Update on Strategic Plan and Adopt FY24 SVCE Focus Areas

SVCE Board of Directors Meeting
September 13, 2023

SILICON VALLEY
CLEAN ENERGY

Strategic Plan & Budget Timeline

- [x] April & May & Q3 - Staff input
- [x] May 26 - Executive Committee (strategic plan & budget)
- [x] June 14 - Board (strategic plan)
- [x] June 23 - Executive Committee (strategic plan & budget)
- [x] August 1 - Finance Committee (budget)
- [x] August 9 - Board (budget)
- [x] September 13 – Strategic Focus Areas and Budget Approval
- [ ] October 11 – SVCE Work Plan presented to Board

May
Enterprise Risk & Opportunities
Budget
Strategic Focus Areas

May-Aug
Strategic Plan Input & Updates

September
Approve Budget, Strategic Focus Areas

Oct
Present detailed work plan and measures (Oct)

Oct-Sep
Implementation

Item 3
PRESENTATION

SVCE Planning & Budgeting Process

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

Budget

Funding in alignment with achieving the strategic focus areas

Strategic Focus Areas

Organization-wide priorities and alignment toward achieving the mission

Enterprise Risk Management

Comprehensive assessment of risks and opportunities to optimally achieve mission

No Changes to Mission & Measure

MISSION:

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

MEASURE:

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

Updated FY 24 Focus Areas

(1 more change under #5)

FY 24	FY 23
1. Expand Clean and Reliable Grid Actions	1. 24x7 Clean Energy
2. Expand Customer Base & Interaction	2. Customer Base and Electrification
3. Accelerate Building & Transportation Electrification	3. Inflation Reduction Act
4. Implement Innovative Financing Solutions	4. Finance
5. Attract & Retain Employees	5. Employee

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5 Strategic Focus Areas – FY 24*

Synergy & Overlap

Expand Clean & Reliable Grid Actions	Expand Customer Base & Interaction	Accelerate Building & Transportation Electrification	Implement Innovative Financing Solutions	Attract & Retain Employees
Explore 24x7 clean energy delivery at scale; evaluate SVCE role in enhancing distribution and transmission reliability	Grow non-residential customer base; Expand Offerings & emphasize electrification to all customers	Accelerate deployment of currently adopted decarbonization strategies and goals; evaluate and capitalize on federal and state funding opportunities	Implement innovative financing solutions to increase impact of decarbonization program offerings, especially to lower-income customers	Be the Employer of Choice, and Increase Staffing; Hire CEO* *

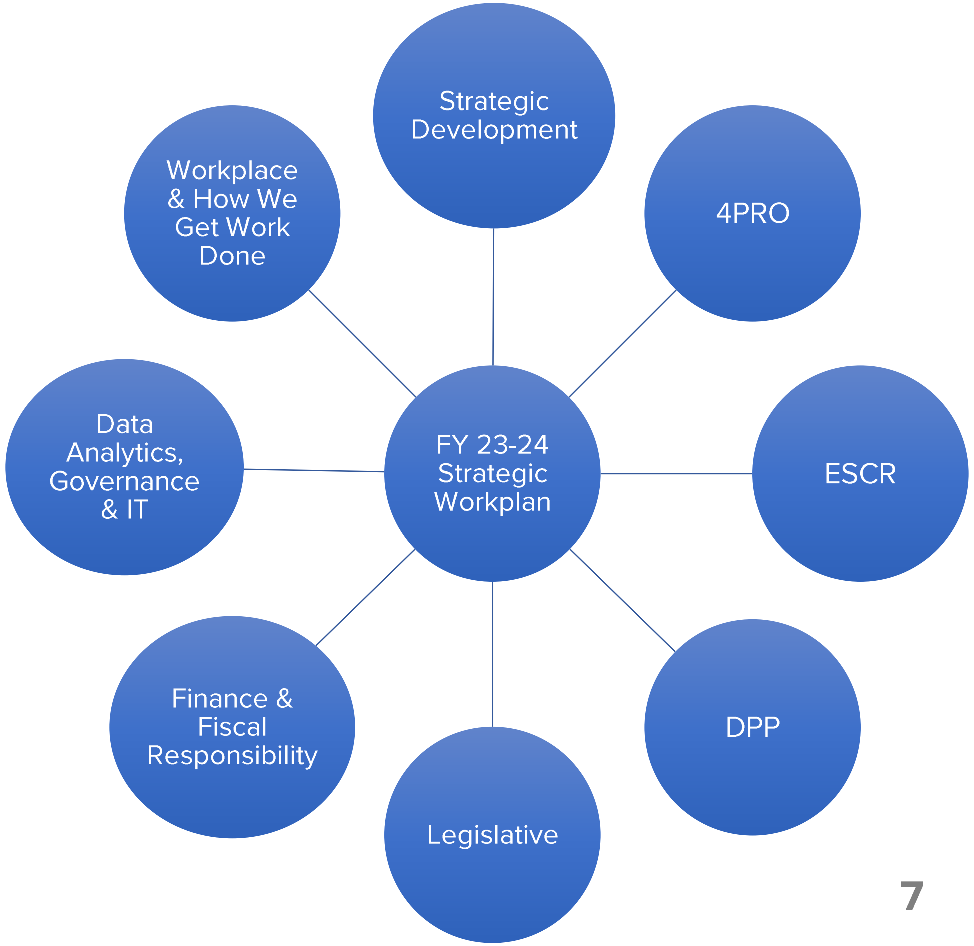
* Detail under each Focus Area is in the Appendix
** Only addition since June 14, 2023 board meeting

Strategic Plan
Combines Focus Areas and Work Plan

Board drives Strategic Focus Areas

- Expand Clean and Reliable Grid Actions
- Expand Customer Base & Interaction
- Accelerate Building & Transportation Electrification
- Implement Innovative Financing Solutions
- Attract & Retain Employees

Staff drives detailed Work Plan (25 goals & 84 measures)



Strategic Plan & Budget Timeline

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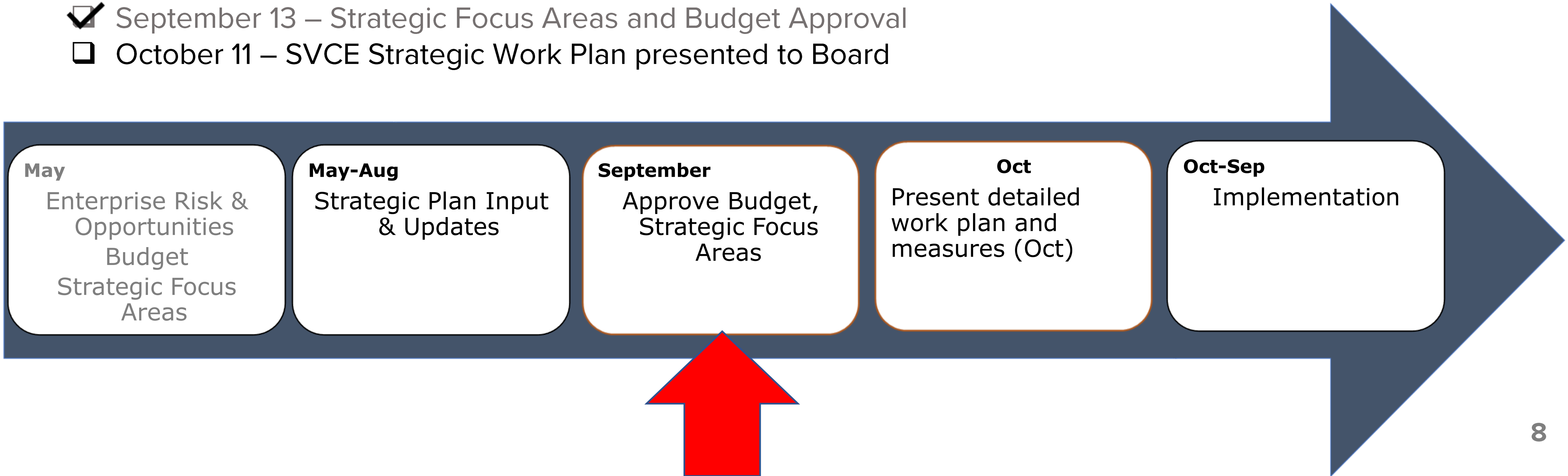

Recommendation

Approve staff’s recommendation to adopt the proposed FY24 Strategic Focus Areas:

- Expand Clean and Reliable Grid Actions
- Expand Customer Base & Interaction
- Accelerate Building & Transportation Electrification
- Implement Innovative Financing Solutions
- Attract & Retain Employees

APPENDIX

1. EXPAND CLEAN & RELIABLE GRID ACTIONS

Explore 24x7 clean energy delivery at scale, evaluate SVCE role in enhancing distribution and transmission reliability

- Explore pathways to measure & achieve carbon free 24x7 for the entire portfolio and aligned with SVCE's mission
- Implement Google's Carbon Free Energy (CFE) framework and explore opportunities to offer expanded clean offerings to other customers
- Explore VPP opportunities and how we can demonstrate the "grid of the future"
- Explore targeted SVCE role to enhance distribution and transmission reliability

2. EXPAND CUSTOMER BASE & INTERACTION

Grow non-residential customer base; Expand Offerings & emphasize electrification to all customers

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

3. ACCELERATE BUILDING AND TRANSPORTATION DECARBONIZATION

Accelerate deployment of currently adopted decarbonization strategies and goals; evaluate and capitalize on federal and state funding opportunities to further improve programs

- Grow our capacity and deploy programs at a much larger scale
- Operationalize equity into programs
- Assist member agencies evaluating federal and state decarbonization policies and program impacts
- Explore opportunities to influence and partner with other organizations on supporting a clean energy workforce

4. IMPLEMENT INNOVATIVE FINANCE SOLUTIONS

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

- Continue building strong financial reserves
- Attract and retain DA customers
- Implement innovative financing solutions to customers, particularly to reach those with barriers to conventional programs (e.g., low income, renters)

5. EMPLOYEES

Be The Employer of Choice, & Increase Staffing

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

Last Year's 5 Strategic Focus Areas – FY 23

Synergy & Overlap

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

Synergy & Overlap

1. 24x7 CLEAN (FY23)

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

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

2. CUSTOMER BASE & ELECTRIFICATION (FY23)

Grow Customer Base, Offerings, & Emphasize Electrification

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

3. INFLATION REDUCTION ACT (FY23)

Accelerate deployment of currently adopted decarbonization strategies and goals; evaluate and capitalize on the Inflation Reduction Act to further improve programs

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

4. FINANCE (FY23)

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

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

5. EMPLOYEES (FY23)

Be The Employer of Choice, & Increase Staffing

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

FY 23-24 Operating Budget

Amrit Singh
Board of Directors
September 13, 2023

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Purpose

Adopt Fiscal Year 2023-2024 (FY 24) Operating Budget and the Revised Reserves Policy.

Main Areas of Discussion

1. Recap of Budget Process and Timeline
2. Recap of Key Messages
3. Recommended Budget

SVCE Planning & Budgeting Process

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

Funding in alignment with achieving the strategic focus areas

Organization-wide priorities and alignment toward achieving the mission

Comprehensive assessment of risks and opportunities to optimally achieve mission

FY23-24 Budget Development Timeline

May 12
High-level Budget Framework Discussion with the Finance and Admin Committee

May/June
Budget Framework Discussion with the Executive Committee and BOD

August 1
Finance & Admin Committee Review of the Proposed Budget

August 9
Present Draft Budget to BOD

Late August
Incorporate Changes based on BOD feedback

Sept. 13
Present Recommended Budget to BOD. Adopt updated Strategic Plan

March 2024
Mid-Year Budget Review / Adjustment

Recap of Key Messages

1. **Results highly uncertain due to the impact of energy price volatility on revenues**
   - Forecast year-over-year (YOY) revenues decrease ~$84 million.
     - High RA and RPS prices increase forecast uncertainty
   - Power Supply Costs almost flat YOY (-0.2%)
     - Lower prices and favorable PPAs coming online help offset the increase in costs resulting from higher load, RPS, and RA prices
   - Contribution to reserves remains positive at **$7.7 million**

2. **Customer Discount**
   - Continue the 4% discount until the new 2024 PG&E rates are in effect
   - Rest of fiscal year
     - 1% discount for all customers
     - An additional 1% offered as $ bill credits to low-income customers
   - Primarily for setting the budget. Revisit (likely in December) once there's more certainty on PG&E rates

3. **Update Reserve Target Level**
   - Target increased from 285 days of cash on hand to 300 days of cash on hand (DCOH)
     - Supported by the stress test analysis
     - Aligns with one of Moody's key criteria

4. **Other Changes**
   - 9 additional positions; Adjustment of employee compensation for the cost of living and merit (~7.5%)
   - Delay decision on additional funding for programs or set aside for a building fund

