Silicon Valley Clean Energy
Finance and Administration Committee Meeting

Wednesday, February 26, 2025
3:00 pm

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

Teleconference Meeting Information:
https://svcleanenergy-org.zoom.us/j/88518152715

Or by Telephone (Audio only):
US: +1 669 219-2599
Webinar ID: 885 1815 2715

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

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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 November 25, 2024 Finance and Administration Committee Meeting

Regular Calendar

2) CEO Update (Discussion)
3) Elect Chair and Vice Chair of the 2025 SVCE Finance and Administration Committee (Action)
4) SVCE's Planning and Budgeting Process and Proposed Financial Stress Test Scenarios (Discussion)
5) Mid-Year Update on the 2024-25 Fiscal Year Operating Budget (Action)
6) Recommend the SVCE Board of Directors Approve Establishing a Rate Stabilization Fund Under GASB 62 (Action)

Committee/Staff Remarks

Adjourn

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Silicon Valley Clean Energy
Finance and Administration Committee Meeting

Monday, November 25, 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

Vice Chair Srinivasan called the meeting to order at 3:02 p.m.

Board Clerk Andrea Pizano announced that a quorum was not present, but the meeting would begin and non-action items would be heard first until a quorum was present to address action items.

Roll Call

Present:
Vice Chair Murali Srinivasan, Sunnyvale
Director Pat Showalter, Mountain View
Director Elliot Scozzola, Campbell (arrived at 4:18 p.m.)

Absent:
Chair Hung Wei, Cupertino

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

Consent Calendar
The Consent Calendar was considered following Item 3 after a quorum was established.

Vice Chair Srinivasan opened public comment.
No speakers.
Vice Chair Srinivasan closed public comment.

MOTION: Director Showalter moved and Director Scozzola seconded the motion to approve the Consent Calendar.

The motion carried with Chair Wei absent.

1) **Approve Minutes of the August 6, 2024, Finance and Administration Committee Meeting.**

Following the vote, the Committee considered Item 2.

Regular Calendar

2) Recommend Approval of the Fiscal Year 2024-25 Budget Update (Action)

Item 2 was considered following the vote on the Consent Calendar.

Amrit Singh, CFO and Director of Administrative Services, presented the Fiscal Year 2024-2025 budget update.

The presentation included the following information:

- Key highlights, with forecasted revenues higher by approximately $85 million using the California Public Utilities Commission’s (CPUC) updated Market Price Benchmark (MPB) prices, maintaining a 4% customer discount, with an additional 1% offered as bill credits to low-income customers,
- Recap of assumptions used in setting the adopted budget and an update on the budget forecast using the recent rate forecasts,
- Comparison of adopted and updated budget,
- Updated reserve projection, with reserves slightly exceeding the target days of cash on hand of 350 days and below the maximum target of 500 days with the exclusion of earmarked funds.
- Proposal on funding long-term strategic priorities, and
- Revenue forecast uncertainty in budget projections.

Staff responded to questions and comments from committee members regarding reserve targets, projections, and the impact of potential tariffs.

Vice Chair Srinivasan opened public comment.
No speakers.
Vice Chair Srinivasan closed public comment.

MOTION: Director Showalter moved and Director Scozzola seconded the motion to recommend that the SVCE Board of Directors approve the Fiscal Year 2024-25 Budget Update.

The motion carried with Chair Wei absent.

Following the vote on Item 2, the Committee considered Item 5.

3) Establish the Affordable Clean Community Fund (Discussion)

Item 3 was heard following Roll Call, as a quorum of the committee was not yet present.

Director Scozzola joined the meeting at 4:18 p.m. and a quorum was met.

Amrit Singh, CFO and Director of Administrative Services, introduced the item for discussion and stated that funds above the reserve policy targets identified as part of the budget process will be considered to establish an Affordable Clean Community Fund.

Zoe Elizabeth, Director of Decarbonization Policy and Community Strategies, provided information relating to the establishment of the SVCE Affordable Clean Community Fund for funding long-term mission-aligned strategic priorities, and outlined the following three funding priority areas:

- Discount stabilization;
- Scalable support for pollution-free appliances; and
- Local and emerging power supply technology.

Staff responded to questions and comments from committee members regarding examples of multi-year program outcomes, funding allocations for multi-year programs by funding priority, customer discount rates and SVCE's affordability study.

Vice Chair Srinivasan opened public comment.
No speakers.
Vice Chair Srinivasan closed public comment.

