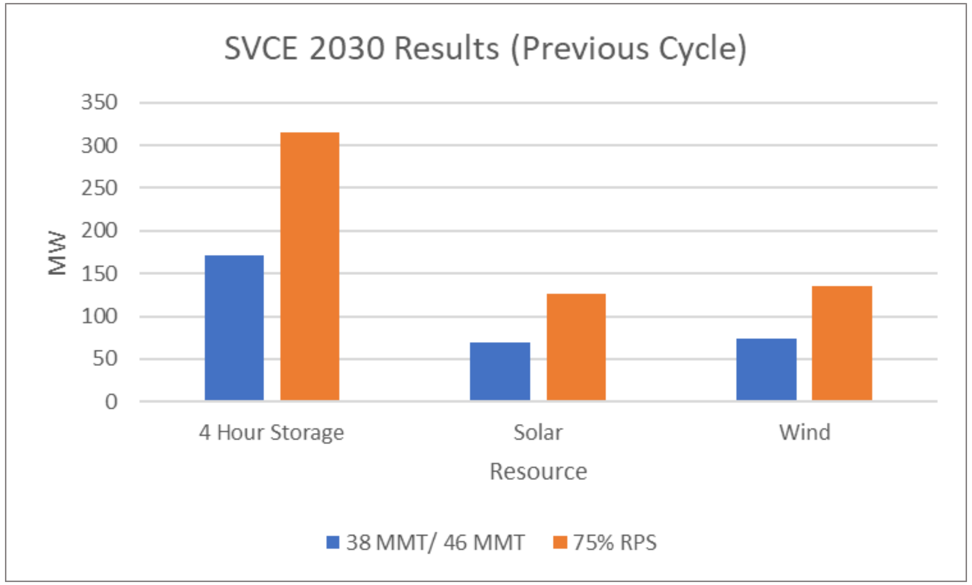
SVCE IRP Background

- **Last cycle SVCE filed three portfolios:**
  - 38 MMT Conforming Preferred
    - Represents target procurement goals
  - 46 MMT Conforming
    - For compliance only
  - Alternate (75% RPS, 38 MMT)
    - Alternative to check lower hydro reliance



Build was the same for 38 and 46 MMT cases, adjustments were made to assumed short-term hydro contracts to achieve required share of MMT target

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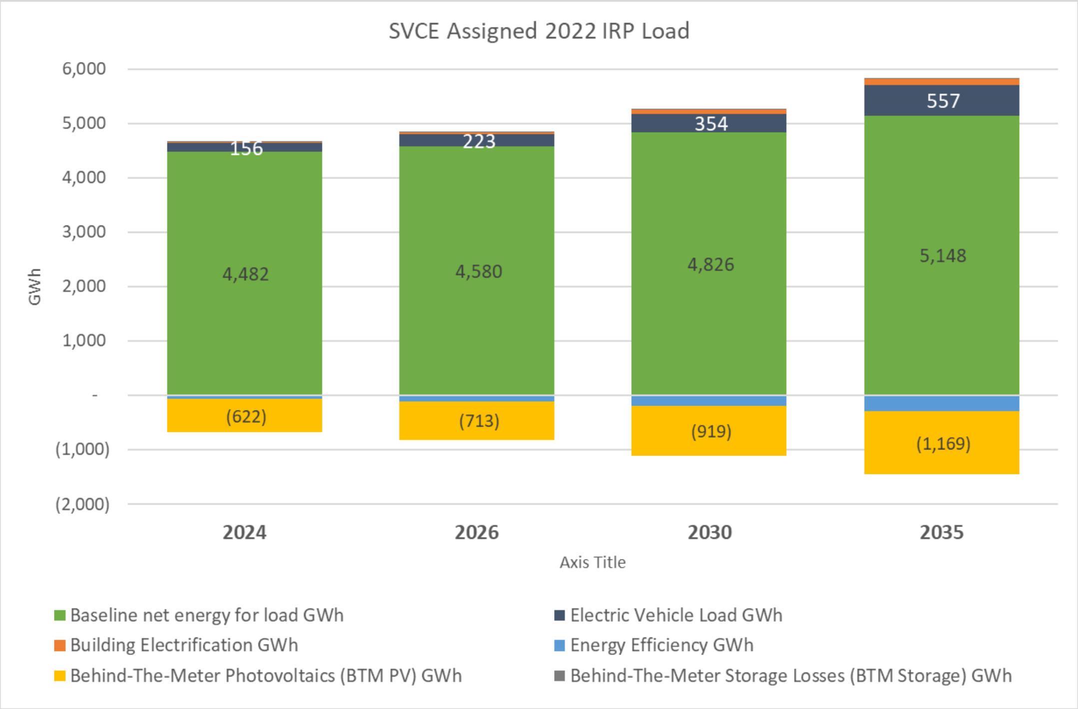
Load Requirements

LSEs are provided load forecasts which they must use for each conforming portfolio.

