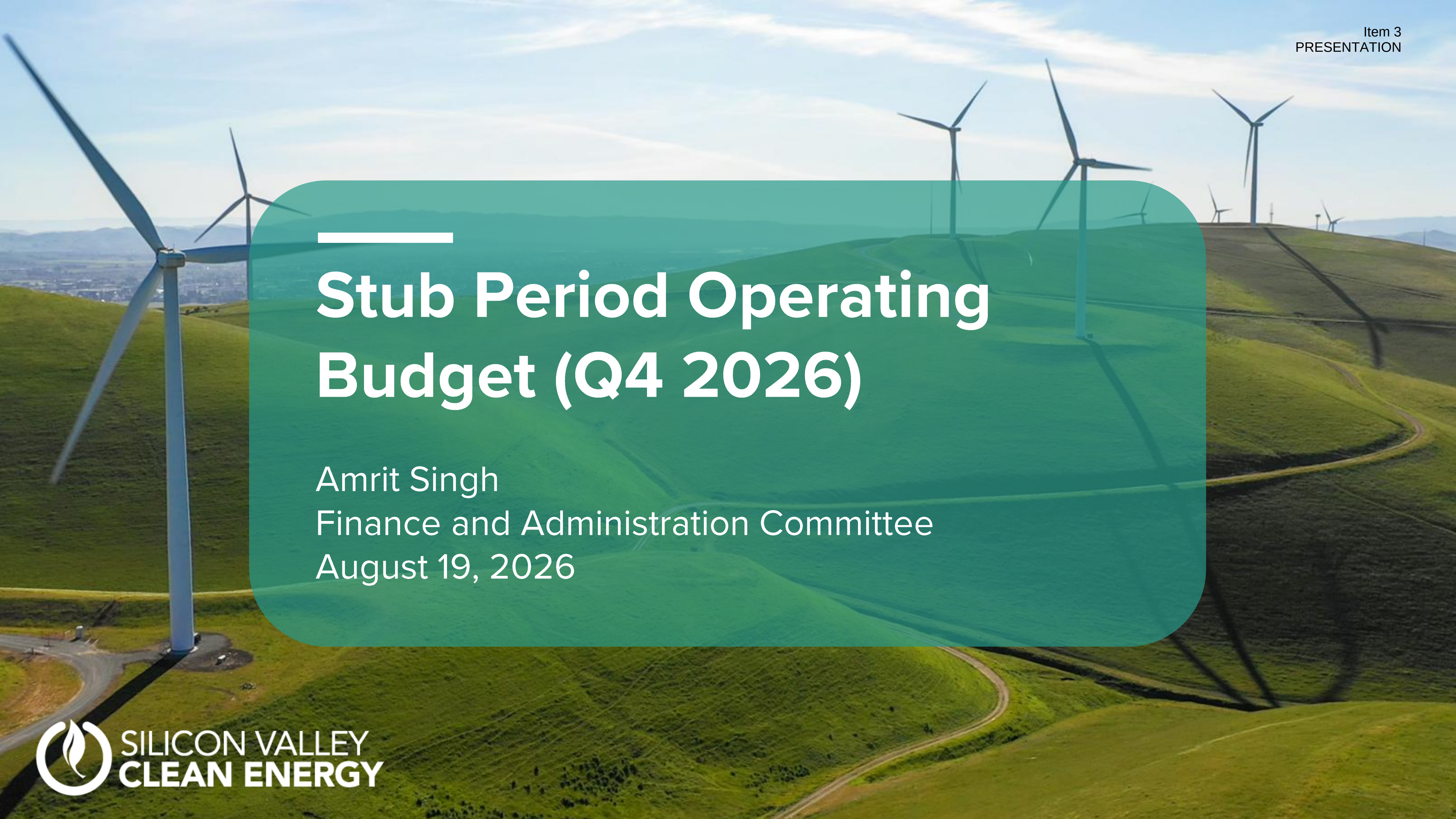


Stub Period Operating Budget (Q4 2026)

Amrit Singh
Finance and Administration Committee
August 19, 2026

SILICON VALLEY CLEAN ENERGY

Recap – Transition to Calendar Year Fiscal Period

1) Recap:

- New calendar year (Jan to Dec) fiscal period begins January 1, 2027
- Current fiscal year that began on October 1, 2025, ends September 30, 2026
- This is a **transition period budget** (Oct 2026 to Dec 2026), **Stub Budget**

2) Stub Period Budget Timeline and Actions:

- May 2026 (last meeting): Finance and Administration Committee(Committee) reviewed framework for developing the Stub Budget
- Aug 2026 (this meeting): The Committee reviews Stub Budget for recommendation for Board adoption
- Sept 2026: Board reviews Stub Budget for Adoption

3) First Calendar Year 2027 Annual Budget Timeline and Actions:

- October 2026 (tentative date for next meeting): F&A Committee reviews the proposed 2027 budget framework
- Nov 2026: F&A Committee reviews the 2027 Budget for recommendation for Board adoption
- Dec 2026: Board reviews the 2027 Budget for Adoption

5-yr Financial and Stub Period Budget Highlights

5-Year Financial Outlook Improves from Previous Forecast, but Drawdown from Reserves Continues

- Ending reserves improve and corresponding Days Cash on Hand (DCOH) over the 5-year horizon improves to 190 (Mid-Year Budget: 142; Stress Test Base Case: 177)*
  - Energy prices remain at low levels, mostly aligned with previous forecasts, with the exception of Carbon Free attribute prices dropping further
- Improvements in the financial outlook driven by:
  1. Favorable power supply portfolio positions and reductions in the cost of carbon-free resources
  2. Lower forecasted PCIA rates based on PG&E's May 2026 forecast of 2027 rates
- PG&E May Rate projections will be updated in the fall after the CPUC issues market price benchmarks (MPBs). In the past, May rate forecasts have varied substantially from fall updates.

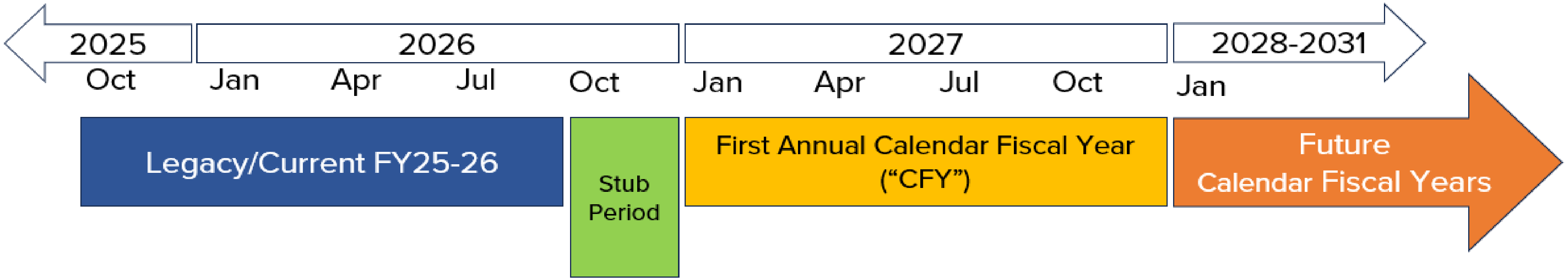
**High-level comparison intended to communicate main drivers of the financial outlook; not adjusting for different 5-year horizons and changes to the fiscal year periods.*

Stub Budget:

- **$27.6 million draw from reserves**
- Revenues compared to the same period last year decline substantially from higher 2026 PCIA charges and lower PG&E generation rates
- Customer discount remains at 1%, as does the $12 monthly bill credit for low-income customers