Following discussion on Item 3, Vice Chair Srinivasan recommended that the Committee address the Consent Calendar.

4) Create Rate Stabilization Fund Using GASB 62 (Discussion)

Item 4 was heard following Item 5.

Amrit Singh, CFO and Director of Administrative Services, provided information relating to accounting rule GASB 62 and requested the Committee's feedback on its use to create a Rate Stabilization Fund. Main areas of discussion included: revenue deferment to a future period, impacts to net position in financial statements, and the potential to implement beginning with Fiscal Year 2024-25.

Staff responded to questions and comments regarding SVCE reserves, clarification on the readers of financial statements, credit rating agencies, and SVCE counterparties.

Vice Chair Srinivasan opened public comment.
No speakers.
Vice Chair Srinivasan closed public comment.

5) Request the SVCE Finance and Administration Committee Recommend the Board of Directors Approve Policy Updates as Part of the Agency Policy Streamlining Project (Action)

Item 5 was considered following Item 2.

Michael Callahan, General Counsel, presented the item with a request to support staff's recommendation to approve SVCE's Policy Updates as part of the agency policies streamlining project which included information relating to implementation of proposed new policies for Finance, Information Technology, Human Resources, and General and Administrative policies, with staff's recommendations including the following:

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Policies for Adoption	Policies for Retirement	
• Finance Accounting Policy • Finance Budget Policy • Finance Purchasing and Spending Policy • Finance Investment Policy • Finance Delinquent Accounts & Collections Policy • Finance Capitalization Policy • Finance Customer Generation Rates • IT Information Technology Policy	• Finance Capital Projects Policy • IT Information Systems Use Policy • IT Email Use Policy • IT Asset Management Policy • IT Internet Usage Policy • IT Security Plan Policy • IT Access Control Policy • IT Password Protection Policy • IT Malware Defense Policy	• IT Security Audit Policy • IT Disaster Recovery Policy • IT Threat-Risk Assessment Policy • IT Satisfaction Policy • IT Data Breach Policy • IT Workstation Security for HIPPA Policy • IT Clean Desk Policy

Policies for Adoption	Policies for Retirement
• G&A Files and Records Management Policy • G&A Vehicle and Charger Use Policy • G&A California Public Records Act Policy • G&A CEO Absence Policy • G&A Hybrid Meetings Policy • HR Personnel and Reimbursement Policy	• G&A Travel and Meeting Expense Reimbursements Policy • G&A Vehicle Use Policy • G&A Charging Station Policy • HR Smartphone Stipend Policy • HR Recruitment Incentive Policy • HR Volunteer Time Off Policy • HR Unpaid Leave Policy • HR Paid Time Off Cash Out • HR Tuition Assistance Policy • HR Cash in Lieu of Health Benefits Policy • HR Fitness Reimbursement Benefit Policy

Staff responded to questions and comments from committee members regarding funding controls, and policy standards relating to human resources personnel and the reimbursement policy.

Vice Chair Srinivasan opened public comment.
No speakers.
Vice Chair Srinivasan closed public comment.

MOTION: Director Scozzola moved and Vice Chair Srinivasan seconded the motion that the Finance and Administration Committee recommend the Board of Directors approve the policy updates as part of the agency Policy Streamlining Project.

The motion carried with Chair Wei absent.

Following the vote on Item 5, the Committee heard Item 4.

Committee/Staff Remarks
None.

Adjournment
Vice Chair Srinivasan adjourned the meeting at 5:08 p.m.

ATTEST:

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Andrea Pizano, Board Secretary

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Staff Report – Item 2

Item 2:	**CEO Update**
From:	Monica Padilla, CEO
Prepared by:	Andrea Pizano, Sr. Executive Assistant and Board Clerk
Date:	2/26/2025

This item will be addressed in the form of an oral report to the Finance and Administration Committee.

Staff Report – Item 3

Item 3:	**Elect Chair and Vice Chair of the 2025 SVCE Finance and Administration Committee**
From:	Monica Padilla, CEO
Prepared by:	Andrea Pizano, Sr. Executive Assistant and Board Clerk
Date:	2/26/2025

RECOMMENDATION
Establish a Chair and Vice Chair of the Silicon Valley Clean Energy (SVCE) Finance and Administration Committee (Committee) to preside over Committee meetings.

