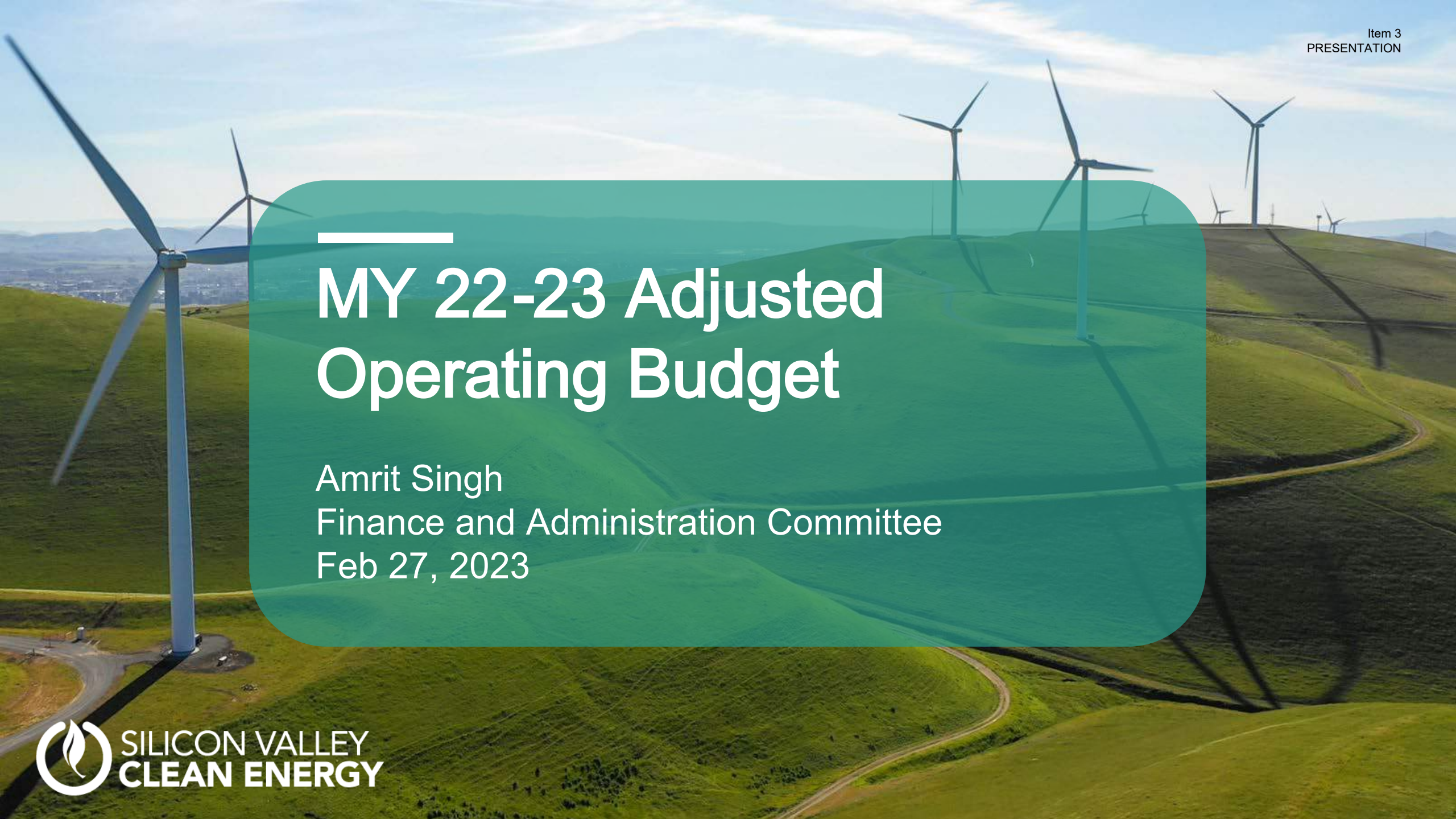


MY 22-23 Adjusted Operating Budget

Amrit Singh
Finance and Administration Committee
Feb 27, 2023

SILICON VALLEY CLEAN ENERGY

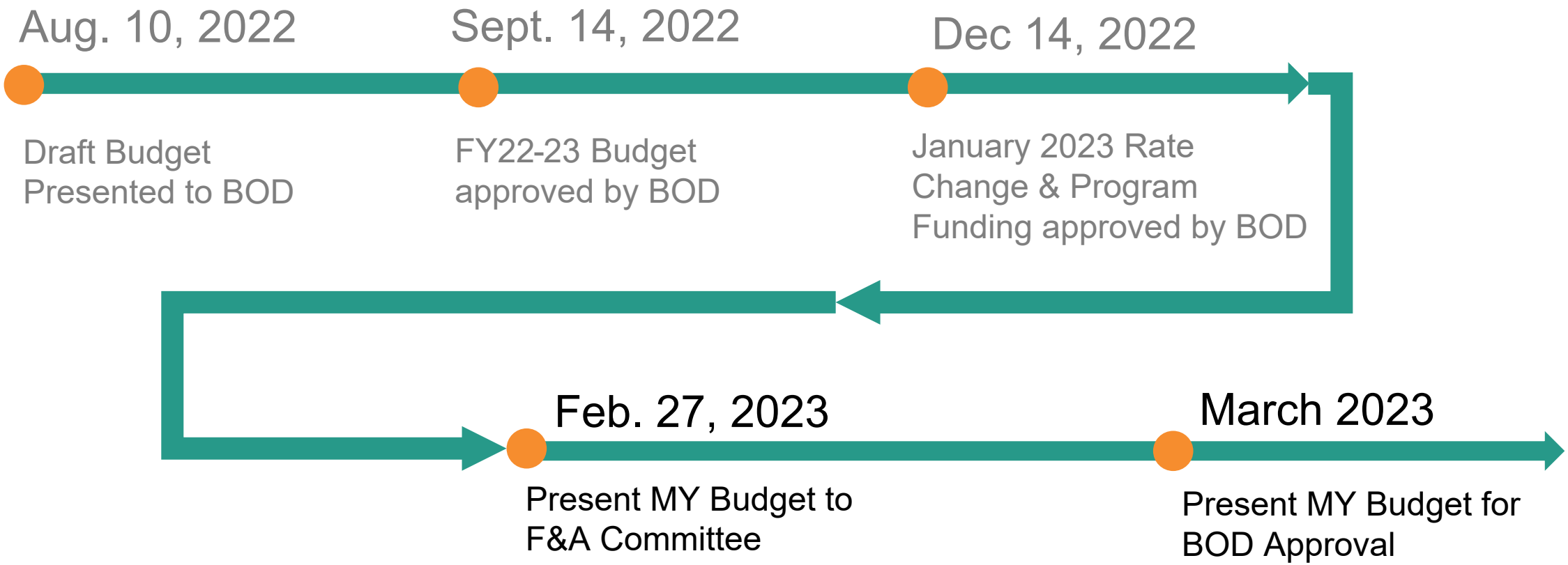
Purpose

Action: Recommend that the Board Adopt Mid-Year 2022-2023 (MY 23) Adjusted Operating Budget

Main Areas of Discussion

- Review the Budget Timeline
- Highlight Changes Since the Adoption of the Annual Budget
- Compare Mid-year and Annual Adopted Budget Key Line Items
- Review Updated SVCE Margin From December Rate Change
- Review of Updates to Energy Expenses
- Review Reserve Projections
- Provide Staffing Update
- Committee Vote

Mid Year FY22-23 Budget Approval Timeline



Highlights

Good Financial Year

- Healthy contribution to reserves of **$73.4 million**
- Reduction of ~ $42 Million from $115.5 Million at budget
- Key Drivers of Reduction:
  - December 2022 Board Approvals:
    - Additional 2% Customer Discounts
    - Increased Program Spending
  - Increased Energy Expenses
- Reductions Partially Offset by:
  - Increase in Revenues from Improved Margins
  - Increase in Investment Income
  - Slight Reduction in Other Operating Expenses

Reduction of ~$42 Million:

December Board Approvals		
	Additional 2% Customer Discount	$10
	Increased Program Spending	$19
Increased Energy Expenses		$67
Increase Revenues		-$50
Increase Investment Income		-$3
Reduction in Other Operating Expenses		-$1
		$42

Annual Budget vs. Mid -Year Adjusted Budget

- Supports Overall Customer Discount of 4%
- Additional Monthly Bill Credits to Low-Income Customers of $10.50 per month.
- Total Transfer of $30.7 Million to Decarbonization Programs