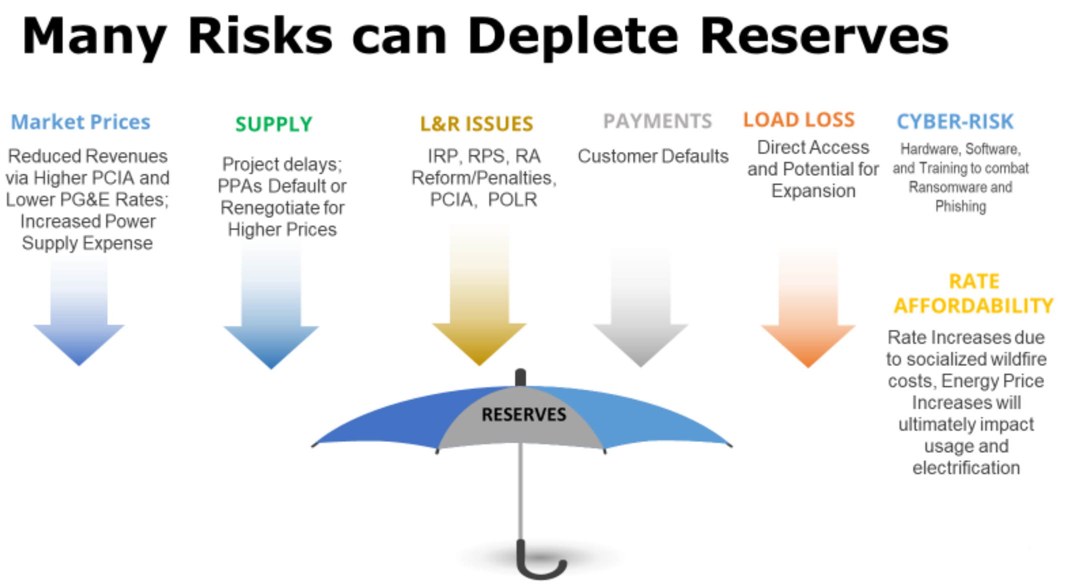
Recommended FY 24 vs FY 23 Mid-Year Adjusted Budget

SILICON VALLEY CLEAN ENERGY
FY 2023-24 OPERATING BUDGET
($ in thousands)

DESCRIPTION	MY 2022-23 ADJUSTED BUDGET	FY 2023-24 PROPOSED BUDGET	Year over Year Change $	Year over Year Change %
Energy Revenues	523,958	440,404	(83,554)	-15.9%
Power Supply Expense	392,436	391,624	(812)	-0.2%
Operating Margin	**131,522**	**48,780**	**(82,742)**	**-62.9%**
Operating Expenses	27,559	32,361	4,802	17.4%
Non-Operating Revenue (Expense)	3,867	5,498	1,631	42.2%
Annual Transfers and Other Expenses				
Program Fund	9,765	8,874	(891)	-9.1%
Nuclear Allocation	1,900	2,188	288	15.2%
Multi Family Direct Install Program	9,500	0	(9,500)	-100.0%
Electrification Discount Program	9,500	0	(9,500)	-100.0%
Customer Bill Relief	3,600	3,136	(464)	-12.9%
Other	200	50		
BALANCE AVAILABLE FOR RESERVES	**$73,365**	**$7,669**	**($65,696)**	**-89.5%**

Summary – Potentially Positive Year But Results are Highly Uncertain

- Biggest risks include late-year adjustments to PCIA / PG&E Gen Rate and significant volatility in energy prices.
- Keep the current customer discount rate of 4% until new PG&E rates are enacted.
  - Budget 1% for the rest of the fiscal year and an additional 1% towards bill credits for low-income customers.
  - Revisit once there's more certainty on PG&E rates.
- Update Reserve Target DCOH to 300
- Delay decisions on additional funding for programs or set aside for a building fund.
  - More funding for programs is needed over time but is currently well funded to engage staff fully.
  - Staff will continue assessing opportunities to purchase a building and will later update the Board on the next steps.



Board Approval

- Approve the following:
  - Resolution 2023-16, Adopting the FY 2023-2024 Operating Budget
  - Updated Financial Reserves Policy

Thank you! / Questions?

5-Year Forecast

($ in Thousands)	FY22-23 (Adjusted Budget)	FY23-24 (Budget)	FY24-25 (Forecast)	FY25-26 (Forecast)	FY26-27 (Forecast)	FY27-28 (Forecast)
Operating Revenue						
Electricity Sales, Net[1]	$ 531,561	$ 435,206	$ 471,956	$ 503,130	$ 515,879	$ 517,916
GreenPrime Electricity Premium	1,055	2,012	2,322	2,334	2,351	2,371
Total Operating Revenues	**532,616**	**437,218**	**474,278**	**505,464**	**518,230**	**520,287**
Operating Expense						
Power Supply	$ 391,261	$ 391,624	$ 400,877	$ 416,343	$ 450,677	$ 439,648
Operating Margin	**141,355**	**45,594**	**73,401**	**89,122**	**67,553**	**80,639**
Data Management	3,413	3,413	3,583	3,762	3,950	4,148
PG&E Service Fees	1,470	1,470	1,544	1,621	1,702	1,787
Staff Compensation	11,285	15,406	16,176	16,985	17,834	18,726
Consultants and other Professional Fees	8,016	8,084	8,570	9,084	9,629	10,206
Communications and Noticing	993	1,370	1,439	1,511	1,586	1,666
General and Administration	2,382	2,618	2,749	2,886	3,031	3,182
Transfers to Programs Fund	34,265	11,062	9,486	10,109	10,365	10,406
Total Operating Expenses	**453,085**	**435,047**	**444,422**	**462,300**	**498,773**	**489,769**
Operating Income	**79,531**	**2,171**	**29,856**	**43,164**	**19,457**	**30,518**
Nonoperating Revenue (Expense)						
Other Income	182	50	51	51	52	52
Investment Income	-	5,501	5,251	5,683	6,389	6,635
Capital Outlay & Financing Costs	(200)	(53)	(53)	(53)	(53)	(53)
Grant Income	-	-	-	-	-	-
Total Non-Operating Revenue (Expense)	**(18)**	**5,498**	**5,249**	**5,681**	**6,387**	**6,634**
Change in Net Position/Available for Reserves	**79,513**	**7,669**	**35,104**	**48,845**	**25,844**	**37,152**
Begin, Net Position	**212,684**	**320,082**	**307,579**	**329,143**	**364,448**	**376,752**
Adjustment for Program Expenditure[2]	**27,886**	**(20,173)**	**(13,540)**	**(13,540)**	**(13,540)**	**0**
End, Net Position	**$ 320,082**	**$ 307,579**	**$ 329,143**	**$ 364,448**	**$ 376,752**	**$ 413,904**

1 Assumptions: 4% overall discount relative to comparable PG&E rates for Oct-Dec 2023 and 1% for Jan-Sept 2024. FY 23-24 includes additional bill credit to low income customers totaling $3.14 million (1% of Jan-Sept 2024 Revenue). 1% discount for FY24-25, FY25-26, FY26-27 and FY27-28.

2 Each year the Board transfers funds from the Operating Budget to the Decarboniztion Programs Fund as shown in the above forecast under line item Transfers to Programs Fund. The line item Adjustment for Program Expenditure accounts for the difference between *forecasted spend* for programs versus the amount transfered to the fund. This adjustment is needed because program spending to date has been less than the amount transferred to the programs fund.

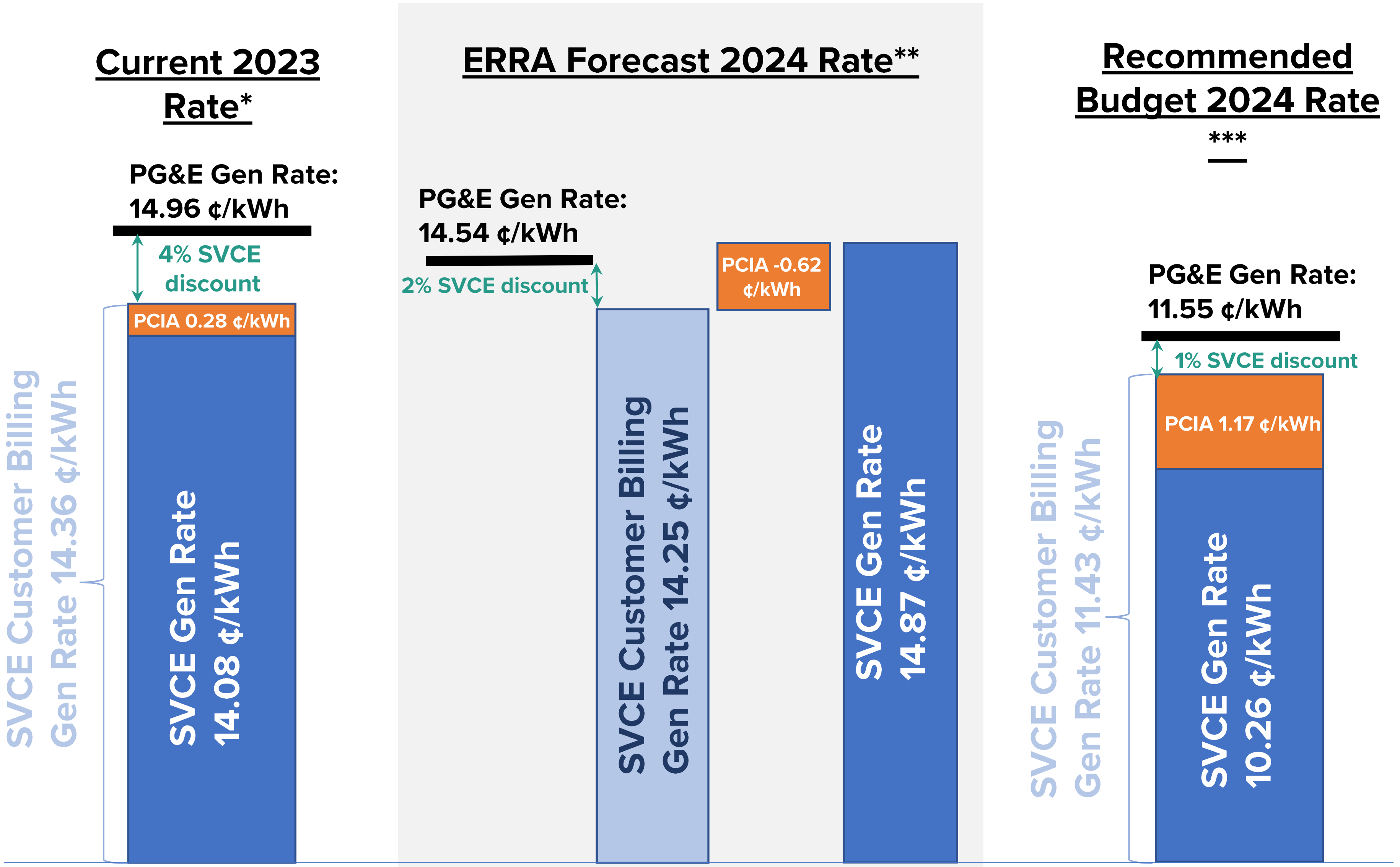
	FY22-23	FY23-24	FY24-25	FY25-26	FY26-27	FY27-28
Days Cash On Hand (DCOH) at Year End	**$ 297,561**	**$ 285,058**	**$ 306,622**	**$ 341,927**	**$ 354,230**	**$ 391,383**
Days of cash on hand	255	229	244	262	252	292

Recap: Revenue Forecast Depends on PG&E Generation and PCIA Rates

Issue: Rate Uncertainty	Staff Recommendation	Implications/Reasons
• PG&E issued the 2023 ERRA forecast on May 15 with preliminary <u>2024</u> PG&E generation and PCIA rate forecasts • Shows negative PCIA and about 3% lower PG&E generation rate leading to an overall ~3% improvement in SVCE revenues (at current discount level) • Results already outdated, given the high volatility in energy prices • Based on 7/7 prices, revenues could be lower by an estimated ~31 % • PG&E will update this forecast in the fall. CPUC normally adopts the rate in December based on this update	Use the latest market data in the Cal-CCA NewGen model after calibrating the model to PG&E's forecasted rates and accounting for modeling error (10% downward adjustment on headroom)	• Likely aligns revenues closer to rates that PG&E will later update • Better aligns revenues with power supply costs • Primarily for budget-setting purposes • Additional expenditures based on headroom projections can be made by the Board in December when actual PG&E and PCIA rates are known

