Execute Agreements to Enable Fourth Prepay Transaction

Amrit Singh
Board of Directors
June 11, 2025

SILICON VALLEY CLEAN ENERGY

Purpose

Action: Adopt Resolution 2025-13 to Authorize CEO to Approve or Execute Agreements with Firms Providing Services to Enable SVCE to Execute its Fourth Prepay

Main Areas of Discussion

1. Prepay background information
2. Prepay goal and structure
3. Prepay structure overview diagram
4. Overview of the request
5. Next Steps
6. Appendix
   - Timeline of First Prepay
   - Details of First Three Prepays and Cost Breakdown

Review of Prepay Background Information

Goal: Reduce the cost of power purchases

- Savings achieved by leveraging SVCE/CCCFA’s ability to fund low-cost tax-exempt interest rates
- Used since the 1990s for natural gas transactions
- Codified in the US Tax law
  - Part of the National Energy Policy Act of 2005
- Seasoned professionals will help guide, negotiate, and structure the transactions. Fees for professionals are contingent on the completion of the deal and are paid from the deal proceeds.

Review of Prepay Goal and Structure

Substantial savings with minimal risks

Goal

- Reduce the cost of power purchases by leveraging SVCE's ability to fund low-cost tax-exempt debt
- Gain competitive advantage relative to Investor Owned Utilities (IOUs)

How

- Benefit from the spread between taxable and tax-exempt interest rates
- Use of financially engineered prepay structure*
  - Bonds not guaranteed by SVCE or California Community Financing Authority (CCCFA).
  - Bonds secured by the contractual rights and transaction cashflows
- Seasoned team of professionals helps guide, negotiate, and structure the transactions.

Minimal Risks

- Fees (except rating agency) are contingent on the execution of the deal and paid from the bond proceeds
- Bonds issued are non-recourse to SVCE

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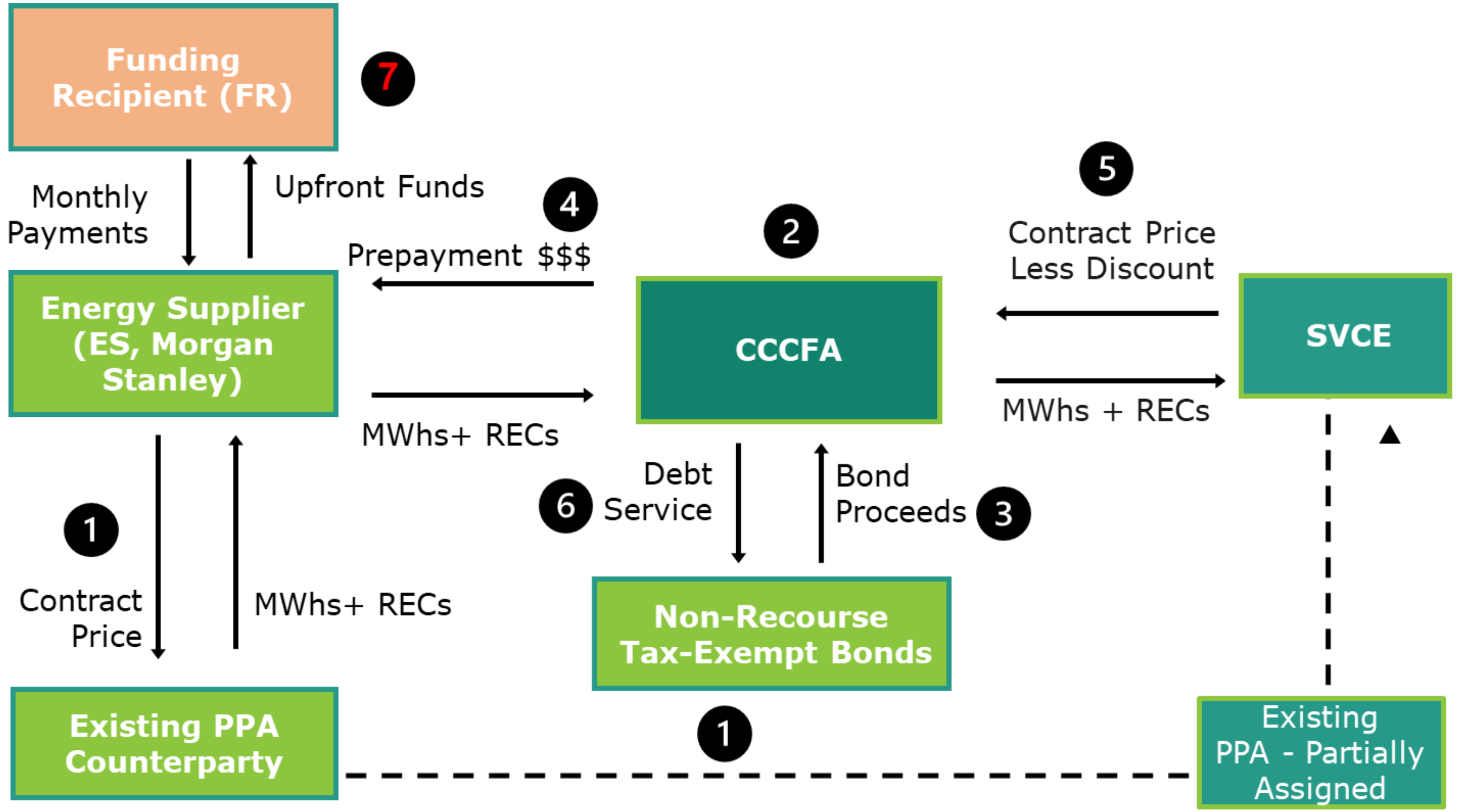
Overview of Prepay Structure

***Term*: 30-year with bonds repricing every 5-10 years, depending on the optimal spread between taxable and tax-exempt interest rates.**

1. SVCE partially assigns, using a Limited Assignment Agreement, an energy contract to Energy Supplier (ES). ES agrees to pay the contract price to the PPA provider.
2. CCAs created CCCFA, a separate legal entity that can issue tax-exempt debt.
3. CCCFA issues non-recourse tax-exempt bonds.
    - Bonds not guaranteed by SVCE or CCCFA.
    - Bonds secured by the contractual rights and transaction cashflows; Bonds carry FR credit ratings.
4. CCCFA pays bond proceeds, net of transaction fees, to as prepayment for energy and related products that ES will provide over the 30-year term. Executes Prepaid Agreement.
5. SVCE and CCCFA execute a Power Supply Agreement, where SVCE pays CCCFA the contract price less a discount for the energy delivered by CCCFA.
6. CCCFA uses payments from SVCE to pay interest and principal payments to bondholders.
7. ES and Funding Recipient (FR) execute a funding agreement where FR receives upfront funds and makes monthly payments to ES, which they use to pay PPA provider.



Request

Authorize Agreements to Initiate Fourth Prepay Transaction

Staff will later seek Board authorization on the parameters of the transaction:

- Size of Bonds
- Savings Threshold
- Execution of Transactional Agreements

Agreements

1. PFM Financial Advisors LLC & PFM Swap Advisors - $275,000
2. Chapman & Cutler (Disclosure/Issuer's Counsel) - $175,000
3. Ballard Spahr (Bond and Tax Counsel) - $250,000
4. Moody's Investor Service Inc (Credit Rating) - $321,500

Except for Moody's all payments are contingent on the execution of the transaction.

The agreement with Moody's will be executed later when there's more certainty on the likelihood of a transaction.

Request Continued

Approve Engagement with Morgan Stanley as Prepay Supplier

Morgan Stanley Fee Structure (same as that of First Three Prepays):

- Bond underwriting fee of $5.50/bond plus underwriter expenses not to exceed $0.50/bond.
  - E.g., For issuance of $1 billion in bonds, with a face value of $1000 a bond, the underwriting fee would be $5.5 million.
  - At this time SVCE expects the fee to be $4.50/bond with expenses not to exceed $0.20/bond, but is subject to change given deal sizing, structuring and market conditions at the time the bonds are issued.
- Energy Service Revenue of $1.10 per MWh
- If floating rate debt is issued, up to a 12 basis point charge on an interest rate swap

- *Minimal risk to SVCE.*
- *All costs (underwriting, consultants, and attorneys) are paid from the bond proceeds.*
- *The Board-designated savings target will be net of all costs.*

Leverage the Existing Prepay Structure

Benefit from the efforts to execute prior three transactions

Slides in the appendix provide:

- Timeline of the first Prepay transaction
- Details of the SVCE's Three Prepays transactions and cost breakdown
- Overview of the Prepay Structure

- Enhance the existing Prepay transaction structure
  - Benefit from several years of effort to establish the structure
  - Successfully executed three prepays using this structure
  - Combined savings of three completed transactions are about $14 million annually
- Other CCAs have taken or plan to take advantage of market opportunities to execute Prepays
- Since the execution of our first Prepay in partnership with EBCE:
  - 3CE, Ava (EBCE), CPA, MCE, PCE, Pioneer, SCP, SDCP, VCE, have executed Prepays
  - Par Value of CCCFA transactions is over $18 Billion and savings of $100 million/year

RFP Process

Financial Advisor and Energy Prepay Supplier/Investment Bank

Financial Advisor

- Required by MSRB
- Selected PFM Financial Advisors who provided most qualified bid
- Worked with PFM on 3 prior deals

Energy Prepay Supplier

- The investment bank that structures the transaction and underwrites the bonds
- A handful of highly qualified and competitive firms in this space
- Selected Morgan Stanley based on: (a) their proposal, (b) experience working with SVCE, (c) continuity of existing settlement structure for portfolio management efficiencies

