Tina Walia, Chair
City of Saratoga

George Tyson, Vice Chair
Town of Los Altos Hills

Elliot Scozzola
City of Campbell

Sheila Mohan
City of Cupertino

Zach Hilton
City of Gilroy

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Rob Rennie
Town of Los Gatos

Evelyn Chua
City of Milpitas

Bryan Mekechuk
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Yvonne Martinez Beltran
City of Morgan Hill

Pat Showalter
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
Finance and Administration Committee Meeting

Tuesday, August 6, 2024
1:00 pm

Silicon Valley Clean Energy Office
333 W. El Camino Real, Suite 330
Sunnyvale, CA

Teleconference Meeting Information:
https://svcleanenergy-org.zoom.us/j/84189070797

Or by Telephone (Audio only):
US: +1 669 219-2599
Webinar ID: 841 8907 0797

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 to Board Clerk Andrea Pizano at Andrea.Pizano@svcleanenergy.org and will be distributed to the Finance and Administration 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

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

Tina Walia, Chair
City of Saratoga

George Tyson, Vice Chair
Town of Los Altos Hills

Elliot Scozzola
City of Campbell

Sheila Mohan
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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)

1) Approve Minutes of the May 13, 2024 Finance and Administration Committee Meeting

Regular Calendar

2) Recommend the Board of Directors Approve the Fiscal Year 2024-25 Proposed Operating Budget, Staff Benefits Update, and Proposed Reserve Policy Targets (Action)

Committee/Staff Remarks

Adjourn

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Silicon Valley Clean Energy
Finance and Administration Committee Meeting
Monday, May 13, 2024
3:00 p.m.

Silicon Valley Clean Energy Office
333 W. El Camino Real, Suite 330
Sunnyvale, CA

DRAFT MEETING MINUTES

Call to Order

Chair Wei called the meeting to order at 3:00 p.m.

Roll Call

Present:
Chair Hung Wei, Cupertino
Vice Chair Murali Srinivasan, Sunnyvale
Director Elliot Scozzola, Campbell
Director Pat Showalter, Mountain View (arrived at 3:06 p.m.)

Absent:
None.

Public Comment on Matters Not Listed on the Agenda
No speakers.

Consent Calendar

Chair Wei opened public comment.
No speakers.
Chair Wei closed public comment.

MOTION: Director Scozzola moved and Vice Chair Srinivasan seconded the motion to approve the Consent Calendar.

The motion carried with Director Showalter absent.

1) **Approve Minutes of the February 26, 2024, Finance and Administration Committee Meeting**

Regular Calendar

2) **Results of Stress Test Analyses (Discussion)**

Amrit Singh, CFO and Director of Finance and Administration, presented the findings of the stress test analyses. Highlights of the presentation included:

- A recap of the enterprise risk management (ERM) framework,
- Construction of the Stress Tests,
- Financial Stress Tests and Implied Reserve Targets,
- Portfolio and Risk Management with Load Growth Uncertainty, and
- Next Steps

Staff responded to questions from the committee regarding PCIA and PG&E's energy contracts, the CPUC's POLR proceeding, financial stress test models, increased energy prices, modeled commodity prices, days cash on hand, examples of black swan events, volatility in electricity markets, future load growth, compliance with SB 350, reserves, SVCE's program budget, and advocacy efforts.

Chair Wei opened public comment.
No speakers.
Chair Wei closed public comment.

3) FY 2024-25 Budget Framework (Discussion)

Vice Chair Srinivasan left the meeting at 4:30 p.m.

CFO and Director of Finance and Administration Singh presented the budget framework, which included information on revenue modeling, reserve targets, customer discount rate, additional funding for programs, set aside for reserves, power supply costs, and other drivers.

Staff responded to questions and comments regarding SVCE's credit ratings, energy prices, and personnel and hiring.

Chair Wei opened public comment.
No speakers.
Chair Wei closed public comment.

Committee/Staff Remarks
Chair Wei confirmed the next meeting would occur in August and a poll would be distributed by staff for availability.

Adjournment
Chair Wei adjourned the meeting at 4:47 p.m.

ATTEST:

____
Andrea Pizano, Board Secretary

Staff Report – Item 2

Item 2:	**Recommend the Board of Directors Approve the Fiscal Year 2024-25 Proposed Operating Budget, Staff Benefits Update, and Proposed Reserve Policy Targets**
From:	Monica Padilla, CEO
Prepared by:	Amrit Singh, CFO and Director of Administrative Services Karen Chang, Manager of Finance
Date:	8/6/2024

RECOMMENDATION

Staff recommends that the Finance and Administration Committee recommend that the Board of Directors approve the fiscal year (FY) 2024-25[1] Proposed Operating Budget ("Proposed Budget") that projects depositing $14.0 million into the reserves; updates SVCE's staff benefits; and recommends new Days Cash on Hand (DCOH) reserve targets as part of the Reserve Policy[2].

FINANCE AND ADMINISTRATION, EXECUTIVE COMMITTEE & BOARD REVIEWs

At the May 13, 2024 Finance and Administration Committee ("Committee") meeting and the June 12, 2024 Board of Directors meeting, staff presented the methodology, framework, and key assumptions for developing the Proposed Budget and responded to the Committee's and Board members' questions on the approach to developing the budget.

Staff discussed the high volatility in the energy markets and very high prices for Resource Adequacy (RA) and Renewable Portfolio Standard (RPS) and Carbon Free (CF) products, which added additional uncertainty to budget projections. Staff also discussed that, like the last fiscal year, the prices that the California Public Utilities Commission (CPUC) will establish for RA and RPS in the Market Price Benchmarks (MPBs), issued in the fall and used to set PCIA[3] rates will substantially impact the budget. Pacific Gas and Electric (PG&E) is advocating that the CPUC use last year's MPB RA prices instead of the higher levels observed in the market. Staff proposed using last year's MPB prices for this initial budget and updating the budget in December to incorporate the final CPUC-published MPB prices.

