
Execute Agreements to Enable Prepay Transaction

Finance and Administration Committee
October 30, 2026



Purpose

Action:

1. Recommend the SVCE Board of Directors Authorize the CEO to Execute Agreements with Firms Providing Services to Enable SVCE to Execute One or More Prepays
2. Recommend Board Approve the Parameters of the Transaction(s)

Main Areas of Discussion

1. Review of Prepay Goal and Structure
2. Leverage the Prior Prepay Structure
3. Overview of Request
4. Fiscal Impact
5. Next Steps
6. Recommendations
7. Appendix

Recap of Prepay Goal and Structure

Item 3
PRESENTATION

Substantial savings with minimal risks

To-date: 4 prepays completed, \$19mm annual savings

Goal

- Reduce the cost of power purchases by leveraging SVCE's ability to fund low-cost tax-exempt debt

How

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

Minimal Risks

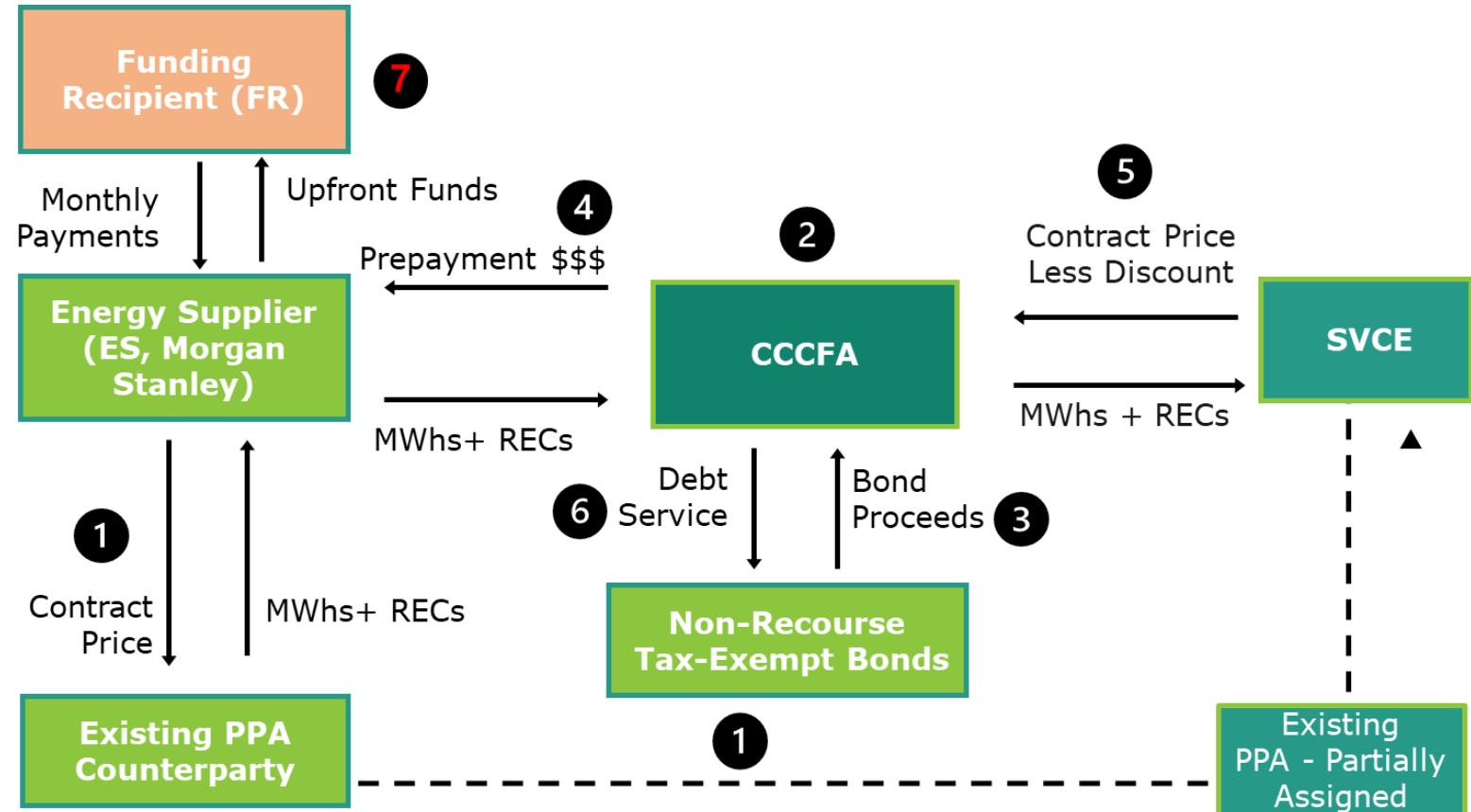
- Fees (except rating agency) are contingent on the execution of the deal and paid from the bond proceeds
- Bonds issued are non-recourse to SVCE



Overview of Prepay Structure

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

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



Leverage the Existing Prepay Structure

Slides in the appendix provide:

- Details of the SVCE's Prior Prepays transactions and cost breakdown
- Overview of the Prepay Structure

Established Structure

- Several years of effort to establish proven and repeatable structure
- **Four prepays executed**
- **\$19mm annual savings**

CCCFA Stats

- **33 issuances** amongst CCAs
- **\$31.5bn** par amount
- **\$210mm** annual savings

Request 1

Recommend the SVCE Board of Directors Authorize the CEO to Execute Agreements with Firms Providing Services to Enable SVCE to Execute One or More Prepays and Approve Engagement with Morgan Stanley as Prepay Supplier

Financial Advisor

- PFM Financial Advisors LLC & PFM Swap Advisors LLC
- \$275,000

Disclosure Counsel

- Chapman & Cutler
- \$225,000

Bond & Tax Counsel

- Barnes and Thornburg
- \$300,000

Rating Agency

- Moody's Investor Service Inc
- \$575,000

Underwriter / Prepay Supplier

- Morgan Stanley
- Bond underwriting fee plus underwriter expenses shall not exceed \$6.00/bond

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

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

Request 2

**Recommend the Board
Authorize the CEO to
Execute Prepay
Transactional Agreements
Contingent on Board-
Authorized Parameters**

★ **New: SVCE will have
option to have two bond
series with different
maturity dates to realize
greater savings**

Execution Contingent on:

- Aggregate principal amount of bonds will not exceed \$1.5 billion
- Bonds issued by California Community Financing Authority (CCCFA) are not guaranteed obligations of SVCE
- Overall energy savings to SVCE shall be at least 8 percent during the initial term of the bonds

Other Parameters:

- Energy Service Revenue Fee shall not exceed: \$1.10/MWh
- Commodity Swap Counterparty Fee shall not exceed: \$0.50/MWh
- If floating rate debt issued, up to 4 basis point charge on an interest rate swap

Fiscal Impact

Savings Level

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

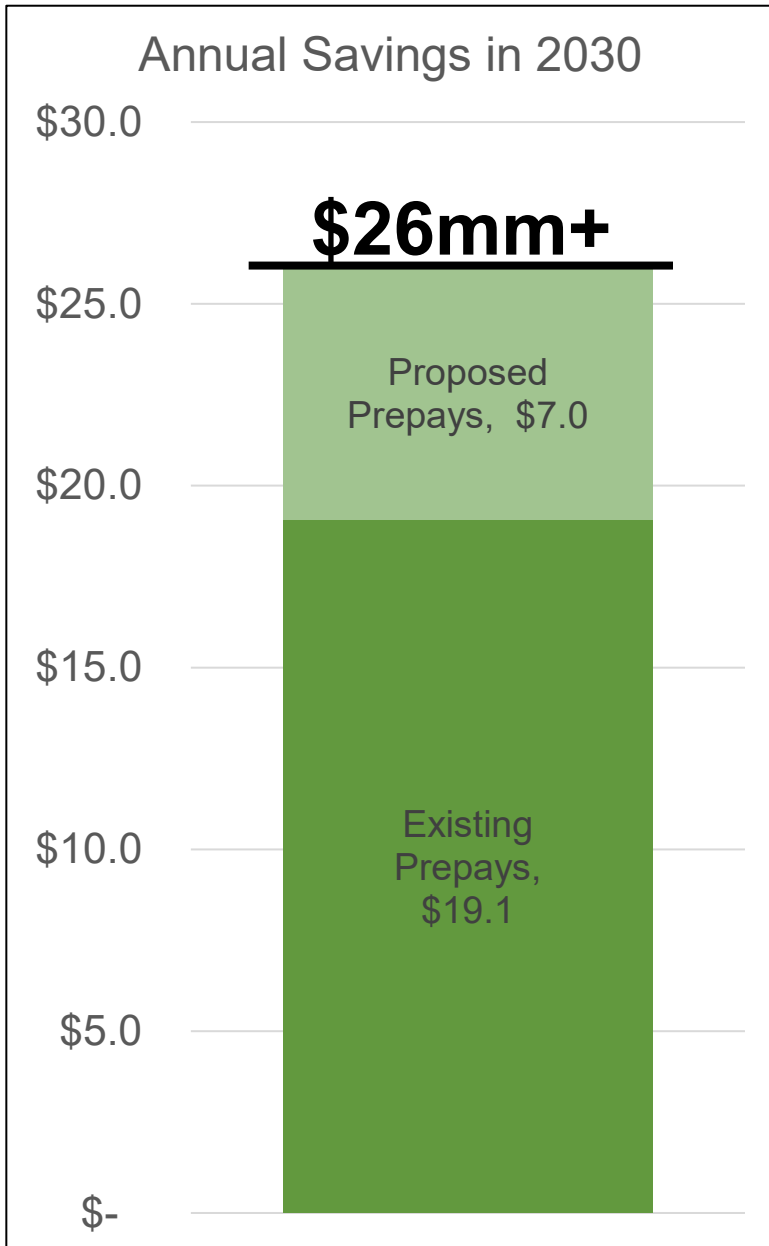
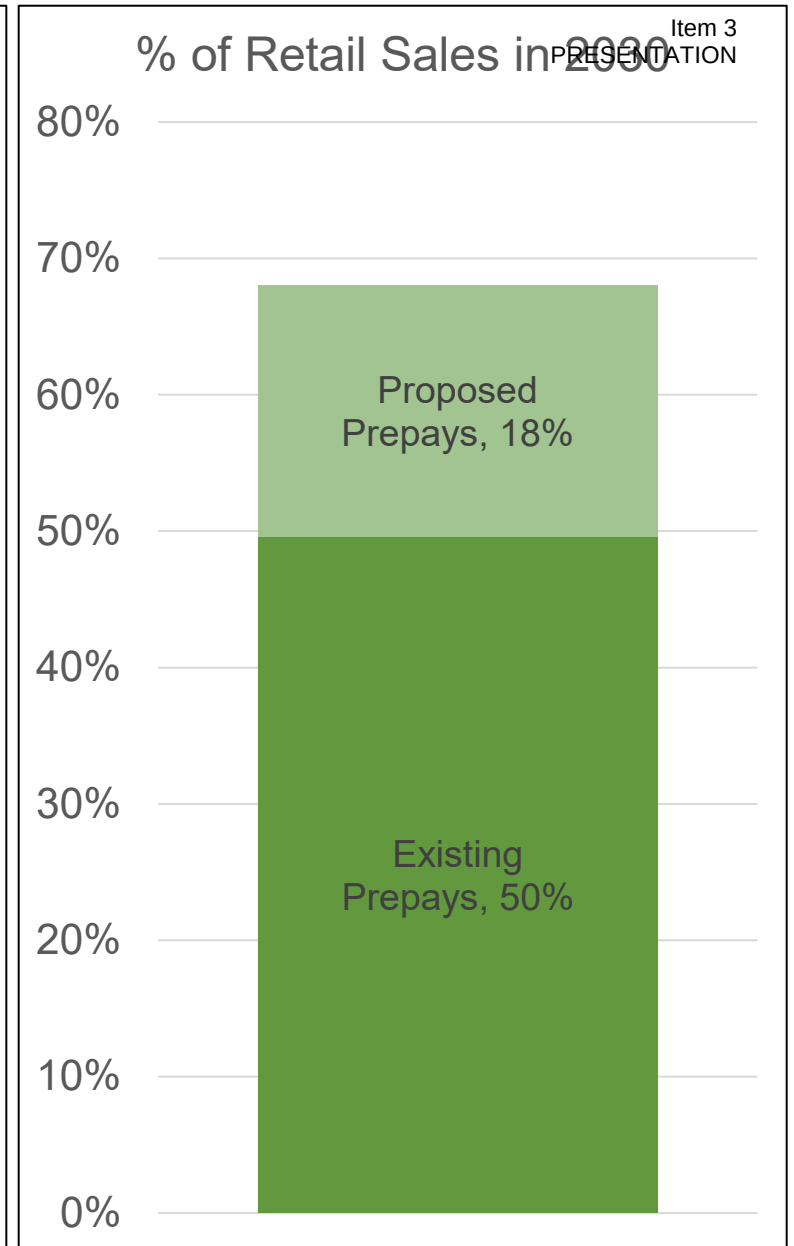
Illustrative Savings

- If SVCE gets savings of 8 to 10% for a transaction at current commodity prices, this could amount to \$6-7 million savings per year

Minimal Risk to SVCE

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

Cumulative Coverage of Existing and Proposed Prepays could approach 70% in 2030



Next Steps

- **November 13:** Request SVCE Board Approval to Execute Agreements and Approve Deal Parameters (deal size, minimum savings)
- **Ongoing:** Work with parties to structure the transaction (Now – Early 2027)
- **December 3:** Seek California Community Choice Financing Authority (CCCFA) Board Approval
- **December 2026 / January 2027:** Target bond issuance. Timing will depend on market conditions.