3rd Party Agreements to Initiate Prepay

- Expected Cost of 3rd Party Agreements is $1,021,500

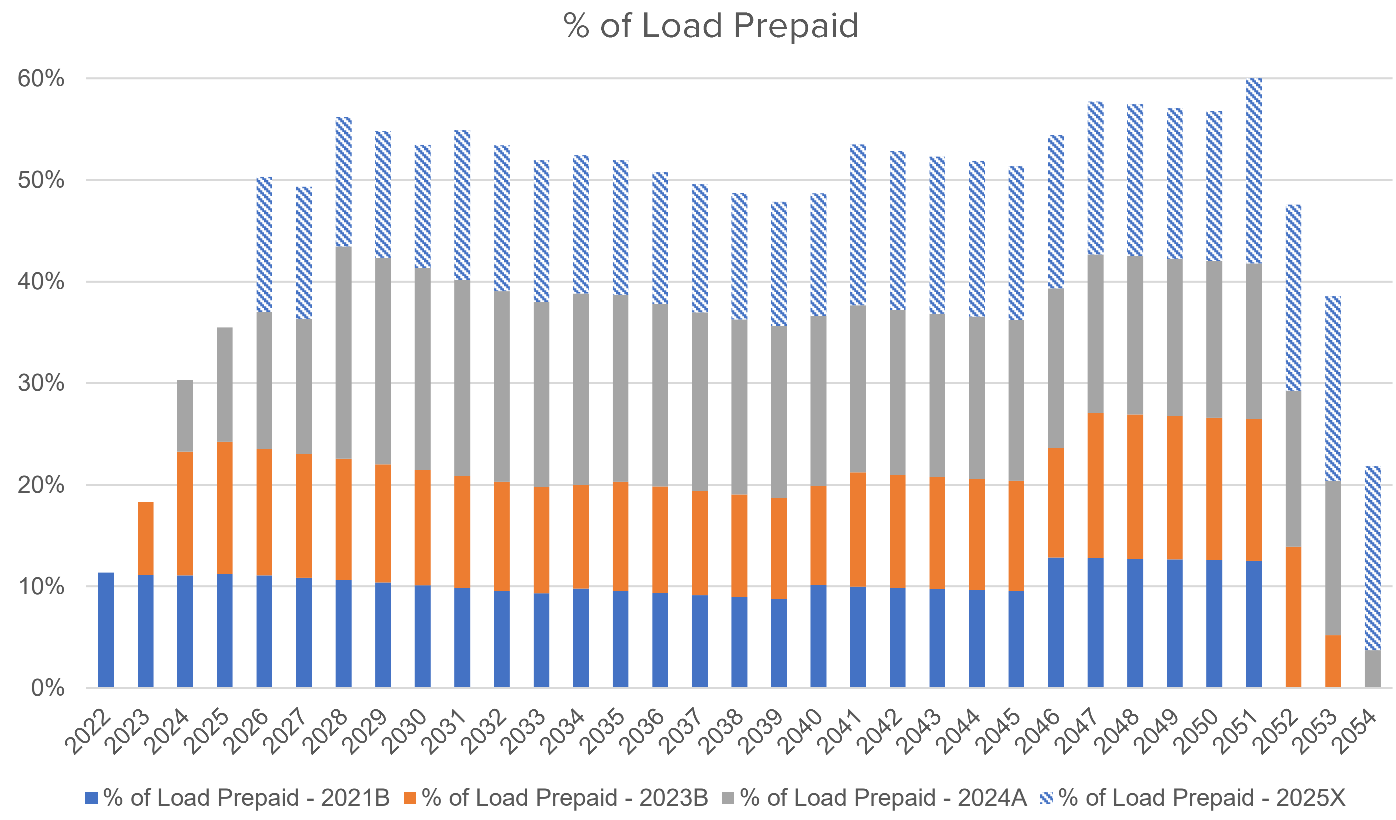
Firms	Role	Proposed Fees for Fourth Prepay
PFM Financial Advisors LLC / PFM Swap Advisors	Municipal Advisor: Advises prepay buyer in negotiations, required by the Municipal Securities Rulemaking Board (MSRB), and on commodity and interest rate swaps.	$275,000
Chapman & Cutler	Disclosure and Issuer's Counsel: Provides legal counsel and prepares official statement and prospectus	$175,000
Ballard Spahr	Bond and Tax Counsel: Represent bondholders and provide tax opinion on the transaction	$250,000
Moody's Investor Service Inc	Rating Agency: Provides the credit rating for the bonds	$321,500
Total		$1,021,500

Except for Moody's all payments are contingent on the execution of the transaction.

The agreement with Moody's will be executed later when there's more certainty on the likelihood of a transaction.

Prepay Load Coverage

Can easily cover >50% of load with fourth prepay



On average:

- Prepay 1 covers about 11% of the Load
- Prepay 2 covers about 12% of the Load
- Prepay 3, covers about 17% of the Load

- Total average load coverage is expected to be around 50-55% of Load

Fiscal Impact

- Actual savings depend on market conditions - the spread between taxable and tax-exempt debt rates

- Illustrative:
  - If we get savings of 8 to 10% for a transaction, this could amount to $4-6 million savings per year

- Minimal Risk to SVCE
  - Fees (except rating agency) are contingent on the execution of the deal and paid from the bond proceeds
  - Bonds issued are non-recourse to SVCE

Next Steps

- Work with parties to structure the transaction (June – August 2025)
- Seek Board approval on the parameters of the transaction (August 2025)
  - Size of the Deal and Bond Issuance
  - Target Minimum Savings Threshold
- Seek California Community Choice Financing Authority (CCCFA) Board Approval (August 2025)
- Target bond issuance for Q3-Q4 2025. Timing will depend on market conditions.

Recommend for Approval

Adopt Resolution 2025-13 authorizing the CEO to approve* or execute the following contracts for services these firms will provide to enable SVCE to execute its fourth Prepay transaction for total cost of $1,125,000, which includes about 10 percent contingency.

1. PFM Financial Advisors LLC & PFM Swap Advisors - $275,000
2. Chapman & Cutler (Disclosure/Issuer’s Counsel) - $175,000
3. Ballard Spahr (Bond and Tax Counsel) - $250,000
4. Moody’s Investor Service Inc (Credit Rating) - $321,500

Approve engagement with Morgan Stanley as the Prepay Supplier with the following fee structure:

- Bond underwriting fee of $5.50/bond plus underwriter expenses of $0.50/bond
- Energy Service Revenue of $1.10 per MWh
- If floating rate debt is issued, up to 12 basis points charge on interest rate swap

* CCCFA may execute

Thank you! / Questions?

Timeline of SVCE's First Prepay Transaction

June-2019	**SVCE presents Prepay Structure Overview Presentation (developed by Goldman Sachs) to Finance and Admin Committee**
Aug-2019	SVCE presents a brief verbal update on prepay process to Finance and Admin Committee
Sept-2019	SVCE and PFM Financial Advisors provide update on the upcoming RFP process to Finance and Admin Committee
Nov-2019	SVCE provides Prepay RFP Overview to Executive Committee - PFM issues RFP to select Prepay Bank Supplier on behalf of EBCE and SVCE on Nov 12th - RFP Proposals were due December 5th
Jan-2020	SVCE presents Prepay Structure Overview to Finance and Admin Committee
Spring-2020	SVCE and EBCE conduct RFP evaluations to select Prepay Bank Supplier
July-2020	SVCE and EBCE select Morgan Stanley as Prepay Bank Supplier
Aug-2020	SVCE provides Prepay Status Report to Finance and Admin Committee
Sept-2020	SVCE provides Board with Prepay Overview on preparing for a Prepay Transaction SVCE provides Prepay Status Report to Finance and Admin Committee
Oct-2020	**SVCE Board Authorizes CEO to enter legal service agreements to finalize Prepayment Transaction (Orrick, Herrington & Sutcliffe and Chapman & Cutler LLP)**
Nov-2020	SVCE provides Prepay Status Report to Finance and Admin Committee
Mar-2021	SVCE provides Prepay Status Report to Finance and Admin Committee SVCE provides Prepay Status Report to Executive Committee
April-2021	SVCE Board Approves Participation in the California Community Choice Financing Authority Joint Powers Authority
Aug-2021	The Finance and Admin Committee reviews the Prepay Transaction and votes to recommend Board approval. Board authorizes execution of the first Prepay Transaction subject to parameters including that bonds are not obligations of SVCE, size of the bonds, and minimum savings target.
Sept-2021	Sept 9, 2021 bonds priced
Jan-2022	Power delivery under Prepay began

Details of the First Prepay Transaction

Aggregate Principal Bond Amount	$1,234,720,000 (SVCE and EBCE combined)
Total Bond Proceeds	$1,475,895,642.5 (SVCE and EBCE combined)
Municipal Bond Rating	A1
Green Certification	Designated Green Bonds by Kestrel Verifiers
Initial Bond Pricing Period	• 10 years. • After the initial period, bonds will be repriced per the negotiated repricing agreement, and a new discount will be established based on the then prevailing market conditions.
Final Bond Maturity Date	• February 1, 2052.
Discount Achieved	• $4.38 per MWh, about 10% of the energy cost of SVCE's 3-year transaction initially assigned into the Prepay. • ~$1.9 million per year for SVCE during the initial bond pricing period of ten years.
Energy Volume Supported by Bond Proceeds	109 MW, of which SVCE's share is 50 MW (about 11% of load) and EBCE's share is 59 MW for approximately the first ten years of the transaction; after that, the same proportional volume split will be maintained between SVCE and EBCE.

