SVCE’s Planning & Budgeting Process and Financial Stress Tests

February 26, 2025
Finance and Administrative Committee

Amrit Singh
Scott Wrigglesworth

SILICON VALLEY CLEAN ENERGY

Purpose

Information Item:

1. Overview of SVCE's Planning and Budgeting Process and Future Committee Meetings

2. Seek Feedback on the Planned Financial Stress Test Scenarios

Main Areas of Discussion

- FY 25-26 Budgeting & Planning Timeline
- Overview of Enterprise Risk Management (ERM) and Stress Tests
- Review Key Drivers of Financial Risks
- Review Planned Financial Stress Test Scenarios
- Next Steps

SVCE's Planning & Budgeting Process

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

Budget

Funding in alignment with achieving the strategic focus areas

Strategic Focus Areas

Organization-wide priorities and alignment toward achieving the mission

Enterprise Risk Management

Comprehensive assessment of risks and opportunities to optimally achieve mission

FY25-26 Budgeting and Planning Process Timeline

Jan/Feb
Staff's Enterprise Risk Assessments

February 26th
<u>Finance & Admin Committee</u> Reviews Financial Stress Case Proposal(s)

May
<u>Finance and Admin</u> Reviews Stress Case Analyses and Budget Framework

June 12
Board Reviews Financial Stress Cases

August
<u>Finance and Admin Committee</u> Reviews FY 25-26 Draft Budget and Reserve Targets

August 13 & September 10
Board Reviews and Adopts FY 25-26 Budget and Reserve Targets

November
<u>Finance and Admin Committee</u> Reviews Adjustments to Budget reflecting updates to PCIA and PG&E Gen Rate Assumptions

December
Board Adopts the Adjusted Budget

February
<u>Finance and Admin Committee</u> Reviews Mid-Year Budget Update

March
Board Adopts Mid-Year Budget

Stress Tests and ERM

ERM

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

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

Stress Test

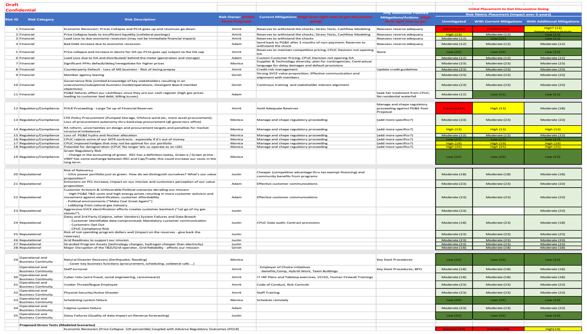
An essential <u>component</u> of ERM

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

Key Components of the ERM Framework

Risk Register

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



Risk Matrix

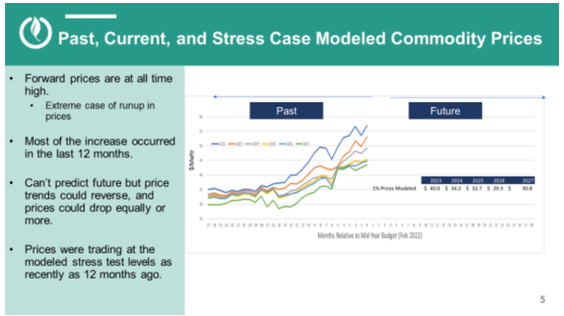
- Risk Rubric. Assess the likelihood and consequence of risk events
- Calibrate risks
- Identify risk tolerance – level of acceptance

Impact/Consequence

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

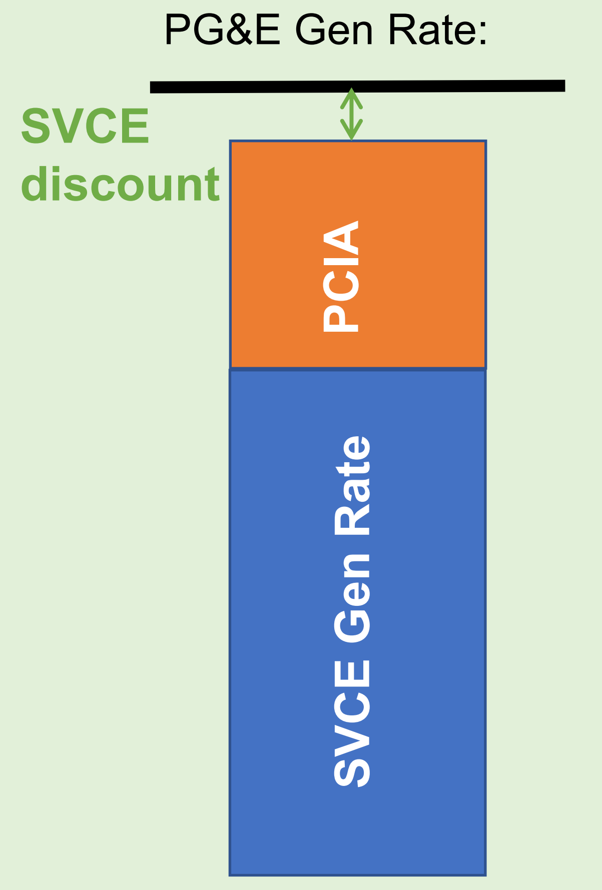
Stress Tests

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



Review of Key Financial Risk Drivers

Biggest contributor to revenue risk: PCIA and PG&E Generation Rate Uncertainty.