Recommend for Approval: (1)

Recommend the SVCE Board of Directors of the Silicon Valley Clean Energy Authority adopt a resolution

authorizing the Chief Executive Officer to negotiate and approve or execute agreements directly or through California Community Choice Financing Authority, as necessary, with Barnes and Thornburg LLP, Chapman and Cutler LLP, PFM Financial Advisors LLC & PFM Swap Advisors LLC, Morgan Stanley & Co. LLC and Moody's Investor Service Inc. for the proposed energy prepayment transaction or transactions

1. PFM Financial Advisors LLC & PFM Swap Advisors LLC - \$275,000
2. Chapman & Cutler (Disclosure/Issuer's Counsel) - \$225,000
3. Barnes and Thornburg (Bond and Tax Counsel) - \$300,000
4. Moody's Investor Service Inc (Credit Rating) - \$575,000
5. Morgan Stanley as Underwriter / Prepay Supplier with the following fee structure
 1. Bond underwriting fee plus underwriter expenses shall not exceed \$6.00/bond

The combined fees for services provided by the firms identified above shall not exceed 1% of the bond proceeds amount, including other ancillary services such as green bond verification, bond trustee and counsel fees, an investment advisor fee, and other miscellaneous costs such as printing.

Recommend the Board of Directors of Silicon Valley Clean Energy Authority adopt a resolution authorizing the execution and delivery of one or more Power Supply Contracts and certain other documents in connection with the issuance of the California Community Choice Financing Authority Clean Energy Project Revenue Bonds in one or more series; and certain other actions in connection therewith

The Board's authorization will be subject to the following parameters.

- No more than two total prepayment transactions will be completed on behalf of SVCE pursuant to the authorizations granted by the Resolution
- The Bonds, issued by CCCFA, will not be guaranteed obligations of SVCE but will be limited obligations of CCCFA payable solely from the revenues and other amounts pledged under the Indenture as the Trust Estate, including amounts owed by SVCE under the Power Supply Contract.
- The aggregate principal amount of the Bonds shall not exceed \$1,500,000,000.
- The energy savings to SVCE under the respective Power Supply Contract for the initial Bond Reset Period, including the Annual Refund (defined in the Power Supply Contract), shall be at least 8 percent.
- The commodity swap counterparty fee in the transaction shall not exceed \$0.50 per MWh.
- Energy Service Revenue of \$1.10/MWh
- If any floating rate bonds are issued, Morgan Stanley may charge up to four basis points on the interest rate swap spread to mid-market for the corresponding interest rate swap

Recommend for Approval: (2)

Appendix



Fees for Consultants

Firms	Role	Proposed Fees for Next Prepay
PFM Financial Advisors LLC / PFM Swap Advisors	Municipal Advisor: recommended by the Municipal Securities Rulemaking Board (MSRB), required by CCCFA, advises prepay buyer in negotiations, and on commodity and interest rate swaps.	\$275,000
Chapman & Cutler	Disclosure and Issuer's Counsel: Provides legal counsel and prepares official statement and prospectus	\$225,000
Barnes and Thornburg	Bond and Tax Counsel: Represent bondholders and provide tax opinion on the transaction	\$300,000
Moody's Investor Service Inc	Rating Agency: Provides the credit rating for the bonds	\$575,000
Total		\$1,375,000.00

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

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

Summary of Key Transaction Documents

Executed by SVCE

- **Power Supply Contract** – The agreement is between SVCE and CCCFA and it provides for the sale of clean energy from CCCFA to SVCE for the term of the prepayment.
- **Form of Limited Assignment Agreement (Third Party)** – This agreement, by and among SVCE, the counterparty to the power purchase agreement described therein, and MSCG, details the terms of the limited assignment of energy and RECs under PPAs with third parties to MSCG, for ultimate delivery to SVCE.
- **Form of Limited Assignment Agreement (MSCG)** – This agreement, by and among MSCG (as PPA seller), SVCE, CCCFA and the Prepaid Supplier, details the terms of the limited assignment of energy and RECs under PPAs with third parties to Energy Supplier, for ultimate delivery to SVCE.
- **Letter Agreement Regarding PPA Assignments** – The agreement is by and among SVCE, CCCFA, and MSCG and the Prepaid Supplier, and it details the terms of assigning PPAs that SVCE has with a current or future energy supplier.
- **Project Administration Agreement** – This agreement is between SVCE and CCCFA. The agreement sets the terms for SVCE to act on behalf of the issuer for certain matters under the prepay project documents, such as scheduling for the energy and record keeping with respect to delivery of energy and any remarketing and remediation.
- **Memorandum of Understanding** between SVCE, Morgan Stanley and CCCFA indemnifying CCCFA against certain ratings fees should the transaction not close.

Summary of Key Transaction Documents

Executed by CCCFA

- **Trust Indenture** – This agreement is between CCCFA and the Trustee and sets forth the terms of bond issuance, rights of bondholders, and security of the cashflows of CCCFA to ensure principal and interest payments to the bondholders.
- **Prepaid Agreement** – This agreement is between CCCFA and the Prepaid Supplier (a limited liability company of which MSCG is the sole member), and it details the terms of prepayment by CCCFA to Prepaid Supplier and the flow of energy from the Prepaid Supplier to CCCFA. The terms of this agreement largely mirror those of the Power Supply Contract between SVCE and CCCFA.
- **Repricing agreement** – This agreement is between CCCFA and the Prepaid Supplier and sets the terms for remarketing and repricing of bonds at future bond repricing periods and the terms for calculation of future energy price discounts that will be offered to SVCE.
- **Master Custodial Agreement** – This agreement is among Energy Supplier, MSCG, CCCFA and a master custodian, and administers the amounts payable to the Energy Supplier under the Funding Agreement, the Energy Management Agreement, the Prepaid Agreement, the Energy Supplier Commodity Swap and certain other agreements.

Major agreements to enable SPV structure:

- **A&R Limited Liability Company Agreement** – This is the organizational document of the Prepaid Supplier, between MSCG as sole member and an independent director, and governs how the Prepaid Supplier will be managed. SVCE will appoint one director and this agreement sets out what that director is entitled to vote on.
- **Energy Management Agreement** – This agreement is between the Energy Supplier and MSCG, and sets the terms under which MSCG will act as upstream supplier of energy to the Energy Supplier to enable the Energy Supplier to meet its energy delivery obligations and will act as the Energy Supplier's agent under the prepay project documents.

Other agreements/documents:

- **Consolidated Custodial Agreement** – This agreement is by and among SVCE, CCCFA, Morgan Stanley, MSCG and the Custodian Bank on handling cashflows among the parties and making the required payments to the energy/PPA supplier. Note: this agreement covers cashflows for all SVCE's existing prepay transactions. As part of Prepay 5, MSCG, in collaboration with SVCE, may provide notice to the parties updating the banking information, as needed.
- **Preliminary Official Statement (POS)** this document will be used to market the bonds and provides information on the energy prepayment transaction, including the key terms of the transaction. The Appendix A of this document includes background information on SVCE, including the formation of SVCE, service area, customers, sources of clean energy, and other information to inform bondholders on the financial and operational strength of the organization.

Summary of Transaction Documents

Other Key Documents

Prior Prepay Transaction Details

	2021B	2023B	2024A	2025F <small>Item 3 PRESENTATION</small>
Aggregate Principal Amount	\$1,234,720,000 (SVCE and EBCE combined)	\$841,550,000	\$1,101,625,000	\$844,495,000
Total Bond Proceeds	\$1,475,895,642.50 (SVCE and EBCE combined)	\$891,418,648.10	\$1,165,919,381.75	\$929,071,174.25
Municipal Bond Rating	A1	A1	A1	Aa2
Green Certification	Designated Green Bonds by Kestrel Verifiers			
Initial Bond Pricing Period	10 years	6.5 years	8 years	8 years
Final Bond Maturity Date	Feb 1, 2052	Jul 1, 2053	May 1, 2054	Jan 1, 2056
Discount Achieved	<ul style="list-style-type: none"> \$4.38/MWh \$1.9mm per annum 	<ul style="list-style-type: none"> \$9.77/MWh \$4.7mm per annum 	<ul style="list-style-type: none"> \$11.32/MWh \$7.7mm per annum 	<ul style="list-style-type: none"> \$11.65/MWh \$4.6mm per annum
Energy Volume Supported by Bond Proceeds	50 MW	55 MW	77 MW	44 MW
Avg Load Coverage	11%	12%	17%	10%
Power Delivery Start Date	Jan 1, 2022	Jun 1, 2023	Apr 1, 2024	Jan 1, 2026

Prior Prepay Transactions Professionals Team

	2021B	2023B	2024A	Item 3 2025F PRESENTATION
Bond Counsel	Orrick, Herrington & Sutcliffe	Ballard Spahr LLP	Barnes and Thornburg LLP	
Credit Rating	Moody's Investor Service, Inc.			
Issuer's Counsel	Chapman & Cutler LLP			
Municipal Advisor	PFM Financial Advisors LLC			
Investment Advisor	PFM Asset Management LLC			PFM Swap Advisors LLC
Trustee	The Bank of New York Mellon Trust Company, N.A. (later moved to US Bank)			
Trustee Counsel	Ballard Spahr LLP			
Printing	ImageMaster, LLC			
Green Bond Second Party Opinion	Kestrel Verifiers			
Audit/Accounting	Maher Accountancy			
JPA	CCCFA			
Underwriter	Morgan Stanley			
Funding Recipient	Morgan Stanley			Canadian Imperial Bank of Commerce (CIBC)

Prior Prepay Transaction Cost Breakdown (\$000)

	2021B	2023B	2024A	Item 3 2025 PRESENTATION
Bond Counsel	\$425	\$300	\$250	\$250
Credit Rating	\$315	\$233	\$273	\$282
Issuer's Counsel	\$310	\$200	\$175	\$175
Municipal Advisor	\$250	\$175	\$155	\$230
Investment Advisor	\$42	\$35	\$30	\$25
Trustee	\$32	\$31	\$41	\$20
Trustee Counsel	\$30	\$30	\$30	\$35
Printing Cost	\$3	\$3	\$4	\$4
Green Bond Second Party Opinion	\$7	\$22	\$22	\$23
Audit/Accounting	\$0	\$0	\$24	\$24
Administration Fee	\$0	\$0	\$20	\$20
Contingency/Other	\$7	\$17	\$17	\$13
Total COI	\$1,422	\$1,045	\$1,041	\$1,100
MS Underwriting	\$6,341	\$4,359	\$5,712	\$3,988
Total	\$7,763	\$5,405	\$6,753	\$5,088

Fifth Prepay Estimated Cost Breakdown (\$000)



Firm	One Maturity Expected Cost (\$000)	Two Maturities Expected Cost (\$000)
Bond and Tax Counsel: Barnes and Thornburg	\$300	\$300
Credit Rating: Moody’s Investors Service	287.5	575
Issuer’s Counsel and Disclosure Counsel: Chapman & Cutler	225	225
Municipal Advisor: PFM Financial Advisors LLC	250	250
Swap Advisor: PFM Swap Advisors LLC	25	25
Investment Advisor	25	50
Trustee: US Bank	17	34
Trustee Counsel: US Bank Counsel	35	70
CCCFA JPA Administrative Fee	25	50
Audit/Accounting Fee	24	48
Green Bond Second Party Opinion (Kestrel Verifiers)	22.5	45
Contingency/Other	14	28
Total COI	1,250	1,700
Morgan Stanley Underwriting	7,050	7,050
Total	\$8,300	\$8,750

SVCE Staffing Assessment

Finance and Administration Committee
October 30, 2026



2026 SVCE Staffing Assessment

Internal Assessment:

1. Determine if SVCE is right-sized and aligned to meet its mission and core functions.
2. Financial Levers – Assess all Operating Expenses including Personnel Costs
3. Benchmark SVCE to peer CCAs
4. Plan for future needs

Today's Objective:

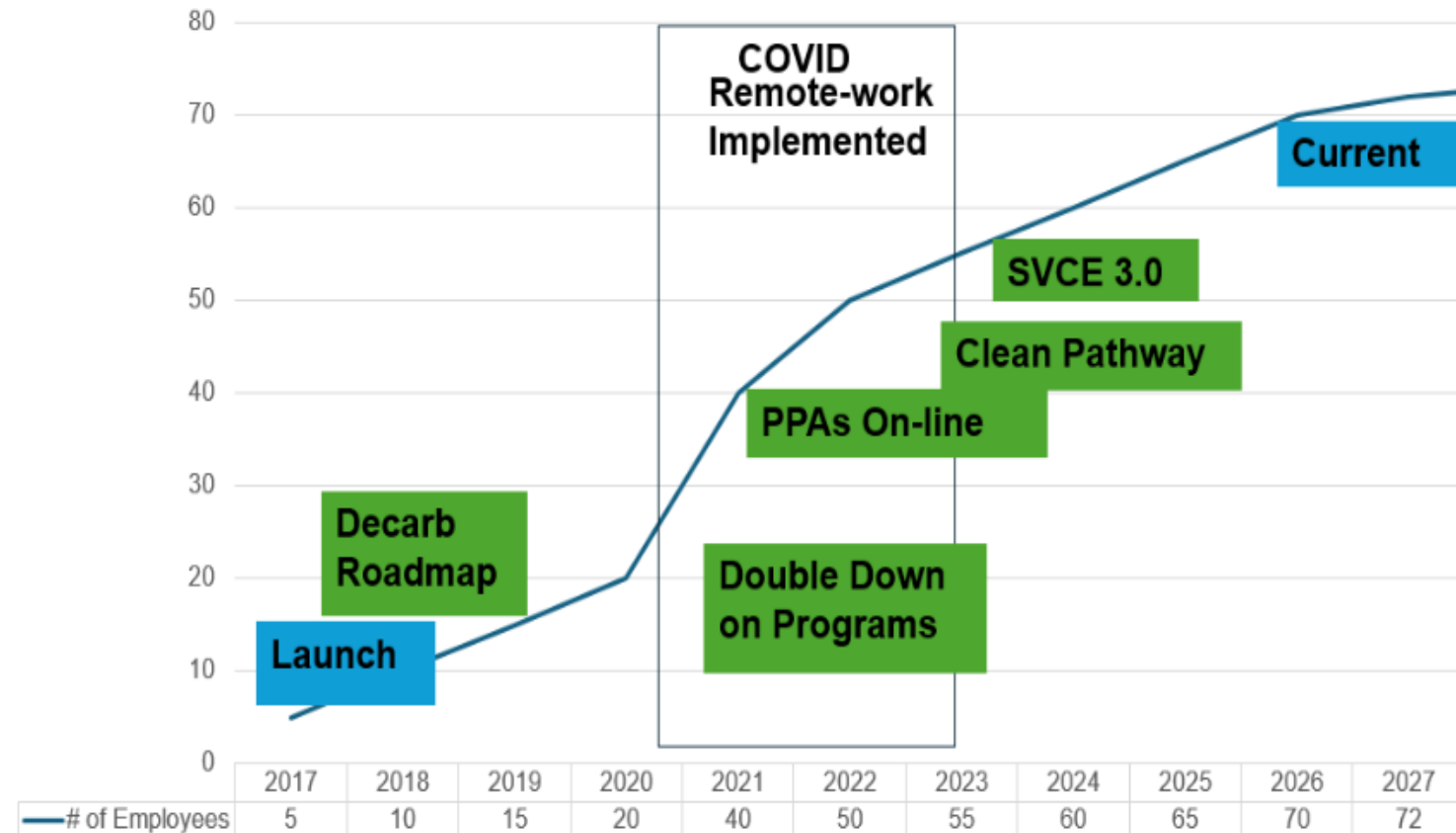
Seek Finance and Administration Committee feedback on additional analysis and/or general direction.