BACKGROUND
At the February 14, 2018 SVCE Board of Directors meeting, the Board approved the formation of a Finance and Administration Committee, consistent with Board Policy FP1-B*, Establish Finance and Administration Committee*.

ANALYSIS & DISCUSSION
As a permanent standing committee of the Board of Directors, the Committee is subject to the Brown Act for all meetings. In order to provide for efficient and reliable Committee meeting organization, Staff recommends the Committee appoint a Chair to preside over its meetings, and a Vice Chair to act in the absence of the Chair. The last Chair and Vice Chair of the committee were selected at the February 26, 2024 meeting (Alternate Director Hung Wei and Alternate Director Murali Srinivasan, respectively).

Since 2025 committee membership was ratified at the February Board of Directors meeting and new members have joined, this committee is in need of a new Chair and Vice Chair.

STRATEGIC PLAN
N/A

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

FISCAL IMPACT
No fiscal impact from the selection of a Chair and Vice Chair of the Committee.

Staff Report – Item 4

Item 4:	**SVCE's Planning and Budgeting Process and Proposed Financial Stress Test Scenarios**
From:	Monica Padilla, CEO
Prepared by:	Amrit Singh, CFO and Director of Administrative Services Scott Wrigglesworth, Director of Risk and Analytics
Date:	2/26/2025

RECOMMENDATION
This is an informational item to provide the Silicon Valley Clean Energy (SVCE) Finance and Administration Committee (Committee) with an overview of SVCE's planning and budgeting process and to seek feedback on this year's planned financial stress test scenarios.

BACKGROUND
SVCE's fiscal year planning begins using the enterprise risk management (ERM) framework that attempts to assess risks and opportunities that impact SVCE's mission. From the ERM process, staff also considers stress test scenarios that can be extreme but plausible and severely affect the organization's ability to achieve its mission. At this meeting, staff will review the proposed financial stress scenarios that can have severe and direct financial consequences for the organization and whose mitigations are prudent to account for in developing the fiscal year budget. The other risks and opportunities identified from the ERM process will be used to shape next fiscal year's strategic focus areas, measures, and department work plans.

ANALYSIS & DISCUSSION
The ERM framework is a comprehensive organization-wide assessment of risks and opportunities that can enable SVCE to achieve its mission optimally. The attached overview provides further information on the ERM framework.

Stress testing is an essential component of ERM. SVCE uses the ERM framework to assess the interrelatedness of various risks or their plausible combinations to model extreme but plausible ("Black Swan") events that can have significant adverse consequences for SVCE. Such scenarios or stress tests are essential for managing risky commodity portfolios because of the inherent weakness in standard market risk measures in assessing "black swan" events such as market disruptions caused by, for example, an economic recession.

For the next fiscal year, staff proposes to continue to model the price collapse scenario and use it to assess the adequacy of reserve holdings. A collapse in energy prices will significantly reduce SVCE's revenues because of higher Power Cost Indifference Adjustment (PCIA[1]) and lower PG&E Generation rates. However, it will not significantly reduce our energy purchase costs because the prices for most forward energy purchases are locked due to hedging.

[1] 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).

Staff is also considering other stress test scenario(s) identified from the ERM process. Staff will update the Committee at a future meeting, most likely in May 2025, on considering any additional stress scenario(s).

Next steps

After completing the proposed financial stress test analyses, staff will present the findings to the committee, which is expected in May 2025, and to the SVCE Board of Directors, which is expected in June 2025. Like last year, staff will recommend any changes to the reserve policy as part of the annual budgeting process to ensure the agency can withstand the modeled risks. The other risks and opportunities identified from the ERM framework will help shape next fiscal year's strategic focus areas, measures, and department work plans.

STRATEGIC PLAN

These analyses support SVCE Strategic Plan Goal 6 – "Maintain healthy financial position; avoid failures in the management of market risk, credit risk, liquidity risk, operational risks, and enterprise risks."

FISCAL IMPACT

The stress test analyses will support effective risk management strategies, enabling SVCE to withstand adverse events that can significantly deplete financial reserves and make SVCE uncompetitive.

ATTACHMENT

1. Overview of the ERM Framework

Attachment: Overview of the ERM Framework

There are three main components of SVCE's ERM framework:

1. Risk Matrix
2. Risk Register
3. Stress Tests

Risk Matrix

SVCE uses a risk matrix to assess the likelihood (frequency of occurrence) and consequence (impact) of potential risks and opportunities. The matrix helps the organization to calibrate risks and optimally direct resources to those with the most significant impact. The risk matrix, in conjunction with the risk register, will help identify the risk tolerance or acceptable level of risk after implementing planned mitigations. For example, those with a high likelihood of occurrence and high impact require an appropriate level of risk mitigation versus those with low probability and low impact.