PCIA and PG&E Gen Rate determine SVCE Rates and therefore Revenues

	Revenues
PCIA ↑	↓
PCIA ↓	↑

	Revenues
PG&E Rate ↑	↑
PG&E Rate ↓	↓

Revenues decline when prices decline

Price Uncertainty– Cont'd

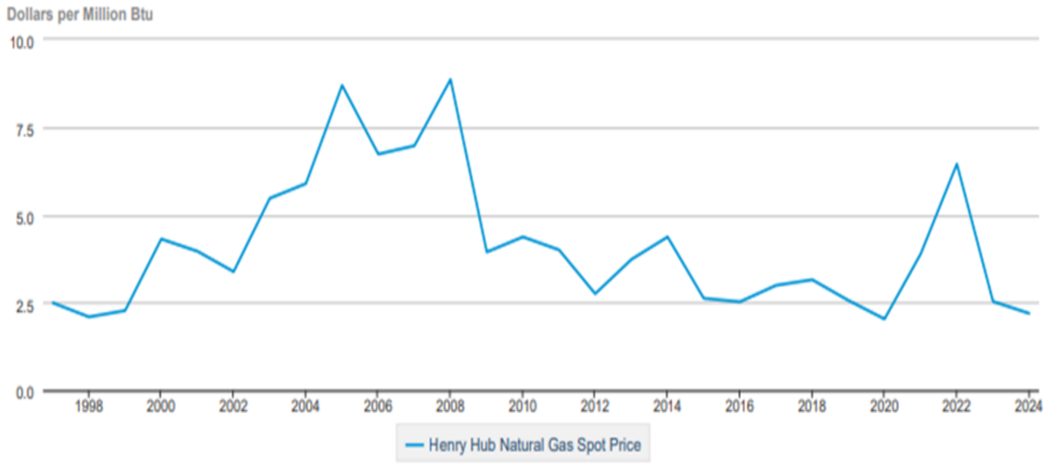
Price collapse continues to pose biggest financial risk.

- Revenues drop significantly
- Loss of revenues far exceed savings from lower power procurement costs
  - Power procurement savings dampened by existing hedges
  - SVCE is adjusting its energy portfolio to mitigate this impact to the extent possible and as best estimated by SVCE

	2026 Prices ↑	2026 Prices ↓
2025 Prices ↑	PCIA ↓ PG&E Rate ↑ **SVCE Revenues ↑**	
2025 Prices ↓		PCIA ↑ PG&E Rate ↓ **SVCE Revenues ↓**

2025 Financial Stress Tests

- Forward Energy Prices Collapse to the one percentile level
- Economic Recession Creates Load Loss
- Customer Uncollectables Increase
- Reduction in Financial Liquidity
  - Model the requirement of a one-time cash draw equivalent to two months of procurement as a proxy for potential business operating and regulatory risks
  - Large counterparty collateral postings from collapse in prices



Additional Stress Tests

- The Enterprise Risk Matrix fuels continuous evaluation of risks and opportunities large and small.

- We are considering several of the risks/opportunities raised by staff for additional stress testing.

- Staff will update the Finance Committee on any additional stress scenario(s) at a future meeting, likely in May 2025

Next Steps

- Present financial stress test scenario analysis results at the May 2025 meeting
  - Present to the Board in June 2025
  - Use the analyses to determine the adequacy of reserve-holding targets
- Update the Committee at a future meeting, most likely in May 2025, on any other stress scenario(s)
- Other risks and opportunities identified from the ERM framework will help shape next fiscal year’s strategic focus areas, measures, and department work plans

Thank you! / Questions?

Risk Matrix

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

Impact/Consequence

Frequency/Likelihood		Insignificant Risk Easily Mitigated through Day-to-Day Operations	Minor Risk is Manageable/Low Impact on Mission	Moderate Moderate Erosion of Reserves/Impact on Mission	Major Significant Erosion of Reserves/Impact on Mission	Catastrophic Risk of Existence
Certain	>90% chance	High (1)	High (2)	Extreme (3)	Extreme (4)	Extreme (5)
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Risk Register

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

Draft and illustrative

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

Proposed Stress Tests (Modeled Scenarios)

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

An expanded view is also shown in the appendix.

MY 24-25 Adjusted Operating Budget

Amrit Singh

Finance and Administration Committee

February 26, 2025

SILICON VALLEY CLEAN ENERGY

Purpose

Action: Recommend that the Board Adopt Mid-Year 2024-2025 (MY 25) Adjusted Operating Budget

Main Areas of Discussion

- Review the Budget Timeline
- Highlight Changes Since the Adoption of the Adjusted Budget in December
- Compare Mid-year and Adjusted Budget Key Line Items
- Review 5-yr Reserve Projections
- Provide Staffing Update
- Committee Vote

Mid Year FY24-25 Budget Approval Timeline

May

The Finance & Admin Committee reviewed the high-level budget framework

June

The BOD reviewed the high-level budget framework

August

The Finance & Admin Committee reviewed the proposed budget

August

The BOD reviewed the proposed budget

September

The BOD adopted the budget and agreed to revisit additional expenditures later in the year when there would be more certainty on PG&E rates

November

The Executive Committee and Finance and Admin Committee reviewed the updated budget based on the revised PG&E rate filing and provided feedback on any additional expenditures

December

The BOD reviewed and adopted amendments to the budget

March 2025

Mid-Year Budget Review / Adjustment

Mid-Year Budget Highlights

Excellent FY25 But Negative Margins over 5-yr Outlook

- Healthy contribution to reserves of **$133.2 million**
  - An increase of ~ $36.4 million from $96.8 million at the adjusted Budget (approved in December 2024)
- Revenue forecast mostly remains unchanged
  - A slight reduction due to several minor adjustments
- Key Drivers of the Increase to Reserve Contribution:
  - Sharp drop in energy market prices contributing to lower power supply expenses
  - Reduction in staff's assessment of resource adequacy (RA) needed to comply with the newly adopted market framework
- Operating expenses increased by ~ $2.8 million
  - Request for five additional positions
  - Additional professional services, marketing expenses, and general and administrative costs

- Negative contribution to reserves forecasted for the upcoming two fiscal years due to declining market prices for energy, renewable portfolio standard (RPS), and RA prices

An Increase of ~$36.4 Million vs Adjusted Budget

Description	Variance Mid-Year Budget vs. 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**

Annual Adjusted Budget vs. Mid-Year Budget

- Revenues slightly lower
  - Adjustments for franchise fee (-)
  - Realized lower sales to date and lower sales from custom deals (-)
  - Slightly higher final rates (+)
- Power Supply Cost decrease
  - Sharp decline in market prices
  - Reduction in resource adequacy (RA) needs
- Program Fund, Nuclear Allocation, Customer Bill Relief, and Handford Fund all unchanged
- Capital Outlay adjusted due to change in office building strategy