Staff Size and Key Drivers

SVCE staff has grown over the years to support increased complexity of power operations, expanded programs and maturity of organization.

- Decarbonization Roadmap and Programs
- Power Resources – Operations of Renewable Projects
- Regulatory, Planning, Policy and Compliance
- Financial Planning
- Administration & Operations
- Data Analytics
- Risk Management
- Stakeholder Engagement





All teams are critical to our mission

SVCE's Mission

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

Strategic Focus Area #5

Attract & Retain Employees

Goal # 10

Hire, retain and develop high-performing talent via competitive benefits and rewarding work culture





Departments and Functions

Executive Team 4 FTEs

- CEO, General Counsel and Board Clerk

Customer Success 21 FTEs

- Programs design, management, and implementation.
- Marketing, Communication, and community outreach.
- Energy Services – rates, billing, customer issues, key account management.

Power Resources and Operations 13 FTEs

- Power supply planning, origination and wholesale market procurement.
- Portfolio operations, management, optimization and scheduling.
- Compliance, power Contract Administration and Settlements

Regulatory, Planning, Policy and Legislative 11 FTEs

- Longterm planning, energy and demand forecasting, policy and regulatory advocacy.
- Legislative affairs and advocacy.
- Decarb planning, stakeholder advocacy and member agency affairs.

Finance, Analytics, Risk and Operations 18 FTEs

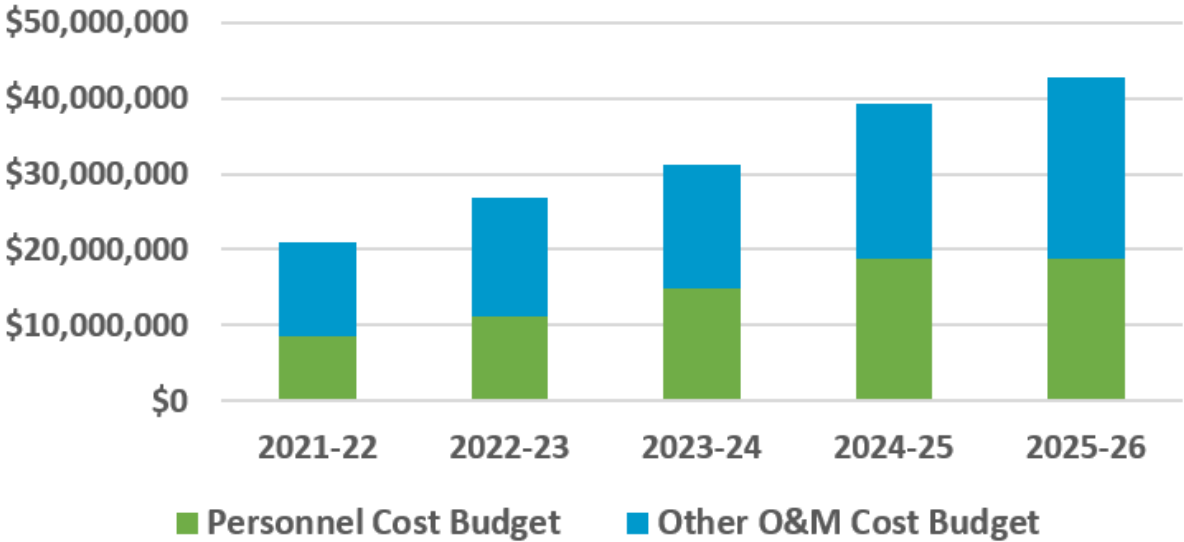
- Finances, Investments, Accounting, Prepays, Data Analytics and Risk Management
- Operations: Information Technology, Cyber Security, Contracts, administration, building management and Human Resources



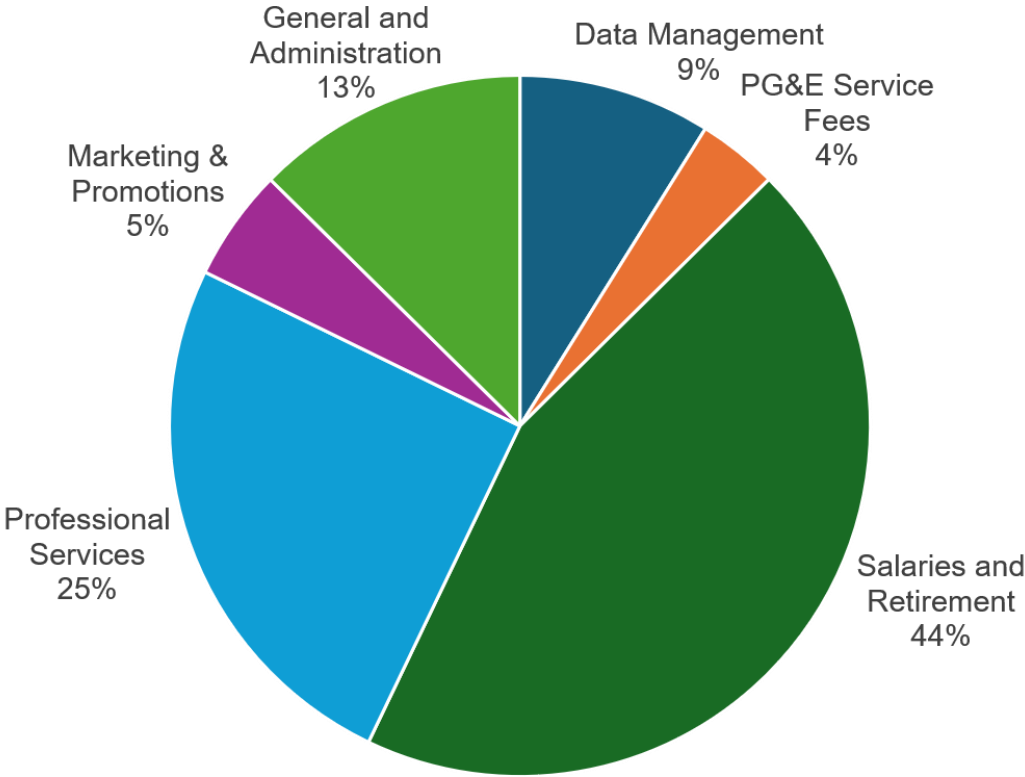
Personnel cost are a small percent of total budget

Non-commodity operating expenses represent 12% of budget. Personnel costs are 44% of total operating expenses, or 5.3% of total operating expenses.

Historical Fiscal Year Non-Commodity Operating Cost Mid-Year Budgets



Operating Forecasted Expense, 5-yr Avg



All figures exclude program allocation of reserves, and exclude program use of reserves for program implementation and rebates.



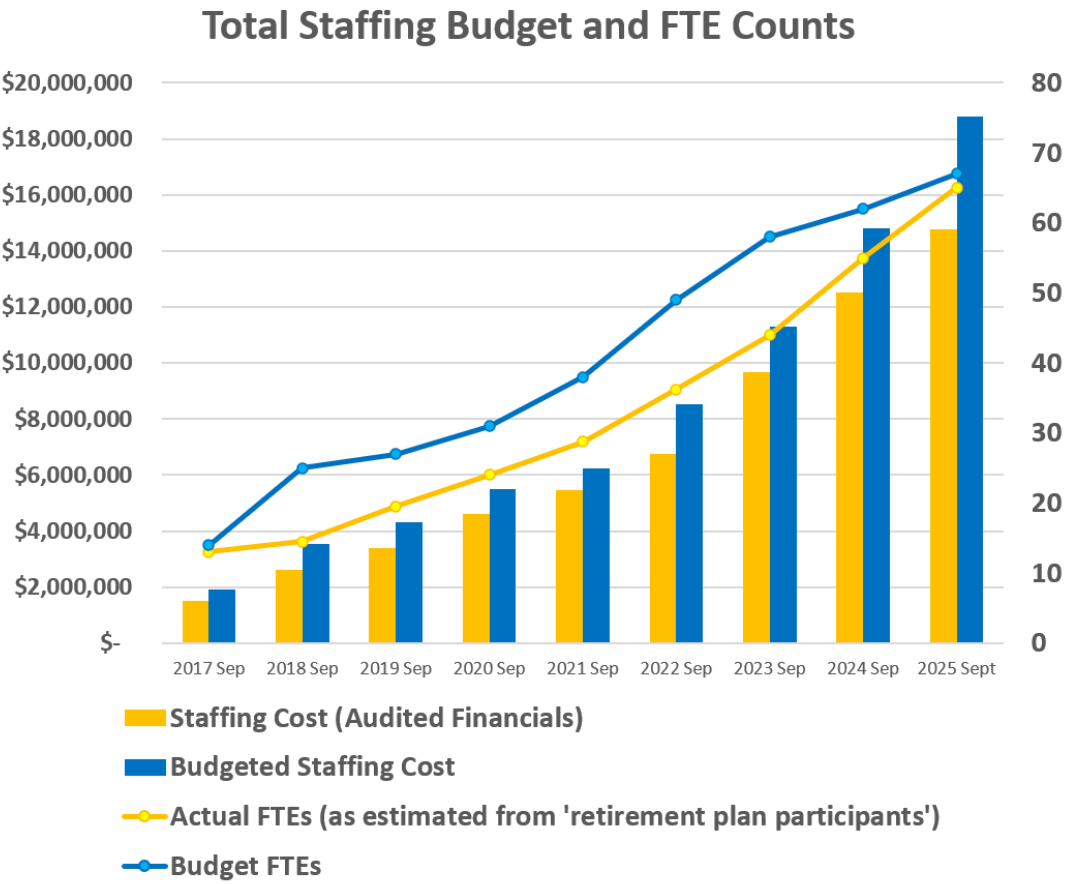
Personnel Cost have grown over time

Fiscal Year 2025-26 Budgeted Personnel Cost is ~\$18M

FY FTE Request Summary	FTE
Authorized in the FY25-26 Annual Budget	67
Authorized in the 2026 Stub Budget	1
Current Authorized FTE Total	68
FY 25-26 Budget Salary, Retirement and Benefits	\$18,870,370
FY 25-26 ESTIMATED ACTUAL Salary Retirement and Benefits (for FY25-26 books not closed, not audit financials)	\$16,700,000

Current Budgeted Staffing

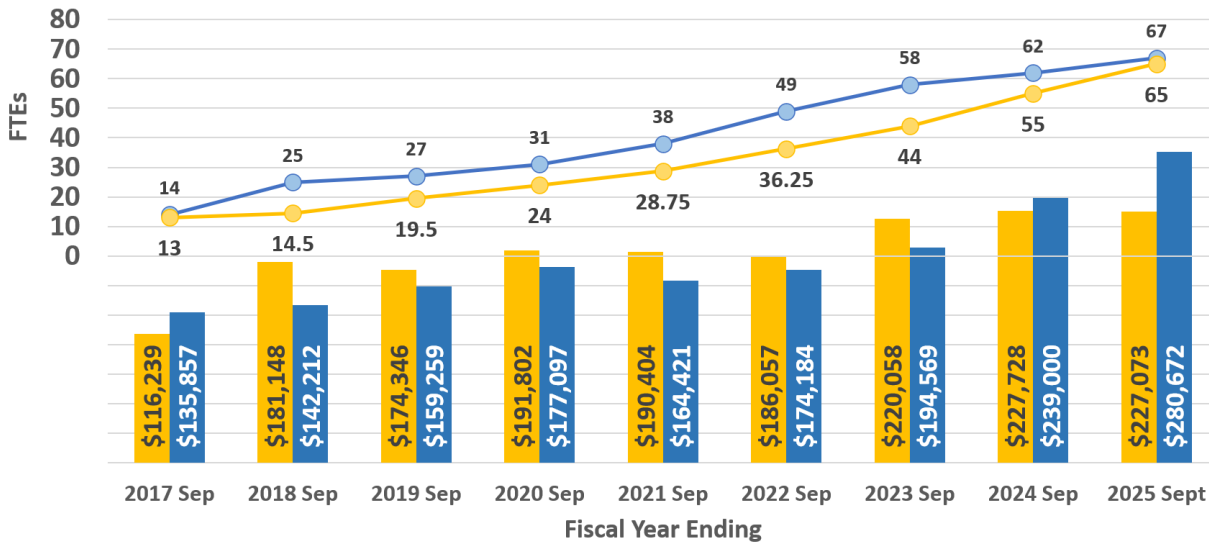
- **68** Full-time Employees (5 Vacancies), 2 Part-time Employees, 3 intern positions, 3 Climate Corps Fellows





