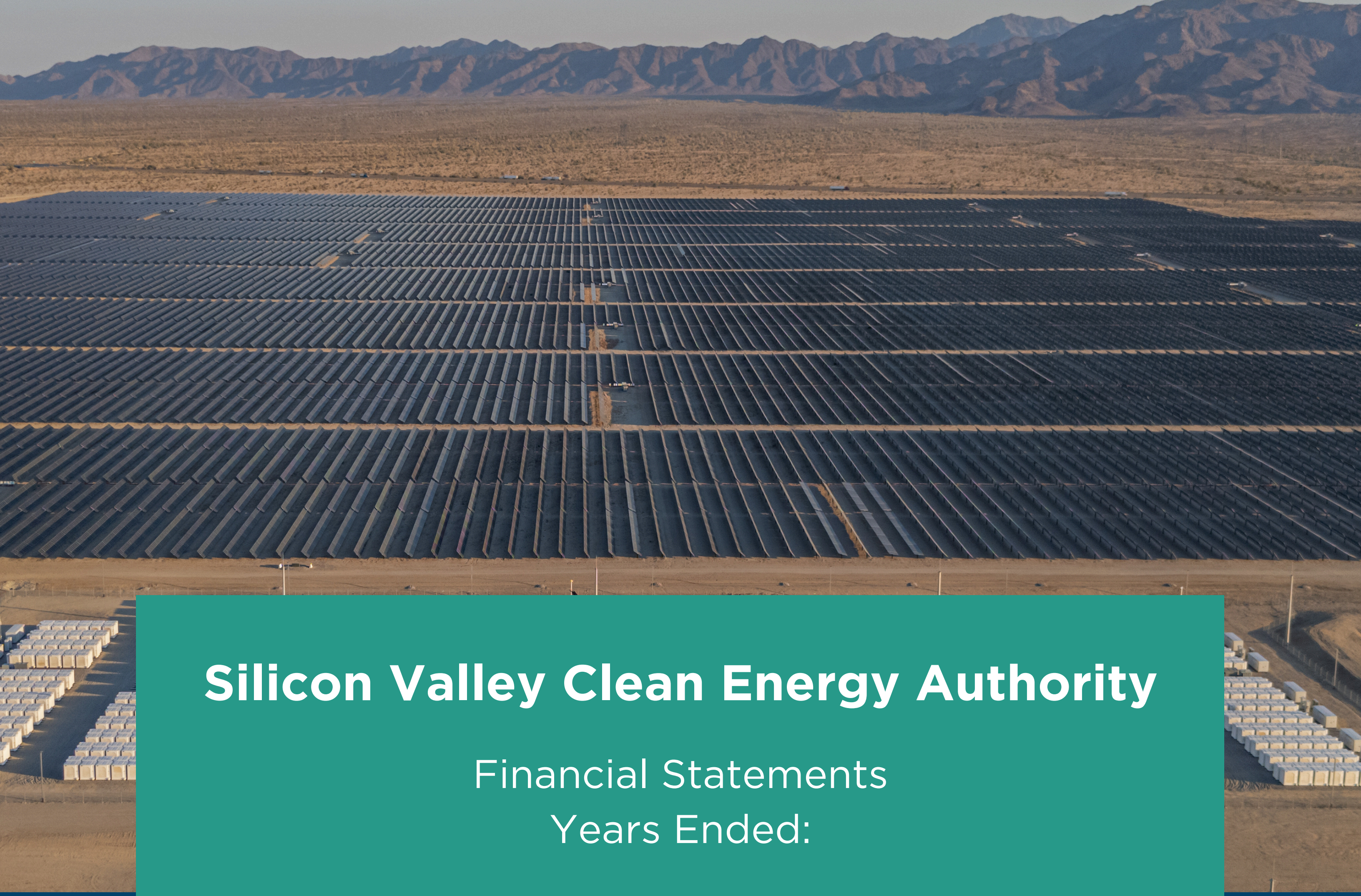

Silicon Valley Clean Energy Authority

Financial Statements
Years Ended:

September 30, 2024
September 30, 2023

With Report of Independent Auditors

SILICON VALLEY
CLEAN ENERGY

SILICON VALLEY CLEAN ENERGY AUTHORITY
YEARS ENDED SEPTEMBER 30, 2024 AND 2023

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KOSMATKA DONNELLY & CO., LLP

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Independent Auditor's Report

To the Board of Directors
Silicon Valley Clean Energy Authority

Opinion

We have audited the accompanying financial statements of Silicon Valley Clean Energy Authority (SVCE), which comprise the statements of net position as of September 30, 2024 and 2023, the related statements of revenue, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of SVCE as of September 30, 2024 and 2023, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SVCE and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SVCE's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SVCE's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SVCE's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Kosmatka, Donnelly & Co., LLP

Santa Rosa, California
January 31, 2025

The purpose of management's discussion and analysis (MD&A) is to help stakeholders and other readers understand what the financial statements and notes in this report say about Silicon Valley Clean Energy Authority's (SVCE) financial health and why it has changed since last year. It contains information drawn from other parts of the report, accompanied by explanations informed by the finance staff's knowledge of SVCE's finances.