The following is the current version of the risk matrix, which staff will continue refining. The matrix helps distinguish the significance among various potential risks/opportunities and enables optimal risk-based decision-making.

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

The numbers in the parentheses are for ease of referencing a particular box (level of frequency and impact) in the matrix.

Risk Register

SVCE uses the risk register to record the organization's identified risks and potential opportunities. The risk register:

1. Briefly describes each risk driver or source of risk and opportunities
2. Lists existing mitigation strategies and additional planned mitigations
3. Ranks or quantifies, using the risk matrix, the risks listed on the register. Risks can be ranked if no mitigation actions were taken (unmitigated risks), with current mitigations (current level of risk), and with additional planned mitigations (acceptable level of risk).
4. Identifies a risk owner

The following is a draft illustration of the risk register.

Agenda Item: 4 **Agenda Date: 2/26/2025**

Draft and illustrative

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

<u>Stress Tests</u>

Using the risk register, staff assesses the interrelatedness of various risks or combinations of risks that can materialize simultaneously to create plausible risk events that can have a significant adverse impact on the organization.

In the past, cross-functional teams at SVCE brainstormed on risks facing the agency over five years and prioritized the stress test scenarios that included:

1. A significant drop in energy prices results in higher Power Cost Indifference Adjustment (PCIA) and a lower Pacific Gas and Electric (PG&E) generation rate.
2. Insufficient financial liquidity caused by:
   a. Energy price collapse that reduces SVCE's margins and triggers credit downgrades
   b. Higher energy collateral postings from counterparties and the California Independent System Operator (CAISO)
   c. Pending regulatory case that significantly increases Financial Security Requirements (FSR) to the Provider of Last Resort (POLR), which for SVCE currently is PG&E. FSR amounts posted are held by POLR as financial security in the event a community choice aggregator's (CCA's) customers are returned to POLR such as during a CCA bankruptcy.
3. Power Purchase Agreements (PPAs) default, renegotiate for higher prices, and delay their commercial start dates, resulting in RPS non-compliance penalties and replacement of energy and RA at higher market prices.
4. SVCE loses load due to direct access and growth in distributed energy resources.
5. Risks that threaten public services or facilities.
6. Risks and potential mitigations associated with load growth uncertainty. If load growth is higher than anticipated, SVCE can face difficulty meeting procurement and compliance targets. On the other hand,

if load growth is lower than expected, SVCE can face stranded cost risks that can erode its competitiveness and ability to carry out its mission.

Staff Report – Item 5

Item 5:	**Mid-Year Update on the 2024-25 Fiscal Year Operating Budget**
From:	Monica Padilla, CEO
Prepared by:	Amrit Singh, CFO and Director of Administrative Services Scott Wrigglesworth, Director of Risk and Analytics Karen Chang, Manager of Finance
Date:	2/26/2025

RECOMMENDATION

Staff recommends that the Silicon Valley Clean Energy (SVCE) Finance and Administration Committee recommend that the Board of Directors (Board) approve the Midyear 2024-25 (MY 2025)[1] Adjusted Operating Budget that projects depositing $133.2 million into the reserves.

BACKGROUND

The Board first adopted the annual budget for the fiscal year 2024-25 (FY25) at the September 11th, 2024 meeting. Because of great uncertainty regarding PG&E's January 2025 rate changes, the adopted budget was based on conservative MPBs (Market Price Benchmark) assumptions, and staff committed to updating the budget in December 2024. At the December 11th, 2024 Board meeting, the Board approved the adjusted budget to reflect the updated market and regulatory information regarding PG&E's 2025 generation rate changes and Power Charge Indifference Adjustment[2] (PCIA) charges, effective January 1st, 2025. Due to an improved financial outlook, the Board adopted the adjusted budget that maintained a 4% general customer discount rate relative to comparable PG&E generation rates, provided an additional $0.96 million towards bill credits for low-income (CARE/FERA) customers such that the bill credit was equivalent in total dollars to a 1% rate discount for all customers, and transferred an additional $1.7 million to the SVCE Program Fund to account for improved revenue projections.