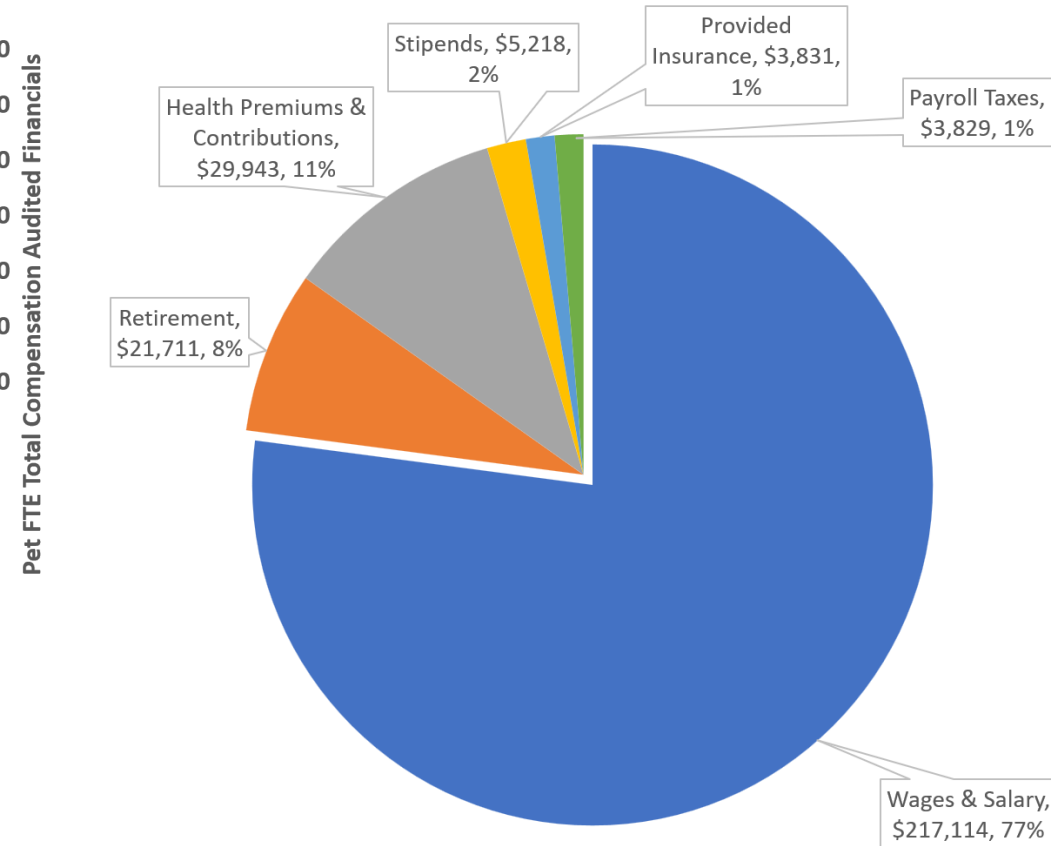
Spend per FTE has remained relatively flat

SVCE Employee Count and Cost per FTE over Time



- Actual Staffing Cost / Actual Est FTE
- Budget Staffing Cost / Budget Est FTE
- Budget FTEs
- Actual FTEs (as estimated from 'retirement plan participants')

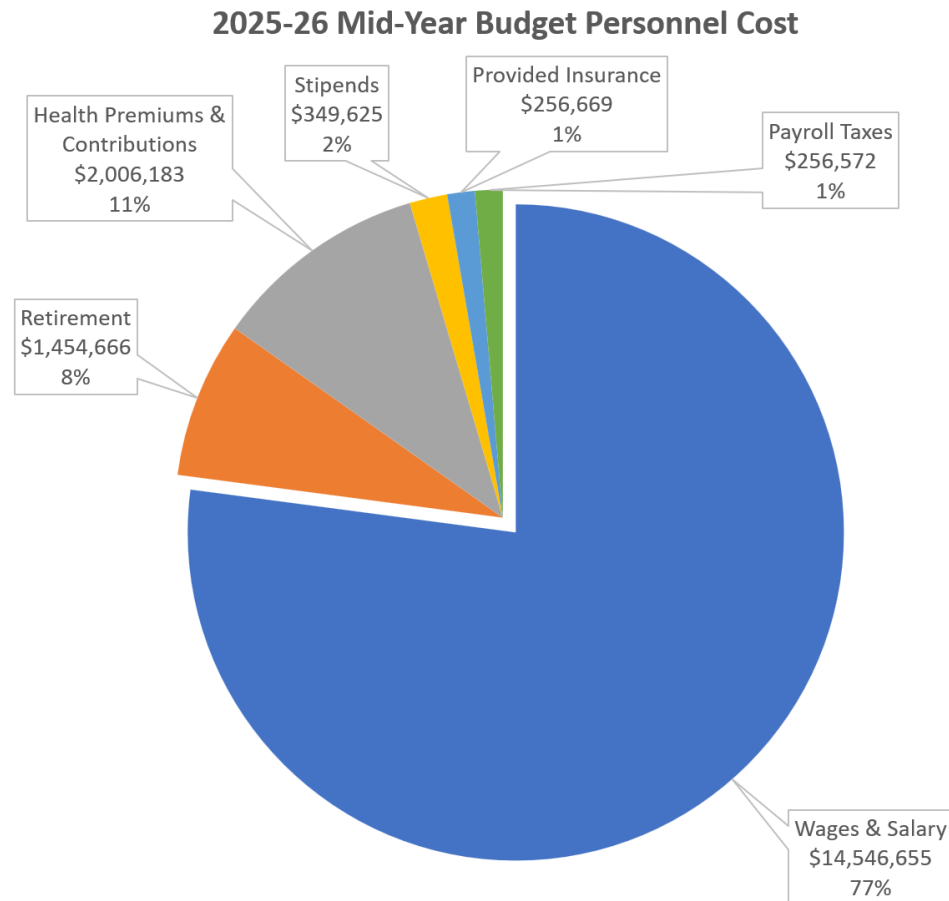
2025-26 Mid-Year Budget Per FTE Compensation





Cost Breakdown

Salaries make up the majority of Personnel related expenses



- Historically, salaries were budgeted at the 75th Percentile of a pay grade including contingency. (the case in the chart to the left).
- Actual salaries have come in 15-20% below budget due to:
 - Position vacancy
 - Positions compensated below the 75th percentile
 - Budget Contingency
- 2027 salaries will be budgeted at current actual salaries by position, with proposed increases (pending budget approval by the Board).



Peer Benchmarking

- Purpose
- Size
- Functions
- Compensation and Benefits
- Other



Benchmark to Peer CCAs

Each CCA is unique with a different mission and staffing strategy

Commonalities

- Load Serving Entity – legislative and regulatory mandates around clean energy procurement, reliability obligations, compliance reporting to regulators.
- Wholesale market participant
- Finances and Rate setting
- Governance Oversight – either Board of Directors or City Council

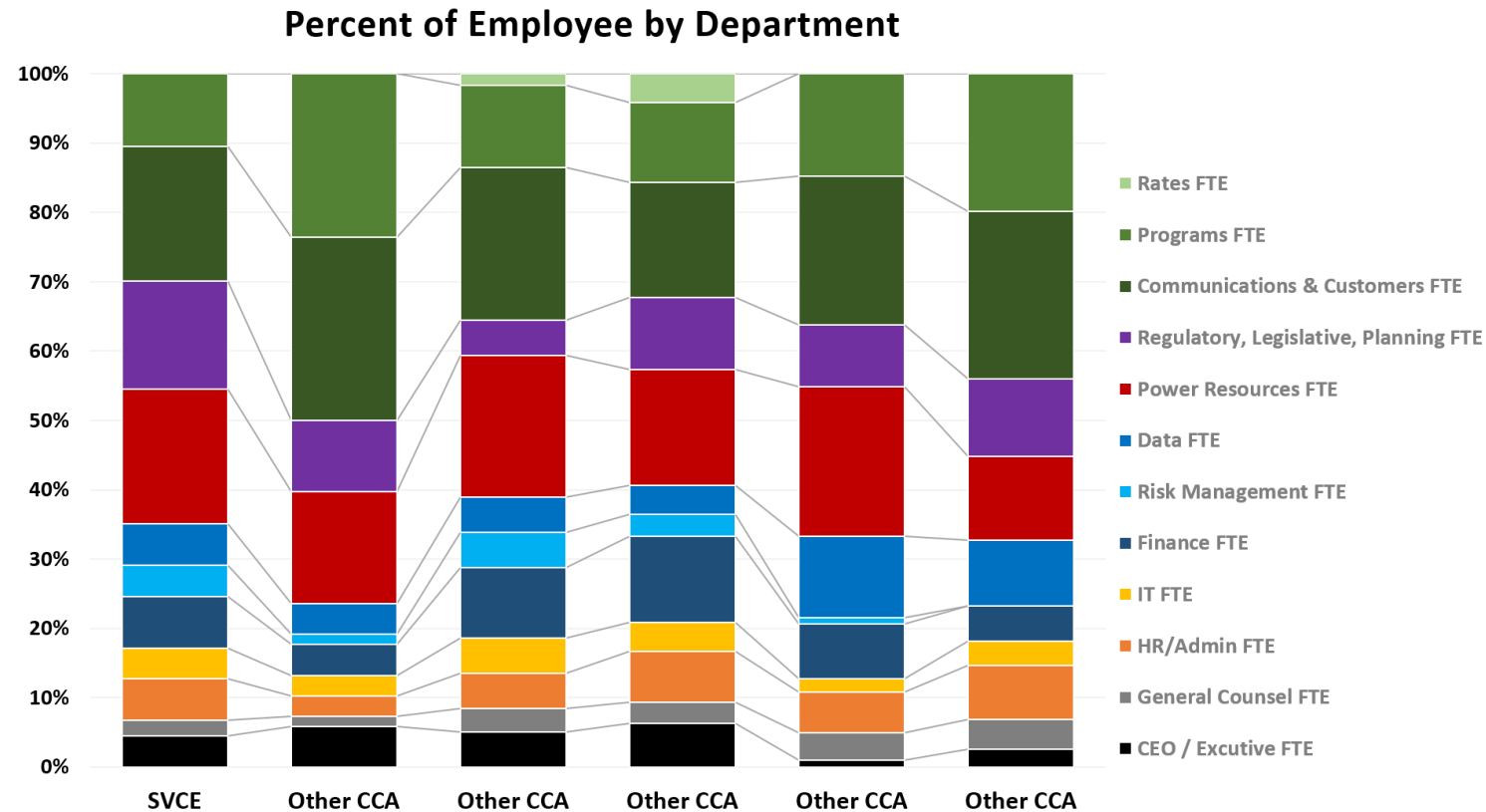
Differences

- Mission and value proposition
- Level of decarbonization and energy efficiency programs
- Clean targets
- Maturity of systems and processes
- Outsourcing vs done in-house
- Governance
- Customers - size of load and communities served



SVCE Staffing Relative to its Peers

This chart shows the areas in which other CCAs devote resources for staffing in relative terms.
(without respect for their size)



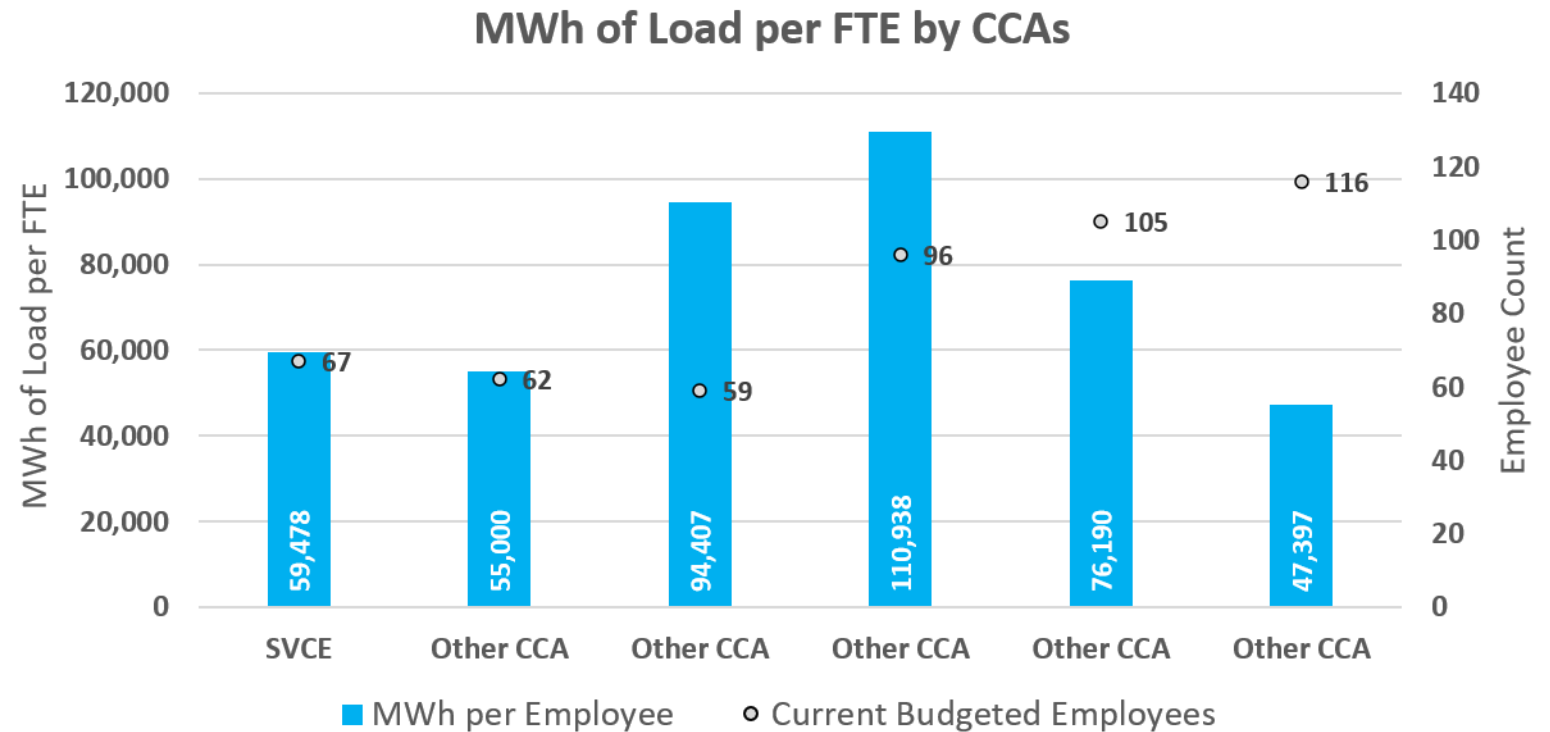
Note: There are different reasons for the variance in program staffing for each CCA, as each CCA takes a unique approach, but may be due to different territory sizes, program portfolios, organizational objectives, and decisions on in-housing certain functions.