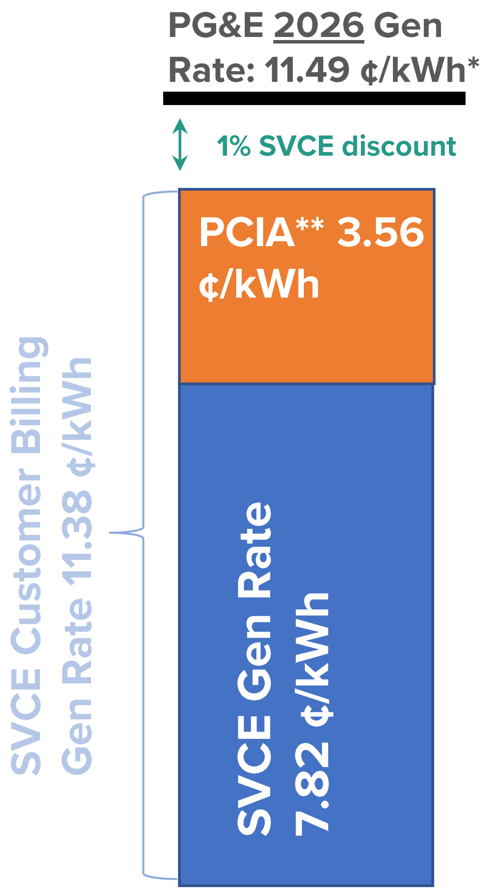
FY 27 Budget Outlook: Negative **$150 million**
FY 28 to 31 Outlook: On average, negative $18.5 million

Stub Period Budget Framework



- A 3-month period budget requires more precision on the timing of expenses
  - For example, payment for renewable energy certificates (REC) occurs over a 12-month period, but highly uncertain to isolate to a month because timing depends on when RECs are transferred to SVCE. Similarly, other expenses are typically managed on a 12-month period
- SVCE’s revenues and expenses vary by season
- No prior 3-month Budget to compare against
  - The proposed Stub Budget is compared to unaudited expenditures as of December 31, 2025, for FY 2025-26
  - Not a perfect comparison – given expenses are usually accounted/budgeted for over a 12-month period

2026 Annual Revenue Forecast And Rates



* All rates are weighted for SVCE load.

** Power Charge Indifference Adjustment (PCIA) is a charge our customers pay to PG&E so that PG&E can recover commitments made on their behalf when the customer was part of PG&E's portfolio. Not shown is the small franchise fee charge.

- SVCE's rates are set for the calendar year to align with PG&E's generation rate and PCIA changes in January
- PG&E's generation rates and PCIA charges are not expected to change until January 2027
- 2026 Board approved rates were implemented in January 2026; these remain in effect for the Q4 2026 Stub Period*:
  - 1% discount to PG&E's applicable generation rates
  - $12 monthly bill credit to CARE and FERA low-income customers
  - GreenPrime rate premium at $0.0074/kWh ($7.40/MWh)

**Rates in the stub period will be aligned with comparable PG&E winter rates for 2026. The rates shown in the diagram are the SVCE portfolio-weighted for the calendar year 2026.*

Stub Budget vs. 4Q Calendar 2025 Actuals

- Revenues are lower with
  - Final PG&E 2026 gen rates (set at the start of the year) came in much lower than 2025 due to lower expected commodity prices in 2026 than in 2025
- Power Supply Cost is flat relative to the same period last year
- Other operating expenses are higher for 2 reasons
  - Actual spend historically lower than the budget
  - Stub budget contingency for uncertainty on timing of expenses (hitting a specific month vs a full year)
- Transfer to New EcoInvest Fund
  - Explained in the next slide

SILICON VALLEY CLEAN ENERGY

($ in thousands)	4Q 2025 Calendar Actual*		Stub Budget (Q4 2026)	Change $	Change %
Energy Revenues	115,493		66,612	(48,881)	-42.3%
Power Supply Expense	(84,949)		(83,822)	1,126	-1.3%
Operating Margin	30,544		(17,210)	(47,754)	-156.3%
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	(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.

EcoInvest Fund Creation

EcoInvest Recap

- Part of Non-Standard Pricing Agreement Policy (approved in 2019 to retain large customers at higher departure risk)
- In exchange for committing to remain an SVCE customer, a portion of bill is set aside for decarb project funding
- Customer must do a local project and (typically) contribute matching funds to unlock
- Policy includes strong requirements to prohibit any cost-shifting

Status

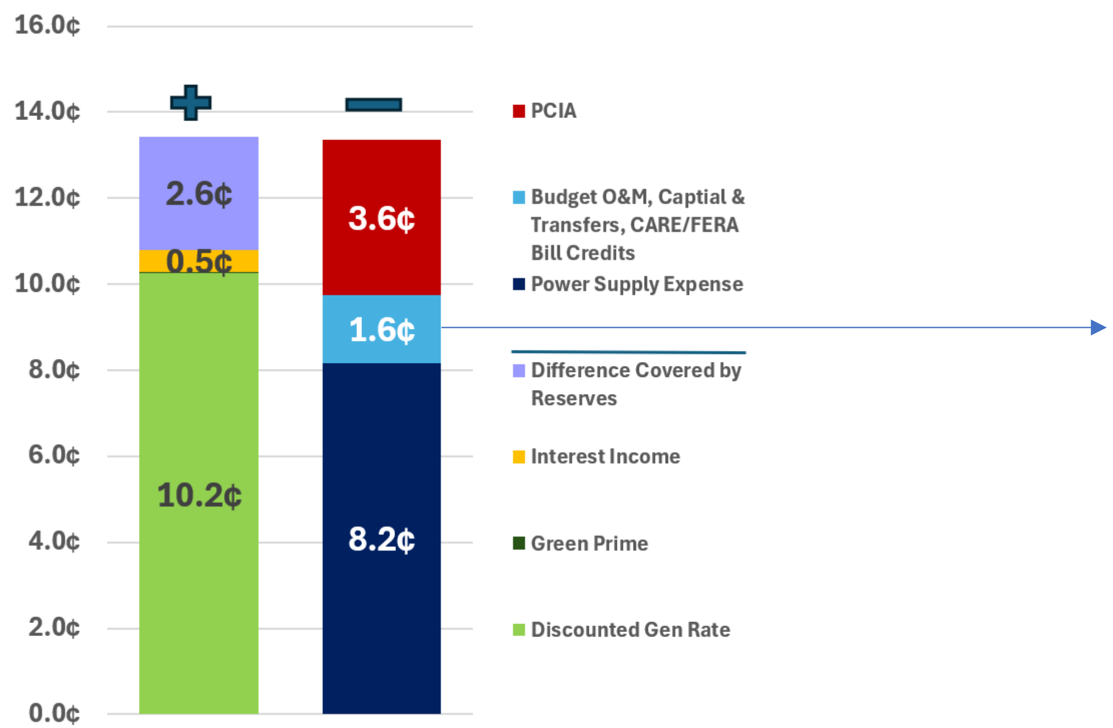
- Several contracts signed, some customers accruing EcoInvest funds
- No electrification projects yet

