



George Tyson, Chair
Town of Los Altos Hills

Tina Walia, Vice Chair
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Elliot Scozzola
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City of Morgan Hill

Margaret Abe-Koga
City of Mountain View

Larry Klein
City of Sunnyvale

Otto Lee
County of Santa Clara

svcleanenergy.org

333 W El Camino Real
Suite 330
Sunnyvale, CA 94087

Silicon Valley Clean Energy Audit Committee Meeting

Thursday, February 16, 2023
12:30 pm

Teleconference Meeting

Webinar:

<https://svcleanenergy-org.zoom.us/j/85719687787>

Or by Telephone (Audio only):
US: +1 669 219-2599
Webinar ID: 857 1968 7787

This meeting will be conducted in accordance with California Government Code Section 54953(e), in consideration of the Coronavirus (COVID-19). All members of the Silicon Valley Clean Energy Audit Committee and staff will participate in this meeting by teleconference.

Members of the public may observe this meeting electronically by accessing the meeting via instructions above. Public Comments can be sent in advance of the meeting via email up to three hours before the meeting begins to Board Clerk Andrea Pizano at Andrea.Pizano@svcleanenergy.org and will be distributed to the Audit Committee. The public will also have an opportunity to provide comments during the meeting. Members of the public using Zoom may comment during public comment or the applicable agenda item by using the Raise Hand feature and you will be recognized by the Chair. Those using the telephone (audio only) feature should press star 9 on your phones to initiate the "Raise Hand" function in Zoom. You will then be announced, unmuted, and your time to speak will begin.

The public may provide comments on any matter listed on the Agenda. Speakers are customarily limited to 3 minutes each, however, the Committee Chair may increase or decrease the time allotted to each speaker based on the number of speakers, the length of the agenda and the complexity of the subject matter. Speaking time will not be decreased to less than one minute.

If you are an individual with a disability and need a reasonable modification or accommodation pursuant to the Americans with Disabilities Act ("ADA") please contact Board Clerk Andrea Pizano at Andrea.Pizano@svcleanenergy.org prior to the meeting for assistance.

AGENDA

Call to Order

Roll Call

George Tyson, Chair
Town of Los Altos Hills

Tina Walia, Vice Chair
City of Saratoga

Elliot Scozzola
City of Campbell

Sheila Mohan
City of Cupertino

Zach Hilton
City of Gilroy

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City of Morgan Hill

Margaret Abe-Koga
City of Mountain View

Larry Klein
City of Sunnyvale

Otto Lee
County of Santa Clara

Public Comment on Matters Not Listed on the Agenda

The public may provide comments on any matter not listed on the Agenda provided that it is within the subject matter jurisdiction of SVCE. Speakers are customarily limited to 3 minutes each, however, the Committee Chair may increase or decrease the time allotted to each speaker based on the number of speakers, the length of the agenda and the complexity of the subject matter. Speaking time will not be decreased to less than one minute.

Consent Calendar (Action)

- 1a) Approve Minutes of the September 30, 2022, Audit Committee Meeting
- 1b) Direction to Staff to Poll Committee Members for Next Meeting Date

Regular Calendar

- 2) Welcome and Audit Committee Overview (Discussion)
- 3) Selection of 2023 SVCE Audit Committee Chair and Vice Chair (Action)
- 4) Receive Financial Audit Report from Pimenti & Brinker, LLP and Recommend the SVCE Board of Directors Accept the Audit Findings (Action)
- 5) IT and Automated Meter Infrastructure (AMI) Audit Update (Discussion)

Committee/Staff Remarks

Adjourn

svcleanenergy.org

333 W El Camino Real
Suite 330
Sunnyvale, CA 94087



**Silicon Valley Clean Energy
Audit Committee Meeting**
Friday, September 30, 2022
11:00 a.m.

Pursuant to State of California Gov't Code Section 54953 (e) the meeting was conducted via teleconference.

DRAFT MINUTES

Call to Order

Board Clerk Andrea Pizano called the meeting to order at 11:03 a.m.

Roll Call

Present:

Chair Bryan Mekechuk, City of Monte Sereno
Alternate Director Sergio Lopez, City of Campbell
Committee member Vickie Rahman, City of Gilroy

Absent:

Vice Chair Margaret Abe-Koga, City of Mountain View

All present attendees participated via teleconference.

Public Comment on Matters Not Listed on the Agenda

No speakers.

Consent Calendar

MOTION: Alternate Director Lopez moved and Committee member Rahman seconded the motion to approve the Consent Calendar.

Chair Mekechuk opened public comment.

No speakers.

Chair Mekechuk closed public comment.

The motion carried unanimously by verbal roll call vote with Vice Chair Abe-Koga absent.

1) Approve Minutes of the August 31, 2022, Audit Committee Meeting



Prior to addressing the Regular Calendar, CEO Girish Balachandran announced Committee member Rahman would be stepping down from her role in the Audit Committee and thanked her for her service on the Audit Committee. CEO Balachandran noted staff would bring an item to the Board of Directors on the Consent Calendar to reduce membership of the 2022 Audit Committee from four members to three members. Committee member Rahman thanked the group for allowing her to serve on the committee.

Chair Mekechuk opened public comment.

No speakers.

Chair Mekechuk closed public comment.