Overview of the Financial Statements

SVCE's financial report contains basic financial statements, which include:

- The *Statements of Net Position* include all of SVCE's assets, liabilities, and net position and provides information about the nature and amount of resources and obligations at a specific point in time.

- The *Statements of Revenues, Expenses, and Changes in Net Position* report all of SVCE's revenue and expenses for the years shown.

- The *Statements of Cash Flows* report the cash provided and used by operating activities, as well as other sources and uses, such as capital and investing activities.

- The notes to the Basic Financial Statements provide additional details and information related to the basic financial statements.

Financial Summary

SVCE's Net Position

	2024	2023	2022
Current assets	$420,352,985	$376,699,458	$270,632,455
Noncurrent assets:			
Capital assets, net	761,171	1,259,365	1,681,871
Other noncurrent assets	150,052,998	56,864,643	45,330
Total noncurrent assets	150,814,169	58,124,008	1,727,201
Total assets	571,167,154	434,823,466	272,359,656
Current liabilities	70,667,155	86,003,663	51,733,663
Noncurrent liabilities	15,303,125	24,283,988	7,942,472
Total liabilities	85,970,280	110,287,651	59,676,135
Net position			
Net Investment in capital assets	358,431	348,144	287,728
Unrestricted	484,838,443	324,187,671	212,395,793
Total net position	$485,196,874	$324,535,815	$212,683,521

As of September 30, 2024, SVCE's total net position was approximately $485,000,000, an increase of $161,000,000 or 50% as compared to September 30, 2023. Most of the increase in net position was a result of SVCE's operating surplus discussed below.

SVCE's Changes in Net Position

	2024	2023	2022
Operating revenues	$ 534,489,788	$ 503,675,151	$ 363,521,534
Nonoperating revenues	23,348,067	9,262,831	1,870,954
Total revenues	557,837,855	512,937,982	365,392,488
Operating expenses	397,162,572	401,057,113	318,708,488
Nonoperating expenses	14,224	28,576	36,126
Total expenses	397,176,796	401,085,689	318,744,614
Change in net position	$ 160,661,059	$ 111,852,293	$ 46,647,874

Increases in electricity sales accounted for most of the increase in total income. The cost of electricity, a component of operating expenses, decreased approximately 4% from fiscal year 2023 to fiscal year 2024 due to changes in volume and market prices.

Detailed Analysis

Current assets increased from $377,000,000 at the end of fiscal year 2023 to $420,000,000 at the end of fiscal year 2024. This increase was due to operating surpluses as well as the timing in paying operating expenses. Current assets at the end of fiscal year 2024 were primarily comprised of cash and investments of $330,000,000, accounts receivable of $43,000,000, and accrued revenue of $30,000,000.

Capital assets are reported net of depreciation and amortization. Each year, the change is mostly due to capital asset acquisitions, less depreciation and amortization expense. Capital assets include leasehold improvements, furniture and equipment, a vehicle, and a lease asset related to SVCE's office premises.

Other noncurrent assets include investments of $150,000,000 and $57,000,000 at the end of fiscal years 2024 and 2023, respectively.

The largest component of current liabilities is the cost of electricity delivered to customers that was not yet paid by SVCE by the end of the fiscal year. Current liabilities for the cost of energy fluctuated each year due to changes in payment terms of certain energy products, as well as the prices of those products. Accrued cost of electricity was approximately $64,000,000 and $79,000,000 at the end of fiscal years 2024 and 2023, respectively.

Noncurrent liabilities consist of supplier security deposits held by SVCE as collateral.

Operating revenues increased each year from fiscal years 2022 to 2024, primarily from increases in rates charged to customers. SVCE also receives revenues from sources other than retail customer sales. These sources include liquidated damage revenue resulting from electricity suppliers' noncompliance with contract provision and grant income used to assist with various customer programs.

Detailed Analysis (continued)

Grant income from the California Arrearage Payment Plan (CAPP) was included in nonoperating revenues for fiscal years 2022 and 2023. This grant was applicable for two years and did not recur in fiscal year 2024. Investment income increased each year due to changes in market interest rates as well as increases in invested assets.

Operating expenses fluctuated each year primarily due to market forces that affect the cost of electricity, SVCE's largest expense. SVCE procures energy from a variety of sources to reduce market risk and to maintain a balanced renewable power portfolio. The primary driver of the decrease in energy costs from 2023 to 2024 was decrease in certain market prices.

Significant Capital Asset and Long-Term Financing Activity

SVCE does not own assets used for electric generation or distribution. Included in capital assets are office equipment, such as computers, furniture, a vehicle, leasehold improvements and a leased asset.

Assets that are leased by SVCE, such as office premises, are recorded in the Statement of Net Position with a related liability for future obligations.

Currently Known Facts, Decisions, or Conditions

SVCE serves approximately 96% of all eligible customers in the service area, and that participation rate is expected to remain stable in 2025.