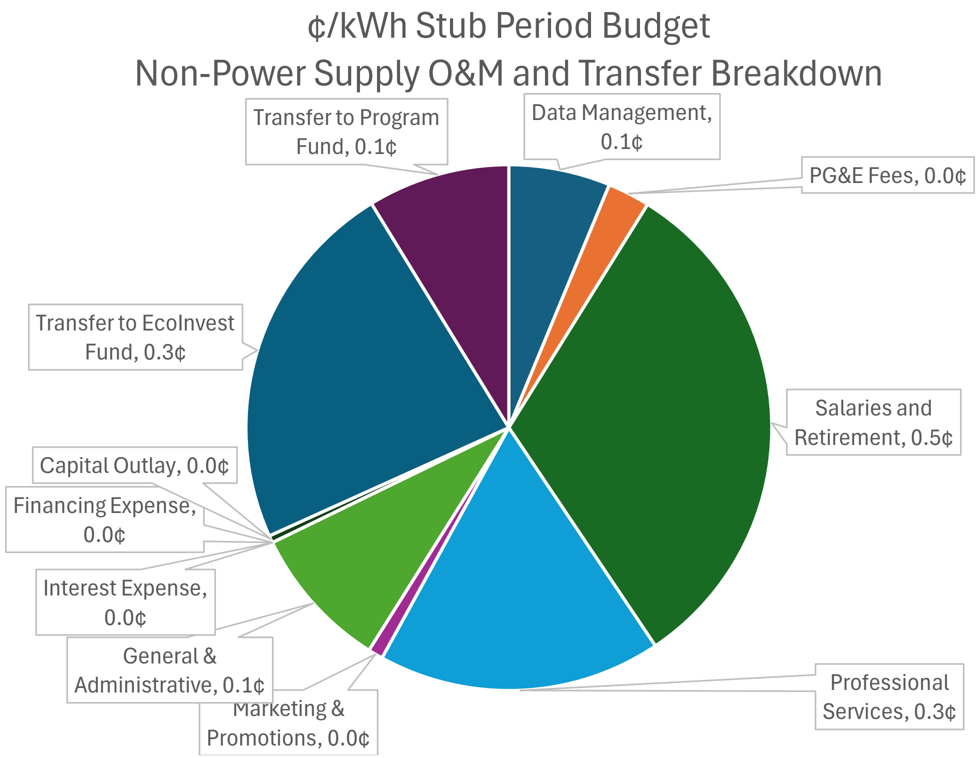
Why transfer funds to a new EcoInvest Fund?

- Same treatment as that of other customer decarbonization programs
- Customer's expenditure of funds does not align with the accrual of those funds in a fiscal year (i.e., customers can accrue over 5 fiscal years and spend all accrued amounts in year 5)
- Better to manage as a portfolio that accounts for expected spend and additions per new or existing customers' accrual of incentives
- Better visibility on the use of these incentives and alignment with Accounting treatment

Variables Affecting the Stub Budget in ¢/kWh

*The **PCIA ($34 million**) exceeds the projected draw on reserves ($27 million).*

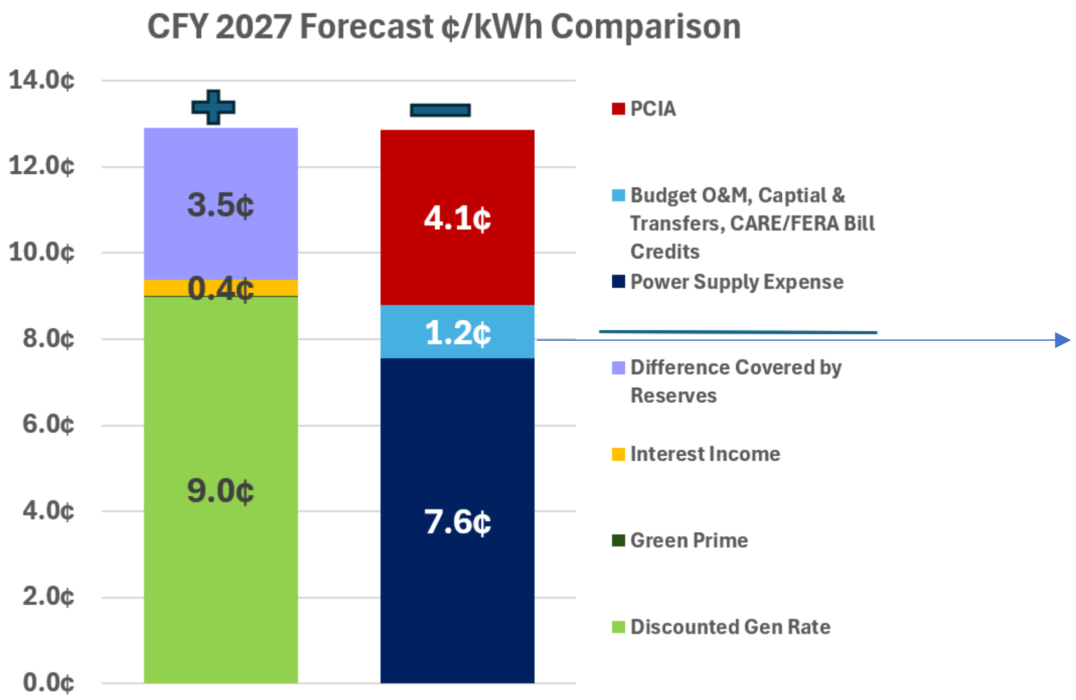


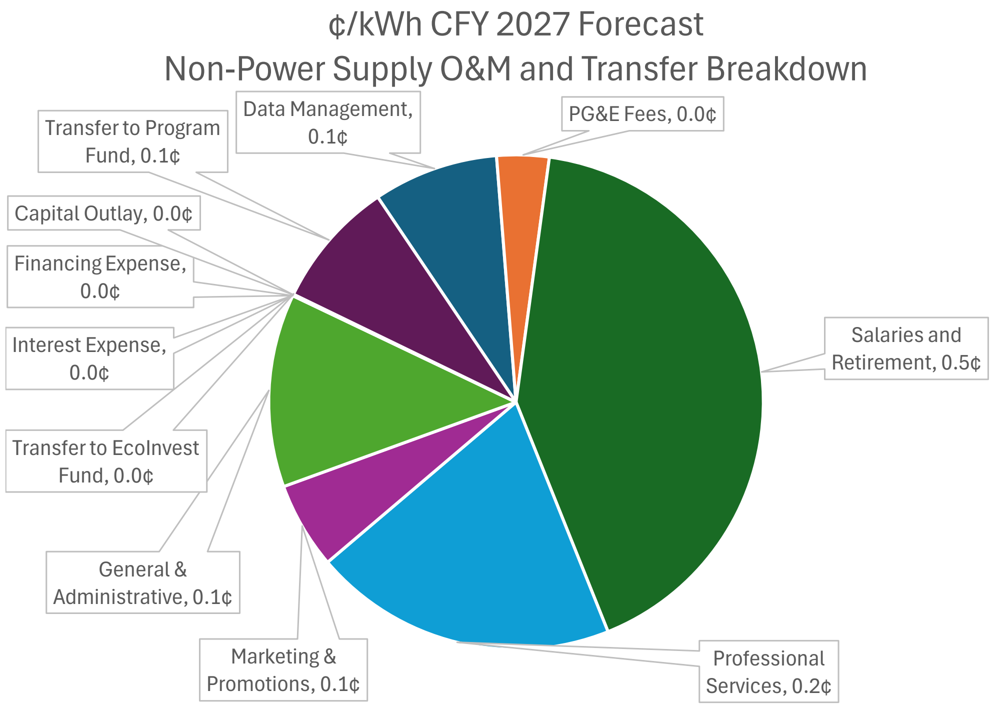


Note: Power Supply expenses shown account for **0.3¢/kWh** from Prepay Savings [$3.5 million overall].
SVCE customers pay PCIA, and it's not a budget expense. The impact of this variable is that it reduces the revenues by bringing the discounted generation rate from 10.2¢/kWh to 6.6¢/kWh on average.