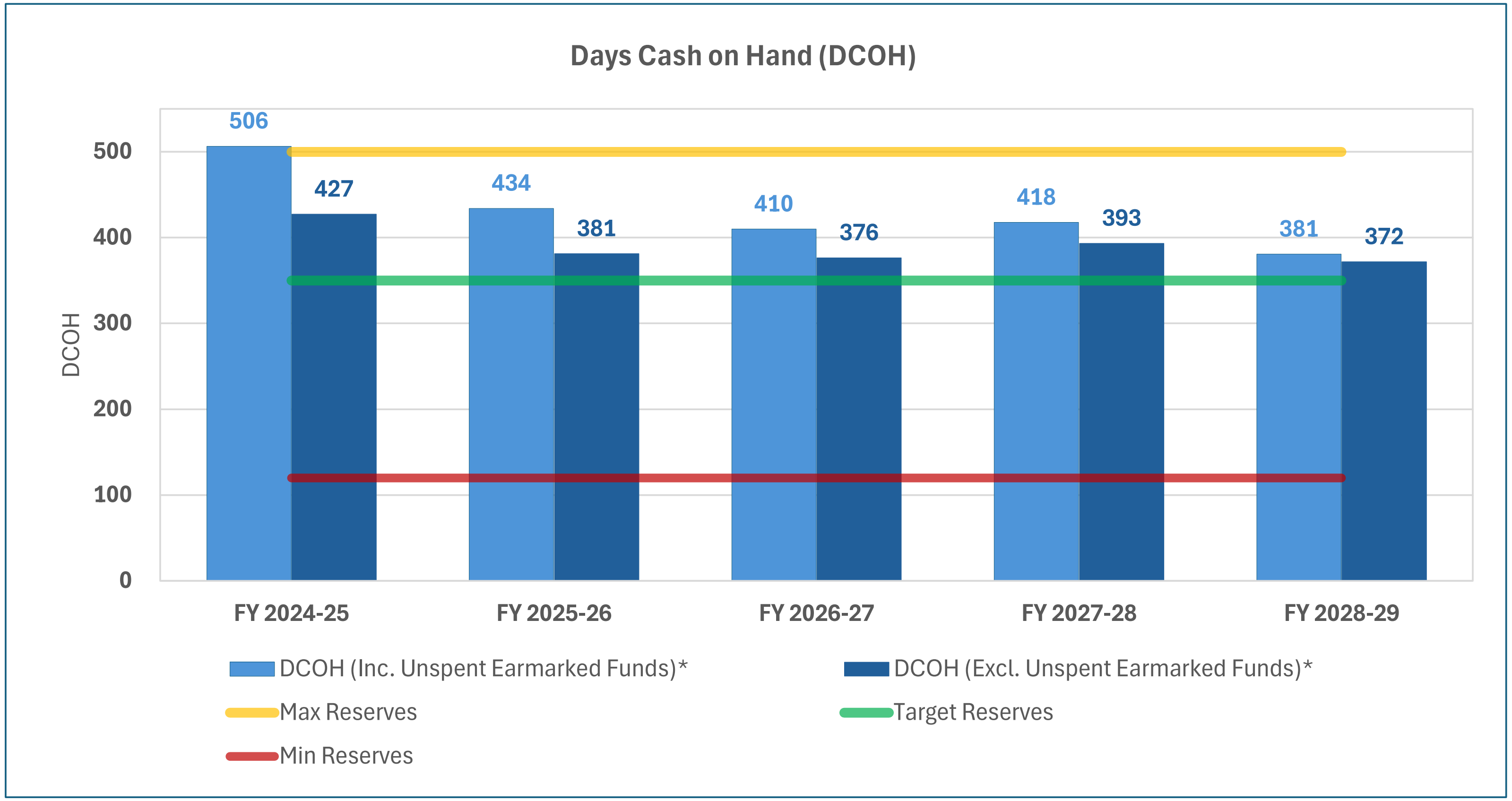
SILICON VALLEY CLEAN ENERGY
FY 2024-25 OPERATING BUDGET
($ in thousands)

DESCRIPTION	FY 2024-25 ADJUSTED BUDGET	FY 2024-25 MID-YEAR ADJUSTED BUDGET	Change $	Change %
Energy Revenues	526,513	523,534	(2,979)	-0.6%
Power Supply Expense	390,091	349,478	(40,613)	-10.4%
Operating Margin	136,422	174,056	37,634	27.6%
Operating Expenses	36,433	39,284	2,851	7.8%
Non-Operating Revenue (Expense)	19,168	19,854	686	3.6%
Annual Transfers and Other Expenses				
Capital Outlay	1,002	50	(952)	-95.0%
Program Fund	10,530	10,530	0	0.0%
Nuclear Allocation	3,708	3,708	0	0.0%
Customer Bill Relief	5,370	5,370	0	0.0%
Hanford Emissions Mitigation Fund	1,800	1,800	0	0.0%
BALANCE AVAILABLE FOR RESERVES	96,746	133,167	36,421	37.6%

Reserve Projection

Projected End of FY Reserves:

- 427 Days of Cash on Hand (DCOH)
  - Excludes Unspent Program Funds and Building Fund
- 506 Days of Cash on Hand (DCOH)
  - If unspent Program Funds and Building Fund were included in the reserve calculation



** Earmarked funds are unspent SVCE Program Funds and Building Funds.*

Staffing

Current Budgeted Staffing

- **62** Full-time Employees (3 Vacancies)
- 3 intern positions (3 Open)
- 4 Part-time Employees (1 Open)
- 3 Climate Corps Fellows
- 1 Long-term Independent Consultant

Proposed Staffing

- **67** Full-time Employees (8 Vacancies)
- 3 intern positions (3 Open)
- 4 Part-time Employees (1 Open)
- 3 Climate Corps Fellows
- 1 Long-term Independent Consultants

