



Silicon Valley Clean Energy Finance and Administration Committee Meeting

Wednesday, August 19, 2026
10:00 am

Larry Klein, Chair
City of Sunnyvale

Sally Meadows, Vice Chair
City of Los Altos

Terry Hines
City of Campbell

R "Ray" Wang
City of Cupertino

Zach Hilton
City of Gilroy

George Tyson
Town of Los Altos Hills

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

Chuck Page
City of Saratoga

Otto Lee
County of Santa Clara

Sunnyvale Civic Center
Redwood Conference Room
456 W Olive Ave.
Sunnyvale, CA

Teleconference Meeting Information:
<https://svcleanenergy-org.zoom.us/j/85960410850>

Or by Telephone (Audio only):
US: +1 669 219-2599
Webinar ID: 859 6041 0850

Members of the public may observe this meeting electronically by accessing the meeting via instructions above. Public Comments can be sent in advance of the meeting to Board Clerk Andrea Pizano at Andrea.Pizano@svcleanenergy.org and will be distributed to the Finance and Administration Committee. The public will also have an opportunity to provide comments during the meeting. Members of the public using Zoom may comment during public comment or the applicable agenda item by using the Raise Hand feature and you will be recognized by the Chair. Those using the telephone (audio only) feature should press star 9 on your phones to initiate the "Raise Hand" function in Zoom. You will then be announced, unmuted, and your time to speak will begin.

The public may provide comments on any matter listed on the Agenda. Speakers are customarily limited to 3 minutes each, however, the Committee Chair may increase or decrease the time allotted to each speaker based on the number of speakers, the length of the agenda and the complexity of the subject matter. Speaking time will not be decreased to less than one minute.

If you are an individual with a disability and need a reasonable modification or accommodation pursuant to the Americans with Disabilities Act ("ADA") please contact Board Clerk Andrea Pizano at Andrea.Pizano@svcleanenergy.org prior to the meeting for assistance.

AGENDA

Call to Order

Roll Call

Public Comment on Matters Not Listed on the Agenda

svcleanenergy.org

298 S Sunnyvale Ave.
Sunnyvale, CA 94086

Larry Klein, Chair
City of Sunnyvale

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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 limited to 3 minutes each, however, the Committee Chair may increase or decrease the time allotted to each speaker based on the number of speakers, the length of the agenda and the complexity of the subject matter. Speaking time will not be decreased to less than one minute.

Consent Calendar (Action)

- 1) Approve Minutes of the May 28, 2026, Finance and Administration Committee Meeting

Regular Calendar

- 2) CFO Update (Informational)
- 3) Recommend the Silicon Valley Clean Energy Board of Directors Approve the Proposed Stub Operating Budget, and Maintain the Current Financial Reserves Targets and Policy (Action)
- 4) Energy Risk Management Controls and Oversight (Informational)
- 5) Recommend the Silicon Valley Clean Energy Board Approve Amendments to the Energy Risk Management Policy (Action)

Committee/Staff Remarks

Adjourn

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298 S Sunnyvale Ave.
Sunnyvale, CA 94086



**Silicon Valley Clean Energy
Finance and Administration Committee Meeting**
Thursday, May 28, 2026
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 Srinivasan called the meeting to order at 10:06 a.m.

Roll Call

Present:

Chair Murali Srinivasan, Sunnyvale
Vice Chair Bryan Mekechuk, Monte Sereno
Director Terry Hines, Campbell
Alternate Director Maria Ristow, Los Gatos
Alternate Director Margaret Abe-Koga, County of Santa Clara (arrived at 10:29 a.m.)

Absent:

Director Chuck Page, Saratoga

Public Comment on Matters Not Listed on the Agenda

No speakers.

Consent Calendar

Chair Srinivasan opened Public Comment.

No speakers.

Chair Srinivasan closed Public Comment.

Chief Executive Officer (CEO) Monica Padilla responded to a question on Item 1b regarding the process for policy review as a result of the policy streamlining project in 2025; General Counsel Michael Callahan summarized the amendments proposed in the policies included in Item 1b.

MOTION: Vice Chair Mekechuk moved and Alternate Director Ristow seconded the motion to approve the Consent Calendar, Items 1a and 1b.

The motion carried with Director Page and Alternate Director Abe-Koga absent.

1a) Approve Minutes of the March 5, 2026, Finance and Administration Committee Meeting



1b) Recommend the SVCE Board of Directors Approve Amendments to Finance Policy 6: Purchasing and Spending; Finance Policy 8: Investments; Finance Policy 10: Delinquent Accounts and Collections; and Information Technology Policy 1: Information Technology

Regular Calendar

2) CFO Update (Informational)

Amrit Singh, Chief Financial Officer (CFO), welcomed committee members and noted that his updates would be covered in the items addressed on the agenda.

Director Hines confirmed with CFO Singh that sustainability of the reserves usage for normal operating procedures would be discussed later in the agenda.

There was no public comment.

3) Results of Stress Test Analyses (Discussion)

Alternate Director Abe-Koga arrived during Item 3.

Scott Wrigglesworth, Director of Risk Management and Analytics, presented the findings of the stress test analyses and reviewed the following:

- Enterprise risk management (ERM) framework and key drivers of financial risks;
- Five-year financial base case forecast update;
- Stress test construction;
- Comparison of the updated base case with the stress test scenario; and
- Recommendations, which included: monitoring market developments shaping the outcome of the 2027 power charge indifference adjustment (PCIA) and PG&E generation rates and changes in five-year forward market prices, approval of the 2027 budget will be addressed in December when there's more certainty on next year's rates, and to seek Board approval of the Financial Levers Playbook and implement as necessary

Staff responded to committee member questions on how the outlook would affect power purchases, how the risk scenario compares to other energy providers (CCAs, Palo Alto Utilities, Silicon Valley Power), if the change from fiscal year to calendar year will have an impact on the stress test, when the next stress test will take place, confirmation that the reserve outlook was based on P1 prices and the probability of those prices, and historic natural gas forwards.

Chair Srinivasan opened Public Comment.

No speakers.

Chair Srinivasan closed Public Comment.

Committee members provided comments on stranded assets and the upcoming Integrated Resource Plan presentation from staff to the Board.

4) Recommend the SVCE Board of Directors Approve the Financial Levers Playbook (Action)

Justin Zagunis, Director of Customer Success, presented a request for the Committee to support the proposed Financial Levers Playbook. The following was reviewed in the presentation:



- A recap of the levers (community reinvestment, local control and presence, clean power and the grid, competitive rates, and accelerating electric upgrades) and feedback received thus far;
- The proposed recommendation to recommend the playbook for Board approval; and
- The process for how the approval from the Board would work.

Staff responded to committee member questions on the split product offering, including the target audience and cleanliness of the split product, how to remain competitive in offering clean energy and the value of SVCE, stranded costs, how making changes or eliminating a split product offering once it is implemented may be difficult, how the split product offering would impact SVCE's procurement, if staff considered changes to rate structures, if Bay Area Air District rules would affect product offerings and rebates, clarification on when service from SVCE started, generation costs, PG&E fees, and rates for commercial and industrial customers.

Chair Srinivasan opened Public Comment.

No speakers.

Chair Srinivasan closed Public Comment.

MOTION: Alternate Director Ristow moved and Director Hines seconded the motion to recommend the SVCE Board of Directors approve the playbook of:

- Ongoing search for cost savings and efficiencies
- Maintain current levels of clean, programs, and rate discount (at minimum)
- If needed, introduce split product offerings to assess opt-out risk and interest:
 - One cheaper than PG&E but less clean and no program participation
 - One same as current default but at premium
- Scale up costs for both products over time if needed
- Incorporate small reduction/pause in programs; and
- Direct staff to plan to continue as-is for 2026 and 2027

The motion carried with Director Page absent.

5) Budget Framework for the Stub Period Budget, October 2026 – December 2026 (Discussion)

CFO Singh presented the framework for the stub period budget and provided a recap of SVCE's transition to a calendar year fiscal period. CFO Singh provided the budget timeline for the stub period and calendar year budgets, the impact on the revenue forecast and rates based on the fiscal period change, reserve targets review, power supply expenses, and other major cost considerations during the transition.

Staff responded to committee member questions on the projected budget for the stub period, quarter 4 2026 stub period budget variance, and operating expenses.

Chair Srinivasan opened Public Comment.

No speakers.

Chair Srinivasan closed Public Comment.

6) Recommend the SVCE Board of Directors Approve Changes to Finance Policy 2: Budget Adoption, Control and Reporting, to Increase the Power Supply Budget Contingency, and Finance Policy 9: Reserve Policy, to Authorize Changes to Reserve Drawdown (Action)

CFO Singh presented a request for amendments to two SVCE policies: 1) Financial Policy 2, and 2) Financial Policy 9. CFO Singh reviewed the proposed changes to both policies, the impact on finances and budget from a previous change to the energy risk management policy, and the PCIA financial hedge impact requiring an increase in power supply contingency.

A summary of the changes included the following:



Financial Policy 2: Budget Adoption, Control and Reporting

- Increasing the numerical threshold in the policy to 15% and \$50 million from 10% and \$30 million

Financial Policy 9: Reserve Policy

- Changes to reserve drawdown to increase the numerical thresholds in the policy to 15% and \$50 million from 10% and \$30 million.

Staff responded to questions from committee members regarding when the policy would be revisited, and if the \$30 million had been set for the last 10 years.

Chair Srinivasan opened Public Comment.

No speakers.

Chair Srinivasan closed Public Comment.

MOTION: Alternate Director Abe-Koga moved and Director Hines seconded the motion to recommend that the SVCE Board of Directors (Board) approve amendments to the following Board-adopted policies, Finance Policy 2: Budget Adoption, Control and Reporting ("Budget Policy") and Finance Policy 9: Financial Reserves ("Financial Reserves Policy"), as follows:

- **Finance Policy 2: Budget Adoption, Control and Reporting: Increase the contingency amount for power purchases, allowing the Chief Executive Officer (CEO) to overspend the total annual power supply budget by the lesser of 15% of the annual power supply budget or \$50 million without Board approval, provided the overspending is due to higher power supply portfolio costs or increased customer demand (Staff Report Attachment A, redline).**
- **Financial Policy 9: Financial Reserves: Enable the reserves to be drawn down by the CEO during the fiscal year, up to the lesser of 15% of the year's budgeted cost of power supply, or \$50 million (Staff Report Attachment C, redline).**

And to recommend that the staff request Board approval via the consent calendar.