Variables Affecting the FY 2027 Preliminary Forecast in ¢/kWh

*The **PCIA ($158 million)** exceeds the projected draw on reserves ($150 million).*





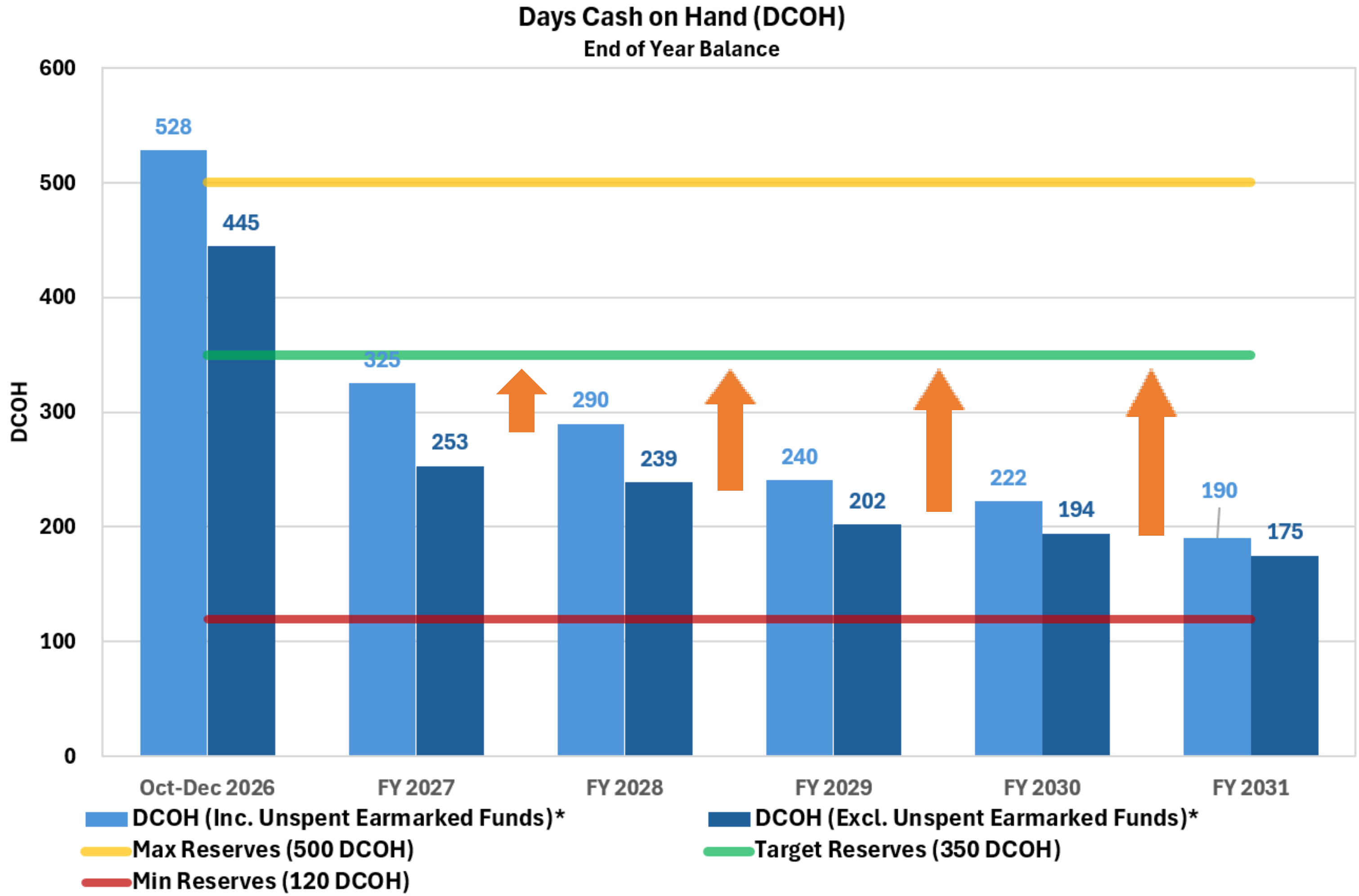
Note: Power Supply expenses shown account for **0.5¢/kWh** from Prepay Savings [$22 million overall].
SVCE customers pay PCIA, and it's not a budget expense. The impact of this variable is that it reduces the revenues by bringing the discounted generation rate from 9.0¢/kWh to 4.9¢/kWh on average.

5-year Financial Outlook

(with additional liquidity assumptions)

Additional Operating Liquidity Assumptions:

1. Lag in customer uptake of programs leaving - $20 million program fund remains at the end of the 5-yr forecast
2. Reducing operating expenses by $6.5 million a year to remove budget contingencies
3. Using the Board-approved Financial Levers Playbook to reach the target DCOH if needed



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

SVCE rates set at a competitive advantage to comparable PG&E rates.

Review Reserve Targets and Policy

- Minimum Reserve Level: **120 DCOH**
  - If reserves fall below the minimum level, develop plans to restore them to the minimum level within two fiscal years.
- Reserve Goal: **350 DCOH**
  - No action required if the reserves are above the minimum and below the maximum levels.
- Maximum Reserve Level: **500 DCOH**
  - If reserve funds are projected to exceed the maximum level, present the Board of Directors with options for disposition of those reserves during the next budget cycle.

Staff Recommendation:

- No changes to reserve targets or policy
- Changing the targets has no practical implication, given that the financial outlook does not support contributing to reserves

Staffing

Current Budgeted Staffing

- 67 Full-time Employees (5 Vacancies)
- 3 intern positions
- 3 Part-time Employees (1 Inactive)
- 3 Climate Corps Fellows
- 1 Long-term Independent Consultant

Proposed Staffing

- 68 Full-time Employees (6 Vacancies)
- 3 intern positions
- 2 Part-time Employees
    - **1 moved to professional services/consultant for a temp 1099 contract**
- 3 Climate Corps Fellows
- 1 Long-term Independent Consultants

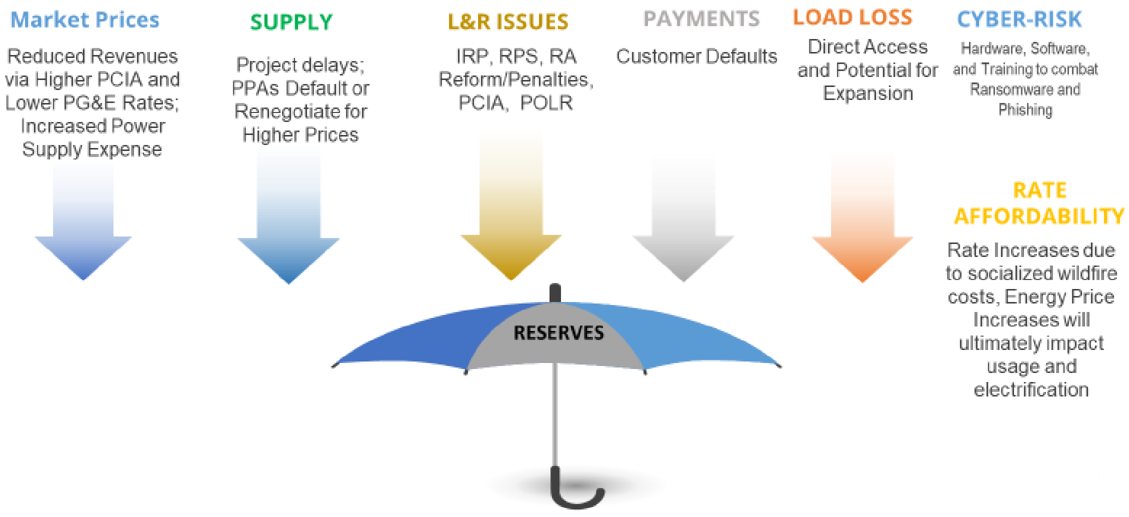
The proposed budget requests approval for one additional position in the Operations department

Facilities Manager – With the opening of the new HQ, a dedicated Facilities Manager is needed to oversee the building's operations, maintenance, safety, security, and vendor management. The position will protect the agency's investment, ensure efficient day-to-day facility operations, and provide a safe, functional environment for employees and visitors.