These assumptions may not match SVCE's long-term view.



Acronym Key:
BTM PV: Behind the Meter Solar Photovoltaic
IEPR: Integrated Energy Policy Report
CEC: California Energy Commission

All Conforming Plans must use the assigned load from the CPUC for energy, peak (RA) and BTM PV needs. Other load modifiers are calculated as a share of load.

These forecasts are derived from the IEPR forecast developed by the CEC.

To assist with the narrative, SVCE will also model a High Electrification scenario which increases load by 11% and peak by 4% by 2035.

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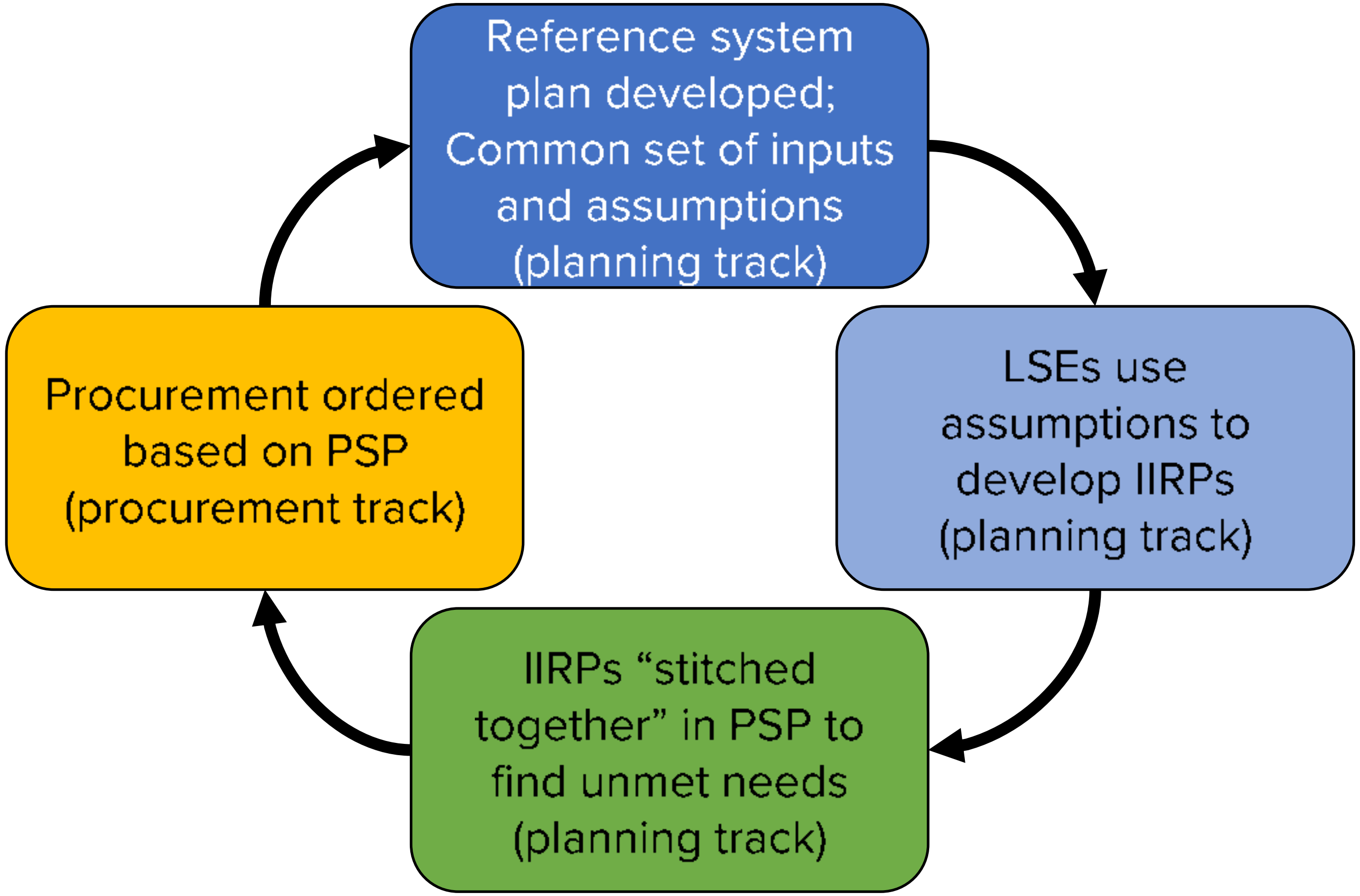
IRP Process Overview