SVCE procures energy consistent with its Board-approved Energy Risk Management Policy that aligns customer demand for clean energy with short and long-term purchases of clean energy resources. SVCE complies with state laws and its own targets for renewable and greenhouse gas (GHG) free energy. California's Renewable Portfolio Standard (RPS) requires load-serving entities such as SVCE to supply their retail sales with minimum quantities of eligible renewable energy annually and through long-term commitments of more than ten years. The state has also directed load-serving entities (LSEs) to procure new clean energy and capacity resources by 2026 to meet grid reliability goals. Senate Bill 100 directs all LSEs to procure 60% of their portfolios from RPS-eligible resources by 2030 and 100% of their retail sales from GHG-free resources (or eligible renewable resources) by 2045. Senate Bill 1020 sets interim clean targets of 90% and 95% by 2035 and 2040. SVCE's current policy is to procure 100% of retail sales, adjusted for transmission and distribution losses, from GHG-free resources. SVCE has executed 18 RPS contracts of ten years or more and has met its RPS requirements for long-term procurement. SVCE is on the path to meeting its requirements as ordered by the CPUC under the Mid-term Reliability Procurement decision (R.20-05-003).

Currently Known Facts, Decisions, or Conditions (Continued)

SVCE uses a portfolio risk-management approach in its power purchasing program, seeking low-cost supply and diversity among technologies, production profiles, project sizes and locations, counterparties, length of the contract, and timing of market purchases. SVCE's procurement strategy through 2030 includes regularly procuring new and existing California renewables by 2030 via contracts with terms of 10 years or more. The strategy also includes investing in storage paired with solar, stand-alone storage, long-duration storage, geothermal, and large hydroelectric resources. SVCE continually manages its forward load obligations and supply commitments to balance cost stability and minimization. SVCE closely monitors its open positions for Portfolio Content Category 1 (PCC 1) renewable energy and carbon-free, non-RPS eligible, based on calendar-year targets. SVCE maintains its clean portfolio coverage targets of up to 100% in the near term and leaves a greater portion open in the medium- to long-term, consistent with generally accepted industry practice.

SVCE also procures electric capacity or Resource Adequacy (RA), a California program jointly administered by the California Public Utilities Code (CPUC), the California Energy Commission (CEC), and California Independent System Operator (CAISO). The RA resources ensure enough supply in the right locations and sufficient ramping capability to meet the load in the CAISO market.

In the fiscal year ending September 30, 2024, SVCE's retail load increased by about 2% from the prior fiscal year to 3.93 Terrawatt-hours (TWhrs). SVCE expects retail load to grow to 4.01 TWhrs for the Fiscal Year ending September 30, 2025, resulting primarily from residential load increase due to transportation and building electrification load growth. Over the next ten years, SVCE expects the load to grow by about 2% per year. The forecast also incorporates load-modifying effects of increasing electric vehicle adoption and charging, behind-the-meter solar and/or storage (via net energy metering), and energy efficiency. SVCE's long-term load forecast is driven primarily by the number and types of customers. SVCE's planning accounts for the expected load growth from the transportation, data center (including artificial intelligence), and building electrification sectors.

In 2019, the Board of Directors approved a Commercial Pricing Policy that allows SVCE to offer innovative customized contract offerings to customers that support long-term customer retention. SVCE has signed long-term arrangements with two major customers for customized power supply offerings and is working with additional prospective customers.

Currently Known Facts, Decisions, or Conditions (Continued)

SVCE expects to continue to provide competitive electric rates. Volatile energy prices and the variability of the power charge indifference adjustment (PCIA) can be barriers to providing stable rates. The PCIA is an accounting mechanism to ensure indifference between bundled and unbundled customers to pay for assets procured by IOUs on behalf of their customers before unbundled customers departed (for a CCA or ESP, e.g.). For SVCE, the PCIA is calculated by determining the market value of Pacific Gas and Electric Company's (PG&E) portfolio for assets procured in 2017 or prior. SVCE's customers pay a proportionate share of the costs incurred for that legacy portfolio. As of January 2023, SVCE has increased its discount relative to PG&E's generation service to 4 percent. SVCE continues to advocate for legislation and regulatory proceedings that impact rates (e.g., procurement mandates, load management standards, and reliability proceedings).

SVCE's commitment to building healthy cash reserves has placed SVCE in a stable position to manage volatile energy prices and future regulatory and legislative risks. SVCE sets aside funds, known as reserves, to ensure it can continue serving customers even during times of financial stress, such as when energy costs are highly volatile. SVCE's analyses of the reserves required to withstand plausible risk events indicate a reserve target to cover 350 days of operation or about $430 million. Risk event analyses, also called stress tests in the industry, evaluate how extreme but plausible scenarios could deplete reserves. These tests provide valuable insight for shaping fiscal year budgets and reserve targets to help mitigate the impact of potential risks. They can also ensure that SVCE remains resilient in different scenarios and help guide the development of the agency's strategic plan. Risks include market price, revenue, counterparty credit and performance, load and generation fluctuations, operational and financial liquidity, and regulatory and legislative changes.

