



Silicon Valley Clean Energy Executive Committee Meeting

Friday, February 28, 2025
10:00 am

George Tyson, Chair
Town of Los Altos Hills

Larry Klein, Vice Chair
City of Sunnyvale

Elliot Scozzola
City of Campbell

J.R. Fruen
City of Cupertino

Zach Hilton
City of Gilroy

Sally Meadows
City of Los Altos

Rob Rennie
Town of Los Gatos

Garry Barbadillo
City of Milpitas

Bryan Mekechuk
City of Monte Sereno

Yvonne Martinez Beltran
City of Morgan Hill

Pat Showalter
City of Mountain View

Tina Walia
City of Saratoga

Otto Lee
County of Santa Clara

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

Teleconference Meeting Information:
<https://svcleanenergy-org.zoom.us/j/87870603616>

Telephone (Audio only):
US: +1 669 219 2599
Webinar ID: 878 7060 3616

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 via email up to three hours before the meeting begins to Board Clerk Andrea Pizano at Andrea.Pizano@svcleanenergy.org and will be distributed to the Executive 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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Sunnyvale, CA 94087



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Consent Calendar (Action)

- 1) Approve Minutes of the January 27, 2025, Executive Committee Meeting

Regular Calendar

- 2) CEO Update (Discussion)
- 3) Workforce Strategy Update and Power Purchase Agreement Project Selection Policy Recommendation (Action)
- 4) Recommend the SVCE Board of Directors Approve the Amended Energy Risk Management Policy (Action)
- 5) Program Snapshot: New and Improved eHub (Informational)

Committee/Staff Remarks

Adjourn

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**Silicon Valley Clean Energy
Executive Committee Meeting**
Monday, January 27, 2025
10:00 a.m.

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

DRAFT MEETING MINUTES

Call to Order

Chair Klein called the meeting to order at 10:05 a.m.

Roll Call

Present:

Chair Larry Klein, City of Sunnyvale
Director Elliot Scozzola, City of Campbell
Director Sally Meadows, City of Los Altos
Director George Tyson, Town of Los Altos Hills
Director Yvonne Martinez Beltran, City of Morgan Hill
Director Tina Walia, City of Saratoga

Absent:

None

A quorum was present.

Public Comment on Matters Not Listed on the Agenda

No speakers.

Consent Calendar

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

MOTION: Director Meadows moved and Director Martinez Beltran seconded the motion to approve the Consent Calendar.

The motion carried unanimously by verbal roll call vote.

- 1) Approve Minutes of the November 22, 2024, Executive Committee Meeting**



Regular Calendar

2) CEO Update (Discussion)

CEO Monica Padilla provided welcoming comments to the 2025 SVCE Executive Committee. CEO Padilla introduced Bena Chang, Director of Government and Legislative Affairs, who provided information relating to executive orders issued by the new federal administration that impact emerging climate issues, and an executive order that temporarily halts all disbursements of funding from the Inflation Reduction Act and the Infrastructure Investment and Jobs Act, which directly impacts the recently awarded SVCE \$12 million shared grant with the City of San Jose for electric vehicle charging infrastructure.

Director of Government and Legislative Affairs Chang noted further updates would be provided to the Committee regarding implementation of the executive orders and the impacts to SVCE.

Staff responded to committee member questions and comments relating to overall local and regional impacts resulting from the federal funding halt, a request from committee members for talking points relating to the funding halt of the \$12 million shared grant, residential tax credits for home upgrades, impending tariffs on equipment sourced by developers, and a potential shift to focus on nuclear energy generated projects.

CEO Padilla provided brief comments relating to the Moss Landing Vistra Power Plant fire and SVCE's battery storage projects. Director of Government and Legislative Affairs Chang provided a legislative update regarding the introduction of Assembly Bill 303 by Assemblymember Dawn Addis to address modifications to battery energy storage systems.

CEO Padilla announced the following:

- CalCCA appointed a new Chair, Rob Shaw, Central Coast Community Energy,
- CEO Padilla was appointed to the CalCCA Executive Committee,
- CalCCA Annual Conference is scheduled for April 28th to 30th, 2025, in Irvine, CA,
- California Community Power appointed a new Chair, Lori Mitchell, San Jose Clean Energy,
- CEO Padilla was appointed to the ad-hoc Budget Committee.

Chair Klein opened public comment.

No speakers.

Chair Klein closed public comment.

3) Elect Chair and Vice Chair of the 2025 SVCE Executive Committee (Action)

Board Clerk Andrea Pizano identified the process for selecting the Chair and Vice Chair, noting four votes would be needed for a majority vote to identify these roles. In the event three or more members were interested, a roll call vote by name would be held and repeated until four votes were received for each role.

Chair Klein opened public comment.

No speakers.

Chair Klein closed public comment.

Director Martinez Beltran expressed interest in the role of Chair and provided additional comments regarding her interest in serving as Chair of the 2025 SVCE Executive Committee.

MOTION: Director Walia moved and Director Tyson seconded the motion to nominate Director Yvonne Martinez Beltran as Chair of the 2025 SVCE Executive Committee.



The motion carried by verbal roll call vote.

Director Martinez Beltran assumed the role of Chair and proceeded to preside over the remainder of the meeting.

Director Meadows expressed interest in the role of Vice Chair and provided additional comments regarding her interest in serving as Vice Chair of the 2025 SVCE Executive Committee.

MOTION: Director Walia moved and Director Klein seconded the motion to nominate Director Sally Meadows as Vice Chair of the 2025 SVCE Executive Committee.

The motion carried unanimously by verbal roll call vote.

Staff provided information regarding open seats on SVCE's Audit Committee, with committee members responding with potentially interested parties.

Director Tyson shared his gratitude for Director Klein's service as Chair of the committee in 2024 and expressed the importance of Directors' engagement on committees.

4) Select a Regular Meeting Schedule for 2025 Executive Committee Meetings (Action)

Directors discussed availability on the proposed 2025 regular meeting dates.

Staff responded to questions and comments regarding polling for additional potential meeting dates, specifically in April.

MOTION: Director Klein moved and Director Walia seconded the motion to approve the proposed dates and adopt the Regular Meeting Schedule for 2025 Executive Committee Meetings as follows:

February 28, 2025
 March 28, 2025
 April – TBD
 May 23, 2025
 June 27, 2025
 No meeting in July
 August 22, 2025
 September 26, 2025
 October 24, 2025
 December 5, 2025

The motion carried unanimously by verbal roll call vote.

5) Recommend the SVCE Board of Directors Approve an Updated Cashout Policy for Rooftop Solar Customers (Action)

Peyton Parks, Manager of Energy Services, provided information relating to a proposal to establish a new Net Surplus Cashout (NSC) rate for Standard Solar Net Energy Metering (NEM) customers, equalizing the NSC rate to PG&E's current NSC rate.



Staff responded to committee member questions and comments regarding alignment of SVCE incentives with grid values, adopting a new NSC rate multiplier to equal PG&E's rate, SVCE's budget commitment for customer incentives, and affordability for SVCE customers.

Committee members discussed the potential of making SVCE's NSC rate less than PG&E's NSC rate; following discussion, it was determined that mirroring PG&E's policy and rate would be palatable when coupled with marketing to point out the additional value that solar customers see in the form of SVCE's rate discount, programs, and rebates.

Chair Martinez Beltran opened public comment.

No speakers.

Chair Martinez Beltran closed public comment.

MOTION: Chair Martinez Beltran moved and Vice Chair Meadows seconded the motion to recommend the SVCE Board of Directors adopt a new Net Surplus Compensation (NSC) multiplier under Standard Solar Net Energy Metering (NEM) rates equal to Pacific Gas and Electric's (PG&E) multiplier effective January 2026.

The motion carried unanimously by verbal roll call vote.

6) Program Snapshot: Electric Vehicle Rebates (Informational)

Nupur Hiremath, Manager of Decarbonization Programs and Policy, introduced Hannah Gustafson, Programs Lead, to present the item relating to electric vehicle (EV) adoption with a discussion regarding overall percentage increases in EV sales in Santa Clara County, equitability and improving EV adoption rates for lower-income families, and the launching of SVCE EV Rebate Program.

Staff responded to committee member questions and comments regarding federal and state-level EV tax credits, EV Rebate Program outreach efforts to minority populations, and EV charger installation assistance for multi-family and new construction projects through SVCE programs.

Chair Martinez Beltran opened public comment.

No speakers.

Chair Martinez Beltran closed public comment.

Committee/Staff Remarks

Director Tyson acknowledged Director Walia for chairing the SVCE January Board of Directors meeting.

Director Walia acknowledged committee members and SVCE staff for their work on various SVCE goals and initiatives.

Adjournment

Chair Martinez Beltran adjourned the meeting at 12:08 p.m.

ATTEST:

Andrea Pizano, Board Secretary



Staff Report – Item 2

Item 2: CEO Update

From: Monica Padilla, CEO

Prepared by: Andrea Pizano, Sr. Executive Assistant and Board Clerk

Date: 2/28/2025

This item will be addressed in the form of an oral report to the Executive Committee.



Staff Report – Item 3

Item 3: Workforce Strategy Update and Power Purchase Agreement Project Selection Policy Recommendation

From: Monica Padilla, CEO

Prepared by: Bena Chang, Director of Government and Legislative Affairs

Date: 2/28/2025

RECOMMENDATION

Staff requests that the Silicon Valley Clean Energy (SVCE) Executive Committee (Committee) recommend the Board of Directors (Board) adopt the Power Purchase Agreement Project Selection Policy.

BACKGROUND

In May of 2023, SVCE staff presented a workforce strategy to the Executive Committee. The Committee provided feedback that SVCE should play a supporting versus leading role on workforce development for the utility sector in general. The Committee also indicated interest in supporting local workforce development efforts for building and transportation electrification and having SVCE enhance the work of existing stakeholders in this space including unions, community colleges, workforce development agencies, and nonprofit organizations.

SVCE has engaged in several activities to support local decarbonization workforce development through its programs. This includes choosing to require that prevailing wages be paid to workers doing installation work for its single-family electrification direct installation program – even though it did not fall under state prevailing wage requirements. Through SVCE’s contractor training program, more than 280 contractors have received online training on residential electrification and electric appliances. Program participants receive \$500 for completing the 5-hour training and also get \$500 when they complete an installation for an SVCE customer through SVCE’s customer rebate program (up to 10 per year). SVCE also offers contractors from the training program \$5,000 to install a qualifying electric appliance in their own home or business in SVCE territory to get first-hand experience with using one day-to-day. In 2024, the Board approved \$1.3 million for workforce partnerships that would also serve to prepare the region for Bay Area Air District’s rules around water heaters and furnaces. In February of 2025, SVCE began convening a group of contractors, a first-of-its-kind effort, to hear directly from them about the barriers to completing home electrification projects. These efforts will provide important context for regional workforce readiness and serve as a basis for future policy and programmatic approaches to maximize the benefits of electrification for SVCE customers.

In June of 2024, SVCE staff presented an update on the workforce strategy and a draft Power Purchase Agreement Project Selection Policy (Policy) to the Executive Committee. Since then, SVCE staff conducted outreach with environmental and labor stakeholders including Working Partnerships USA, IBEW 332, Santa Clara and San Benito Building Trades Council, South Bay Labor Council, CCA Workforce and Environmental Justice Alliance, San Francisco Electrical Construction Industry, and Center for Sustainable Neighborhoods to gather feedback on the proposed Policy.

Stakeholder feedback on the proposed Policy included the following areas:

- 1) **Workforce Standards:** Stakeholders asked to include a structured framework with high, medium, and low preferences for projects that have a Project Labor Agreement (high), prevailing wage (medium), and other workforce measures (low). The current proposed Policy includes this structured framework. Stakeholders also requested that the Policy include a preference for projects that include targets for local and equity priority hires. Equity Priority Workers would include people who are unhoused or at the risk of homelessness, single parents, member of tribal communities, at-risk youths, veterans, low-income people, and other groups. SVCE staff recognized that these targets are challenging for SVCE to enforce, and targeted hiring contains legal risk.
- 2) **Environmental Considerations in Project Siting:** Stakeholders recommended that SVCE include a preference for projects located in previously disturbed or urban sites, which is reflected in the updated Policy.
- 3) **Community Benefits:** Stakeholders requested that SVCE prioritize projects that invest in low-income and environmental justice communities, engage and collaborate with local community organizations, and that commit to ongoing and meaningful engagement with local communities. The updated draft Policy includes the preference for projects that engage with local communities but does not include a preference for projects that invest in low-income and environmental justice communities. The majority of SVCE's Power Purchase Agreements are for projects outside of SVCE's service territory, and SVCE's priority is to invest ratepayer funding on programs within its service territory.
- 4) **Scope of the Policy:** Stakeholders asked that SVCE incorporate SVCE-owned generation projects into the Policy. The updated proposed Policy does not include SVCE-owned generation projects. SVCE does not plan to solely own any generation projects because of the increased complexity, expertise and resources needed to directly own generation. Owning generation would also trigger additional requirements that would require further research. Instead of including SVCE-owned generation into this Policy, staff would bring back a separate policy to the Board if SVCE pursues direct ownership of generation resources.
- 5) **Additional Changes:** Stakeholders asked for SVCE's representative at California Community Power to advocate for selection criteria consistent with SVCE's procurement policy during joint procurement at California Community Power. Staff added in a new section on California Community Power which states that SVCE will consider its Policy when deciding when it enters into joint procurement at California Community Power. Stakeholders requested that location preference be given to projects in SVCE's service territory, in-state projects, and finally out-of-state projects. The updated draft Policy includes preference for projects in SVCE's service territory, projects in California Independent System Operator (CAISO) balancing authority, projects that have the ability to connect to CAISO balancing authority, and then all other projects to better reflect the current power system. Stakeholders also requested additional reporting on the results of staff's assessment of project proposals in accordance with the Policy at the time of project approval and at project construction completion or during the annual CPUC GO 156 Supplier Diversity Report. For ease of administration, the Policy includes reporting during the time of project approval and during the CPUC GO 156 Supplier Diversity Report.