Summary – 5-yr financial outlook improves, but DCOH remains below target levels starting FY 2027

- Reserves built for such financial outcomes position SVCE well
- Staff will follow the Board-approved Financial Levers Playbook
  - No changes in 2026 and 2027
  - If the financial trend continues, then implement financial levers as needed
- In the fall, staff will have a much better forecast of the 2027 financial outlook when the CPUC publishes market price benchmarks, and PG&E updates its 2027 rate projections
- Staff will present the proposed 2027 fiscal year budget along with an updated 5-year financial outlook to the Finance and Administration Committee in November and then to the Board in December

Many Risks can Deplete Reserves



Recommendation

Recommend that the Board of Directors approve the proposed Stub Operating Budget (Q4 2026), which, at a high level, includes the following:

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

Thank you! / Questions?

Stub Period Operating Budget (Q4 2026)

DESCRIPTION	4Q 2025 Calendar Actual*	Stub Budget (Q4 2026)	Change $	Change %
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.

Transition Timeline and Plan

New Fiscal Period Starts January 1, 2027

January 2026

Staff:

- Enterprise Risk Assessments (ERM)

February 2026

Finance and Admin Committee:

- Reviews Proposed Financial Stress Test Scenarios
- Reviews and Recommends the Mid-Year Budget Update to the Board

Audit Committee:

- Receives Audited Financials for the last fiscal year. (FY24-25)

March 2026

Board:

- Adopts Mid-Year Budget (FY25-26)
- Receives Audited Financials for the last fiscal year. (FY24-25)

May 2026

Finance and Admin Committee:

1) Review Stress Test Analyses
2) Reviews Budget Framework for the Stub Period

June 2026

Board:

- Reviews Stress Test Analyses
- Optional: Reviews Budget Framework for Stub Period

August 2026

Finance and Admin Committee:

- Reviews and recommends that the Board adopt the Proposed Budget for **October 2026 to December 2026, a 3-month stub fiscal period budget**.

September 2026

Board:

- Adopts the **Proposed 3-month Stub Period Budget**

Audit Committee:

- Kicks off the Audit for Fiscal Year 25-26

NEW: October 2026

Finance and Admin Committee:

- Reviews Budget Framework for the **Calendar Fiscal Year 2027**

November 2026

Finance and Admin Committee:

Executive Committee (Optional):

- Reviews and recommends that the Board adopt the Proposed Budget for **Calendar Fiscal Year 2027** and Customer Rate Proposals

December 2026

Board:

- Adopts the Proposed Budget for **Calendar Fiscal Year 2027**,and 2027 Customer Rate Proposals

5-Year Forecast

($ in Thousands)	Q4 2026 (Forecast)	FY 2027 (Forecast)	FY 2028 (Forecast)	FY 2029 (Forecast)	FY 2030 (Forecast)	FY 2031 (Forecast)
Operating Revenue						
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 EcoInvest 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.**

Financial Levers Summary

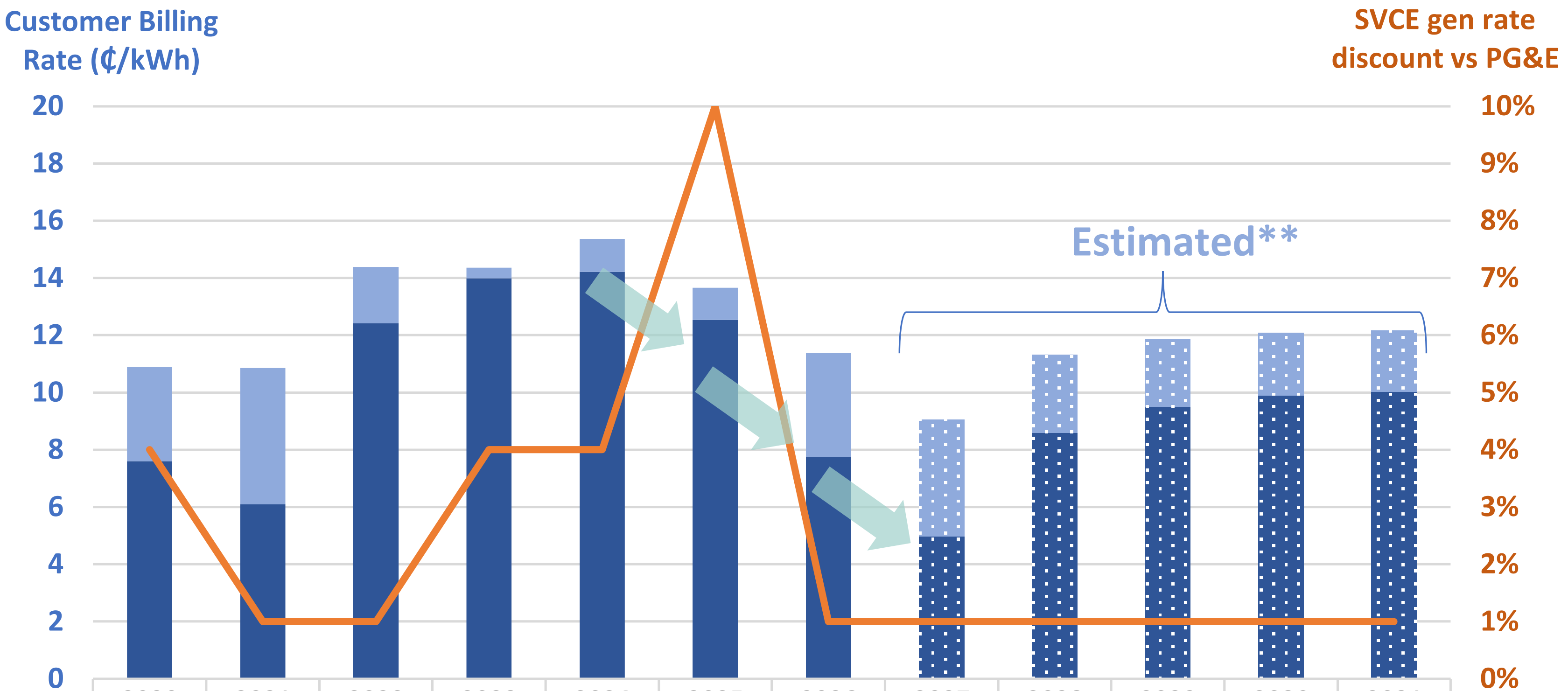
Playbook:

- No changes for 2026 and 2027
- Build out new product options for use in future years, if needed, to maintain reserves (considering higher rates, less clean portfolio, etc.)
- Pursue operational cost savings

- Financial levers are *risk mitigation* – to help SVCE know what it will do if needed
- Balancing competitiveness with mission, impact, and value
- Specific new product concepts will be designed and brought to the board for discussion prior to any roll-out

Average Effective Customer Billing Rates

- 2026 Average Customer Billing Generation Rate decreased 17% Year over Year, inclusive of SVCE One-Time Bill credit disbursement in September 2025
- 2026 SVCE margins decline 38%
- 2027 Estimated Average Customer Billing Generation Rate is expected to decrease further by around 20% Year over Year
- 2027 SVCE margins decline 36%



	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
PCIA & Franchise Fee* (¢/kWh)	3.29	4.76	1.97	0.37	1.14	1.12	3.62	4.06	2.72	2.34	2.19	2.14
SVCE Gen Rate* (¢/kWh)	7.59	6.10	12.41	13.99	14.22	12.53	7.76	4.99	8.59	9.50	9.90	10.02
SVCE gen rate discount vs PG&E	4%	1%	1%	4%	4%	10%	1%	1%	1%	1%	1%	1%

**Weighted for SVCE portfolio load. The 10% discount for 2025 includes a one-time bill credit, equal to 6% annual discount (up to $35 million in total additional credits)*
***CalCCA NewGen Model analysis using market data as of 6/25/2026 and estimated CPUC attribute benchmarks for CY 2026-2031 (Weighted for SVCE Portfolio Load)*
SVCE Gen Rate discount excludes CARE/FERA customer discount equal to 1% general discount distributed among CARE/FERA customers

CARE and FERA Customer Eligibility Criteria

CARE Income Guidelines
(valid through May 31, 2027)

Number of people in household	Total gross annual household income
1-2	$43,280 or less
3	$54,640 or less
4	$66,000 or less
5	$77,360 or less
6	$88,720 or less
7	$100,080 or less
8	$111,440 or less
9	$122,800 or less
10	$134,160 or less
Each additional person, add	$11,360

*Before taxes and based on all current income sources.