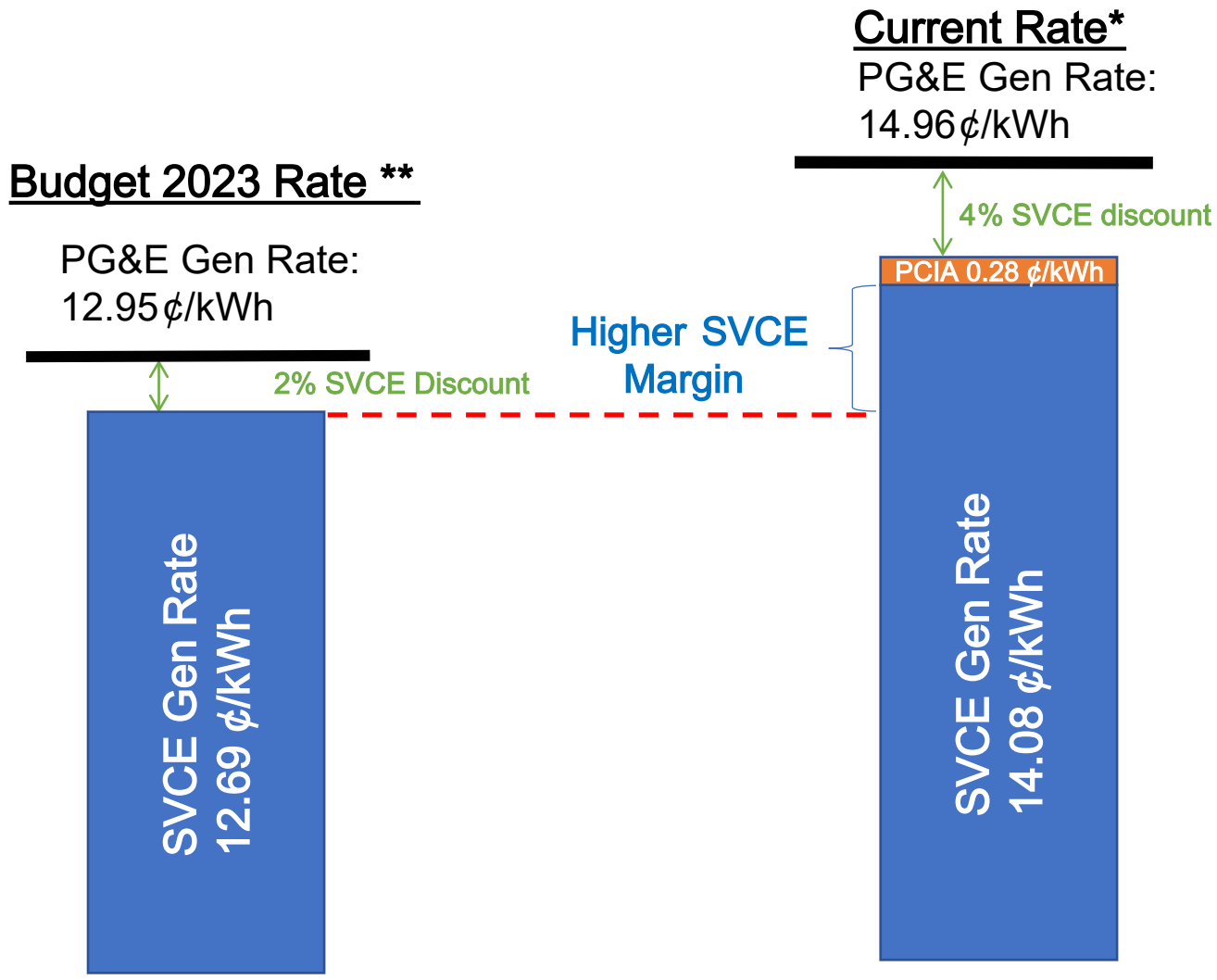
SILICON VALLEY CLEAN ENERGY
MY 2022-23 OPERATING BUDGET
($ in thousands)

DESCRIPTION	FY 2022-23 BUDGET	MY 2022-23 ADJUSTED BUDGET	Year over Year Change $	Year over Year Change %
Energy Revenues	483,910	523,958	40,048	8.3%
Energy Expenses	325,296	392,436	67,140	20.6%
Operating Margin	158,564	131,522	(27,042)	-17.1%
Operating Expenses	28,299	27,559	(740)	-2.6%
Non-Operating Revenue (Expense)	589	3,867	3,278	553.8%
Balance Available for Reserves (before Transfers)	130,904	107,830	(23,074)	-17.6%
Annual Transfers and Other Expenses	9,965	9,965	0	0.0%
Nuclear Allocation	1,900	1,900	0	0.0%
Multi Family Direct Install Program	0	9,500	9,500	-
Electrification Discount Program	0	9,500	9,500	-
Customer Bill Relief	3,600	3,600	0	0.0%
Final Reserve Contribution Balance	**115,439**	**73,365**	**(42,074)**	**-36.4%**

($ in thousands)

Actual PG&E Gen and PCIA Rates Result in Higher Margin than FY 23 Budget Assumptions

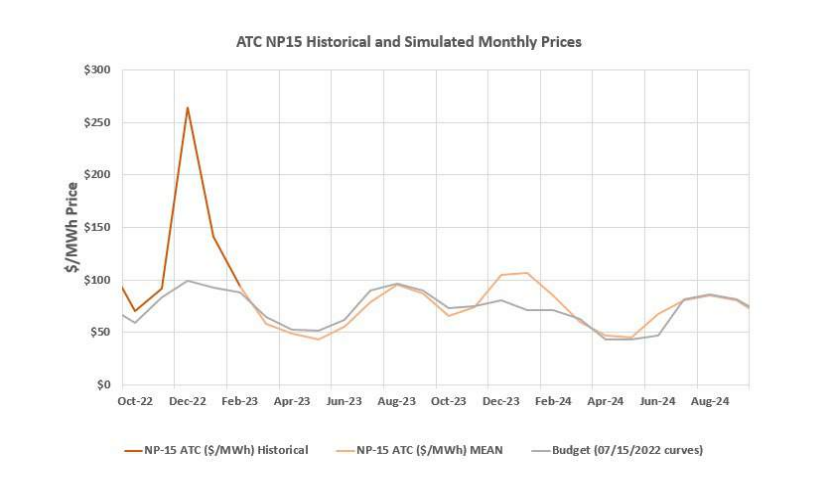
- Relative to Assumptions in the Annual FY 23 Budget:
  - PG&E's 2023 generation rate increased by about 15.5%
  - PCIAincreased from 0¢/kWh to 0.28¢/kWh
- Relative to Budget, SVCE's margin improve by about 11%
- The rate changes were effective Jan 1, 2023.



* Source: PG&E 2023 Average Rate, effective January 1, 2023 (Weighted for SVCE Portfolio Load)
***Using NewGen Model with 7/16/2022 Forward Curves and 10% haircut (Weighted for SVCE Portfolio Load)
Above margin analyses ignores minor reductions for franchise fees (0.09¢/kWh)

Power Supply Variance

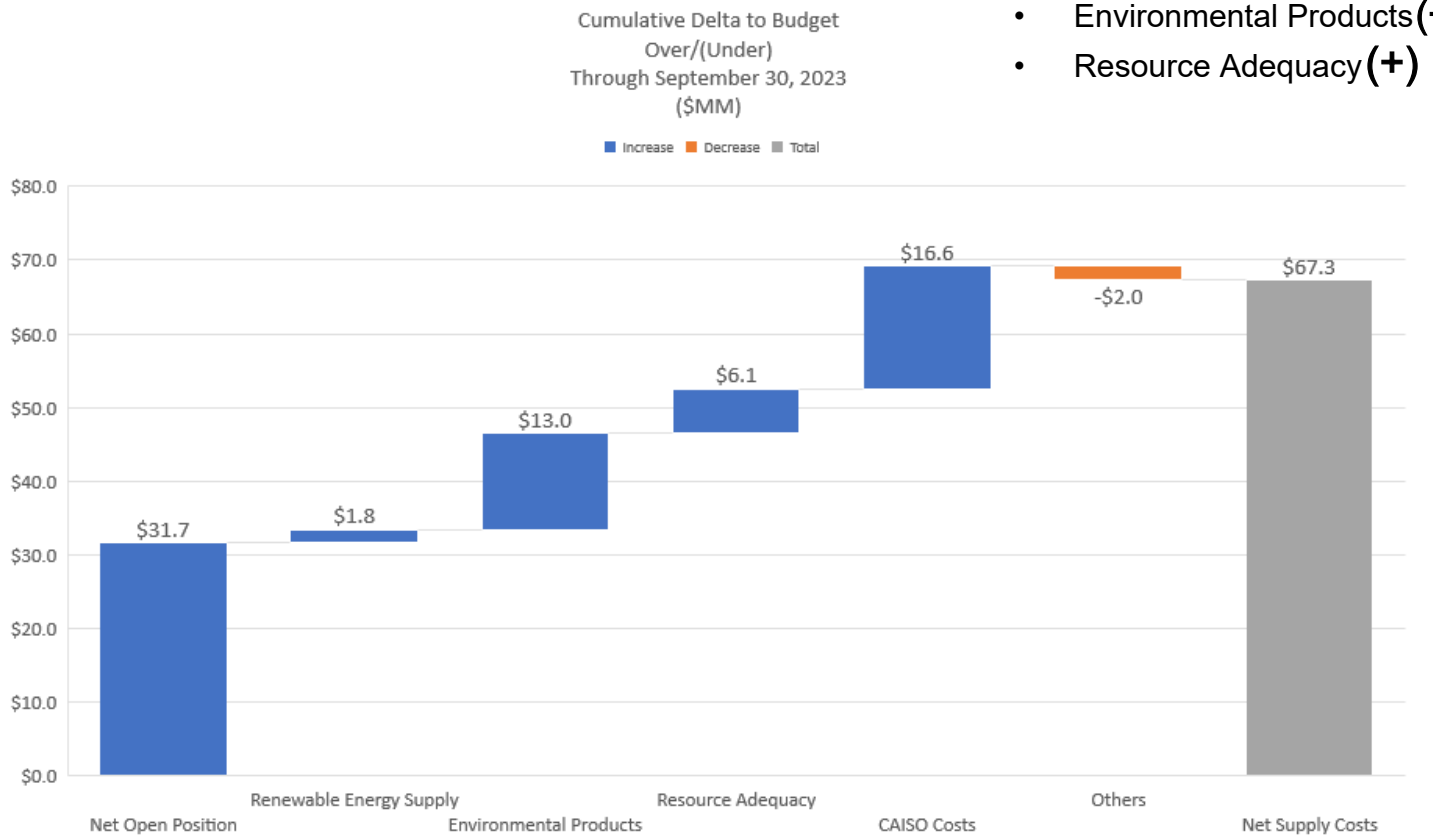
- Energy Prices are Extremely Volatile
(expanded slide in appendix)



- Currently ~86% Hedged for FY 2023
- Sharp Increase in Prices for Renewable and Carbon Free Environmental Products
- Sharp Increase in Resource Adequacy (RA) Market and Compliance Costs

Increase of $67.3 M since budget

- Net Open Position **(+)**
- CAISO non-energy costs **(+)**
- Environmental Products **(+)**
- Resource Adequacy **(+)**