The Policy also includes direction from the November 2024 Board of Directors meeting to include a greenhouse gas emissions evaluation as part of the Board's goal to move towards a clean portfolio.

ANALYSIS & DISCUSSION

SVCE's most powerful levers for supporting clean energy job growth are from the construction of utility-scale power projects and programs that support local electrification projects. While SVCE's core work and expertise is not focused on workforce development, we recognize that a strong workforce is vital to meeting SVCE's clean energy and decarbonization mission. The proposed Policy embeds these workforce goals.

STRATEGIC PLAN

The Policy aligns with the Strategic Plan Focus Area No. 2 to expand clean and reliable grid actions and Goal No. 2.

ALTERNATIVE

The Executive Committee could advise the Board to modify or not adopt a Project Selection Policy.

ATTACHMENT

1. Updated Proposed Power Purchase Agreement Project Selection Policy

ATTACHMENT 1: POWER PURCHASE AGREEMENT PROJECT SELECTION POLICY

I. POWER PURCHASE AGREEMENT (PPA) PROJECT SELECTION POLICY

The PPA Project Selection Policy ("Policy") shall be applied as part of the process of acquiring energy and capacity resources for new build, or substantial repower projects involving construction labor, in front of the meter electricity generation, or storage resources where SVCE does not own, develop or construct the generation or storage facility. Projects considered for PPAs will be evaluated based on best portfolio fit and value while considering regulatory mandates, reliability, risk mitigation, and other relevant factors including the following all else being equal goals:

A. Contributions to SVCE's Mission

1. Assessment and evaluation of proposed projects' to ensure SVCE is able to meet its mission of providing clean, reliable and affordable energy.
2. Assessment and evaluation of proposed projects' operational performance and market economics to ensure selected projects maximize Regulatory and Market Value to SVCE and its customers.
3. Assessment and evaluation of projects to minimize risk to SVCE and its customers through effective location, Counterparty and technology diversification and management of Development Risk

B. Workforce Development

SVCE is committed to stimulating its local economy through, among other measures, supporting projects committing to applying prevailing wage rates as required by law, and supporting a local Skilled and Trained Workforce with construction work performed by appropriate Journeypersons and Apprentices from a state-approved apprenticeship training program.

1. SVCE will prioritize Power Purchase Agreements where:
 - a) Highest priority projects will commit to a multi-trade project labor agreement.
 - b) Medium priority projects will commit to using prevailing hourly wage and benefit rates as determined by the California Department of Industrial Relations for California projects and state or federal prevailing wage and benefit rates, whichever is higher, for out-of-state projects.
 - c) Low priority projects may demonstrate other commitments to local workforce development.

C. Technology Diversity

SVCE recognizes the importance of diversifying technology in its portfolio to minimize risk.

1. All else being equal, SVCE will prioritize projects that will diversify technologies in its current portfolio, provide local reliability, provide SVCE a competitive advantage, and/or reduce costs for SVCE customers while remaining cost competitive with established market alternatives.

D. Location

SVCE prioritizes projects within the California Independent System Operator (CAISO) and/or certified deliverability to the CAISO in accordance with the following:

1. Projects within SVCE's service territory.
2. Projects within the CAISO balancing authority.
3. Projects with the ability to interconnect with the CAISO balancing authority.
4. All other projects.

E. Environmental Stewardship

SVCE is committed to leading by providing customers with energy that delivers benefits for air, water, and the natural environment while avoiding impacts to important lands, species, and waters. Without diminishing or interfering with permitting, land use or development requirements of any authority with jurisdiction including local, state, and federal agencies, SVCE prioritizes projects that:

1. That are proposed on urban or previously disturbed sites; and
2. Where the developer and local land use authority have established an enforceable development agreement which, in part, sets forth measures to mitigate impacts to sensitive habitats or environmentally sensitive areas.

F. Community Engagement

SVCE will prioritize projects that:

1. Demonstrate contact and collaboration with the local community organizations and stakeholder groups representing a broad diversity of demographics and interests, particularly low income and environmental justice communities, to identify and address benefits and impacts of projects and ensure project benefits are communicated and accessible to the local community.
2. Commit to meaningful engagement with local communities throughout the entitlement and construction processes to identify and address benefits and impacts of projects and ensure project benefits are communicated and accessible to the local community.

G. Greenhouse Gas Emissions Impact

SVCE will evaluate greenhouse gas emissions of project proposals and prioritize projects that minimize emissions on the grid and SVCE's portfolio.

II. REPORTING AND CALIFORNIA COMMUNITY POWER

A. Reporting

SVCE will assess project proposals in accordance with this Project Selection Policy and report to the SVCE Board of Directors the results of such assessment at the time of the project approval. SVCE will compile and report data and metrics, as appropriate, through the annual GO 156 Supplier Diversity report.

B. California Community Power

SVCE will consider the Power Purchase Agreement Project Selection Policy when it is determining whether to participate in joint procurement at California Community Power.

III. DEFINITIONS

A. **Regulatory Value:** The project's anticipated ability to satisfy SVCE's regulatory compliance requirements such as Resource Adequacy, Renewable Portfolio Standard, integrated resource planning, and other binding orders or directives received from regulatory bodies.

B. **Market Value:** The project's projected revenues across all relevant day-ahead real-time and ancillary markets. Market Value shall also assess a project's ability to manage, shift, or arbitrage existing SVCE generation to maximize revenue and renewable energy generation on behalf of SVCE and its customers.

C. **Counterparty Risk:** The risk that a counterparty will fail to perform, or adequately remedy, its obligations. Counterparty Risk is inclusive of Development Risk.

D. **Development Risk:** The risk that the project is unable to obtain interconnection, deliverability, site control, entitlements, financing, or other necessary development milestones required to deliver the project on or ahead of the anticipated online date.

- E. **Power Purchase Agreements:** An agreement that provides for construction but wherein SVCE's participation in the project is limited to receiving energy and any applicable attribute at a set price and term. This includes power purchase agreements, energy storage agreements, resource adequacy only agreements, or other energy product agreements.
- F. **Journey person:** Is a worker who either:
1. Graduated from a California state-approved apprenticeship program for the applicable occupation or, when located outside California, approved for federal purposes pursuant to apprenticeship regulations adopted by the Secretary of Labor, or
 2. Has at least as many hours of on-the-job experience in an applicable occupation as would be required to graduate from an apprenticeship program for the applicable occupation that is approved by the California Division of Apprenticeship Standards.
- G. **Skilled and Trained Workforce:** means a workforce in which:
1. All workers performing work in apprentice-able occupations in the building and construction trades are either skilled Journey persons or Apprentices registered in an apprentice program approved by the Chief of the Division of Apprenticeship Standards, as defined in Chapter 2.9 of Part 1 of Division 2 of the California Public Contracts Code.



Staff Report – Item 4

Item 4: Recommend the SVCE Board of Directors Approve the Amended Energy Risk Management Policy

From: Monica Padilla, CEO

Prepared by: Amrit Singh, CFO and Director of Administrative Services
Scott Wrigglesworth, Director of Risk & Analytics

Date: 2/28/2025

RECOMMENDATION

Staff recommends that the Silicon Valley Clean Energy (SVCE) Executive Committee recommend that the Board of Directors (Board) approve revisions to SVCE's Energy Risk Management (ERM) Policy.

BACKGROUND

The purpose of the ERM Policy (Policy) is to set the framework for managing market and credit risks associated with energy procurement activities and delegation of such procurement to the Chief Executive Officer (CEO). The Policy designates responsibility for risk identification, measurement, management, and reporting. It establishes the framework to ensure risks are appropriately managed and that SVCE achieves its mission and adheres to policies established by the Board. The Policy does not cover procurement of resources greater than five-years in term which require Board-approval.

The Policy requires that it be reviewed and updated as needed at least every two calendar years. The last formal review of the policy occurred on August 9, 2023.

With the Executive Committee's concurrence, the proposed changes will be submitted to the Board for approval via a consent item at the March 12, 2025 meeting.

ANALYSIS & DISCUSSION

SVCE staff found that the current Policy is comprehensive but recommends the following changes to further strengthen risk management controls, clarify existing policy, and reflect current energy procurement activities.

Throughout Policy Document - General Improvements Edits

- Change: Grammatical improvements and choice of wording (e.g. change reference of SVCE as a "corporation" to "agency"; change reference to CEO as "he" to "they", etc.) and changed references to "ERM Policy" to "ERM Policy & Standards".
- Justification: Consistent with SVCE's overall review of policies, the ERM Policy will now have an accompanying set of CEO-approved Standards to provide staff detailed guidance on operational elements not appropriate for a policy document.

Section 2 – Risk Management Goals

- Change: Clarified that risk management principles include transactions for compliance and clean directives.

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Justification: Sometimes there are trade-offs required associated with compliance and clean directives that may be required but do not solely related to cost and risk.

Section 3.3 – Net Revenue Risk

Change: Included the financial impacts of the Power Cost Indifference Adjustor (PCIA) and indexed retail rates (such as, currently, the PG&E generation rate) in determination of Net Revenue Risk

Justification: Stress tests, backcasts, forecasts, and observed financial results all demonstrate that SVCE experiences Net Revenue impacts related to market price levels and their corresponding effect on the PCIA and indexed generation rate.

Section 4.1 – Segregation of Duties

Change: Clarified that back-office functions can be combined with other functions and/or delegate to third parties if organizational capabilities and expertise do not allow for internal staff segregation of duties (beyond just inadequate resources); and noted that this determination may be made by the CEO and/or CFO.

Justification: Although staffing levels have increased, staff capabilities and levels may not entirely permit for exclusive management by an individual or dedicated department for back office workload. In the interest of being prudent stewards of resources the CEO and CFO may allow employees or vendors to contribute duties non-exclusively while preserving segregation of roles in front, middle and back-office tasks. For example, back office functions currently report up through the Deputy Director of Power Resources who is also involved in front office activities like PPA procurement and negotiations. This employee has depth of experience in back-office activities. That experience is valuable in guiding and advising staff on back-office activities. In a larger organization back office functions would likely have a dedicated director who would be uninvolved in front office activities.

Section 4.2 – Additional Internal Controls

Change: Explicitly listed confirmations as part of the internal control process

Justification: Simply an item of clarification

Section 5.1 – Risk Measurement Metrics and Reporting

Change: Moved references to specific metrics and stress tests monitored to the Standards

Justification: Metrics may need to be readily updated for changed as business, regulatory or market conditions change over time. A move to Standards for the definition of these items allows for SVCE to more responsively react to those changes as conditions warrant.

Section 5.3 – Market Price Risk

Change: Moved definitions of Net Open Position evaluation process to Standards document

Justification: The ERM Standards is the best place to house explanatory content

Section 5.5 – Counterparty Credit and Performance Risk

Change: Moved execution related direction to Standards

Justification: Actual methods related to counterparty monitoring are best maintained in the new Standards document.

Agenda Item: 4**Agenda Date: 2/28/2025**Section 6.1 – Trader Authorization Process

- Change: Added reference to the Standards as the place for the detailed steps of the Authorization process. Affirmed in Policy that Standards will ensure traders have the required experience and training to transact on behalf of SVCE.
- Justification: Actual methods related to trader authorization are best maintained in the new Standards document.

Section 6.4 – Tolerance Bands

- Change: Stated that the PCIA and any other index rate (e.g. discounted generation rate) may count toward determination of Net Open Position hedge ratios, and eliminated the prompt quarter min and max tolerance band.
- Justification: Stress tests, backcasts, forecasts, and observed financial results all demonstrate that SVCE experiences Net Revenue impacts related to market price levels and their corresponding effect on the PCIA and indexed generation rate; as such and as appropriate, these should be accounted for in hedge ratios. The prompt quarter tolerance band did not provide material change to the balance of year tolerance band, and the Standards will provide more granular guidance on near-term hedge ratio levels.