Regular Calendar

2) SVCE Financial Audit Kick-off: Pimenti & Brinker LLP (Discussion)

Amrit Singh, CFO and Director of Administrative Services, introduced Kellin Gilbert and Jenna Blanchard of Pimenti & Brinker LLP, who would be working on SVCE's financial audit. Mr. Gilbert and Ms. Blanchard presented a PowerPoint presentation which included the following:
 Timeline for the audit of the years ended September 30, 2022 and 2021;
 Roles and Responsibilities of SVCE management and the auditor;
 Overview of audit communications;
 Planned risk assessment procedures; and
 Planned audit procedures, which will include a new Single Audit requirement In FY 22 due to expending over \$750k of federal funds.

Mr. Gilbert, Ms. Blanchard, and SVCE staff responded to committee member questions regarding the audit.

Chair Mekechuk commented on accounts receivable and the allowance for doubtful accounts was an area of concern, and requested the auditors take a close look, in addition to ensuring that they anticipate the information technology audit in their audit plan.

Chair Mekechuk opened public comment.

No speakers.

Chair Mekechuk closed public comment.

Committee/Staff Remarks

Chair Mekechuk commented the Audit Committee in the past authorized the Chair to ensure that the auditor knew that there was an open line of communication with the Chair of the Audit Committee that would not go through management to maintain independence.

CFO and Director of Administrative Services Singh confirmed that staff has asked the auditors to put a meeting with the Chair on their timetable before the Audit Committee meets to accept the audit results.

Adjournment

Chair Mekechuk adjourned the meeting at 11:39 a.m.



Staff Report – Item 1b

Item 1b: Direction to Staff to Poll Committee Members for Next Meeting Date

From: Girish Balachandran, CEO

Prepared by: Andrea Pizano, Board Clerk/Executive Assistant

Date: 2/16/2023

RECOMMENDATION

Direct staff to distribute a poll for availability for the next meeting(s) of the Audit Committee.

BACKGROUND

Per SVCE's policy FP1-A, *Establish Audit Committee*, the Audit Committee shall meet as often as it determines as necessary or appropriate to fulfill its responsibilities, but no fewer than twice annually – once to review the audit plan and once to review the audited financials, and related documents, and to review the audit engagement, special investigations, financial irregularities and internal control failures.

ANALYSIS & DISCUSSION

Rather than take time during the meeting to identify an ideal meeting date and time, staff is requesting direction from the committee to distribute a poll to determine availability of members and schedule the next meeting date.

STRATEGIC PLAN

N/A

ALTERNATIVE

An alternative to distributing a poll for availability would be to discuss among the committee and identify a meeting date during the February 16, 2023 meeting.

FISCAL IMPACT

No fiscal impact from the selection of the next meeting date.

Staff Report – Item 2

Item 2: Welcome and Audit Committee Overview

From: Girish Balachandran, CEO

Prepared by: Andrea Pizano, Board Clerk/Executive Assistant

Date: 2/16/2023

Amrit Singh, CFO and Director of Administrative Services, will provide a presentation with an overview of the Audit Committee including the committee's purpose, financial and IT audit information, and timing of future meetings.

ATTACHMENT

The presentation for this item is posted to the SVCE website.

Staff Report – Item 3

Item 3: Selection of 2023 SVCE Audit Committee Chair and Vice Chair

From: Girish Balachandran, CEO

Prepared by: Andrea Pizano, Board Clerk/Executive Assistant

Date: 2/16/2023

RECOMMENDATION

Establish a Chair and Vice Chair of the Audit Committee to preside over Committee meetings.

BACKGROUND

At the February 14, 2018 SVCE Board of Directors meeting, the Board approved the formation of an Audit Committee, consistent with Board Policy FP1-A, *Establish Audit Committee*.

ANALYSIS & DISCUSSION

As a permanent standing committee of the Board of Directors, the Audit Committee is subject to the Brown Act for all meetings. In order to provide for efficient and reliable Committee meeting organization, Staff recommends the Committee appoint a Chair to preside over its meetings, and a Vice Chair to act in the absence of the Chair. The last Chair and Vice Chair of the committee were selected at the March 3, 2022 meeting.

Since 2023 committee membership was ratified at the February Board of Directors meeting and new members have joined, this committee is in need of a new Chair and Vice Chair.

STRATEGIC PLAN

N/A

ALTERNATIVE

Staff is open to any suggestions from the committee on selection of the Chair and/or Vice Chair.

FISCAL IMPACT

No fiscal impact from the selection of a Chair and Vice Chair of the committee.

Staff Report – Item 4

Item 4: Receive Financial Audit Report from Pimenti & Brinker, LLP and Recommend the SVCE Board of Directors Accept the Audit Findings

From: Girish Balachandran, CEO

Prepared by: Andrea Pizano, Board Clerk/Executive Assistant

Date: 2/16/2023

This item will be addressed in the form of an oral report and presentation from external auditor Kellin Gilbert of Pimenti & Brinker LLP.

ATTACHMENT

1. Draft Letter of Significant Deficiencies or Material Weaknesses Identified
2. Draft SVCE 2021-22 Financial Statements



February XX, 2023

To Management and the Board of Directors
Silicon Valley Clean Energy Authority
333 W. El Camino Real, Suite 330
Sunnyvale, California

In planning and performing our audits of the financial statements of Silicon Valley Clean Energy Authority (SVCE) as of and for the years ended September 30, 2022 and 2021, in accordance with auditing standards generally accepted in the United States of America, we considered SVCE's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SVCE's internal control. Accordingly, we do not express an opinion on the effectiveness of SVCE's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control during our audits that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that were not identified.