Staff also presented an analysis of leasing an office building versus buying a building to the Executive Committee at its June 28, 2024 meeting. Staff discussed potential future office space needs and proposed a plan to lease office space in the near term and revisit the option to purchase in about 4 years. The Executive Committee unanimously concurred with the staff's recommendations.

[1] The fiscal year 2024-25 starts on October 1, 2024, and ends on September 30, 2025.
[2] SVCE's Financial Reserves Policy can be found here: FP9 Financial Reserves Policy
[3] Public Utility Code Sections 366.1 and 366.2 require the CPUC to make sure that customers leaving PG&E do not burden remaining PG&E customers with costs that were incurred to serve them. To ensure customer indifference, CCAs and Direct Access or departing load customers are required to pay a power charge indifference adjustment (PCIA).

ANALYSIS & DISCUSSION

The FY 2024-25 Proposed Operating Budget, shown in Attachment 1, is balanced and presents Silicon Valley Clean Energy (SVCE) in a stable financial condition. The projected balance available for reserves of $14.0 million is a decrease of $98.6 million below the $112.6 million presented in the FY 2023-24 Mid-Year Budget.

Energy Revenues

The Proposed budget shows a decrease in revenues of $111.8 million compared to the FY 2023-24 adjusted mid-year budget. The revenue decrease is primarily due to a forecasted increase in 2025 PCIA of about 178 percent (from 1.05 cents/kWh to 2.92 cents/kWh) and a drop in the 2025 PG&E generation rate of about 14 percent on average (from 16.00 cents/kWh blended average 2024 rate to 13.76 cents/kWh) because of declines in forward energy prices. From the mid-year budget update, the energy prices for the calendar year 2024[4], which are used to calculate the MPB, are down about 23%, and the forward prices for the calendar year 2025 are down, on average, about 9%. The significant increase in PCIA combined with a drop in PG&E generation rates reduces SVCE margins by 28 percent on average for 2025.

Staff used the CalCCA's NewGen Strategies & Solutions Model to forecast PCIA and PG&E generation rates with updated market prices after calibrating it with PG&E's May Energy Resource Recovery Account (ERRA) forecast of 2025 rates. As discussed at the June Board meeting, given the high uncertainty in prices the CPUC will establish for RA and RPS prices when adopting the MPB in the fall, staff used last year's MPB prices for RA and RPS and updated the energy price assumptions consistent with those used to develop the FY2024-25 budget. Like last year, RPS prices and RA costs are highly volatile compared to the past, creating an additional layer of uncertainty in forecasting PCIA and PG&E generation rates. Staff estimates that if the CPUC continued its methodology for establishing RA and RPS MPBs, these MPBs would be much higher than last year's.

Unlike energy prices, where there are readily available market-traded forward prices, the RA and RPS prices used in the PCIA and PG&E generation rate calculations are based on CPUC's derived MPBs, published later in the fall. It's challenging to forecast the CPUC's MPB prices because CPUC calculates them using a volume-weighted average of load-serving entities' (LSE) market transactions, which can span forward transactions entered by the LSEs during the prior two years. While energy prices have declined, RA and RPS prices have continued to increase. SVCE's estimates of MPBs for RA and RPS are much higher than last year's MPBs[5]. For example, staff's estimate for 2025 forecast RPS MPB is about $62 MWh, and last year's forecast MPB was $31.73 per MWh. Because these MPB prices will significantly impact PCIA, PG&E is actively advocating that the CPUC use last year's forecast RA price to keep PCIA at a much higher level. In computing SVCE's power supply costs, staff computed the open RA and RPS position costs at current market prices. Holding for other variables, this disparity in RA and RPS prices used for projecting costs versus PCIA and PG&E generations rate tends to make the budget forecast conservative. Using staff's estimate for RA and RPS MPBs in the NewGen model, the fiscal year 2024-25 revenues would be about $145 million higher for illustrative purposes.

PG&E's forecast of 2025 rates in the ERRA filing made in May 2024, shows a higher PG&E Generation Rate of ~13.95[6] cents/kWh to 14.39 cents/kWh (based on two proposed methodologies for allocating common costs) and a PCIA of 2.51 cents/kWh to 2.79 cents/kWh. PG&E's filing, however, is based on results using market prices in late March 2024, and market prices have decreased since then. Based on the ERRA filing schedule, PG&E will update its rate forecast in early fall, and the CPUC is expected to approve new rates in late December.

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[4] Calendar year 2024 calculation includes actuals for past months and forwards for future months.

[5] SVCE's estimate for 2025 forecast RA MPB is about 120% higher than last year's 2024 forecast MPB, SVCE's 2024 estimate for final RPS is about 58% higher than last year's forecast 2024 RPS, and SVCE's 2025 forecast RPS is about 95% higher than last year's 2024 forecast RPS.

[6] The rates shown in this report are SVCE load-weighted average rates.

To test the accuracy of the NewGen model, staff calibrated the model to PG&E's forecast using the same period market data PG&E used in developing its 2024 rate forecast. The calibration shows that the model results generally align with PG&E's forecast.

Given the uncertainty on MPBs that CPUC will establish in the fall and PG&E's update of its generation rates and PCIA using the MPBs, staff recommends that SVCE update the revenue projections in December 2024 when there's more certainty on the 2025 PCIA and PG&E generation rates. Between now and when the rates are finalized, market prices will change, which can create less or more favorable results.

The Proposed Budget continues the current 4 percent overall discount relative to comparable PG&E generation rates for all customers. It provides an additional dollar bill credit to CARE & FERA customers (~30,000) that, in the aggregate, is equivalent to a 1 percent discount for all customers. This amounts to $4.4 million or about $12.25 monthly bill credit for 12 months. The budget shows the bill credits as a separate cost item.

The Proposed Budget continues to reduce revenues to account for potential write-offs for unpaid bills that could occur. SVCE's proposed revenues include a 0.75% write-off rate, or roughly $3.3 million.

Power Supply Expenses

The forecasted power supply expenses for FY2024-25 are higher by about $22 million relative to the mid-year budget for FY2023-24. This increase is primarily driven by increased costs for clean energy resources and a projected increase in load of 1.6%, partially offset by lower forward energy market prices.