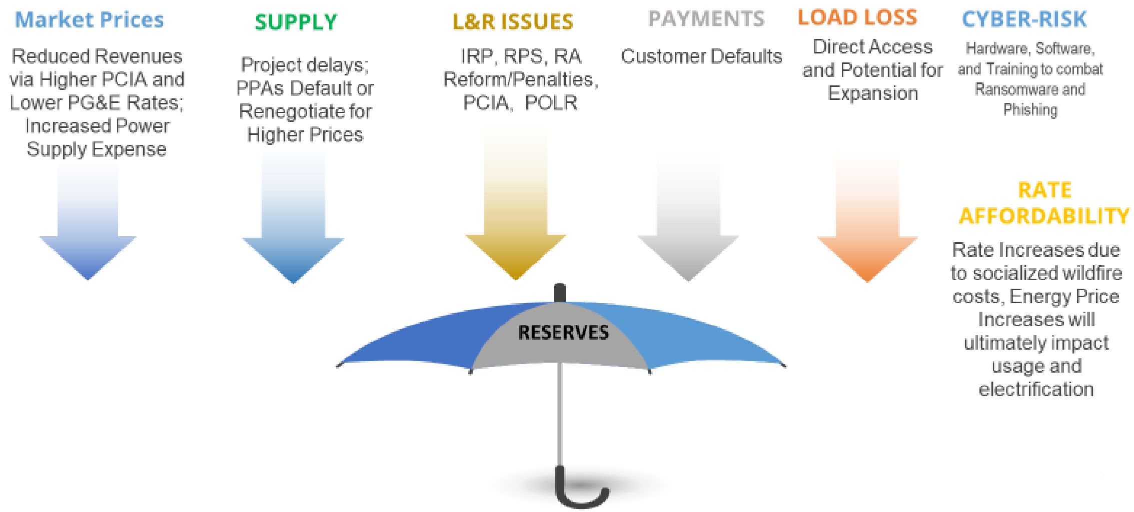
The proposed budget requests approval for 5 additional position

- **Customer Success (CS) (2)**
  - Energy Lead (1) - the upcoming demand flex program (deploying and controlling batteries, HVAC, EVs, etc.) will require specific expertise and significant bandwidth. This role will also increase the capacity to engage with various dynamic rate pilots and the implementation of CPUC-required load management standards
  - Sr. Energy Specialist (1) - in order for SVCE to pursue energy efficiency program funding from the state, a skilled resource to manage the application and ongoing reporting for the funds would be required (this funding would also eventually be able to pay for this resource)
- **Regulatory, Policy, Planning & Legislative (RPPL) (1)**
  - Resource Planner (1) - bringing more of SVCE's resource planning in-house will improve efficiency and effectiveness for long-term planning, strategic policy development, and gaining long-term market insights
- **Finance & Administration (F&A) (1)**
  - Data Analyst (1) - to achieve efficient and effective maturity in data analyses and modeling, SVCE needs to expand staffing at a lower level to ensure data and analytical needs are met while allowing experienced staff to meet new data and modeling goals
- **Power Policy Planning Procurement Regulatory and Operations (PRO) (1)**
  - Power Program Analyst (1) - to ensure strong long-term business continuity, this role will be trained to support front, middle, back office, and regulatory functions, allowing for cross-training, coverage, and succession planning in key roles

Summary – While Declining Energy Prices Improve FY25 Results, Outlook Over Next Two Fiscal Years are Negative

- Next Steps
  - Staff will conduct financial stress test analyses and recommend any updates to the reserve targets
  - Stress test results will be presented to the Finance and Admin Committee in May and to the Board in June
  - Staff will present the framework for developing the next fiscal year's budget to the Finance and Admin Committee in May
  - Draft budget for FY25-26 will be presented to the Finance and Admin Committee in August
  - Final FY25-26 budget will be presented to the Board in September

Many Risks can Deplete Reserves



Recommendation

Recommend that the Board of Directors adopt the Mid-year (MY) 2024-25 Adjusted Operating Budget that projects contributing $133.2 Million to the reserves.

Thank you! / Questions?

2024-2025 Mid-Year 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**

5-Year Forecast

($ 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]	$521,650	$368,559	$412,040	$451,239	$460,998
GreenPrime Electricity Premium	$1,884	$2,532	$2,561	$2,373	$2,340
Total Operating Revenues	**$523,534**	**$371,091**	**$414,601**	**$453,612**	**$463,338**
Operating Expense					
Power Supply	$349,478	$377,921	$379,686	$385,358	$415,503
Operating Margin	**$174,056**	**$(6,830)**	**$34,915**	**$68,254**	**$47,835**
Data Management	$3,549	$3,726	$3,913	$4,108	$4,314
PG&E Service Fees	$1,516	$1,592	$1,672	$1,755	$1,843
Salaries and Retirement	$18,805	$19,745	$20,732	$21,769	$22,857
Professional Services	$7,797	$8,187	$8,596	$9,026	$9,477
Marketing & Promotions	$1,885	$1,979	$2,078	$2,182	$2,291
General and Administration	$5,733	$5,871	$5,695	$6,754	$7,092
Transfers to Programs Fund	$21,408	$7,422	$8,292	$9,072	$9,267
Total Operating Expenses	**$410,170**	**$426,443**	**$430,663**	**$440,024**	**$472,644**
Operating Income	**$113,363**	**$(55,352)**	**$(16,062)**	**$13,588**	**$(9,306)**
Nonoperating Revenue					
Investment Income	$19,866	$20,529	$14,966	$16,528	$16,683
Total Non-Operating Revenues	$19,866	$20,529	$14,966	$16,528	$16,683
Nonoperating Expense					
Financing Cost	$12	$26	$26	$26	$26
Capital Outlay	$50	$50	$50	$50	$50
Total Non-Operating Expense	**$62**	**$76**	**$76**	**$76**	**$76**
Non-Operating Income	**$19,804**	**$20,453**	**$14,890**	**$16,452**	**$16,607**
Change in Net Position/Available for Reserves	**$133,167**	**$(34,899)**	**$(1,172)**	**$30,040**	**$7,301**
Begin, Net Financial Position	**$485,197**	**$598,841**	**$536,760**	**$513,324**	**$533,257**
Adjustment for Program Expenditure and Building Fund[2]	**$(19,524)**	**$(27,182)**	**$(22,264)**	**$(10,108)**	**$(17,950)**
End, Net Financial Position	**$598,841**	**$536,760**	**$513,324**	**$533,257**	**$522,607**
Days Cash On Hand (DCOH) at Year End	$569,156	$507,075	$483,639	$503,572	$492,922
Days of cash on hand	506	434	410	418	381

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 $**5.37** million. 1% discount for FY26-27, FY27-28 and FY28-29.