SVCE is committed to investing funds not needed for operations or to meet reserve requirements into our communities via lower rates and customer and community decarbonization programs that disperse funds through rebates, scholarships, services, and grants. As of the fiscal year ending September 30, 2024, SVCE has remaining earmarked funds of about $95 million towards these decarbonization programs. Most of these programs have been implemented and are currently available to customers. SVCE is working to market and increase customer adoption, which takes time and can stretch out the disbursement of these funds across many years. Yearly fund disbursements are expected to increase in the coming years with accelerated customer adoption of these programs. In addition to continued baseline funding for decarbonization programs, SVCE plans to implement a policy directing any additional funds to support future customer rate stability, further scaling adoption of pollution-free appliances, and investments in local clean power supply technology.

Currently Known Facts, Decisions, or Conditions (Continued)

SVCE strongly focuses on building credit capacity through increased cash reserves, complying with the energy risk management policy and credit guidelines, and entering into favorable energy purchase commitments. SVCE received a "Baa1" credit rating in the Summer of 2023 from Moody's and an 'A' credit rating from S&P Global in May 2023, both affirmed a stable outlook for SVCE.

Request for Information

This financial report is designed to provide SVCE's board members, stakeholders, customers, and creditors with a general overview of SVCE's finances and to demonstrate SVCE's accountability for the funds under its stewardship.

Please address any questions about this report or requests for additional financial information to the finance department at 333 W. El Camino Real, #330, Sunnyvale, CA 94087 or contact info@svcleanenergy.org.

BASIC FINANCIAL STATEMENTS

SILICON VALLEY CLEAN ENERGY AUTHORITY
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2024 AND 2023

	2024	2023
ASSETS		
Current assets		
Cash and cash equivalents	$ 261,473,872	$ 230,694,505
Accounts receivable, net of allowance	43,061,445	49,889,393
Accrued revenue	29,579,485	30,432,122
Other receivables	16,224,969	4,396,286
Prepaid expenses	843,135	1,353,177
Deposits	709,798	25,602,479
Investments	68,460,281	34,331,496
Total current assets	420,352,985	376,699,458
Noncurrent assets		
Deposits	45,130	45,130
Investments	150,007,868	56,819,513
Capital assets, net of depreciation and amortization	761,171	1,259,365
Total noncurrent assets	150,814,169	58,124,008
Total assets	571,167,154	434,823,466
LIABILITIES		
Current liabilities		
Accrued cost of electricity	64,433,952	78,604,532
Accounts payable	1,770,065	2,857,744
Other accrued liabilities	2,006,073	1,286,104
User taxes and energy surcharges due to other governments	1,679,325	1,726,800
Supplier security deposits	375,000	1,020,000
Lease liability	402,740	508,483
Total current liabilities	70,667,155	86,003,663
Noncurrent liabilities		
Supplier security deposits	15,303,125	23,881,250
Lease liability	-	402,738
Total noncurrent liabilities	15,303,125	24,283,988
Total liabilities	85,970,280	110,287,651
NET POSITION		
Net investment in capital assets	358,431	348,144
Unrestricted	484,838,443	324,187,671
Total net position	$ 485,196,874	$ 324,535,815

SILICON VALLEY CLEAN ENERGY AUTHORITY
STATEMENTS REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2024 AND 2023

	2024	2023
OPERATING REVENUES		
Electricity sales, net	$ 530,672,320	$ 500,150,468
GreenPrime electricity premium	2,498,428	1,456,427
Liquidated damages	1,291,500	2,019,600
Other income	27,540	48,656
Total operating revenues	534,489,788	503,675,151
OPERATING EXPENSES		
Cost of electricity	361,542,484	375,015,282
Contract services	14,235,827	10,228,607
Staff compensation and benefits	12,525,043	9,682,535
Other operating expenses	8,219,946	5,509,407
Depreciation and amortization	639,272	621,282
Total operating expenses	397,162,572	401,057,113
Operating income	137,327,216	102,618,038
NONOPERATING REVENUES (EXPENSES)		
Investment income	23,348,067	8,546,278
Grant income	-	716,553
Finance costs	(14,224)	(28,576)
Nonoperating revenues (expenses), net	23,333,843	9,234,255
CHANGE IN NET POSITION	160,661,059	111,852,293
Net position at beginning of year	324,535,815	212,683,522
Net position at end of year	$ 485,196,874	$ 324,535,815

SILICON VALLEY CLEAN ENERGY AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 549,801,243	$ 511,002,951
Receipts of liquidated damages	1,216,500	2,019,600
Receipts of security deposits	34,632,586	15,470,000
Other operating receipts	15,290	38,633,263
Payments to suppliers for electricity	(386,298,737)	(359,547,762)
Payments of security deposits	(18,875,780)	(28,151,765)
Payments for other goods and services	(22,723,427)	(14,469,068)
Payments of staff compensation and benefits	(12,352,507)	(9,393,101)
Payments of taxes and surcharges to other governments	(8,997,384)	(8,512,842)
Net cash provided by operating activities	136,417,784	147,051,276
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Grant revenue received	-	716,553
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments of lease obligation	(522,705)	(536,056)
Payments to acquire capital assets	(151,584)	(188,270)
Net cash used by capital and related financing activities	(674,289)	(724,326)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	22,096,463	6,946,208
Proceeds from investment sales	54,494,824	-
Purchase of investments	(181,555,415)	(91,130,973)
Net cash used by investing activities	(104,964,128)	(84,184,765)
Net change in cash and cash equivalents	30,779,367	62,858,738
Cash and cash equivalents at beginning of year	230,694,505	167,835,767
Cash and cash equivalents at end of year	$ 261,473,872	$ 230,694,505