The forecast expenses are lower than the mid-year budget forecast for FY2024-25, primarily due to a decrease in energy market prices and a decrease in the clean portfolio target from 100 to 90%. The cost of carbon-free attributes has risen to above $30/MWh. Additional Power Purchase Agreements (PPAs) coming online also further reduce costs.

Reserves Policy Target Levels

At the June 12th, 2024, Board of Directors meeting, staff presented the results of the stress test analyses. Staff discussed the need to hold sufficient reserves to ensure SVCE can withstand risks such as those modeled in the analyses. The stress test modeled a collapse in energy, RA, and RPS prices that substantially reduce revenues, models a one-time cash draw equivalent to the two highest months of procurement under the low-price scenario as a proxy for business operating and regulatory risks, and increased customer bad debt to 1 percent of revenues. Staff has since updated the stress test scenario analysis with portfolio data consistent with those used to develop the proposed budget. Staff did not refresh the market prices because prices are generally comparable to the original stress-test assumptions. The more significant driver of results is uncertainty surrounding CPUC's adoption of RA and RPS prices for MPBs. Given limited market data for these products, staff used the original stress test numbers. Staff also corrected the original stress test analyses for some modeling errors discovered when updating the results.

As shown in the table below, the new implied targets, derived using the methodology discussed in the stress test analysis, are higher than the current targets. The method of deriving the targets is to set the target level such that if the modeled stress scenario were to occur, the DCOH would remain above 120 for the next two fiscal years and set the upper reserve target such that it would stay above 90 DCOH over the next five fiscal years.

Reserve Targets (DCOH)	Current	Implied Targets	Proposed
Minimum	120	120	120
Goal (Target)	300	342	350
Maximum (Upper Target)	490	713	500

Staff recommends increasing the target reserves to 350 DCOH, given the considerable market price uncertainty, especially for RA and clean energy resources. This level also aligns with the credit rating agency's guidance that DCOH in excess of 300 is viewed as positive for credit ratings. Staff does not recommend the higher maximum implied target from the analyses but recommends rounding the upper target to 500 DCOH.

The higher implied targets result from conservative RA and RPS price assumptions. Staff will work with brokers and other market participants to gather more market data for RA and RPS products and continue to assess the ability to stochastically model these prices similarly to the modeling of energy prices. Staff monitors the variability in financial results almost every week and can quickly recommend any strategic policy changes to the Board. The proposed upper limit provides sufficient headroom to manage financial reserves without setting it too high, where it can limit SVCE's advancement of its mission. A redlined version of the reserve policy reflecting the proposed new targets is shown in Attachment 3.

<u>Operating Expenses</u>
Operating expenses are expected to grow in the proposed budget, increasing by $4.3 million from the FY2023-24 adjusted midyear budget, including an overall 5 percent contingency, which amounts to about $1.75 million embedded in all operating expense category increases.

The increase in projected operating expenses is due to:

1. Data Management

   The Current Data Management vendor contract will expire by the end of 2024. Staff has issued vendors a Request for Proposals (RFP) for a new contract. The budget accounts for a potential increase in Data Management fees, including for services that may be added to the scope of the new Data Management services contract.

2. PG&E Fees

   Staff is expecting a modest increase due to inflation starting in 2025 for a new contract. The proposed budget reflects the increase for nine months in 2025.

3. Personnel Expenses

   Personnel expenses are expected to increase by $2.5 million. Of the increase in personnel costs, $1.8 million is from lower vacancy savings than the Mid-Year budget, which was partially based on actual vacancy rates as opposed to the 5 percent annual vacancy rate assumed in the proposed budget. SVCE continues to work to fill positions and anticipates full staffing by the end of the calendar year but utilizes a 5% long-term vacancy rate in the personnel budget. The budget includes a 3.0% cost-of-living adjustment to salaries, based on a trailing six-month average for the Bay Area CPI, which adds $363 thousand in additional cost and a 3% average merit increase, as determined by management during the upcoming annual review process, which contributes another $363 thousand in cost increases. The budget proposes no increase in headcount. The current focus is to fill the remaining vacancies and comprehensively assess overall organizational staffing needs. This report includes proposed salary tables (Attachment 4) and organization charts (Attachment 5).

4. Professional Expenses

   Overall, Professional Expenses increased by about $1.16 million. These primarily resulted from anticipated increases in vendor contracts fees, including those from recently board-approved contracts, membership fees, legal fees, and IT support and services, including enhancements in cybersecurity. The increase also accounts for Human Resources support, including external recruiting and adding new modules to the Human Resources Information System to consolidate payroll, performance review, and employee learning tools into a single platform to improve effectiveness and efficiency.

5. Marketing and General and Administrative

   These expenses increased by about $218 thousand, primarily from increased hardware, travel, training, and anticipated conference fees.

Updates to Employee Benefits

Staff recommends minimal employee benefit updates to remain competitive in the labor market. Staff proposes adding Cesar Chavez Day, celebrated by most of our member agencies and other CCAs, as an SVCE-approved holiday. The proposed changes include extending parental leave to 240 hours from 120 to better align with peer agencies, bereavement leave to 5 days from 3 days to align with state compliance, and a $500 one-time stipend for remote work setup, which was offered during COVID, to now be an ongoing benefit for new employees and to those who did not receive the benefit after its expiration. A redlined version of the staff benefits summary with these proposed updates is shown in Attachment 6.

Programs Budget

SVCE will continue incorporating projected programs spending over the 5-year forecast period into the reserve balance projections and forecasting the ending net position as shown in the 5-year financial forecast in Attachment 2. For this coming fiscal year, programs spending is projected to be $30.1 million, with an additional $825 thousand in CRCR[7] spending, and $850 thousand in E-Elec (all electric) rate discounts.

The proposed budget transfers an additional $8.8 million, two percent of projected revenues, $3.7 million from the PG&E nuclear allocation savings, representing the portfolio's savings from accepting the allocation, and $1.8 million for the Hanford Hybrid Plant Emissions Mitigation Guidelines, which the Board approved in May 2024.