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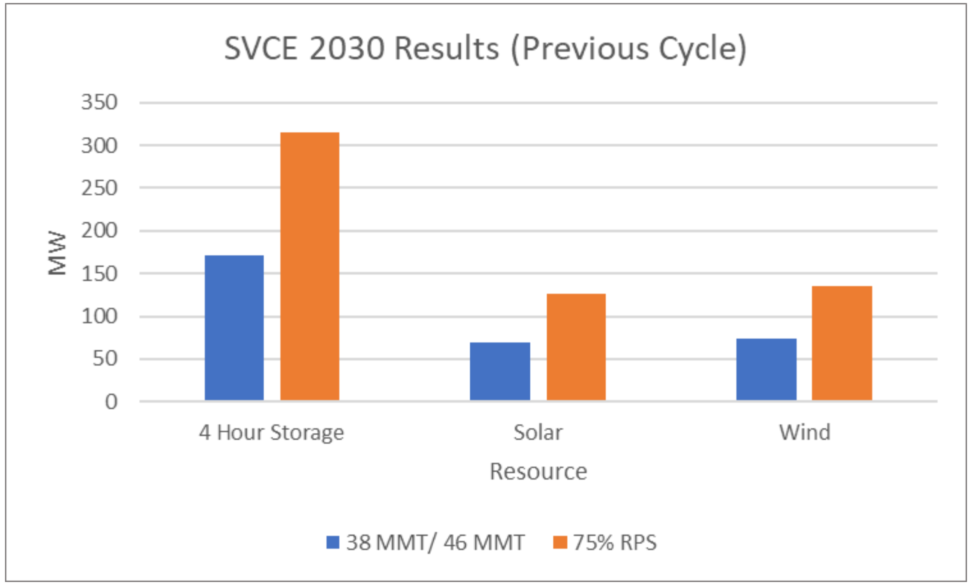

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Monthly Reach Code Update

Zoe Elizabeth
August 2022

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Objectives

1. Provide a quick status update
2. Highlight upcoming actions

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New Activities and Upcoming Priorities

New Activities:

- Los Altos, Monte Sereno, Saratoga, Campbell scheduled sessions to get Council direction.
- Several jurisdictions working on code customization

Upcoming Priorities:

- Hold council information sessions and vote
- Attend the virtual forum on September 29th. All council members from SVCE and PCE territories have been invited!

Jurisdiction	Initial Boardmember and Staff Meetings	Signed LOI	Vote Date Selected	SVCE Supported Outreach	1:1 Technical Consultation w/ Consultants
	Recommended			Optional	
Campbell	x	x	11/1		
Cupertino	x	x	10/11		
Gilroy	x	x	10/17	x	x
Los Altos	x	x		x	x
Los Altos Hills	x	x	10/13	x	x
Los Gatos	x	x			
Milpitas	x	x	10/18		
Monte Sereno	x	x	10/4	x	
Morgan Hill	x	x	11/2		x
Mountain View	x	x	11/1		x
Santa Clara Co.	x	x	10/11		
Saratoga	x	x			
Sunnyvale	x	x	10/25		x

Reach Code Steps Board Member Checklist

- This list can help you track progress.
- SVCE can provide technical assistance and outreach support throughout the process.

Action	Suggested Completion Date	Done?
Attend first meeting w/SVCE staff	2/1/2022	
Identify your ideal level of reach (your goal)	3/31/2022	
Confirm appropriate staff are engaged and aware of your goals	3/31/2022	
Confirm council info sessions and vote sessions are agendized	4/30/2022	
Confirm City Manager signed LOI	4/30/2022	
Vote	10/31/2022	

Thank you!