SILICON VALLEY CLEAN ENERGY AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2024 AND 2023

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	2024	2023
Operating income	$ 137,327,216	$ 102,618,038
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization expense	639,272	621,282
(Increase) decrease in:		
Accounts receivable, net of allowance	6,827,948	5,773,835
Accrued revenue	852,637	(4,923,424)
Other receivables	(10,833,628)	(2,734,538)
Prepaid expenses	510,042	(375,249)
Current deposits	24,892,681	(5,037,158)
Increase (decrease) in:		
Accrued cost of electricity	(14,170,580)	42,549,670
Accounts payable	(1,077,173)	1,839,430
Other accrued liabilities	719,969	216,587
User taxes and energy surcharges due to other governments	(47,475)	32,803
Supplier security deposits	(9,223,125)	6,470,000
Net cash provided by operating activities	$ 136,417,784	$ 147,051,276

	2024	2023
NONCASH INVESTING ACTIVITIES		
Unrealized appreciation and timing differences in investment income	$ 1,251,604	$ 1,600,070

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Silicon Valley Clean Energy Authority (SVCE) is a Joint Powers Authority created on March 31, 2016. As of September 30, 2024, parties to its Joint Powers Agreement consist of the following local governments:

Unincorporated areas of Santa Clara County	Milpitas
Campbell	Monte Sereno
Cupertino	Morgan Hill
Gilroy	Mountain View
Los Altos	Saratoga
Los Altos Hills	Sunnyvale
Los Gatos	

SVCE is separate from and derives no financial support from its members. SVCE is governed by a Board of Directors whose membership is composed of elected officials representing the member governments.

SVCE was formed to study, promote, conduct, operate, and manage energy and energy-related climate change programs, and to exercise all other powers necessary and incidental to accomplishing these objectives. A core function of SVCE is to provide electric service that includes the use of renewable sources under the Community Choice Aggregation Program under California Public Utilities Code Section 366.2.

SVCE began its energy delivery operations in April 2017. Electricity is acquired from commercial and municipal suppliers and delivered through existing physical infrastructure and equipment managed by Pacific Gas and Electric Company (PG&E).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING

SVCE's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements.

SVCE's operations are accounted for as a governmental enterprise fund and are reported using the economic resources measurement focus and the accrual basis of accounting – similar to business enterprises. Accordingly, revenues are recognized when they are earned, and expenses are recognized at the time liabilities are incurred. Enterprise fund type operating statements present increases (revenues) and decreases (expenses) in total net position. Reported net position is segregated into three categories – net investment in capital assets, restricted and unrestricted.

When both restricted and unrestricted resources are available for use, it is SVCE's policy to use restricted resources first, and then unrestricted resources as they are needed.

CASH AND CASH EQUIVALENTS

For purposes of the Statements of Cash Flows, SVCE defines cash to include cash on hand, demand deposits money market funds, and short-term investments with an original maturity of three months or less.

INVESTMENTS

Investments are stated at fair value based on prices listed on a national exchange for debt securities. Certificates of deposits are stated at cost. While SVCE intends to hold its securities to maturity, all investments could readily be converted to cash should SVCE choose to do so. Investments with a maturity of less than one year are shown as current assets in the Statement of Net Position. Investments with a maturity of one year or more are shown as noncurrent assets in the Statement of Net Position.

SVCE's Investment Policy permits the following types of investments:

U.S. Treasury obligations	Medium term notes
U.S. Agency obligations	Negotiable certificates of deposits
Municipal obligations	Asset-backed securities
Deposits at banks	Supranational obligations
Local Agency Investment Fund	Joint power authority pool
Commercial paper	Money market funds

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PREPAID EXPENSES

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid expenses.

DEPOSITS

Contracts to purchase energy may require SVCE to provide the supplier with advanced payments or security deposits. Deposits are generally held for the term of the contract and are classified as current or noncurrent assets depending on the length of time the deposits will be outstanding. The balance in current deposits decreased significantly from 2023 to 2024 due to changes collateral requirements with certain counterparties, including changing credit risk and the completion of certain contracts.

LEASE ASSET AND LEASE LIABILITY

SVCE recognizes an asset and liability when it enters into certain leasing arrangements. The cost of the leased asset is amortized over the term of the lease. The lease liability is the present value of payments expected to be paid to the lessor during the lease term. SVCE's only leased asset and liability relate to its office premises.