The motion carried with Director Page absent.

7) Recommend the SVCE Board of Directors Approve Changes to Finance Policy 11: Capitalization Policy, to Establish Capitalization Threshold for Subscription-Based IT Arrangements (Action)

CFO Singh presented a request for amendments to Finance Policy 11: Capitalization Policy, and reviewed GASB 96 which covers "Subscription-Based IT Arrangements" (SBITAs), establishing an SBITA threshold for capitalization, guidance received on setting a threshold, and review of the proposed threshold of \$250,000.

Staff responded to a question on anticipated contracts above the identified threshold.

Vice Chair Mekechuk shared his desire for the policy to be reviewed every three years as opposed to five years.

Chair Srinivasan opened Public Comment.

No speakers.

Chair Srinivasan closed Public Comment.

MOTION: Vice Chair Mekechuk moved and Alternate Director Ristow seconded the motion to recommend that the Board of Directors approve SVCE's Capitalization policy as shown in the redlined version of Attachment A of the staff report that includes minor changes to delineate between capital assets and intangible assets subject to capitalization per applicable GASB standards, and the following change for SBITAs:



- **SBITA agreements must be capitalized if the net present value of future subscription payments per contract exceeds \$250,000. SVCE will annually evaluate sub-threshold SBITAs in the aggregate for materiality and, as appropriate, will consider financial statement presentation and disclosure information;**

The recommendation also included that staff request Board approval via the consent calendar and changing the five-year policy review to three years.

The motion carried with Director Page absent.

Committee/Staff Remarks

Director Hines announced he would be meeting with a PG&E local representative on June 10, 2026.

Vice Chair Mekechuk inquired of the upcoming items for the next Committee meeting and the process for requesting an item.

Adjournment

Chair Srinivasan adjourned the meeting at 12:10 p.m.

ATTEST:

Andrea Pizano, Board Secretary



Staff Report – Item 2

Item 2: CFO Update

From: Monica Padilla, CEO

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

Date: 8/19/2026

This item will be addressed in the form of an oral report to the Finance and Administration Committee from Amrit Singh, Chief Financial Officer.



Staff Report – Item 3

Item 3: Recommend the Silicon Valley Clean Energy Board of Directors Approve the Proposed Stub Operating Budget, and Maintain the Current Financial Reserves Targets and Policy

From: Monica Padilla, CEO

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

Date: 8/19/2026

RECOMMENDATION

Staff recommends that the Silicon Valley Clean Energy (SVCE) Finance and Administration Committee recommend that the Board of Directors approve the Proposed Stub Period Operating Budget ("Stub Budget") covering October 2026 to December 2026 (Attachment 1), which, at a high level, includes the following:

1. Withdraws \$27.2 million from the reserves
2. Maintains an average of one percent (1%) customer discount relative to comparable PG&E rates through the end of December 2026
3. Continues to provide a \$12 monthly bill credit to California Alternate Rates for Energy (CARE) and Family Electric Rate Assistance (FERA) customers
4. Keeps the GreenPrime rate premium at \$0.0074/kWh (\$7.40/MWh)
5. Transfers \$3.5 million to a new EcoInvest Fund
6. Proposes no changes to the current financial reserves targets and policy (Attachment 2)

BACKGROUND

During the May 28, 2026, meeting of the Finance and Administration Committee ("Committee"), staff outlined the methodology, framework, and key assumptions for the Stub Budget. Staff also discussed the timeline and plans to transition to the new calendar fiscal period (January to December), effective January 1, 2027, as approved by the Board of Directors ("Board") at the March 11, 2026, meeting. This transition includes establishing an interim three-month Stub Budget for October 1, 2026, to December 31, 2026. The current fiscal year ends on September 30, 2026.

During the Stub Budget framework discussion, staff highlighted the challenges of preparing a 3-month budget, since budgets are normally created for a 12-month period, and expenses, which can vary month to month, are generally more predictable over the full year. Normally, when reviewing budgets with the Committee and the Board, staff compare the new 12-month budget with the previous one and explain significant differences. Without a prior 3-month budget, staff suggested comparing the Stub Budget to unaudited actual expenditures from October 1, 2025, to December 31, 2025. As previously discussed, actual operating expenses, other than Power Supply costs, are typically lower due to built-in contingencies that provide operational flexibility and minimize the need for frequent budget amendments. These expenses are reduced by \$6.5 million annually in the 5-year financial forecast to remove contingencies. Moving forward, staff plans to overhaul the budgeting process and tools for these expenses as part of the ongoing Business Process Optimization project, aiming to reduce contingencies in future budgets and explore organizational savings and efficiencies to lower actual costs and preserve financial reserves.

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At the same Committee meeting and the Board's June 10, 2026, meeting, staff also provided and discussed the stress test analysis (materials can be found here: [June 10, 2026 SVCE Board of Directors Meeting, Item 4](#)), which assesses the agency's risks and is used by staff in developing the budget, managing reserve levels, and proposing any changes to the financial reserves targets and policy.

In addition to assessing SVCE's financial performance under an extreme but plausible stress scenario, staff reviewed key financial risk factors and uncertainties that influence the financial projections, which are based on the best available data and information at the time of projection. These risks affect the Stub budget and the latest 5-year financial outlook (Attachment 3).

ANALYSIS & DISCUSSION

The Proposed Stub Operating Budget (Attachment 1), which withdraws \$27.2 million from reserves, is balanced and reflects SVCE's stable financial condition.

SILICON VALLEY CLEAN ENERGY

	4Q 2025 Calendar Actual*	Stub Budget (Q4 2026)	Change	
(\$ in thousands)			\$	%
Energy Revenues	115,493	66,612	(48,881)	-42.3%
Power Supply Expense	(84,949)	(83,822)	1,126	-1.3%
Operating Margin	<u>30,544</u>	<u>(17,210)</u>	<u>(47,754)</u>	<u>-156.3%</u>
Operating Expenses	(7,511)	(10,359)	(2,848)	37.9%
Non-Operating Revenue (Expense)	6,169	5,307	(862)	-14.0%
Annual Transfers and Other Expenses				
Capital Outlay	0	(68)	(68)	0.0%
Transfer to Building Fund	(1,375) **	0	1,375	-100.0%
Transfer to EcoInvest Fund	0	(3,500)	(3,500)	
Transfer to Program Fund	(1,813) **	(1,332)	481	-26.5%
TOTAL CAPITAL EXPENDITURES, INTERFUND TRANSFERS & OTHER	<u>(3,188)</u>	<u>(4,900)</u>	<u>(1,712)</u>	<u>53.7%</u>
BALANCE AVAILABLE FOR RESERVES	<u>26,014</u>	<u>(27,162)</u>	<u>(53,177)</u>	<u>-204.4%</u>

*The financial results in this table are preliminary and subject to change pending the closing of the books for the fiscal year 2025-26.

** Annual amount prorated for Q4 2025 for comparison purposes.

The Stub Budget reflects the same factors that staff have been discussing with the Committee and Board for more than a year, factors that also led to the creation and approval of the Financial Levers Playbook. These factors include sharp reductions in energy prices and in Renewable Portfolio Standard (RPS) and Resource Adequacy (RA) prices, which substantially increased Power Charge Indifference Adjustment¹ (PCIA) and reduced PG&E's generation rates, thereby reducing SVCE's margins.

¹ [Public Utility Code Sections 366.1](#) and [366.2](#) require the CPUC to make sure that customers leaving PG&E do not burden remaining PG&E customers with costs that were incurred to serve them. To ensure customer indifference, CCAs and Direct Access or departing load customers are required to pay a Power Charge Indifference Adjustment (PCIA).

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Energy Revenues

PG&E's generation rates and the PCIA charges are not expected to change until January 2027. As a result, the Stub Budget does not propose any changes to SVCE customer rates, maintaining an average customer discount of one percent (1%) relative to comparable PG&E rates. Higher PCIA charges and lower PG&E generation rates in 2026, relative to 2025, significantly reduce Stub period revenues compared to the same period last year.

The GreenPrime rate, SVCE's 100% renewable energy option, will reflect the default GreenStart rates plus a \$0.0074 per kWh premium, consistent with the Board's methodology adopted at the November 2024 meeting. This rate will remain in effect until December 2026. The GreenPrime premium for 2027 will be updated at the December 2026 meeting, when the Board approves changes to all 2027 rates and adopts the FY 2027 Budget.

The Proposed Stub Budget continues to reduce revenues to account for potential write-offs of unpaid bills. SVCE's estimated revenues include a 0.75% write-off rate, or about \$0.5 million.

Power Supply Expense

Power Supply expenses are relatively similar to those for the same period last year and reflect small movements in various portfolio positions, such as forward purchases benefiting from lower energy and environmental attributes prices, and the inclusion of congestion revenue rights value in the portfolio, as these positions' values have increased over time, offset by other cost increases, such as new power resources coming online and purchases of import allocation rights to support resource adequacy obligations.

Operating Expenses

As previously mentioned, other operating expenses appear higher than last year's actuals because the budget, like previous ones, includes contingencies. Overall, there are no significant increases in these categories; some items, such as ongoing operations and maintenance costs for the new building, have risen slightly now that the office is under construction and incurring operating costs. With the new office slated to be fully operational in September 2026, staff request one additional Facilities Manager position, bringing the full-time employee count to 68. This role is essential for managing building operations, maintenance, safety, security, and vendor relations. It will safeguard the agency's investment, ensure smooth facility operations, and maintain a safe, functional environment for staff and visitors. Staff salary adjustments and any changes to benefits will be addressed in the FY 2027 budget, scheduled for presentation to the Committee in November and to the Board in December. Staff recommends no changes to staff salaries or current benefits for the Stub Budget. Attached to this report are additional information supporting the proposed budget: Attachment 4, the proposed organization chart, Attachment 5, the proposed Salary Table, and Attachment 6, a summary of SVCE benefits.

