



Silicon Valley Clean Energy Authority

Financial Statements
Years Ended:

September 30, 2021
September 30, 2020

With Report of Independent Auditors



**SILICON VALLEY CLEAN ENERGY AUTHORITY
YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

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Independent Auditor's Report

To the Board of Directors
Silicon Valley Clean Energy Authority
Sunnyvale, California

Report on the Financial Statements

We have audited the accompanying financial statements of Silicon Valley Clean Energy Authority (SVCE), as of and for the years ended September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise SVCE's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SVCE as of September 30, 2021 and 2020 and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report (continued)

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, 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.

Perenti & Brinku LLP

Santa Rosa, California

March 4, 2022

**SILICON VALLEY CLEAN ENERGY AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

The Management’s Discussion and Analysis provides an overview of Silicon Valley Clean Energy Authority’s (SVCE) financial activities as of and for the years ended September 30, 2021 and 2020. The information presented here should be considered in conjunction with the audited financial statements.

BACKGROUND

The formation of SVCE was made possible by the passage, in 2002, of California Assembly Bill 117, enabling communities to purchase power on behalf of their residents and businesses and creating competition in power generation.

SVCE was created as a California Joint Powers Authority (JPA) on March 31, 2016. SVCE was established to provide electric power at competitive costs as well as to provide other benefits within Santa Clara County, including reducing energy related greenhouse gas emissions, securing energy supply and price stability, and providing energy efficiencies and local economic benefits. Governed by a board of directors (Board) consisting of elected representatives from each jurisdiction, SVCE has the rights and powers to set rates for the electricity it furnishes, incur indebtedness, and issue bonds or other obligations. SVCE is responsible for the acquisition of electric power for its service area. SVCE serves the unincorporated areas of Santa Clara County and the cities and towns of Campbell, Cupertino, Gilroy, Los Altos, Los Altos Hills, Los Gatos, Milpitas, Monte Sereno, Morgan Hill, Mountain View, Saratoga, and Sunnyvale.

**SILICON VALLEY CLEAN ENERGY AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

Financial Reporting

SVCE presents its financial statements as an enterprise fund under the economic resources measurement focus and accrual basis of accounting, in accordance with generally accepted accounting principles (GAAP) for proprietary funds, as prescribed by the Governmental Accounting Standards Board (GASB).

Contents of this report

This report is divided into the following sections:

- Management’s discussion and analysis.
- The basic financial statements:
 - The *Statements of Net Position* include all of SVCE’s assets, liabilities, and net position and provide 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 financing and investing activities.
 - Notes to the Basic Financial Statements provide additional details and information related to the basic financial statements.

**SILICON VALLEY CLEAN ENERGY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

FINANCIAL HIGHLIGHTS

The following table is a summary of SVCE's assets, liabilities, and net position, and a discussion of significant changes for the years ended September 30:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Current assets	\$ 206,813,185	\$ 220,538,554	\$ 177,676,248
Noncurrent assets			
Capital assets, net	316,766	119,175	148,038
Other noncurrent assets	45,330	145,130	129,060
Total noncurrent assets	<u>362,096</u>	<u>264,305</u>	<u>277,098</u>
Total assets	<u>207,175,281</u>	<u>220,802,859</u>	<u>177,953,346</u>
Current liabilities	34,061,545	39,659,471	34,958,389
Noncurrent liabilities	7,031,250	-	-
Total liabilities	<u>41,092,795</u>	<u>39,659,471</u>	<u>34,958,389</u>
Net position			
Investment in capital assets	316,766	119,175	148,038
Restricted for security collateral	4,000,216	4,500,000	5,000,000
Unrestricted	161,765,504	176,524,213	137,846,919
Total net position	<u>\$ 166,082,486</u>	<u>\$ 181,143,388</u>	<u>\$ 142,994,957</u>

Current Assets

Current assets were approximately \$206,813,000 at the end of 2021 and are mostly comprised of cash and cash equivalents, accounts receivable, and accrued revenue. Accrued revenue differs from accounts receivable in that it is the result of electricity use by SVCE customers before invoicing to those customers has occurred. Total current assets decreased in 2021 primarily because of a drop in the rates SVCE charges its customers.

**SILICON VALLEY CLEAN ENERGY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

Capital Assets

Capital assets were approximately \$317,000 at the end of 2021, net of accumulated depreciation, primarily consisting of furniture and electronic equipment for use in SVCE's administrative office. SVCE does not own assets used for electric generation or distribution. The increase from 2020 relates to the acquisition of furniture and leasehold improvements.

Other Noncurrent Assets

Other noncurrent assets consist of various deposits for energy supply, regulatory and other operating purposes. The deposits have remained relatively stable over the last three years.