Non-Operating Revenues

The proposed budget expects non-operating revenues to grow by about $3.4 million from the FY2023-24 adjusted midyear budget. This increase reflects the increase in interest earned on the growing reserve balance.

Non-Operating Expenses

The proposed budget expects non-operating expenses to increase by about $21 thousand from the FY2023-24 adjusted midyear budget. The increase reflects the newly CPUC-adopted method for Provider of Last Resort (POLR) collateral calculations and the bank fees associated with its respective Financial Security Requirement (FSR) posting amount.

Office Building Initial Capital

Staff proposed an overall strategic direction on leasing or buying a new office building to the Executive Committee at its June 28th, 2024, meeting. SVCE's current lease runs through September 2025. Before the current lease expires, staff must finalize a new lease or purchase an office building to allow enough time for renovation and office move.

The Executive Committee unanimously agreed with the following staff proposal:

- Enter a 3-to-5-year lease with a target start date of October 2025
- Seek 11,000 to 14,000 square feet of a Class A building located within SVCE's service territory
- If the start date of the new lease is after October 2025, authorize an extension of the current lease for up to 6 months

The actual lease and terms will be brought to the Board for consideration and approval in a closed session before the end of 2024. Initial estimates show roughly $1 million for renovation, including furniture costs.

[7] CRCR, the ~$10 million Customer Relief and Community Resilience Program, was established in 2020 to provide COVID credit payments to income-qualified customers as bill assistance, support local workforce training, and fund resiliency planning and capital expenditures at SVCE member cities.

This cost has been included in this proposed budget as a capital expense. Staff also included an estimated high-level rental price for a new lease in the budget. The 5-year budget projection assumes a building purchase in the fiscal year 2028-29.

STRATEGIC PLAN

The recommendation supports all goals of the board's adopted strategic plan. Specifically, the recommendations strongly support Goal 19 - "Commit to maintaining a strong financial position" and the accompanying Measure, "Present balanced budget that achieves cash reserve targets, weighs tradeoffs between customer value proposition and contribution to reserves and maintains competitive rates."

ALTERNATIVE

Staff is open to feedback and suggestions from the Committee. At a strategic level, the Board can change the discount to comparable PG&E rates, reduce the carbon-free and renewable power supply percentages, and cut the program expenditures.

Considering any of the above options requires an extensive policy-level discussion. The board can consider them while finalizing SVCE's strategic priorities during the coming months and revisit the customer discount rate when actual PCIA and PG&E generation rates are known. Given a sufficient projected reserve balance that maintains SVCE's stable financial condition, staff does not recommend any specific reductions.

FISCAL IMPACT

The FY 2024-25 Proposed Operating Budget includes total revenues of $441 million and total expenses, non-operating revenues, and transfers of $427 million, resulting in a surplus/contribution to reserves of $14.0 million.

ATTACHMENTS

1. FY 2024-25 Proposed Operating Budget
2. 5-year Financial Forecast
3. Updated Financial Reserves Policy
4. FY 2024-2025 Proposed Salary Table
5. FY 2024-2025 Proposed Organization Chart
6. FY 2024-2025 Proposed Benefit Summary

Attachment 1

SILICON VALLEY CLEAN ENERGY
FY 2024-25 OPERATING BUDGET
($ in thousands)

DESCRIPTION	FY 2023-24 MID-YEAR ADJUSTED BUDGET	FY 2024-25 PROPOSED BUDGET	Change $	Change %
ENERGY REVENUES				
Energy Sales	550,852	438,837	(112,015)	-20.3%
Green Prime	1,962	2,213	251	12.8%
Other Income	50	0	(50)	-100.0%
TOTAL ENERGY REVENUES	**552,864**	**441,050**	**(111,814)**	**-20.2%**
ENERGY EXPENSES				
Power Supply	365,617	387,145	21,528	5.9%
OPERATING MARGIN	**187,247**	**53,905**	**(133,342)**	**-71.2%**
OPERATING EXPENSES				
Data Management	3,413	3,734	321	9.4%
PG&E Fees	1,470	1,516	46	3.2%
Salaries and Retirement	14,818	17,388	2,570	17.3%
Professional Services	8,210	9,370	1,159	14.1%
Marketing & Promotions	1,565	1,617	52	3.4%
General & Administrative	2,643	2,808	166	6.3%
TOTAL OPERATING EXPENSES	**32,118**	**36,433**	**4,315**	**13.4%**
OPERATING INCOME (LOSS)	**155,132**	**17,472**	**(137,659)**	**-88.7%**
NON-OPERATING REVENUES				
Interest Income	12,867	16,299	3,432	26.7%
TOTAL NON-OPERATING REVENUES	**12,867**	**16,299**	**3,432**	**26.7%**
NON-OPERATING EXPENSES				
Financing	3	24	21	696.7%
TOTAL NON-OPERATING EXPENSES	**3**	**24**	**21**	**696.7%**
TOTAL NON-OPERATING INCOME (EXPENSES)	**12,864**	**16,275**	**3,411**	**26.5%**
CHANGE IN NET POSITION	**167,996**	**33,747**	**(134,249)**	**-79.9%**
CAPITAL EXPENDITURES, INTERFUND TRANSFERS & OTHER				
Capital Outlay	50	1,002	952	1904.0%
Building Fund	20,000		(20,000)	
Program Fund	28,874	8,821	(20,053)	-69.5%
Nuclear Allocation	2,188	3,708	1,520	69.5%
Customer Bill Relief	4,300	4,411	111	2.6%
Hanford Emissions Mitigation Fund		1,800	1,800	
Other				
TOTAL CAPITAL EXPENDITURES, INTERFUND TRANSFERS & OTHER	**55,412**	**19,742**	**(35,670)**	**-64.4%**
BALANCE AVAILABLE FOR RESERVES	**112,584**	**14,005**	**(98,579)**	**-87.6%**