Non-Operating Revenue

Investment income is projected at \$5.3 million. The decrease from the prior year is from declining SVCE reserves and changes in market rates.

Capital Outlay

The Stub budget allocates \$68,000 for capital expenditures, including office furniture, computers, and other audio and visual equipment, that exceed the \$5,000 capitalization threshold.

Building Fund Transfer

In March 2024, the Board approved a \$20 million building fund for SVCE's new headquarters, with an additional \$5.5 million allocated in December 2025. The fund has been used to purchase the building, make necessary repairs, and renovate it for office use. Phase 1 is expected to be completed by September 30, 2026, the end of the current fiscal year, with some minor work continuing into October 2026. Spending from the building fund during the Stub Budget period is projected at about \$400,000. Staff recommends keeping the remaining projected balance of \$3.9 million at the end of December 31, 2026, in the fund for a potential Phase 2, which would involve creating a community space within the building. A proposal and

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recommendation for this space will be presented to the Board in 2027, and if approved, work could begin in 2028.

Capital Project: Building and Improvements

Balance as of May 31, 2026*	\$10,388,838
Projected Spend as of 9/30/2026	<u>\$6,084,957</u>
Projected Remaining Balance as of 9/30/2026	\$4,303,881
 Projected Spend (Oct 2026 to Dec 2026)	 <u>\$400,000</u>
Projected Remaining Balance as of 12/31/2026	\$3,903,881

**Treasurer Report as of May 31, 2026.*

EcoInvest Fund Transfer

EcoInvest is a customer product included in the 2019 Board-approved Non-Standard Pricing Agreement Policy. It is designed to retain large customers at risk of leaving SVCE by offering funds for decarbonization projects in exchange for a term commitment. To access these funds, customers must use them for local projects and contribute matching funds.

Staff proposes transferring funds from the operating budget to a new EcoInvest Fund, consistent with how other customer decarbonization programs are budgeted. Funding through a dedicated fund allows staff to manage these projects as a portfolio and align payments with accounting treatment. The amount allocated to customers each year does not necessarily reflect their actual expenditures for that year, as they may accumulate funds over several years before spending them all at once or in varying amounts over the term of their contracts. Managing these funds as a portfolio also provides clearer visibility into their allocation and use. The Stub Budget transfers \$3.5 million to the EcoInvest Fund, with a forecasted spend of \$1 million.

Programs Funds Transfer

The proposed Stub Budget transfers two percent (2%) of revenues to the Program Fund. Once transferred to the Programs Fund, these dollars will remain unspent until allocated by the Board to specific programs/initiatives based on staff proposals. SVCE will continue incorporating projected Decarbonization Programs spending over the 5-year forecast into the reserve balance projections. For the Stub Budget, Program spending is projected to be \$4.597 million, with an additional spend of \$0.134 million from the Customer Relief and Community Resilience Program (CRCR)² Fund, \$0.006 million from the Nuclear Fund and \$0.08 million from the E-Elec (all-electric) Fund, the all-electric rate discounts. The Hanford fund's forecast spend is \$0.213 million.

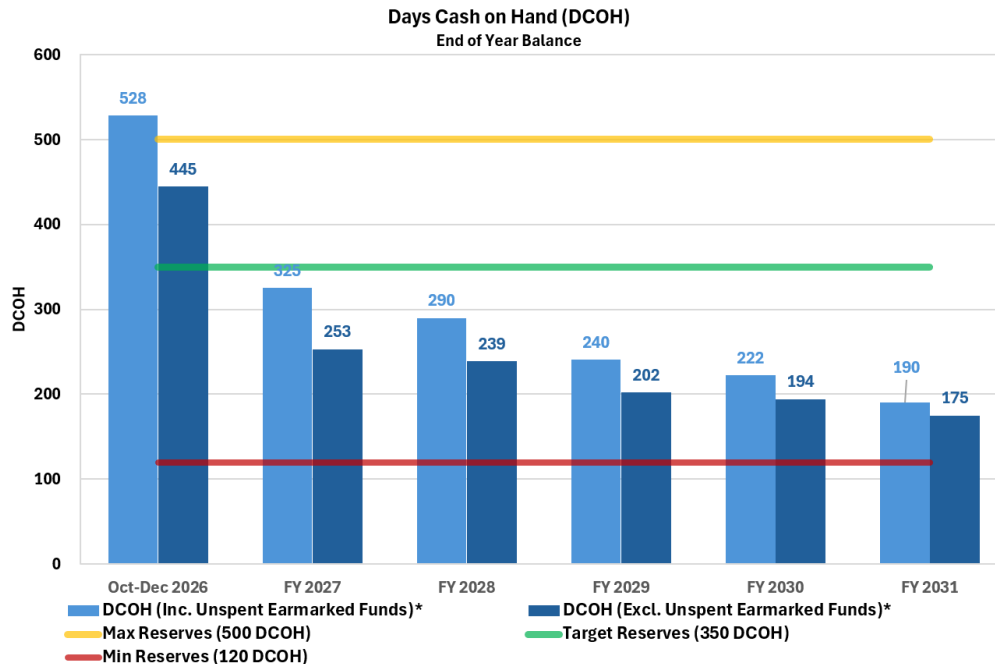
5-Year Financial Outlook

The 5-year financial outlook improves compared with the previous forecast. However, the drawdown from reserves continues, leaving Days Cash on Hand (DCOH) at 190 at the end of the 5-year forecast period, as shown below:

² CRCR, the ~\$10 million Customer Relief and Community Resilience Program, was established in 2020 to provide COVID credit payments to income-qualified customers as bill assistance, support local workforce training, and fund resiliency planning and capital expenditures at SVCE member cities.

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While energy and other power supply product prices remain lower and largely in line with previous forecasts, the improved outlook is driven primarily by favorable shifts in power supply portfolio positions and further reductions in the price of carbon-free resources. The overall market price environment continues to support forecasts of higher PCIA and lower PG&E generation rates, which reduce SVCE margins and result in an outlook that still projects drawing from reserves. However, the decline in carbon-free resource prices did not further increase PCIA rates, as would normally occur when prices drop, because, to date, the CPUC has not published a market price benchmark for these resources, which would be needed if PG&E does not allocate them, as in 2024. The PCIA projections currently effectively assume a zero MPB price for these resources.

Improvements in portfolio positions that improve the outlook are largely due to recognizing the growing value of congestion revenue rights (CRR). CRRs, settled financially with the California Independent System Operator (CAISO), enable SVCE to reduce congestion charges when transmission capacity is insufficient to deliver power from a generation location to the customer load aggregation node. Because SVCE's customers, when part of PG&E, paid for the legacy transmission system, SVCE is allocated its load share of CRRs. Staff's further assessment and management of CRRs leads to further refinement in their management and valuation.

Also contributing to improvements in the financial outlook is a forecast of lower PCIA rates, based on PG&E's May 2026 forecast of 2027 rates. Great uncertainty remains about these 2027 rates. PG&E's May 2026 rate projections will be updated in the fall after the CPUC issues the market price benchmarks (MPBs). In the past, the May rate forecasts have deviated significantly from the fall updates.

The year 2027 remains by far the worst year in the forecast, with the current FY 2027 Budget projection showing a \$150 million drawdown from reserves. The remaining years' drawdown to balance the budget is much lower, averaging about \$18 million a year. In a few months, when the CPUC issues the MPBs and PG&E updates its 2027 rate projections, Staff will have far greater certainty about next year's rates, which will be used to prepare the 2027 budget and update the financial outlook.

An additional factor that significantly affects SVCE's financial liquidity and the projected DCOH, as shown in the graph above, is the collateral posting requirement to PG&E for being the designated Provider of Last Resort (POLR) for SVCE's customers. Under the POLR requirement, Load Serving Entities (LSEs), such as SVCE, must post collateral to the incumbent utility in the event of an LSE's failure and its customers'

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defaulting to utility service. The amount of the posting can vary depending on the rate set for PG&E's service relative to prevailing market prices. Based on staff's modeling of these requirements, the forecast DCOH decreases as forecast posting requirements increase and increases as the posting requirements decrease. For the forecast fiscal year 2027, the steep draw on reserves is exacerbated by a forecasted \$65 million increase in the posting requirement, from \$1.2 million for the stub budget period (total posting amount for FY 2027: \$66.2 million). Toward the end of the forecast period, this posting requirement is forecasted to decrease back to \$1.2 million. Staff are working on an alternative means of meeting this Financial Security Requirement (FSR) and, at this point, feel confident in being able to use it, which will significantly enhance SVCE's financial liquidity and forecasted DCOH. Once successfully implemented, Staff will incorporate it into future budgets and financial forecasts.

In June 2026, the Board approved the Financial Levers Playbook. Staff is following the playbook and, as approved, is not making any changes to customer rate setting or product offerings to boost reserves in 2026 and 2027. If the financial forecasts warrant it, Staff will follow the playbook to improve financial reserves.

Reserves Target Levels and Policy Update

Per SVCE's Board-approved reserves policy, staff annually review the reserve target levels and the policy (Attachment 2) to ensure reserves are prudently managed relative to the risks the agency faces. As part of this process, staff presented the stress test analyses to the Board at the June 10, 2026, meeting. A key part of the staff's assessment of the targets and the policy is ensuring that SVCE can manage the risks modeled in the stress-test analysis. In particular, the targets are reviewed to assess whether, if the modeled stress scenario were to occur, the target reserves do not fall below 120 days of cash on hand (DCOH) for the next two fiscal years, and the maximum target (upper target) does not fall below 90 DCOH over the next five fiscal years.

Based on the stress test analysis, staff does not recommend any changes to the targets or the policy. Changing the targets has no practical implication, given that the 5-year financial outlook does not support contributing to reserves. The current targets also support the recent guidance from the credit rating agencies.

The current Financial Reserves Policy targets:

- (a) **Minimum Operating Reserve (baseline)** shall be the minimum maintained to cover 120 days of operations of the annual operating budget;
- (b) **An Operating Reserve** goal of covering 350 days of operations of the annual operating budget;
- (c) **Maximum Operating Reserve** to cover 500 days of operations of the annual operating budget.