Current Liabilities

This category consists mostly of the cost of electricity delivered to customers that is not yet due to be paid by SVCE. Other components include taxes and surcharges due to other governments and various other accrued liabilities. Current liabilities had minor fluctuations from 2019 to 2021 as purchasing requirements were relatively stable.

Noncurrent Liabilities

Noncurrent liabilities increased in 2021 as a result of collateral deposits from energy suppliers held by SVCE that are not due to be returned within a year.

**SILICON VALLEY CLEAN ENERGY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

The following table is a summary of SVCE's results of operations and a discussion of significant changes for the years ended September 30:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating revenues	\$ 242,600,167	\$ 297,043,720	\$ 292,473,135
Nonoperating revenues	273,985	1,729,841	1,230,787
Total income	<u>242,874,152</u>	<u>298,773,561</u>	<u>293,703,922</u>
Operating expenses	257,748,103	260,274,619	228,999,528
Nonoperating expenses	186,951	350,511	144,157
Total expenses	<u>257,935,054</u>	<u>260,625,130</u>	<u>229,143,685</u>
Change in net position	<u>\$ (15,060,902)</u>	<u>\$ 38,148,431</u>	<u>\$ 64,560,237</u>

Operating Revenues

SVCE's operating revenues are derived from the sale of electricity to commercial and residential customers throughout its territory. SVCE's customer base was fairly stable each year, with approximately 280,000 customers enrolled. SVCE decreased the rates it charges to customers during 2021, resulting in a planned drop in operating revenues. SVCE has sufficient cash reserves to absorb the impact of the resulting decrease in net position. SVCE reports its revenue net of an allowance for uncollectible accounts.

From 2019 to 2020, the increase in revenue is directly related to changes in billing rates and customer usage patterns. In 2020, SVCE received \$6,600,000 in revenue from damages as the result of the termination of one of its long-term energy supply contracts that failed to meet certain development milestones.

Nonoperating revenues, which primarily consists of investment income, decreased in 2021 because of lower interest rates and increased in 2020 due to higher interest rates.

Operating Expenses

SVCE's largest operating expense is the purchase of electricity for retail customer use. SVCE procures energy from a variety of sources and focuses on purchasing at competitive costs and maintaining a balanced renewable power portfolio. Expenses for staff compensation, consulting, data management and other general and administrative expenses increased each year as the organization continued to grow to support its business demands.

**SILICON VALLEY CLEAN ENERGY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

ECONOMIC OUTLOOK

Silicon Valley Clean Energy serves approximately 96% of all eligible customers in the service area, and that rate of participation is expected to remain stable in 2021.

SVCE's mission is to reduce dependence on fossil fuels by providing carbon free, affordable, and reliable electricity and innovative programs for the SVCE community. Since its launch, SVCE has:

- Committed about \$1.6 billion in renewable energy contracts
- Secured over 720 MW in renewable energy projects, including 173 MW of energy storage
- Provided \$77 million in on-bill savings
- Reduced 35% regional energy-related emissions (since 2017)
- Avoided 575 million pounds of greenhouse gas emissions
- Provided \$21 million in customer offers and services
- Processed more than 200 customer rebates for heat pump water heaters
- Helped lead the formation of California Community Power and California Community Choice Financing Authority
- Achieved annual savings of \$1.9M from securing California's first ever Clean Energy Project Revenue Bonds
- Achieved 'A' credit rating from S&P Global with a stable outlook and a Moody's Baa2, stable rating.

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 both on an annual basis and through long-term commitments of greater than ten years. The state has also directed load serving entities (LSEs) for 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. SVCE's current policy is to procure 100% of retail sales from GHG-free resources. To date SVCE has executed 13 RPS contracts of ten years or more in duration and has met its RPS requirements for long-term procurement. SVCE intends to solicit additional long-term renewable resources to meet Board-directed goals and as ordered by the CPUC under the Mid-term Reliability Procurement decision (R.20-05-003).

**SILICON VALLEY CLEAN ENERGY AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

ECONOMIC OUTLOOK (continued)

SVCE uses a portfolio risk-management approach in its power purchasing program, seeking low-cost supply as well as diversity among technologies, production profiles, project sizes and locations, counterparties, length of 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, and large hydroelectric resources. SVCE continually manages its forward load obligations and supply commitments with the objective of balancing cost stability and cost 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 CPUC, the CEC, and CAISO. The RA resources ensure there will be enough supply in the right locations and with sufficient ramping capability to meet load in the CAISO market.

In fiscal year ending September 30, 2021, SVCE’s retail load dropped by about 3% from the prior fiscal year to 3.75 Terrawatt-hours (TWhrs). SVCE expects retail load to return to pre-Covid levels at 3.95 TWhrs for Fiscal Year ending September 30, 2022. Over the next ten years, SVCE expects load to grow at about 0.5% per year. SVCE’s long-term load forecast is driven primarily by the number and types of customers that SVCE expects to serve. 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.