Margins Highly Uncertain

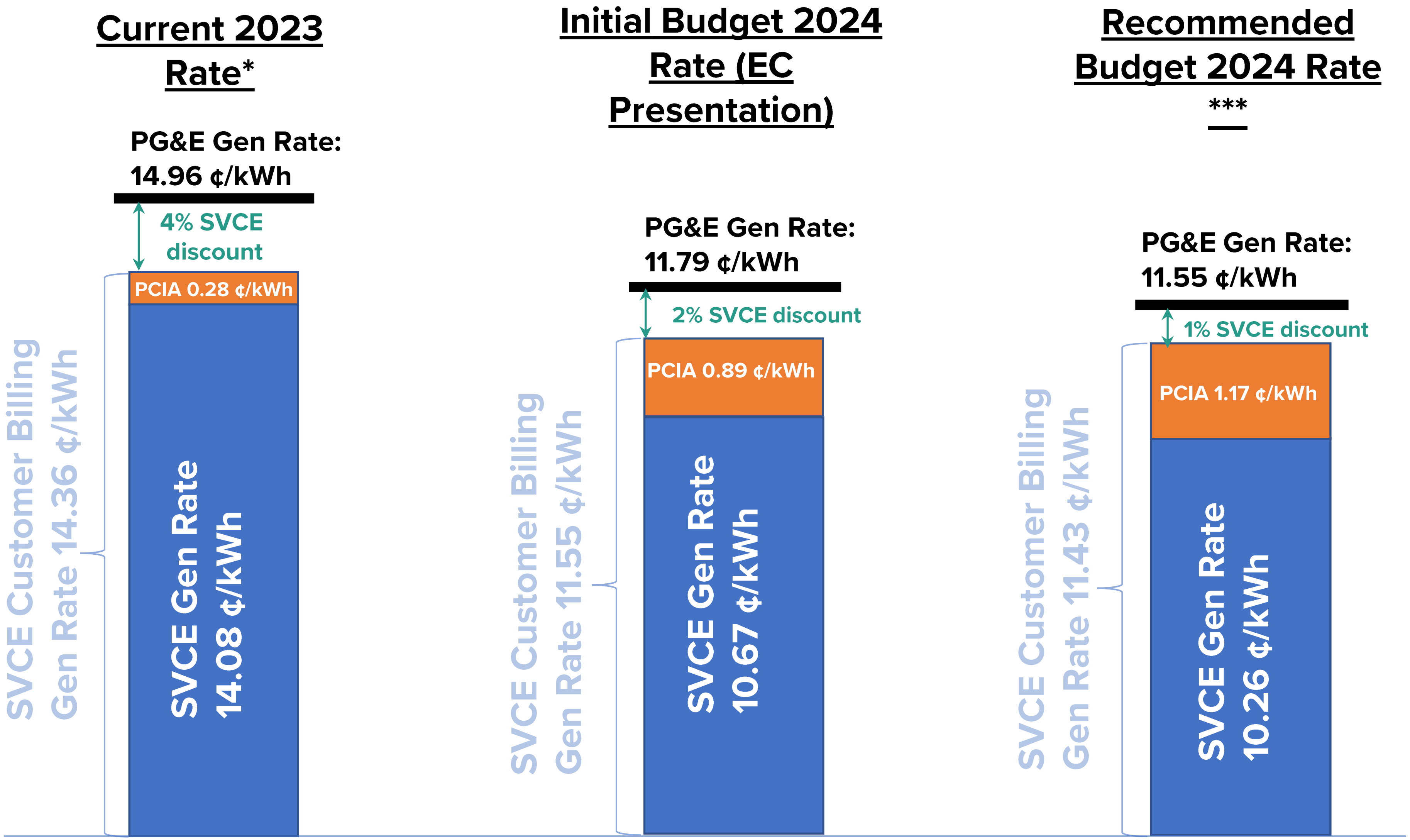
- PG&E filed its forecast of 2024 Rates on 5/15/23
  - PG&E Gen Rate down ~3%
  - PCIA down from positive 0.28 ¢/kWh to negative -0.62 ¢/kWh
  - SVCE margin up ~6% due to negative PCIA
- PG&E used 3/27 forward prices
- Prices since have decreased ~18% for 2023 and ~14% for 2024
- SVCE 2024 Margins since ERRA forecast dropped -31%
- SVCE Margins Y-o-Y dropped -27%



* Source: PG&E 2023 Average Rate, effective January 1, 2023 (Weighted for SVCE Portfolio Load)
** PG&E 2024 ERRA Forecast, released on 15th of May,2023 (Weighted for SVCE Portfolio Load)
*** Using NewGen Model with 7/7/2023 Forward Curves and 10% haircut
Above margin analyses ignores minor reductions for franchise fees (0.09 ¢/kWh)

Projected margins are declining

- Prices since the initial 2024 budget run for the June 2023 Executive Committee Meeting have decreased ~5% for 2023 and ~1% for 2024
- SVCE 2024 Margins since dropped -4%
- The initially proposed 2% SVCE Customer discount for Jan – Sep 2024 was divided:
  - 1% to all SVCE customers
  - 1% as an additional bill credit distributed to low-income customers



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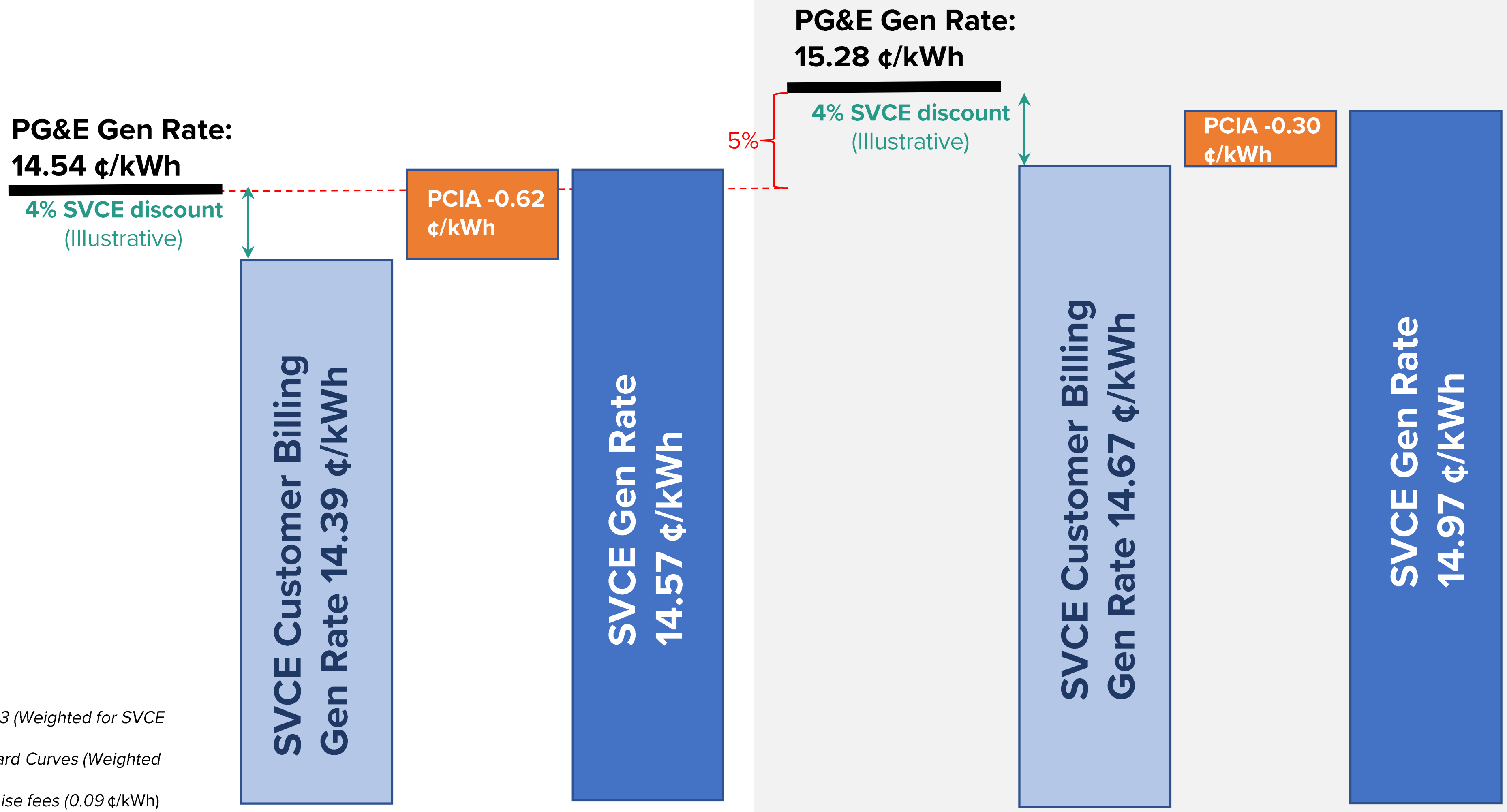
**** Using NewGen Model with 7/7/2023 Forward Curves and 10% haircut*
Above margin analyses ignores minor reductions for franchise fees (0.09 ¢/kWh)

PG&E 2024 ERRA Forecast vs NewGen Model Run
Using 3/27/2023 Forward Prices

NewGen Model has approximately 3 - 5% modeling error

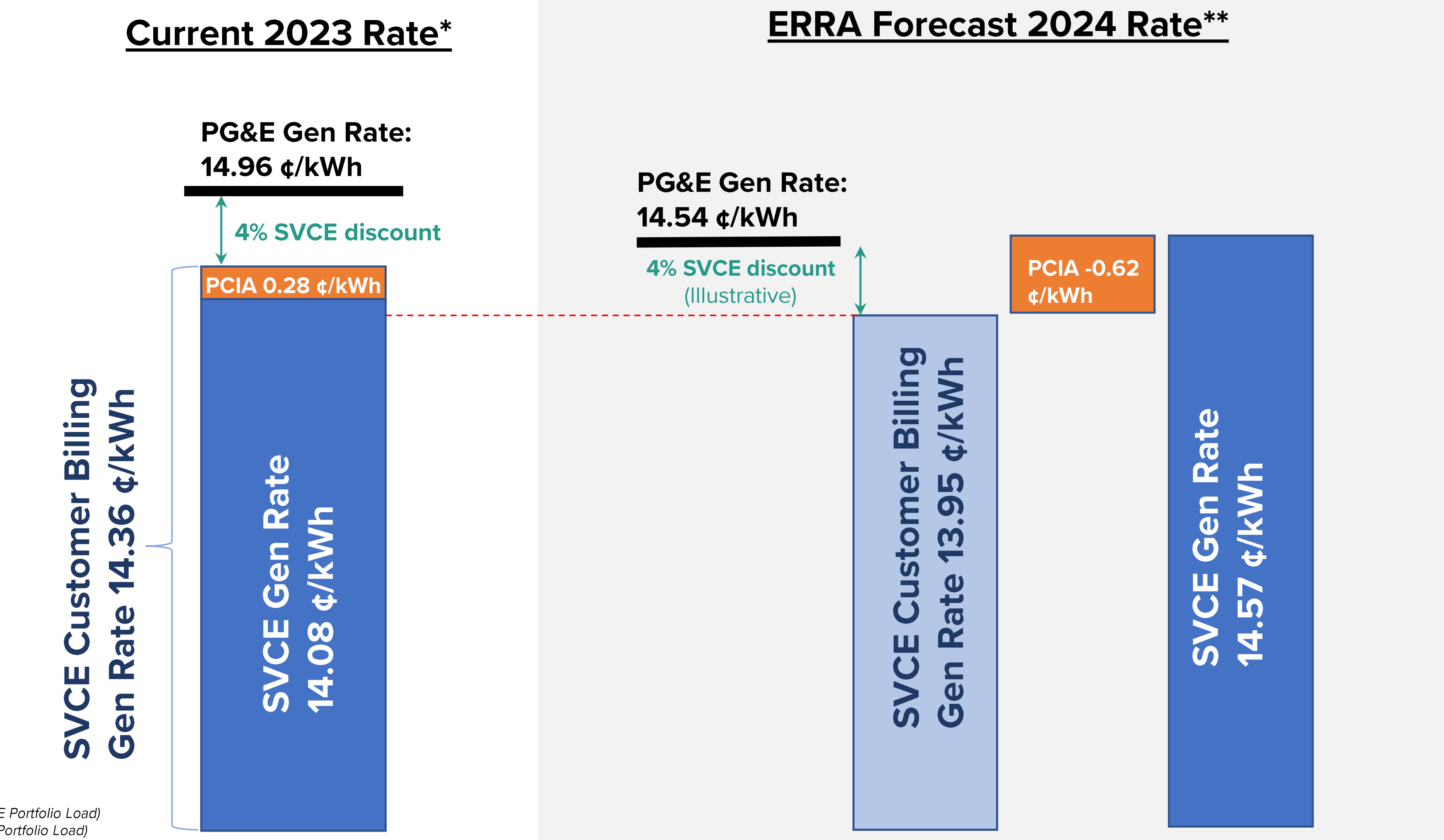
ERRA Forecast 2024 Rate* | **NewGen Model 2024 Rate****



**PG&E 2024 ERRA Forecast, released on 15th of May,2023 (Weighted for SVCE Portfolio Load)*
***Using NewGen Model (version 3.4) with 3/27/2023 Forward Curves (Weighted for SVCE Portfolio Load)*
Above margin analyses ignores minor reductions for franchise fees (0.09 ¢/kWh)