This communication is intended solely for the information and use of management and the Board of Directors and is not intended to be, and should not be, used by anyone other than these specified parties.

PISENTI & BRINKER LLP

Kellin Gilbert
Partner

Silicon Valley Clean Energy Authority

Financial Statements
Years Ended:

September 30, 2021
September 30, 2022

With Report of Independent Auditors



SILICON VALLEY CLEAN ENERGY AUTHORITY
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

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**SILICON VALLEY CLEAN ENERGY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

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

BACKGROUND

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

SVCE was created as a California Joint Powers Authority (JPA) on March 31, 2016. SVCE was established to provide electric power at competitive costs as well as to provide other benefits within Santa Clara County, including reducing energy related greenhouse gas emissions, securing energy supply and price stability, and providing energy efficiencies and local economic benefits. Governed by a board of directors (Board) consisting of elected representatives from each jurisdiction, SVCE has the rights and powers to set rates for the electricity it furnishes, incur indebtedness, and issue bonds or other obligations. SVCE is responsible for the acquisition of electric power for its service area. SVCE serves the unincorporated areas of Santa Clara County and the cities and towns of Campbell, Cupertino, Gilroy, Los Altos, Los Altos Hills, Los Gatos, Milpitas, Monte Sereno, Morgan Hill, Mountain View, Saratoga, and Sunnyvale.

SILICON VALLEY CLEAN ENERGY AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS YEARS ENDED SEPTEMBER 30, 2022 AND 2021

Financial Reporting

SVCE presents its financial statements as an enterprise fund under the economic resources measurement focus and accrual basis of accounting, in accordance with generally accepted accounting principles (GAAP) for proprietary funds, as prescribed by the Governmental Accounting Standards Board (GASB).

Contents of this Report

This report is divided into the following sections:

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

**SILICON VALLEY CLEAN ENERGY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

FINANCIAL HIGHLIGHTS

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

	2022	2021	2020
Current assets	\$ 270,632,455	\$ 206,813,185	\$ 220,538,554
Noncurrent assets			
Capital and lease assets, net	1,681,871	2,122,391	1,403,175
Other noncurrent assets	45,330	45,330	145,130
Total noncurrent assets	1,727,201	2,167,721	1,548,305
Total assets	272,359,656	208,980,906	222,086,859
Current liabilities	51,733,663	34,519,867	40,094,131
Noncurrent liabilities	7,942,472	8,425,392	1,141,410
Total liabilities	59,676,135	42,945,259	41,235,541
Net position			
Net investment (deficit) in capital assets	287,728	269,927	(172,895)
Restricted for security collateral	162,014	4,000,216	4,500,000
Unrestricted	212,233,779	161,765,504	176,232,143
Total net position	\$ 212,683,521	\$ 166,035,647	\$ 180,559,248

Current Assets

Current assets were approximately \$270,632,000 at the end of 2022 and are mostly comprised of cash, accounts receivable, and accrued revenue. Accrued revenue differs from accounts receivable in that it is the result of electricity provided to SVCE customers that has not yet been invoiced. Accounts receivable and accrued revenue increased in 2022 as a result of an increase to rates SVCE charged its customers. The opposite result occurred in 2021, when a drop in rates from the prior year caused decreases in accounts receivable and accrued revenue. Current assets also include deposits and collateral posted by SVCE to counterparties and regulatory agencies. The large increase in these deposits in 2022 was the result of additional collateral required by the California Independent System Operator (CAISO) in response to unseasonably high market prices for electricity.

**SILICON VALLEY CLEAN ENERGY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

Noncurrent Assets

Capital assets, including right-of-use assets, were approximately \$1,682,000 at the end of 2022, net of accumulated depreciation, primarily consisting of furniture and electronic equipment for use in SVCE's administrative office. SVCE does not own assets used for electric generation or distribution.

A lease asset is recorded in accordance with Governmental Accounting Standards Board No. 87 (GASB 87) that was implemented during 2022. The balances presented have been adjusted to report the leases and related obligations consistently. According to GASB, the Statement will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. It will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements.

Other noncurrent assets consist of various deposits for energy supply, regulatory and other operating purposes. The deposits have remained relatively stable over the last three years.

Current Liabilities

The most significant element of current liabilities is the obligation to pay the cost of electricity delivered to customers. Accrued cost of electricity at the end of 2022 increased compared to the prior year. This was a result of increased prices of electricity purchased as well as a small increase in the volume of purchased electricity outstanding.

Other components include taxes and surcharges due to other governments and various other accrued liabilities.

SVCE receives deposits from energy suppliers as a form of collateral on committed future purchases. During 2022, SCVE received \$11.4 million of deposits expected to be returned or applied within one year.

Noncurrent Liabilities

Noncurrent liabilities increased in 2021 as a result of collateral deposits from energy suppliers held by SVCE that are not due to be returned within a year. There was little change in deposits in 2022.