Senate Bill 237 was passed in 2018 and increased the cap for direct access participation for large commercial and industrial customer load. In June 2021, the CPUC submitted a recommendation to the Legislature which opposed further expansion of direct access. The CPUC stated that, when compared to maintaining the current cap, expanding direct access risks increases in greenhouse gas emissions and could significantly complicate the State’s efforts to maintain grid reliability. A reduction in statewide commercial and industrial electric load due to COVID in 2020 and 2021 has created additional capacity under the statewide direct access (DA) cap. The impact is expected to be minimal to SVCE, with less than 2% of current load at risk. SVCE is being proactive in anticipation of potential future direct access expansion. In 2019, the Board of Directors approved a Commercial Pricing Policy that allows SVCE to be innovative in customized contract offerings to customers that supports long-term customer retention.

**SILICON VALLEY CLEAN ENERGY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

ECONOMIC OUTLOOK (continued)

SVCE expects to continue to provide competitive electric rates. The unpredictable PG&E customer exit fee has been a barrier to providing stable rates, yet the exit fee will be significantly lower in 2022 than in recent years. SVCE has prioritized regulatory and legislative work with respect to the exit fee process and has implemented a proactive approach on other regulatory and legislative issues, such as integrated resource planning and grid reliability. Additionally, SVCE's commitment to building up healthy cash reserves has placed SVCE in a stable position to manage future regulatory and legislative risk including changes to the customer exit fees.

SVCE has a strong focus on continuing to build credit capacity through increased cash reserves, complying with the energy risk management policy and credit guidelines, and entering in favorable energy purchase commitments. SVCE received an investment grade credit rating in Summer 2020 from Moody's and an 'A' credit rating from S&P Global in January 2021.

REQUEST FOR INFORMATION

This financial report is designed to provide SVCE's 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 333 W. El Camino Real, Suite 330, Sunnyvale, CA 94087.

Respectfully submitted,

Girish Balachandran, Chief Executive Officer

BASIC FINANCIAL STATEMENTS

SILICON VALLEY CLEAN ENERGY AUTHORITY
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2021 AND 2020

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 158,808,348	\$ 159,924,735
Accounts receivable, net of allowance	25,990,183	31,458,312
Accrued revenue	14,410,621	17,517,224
Market settlements receivable	269,012	107,318
Other receivables	230,485	208,000
Prepaid expenses	2,378,236	2,590,546
Deposits	726,084	4,232,419
Restricted cash	4,000,216	4,500,000
Total current assets	206,813,185	220,538,554
Noncurrent assets		
Capital assets, net of depreciation	316,766	119,175
Deposits	45,330	145,130
Total noncurrent assets	362,096	264,305
Total assets	207,175,281	220,802,859
LIABILITIES		
Current liabilities		
Accrued cost of electricity	30,827,091	36,744,837
Accounts payable	1,537,376	1,333,121
Other accrued liabilities	642,043	425,732
User taxes and energy surcharges due to other governments	1,055,035	1,155,781
Total current liabilities	34,061,545	39,659,471
Noncurrent liabilities		
Supplier security deposits	7,031,250	-
Total liabilities	41,092,795	39,659,471
NET POSITION		
Investment in capital assets	316,766	119,175
Restricted for security collateral	4,000,216	4,500,000
Unrestricted	161,765,504	176,524,213
Total net position	\$ 166,082,486	\$ 181,143,388

The accompanying notes are an integral part of these financial statements.

SILICON VALLEY CLEAN ENERGY AUTHORITY
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Electricity sales, net	\$ 241,484,417	\$ 295,515,259
GreenPrime electricity premium	1,014,531	1,315,254
Other income	101,219	213,207
Total operating revenues	<u>242,600,167</u>	<u>297,043,720</u>
OPERATING EXPENSES		
Cost of electricity	238,586,555	244,925,916
Contract services	9,490,474	8,970,429
Staff compensation and benefits	5,474,124	4,603,241
General and administration	4,109,299	1,722,054
Depreciation	87,651	52,979
Total operating expenses	<u>257,748,103</u>	<u>260,274,619</u>
Operating income (loss)	<u>(15,147,936)</u>	<u>36,769,101</u>
NONOPERATING REVENUES (EXPENSES)		
Interest income	273,985	1,729,841
Financing costs	(186,951)	(350,511)
Nonoperating revenues, net	<u>87,034</u>	<u>1,379,330</u>
CHANGE IN NET POSITION	(15,060,902)	38,148,431
Net position at beginning of year	<u>181,143,388</u>	<u>142,994,957</u>
Net position at end of year	<u>\$ 166,082,486</u>	<u>\$ 181,143,388</u>