STRATEGIC PLAN

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

ALTERNATIVE

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

Staff does not recommend any specific reductions, given a sufficient projected reserve balance that maintains SVCE's stable financial condition and the proposed budget's alignment with the Board-approved Financial Levers Playbook.

FISCAL IMPACT

The Stub Operating Budget includes \$71.9 million in revenues and non-operating revenues and \$99.1 million in expenses and transfers, resulting in a \$27.2 million reduction in reserves.

Agenda Item: 3**Agenda Date: 8/19/2026**

ATTACHMENTS

1. Stub Period (Q4 2026) Proposed Operating Budget
2. Financial Reserves Policy
3. 5-Year Financial Forecast
4. Stub Budget Proposed Organization Chart
5. Stub Budget Proposed Salary Table
6. Stub Budget Benefits Summary Table

SILICON VALLEY CLEAN ENERGY

Stub Operating Budget (Q4 2026)

(\$ in thousands)

	4Q 2025 Calendar Actual*	Stub Budget (Q4 2026)	Change	
DESCRIPTION			\$	%
ENERGY REVENUES				
Energy Sales	114,939	67,264	(47,675)	-41.5%
Green Prime	589	275	(313)	-53.2%
CARE/FERA Bill Credit	(1,380)	(928)	452	-32.7%
Other Income	1,344	0	(1,344)	-100.0%
TOTAL ENERGY REVENUES	115,493	66,612	(48,881)	-42.3%
ENERGY EXPENSES				
Power Supply	(84,949)	(83,822)	1,126	-1.3%
OPERATING MARGIN	30,544	(17,210)	(47,754)	-156.3%
OPERATING EXPENSES				
Data Management	(901)	(950)	(49)	5.4%
PG&E Fees	(301)	(397)	(96)	31.8%
Salaries and Retirement	(3,972)	(4,795)	(823)	20.7%
Professional Services	(970)	(2,727)	(1,757)	181.1%
Marketing & Promotions	(420)	(139)	281	-66.9%
General & Administrative	(946)	(1,350)	(405)	42.8%
TOTAL OPERATING EXPENSES	(7,511)	(10,359)	(2,848)	37.9%
OPERATING INCOME (LOSS)	23,033	(27,569)	(50,603)	-219.7%
NON-OPERATING REVENUES				
Interest Income	6,187	5,307	(881)	-14.2%
Grant Income	0	0	0	
TOTAL NON-OPERATING REVENUES	6,187	5,307	(881)	-14.2%
NON-OPERATING EXPENSES				
Financing	(18)	0	18	-100.0%
Interest	0	0	0	
TOTAL NON-OPERATING EXPENSES	(18)	0	18	-100.0%
TOTAL NON-OPERATING INCOME (EXPENSES)	6,169	5,307	(862)	-14.0%
CHANGE IN NET POSITION	29,202	(22,263)	(51,465)	-176.2%
CAPITAL EXPENDITURES, INTERFUND TRANSFERS & OTHER				
Capital Outlay	0	(68)	(68)	
Transfer to Building Fund	(1,375) **	0	1,375	-100.0%
Transfer to EcoInvest Fund	0	(3,500)	(3,500)	
Transfer to Program Fund	(1,813) **	(1,332)	481	-26.5%
TOTAL CAPITAL EXPENDITURES, INTERFUND TRANSFERS & OTHER	(3,188)	(4,900)	(1,712)	53.7%
BALANCE AVAILABLE FOR RESERVES	26,014	(27,162)	(53,177)	-204.4%

*The financial results in this table are preliminary and subject to change pending the closing of the books for the fiscal year 2025-26.

** Annual amount prorated for Q4 2025 for comparison purposes.



Finance Policy 9: Financial Reserves

I. Purpose

This Reserve Policy outlines the appropriate types and levels (minimum, goal, and maximum) of financial reserves as prescribed in the following policy. The primary reason for a reserve policy is to be prepared for contingencies, but other reasons also exist. Seven important purposes of a reserve policy are as follow:

- Plan for contingencies. To maintain sufficient reserves to minimize rate increase due to market volatility (power supply shocks or maintain rate competitiveness), weather impacts on demands, economic downturns, emergencies (such as natural disasters), and regulatory changes.
- Maintain good standing with rating agencies. By maintaining sufficient reserves, SVCE can preserve good credit ratings, allowing it to secure power at lower costs, that is, without posting credit enhancements, in the energy markets.
- Avoid interest expense. To avoid interest expense to cover short-term cash shortfalls by having sufficient reserves to use for this purpose, rather than debt.
- Ensure cash availability when revenue is unavailable. To bridge times of the year that normally see temporary low levels of cash.
- Plan for anticipated future rate increases by gradually raising those rates, using reserves to cushion the full impact on customers over an extended time period. For example, if it is expected that rates are highly likely to increase in 3 to 5 years, higher reserves on hand can cushion those rate increases over a more gradual timeframe by drawing down on the accumulated funds that may be in excess of the reserves' goal.
- Manage the risks identified in the Energy Risk Management Policy, which are:
 - Market price risk,
 - Net revenue risk,
 - Counterparty credit and performance risk,
 - Load and generation volumetric risk,
 - Operational risk,



- Liquidity risk, and
 - Regulatory/legislative risk.
- Establish clear expectations between the Board of Directors and staff. A formal reserve policy creates a shared understanding of the proper level and use of reserves.

II. Policy

A. Financial reserves shall be set aside as follows:

The Reserve targets cover the operations of SVCE over a number of days in the event of emergencies or other significant unforeseen events. Three levels are defined, with the first being baseline. Given the purposes stated above, the Reserve shall be maintained at no less than the minimum described below. The operating reserve level described below is recommended as the goal. The Maximum reserve level described below would provide solid reserves for significant fluctuations in revenue or unforeseen circumstances. The Board shall review its reserve levels annually in context of SVCE's overall financial condition of the agency, as well as due to changes to the industry and/or risk factors as described in periodic review of targets below.

- **Minimum Operating Reserve (baseline)** shall be the minimum maintained to cover 120 days of operations of the annual operating budget;
- **An Operating Reserve** goal of covering 350 days of operations of the annual operating budget;
Maximum Operating Reserve to cover 500 days of operations of the annual operating budget.



B. Conditions for Use of Reserves

- For purposes of this policy, use of reserves is defined as a projected or estimated¹ reduction in reserves by fiscal year-end. A temporary reduction in cash consistent with the expected peaks or dips in revenues and expenditures are normal cyclical occurrences to be expected during the fiscal year, and do not constitute a use of reserves.
- The reserves may be drawn down upon by the CEO during the year, up to the lesser of 15% of the year's budgeted cost of power supply, or \$50 million, to:
 - Cover increases in power supply expenses due to spikes in costs and/or due to higher customer demand;
 - Provide necessary funds to make up for unanticipated revenue shortfalls;
 - Meet any margin or collateral posting requirements under energy supply contracts; and,
 - Provide resources to meet emergency expenditures.
- If further use of reserves are needed to manage the operations of the organization, or if the use of reserves would bring the balance below the Minimum Operating Reserve baseline, the CEO must present recommendations to the Board and the Board must authorize any such use.

C. Replenishment of Reserves

- Should SVCE drawdown reserves below the Minimum Operating Reserve level, SVCE will consider plans to return reserves to their minimum targets within two (2) fiscal years. Such plans will be provided in subsequent budget and rate discussions with the Board.

¹ It is not practical to wait the formal fiscal year end closing of the accounting records to determine if the reserves have been "used". Therefore, it is appropriate for staff to estimate reserve levels, with the important amount being what is estimated for fiscal year end.



D. Excess Reserves

- If reserve funds are projected to exceed the maximum level, the CEO shall present options for consideration by the Board of Directors for proper disposition of those reserves during the next budget cycle. In computing excess reserves, the reserve balance will be reduced for earmarked funds or allocated but unspent funds.

E. Reserves between Minimum and Maximum

- To the extent that reserves are above target and below the maximum, no other action by SVCE would be required.

F. Periodic Review of Reserve Goals

- Reserve goals shall be periodically reviewed for consistency with industry standards. If significant risk factors are eliminated or significant new risks emerge as a result of changes in the industry, legislation, or economic conditions, the basis of the reserve policy shall be reviewed, and the funding level shall be adjusted accordingly. Unless the Reserves are approaching minimum levels, formal Reserve funding discussions with the Board may await the next budget process.

G. Reporting

- Reserve levels will be monitored during the fiscal year and reported in the quarterly financial reports. Reserve target levels (minimum and maximum) will be analyzed annually, and over/under reserve determination shall be made in conjunction with year-end financial results. These results will be reported to the Board of Directors as part of the year-end financial report presentation.