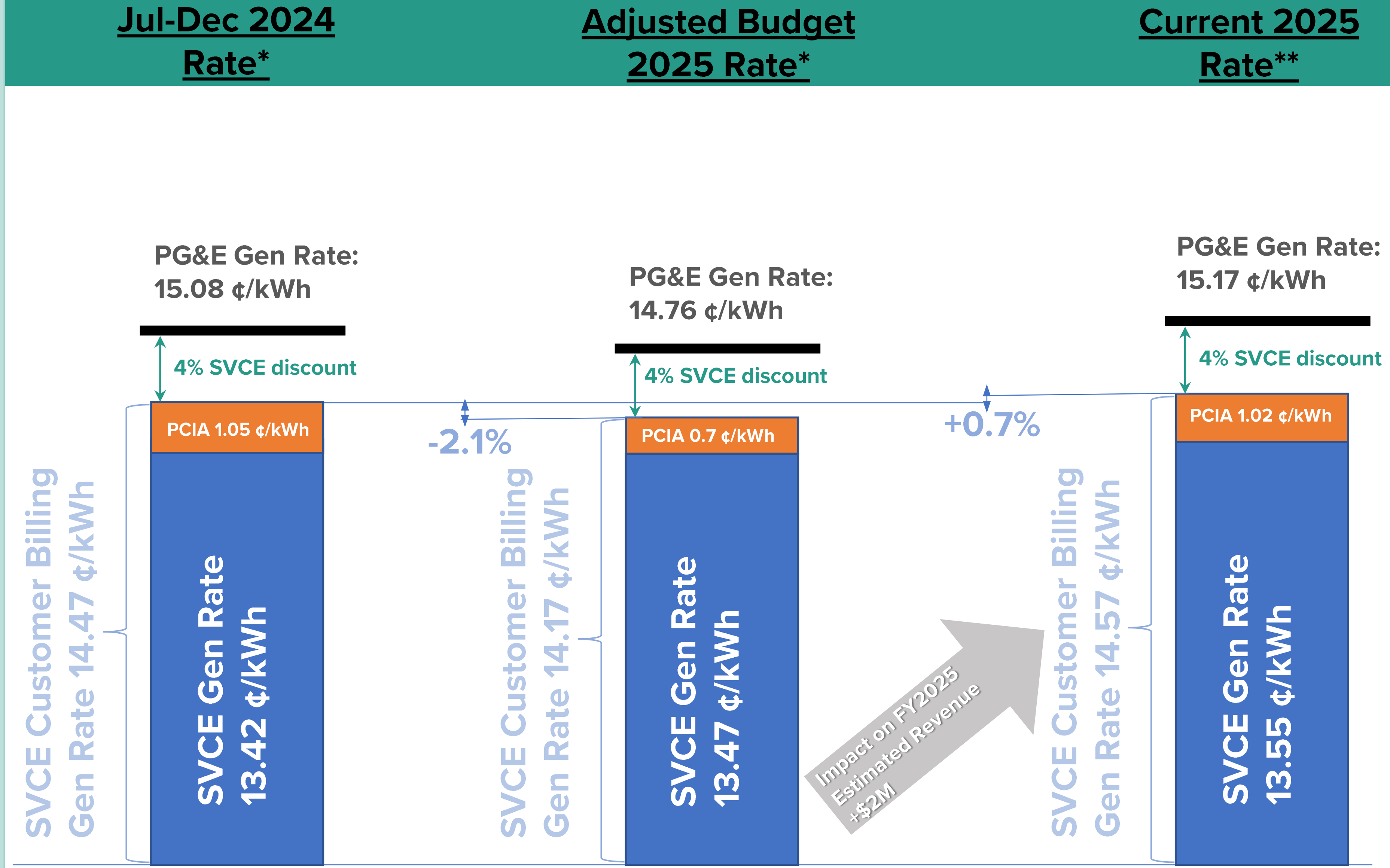
2 Each year the Board transfers funds from the Operating Budget to the Decarbonization Programs Fund as shown in the above forecast under line item Transfers to Programs Fund. The line item Adjustment for Program Expenditure accounts for the difference between *forecasted spend* for programs versus the amount transferred to the fund. This adjustment is needed because program spending to date has been less than the amount transferred to the programs fund. The $20 million in building Fund is assumed to be spent between FY24-25 to FY26-27.

For forecast years FY24-25 onward:

- **Revenues are based on SVCE's load forecast and CalCCA NewGen Model for SVCE margin analysis using market data as of 1/31/2025**
- **Power Supply Costs are based on updated portfolio positions and latest market data**
- **Operating Expenses are assumed to grow 5% / year**

- Relative to Assumptions in the December Adjusted Budget:
    - PG&E's average 2025 generation rate increased by about 2.8%
    - PCIA increased from 0.70¢/kWh to 1.02¢/kWh
- Relative to Adjusted Budget, SVCE's 2025 margin improved by about 0.5%
- The rate changes were effective Jan 1, 2025.

Final PG&E Rate Improved SVCE Margins



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

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

Estimated Customer Billing Rate Breakdown and Comparison Y-o-Y

	Residential		Res CARE*		Small Commercial		Medium Commercial		Large Commercial	
	2024	2025**	2024	2025**	2024	2025**	2024	2025**	2024	2025**
Rate Schedule (as of Oct, 2024)	E-TOUC	Est. Avg	E-TOUCL	Est. Avg	B-1	Est. Avg	B-10S	Est. Avg	B-19S	Est. Avg
PG&E Bundled Gen Rate ($/kWh)	$ 0.150	$ 0.160	$ 0.150	$ 0.157	$ 0.150	$ 0.151	$ 0.158	$ 0.159	$ 0.144	$ 0.153
SVCE Gen Rate ($/kWh)	$ 0.132	$ 0.142	$ 0.132	$ 0.139	$ 0.132	$ 0.134	$ 0.140	$ 0.141	$ 0.127	$ 0.136
PG&E Delivery Rate ($/kWh)	$ 0.281	$ 0.265	$ 0.124	$ 0.090	$ 0.283	$ 0.285	$ 0.211	$ 0.211	$ 0.161	$ 0.161
PG&E PCIA/FF ($/kWh)	$ 0.012	$ 0.012	$ 0.012	$ 0.012	$ 0.012	$ 0.011	$ 0.012	$ 0.012	$ 0.011	$ 0.011
Total Electricity Cost ($/kWh)	$ 0.425	$ 0.418	$ 0.269	$ 0.241	$ 0.427	$ 0.430	$ 0.363	$ 0.364	$ 0.300	$ 0.308
SVCE CARE/FERA Monthly Credit*			$ (12.50)	$ (17.50)						
Est. Average Usage (kWh/month)	491	491	491	491	1,851	1,851	22,540	22,540	148,625	148,625
SVCE Gen Rate Discount vs PG&E	**4%**	**4%**	**~21%***	**~27%***	**4%**	**4%**	**4%**	**4%**	**4%**	**4%**
Est. Av. Monthly Savings vs PG&E	**$ 3.09**	**3.14**	**$ 15.59**	**20.59**	**$ 11.16**	**11.18**	**$ 143.54**	**143.64**	**$ 902.81**	**910.60**