Eligible low-income customers who are enrolled in the CARE program receive around 40% discount (not including additional SVCE discount and bill credits) on their total electric bills and a 20% discount on their natural gas bills.

FERA Income Guidelines
(valid through May 31, 2027)

Number of people in household	Total gross annual household income*
1-2	$43,281-$54,100
3	$54,641-$68,300
4	$66,001-$82,500
5	$77,361-$96,700
6	$88,721-$110,900
7	$100,081-$125,100
8	$111,441-$139,300
9	$122,801-$153,500
10	$134,161-$167,700
Each additional person, add	$11,360-$14,200

*Before taxes and based on all current income sources.

FERA offers an 18% discount on total electric rates but not on gas rates. CARE and FERA share one application. If applicants do not qualify for CARE, they might still qualify for FERA.

Eligibility for California Alternate Rates for Energy (CARE) or Family Electric Rate Assistance (FERA) is based on household income and size.

For CARE, eligibility can also be obtained through enrollment in one of the qualifying public assistance programs*

* To qualify through other public assistance programs:
Someone in a household must take part in any of the following public assistance programs:

- Low Income Home Energy Assistance Program (LIHEAP)
- Women, Infants, and Children (WIC)
- CalFresh/SNAP (Food Stamps)
- CalWORKs (TANF) or Tribal TANF
- Head Start Income Eligible (Tribal Only)
- Supplemental Security Income (SSI)
- Medi-Cal for Families (Healthy Families A & B)
- National School Lunch Program (NSLP)
- Bureau of Indian Affairs General Assistance
- Medicaid/Medi-Cal (under age 65)
- Medicaid/Medi-Cal (age 65 and over)*

Reserve Target Definitions

Current Reserve Targets:

- Minimum Reserve Level: **120 DCOH**
  - If reserves fall below the minimum level, develop plans to restore them to the minimum level within two fiscal years.
- Reserve Goal: **350 DCOH**
  - No action required if the reserves are above the minimum and below the maximum levels.
- Maximum Reserve Level: **500 DCOH**
  - If reserve funds are projected to exceed the maximum level, present the Board of Directors with options for disposition of those reserves during the next budget cycle.

Glossary

- **RPS** – Renewable Portfolio Standard - The RPS program requires investor-owned utilities (IOUs), publicly owned utilities (POUs), electric service providers (ESPs), and community choice aggregators (CCAs) to increase procurement from eligible renewable energy resources to 60% of total procurement by 2030. RPS eligible resources include solar, wind, small hydro, biomass, and geothermal.
- **RA** – Resource Adequacy - Under its Resource Adequacy (RA) program, the California Public Utilities Commission (CPUC) requires load-serving entities—including investor-owned utilities (IOUs), electric service providers (ESPs), and community choice aggregators (CCAs)—to demonstrate in both monthly and annual filings that they have purchased capacity commitments to contribute their share of system reliability.
- **MTR** – Mid-Term Reliability – Procurement order issued by the CPUC to focus on securing sufficient online resources to ensure reliability through at least 2028.
- **PCIA** – Power Charge Indifference Adjustment - Designed to recover the above-market cost of long-term power purchased on behalf of customers who later departed the IOU to be served by a CCA. The calculation methodology is set by the CPUC, and the amount is calculated annually, with vintages set for each year of customer departures.
- **OIR** –Order Instituting Rulemaking - A procedural document that is issued by the CPUC to start a formal proceeding. A draft OIR is issued for comment by interested parties and made final by a vote of the five Commissioners of the CPUC.
- **ERRA** – Energy Resource Recovery Account - ERRA proceedings are used to determine fuel and purchased power costs which can be recovered in rates. The utilities do not earn a rate of return on these costs and only recover actual costs. The costs are forecast for the year ahead, and actual costs are retroactively trued-up via balancing accounts.
- **MPBs** – Market Price Benchmarks - estimated values per unit associated with key components of energy portfolios, such as the Energy Index, Renewable Portfolio Standard (RPS) Adder, and Resource Adequacy (RA) Adder.

Risk Controls & Oversight

Scott Wrigglesworth
Director, Risk Management & Analytics
August 19, 2026 – Finance and Administration Committee

SILICON VALLEY CLEAN ENERGY

Purpose

Informational only

Provide a high level overview of internal controls, oversight and process related to transactions executed under authority delegated to the CEO to manage energy risk.

Up Front Disclaimer

Please note:

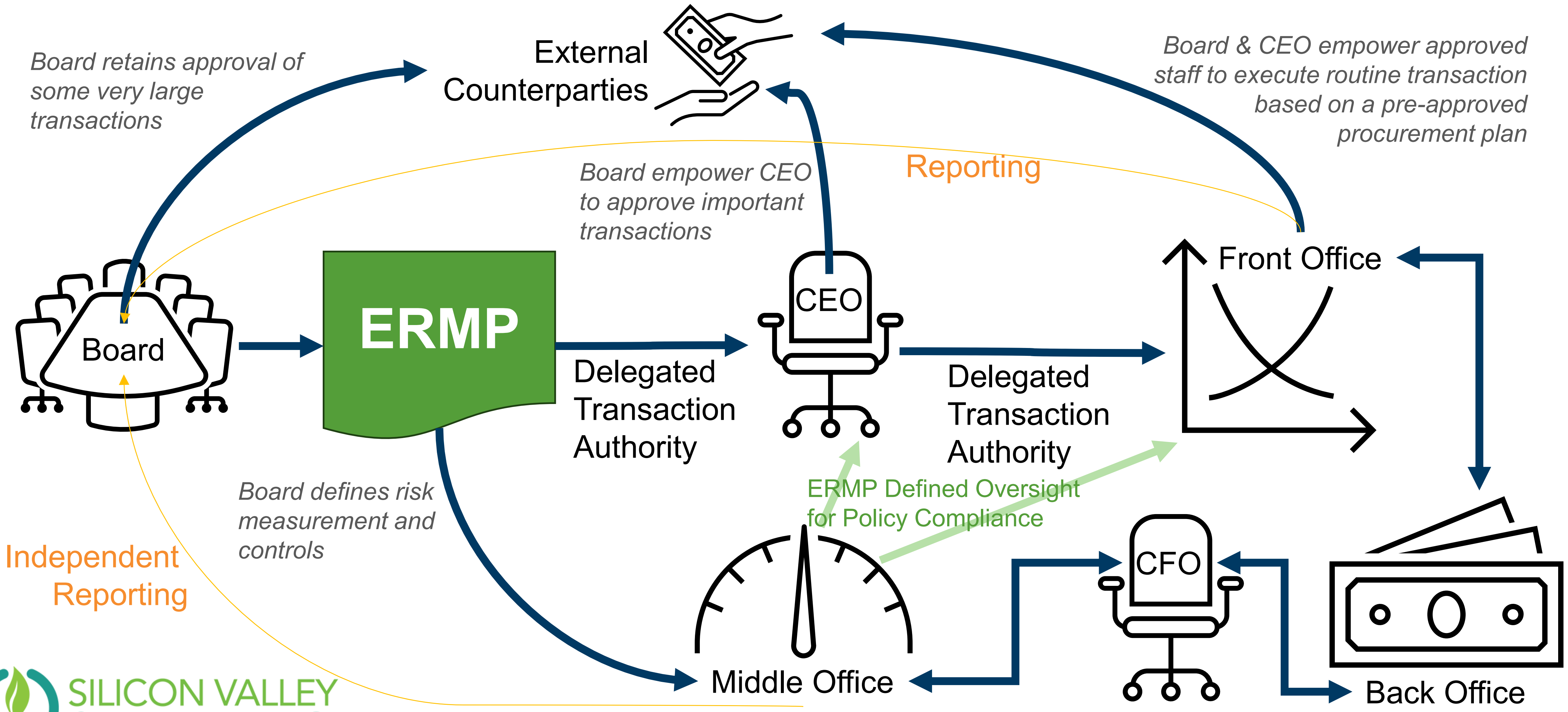
- The following reflects **current policy, standards**, and procedures
- The following also contemplates policy and standard revisions coming to the committees for input & review and Board for approval.
- Procedures are operational – recommended by appropriate staff and approved by the Risk Manager, CFO and CEO