Current 2023 Rate vs PG&E 2024 ERRA Forecast

- PG&E filed it's forecast of 2024 Rates on 5/15/23
  - PG&E Gen Rate decreased ~-3%
  - PCIA reduced from positive 0.28 ¢/kWh to negative -0.62 ¢/kWh
- PG&E ERRA forecast is based on 3/27/2023 forward market prices
- Represents weighted average customer billing rate decrease of -3% from 14.36 ¢/kWh to 13.95 ¢/kWh
- SVCE gen rate is higher than Customer Billing Rate due to negative PCIA
  - SVCE gen rate up ~3.5%



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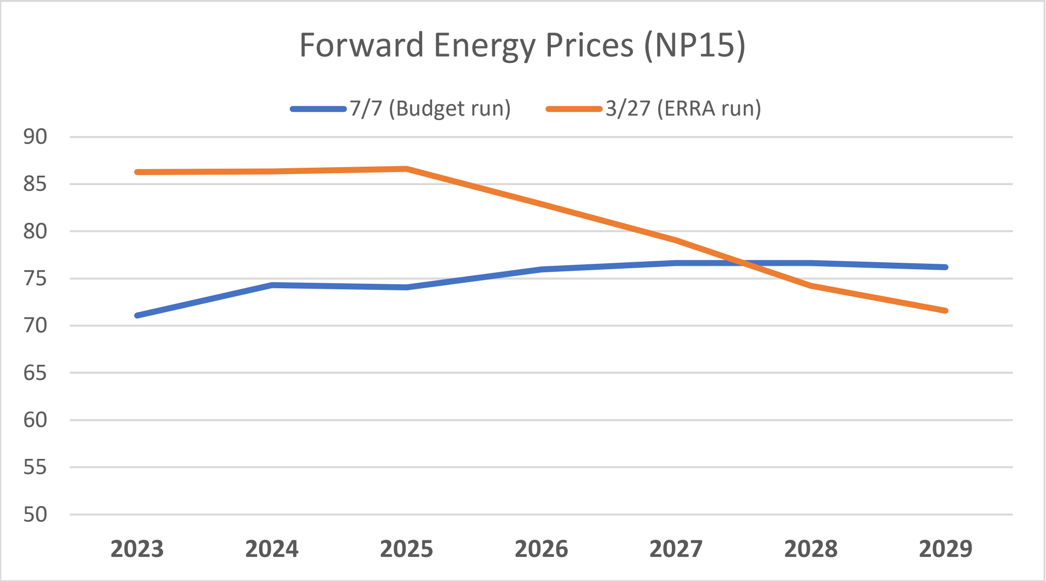
Above margin analyses ignores minor reductions for franchise fees (0.09 ¢/kWh)

Forward Energy Price Comparison

Budget Run (7/7/2023) vs ERRA Forecast Run (3/27/2023)

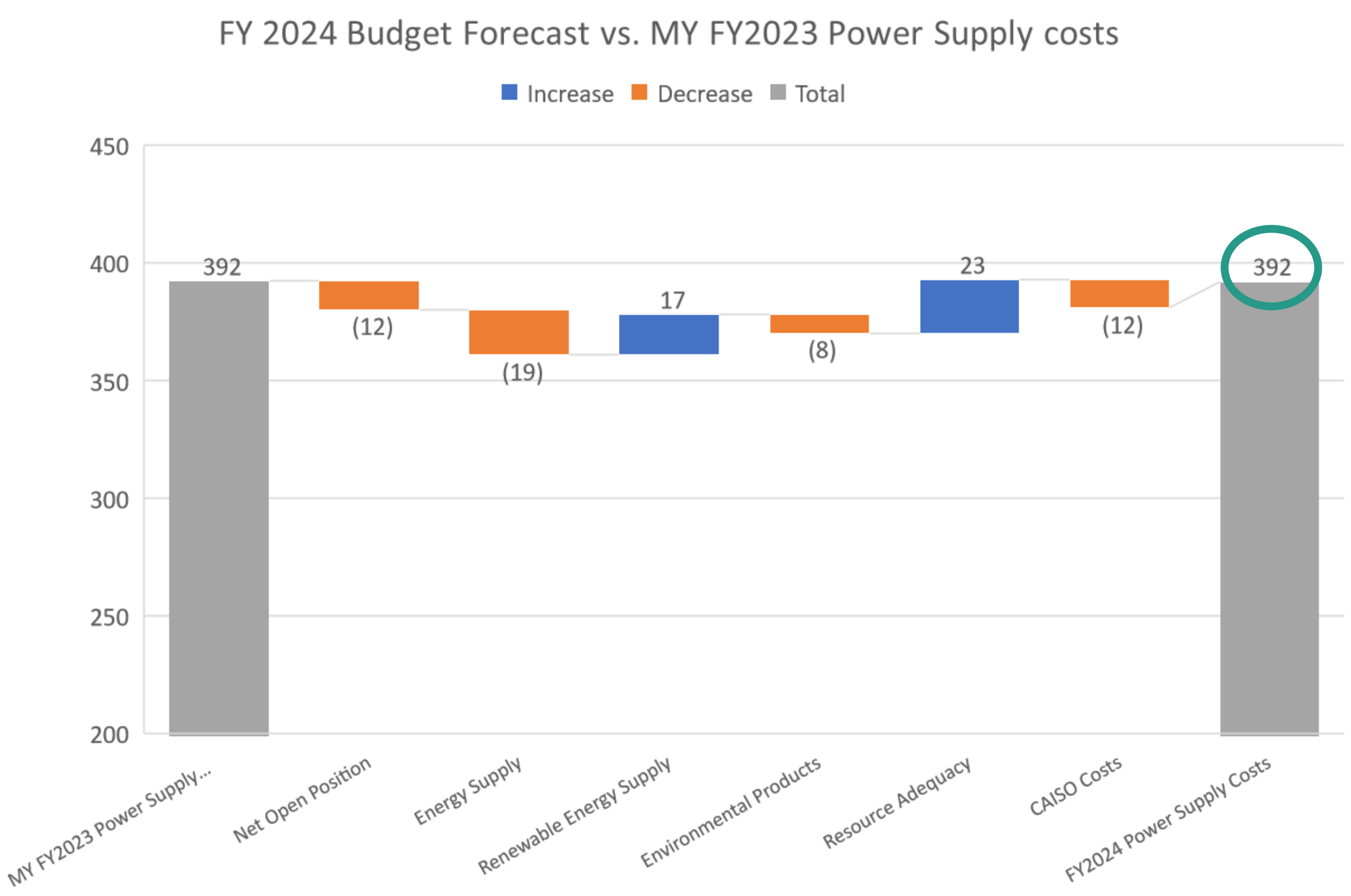
Forward Energy Prices (NP15)	2023	2024	2025	2026	2027	2028	2029
7/7 (Budget run)							
On-Peak	75.14	77.99	74.06	74.30	74.55	75.91	71.67
Off-Peak	65.89	69.57	74.04	78.05	79.30	77.57	81.93
ATC (Around-the-Clock)	**71.06**	**74.29**	**74.05**	**75.95**	**76.63**	**76.64**	**76.18**
3/27 (ERRA run)							
On-Peak	91.92	90.37	87.25	83.00	75.90	71.15	65.15
Off-Peak	79.11	81.17	85.80	82.68	83.04	78.15	79.79
ATC (Around-the-Clock)	**86.27**	**86.33**	**86.61**	**82.86**	**79.04**	**74.23**	**71.58**
ATC Price % change							
	-18%	**-14%**	**-15%**	**-8%**	**-3%**	**3%**	**6%**



Power Supply Expenses
(>90% of Expenses)

Issue: Volatile Power Prices	Staff Recommendation	Implications/Reasons
• Power prices are very volatile • In addition to PG&E Gen Rate and PCIA uncertainty, power price volatility makes energy budget projections highly uncertain • Contract delays/renegotiations further add uncertainty • Resource adequacy requirements are changing, and costs are high, but more hedged next year	• Continue hedging to current ERM (Energy Risk Management) targets • Continue with SVCE's 100% clean policy Purchasing remaining carbon free allocations expected to cost about \$2.1 million to \$9.6 million depending on PG&E allocations.	• Maintain a high customer value proposition with 100% clean energy and serve SVCE's mission • Furthers SVCE focus toward 24x7 clean energy goal

Power Supply Costs



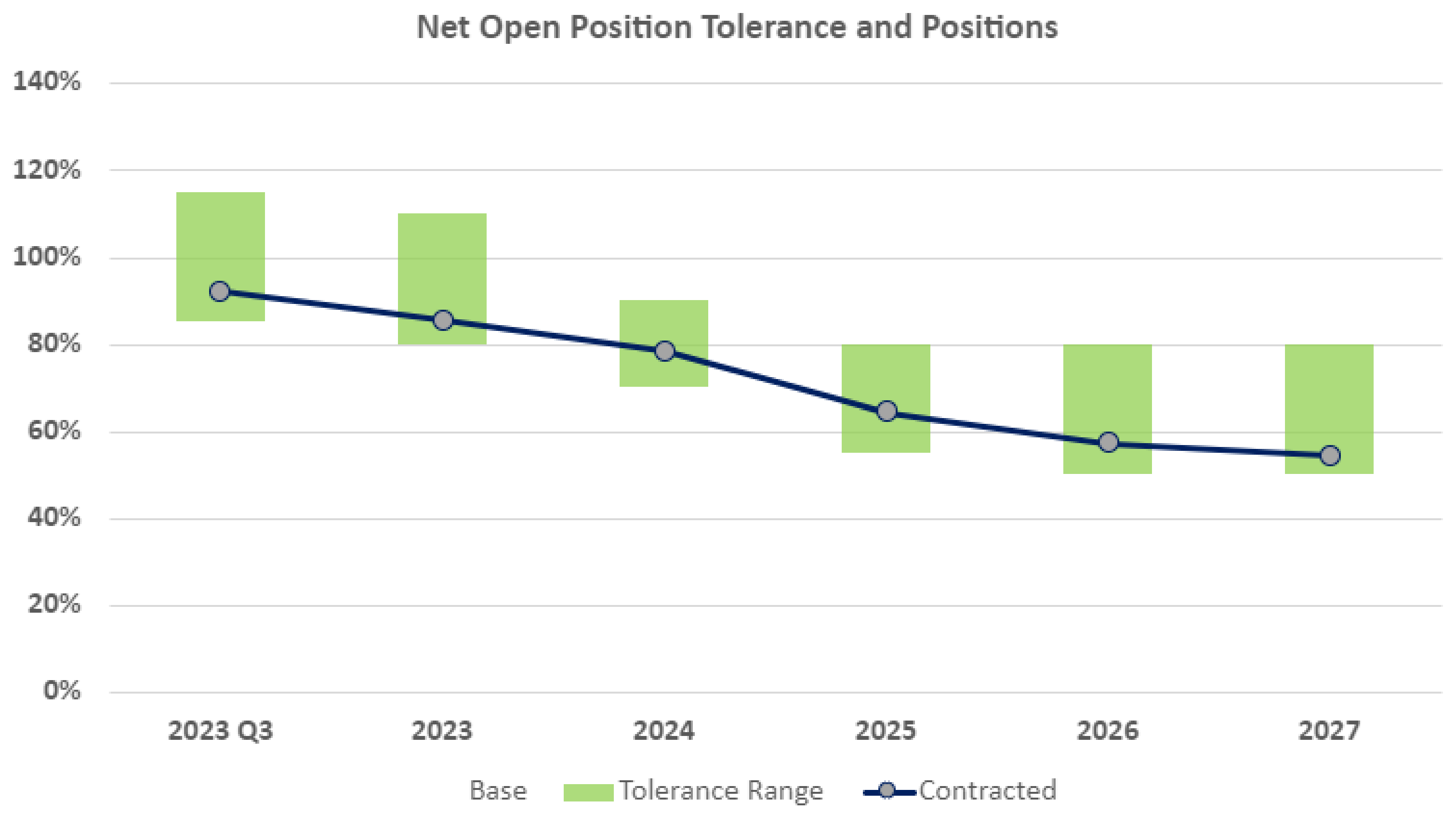
FY 24 costs, forecasted at 392 million dollars, are estimated to be in line with FY 23 at the Mid-Year Budget

- Favorable Drivers
  - Drop in forward prices
  - More favorably priced PPAs coming online resulting in lower need for energy supply and environmental products
  - Lower CAISO non-energy costs in FY2024 compared to MY FY2023. High costs in MY FY2023 due to prior period adjustments from the winter's disruption in the natural gas market.
- Offset by
  - Increase in load YOY (1.5%)
    - Increase in direct access load
    - Recovery from COVID
  - Increase in RA costs