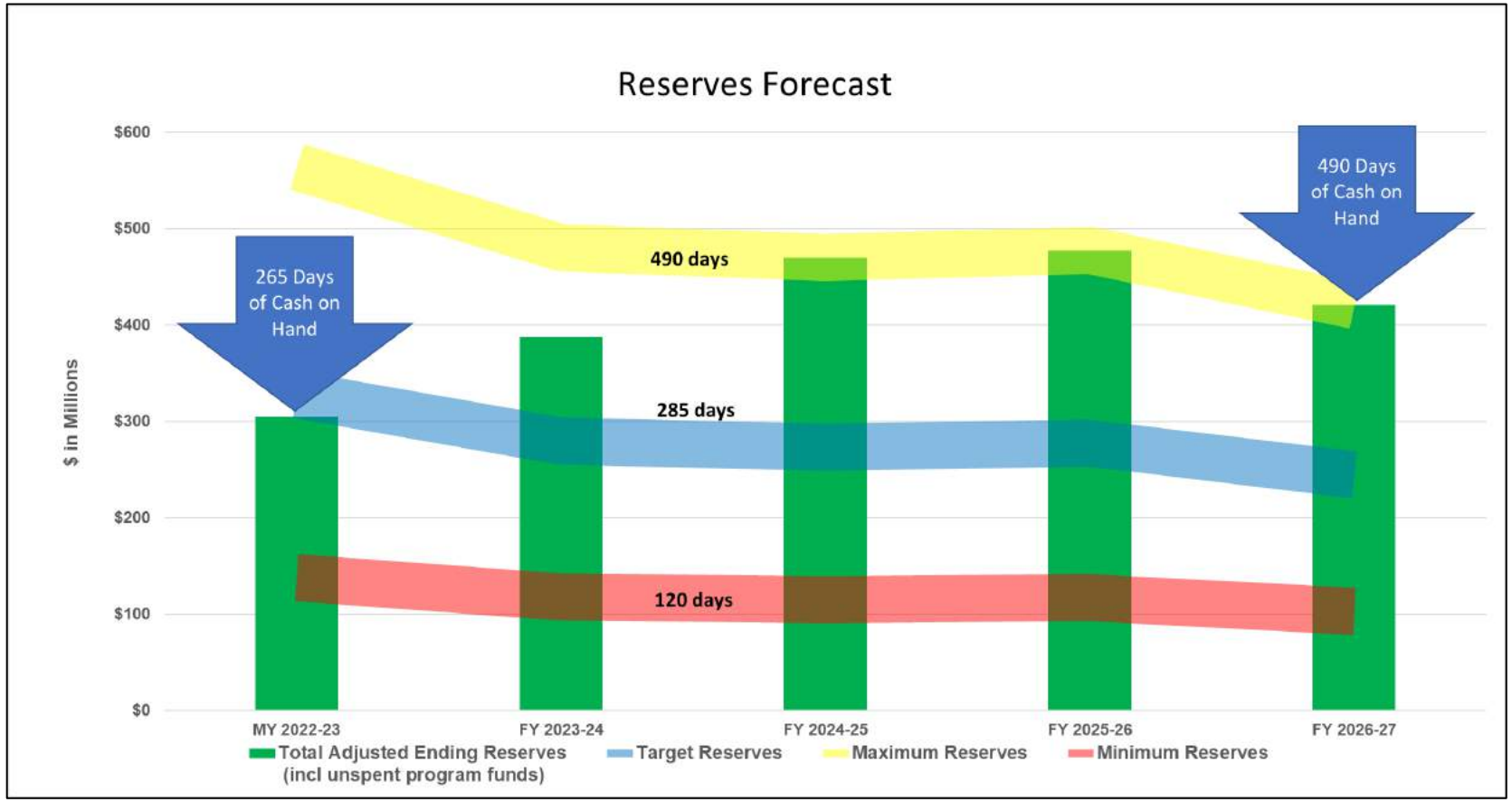
Reserve Projection

Projected End of FY Reserves:

- $305 Million
- 265 Days of Cash on Hand
- Includes Unspent Program Fund allocations

If all Approved Programs Dollars were Spent :

- $252 Million in Reserves
- 219 days cash on hand



Personnel Update

Budgeted Staff

- 49 FTEs
- 7 PTEs

Current Staff

- 35 FTEs
- 5 PTEs

No New FTE Headcount Additions in MY Budget

Recruiting Progress:

- Staff engaged multiple outside recruitment firms
  - 2 additional staff hired in late 2022
  - 3 new staff hired – start dates in March / April
  - 14 FTE vacancies remain
    - 2 offers currently being considered by candidates

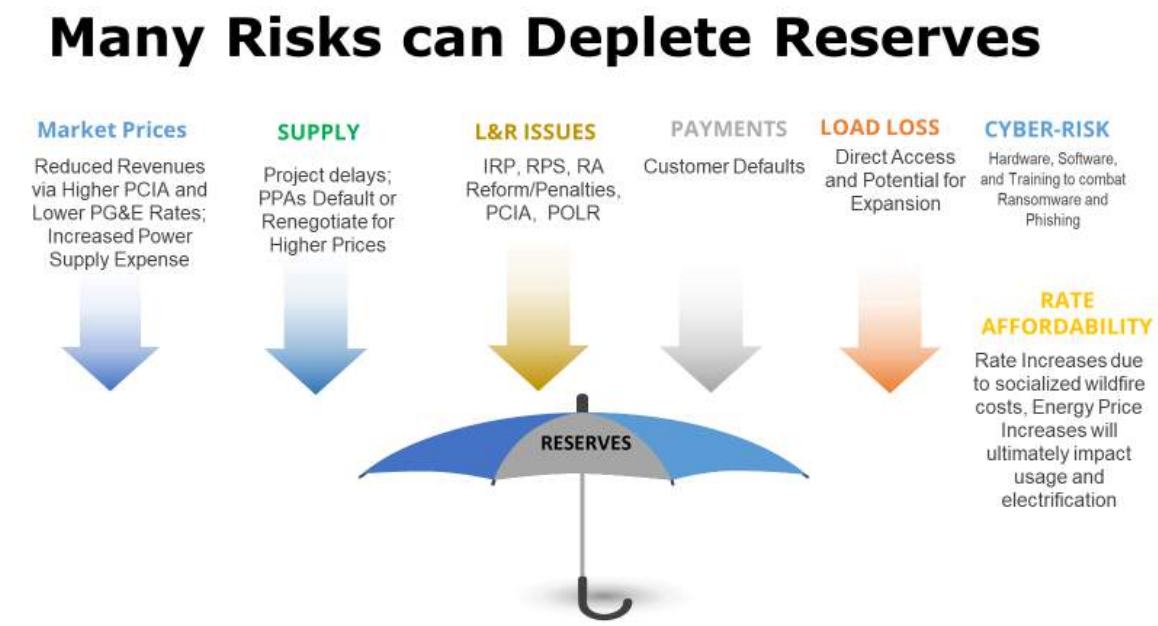
DPP anticipates additional hiring later in 2023, once new hires are fully integrated, and gaps identified

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

- Despite uncertainties, good operating margin and contribution to reserves

- Taking favorable conditions to:
  1. Build reserves to withstand future adverse events
  2. Further serve our mission with an additional $19 million in funding for decarbonization programs
  3. Encourage all-electric rate adoption by residential customers with additional discounts
  4. Provide additional bill relief for lower-income customers
  5. Increase overall customer discount to 4%

- Staff will conduct additional stress tests as part of next year's budget to prepare for adverse events and assess the adequacy of reserves.



Recommendation

Recommend that the Board of Directors adopt the Mid-year (MY) 2022-23 Adjusted Operating Budget that projects contributing $73.4 million to the reserves.

Thank you! / Questions?

2022 -2023 Mid -Year Adjusted Operating Budget

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

DESCRIPTION	FY 2022-23 ADJUSTED BUDGET
ENERGY REVENUES	
Energy Sales	522,853
Green Prime	1,055
Other Income	50
TOTAL ENERGY REVENUES	**523,958**
ENERGY EXPENSES	
Power Supply	392,436
OPERATING MARGIN	**131,522**
OPERATING EXPENSES	
Data Management	3,413
PG&E Fees	1,470
Salaries and Retirement	11,285
Professional Services	8,016
Marketing & Promotions	862
Notifications	131
Lease	525
General & Administrative	1,857
TOTAL OPERATING EXPENSES	**27,559**
OPERATING INCOME (LOSS)	**103,963**
NON-OPERATING REVENUES	
Interest Income	3,870
Grant Income	0
TOTAL NON-OPERATING REVENUES	**3,870**
NON-OPERATING EXPENSES	
Financing	3
Interest	0
TOTAL NON-OPERATING EXPENSES	**3**
TOTAL NON-OPERATING INCOME (EXPENSES)	**3,867**
CHANGE IN NET POSITION	**107,830**
CAPITAL EXPENDITURES, INTERFUND TRANSFERS & OTHER	
Capital Outlay	200
Transfer to CRCR Fund	0
Transfer to Program Fund	9,765
Nuclear Allocation	1,900
Multi Family Direct Install Program	9,500
Electrification Discount Program	9,500
Customer Bill Relief	3,600
Other	0
TOTAL CAPITAL EXPENDITURES, INTERFUND TRANSFERS & OTHER	**$34,465**
BALANCE AVAILABLE FOR RESERVES	**$73,365**

Operating Expenses

	FY Budget	MY Budget Changes	Notes

Updated Costs	• Data Management (Calpine)
	  • $3.25MM
	• Billing (PG&E)
	  • $1.4MM
	• G&A / Lease
	  • $2.4MM
	• Staffing
	  • $12.02MM
	• Professional Services
	  • $8MM
	• Communications / Noticing
	  • $1MM
		• Unchanged
		• Unchanged
		• Unchanged
		• Reduced by ~$740k due to vacancies
		• Unchanged
		• Unchanged
			• Actual expenditures (Oct– Dec) tracking within Budgets across most operating expense categories
			• No major shifts in program / project priorities
			• No new FTE headcount at MY
			• Staffing costs reduced due to lengthy recruitment processes
			• Anticipate additional DPP staffing later in 2023

