
FY 2024-25 Operating Budget

Amrit Singh
Board of Directors
September 11, 2024

Purpose

Adopt Fiscal Year FY2024-25 Operating Budget, Staff Benefits Upgrades, and Revised Reserves Policy.

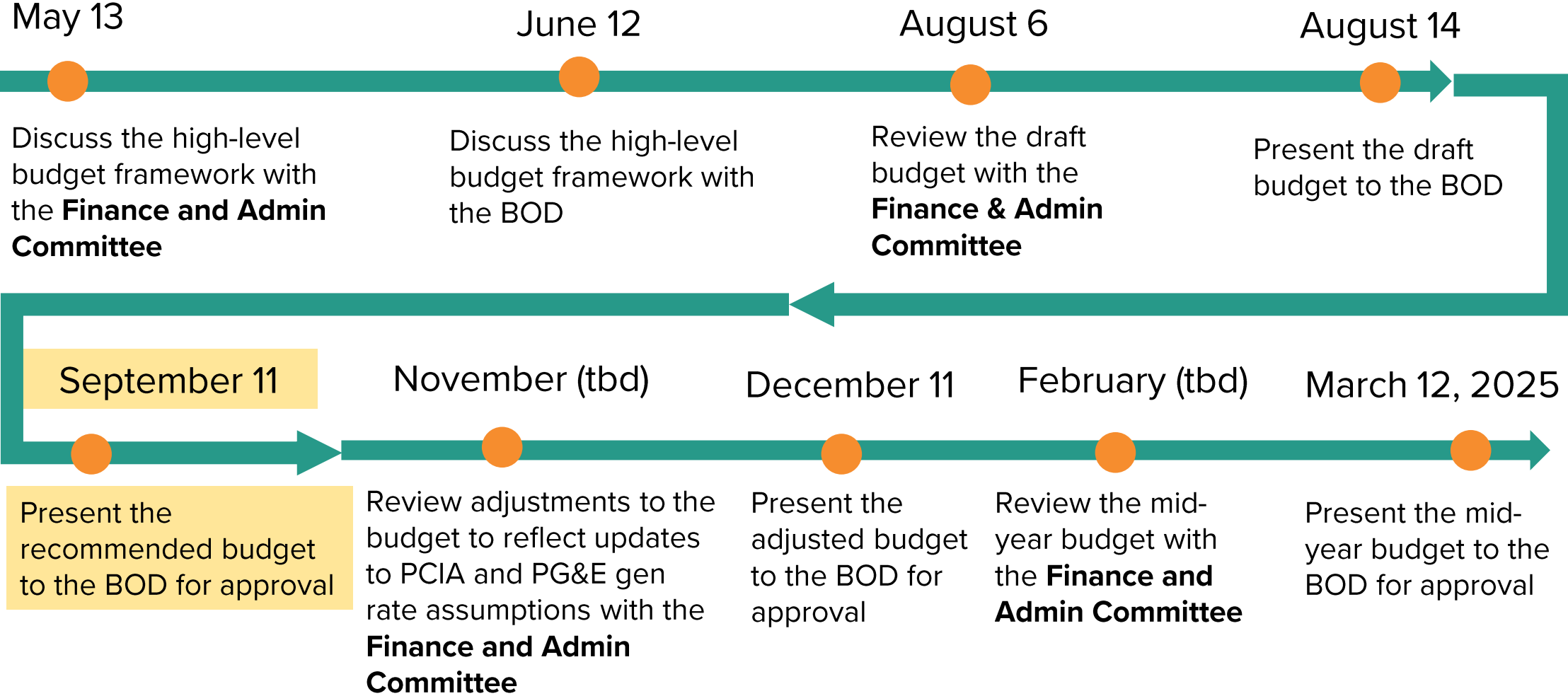
Main Areas of Discussion

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





FY24-25 Budget Development Timeline





Key Highlights of the Draft Budget

1. Positive financial year with upside for a very favorable year; results highly uncertain

- Forecast year-over-year (YOY) revenues decrease ~\$112 million
 - Results highly dependent on CPUC's adoption of Market Price Benchmarks (MPBs) in the fall
 - Staff estimates for MPB updates indicate results could improve by about \$145 million if CPUC's prices align with staff estimates
- Modest increase in Power Supply Costs of about 6%
 - Increase driven by higher cost of clean resources, RA products, and higher load partially offset by lower energy forward prices.
- Contribution to reserves remains positive at \$14 million

2. Customer Discount

Continue 4% discount with an additional 1% directed to low-income customers as bill credits

- Revisit in December once there's more certainty on PG&E rates

3. Other Changes

- Adjustment of employee compensation for the cost of living and merit (~6%)
- Staff benefits update now includes a floating holiday
- Target reserves increase from 300 to 350 days of cash on hand (DCOH) and upper target from 490 to 500 DCOH



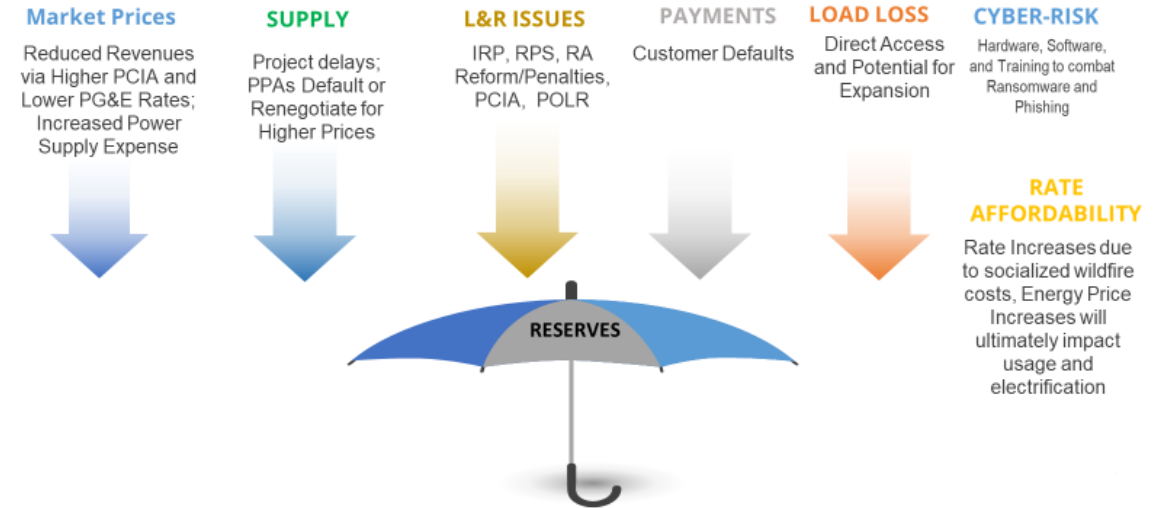
Recommended FY 25 vs. FY 24 Mid-Year Adjusted Budget

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	
			\$	%
Energy Revenues	552,864	441,050	(111,814)	-20.2%
Power Supply Expense	365,617	387,145	21,528	5.9%
Operating Margin	<u>187,247</u>	<u>53,905</u>	<u>(133,342)</u>	<u>-71.2%</u>
Operating Expenses	32,116	36,433	4,318	13.4%
Non-Operating Revenue (Expense)	12,864	16,275	3,411	26.5%
Annual Transfers and Other Expenses				
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	
BALANCE AVAILABLE FOR RESERVES	<u>112,584</u>	<u>14,005</u>	<u>(98,579)</u>	<u>-87.6%</u>

Summary – Positive Year But Results are Highly Uncertain

- Biggest risks include late-year adjustments to PCIA / PG&E Gen Rate and significant price volatility for RA and clean energy resources
- Keep the current customer discount rate of 4% and an additional 1% towards bill credits for low-income customers
 - Revisit once there's more certainty on PG&E and PCIA rates
- Delay decisions on additional expenditures
- In the near term, pursue office building leasing options and revisit purchasing the building around 2028

Many Risks can Deplete Reserves





Board Approval

Adopt resolution 2024-13 approving the fiscal year (FY) 2024-25 Recommended Operating Budget ("Recommended Budget"), which includes at a high level the following:

1. Projects depositing \$14.0 million into the reserves;
2. Updates SVCE's staff benefits;
3. Maintains a four percent (4%) discount to PG&E's rates; and
4. Updates the Reserve Policy increasing the Target for Days Cash on Hand (DCOH) from 300 to 350 and the Maximum DCOH from 490 to 500.

Thank you! / Questions?



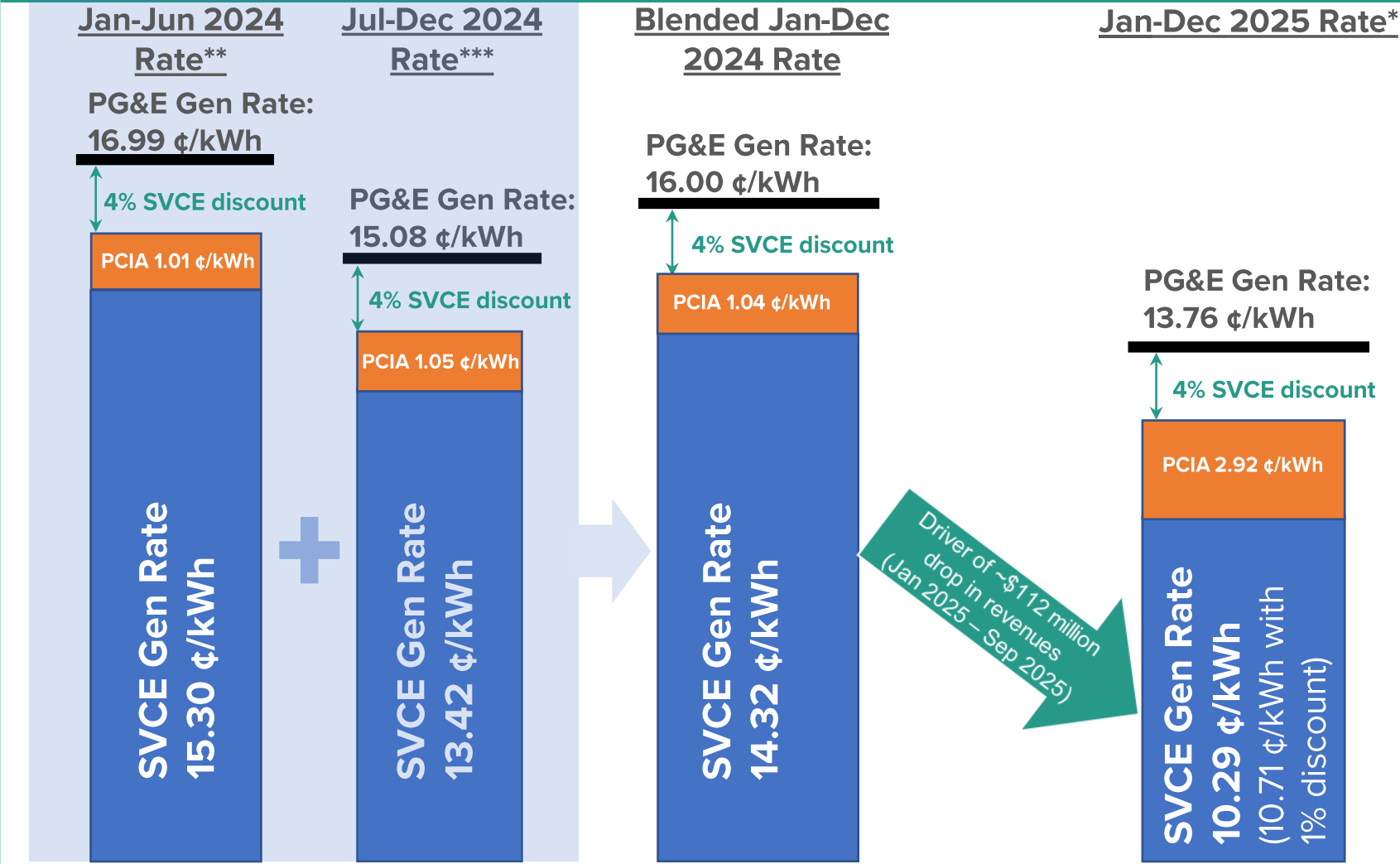
SVCE Planning & Budgeting Process



Margins Highly Uncertain

Current 2024 Rate

Projected 2025 Rate – Last Year RA/RPS*



* Source: CalCCA NewGen Model analysis using market data as of 6/28/2024 and CPUC attribute benchmarks adopted for CY 2024 (Weighted for SVCE Portfolio Load)

** PG&E Jan-Jun 2024 Average Rate, effective January 1, 2024 (Weighted for SVCE Portfolio Load)

*** PG&E Jul-Dec 2024 Average Rate, effective July 1, 2024 (Weighted for SVCE Portfolio Load)

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

- PG&E has reduced gen rates for the 2nd half of 2024 (effective July 1st, 2024)
 - PG&E Gen Rate decreased -11.3% vs first half of 2024
 - PCIA was slightly increased in March from 1.01 ¢/kWh to 1.05 ¢/kWh
 - SVCE margin decreased ~12%
- PG&E proposed to use last year's RA MPBs for setting 2025 rates
- Current market prices for RA and RPS are significantly above last year's MPB levels
- Using last year's MPBs, SVCE margin dropped -28% Y-o-Y

Margins Highly Uncertain

Item 3
PRESENTATION

Current 2024 Rate**

**Projected 2025 Rate –
Last Year RA/RPS***

**Projected 2025 Rate –
Estimated CPUC RA/RPS
MPBs*****

**Blended Jan-Dec
2024 Rate**

Jan-Dec 2025 Rate*

Jan-Dec 2025 Rate

**PG&E Gen Rate:
16.00 ¢/kWh**

4% SVCE discount

PCIA 1.04 ¢/kWh

**SVCE Gen Rate
14.32 ¢/kWh**

**PG&E Gen Rate:
13.76 ¢/kWh**

4% SVCE discount

PCIA 2.92 ¢/kWh

**SVCE Gen Rate
10.29 ¢/kWh
(10.71 ¢/kWh with
1% discount)**

Driver of ~\$112 million
drop in revenues
(Jan 2025 – Sep 2025)

Potential FY2025 Revenue
upswing +\$145M
(+\$160M with 1% discount)

**PG&E Gen Rate:
16.69 ¢/kWh**

4% SVCE discount

PCIA 0.06 ¢/kWh

**SVCE Gen Rate 16.26 ¢/kWh
(16.76 ¢/kWh with 1% discount)**

* Source: CalCCA NewGen Model analysis using market data as of 6/28/2024 and CPUC MPBs (Market Price Benchmark) adopted for CY 2024 (Weighted for SVCE Portfolio Load)

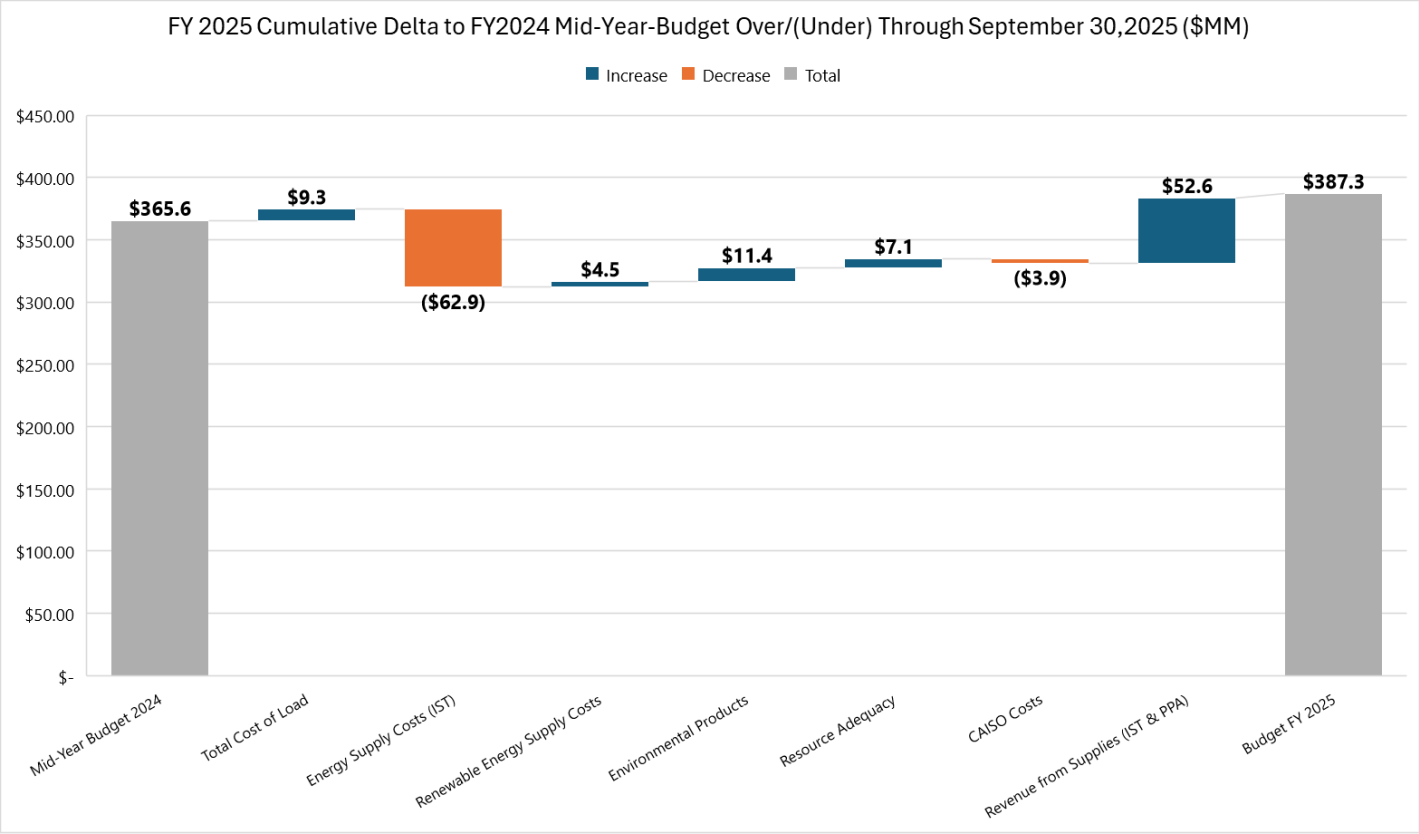
** Blended PG&E Jan-Jun 2024 & Jul-Dec 2024 Average Rate (Weighted for SVCE Portfolio Load)

*** CalCCA NewGen Model analysis using market data as of 6/28/2024 and estimated CPUC MPBs for CY 2025 (Weighted for SVCE Portfolio Load)

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



Power Supply Costs



FY 2024-25 Costs, forecasted at \$387M, are estimated to be ~\$22M higher than FY23-24 at Mid-Year Budget

This is primarily driven by increased costs for clean resources and RA products and a projected increase in customer load of 1.6%, partially offset by lower forward energy market prices.