First Prepay Transaction Cost Breakdown ($000)

Bond and Tax Counsel: Orrick, Herrington & Sutcliffe	**425**
Credit Rating: Moody's	315
Issuer's Counsel and Disclosure Counsel: Chapman & Cutler LLP	310
Municipal Advisor: Public Financial Management	250
Investment Advisor: Public Financial Management Asset Mgmt	42
Trustee: Bank of New York (BNY)	32
Trustee Counsel: BNY Counsel	35
Printing Cost	3
Contingency/Other	10
Total COI	1,422
Morgan Stanley Underwriting	6,341
Total	7,763

Details of the Second Prepay Transaction

Aggregate Principal Bond Amount	**$841,500,000**
Total Bond Proceeds	$891,418,648.1
Municipal Bond Rating	A1
Green Certification	Designated Green Bonds by Kestrel Verifiers
Initial Bond Pricing Period	• 6.5 years. • After the initial period, bonds will be repriced per the negotiated repricing agreement, and a new discount will be established based on the then prevailing market conditions.
Final Bond Maturity Date	• July 1, 2053.
Discount Achieved	• $9.77 per MWh, about 10% of the price established for energy deliveries under the power supply contract. • ~$4.7 million per year during the initial bond pricing period of 6.5 years.
Energy Volume Supported by Bond Proceeds	~55 MW (about 12% of load; a slight escalation in the latter half of the transaction)

Second Prepay Transaction Cost Breakdown ($000)

Cost of Issuance (COI)	$ in 000’s
Bond and Tax Counsel: Ballard Spahr	300
Credit Rating: Moody’s	232.5
Issuer’s Counsel and Disclosure Counsel: Chapman & Cutler LLP	200
Municipal Advisor: PFM Financial Advisors LLC	175
Investment Advisor: PFMAM (US Bank)	35
Trustee: BNY Mellon Corporate Trust	30.9
Trustee Counsel: Ballard Spahr	30
Printing Cost: ImageMaster	3.3
Green Bond Second Party Opinion: Kestrel	22
Contingency/Other	16.8
Total COI	1,045.5
Morgan Stanley Underwriting	4,359.2
Total	5,404.7

Details of the Third Prepay Transaction

Aggregate Principal Bond Amount	**$1,101,625,000**
Total Bond Proceeds	$1,165,919,381.75
Municipal Bond Rating	A1
Green Certification	Designated Green Bonds by Kestrel Verifiers
Initial Bond Pricing Period	• ~8 years. • After the initial period, bonds will be repriced per the negotiated repricing agreement, and a new discount will be established based on the then prevailing market conditions.
Final Bond Maturity Date	• May 1, 2054
Discount Achieved	• $11.32 per MWh, about 13.1% of the price established for energy deliveries under the power supply contract. • ~$7.7 million per year during the initial bond pricing period of 8 years.
Energy Volume Supported by Bond Proceeds	~77 MW (about 17% of load; a slight escalation in the latter half of the transaction)

Third Prepay Transaction Cost Breakdown ($000)

Cost of Issuance (COI)	$ in 000's
Bond and Tax Counsel: Ballard Spahr	250
Credit Rating: Moody's	273
Issuer's Counsel and Disclosure Counsel: Chapman & Cutler LLP	175
Municipal Advisor: PFM Financial Advisors LLC	155
Investment Advisor: PFMAM (US Bank)	30
Trustee: BNY Mellon Corporate Trust	41.4
Trustee Counsel: Ballard Spahr	30
Printing Cost: ImageMaster	4
Contingency/Other	66
Total COI	1,041.3
Morgan Stanley Underwriting	5,712.1
Total	$6,753.4

Stress Test Analyses

Amrit Singh
Board of Directors
June 11, 2025

SILICON VALLEY CLEAN ENERGY

Purpose

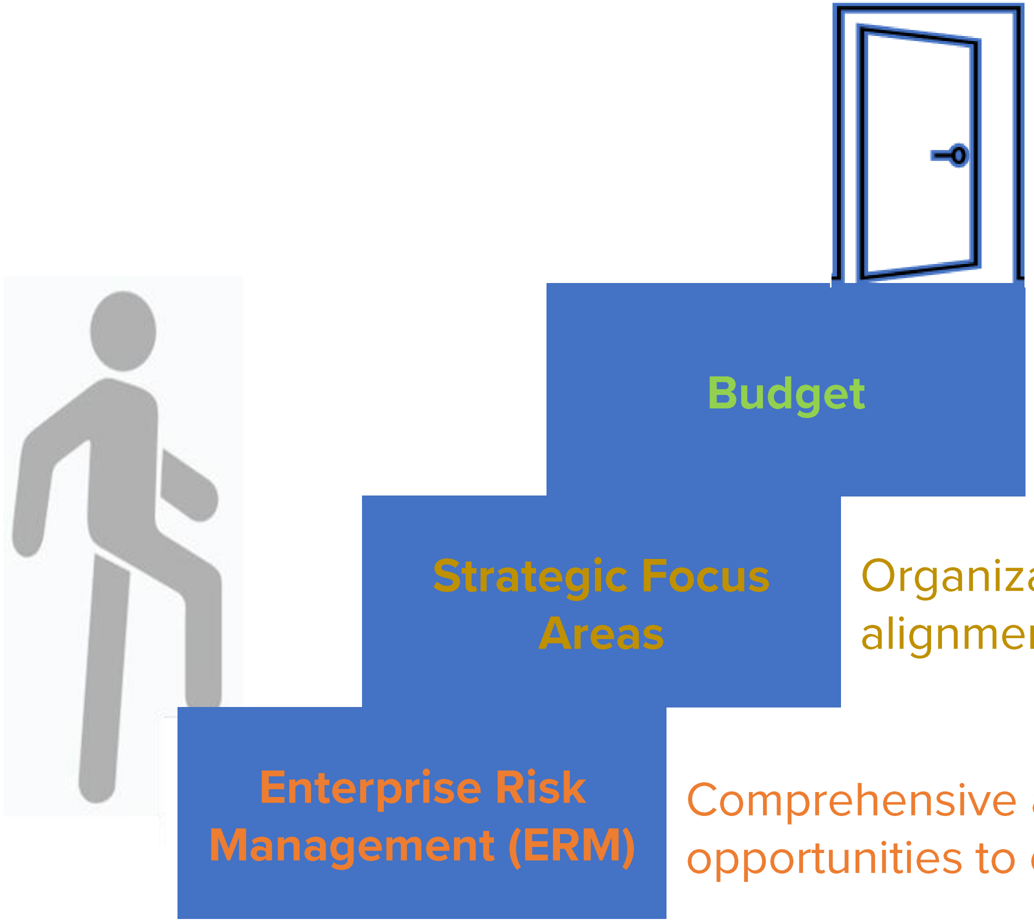
Present findings of the stress test analyses

Main Areas of Discussion

1. Review of the enterprise risk management (ERM) framework and key drivers of financial risks
2. 5-yr Financial Base Case Forecast Update
   - Updated projections compared to Mid-Year
   - Uncertainties surrounding the financial projections
3. Stress test construction
   - By design, extreme but plausible
4. Compare the updated base case with the stress test scenario
5. Recap key messages and discuss staff recommendations

1. Review the Enterprise Risk Management (ERM) framework and Key Drivers of Financial Risks

SVCE’s Planning & Budgeting Process



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

Funding in alignment with achieving the strategic focus areas

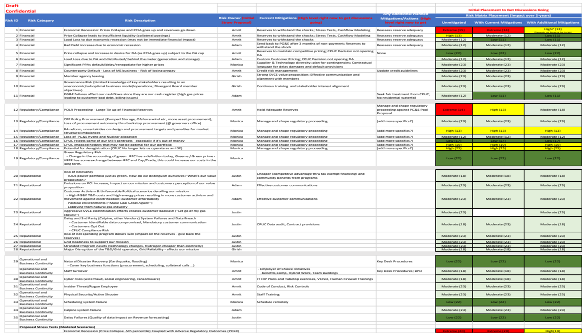
Organization-wide priorities and alignment toward achieving the mission

Comprehensive assessment of risks and opportunities to optimally achieve mission

Key Components of the ERM Framework

Risk Register

- Record of the organization's risks and opportunities – "Living Document"
- Identify current and additional planned mitigations
- Identify risk owner



Risk Matrix

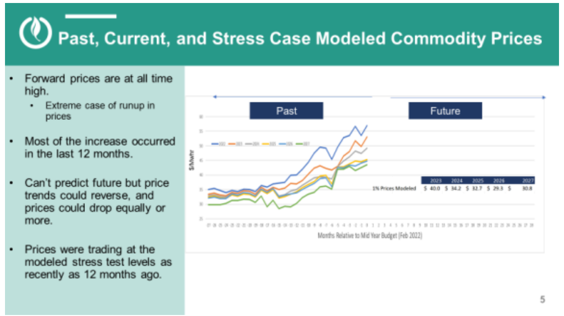
- Risk Rubric. Assess the likelihood and consequence of risk events
- Calibrate risks
- Identify risk tolerance – level of acceptance

Impact/Consequence

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

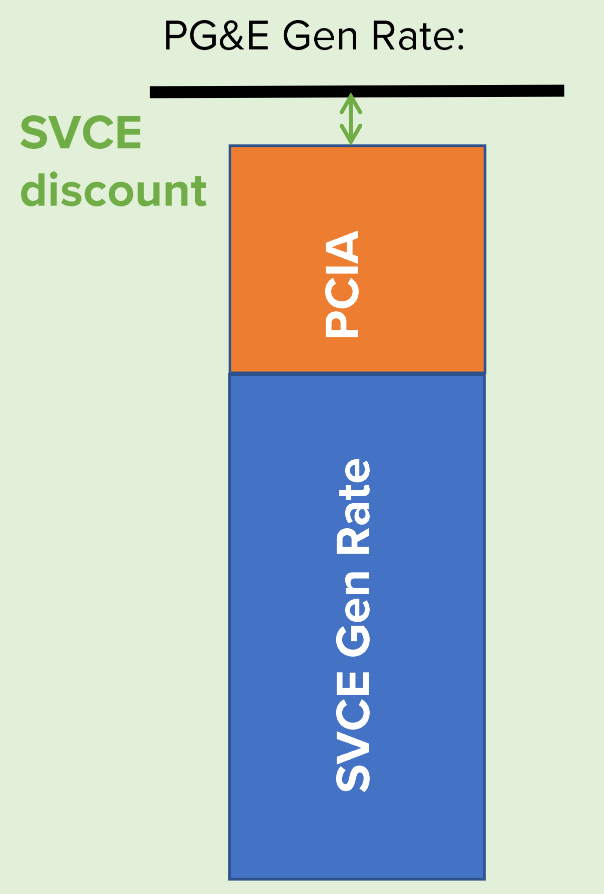
Stress Tests

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

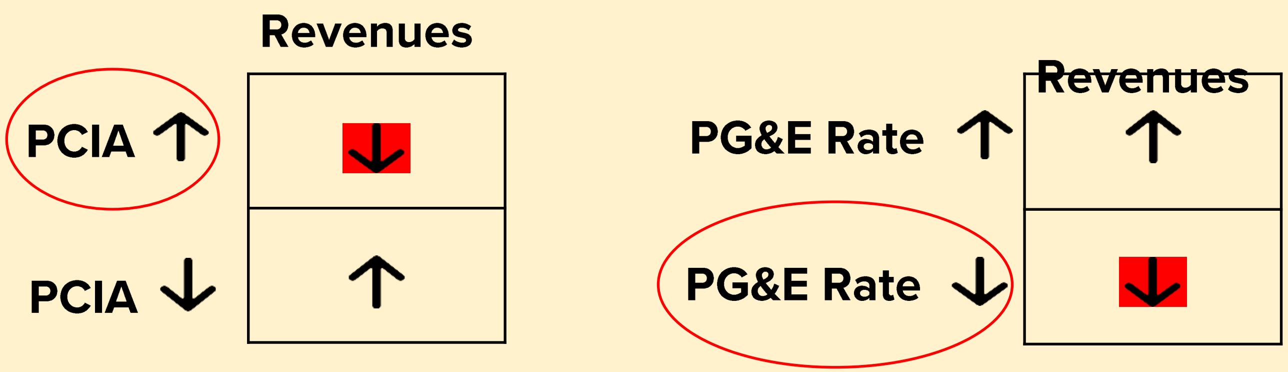


Review of Key Financial Risk Drivers

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



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



- Revenues decline when prices decline
- Loss of revenues far exceeds savings from power purchases
  - Power procurement savings dampened by existing hedges
  - SVCE has adjusted its energy portfolio to mitigate this impact to the extent possible, and as best estimated by SVCE

Big Contributor to PCIA and PG&E Generation Rate - Uncertainty in Market Prices

For the most part, this year's actual prices and the forecast of next year's market prices will impact next year's rates.