At Midyear, staff is updating the budget to account for energy supply expenses using the latest market price data and portfolio positions, revenue estimations to reflect the final rate changes that went into effect starting January 1st, 2025, and other minor adjustments and projected increases in operating expenses and investment income.

ANALYSIS & DISCUSSION

The MY 2025 Adjusted Operating Budget is balanced and presents SVCE in stable financial condition.

The projected available balance for reserves of $133.2 million is an increase of $36.4 million from the $96.8 million presented in the December 2024 adjusted FY25 Budget. The improvement in contribution to reserves primarily results from decreased energy costs resulting from lower realized and forward energy, renewable

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[1] The fiscal year 2024-25 started on October 1, 2024, and ends on September 30, 2025.

[2] Public Utility Code Sections 366.1 and 366.2 require the California Public Utilities Commission (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).

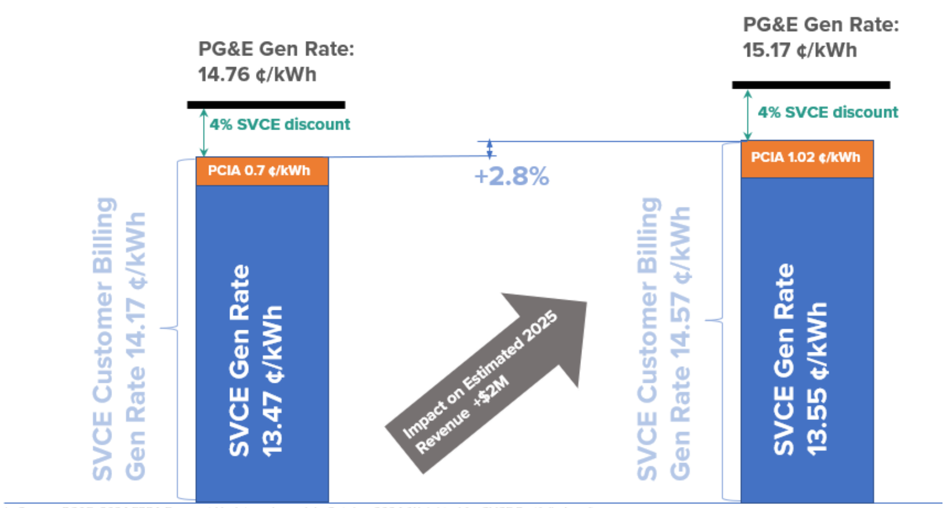
portfolio standard (RPS) and resource adequacy (RA) market prices and changes to the power supply portfolio positions, an improvement in SVCE margins from California Public Utilities Commission's (CPUC) adoption of the 2025 PG&E generation and PCIA rates, slightly increased investment income, and lower capital expenses as a result of not increasing and updating the current office space. Other minor revenue adjustments, power supply portfolio position updates, and increases in operating expenses from additional staffing, professional services, marketing, and general and administrative expenses partially offset these improvements.

The table below illustrates the $36.4 million increase:

Description	Variance Mid-Year Budget vs. December 2024 Adjusted Budget
Revenues	-$2.98M
Power Supply Cost	-$40.6M
Other Operating Expenses	+$2.8M
Investment Income	+$0.6M
Capital Transfers	-$0.95M
Reserve Balance	**+$36.4M**

Energy Revenues

Energy revenues are slightly lower by about $2.98 million from the December adjusted budget. While CPUC's final adopted PG&E generation rates and PCIA charges improved overall SVCE's margins by about 0.5% (to 13.55 ¢/kWh) or about $2 million, as shown in the illustration below, adjustments for the franchise fee and decrease in actual realized sales from October to December 2024 due to mild weather more than offset the increase.



* Source: PG&E 2024 ERRA Forecast Update, released in October,2024 (Weighted for SVCE Portfolio Load)
** PG&E 2025 Average Rate, effective January 1, 2025 (Weighted for SVCE Portfolio Load)

Above margin analyses ignores minor reductions for franchise fees (0.1¢/kWh)

Power Supply Expenses

Power supply expenses have decreased significantly by about $41 million since the December update. The reduction primarily results from much lower market prices for meeting SVCE's load obligations and staff's reduced assessment of Resource Adequacy (RA) resources needed to comply with the newly implemented RA market framework.