5-year forecast

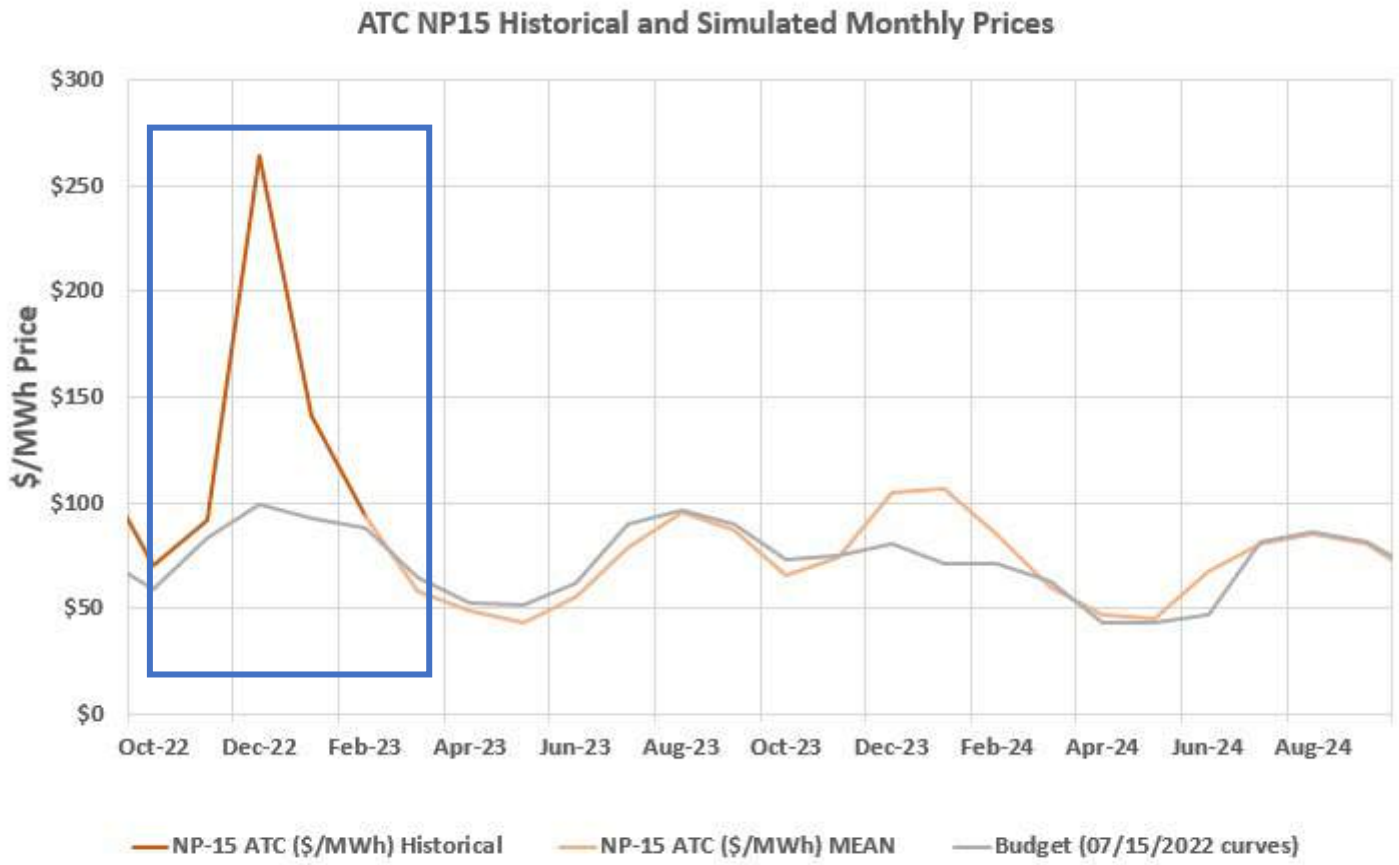
($ in Thousands)	2023	2024	2025	2026	2027
Operating Revenue	(Budget)	(Forecast)	(Forecast)	(Forecast)	(Forecast)
GWh Sales	3,784	3,749	3,769	3,917	3,792
Electricity Sales, Net	$ 522,853	$ 458,368	$ 482,080	$ 493,546	$ 478,176
Available for PCIA/Gen Rate/Power Supply Cost Changes	-	-	(40,000)	(129,000)	(221,000)
Other Income	50	51	51	52	52
GreenPrime Electricity Premium	1,055	862	853	858	863
Total Operating Revenues	**523,958**	**459,280**	**442,984**	**365,455**	**258,092**
Operating Expense					
Power Supply	$ 392,436	$ 328,263	$ 319,711	$ 323,460	$ 279,812
Operating Margin	**131,522**	**131,017**	**123,274**	**41,996**	**(21,720)**
Data Management	3,413	3,413	3,583	3,762	3,950
PG&E Service Fees	1,470	1,544	1,621	1,702	1,787
Staff Compensation	11,285	12,447	12,852	13,269	13,701
Consultants and other Professional Fees	8,016	8,417	8,838	9,280	9,744
Communications and Noticing	993	1,043	1,095	1,150	1,207
General and Administration	2,382	2,501	2,626	2,758	2,895
Programs	34,265	9,185	9,659	9,888	9,581
Total Operating Expenses	**454,260**	**366,812**	**359,984**	**365,269**	**322,677**
Operating Income	**69,698**	**92,468**	**83,000**	**187**	**(64,586)**
Nonoperating Revenue (Expense)					
Investment Income	3,870	5,609	8,306	10,059	10,214
Capital Outlay & Financing Costs	(203)	(53)	(53)	(53)	(53)
Grant Income	-	-	-	-	-
Total Non-Operating Revenue (Expense)	**3,667**	**5,556**	**8,253**	**10,006**	**10,161**
Change in Net Position/Available for Reserves	**73,365**	**98,024**	**91,253**	**10,192**	**(54,424)**
Begin, Net Position	**212,684**	**286,049**	**384,073**	**475,326**	**485,518**
End, Net Position	**$ 286,049**	**$ 384,073**	**$ 475,326**	**$ 485,518**	**$ 431,094**

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

Power Market Price Volatility

Prices in recent months have settled much higher than normal

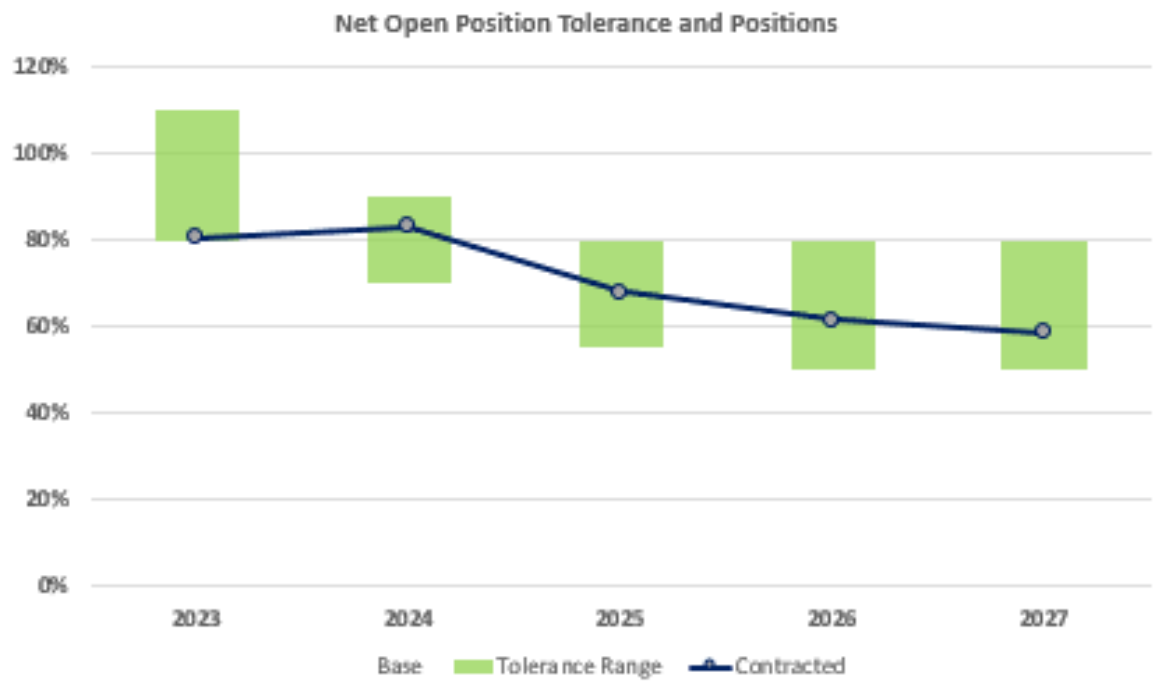


NP15 ATC $/Mwhr	FY2023	FY2024
Budget	$ 79.4	$ 68.1
MY Budget	$ 94.0	$ 75.0

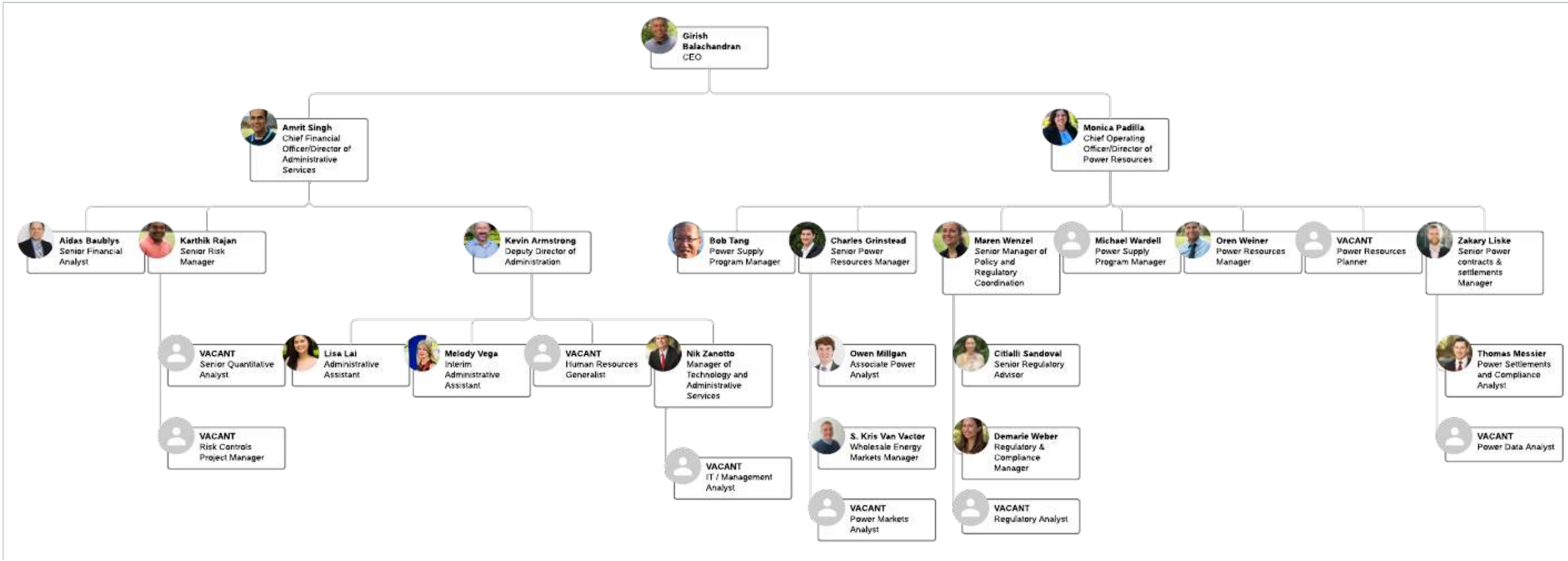
Energy Risk Management Min/Max Bands

We hedge to manage market price risk. 86% of Fiscal Year 23 load is hedged; 80% of Calendar Year 23 is hedged