What is the Energy Risk Management Policy (ERMP), what does it govern, and what does the Board enable through it?

- **In short, an ERMP governs how an entity manages its risks, with what products, for how much, with whom, measured how, reported to whom.**
- The ERMP is a policy that is not only common to government entities but most participants in power markets.
- It defines how an organization identifies, measures, manages, controls and reports financial and operational risks.
- It is the Board's conveyance of the guardrails between which staff executes power procurement and compliance activities.
- It balances the need for oversight, aligning staff to the Board's risk tolerance and policies, with the need to facilitate a nimble organization empowered to act in the best interest of its stakeholders.

SILICON VALLEY CLEAN ENERGY

Practical Application of the ERMP



Note: ERMP delegation of authority only applies energy and related supply products

Delegated Authority

The ERM Policy Delegates Authority to the CEO to execute transactions to manage risk for up to five years in term.

- Transactions greater than 5 years must be approved by the Board
- Wholesale market is volatile and timing of execution is a short window
- Master Power & Purchase Sale Agreements with Counterparties Approved by the Board (establishing approved counterparties)
- Resource adequacy transactions can be with any counterparty
- Board approves the types of transactions and volume limits

Table 2: Authority Delegated to the CEO by the Board

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

^may include physical IST transactions or financial derivatives
*natural gas hedges needed to manage risks associated with board approved natural gas tolling agreements

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

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

Table 4: 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

Front, Middle, and Back Offices

What does Front, Middle, and Back Office Mean?

Front Office – **Market Facing & Transactions**	**Middle Office –** **Analytics, Risk Mgmt. & Controls**	**Back Office –** **Ops, Settlements & Validation**
• Procurement Contact • RFO Screening, Shortlisting and Selection • Customer Contact • Deal Structure • Price Negotiation/Approval • Transaction Deal Entry • Hedging Compliance, Strategy, and Execution	• Independence • Deal Capture Confirmation • Risk and Gross Margin Modeling • Stress Testing • RFO Valuation and Analysis • Risk Limits and Metrics • Counterparty Credit Monitoring & Authorization • Management Reporting • Retail Pricing Analysis • Market Curves & Fundamentals	• Portfolio Operations and Scheduling Coordinator Mgmt. • CAISO and Counterparty Settlements • Invoice Validations and Processing • Compliance Reporting • Contract Management • Operational Performance Reporting

Energy Delegation of Authority

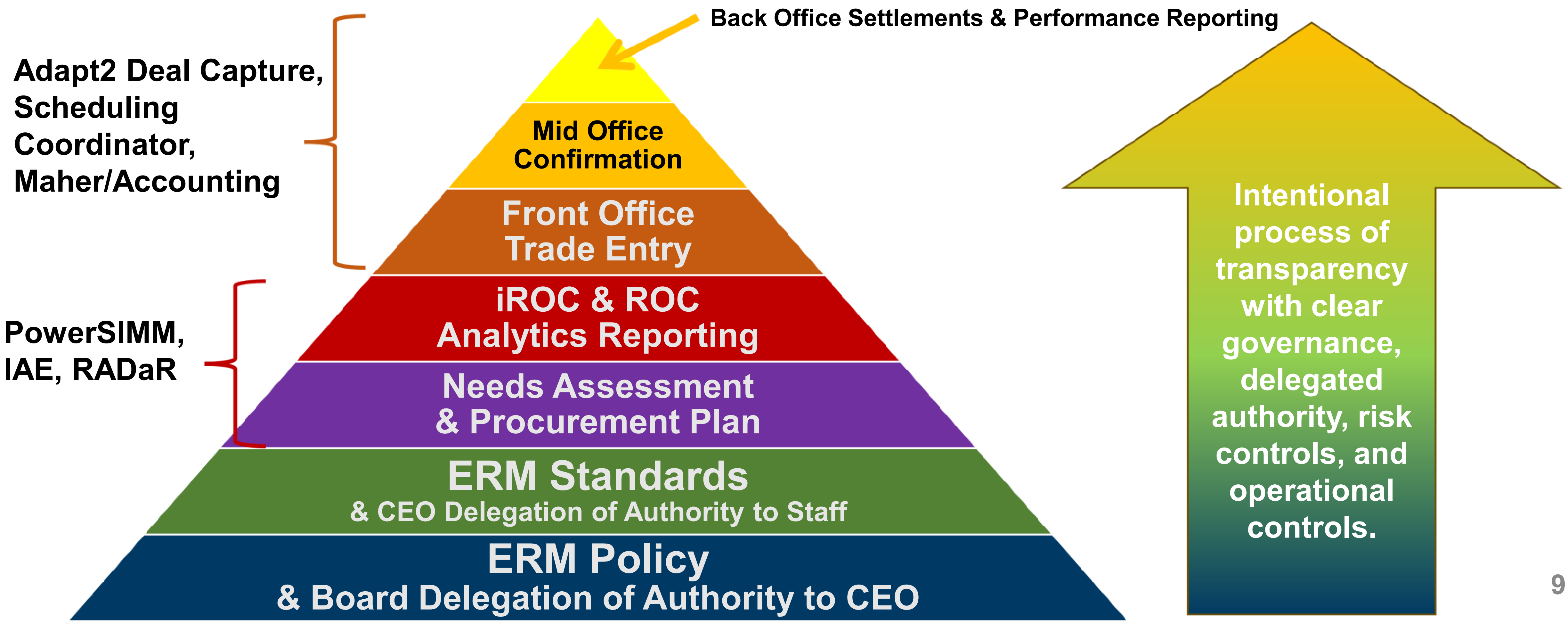
Governance and delegation of authority at SVCE involves the Board at multiple touch points in the transaction & operation process.