*Estimated, based on PG&E average rates at the and of 2024 and as of Jan.1st 2025, also, average historic residential usage and number of CARE/FARE customers at the end of 2024.
**Estimated, based on PG&E Advice Letter 7469E filed with the CPUC on 12/30/2024.

Total CARE bill discount (including T&D) vs average residential customer, assuming the same usage (491 kWh/month) is about -51%.

On average, CARE usage is about 11% lower than that of an average E-TOUC customer.

Typical Customer Bill Savings

(Current Rates)

	Residential*		Residential CARE*		Small Commercial*		Medium Commercial*		Large Commercial*	
	SVCE	PG&E	SVCE	PG&E	SVCE	PG&E	SVCE	PG&E	SVCE	PG&E
Rate Schedule (eff. Jan 1, 2025)					B-1	B-1	B-10S	B-10S	B-19S	B-19S
Average Usage (kWh/month)	491	491	491	491	1,851	1,851	22,540	22,540	148,625	148,625
Annual Peak Demand (kW)									499	499
PG&E Electric Delivery	$ 129.94	$ 129.94	$ 44.30	$ 44.30	$ 527.07	$ 527.07	$ 5,130.33	$ 5,130.33	$29,053.22	$29,053.22
Electric Generation	$ 69.66	$ 78.59	$ 68.39	$ 77.27	$ 247.63	$ 279.48	$ 3,183.04	$ 3,591.07	$20,204.56	$22,764.89
PG&E Added Fees (PCIA, Franchise)	$ 5.78	$ -	$ 5.78		$ 20.68	$ -	$ 264.39	$ -	$ 1,649.74	$ -
CARE/FERA monthly bill credit			$ (17.50)							
Average Total Cost	$ 205.39	$ 208.53	$ 100.98	$ 121.57	$ 795.38	$ 806.55	$ 8,577.76	$ 8,721.40	$50,907.51	$51,818.11
Average Monthly Savings vs PG&E	$ 3.14		$ 20.59		$ 11.18		$ 143.64		$ 910.60	

*Estimated, based on PG&E Advice Letter 7469E filed with the CPUC on December 30, 2024, average residential customer usage, and a number of CARE/FERA customers at the end of 2024.

Updated Market Price Benchmarks

	% Change from Adjusted Budget*					Impact on Estimated SVCE Headroom**				
	2025	2026	2027	2028	2029	2025	2026	2027	2028	2029
Forecast On Peak Energy MPB	0%	-11%	-9%	-6%	5%	0.0%	-11.6%	-6.8%	-4.9%	2.3%
Forecast Off Peak Energy MPB	0%	-11%	-16%	-11%	1%					
Actual On Peak Energy MPB	-14%	-11%	-9%	-6%	5%					
Actual Off Peak Energy MPB	-11%	-11%	-16%	-11%	1%					
Forecast RPS MPB	0%	-47%	-38%	-14%	0%	0.0%	-15.2%	-9.0%	-2.5%	0.0%
Actual RPS MPB	-11%	-47%	-38%	-14%	0%					
Forecast System RA MPB	0%	-34%	-4%	-1%	1%	0.0%	-9.4%	0.2%	0.4%	0.4%
Forecast Local RA MPB	0%	-34%	16%	19%	21%					
Forecast Flex RA MPB	0%	-34%	16%	19%	21%					
Actual System RA MPB	-3%	-34%	-4%	-1%	1%					
Actual Local RA MPB	-3%	-34%	16%	19%	21%					
Actual Flex RA MPB	-3%	-34%	16%	19%	21%					
Total Estimated Impact						0.0%	-36.2%	-15.6%	-7.0%	2.7%

* Based on CPUC adopted benchmarks for CY2025 and snapshots of market data as of 10/25/2024 and 1/31/2025.
** Based on CalCCA NewGen Model analysis using market data as of 10/25/2024 and 1/31/2025.