Section 6.5.4 – Limits of Authority Delegated to Authorized Personnel by the CEO

- Change: Moved instruction on business process for communication of Portfolio Plans around delegation of Authority to the Standards; Clarified that delegated authority is per transaction and that the Energy Notional Value Limits are cumulative.
- Justification: The ERM Standards is the best place to house business process documentation. The clarifications on transactions and cumulative limits are helpful as new employees reading Policy sought clarification of that which was otherwise institutional knowledge and understood.

Section 7.3 – Internal Risk Oversight Committee (IROC)

- Change: Move the definition of the IROC to a standard
- Justification: The ERM Standards is the best place to house business process documentation.

Appendix A – Trader Attestation

- Change: Added reference of the Standards for the attestation
- Justification: Warranted as the ERM Standards are where business process and other elements are now defined.

STRATEGIC PLAN

The Policy supports the goals of the Board adopted Strategic Plan. Specifically, the Policy strongly supports:

- Goal 6 - Maintain healthy financial position; avoid failures in management of market risk, credit risk, liquidity risk, operational risks, and enterprise risks.
- Goal 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).

ALTERNATIVE

N/A

FISCAL IMPACT

Implementing the proposed updates to the Policy is not expected to have a fiscal impact.

ATTACHMENTS

1. Energy Risk Management Policy (Redline)
2. Energy Risk Management Policy (Clean)

Energy Risk Management Policy



Proposed for Adoption:

~~August 9, 2023~~ March
2025

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1 General Provisions

1.1 Background and Purpose of Policy

Silicon Valley Clean Energy's (SVCE) mission is to reduce dependence on fossil fuels by providing carbon free, affordable, and reliable electricity and innovative programs for the SVCE community.

This Energy Risk Management Policy (Policy) has been developed to help ensure that SVCE achieves its mission and adheres to policies established by the SVCE Board of Directors (Board), power supply and related contract commitments, good utility practice, and all applicable laws and regulations. SVCE is not engaged in the power supply business for profit and is, therefore, precluded by this Policy from engaging in many of the risk-taking activities typical to an organization orientated solely toward profit maximization.

This Policy defines SVCE's general energy risk management framework and provides management with the authority to establish processes for monitoring, measuring, reporting, and controlling market and credit risks to which SVCE is exposed in its normal course of business.

1.2 Scope of Business and Related Market Risks

SVCE provides energy to retail customers in its service territory that entails business activities such as; bilateral purchases and sales of electricity under short-, medium- and long-term contracts; scheduling of load and generation of electricity into California Independent Systems Operator (CAISO) markets; retail marketing of electricity to consumers within its service territory; compliance with voluntary objectives and regulatory requirements as it relates to carbon free and renewable portfolio standard (RPS) compliant energy; participation in CAISO Congestion Revenue Rights ("CRRs") market; managing the balance of load and generation over short, medium and long term horizons; and compliance with California Public Utilities Commission (CPUC) Resource Adequacy (RA) requirements.

Examples of energy market risks include, but are not limited to, the following:

- Mark-to-Market Risk
- Market Price Risk
- Net Revenue Risk
- Counterparty Credit and Performance Risk
- Load and Generation Volumetric Risk
- Operational Risk
- Liquidity Risk
- Regulatory/Legislative Risk

This Policy focuses on the following:

- Risk Management Goals and Principles
- Definitions of Risks
- Internal Control Principles
- Risk Management Business Practices
- Authorized Transaction and Trading Limitations
- Risk Management Governance

This Policy does not address the following types of general business risk, which are treated separately in other official policies, ordinances, and regulations of SVCE: fire, accident and casualty; health, safety, and workers' compensation; cybersecurity, general liability; and other such typically insurable perils. The term "risk management," as used herein, is therefore understood to refer solely to energy market risks as herein defined, and not those other categories of risk.

1.3 Policy Administration

This Energy Risk Management Policy (Policy) is adopted by the SVCE Board of Directors and will be reviewed and updated as needed at least every two calendar years by SVCE's Board. The CEO is responsible for implementation of the Policy. The CEO is also responsible to develop Energy Risk Management Guidelines (Guidelines), which is required for staff to [follow to](#) implement the Policy.

1.4 Policy Distribution

This Policy shall be distributed to all SVCE employees and third-party contractors who are engaged in the planning, procurement, sale and scheduling of electricity on SVCE's behalf and/or in other SVCE departments providing oversight and support for these activities.

1.5 Acknowledgement of ERM

All SVCE staff participating in any activity or transaction within the scope of the ERM shall sign, upon joining or upon any material revision of the ERM policy [and standard](#), that such SVCE representative has:

Read the ERM;

Understands the terms and agreements of said ERM;

Will comply with said ERM;

SVCE employees who are within the scope of the ERM understand that any violation of said ERM may subject the employee to discipline up to and including termination of employment.

2 Risk Management Goals

Although SVCE does not engage in risk-taking activities typical in a for-profit organization, certain risks are incidental to the normal power supply operations and hedging activities. SVCE's policy is to manage risk inherent with serving load, including the risks associated with normal cost-hedging activities, those associated with participation in wholesale markets in general and the CAISO in particular.

The goals of energy risk management shall be to:

1. assist in achieving the business objectives in the Strategic Plan, Integrated Resource Plan (IRP) and Cash Reserve Policy including retail rate stability and competitiveness and the accumulation of financial reserves;
2. avoid losses and excessive costs which would materially impact the financial condition of SVCE;
3. establish the parameters for energy procurement and sales activity to obtain the best possible price while ensuring compliance with Board-approved policies;
4. identify specific cost, regulatory and legislative risks that could adversely affect SVCE's ability to achieve its business objectives, and to the extent possible, quantify

and measure performance against those risks;

5. assist in assuring that market activities and transactions are undertaken in compliance with established procurement authorities, applicable laws, regulations and orders;
6. encourage the development and maintenance of an agency corporate culture at SVCE in which the proper balance is struck between control and facilitation and in which professionalism, discipline, technical skills, and analytical rigor come together to achieve SVCE objectives; and
7. manage business risks to acceptable levels consistent with retail rate-setting, resource procurement and cash reserve management.

SVCE manages its energy resources and transactions to provide its customers with low-cost renewable, carbon free and other energy while at the same time minimizing risks. The risk management principles that SVCE will use include:

1. Undue exposure to CAISO or bilateral energy market volatility for the purpose of potentially achieving lower costs but at the risk that costs may, in fact, be much higher, will not be accepted.
2. Procurement and hedging strategy will be determined by analytical methods supplemented by experienced judgement. SVCE will use that experienced judgement and its analytical tools to assess system cost drivers such as weather, short term energy prices, load variation and operational constraints to manage timing and quantity of purchases and sales of energy and related services, consistent with the limits identified in this Policy.
3. When actions are taken that are consistent with this-ERM Policy and supporting Standards and for the combined goal of low costs and optimized risk, those actions are considered to be consistent with the objectives of this-ERM Policy and supporting Standards.
4. SVCE will not engage in transactions, without proper authorization, whose purpose is not tied to managing compliance, clean directives, costs and risks or are outside of the limits identified in this Policy.

3 Definition of Market Risks

The term "market risks," as used here, refers specifically to those categories of risk which relate to SVCE's participation in wholesale and retail markets as a Load Serving Entity (LSE) and its interests in long-term contracts. Market risks include market price risk, counterparty credit and performance risk, load and generation volumetric risk, operational risk, liquidity risk, and regulatory and legislative risk. These categories are defined and explained as follows.

3.1 Mark-to-Market Risk

Mark-to-Market risk is the risk that wholesale trading positions, long-term supply contracts and generation resources may move "out of the money," that is, become less valuable in comparison with similar positions, contracts, or resources obtainable at present prices. These same positions can also be "in the money" if they become more valuable in comparison to similar positions, contracts, or resources obtainable at present market prices. This valuation methodology is commonly referred to as "Mark-to-Market." If SVCE is "out of the money" on a substantial portion of its contracts, it may have to charge higher retail rates. This may erode SVCE's competitive position and market share if other market participants (e.g., Direct Access providers or PG&E) are able to procure power at a lower cost and offer lower retail electricity rates.

3.2 Market Price Risk

Market Price risk is the risk that market prices change, resulting in changes to energy procurement cost. For example, the cost for the unhedged portion of a supply portfolio (net open position) will increase when market prices increase. Conversely, if resources are in excess to needs and market prices fall, the revenue expected from the sale of the surplus resources will decrease. In addition, uncertain market price relationships (locational risk) affect SVCE's procurement costs.

A subcomponent of market price risk is market liquidity. Illiquid markets make it more difficult to buy or sell a commodity and can result in higher premiums on purchases or deeper discounts on sales.

Another dimension of market price risk is congestion risk. Congestion risks arise from the difference between the prices SVCE pays the CAISO to schedule its load and the prices SVCE receives from the CAISO for energy delivered by SVCE's suppliers.

3.3 Net Revenue Risk

Net Revenues are the total of all revenues received (from retail sales to customers and from the sale of any energy products ~~that were surplus or unneeded~~), including any calculated financial impacts from the Power Charge Indifference Adjustment (PCIA) and any retail rate(s) indexed to any other rate(s) and/or component(s) such as PG&E rate(s), less the total costs (including the costs of long-term contracts, forward transactions, and spot market purchases plus all other operating costs). Net Revenue Risk is the risk that any of those factors—revenues or costs—changes (e.g. changes in market prices or retail sales volumes, or failures of counterparties). Net Revenue is the "bottom line" for SVCE as it determines the financial viability of the authority.

One of the main components of net revenue risk is on the retail revenue side, which is at risk when customers opt out from service by SVCE and return to PG&E, or if customers choose to find another supplier through direct access opportunities that may arise. In addition, when the ~~Power Charge Indifference Adjustment (PCIA) is changed~~ and any other rate(s) or index(es) to which the retail rates are indexed are changed, it directly affects SVCE's ~~bottom line~~ financials, as it may lead if SVCE to ~~compensates~~ by changing its retail rates.

3.4 Counterparty Credit and Performance Risk

Performance and credit risk refers to the inability or unwillingness of a counterparty to perform according to its contractual obligations or to extend credit. Failure to perform may arise if an energy supplier fails to deliver energy as agreed. There are four general performance and credit risk scenarios:

1. counterparties and wholesale suppliers may fail to deliver energy or environmental attributes, requiring SVCE to purchase replacement products elsewhere, possibly at a higher cost;
2. counterparties may fail to take delivery of energy or environmental attributes sold to them, necessitating a quick resale of the product elsewhere, possibly at a lower price;
3. counterparties may fail to pay for energy or environmental attributes delivered; and
4. counterparties and suppliers may refuse to extend credit to SVCE, possibly resulting in higher collateral posting costs impacting SVCE's cash and bank lines of credit.

An important subcategory of credit risk is concentration risk. When a portfolio of positions and resources is concentrated in one or a very few counterparties, sources, or locations, it

becomes more likely that major losses will be sustained in the event of non-performance by a counterparty or supplier or as a result of price fluctuations at one location.

3.5 Load and Generation Volumetric Risk

Energy deliveries must be planned for based upon forecasted load adjusted for distribution line losses. SVCE forecasts load over the long and short term and enters into long- and short-term fixed-price energy contracts to hedge its load.

Load forecasting risks arises from inaccurate load forecasts and can result in the over or under procurement of energy and/or revenues that deviate from approved budgets. Energy delivery risk occurs if a generator fails to deliver expected or forecast energy. Variations in wind speed and cloud cover can also impact the amount of electricity generated by solar and wind resources, and occasional oversupply of power on the grid can lead to curtailment of energy deliveries or reduce revenue as a result of low or negative prices at energy delivery points. Weather is an important variable that can result in higher or lower electricity usage due to heating and cooling needs.

In the CAISO markets this situation can result in both oversupply and undersupply of electricity relative to SVCE's load and the over or under scheduling of generation or load into the day ahead market relative to actual energy consumed or delivered in the real time market. Load and generation volumetric risk may result in unanticipated open positions and imbalance energy costs. Imbalance energy costs result from differences in the price or volume of generation or load scheduled into the day ahead market when compared to the price or volume of generation or load occurring in the real time market during that time period.

3.6 Operational Risk

Operational risk consists of the potential for failure to act effectively to plan, execute, and control business activities. Operational risk includes the potential for:

1. organizational structure that is ineffective in addressing risk (i.e., the lack of sufficient authority to make and execute decisions, inadequate supervision, ineffective internal checks and balances, incomplete, inaccurate, and untimely forecasts or reporting, failure to separate incompatible functions, etc.);
2. absence, shortage or loss of key personnel or lack of ~~cross-functional~~ cross-functional training;
3. lack or failure of facilities, equipment, systems, and tools such as computers, software, communications links, and data services;
4. exposure to litigation or sanctions resulting from violating laws and regulations, not meeting contractual obligations, failure to address legal issues and/or receive competent legal advice, not drafting and analyzing contracts effectively, etc.; and
5. errors or omissions in the conduct of business, including failure to execute transactions, violation of ~~guidelines and directives~~ policies, standards and procedures, etc.