The market prices, including actual/observed prices for October 2024 to December 2024 and forward prices for the remaining forecast period, for energy and Renewable Portfolio Standard (RPS) have declined significantly. Since the December 2024 budget update, the FY25 energy prices have dropped about 13%, and the 5-year average energy prices have dropped by about 9%. FY25 RPS prices dropped by about 45%, and the 5-year average dropped by about 30% as compliance period 4 (January 2021 to December 2024) ended in December 2024. The recent record run-up in RPS prices seems partly driven by load-serving entities' rush to meet RPS period 4 compliance obligations[3]. The drop in RPS price does not contribute to lower power supply costs for FY25 as it does for the remainder of the 5-year forecast period because SVCE has already procured its RPS need for the current fiscal year. While RA prices for FY25 have not changed, the 5-year average has dropped about 11%. Market price changes, along with updated portfolio positions, lower retail realized retail sales volume of about 2% for October 2024 to December 2024 due to mild weather, and other minor reductions in California Independent System Operator (CAISO) charges, contribute to about $17.5 million decrease in power supply expenses.

The remaining reduction of about $23.5 million results from a decrease in staff's assessment of additional resources needed to meet RA obligations from the implementation of the new Slice of Day (SOD) RA market in 2025, where RA obligations moved from a simple monthly target to a 12-month 24-hour target. Under SOD, load serving entities such as SVCE need to demonstrate that they have the resources (capacity) to meet CAISO's worst day of the month or the day with the highest resource need. Now that the staff has a better understanding of the new market framework and has successfully met the initial requirements, staff has reassessed the resources needed to meet new compliance requirements, which has led to a significant reduction in the need for additional RA resources.

Operating Expenses

Operating expenses have increased by about $2.85 million from December 2024's adjusted budget. The increase in projected operating expenses is mainly comprised of costs associated with increased staffing.

About $1.42 million of the $2.85 million increase in operating expenses is associated with the request for five new positions across the organization. These positions are described in the next section of this report. These positions will enable the expansion of customer programs and cost-effectively build bench strength in various parts of the organization. The agency has successfully filled key roles in its current phase of operations. Now, the focus is to ensure that there's staffing at different levels behind critical positions to enhance business continuity and to efficiently create a learning and development opportunity for skilled employees to move into advanced roles, which also reduces some costly external sourcing of key functions and promotes retention of critical institutional knowledge.

The professional services increase by $0.66 million. Some cost increases are due to additional vendor support and expertise needed to comply with various tax employment requirements for out-of-state employees, additional support on decarbonization initiatives, and some increases in legislative and legal consulting services. In addition, SVCE currently has business data in various systems or spreadsheets. To reduce operating risks, enhance data security, and automate costly and manual time-consuming data collection and processing, SVCE is creating an integrated organization-wide central data repository, internally called RADaR (Repository for Analytics, Data and Reporting). This project will also automate the preparation of some of the recurring monthly and quarterly reports and provide greater data-driven insights for making key business decisions. SVCE plans to source a vendor to help develop the central data repository. The RADaR project is budgeted at $0.8 million. There were also decreases due to the expiration of some contracts, which offset some of these increases, resulting in a net increase of $0.66 million.

[3] For compliance period 4, load serving entities had to meet 40% of their load from RPS resources. SVCE exceeded its compliance period 4 obligation, serving 44% of its load with RPS resources.

There is a slight increase of $0.27 million in marketing and promotions to implement Board-approved educational non-profit grants and scholarships and additional overall marketing outreach materials to promote SVCE services.

Staff renewed the Data management services agreement, and final costs were lower by about $0.19 million than the amount included in the December budget update.

The General Administration (G&A) costs increased by about $0.69 million due to additional administrative costs associated with the request for five new positions, increases in membership renewals to professional trade associations, and additional insurance costs due to the new office building purchase.

While not an increase in cost, $1.5 million of the costs from the professional services category were re-categorized to G&A to align with the accounting cost categories.

Additional Staffing

In the Customer Success department, staff requests two new positions. The first is an Energy Lead to take charge of the upcoming demand flex program (deploying and controlling batteries, HVAC, EVs, etc.), which requires specific expertise and increases the department's workload. This new position will also increase the capacity to engage with various dynamic rate pilots and implement CPUC-required load management standards. Without this additional support, other programs will need to be deprioritized.

The second role identified to support the Customer Success department is a Senior Energy Specialist. For staff to pursue the ability to administer energy efficiency program funding from the state, a skilled resource to manage the application and ongoing reporting for the funds is required to access and deploy significant new funding sources (this funding would also eventually be able to pay for this resource).