CAPITAL ASSETS AND DEPRECIATION

SVCE's policy is to capitalize furniture and equipment valued over $1,000 that is expected to be in service for over one year. Depreciation is computed according to the straight-line method over estimated useful lives of three years for electronic equipment, five years for automobiles and seven years for furniture and leasehold improvements. SVCE does not own any electric generation assets.

SUPPLIER SECURITY DEPOSITS

Various energy contracts require the supplier to provide SVCE with a security deposit. These deposits are generally held for the term of the contract or until the completion of certain benchmarks. Deposits are classified as current or noncurrent depending on the length of time the deposits will be held.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

NET POSITION

Net position is presented in the following components:

Net Investment in capital assets: This component of net position consists of capital assets, net of accumulated depreciation and amortization and reduced by outstanding borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Unrestricted: This component of net position consists of net position that does not meet the definition of "investment in capital assets" or "restricted".

OPERATING AND NONOPERATING REVENUE

Operating revenues include energy sales to retail and wholesale customers, and liquidated damages from suppliers that fail to meet delivery commitments.

Investment income and grants that are not earned from the delivery of program activities are considered "nonoperating revenues".

REVENUE RECOGNITION

SVCE recognizes revenue according to the accrual basis. This includes invoices issued to customers during the reporting period and electricity estimated to have been delivered, but not yet billed. Management estimates that a portion of the billed amounts will be uncollectible. Accordingly, an allowance for uncollectible accounts has been recorded. Revenue is presented net of estimated uncollectible amounts.

OPERATING AND NONOPERATING EXPENSES

Operating expenses include the costs of electricity and services, administrative expenses, and amortization and depreciation of capital assets. Expenses not meeting this definition are reported as nonoperating expenses.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

COST OF ELECTRICITY

During the normal course of business SVCE purchases electrical power from numerous suppliers. Electricity costs include the cost of energy and capacity arising from bilateral contracts with energy suppliers and for generation credits, load and other charges arising from SVCE's participation in the CAISO's centralized market. The cost of electricity and capacity is recognized as "Cost of Electricity" in the Statements of Revenues, Expenses and Changes in Net Position.

To comply with the State of California's Renewable Portfolio Standards (RPS) and self-imposed benchmarks, SVCE acquires RPS eligible renewable energy evidenced by Renewable Energy Certificates (Certificates) recognized by the Western Renewable Energy Generation Information System. SVCE obtains Certificates with the intent to retire them and does not sell or build surpluses of Certificates with a profit motive. An expense is recognized at the point that the cost of the Certificate is due and payable to the supplier.

SVCE purchases capacity commitments from qualifying electricity generators to comply with the California Energy Commission's Resource Adequacy Program. The goals of the Resource Adequacy Program are to provide sufficient resources to CAISO to ensure the safe and reliable operation of the electricity grid in real-time and to provide appropriate incentives for the siting and construction of new resources needed for reliability in the future.

STAFFING COSTS

SVCE pays employees bi-weekly and fully pays its obligation for health benefits and contributions to its defined contribution retirement plan as they come due. SVCE is not obligated to provide post-employment healthcare or other fringe benefits and, accordingly, no related liability is recorded in these financial statements. SVCE provides compensated time off, and the related liability is recorded in these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

RECLASSIFICATIONS

Certain amounts in the prior-year financial statements may have been reclassified for comparative purposes to conform to the presentation of the current-year financial statements. These reclassifications did not result in any change in previously reported net position or change in net position.

2. CASH AND CASH EQUIVALENTS

SVCE maintains its cash in both interest-bearing and non-interest-bearing accounts. SVCE's deposits are subject to California Government Code Section 16521, which requires banks to provide 110% collateralization on public funds in excess of the Federal Deposit Insurance Corporation limit of $250,000. Certain short-term investments with original maturities of less than three months are classified as cash and cash equivalents, which are not subject to the collateral requirement or FDIC coverage previously mentioned. Accordingly, the amount of risk is not disclosed. SVCE monitors its risk on an ongoing basis.

3. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

ACCOUNTS RECEIVABLE

Accounts receivable were as follows as of September 30:

	2024	2023
Accounts receivable from customers	$ 45,861,445	$ 52,689,393
Allowance for uncollectible accounts	(2,800,000)	(2,800,000)
Net accounts receivable	$ 43,061,445	$ 49,889,393

The majority of account collections occur within the first few months following the issuance of customer invoices. SVCE estimates that a portion of the invoiced accounts will not be collected. SVCE continues collection efforts on accounts in excess of *de minimis* balances regardless of the age of the account. Although collection success generally decreases with the age of the receivable, SVCE continues to be successful in collecting older accounts. The ending allowance for uncollectible accounts reflects the remaining balance after certain accounts were fully written off.

OTHER RECEIVABLES

Other receivables consist primarily of amounts due from energy counterparties, generally as a result of certain wholesale transactions for energy products. The receivable balance at September 30, 2024 increased from the prior year as a result of a large resale agreement that was not in place during the prior year.