3.7 Liquidity Risk

Liquidity Risk is the risk that SVCE will be unable to meet its financial obligations. This can be caused by unexpected financial events and/or inaccurate pro forma calculations, rate analysis, and debt analysis. Some unexpected financial events impacting liquidity could include:

1. breach of SVCE credit covenants or thresholds; SVCE has credit covenants included in its banking and several short-term energy contracts. Breach of credit covenants or

thresholds could result in the withdrawal of SVCE's line of credit or trigger the requirement to post collateral;

2. calls for collateral from the CAISO or SVCE's counterparties based on terms of transacting agreements; and
3. from time-to-time SVCE may be the subject of legal or other claims arising from the normal course of business. Payment of a claim by SVCE could reduce SVCE's liquidity if the cause of loss is not covered by SVCE's insurance policies.

3.8 Regulatory/Legislative Risk

Regulatory risk encompasses market structure and operational risks associated with shifting state and federal regulatory policies, rules, and regulations that could negatively impact SVCE. Some examples are the potential increase of exit fees for customers served by Community Choice Aggregators such as SVCE that would result in higher electricity rates for SVCE's customers, and the risk that the customers would select another supplier through an expanded Direct Access program.

Legislative risk is associated with actions by federal and state legislative bodies, such as any adverse changes or requirements that may infringe on SVCE's autonomy, increase its costs, impact its customer base, or otherwise negatively impact SVCE's ability to fulfill its mission.

4 Internal Control Principles

Internal controls shall be based on proven principles that meet or exceed the requirements of financial institutions and credit rating agencies and good utility ~~practice~~practices. The required controls shall include all customary and usual business practices designed to prevent errors and improprieties, ensure accurate and timely reporting of results of operations and information pertinent to management, and facilitate attainment of business objectives.

These controls are currently and shall remain fully integrated into all activities of the business and shall be consistent with stated objectives.

4.1 Segregation of duties

One of the main aspects of internal controls is the segregation of duties to ensure that the staff person ~~that-who~~ executes a transaction is not the same person ~~that-who~~ evaluates or settles the transaction. Appropriate segregation of duties is to be established and maintained throughout the system of controls over financial risks. Senior management must be diligent in ensuring that appropriate segregation of duties is adhered to within the context of organizational changes, while considering staffing limitations, SVCE's business model as a cost hedger, and the overall level of transactions with counterparties. Segregation of duties and functions between front, middle, and back-office activities is generally as follows:

- The Front Office is directly involved in resource planning, product procurement and sales transactions, and implementation of strategies within authorized limits.
- The Middle Office's functions are related to risk management and counterparty credit. The primary responsibility is to ensure that all products utilized and transaction activities are undertaken in compliance with current policy.
- The Back Office is comprised of ~~those~~ functions responsible for verification and validation of accounting, processing, reconciling, and settling of all transactions.

Controls over inputs and systems operations are of particular importance in ensuring the integrity of data used in risk control and management. In all cases, there will be an

appropriate segregation of duties or oversight to reduce the risk of error and/or fraud.

To the maximum extent practicable given SVCE's business model and level of staffing, Front-Office activities will be functionally independent from Middle and Back Office activities. As a result, the Front Office will generally neither perform nor supervise Middle-Office Risk Management activities, or Back Office financial accounting or settlements. The Director of Power Resources is responsible for ensuring the Front Office's ability to perform tasks in compliance with this Policy. This arrangement will provide independent and regular management oversight for both risk-taking and risk-control activities. It will also allow for a clear separation of duties between the Front-Office transacting and Middle Office risk-control functions.

To the maximum extent practicable given SVCE's business model and level of staffing, Middle Office activities will be functionally independent from all Front Office and Back Office activities. The Middle Office will have primary responsibility for risk management oversight and policy and standards development and compliance. If there are not adequate resources necessary to fully support a Middle Office, this function may be combined with another function, or be supported by qualified third party or be supported by qualified third-party advisors, provided that appropriate segregation of duties or sufficient internal controls are maintained at all times always maintained.

To the maximum extent practicable given SVCE's business model and level of staffing, Back Office settlement activities will be functionally independent from all Front Office and Middle Office activities. The Back Office will have primary responsibility for all transaction confirmation, accounting, and reconciliation processes. If there are not adequate resources organizational capability and expertise do not allow necessary to fully exist within a support a Back Office, this function may be combined with another function, or be supported by qualified third-third-party advisors, provided that appropriate segregation of duties or sufficient internal controls are maintained at all times. This determination may be made by the CEO and/or CFO.

4.2 Additional Internal Controls

Besides segregation of duties, additional required operational control principles include the following, which the CEO shall implement by incorporating them into the ERM Guidelines and procedures Standards:

1. Delegation of authority that is commensurate with responsibility and capability, and relevant training to ensure adequate knowledge to operate in and comply with rules associated with the markets in which they transact (e.g., CAISO). Contract origination, -commercial approval, confirmation, legal review, invoice validation, and transaction auditing shall be performed by separate staff or contractor for any single transaction. No single staff member shall perform all these functions on any transaction.
2. Defining authorized products and transactions (see Section 6.3).
3. Defining procurement authority for any transactions for which procurement authority has not already been explicitly granted as set forth in SVCE's Purchasing Policy and any Board Resolution delegating energy procurement authority (e.g. Resolution 2016-15 which delegates authority to the CEO to execute confirmation agreements with energy service providers with whom SVCE has executed Master Agreements).
4. Defining proper trade capture process for executing power supply contracts.
5. Complete and precise capture of transaction and other data, with standardization of electronic and hard copy documentation.
6. Meaningful summarization and accurate reporting of transactions and other activity at regular intervals.

7. Consultation with legal counsel on all legal issues related to this Policy.
8. Timely and accurate risk and performance measurement at regular intervals.
9. Regular compliance review to ensure that this Policy and the Guidelines are adhered to, with specific guidelines for resolving instances of noncompliance.
10. Active participation by senior management in risk management processes.

5 Risk Management Business Practices

5.1 Risk Measurement Metrics and Reporting

A vital element of this Policy is the regular identification, measurement, and communication of risk. To effectively communicate risk, all risk management activities must be monitored on a frequent basis using risk measurement methodologies that quantify the risks associated with SVCE's procurement-related business activities and performance relative to goals. SVCE measures and updates its risks using a variety of tools that model programmatic financial projections, market exposure and risk metrics, as well as through short term budget updates.

SVCE seeks to minimize financial exposure to higher-volatility spot market wholesale electricity using rolling hedges and net open position percentage bands. Financial exposure creates budget uncertainty. To mitigate the financial exposure to short-time horizon price volatility, SVCE continually reduces its financial exposure by reducing the quantity of energy in either open long or short positions. The metrics used for monitoring the portfolio are maintained in the ERM Standards.

The following items are measured, monitored, and reported:

1. Reserve Requirement Targets — on no less than an annual basis, SVCE staff will monitor SVCE's reserves to ensure that they meet the targeted thresholds as outlined in SVCE's Cash Reserve Policy.
2. Mark to Market Valuation — marking to market is the process of determining the current value of contracted supply. A mark to market valuation shall be performed at least on a monthly basis.
3. Exposure Reporting — calculates the notional dollar and/or probabilistic-based risk exposure of open portfolio positions at current market prices. The exposure risk calculation shall be performed at least on a monthly basis.
4. Open Position Monitoring — on a monthly basis, SVCE shall calculate/monitor its open positions for all energy and capacity products.

Consistent with the above, the Middle Office will develop reports and provide feedback to an internal the Risk Oversight Committee. Risk measurement methodologies shall be re-evaluated on a periodic basis to ensure SVCE adjusts its methods to reflect the evolving competitive landscape.

In addition to ensuring the portfolio is within the approved hedge bands, portfolio management decisions are supported by risk metrics from simulations of future market conditions, loads, and other material risk drivers for the portfolio. The following probabilistic risk metrics are regularly calculated and reported:

Net Revenue at Risk: Potential adverse changes in net revenues for a given timeperiod and confidence level.

Reserve Requirements at Risk: Potential adverse change in reserves for a given timeperiod and confidence level.

Potential Future Exposure for counterparty credit risk: Maximum Mark to market

~~counterparty exposures for a given time period and confidence level.~~

~~Potential Collateral Exposure: Maximum of collateral that SVCE may have to post for a given time period and time horizon with a given counterparty.~~

Stress tests will **are** used to understand the potential variability in SVCE's projected procurement costs, and resulting retail rate impacts and competitive positioning, associated with adverse scenarios of material risk drivers. ~~The IROC will develop, and update as necessary, a set of plausible and forward-looking stress tests based on SVCE's portfolio and expected market conditions.~~ The stress test analysis will complement other probabilistic metrics used to manage portfolio risks and its results will be distributed on at least an annual basis to the ROC.

5.2 Mark-to-Market Risk

SVCE manages its mark-to-market risk by comparing the current value of any wholesale trading positions and long-term supply contracts to the cost of the contracts. This is important if there are trading restrictions for entering into new transactions with certain counterparties based on the terms of the agreements and to counterparty credit limits. Being aware of the Mark-to-Market of the portfolio is important as it provides an indication of the competitiveness of the portfolio.

5.3 Market Price Risk

SVCE manages market price risk by determining its Load and Resource Balance which defines forecasted load, energy under contract and SVCE's open positions in various energy product types including renewable energy, carbon free energy, system power, and SVCE's procurement targets.

~~SVCE determines its NOP by comparing the forecasted use to supply resources on a monthly basis. The NOP is exposed to potentially volatile market prices. The quantity of energy SVCE will contract for in each year is guided by the NOP tolerances. Market price risk is determined by evaluating how costs could increase (or decrease) if market prices were to reach high (or low) values.~~

SVCE minimizes financial exposure to higher-volatility spot market wholesale electricity prices by hedging its NOP according to the NOP tolerance bands in Section 6.4. ~~To reduce this exposure, SVCE's practice is to close its NOP (hedge at close to 100%) for the prompt month and quarter. The relatively tight prompt year tolerance band provides a high level of budget certainty. However, SVCE will continue to have some exposure to spot market prices due to the load changes and the difference between forecasted and actual load. These differences result in a need to purchase or sell energy in the short-term markets.~~

In general, SVCE will seek to **spread-outladder** its long-term purchases of renewable energy to diversify exposure to market conditions and reduce the risk of concentrating purchases in any one year.

For products generally purchased through short- and medium-term contracts, SVCE follows a similar strategy of diversifying contracting over the delivery horizon.

As predominantly a net buyer, SVCE manages its market liquidity risk through purchasing at different intervals and maintaining a diverse set of counterparties to transact with.

Congestion risk is managed through the contracting process with a preference for day ahead scheduling and energy delivery at the NP 15 trading hub and through resource assessment and selection. Once energy is procured SVCE manages congestion risks through the prudent

management of Congestion Revenue Rights (CRRs). CRRs are financial instruments used to hedge against transmission congestion costs encountered in the CAISO day-ahead market. SVCE uses a third-party scheduling coordinator to manage its CRR portfolio. SVCE uses CRRs to reduce its exposure to congestion and other CAISO charges and will not use CRRs for speculative purposes.

5.4 Net Revenue Risk

SVCE manages net revenue risk by managing each of its contributing factors as described in other sections in this Policy—market price risk, load and generation volumetric risk, counterparty performance, etc. In addition, SVCE strives to provide competitively priced products that are valued by its customers to minimize opt-out rates. Net revenue is monitored closely so that trend changes can be identified as early as possible and corrective action can be taken as appropriate.

5.5 Counterparty Credit and Performance Risk

SVCE evaluates and monitors the financial strength of service and energy providers. Generally, SVCE manages its exposure to energy suppliers through a preference for counterparties with Investment Grade Credit ratings as determined by Moody's and/or Standard and Poor's and through the use of security requirements in the form of cash and letters of credit. SVCE measures its mark-to-market counterparty credit exposure consistent with industry best practices with methodology documented in ERM Standards. Additionally, SVCE manages counterparty credit risk by monitoring and controlling collateral, letters of credit and other forms of credit calls on the agency as well as paying bills in a timely fashion to avoid defaulting on any term of an agreement. The ERM Standards cover guidelines to assess and monitor counterparty creditworthiness, counterparty credit exposures, counterparty limits and manage counterparty and collateral call risk.

5.6 Load and Generation Volumetric Risk

SVCE manages energy delivery risks by ensuring that contracts include appropriate contractual penalties for non-delivery, acquiring energy from a geographically and technologically diverse portfolio of generating assets with a range of generation profiles.

SVCE manages load forecasting and related weather risks by contracting with qualified data management and scheduling coordinators who together provide the systems and data necessary to forecast and schedule load using good utility practice. SVCE's load scheduling strategy, as executed by its scheduling coordinator, ensures that price risk in the day ahead and real time CAISO markets is managed effectively and is consistent with good utility practice.