5-Year Financial Forecast

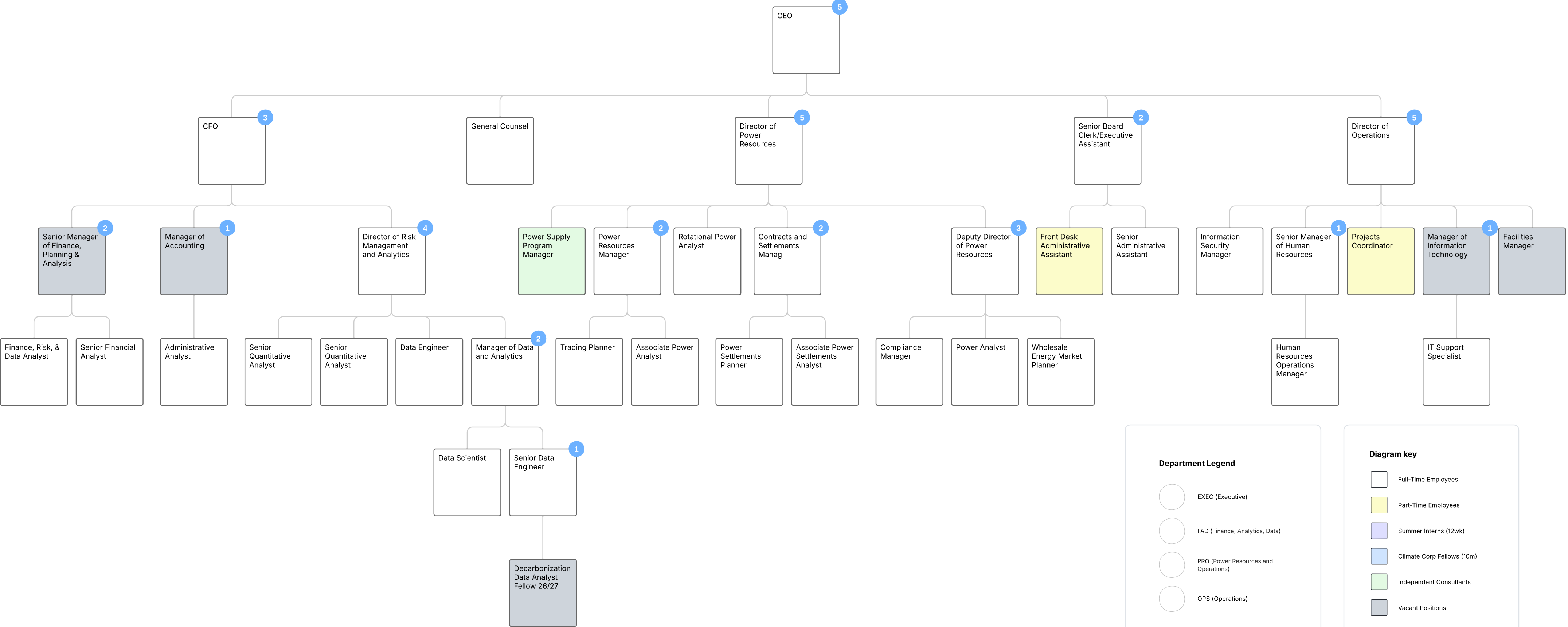
(\$ in Thousands)						
	Q4 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Operating Revenue	(Forecast)	(Forecast)	(Forecast)	(Forecast)	(Forecast)	(Forecast)
Electricity Sales, Net ¹	\$67,264	\$206,343	\$354,847	\$406,683	\$429,491	\$439,823
GreenPrime Electricity Premium	\$275	\$1,145	\$1,177	\$1,214	\$1,225	\$1,225
Reduction in Revenue ¹	\$(928)	\$(3,424)	\$0	\$0	\$0	\$0
Other Income	\$0	\$0	\$0	\$0	\$0	\$0
Total Operating Revenues	\$66,612	\$204,065	\$356,024	\$407,897	\$430,717	\$441,048
Operating Expense						
Power Supply	\$(83,822)	\$(321,323)	\$(349,714)	\$(374,551)	\$(389,022)	\$(398,734)
Operating Margin	\$(17,210)	\$(117,259)	\$6,311	\$33,345	\$41,694	\$42,314
Data Management	\$(950)	\$(3,990)	\$(4,190)	\$(4,399)	\$(4,619)	\$(4,850)
PG&E Service Fees	\$(397)	\$(1,667)	\$(1,750)	\$(1,838)	\$(1,930)	\$(2,026)
Salaries and Retirement	\$(4,795)	\$(20,225)	\$(21,313)	\$(22,464)	\$(23,681)	\$(24,968)
Professional Services	\$(2,727)	\$(9,814)	\$(10,305)	\$(10,820)	\$(11,361)	\$(11,929)
Marketing & Promotions	\$(139)	\$(2,762)	\$(2,900)	\$(3,045)	\$(3,197)	\$(3,357)
General and Administration	\$(1,350)	\$(6,158)	\$(6,514)	\$(6,329)	\$(6,632)	\$(6,821)
Transfer to EcolInvest Fund	\$(3,500)	\$0	\$(500)	\$(2,000)	\$0	\$0
Transfers to Programs Fund	\$(1,332)	\$(4,081)	\$(7,120)	\$(8,158)	\$(8,614)	\$(8,821)
Total Operating Expenses	\$(99,013)	\$(370,021)	\$(404,306)	\$(433,604)	\$(449,056)	\$(461,506)
Operating Income	\$(32,401)	\$(165,956)	\$(48,282)	\$(25,707)	\$(18,340)	\$(20,458)
Nonoperating Revenue						
Investment Income	\$5,307	\$15,437	\$10,197	\$10,049	\$9,322	\$8,886
Grant Income	\$0	\$0	\$0	\$0	\$0	\$0
Total Non-Operating Revenues	\$5,307	\$15,437	\$10,197	\$10,049	\$9,322	\$8,886
Nonoperating Expense						
Financing Cost	\$0	\$0	\$0	\$0	\$0	\$0
Capital Outlay	\$(68)	\$(50)	\$(50)	\$(50)	\$(50)	\$(50)
Interest Expense	\$0	\$0	\$0	\$0	\$0	\$0
Total Non-Operating Expense	\$(68)	\$(50)	\$(50)	\$(50)	\$(50)	\$(50)
Non-Operating Income	\$5,239	\$15,387	\$10,147	\$9,999	\$9,272	\$8,836
Change in Net Position/Available for Reserves	\$27,162	\$(150,569)	\$(38,135)	\$(15,709)	\$(9,068)	\$(11,622)

1. Assumptions: 1% discount relative to comparable PG&E rates for the Stub budget (Q4 2026) and for FY 2027-2031. Stub budget and FY2027 include additional discounts in the form of CARE/FERA bill credits to low-income customers totaling \$928K and \$3.4M, respectively. No CARE/FERA bill credit is assumed after 2027.

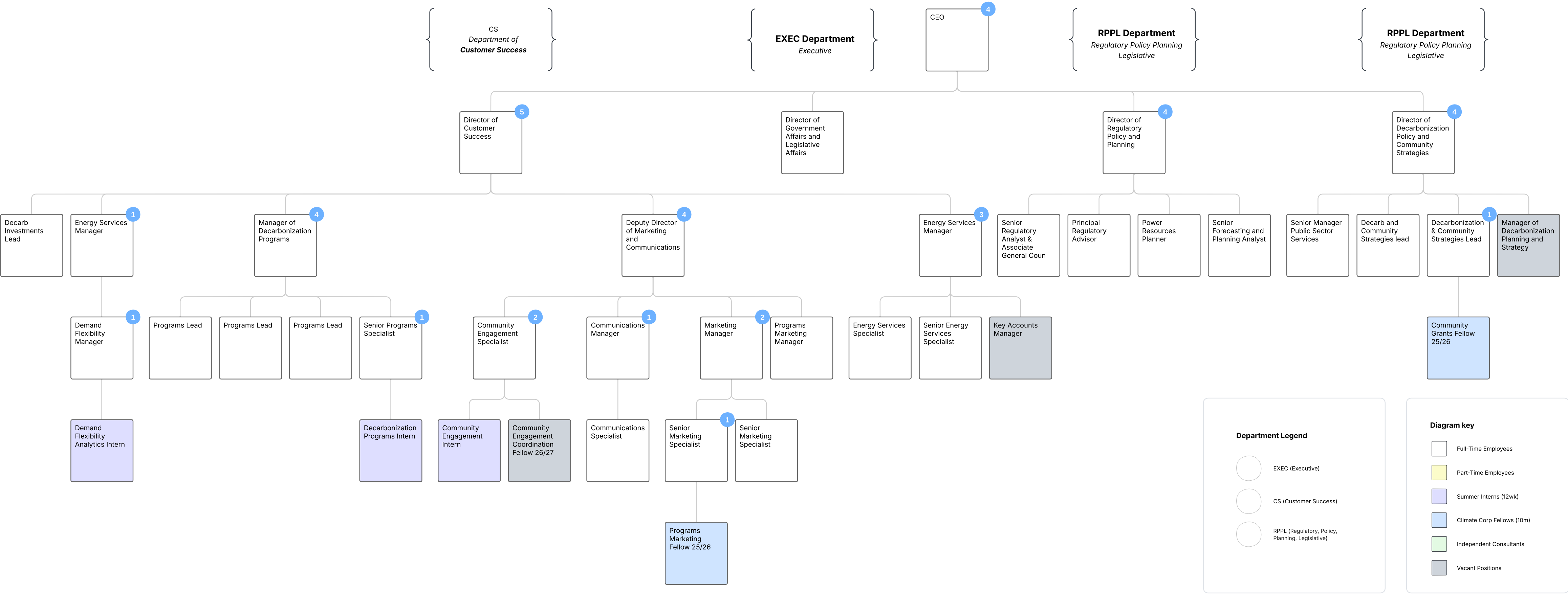
For forecast years FY2027 onward:

- Revenues are based on SVCE's load forecast and CalCCA NewGen Model for SVCE margin analysis using market data as of 6/25/2026.
- Power Supply Costs are based on updated portfolio positions and market data as of 6/25/2026.
- Operating Expenses are assumed to grow 5% / year except for health care, which is projected to increase by 11% in 2027 and 10% thereafter.