**SILICON VALLEY CLEAN ENERGY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

The following table is a summary of SVCE's results of operations and a discussion of significant changes for the years ended September 30:

	2022	2021	2020
Operating revenues	\$ 363,521,534	\$ 242,600,167	\$ 297,043,720
Nonoperating revenues	1,870,954	273,985	1,729,841
Total income	365,392,488	242,874,152	298,773,561
Operating expenses	318,708,488	257,751,261	260,274,619
Nonoperating expenses	36,126	230,632	350,511
Total expenses	318,744,614	257,981,893	260,625,130
Change in net position	\$ 46,647,874	\$ (15,107,741)	\$ 38,148,431

Operating Revenues

SVCE's operating revenues are derived from the sale of electricity to commercial and residential customers throughout its territory. SVCE's customer territory was stable each year, with approximately 280,000 customers enrolled. SVCE decreased the rates it charges to customers during 2021, resulting in a planned drop in operating revenues. Rates increased from 2021 to 2022 resulting in a large increase in revenues during the year. SVCE reports its revenue net of uncollectible accounts.

Nonoperating Revenues

The nonoperating revenue increase from 2021 to 2022 was primarily the result of grant income from the California Arrearage Payment Plan (CAPP) that was received in 2022.

Operating Expenses

SVCE's largest operating expense is the purchase of electricity for retail customer use. SVCE procures energy from a variety of sources, aiming at purchasing electricity at competitive costs and maintaining a balanced renewable power portfolio. Electricity costs increased as a result of rising market prices. Expenses for staff compensation, consulting, data management, and other general and administrative expenses increased each year as the organization continued to grow to support its operational demands.

**SILICON VALLEY CLEAN ENERGY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

ECONOMIC OUTLOOK

Silicon Valley Clean Energy serves approximately 96% of all eligible customers in the service area, and that rate of participation is expected to remain stable in 2023.

SVCE's mission is to reduce dependence on fossil fuels by providing carbon-free, affordable, and reliable electricity and innovative programs for the SVCE community. Since its launch, SVCE has:

- Committed about \$2.1 billion in clean energy and capacity contracts
- Secured over 930 MW in renewable energy and clean capacity projects, including 250 MW of energy storage
- Provided \$90 million in on-bill savings
- Reduced 29% of regional energy-related emissions (since 2015)
- Avoided 304 million pounds of greenhouse gas emissions
- Committed \$84 million in customer offers and services
- Processed more than 350 customer rebates for heat pump water heaters
- Led all 13 member jurisdictions to adopt local 2022 building codes promoting all-electric new homes and buildings
- Helped lead the formation of California Community Power and California Community Choice Financing Authority
- Achieved annual savings of \$1.9M from securing California's first-ever Clean Energy Project Revenue Prepay Bonds and with the execution of SVCE's second Clean Energy Project Revenue Prepay Bonds in January 2023, will achieve additional annual savings of \$4.7M.
- Achieved 'A' credit rating from S&P Global with a stable outlook and a Moody's Baa2, stable rating.

SVCE procures energy consistent with its Board-approved Energy Risk Management Policy that aligns customer demand for clean energy with short and long-term purchases of clean energy resources. SVCE complies with state laws and its own targets for renewable and greenhouse gas (GHG) free energy. California's Renewable Portfolio Standard ("RPS") requires load-serving entities such as SVCE to supply their retail sales with minimum quantities of eligible renewable energy both on an annual basis and through long-term commitments of greater than ten years. The state has also directed load-serving entities (LSEs) for new clean energy and capacity resources by 2026 to meet grid reliability goals. Senate Bill 100 directs all LSEs to procure 60% of their portfolios from RPS-eligible resources by 2030, and 100% of their retail sales from GHG-free resources (or eligible renewable resources) by 2045. Senate Bill 1020 sets interim clean targets of 90% and 95% by 2035 and 2040. SVCE's current policy is to procure 100% of retail sales, adjusted for transmission and distribution losses, from GHG-free resources. To date SVCE has executed 16 RPS contracts of ten years or more in duration and has met its RPS requirements for long-term procurement. SVCE is on the path to meeting its requirements as ordered by the CPUC under the Mid-term Reliability Procurement decision (R.20-05-003).

**SILICON VALLEY CLEAN ENERGY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

ECONOMIC OUTLOOK (continued)

SVCE uses a portfolio risk-management approach in its power purchasing program, seeking low-cost supply as well as diversity among technologies, production profiles, project sizes and locations, counterparties, length of the contract, and timing of market purchases. SVCE's procurement strategy through 2030 includes regularly procuring new and existing California renewables by 2030, via contracts with terms of 10 years or more. The strategy also includes investing in storage paired with solar, stand-alone storage, long-duration storage, geothermal and large hydroelectric resources. SVCE continually manages its forward load obligations and supply commitments with the objective of balancing cost stability and cost minimization. SVCE closely monitors its open positions for Portfolio Content Category 1 ("*PCC 1*") renewable energy and carbon-free, non-RPS eligible, based on calendar-year targets. SVCE maintains its clean portfolio coverage targets of up to 100% in the near-term and leaves a greater portion open in the medium-to long-term, consistent with generally accepted industry practice.

SVCE also procures electric capacity or Resource Adequacy ("*RA*"), a California program jointly administered by the CPUC, the CEC, and CAISO. The RA resources ensure there will be enough supply in the right locations and with sufficient ramping capability to meet the load in the CAISO market.

In the fiscal year ending September 30, 2022, SVCE's retail load dropped by about 0.5% from the prior fiscal year to 3.74 Terrawatt-hours (TWhrs). SVCE expects retail load to grow to 3.88 TWhrs for Fiscal Year ending September 30, 2023, resulting primarily from Direct Access load migrating to SVCE along with some other modest load growth. Over the next ten years, SVCE expects the load to grow at about 0.5% per year. SVCE's long-term load forecast is driven primarily by the number and types of customers that SVCE expects to serve. The forecast also incorporates load-modifying effects of increasing electric vehicle adoption and charging, behind-the-meter solar and/or storage (via net energy metering), and energy efficiency.