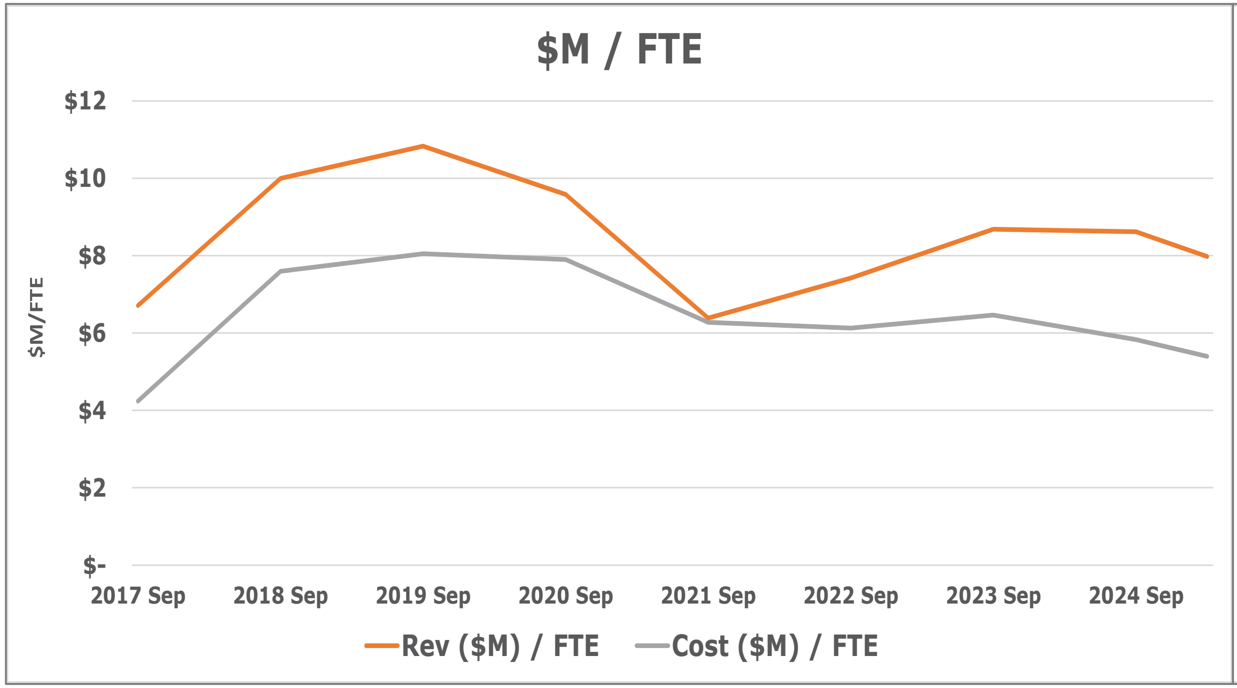
Operating Expenses

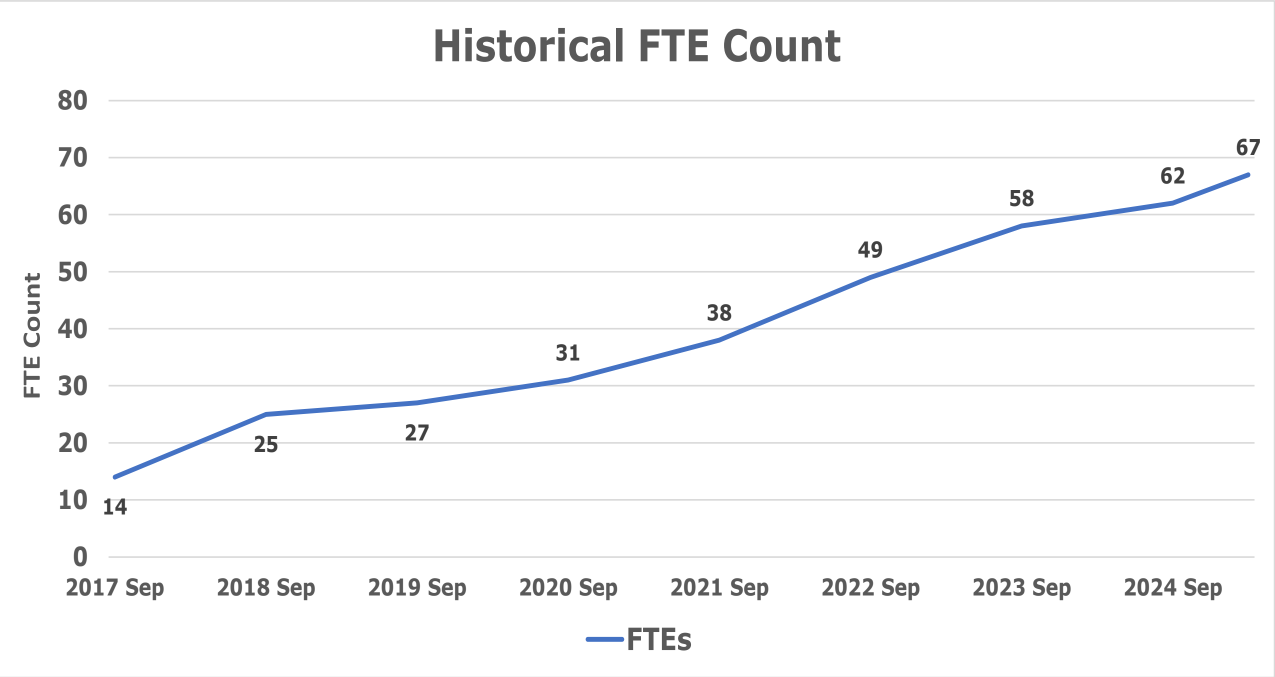
FY24-25 Adjusted Budget	MY24-25 Mid-Year Budget Updates
• Data Management Fees • $3.7M	• Slight decrease of ~$0.19M based on better contract rate
• Billing (PG&E Fees) • $1.5M	• Unchanged
• Staffing (Salaries & Retirement) • $17.4M	• Increase of $1.42M due to additional headcounts
• Professional Services • $9.4M	• Increased by $0.66M due to additional vendors and contracts for data integration (RADar) project support and additional legal and legislative consulting services.
• Marketing & Promotions • $1.6M	• Slight increase of $0.27M to support board-approved educational non-profit grants and scholarships, and to cover additional outreach marketing materials.

• G&A / Lease
  • $2.8M
	• Increase of ~$0.69M
	  • Slight increase due to additional headcounts, more in-person meetings, and anticipated insurance expense increase
	• Not an increase, but ~$1.5M from Professional Services was recategorized to G&A to align with accounting cost categories

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 23-24**	**FY23-24 Revenue ($MM) Per FTE**	**FY 24-25 Budget**
Silicon Valley Clean Energy	280,000	$503.7	$324.5	58	$8.7	67
Peninsula Clean Energy	310,000	$431.2	$307.6	50	$8.6	62
Central Coast Community Energy	450,000	$461.3	$241.9	52	$8.9	56
Clean Power Alliance	1,071,800	$1,169.5	$211.6	79	$14.8	86
Ava Community Energy	640,000	$824.0	$361.6	78	$10.6	86
MCE	500,550	$644.8	$244.2	84	$7.7	Unavailable

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.