Operating Expenses and Transfers

Sources of Operating Expense, Capital Outlay, and Transfer Amount Changes

Operating Expenses	Change (000s)*	Implications/Reasons
Personnel Costs*	\$2,570	
Staffing	\$0	0 additional FTE positions
Annualized Positions	\$1,845	Vacancy Savings from MY budget; Promotions/Position Upgrades
COLA	\$363	3% COLA
Merit	\$363	3% budgeted for merit increases (avg)
Other Expenses	\$1,745	Add'l Data Management, PG&E fees, Marketing, G&A, and Professional Services

*Amounts include 5% operating expense contingency

Capital Outlay	Amount (000s)	Implications/Reasons
Office Building Expenses	\$1,002	Estimated renovation and furniture cost for new office space, in preparation for potential office move when current office lease ends in Oct'25.

Transfers	Amount (000s)	Implications/Reasons
Programs Transfer	\$8,821	2% of projected revenues
Nuclear Allocation	\$3,708	2023 PG&E Carbon Free Allocation
Customer Bill Credit	\$4,411	1% of projected revenues
Hanford Emissions Mitigation Fund	\$1,800	Jun'24 BOD approved new program fund



Review Reserve Targets

- Ensure SVCE maintains sufficient reserves to manage risks such as those modeled in the Stress Test analysis.
- Set reserve targets such that if the stress scenario were to occur:
 - Target threshold stays above 120 Days Cash On Hand (DCOH) for the next two fiscal years
 - Upper Reserve Target stays above 90 DCOH over the next 5 fiscal years

Stress test analysis was updated to reflect power portfolio positions and assumptions consistent with those used to develop the proposed budget as well for corrections for some modeling errors.

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

Staff Recommendation:

- Increase target reserves to 350
 - Considerable market price uncertainty, especially for Resource Adequacy (RA) and clean energy resources
 - Aligns with credit rating agency's guidance that DCOH in excess of 300 is credit positive
- Round upper target to 500
 - Higher implied targets are driven by conservative RA and RPS price assumptions



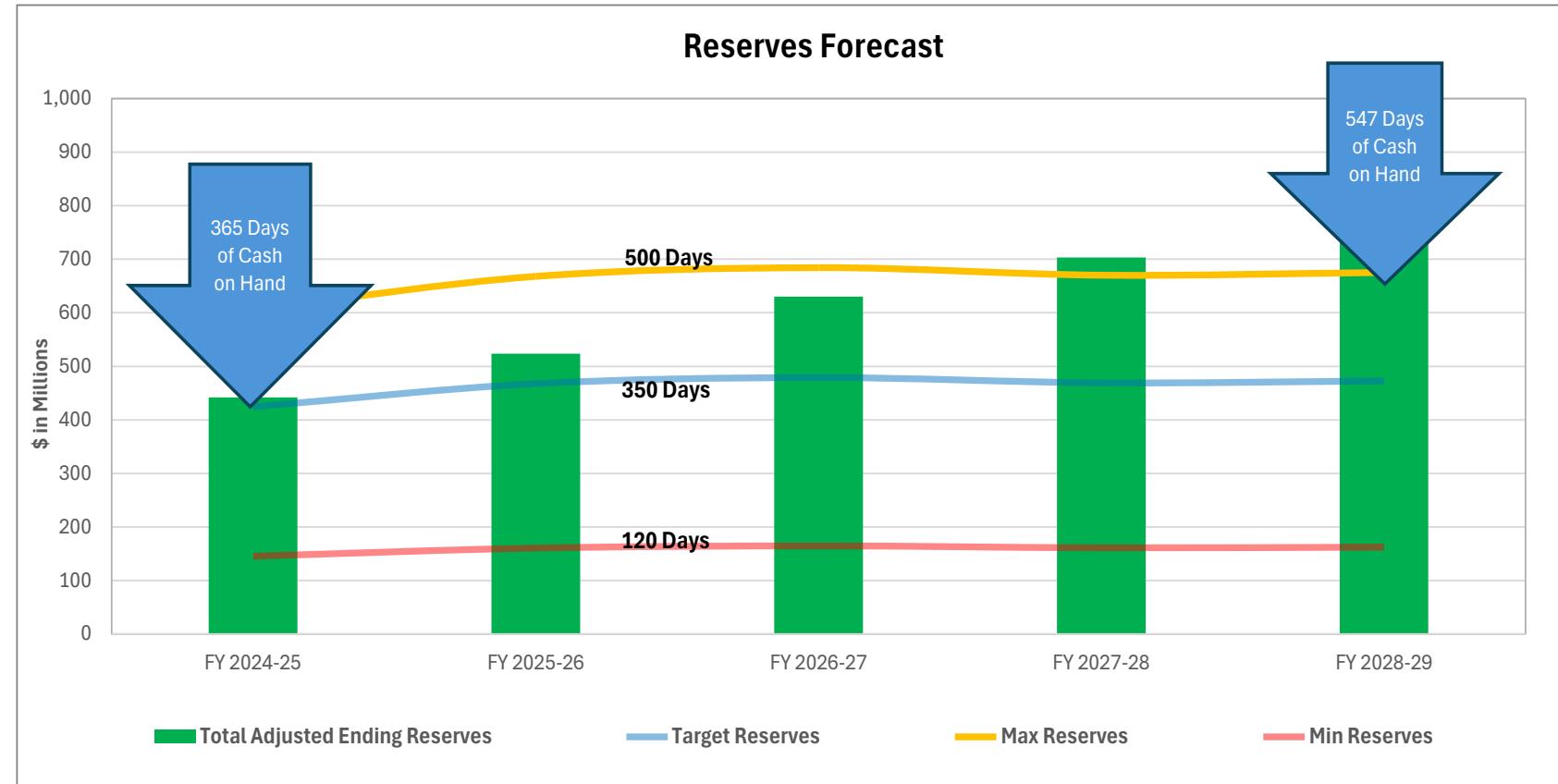
Reserve Projection

Projected End of FY Reserves:

- \$442 Million
- 365 Days of Cash on Hand
- Includes Unspent Program Funds and Building Fund

If all Approved Programs Dollars and Building Fund were Spent:

- \$346 Million in Reserves
- 285 Days of Cash on Hand



Reserve Projection shown with updated proposed FY24-25 reserve targets



SVCE New Office Space Update

At the June 28, 2024, meeting the Executive Committee concurred with the following strategy:

- Staff to continue to research office building leasing options, as follows:
 - 3-to-5-year lease term, flexible lease terms
 - Will explore the option to opt out early
 - Staff to target office space around 11,000 to 14,000 to accommodate growing staff and Board/Community room
 - Target Sunnyvale, Mountain View, Campbell and Cupertino
 - Allow for reasonable initial capital expenditure cost on renovation and furniture
 - Estimated capital expenditure has been incorporated into FY24-25 proposed budget
 - May need to consider a temporary extension of the current lease to accommodate the new lease agreement
- Revisit office building purchase options in 2028
 - Likely to enter an office building purchase agreement in FY28-29
 - The Board allocated funds for purchasing a building will remain in the Building Fund.
- Proposed FY24-25 Budget includes the above considerations
- Actual lease and terms will be brought to the Board for consideration and approval in a closed session before the end of 2024



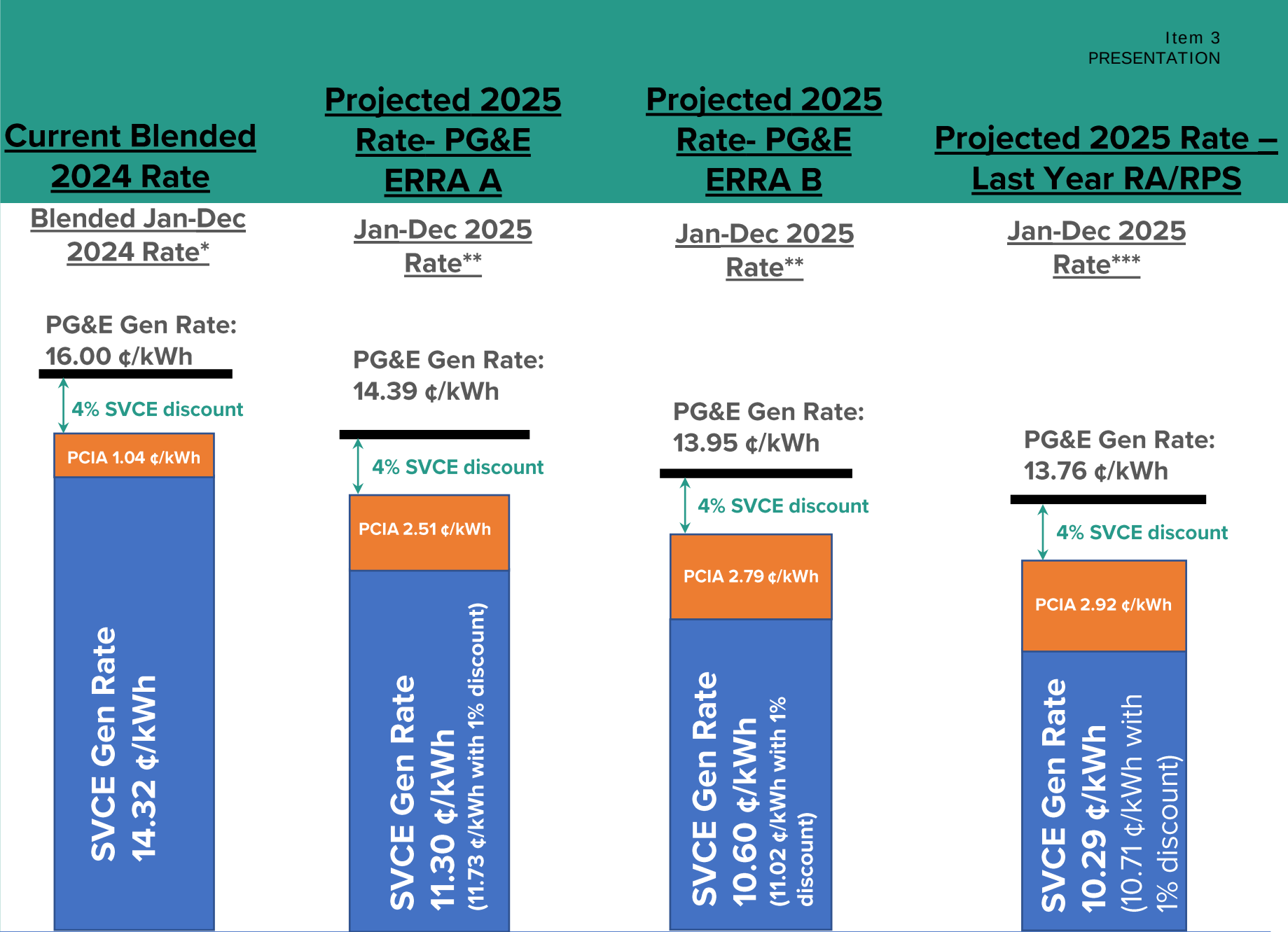
FY24-25 Proposed Benefit Changes

- Add a floating holiday to the Holiday Schedule
 - A floating holiday would enable employees to observe any day of their choosing, promoting more inclusive celebration
- Add Cesar Chavez Day to the Holiday Schedule
 - Majority of CCAs and half of our member agencies provide the holiday
 - With this addition, SVCE holidays will remain competitive but not excessive in comparison
- Increase Paid Parental Leave to 240 hours from 120 (within the first year for eligible employees)
 - Most CCAs of similar size had much stronger parental leave
 - As our agency and our workforce matures, parental leave is important for retention
- Increase Bereavement to 5 days (state compliance)
 - State law requires us to give 5 days (3 must be paid) but almost all mature organizations pay 5
- Allow staff to accrue the annual \$600 fitness reimbursement up to \$3,000
 - Without adding dollars, allows for larger purchases and potentially better retention over the years
- Hybrid work reimbursable: \$500/one-time home office set up (previously approved during COVID, but not added as ongoing)
 - With ongoing hybrid/remote work being one of our employees' favorite benefits, we want to continue to boost comfortability by supporting home office initial setup for new employees as we did for all during COVID

(\$ 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	\$53,905	\$139,345	\$165,090	\$125,856	\$102,947
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					
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 <i>forecasted spend</i> for programs versus the amount <u>transferred</u> 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

5-Year Forecast

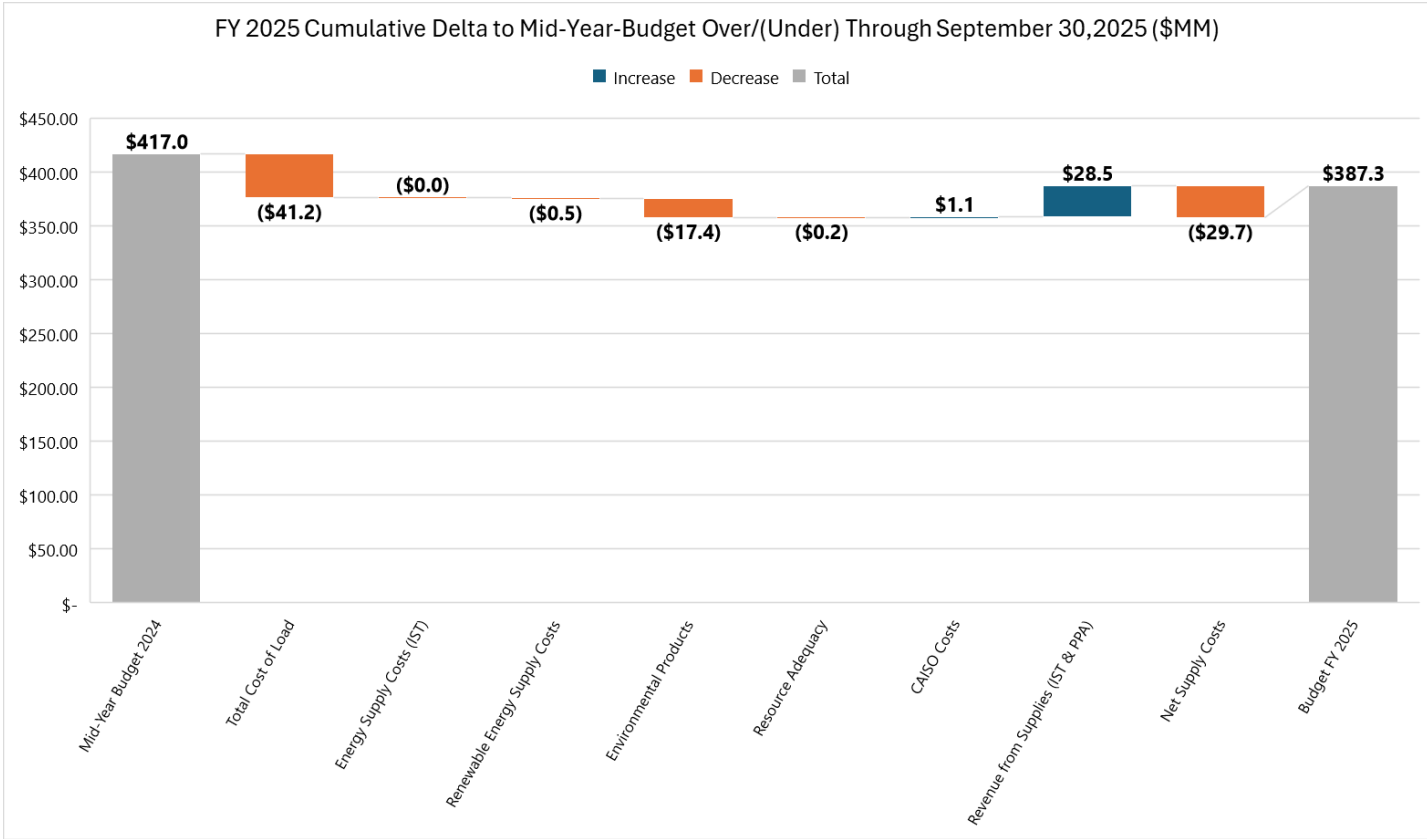
- PG&E filed its forecast of 2025 Rates on 5/15/24
 - Two methodologies were proposed for calculating ERRA, using existing and revised common cost allocations.
 - PG&E used energy forward market prices as of March 28, 2024.
 - PG&E Gen Rate down ~10.1% (A) and 12.8% (B).
 - PCIA up significantly.
- PG&E proposes to cap the RA MPBs at the 2024 RA MPB
- The projected 2025 Rate, used in the FY2025 Budget deteriorated further due to weaker energy market prices



* Source: Blended PG&E Jan-Jun 2024 & Jul-Dec 2024 Average Rate (Weighted for SVCE Portfolio Load)
** Estimated rate, based on PG&E ERRA filings (Weighted for SVCE Portfolio Load)
*** CalCCA NewGen Model analysis using market data as of 6/28/2024 and CPUC attribute benchmarks adopted for CY 2024 (Weighted for SVCE Portfolio Load)
Above margin analyses ignores minor reductions for franchise fees (0.09 ¢/kWh)



Power Supply Costs



FY 2024-25 Costs, forecasted at \$387M, are \$30M less than forecasted at the mid-year budget.