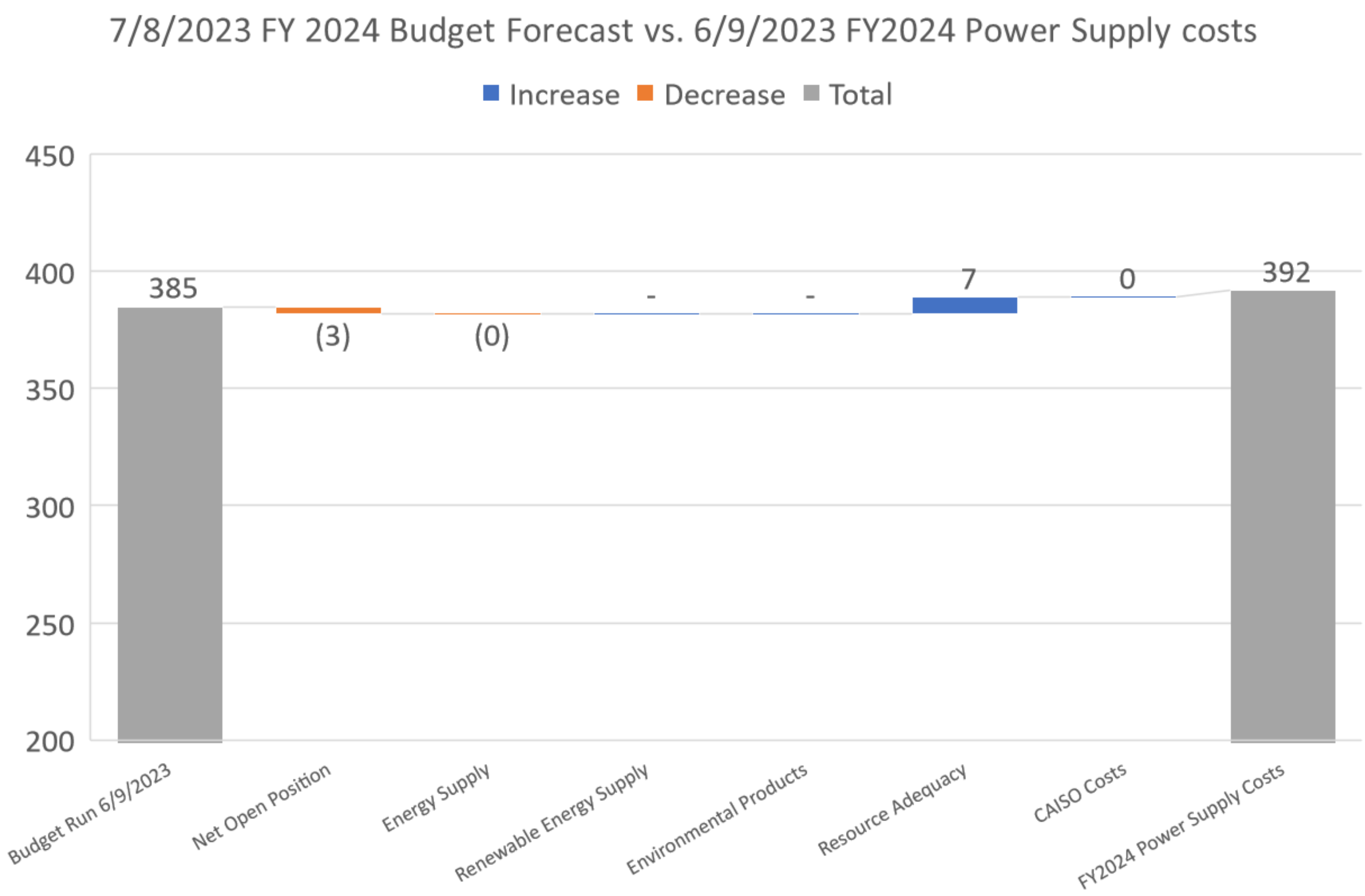
Current Energy Hedge Levels

Hedged 82% for FY24

Calendar Period	ERM Min Tolerance	ERM Max Tolerance	Current
Prompt Quarter (Q3 2023)	85%	110%	92%
BoY (June-Dec 2023)	80%	110%	86%
2024	70%	90%	78%
2025	55%	80%	65%
2026	50%	80%	57%
2027	50%	80%	55%



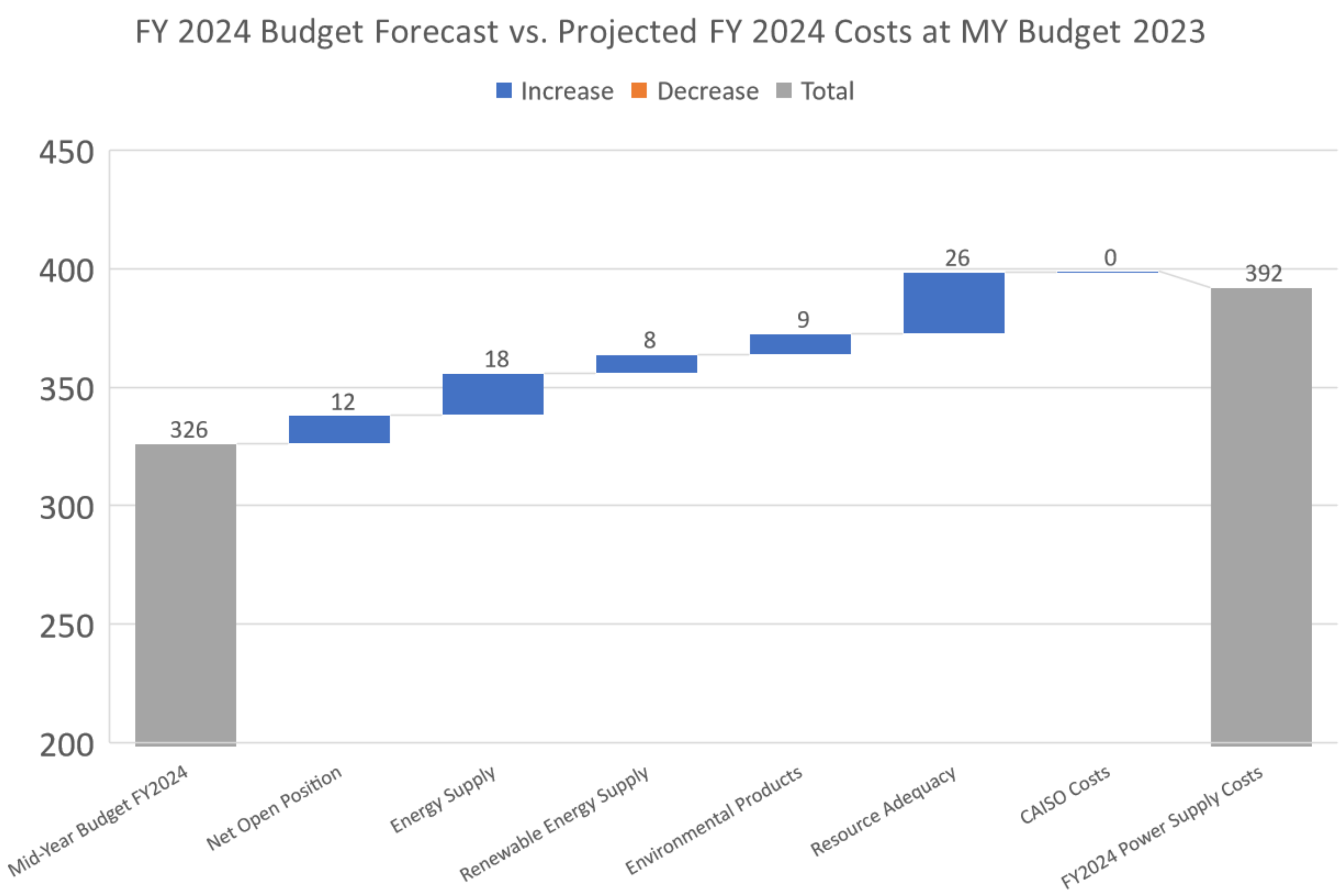
Power Supply Costs – Variance to June EC



FY 24 costs, forecasted at 392 million dollars, are estimated to be $7M higher than projected at 6/9/2023 ($385M)

- RA Costs have increased by $7M due to increased RA market prices, new Q2-Q3 2024 deal.
- Despite the forward prices decreasing, the open position costs are offset by lower revenues from supplies

Power Supply Costs – Variance to FY2024 Projections at 2023 Mid-Year Budget



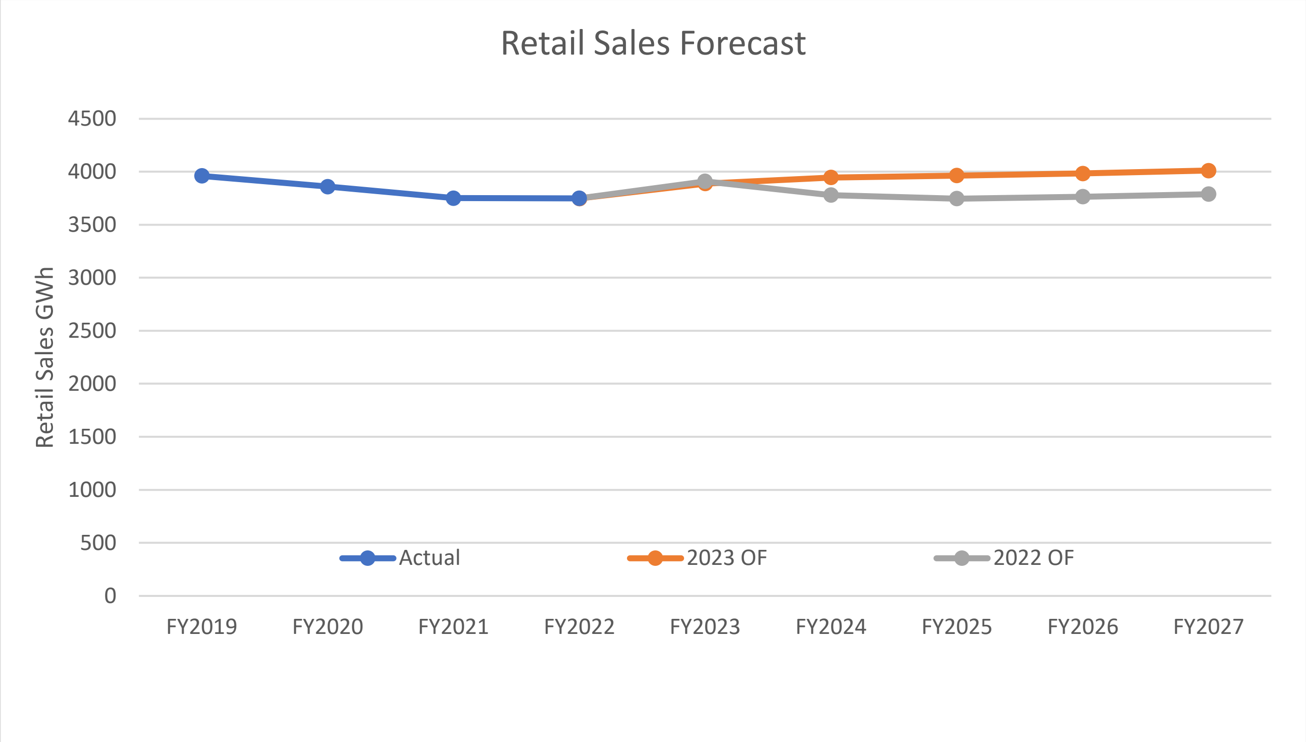
FY 24 costs, forecasted at 392 million dollars, are estimated to be $62M higher than projected at 2023 Mid-Year Budget ($328M)

- Increase in load forecast increases open position, CAISO costs
- Increased hedging since mid-year budget has increase energy supply
- New PPA Rio Bravo Fresno increases PPA costs
- Market prices for PCC1, CF, and RA costs have increased from mid-year budget