SVCE has contracted for long-term electricity resources including large hydroelectricity, renewable energy and storage to meet its RPS and clean goals. For many of these contracts, SVCE has scheduling coordination responsibilities and intends to work with Central Coast Community Energy (CCCE) to manage these resources.

SVCE's generation scheduling strategy, as executed by its scheduling coordinator and in coordination with CCCE when necessary, ensures that the resources are scheduled to produce needed PCC1 renewable energy certificates; manage curtailment risk; meet the regulatory requirements for Resource Adequacy; and optimize energy value either in the day-ahead or real time market. To effectively manage these resources, SVCE will delegate limited authority to its scheduling coordinator within the guidelines of the board-approved operating agreement. The CEO will approve an operating plan for management of each of its Power

Purchase Agreements.

5.7 Operational Risk

Operational risks are managed through:

- Adherence to this Policy, [Standards](#) and oversight of procurement activity;
- Conformity to Employee Handbook;
- Staff resources, expertise and/or training reinforcing a culture of compliance;
- Ongoing and timely internal and external audits; and
- Cross-training amongst staff
- Authorized traders and others involved in any phase of transacting are prohibited to own stock in a current or potential counterparty to avoid a conflict of interest

5.8 Liquidity Risk

SVCE manages liquidity risk through adherence to its loan and power purchase agreement credit covenants, limiting commitments to provide security consistent with the Guidelines, ensuring it has adequate loan facilities, prudent cash and investment management, and adherence to its Cash Reserve Policy. SVCE monitors its liquidity (defined as unrestricted cash, investments and unused bank lines of credit) no less than weekly. SVCE utilizes scenario and sensitivity analyses while preparing budget, rate, and pro forma analyses in order to identify potential financial outcomes and ensure sufficient liquidity under adverse conditions.

5.9 Regulatory/Legislative Risk

SVCE manages its regulatory and legislative risk through active participation in working groups and advocacy coalitions such as the California Community Choice Association. SVCE regularly participates in regulatory rulemaking proceedings and legislative affairs to protect SVCE's interests.

5.10 Reporting

Reporting of critical information to relevant parties is a key component of energy risk management. Periodic reports will be provided to the ROC that shall provide sufficient details on SVCE's transactions, NOP, market exposure, credit exposure, counterparty credit ratings, transaction compliance, and other relevant data. The frequency and content of the reports for each oversight body shall be prescribed in the Energy Risk Management [GuidelinesStandards](#).

Compliance exceptions are actions which violate the limits, and/or the procedures developed and approved [by in consultation with](#) the ROC. For example, the risks associated with the portfolio or a specific transaction within the portfolio may fall outside of any established risk limit at a given point in time.

In the event a compliance exception occurs, the CEO ~~willis responsible for~~ notifying the ROC within 24 hours via email after it is identified and ensure that the Front Office prepares a report (Exception Report) for the ROC at its next meeting. The Report shall identify the issue or violation, and discuss the alternative remedial actions, document the action taken in response, and describe the steps that will be taken to prevent a

reoccurrence of the event.

6 Authorized Transaction and Trading Limitations

6.1 Trader Authorization Process

SVCE shall maintain steps for Trader Authorization in the ERM Standards. Standards will ensure that authorized traders have the required background, experience, training and integrity to transact on behalf of SVCE.

~~The Front Office shall request that the Middle Office begin the trader authorization process. The Middle Office shall verify that the trader's background and experience is sufficient to transact on behalf of SVCE. Before authorizing personnel to transact, the Middle Office shall:~~

- ~~• Determine that the trader has sufficient understanding and experience of the energy markets in which SVCE participates.~~

~~Before commencing transaction on behalf of SVCE, every trader must sign the trader integrity attestation (see Appendix A) to:~~

- ~~• affirm that they are not currently under investigation for market manipulation~~
- ~~• affirm that they have not been previously investigated for market manipulation.~~

~~In addition to that, traders are expected to complete any energy risk management related training put forth by the Middle Office.~~

~~The Middle Office shall, as part of the ERM Guidelines, maintain a list of the authorized trading personnel and records for each trader of:~~

- ~~• Acknowledgement of ERM Policy~~
- ~~• Declaration of Conflict of Interest and;~~
- ~~• Trader Integrity Attestation.~~

6.2 Approved Markets

Approved markets in which SVCE authorized traders can participate are as follows:

- California Independent System Operator (CAISO);
- Bilateral energy, attributes and capacity market;
- Western Electricity Coordinating Council (WECC); and
- California Air Resources Board (CARB) emissions/carbon auctions

6.3 Approved Transactions

Authorized transactions which SVCE authorized traders can utilize must be consistent with this Policy. Transactions must be directly related to the procurement and/or administration of:

- electric energy,
- Resource adequacy products,
- Storage capacity,
- Transmission products,
- ancillary services,
- congestion revenue rights (CRRs),

- renewable energy,
- Carbon-free energy and/or attributes
- renewable energy certificates (RECs),
- basis transactions,
- greenhouse gas emissions allowances,
- tolling agreements, & natural gas tolling agreements specifically approved by the board,
- natural gas hedges needed to manage risks associated with ~~board~~ Bboard-approved natural gas tolling agreements. This includes use of both physical and financially settled natural gas hedges and bilateral purchases of energy products.

Prohibited transactions are those transactions that are not related to serving retail electric load and/or reducing financial exposure. Speculative buying and selling of energy products is prohibited, including the use of financial derivatives such as but not limited to futures, swaps, options, and swaptions. Speculation is defined as buying energy more than forecasted load plus reasonable planning reserves or selling energy or environmental attributes that are not yet —owned by SVCE. In no event shall speculative transactions be permitted.

6.4 Tolerance Bands

Hedging its load obligation is a key function for SVCE. The primary responsibility of the Front Office is to manage the energy portfolio by purchasing energy to hedge the cost of SVCE's load obligation and managing SVCE's portfolio of power resources to optimize value and load obligations. ~~As described in Section 5.3 (Market Price Risk), SVCE ladders its energy purchases over time to access the market at different times. Every six months, the Front Office produces a Portfolio Management Plan that must be approved by the CEO. The Portfolio Management Plan must describe the current portfolio position, expected generation and variability, the recommended hedging transactions, the portfolio position after the transactions, and how the portfolio will remain within the Tolerance Bands in~~
Table 1.Energy Hedging

SVCE will maintain Net Open Position (NOP) portfolio hedge levels, inclusive of a percentage related to the PCIA and any retail rate(s) indexed to any other rate(s) and/or component(s) such as PG&E rate(s), within the tolerances outlined in Table 1 below:

Table 1 Calendar Year Energy NOP Tolerance Bands

Period*	Minimum Tolerance	Maximum Tolerance
Prompt Quarter	85%	110%
Current Balance of Year	80%	110%
Year 2	70%	90%
Year 3	55%	80%
Year 4	50%	80%
Year 5	50%	80%

*For example, if the current year calendar year is 2023, then Year 2 is 2024.

Resource Adequacy

SVCE must comply with the regulatory requirements for procurement of capacity products for Resource Adequacy (RA) needs. SVCE endeavors to purchase RA products over time to meet its obligation and to diversify its purchases between suppliers and market conditions.

Renewable Portfolio Standard and Carbon-free

With respect to purchases to meet the Renewable Portfolio Standard (RPS), SVCE is guided by its Strategic Plan, which states that purchases shall meet legislative and regulatory requirements, Board directives and shall be staggered to accommodate regulatory uncertainty, changes in load and supply price risks and that the RPS portfolio should be diversified with respect to technologies.

6.5 Authorized Trading Limits

6.5.1 Transacting Authority Retained by the Board

The Board retains the authority to approve:

- All transactions with terms of over 12 months unless it has explicitly delegated authority to the CEO;
- All transactions with terms of over 5 years; and
- Master Agreements under which the CEO is delegated authority to transact

6.5.2 Authority Delegated to the CEO by the Board

Under the Board-approved Purchasing Policy, the CEO is delegated the authority to approve and execute contracts for Energy Procurement for terms of less than or equal to 12 months, which the CEO shall timely report to the Board. In addition, under Resolution 2019-03, the Board delegates to the CEO the authority to enter into Confirmations for terms not greater than 60 months and limited to authorized transactions consistent with forecasted load and within the Energy Hedge Tolerance Bands (as defined in the ERM [Policy Standards](#)).

Table 2 below lists the authorized trading limits to transact on behalf of SVCE for all non-resource adequacy related products. If the CEO delegates some of ~~her/his~~^{their} authority, ~~she/he~~^{they} must ~~to~~ document any such delegations in the Energy Risk Management [Guidelines Standards](#). Table 3 below lists the authorized annual trading limits for broker fees per broker.

Table 2: Authority Delegated to the CEO by the Board

Product	Term Limit	Maturity Limit	Volume Limit	Counterparty Limits	Who
Energy, Capacity, and CAISO Ancillary Services	Day Ahead and Real Time	N/A	As needed to meet SVCE's expected load obligations with the CAISO	Any counterparty	CEO
Gas	Daily	N/A	As needed to meet SVCE's obligations for gas tolls*	Through the counterparty associated with the toll	CEO
Energy(Power) Gas, Capacity, CRRs, and Environmental Products	Up to 12 Months	18 months	As needed to meet SVCE's expected load ^{and} /gas toll*needs (per Purchasing Policy)	Any counterparty	CEO

	Up to 60 months	72 months	As needed to meet SVCE's expected load/gas toll* needs	Board-approved Master Agreements	CEO
	Over 60 months	As approved by Board	As approved by the Board	As approved by the Board	Board

[^may include physical IST transactions or financial derivatives](#)

*natural gas hedges needed to manage risks associated with board approved natural gas tolling agreements

Table 3: Authority Delegated to the CEO by the Board for Brokered Transactions

Transaction Type	Fiscal Year Limit
Brokered Transactions Fees	\$500K of broker fee expense per broker

6.5.3 Resource Adequacy Authority Delegated to the CEO by the Board

The CEO has the authority to meet resource adequacy requirements based on CPUC and CAISO guidelines. Failure to meet California's RA compliance obligations may subject SVCE to hefty penalties.

To adequately and effectively meet RA requirements, the CEO needs a broad authority to transact for terms of up to five years and with a broad set of suppliers, including counterparties not under a Master Agreement. Table 4 lists the CEO's authority for RA transactions, which may be delegated provided proper documentation is established by the CEO.

Table4: Resource Adequacy Authority Delegated to the CEO by the Board

Product	Term Limit	Maturity Limit	Volume Limit	Counterparty Limit	Who
Resource Adequacy	Up to 60 months	72 months	As required to comply	Any counterparty	CEO

6.5.4 Limits of Authority Delegated to Authorized Personnel by the CEO

~~The Front Office periodically prepares a needs assessment and develops a Portfolio Plan, which defines the transactions required to meet SVCE's needs and to remain within the Tolerance Bands of Section 6.4. The CEO must approve the Portfolio Plan and may delegate some of his authority to Authorized Personnel (as determined according to the process described in Section 6.1). The CEO must approve the Portfolio Plan and may delegate some authority to Authorized Personnel. SVCE Procurement Staff may not, in any way, transact outside of delegated authority.~~

Although the CEO may delegate some of [her](#)/his authority to Authorized Personnel, the Board limits the authority [she](#)/he can delegate as shown in Table 5 below:

Table 5: [Per Transaction](#) Limits of Authority Delegated to Authorized Personnel by the CEO

Product	Term Limit	Notional Value Limit*
Energy, Capacity, and CAISO Ancillary Services	Day Ahead and Real Time	As needed to meet SVCE's obligations with the CAISO
Energy**	Balance of the month	\$5 Million
	Prompt month	\$7.5 Million
	Up to 12 months	\$25 Million
Resource Adequacy Products, CRRs	Prompt month	As needed to meet SVCE's obligations
	Balance of compliance year	As needed to meet SVCE's obligations
	Up to 12 months	\$15 Million
Environmental Products (Carbon Free and Renewable Energy Resources)	Up to 12 months	\$15 Million

–*Notional value limits are inclusive of broker fees [and represent cumulative notional value limits irrespective of the time of transaction.](#)

** [Energy Notional Value Limits are cumulative, such that the \\$25MM up to twelve months is in addition to the balance of month and prompt month values \(and not inclusive of them\).](#)

6.6 Conflict of Interest

All SVCE employees who are involved in any aspect of transacting for energy or energy-related resources are prohibited from investing in any company with whom SVCE transacts, including those with whom it has executed enabling agreements. Prior to engaging in evaluation of, negotiation with, transacting with, or oversight of a transaction or potential transaction with any company, all involved employees must ensure that they are divested in direct holdings with that company. The ban on investment and requirement to divest is regardless of whether the investment would require disclosure on the employee's FPPC Form 700.

SVCE employees will sign notice acknowledging policy regarding conflict of interest and report any existing or potential conflicts of interest (see Appendix A).