Staffing metrics across CCAs

Whether MWh, Customers, Revenue and Load Expense per FTE all tell a similar story

- 1) It takes some minimum staffing level to run a CCA
- 2) Some CCAs outsource vs in-house to varying degrees
- 3) Larger CCAs have greater economy of scale
(a reason to be large)



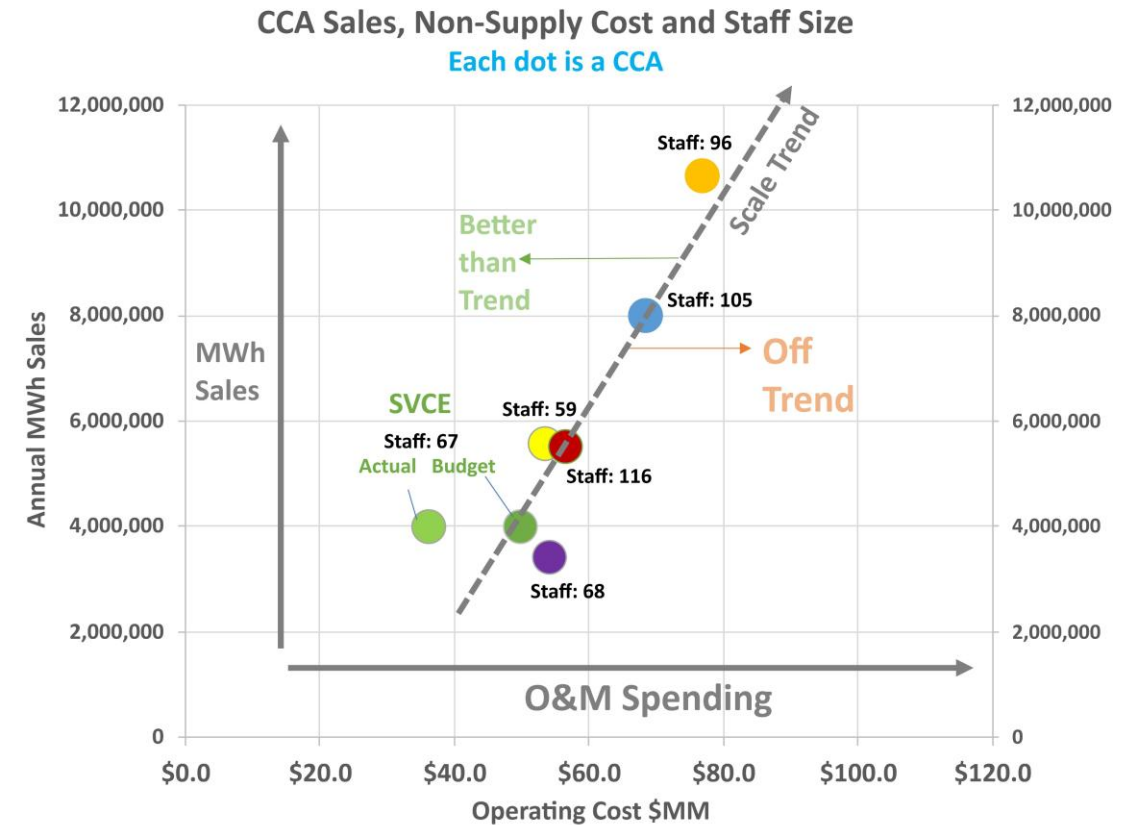
Note: There are different reasons for the variance in program staffing for each CCA, as each CCA takes a unique approach, but may be due to different territory sizes, program portfolios, organizational objectives, and decisions on in-housing certain functions.



Size, Spend and Staff

Size in sales, spending and staffing level all are factors in O&M Costs

- Bigger CCAs *can* obtain/leverage economy of scale in a way a smaller CCA may not be able.
- Some CCAs of similar staffing spend more/less.
- Some CCAs of similar sales spend more in-house vs outsourced.



Note: There are different reasons for the variance in program staffing for each CCA, as each CCA takes a unique approach, but may be due to different territory sizes, program portfolios, organizational objectives, and decisions on in-housing certain functions.



Employer of Choice

- Hybrid Work Standard
- Competitive Benefits
- Balanced Workforce
- Development, continuous learning and focus on growth



SVCE Hybrid Work Standard

A Purpose-Driven Approach to In-Person Collaboration

Our Standard:

- Minimum expectation of 20 in-person days annually for all employees, increasing the current agency-wide expectation from 12 days.
- Includes 8 agency-wide days and 12 department collaboration days.
- Additional onsite expectations apply based on role, operational coverage, and stakeholder needs.

Why We Do It:

- Create predictable, meaningful opportunities for collaboration, learning, mentorship, relationship-building, and agency connection.
- Maintain onsite support for operations and stakeholders.
- Make responsible use of SVCE's office investment while preserving the flexibility employees value.

What We Aim to Achieve:

- Increase overall office utilization
- Give departments flexibility to schedule in-person work when it will have the greatest impact.
- Maintain a sustainable hybrid model.
- Continue to provide excellent stakeholder and customer service.



Hybrid Work: Competitive Landscape

SVCE's hybrid approach balances meaningful in-person collaboration with the flexibility necessary to competitively recruit and retain specialized talent.

Peer CCA Landscape

- 7 of 9 peer CCAs reviewed require regular onsite attendance, generally 1-3 days per week
- 2 peers are fully remote, with limited quarterly in-person requirements.
- SVCE's 20-day minimum annual standard provides a flexible middle ground

Why Flexibility Is Crucial

- SVCE competes for specialized talent with peer CCAs and higher-paying Silicon Valley employers
- Only 45% of SVCE employees live within a reasonable commuting distance (40 miles) of the office
- Flexibility helps SVCE recruit and retain the best talent, not just the closest talent



Competitive Benefit Summary

SVCE's benefits package is competitive with peer CCAs and supports a balanced approach to attracting and retaining specialized talent in a high-cost region.

Competitive with peers:

- SVCE's strongest relative offerings include dependent medical support, employer-funded supplemental accounts, retirement, starting PTO, and professional development.

Targeted investment:

- Resources are concentrated in benefits that support employees' immediate healthcare needs, long-term financial security, time away from work, professional capability, and the market's prevailing hybrid work model.

Responsible talent strategy:

- A strong benefits package helps SVCE successfully compete for talent without relying solely on salaries or attempting to match private-sector Silicon Valley compensation.

Flexible work policy:

- SVCE provides a flexible hybrid work policy for employees allowing for a key attraction and retention tool.



2026 Workforce Demographics: Key Insights

SVCE's balanced and diverse workforce positions the agency well to develop talent, support equitable opportunity, and plan for future leadership needs.

Balanced gender representation and pay equity:

- SVCE's workforce is 52% female and 48% male
- Relatively balanced representation across the four highest pay bands

Racially and ethnically diverse workforce:

- 48% of employees identify with a racial or ethnic group other than White/Caucasian
- 7 of SVCE's 10 most recent hires from 2025/2026 identify as a race or ethnicity other than White/Caucasian

Predominantly Millennial workforce:

- Millennials represent 63% of employees while Generation Z represents another 24%
- SVCE's younger workforce, relative to the broader U.S. labor market, provides a strong foundation for developing future talent and supporting long-term succession planning.



We invest in our team and culture

Core Values

Collaboration

Effectiveness

Continuous Learning

Stakeholder Service

SVCE focuses on the individual employee to build a strong culture consistent with our Core Values.

- **Support employees** through competitive benefits, flexibility, and responsive programs.
- **Develop future talent** through learning & development, feedback, and growth opportunities.
- **Build connection** through collaboration, shared experiences, and recognition.
- **Foster trust and accountability** through clear expectations, ownership, and support.



Future Staffing Needs

Next ten years of SVCE will likely bring changes

- Succession planning gaps and future critical skill development
- Critical role risk mitigation (i.e., single points of failure) both internally and via external vendor support
- Identify and build optimal talent mix
- Need for staff to support new programs and/or stakeholder initiatives or services
- Strategic plan and organizational priorities
- Alignment with Financial Levers Playbook



Budget Preview

Staffing needs, benefits and compensation determined as part of Operating Budget.

Proposed Fiscal Year 2027

- Personnel Cost based on bottom-up approach – previously based on 75th percentile
- FTEs – fill vacancies, (5 open)
- No new FTEs requested
- COLA – 4.125%
 - 3.3% Based on 6 month trailing Bay Area CPI*
 - 0.825% “catch-up” due to FY change and 15 months since last pay adjustment
- Merit increase – 2.25%
- Alignment and contingencies – 4%
- Benefits – 10% increase

Preliminary personnel cost for FY 27 is \$19.5M a 3% increase in Personnel cost relative to FY 25-26 Budget.

Adopted Stub Fiscal Year – October to December 2026

- FTEs – fill vacancies (5)
- 1 new FTE approved
- COLA/Merit - no change, to be prorated over FY 2027 budget
- Benefits – no change

*Current CPI Feb-Aug 2026. Will be updated prior to final budget for Apr-Oct 2026



Thank You!