FY26-27 Organization Chart (EXEC, FAD, PRO, OPS)



FY26-27 Organization Chart (EXEC, CS, RPPL)



Title	Minimum Salary	Maximum Salary
Administrative Analyst	\$ 108,355	\$ 185,595
Administrative Assistant	\$ 72,236	\$ 114,648
Associate Data Analyst	\$ 108,355	\$ 170,171
Associate Data Scientist	\$ 129,103	\$ 185,811
Associate Financial Analyst	\$ 94,405	\$ 143,419
Associate Legislative Analyst	\$ 90,294	\$ 146,622
Associate Manager of Decarbonization Programs and Policy	\$ 144,471	\$ 208,108
Associate Power Analyst	\$ 101,898	\$ 158,986
Associate Power Resources Planner	\$ 144,471	\$ 219,593
Associate Power Settlements Analyst	\$ 101,898	\$ 158,986
CFO	\$ 228,746	\$ 381,448
Communication Specialist	\$ 94,405	\$ 143,419
Communications Manager	\$ 144,471	\$ 215,886
Community Outreach Specialist	\$ 78,255	\$ 127,891
Data Analyst	\$ 129,103	\$ 190,592
Data Engineer	\$ 136,296	\$ 198,649
Data Scientist	\$ 144,471	\$ 208,108
Decarb and Community Strategies Lead	\$ 144,471	\$ 220,555
Decarb Investments Lead	\$ 144,471	\$ 220,555
Decarbonization & Community Strategies Lead	\$ 144,471	\$ 220,555
Demand Flexibility Manager	\$ 144,471	\$ 220,555
Deputy Board Clerk/Administrative Assistant	\$ 108,355	\$ 185,595
Deputy Director of Marketing and Communications	\$ 185,809	\$ 291,983
Deputy Director of Power Resources	\$ 204,202	\$ 320,864
Director of Customer Success	\$ 192,644	\$ 302,702
Director of Decarbonization Policy and Community Strategies	\$ 192,644	\$ 302,702
Director of Energy Services & Community Relations	\$ 192,644	\$ 302,702
Director of Government and Legislative Affairs	\$ 192,644	\$ 302,702
Director of Human Resources	\$ 192,644	\$ 302,702
Director of Operations	\$ 192,644	\$ 302,702
Director of Power Resources	\$ 218,360	\$ 327,540
Director of Regulatory, Policy and Planning	\$ 192,644	\$ 302,702
Director of Risk Management and Analytics	\$ 192,644	\$ 302,702
Director of Strategic Development	\$ 192,644	\$ 302,702
Energy Services Lead	\$ 144,471	\$ 220,555
Energy Services Manager	\$ 181,225	\$ 275,458
Energy Services Principal	\$ 161,808	\$ 245,944
Energy Services Specialist	\$ 94,405	\$ 143,420
Energy Trading Manager	\$ 179,204	\$ 264,330
Energy Trading Planner	\$ 156,511	\$ 245,944
Facilities Manager	\$ 94,405	\$ 143,420
Finance, Risk, & Data Analyst	\$ 126,413	\$ 185,595
Financial Analyst	\$ 108,355	\$ 185,595

General Counsel	\$ 192,644	\$ 302,702
Human Resources Analyst	\$ 108,355	\$ 185,595
Human Resources Generalist	\$ 132,432	\$ 208,108
Human Resources Manager	\$ 180,590	\$ 245,944
Information Security Manager	\$ 152,651	\$ 222,486
IT Analyst	\$ 132,432	\$ 208,108
IT Support Specialist	\$ 94,405	\$ 143,419
Key Accounts Manager	\$ 144,471	\$ 208,108
Management Analyst/Admin	\$ 132,432	\$ 208,108
Manager of Accounting	\$ 152,651	\$ 222,486
Manager of Data and Analytics	\$ 185,227	\$ 275,457
Manager of Decarbonization Programs	\$ 156,511	\$ 245,944
Manager of Finance	\$ 164,337	\$ 249,730
Manager of Technology and Admin Services	\$ 164,337	\$ 249,730
Marketing Lead	\$ 144,471	\$ 220,555
Marketing Manager	\$ 152,651	\$ 222,486
Marketing Specialist	\$ 78,255	\$ 127,891
Policy Analyst	\$ 108,355	\$ 185,595
Power Analyst	\$ 114,125	\$ 178,064
Power Contracts & Settlements Manager	\$ 180,590	\$ 283,783
Power Resources Manager	\$ 180,590	\$ 283,783
Power Resources Planner	\$ 156,511	\$ 245,944
Power Settlements and Compliance Analyst	\$ 132,432	\$ 208,108
Power Settlements Manager	\$ 179,204	\$ 264,330
Power Settlements Planner	\$ 156,511	\$ 245,944
Principal Data Engineer	\$ 156,511	\$ 249,185
Principal Data Scientist	\$ 175,292	\$ 261,051
Principal Policy Analyst	\$ 156,511	\$ 232,810
Principal Power Analyst	\$ 143,158	\$ 223,363
Principal Regulatory Advisor	\$ 143,158	\$ 223,363
Program Marketing Manager	\$ 144,471	\$ 215,886
Programs Lead	\$ 144,471	\$ 220,555
Programs Specialist	\$ 90,294	\$ 146,622
Rates Manager	\$ 164,337	\$ 245,944
Regulatory & Compliance Manager	\$ 156,511	\$ 245,944
Regulatory Analyst	\$ 126,413	\$ 185,595
Senior Administrative Assitant	\$ 78,255	\$ 127,891
Senior Board Clerk/Executive Assistant	\$ 132,432	\$ 220,555
Senior Communications Specialist	\$ 94,405	\$ 160,629
Senior Data Analyst	\$ 144,471	\$ 213,463
Senior Data Engineer	\$ 152,651	\$ 222,486
Senior Data Scientist	\$ 156,511	\$ 233,081
Senior Energy Services Specialist	\$ 108,355	\$ 160,630
Senior Financial Analyst	\$ 144,471	\$ 208,108
Senior Forecasting and Planning Analyst	\$ 156,511	\$ 245,944

Senior Government Affairs Manager	\$ 192,644	\$ 264,330
Senior IT Analyst	\$ 145,675	\$ 228,919
Senior Management Analyst	\$ 144,471	\$ 228,919
Senior Manager of Communications	\$ 165,901	\$ 260,700
Senior Manager of Decarbonization Programs and Policy	\$ 165,901	\$ 260,700
Senior Manager of Financial Planning & Analysis	\$ 192,644	\$ 264,330
Senior Manager of HR	\$ 184,057	\$ 278,802
Senior Manager of Power Resources	\$ 192,644	\$ 302,702
Senior Manager of Technology and Administrative Services	\$ 184,057	\$ 278,802
Senior Marketing Specialist	\$ 94,405	\$ 143,419
Senior Policy Analyst	\$ 126,413	\$ 207,866
Senior Power Analyst	\$ 127,820	\$ 199,432
Senior Power Resources Planner	\$ 192,644	\$ 275,458
Senior Programs Specialist	\$ 109,558	\$ 179,905
Senior Public Sector Services Manager	\$ 165,901	\$ 260,700
Senior Quantitative Analyst	\$ 144,471	\$ 213,463
Senior Rates Analyst	\$ 144,471	\$ 208,108
Senior Regulatory Advisor	\$ 132,432	\$ 208,108
Senior Regulatory Analyst	\$ 132,432	\$ 208,108
Senior Regulatory Analyst & Associate General Counsel	\$ 144,471	\$ 220,555
Trading Planner	\$ 156,511	\$ 245,944
Wholesale Energy Markets Manager	\$ 179,204	\$ 264,330
Wholesale Energy Markets Planner	\$ 156,511	\$ 245,944

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Benefit	Details
Health Insurance	
Employer Premium Contribution	Monthly Medical Premiums: Employee only – Employer covers up to \$1500 monthly. Employee with dependents – Employer covers up to \$3,000 monthly. (\$1500 Employee + \$1500 Dependents.)
Medical	Coverage is provided through the CalChoice marketplace, and currently includes the following options: Kaiser – HMO plans Sutter Health – HMO plans Anthem Blue Cross – PPO plans United Healthcare – HMO plans
Dental	Delta Dental PPO – 100% Employer Paid
Vision	VSP Vision PPO Plan – 100% Employer Paid
Retirement	
401 (a) Plan	Mandatory 10% employee contribution matched by 10% employer contribution in lieu of Social Security. Fully vested from date of hire.
457 (b) Deferred Compensation	Voluntary pre-tax employee contributions up to annual IRS limits.
HRA -or- HSA	
Health Reimbursement Account	SVCE contributes \$500 / month towards a Health Reimbursement Account that the employee can use for qualified health care expenses for themselves and their dependents. Unused balances can be carried over to the next year up to \$18000. Balance does not follow an employee after separation.
Health Savings Account (only with eligible High-Deductible Health Plans)	SVCE contributes up to \$296 / month (employee) or \$400 / month (employee with dependents) towards a Health Savings Account that the employee can use for qualified health care expenses. Balance can be invested and stays with employee after separation. Current IRS limits for 2026 are \$4400 for individuals and \$8,750 for individuals with dependents.
FSA – Health / Dependent Care / Transportation / Parking	
Employer Contribution	SVCE contributes up to \$200 / month towards the following flexible spending accounts that can be used for qualified expenses in the categories below. Employee can contribute additional funds up to the IRS limits.
Health & Limited Purpose	Employee can annually contribute up to \$3,400 pre-tax to their Health / Limited Purpose FSA in 2026. A maximum of \$680 rolls over for 2026.
Dependent (Child / Elder) Care Assistance	Employee can annually contribute up to \$7,500 per household (or \$3,750 per individual) pre-tax to their Dependent Care Assistance FSA in 2026. Funds do not roll over.
Transit and / or Parking Plans	Non-taxable reimbursement of up to \$340 per month for qualified transit and / or parking expenses. All funds roll over as long as the employee remains eligible.
Health / Wellness	
Fitness Reimbursement Program	SVCE will reimburse up to \$600 / year for qualified fitness expenses (class / program / equipment) per year. This reimbursement will accrue annually up to \$3000.
Professional Development	
Tuition Reimbursement Program	SVCE will reimburse up to \$5,000 / year for qualified educational advancement that supports the organization's mission.
Employee Rebate Reimbursement	
SVCE Employees are eligible to receive the same rebate benefits as its customers	All rebates will be taxed except for point-of-sale reimbursements and for employees who meet all qualifications of the rebate + the Section 136 Exclusion. SVCE rebates are available for single-family homes, accessory dwelling units (ADUs), and multi-family homes (4 dwelling units or fewer) swapping out existing equipment, not for completely new building construction. Each dwelling unit is eligible for one rebate per appliance type.