DRAFT

Attachment 2

($ in Thousands)					
	FY 2024-25	**FY 2025-26**	**FY 2026-27**	**FY 2027-28**	**FY 2028-29**
Operating Revenue	(Budget)	(Forecast)	(Forecast)	(Forecast)	(Forecast)
Electricity Sales, Net[1]	$438,837	$573,975	$608,968	$558,344	$537,314
GreenPrime Electricity Premium	$2,213	$2,234	$2,260	$2,296	$2,340
Total Operating Revenues	**$441,050**	**$576,209**	**$611,228**	**$560,640**	**$539,654**
Operating Expense					
Power Supply	$387,145	$436,863	$446,138	$434,784	$436,707
Operating Margin	**$828,195**	**$1,013,072**	**$1,057,366**	**$995,425**	**$976,361**
Data Management	$3,734	$3,920	$4,116	$4,322	$4,538
PG&E Service Fees	$1,516	$1,592	$1,672	$1,755	$1,843
Salaries and Retirement	$17,388	$18,258	$19,171	$20,129	$21,136
Professional Services	$9,370	$9,838	$10,330	$10,846	$11,389
Marketing & Promotions	$1,617	$1,698	$1,783	$1,872	$1,965
General and Administration	$2,808	$3,844	$4,036	$4,238	$4,450
Transfers to Programs Fund	$18,740	$11,524	$12,225	$11,213	$10,793
Total Operating Expenses	**$442,318**	**$487,538**	**$499,471**	**$489,161**	**$492,822**
Operating Income	**$(1,268)**	**$88,671**	**$111,757**	**$71,480**	**$46,832**
Nonoperating Revenue					
Investment Income	$16,299	$14,651	$15,820	$15,440	$13,182
Total Non-Operating Revenues	$16,299	$14,651	$15,820	$15,440	$13,182
Nonoperating Expense					
Financing Cost	$24	$24	$24	$24	$24
Capital Outlay	$1,002	$50	$50	$50	$50
Total Non-Operating Expense	**$1,026**	**$74**	**$74**	**$74**	**$74**
Non-Operating Income	**$15,273**	**$14,577**	**$15,746**	**$15,366**	**$13,108**
Change in Net Position/Available for Reserves	**$14,005**	**$103,247**	**$127,503**	**$86,846**	**$59,940**
Begin, Net Position	**$473,838**	**$469,996**	**$551,765**	**$658,068**	**$731,141**
Adjustment for Program Expenditure and Building Fund[2]	**$(17,847)**	**$(21,478)**	**$(21,201)**	**$(13,773)**	**$(24,600)**
End, Net Position	**$469,996**	**$551,765**	**$658,068**	**$731,141**	**$766,481**

1 Assumptions: 4% overall discount relative to comparable PG&E rates for FY 24-25 and FY 25-26. FY 24-25 includes additional bill credit to low income customers totaling $4.4 million. 1% discount for FY26-27, FY27-28 and FY28-29.

2 Each year the Board transfers funds from the Operating Budget to the Decarbonization 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 transferred to the fund. This adjustment is needed because program spending to date has been less than the amount transferred to the programs fund. The $20 million in building Fund is assumed to be spent in FY28-29.

Days Cash On Hand (DCOH) at Year End	**$441,975**	**$523,744**	**$630,047**	**$703,119**	**$738,460**
Days of cash on hand	365	392	460	525	547

FP9

Category: FINANCE

FINANCIAL RESERVES POLICY

I. PURPOSE

This Reserve Policy outlines the appropriate types and levels (minimum, goal, and maximum) of financial reserves as prescribed in the following policy. The primary reason for a reserve policy is to be prepared for contingencies, but other reasons also exist. Seven important purposes of a reserve policy are as follow:

1. **Plan for contingencies.** To maintain sufficient reserves to minimize rate increase due to market volatility(power supply shocks or maintain rate competitiveness), weather impacts on demands, economic downturns, emergencies (such as natural disasters), and regulatory changes.
2. **Maintain good standing with rating agencies.** By maintaining sufficient reserves, SVCE can preserve good credit ratings, allowing it to secure power at lower costs, that is, without posting credit enhancements, in the energy markets.
3. **Avoid interest expense.** To avoid interest expense to cover short-term cash shortfalls by having sufficient reserves to use for this purpose, rather than debt.
4. **Ensure cash availability when revenue is unavailable.** To bridge times of the year that normally see temporary low levels of cash.
5. **Plan for anticipated future rate increases by gradually raising those rates, using reserves to cushion the full impact on customers over an extended time period.** For example, if it is expected that rates are highly likely to increase in 3 to 5 years, higher reserves on hand can cushion those rate increases over a more gradual timeframe by drawing down on the accumulated funds that may be in excess of the reserves' goal.
6. **Manage the risks identified in the Energy Risk Management Policy, which are:**

- Market price risk,
- Net revenue risk,
- Counterparty credit and performance risk,
- Load and generation volumetric risk,
- Operational risk,
- Liquidity risk, and
- Regulatory/legislative risk.

7. **Establish clear expectations between the Board of Directors and staff.** A formal reserve policy creates a shared understanding of the proper level and use of reserves.

II. POLICY

Reserve Levels Established

Financial reserves shall be set aside as follows:

The **Reserve targets** cover the operations of SVCE over a number of days in the event of emergencies or other significant unforeseen events. Three levels are defined, with the first being baseline. Given the purposes stated above, the Reserve shall be maintained at no less than the minimum described in (a) below. The reserve level described in (b) is recommended as the goal. The Maximum reserve level described in (c) would provide solid reserves for significant fluctuations in revenue or unforeseen circumstances. The Board shall review its reserve levels annually in context of SVCE's overall financial condition of the agency, as well as due to changes to the industry and/or risk factors as described in periodic review of targets below.

(a) ***Minimum Operating Reserve (baseline)*** shall be the minimum maintained to cover 120 days of operations of the annual operating budget;

(b) ***An Operating Reserve* goal** of covering ~~300~~ 350 days of operations of the annual operating budget;

(c) ***Maximum Operating Reserve*** to cover ~~490~~ 500 days of operations of the annual operating budget.