Create an Accounting Rate Stabilization Fund Under GASB 62

Amrit Singh
Finance and Administration Committee
February 26, 2025

SILICON VALLEY CLEAN ENERGY

Purpose

Recommend the Board establish a Rate Stabilization Fund under GASB 62

Main Areas of Discussion

1. Accounting Rule – GASB 62
2. Other CCA's Using Rate Stabilization Fund
3. Financial Statement Illustration
4. Impact on Reader's of Financial Statement
5. Comparison of Reserves and Rate Stabilization Fund
6. Criteria for Directing and Recognizing Revenues to and from the Rate Stabilization Fund

Direct Earmarked Funds to a Rate Stabilization Fund

GASB 62 Enables Creation of a Rate Stabilization Fund*

- Defer Revenues to Future Period
  - Enables SVCE's Board to establish the fund to defer revenue recognition to future periods
- Impacts the Net Position in the Financial Statements
  - Lowers net position for the year revenues are deferred and increases it for the future year when revenues are recognized
  - Revenues for the applicable fiscal year are reduced, and a corresponding liability is created in the Statement of Net Position (balance sheet)
- Can record after the end of the fiscal year and can start with FY 2024-2025

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

Other CCAs Are Using GASB 62

CCA	Fund Amount ($ Million)
Clean Power Alliance (CPA)	135
Ava Community Energy (East Bay)	79.2
Marin Clean Energy (MCE)	70
Peninsula Clean Energy (PCE)	68

Sonoma Clean Power (SCP) and Orange County Power Authority (OCPA) plan to contribute to a rate stabilization fund.

Financial Statement Impact

MARIN CLEAN ENERGY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEARS ENDED MARCH 31, 2024 AND 2023

	2024	2023
OPERATING REVENUES		
Electricity sales, net	$ 770,344,682	$ 633,836,160
Rate stabilization	(40,000,000)	(15,000,000)
Grant revenue	11,360,450	10,532,421
Liquidated damages	26,074,259	7,219,945
Total operating revenues	767,779,391	636,588,526
OPERATING EXPENSES		
Cost of electricity	571,404,901	559,107,368
Contract services	21,157,869	19,389,252
Staff compensation	20,936,409	17,193,096
Other operating expenses	9,002,600	6,935,136
Depreciation and amortization	955,278	996,241
Total operating expenses	623,457,057	603,621,093
Operating income	144,322,334	32,967,433
NONOPERATING REVENUES (EXPENSES)		
Grant revenue	-	4,226,302
Interest and investment returns	15,420,160	4,007,603
Finance costs	(228,825)	(236,468)
Nonoperating revenues (expenses), net	15,191,335	7,997,437
CHANGE IN NET POSITION	159,513,669	40,964,870
Net position at beginning of year	244,171,846	203,206,976
Net position at end of year	$ 403,685,515	$ 244,171,846

MARIN CLEAN ENERGY

STATEMENTS OF NET POSITION

MARCH 31, 2024 AND 2023

	2024	2023
ASSETS		
Current assets		
Cash and cash equivalents - unrestricted	$ 101,027,404	$ 73,348,263
Accounts receivable, net of allowance	61,447,640	66,401,473
Accrued revenue	31,912,468	31,180,447
Other receivables	5,822,709	1,985,508
Prepaid expenses	972,203	651,310
Restricted cash	40,322,101	33,782,947
Investments	115,763,550	68,841,532
Deposits	14,108,352	10,924,834
Total current assets	371,376,427	287,116,314
Noncurrent assets		
Cash and cash equivalents - unrestricted	70,000,000	30,000,000
Investments	149,588,819	45,538,694
Capital assets, net of depreciation and amortization	863,432	1,818,709
Deposits	203,498	203,499
Total noncurrent assets	220,655,749	77,560,902
Total assets	592,032,176	364,677,216
LIABILITIES		
Current liabilities		
Accrued cost of electricity	67,950,289	45,803,423
Accounts payable	4,552,442	4,071,832
Other accrued liabilities	2,713,413	1,845,922
User taxes and energy surcharges due to other governments	1,288,372	3,112,581
Security deposits - energy suppliers	983,400	578,400
Lease liabilities	536,644	773,620
Advances from grantors	40,322,101	33,782,947
Total current liabilities	118,346,661	89,968,725
Noncurrent liabilities		
Lease liabilities	-	536,645
Total liabilities	118,346,661	90,505,370
DEFERRED INFLOWS OF RESOURCES		
Operating Reserve Fund	70,000,000	30,000,000
NET POSITION		
Net position		
Net investment in capital assets	326,788	508,444
Unrestricted	403,358,727	243,663,402
Total net position	$ 403,685,515	$ 244,171,846

Potential Impact on Readers of Financial Statement

Readers	Pros	Cons	Staff's Overall Assessment
Public	Net position statement reflects unspent but earmarked funds.	Shows unspent funds as liabilities but the Board can redirect to other uses in the future.	Positive
Credit Rating Agencies (S&P and Moody's)	Demonstrates greater Board commitment to separately set aside funds to promote rate stability.	Potential confusion that these liabilities reduce financial liquidity. CCAs, staff consulted with have not experienced this.	Positive
Counterparties (Energy Suppliers, Financial Institutions)	More stable yearly financial statement of Revenues and Expenses (Income Statement).	Potential confusion that these liabilities reduce financial liquidity.	Positive

Reserves and Rate Stabilization Fund

- Reserves (Internally tracked balance; Non-GAAP)
  - Board adopts Reserve targets in the Financial Reserves Policy
  - Reserve targets are designed to withstand plausible risk events
    - Board reviews the reserves policy each year along with the operating budget
    - Staff recommends reserve targets based on risk analyses following the agency's Enterprise Risk Management process
    - Not impacted by the creation of a Rate Stabilization Fund
- Rate Stabilization Fund (GAAP)
  - Can use this GAAP accounting to defer revenues on the financial statements and recognize them later when expenditures occur that correspond to the Board's direction on the utilization of those revenues

Criteria for Deferring & Recognizing Revenues

- 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 earmarked funds and the GAAP addition to net position does not fall below 2% of the revenues.
    - Unspent or unutilized Program Dollars, along with funds set aside to purchase an SVCE office building, was about $100 million at the beginning of the fiscal year 2024-25.
- If the addition to the GAAP net position falls below 2% of the revenues for any fiscal year and/or to adjust the Rate Stabilization balance to the outstanding balance of all earmarked budgeted funds, revenues may be recognized from the rate stabilization fund.

Recommendation

Recommend that the Board of Directors establish a rate stabilization fund under GASB 62

Thank you! / Feedback / Questions?