Senate Bill 237 was passed in 2018 and increased the cap for direct access participation for large commercial and industrial customer load. In June 2021, the CPUC adopted Decision 21-06-033, which recommended against further expansion of direct access. The CPUC stated that when compared to maintaining the current cap, expanding direct access would risk increases in greenhouse gas emissions and could significantly complicate the State's efforts to maintain grid reliability. Following this decision, a group of direct access parties filed an application for rehearing of Decision 21-06-033. A final decision was issued on December 15, 2022 (Decision 22-12-058) denying the application for rehearing on the basis that the application failed to establish that the CPUC had not complied with its duties pursuant to SB 237. However, reductions in statewide commercial and industrial electric load due to COVID-19 in 2020 and 2021 have created additional available capacity under the statewide direct access (DA) cap. The impact is expected to be minimal to SVCE, with less than 2% of current load at risk. SVCE has been and continues to be proactive about developing services for commercial customers so that it can remain competitive in any direct access growth scenario.

**SILICON VALLEY CLEAN ENERGY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

ECONOMIC OUTLOOK (continued)

In 2019, the Board of Directors approved a Commercial Pricing Policy that allows SVCE to be innovative in customized contract offerings to customers that supports long-term customer retention. SVCE has now signed long-term arrangements with two major customers for customized power supply offerings and is working with additional prospective customers.

SVCE expects to continue to provide competitive electric rates. The unpredictable PG&E customer exit fee and volatile energy prices can be barriers to providing stable rates. The exit fee will be significantly lower in 2023 than in recent years, and as of January 2023, SVCE has increased its discount relative to PG&E's generation service to 4 percent. SVCE has prioritized regulatory and legislative work with respect to the exit fee process and other regulatory and legislative actions that impact rates, such as procurement mandates. Additionally, SVCE's commitment to building healthy cash reserves has placed SVCE in a stable position to manage volatile energy prices, and future regulatory and legislative risks including changes to the customer exit fees.

SVCE has a strong focus on continuing to build credit capacity through increased cash reserves, complying with the energy risk management policy and credit guidelines, and entering into favorable energy purchase commitments. SVCE received an investment grade credit rating in the Summer of 2020 from Moody's and an 'A' credit rating from S&P Global in January 2021.

REQUEST FOR INFORMATION

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

Please address any questions about this report or requests for additional financial information to 333 W. El Camino Real, Suite 330, Sunnyvale, CA 94087.

Respectfully submitted,

Girish Balachandran, Chief Executive Officer

BASIC FINANCIAL STATEMENTS

DRAFT

SILICON VALLEY CLEAN ENERGY AUTHORITY
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets		
Cash	\$ 167,673,753	\$ 158,808,348
Accounts receivable, net of allowance	55,663,227	25,990,183
Accrued revenue	25,508,698	14,410,621
Market settlements receivable	-	269,012
Other receivables	81,714	230,485
Prepaid expenses	977,928	2,378,236
Deposits	20,565,121	726,084
Restricted cash	162,014	4,000,216
Total current assets	<u>270,632,455</u>	<u>206,813,185</u>
Noncurrent assets		
Deposits	45,330	45,330
Lease asset, net of amortization	1,324,125	1,805,625
Capital assets, net of depreciation	357,746	316,766
Total noncurrent assets	<u>1,727,201</u>	<u>2,167,721</u>
Total assets	<u>272,359,656</u>	<u>208,980,906</u>
LIABILITIES		
Current liabilities		
Accrued cost of electricity	36,054,862	30,827,091
Accounts payable	1,007,808	1,537,376
Other accrued liabilities	1,094,075	642,043
User taxes and energy surcharges due to other governments	1,693,997	1,055,035
Supplier security deposits	11,400,000	-
Lease liability	482,921	458,322
Total current liabilities	<u>51,733,663</u>	<u>34,519,867</u>
Noncurrent liabilities		
Supplier security deposits	7,031,250	7,031,250
Lease liability	911,222	1,394,142
Total noncurrent liabilities	<u>7,942,472</u>	<u>8,425,392</u>
Total liabilities	<u>59,676,135</u>	<u>42,945,259</u>
NET POSITION		
Net investment in capital assets	287,728	269,927
Restricted for security collateral	162,014	4,000,216
Unrestricted	212,233,779	161,765,504
Total net position	<u>\$ 212,683,521</u>	<u>\$ 166,035,647</u>

SILICON VALLEY CLEAN ENERGY AUTHORITY
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
Electricity sales, net	\$ 359,373,795	\$ 241,484,417
GreenPrime electricity premium	1,741,940	1,014,531
Other income	34,549	101,219
Liquidated damages	2,371,250	-
Total operating revenues	<u>363,521,534</u>	<u>242,600,167</u>
OPERATING EXPENSES		
Cost of electricity	300,290,056	238,586,555
Contract services	9,255,297	9,490,474
Staff compensation and benefits	6,744,553	5,474,124
General and administration	1,257,650	1,228,421
Program rebates and incentives	579,004	2,402,537
Depreciation and amortization	581,928	569,150
Total operating expenses	<u>318,708,488</u>	<u>257,751,261</u>
Operating income (loss)	<u>44,813,046</u>	<u>(15,151,094)</u>
NONOPERATING REVENUES (EXPENSES)		
Grant income	1,545,172	-
Interest income	325,782	273,985
Financing costs	(36,126)	(230,632)
Nonoperating revenues (expenses), net	<u>1,834,828</u>	<u>43,353</u>
CHANGE IN NET POSITION	46,647,874	(15,107,741)
Net position at beginning of period (as restated - Note 11)	<u>166,035,647</u>	<u>181,143,388</u>
Net position at end of period	<u>\$ 212,683,521</u>	<u>\$ 166,035,647</u>