svcleanenergy.org

Zoe.Elizabeth@svcleanenergy.org

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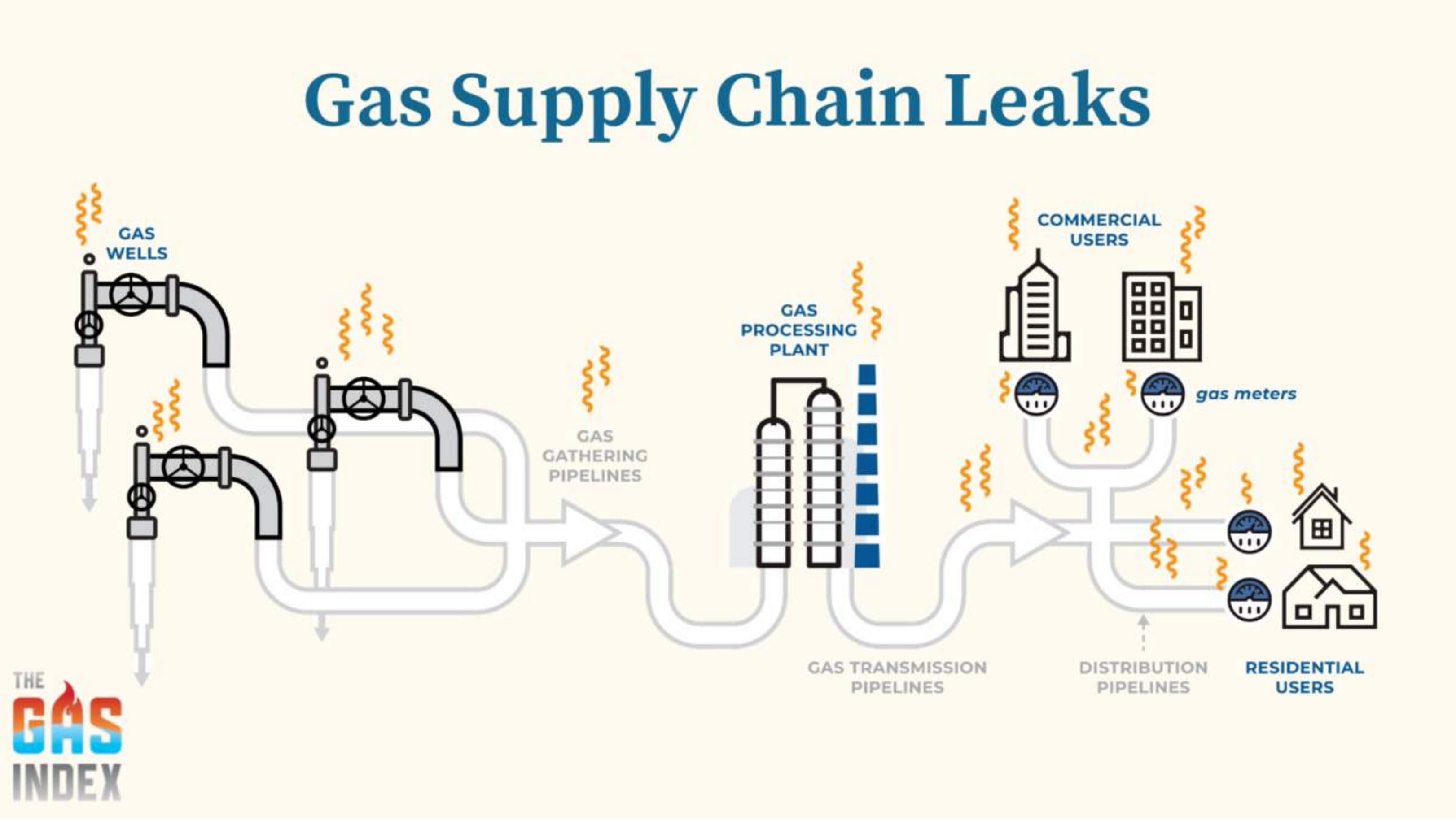
The 2022 State Code is Electric Preferred.

New Construction Energy Code (Part 6)

- Electric heat pumps are prescribed for:
  - Residential HVAC
  - Nonresidential – most include one or both of water heating and HVAC, depending on building type
- Residential
  - Performance credit for all-electric buildings
  - Required higher ventilation rate for gas stoves
  - Pre-wiring required for residential dwellings
  - Energy storage readiness
- Nonresidential - Solar PV and Battery Storage required

Even small gas appliances require a large, expensive distribution system.

A gas range is not just a gas range. It is the tailpipe of a complex system.



Source: The Gas Index, 2020

Reach codes help your community prepare for the electric future.

Any natural gas appliances installed today becomes a costly stranded assets

.

Illustrative example:

Assume 3500 new housing units are built per year for the next three years with gas cooking and gas water heating. A future incentive program to replace these appliances would cost:

- $5.25M for cooktops ($500 incentive)
- $21M for water heaters ($2000 incentive)

Plus: Building all-electric today can be less expensive than building mixed fuel.

Six jurisdictions have an all-electric code and six have a code with at least one exception.