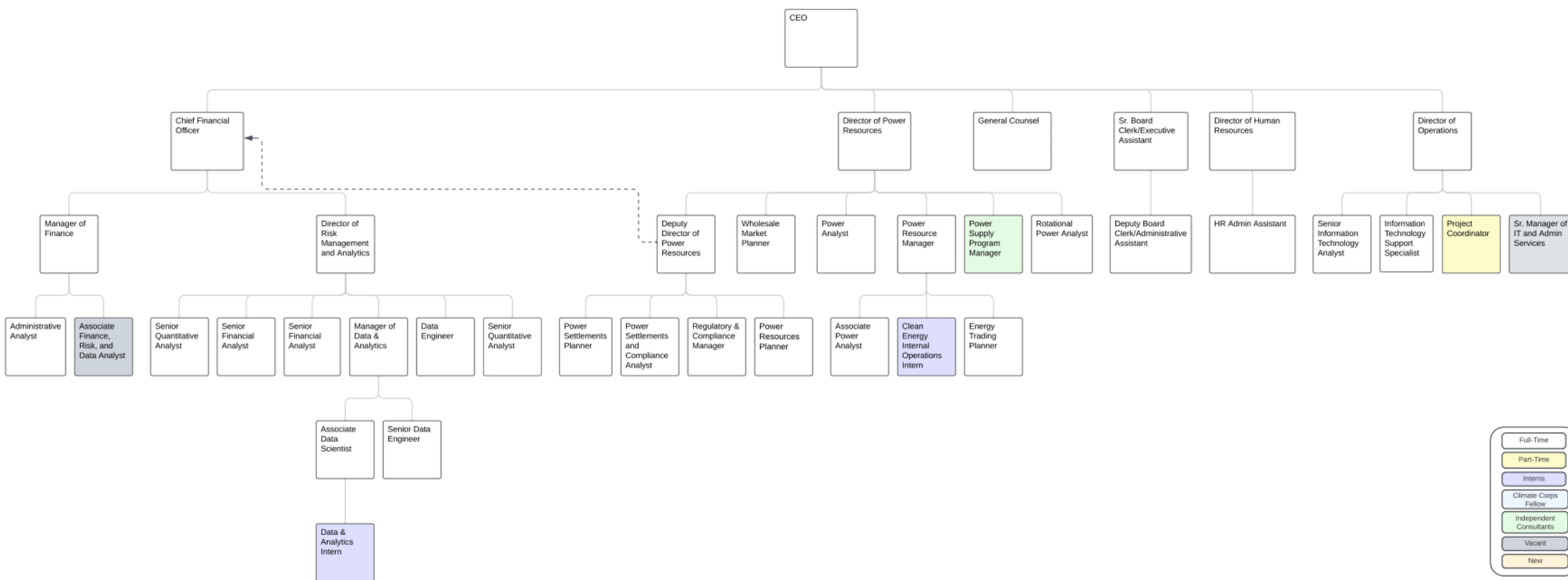


Appendix



Organization Chart

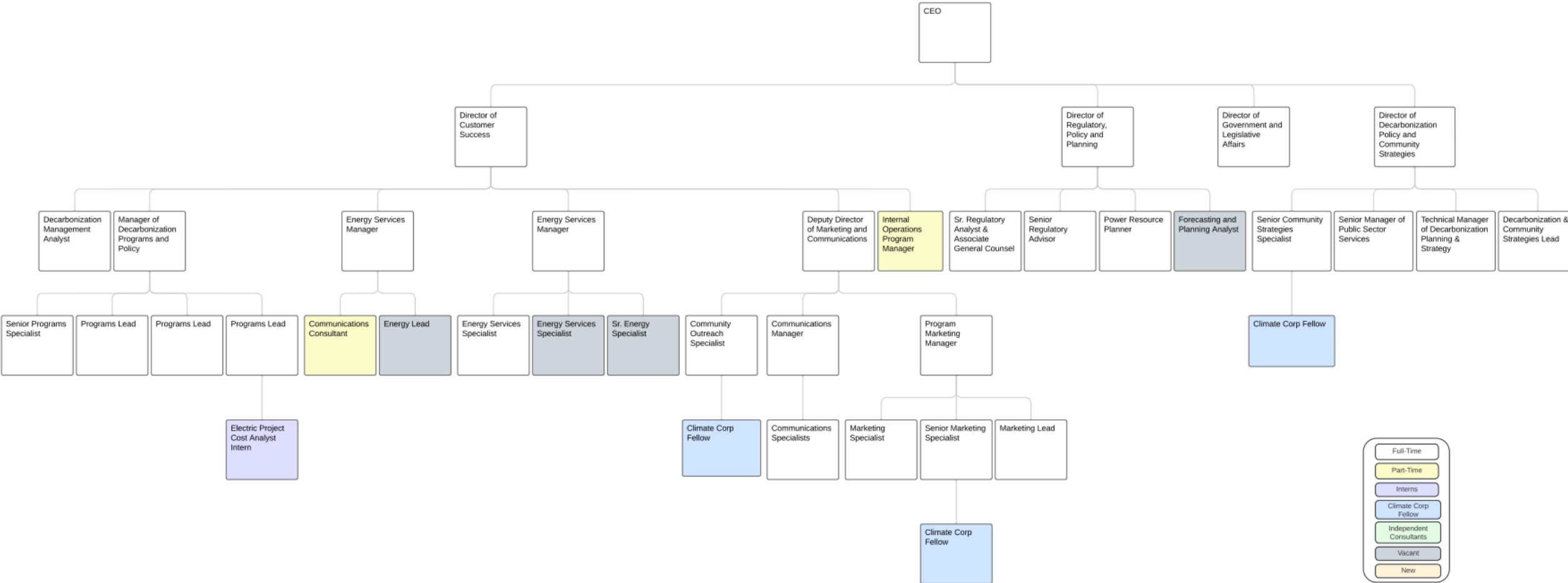
FY25-26 Organization Chart (Exec, Finance, PRO, Operations)





Organization Chart

FY25-26 Organization Chart (Exec, CS, RPPL)



2027 Budget Framework

October, 30 2026 – Finance Committee





Recap – Transition to Calendar Year Fiscal Period

1) Recap:

- **New calendar fiscal year period begins January 1, 2027 (Jan to Dec)**
- Currently in a transition period budget (Oct 2026 to Dec 2026), Stub Budget
- Last fiscal year that began on October 1, 2025, ended September 30, 2026

2) Today's Meeting: Seek high-level feedback/validation on principles and assumptions to develop the FY 2027 budget

Main Areas of Discussion:

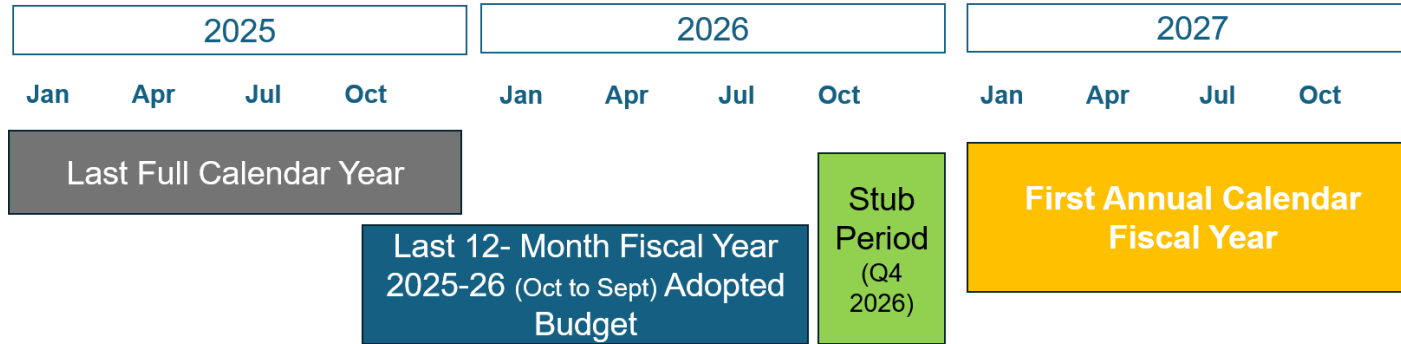
- Assessing the proposed budget relative to prior budgets
- Revenue Modeling and Forecast
- New approach to O&M department budgets
- Power supply expenses
- Requested guidance on salaries and benefits

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

- Now: October 30, 2026: 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



FY 2027 Budget Approval



- When submitting budgets for approval, the **Proposed Budget** is compared with the currently **Adopted Budget** to demonstrate how spending and revenues are changing.
- Given the change in the Fiscal Period, staff proposes the following comparisons to the Proposed FY 2027 Budget:
 - FY 2025-26 (Oct 2025 to Sept 2026) Adopted Budget
 - FY 2025-26 (Oct 2025 to Sept 2026) Estimated Actuals
 - Calendar 2025 (Jan to Dec) Estimated Actuals



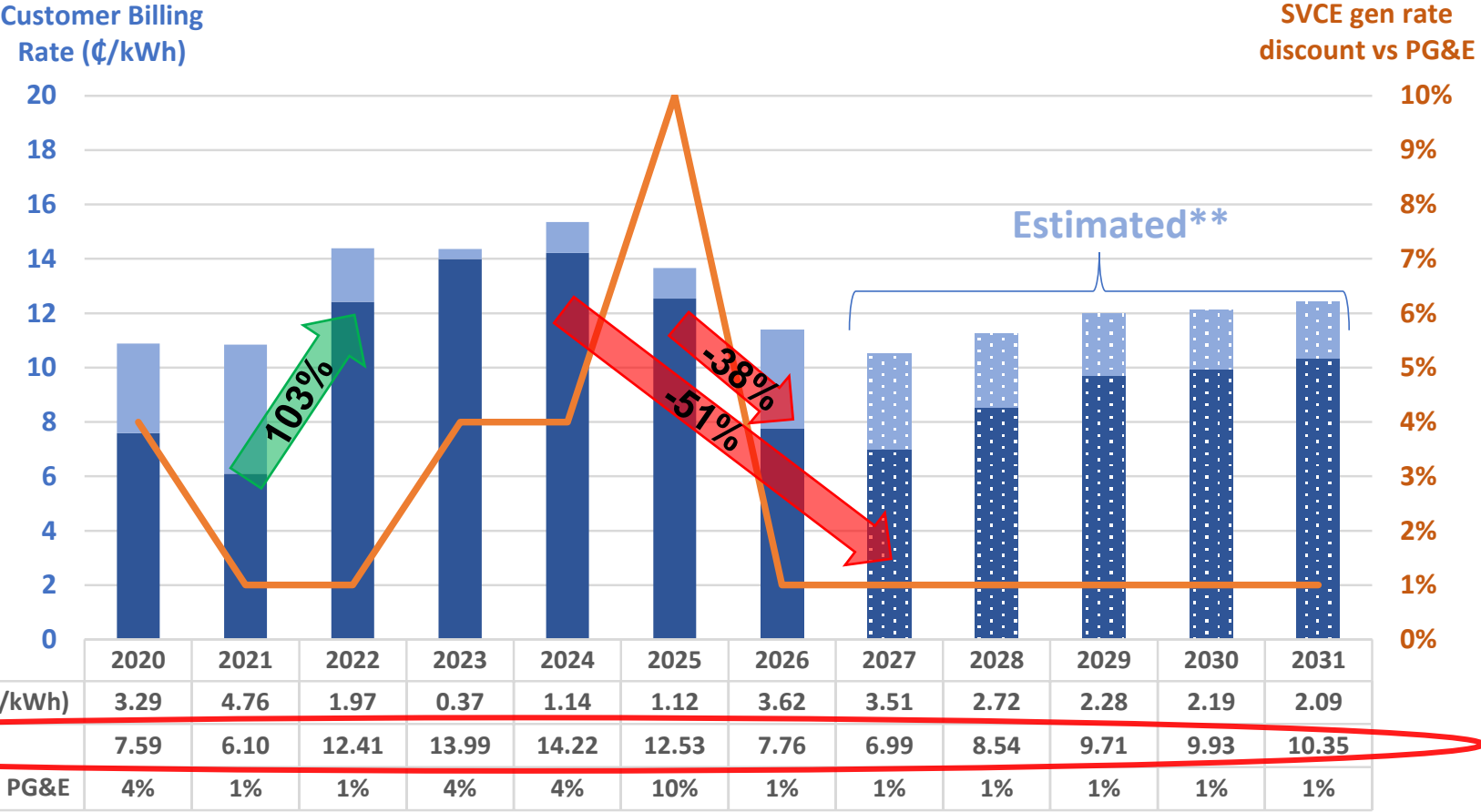
Modeling Revenues

- Revenues = Price x Quantity
- SVCE/Industry terminology:
 - **Revenues = Rate x Load**
 - Example:
 - \$0.0782 per kWh x ~4 Billion kWh = **\$313 million**

- **Biggest uncertainty is variability in rates**
 - Change from 2021 to 2022: **103%**
 - Change from 2025 to 2026: **-38%**
 - Change from 2024 to 2027 (3Y): **-51%**
- The load on average is expected to increase by about 3% to 4% a year.



Past and Forecast Rate Variability



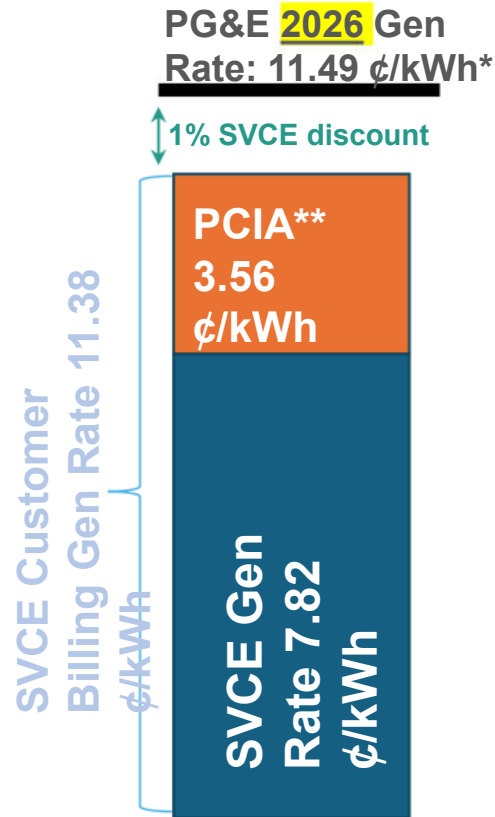
*Weighted for SVCE portfolio load. Customer discount at the 2017 PCIA vintage. The 10% discount for 2025 includes a one-time bill credit, equal to 6% annual discount (up to \$35 million in total additional credits).

**CalCCA NewGen Model analysis using market data as of 10/16/2026 and estimated CPUC attribute benchmarks for CY 2026-2031 (Weighted for SVCE Portfolio Load)

SVCE Gen Rate discount excludes the additional CARE/FERA customer discount, equivalent to the cost of providing 1% discount for all other customers, distributed among CARE/FERA customers as bill credits.



Revenue Uncertainty



* All rates are weighted for SVCE load.