Next Year's PCIA & PG&E Gen Rate » **Current Year's actual realized Prices** & **Forecast of Next Year's Market Prices**

- **Can not bank the current year's margin**
  - Current year's gain may be returned the following year through higher PCIA and lower PG&E generation rates
- Deviations between actual and forecast costs are tracked in balancing accounts and trued up the following year
- For financial/reserve planning, greater focus is placed on the **next two years'** projections

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

2. 5-yr Financial Base Case Forecast Update

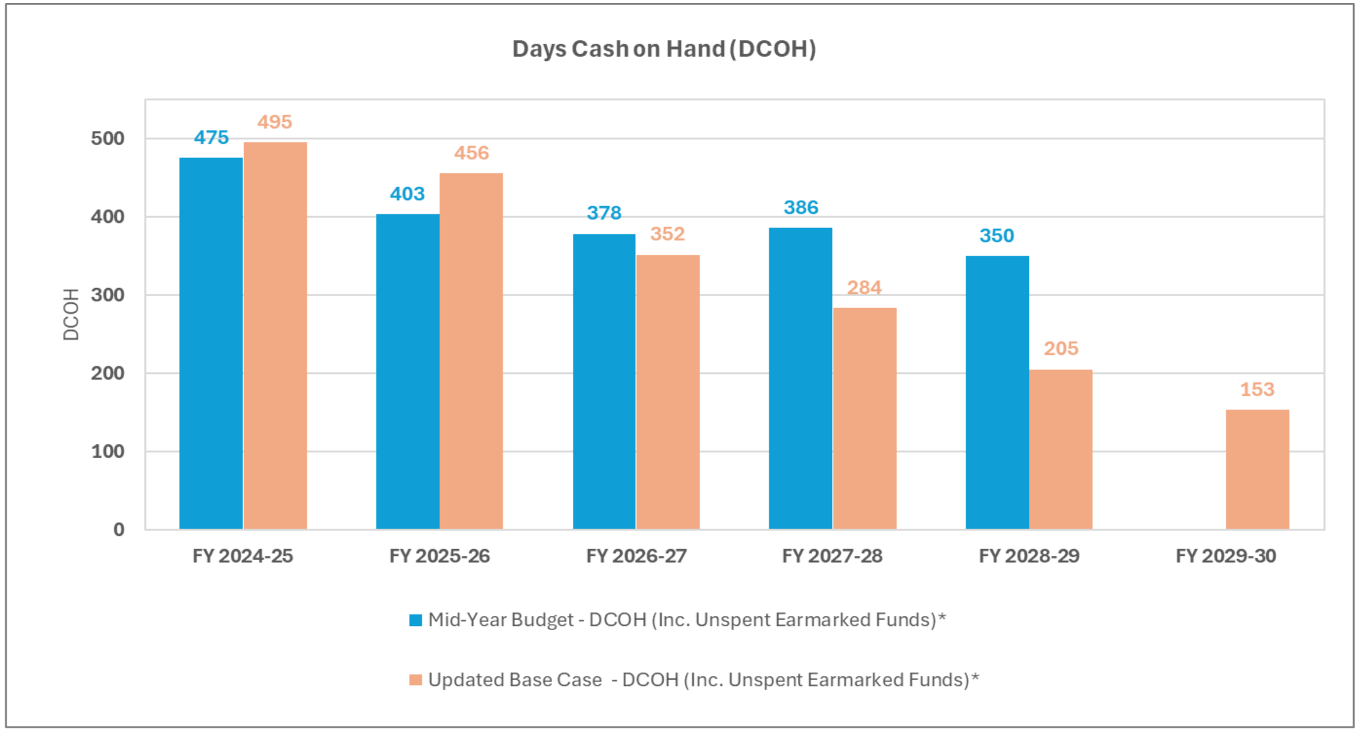
- Updated projections compared to Mid-Year
- Uncertainties surrounding the financial projections

Reserve Outlook Change from Mid-Year Budget

Comparing Base *Cases*

Forward market price changes contribute to major differences between the Mid-Year Budget and the Updated Base Case

- Forward Price: Reflects the current market price for future delivery of products (Energy, RPS, RA).
- Forward price data is from external sources



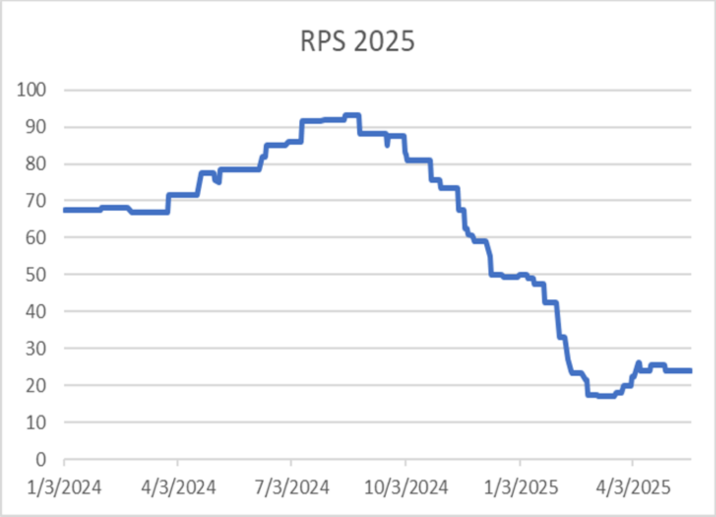
** Earmarked funds are unspent SVCE Program Funds and Remaining Building Funds. The earmarked funds are projected to be nearly zero by the end of FY 2028-2029.*

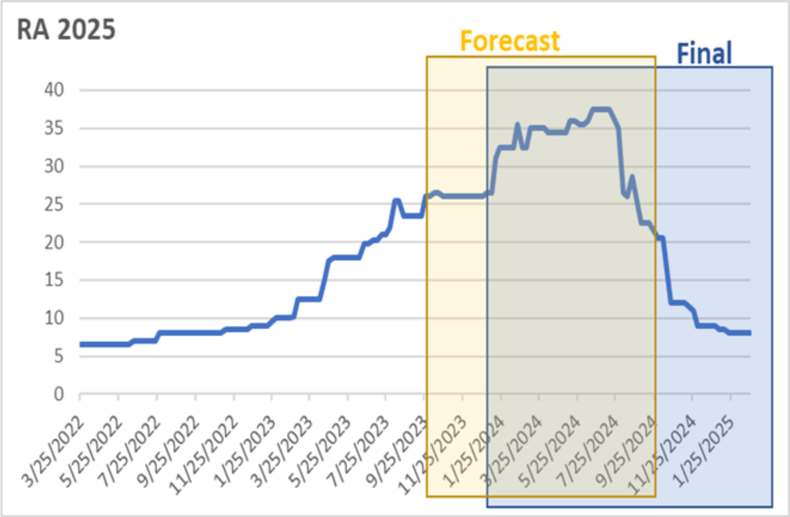
$ Millions	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Updated Base Case Reserve Balance	556	494	388	321	252	197
Mid-Year Budget Reserve Balance	534	471	446	465	453	
Change	22	23	-58	-144	-201	

Market Price Change

- Forward prices further out in time are less liquid
  - Less volume traded
  - Higher Bid/Ask Spread
- Energy prices are more liquid than RPS & RA
- Risk or distribution of prices grows over time
- SVCE's Revenue Risks - Left side of the distribution or prices going lower