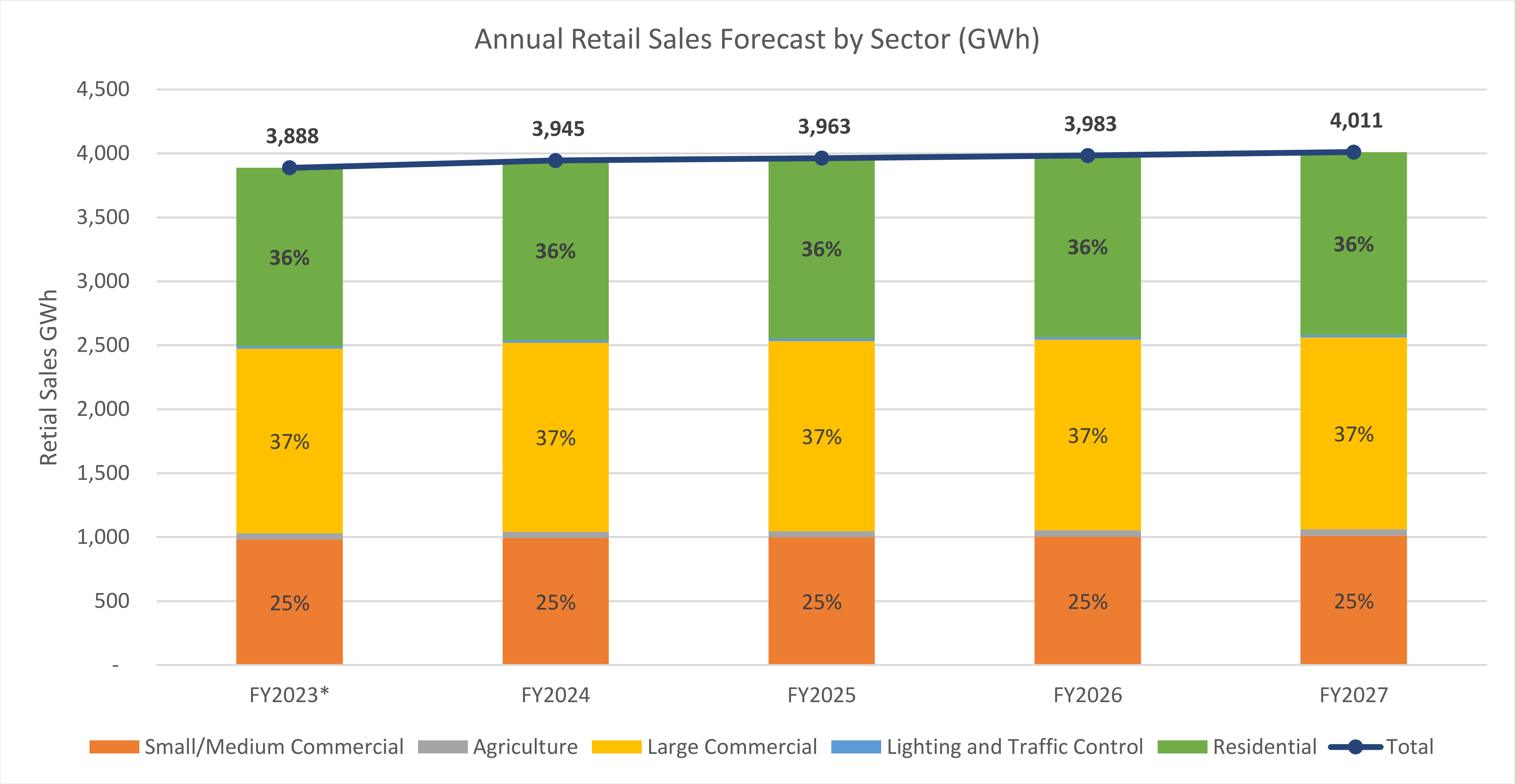
Product	MYB Price 2/2/2023	7/7/2023 Budget
PCC1 ($/MWh)	$40.00	$45.00
CF ($/MWh)	$5.00	$9.00
RA ($ kW-Month)	$7.50	$12.75

Medium-Term Load Forecast

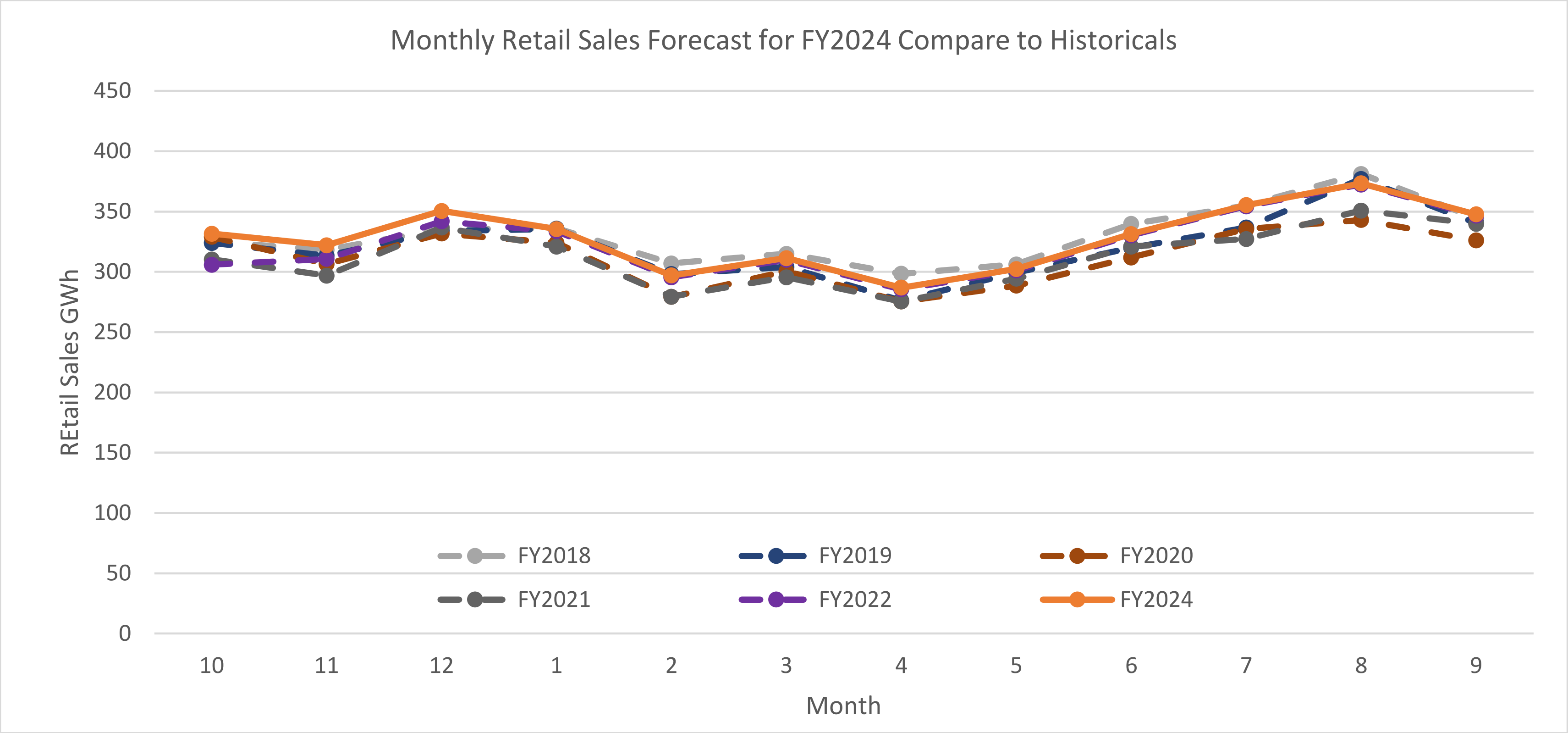
- In 2023, SVCE began forecasting load in-house after using a third-party service since inception.
- The past model assumed partial COVID-19 impacts, while the new forecast excludes COVID-19 impacts, assuming 100% recovery. 2023 actuals support this assumption.
- FY 2025 and beyond averages 6% above the previous forecast, largely due to expected load growth from electrification in the transportation and building sectors.



Medium-Term Load Forecast by Sector

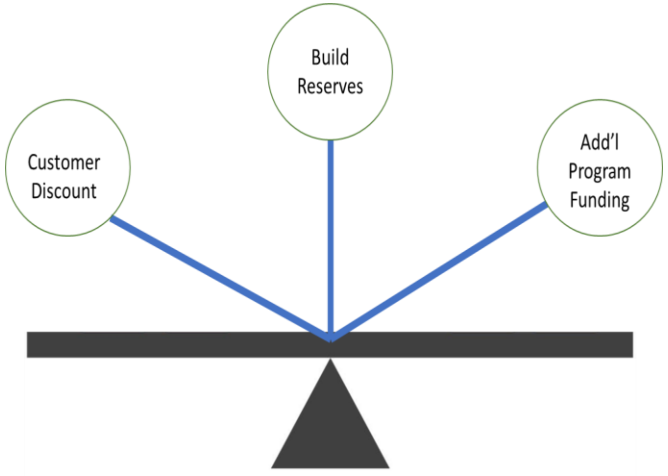


Medium-Term Load Forecast



	10	11	12	1	2	3	4	5	6	7	8	9	Total
FY2018	325	318	335	336	307	315	298	306	340	355	381	345	3,962
FY2019	324	314	334	336	298	304	276	299	320	337	377	340	3,859
FY2020	329	306	332	324	279	300	275	289	312	336	343	326	3,751
FY2021	310	297	337	321	279	296	275	294	321	327	351	340	3,748
FY2022	306	311	342	334	296	310	286	301	330	354	372	347	3,888
FY2024	332	322	351	335	297	311	287	302	331	355	373	348	3,945

Additional Funding for Programs, Customer Discounts, and Building Reserves



- 1% customer discount over 12 months of 2024 is ~$4.11 million*
- 1% discount over 9 months (Jan – Sep 2024) ~$3.14 million*
- Monthly Average Bill Savings of 1%* Discount:
    - Residential - ~$0.59
    - Small Commercial - ~$2.14
    - Medium Commercial -~$23.57

** Based on 7/7/23 Forward prices*

Issue: Balancing Priorities	Staff Recommendation	Implications/Reasons

• Continue to provide competitively-priced and high-valued services to SVCE customers
 	
• Funds not needed to cover cost-of-service flow to customers via lower SVCE rates (discount to comparable PG&E rates)
 	
• Cost-of-service includes funds needed to cover operations, meet reserve targets, and fund decarbonization programs
	• Keep current discount through the end of this year
	  • Set a preliminary discount for next year of 1% for all customers and 1% translated to dollar bill credits for low-income customers
	
	• Board can change the budgeted discount rate once actual PG&E rates are known towards the end of the year
		• Reaching new target reserve levels ensures SVCE can withstand adverse risk scenarios
		
		• Keeping the discount rate to a reasonable level
		  • Enables additional funding for valued customer programs such as decarbonization efforts
		  • Ensures there's more organizational resiliency to respond to risks over the 5-yr planning horizon

Typical Customer Bill Savings

(Current Rates)

	Residential		Small Commercial		Medium Commercial		Large Commercial	
	SVCE	PG&E	SVCE	PG&E	SVCE	PG&E	SVCE	PG&E
Rate Schedule (eff. Jan 1, 2023)	E-TOUC	E-TOUC	B-1	B-1	B-10	B-10	B-19S	B-19S
Average Usage (kWh/month)	491	491	1,851	1,851	19,390	19,390	148,625	148,625
Annual Peak Demand (kW)							499	499
PG&E Electric Delivery	$ 93.36	$ 93.36	$ 334.88	$ 334.88	$ 3,484.91	$ 3,484.91	$ 18,457.74	$ 18,457.74
Electric Generation	$ 71.63	$ 76.66	$ 258.55	$ 276.71	$ 3,319.99	$ 3,550.05	$ 20,835.80	$ 22,292.26
PG&E Added Fees (PCIA, Franchise)	$ 1.96	$ -	$ 7.09	$ -	$ 91.06	$ -	$ 564.78	$ -
Average Total Cost	$ 166.95	$ 170.02	$ 600.52	$ 611.59	$ 6,895.96	$ 7,034.96	$ 39,858.32	$ 40,750.00
Average Monthly Savings	$ 3.07		$ 11.07		$ 139.00		$ 891.68	

Other Costs
(Staffing, Cost of living/Merit, Building)

Status	Staff Recommendation	Implications/Reasons

• Review and assess staffing in all areas of the organization
  • 10 new budgeted positions were authorized in the FY22-23 budget
  • 7 Current Vacancies
• Adjust employee salaries for cost-of-adjustment and merit/promotions
• Review existing employee benefits to remain competitive with peer CCAs
• Decarb Programs continue to ramp – quantity of rebates/ scope of outreach
	• Current FY22-23 budgeted headcount of 49
	• Proposed FY23-24 budgeted headcount of 58
	  • 9 Add’l Since last Fiscal Year
	    • 1 position recently filled and 1 posted under the CEO Personnel Authority
	    • 7 additional positions requested
	• Budgeted Personnel Costs include:
	  • Salary Ranges adjusted based on 6-month rolling average of SF Bay Area CPI – currently ~4.5% (COLA)
	  • Additional 3% Merit increase included in budget
	• Individual salary adjustments and promotional recommendations based on CEO discretion during performance review process
	  • Individual changes based on employee pay relative to market range, performance, and date of hire
	• Employee benefits review and update underway – recommendations later in the year
		• Evaluate staff levels needed to:
		  • Scale up programs team
		  • Reduce high level of existing employee workload
		  • Advance strategic focus area goals
		  • Create organizational depth for business continuity
		• Sustained investments in cybersecurity preparedness and business process optimization projects

Operating Expenses and Transfers

Sources of Operating Expense and Transfer Amount Changes

Operating Expenses	Change (000s)*	Implications/Reasons
Personnel Costs**	$4,120	
Increased Staffing	$1,830	9 additional FTE positions
Annualized Positions	$1,490	Vacancy Savings from MY budget; Promotions/Position Upgrades
COLA	$500	4.5% COLA
Merit	$300	3% budgeted for merit increases (avg)
Other Expenses	$681	Add'l Marketing, G&A, Professional Services

*Amounts include a 5% operating expense contingency
** Staff to present potential enhancements to benefits package to promote employee retention later during the fiscal year.