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Miscellaneous	
Short Term Disability Insurance	STD provided at 60% of weekly earnings subject to terms of STD insurance carrier and cap based on salary.
Long Term Disability Insurance	LTD provided at 60% of monthly earnings subject to terms of LTD insurance carrier and cap based on salary.
Term Life Insurance	100% Employer-paid for 1X base salary with minimum guarantee at \$200,000 life and AD&D coverage.
Employee Assistance Program (EAP)	100% Employer-paid confidential counseling for you and your immediate family member and work/life services assistance.
Hybrid Work Set up	One time \$500 reimbursable for home office set up.
Technology Stipend	\$50 monthly stipend for phone and \$70 internet connection costs.
Voluntary Term Life and AD&D Rates	
Voluntary term life monthly rate	Voluntary term life rates do not include the AD&D rate. The spouse is charged based upon his/her individual age. Child(ren) monthly rate: \$10,000 of coverage for \$2.00 per family
Voluntary Accidental Death and Dismemberment (AD&D) monthly rate	Employee and spouse \$.039
Leave	
Vacation Leave	SVCE offers 160 hours of Paid Time Off (PTO) that is accrued bi-weekly for the first year. PTO includes vacation, sick, etc. After the first-year anniversary date, an additional 8 hours will be granted per year up to the tenth year of employment. All unused PTO at the end of the year can be carried over to a maximum of twice the annual accrual. Exempt employees receive an additional 40 hours of Management Leave at the beginning of each calendar year, which does not carry over to the next year.
Holidays	13 days (104 hours) per year. New Year's Day Martin Luther King Jr.'s Birthday Presidents' Day Farm Worker's Day Memorial Day Juneteenth Independence Day Labor Day Veteran's Day Thanksgiving Black Friday Christmas Day Floating Holiday (<i>does not accrue, use annually</i>)
Administrative Company Shut-Down	Christmas Day though New Year's Day
Bereavement Leave	Up to 5 days paid bereavement leave in the event of a death in your immediate family.
Parental Leave	240 hours of paid parental leave, eligibility at the CEO's discretion

**Note: For fiscal year 2027 onwards, staff are considering changes to benefits that could be available to employees starting January 1, 2027, and could impact future budgets starting with FY 2027. Including but not limited to: Medical plans contributions and offerings, HSA contributions, FSA / LSA contributions, and sabbaticals.*



Staff Report – Item 4

Item 4: Energy Risk Management Controls and Oversight

From: Monica Padilla, CEO

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

Date: 8/19/2026

RECOMMENDATION

Staff request that the Silicon Valley Clean Energy (SVCE) Finance and Administration Committee (Committee) receive and provide feedback on an informational Staff presentation regarding current risk controls and oversight.

BACKGROUND

Since its inception, SVCE has had an Energy Risk Management (ERM) program in place which includes SVCE Board-adopted policies setting broad parameters around what risk to manage and the products and/or general strategies. The ERM Policy also includes a set of approved products, prohibitions and delegation of authority to the Chief Executive Officer (CEO) to manage energy risk through approved products. Paramount to the effectiveness of the ERM program is proper oversight and controls. To this end, staff have developed internal guidelines, standards, controls and reporting requirements.

ANALYSIS & DISCUSSION

This report is informational and is intended to provide the Committee with an overview of the governance, oversight, and controls in place to guide how SVCE conducts its commercial and risk-management activities. It reflects current policy, standards, and procedures.

SVCE organizes its commercial activity across a Front Office, Middle Office, and Back Office, a structure that establishes independence between the functions that transact, the functions that measure and control risk, and the functions that settle and validate transactions. The Front Office is market-facing and responsible for procurement, customer contact, deal structuring, price negotiation and approval, transaction entry, and hedging execution. The Middle Office, which reports through the risk function and the Chief Financial Officer (CFO), maintains independence from the Front Office and is responsible for deal capture and confirmation, risk and gross-margin modeling, stress testing, valuation and analysis, risk limits and metrics, counterparty credit monitoring and authorization, market curves and fundamentals, and management reporting. The Back Office is responsible for portfolio operations and scheduling coordinator management, CAISO and counterparty settlements, invoice validation and processing, compliance reporting, contract management, and operational performance reporting. This separation of duties is a foundational control: staff involved in transactions are not the same staff who measure and monitor risk, and neither are they the staff who settle and validate transactions.

This control environment is supported by an established, yet continuously improved, set of systems for deal capture, risk modeling and analytics, settlements, and performance reporting. Further, several initiatives are currently underway. Staff are enhancing desktop procedures and business continuity documentation to provide step-by-step guidance for both business-as-usual execution and business-interruption continuity planning. The RADaR (Repository for Analytics, Data and Reporting) initiative will provide a centralized "source

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of truth” for data used in decision making and is expected to create significant efficiency gains through automated reporting while further enhancing transparency across the organization. Finally, staff are preparing improvements and enhancements to the Energy Risk Management Standards, for the CEO’s consideration. These initiatives reflect a control environment that is sound today and advanced through continuous improvement efforts.

STRATEGIC PLAN

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

ALTERNATIVE

Staff are open to feedback and suggestions from the Finance and Administration Committee.

FISCAL IMPACT

There is no fiscal impact.



Staff Report – Item 5

Item x: Recommend the Silicon Valley Clean Energy Board Approve Amendments to the Energy Risk Management Policy

From: Monica Padilla, CEO

Prepared by: Amrit Singh, CFO
 Scott Wrigglesworth, Director of Risk Management and Analytics

Date: 8/19/2026

RECOMMENDATION

Staff request that the Finance and Administration Committee (Committee) recommend that the Silicon Valley Clean Energy (SVCE) Board of Directors (Board) approve proposed amendments to the Board-adopted Energy Risk Management Policy.

BACKGROUND

Periodically, staff recommend revising the Energy Risk Management Policy (ERMP) to address changes in energy market dynamics, desired operational changes to improve the organizational risk management, and to clarify roles and responsibilities, including adequate segregation of duties. The Board last reviewed and approved changes to the ERMP on March 12, 2025 date (https://www.svcleanenergy.org/wp-content/uploads/SVCE_Energy_Risk_Management_Policy_March_2025.pdf).

ANALYSIS & DISCUSSION

Revisions to the ERMP are necessary to ensure it remains aligned with SVCE's procurement obligations, market conditions, and prior policy direction. The current review identifies two substantive revisions and a set of non-substantive clarifications. The first substantive revision warrants the Committee's attention because they affect a clarification through a distinction between a motive (non/speculation) and a tool (financial derivatives). The second substantive revision clarifies the application of the ERMP hedge tolerance bands and how far the power supply portfolio may deviate from a balanced position. The non-substantive revisions improve clarity and internal consistency without altering the policy's intent.

The first substantive revision addresses the treatment of derivatives in Section 6.3. The existing language implies that financial derivative products are inherently speculative. This inference is imprecise: a derivative is a tool, and whether its use is speculative or non-speculative depends on the purpose for which it is held, not on the instrument itself. The revision removes that inference, affirms and clarifies the distinction between speculative and non-speculative activity, and retains the existing prohibition on derivatives without change. The benefit is a sounder, clearer policy that recognizes SVCE's compliance obligations alongside the ongoing work of balancing supply and demand.

The second substantive revision raises the maximum Net Open Position tolerance band to 110% across all years in Section 6.4, while leaving the minimum levels unchanged. The prior policy update introduced the Power Charge Indifference Adjustment (PCIA) as a financial hedge but did not fully contemplate the implications for out-year positions relative to the existing thresholds. Because SVCE must comply with long-term Renewable Portfolio Standard (RPS) contracts, and because the PCIA functions as a financial hedge against the physical portfolio, the existing upper bound could place the portfolio out of tolerance for reasons that reflect compliance obligations rather than imprudent risk-taking. Raising the upper band, together with

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an exception for compliance obligations, makes the tolerance thresholds consistent with the addition of the PCIA hedge and with SVCE's long-term contractual commitments.

The remaining revisions are non-substantive and are intended to improve clarity and align the policy with practice and with proper terminology. In summary, these revisions: add "solicitations" to the scope of the document to affirm that proper solicitation processes are referenced in policy; add load-risk language acknowledging that forecasts may be affected by the arrival or departure of large customer loads independent of weather; tighten the product table by removing redundant references without adding or removing any products; add a definition of Congestion Revenue Rights (CRRs) and clarify, in the table and its footnotes, that CRR Allocations are provided to SVCE at no cost based on the load it serves while delegated authority and limits apply to CRR Auction transactions; clarify that delegated authority is intended to apply per transaction rather than cumulatively, a term that had been a source of confusion among staff; and revise the conflict-of-interest language to reference an employee's "financial interest" rather than "direct holdings," aligning the policy with proper legal terminology while recognizing that employees or their family members may hold interests within larger personal portfolios that do not constitute a conflict. Detail on each non-substantive revision is provided in the Appendix.

Taken together, the revisions preserve the intent and rigor of the ERMP while improving its precision, aligning it with SVCE's compliance obligations, and reducing avenues for misinterpretation by staff.

STRATEGIC PLAN

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

ALTERNATIVE

Staff are open to feedback and suggestions from the Finance and Administration Committee.

FISCAL IMPACT

There is no fiscal impact.

ATTACHMENTS

1. Energy Risk Management Policy (redline)
2. Energy Risk Management Policy (clean)

Energy Risk Management Policy



Adopted: ~~March 12, 2025~~ TBD

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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; solicitations and 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. This is also known as basis risk which is the risk associated with differences in locational prices. 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~~ 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.

For load volumetric risk, beyond weather risk, there remains a discrete binary event driven risk. This risk relates to large customers loads joining SVCE through default enrollment, contractual choice, or large customer loads departing from SVCE (to move back to PG&E, to a direct access provider, bypassing SVCE through solar and/or microgrid, or shutting down operations). These could be a sizeable and potentially create an unexpected step change in the SVCE load forecast. SVCE cannot always quantify these changes as a risk metric, but may integrate economic attrition in existing risk metrics. Further SVCE routinely performs stress testing to understand the impact of unexpected load migration to or from SVCE. Overall, SVCE manages this risk, as best as possible, with monitoring and close collaboration between procurement, customer, member agencies' planning staff, finance, regulatory and risk management teams.

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

All Approved Transactions will be initiated through solicitation, bilateral negotiation, auction, or allocation process as further detailed in the ERM Standard. 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 products to meet load obligations and compliance for power supply, hedging and operation of the Authority. Such products include but are not limited to:

- Electric energy
- Resource adequacy products
- Reliability products

- RPS and carbon free attributes
- Ancillary services
- Basis transactions and products including congestion revenue rights (CRRs)
- 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.