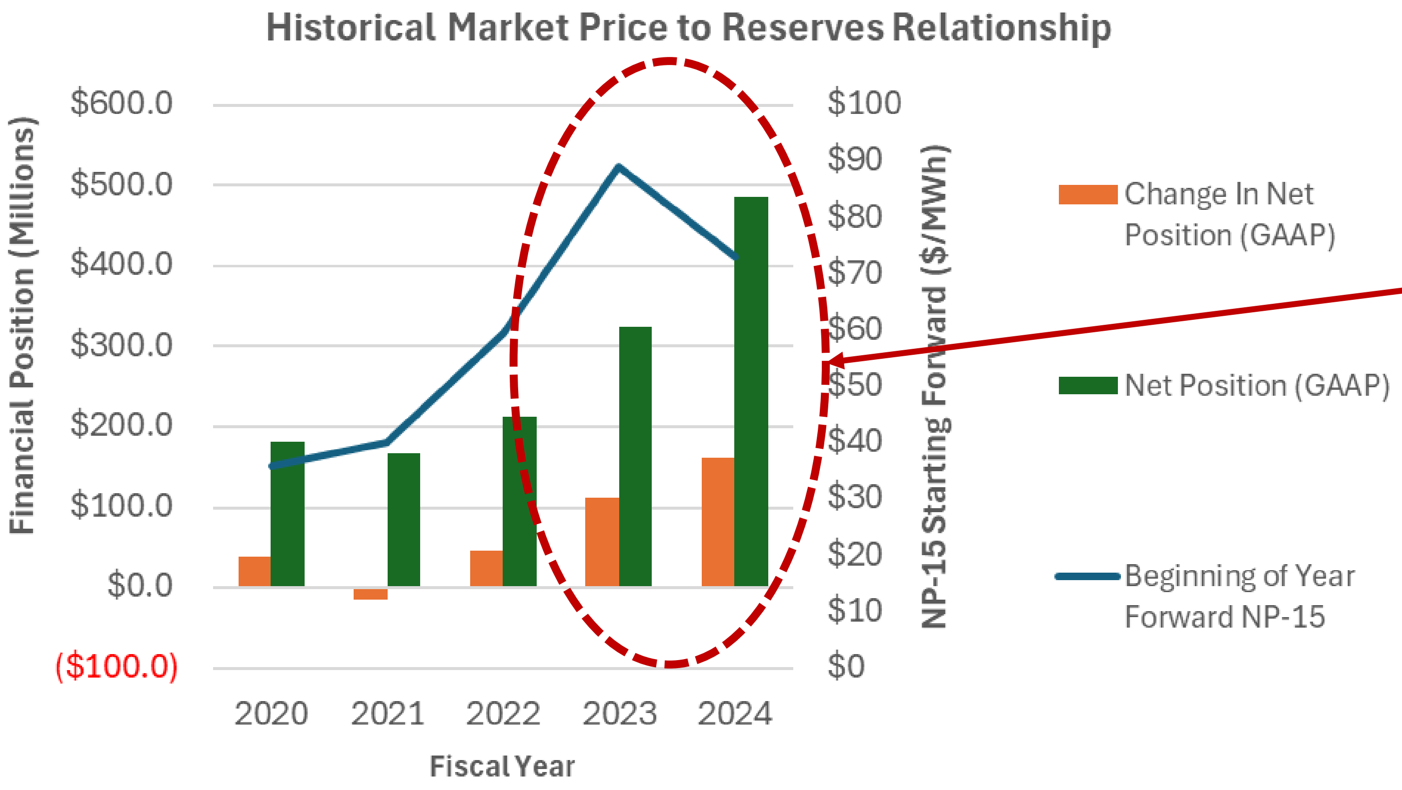
Market Price Change: Mid Year Budget (1/31) vs Updated Base Case (4/18)	2025	2026	2027	2028	2029	2030
Energy Price Change	-6%	0%	-5%	-7%	-5%	-2%
Renewable Portfolio Standard (RPS) Price Change	-44%	-47%	-46%	-44%	-19%	-10%
Resource Adequacy (RA) Price Change	0%	-40%	-4%	0%	0%	0%





- These uncertainties are present in our financial projections
  - In recent years, uncertainty worked in our favor by producing higher-than-expected financial results
  - Realized prices came in higher than expected

Growing Reserves in High Price Conditions



The uncertainty in RPS and RA prices in recent years worked in our favor.

Other Uncertainties: Modeling & Other Risks

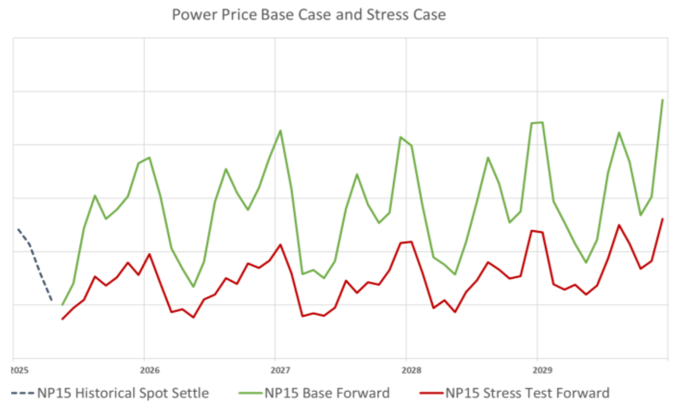
- Financial projections are made with the best available data and information
  - Market (Forward) Prices
  - NewGen Strategies & Solutions model to forecast PCIA and PG&E Generation Rates
    - PCIA is a “black box”
    - PG&E generation portfolio data needed to forecast PG&E generation rates are not available
  - SVCE power supply portfolio positions and other operating expenses can change
- PG&E, with PCIA and its generation portfolio data, cannot accurately predict next year’s rates when it issues its mid-May ERRA forecast
- Regulatory and Legislative changes have a significant impact
  - PCIA Order Instituting Rulemaking (OIR) Proceeding
    - Track One decision can have a significant impact on next year’s rates
    - Track Two decision could further introduce changes affecting future year’s rates

3. Stress Test Construction

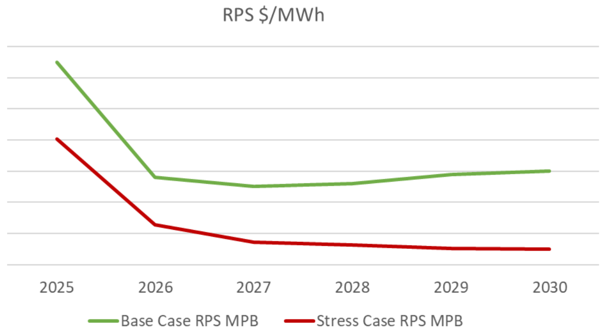
- By design, they are extreme, but plausible scenarios

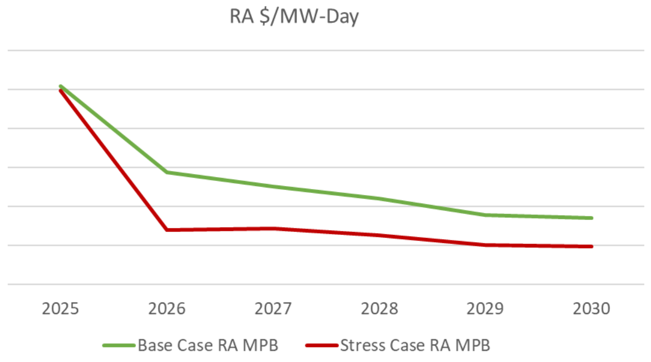
Financial Stress Test Description & Key Assumptions

- Forward Energy Prices Collapse
  - Around one percentile level or less
  - Reasonable in terms of relative comparison to observed commodity prices resulting from the 2008 financial crisis (explained further in later slides)



- Renewable Portfolio Standard (RPS) and Resource Adequacy (RA) Prices Drop as well





Financial Stress Test Description- cont'd

- PCIA Uncertainty
  - A proceeding reopened this year, which further increases financial uncertainty
  - Both stress and base case are based on the current methodology
- Customer Discount for both the Base Case and Stress Case
  - Current 4% customer discount continues to the end of Dec. 2025 (this includes 3 months of the next fiscal year), along with monthly low-income customer bill credits
  - After Dec. 2025, the customer discount is modeled at 1%
  - One-time bill customer credit, approved for the current fiscal year, of $35 million is issued in August 2025
- Other Potential Business Operating and Regulatory Risks
  - As modeled in prior stress tests, staff continued to model the requirement of a one-time cash draw equivalent to two months of procurement under the very low-price scenario as a proxy for other potential business operating and regulatory risks -- $70 million
- Customer Un-collectables Increase
  - Bad debt is 0.75% in base case and 2% in stress case

Modeled Stress Energy Prices

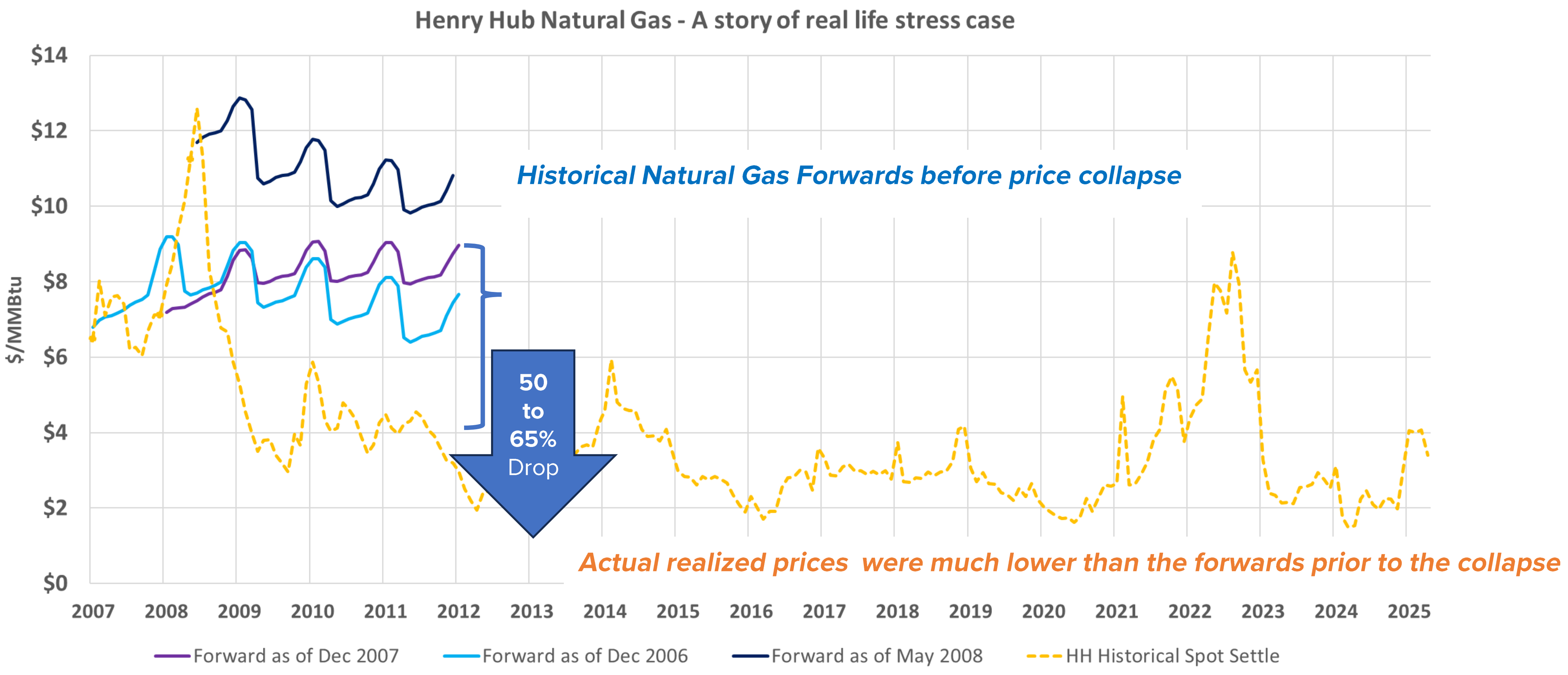
Demonstrating the reasonableness of modeled stress prices by comparing to the relative observed natural gas price collapse from the 2008 financial crisis