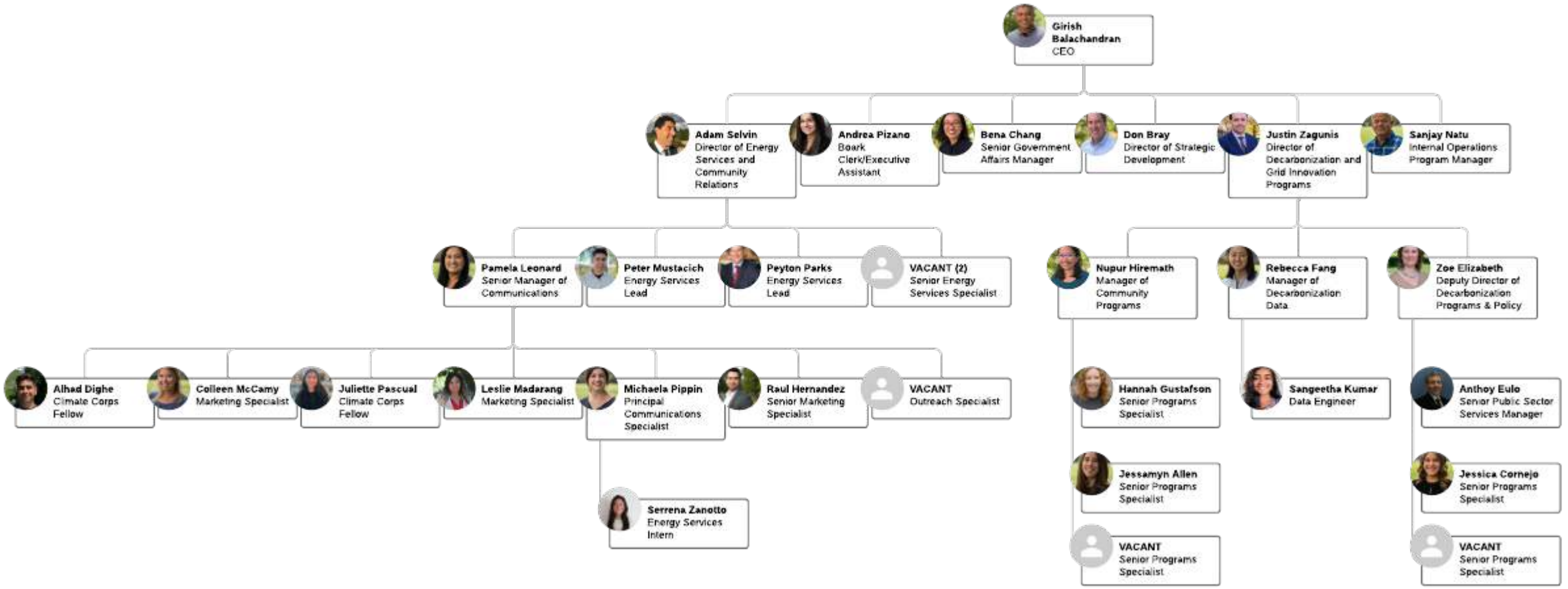
Period	Year	ERM Min Tolerance – LRB %	ERM Max Tolerance LRB %	SVCE Total Hedge %
Balance of Year	2023	80%	110%	80%
Year 2 - 2023	2024	70%	90%	83%
Year 3 - 2024	2025	55%	80%	69%
Year 4 - 2025	2026	50%	80%	63%
Year 5 - 2026	2027	50%	80%	60%



Organization Chart (4PRO / F&A)



Organization Chart (ESCR / DPP)



Decarb Programs and Policy Staffing

Current Staff

- Director
- Programs-focused team (3 staff)
- Policy and government support team (3 staff)
- Data team (2 staff)

Starting Spring 2023

- Portfolio Management Analyst
- Senior Programs Specialist (Community Programs)
- Programs Lead (Policy)

Ongoing Program Expansion:

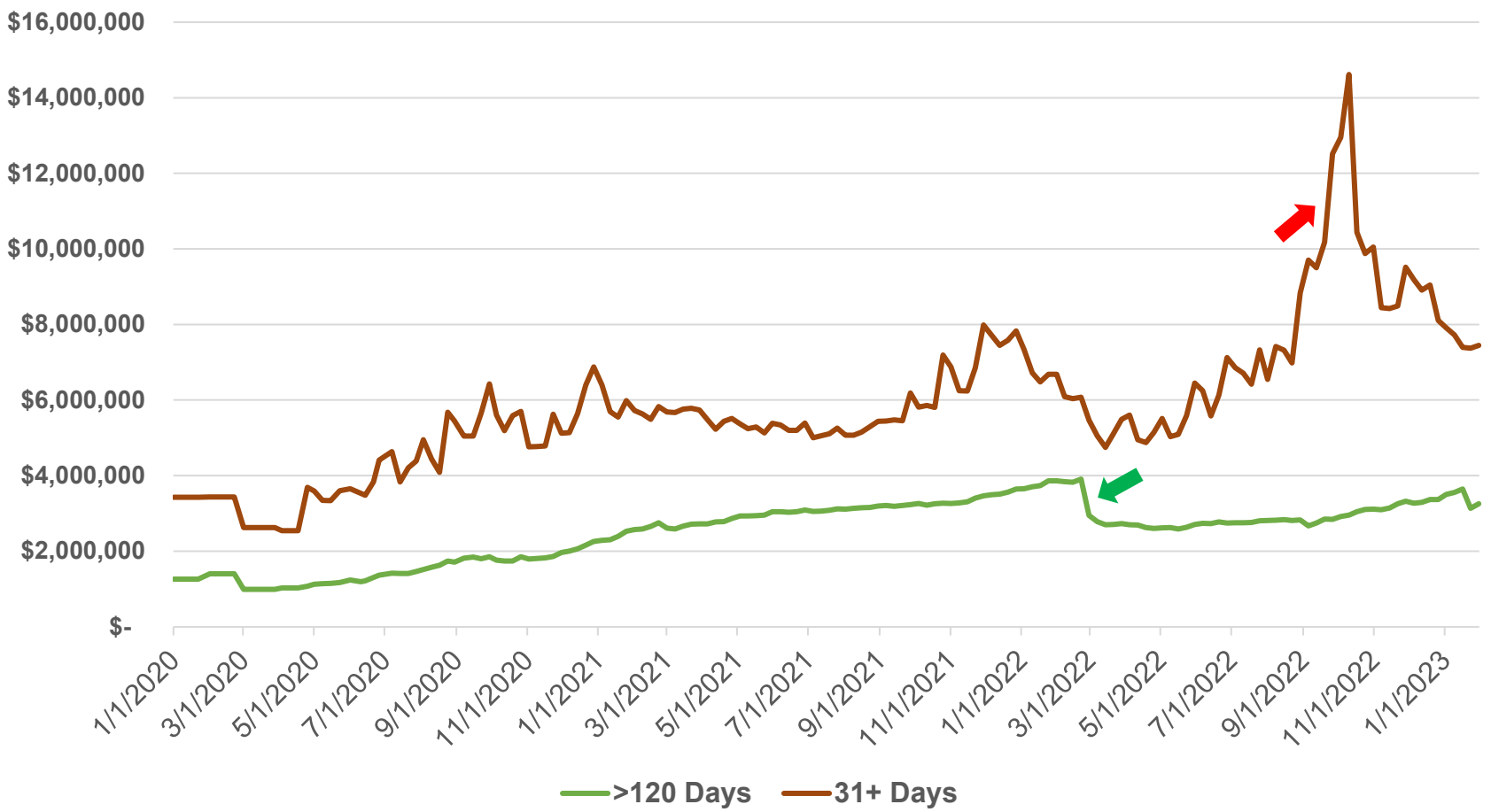
- Need to go from ~$2M/year to ~20M/year for next three years
- Need to go from hundreds of rebates to thousands
- Need to meet more with local agencies to explore options and provide support

More Staff Required; New Tools Required

- DPP anticipates additional hiring later in 2023, once new hires are fully integrated
- New positions likely focused on financing, program expansion
- Search for / evaluate new tool to manage program portfolio

Since March 2020, the overall arrearage amounts have grown roughly 3x.