4. INVESTMENTS

During the years ended September 30, 2024 and 2023, SVCE purchased investments with original maturities of three months or more. As of September 30, investments, presented at fair value, were as follows:

	2024	2023
U.S. Treasury bonds and notes	$ 85,082,906	$ 50,243,069
Supranational obligations	862,521	-
Federal agency commercial	10,539,032	1,336,930
Corporate notes	42,194,852	9,893,896
Commercial paper	37,181,428	18,981,723
Certificate of deposits	9,228,478	7,429,188
Bank note	646,226	-
Asset-backed securities	32,732,706	3,266,203
Total investments	$ 218,468,149	$ 91,151,009

4. INVESTMENTS (CONTINUED)

FAIR VALUE MEASUREMENT

GASB Statement No. 72, *Fair Value Measurement and Application*, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. SVCE's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

As of September 30, 2024 and 2023, SVCE's investments are considered Level 1 inputs, except for certificates of deposits, which are based on the nominal value. Quoted prices in active markets were used for determining fair value measurement.

CREDIT RISK

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations. Certain investments, such as obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government, are not considered to have credit risk.

As of September 30, 2024 and 2023, credit risk for other investments were rated as follows:

	S&P Rating	
Moody's Investors Service	**2024**	**2023**
Supranational Agency Bond and Notes	AAA	-
Corporate Notes	BBB+ to AA1	BBB+ to AA1
Commercial Paper	A-1 to A+	A-1 to A-1+
Certificate of Deposits	A-1 to A+	A to A-1+
Asset-Backed Securities	NR to AAA	AAA

SVCE's investment policy addresses this risk. SVCE limits investments to those allowed by Section 53601 of the California Government Code that addresses the risk allowable for each investment.

4. INVESTMENTS (CONTINUED)

CUSTODIAL CREDIT RISK – CASH AND CASH EQUIVALENTS

Custodial credit risk is the risk that in the event of a financial institution failure, SVCE's deposits may not be returned to SVCE. SVCE's deposits are subject to California Government Code Section 16521, which requires banks to collateralize public funds in excess of the Federal Deposit Insurance Corporation (FDIC) limit of $250,000 by 110%.

As of September 30, 2024 and 2023, none of SVCE's bank balances are known to be individually exposed to custodial credit risk.

CUSTODIAL CREDIT RISK - INVESTMENTS

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, SVCE would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. All of SVCE's investments are exposed to custodial credit risk.

SVCE's investment policy addresses this risk. All investments owned by SVCE shall be held in safekeeping by a third-party custodian, acting as an agent for SVCE under the terms of a custody agreement.

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed income portfolio to changes in interest rates. Duration is calculated as the weighted average time to receive a bond's coupon and principal payments. The longer the duration of a portfolio, the greater its price sensitivity to changes in interest rates. SVCE manages its exposure to declines in fair values by limiting the weighted average maturity of its investments.

Following is a summary of the percentages of investments by maturity date as of September 30, 2024 and 2023:

	2024	2023
0 - 6 months	11.99%	32.48%
6 - 12 months	19.36%	15.89%
1 - 2 years	28.88%	32.50%
2 - 3 years	31.02%	15.43%
3 - 4 years	5.27%	1.38%
4 - 5 years	3.48%	2.32%
Over 5 years	0.00%	0.00%
Total	100.00%	100.00%

5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2024 was as follows:

	Beginning balance	Increases	Decreases	Ending balance
Capital assets being depreciated and amortized:				
Furniture and equipment	$ 758,883	$ 129,051	$ (3,674)	$ 884,260
Leasehold improvements	134,273	15,701	-	149,974
Lease asset	2,287,125	-	-	2,287,125
Total capital assets being depreciated and amortized	3,180,281	144,752	(3,674)	3,321,359
Less accumulated depreciation and amortization:				
Furniture, equipment and leasehold improvements	(476,416)	(157,772)	-	(634,188)
Lease asset	(1,444,500)	(481,500)	-	(1,926,000)
Total accumulated depreciation and amortization	(1,920,916)	(639,272)	-	(2,560,188)
Total capital assets, net of depreciation and amortization	$ 1,259,365	$ (494,520)	$ (3,674)	$ 761,171

Capital asset activity for the year ended September 30, 2023 was as follows:

	Beginning balance	Increases	Decreases	Ending balance
Capital assets being depreciated and amortized:				
Furniture and equipment	$ 567,107	$ 198,776	$ (7,000)	$ 758,883
Leasehold improvements	134,273	-	-	134,273
Lease asset	2,287,125	-	-	2,287,125
Total capital assets being depreciated and amortized	2,988,505	198,776	(7,000)	3,180,281
Less accumulated depreciation and amortization:				
Furniture, equipment and leasehold improvements	(343,634)	(139,782)	7,000	(476,416)
Lease asset	(963,000)	(481,500)	-	(1,444,500)
Total accumulated depreciation and amortization	(1,306,634)	(621,282)	7,000	(1,920,916)
Total capital assets, net of depreciation and amortization	$ 1,681,871	$ (422,506)	$ -	$ 1,259,365

6. LEASE

A lease asset is reported in accordance with Governmental Accounting Standards Board No. 87 *Leases* (GASB 87).

In February 2024 SVCE amended its non-cancelable lease for its office premises, extending the lease through October 31, 2025.