- During a relatively short period of time, commodity prices (oil, natural gas, and electricity prices) collapsed (both on the forward and spot markets)

- A more relevant comparison for stress testing would appear to be comparing forward electricity prices prior to the collapse to the actual spot market prices
  - Forward electricity prices were not as liquid as natural gas
  - Staff could not obtain these prices for this comparison

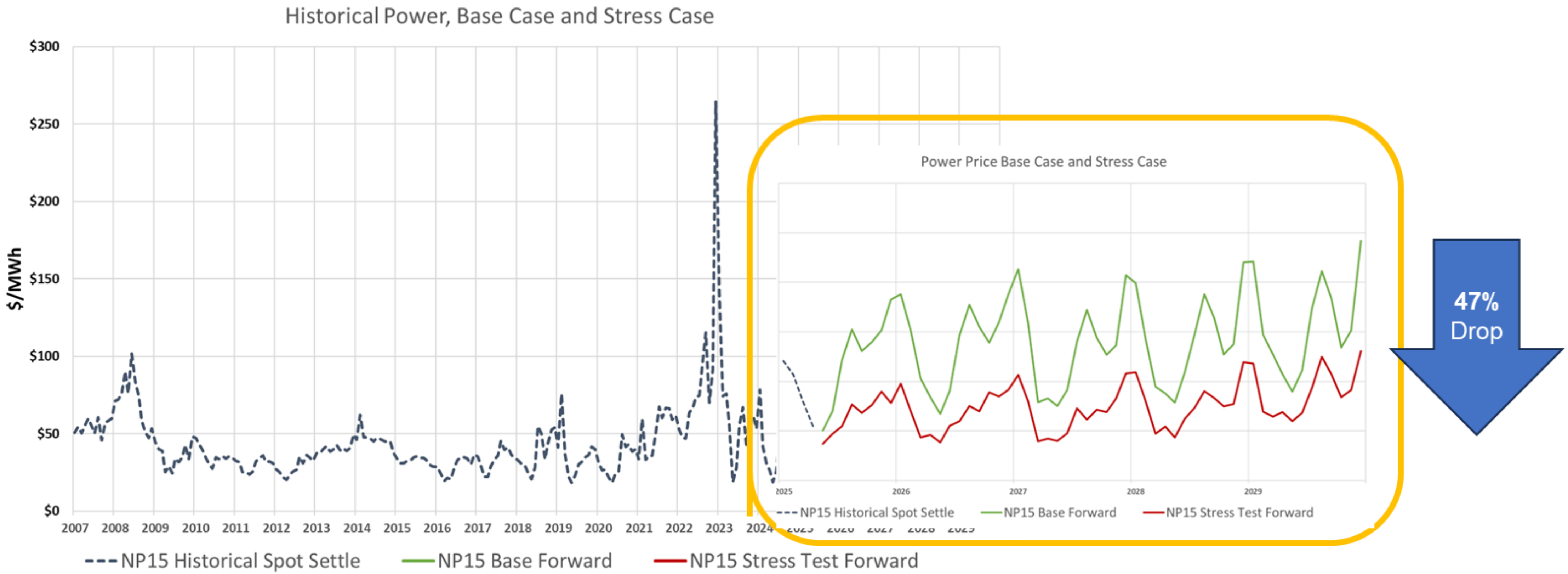
- Natural gas prices are highly correlated with electricity prices

Financial Crisis Period Natural Gas Price Collapse



Modeled Energy Price Collapse

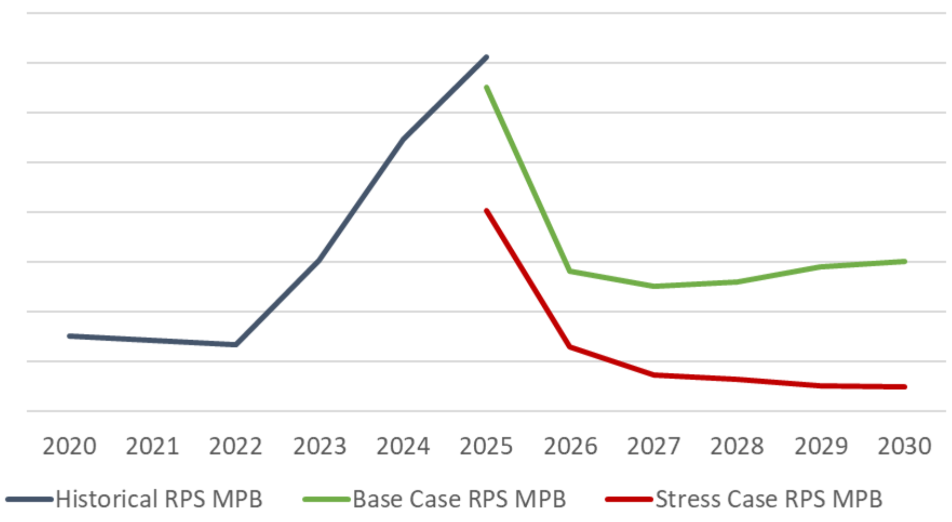
*The modeled **47%** energy price collapse is within the observed 50-65% decline in natural gas prices during the 2008 financial crisis period.*



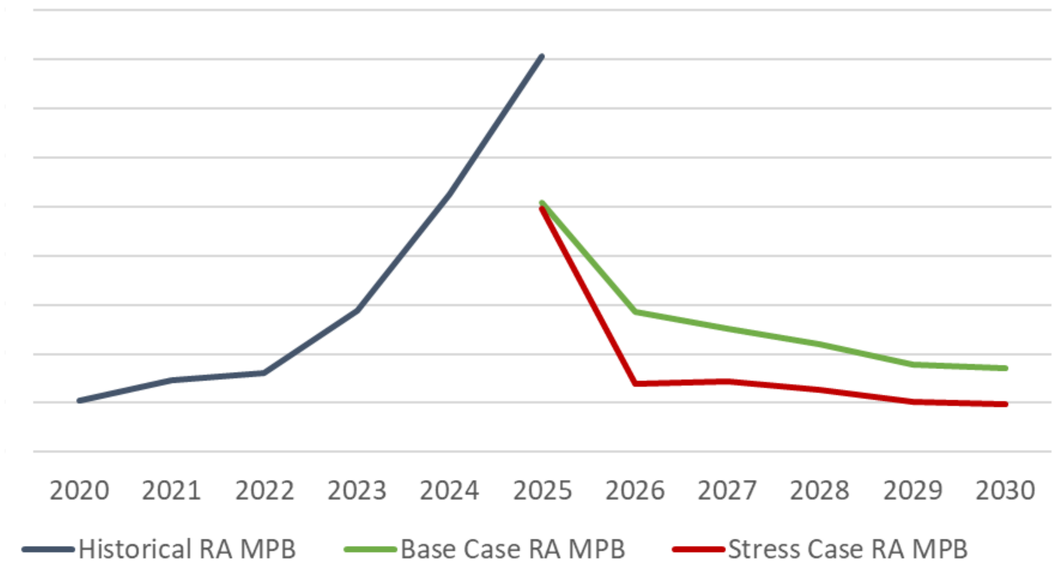
Past MPB, Current, and Stress Case Modeled RPS and System RA Prices

Modeled stress test price declines relative to the modeled current forward prices, on average, for RPS is 62%, and for RA is 31%

RPS Prices



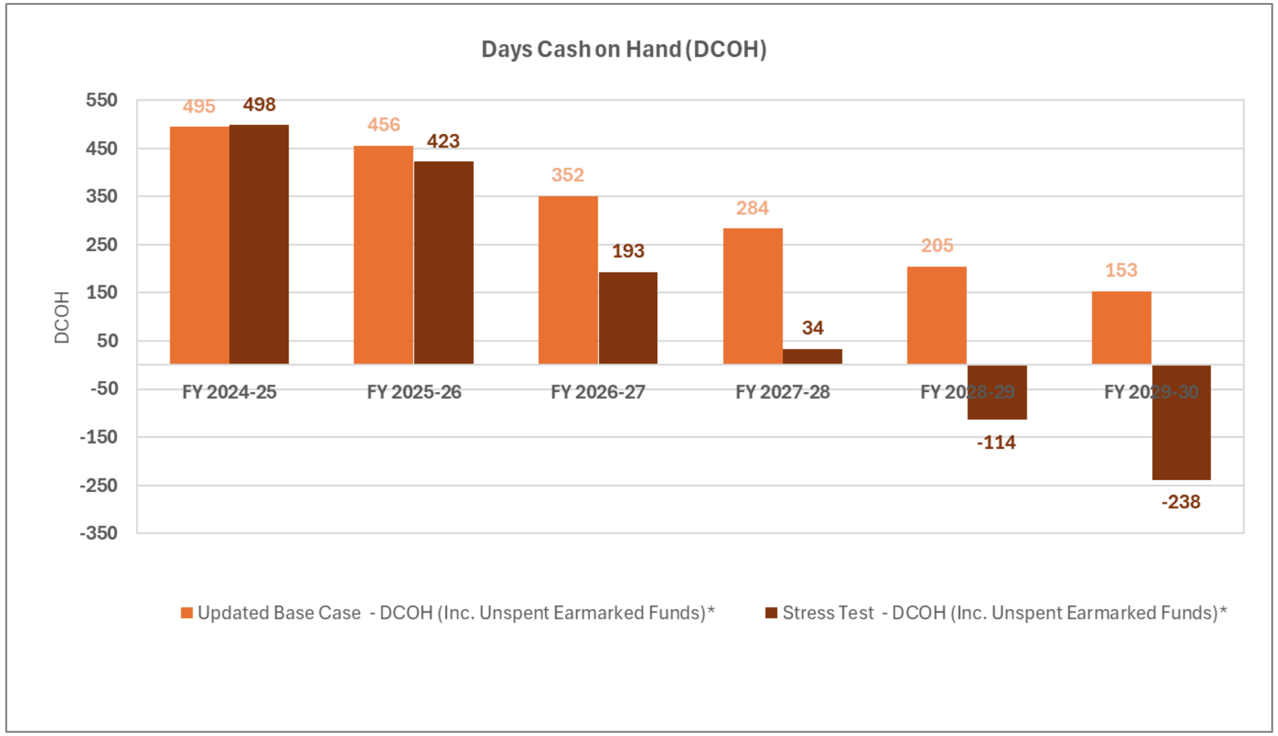
System RA MPBs



4. Comparing the Updated Base Case with the Stress Test Scenario

Reserve Outlook Under Base and Stress Scenario

- Updated Base Case – Draws ~$70 million a year on average from reserves under the current operating framework
  - All customer rates are at a competitive advantage (1%) relative to PG&E Rates
  - Programs are funded at 2% of revenues
  - The current earmarked funds, mostly for programs, currently around ~$100 million, are spent by the end of fiscal year 2028-29
- Financially, SVCE is well-positioned
  - Under Base Case:
    - DCOH above the minimum threshold of 120
    - DCOH ~350 through the end of Sept. 2027
  - Under the stress test scenario
    - DCOH remains above the minimum through the end of Sept. 2027, and starting late 2028 or around the start of 2029, funds start getting depleted