SILICON VALLEY CLEAN ENERGY AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 326,719,985	\$ 255,739,767
Receipts from liquidated damages	2,371,250	-
Other operating receipts	11,512,300	13,609,316
Payments to suppliers for electricity	(313,073,540)	(247,219,228)
Payments for other goods and services	(11,536,855)	(13,070,000)
Payments for staff compensation and benefits	(6,554,946)	(5,247,813)
Payments of taxes and surcharges to other governments	(5,469,828)	(4,766,832)
Net cash provided (used) by operating activities	<u>3,968,366</u>	<u>(954,790)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Grant revenue received	1,545,172	-
Finance costs paid	(170,068)	(186,951)
Net cash provided (used) by non-capital financing activities	<u>1,375,104</u>	<u>(186,951)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments to acquire capital assets	(141,408)	(295,207)
Payments of lease liability	(500,642)	(453,208)
Net cash used by capital and related financing activities	<u>(642,050)</u>	<u>(748,415)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income received	<u>325,782</u>	<u>273,985</u>
Net change in cash	5,027,203	(1,616,171)
Cash at beginning of year	162,808,564	164,424,735
Cash at end of period	<u><u>\$ 167,835,767</u></u>	<u><u>\$ 162,808,564</u></u>
Reconciliation to the Statement of Net Position		
Cash (unrestricted)	\$ 167,673,753	\$ 158,808,348
Restricted cash	162,014	4,000,216
Cash	<u><u>\$ 167,835,767</u></u>	<u><u>\$ 162,808,564</u></u>

**SILICON VALLEY CLEAN ENERGY AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

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

	<u>2022</u>	<u>2021</u>
Operating income (loss)	\$ 44,813,046	\$ (15,151,094)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation and amortization expense	581,928	87,651
Provision for uncollectible accounts	2,052,448	1,100,000
(Increase) decrease in:		
Accounts receivable	(31,725,490)	4,368,129
Accrued revenue	(11,098,078)	3,106,604
Market settlements receivable	269,012	(161,694)
Other receivables	148,771	(22,485)
Prepaid expenses	1,400,308	212,310
Current deposits	(19,839,037)	3,606,134
Increase (decrease) in:		
Accrued cost of electricity	5,140,221	(5,917,746)
Accounts payable	(529,568)	214,220
Other accrued liabilities	628,293	672,677
Energy settlements payable	87,550	-
User taxes and energy surcharges due to other governments	638,962	(100,746)
Supplier security deposits, current	11,400,000	7,031,250
Net cash provided (used) by operating activities	<u>\$ 3,968,366</u>	<u>\$ (954,790)</u>

**SILICON VALLEY CLEAN ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Silicon Valley Clean Energy Authority (SVCE) is a Joint Powers Authority created on March 31, 2016. As of September 30, 2022, parties to its Joint Powers Agreement consist of the following local governments:

Unincorporated areas of Santa Clara County	Milpitas
Campbell	Monte Sereno
Cupertino	Morgan Hill
Gilroy	Mountain View
Los Altos	Saratoga
Los Altos Hills	Sunnyvale
Los Gatos	

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

SVCE was formed to study, promote, conduct, operate, and manage energy and energy-related climate change programs, and to exercise all other powers necessary and incidental to accomplishing these objectives. A core function of SVCE is to provide electric service that includes the use of renewable sources under the Community Choice Aggregation Program under California Public Utilities Code Section 366.2.

SVCE began its energy delivery operations in April 2017. Electricity is acquired from commercial and municipal suppliers and delivered through existing physical infrastructure and equipment managed by Pacific Gas and Electric Company (PG&E).

**SILICON VALLEY CLEAN ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING

SVCE's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements.

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

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

CASH

For purpose of the Statements of Cash Flows, SVCE defines cash to include cash on hand, demand deposits and money market funds. SVCE has cash that is restricted under various security agreements. This is reported as restricted cash on the Statements of Net Position and the Statements of Cash Flows.

PREPAID EXPENSES AND DEPOSITS

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

**SILICON VALLEY CLEAN ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LEASE ASSET AND LEASE LIABILITY

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

CAPITAL ASSETS AND DEPRECIATION

SVCE's policy is to capitalize furniture and equipment valued over \$1,000 that is expected to be in service for over one year. Depreciation is computed according to the straight-line method over estimated useful lives of three years for electronic equipment, five years for automobiles and seven years for furniture and leasehold improvements. SVCE does not own any electric generation assets.

SUPPLIER SECURITY DEPOSITS

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

NET POSITION

Net position is presented in the following components:

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

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

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

**SILICON VALLEY CLEAN ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

OPERATING AND NONOPERATING REVENUE

Revenue from the sale of electricity to customers is considered operating revenue. Interest income is considered nonoperating revenue.