Rental payments under this lease were $529,000 and $519,000 for the years ended September 30, 2024 and 2023, respectively.

As of September 30, 2024, future minimum lease payments under the lease were projected as approximately $403,000.

7. GRANT REVENUE

SVCE administered a grant from the California Arrearage Payment Program (CAPP) that offers financial assistance for California energy utility customers to help reduce past due energy account balances that increased during the COVID-19 pandemic. This program concluded in 2023.

8. DEFINED CONTRIBUTION RETIREMENT PLAN

SVCE provides retirement benefits through the Silicon Valley Clean Energy Authority Public Agency Retirement System Defined Contribution Plan (Plan). The Plan is a defined contribution 401(a) Retirement Plan established to provide benefits at retirement to employees of certain qualified employers admitted by the Plan. The Plan is administered by Public Agency Retirement System (PARS). At September 30, 2024 and 2023, SVCE had 62 and 48 plan participants, respectively. SVCE is required to contribute 10% of covered payroll as a match to required employee contributions. SVCE contributed approximately $981,000 and $758,000 during the years ended September 30, 2024 and 2023, respectively. Plan provisions and contribution requirements as they apply to SVCE are established and may be amended by the Board of Directors.

9. RISK MANAGEMENT

SVCE is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and errors and omissions. During the year, SVCE purchased insurance policies from investment-grade commercial carriers to mitigate risks that include those associated with earthquakes, theft, general liability, errors and omissions, and property damage. SVCE has general liability coverage of $2,000,000 with a deductible of $500.

SVCE maintains risk management policies, procedures and systems that help mitigate credit, liquidity, market, operating, regulatory and other risks that arise from participation in the California energy market.

Credit guidelines include a preference for transacting with investment-grade counterparties, evaluating counterparties' financial condition and assigning credit limits as applicable. These credit limits are established based on risk and return considerations under terms customarily available in the industry. In addition, SVCE enters into netting arrangements whenever possible and, where appropriate, obtains collateral and other performance assurances from counterparties.

10. PURCHASE COMMITMENTS

POWER AND ELECTRIC CAPACITY

In the ordinary course of business, SVCE enters into various power purchase agreements to acquire renewable and other energy and electric capacity. The price and volume of purchased power may be fixed or variable. Variable pricing is generally based on the market price of either natural gas or electricity at the date of delivery. Variable volume is generally associated with contracts to purchase energy from as-available resources such as solar, wind and hydro-electric facilities.

SVCE enters into power purchase agreements in order to comply with state law and voluntary targets for renewable and greenhouse gas (GHG) free products and to ensure stable and competitive electric rates for its customers.

The following table represents the expected, undiscounted, contractual obligations outstanding as of September 30, 2024:

Years ending September 30,	
2025	$ 276,000,000
2026	197,000,000
2027	205,000,000
2028	207,000,000
2029	203,000,000
2030-2046	1,975,000,000
Total	$ 3,063,000,000

11. JOINT VENTURE

The SVCE participates in a joint powers agreement (JPA) through the California Community Choice Financing Authority (CCCFA). CCCFA was formed to assist its members by undertaking the financing or refinancing of energy prepayments through tax-advantaged bonds on behalf of one or more of the members by issuing or incurring bonds and entering into related contracts with its members. Any debt or liability incurred by CCCFA on behalf of a member to prepay for renewable energy is not a debt or liability of that member. Furthermore, the assets of CCCFA in the form of prepaid energy or reserves held by the respective bond trustees for any prepayment transaction undertaken on behalf of a member does not constitute an asset or reserve of that member.

CCCFA issued the following bonds, excluding original issue premium, which are to be used to finance energy purchases that will be delivered to SVCE. No debt, liability, or obligation of CCCFA is a debt, liability, or obligation of SVCE.

Deal	Date issued	Amount
2021B	September 2021	$ 1,234,720,000
2023B	January 2023	841,550,000
2024A	January 2024	1,101,625,000
		$ 3,177,895,000

SVCE will purchase energy from CCCFA in the same manner as it purchases energy from other suppliers. SVCE purchased approximately $46,622,000 and $29,081,000 from CCCFA during fiscal years 2024 and 2023, respectively. The outstanding purchase commitments related to these financing facilities of $251,143,000 are included in Note 10. This amount represents executed energy contracts assigned to CCCFA at September 30, 2024. Additional contracts will be assigned throughout the full bond period.

Each member of CCCFA is responsible for paying an equal portion of CCCFA's general and administrative operating costs as determined by its board. During the years ended September 30, 2024, and 2023, SVCE contributed approximately $30,000 and $87,000, respectively, to CCCFA to assist in its operating activities.

The financial statements of CCCFA are available online at http://www.cccfa.org/key-documents.html.

12. FUTURE GASB PRONOUNCEMENTS

The requirements of the following GASB Statements are effective for years ending after September 30, 2024:

GASB has approved GASB Statement No. 102, *Certain Risk Disclosures*, and GASB No. 103, *Financial Reporting Model Improvements*.

Management is evaluating the effect of implementation of these statements.