** Earmarked funds are unspent SVCE Program Funds and Remaining Building Funds. The earmarked funds are projected to be nearly zero by the end of FY 2028-2029.*

$ Millions	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Stress Test Scenario Reserve Balance	560	449	253	103	-48	-180
Updated Base Case Reserve Balance	556	494	388	321	252	197
Change	4	-45	-135	-217	-300	-377

5. Recap Key Messages and Discuss Staff Recommendations

Recap of Key Messages

1. SVCE regularly assesses and prioritizes risks and opportunities
   - ERM, Strategic Focus Areas, Budget
2. PCIA and PG&E generation rates have a big impact on SVCE's financial health
   - Uncertain market prices significantly impact them
3. Lots of uncertainty in financial planning, especially further out in time
   - Market prices, more illiquid RA and RPS markets, modeling with limited data, regulatory and legislative changes, including PCIA OIR
4. Can not bank on the current year's margin
   - Because rates are based on forecasted market prices, gains in one year could be returned the following year via higher PCIA and lower PG&E generation rates when market prices are trued up

Recap of Key Messages Continued

5. Greater focus on the next two years' financials

6. Stress tests by design are extreme but plausible

7. Stress test appears plausible in comparison to data from the financial crisis period

8. Financially, SVCE is well-positioned
   - Under the base case, reserves at or above the target of 350 DCOH over the next two fiscal years
     - Through the end of the 5-year forecast period (Sept 2030), at 153 is above the minimum target of 120 DCOH
   - Under the stress test scenario, reserves are at 193, above the minimum threshold of 120 DCOH through the end of the next two fiscal years

Recommendations

- No major changes recommended for developing the budget for approval in Sept.
  - Forecast reserves remain at or above 350 DCOH over the next two fiscal years,
- Adjust the budget in December when there's more certainty on next year's rates
- 5-year outlook indicates a shift from contributing to drawing from reserves
  - Staff will assess the financial levers

Potential financial levers and areas of focus:

- Further increase financial liquidity given greater uncertainty
  - Bank Line of Credit
- Reassess rate discounts and rate design along with customer product offerings

Planning, Architecture, & Design Services for SVCE Headquarters

June 11, 2025

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Request:

Delegate authority to the CEO to negotiate, execute, and administer changes to a contract for Planning, Architecture, and Design Services with a vendor to-be-determined in an amount not-to-exceed $660,000.

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Request for Proposal (RFP) Process

May 5	Published RFP
May 21	Proposal deadline
May 28 – 30	Held interviews
Present	Finalizing scope and contract

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REQUEST FOR PROPOSALS
FOR
Planning, Architecture, & Design Services for SVCE Headquarters
298 S. Sunnyvale Ave., Sunnyvale, CA 94086

RFP Release Date: May 05, 2025

RFP Submittal Deadline: May 21, 2025 @5pm

Scope of Work Includes Design, Engineering Permitting, and Construction Support

Phase 1 Office Space and Board Chambers

- Develop a schematic design that includes final floor plans, defines all work, teams, and amenity spaces, and specifies a general direction for finishes and furnishings.
- Cost estimation and value engineering work with SVCE's Project Manager.
- Create construction documents that SVCE will use to solicit public bids on the construction.
- Coordinate permitting and code interpretations.
- Provide support during construction: help resolve design-related field issues and review / approve all materials / equipment that will be used.

Phase 2 Community Space

- Develop updates as needed to the permit set to finalize the community space.

Updated Headquarters Timeline (Subject to Change)

Outline of the building's next steps

2025 Q2
- BOD/public input on meeting space
- Onboard PM
- Solicitation and selection for design and architecture firm
- **Board delegates approval of architecture firm to CEO**

2025 Q3
- Start detailed design of workspace, Board Chambers, and build flow

2025 Q4
- Finalize design and submit for permits
- Release RFP for construction services (tentative)
- Return to BOD with options for community space.

2026 Q1
- Permits issued
- Construction begins
- Update designs as needed for community space

2026 Q2
- Construction

2026 Q3
- Ready for move-in

Next Steps

- Finalize contract for Planning, Architecture, & Design Services

Request:

Delegate authority to the CEO to negotiate, execute, and administer changes to a contract for Planning, Architecture, and Design Services with a vendor to-be-determined in an amount not-to-exceed $660,000.

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2025 Local Agency Action Planning

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

June 2025

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Objective

Provide the Board with a status update on agency electrification readiness planning

Despite Legal Changes, Reach Codes Drove Electrification, while Reducing Cost

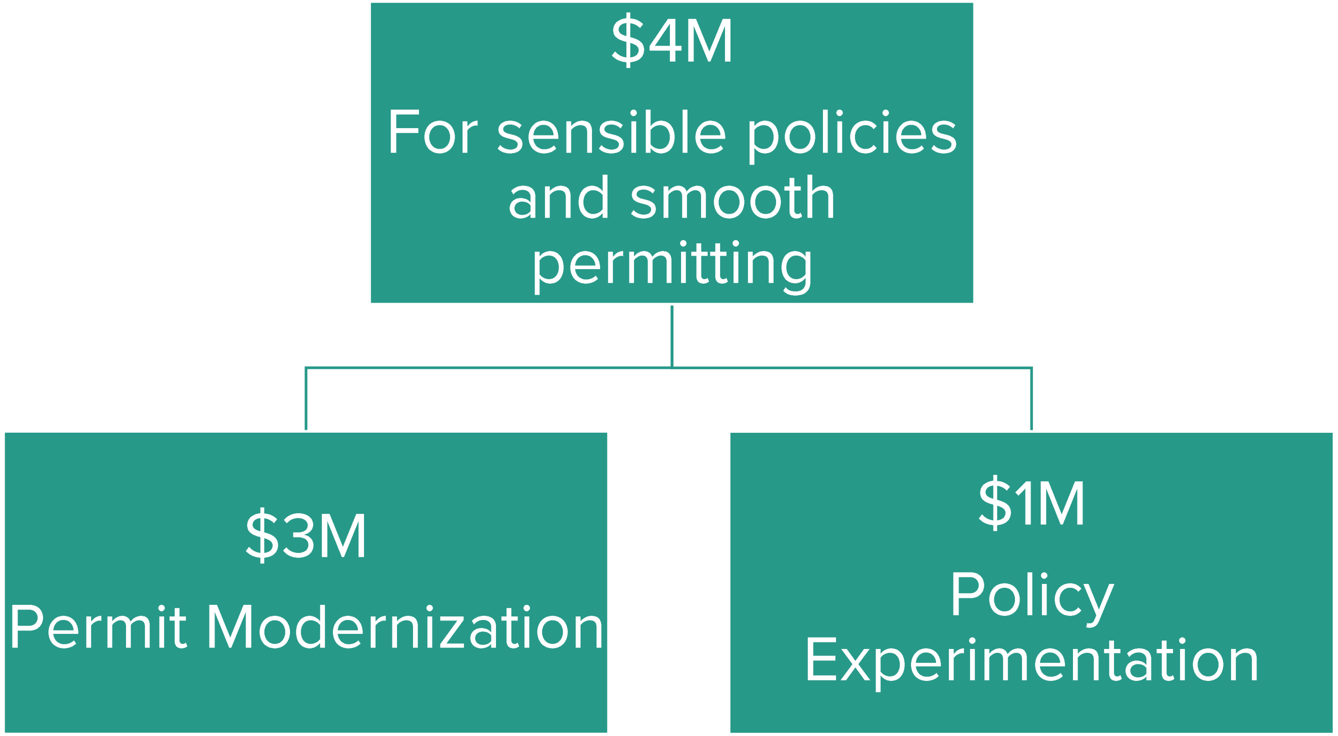
A few of the benefits in our territory 2020-2023

- >11,000 HPWHs
- ~$34M in on-bill savings
- >$71M in avoided retrofit costs
- Thousands of EV Chargers
- Thousands of induction cooktops