In the Regulatory, Policy, Planning, and Legislative (RPPL) department, an additional Resource Planner is requested. Bringing more of SVCE's energy resource planning in-house will improve efficiency and effectiveness for long-term planning, strategic policy development, and gaining long-term market insights. Bringing more core resource planning functions in-house is more cost-effective. It provides a better approach to this critical function because internal staff will retain and use the institutional knowledge needed for this strategic function.

SVCE has recently consolidated Data and Analytics functions across the organization. To achieve business maturity goals (what staff calls "SVCE 3.0") in data and modeling, SVCE requires expanded staffing at a lower level to ensure existing data needs are met while allowing experienced staff to meet new data and modeling goals. The department requests an Associate Data Scientist to address the continued need for data requests, data analyses, and quantitative energy portfolio risk analyses. Without this resource, higher-level staff will continue to be inundated with basic data query and analysis work and would be unable to address the more challenging work associated with building more efficient automated work processes and addressing sophisticated energy portfolio risk analytics. While consultants are available for project work at a higher level, having senior staff work toward these goals is more cost-effective, promotes staff development, enhances business continuity through cross-training, and enables retention of core institutional knowledge.

The Power Resources team requests a rotational Power Program Analyst to promote long-term business continuity while enabling existing staff to develop and reduce reliance on some externally sourced core functions, for example, in the area of portfolio valuation. The Power Program Analyst will be trained to support front, middle, back office, and regulatory areas, allowing for cross-training, coverage, and succession planning in key roles. After the two-year training period, the incumbent can move into any of the four functions. The cost of turnover (from a recruitment/consultant/training perspective) and the risks associated with future promotion, attrition, and other staff movement will be mitigated by creating this essential role.

All the requested positions align with SVCE's strategic goals: to increase program availability, add sophistication and efficiency to business processes, and promote retention and development within the workforce for long-term stability and career satisfaction.

Programs Budget

SVCE will continue incorporating projected Decarbonization Programs spending over the 5-year forecast into the reserve balance projections. For the current fiscal year, Program spending is projected to be $19.8 million, with an additional spend of $620 thousand from the Customer Relief and Community Resilience Program (CRCR)[4] Fund, and $300 thousand in E-Elec (all electric) Fund, the all-electric rate discounts.

Non-Operating Revenues

Investment income is projected to increase by $0.6 million, resulting from higher returns from SVCE's investments.

STRATEGIC PLAN

The recommendation supports all of the Board's adopted strategic plan goals. Specifically, this budget update supports SVCE Strategic Plan Goal 6 – "Maintain healthy financial position; avoid failures in the management of market risk, credit risk, liquidity risk, operational risks, and enterprise risks."

ALTERNATIVE

Staff is open to feedback and suggestions from the Board. At a strategic level, the Board can change the discount to PG&E, reduce the power supply portfolio's carbon-free and/or renewable percentages, and cut the expenditure on the Decarbonization Programs.

Staff does not recommend any specific reductions given a sufficient projected reserve balance that maintains SVCE's stable financial condition.

FISCAL IMPACT

The MY 2025 Adjusted Operating Budget includes $523.5 million in revenues and $390.3 million in expenses, non-operating revenues, and transfers, contributing to reserves of $133.2 million.

ATTACHMENT

1. MY 2024-25 Adjusted Operating Budget

[4] 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.

Attachment: MY 2024-25 Adjusted Operating Budget

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

DESCRIPTION	FY 2024-25 MID-YEAR ADJUSTED BUDGET
ENERGY REVENUES	
Energy Sales	521,650
Green Prime	1,884
TOTAL ENERGY REVENUES	**523,534**
ENERGY EXPENSES	
Power Supply	349,478
OPERATING MARGIN	**174,056**
OPERATING EXPENSES	
Data Management	3,549
PG&E Fees	1,516
Salaries and Retirement	18,805
Professional Services	7,797
Marketing & Promotions	1,885
General & Administrative	5,733
TOTAL OPERATING EXPENSES	**39,284**
OPERATING INCOME (LOSS)	**134,771**
NON-OPERATING REVENUES	
Interest Income	19,866
TOTAL NON-OPERATING REVENUES	**19,866**
NON-OPERATING EXPENSES	
Financing	12
TOTAL NON-OPERATING EXPENSES	**12**
TOTAL NON-OPERATING INCOME (EXPENSES)	**19,854**
CHANGE IN NET POSITION	**154,625**
CAPITAL EXPENDITURES, INTERFUND TRANSFERS & OTHER	
Capital Outlay	50
Program Fund	10,530
Nuclear Allocation	3,708
Customer Bill Relief	5,370
Hanford Emissions Mitigation Fund	1,800
TOTAL CAPITAL EXPENDITURES, INTERFUND TRANSFERS & OTHER	**21,458**
BALANCE AVAILABLE FOR RESERVES	**133,167**