Favorable Drivers

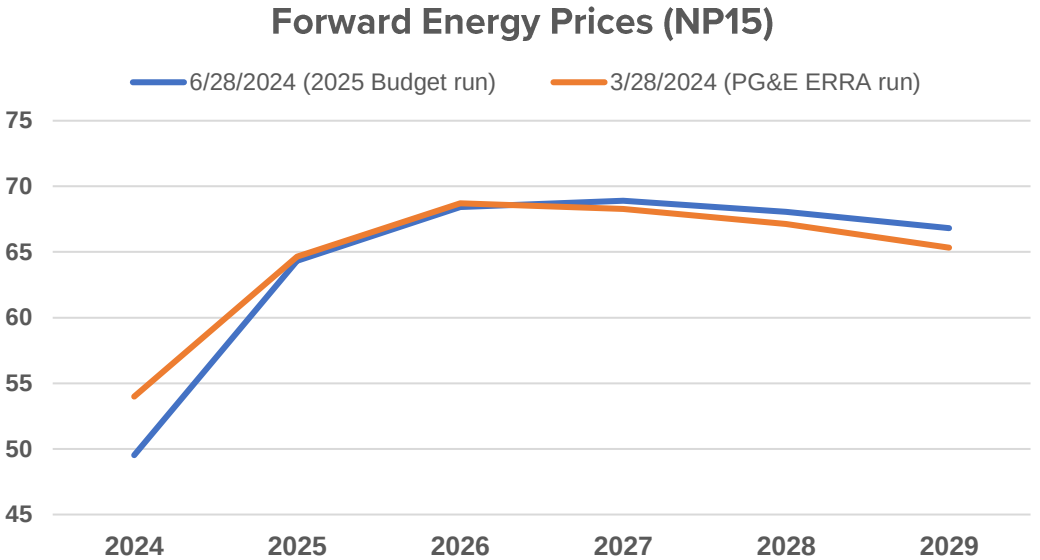
- Drop in forward prices
- More favorably priced PPAs coming online, resulting in a lower need for energy supply and environmental products
- Lowered Clean target to 90% per board directive 6/12/2024



Forward Energy Price Comparison

Budget Run (6/28/2024) vs ERRA Forecast Run (3/28/2024)

Forward Energy Prices (NP15)						
	2024	2025	2026	2027	2028	2029
6/28 (Budget run)						
On-Peak	50.75	64.77	67.00	65.72	62.99	62.12
Off-Peak	47.95	63.78	70.23	72.97	74.48	72.80
ATC (Around-the-Clock)	49.52	64.34	68.42	68.90	68.05	66.81
3/28 (PG&E ERRA run)						
On-Peak	56.13	65.73	66.45	64.68	61.75	61.10
Off-Peak	51.24	63.24	71.59	72.85	73.97	70.72
ATC (Around-the-Clock)	53.98	64.64	68.71	68.26	67.14	65.33
ATC Price % change						
	-8%	0%	0%	1%	1%	2%

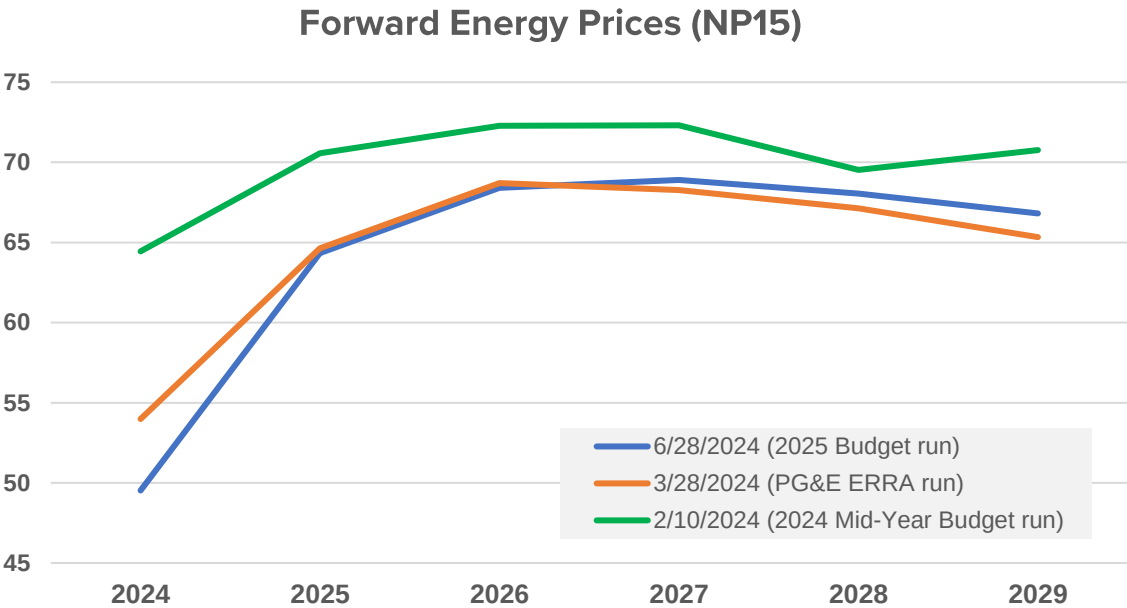




Forward Energy Price Comparison

2025 Budget Run (6/28/2024) vs ERRA Forecast Run (3/28/2024) vs 2024 Mid-Year Budget Run

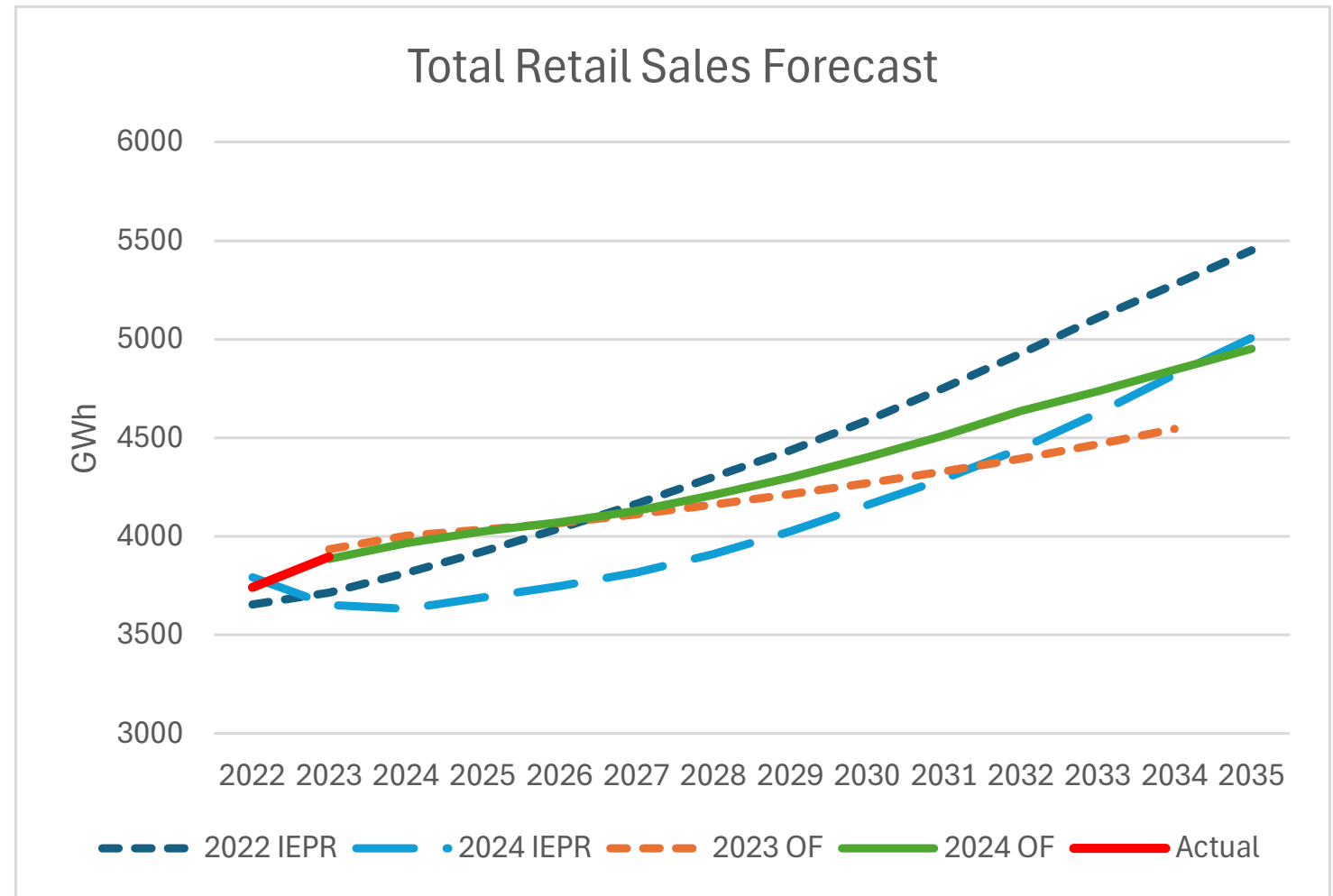
Forward Energy Prices (NP15)						
	2024	2025	2026	2027	2028	2029
6/28/2024 (2025 Budget run)						
On-Peak	50.75	64.77	67.00	65.72	62.99	62.12
Off-Peak	47.95	63.78	70.23	72.97	74.48	72.80
ATC (Around-the-Clock)	49.52	64.34	68.42	68.90	68.05	66.81
3/28/2024 (PG&E ERRA run)						
On-Peak	56.13	65.73	66.45	64.68	61.75	61.10
Off-Peak	51.24	63.24	71.59	72.85	73.97	70.72
ATC (Around-the-Clock)	53.98	64.64	68.71	68.26	67.14	65.33
2/10/2024 (2024 Mid-Year Budget run)						
On-Peak	68.51	72.56	71.33	70.45	64.51	66.47
Off-Peak	59.25	68.00	73.49	74.69	75.88	76.25
ATC (Around-the-Clock)	64.45	70.56	72.28	72.31	69.52	70.77
ATC Price % change						
2025 Budget vs ERRA	-8%	0%	0%	1%	1%	2%
2025 Budget vs 2024 MY Budget	-23%	-9%	-5%	-5%	-2%	-6%





Medium-Term Load Forecast

- Since 2023, SVCE began forecasting load in-house after using a third-party service since inception.
- 2024 IEPR is lower than 2022 IEPR due to lower population forecast.
- 2024 Operating Forecast (“OF”) begins to grow slower than 2024 IEPR from year 2025 due to more realistic BE forecast.
- EVs will drive growth, especially near term. However, SVCE territory should lag the state average, since it already has higher % of Evs.
- By 2030 BE begins to play larger role in growth trajectory due to widespread heat pump adoption.



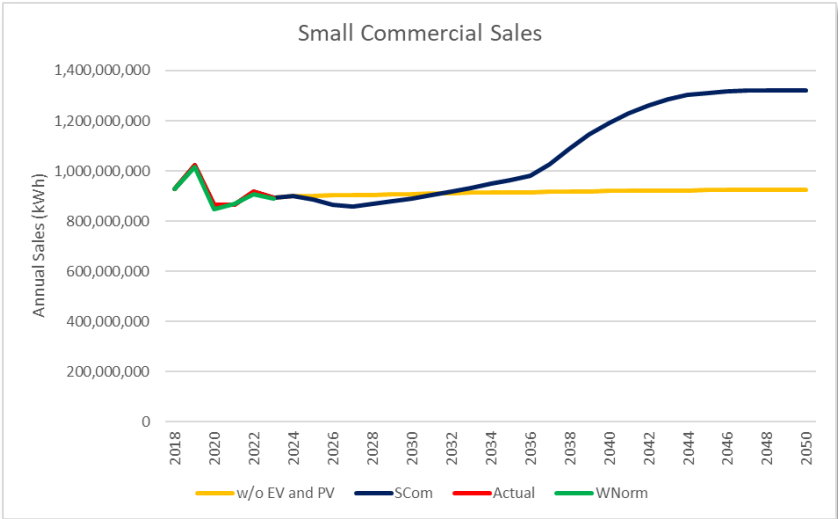
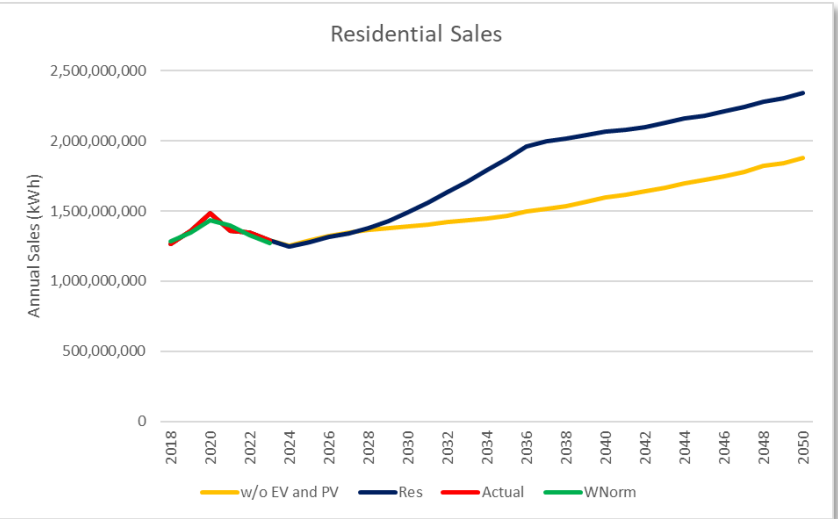
“OF” – Operating Forecast



Long-Term Load Forecast by Sector

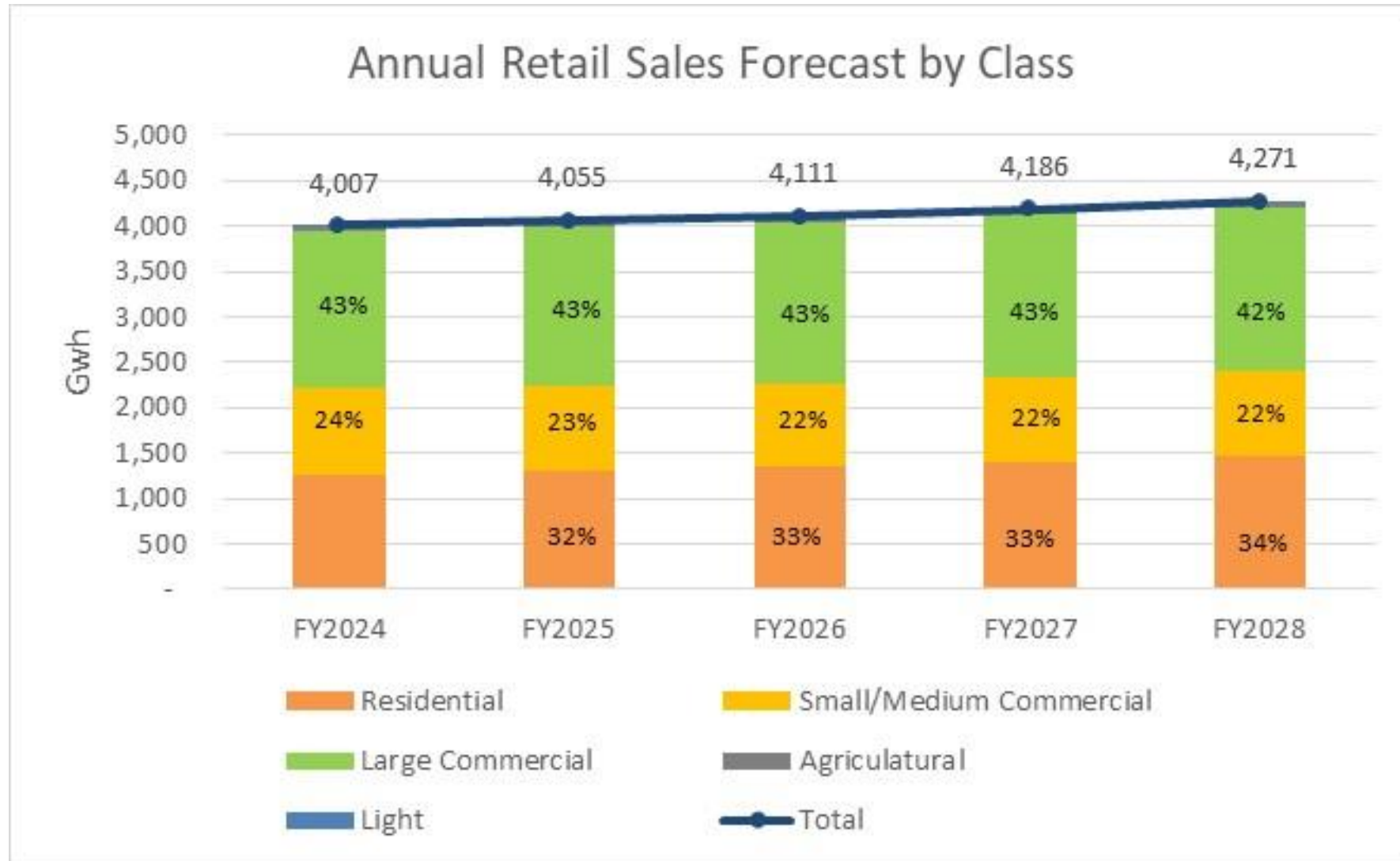
Share of SVCE Sales by Class

	2024	2030	2035	2045	Driver
Residential	32%	35%	40%	41%	Load Modifiers
Small Medium	24%	20%	19%	23%	Near-term: BTM PV, Long-term: public EV charging
Large	37%	35%	32%	28%	Economy
Agriculture	1%	1%	1%	1%	Held Constant
Lighting	0%	0%	0%	0%	Change in Residential Customers, but minimal impact