7 Risk Management Policy Governance

7.1 SVCE Board of Directors

The SVCE Board is responsible for adopting this Policy and reviewing it as needed every two calendar years. The Board also approves SVCE's annual budget, contracting authorities and delegates responsibilities for the management of SVCE's operations to its CEO.

7.2 Risk Oversight Committee

SVCE's CEO formed the Risk Oversight Committee (ROC) and is responsible to inform the ROC about any risk management issues and to provide assurance that this Policy is implemented. The CEO ~~shall~~will provide the ROC information and analysis that illustrate that all transactions are consistent with the risk tolerances and that risk management controls and practices are sufficient to monitor and manage risks that SVCE is exposed to.

The ROC ~~shall~~will meet at least once per calendar quarter, or as otherwise called to order by the CEO.

[At the CEO's direction, the ROC may engage in the following activities.](#) The ROC ~~shall~~will

from time to time review the Energy Risk Management ~~Guidelines~~Standards defining in detail the internal controls, strategies and processes for managing market risks incurred through or attendant upon wholesale trading, retail marketing, long-term contracting, CRR trading and load and generation scheduling. The ROC ~~shall~~will receive and review information and reports regarding risk management, wholesale trading transactions, and the administration of supply contracts. The ROC will also review counterparty credit lines and cash reserves to ensure proper levels are maintained for credit, operations and liquidity. In addition, the ROC shall review any instances of non-compliance with any provisions of the Policy or ~~Guidelines~~Standards.

~~7.3 Internal Risk Oversight Committee~~

~~The CEO formed the Internal Risk Oversight Committee (IROC) to review in more detail any risk management issues that arise. The IROC comprises members of the Front, Middle, and Back Office and is used to coordinate any activities related to transacting. The IROC regularly reviews SVCE's risks and risk management strategies and assists the CEO to ensure that proper controls are in place. The IROC is responsible to develop, approve and update Energy Risk Management Guidelines that implement the Energy Risk Management Policy.~~

8 Appendix A: Acknowledgement of ERM Policy, Declaration of Conflict of Interest and Trader Integrity Attestation

To: _____

Acknowledgement of ERM Policy [& Standards](#)

I acknowledge that I've read, understand, and will comply with SVCE's Energy Risk Management Policy [& Standards](#).

Declaration of Conflict of Interest

I understand that I am obligated to give notice in writing to Silicon Valley Clean Energy of any interest or relationship that I may have in any counterparty that seeks to do business with Silicon Valley Clean Energy, and to identify any real or potential conflict of interest such counterparty has or may have with regard to any existing or potential contract or transaction with Silicon Valley Clean Energy, within 48-hours of becoming aware of the conflict of interest.

I would like to declare the following existing/potential conflict of interest situation arising from the discharge of my duties concerning Silicon Valley Clean Energy activities covered by the scope of the ERM:

a) Persons/companies with whom/which I have official dealings and/or private interests:

b) Brief description of my duties which involved the persons/companies mentioned in item a) above.

Trader Integrity Attestation – Please complete this section if you trade on behalf of SVCE

Yes No : Are you currently under investigation for market manipulation?

Yes No : Were you previously investigated for market manipulation ?

Position and Name: _____

Signature: _____

Date: _____

Energy Risk Management Policy



Proposed Adoption:
March 12, 2025

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1 General Provisions

1.1 Background and Purpose of Policy

Silicon Valley Clean Energy's (SVCE) mission is to reduce dependence on fossil fuels by providing carbon free, affordable, and reliable electricity and innovative programs for the SVCE community.

This Energy Risk Management Policy (Policy) has been developed to help ensure that SVCE achieves its mission and adheres to policies established by the SVCE Board of Directors (Board), power supply and related contract commitments, good utility practice, and all applicable laws and regulations. SVCE is not engaged in the power supply business for profit and is, therefore, precluded by this Policy from engaging in many of the risk-taking activities typical to an organization orientated solely toward profit maximization.

This Policy defines SVCE's general energy risk management framework and provides management with the authority to establish processes for monitoring, measuring, reporting, and controlling market and credit risks to which SVCE is exposed in its normal course of business.

1.2 Scope of Business and Related Market Risks

SVCE provides energy to retail customers in its service territory that entails business activities such as; bilateral purchases and sales of electricity under short-, medium- and long-term contracts; scheduling of load and generation of electricity into California Independent Systems Operator (CAISO) markets; retail marketing of electricity to consumers within its service territory; compliance with voluntary objectives and regulatory requirements as it relates to carbon free and renewable portfolio standard (RPS) compliant energy; participation in CAISO Congestion Revenue Rights ("CRRs") market; managing the balance of load and generation over short, medium and long term horizons; and compliance with California Public Utilities Commission (CPUC) Resource Adequacy (RA) requirements.

Examples of energy market risks include, but are not limited to, the following:

- Mark-to-Market Risk
- Market Price Risk
- Net Revenue Risk
- Counterparty Credit and Performance Risk
- Load and Generation Volumetric Risk
- Operational Risk
- Liquidity Risk
- Regulatory/Legislative Risk

This Policy focuses on the following:

- Risk Management Goals and Principles
- Definitions of Risks
- Internal Control Principles
- Risk Management Business Practices
- Authorized Transaction and Trading Limitations
- Risk Management Governance

This Policy does not address the following types of general business risk, which are treated separately in other official policies, ordinances, and regulations of SVCE: fire, accident and casualty; health, safety, and workers' compensation; cybersecurity, general liability; and other such typically insurable perils. The term "risk management," as used herein, is therefore understood to refer solely to energy market risks as herein defined, and not those other categories of risk.

1.3 Policy Administration

This Energy Risk Management Policy (Policy) is adopted by the SVCE Board of Directors and will be reviewed and updated as needed at least every two calendar years by SVCE's Board. The CEO is responsible for implementation of the Policy. The CEO is also responsible to develop Energy Risk Management Guidelines (Guidelines), which is required for staff to follow to implement the Policy.

1.4 Policy Distribution

This Policy shall be distributed to all SVCE employees and third-party contractors who are engaged in the planning, procurement, sale and scheduling of electricity on SVCE's behalf and/or in other SVCE departments providing oversight and support for these activities.

1.5 Acknowledgement of ERM

All SVCE staff participating in any activity or transaction within the scope of the ERM shall sign, upon joining or upon any material revision of the ERM policy and standard, that such SVCE representative has:

Read the ERM;

Understands the terms and agreements of said ERM;

Will comply with said ERM;

SVCE employees who are within the scope of the ERM understand that any violation of said ERM may subject the employee to discipline up to and including termination of employment.

2 Risk Management Goals

Although SVCE does not engage in risk-taking activities typical in a for-profit organization, certain risks are incidental to the normal power supply operations and hedging activities. SVCE's policy is to manage risk inherent with serving load, including the risks associated with normal cost-hedging activities, those associated with participation in wholesale markets in general and the CAISO in particular.

The goals of energy risk management shall be to:

1. assist in achieving the business objectives in the Strategic Plan, Integrated Resource Plan (IRP) and Cash Reserve Policy including retail rate stability and competitiveness and the accumulation of financial reserves;
2. avoid losses and excessive costs which would materially impact the financial condition of SVCE;
3. establish the parameters for energy procurement and sales activity to obtain the best possible price while ensuring compliance with Board-approved policies;
4. identify specific cost, regulatory and legislative risks that could adversely affect SVCE's ability to achieve its business objectives, and to the extent possible, quantify and measure performance against those risks;

5. assist in assuring that market activities and transactions are undertaken in compliance with established procurement authorities, applicable laws, regulations and orders;
6. encourage the development and maintenance of an agency culture at SVCE in which the proper balance is struck between control and facilitation and in which professionalism, discipline, technical skills, and analytical rigor come together to achieve SVCE objectives; and
7. manage business risks to acceptable levels consistent with retail rate-setting, resource procurement and cash reserve management.

SVCE manages its energy resources and transactions to provide its customers with low-cost renewable, carbon free and other energy while at the same time minimizing risks. The risk management principles that SVCE will use include:

1. Undue exposure to CAISO or bilateral energy market volatility for the purpose of potentially achieving lower costs but at the risk that costs may, in fact, be much higher, will not be accepted.
2. Procurement and hedging strategy will be determined by analytical methods supplemented by experienced judgement. SVCE will use that experienced judgement and its analytical tools to assess system cost drivers such as weather, short term energy prices, load variation and operational constraints to manage timing and quantity of purchases and sales of energy and related services, consistent with the limits identified in this Policy.
3. When actions are taken that are consistent with ERM Policy and supporting Standards and for the combined goal of low costs and optimized risk, those actions are considered to be consistent with the objectives of ERM Policy and supporting Standards.
4. SVCE will not engage in transactions, without proper authorization, whose purpose is not tied to managing compliance, clean directives, costs and risks or are outside of the limits identified in this Policy.

3 Definition of Market Risks

The term “market risks,” as used here, refers specifically to those categories of risk which relate to SVCE’s participation in wholesale and retail markets as a Load Serving Entity (LSE) and its interests in long-term contracts. Market risks include market price risk, counterparty credit and performance risk, load and generation volumetric risk, operational risk, liquidity risk, and regulatory and legislative risk. These categories are defined and explained as follows.

3.1 Mark-to-Market Risk

Mark-to-Market risk is the risk that wholesale trading positions, long-term supply contracts and generation resources may move “out of the money,” that is, become less valuable in comparison with similar positions, contracts, or resources obtainable at present prices. These same positions can also be “in the money” if they become more valuable in comparison to similar positions, contracts, or resources obtainable at present market prices. This valuation methodology is commonly referred to as “Mark-to-Market.” If SVCE is “out of the money” on a substantial portion of its contracts, it may have to charge higher retail rates. This may erode SVCE’s competitive position and market share if other market participants (e.g., Direct Access providers or PG&E) are able to procure power at a lower cost and offer lower retail electricity rates.

3.2 Market Price Risk

Market Price risk is the risk that market prices change, resulting in changes to energy procurement cost. For example, the cost for the unhedged portion of a supply portfolio (net open position) will increase when market prices increase. Conversely, if resources are in excess to needs and market prices fall, the revenue expected from the sale of the surplus resources will decrease. In addition, uncertain market price relationships (locational risk) affect SVCE's procurement costs.

A subcomponent of market price risk is market liquidity. Illiquid markets make it more difficult to buy or sell a commodity and can result in higher premiums on purchases or deeper discounts on sales.

Another dimension of market price risk is congestion risk. Congestion risks arise from the difference between the prices SVCE pays the CAISO to schedule its load and the prices SVCE receives from the CAISO for energy delivered by SVCE's suppliers.

3.3 Net Revenue Risk

Net Revenues are the total of all revenues received (from retail sales to customers and from the sale of any energy products), including any calculated financial impacts from the Power Charge Indifference Adjustment (PCIA) and any retail rate(s) indexed to any other rate(s) and/or component(s) such as PG&E rate(s), less the total costs (including the costs of long-term contracts, forward transactions, and spot market purchases plus all other operating costs). Net Revenue Risk is the risk that any of those factors—revenues or costs—changes (e.g. changes in market prices or retail sales volumes, or failures of counterparties). Net Revenue is the "bottom line" for SVCE as it determines the financial viability of the authority.

One of the main components of net revenue risk is on the retail revenue side, which is at risk when customers opt out from service by SVCE and return to PG&E, or if customers choose to find another supplier through direct access opportunities that may arise. In addition, when the PCIA and any other rate(s) or index(es) to which the retail rates are indexed are changed, it directly affects SVCE's financials, as it may lead SVCE to compensate by changing its retail rates.

3.4 Counterparty Credit and Performance Risk

Performance and credit risk refers to the inability or unwillingness of a counterparty to perform according to its contractual obligations or to extend credit. Failure to perform may arise if an energy supplier fails to deliver energy as agreed. There are four general performance and credit risk scenarios:

1. counterparties and wholesale suppliers may fail to deliver energy or environmental attributes, requiring SVCE to purchase replacement products elsewhere, possibly at a higher cost;
2. counterparties may fail to take delivery of energy or environmental attributes sold to them, necessitating a quick resale of the product elsewhere, possibly at a lower price;
3. counterparties may fail to pay for energy or environmental attributes delivered; and
4. counterparties and suppliers may refuse to extend credit to SVCE, possibly resulting in higher collateral posting costs impacting SVCE's cash and bank lines of credit.

An important subcategory of credit risk is concentration risk. When a portfolio of positions and resources is concentrated in one or a very few counterparties, sources, or locations, it becomes more likely that major losses will be sustained in the event of non-performance by

a counterparty or supplier or as a result of price fluctuations at one location.

3.5 Load and Generation Volumetric Risk

Energy deliveries must be planned for based upon forecasted load adjusted for distribution line losses. SVCE forecasts load over the long and short term and enters into long- and short-term fixed-price energy contracts to hedge its load.