SILICON VALLEY CLEAN ENERGY

Staff Report – Item 6

Item 6:	**Recommend the SVCE Board of Directors Approve Establishing a Rate Stabilization Fund Under GASB 62**
From:	Monica Padilla, CEO
Prepared by:	Amrit Singh, CFO and Director of Administrative Services
Date:	2/26/2025

RECOMMENDATION

Staff recommends that the Silicon Valley Clean Energy (SVCE) Finance and Administration Committee recommend that the SVCE Board of Directors (Board) establish a Rate Stabilization Fund under the Government Accounting Standard Board (GASB) Standard 62[1].

BACKGROUND

GASB 62 is an accounting method available to government entities, allowing SVCE to recognize revenues set aside for certain costs in the same period as expenses occur under Generally Accepted Accounting Principles (GAAP). Currently, the Board directs funding for programs and other earmarked projects, such as purchasing an SVCE office building, in each fiscal year's budget. While these funds are transferred from the respective fiscal year's operating budget (non-GAAP accounting), the financial statements (GAAP accounting) do not recognize these expenditures until they are incurred. Under GASB 62, revenues can be deferred to account for these earmarked funds to a Rate Stabilization Fund. When expenditure occurs, the deferred revenues can be recognized from the Rate Stabilization Fund.

Ava Community Energy, Clean Power Alliance, Marin Clean Energy, Orange County Power Authority, and Sonoma Clean Power have implemented GASB 62.

ANALYSIS & DISCUSSION

GASB 62 accounting will enable SVCE to defer revenues to future periods and recognize those revenues in periods when expenditures occur for projects that the Board directed those revenues toward. For example, for Fiscal Year 2023-2024, the Board directed $20 million toward purchasing an SVCE office building. With GASB 62, staff could have deferred revenues of $20 million, reducing the addition to the net position by $20 million. When SVCE completes purchasing the office building, SVCE could recognize the $20 million in deferred revenues, thereby not impacting that fiscal year's addition to net position or net revenues.

This accounting provision impacts the reporting of SVCE's net position in the financial statements. It lowers the net position for the fiscal year, when revenues are deferred, and increases it for the fiscal year when those revenues are recognized. The deferred revenues create a corresponding liability in the Statement of Net Position. Staff's assessment of the impact on readers of financial statements is likely positive because the net position can now account for unspent funds that are earmarked for projects, either not fully implemented or not yet started.

[1] *The Governmental Accounting Standards Board (GASB) is the organization that determines and updates generally accepted accounting principles (GAAP) for government entities.*

The criterion staff proposes to defer or recognize revenues to and from the rate stabilization fund will attempt to keep GAAP recognized net revenues positive to the extent possible. At the end of the fiscal year, staff working with SVCE's accountant may defer revenues such that total deferred revenues do not exceed the balance of unspent earmarked funds and the addition to net position does not fall below 2% of the revenues. If the addition to the GAAP net position falls below 2% of revenues for any fiscal year, revenues may be recognized from the rate stabilization fund to the extent balance exists such that the GAAP addition to the net position is at or above 2% of the revenues and/or to adjust the rate stabilization balance to reflect the outstanding balance of all earmarked budgeted funds.

STRATEGIC PLAN

Prudently managing SVCE's financial position is supported by Strategic Plan Goal 6 – "Maintain healthy financial position; avoid failures in the management of market risk, credit risk, liquidity risk, operational risks, and enterprise risks."

ALTERNATIVE

Staff is open to feedback and suggestions from the Finance and Administration Committee on establishing the fund.

FISCAL IMPACT

Implementing a Rate Stabilization Fund is an accounting change without direct financial impact. The fiscal year in which revenues are deferred would show a commensurate reduction in net revenues, and the fiscal year in which revenues are recognized would show a commensurate increase in net revenues in the financial statements.