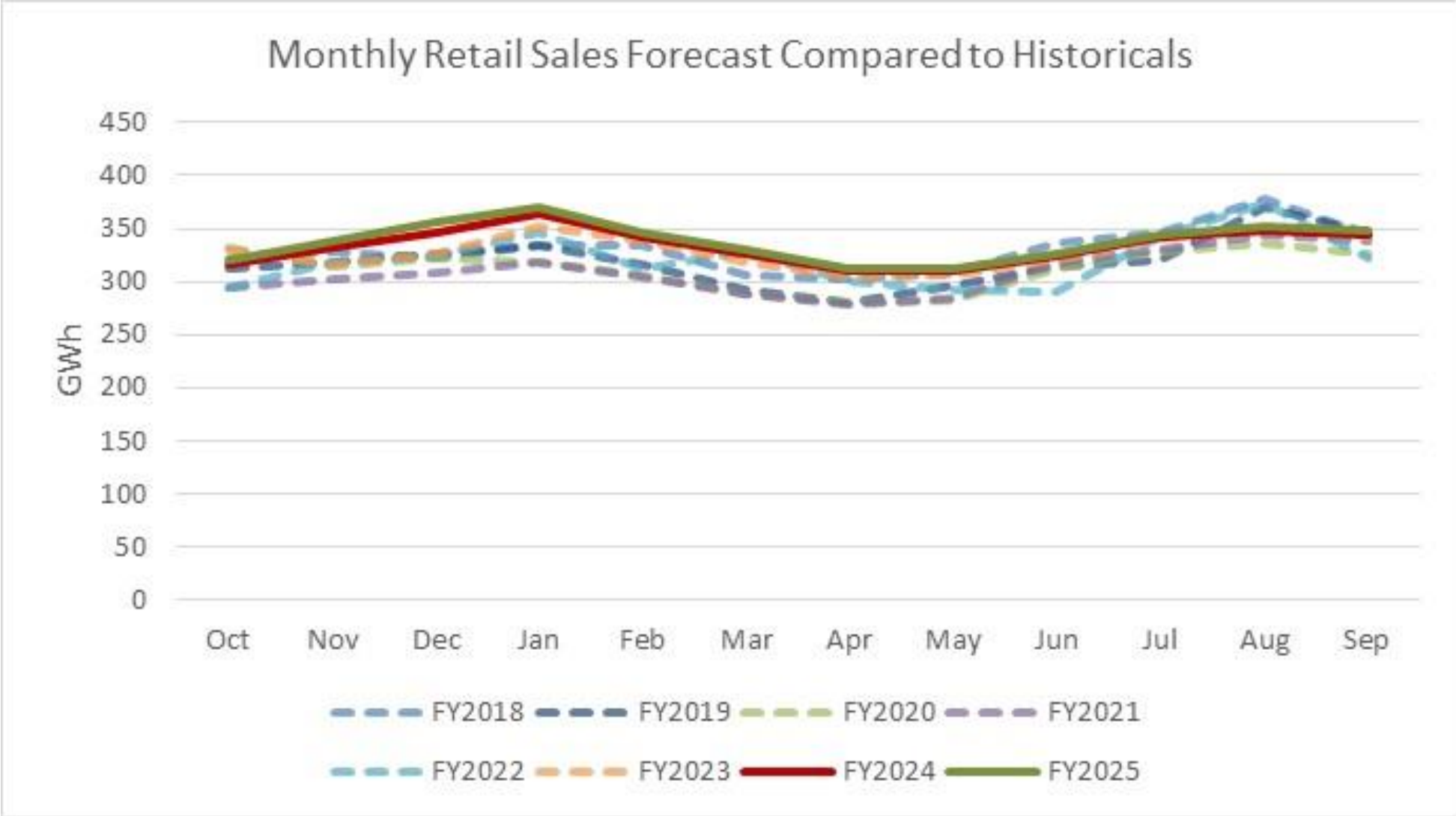


Medium-Term Load Forecast by Sector





Medium-Term Load Forecast





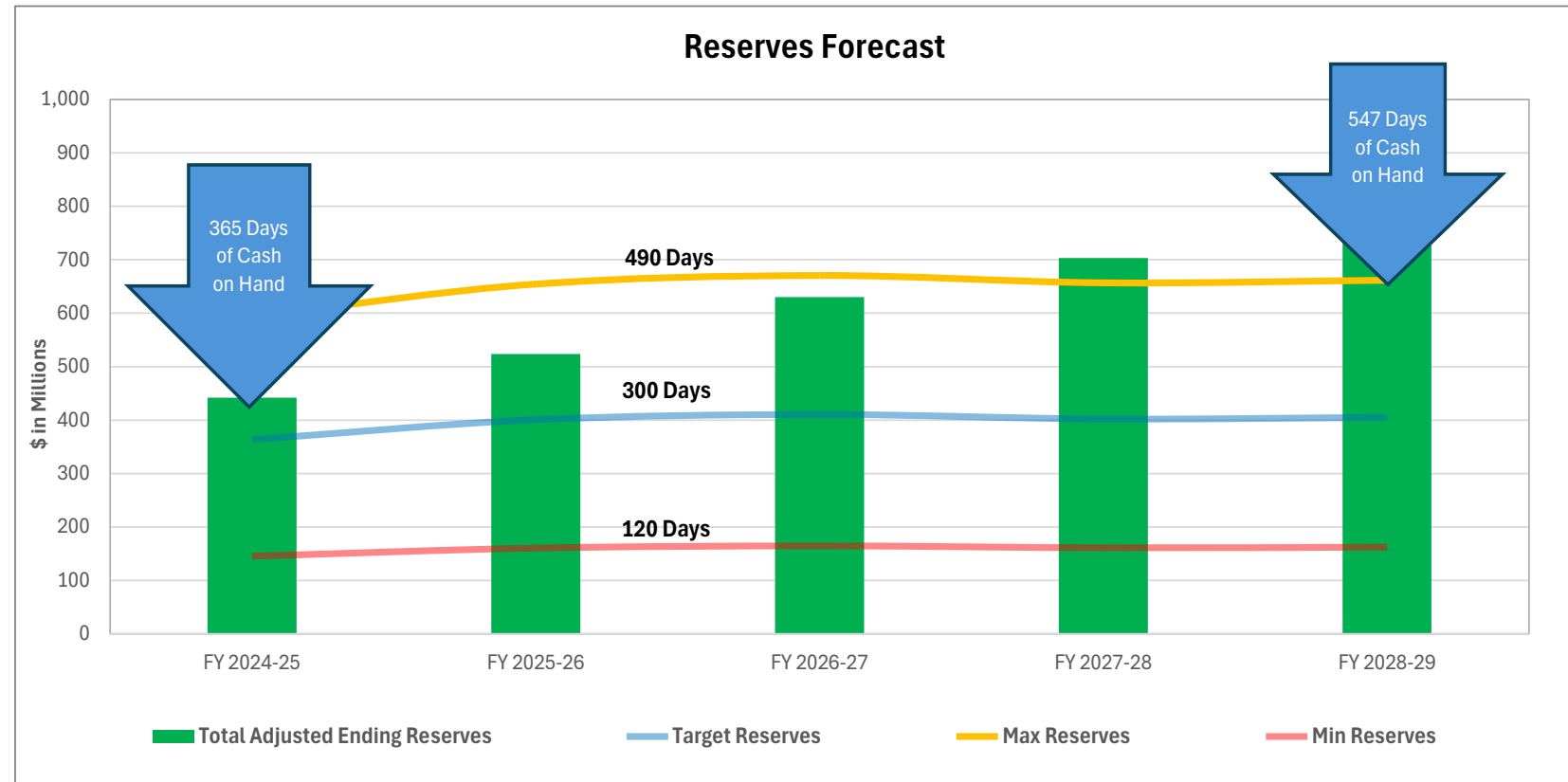
Reserve Projection (FY23-24 Reserve Targets)

Projected End of FY Reserves:

- \$442 Million
- 365 Days of Cash on Hand
- Includes Unspent Program Funds and Building Fund

If all Approved Programs Dollars and Building Fund were Spent:

- \$346 Million in Reserves
- 285 Days of Cash on Hand





Staffing – No New Positions To Request in Proposed FY24-25 Budget

Current Staffing

- 62 Authorized FTE
 - 57 filled FTE
 - 5 current vacancies
- 3 Intern positions
- 3 Part-time employees
- 3 Climate Corps Fellows
- 1 Long-term independent consultant

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

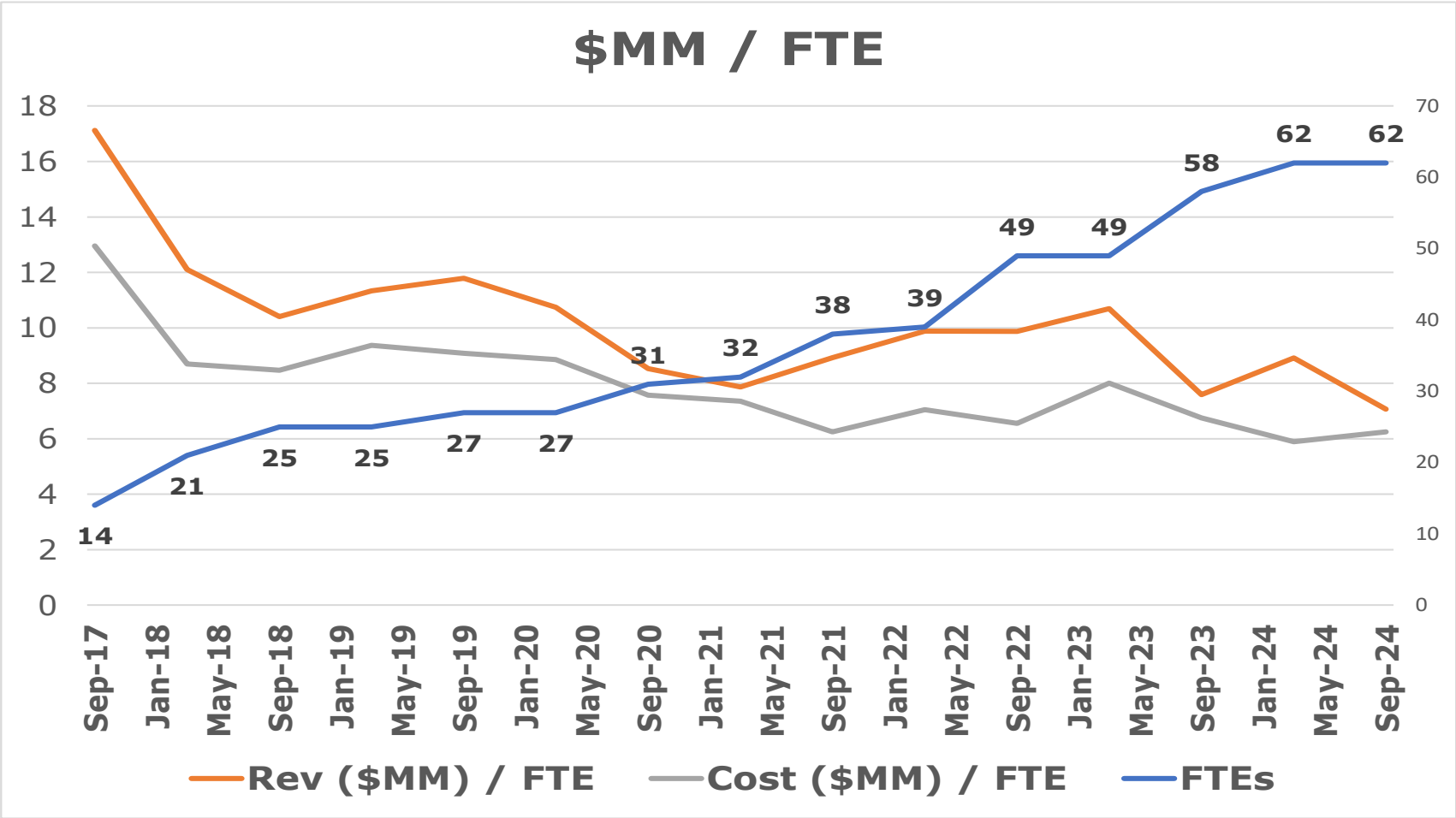
No additional FTE request in Proposed FY24-25 budget

Previous FY FTE Request Summary	FTE
Authorized in the FY23-24 Annual Budget	58
Feb'24 CEO Personnel Authority	+3
Authorized in the Midyear 23-24 Budget	+1
Current Authorized FTE Total	62



Revenues/FTE; Energy/FTE

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





CCA Staffing Comparisons

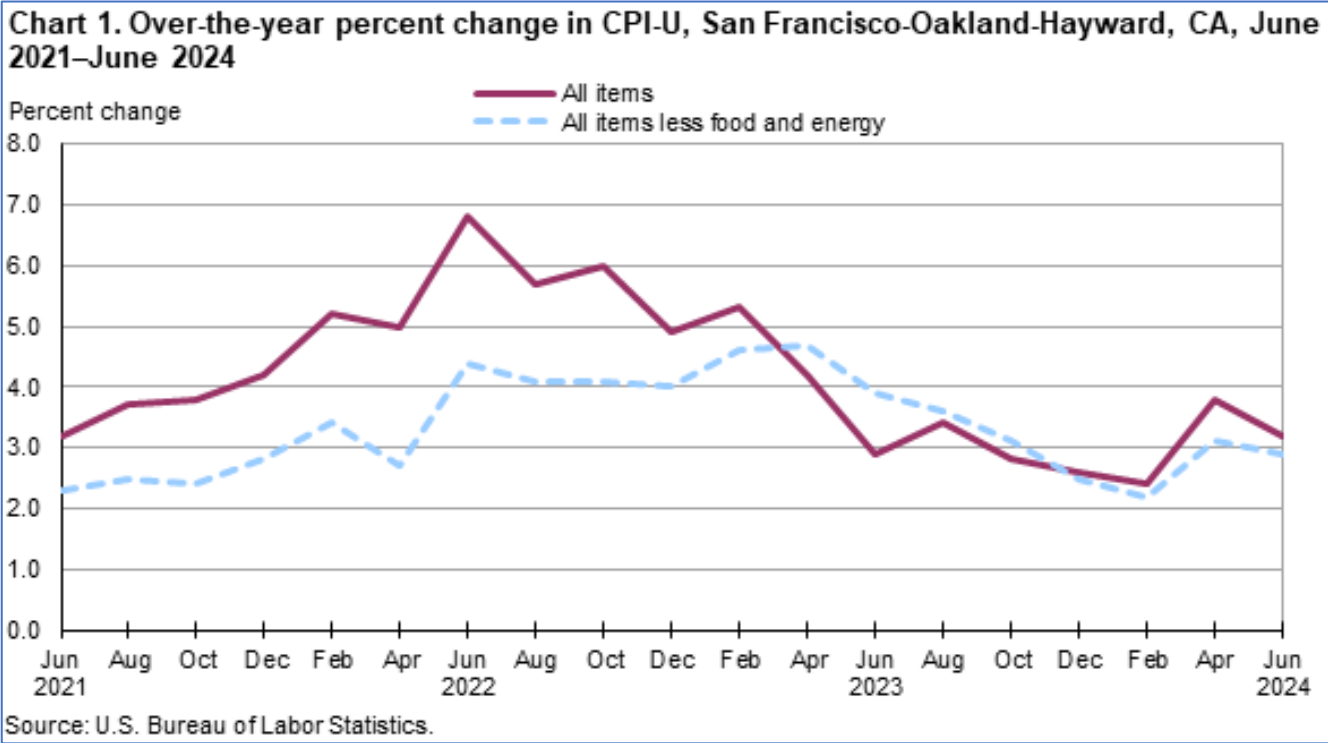
CCA Comparisons							
CCA Name	FY 23-24			Staffing			
	Accounts	Revenue (\$MM)	Net Position (\$MM)	FY 22-23	FY 23-24	FY 24-25 Budget	Revenue (\$MM/FTE) FY23-24
Silicon Valley Clean Energy	280,000	\$512.9	\$324.5	49	58	62	\$8.8
Peninsula Clean Energy	310,000	\$431.2	\$307.6	39	50	63	\$8.6
Central Coast Community Energy	450,000	\$461.3	\$241.9	43	52	59	\$8.9
Clean Power Alliance	1,071,800	\$1,169.5	\$211.6	69	75	Unavailable	\$15.6
Ava Community Energy	640,000	\$824.0	\$361.6	68	78	Unavailable	\$10.6
MCE	500,550	\$644.8	\$244.2	76	84	Unavailable	\$7.7

Data is based on information available and reported online or from peer agency feedback; the timeline for comparisons may not align because each organization has a different budgeting and planning cycle, but they are meant to provide general patterns for comparison.



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

Current 3.00% COLA based on SF Bay Area CPI; smoothed over trailing months;
Additional 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%
FY24-25	3.00%

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



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. July 1, 2024)	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	22,540	22,540	148,625	148,625
Annual Peak Demand (kW)							499	499
PG&E Electric Delivery	\$ 124.84	\$ 124.84	\$ 482.30	\$ 482.30	\$ 4,755.94	\$ 4,755.94	\$ 25,884.53	\$ 25,884.53
Electric Generation	\$ 68.34	\$ 77.36	\$ 246.10	\$ 278.69	\$ 3,169.39	\$ 3,588.37	\$ 19,964.14	\$ 22,570.19
PG&E Added Fees (PCIA, Franchise)	\$ 5.93		\$ 21.43		\$ 275.44		\$ 1,703.24	
Average Total Cost	\$ 199.10	\$ 202.20	\$ 749.84	\$ 760.98	\$ 8,200.77	\$ 8,344.31	\$ 47,551.91	\$ 48,454.72
Average Monthly Savings	\$ 3.09		\$ 11.15		\$ 143.53		\$ 902.81	



CCA Comparison – Reserve Targets

<u>Reserve Targets</u>	<u>Min</u>	<u>Goal</u>	<u>Max</u>
Silicon Valley Clean Energy	120	300	490
Peninsula Clean Energy	n/a	180	250
Clean Power Alliance	72	120	144
Ava Community Energy	90	180	270
MCE	-	240	-
Sonoma Clean Power	180	280	280

Programs capacity is increasing

**\$116M allocated over the last
~5 years**

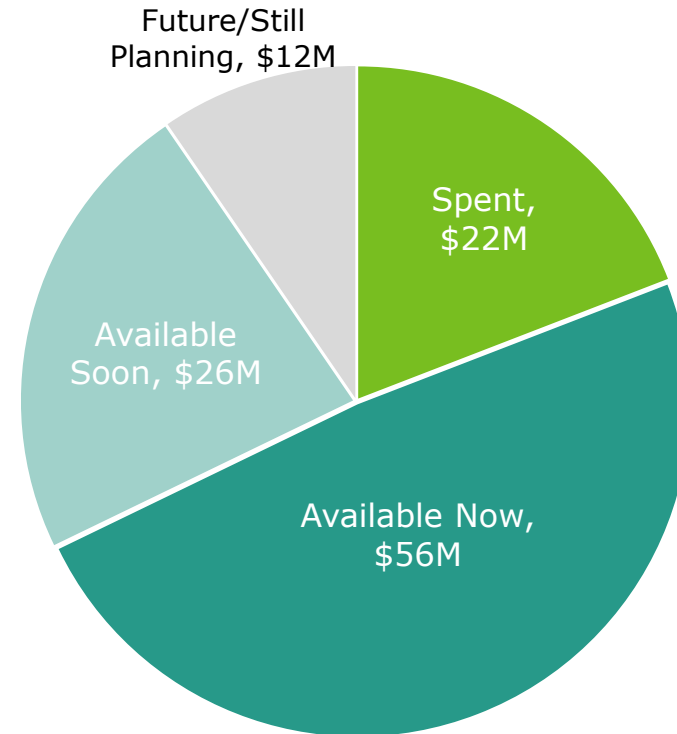
~\$60M allocated within last 2
years

FY24 program spending on
track to be almost 2x higher
than FY23

Some programs are open
multiple years so may take
time to ramp up spending



Programs Fund Availability



Spent: Already paid out to customer or vendors

Available Now: 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: In a planning phase, but will launch by ~December 2024

Future/Still Planning: Won't launch until after December 2024 and funds not currently earmarked for a program



Benefits Overview

2024/2025

Proposed benefits overview
-includes changes noted in
Slide 17, in red.

Health Insurance		Item 3
Employer Premium Contribution	SVCE provides up to \$1,500 per month to cover the employee and dependent insurance premiums - health, dental and vision.	PRESENTATION
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- has		
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.	



Benefits Overview

2024/2025

Proposed benefits overview

-includes changes noted in

Slide 17...