FP9

Category: FINANCE

Conditions for Use of Reserves

For purposes of this policy, use of reserves is defined as a projected or estimated[1] reduction in reserves by fiscal year-end. A temporary reduction in cash consistent with the expected peaks or dips in revenues and expenditures are normal cyclical occurrences to be expected during the fiscal year, and do not constitute a use of reserves.

The reserves may be drawn down upon by the CEO during the year, up to the lesser of 10% of the year's budgeted cost of power supply, or $30 million, to:

1. Cover increases in power supply expenses due to spikes in costs and/or due to higher customer demand;
2. Provide necessary funds to make up for unanticipated revenue shortfalls;
3. Meet any margin or collateral posting requirements under energy supply contracts; and,
4. Provide resources to meet emergency expenditures.

If further use of reserves are needed to manage the operations of the organization, or if the use of reserves would bring the balance below the Minimum Operating Reserve baseline, the CEO must present recommendations to the Board and the Board must authorize any such use.

Replenishment of Reserves

Should SVCE drawdown reserves below the Minimum Operating Reserve level, SVCE will implement plans to return reserves to their minimum targets within two (2) fiscal years. Such plans will be provided in subsequent budget and rate discussions with the Board.

[1] It is not practical to wait the formal fiscal year end closing of the accounting records to determine if the reserves have been "used". Therefore, it is appropriate for staff to estimate reserve levels, with the important amount being what is estimated for fiscal year end.

Excess Reserves

If reserve funds are projected to exceed the maximum level, the CEO shall present options for consideration by the Board of Directors for proper disposition of those reserves during the next budget cycle.

Reserves between Minimum and Maximum

To the extent that reserves are above target and below the maximum, no other action by SVCE would be required.

Periodic Review of Reserve Goals

Reserve goals shall be periodically reviewed for consistency with industry standards. If significant risk factors are eliminated or significant new risks emerge as a result of changes in the industry, legislation, or economic conditions, the basis of the reserve policy shall be reviewed, and the funding level shall be adjusted accordingly. Unless the Reserves are approaching minimum levels, formal Reserve funding discussions with the Board may await the next budget process.

Reporting

Reserve levels will be monitored during the fiscal year and reported in the quarterly financial reports. Reserve target levels (minimum and maximum) will be analyzed annually, and over/under reserve determination shall be made in conjunction with year-end financial results. These results will be reported to the Board of Directors as part of the year-end financial report presentation.

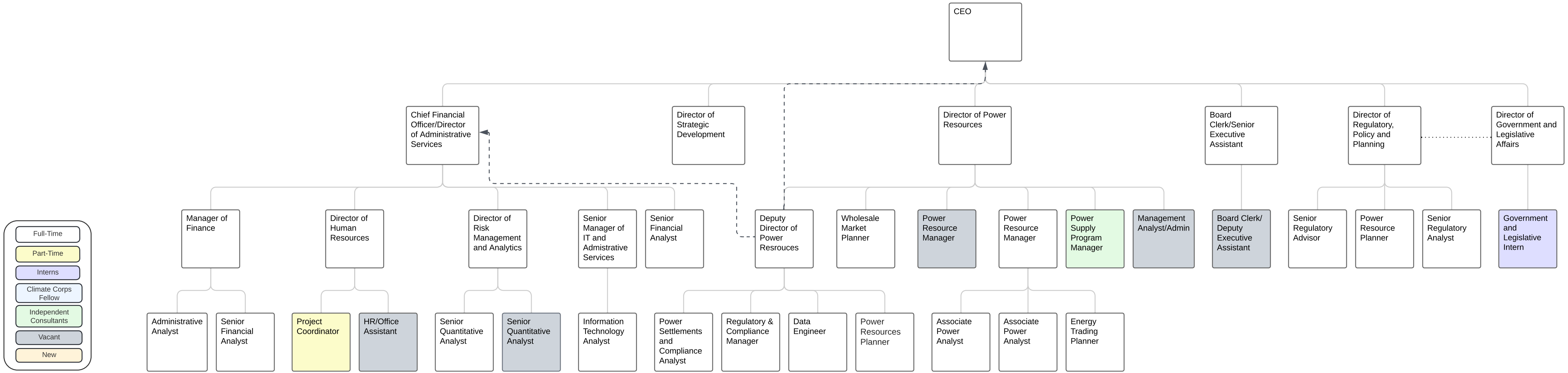
FY24-25 Salary Chart		
Title	**Minimum Salary (Annual $)**	**Maximum Salary (Annual $)**
Administrative Analyst	$ 105,199	$ 180,189
Administrative Assistant	$ 70,132	$ 111,308
Associate Data Analyst	$ 105,199	$ 165,215
Associate Data Scientist	$ 125,343	$ 180,399
Associate Legislative Analyst	$ 87,664	$ 142,352
Associate Manager of Decarbonization Programs and Policy	$ 140,263	$ 202,047
Associate Power Analyst	$ 98,930	$ 154,355
Associate Power Resources Planner	$ 140,263	$ 213,197
CFO & Director of Finance and Administration	$ 222,084	$ 370,338
Communications Specialist	$ 91,655	$ 139,242
Communications Manager	$ 140,263	$ 209,598
Community Outreach Specialist	$ 75,976	$ 124,166
Data Analyst	$ 125,343	$ 185,041
Data Engineer	$ 132,326	$ 192,863
Data Scientist	$ 140,263	$ 202,047
Deputy Board Clerk/Administrative Assistant	$ 105,199	$ 180,189
Deputy Director of Decarbonization Programs and Policy	$ 180,397	$ 283,479
Deputy Director of Marketing and Communications	$ 180,397	$ 283,479
Deputy Director of Power Resources	$ 198,254	$ 311,518
Director of Decarbonization Programs and Policy	$ 187,033	$ 293,885
Director of Energy Services & Community Relations	$ 187,033	$ 293,885
Director of Government and Legislative Affairs	$ 187,033	$ 293,885
Director of Human Resources	$ 187,033	$ 293,885
Director of Power Resources	$ 212,000	$ 318,000
Director of Regulatory and Legislative Policy	$ 187,033	$ 293,885
Director of Risk Management and Analytics	$ 187,033	$ 293,885
Director of Strategic Development	$ 187,033	$ 293,885
Energy Services Lead	$ 140,263	$ 214,131
Energy Services Manager	$ 175,946	$ 267,435
Energy Services Principal	$ 157,095	$ 238,781
Energy Services Specialist	$ 91,655	$ 139,243
Energy Trading Manager	$ 173,984	$ 256,631
Energy Trading Planner	$ 151,952	$ 238,781
Financial Analyst	$ 105,199	$ 180,189
General Counsel	$ 187,033	$ 293,885
Human Resources Analyst	$ 105,199	$ 180,189
Human Resources Generalist	$ 128,575	$ 202,047
Human Resources Manager	$ 175,330	$ 238,781
IT Analyst	$ 128,575	$ 202,047
Management Analyst/Admin	$ 128,575	$ 202,047
Manager of Data and Analytics	$ 179,832	$ 267,434
Manager of Decarbonization Programs and Policy	$ 151,952	$ 238,781
Manager of Finance	$ 159,550	$ 242,456