Transfers	Amount (000s)	Implications/Reasons
Programs Transfer	$8,874	2% of projected revenues
Nuclear Allocation	$2,188	2022 PG&E Carbon Free Allocation
Customer Bill Credit	$3,136	1% of projected revenues for January – September 2024

Staffing – 9 Additional Positions Since Last FY

Current Staffing

- 44 full-time employees
  - 7 current vacancies (including Senior Regulatory Analyst position)
- 3 intern positions (2 open)
- 3 part-time employees
- 3 Climate Corps Fellows
- 2 long-term independent consultants

Personnel Authority

- CEO can approve job titles, salary ranges, and org chart positions
- Positions can be swapped/changed and added within Board-approved budget
- Additions will not exceed 10% of authorized number shown in budget
- Changes/hires communicated in next CEO report to Board

Per CEO personnel authority, the Associate Data Scientist position is filled, and the Senior Regulatory Analyst is currently being recruited.

Proposed budget requests approval for the remaining 7 positions.

ESCR (3)

- Program Marketing Specialists (3) – focused marketing efforts on program growth and adoption

Decarbonization Programs and Policy (2)

- Programs Specialist – Community Programs (1)– to design and implement decarbonization programs
- Associate Data Scientist (1) – to support data use, visualization, and communication across the organization. (Already filled per CEO personnel authority).

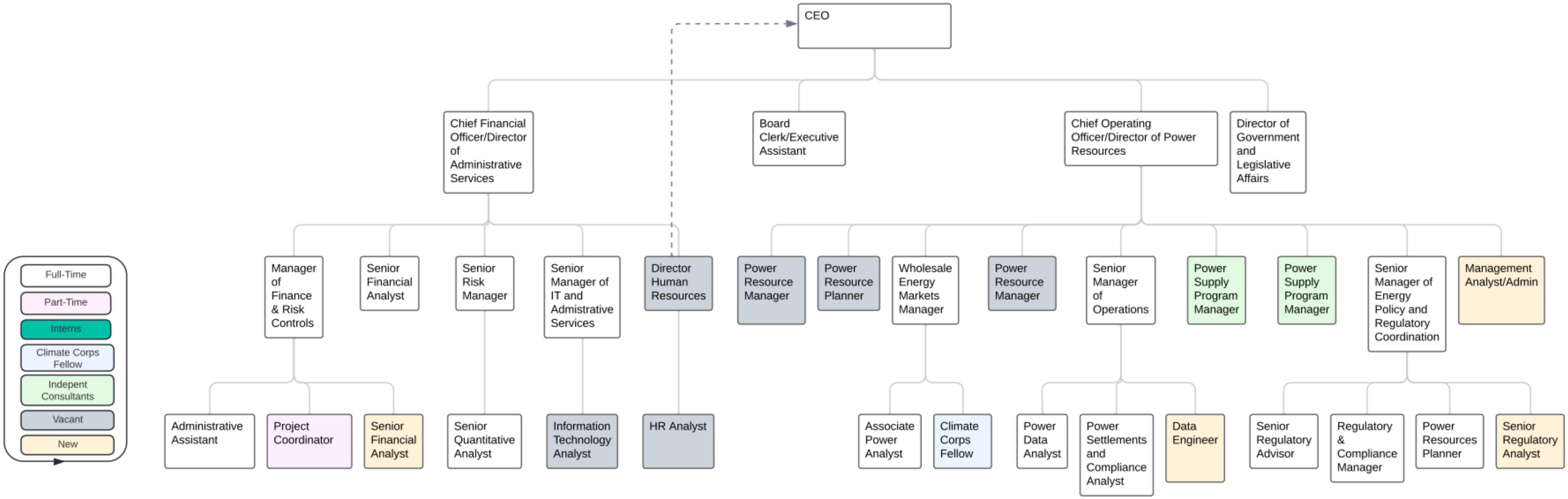
4PRO (3)

- Senior Regulatory Analyst (1) – to support engagement at CPUC, CAISO, and CEC (unfilled during FY22-23 and swapped for another position – currently being recruited under CEO personnel Authority)
- Data Engineer (1) – to integrate the various wholesale and operational data streams within 4PRO
- Management Analyst /Admin (1) – to coordinate and effectively manage 4PRO team efforts

Finance & Admin (1)

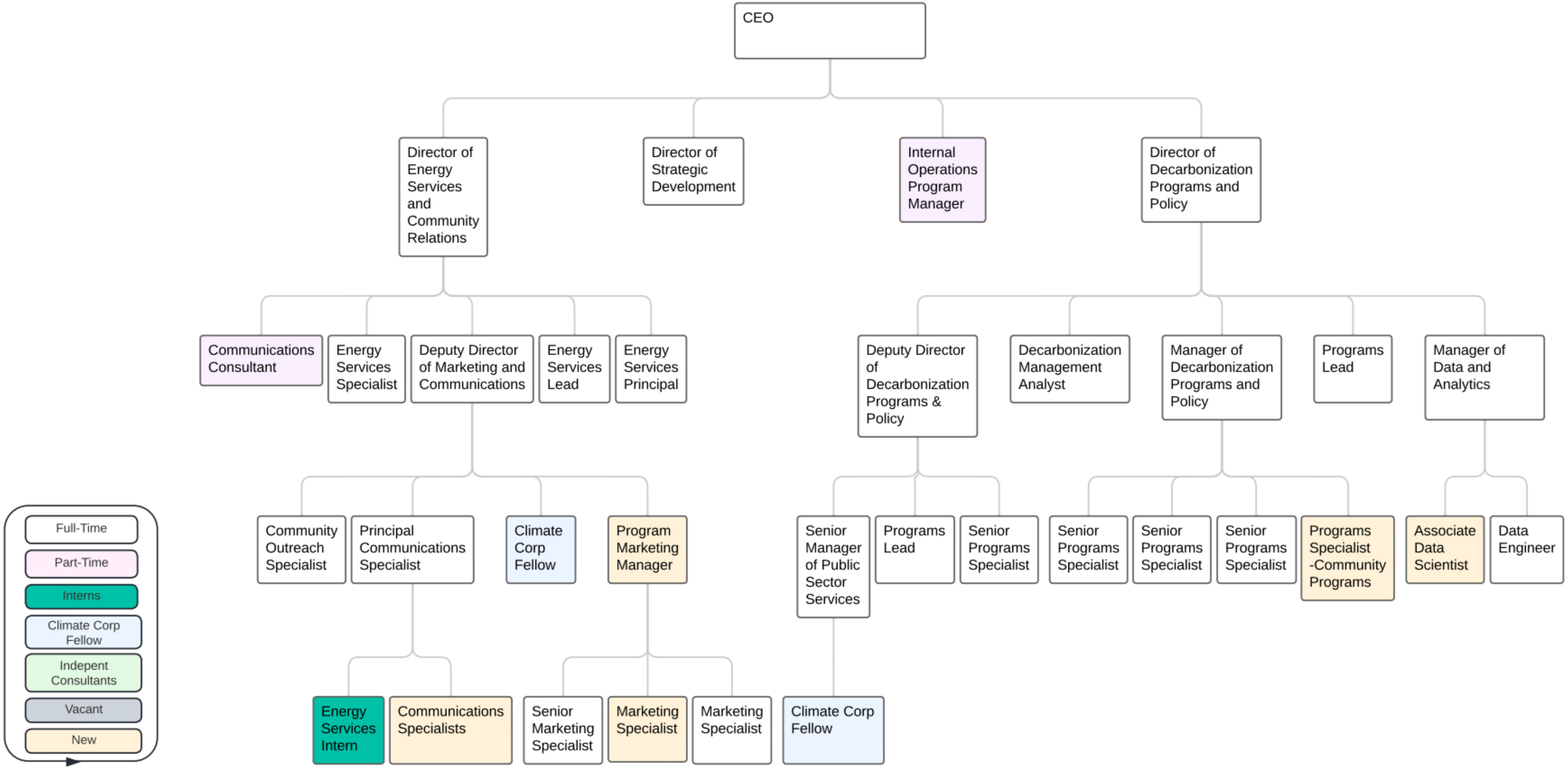
- Senior Financial Analyst (1)– to support the organization with budgeting, accounting, and financial analysis

Organization Chart (F&A / 4PRO)



* Intern: 2 other vacancies pending

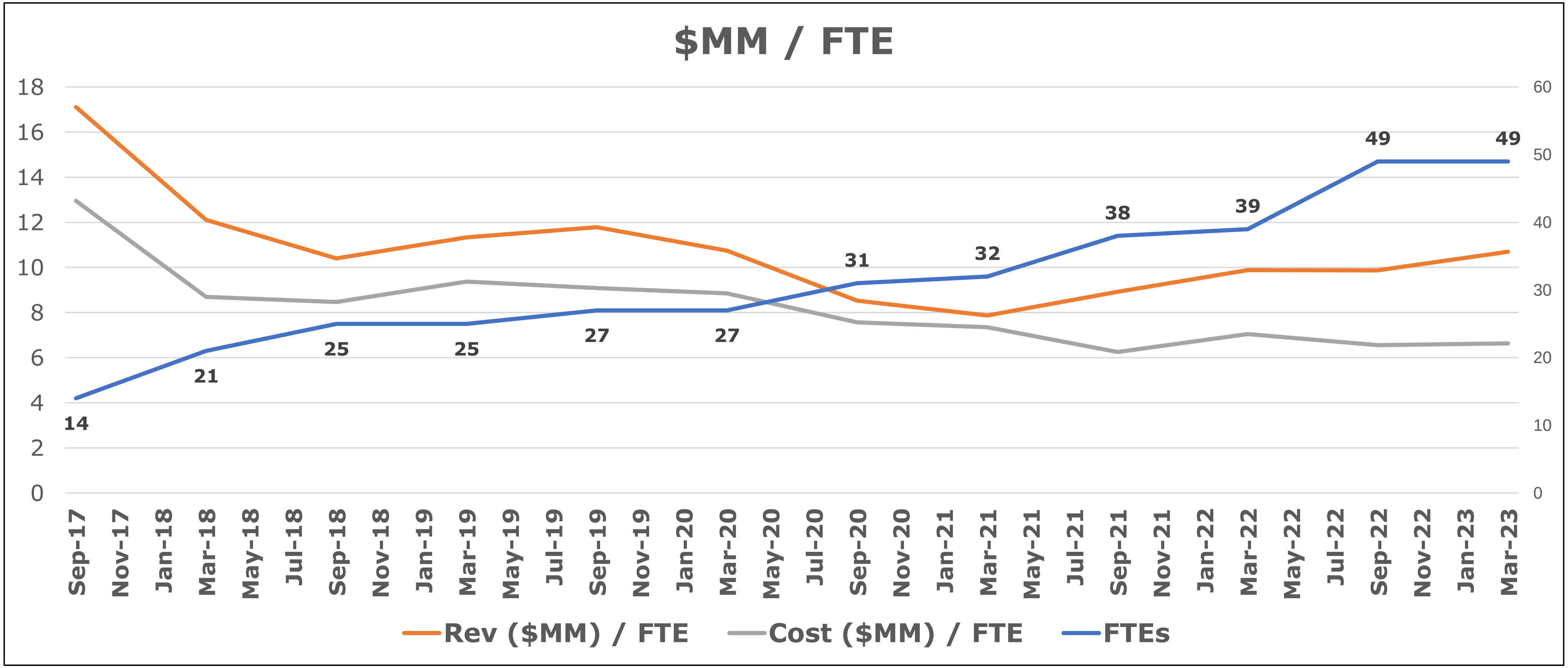
Organization Chart (ESCR / DPP)