SVCE and Member Agency Partnership

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

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



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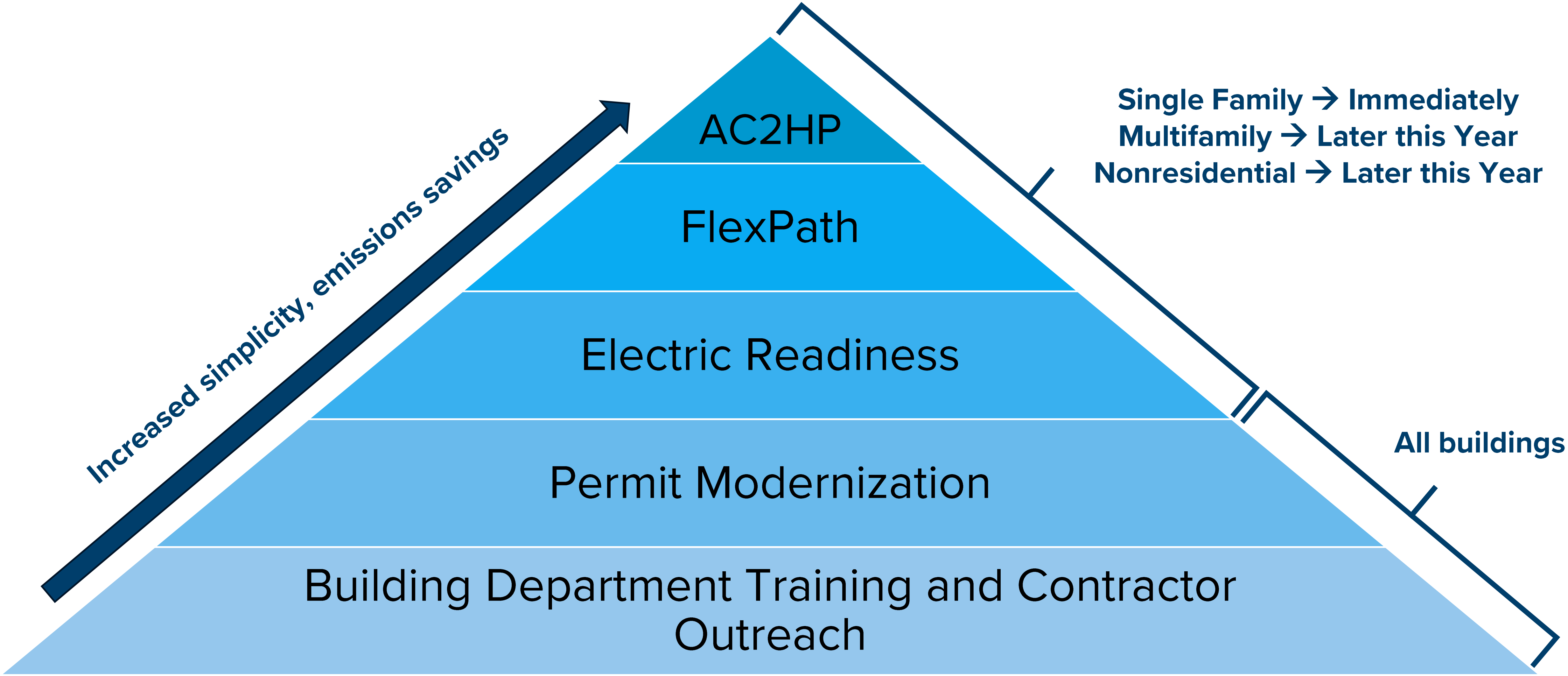
Prioritise Your Resources



Sensible Retrofit Policies Can Reduce Friction, Lower Cost, and Transform the Market

Key 2025 Policy AC > HP Could Lead To:

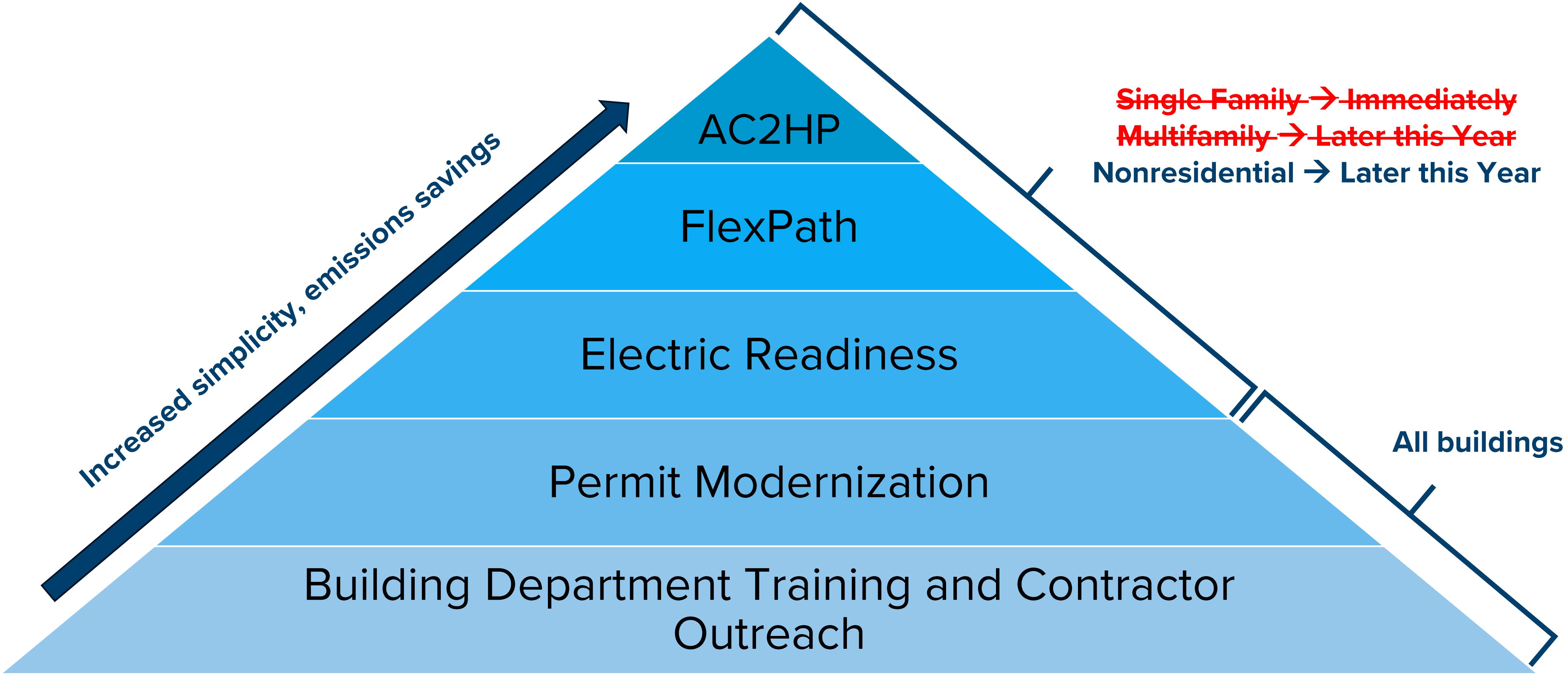
- 15,000 new HPs 2026-2029
- $120M saved in redundant equipment costs
- >$54M in on-bill savings

Proposed Agency Commitments by 2025

	AC-to-HP	Flex Path Code (electrify at remodel)	Electric Readiness Code (prewire)	Training & Permit Modernization
Campbell			●	●
Cupertino	●		●	●
Gilroy				●
Los Altos	●		●	●
Los Altos Hills	●		●	●
Los Gatos	●		●	●
Milpitas	●		●	●
Monte Sereno	●		●	●
Morgan Hill	●		●	●
Mountain View	●	●	●	●
Saratoga	●	●	●	●
Sunnyvale	●		●	●
County of Santa Clara	●		●	●

Item 6
PRESENTATION

Even with AB306, we can still make progress!



Member agencies are leading the way!

1. **Santa Clara County completed training most development staff on general building electrification approaches and provided more intensive training on avoiding the need for service upgrades specifically for permit reviewers.**
2. **Gilroy has implemented permitting communication improvements and is now integrating information on heat pumps and heat pump water heaters into their building permitting information services.**
3. **Saratoga staff is on track to move all three codes options forward this year.**
4. **Mountain View is actively considering approaches to ending the flow of gas and is taking steps to quantify the grid impacts and remedies associated with full building electrification.**

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Your Efforts Matter

SVCE will continue to work with your staff to develop sensible actions and continue to pivot as circumstances evolve.

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

There are three tiers of action.

Foundational Practices	Advancing Practices	Leading Practices
Choose 3	*Foundational + Choose 3 Advancing*	*Advancing + Choose 4 Leading*
Distribute info about BAAQMD, incentives, etc. with each permit	Train on avoiding unnecessary service upgrades	Allow plumbers to perform minor electrical work to streamline HPWH installations per CSLB
Implement Permit Concierge	Participate in meeting(s) on certified contractors network	BAAQMD ramp up (includes electrification readiness) on remodels
Provide staff training on building electrification technologies	Free permit pilot with outreach campaign	Require disclosures about gas appliances at time of sale
Enhance pre-application support materials	Insert comments in plans encouraging prewiring during other work	Implement certified contractors program
		Incentive-based remodels for electrification
		Adopt real-time permitting for HPWHs
		Require heat pumps at time of AC install or replacement

Thank you!

svcleanenergy.org

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Appendix

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AB 306 (Schultz/Rivas) - State and local building codes

- Imposes 6-year moratorium on state and local building codes for residential
- Limited exemptions for emergencies related to health and safety and hardening
- SVCE issued concerns letter with amendment suggestions:

1. Clarify that the state can adopt the 2025 State Building Code and local governments can adopt that code.
2. Limit the pause to only new construction; allow local governments to pursue existing building policies like ACs to heat pumps

- Advocating on these amendments

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All 13 Jurisdictions Have a Final Action Plan

Member Agency	Action Plan Status	Actions Planned		
		Foundational	*Advancing*	*Leading*
Campbell	Finaled	2	2	5
Cupertino	Finaled	1	3	3
Gilroy	Finaled	2	2	2
Los Altos	Finaled	3	3	4
Los Altos Hills	Finaled	2	2	4
Los Gatos	Finaled	2	3	4
Milpitas	Finaled	2	4	4
Monte Sereno	Finaled	1	1	5
Morgan Hill	Finaled	1	3	5
Mountain View	Finaled	3	5	4
Saratoga	Finaled	2	1	5
Sunnyvale	Finaled	1	4	7
County of Santa Clara	Finaled	3	3	6

The Impact of Your Leadership - Assumptions

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

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

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

BAAQMD Update

1. BAAQMD will report to the Board in December on market readiness, including costs, technology, workforce, and tenant protections.

2. SVCE is coordinating the 7 Bay Area CCAs to develop scalable solutions that support our communities.

3. South Coast Air Quality Management District passed similar phase out rules, but starting with larger water heaters and including new construction.

4. CA Air Resources Board – the current proposal would make phaseout gas water heaters statewide starting in 2027.

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

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

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