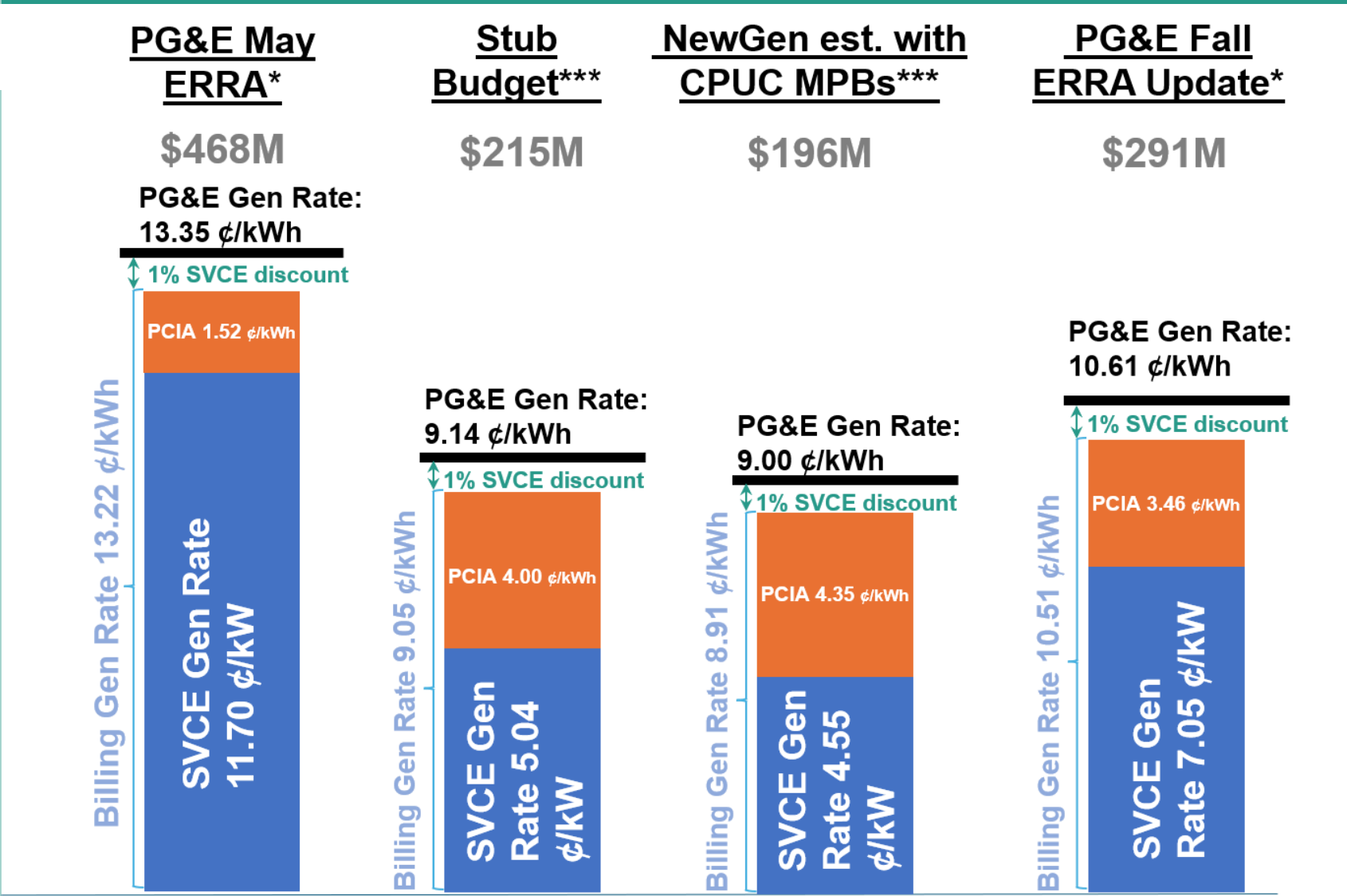
** Power Charge Indifference Adjustment (PCIA) is a charge our customers pay to PG&E so that PG&E can recover commitments made on their behalf when the customer was part of PG&E's portfolio.

Customer discount is based on the 2017 PCIA vintage. Not displayed is the small franchise fee charge.

- SVCE has been able to maintain rates at a discount relative to PG&E
 - Average effective discounts have ranged from 1% to 10%, with higher discounts for low-income customers, given the additional bill credits
- Forecasting rates to maintain a competitive advantage is highly uncertain
 - Entails forecasting PCIA and PG&E generation rate
 - PCIA and PG&E generation portfolios are a black box
 - Staff uses the CalCCA's NewGen model to estimate PCIA and PG&E generation rate with its own estimates for market price-related data
 - The NewGen model uses limited publicly available data
 - Market price-related data includes:
 - Future prices for Energy
 - Market Price Benchmarks (MPB) estimates for Energy, Resource Adequacy Adder (RA), Renewable Portfolio Standard (RPS) Adder, and Greenhouse Gas (GHG) free Adder
 - MPBs for RA, RPS, and GHG-free adders are computed by a regulatory-derived formula using market participants' reporting of past purchases of these products for the relevant delivery period
 - Regulatory uncertainty affecting both PCIA and PG&E Gen Rates
 - PG&E's ERRA position and ability to use PCIA resources at MPB prices
 - Details of the sub-PCIA portfolio among PCIA vintages from 2009 to 2026

2027 SVCE Rate and Revenue Forecast Progression

- CPUC issued MPBs on Oct 1st, and using those MPBs, PG&E updated its the ERRA forecast
- The updated rates improve SVCE’s 2027 revenue projection from the time of the Stub Budget by **\$76 million**
 - Stub budget projected a \$150 million draw on reserves for FY 2027
- These results are preliminary as NewGen Consultants and CalCCA, along with all CCAs’ regulatory teams, are currently assessing PG&E’s ERRA update
 - Add’l certainty when CPUC issues proposed decision
- 2027 PCIA and PG&E Rates will not be final until late December

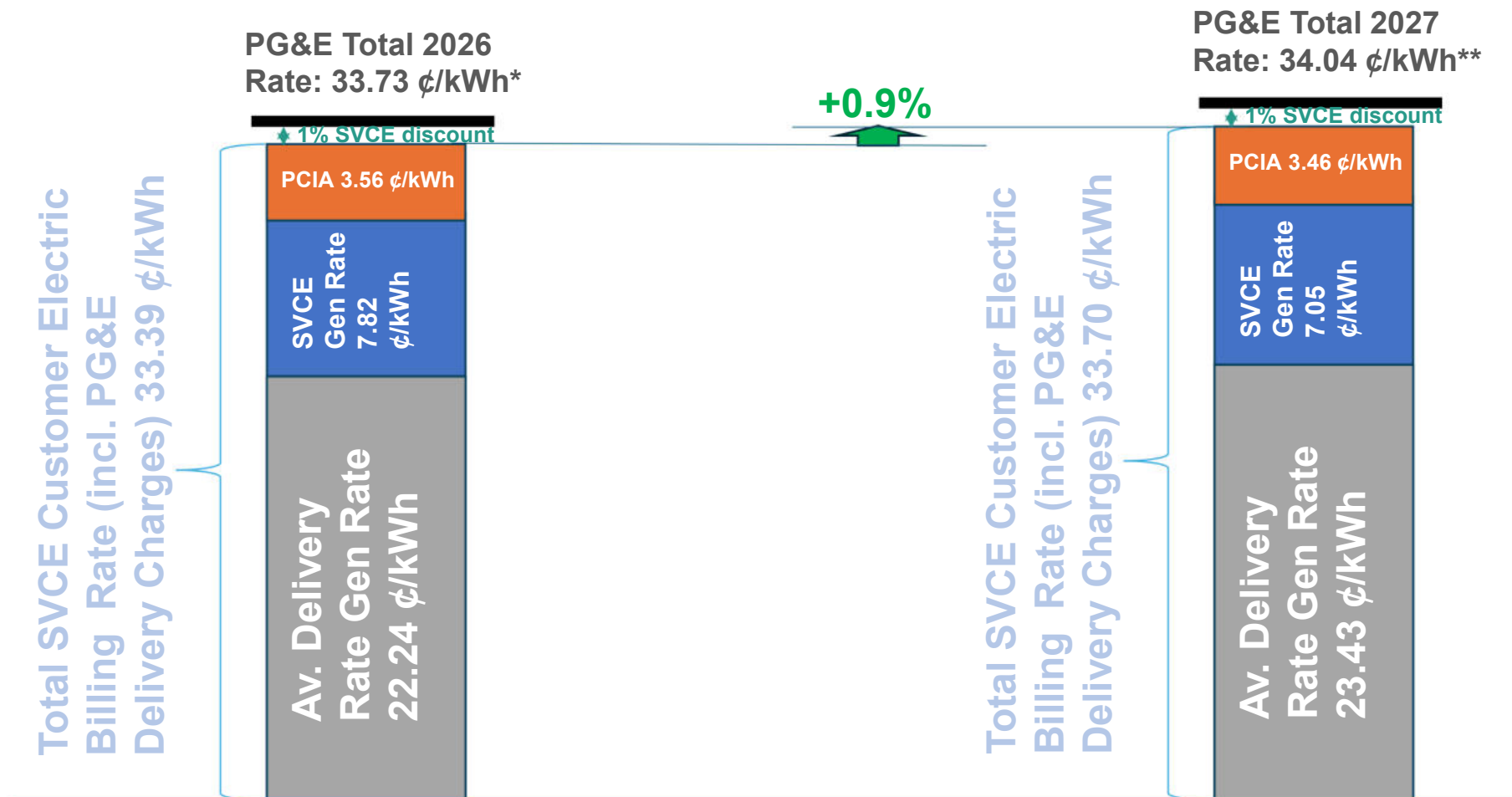


* PG&E ERRA forecast and ERRA Fall Update, released in May 2026 and October 2026 (Weighted for SVCE Portfolio Load)
 ** CalCCA NewGen Model analysis using market data as of 6/26/2026 and estimated CPUC attribute benchmarks for CY 2026-2027 (Weighted for SVCE Portfolio Load)
 *** NewGen estimated PG&E generation rate and PCIA, after the release of updated CPUC market benchmarks in October 2026.
 Above-margin analyses ignore minor reductions for franchise fees. Customer discount is based on the 2017 PCIA vintage.



Customer Perspective – SVCE Rate Reduction Almost Offsets Customer's PG&E Delivery Rate Increase

- PG&E delivery rate, on average, is estimated to increase by about ~5%
- Residential delivery rate is expected to increase by around ~2%
- Transmission rates likely to change in March 2027



*PG&E 2026 Average Rate, effective January 1, 2026 and estimated total delivery rates as of March 1, 2026 (Weighted for SVCE Portfolio Load)

**Gen rates and delivery rates are estimated based on PG&E ERRR filing (October 16, 2026) data for CCA/DA customers (Weighted for SVCE Portfolio Load; excl. Climate Credit & EITE). Above margin analyses ignore minor reductions for franchise fees. Customer discount is based on the 2017 PCIA Vintage.



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

	Residential		Res CARE*		Small Commercial		Medium Commercial		Large Commercial	
	2026**	2027***	2026**	2027***	2026**	2027***	2026**	2027***	2026**	2027***
Rate Schedule	E-TOUC	Est. Avg	E-TOUCL	Est. Avg	B-1	B-1	B-10S	B-10S	B-19S	B-19S
PG&E Bundled Gen Rate (\$/kWh)	\$ 0.1123	\$ 0.1093	\$ 0.1128	\$ 0.1067	\$ 0.1147	\$ 0.1040	\$ 0.1208	\$ 0.1103	\$ 0.1096	\$ 0.1066
SVCE Gen Rate (\$/kWh)	\$ 0.0740	\$ 0.0718	\$ 0.0744	\$ 0.0713	\$ 0.0771	\$ 0.0691	\$ 0.0812	\$ 0.0743	\$ 0.0722	\$ 0.0760
PG&E Delivery Rate (\$/kWh)	\$ 0.2911	\$ 0.2980	\$ 0.1127	\$ 0.1152	\$ 0.2952	\$ 0.2980	\$ 0.2160	\$ 0.2303	\$ 0.1753	\$ 0.1948
PG&E PCIA/FF (\$/kWh)****	\$ 0.0372	\$ 0.0364	\$ 0.0372	\$ 0.0344	\$ 0.0364	\$ 0.0338	\$ 0.0384	\$ 0.0349	\$ 0.0363	\$ 0.0295
Total Electricity Cost (\$/kWh)	\$ 0.4023	\$ 0.4062	\$ 0.2243	\$ 0.2208	\$ 0.4087	\$ 0.4009	\$ 0.3356	\$ 0.3395	\$ 0.2838	\$ 0.3003
SVCE CARE/FERA Monthly Credit*			\$ (12.00)	\$ (13.00)						
Est. Average Usage (kWh/month)	491	491	491	491	1,851	1,851	22,540	22,540	148,625	148,625
SVCE Gen Rate Discount vs PG&E**	1%	1%	~23%*	~26%*	1%	1%	1%	1%	1%	1%
Est. Av. Monthly Savings vs PG&E**	\$ 0.55	\$ 0.54	\$ 12.55	\$ 13.52	\$ 2.13	\$ 1.92	\$ 27.27	\$ 24.86	\$ 162.00	\$ 158.39
Av. Monthly Cost at SVCE Gen Rate*	\$ 197.51	\$ 199.46	\$ 98.14	\$ 95.43	\$ 756.43	\$ 742.05	\$ 7,563.52	\$ 7,653.16	\$ 42,185.72	\$ 44,631.24
Av. Monthly Cost at PG&E Gen Rate*	\$ 198.06	\$ 199.99	\$ 110.69	\$ 108.96	\$ 758.56	\$ 743.97	\$ 7,590.80	\$ 7,678.03	\$ 42,347.72	\$ 44,789.63

*Estimated, based on average historic SVCE usage for corresponding customer class.

**Estimated, based on current PG&E 2026 rates.

***Preliminary Gen rates and T&D rates are based on PG&E ERRR Fall Update (released on October 16, 2026) data for CCA/DA customers without GHG Revenue Return.

**** Customer Discount is based on the 2017 PCIA Vintage.

Total CARE/FERA bill discount (including T&D) vs average PG&E residential customer, assuming the same usage (491 kWh/month) is about 52%.

On average, CARE/FERA usage is about 12% lower than that of an average E-TOUC customer.