Load forecasting risks arises from inaccurate load forecasts and can result in the over or under procurement of energy and/or revenues that deviate from approved budgets. Energy delivery risk occurs if a generator fails to deliver expected or forecast energy. Variations in wind speed and cloud cover can also impact the amount of electricity generated by solar and wind resources, and occasional oversupply of power on the grid can lead to curtailment of energy deliveries or reduce revenue as a result of low or negative prices at energy delivery points. Weather is an important variable that can result in higher or lower electricity usage due to heating and cooling needs.

In the CAISO markets this situation can result in both oversupply and undersupply of electricity relative to SVCE's load and the over or under scheduling of generation or load into the day ahead market relative to actual energy consumed or delivered in the real time market. Load and generation volumetric risk may result in unanticipated open positions and imbalance energy costs. Imbalance energy costs result from differences in the price or volume of generation or load scheduled into the day ahead market when compared to the price or volume of generation or load occurring in the real time market during that time period.

3.6 Operational Risk

Operational risk consists of the potential for failure to act effectively to plan, execute, and control business activities. Operational risk includes the potential for:

1. organizational structure that is ineffective in addressing risk (i.e., the lack of sufficient authority to make and execute decisions, inadequate supervision, ineffective internal checks and balances, incomplete, inaccurate, and untimely forecasts or reporting, failure to separate incompatible functions, etc.);
2. absence, shortage or loss of key personnel or lack of cross-functional training;
3. lack or failure of facilities, equipment, systems, and tools such as computers, software, communications links, and data services;
4. exposure to litigation or sanctions resulting from violating laws and regulations, not meeting contractual obligations, failure to address legal issues and/or receive competent legal advice, not drafting and analyzing contracts effectively, etc.; and
5. errors or omissions in the conduct of business, including failure to execute transactions, violation of policies, standards and procedures, etc.

3.7 Liquidity Risk

Liquidity Risk is the risk that SVCE will be unable to meet its financial obligations. This can be caused by unexpected financial events and/or inaccurate pro forma calculations, rate analysis, and debt analysis. Some unexpected financial events impacting liquidity could include:

1. breach of SVCE credit covenants or thresholds; SVCE has credit covenants included in its banking and several short-term energy contracts. Breach of credit covenants or thresholds could result in the withdrawal of SVCE's line of credit or trigger the requirement to post collateral;

2. calls for collateral from the CAISO or SVCE's counterparties based on terms of transacting agreements; and
3. from time-to-time SVCE may be the subject of legal or other claims arising from the normal course of business. Payment of a claim by SVCE could reduce SVCE's liquidity if the cause of loss is not covered by SVCE's insurance policies.

3.8 Regulatory/Legislative Risk

Regulatory risk encompasses market structure and operational risks associated with shifting state and federal regulatory policies, rules, and regulations that could negatively impact SVCE. Some examples are the potential increase of exit fees for customers served by Community Choice Aggregators such as SVCE that would result in higher electricity rates for SVCE's customers, and the risk that the customers would select another supplier through an expanded Direct Access program.

Legislative risk is associated with actions by federal and state legislative bodies, such as any adverse changes or requirements that may infringe on SVCE's autonomy, increase its costs, impact its customer base, or otherwise negatively impact SVCE's ability to fulfill its mission.

4 Internal Control Principles

Internal controls shall be based on proven principles that meet or exceed the requirements of financial institutions and credit rating agencies and good utility practices. The required controls shall include all customary and usual business practices designed to prevent errors and improprieties, ensure accurate and timely reporting of results of operations and information pertinent to management, and facilitate attainment of business objectives. These controls are currently and shall remain fully integrated into all activities of the business and shall be consistent with stated objectives.

4.1 Segregation of duties

One of the main aspects of internal controls is the segregation of duties to ensure that the staff person who executes a transaction is not the same person who evaluates or settles the transaction. Appropriate segregation of duties is to be established and maintained throughout the system of controls over financial risks. Senior management must be diligent in ensuring that appropriate segregation of duties is adhered to within the context of organizational changes, while considering staffing limitations, SVCE's business model as a cost hedger, and the overall level of transactions with counterparties. Segregation of duties and functions between front, middle, and back-office activities is generally as follows:

- The Front Office is directly involved in resource planning, product procurement and sales transactions, and implementation of strategies within authorized limits.
- The Middle Office's functions are related to risk management and counterparty credit. The primary responsibility is to ensure that all products utilized and transaction activities are undertaken in compliance with current policy.
- The Back Office is comprised of functions responsible for verification and validation of accounting, processing, reconciling, and settling of all transactions.

Controls over inputs and systems operations are of particular importance in ensuring the integrity of data used in risk control and management. In all cases, there will be an appropriate segregation of duties or oversight to reduce the risk of error and/or fraud.

To the maximum extent practicable given SVCE's business model and level of staffing, Front-Office activities will be functionally independent from Middle and Back Office activities. As a result, the Front Office will generally neither perform nor supervise Middle-

Office Risk Management activities, or Back Office financial accounting or settlements. The Director of Power Resources is responsible for ensuring the Front Office's ability to perform tasks in compliance with this Policy. This arrangement will provide independent and regular management oversight for both risk-taking and risk-control activities. It will also allow for a clear separation of duties between the Front-Office transacting and Middle Office risk-control functions.

To the maximum extent practicable given SVCE's business model and level of staffing, Middle Office activities will be functionally independent from all Front Office and Back Office activities. The Middle Office will have primary responsibility for risk management oversight and policy and standards development and compliance. If there are not adequate resources necessary to fully support a Middle Office, this function may be combined with another function or be supported by qualified third-party advisors, provided that appropriate segregation of duties or sufficient internal controls are always maintained.

To the maximum extent practicable given SVCE's business model and level of staffing, Back Office settlement activities will be functionally independent from all Front Office and Middle Office activities. The Back Office will have primary responsibility for all transaction confirmation, accounting, and reconciliation processes. If organizational capability and expertise do not fully exist within a Back Office, this function may be combined with another function, or be supported by qualified third-party advisors, provided that appropriate segregation of duties or sufficient internal controls are maintained at all times. This determination may be made by the CEO and/or CFO.

4.2 Additional Internal Controls

Besides segregation of duties, additional required operational control principles include the following, which the CEO shall implement by incorporating them into the ERM Standards:

1. Delegation of authority that is commensurate with responsibility and capability, and relevant training to ensure adequate knowledge to operate in and comply with rules associated with the markets in which they transact (e.g., CAISO). Contract origination, commercial approval, confirmation, legal review, invoice validation, and transaction auditing shall be performed by separate staff or contractor for any single transaction. No single staff member shall perform all these functions on any transaction.
2. Defining authorized products and transactions (see Section 6.3).
3. Defining procurement authority for any transactions for which procurement authority has not already been explicitly granted as set forth in SVCE's Purchasing Policy and any Board Resolution delegating energy procurement authority (e.g. Resolution 2016-15 which delegates authority to the CEO to execute confirmation agreements with energy service providers with whom SVCE has executed Master Agreements).
4. Defining proper trade capture process for executing power supply contracts.
5. Complete and precise capture of transaction and other data, with standardization of electronic and hard copy documentation.
6. Meaningful summarization and accurate reporting of transactions and other activity at regular intervals.
7. Consultation with legal counsel on all legal issues related to this Policy.
8. Timely and accurate risk and performance measurement at regular intervals.
9. Regular compliance review to ensure that this Policy and the Guidelines are adhered to, with specific guidelines for resolving instances of noncompliance.
10. Active participation by senior management in risk management processes.

5 Risk Management Business Practices

5.1 Risk Measurement Metrics and Reporting

A vital element of this Policy is the regular identification, measurement, and communication of risk. To effectively communicate risk, all risk management activities must be monitored on a frequent basis using risk measurement methodologies that quantify the risks associated with SVCE's procurement-related business activities and performance relative to goals. SVCE measures and updates its risks using a variety of tools that model programmatic financial projections, market exposure and risk metrics, as well as through short term budget updates.

SVCE seeks to minimize financial exposure to higher-volatility spot market wholesale electricity using rolling hedges and net open position percentage bands. Financial exposure creates budget uncertainty. To mitigate the financial exposure to short-time horizon price volatility, SVCE continually reduces its financial exposure by reducing the quantity of energy in either open long or short positions. The metrics used for monitoring the portfolio are maintained in the ERM Standards.

Consistent with the above, the Middle Office will develop reports and provide feedback to an internal Risk Oversight Committee. Risk measurement methodologies shall be re-evaluated on a periodic basis to ensure SVCE adjusts its methods to reflect the evolving competitive landscape.

In addition to ensuring the portfolio is within the approved hedge bands, portfolio management decisions are supported by risk metrics from simulations of future market conditions, loads, and other material risk drivers for the portfolio.

Stress tests will be used to understand the potential variability in SVCE's projected procurement costs, and resulting retail rate impacts and competitive positioning, associated with adverse scenarios of material risk drivers. The stress test analysis will complement other probabilistic metrics used to manage portfolio risks and its results will be distributed on at least an annual basis to the ROC.

5.2 Mark-to-Market Risk

SVCE manages its mark-to-market risk by comparing the current value of any wholesale trading positions and long-term supply contracts to the cost of the contracts. This is important if there are trading restrictions for entering into new transactions with certain counterparties based on the terms of the agreements and to counterparty credit limits. Being aware of the Mark-to-Market of the portfolio is important as it provides an indication of the competitiveness of the portfolio.

5.3 Market Price Risk

SVCE manages market price risk by determining its Load and Resource Balance which defines forecasted load, energy under contract and SVCE's open positions in various energy product types including renewable energy, carbon free energy, system power, and SVCE's procurement targets.

SVCE minimizes financial exposure to higher-volatility spot market wholesale electricity prices by hedging its NOP according to the NOP tolerance bands in Section 6.4.

In general, SVCE will seek to ladder its long-term purchases of renewable energy to diversify exposure to market conditions and reduce the risk of concentrating purchases in any one year.

For products generally purchased through short- and medium-term contracts, SVCE follows a similar strategy of diversifying contracting over the delivery horizon.

As predominantly a net buyer, SVCE manages its market liquidity risk through purchasing at different intervals and maintaining a diverse set of counterparties to transact with.

Congestion risk is managed through the contracting process with a preference for day ahead scheduling and energy delivery at the NP 15 trading hub and through resource assessment and selection. Once energy is procured SVCE manages congestion risks through the prudent management of Congestion Revenue Rights (CRRs). CRRs are financial instruments used to hedge against transmission congestion costs encountered in the CAISO day-ahead market. SVCE uses a third-party scheduling coordinator to manage its CRR portfolio. SVCE uses CRRs to reduce its exposure to congestion and other CAISO charges and will not use CRRs for speculative purposes.

5.4 Net Revenue Risk

SVCE manages net revenue risk by managing each of its contributing factors as described in other sections in this Policy—market price risk, load and generation volumetric risk, counterparty performance, etc. In addition, SVCE strives to provide competitively priced products that are valued by its customers to minimize opt-out rates. Net revenue is monitored closely so that trend changes can be identified as early as possible and corrective action can be taken as appropriate.

5.5 Counterparty Credit and Performance Risk

SVCE evaluates and monitors the financial strength of service and energy providers. Generally, SVCE manages its exposure to energy suppliers through a preference for counterparties with Investment Grade Credit ratings as determined by Moody's and/or Standard and Poor's and through the use of security requirements in the form of cash and letters of credit. SVCE measures its mark-to-market counterparty credit exposure consistent with industry best practices with methodology documented in ERM Standards. Additionally, The ERM Standards cover guidelines to assess and monitor counterparty creditworthiness, counterparty credit exposures, counterparty limits and manage counterparty and collateral call risk.

5.6 Load and Generation Volumetric Risk

SVCE manages energy delivery risks by ensuring that contracts include appropriate contractual penalties for non-delivery, acquiring energy from a geographically and technologically diverse portfolio of generating assets with a range of generation profiles.

SVCE manages load forecasting and related weather risks by contracting with qualified data management and scheduling coordinators who together provide the systems and data necessary to forecast and schedule load using good utility practice. SVCE's load scheduling strategy, as executed by its scheduling coordinator, ensures that price risk in the day ahead and real time CAISO markets is managed effectively and is consistent with good utility practice.

SVCE has contracted for long-term electricity resources including large hydroelectricity, renewable energy and storage to meet its RPS and clean goals. For many of these contracts, SVCE has scheduling coordination responsibilities and intends to work with Central Coast Community Energy (CCCE) to manage these resources.

SVCE's generation scheduling strategy, as executed by its scheduling coordinator and in

coordination with CCCE when necessary, ensures that the resources are scheduled to produce needed PCC1 renewable energy certificates; manage curtailment risk; meet the regulatory requirements for Resource Adequacy; and optimize energy value either in the day-ahead or real time market. To effectively manage these resources, SVCE will delegate limited authority to its scheduling coordinator within the guidelines of the board-approved operating agreement. The CEO will approve an operating plan for management of each of its Power Purchase Agreements.