(continued)

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.
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



Benefits Overview

2024/2025

Proposed benefits overview
-includes changes noted in
Slide 17...

(continued)

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	13 days (104 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 Floating Holiday (does not accrue, use annually)
Administrative Shut-Down Leave	Christmas Day through New Year's Day
Bereavement Leave	Up to 5 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



CCA Parental Leave

CCA Parental leave data is based on CCA input to survey questions, not all CCAs provided input or refreshed data

CCA	# employees:	Do you provide Paid Parental Leave in addition to Mandated CA Pregnancy Disability Leave, If so how many hours?
SDCP	55	6 weeks or 240 Hours . Benefit reduced for Reg PT employees on prorated basis.
Sonoma Clean Power	44	SCP employees eligible for up to 160 hours of paid bonding leave.
Marin Clean Energy	94	Yes, 30 days (240 hours)
Peninsula Clean Energy	50	We follow state regulations. Additional supplemental leave of 240 hours to FT EES employee 6+ months. -The first 120 hours of which are 100% paid. (or 120/8 hours=15 days for FT EE)
AVA	77	16 weeks (640 hrs)
Silicon Valley Clean Energy	58	Yes: 120 hours (current FY 23/24 approval)



Cesar Chavez Day		
Agency Comparitor	#of agencies observing	# of agencies NOT observing
CCA	8	5
Member Agency	5	5
Indigineous People Day		
Agency Comparitor	#of agencies observing	# of agencies NOT observing
CCA	7	6
Member Agency	4	6

*Indigenous People Day is another holiday that many agencies have added and was under consideration, but it was not requested in this budget cycle. The data is based on online availability in June.



Holiday Comparison Among CCAs

Holiday	VCE	3CE	SCP	CPA	MCE	AVA	RCEA	SVCE	Pioneer
Martin Luther King Jr.'s Birthday	X	X	X	X	X	X	X	X	X
Lincoln's Birthday									x
President's Day	X	X	X	X	X	X	X	X	X
Cesar Chavez Day		x		X	X	X	X		
Good Friday									
Memorial Day	X	X	X	X	X	X	X	X	X
Juneteenth		x	X	X	X	X	X	X	
Independence Day	X	X	X	X	X	X	X	X	X
Labor Day	X	X	X	X	X	X	X	X	X
Indigenous peoples day					X	X			
Veterans Day	X	X	X	X	X	X	X	X	X
Thanksgiving	X	X	X	X	X	X	X	X	X
Day after Thanksgiving	X	X	X	X	X	X	X	X	X
Day before Christmas				X					X
Christmas Day	X	X	X	X	X	x	x	x	X
New Year's eve				X		x	x	x	X
	10	12	11	14	13	14	13	12	13

*Data is based on CCA input to survey question, not all CCAs input or refreshed data



Holiday

Holiday	VCE	3CE	SCP	CPA	MCE	AVA	RCEA	SVCE	Pioneer
Floating Holidays	2	3	2	3		3	3		1
Shut down			4		3			3	3
Admin or Management Leave (various levels)	10							5	10
	12	15	13	17	13	17	16	12	14
Regular, full-time employees accrue 6.67 hours of PTO per pay period (24 pay periods per year) in your first year of eligibility – 160 hours.	20	20	20	15	15	15	15	20	10
Total PTO	32	35	33	32	28	32	31	32	24
Total Sick Leave	10	0	0	12	12	12	12	0	12
Total Combined Paid Leave	42	35	33	44	40	44	43	32	36

*Data is based on CCA input to survey question, not all CCAs input or refreshed data



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

Issue: Rate Uncertainty	Staff Recommendation	Implications/Reasons
- PG&E issued the 2024 ERRA forecast on May 15 with preliminary 2025 PG&E generation and PCIA rate forecasts - PG&E will update this forecast in the fall. CPUC normally adopts the rate in December based on this update	Update the Cal-CCA NewGen model using lasted energy price data after calibrating the model to PG&E’s forecasted rates and making any adjustments to account for potential modeling errors	- Likely aligns revenues closer to rates that PG&E will update in October - Better aligns revenues with power supply costs - Primarily for budget setting purposes - Additional expenditures based on headroom projections can be made by the Board in December when there’s more information on likely 2025 PG&E gen and PCIA rates



Power Supply Expenses

(>90% of Expenses)

Issue: Volatile Power Prices	Staff Recommendation	Implications/Reasons
- Power prices are very volatile and have declined significantly. - In addition to power price volatility, recent volatility in RA and RPS prices makes budget projections highly uncertain - Budget has been developed based on a snapshot of market prices in July 2024 - Contract delays/renegotiations further add uncertainty - Resource adequacy requirements are changing, and costs are high. Slice of Day methodology is expected to be implemented in January 2025, and the portfolio is well positioned for its implementation.	- Continue hedging to current ERM (Energy Risk Management) targets - Staff to develop additional analysis to revisit the hedging targets to account for impacts from PCIA and PG&E Gen Rate - The BOD has authorized 90% clean energy target for calendar year 2025	The budget projection for power supply costs reflects the updated clean energy target for FY24-25



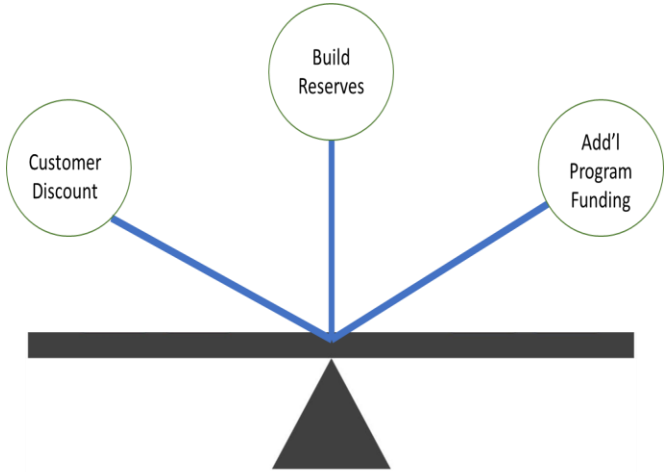
Other Costs

(Staffing, Cost of living/Merit, Building)

Status	Staff Recommendation	Implications/Reasons
- Review and assess staffing in all areas of the organization 13 new budgeted positions added in FY23-24 14 new staff hired since Sept 2023 9 vacancies - Adjust employee salaries for cost-of-living and merit/promotions - Review existing employee benefits to remain competitive with peer CCAs - Finalize office lease with authorized parameters by Oct 2024.	- Current budgeted headcount of 62 - Expect staffing levels to stabilize - Adjustment for COLA - Propose to continue using the 6-month (Jan – June 2024) rolling average of SF Bay Area CPI – current trailing 6-mo average is 3.0% - CEO discretion applied depending on employee pay relative to market range, performance, and date of hire - Any additional increases for merit and promotions based on CEO discretion - Budgeted at 3% - Employee benefits – - Adding Cesar Chavez holiday - Increasing paid Parental Leave from 120 hrs to 240 hrs 5 days of Bereavement to adhere to state compliance - Make \$600 fitness reimbursement an accrual up to \$3000 - Re-engage the \$500 (one time) reimbursement for remote work set-up	- Evaluate staffing levels to: - Scale up decarbonization programs - Reduce the 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 continue



Additional Funding for Programs, Customer Discounts, and Building Reserves



- 1% customer discount over 12 months of 2024 is ~\$5.02 million*
- 1% discount over 9 months (Jan – Sep 2025) ~\$3.84 million*
- Monthly Average Bill Savings of 1%* Discount:
 - Residential - ~\$0.71
 - Small Commercial - ~\$2.53
 - Medium Commercial - ~\$27.91

* Based on 6/28/24 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	• Continue with 4% discount with an additional 1% towards 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	• Keeping reserves at or above target levels ensures SVCE can withstand adverse risk scenarios and helps maintain/improve credit ratings • Keeping the discount rate at 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



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 July using market prices consistent with those used to develop the annual budget	<u>Target</u> to keep reserves above 120 Days of Cash On Hand (DCOH) for FY 2024-2025 and FY 2025-2026 under the modeled stress scenario Reset <u>upper</u> reserve target such that over the next 5 fiscal years, reserves do not fall below 90 DCOH under the modeled stress scenario	• FY 25 margins not guaranteed given true-up in 2024 for PCIA and PG&E Gen rate • If adverse conditions materialize, need 120 days to reshape strategy and secure additional liquidity • The upper reserve target enables the agency to take advantage of good margin years to manage risks over a 5-year period

Adopt the Fiscal Year 2024-25 Strategic Focus Areas and Strategic Plan

Board of Directors Meeting
September 11, 2024



- Adopt Fiscal Year 2024-2025 Strategic Focus Areas and Strategic Plan Goals.



- Review Fiscal Year 2024-25 Strategic Plan & Budget process
- Board Supported Strategic Focus Areas (SFA)
- Proposed Strategic Plan Goals

Feb-May

Review current SFAs
New Opportunities &
Threats
Proposed changes to
SFAs

June 2024 Board

FY 2025 Budget
Framework
Strategic Plan and SFAs –
discussion/feedback

August 2024

EC - FY 2025 SFAs and
Strategic Plan Goals
FC – FY 2025 Budget
Board – FY 2025 Budget

September 2024

Board Approval of FY 25
Budget
Board Approval of FY 25
Strategic Focus Areas &
Strategic Plan





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. **REMAINS THE SAME!**

Identifies funds needed to achieve Strategic Focus Areas and Strategic Work Plan

Budget

Organization-wide priorities and alignment toward achieving the mission. Helps set CEO & Board priorities.

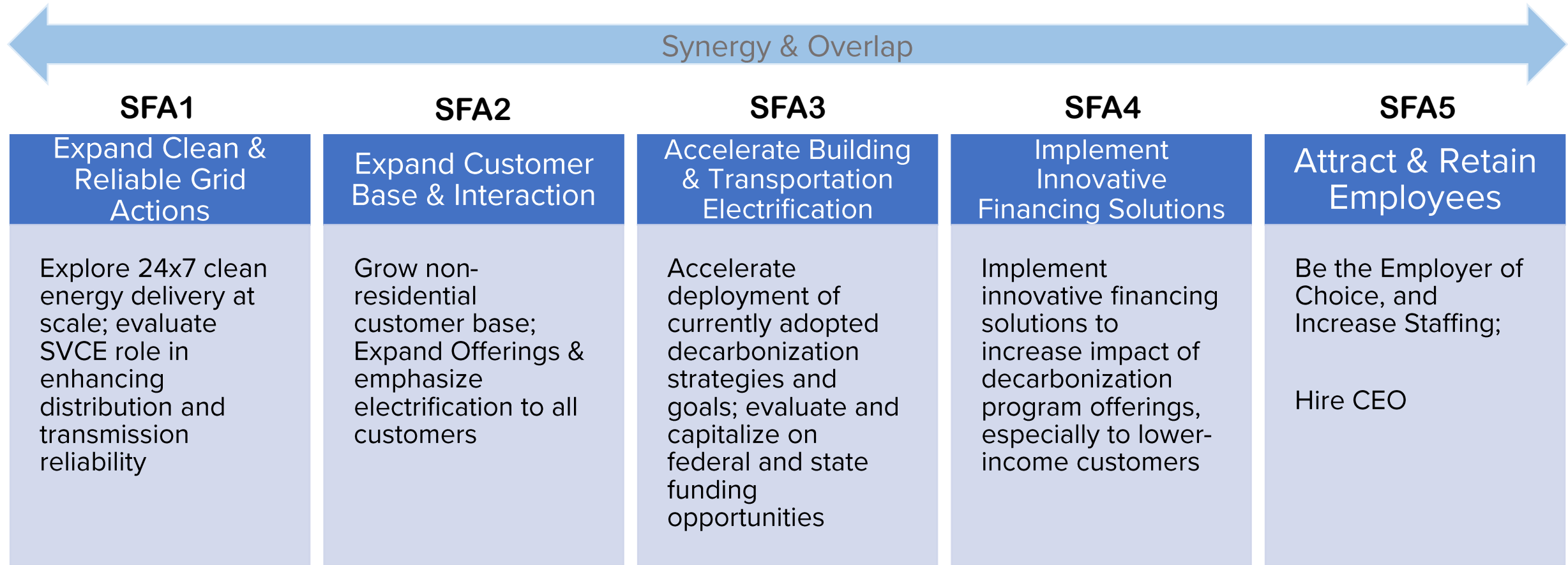
Strategic Focus Areas

Comprehensive assessment of risks and opportunities to optimally achieve mission and helps direct strategic focus areas.

Enterprise Risk Management



Board Approved 5 Strategic Focus Areas for FY 2024





FY 2025 Proposed Strategic Focus Areas

SFA1	SFA2	SFA3	SFA4	SFA5
Expand Affordability Efforts	Expand Clean & Reliable Grid Actions	Expand Offerings to C/I Customers	Prepare Region for Electrification at Scale	Attract & Retain Employees
Expand rate-related education, legislative and regulatory advocacy, and rate-setting principles to support all-electric as the most affordable and competitive option for customers.	Develop a pathway to 2030, 2035 and 2045 for clean energy delivery at scale; evaluate SVCE product offerings to ensure the agency provides customers a sustainable balance of clean, reliable and affordable energy.	Engage commercial and industrial customers in new/expanded SVCE offerings, including electrification and demand-side management programs, and customized generation services.	Inform and prepare for upcoming requirements such as BAAQMD and CARB rules to ensure they are implemented sensibly, successfully, and equitably; continue scaling SVCE efforts.	Be the Employer of Choice and maintain culture of innovation, collaboration, high performance, and passion for our mission.

Board affirmed support for these 5 strategic focus areas at June BOD meeting. No new changes. 6 6



Strategic Plan & Focus Areas



SILICON VALLEY
CLEAN ENERGY
STRATEGIC PLAN
OCTOBER 2023



Mission

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

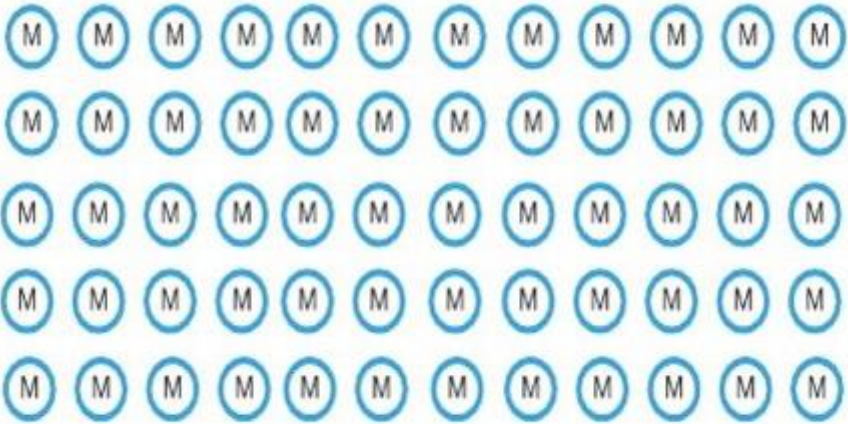
Focus Area

Focus Area

Focus Area

Focus Area

Focus Area





Strategic Plan Changes

1. Strong ties to the Strategic Focus Areas
2. Sought staff input on all goals and measures
3. Organized by Functional Area vs. Department
4. Went from 25 goals in the FY 23/24 Strategic Plan down to 10
5. Measures included as information in support of Goals, but may change
 - key metrics as a part of work plan
6. Provide BOD quarterly updates on progress

SVCE Functional Areas

External Policy, Regulatory and Legislative Advocacy and Support	SVCE Strategy and Planning	Power Procurement, Management and Operations
Financial Planning	Program Development and Implementation	Customer Service and Community Relations
Human Resources, Business Processes, Information Technology, Systems and Data Governance		



FY 2025 Proposed Strategic Plan - Goals

1. **Advance policies** which support SVCE's mission to **reduce dependence on fossil fuels**.
2. **Long-term**, target for **100% clean energy** annually by building a balanced portfolio with consideration for both affordability and reliability while exploring long-term **pathways to clean power supply**.
3. **Create a long-term decarbonization plan** that integrates supply and demand changes, opportunities, and challenges.
4. **Acquire power supply resources** in a cost-effective manner to meet legislative and regulatory obligations, Board directives and customer specific products.
5. **Manage and optimize load and power resources** to meet affordability, GHG reduction and reliability objectives.
6. **Maintain healthy financial position**; avoid failures in management of market risk, credit risk, liquidity risk, operational risks, and enterprise risks.
7. **Support all SVCE communities to decarbonize through local investments** that reduce barriers and demonstrate sensible, scalable, and equitable solutions.
8. **Engage customers and community stakeholders** to build trust of SVCE and advance decarbonization.
9. **Implement industry best practices** to enable data-driven decision making across the organization; enhance systems, standards and procedures to streamline business processes and improve operational effectiveness and reliability (aka SVCE 3.0).
10. **Hire, retain and develop high-performing talent** via competitive benefits and rewarding work culture.



Adopt the proposed FY 2024-25 Strategic Focus Areas and Strategic Plan.