* Intern: 2 other vacancies pending

Revenues/FTE; Energy/FTE

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



CCA Comparisons

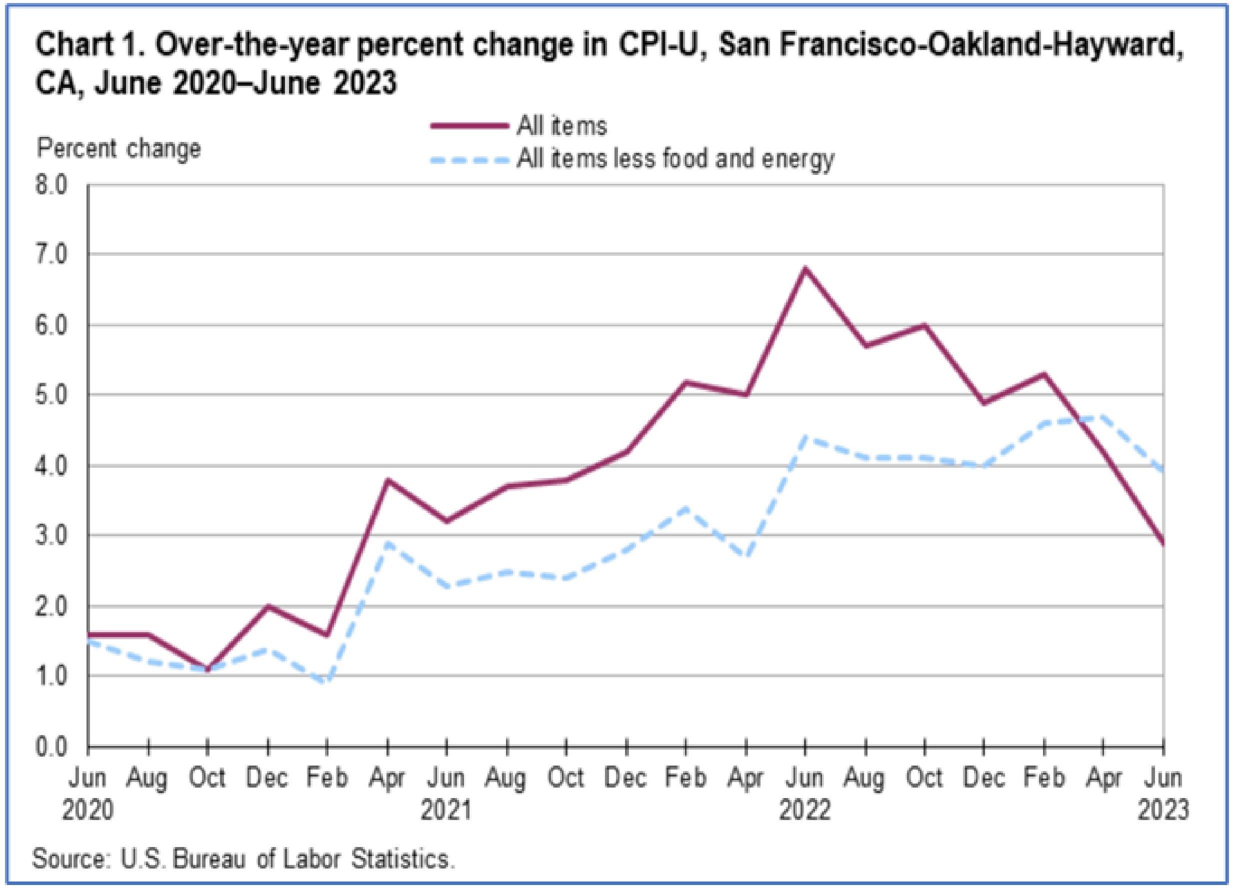
CCA Comparisons							
	FY22-23			Staffing			
CCA Name	Accounts	Revenue ($MM)	Net Position ($MM)	FY21-22	FY22-23	FY23-24 Budget	Revenue ($MM/FTE) FY 23
Silicon Valley Clean Energy	280,000	$365.4	$212.7	39	49	58	$7.5
Peninsula Clean Energy	300,000	$233.6	$167.7	32	39	Unavailable	$6.0
Central Coast Community Energy	449,500	Unavailable	Unavailable	43	43	56	Unavailable
Clean Power Alliance	1,029,800	$867.6	$141.2	59	69	75	$12.6
East Bay Community Energy	640,000	$563.5	$232.5	49	68	78	$8.3
MCE	470,000	$487.7	$203.3	63	76	84	$6.4

*n/a – not available

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

Current 4.33% COLA based on SF Bay Area CPI; smoothed over trailing months;

Add'l Merit/promotional increases at CEO discretion



Year	COLA
FY17-18	3.00%
FY18-19	4.00%
FY19-20	4.00%
FY20-21	0.00%
FY21-22	5.00%
FY22-23	5.30%
FY23-24	4.33%

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

SVCE Office Space – Lease vs Buy

Currrent Lease Details		
Monthly Lease Cost	5.30 $/sf	
Size	7,900 sf	
New Lease Assumptions		
New Monthly Lease Cost	7.50 $/sf	(est)
Purchase Assumptions		
Purchase Cost	700 $/sf	(est)
Improvement Cost	100 $/sf	(est)
Office Assumptions		
Size	20,000 sf	(est)
Location for Comps*	Sunnyvale, Mtn View, Santa Clara, San Jose	

* further analyses to include broader service territory

Issue: Financial Stewardship

- SVCE's current lease runs through Sept. 2025
  - Need time to explore the alternatives of buying or leasing new space
- SVCE should be prepared to pursue attractive property opportunities as they arise

Staff Recommendation

- Research alternatives and establish an ad hoc Committee to advise staff and evaluate property and financing options
- Staff to continue assessing market opportunities and return to the Board at a later time to Earmark a portion of reserves for a potential building purchase
  - $16MM (based on current assumptions) + 25% contingency = $20MM set aside

Implications/Reasons

- Buying may be a cheaper longer-term option
  - Initial back-of-the-envelope analysis indicates a roughly 10-year breakeven period compared to leasing
- SVCE is growing and requires more space for employees and expanded programs
- Purchasing also enables customization to suit the hybrid work environment
  - Flexible workspace for collaborative work

Reserve Targets

Issue: Review Reserve Targets	Staff Recommendation	Implications/Reasons
• Ensure SVCE maintains sufficient reserves to manage risks such as those modeled under the Stress Test analyses • Staff updated the stress test analyses in using market prices consistent with those used to develop the annual budget	Target to keep reserves above 120 Days Cash On Hand (DCOH) for FY 2023-2024 and FY 2024-2025 Reset Upper Reserve Target such that over the next 5 fiscal years reserves do not fall below 90 DCOH	• FY 24 margins not guaranteed given true-up in 2023 for PCIA and PG&E Gen rate • If adverse conditions materialize, need 120 days to reshape strategy and secure additional liquidity • Increase upper reserve target to take advantage of good margin years to manage risks over 5-year period

Update Reserve Targets

- Ensure SVCE maintains sufficient reserves to manage risks such as those modeled in the Stress Test analysis.
  - Prices collapse reducing revenues and there's an additional draw on reserves from an increase in financial posting requirements to the Provider of Last Resort (PG&E).
- Set the reserve target such that if the stress scenario were to occur, Days Cash On Hand (DCOH) stays above 120 for the next two fiscal years
- Set the upper target such that if the stress scenario were to occur, DCOH stays above 90 for the next five fiscal years

The stress test analysis was updated with assumptions consistent with those used to develop the proposed budget.

Reserve Targets (DCOH)	Current	New
Minimum	120	120
Goal (Target)	285	**300**
Maximum (Upper Target)	490	490

Recommendation:

Increase the target DCOH to 300 from 285

- Supported by the stress test analysis
- Aligns with one of Moody's key criteria

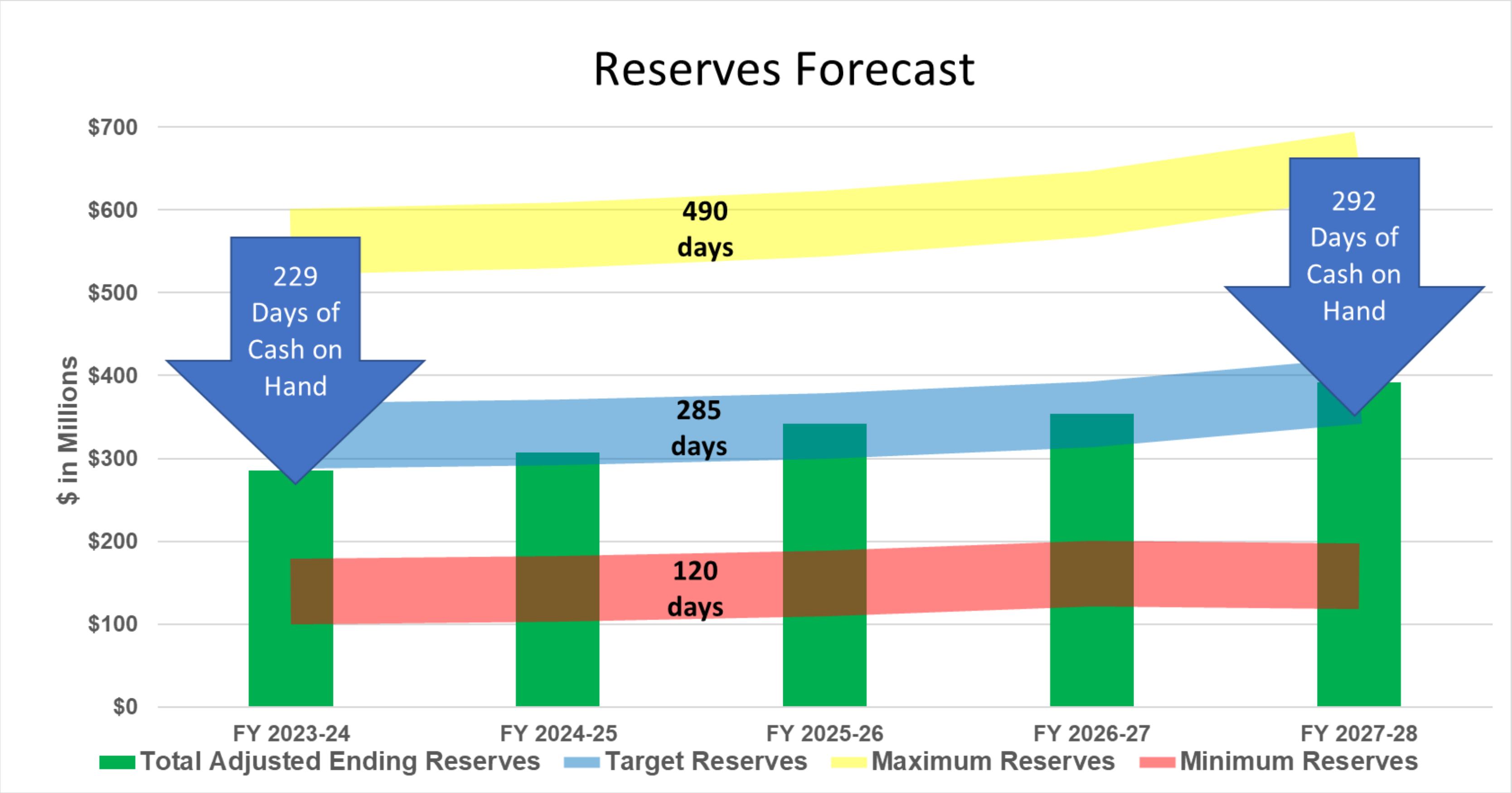
"Maintenance of strong liquidity position through sound financial management with days cash on hand in excess of 300 days" was listed by Moody's as one of several factors that could lead to a rating upgrade.*

On July 26th, Moody's Investor Service, a credit rating agency, upgraded SVCE's issuer rating from Baa2 to Baa1 with a stable outlook. Strong liquidity and adopting a more stringent reserves policy were cited as credit-positive elements.

Reserve Projection

Projected End of FY Reserves:

- $285 Million
- 229 Days of Cash on Hand



SILICON VALLEY CLEAN ENERGY

Programs capacity is increasing

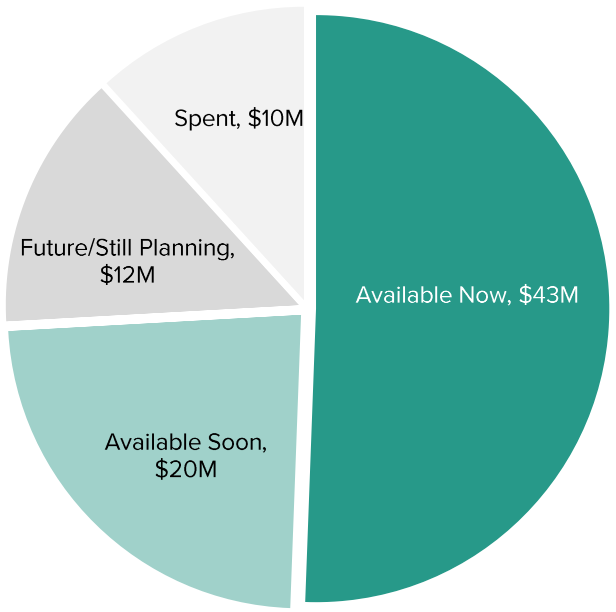
$85M allocated over the last ~5 years

~$50M within last 1.5 years

Making progress in opening funds to customers

Some programs take time to spend budget, once open

Programs Fund Availability



Spent: already paid out to customer or vendors

Available Now: program currently open to customers – includes available and reserved customer incentives (e.g. FutureFit Homes), or funds contracted with a vendor (e.g. eHub, fleet electrification support)

Available Soon: currently in a planning phase, but will launch by ~June 2024

Future/Still Planning: programs that won't launch until after June 2024 and funds not currently earmarked for a program

SILICON VALLEY CLEAN ENERGY