SVCEs Arrearage Total for customers 31+ days late, 120+ days late

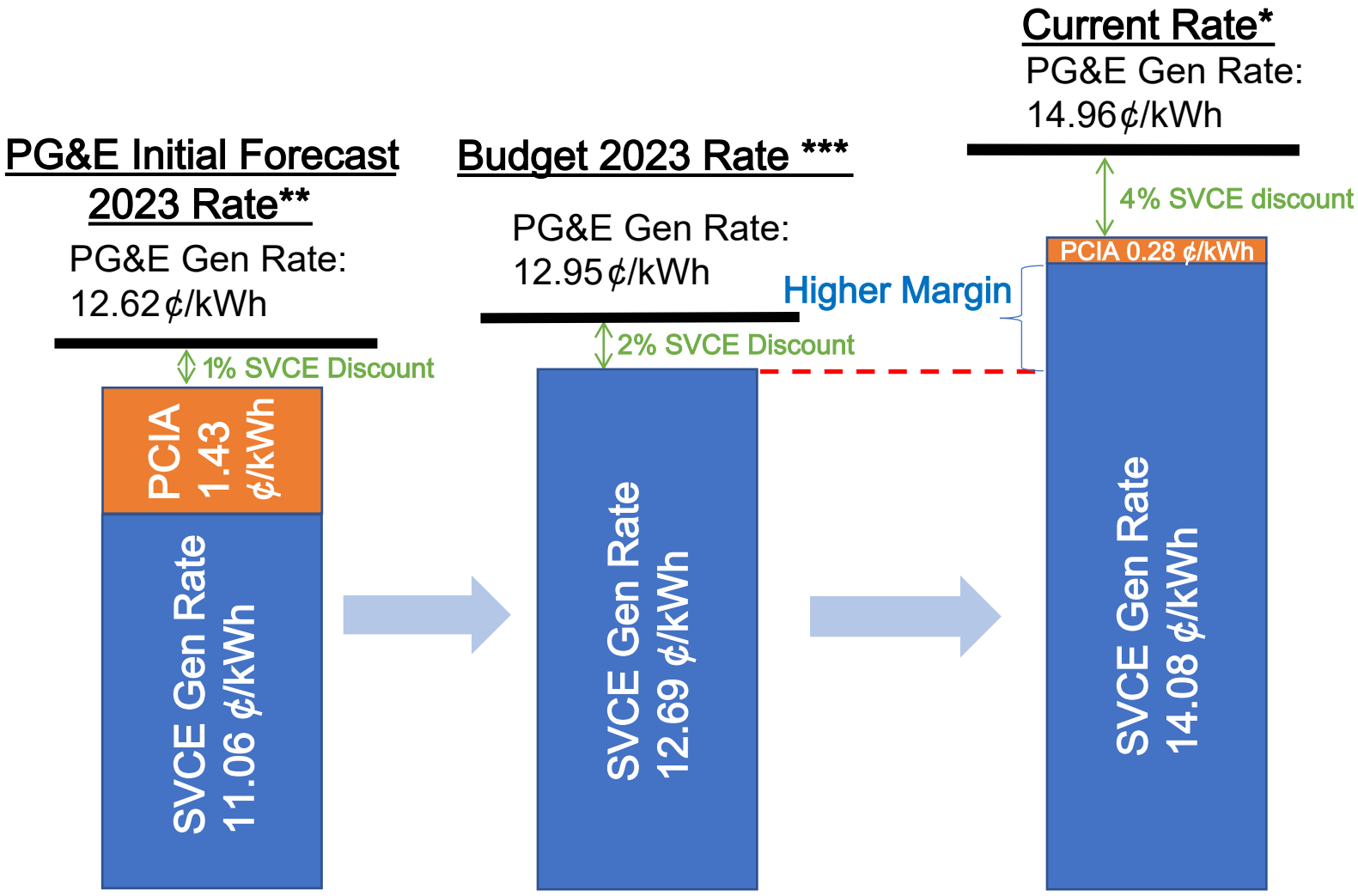


	Date	Amount
High	11/29/2021	$7.99M
Low	4/17/2020	$2.54M
Current	**1/30/2023**	**$7.45M**

- Green arrow indicates receipt of $1.3M in Federal CAPP funds
- An additional $750k in CAPP funding provided winter ’23
- Growth at red arrow indicates short-term PG&E billing hold issue in fall ’22 that was quickly resolved.

Progression of the SVCE Margin

- PG&E Published the Initial 2023 ERRA forecast in May 2022 projecting 2023 Gen Rates at 12.62¢/kWh *(Weighted for SVCE Portfolio Load)*
- SVCE set annual budget in July 2022, projecting 2023 Gen Rates at 12.95¢/kWh *(Weighted for SVCE Portfolio Load)*
- PG&E Released the official rates in December 2022, effective January 1st, 2023



* Source: PG&E 2023 Average Rate, effective January 1, 2023 (Weighted for SVCE Portfolio Load)
** Source: PG&E Initial ERRA Forecast (Weighted for SVCE Portfolio Load)
*** Using NewGen Model with 7/16/2022 Forward Curves and 10% haircut (Weighted for SVCE Portfolio Load)
Above margin analyses ignores minor reductions for franchise fees (0.09¢/kWh)

22

Enterprise Risk Management (ERM) Framework and Stress Testing

February 27, 2023
Finance and Administrative Committee
Amrit Singh

SILICON VALLEY CLEAN ENERGY

Purpose

Information Item:

1. Present Enterprise Risk Management (ERM) Framework
2. Seek Feedback on the Planned Stress Test Scenario

Main Areas of Discussion

- Quick Review of Last Year's Stress Tests
- ERM and Stress Test Distinction
- Components of ERM Framework
  - Risk Matrix
  - Risk Register
  - Stress Tests
- Review Planned Stress Test Scenario

Background – Last Year's Stress Tests

- Conducted 5 Stress Test Scenarios
- Expanded Towards ERM
- Enhancing Towards a Comprehensive ERM Program

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

Stress Tests and ERM

Stress Test

An essential component of ERM

- Assess the interrelatedness of risks in the ERM framework and model extreme but plausible scenarios resulting from one or more risks that can have major adverse consequences for SVCE
- Important for commodity trading portfolios because of the inherent weakness of market risk measures in assessing black swans, such as disruptions in markets

ERM

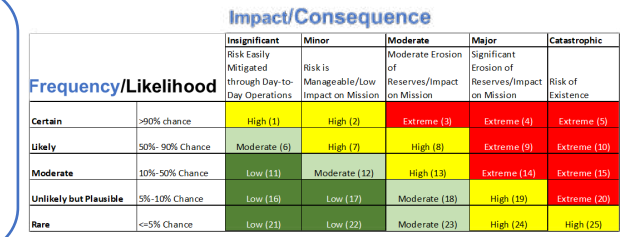
A more comprehensive organization-wide assessment of risks that leads to a more disciplined approach to achieving the organization's mission and objectives

- Ensure risks that can be optimally managed do not derail us from achieving the organization's objectives efficiently and effectively
- Can also aid in identifying opportunities that affect the organization's strategic priorities

Key Components of our ERM Framework

Risk Matrix

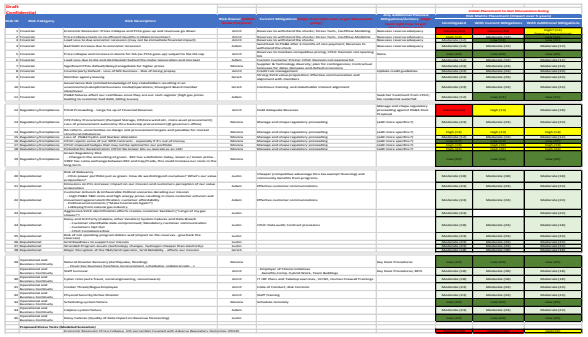
- Risk Rubric. Assess the likelihood and consequence of risk events
- Calibrate risks
- Identify risk tolerance – level of acceptance



Frequency/Likelihood		Impact/Consequence: Insignificant — Risk Easily Mitigated through Day-to-Day Operations	Minor — Risk is Manageable/Low Impact on Mission	Moderate — Moderate Erosion of Reserves/Impact on Mission	Major — Significant Erosion of Reserves/Impact on Mission	Catastrophic — Risk of Existence
Certain	>90% chance	High (1)	High (2)	Extreme (3)	Extreme (4)	Extreme (5)
Likely	50%- 90% Chance	Moderate (6)	High (7)	High (8)	Extreme (9)	Extreme (10)
Moderate	10%-50% Chance	Low (11)	Moderate (12)	High (13)	Extreme (14)	Extreme (15)
Unlikely but Plausible	5%-10% Chance	Low (16)	Low (17)	Moderate (18)	High (19)	Extreme (20)
Rare	<=5% Chance	Low (21)	Low (22)	Moderate (23)	High (24)	High (25)

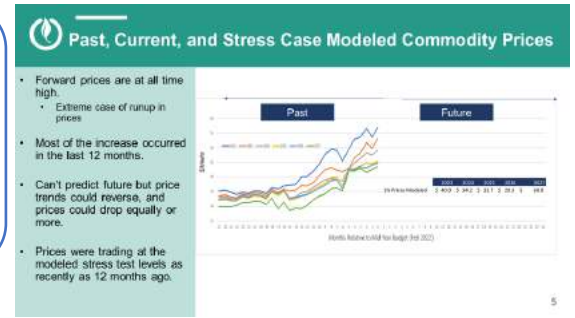
Risk Register

- Record of organization's risks
- Identify current and additional planned mitigations
- Identify risk owner



Stress Tests

- Model scenarios (financial position, systems, and processes) of interrelated risks that are extreme but plausible
- Develop appropriate risk management strategies, including the adequacy of reserves



Risk Matrix

- Assess the likelihood (frequency of occurrence) and consequence (impact)
- Calibrate risks and optimally direct resources
- Identify risk tolerance or acceptable level of risk
- Most risks assessed based on the subject matter expert's (SME) judgment
- Will continue to refine further and attempt to quantify risks
- Significant financial risks will be explicitly quantified and used for reserve planning, like last year's stress test analyses

Impact /Consequence

Frequency /Likelihood

		Insignificant Risk Easily Mitigated through Day-to-Day Operations	Minor Risk is Manageable/Low Impact on Mission	Moderate Moderate Erosion of Reserves/Impact on Mission	Major Significant Erosion of Reserves/Impact on Mission	Catastrophic Risk of Existence
Certain	>90% chance	High (1)	High (2)	Extreme (3)	Extreme (4)	Extreme (5)
Likely	50%- 90% Chance	Moderate (6)	High (7)	High (8)	Extreme (9)	Extreme (10)
Moderate	10%-50% Chance	Low (11)	Moderate (12)	High (13)	Extreme (14)	Extreme (15)
Unlikely but Plausible	5%-10% Chance	Low (16)	Low (17)	Moderate (18)	High (19)	Extreme (20)
Rare	<=5% Chance	Low (21)	Low (22)	Moderate (23)	High (24)	High (25)

Risk Register

- Risk Register:
  - Record of risks
  - Briefly describes each risk
  - Lists existing and planned mitigations
  - Ranks risks
  - Identifies risk owner
- Cross-functional teams brainstormed and identified an initial set of critical risks
- Bucketed the risks into the following initial categories:
  - Financial
  - Regulatory and Compliance
  - Reputational
  - Operational and Business Continuity

Draft and illustrative

Risk ID	Risk Category	Risk Description	Risk Owner	Current Mitigations	Additional Planned Mitigations	Risk Matrix Placement (Impact over 5-years)		
						Unmitigated	With Current Mitigations	With Additional Mitigations
1	Financial	Prices Collapse; PCIA Increases; Revenues Decrease	Amrit	Reserves to withstand the shocks; Stress Tests, Cashflow modeling	Reassess reserve adequacy	Extreme (15)	Extreme (14)	High (13)
.								
7	Financial	Significant Number of PPAs Default/Delay/Renegotiate for higher prices	Monica	Supplier & Technology Diversity; Plan for Contingencies; Contractual language for delay damages and default provisions		Moderate (14)	Moderate (12)	Moderate (12)
12	Regulatory/Compliance	POLR Proceeding - Large Tie Up of Financial Reserves	Amrit	Hold Adequate Reserves	Manage and shape regulatory proceeding	Extreme (14)	High (13)	Moderate (18)
25	Reputational	Ineffective or sluggish spending of approved program dollars	Justin	Program plans developed with stakeholders, ongoing feedback during design/management, increased staff/resources, and emphasizing larger-scale programs.	Additional staffing, new supporting systems, and public reporting on impacts.	Moderate (23)	Moderate (23)	Moderate (23)
.								
28	Reputational	Major disruption of the T&D/Grid operator, Grid Reliability - affects our mission	Girish	Shape Regulatory and Legislative Initiatives		Moderate (18)	Moderate (18)	Moderate (18)
29	Operational and Business Continuity	Natural Disaster Recovery (Earthquake, flooding) - Cover key business functions (procurement, scheduling, collateral calls ...)	Monica	System backups and desk procedures	Add'l Desk Procedures and Continuity Plans	Low (22)	Low (22)	Low (22)
.								
34	Operational and Business Continuity	Calpine system failure	Adam			Moderate (23)	Moderate (23)	Moderate (23)
Proposed Stress Tests (Modeled Scenarios)								
	Economic Recession (Price Collapse -5th percentile) Coupled with Adverse Regulatory Outcomes (POLR); Increase RA/procurement costs			Reserves; Strong Advocacy	Additional Reserves; Revist Hedging Strategy	Extreme (20)	High(19)	Moderate (18)

An expanded view is also shown in the appendix.