Delivery rates are estimated to increase approximately 5% Y-o-Y (load weighted for SVCE customer portfolio)



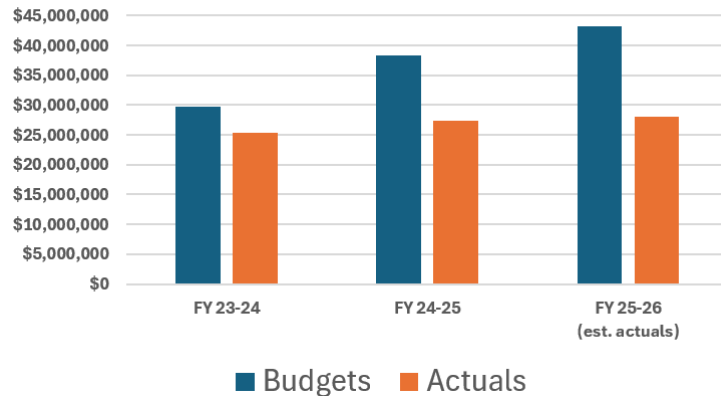
Reserve Targets

Issue: Update Reserve Targets	Current Methodology	Proposal
<ul style="list-style-type: none">• Ensure SVCE maintains sufficient reserves to manage risks such as those modeled under the stress test analyses• If adverse conditions materialize, allow for at least 120 days to reshape the strategy and secure additional liquidity• The upper reserve target enables the agency to take advantage of good margin years to manage risks over a 5-year period	<p><u>Target</u> to keep reserves above 120 Days of Cash On Hand (DCOH) for CFY 2027 and under the modeled stress scenario</p> <p>Set the <u>upper</u> reserve target such that over the next five fiscal years, reserves do not fall below 90 DCOH under the modeled stress scenario</p>	<ul style="list-style-type: none">• Given the current financial outlook, staff recommends not updating the reserve targets.<ul style="list-style-type: none">• Stress test analyses would imply raising the upper target from 500 to ~650 DCOH; however, the new implied target level of .• Changing the upper target has no practical implication, given that the financial outlook does not support contributing to reserves• Stress test is an important factor, but other considerations, such as guidance from credit rating agencies, also matter.<ul style="list-style-type: none">• Current targets support such guidance



Removing High Contingencies in Operating Expenses Budget, other than Power Supply (~10% of Total Expenses)

SVCE Non-Commodity O&M Budget vs Actual



Historically actuals come in 20-30% below budgets. Staff has revised the department budget preparation process this year to better align budgets to actual expectations.

	Past Practice	2027 Budget Process
Process	Budgets developed and monitored at more aggregate level than at detailed departmental line item spend-category	Bottom-up and detailed line-item budgeting for each department at expected spend levels
Contracts	Budget Approved Not-to-Exceed Amounts	Budget expected contract spend under NTE
Salaries & Benefits	Year-over-year approach	New Sr. Mgr. HR doing bottom-up budget
Contingency	Conservative department budgeting with additional contingency applied on the overall budget	Detail items at expected spend, with justified contingency by department and category



Power Supply Expenses

(~90% of Expenses)

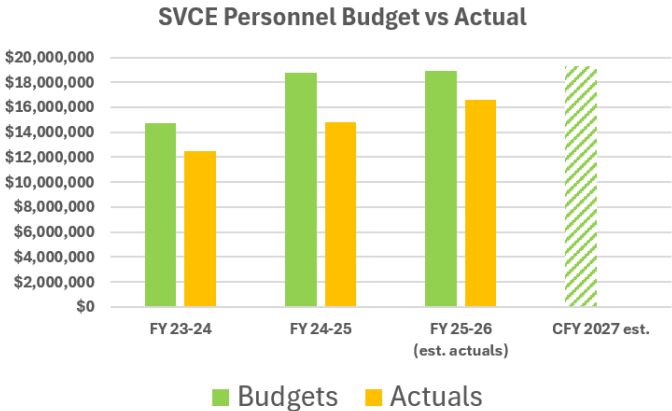
Issue: Volatile Prices	Staff Recommendation	Budget Policy & Contingency
<ul style="list-style-type: none">Power prices are very volatile and have declined significantly.In addition to power price volatility, recent volatility in RA and RPS prices makes budget projections highly uncertain<ul style="list-style-type: none">2027 Budget will be developed based on a snapshot of market prices toward the end of October 2026Contract delays / renegotiations further add uncertainty	<ul style="list-style-type: none">Continue hedging to current ERM (Energy Risk Management) targets<ul style="list-style-type: none">In 2025, with Board approval of the Energy Risk Management Policy update, staff incorporated estimated contributions towards hedges from PCIAStaff will continue to further refine methodologies and update the estimated parameters for the budget runSVCE's clean policy<ul style="list-style-type: none">For 2026, SVCE is on track to have between 104% to 107% clean portfolio position, with Board goal of 106%.<ul style="list-style-type: none">Staff continues to evaluate opportunities to contract to 106% clean for 2026 and will plan for 106% in the 2027 budget.Contract delays/renegotiations further add uncertainty and the variable intermittency of the resources may vary against forecasted volumes on a monthly and annual basis.	<ul style="list-style-type: none">Generally contingencies are not included in the power supply budget to account for volatile prices but are accounted for in the budget policyThe budget policy grants the CEO authority to overspend the total annual budget for energy purchases by the lesser of 15% of the annual power supply budget, or \$50 millionThe lesser of \$50 million or 15% was established for a 12-month period



Personnel Costs

(Staffing, Cost of Living/Merit)

Status	Staff Recommendation	Look Ahead
<ul style="list-style-type: none">Hire identified roles for vacancies and stub-budget approved position, and continue to assess staffing needs semi-annually.Adjust employee salaries for cost-of-living and merit/promotions	<ul style="list-style-type: none">Current budget headcount of 70 employees (68 FT/ 2 PT)Adjustment for COLA<ul style="list-style-type: none">Propose to continue using the 6-month rolling average of SF Bay Area CPI – current trailing average is 3.3% (Feb-Aug 2026), <u>but will be updated prior to final budget for (Apr-Oct 2026) period.</u>Propose to add a 0.825% “catch-up” to the COLA adjustment due to the fiscal year change an 15-month since last pay adjustments (to be update to ¼ of the final CPI / COLA adjustment).Additional increases for 2.25% merit and promotions (on average) based on the CEO’s discretion. CEO discretion applied depending on employee pay relative to market range, performance, and date of hire.4% salary contingency for promotions, retention, recruiting, and other personnel needs, allowing for more accurate salary budgeting.Vacancy Rate is 2.5% (assumes a 10% turnover rate and 90 days to fill a vacancy).Health Insurance coverage being updated to be more efficient and cost effective. Benefit cost increases for all benefits are projected to be 10%.	<ul style="list-style-type: none">Continuing to evaluate staffing levels to:<ul style="list-style-type: none">Create effective work environment for new buildingAdvance strategic focus area goalsCreate organizational depth to identify and eliminate single points of failure for business continuityContinue optimizing benefit programs to maximize employee value while improving cost efficiency for the





Financial Levers - Recap

Playbook:

- **No changes for 2027**
 - Maintain current customer discounts
 - 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
 - Currently, staff is evaluating new product concepts and plan to present to the board in Q1 2027 – including expected financial impact against forecast



Next Steps

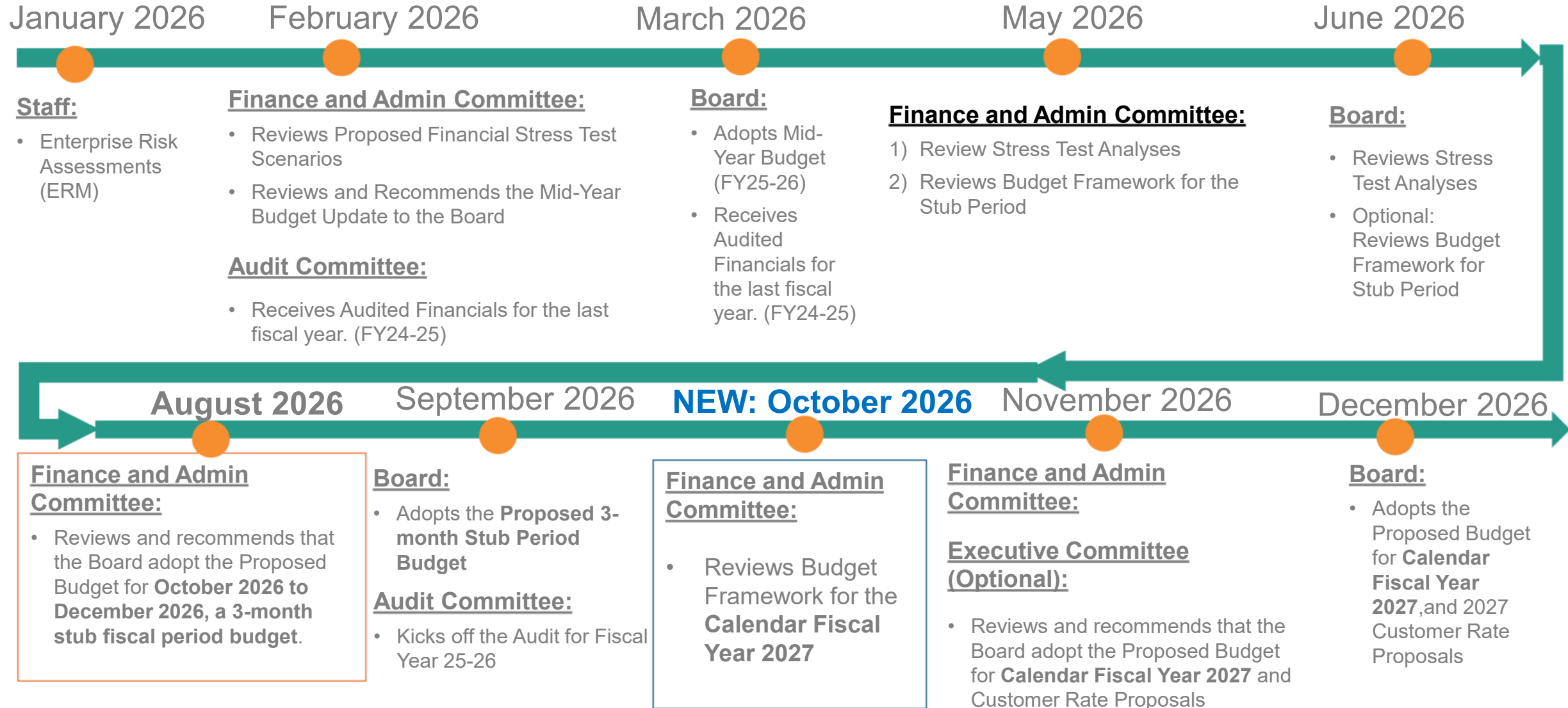
- Present draft fiscal year 2027 budget for the Committee's review in late November
- The board will review the 2027 budget in December for adoption

Appendix



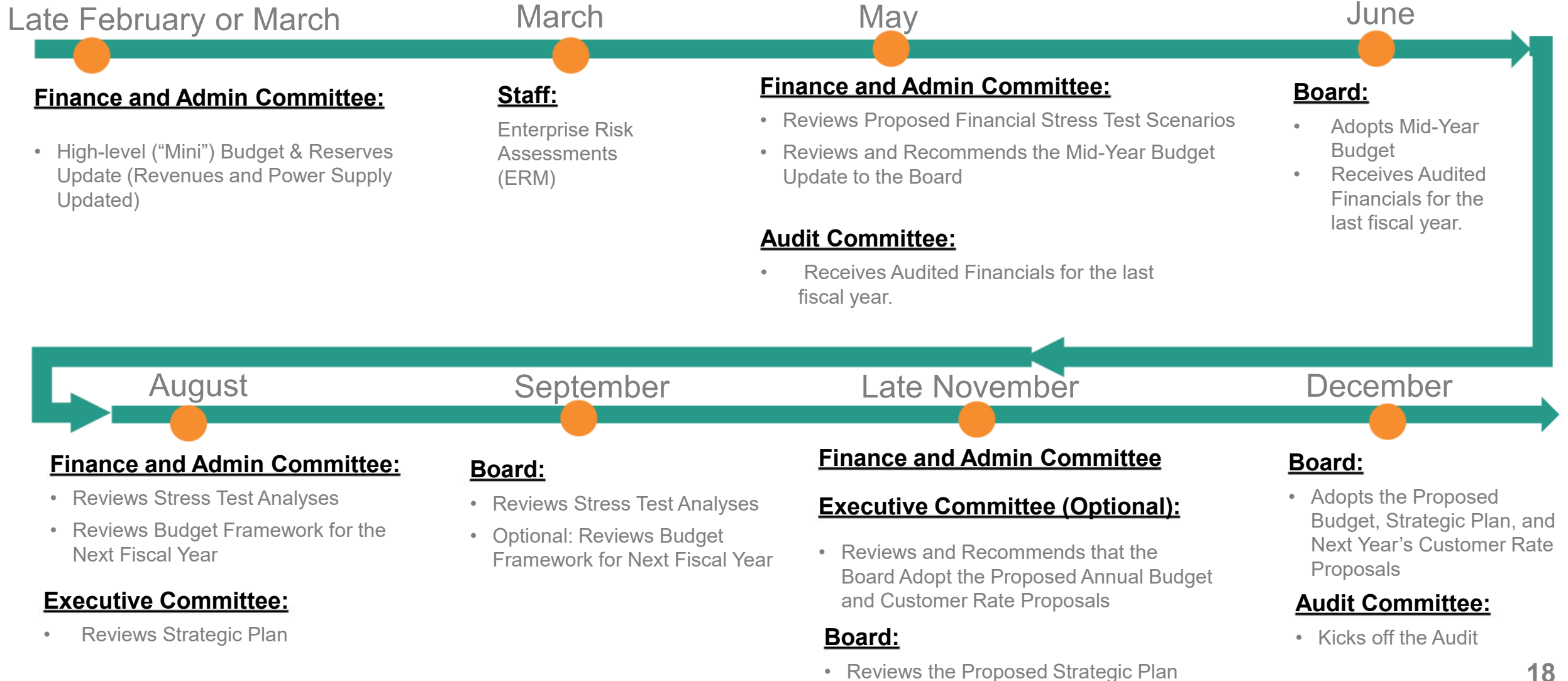
Transition Timeline and Plan

New Fiscal Period Starts January 1, 2027





Budget and Planning Process and Timeline Starting 2027





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.