REVENUE RECOGNITION

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

OPERATING AND NONOPERATING EXPENSES

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

ELECTRICAL POWER PURCHASED

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

To comply with the State of California's Renewable Portfolio Standards (RPS) and self-imposed benchmarks, SVCE acquires RPS eligible renewable energy evidenced by Renewable Energy Certificates (Certificates) recognized by the Western Renewable Energy Generation Information System. SVCE obtains Certificates with the intent to retire them and does not sell or build surpluses of Certificates with a profit motive. An expense is recognized at the point that the cost of the Certificate is due and payable to the supplier.

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

**SILICON VALLEY CLEAN ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

STAFFING COSTS

SVCE pays employees bi-weekly and fully pays its obligation for health benefits and contributions to its defined contribution retirement plan as they come due. SVCE is not obligated to provide post-employment healthcare or other fringe benefits and, accordingly, no related liability is recorded in these financial statements. SVCE provides compensated time off, and the related liability is recorded in these financial statements.

INCOME TAXES

SVCE is a Joint Powers Authority under the provision of the California Government Code. As such it is not subject to federal or state income or franchise taxes.

ESTIMATES

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

RECLASSIFICATIONS

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

**SILICON VALLEY CLEAN ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

2. CASH

SVCE maintains its cash in interest and non-interest-bearing accounts. SVCE's deposits are subject to California Government Code Section 16521, which requires banks to collateralize public funds in excess of the Federal Deposit Insurance Corporation limit of \$250,000 by 110%. SVCE monitors its risk exposure on an ongoing basis. SVCE's investment policy permits the investment of funds in depository accounts, certificates of deposit, and the California Local Agency Investment Funds (LAIF). As of September 30, 2022, all of SVCE's cash was held in depository or money market accounts.

At the end of each year, SVCE had restricted cash that was held as collateral for either its bank letters of credit postings, or collateral held in accordance with certain security agreements with suppliers.

3. ACCOUNTS RECEIVABLE AND ACCRUED REVENUE

Accounts receivable were as follows as of September 30:

	2022	2021
Accounts receivable from customers	\$ 58,563,227	\$ 28,590,183
Allowance for uncollectible accounts	(2,900,000)	(2,600,000)
Net accounts receivable	<u>\$ 55,663,227</u>	<u>\$ 25,990,183</u>

The majority of account collections will occur within the first few months following customer invoicing. SVCE estimates that a portion of the billed accounts will not be collected. SVCE continues collection efforts on accounts in excess of *de minimis* balances regardless of the age of the account. Although collection success generally decreases with the age of the receivable, SVCE continues to be successful in collecting older accounts. The allowance for uncollectible accounts at the end of a period includes amounts billed during the current and prior fiscal years and is adjusted for write-offs. In 2022, SVCE received CAPP funds (see Note 7) that helped recover previously written off accounts receivable.

SILICON VALLEY CLEAN ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

4. MARKET SETTLEMENTS RECEIVABLE

SVCE receives generation scheduling and other services from a scheduling coordinator registered with CAISO. Energy settlements due from the scheduling coordinator were \$0 and approximately \$269,000 as of September 30, 2022 and 2021, respectively.

5. CAPITAL ASSETS AND LEASE ASSET

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

	Furniture & Equipment	Leasehold Improvements	Accumulated Depreciation	Total
Balances at September 30, 2020	\$ 269,467	\$ 5,263	\$ (155,555)	\$ 119,175
Additions	212,629	72,613	(87,651)	197,591
Balances at September 30, 2021	482,096	77,876	(243,206)	316,766
Additions	85,011	56,397	(100,428)	40,980
Balances at September 30, 2022	<u>\$ 567,107</u>	<u>\$ 134,273</u>	<u>\$ (343,634)</u>	<u>\$ 357,746</u>

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

	Lease Asset	Accumulated Amortization	Total
Balances at September 30, 2020	\$ -	\$ -	\$ -
Additions	2,287,125	(481,500)	1,805,625
Balances at September 30, 2021	2,287,125	(481,500)	1,805,625
Additions	-	(481,500)	(481,500)
Balances at September 30, 2022	<u>\$ 2,287,125</u>	<u>\$ (963,000)</u>	<u>\$ 1,324,125</u>

6. DEBT

As of September 30, 2021, SVCE had a bank line of credit available in the amount of \$35,000,000 to provide additional liquidity for operations as needed. The line of credit matured in October 2021 and was not renewed.

Letters of Credit to energy suppliers totaled approximately \$147,000. After the line of credit matured in October 2021, letters of credit issued required a cash collateral posting by SVCE with the bank to guarantee the letter of credit.

**SILICON VALLEY CLEAN ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

7. GRANT REVENUE

SVCE administers a grant from the California Arrearage Payment Program (CAPP) that offers financial assistance for California energy utility customers to help reduce past due energy account balances that increased during the COVID-19 pandemic. This program is funded through the federal American Rescue Plan Act (ARPA) with Coronavirus State and Local Fiscal Recovery Funds. Grant revenue recognized for the year ended September 30, 2022 was \$1,545,172.