Thank you

2024 Local Agency Action Planning

*Resources to support the transition to
pollution-free buildings and transportation.*

September 2024

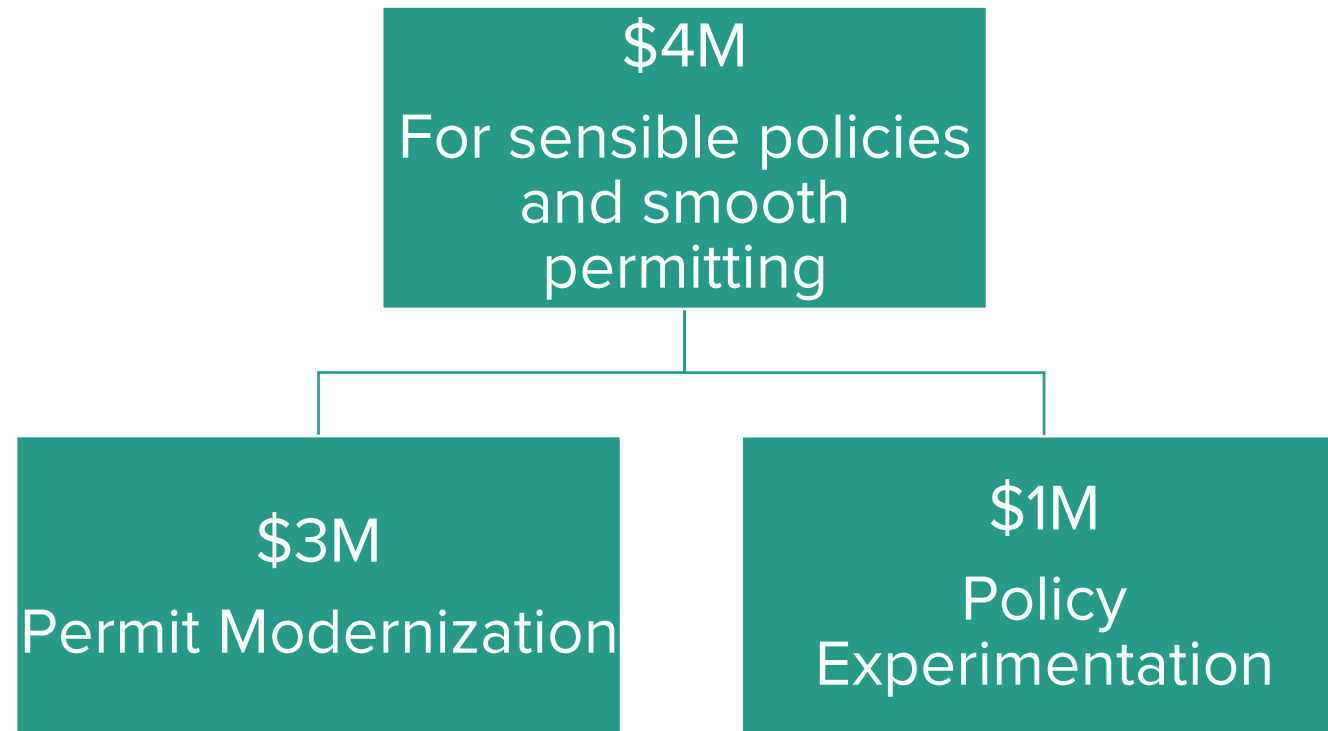
Objective

1. Provide status update on BAAQMD rule
2. Provide status update agency readiness planning

SVCE and Member Agency Partnership

SVCE rebates and federal tax credits can reduce the financial cost of electrification. Local codes and permitting can increase adoption at the best time and with less friction.

SVCE is launching two complementary programs to provide our member agencies \$4M in technical resources and grants to enable sensible local policies and smoother local permitting.



BAAQMD Update

1. BAAQMD will report to the Board in December on market readiness, including costs, technology, workforce, and tenant protections.
2. SVCE is coordinating the 7 Bay Area CCAs to develop scalable solutions that support our communities.
3. South Coast Air Quality Management District passed similar phase out rules, but starting with larger water heaters and including new construction.
4. CA Air Resources Board – the current [proposal](#) would make phaseout gas water heaters statewide starting in 2027.

Item 5
PRESENTATION

Each agency selects from a menu of options to help their community more easily make this transition.

Foundational Practices	Advancing Practices	Leading Practices
<i>Complete required practices* + choose 2 additional from below</i>	<i>Implement 3 advancing practices</i>	<i>Foundational + Advancing + Choose 2 from below</i>
*Review EVI code, update if needed	Incorporate Mechanical Siting best practices	Minimize barriers to inspections (blinders, virtual inspections)
*Review New Construction Reach Code and make compliant with Berkeley decision	Require Bidirectional HVAC at time of AC replacement	BAAQMD ramp up (includes electrification readiness)
Provide staff training for expedited permitting	Establish HPWH permitting equivalency	Require disclosures about appliances at time of sale
Develop pre-application support materials	Require electrification upon 50% remodels	Implement Contractor Certification Program
Free permit pilot		Incentive-based remodels for electrification
Implement Permit Concierge		Require prewiring for all major remodels based on an area (sq. ft.) or permit valuation trigger
Certificate of quality inspection		Allow plumbing contractors to perform minor electrical work to streamline HPWH installations
Distribute info about BAAQMD, incentives, etc. with each permit		Participate in educational training on appropriate power design
		Adopt real-time permitting for HPWHs

Most jurisdictions are reviewing or finalizing action plans.

PROGRESS UPDATE					
Member Agency	Director Meeting	Staff Meetings	Action Plan Status	Progressing Towards <i>Foundational, Advancing, or Leading</i>	
Campbell	1/17	2/2	Staff Finalizing	Advancing	
Cupertino	1/19	2/14	SVCE Drafting	TBD	
Gilroy	1/30	2/26	SVCE Drafting	TBD	
Los Altos	1/26	2/7, 2/29	SVCE Drafting	TBD	
Los Altos Hills	1/19	2/24*	Staff Reviewing	Leading	
Los Gatos	1/9	2/6	Staff Reviewing	Leading	
Milpitas	2/5	2/5	SVCE Drafting	TBD	
Monte Sereno	1/9	4/29	Staff Finalizing	TBD	
Morgan Hill	2/9	5/1	Staff Reviewing	TBD	
Mountain View	2/13, 2/16	2/27, 4/3	Staff Finalizing	Leading	
Saratoga	2/1	3/8, 5/29	Staff Reviewing	Advancing	
Sunnyvale	2/5	2/14, 3/12	Staff Reviewing	Leading	
County of Santa Clara	2/9	7/10	Staff Reviewing	TBD	

Member agencies are already leading the way!

- 1. Campbell passed an ordinance that ensures new development and all major renovations are zero emissions!!!**
 - Applies to projects >\$185K or removing 75% of roof or walls
 - Sensible exemptions
- 2. Monte Sereno already permits HPWHs in 24 hours!!!**

Thank you!



svcleanenergy.org



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Appendix

The Impact of Local Government Action

Sensible action now can make this transition easier and cheaper. For example, if every jurisdiction...

- Adopted rewiring requirements it could lead to **tens of thousands of electric-ready homes by 2030**.
- Required bidirectional AC at the time of replacement, it could add **~20,000 heat pumps by 2029** and **save residents \$ millions in redundant costs**.

Note: These are meant to be illustrative examples. Assumptions in the appendix.

The Impact of Your Leadership - Assumptions

Sensible action now can make this transition easier and cheaper. For example, if every jurisdiction...

- Adopted rewiring requirements it could lead to **tens of thousands of electric-ready homes by 2030.**
- There are at least 5000 permits drawn per year in our service territory that could reasonably require pre-wiring. This could mean at least 25,000 electric-ready homes by 2030. Given the variety of ways these policies could be written, we are not stating a certain number, but rather an order of magnitude.
- Required bi-directional AC at the time of replacement, it could add **~16,000 heat pumps by 2029** and **save residents \$ millions in redundant costs.**
- According to the market saturation study that SVCE conducted, there are ~100,000 ducted AC systems in our territory and they last ~20 years. Assuming an even annual turnover, that is ~5 replacements per year and ~20,000 by 2029 if policies went into effect in 2025.

SVCE is providing a comprehensive set of resources to help each agency meet its goals.

Available
to All

Available
to
Leadership
Cohort

Resources Available	Permit Modernization	Policy Experimentation
1:1 consultation w/SVCE staff (Board member & agency staff)	X	X
Tailored action plan for each jurisdiction	X	X
Technical, legal, and staff support resources	X	X
Access to national-level climate change trainings	X	X
Stipend for part-time, one-year fellow	X	X
Expanded consultant support to implement leading-edge initiatives	X	X

Clean Energy Pathways

Board of Directors Meeting
September 11, 2024



What we will discuss today

Background:

- 1) Market fundamentals
- 2) Market outlook
- 3) Portfolio management best practices

E3 Study and Results:

- 1) Study overview and purpose
- 2) Current Portfolio
- 3) Initial Results: build, emissions and costs
- 4) Risks

Board Discussion and Input on key Planning/Policy Questions

Next Steps



Key Planning and Policy Questions

What should SVCE's Clean and RPS target be for 2030, 2035, 2040, 2045?

Should we set an Annual, Hourly and/or Other Clean target?

How to balance long-term vs. short-term contracts?

Should SVCE have an additionality requirement (i.e., only new build)?

How much should SVCE rely on hydro and nuclear (market & allocations)?

How much “room” to leave for CPE and emerging technologies?

What is the role of virtual power plants and distributed energy resources in meeting targets?

Should we pursue local generation?

Given overall targets, what should customer product offerings look like?



Market Considerations

SVCE's portfolio value is dependent on three primary products:

- 1) Energy: Real time cost of resources in the CAISO market
- 2) Renewable Portfolio Standards (RPS): Renewable Energy Credit (REC) value for RPS compliance*
- 3) Resource Adequacy (RA): Capacity value resources, to meet RA compliance

*As SB100 becomes binding, RPS and GHG-free values will likely converge.

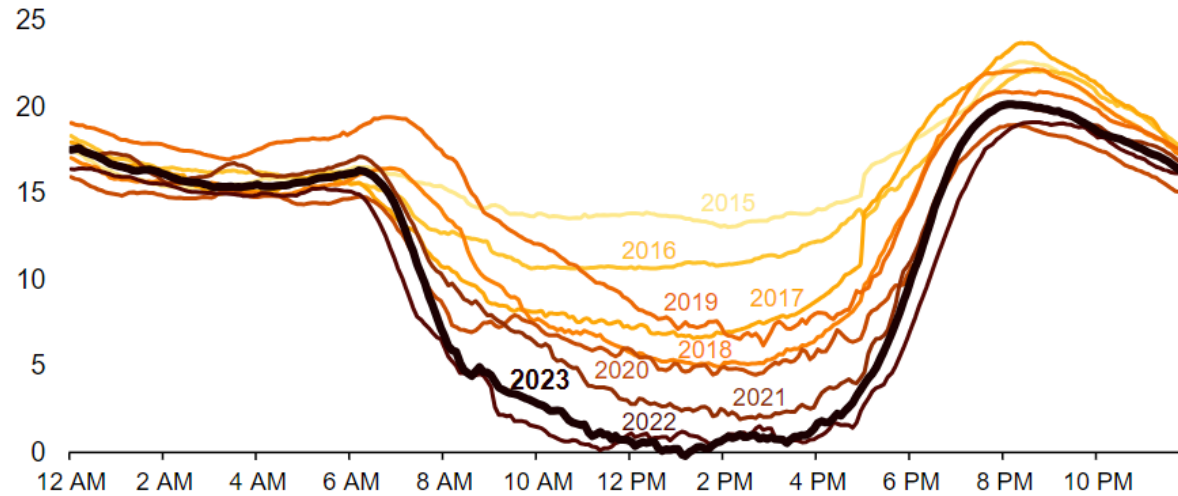
Values are determined by:

- Energy: Real time marginal unit on the grid
- RPS/ RA/ GHG-free: System supply relative to demand – which is largely driven by compliance obligations.

*Resources that count toward Renewable Portfolio Standards (RPS) are a subset of renewables, such as wind, solar and geothermal. GHG-Free includes all RPS resources, plus large hydro and nuclear energy.



Where is the Market Headed?



Data source: California Independent System Operator (CAISO)

Increasing solar will continue to put downward pressure on energy prices mid-day. Increasingly solar will be curtailed.

Batteries – which make money on arbitrage value – will cannibalize their own value over time putting downward pressure on off-peak hours.

Energy market revenue will likely fall, though how much will vary by hour and location.

- Under “Slice of Day” the highest **RA value** is expected to be from resources which count in all 24 hours.
- **RPS value** will depend on supply and demand: 1) whether LSEs overbuild relative to their compliance obligations and 2) if they are willing to sell their long positions
- **GHG-free value** will likely increase as SB100 becomes binding. Hydro will become more scarce due to both increased demand and increased volatility in supply resulting from climate change.
- **Regionalization and/or market diversity will help retain value and reduce curtailments.**



Where is Technology Headed?

Many technologies which are not yet commercially viable may be in the future.

- Advanced geothermal
- Nuclear Small Modular Reactors (SMR)
- Gas fitted with Carbon Capture and Storage (CCS)
- Alternate clean fuels (e.g. Hydrogen)
- Long duration (esp. multi-day storage)

Many of these technologies provide **firm, reliable** energy which gives the resource 24x7 capacity value, while also retaining **flexible dispatch** allowing the resource to only deliver energy when it is economic to do so.



Regulatory & Other Risk Considerations

The State of California expects to need to add over 100 GW of capacity by 2045.

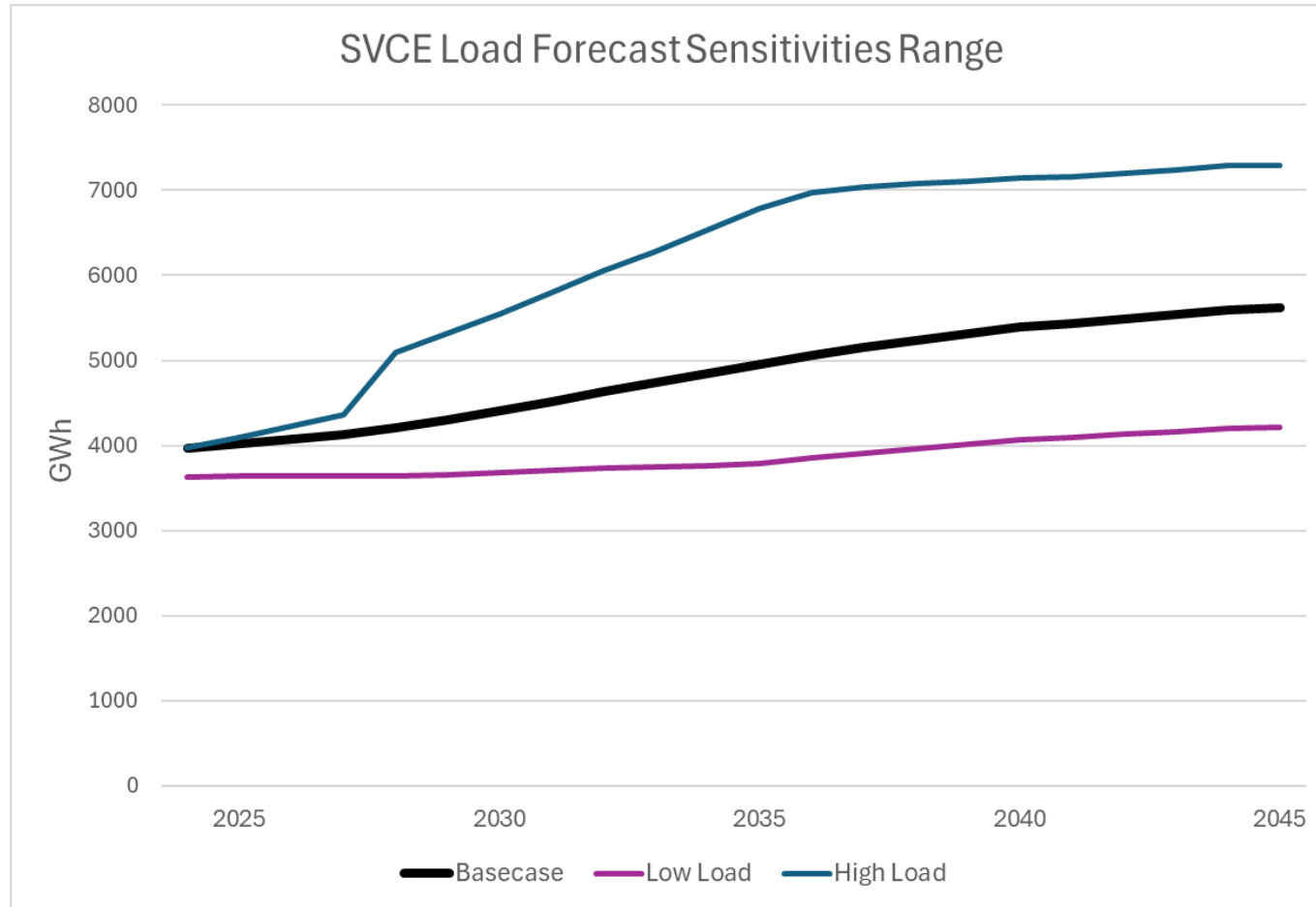
How SVCE's procurement efforts will be counted is unknown and subject to long-term regulatory risk

- Stranded Asset Risk
 - New procurement orders not counting prior procurement toward an LSE's obligations;
 - Loss of load due to Direct Access and resource is no longer needed and uneconomical
 - Central Procurement Entity leading to suboptimal and/or over procurement – 10.6 GW ordered so far.
- Changing compliance obligations can alter portfolio value
 - Example: SB100 increasing GHG-free product value
- PCIA
 - Potential changes to PG&E legacy portfolio allocation
 - Regulatory changes impacting PCIA value; SVCE hedge strategy
- Load uncertainty
 - Compliance obligations determined, in part, by CEC/CPUC forecasts



Load Considerations

Future load also presents significant risk in portfolio development



As part of its risk assessment process, staff developed plausible, albeit extreme, load forecasts to better understand the impact of load varying significantly from expectations

Expected load increase by 2030 is 11% and 42% by 2045



Good Portfolio and Procurement Management

Item 6
PRESENTATION

Deploy laddered procurement strategy – don't buy all at once

Balance tenor, short-term vs. long-term contracts and price structure, fixed vs. index, to smooth price risk over time and mitigate impacts of PCIA

Diversify technology and location to mitigate curtailment, volumetric and locational marginal price risk

Diversify counterparties to mitigate credit risk

Combination of new and existing resources to manage development and compliance risk

Leave room in portfolio for emerging technologies/ procurement orders

Leverage joint procurement for economies and to mitigate risk when possible

Utilize Inflation Reduction Act credits – build-to-own vs. power purchase agreements