- ~~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. Procurement to meet compliance obligations set by a regulatory authority is not considered speculative, even if it may exceed forecasted load needs.

The use of financial derivatives, including but not limited to futures, swaps, options, and swaptions is prohibited. Transactions that are technically financial but settle with physical obligation into CAISO are permitted (e.g., ISTs and CRRs).

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%	90 110%
Year 3	55%	80 110%
Year 4	50%	80 110%
Year 5	50%	80 110%

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

In the event, the Maximum Tolerance level is exceeded because of a physical position needed to meet compliance obligations for RPS and/or carbon-free energy, SVCE will not automatically unwind a position to be within the limits. Instead, SVCE will report the exception to the ROC and will only sell on a forward basis if there is no need to hold the position for compliance purposes and the underlying resource volume is considered firm or certain.

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.

Congestion Revenue Rights

CRRs are a tool used to manage a portion of Market Risk known as basis risk, which is the difference in wholesale energy price between where SVCE has a generation resource versus the price paid to meet load in the CAISO market. As a load serving entity, SVCE is awarded a certain quantity of CRRs which it may use to mitigate some of the risk. SVCE may also participate in the CAISO's CRR Auction in order to acquire additional CRRs. While CRRs are intended to hedge risk, they can create an obligation or cost to SVCE. CRRs, whether from auction or allocation, are administered by CAISO, and CAISO is the sole SVCE counterparty for the CRRs. Guidelines related to the overall CRR strategy including amount, location and bidding, are included in the ERM Standard.

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 ~~E~~energy ~~P~~procurement for terms of less than or equal to 12 months, to meet SVCE's expected energy, capacity, and hedging needs, 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 <u>through CAISO Auction**</u> , 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

^~~m~~May include physical IST transactions or financial derivatives.

*~~n~~Natural gas hedges needed to manage risks associated with board approved natural gas tolling agreements.

**CRRs through CAISO allocation may exceed 72 months, and extend up to 108 months (9 years), if part of the standard claim an LSE possesses on allocated CRRs.

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
	Prompt month	As needed to meet SVCE's obligations

Resource Adequacy Products, CRRs <u>through Auction</u>	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~~ exclusive of one another for any one transaction, 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). They are not cumulative across transactions as this table is for per transaction limits.

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 or having a financial interest in any company with whom they transact on behalf of SVCE ~~transacts, including those with whom it has executed~~ enabling agreements. Prior to preparing a solicitation, 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 do not have a financial interest in ~~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 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: _____

9 Appendix B: Glossary

- EEI – Edison Electric Institute (industry standardize contracting for enabling agreements)
- PPA – Purchased Power Agreement (structured contract for asset offtake)
- WSPP – Western Systems Power Pool (standardized master agreement)
- CAISO – California Independent System Operator
- Exchange – a futures trading platform
- IST – Inter-Scheduling Coordinator Trade (a financial forward trade scheduled into CAISO with physical load and assets, obtaining the benefits of physical settlement and offsetting collateral obligations for a CAISO participant that may otherwise be longer or shorter without the IST)
- RA – Resource Adequacy
 - Generic – a type of RA that is basic system or local RA throughout the day
 - Flex – a type of RA that is from asset with the ability to ramp quickly to meet rapid fluctuations in load (e.g. the ‘evening ramp’ of the ‘duck curve’)
 - IAR – Import Allocation Rights, needed to count out-of-state import as RA
 - MTR – Mid-Term Reliability – obligations to procure to help meet California’s RA shortfalls over the next 3-5 years
- RPS – Renewable Portfolio Standard (state mandated renewable procurement percentage)
- PCC1 – Portfolio Content Category 1 (the highest level of RPS compliance product)
- CF – Carbon Free
- GHG Free – Green House Gas Free
- CRR – Congestion Revenue Right (a CAISO product for hedging congestion risk)
- NG – Natural Gas
- OTC – Over the Counter (broker or bilateral transactions not performed on an exchange)
- ICE – Intercontinental Exchange (the leading power market exchange)
- Fixed – a forward contract with a fixed price set now, for a future delivery
- Index – a forward contract with a price indexed to prices in the future
- Physical Swap (Exchange of Quantity) – a transaction that exchanges quantities from different periods of time, scheduled into CAISO (not financial swaps/derivatives)
- Physical Swap (Fixed Price) – equivalent to Fixed price contract, alternate terminology, scheduled into CAISO (not financial swaps/derivatives)
- Futures – a forward contract executed on and exchange
- Allocation – for CRRs, namely ones allocated by the CAISO
- Auction – for CRRs, CAISO run auctions to procure CRRs not allocated

Energy Risk Management Policy



Adopted: TBD

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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; solicitations and 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. This is also known as basis risk, which is the risk associated with locational difference in prices. 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.

For load volumetric risk, beyond weather risk, there remains a discrete binary event driven risk. This risk relates to large customers loads joining SVCE through default enrollment, contractual choice, or large customer loads departing from SVCE (to move back to PG&E, to a direct access provider, bypassing SVCE through solar and/or microgrid, or shutting down operations). These could be a sizeable and potentially create an unexpected step change in the SVCE load forecast. SVCE cannot always quantify these changes as a risk metric, but may integrate economic attrition in existing risk metrics. Further SVCE routinely performs stress testing to understand the impact of unexpected load migration to or from SVCE. Overall, SVCE manages this risk, as best as possible, with monitoring and close collaboration between procurement, customer, member agencies' planning staff, finance, regulatory and risk management teams.

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 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.

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

All Approved Transactions will be initiated through solicitation, bilateral negotiation, auction, or allocation process as further detailed in the ERM Standard. 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 products to meet load obligations and compliance for power supply, hedging and operation of the Authority. Such products include but are not limited to:

- Electric energy
- Resource adequacy products
- Reliability products
- RPS and carbon free attributes
- Ancillary services
- Basis transactions and products including congestion revenue rights (CRRs)
- 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. 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. Procurement to meet compliance obligations set by a regulatory authority is not considered speculative, even if it may exceed forecasted load needs.

The use of financial derivatives including but not limited to futures, swaps, options, and swaptions is prohibited. Transactions that are technically financial but settle with physical obligation into CAISO are permitted (e.g., ISTs and CRRs).

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%	110%
Year 3	55%	110%
Year 4	50%	110%
Year 5	50%	110%

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

In the event, the Maximum Tolerance level is exceeded because of a physical position needed to meet compliance obligations for clean energy, SVCE will not automatically unwind a position to be within the limits. Instead, SVCE will report the exception to the ROC and will only sell on a forward basis if there is no need to hold the position for compliance purposes and the underlying resource volume is considered firm or certain.

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.

Congestion Revenue Rights

CRRs are a tool used to manage basis risk, which is the difference in wholesale energy price between where SVCE has a generation resource versus the price paid to meet load in the CAISO market. As a load serving entity, SVCE is awarded a certain quantity of CRRs which it may use to mitigate some of the risk. SVCE may also participate in the CAISO's CRR Auction in order to acquire additional CRRs. While CRRs are intended to hedge risk, they can create an obligation or cost to SVCE. CRRs, whether from auction or allocation, are administered by CAISO, and CAISO is the sole SVCE counterparty for the CRRs. Guidelines related to the overall CRR strategy including amount, location and bidding, are included in the ERM Standard.

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, to meet SVCE's expected energy, capacity, and hedging needs, 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 through CAISO Auction**,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.

**CRRs through CAISO allocation may exceed 72 months, and extend up to 108 months (9 years), if part of the standard claim an LSE possesses on allocated CRRs.

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 through Auction	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

** Energy Notional Value Limits are exclusive of one another for any one transaction, 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). They are not cumulative across transactions as this table is for per transaction limits.

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 or having a financial interest in any company with whom they transact on behalf of SVCE, including enabling agreements. Prior to preparing a solicitation, 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 do not have a financial interest in 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 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: _____

9 Appendix B: Glossary

- EEI – Edison Electric Institute (industry standardize contracting for enabling agreements)
- PPA – Purchased Power Agreement (structured contract for asset offtake)
- WSPP – Western Systems Power Pool (standardized master agreement)
- CAISO – California Independent System Operator
- Exchange – a futures trading platform
- IST – Inter-Scheduling Coordinator Trade (a financial forward trade scheduled into CAISO with physical load and assets, obtaining the benefits of physical settlement and offsetting collateral obligations for a CAISO participant that may otherwise be longer or shorter without the IST)
- RA – Resource Adequacy
 - Generic – a type of RA that is basic system or local RA throughout the day
 - Flex – a type of RA that is from asset with the ability to ramp quickly to meet rapid fluctuations in load (e.g. the ‘evening ramp’ of the ‘duck curve’)
 - IAR – Import Allocation Rights, needed to count out-of-state import as RA
 - MTR – Mid-Term Reliability – obligations to procure to help meet California’s RA shortfalls over the next 3-5 years
- RPS – Renewable Portfolio Standard (state mandated renewable procurement percentage)
- PCC1 – Portfolio Content Category 1 (the highest level of RPS compliance product)
- CF – Carbon Free
- GHG Free – Green House Gas Free
- CRR – Congestion Revenue Right (a CAISO product for hedging congestion risk)
- NG – Natural Gas
- OTC – Over the Counter (broker or bilateral transactions not performed on an exchange)
- ICE – Intercontinental Exchange (the leading power market exchange)
- Fixed – a forward contract with a fixed price set now, for a future delivery
- Index – a forward contract with a price indexed to prices in the future
- Physical Swap (Exchange of Quantity) – a transaction that exchanges quantities from different periods of time, scheduled into CAISO (not financial swaps/derivatives)
- Physical Swap (Fixed Price) – equivalent to Fixed price contract, alternate terminology, scheduled into CAISO (not financial swaps/derivatives)
- Futures – a forward contract executed on an exchange
- Allocation – for CRRs, namely ones allocated by the CAISO
- Auction – for CRRs, CAISO run auctions to procure CRRs not allocated