8. DEFINED CONTRIBUTION RETIREMENT PLAN

SVCE provides retirement benefits through the Silicon Valley Clean Energy Authority Public Agency Retirement System Defined Contribution Plan (Plan). The Plan is a defined contribution 401(a) Retirement Plan established to provide benefits at retirement to employees of certain qualified employers admitted by the Plan. The Plan is administered by Public Agency Retirement System (PARS). At September 30, 2022 and 2021, SVCE had 40 and 38 plan participants, respectively. SVCE is required to contribute up to 10% of covered payroll as a match to required employee contributions. SVCE contributed approximately \$519,000 and \$414,000 during the years ended September 30, 2022 and 2021, respectively. Plan provisions and contribution requirements as they apply to SVCE are established and may be amended by the Board of Directors.

9. RISK MANAGEMENT

SVCE is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and errors and omissions. During the year, SVCE purchased insurance policies from investment-grade commercial carriers to mitigate risks that include those associated with earthquakes, theft, general liability, errors and omissions, and property damage. SVCE has general liability coverage of \$2,000,000 with a deductible of \$500.

SVCE maintains risk management policies, procedures and systems that help mitigate credit, liquidity, market, operating, regulatory and other risks that arise from participation in the California energy market.

Credit guidelines include a preference for transacting with investment-grade counterparties, evaluating counterparties' financial condition and assigning credit limits as applicable. These credit limits are established based on risk and return considerations under terms customarily available in the industry. In addition, SVCE enters into netting arrangements whenever possible and, where appropriate, obtains collateral and other performance assurances from counterparties.

**SILICON VALLEY CLEAN ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

10. PURCHASE COMMITMENTS

POWER AND ELECTRIC CAPACITY

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

SVCE enters into power purchase agreements in order to comply with state law and voluntary targets for renewable and greenhouse gas (GHG) free products and to ensure stable and competitive electric rates for its customers.

The following table represents the expected, undiscounted, contractual obligations outstanding as of September 30, 2022:

Years ending September 30,	
2023	\$ 213,000,000
2024	172,000,000
2025	150,000,000
2026	130,000,000
2027	117,000,000
2028-2045	<u>1,303,000,000</u>
Total	<u><u>\$ 2,085,000,000</u></u>

As of September 30, 2022, SVCE had non-cancelable contractual commitments to professional service providers through December 2024 for services yet to be performed. Fees associated with these contracts are based on volumetric activity and are expected to be \$7.1 million.

**SILICON VALLEY CLEAN ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

11. LEASE

In June 2017, GASB issued Statement No. 87, *Leases*. As amended, the effective date of the Statement was for fiscal years beginning after June 15, 2021. SVCE implemented the Statement in these financial statements. According to GASB, the Statement aims to increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that previously were not reported. As a result of implementing the Statement, net position at September 30, 2021 has been reduced by approximately \$47,000.

In December 2019 SVCE amended its non-cancelable lease for its office premises, extending the lease through June 30, 2025.

As of September 30, 2022, future minimum lease payments under the lease were projected as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years ending September 30,			
2023	\$ 482,921	\$ 24,559	\$ 507,480
2024	508,483	14,222	522,705
2025	402,739	3,554	406,293
Total	<u>\$ 1,394,143</u>	<u>\$ 42,335</u>	<u>\$ 1,436,478</u>

12. FUTURE GASB PRONOUNCEMENTS

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

GASB has approved GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, GASB Statement No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, GASB Statement No. 99, *Omnibus 2022*, GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, and GASB Statement No. 101, *Compensated Absences*. Management is evaluating the effect of implementation of these statements.

SUPPLEMENTARY INFORMATION

DRAFT

**SILICON VALLEY CLEAN ENERGY AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2022**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of the Treasury			
California Department of Community			
Services and Development (CSD)			
COVID-19 American Rescue Plan Act (ARPA)			
Coronavirus State and Local Fiscal Recovery Funds			
California Arrearage Payment Program (CAPP)	21.027	68-0283471	\$ 1,545,172
Total U.S. Department of the Treasury			<u>1,545,172</u>
Total expenditures of federal awards			<u><u>\$ 1,545,172</u></u>

DRAFT

**SILICON VALLEY CLEAN ENERGY AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2022**

1. BASIS OF PRESENTATION

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR FEDERAL AWARDS

Expenditures on the accompanying Schedule are reported on an accrual basis of accounting. Expenditures are recognized when incurred. Expenditures for federal awards are recognized following the cost principles contained in the Uniform Guidance. Under these cost principles certain types of expenditures are not allowable or are limited as to reimbursement.

3. SUB-RECIPIENTS

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

4. INDIRECT COSTS

SVCE did not elect to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Silicon Valley Clean Energy Authority

Schedule of Findings and Questioned Costs

Year Ended September 30, 2022

I. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weaknesses identified? No
Significant deficiencies identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weaknesses identified? No
Significant deficiencies identified? None reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major federal programs:

Assistance Listing Number (s)	Name of Federal Program or Cluster
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? No

Silicon Valley Clean Energy Authority

Schedule of Findings and Questioned Costs (continued)

Year Ended September 30, 2022

II. Financial Statement Findings

No matters are reportable

III. Federal Award Findings and Questioned Costs

No matters are reportable

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Silicon Valley Clean Energy Authority

Summary Schedule of Prior Audit Findings

Year Ended September 30, 2022

No Uniform Guidance audit performed in prior year.

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Staff Report – Item 5

Item 5: Receive Update on IT Audit and Security Assessments

From: Girish Balachandran, CEO

Prepared by: Kevin Armstrong, Deputy Director of Administrative Services

Date: 2/16/2023

This item will be addressed in the form of a presentation from staff.

ATTACHMENT

The presentation for this item is posted to the SVCE website.