Current Stress Test Scenario Plan

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

Economic Recession

Draft

Risk Matrix Placement (Impact over 5-years)		
Unmitigated	With Current Mitigations	With Additional Mitigations
Extreme (20)	High(19)	Moderate (18)

- Economic Recession - Price Drop, *Load Loss,* Bad Debt Increase
- Increase in POLR (Provider of Last Resort) funding (called FSR – Financial Security Requirement)
- Resource Adequacy (RA) reform and market uncertainties, along with increased procurement targets and potential penalties, increase procurement costs

Mitigation Strategies

- Current:
  - Reserves to withstand the shocks
  - Strong advocacy and engagement with regulatory stakeholders (CPUC, CEC, Legislature) through multiple channels (Direct, CalCCA)
- Additional
  - Additional reserves
  - Consider revising the hedging strategy to account for PCIA / Gen-rate variability to energy prices

FY23-24 Risk Assessment Timeline

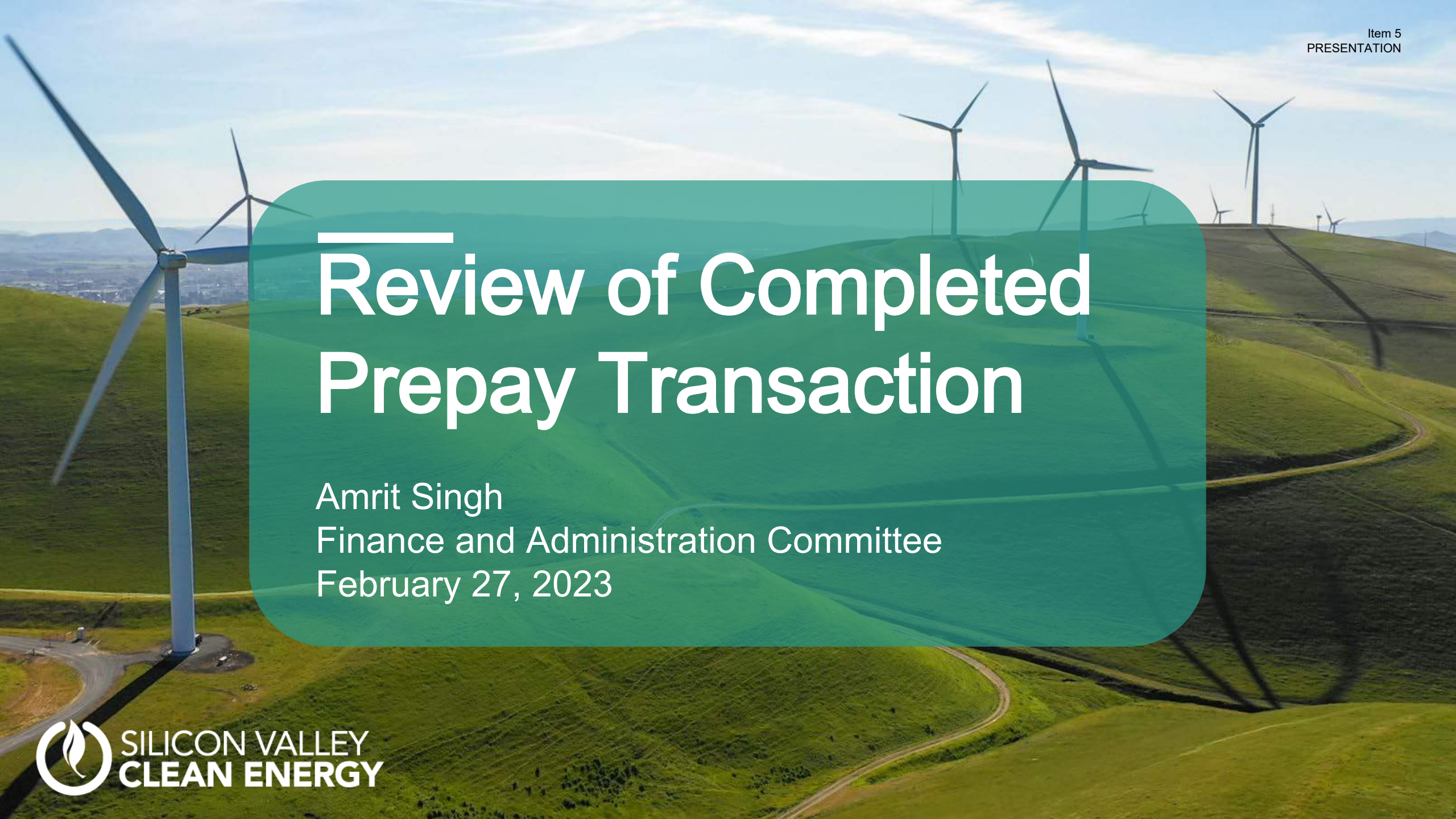
Thank you! / Questions?

Draft and illustrative

Risk ID	Risk Category	Risk Description	Risk Owner	Current Mitigations	Additional Planned Mitigations	Risk Matrix Placement (Impact over 5-years)		
						Unmitigated	With Current Mitigations	With Additional Mitigations
1	Financial	Prices Collapse; PCIA Increases; Revenues Decrease	Amrit	Reserves to withstand the shocks; Stress Tests, Cashflow modeling	Reassess reserve adequacy	Extreme (15)	Extreme (14)	High (13)
.								
7	Financial	Significant Number of PPAs Default/Delay/Renegotiate for higher prices	Monica	Supplier & Technology Diversity; Plan for Contingencies; Contractual language for delay damages and default provisions		Moderate (14)	Moderate (12)	Moderate (12)
12	Regulatory/Compliance	POLR Proceeding - Large Tie Up of Financial Reserves	Amrit	Hold Adequate Reserves	Manage and shape regulatory proceeding	Extreme (14)	High (13)	Moderate (18)
25	Reputational	Ineffective or sluggish spending of approved program dollars	Justin	Program plans developed with stakeholders, ongoing feedback during design/management, increased staff/resources, and emphasizing larger-scale programs.	Additional staffing, new supporting systems, and public reporting on impacts.	Moderate (23)	Moderate (23)	Moderate (23)
.								
28	Reputational	Major disruption of the T&D/Grid operator, Grid Reliability - affects our mission	Girish	Shape Regulatory and Legislative Initiatives		Moderate (18)	Moderate (18)	Moderate (18)
29	Operational and Business Continuity	Natural Disaster Recovery (Earthquake, flooding) - Cover key business functions (procurement, scheduling, collateral calls ...)	Monica	System backups and desk procedures	Add'l Desk Procedures and Continuity Plans	Low (22)	Low (22)	Low (22)
.								
34	Operational and Business Continuity	Calpine system failure	Adam			Moderate (23)	Moderate (23)	Moderate (23)

Proposed Stress Tests (Modeled Scenarios)

	Economic Recession (Price Collapse -5th percentile) Coupled with Adverse Regulatory Outcomes (POLR); Increase RA/procurement costs	Reserves; Strong Advocacy	Additional Reserves; Revist Hedging Strategy	Extreme (20)	High(19)	Moderate (18)



Review of Completed Prepay Transaction

Amrit Singh
Finance and Administration Committee
February 27, 2023

SILICON VALLEY CLEAN ENERGY

Purpose

Information Item: Report Out of the Completed Second Prepay Transaction

Main Areas of Discussion

- Goals of Prepay
- Board Authorized Execution Parameters
- Summary of Executed Transactions
- Next Steps

Review of Prepay Goal and Benefits

- Goal
  - ✓ Reduce the cost of power purchases by leveraging SVCE's ability to fund low-cost tax-exempt debt
    - Prepays grant CCA's competitive advantage relative to IOUs

- Target Benefits
  - ✓ Savings over the 30-year term around 8% - 10% per year on power quantities delivered under the pre-pay structure compared to spot market purchases / current contracts
  - ✓ Approximately 3 MM to $4 MM per year in savings
  - ✓ Favorable risk allocation where SVCE only pays for energy that is delivered (same as contracts today)
  - ✓ Debt is non-recourse to SVCE

SILICON VALLEY CLEAN ENERGY

Board Authorized Execution Parameters

- Aggregate Principal Amount of bonds to not exceed $1.0 billion
- Execution contingent on achieving savings of at least 8 percent under the power supply contract for the initial bond reset period
- Bonds not be guaranteed obligations of SVCE

SILICON VALLEY CLEAN ENERGY

Summary of Executed Transaction

Aggregate Principal Bond Amount	**$841,550,000**
Total Bond Proceeds	$891,418,648.10
Municipal Bond Rating	A1
Green Certification	Designated Green Bonds by Kestrel Verifiers
Initial Bond Pricing Period	• 6.5 years. • After the initial period, bonds will be repriced per the negotiated repricing agreement and a new discount will be established based on the then prevailing market conditions.
Final Bond Maturity Date	• July 1, 2053.
Discount Achieved	• **$9.77 per MWh**, which is about **10%** of the price established for energy deliveries under the power supply contract. • ~$4.7 million per year for SVCE during the initial bond pricing period of 6.5 years.
Energy Volume Supported by Bond Proceeds	~55 MW (about 12% of load; with slight escalation in the latter half of the transaction)
Power Delivery Start Date	June 1, 2023

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Next Steps

- Work with CCCFA on ongoing annual disclosure requirements
- Assign existing or new Power Purchase Agreements (PPA) into the Prepay prior to the end of the 2-year term of the assigned contract
- Analyze the Power Procurement Portfolio and Continue to monitor the Prepay Market for Additional Opportunities
    - Two completed transactions provide combined savings of about $6.5 million annually
    - Two transactions cover ~25% of our load

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Thank you! / Questions?