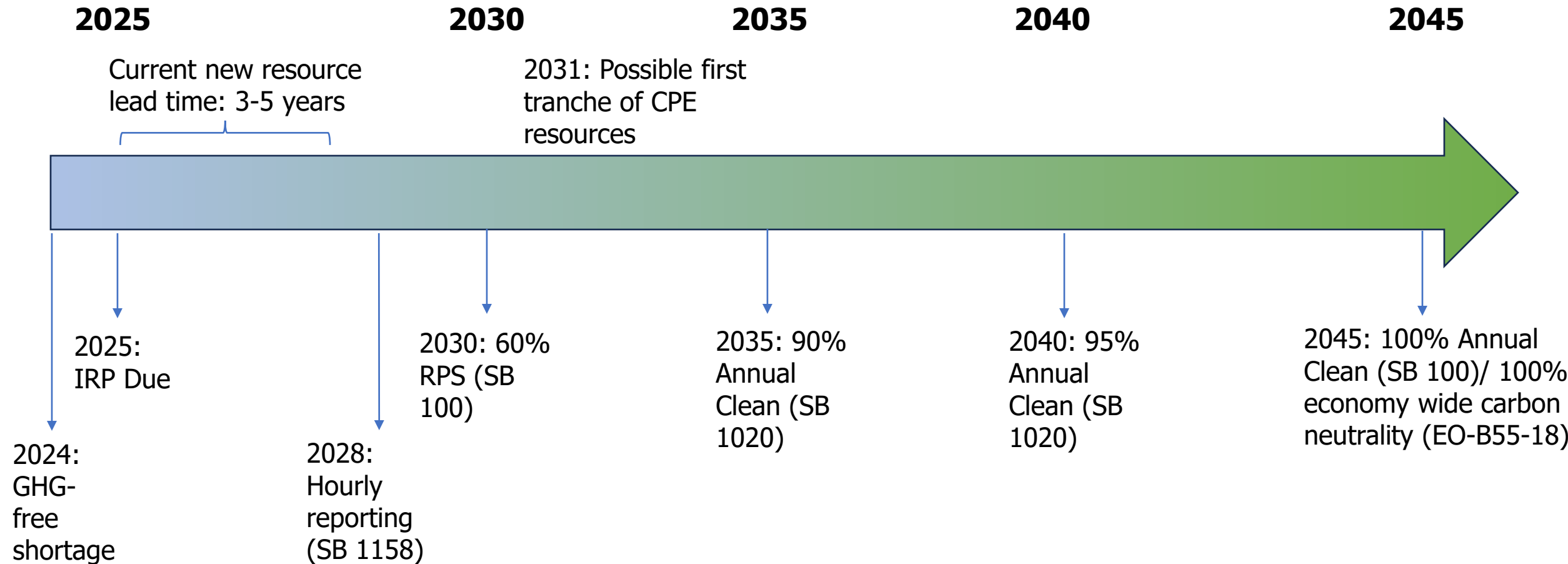
Maximize prepay benefits



Clean Energy Pathways: Results



SVCE needs to set clear targets towards a Clean Pathway



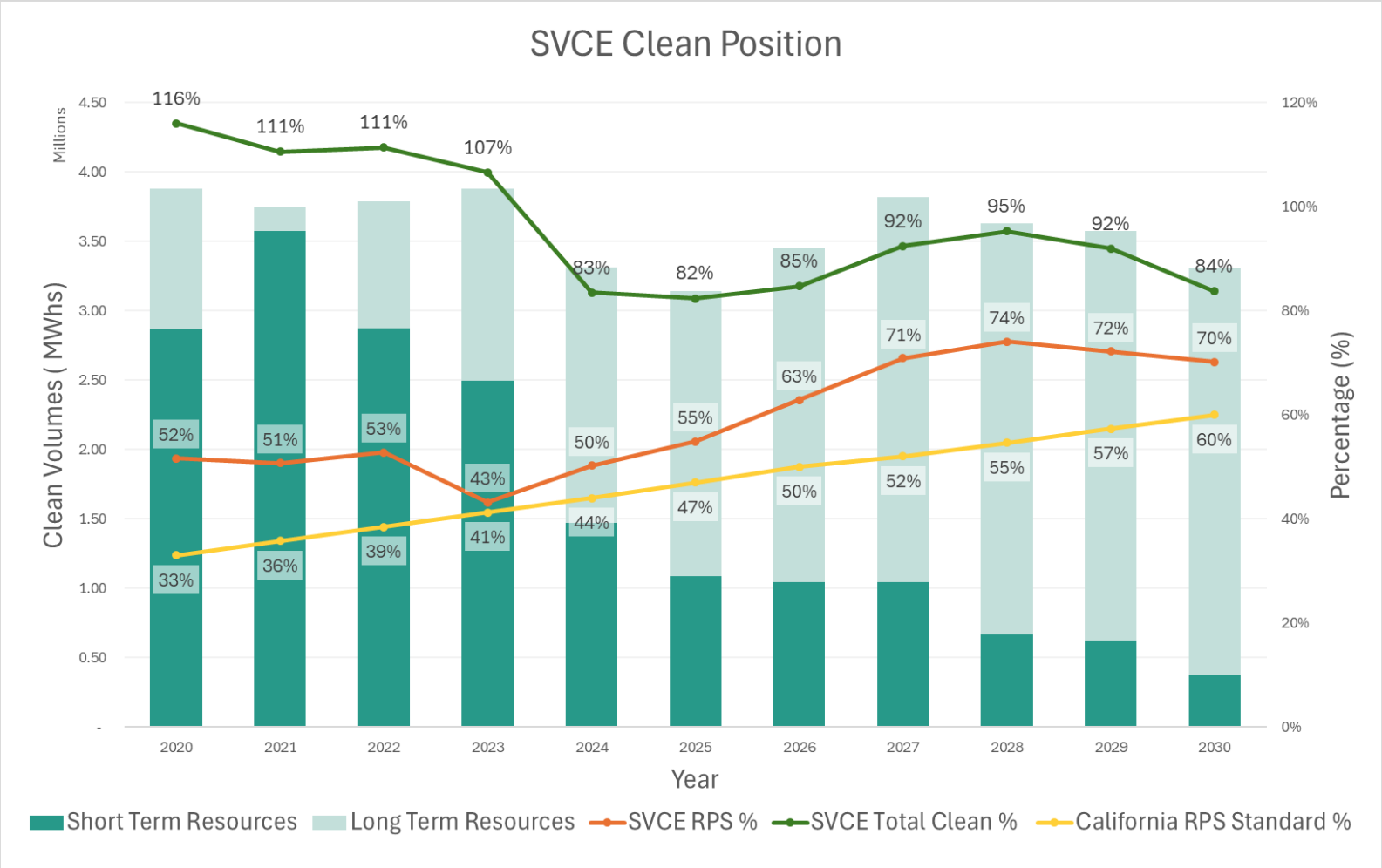


SVCE's Clean Targets

As part of 2022 IRP, SVCE's current RPS board adopted target of 75% by 2030, 15% above the state mandate.

SVCE maintains a 100% clean target on an annual basis.

The organization does not have explicit RPS target(s) post-2030.



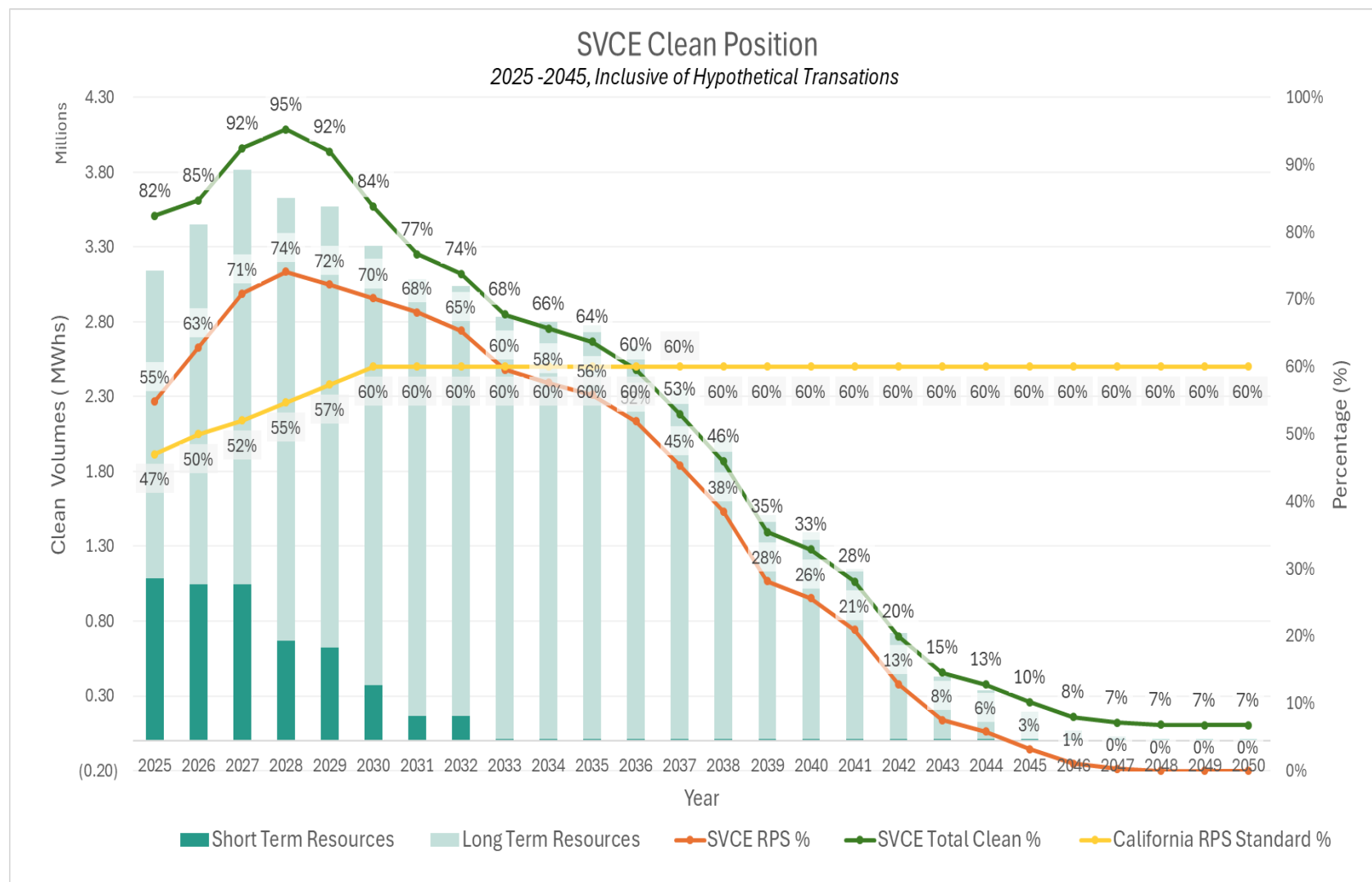


Long-term Clean Position

SVCE has increasingly layered in long-term products

As we move into the late 2030s many projects will start to "roll off" and need to be replaced.

Procurement efforts underway.





Overview of Work

- **In December 2023 SVCE's Board of Directors approved a contract for E3 to assess various clean pathways for our portfolio – FY 2023/24 Strategic Focus Area #1**
- **E3 modelled least cost resource build required for SVCE to achieve:**
 - Annual: 90%, 95%, 98%, 100%
 - Hourly: 90%, 95%, 98%, 100%
 - Carbon Free Energy (CFE) scores were calculated for each scenario
- **SVCE staff completed additional risk analysis on the portfolios**
- **Notes on the study:**
 - "All models are wrong, but some are useful"
 - Model assumptions are aligned with CPUC's Integrated Resource Plan. Actual costs and market valuations may vary substantially.
 - SVCE specific assumptions include internal demand forecast, assumes historic hydro allocations and other resources already under contract.



Defining Clean

100% Annual:

- Definition: Load Serving Entity's (LSE) Total annual load = LSE total clean procurement
- Load and supply do not need to be time coincident
- Per SB100, every LSE will be at 100 percent clean (on a retail sales basis) by 2045

100% Hourly:

- Definition: LSE's hourly load = LSE's hourly clean supply
- Must be time coincident
- No compliance obligation; tracking begins 2028

Google Carbon Free Energy (CFE):

- Definition: Weighted average of LSE's supply and level of clean on the grid when LSE "leans" on the market

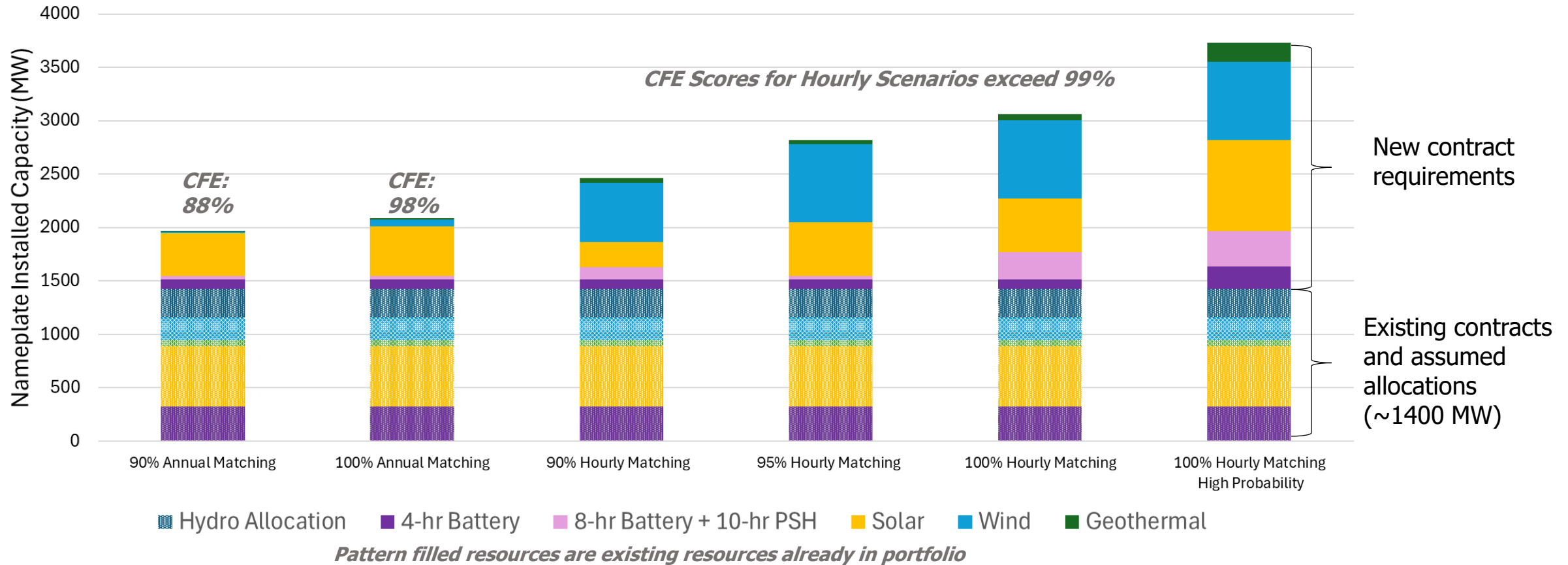
Incrementality/ Total Emissions Impact:

- Concept: How much does the LSE's new resource build contribute to reducing total system emissions?



Capacity Additions to Meet Various Clean Targets

Installed Capacity for Select Scenarios - 2035



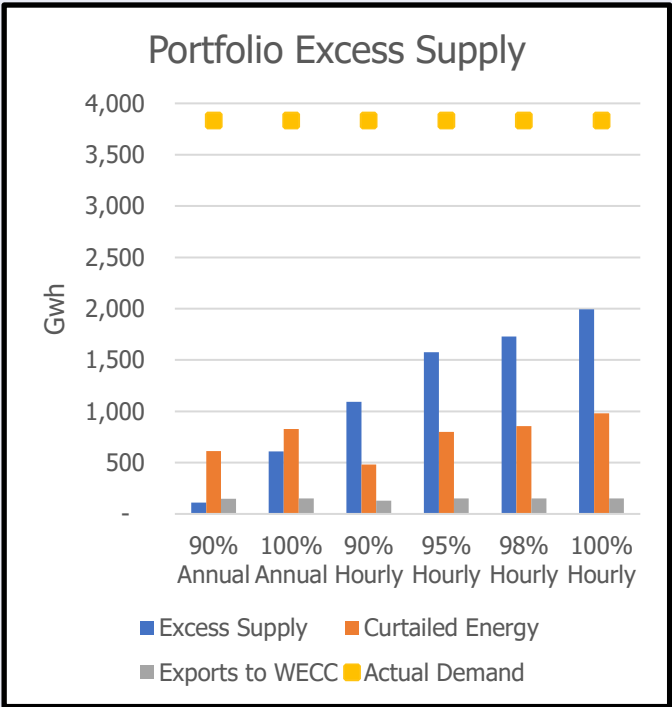
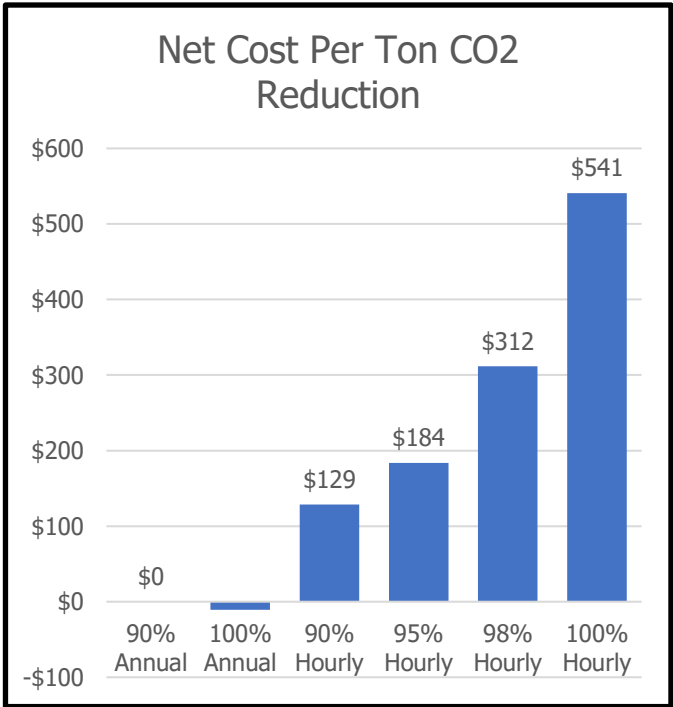
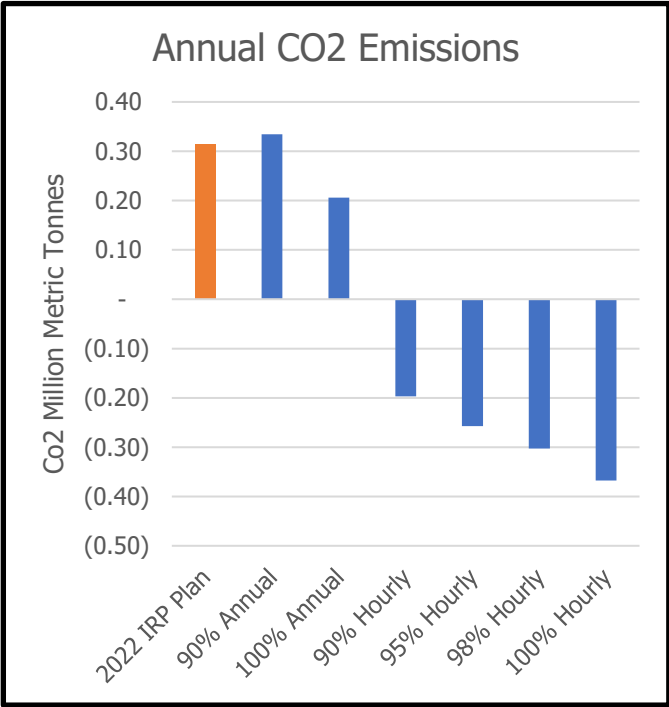
- 100% hourly matching requires 2,300 MW of new capacity by 2035 vs. 664 MW in 100% annual case
- High probability of hourly matching vs. expected hourly matching increases need 15-20%
- Wind resources are a significant contributor to hourly matching



GHG Emissions Impact

Hourly clean targets can result in net reduction in emissions (relative to IRP Clean System Power Tool), but impact per dollar spent diminishes significantly as emissions decline.