5.7 Operational Risk

Operational risks are managed through:

- Adherence to this Policy, Standards and oversight of procurement activity;
- Conformity to Employee Handbook;
- Staff resources, expertise and/or training reinforcing a culture of compliance;
- Ongoing and timely internal and external audits; and
- Cross-training amongst staff
- Authorized traders and others involved in any phase of transacting are prohibited to own stock in a current or potential counterparty to avoid a conflict of interest

5.8 Liquidity Risk

SVCE manages liquidity risk through adherence to its loan and power purchase agreement credit covenants, limiting commitments to provide security consistent with the Guidelines, ensuring it has adequate loan facilities, prudent cash and investment management, and adherence to its Cash Reserve Policy. SVCE monitors its liquidity (defined as unrestricted cash, investments and unused bank lines of credit) no less than weekly. SVCE utilizes scenario and sensitivity analyses while preparing budget, rate, and pro forma analyses in order to identify potential financial outcomes and ensure sufficient liquidity under adverse conditions.

5.9 Regulatory/Legislative Risk

SVCE manages its regulatory and legislative risk through active participation in working groups and advocacy coalitions such as the California Community Choice Association. SVCE regularly participates in regulatory rulemaking proceedings and legislative affairs to protect SVCE's interests.

5.10 Reporting

Reporting of critical information to relevant parties is a key component of energy risk management. Periodic reports will be provided to the ROC that shall provide sufficient details on SVCE's transactions, NOP, market exposure, credit exposure, counterparty credit ratings, transaction compliance, and other relevant data. The frequency and content of the reports for each oversight body shall be prescribed in the Energy Risk Management Standards.

Compliance exceptions are actions which violate the limits, and/or the procedures developed and approved in consultation with the ROC. For example, the risks associated with the portfolio or a specific transaction within the portfolio may fall outside of any established risk limit at a given point in time.

In the event a compliance exception occurs, the CEO will notify the ROC within 24 hours via email after it is identified and ensure that the Front Office prepares a report (Exception Report) for the ROC at its next meeting. The Report shall identify the issue or violation, and discuss the alternative remedial actions, document the action taken in response, and describe the steps that will be taken to prevent a recurrence of the event.

6 Authorized Transaction and Trading Limitations

6.1 Trader Authorization Process

SVCE shall maintain steps for Trader Authorization in the ERM Standards. Standards will ensure that authorized traders have the required background, experience, training and integrity to transact on behalf of SVCE.

6.2 Approved Markets

Approved markets in which SVCE authorized traders can participate are as follows:

- California Independent System Operator (CAISO);
- Bilateral energy, attributes and capacity market;
- Western Electricity Coordinating Council (WECC); and
- California Air Resources Board (CARB) emissions/carbon auctions

6.3 Approved Transactions

Authorized transactions which SVCE authorized traders can utilize must be consistent with this Policy. Transactions must be directly related to the procurement and/or administration of:

- electric energy,
- Resource adequacy products,
- Storage capacity,
- Transmission products,
- ancillary services,
- congestion revenue rights (CRRs),
- renewable energy,
- Carbon-free energy and/or attributes
- renewable energy certificates (RECs),
- basis transactions,
- greenhouse gas emissions allowances,
- tolling agreements, & natural gas tolling agreements specifically approved by the board,
- natural gas hedges needed to manage risks associated with Board-approved natural gas tolling agreements. This includes use of both physical and financially settled natural gas hedges and bilateral purchases of energy products.

Prohibited transactions are those transactions that are not related to serving retail electric load and/or reducing financial exposure. Speculative buying and selling of energy products is prohibited, including the use of financial derivatives such as but not limited to futures, swaps, options, and swaptions. Speculation is defined as buying energy more than forecasted load plus reasonable planning reserves or selling energy or environmental attributes that are not yet owned by SVCE. In no event shall speculative transactions be

permitted.

6.4 Tolerance Bands

Hedging its load obligation is a key function for SVCE. The primary responsibility of the Front Office is to manage the energy portfolio by purchasing energy to hedge the cost of SVCE's load obligation and managing SVCE's portfolio of power resources to optimize value and load obligations. Table 1.Energy Hedging

SVCE will maintain Net Open Position (NOP) portfolio hedge levels, inclusive of a percentage related to the PCIA and any retail rate(s) indexed to any other rate(s) and/or component(s) such as PG&E rate(s), within the tolerances outlined in Table 1 below:

Table 1 Calendar Year Energy NOP Tolerance Bands

Period*	Minimum Tolerance	Maximum Tolerance
Current Balance of Year	80%	110%
Year 2	70%	90%
Year 3	55%	80%
Year 4	50%	80%
Year 5	50%	80%

*For example, if the current year calendar year is 2023, then Year 2 is 2024.

Resource Adequacy

SVCE must comply with the regulatory requirements for procurement of capacity products for Resource Adequacy (RA) needs. SVCE endeavors to purchase RA products over time to meet its obligation and to diversify its purchases between suppliers and market conditions.

Renewable Portfolio Standard and Carbon-free

With respect to purchases to meet the Renewable Portfolio Standard (RPS), SVCE is guided by its Strategic Plan, which states that purchases shall meet legislative and regulatory requirements, Board directives and shall be staggered to accommodate regulatory uncertainty, changes in load and supply price risks and that the RPS portfolio should be diversified with respect to technologies.

6.5 Authorized Trading Limits

6.5.1 Transacting Authority Retained by the Board

The Board retains the authority to approve:

- All transactions with terms of over 12 months unless it has explicitly delegated authority to the CEO;
- All transactions with terms of over 5 years; and
- Master Agreements under which the CEO is delegated authority to transact

6.5.2 Authority Delegated to the CEO by the Board

Under the Board-approved Purchasing Policy, the CEO is delegated the authority to approve and execute contracts for Energy Procurement for terms of less than or equal to 12 months, which the CEO shall timely report to the Board. In addition, under Resolution 2019-03, the Board delegates to the CEO the authority to enter into Confirmations for terms not greater

than 60 months and limited to authorized transactions consistent with forecasted load and within the Energy Hedge Tolerance Bands (as defined in the ERM Standards).

Table 2 below lists the authorized trading limits to transact on behalf of SVCE for all non-resource adequacy related products. If the CEO delegates some of their authority, they must document any such delegations in the Energy Risk Management Standards. Table 3 below lists the authorized annual trading limits for broker fees per broker.

Table 2: Authority Delegated to the CEO by the Board

Product	Term Limit	Maturity Limit	Volume Limit	Counterparty Limits	Who
Energy, Capacity, and CAISO Ancillary Services	Day Ahead and Real Time	N/A	As needed to meet SVCE's expected load obligations with the CAISO	Any counterparty	CEO
Gas	Daily	N/A	As needed to meet SVCE's obligations for gas tolls*	Through the counterparty associated with the toll	CEO
Energy(Power) Gas, Capacity, CRRs, and Environmental Products	Up to 12 Months	18 months	As needed to meet SVCE's expected load ^/gas toll*needs (per Purchasing Policy)	Any counterparty	CEO
	Up to 60 months	72 months	As needed to meet SVCE's expected load/gas toll* needs	Board-approved Master Agreements	CEO
	Over 60 months	As approved by Board	As approved by the Board	As approved by the Board	Board

^may include physical IST transactions or financial derivatives

*natural gas hedges needed to manage risks associated with board approved natural gas tolling agreements

Table 3: Authority Delegated to the CEO by the Board for Brokered Transactions

Transaction Type	Fiscal Year Limit
Brokered Transactions Fees	\$500K of broker fee expense per broker

6.5.3 Resource Adequacy Authority Delegated to the CEO by the Board

The CEO has the authority to meet resource adequacy requirements based on CPUC and CAISO guidelines. Failure to meet California's RA compliance obligations may subject SVCE to hefty

penalties.

To adequately and effectively meet RA requirements, the CEO needs a broad authority to transact for terms of up to five years and with a broad set of suppliers, including counterparties not under a Master Agreement. Table 4 lists the CEO's authority for RA transactions, which may be delegated provided proper documentation is established by the CEO.

Table4: Resource Adequacy Authority Delegated to the CEO by the Board

Product	Term Limit	Maturity Limit	Volume Limit	Counterparty Limit	Who
Resource Adequacy	Up to 60 months	72 months	As required to comply	Any counterparty	CEO

6.5.4 Limits of Authority Delegated to Authorized Personnel by the CEO

Although the CEO may delegate some of her/his authority to Authorized Personnel, the Board limits the authority she/he can delegate as shown in Table 5 below:

Table 5: Per Transaction Limits of Authority Delegated to Authorized Personnel by the CEO

Product	Term Limit	Notional Value Limit*
Energy, Capacity, and CAISO Ancillary Services	Day Ahead and Real Time	As needed to meet SVCE's obligations with the CAISO
Energy**	Balance of the month	\$5 Million
	Prompt month	\$7.5 Million
	Up to 12 months	\$25 Million
Resource Adequacy Products, CRRs	Prompt month	As needed to meet SVCE's obligations
	Balance of compliance year	As needed to meet SVCE's obligations
	Up to 12 months	\$15 Million
Environmental Products (Carbon Free and Renewable Energy Resources)	Up to 12 months	\$15 Million

*Notional value limits are inclusive of broker fees and represent cumulative notional value limits irrespective of the time of transaction.

** Energy Notional Value Limits are cumulative, such that the \$25MM up to twelve months is in addition to the balance of month and prompt month values (and not inclusive of them).

6.6 Conflict of Interest

All SVCE employees who are involved in any aspect of transacting for energy or energy-related resources are prohibited from investing in any company with whom SVCE transacts, including those with whom it has executed enabling agreements. Prior to engaging in evaluation of, negotiation with, transacting with, or oversight of a transaction or potential transaction with any company, all involved employees must ensure that they are divested in direct holdings with that company. The ban on investment and requirement to divest is regardless of whether the investment would require disclosure on the employee's FPCC Form 700.

SVCE employees will sign notice acknowledging policy regarding conflict of interest and report any existing or potential conflicts of interest (see Appendix A).

7 Risk Management Policy Governance

7.1 SVCE Board of Directors

The SVCE Board is responsible for adopting this Policy and reviewing it as needed every two calendar years. The Board also approves SVCE's annual budget, contracting authorities and delegates responsibilities for the management of SVCE's operations to its CEO.

7.2 Risk Oversight Committee

SVCE's CEO formed the Risk Oversight Committee (ROC) and is responsible to inform the ROC about any risk management issues and to provide assurance that this Policy is implemented. The CEO will provide the ROC information and analysis that illustrate that all transactions are consistent with the risk tolerances and that risk management controls and practices are sufficient to monitor and manage risks that SVCE is exposed to.

The ROC will meet at least once per calendar quarter, or as otherwise called to order by the CEO.

At the CEO's direction, the ROC may engage in the following activities. The ROC will from time to time review the Energy Risk Management Standards defining in detail the internal controls, strategies and processes for managing market risks incurred through or attendant upon wholesale trading, retail marketing, long-term contracting, CRR trading and load and generation scheduling. The ROC will receive and review information and reports regarding risk management, wholesale trading transactions, and the administration of supply contracts. The ROC will also review counterparty credit lines and cash reserves to ensure proper levels are maintained for credit, operations and liquidity. In addition, the ROC shall review any instances of non-compliance with any provisions of the Policy or Standards.

8 Appendix A: Acknowledgement of ERM Policy, Declaration of Conflict of Interest and Trader Integrity Attestation

To: _____

Acknowledgement of ERM Policy & Standards

I acknowledge that I've read, understand, and will comply with SVCE's Energy Risk Management Policy & Standards.

Declaration of Conflict of Interest

I understand that I am obligated to give notice in writing to Silicon Valley Clean Energy of any interest or relationship that I may have in any counterparty that seeks to do business with Silicon Valley Clean Energy, and to identify any real or potential conflict of interest such counterparty has or may have with regard to any existing or potential contract or transaction with Silicon Valley Clean Energy, within 48-hours of becoming aware of the conflict of interest.

I would like to declare the following existing/potential conflict of interest situation arising from the discharge of my duties concerning Silicon Valley Clean Energy activities covered by the scope of the ERM:

a) Persons/companies with whom/which I have official dealings and/or private interests:

b) Brief description of my duties which involved the persons/companies mentioned in item a) above.

Trader Integrity Attestation – Please complete this section if you trade on behalf of SVCE

Yes No : Are you currently under investigation for market manipulation?

Yes No : Were you previously investigated for market manipulation ?

Position and Name: _____

Signature: _____

Date: _____

**Staff Report – Item 5**

Item 5: Program Snapshot: New and Improved eHub

From: Monica Padilla, CEO

Prepared by: Leslie Madarang, Senior Marketing Specialist

Date: 2/28/2025

This item will be addressed in the form of a presentation to the Executive Committee providing a snapshot overview of the New and Improved eHub.

ATTACHMENT

The presentation for this item is posted to SVCE's website.