Summary of Cost of Issuance

Paid from Bond Proceeds; Savings are Net of These Costs

Cost of Issuance (COI)	$ in 000's
Bond and Tax Counsel: Ballard Spahr	300
Credit Rating: Moody's	232.5
Issuer's Counsel and Disclosure Counsel: Chapman & Cutler LLP	200
Municipal Advisor: PFM Financial Advisors LLC	175
Investment Advisor: PFMAM (US Bank)	35
Trustee: BNY Mellon Corporate Trust	30.9
Trustee Counsel: Ballard Spahr	30
Printing Cost: ImageMaster	3.3
Green Bond Second Party Opinion: Kestrel	22
Contingency/Other	16.8
Total COI	1,045.5
Morgan Stanley Underwriting	4,359.2
Total	5,404.7

SILICON VALLEY CLEAN ENERGY

Summary of Transaction Documents

Agreements Executed by SVCE

1. Power Supply Contract
   - Between SVCE and CCCFA
   - Provides for the sale of clean energy from CCCFA to SVCE
2. Letter Agreement Regarding PPA Assignments
   - Between SVCE, CCCFA, and Morgan Stanley
   - Details the terms of assigning PPAs that SVCE has with a current of future energy Supplier
3. Form of Limited Assignment Agreement
   - Between SVCE, Morgan Stanley, and Third party Energy Supplier
   - Details the terms of partially assigning SVCE's energy contracts to Morgan Stanley
   - Future PPAs will include this agreement
4. Project Administration Agreement
   - Between SVCE and CCCFA.
   - Sets the terms for SVCE to act on behalf of the CCCFA such as scheduling for the energy.
5. Energy Supply/PPA Custodial Agreement
   - Between SVCE, Morgan Stanley and the Custodian Bank
   - Specifies the terms on handling cashflows among the parties and making required payments to the Energy/PPA Supplier

4. Summary of Transaction Documents – Cont'd

Agreements Executed by CCCFA

1. Prepaid Agreement
   - Between CCCFA and Morgan Stanley
   - Details the terms of the prepayment by CCCFA to Morgan Stanley and the flow of energy from Morgan Stanley to CCCFA
2. Trust Indenture
   - Between CCCFA and the Trustee
   - Sets forth the terms of bond issuance, the rights of bondholders, and secures the cashflows of CCCFA to ensure principal and interest payments to the bondholders
3. Re-pricing Agreement
   - Between CCCFA and Morgan Stanley
   - Sets the terms for remarketing and repricing of bonds at future bond repricing periods and the terms for calculation of future energy price discount that will be offered to SVCE.
4. Commodity Swap Agreement and Related Custodial Agreement
   - Between CCCFA and Swap Counterparty (Morgan Stanley also executes a corresponding agreement with the same swap counterparty)
   - Converts any index payments by SVCE (variable or floating price) to a fixed price

Details of the First Prepay Transaction

Aggregate Principal Bond Amount	$1,234,720,000 (SVCE and EBCE combined)
Total Bond Proceeds	$1,475,895,642.5 (SVCE and EBCE combined)
Municipal Bond Rating	A1
Green Certification	Designated Green Bonds by Kestrel Verifiers
Initial Bond Pricing Period	• 10 years. • After the initial period, bonds will be repriced per the negotiated repricing agreement, and a new discount will be established based on the then prevailing market conditions.
Final Bond Maturity Date	• February 1, 2052.
Discount Achieved	• $4.38 per MWh, about 10% of the energy cost of SVCE's 3-year transaction initially assigned into the Prepay. • ~$1.9 million per year for SVCE during the initial bond pricing period of ten years.
Energy Volume Supported by Bond Proceeds	109 MW, of which SVCE's share is 50 MW (about 11% of load) and EBCE's share is 59 MW for approximately the first ten years of the transaction; after that, the same proportional volume split will be maintained between SVCE and EBCE.

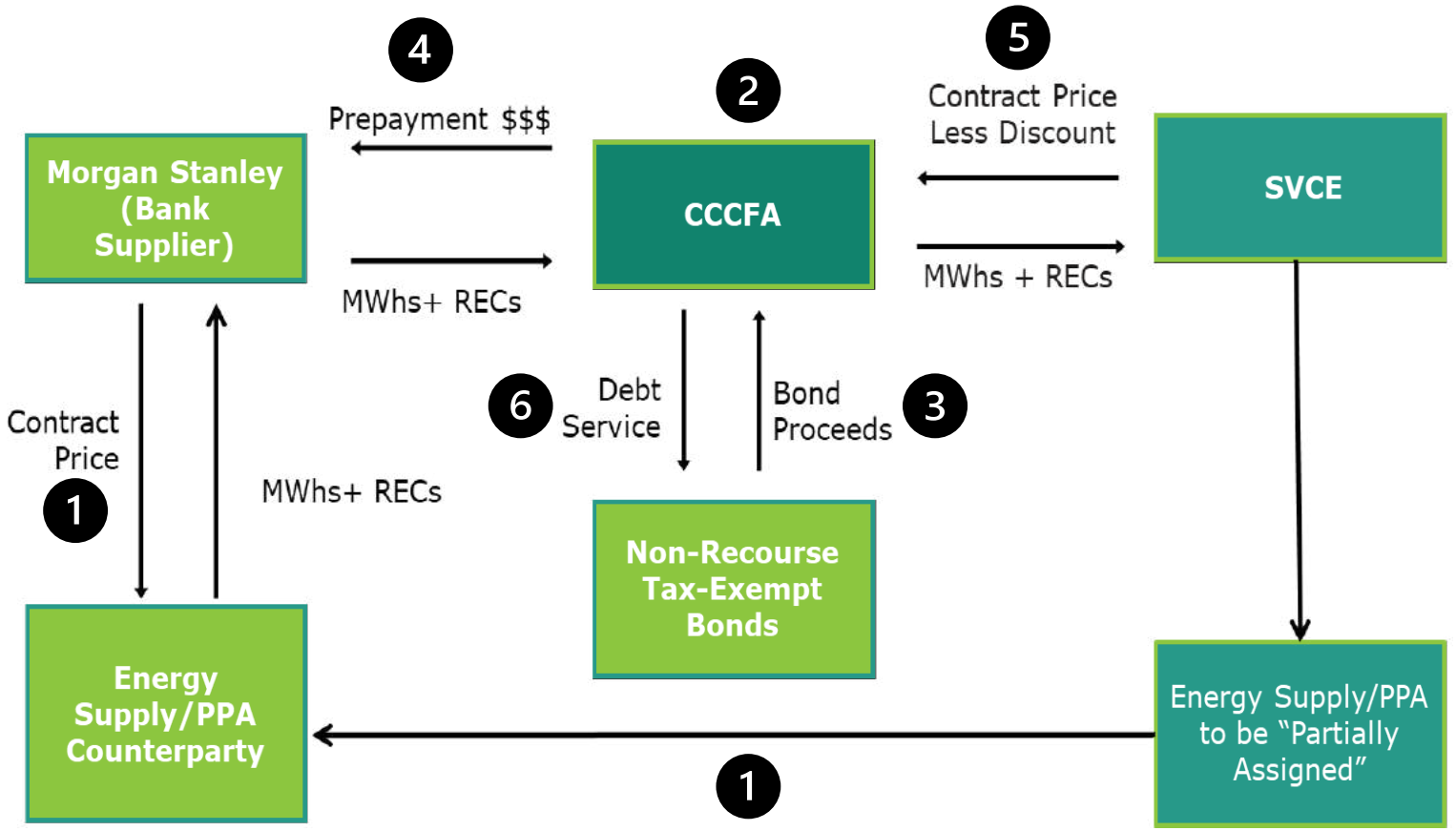
SILICON VALLEY CLEAN ENERGY

Overview of Prepay Structure

Term: 30-year with bonds repricing every 5-10 years depending on the optimal spread between taxable and tax-exempt interest rates.

Process:

1. SVCE partially assigns, using Limited Assignment Agreement, energy contract to Morgan Stanley (MS), Prepay Supplier. MS agrees to pay contract price to energy supplier.
2. CCAs created CCCFA, a separate legal entity that can issue tax-exempt debt.
3. CCCFA issues non-recourse tax-exempt bonds.
   - Bonds not guaranteed by SVCE or CCCFA.
   - Bonds secured by the contractual rights and transaction cashflows; Bonds carry MS credit ratings.
4. CCCFA pays bond proceeds, net of transaction fees, to MS as prepayment for energy and related products that MS will provide over the 30-year term. Executes Prepaid Agreement.
5. SVCE and CCCFA execute Power Supply Agreement, where SVCE pays CCCFA contract price less discount for energy delivered by CCCFA.
6. CCCFA uses payments from SVCE to pay interest and principal payments to bondholders.



Review of Prepay Background Info.

Goal: Reduce the cost of power purchases

- Savings achieved by leveraging SVCE/CCCFA's ability to fund low-cost tax-exempt interest rates
- Used since the 1990s for natural gas transactions
- Over 100 transactions totaling over $55 billion completed in the US
  - Over 95% of them for natural gas
  - 14 prepayments totaling over $8.7 billion completed in California
- Codified in the US Tax law
  - Part of the National Energy Policy Act of 2005
- Seasoned team of professionals will help to guide, negotiate and structure the transactions. Fees for professionals are contingent on the completion of the deal and paid from the deal proceeds.

History and Tax Law Behind Municipal Prepaid Energy Transactions

- Municipal electric and gas utilities (and tax-exempt entities such as CCAs) in the US can prepay for a supply of electricity or natural gas from a taxable (corporate) entity and fund that prepayment with tax-exempt municipal bonds:
  - Must sell that commodity to their retail end-users that reside within their traditional service area.

- Prepayment transactions are legal and Codified in US Tax Law: Since first prepayments of natural gas were done in the early 1990's, the IRS issued rules allowing tax-exempt prepayments and Congress enacted legislation specifically allowing the transactions (National Energy Policy Act of 2005; Section 1327).