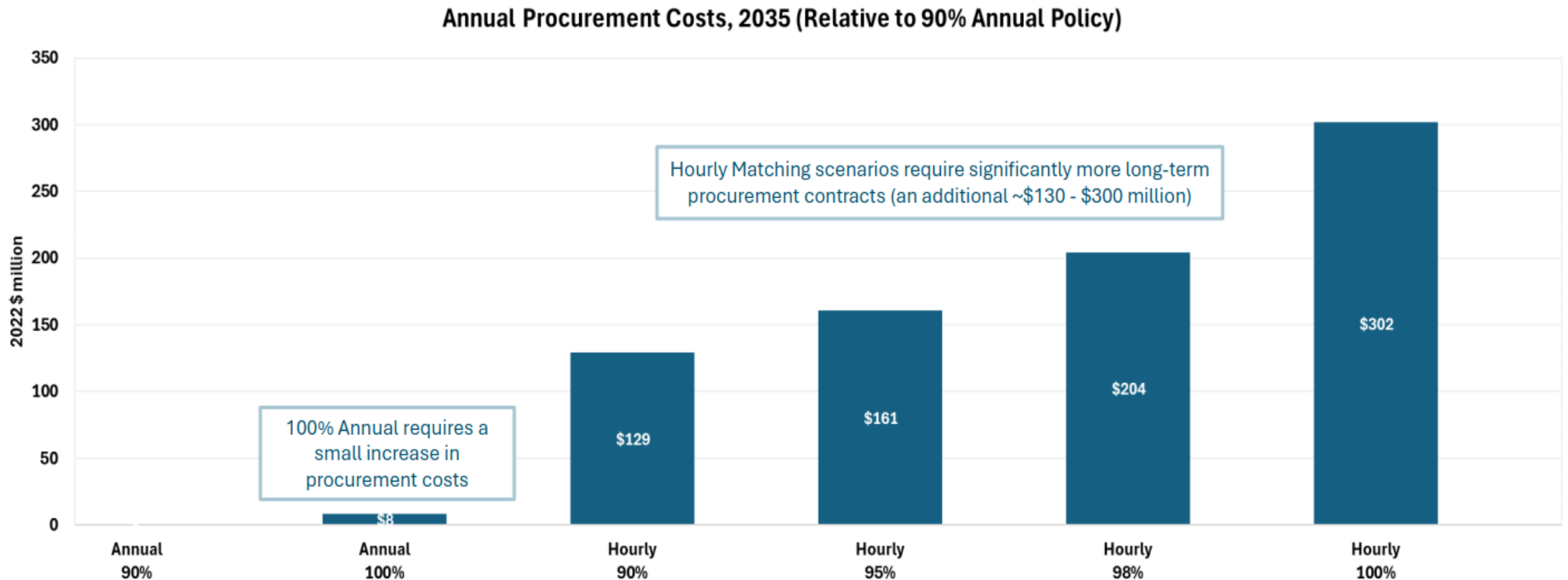
- Much of the additional energy goes to hours which are already relatively clean
- More restrictive clean targets have much higher curtailment and excess supply





Incremental Procurement Costs to Meet Various Clean Targets

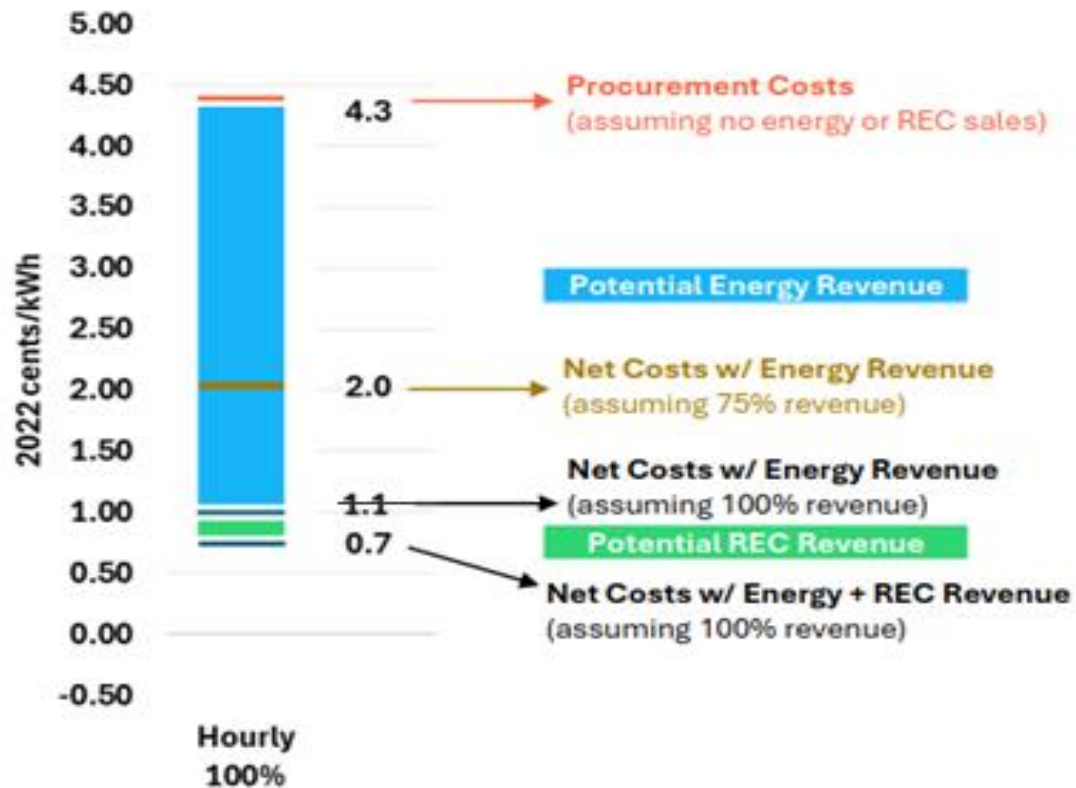
Modelled annual procurement costs increase \$300M under a 100% hourly matching scenario





Net Procurement Costs for 100% Hourly Case

Results suggest procurement costs *may* largely be offset by market revenues based on model assumptions.



Expected Cost: 4.3 cents/kWh (\$43/MWh).

Expected Offsetting revenue: 3.6 cents/kWh

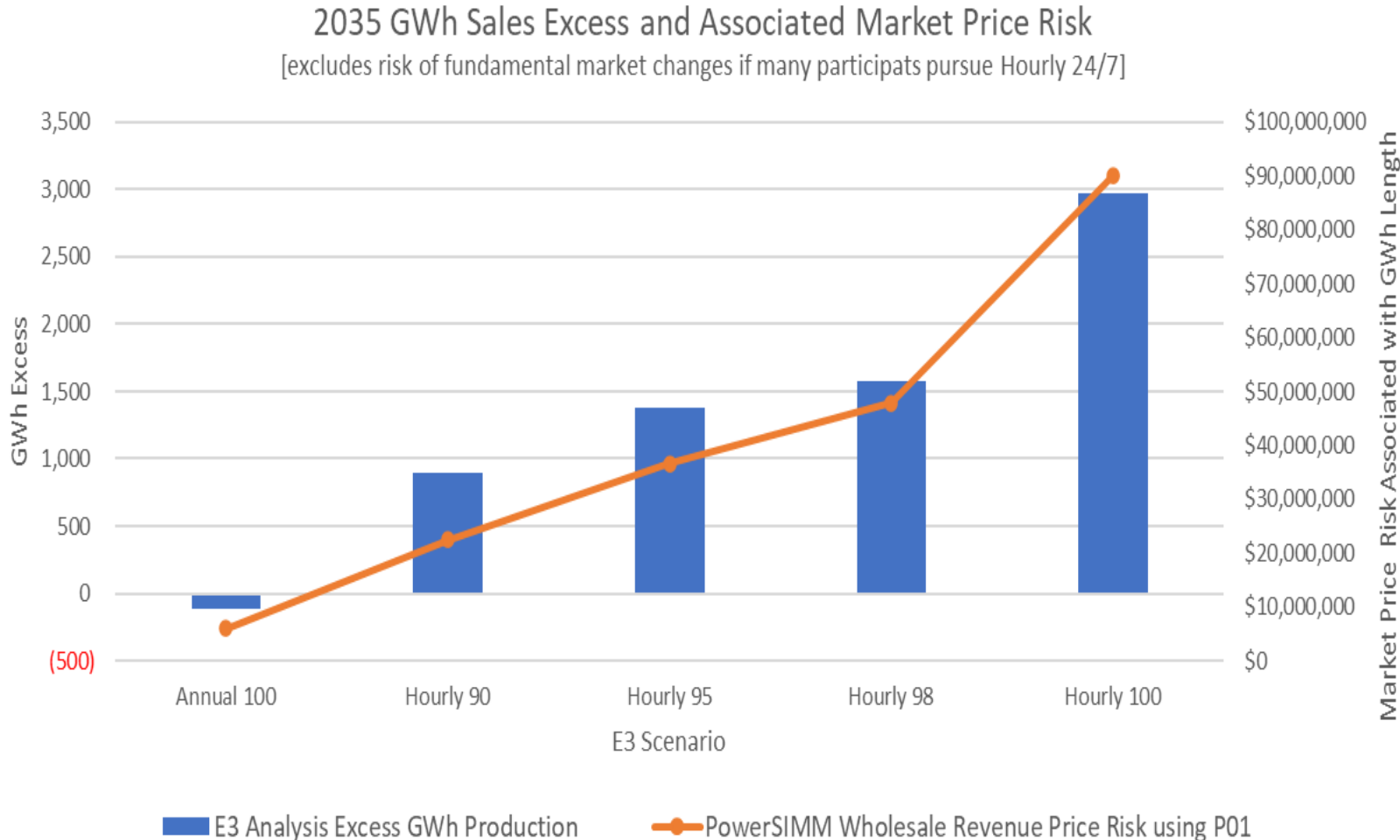
Net costs 0.7 cents/kWh or \$7 MWh

Analysis assumes SVCE is a price-taker and market prices are based on 2024 Preferred System Plan; assumes market participants will not exceed SB100 requirements.

These results are highly uncertain and dependent on market conditions.



Market Risk Under Various Clean Targets



- As oversupply increases, SVCE is subjected to increasing market exposure, and therefore market and stranded cost risk
- SVCE estimates that in the 100% hourly scenario up to \$90M/ yr is at risk *assuming the underlying system assumptions are accurate.*
- Actual value at risk may be significantly higher if supply exceeds model assumptions

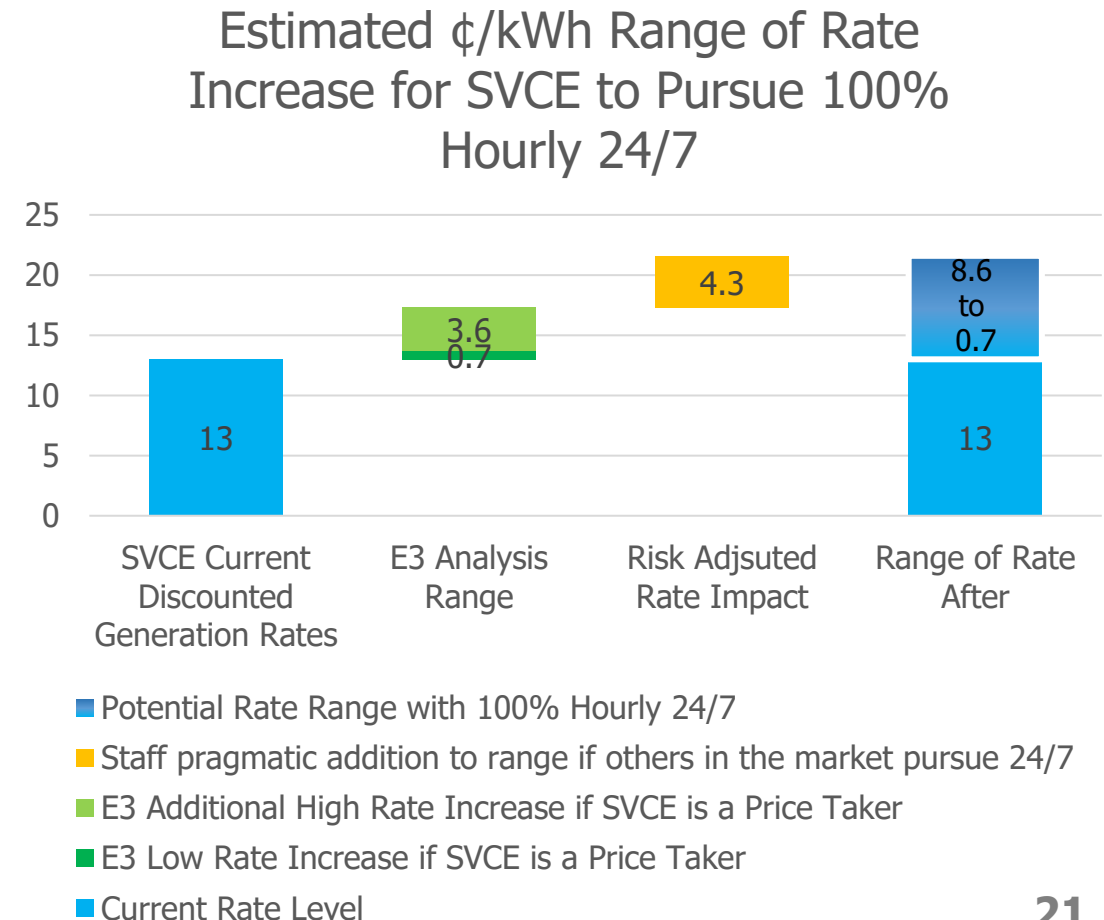


Pathways Rate Impact

To what degree does the Pathways cost projection impact SVCE Rates?

- FY2025 Projected Customer Discounted Generation Rate = 13.0¢/kWh
- E3 Estimated Cost Range for 100% Hourly 24/7 = 0.7¢ to 4.3¢/kWh incremental
- Rate impacts are highly dependent on supply and demand and could be 2x the E3 analysis estimate
- Total impact range is 5%-66% increase in rates.

Future year rates and rate impacts all subject to inflation and conveyed in near-term metrics for simplicity and clarity.





Merits of Clean Options

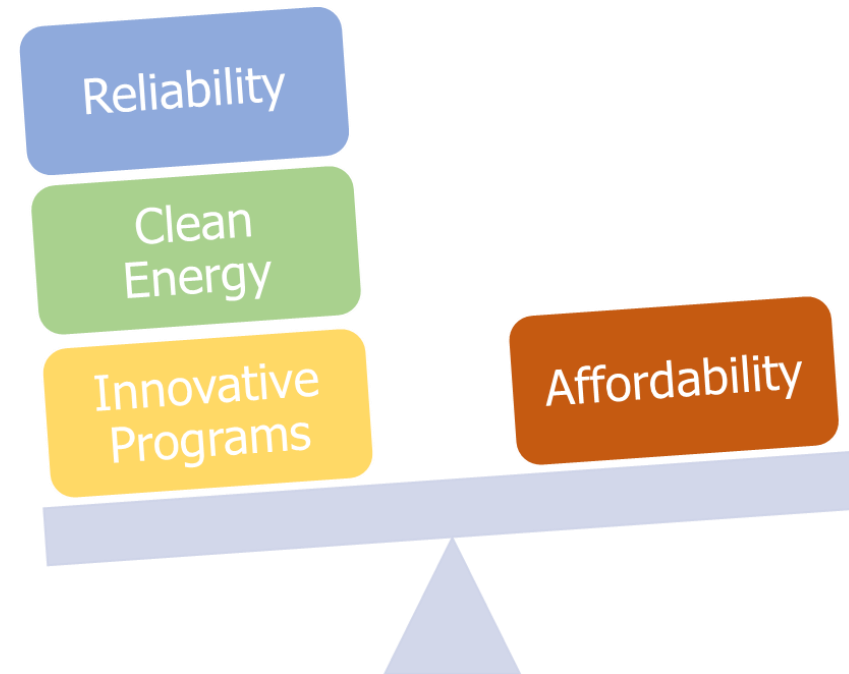
	Minimum Compliance	Annual (90 to 100%)	Hourly – 24x7	CFE
2035 Target	90% annual	90 to 100%	100%	90%+
Clean GHG reduction		 	  	 
Reliable Meets RA				
Affordable Rate Impact	\$	\$ \$	\$ \$ \$	\$
Comments	Higher compliance risk (no built-in excess)	- Current SVCE policy - Short-term challenges - Aligns with SB100	- Hard to set achievable target - Risk of stranded assets due to over procurement	Incents putting resources/load in “dirtier” hours without islanding the LSE



Key Takeaways

- Current 100% annual clean target is sustainable however meeting every year presents a challenge
- Achieving a 100% hourly clean portfolio through long-term PPAs by 2035 is a big challenge
- The greater the over-procurement relative to compliance obligations, the greater the risk to SVCE's portfolio and customers.
- Stranded Asset risk challenges affordability goals

How does the organization responsibly manage its obligations to achieve its mission to reduce dependence on fossil fuels by providing **clean**, **affordable**, and **reliable** electricity and innovative programs for the SVCE community?





Next Steps and Feedback



Planned Next Steps

A) Staff to further assess viability of 2035 target:

- **Maintaining 100% clean target**
- **Achieving 100% RPS**
 - Set internal goal, given CPE
 - Long-term PPA determination
- **Determining achievable hourly clean target**

B) Assess role of demand side options via integrated decarbonization planning process

C) Return to board by March 2025 with recommended clean targets to assess for 2025 IRP



Key Planning and Policy Questions

What should SVCE's Clean and RPS target be for 2030, 2035, 2040, 2045?

Should we set an Annual, Hourly and/or Other Clean target?

How to balance long-term vs. short-term contracts?

Should SVCE have an additionality requirement (i.e., only new build)?

How much should SVCE rely on hydro and nuclear (market & allocations)?

How much “room” to leave for CPE and emerging technologies?

What is the role of virtual power plants and distributed energy resources in meeting targets?

Should we pursue local generation?

Given overall targets, what should customer product offerings look like?



Questions & Discussion