Type		How it works	SVCE Members
Building	Electric Preferred	Allows mixed-fuel buildings with high energy performance. Electrification-ready panel and wiring in mixed-fuel buildings.	2 – Milpitas, Monte Sereno
	Mostly-Electric	Water and space heating must be electric, exemptions for other appliances. Electrification-ready panel and wiring in mixed-fuel buildings.	4 – Campbell (res), Los Altos, Los Altos Hills (res), Saratoga
	All-Electric	All appliances must be electric, with very limited exemptions.	5 – County of Santa Clara, Cupertino, Los Gatos (res), Mountain View, Sunnyvale
	Gas Ban	No gas hookup (via municipal ordinance). Limited exceptions.	1 – Morgan Hill
	No Reach	Meet state code minimum requirements.	1 – Gilroy

2022 Model Reach Codes – New Buildings

Code Approach	Benefits	Considerations
All-Electric Municipal Ordinance	• Avoids CEC review and approval • Flexible (i.e., time-certain or existing buildings policies can be included) • Avoids triennial cycle	• Must exceed future code updates to stay relevant (i.e., most effective for all-electric with limited exceptions)
CALGreen – All-Electric amendment	• Avoids CEC review and approval	• Requires triennial update or more if intervening cycle

Model code language for both approaches can be found at BayAreaReachCodes.org

In Summary

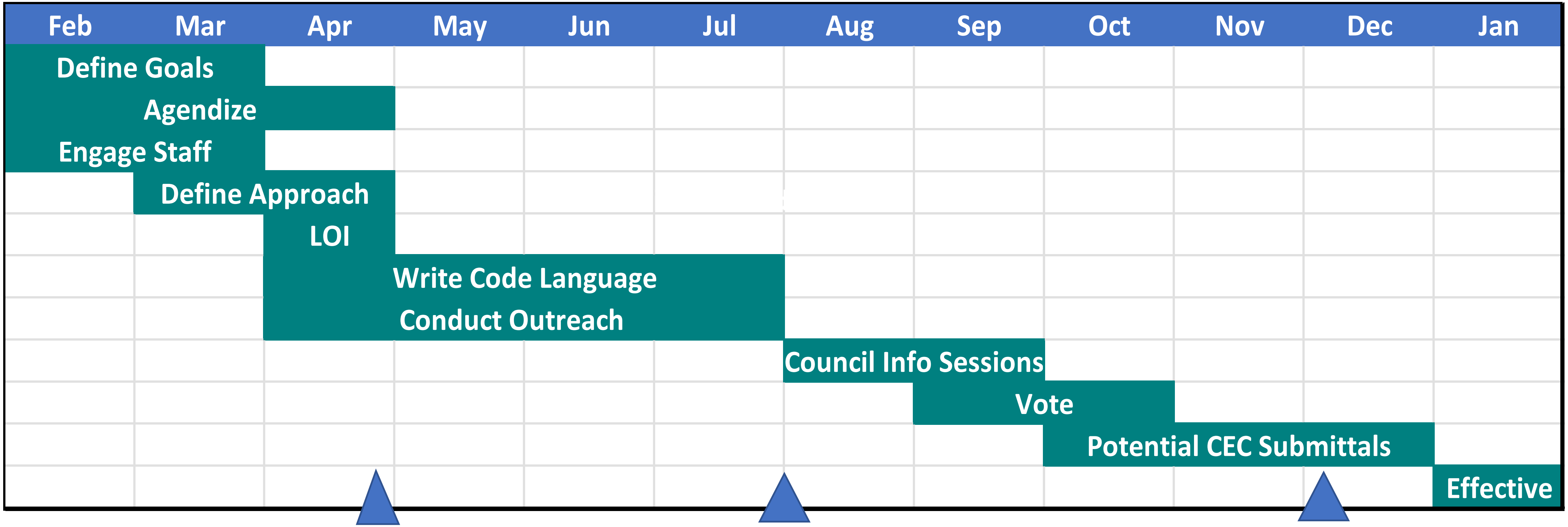
- Our 2022 model code is all-electric to help our communities to prepare for an all-electric future.

- Member jurisdictions can tailor the codes with exceptions as they deem appropriate.

- The model code includes both an energy code amendment and the municipal ordinance option.

Your efforts matter. We look forward to supporting you.

Member Agency Reach Code Tasks and Milestones



Goals and Approach Defined
Reach Codes Agendized
City Manager LOI Signed
Staff Responsibilities Defined

Proposed Code language complete
Outreach conducted
Council informed

Final code language complete
Vote complete, same meeting as state code adoption
Documentation done

Orange text indicates a Boardmember task