FY24-25 Salary Chart		
Title	**Minimum Salary (Annual $)**	**Maximum Salary (Annual $)**
Manager of Technology and Admin Services	$ 159,550	$ 242,456
Marketing Lead	$ 140,263	$ 214,131
Marketing Specialist	$ 75,976	$ 124,166
Policy Analyst	$ 105,199	$ 180,189
Power Analyst	$ 110,801	$ 172,878
Power Contracts & Settlements Manager	$ 175,330	$ 275,517
Power Data Analyst	$ 115,629	$ 172,878
Power Resources Manager	$ 175,330	$ 275,517
Power Resources Planner	$ 151,952	$ 238,781
Power Settlements and Compliance Analyst	$ 128,575	$ 202,047
Principal Communications Specialist	$ 106,367	$ 174,665
Principal Data Engineer	$ 151,952	$ 241,927
Principal Data Scientist	$ 170,186	$ 253,447
Principal Policy Analyst	$ 151,952	$ 226,030
Principal Power Analyst	$ 138,988	$ 216,858
Program Marketing Manager	$ 140,263	$ 209,598
Programs Lead	$ 140,263	$ 214,131
Programs Specialist	$ 87,664	$ 142,352
Rates Manager	$ 159,550	$ 238,781
Regulatory & Compliance Manager	$ 151,952	$ 238,781
Regulatory Analyst	$ 122,731	$ 180,189
Senior Board Clerk/Executive Assistant	$ 128,575	$ 214,131
Senior Communications Specialist	$ 91,655	$ 155,951
Senior Data Analyst	$ 140,263	$ 207,246
Senior Data Engineer	$ 148,205	$ 216,006
Senior Data Scientist	$ 151,952	$ 226,292
Senior Energy Services Specialist	$ 105,199	$ 155,952
Senior Financial Analyst	$ 140,263	$ 202,047
Senior Government Affairs Manager	$ 187,033	$ 256,631
Senior Management Analyst	$ 140,263	$ 222,251
Senior Manager of Communications	$ 161,069	$ 253,107
Senior Manager of Decarbonization Programs and Policy	$ 161,069	$ 253,107
Senior Manager of Power Resources	$ 187,033	$ 293,885
Senior Manager of Technology and Administrative Services	$ 178,696	$ 270,682
Senior Marketing Specialist	$ 91,655	$ 139,242
Senior Policy Analyst	$ 122,731	$ 201,812
Senior Power Analyst	$ 124,097	$ 193,623
Senior Power Resources Planner	$ 187,033	$ 267,435
Senior Programs Specialist	$ 105,199	$ 159,434
Senior Public Sector Services Manager	$ 161,069	$ 253,107
Senior Quantitative Analyst	$ 140,263	$ 207,246
Senior Rates Analyst	$ 140,263	$ 202,047
Senior Regulatory Advisor	$ 128,575	$ 202,047

FY24-25 Salary Chart		
Title	**Minimum Salary (Annual $)**	**Maximum Salary (Annual $)**
Senior Regulatory Analyst	$ 128,575	$ 202,047
Wholesale Energy Markets Manager	$ 173,984	$ 256,631
Wholesale Energy Markets Planner	$ 151,952	$ 238,781

Organization Chart (F&A / PRO / RPPL)