Board Approved Policy → Standards → Needs Assessment / Procurement Plan → **Board** & CEO Delegated Authority → Robust Analytics & Internal Meetings → Clear **Board** Advising, Authority and Oversight → Front Office Transaction and Deal Capture → Middle Office Risk Mgmt., Controls & Confirmations → Back Office Settlement, Performance, & Invoicing → Direct Reporting & Transparency ROC / FC/ EC / **Board**

Multiple Meetings for Transparency and Accountability	Involved Parties							
	Front Office	Middle Office (and/or CFO)	Back Office	RPPL	Customer Success	General Counsel	CEO	Board Members
Front Office Commercial Meeting	✓	✓	✓	✓			✓	
Front Office Middle Office (FOMO)	✓	✓	✓					
Mgmt. & Ops of Portfolio (MOoP)	✓	✓	✓		✓		✓	
C&I Custom Product Offerings	✓	✓	✓	✓	✓		✓	
Internal Risk Oversight	✓	✓	✓	✓	✓	✓	✓	
Risk Oversight Committee	✓	✓	✓	✓	✓	✓	✓	✓
Finance Committee	✓	✓	✓	✓	✓	✓	✓	✓
Executive Committee	✓	✓	✓	✓	✓	✓	✓	✓
Board Meetings	✓	✓	✓	✓	✓	✓	✓	✓

Governance, Controls, Oversight

SVCE's commercial activity is transparent, diligent, and has sound oversight.



Example of a Transaction

A transaction is as much about the preparation and post-transaction steps as it is about the execution of a trade agreeing on volume and price.

NA&PP = Needs Assessment and Procurement Plan
FO = Front Office
MO = Middle Office
BO = Back Office

1. **Board** delegates authority to CEO
2. **CEO** approves a Standard for guidelines to Staff
3. **MO** continuously models and reports positions and risk
4. **FO** develops a NA&PP based on positions and risk
5. **FO** reviews NA&PP with **iROC** and **ROC**
6. **CEO** Approves the NA&PP, delegating Authority to the **FO** for execution
7. **FO** issues a solicitation to ***approved counterparties***
8. **FO,** w/ **MO,** meet to review responses, perform final credit rating checks and award
9. Approved FO Trader agrees to terms
10. **Counterparty** sends a Transaction Confirmation to **SVCE**
11. **FO** Director, with delegated authority, executes via Docusign the Confirmation
12. **FO** trader commits the transaction into the Energy Trading and Risk Mgmt (ETRM) System
13. **MO** staff review the ETRM entry to validate it matches the Confirmation and signs Docusign
14. **BO** staff validate that all necessary information is prepared for eventual settlement
15. **MO** caputures signed and validated transaction in position and risk reporting
16. **FO** Reports transaction to the **ROC and Board**
17. Transaction's market revenues deliver via SVCE's CAISO settlement; **BO** validates
18. **Counterparty** invoices SVCE for the transaction cost, **BO** validates
19. **FO, BO, Accounting, and Finance/MO** validate invoice payment before release
20. **Finance** staff schedules wire; **CFO** independently approves wire

Note: this example is for an IST Energy Transaction, but other product types follow nearly identical steps.

Next Steps & Continuous Improvement

Risk Policy, Standards and Controls have been robust for many years.
Staff are continuously refining as well as building enhanced capabilities and reporting.

Current Initiatives Include:

- **Desktop Procedures & Business Continuity (Nik)**
  Ongoing enhancement and refinement of documentation to provide step by step execution of business as usual and business interruption continuity planning.

- **RADaR**
  iROC and ROC reporting are currently in place, although it is through some manual intervention. RADaR will create significant efficiency gains for automated reporting. It will also further enhance transparency across the organization.

- **Policy & Standards**
  Improvements and enhancements to the policy and standards will be reviewed with committees and the policy will go for Board approval in September.

ERM Policy

Revision Review Discussion

Scott Wrigglesworth
August 19, 2026 – Finance Committee

SILICON VALLEY
CLEAN ENERGY

ERMP Review Requirement

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.

Substantive Changes

Policy Revision #4

Derivatives not Speculation; Affirm Non-Speculation (section 6.3)

ERM Item	Revisions/Review/Discussion
Change:	Remove inference that derivative financial products are inherently speculative. Still prohibit derivatives (no change). Affirm and clarify speculative vs non-speculative.
Rationale:	Financial derivatives are not speculative or non-speculative.
Benefit:	Sound policy, clarity. Recognizing compliance obligation along side supply & demand balancing.

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).

Policy Revision #2
Raising Threshold Mandated Length (section 6.4)

ERM Item	Revisions/Review/Discussion
Change:	Increased the max Net Open Position Tolerance Bands to 110% for all year due to the need to comply with RPS long-term contracts and acknowledgement of PCIA as a financial hedge. (No change to minimum levels). Allows for a compliance obligation exception.
Rationale:	Last policy update added the PCIA hedge but did not contemplate out year implications versus thresholds.
Benefit:	Makes the thresholds consistent with the addition of the PCIA hedge.

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 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.

Non-Substantive Changes

Non-Substantive Revisions
(Detail in Appendix)

Topic	Reason
Solicitation	Technical alignment that procurement involves solicitations
Load Risk	Added load risk language to acknowledge potential coming/going of large loads
Product List	Cleaned-up redundant items and increased clarity
CRRs	Added explanation of what CRRs are and what they do
Auction vs Allocation	Clarified that delegated authority applies to CRR Auctions, and that CRR Allocations are a zero-cost item provided to SVCE based on load it serves
Adjusted footnote	Clarified footnote language for CEO delegated authority as it was leading to confusion among staff
No financial holding	Revised COI language to change ‘direct holdings’ to ‘financial interest’ to align with proper legal terminology

Recommendation and Next Steps

Recommendation:

Staff requests 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.

Next Steps:

1. Request Executive Committee support of revision August
2. Seek Board for approval in September
3. Modify internal standards to conform with changes

Appendix:
Non-Substantive Changes

Policy Revision #3
Solicitation Language (section 1.2)

ERM Item	Revisions/Review/Discussion
Change:	Added “solicitations” to the scope of the document.
Rationale:	Introducing clarity that proper solicitation processes are referenced in policy.
Benefit:	Affirms procurement diligence even if supply cost is an exception to normal procurement.

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 compliancewith California Public Utilities Commission (CPUC) Resource Adequacy (RA) requirements.

Policy Revision #4
Load Risk (section 5.6)

ERM Item	Revisions/Review/Discussion
Change:	Acknowledge that load risk includes the coming and going of large customer loads.
Rationale:	Non-weather load risk that forecast could be unknowingly off due to customer decisions.
Benefit:	Transparency regarding non-weather load risk.

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.

Policy Revision #5
Product Table (section 6.3)

ERM Item	Revisions/Review/Discussion
Change:	Revised product list for clarity & removed redundant references.
Rationale:	Clarity and conciseness (no new products, none removed).
Benefit:	Tightens list to align to proposed updates to the standards for clarifications to staff.

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 withthis Policy. Transactions must be directly related to the procurement and/or administrationof products~~:~~ to meet load obligations and compliance for ~~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.~~

Policy Revision #6

Table 5 Clarify "CRR Allocation vs Auction" (section 6.4 and 6.5.2)

ERM Item	Revisions/Review/Discussion
Change:	Added definition of CRRs, and clarified table and footnote on differences for CRR Auction and Allocation.
Rationale:	Clarity and to acknowledge that allocations are granted and come at no cost; the CRR limits therefore are limited to auction transactions.
Benefit:	Clarity.

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.

Continued on next slide

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 bythe 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.

Policy Revision #7
Table 5 Clarify "Cumulative" (section 6.5.4)

ERM Item	Revisions/Review/Discussion
Change:	Clarified table and table footnote.
Rationale:	Delegation of authority is to be per transaction.
Benefit:	Clarity for staff as the term cumulative was being misunderstood.

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 ~~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.

Policy Revision #8
COI Language (section 6.6)

ERM Item	Revisions/Review/Discussion
Change:	Clarified employees cannot have a “financial interest” that is in conflict with SVCE, but pragmatically softens language related to “direct holdings”.
Rationale:	Employees or employee family members may have direct holdings as part of larger personal portfolios or as compensation that do not pose a conflict of interest.
Benefit:	Not excessively burdensome.

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).