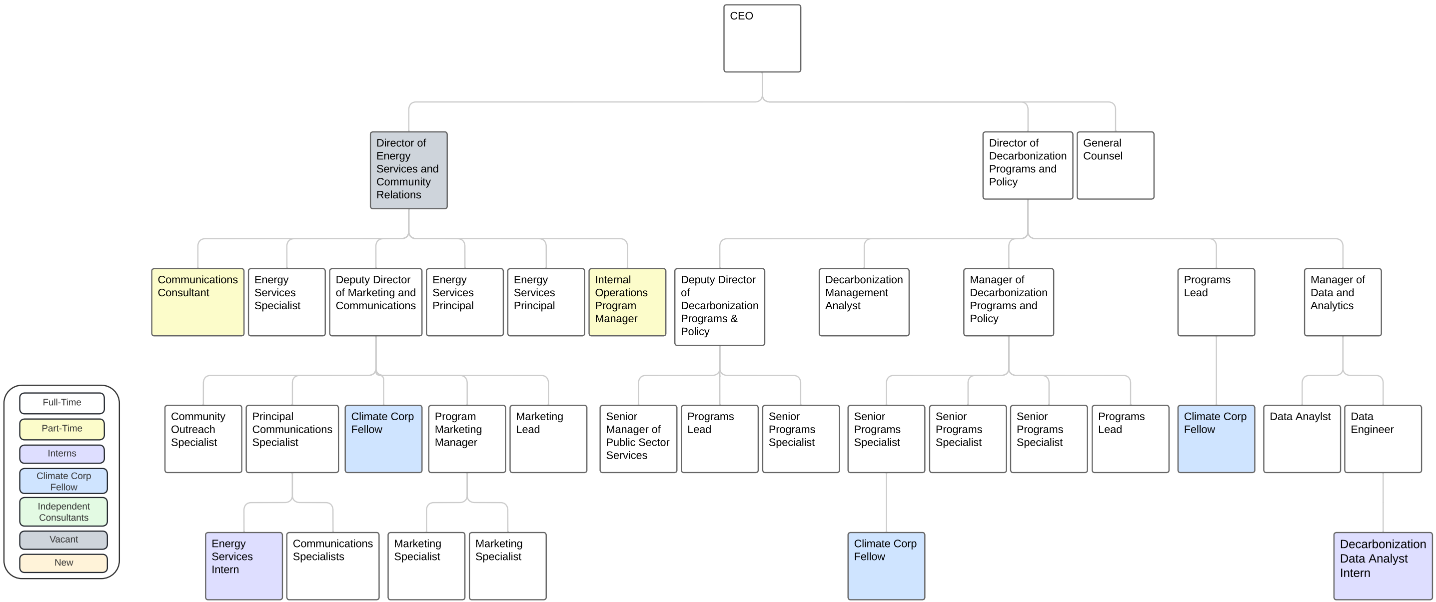
Item 2
Attachment 5



FY24-25 Proposed Budget Organization Chart

Organization Chart (ESCR / DPP)

Item 2
Attachment 5



FY24-25 Proposed Budget Organization Chart

SILICON VALLEY CLEAN ENERGY

2024/25 Benefits Summary

Benefit	Details
Health Insurance	
Employer Premium Contribution	SVCE provides up to $1,500 per month to cover the employee and dependent insurance premiums - health, dental and vision.
Medical	Coverage is provided through the CalChoice marketplace, and currently includes the following options: Kaiser – HMO plans Sutter Health – HMO plans Anthem Blue Cross – PPO plans Cigna –EPO G
Dental	Delta Dental PPO
Vision	Vision PPO Plan
Retirement	
401 (a) Plan	Mandatory 10% employee contribution matched by 10% employer contribution in lieu of Social Security. Fully vested from date of hire.
457 (b) Deferred Compensation	Voluntary pre-tax employee contributions up to annual IRS limits.
HRA -or- HSA	
Health Reimbursement Account	SVCE contributes $500 / month towards a Health Reimbursement Account that the employee can use for qualified health care expenses. Unused balances can be carried over to the next year.
Health Savings Account (only with eligible High Deductible Health Plans)	SVCE contributes up to $400 / month towards a Health Savings Account that the employee can use for qualified health care expenses. Balance can be invested and stays with employee after separation.
FSA – Health / Dependent Care / Transportation / Parking	
Employer Contribution	SVCE contributes $200 / month towards flexible spending accounts that can be used for qualified expenses in the categories below. Employee can contribute additional funds up to the IRS limits.
Health Spending Account	Employee can annually contribute up to $3,200 pre-tax to their Health FSA. A maximum of $640 rolls over for 2024.
Dependent (Child / Elder) Care Assistance	Employee can annually contribute up to $5,000 pre-tax to their Dependent Care account. Funds do no roll over.
Transit / Parking Plan	Non-taxable reimbursement of up to $315 per month for qualified transit and parking expenses.
Health / Wellness	
Fitness Reimbursement Program	SVCE will reimburse up to $600 / year for qualified fitness expenses (class / program / equipment) per year. This reimbursement will accrue annually up to $3000.
Professional Development	
Tuition Reimbursement Program	SVCE will reimburse up to $5,000 / year for qualified educational advancement that supports the organization's mission.
Employee Rebate Reimbursement	
SVCE Employees are eligible to receive the same rebate benefits as its customers	SVCE rebates are available for single-family homes, accessory dwelling units (ADUs), and multi-family homes (4 dwelling units or fewer) swapping out existing equipment, not for completely new building construction. Each dwelling unit is eligible for one rebate per appliance type.

SILICON VALLEY CLEAN ENERGY

2024/25 Benefits Summary

Miscellaneous	
Short Term Disability Insurance	STD provided at 60% of weekly earnings subject to terms of STD insurance carrier and cap based on salary.
Long Term Disability Insurance	LTD provided at 60% of monthly earnings subject to terms of LTD insurance carrier and cap based on salary.
Term Life Insurance	100% Employer-paid $200,000 life and AD&D coverage (guaranteed at $50,000).
Employee Assistance Program (EAP)	100% Employer-paid confidential counseling for you and your immediate family member and work/life services assistance.
Hybrid Work Set up	One time $500 reimbursable for home office set up.
Technology Stipend	$120 monthly stipend for phone and internet connection costs
Voluntary Term Life and AD&D Rates	
Voluntary term life monthly rate	Voluntary term life rates do not include the AD&D rate. The spouse is charged based upon his/her individual age. Child(ren) monthly rate: $10,000 of coverage for $2.00 per family
Voluntary Accidental Death and Dismemberment (AD&D) monthly rate	Employee and spouse $.039
Leave	
Vacation Leave	SVCE offers 160 hours of Paid Time Off (PTO) that is accrued bi-weekly for the first year. PTO includes vacation, sick, etc. After the first-year anniversary date, an additional 8 hours will be granted per year up to the tenth year of employment. All unused PTO at the end of the year can be carried over to a maximum of twice the annual accrual. Exempt employees receive an additional 40 hours of Management Leave at the beginning of each calendar year, which does not carry over to the next year.
Holidays	~~11~~ 12 days (~~80~~ 88 hours) per year. New Year's Day Martin Luther King Jr.'s Birthday Presidents' Day Cesar Chavez Day Memorial Day Juneteenth Independence Day Labor Day Veteran's Day Thanksgiving (2 days) Christmas Day
Administrative Shut-Down Leave	Christmas Day though New Year's Day
Bereavement Leave	Up to 5~~3~~ days paid bereavement leave in the event of a death in your immediate family.
Parental Leave	If you have worked at least 12 months and for at least 1,250 hours in the previous 12 months you will be eligible for 240 hours of paid parental leave in the first 12 months~~will be eligible of up to twelve (12) workweeks in a 12-month period.~~