SILICON VALLEY CLEAN ENERGY AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 255,739,767	\$ 303,275,935
Other operating receipts	13,609,316	3,433,790
Payments to suppliers for electricity	(247,219,228)	(247,069,273)
Payments for other goods and services	(13,523,208)	(10,511,456)
Payments for staff compensation and benefits	(5,247,813)	(4,542,701)
Payments of taxes and surcharges to other governments	(4,766,832)	(5,640,255)
Net cash provided (used) by operating activities	(1,407,998)	38,946,040
 CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Finance costs paid	(186,951)	(285,301)
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments to acquire capital assets	(295,207)	(14,151)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income received	273,985	1,729,841
Net change in cash and cash equivalents	(1,616,171)	40,376,429
Cash and cash equivalents at beginning of year	164,424,735	124,048,306
Cash and cash equivalents at end of year	\$ 162,808,564	\$ 164,424,735
 Reconciliation to the Statement of Net Position		
Cash and cash equivalents (unrestricted)	\$ 158,808,348	\$ 159,924,735
Restricted cash	4,000,216	4,500,000
Cash and cash equivalents	\$ 162,808,564	\$ 164,424,735

**SILICON VALLEY CLEAN ENERGY AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

	2021	2020
Operating income (loss)	\$ (15,147,936)	\$ 36,769,101
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	87,651	52,979
Revenue adjusted for uncollectible accounts	1,100,000	-
(Increase) decrease in:		
Accounts receivable	4,368,129	(1,181,498)
Accrued revenue	3,106,604	2,054,876
Market settlements receivable	(161,694)	59,339
Other receivables	(22,485)	(190,100)
Prepaid expenses	212,310	(1,321,841)
Current deposits	3,606,134	(1,987,933)
Increase (decrease) in:		
Accrued cost of electricity	(5,917,746)	4,612,528
Accounts payable	214,220	377,109
Other accrued liabilities	216,311	(186,990)
User taxes and energy surcharges due to other governments	(100,746)	(83,210)
Supplier security deposits	7,031,250	(28,320)
Net cash provided (used) by operating activities	\$ (1,407,998)	\$ 38,946,040

**SILICON VALLEY CLEAN ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

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, 2021, 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).

**SILICON VALLEY CLEAN ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

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 – 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, then unrestricted resources as they are needed.

CASH AND CASH EQUIVALENTS

For purpose of the Statements of Cash Flows, SVCE defines cash and cash equivalents to include cash on hand and demand deposits. SVCE has cash that is restricted under various security agreements. This is reported as restricted cash on the Statements of Net Position and the Statements of Cash Flows.

DEPOSITS

Various energy contracts entered into by SVCE require SVCE to provide a supplier with a security deposit. These deposits are generally held for the term of the contract. Deposits are classified as current or noncurrent assets depending on the length of time the deposits will be held. While these energy contract related deposits make up the majority of this item, other components of deposits include those for regulatory and other operating purposes.

**SILICON VALLEY CLEAN ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

NET POSITION

Net position is presented in the following components:

Investment in capital assets: This component of net position consists of capital assets, net of accumulated depreciation and reduced by outstanding borrowings that are attributable to the acquisition, construction, or improvement of those assets. SVCE did not have any outstanding borrowings as of September 30, 2021 or 2020.

Restricted: This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

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 NON-OPERATING REVENUE

Revenue from the sale of electricity to customers is considered operating revenue. Interest income is considered non-operating revenue.

**SILICON VALLEY CLEAN ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE RECOGNITION

SVCE recognizes revenue on the accrual basis. This includes invoices issued to customers during the 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 charges.

OPERATING AND NONOPERATING EXPENSES

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

ELECTRICAL POWER PURCHASED

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 as well as generation credits, and load and other charges arising from SVCE's participation in the California Independent System Operator's (CAISO) 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 (WREGIS). 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 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 grid in real-time and to provide appropriate incentives for the siting and construction of new resources needed for reliability in the future.

**SILICON VALLEY CLEAN ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

INCOME TAXES

SVCE is a Joint Powers Authority under the provision of the California Government Code. As such it is not subject to federal or state income or franchise taxes.

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 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.

**SILICON VALLEY CLEAN ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
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2. CASH AND CASH EQUIVALENTS

SVCE maintains its cash in interest and non-interest-bearing accounts. 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 limit of \$250,000 by 110%. SVCE monitors its risk exposure on an ongoing basis. SVCE's investment policy permits the investment of funds in depository accounts, certificates of deposit, and the California Local Agency Investment Funds (LAIF). As of September 30, 2021, all of SVCE's cash and cash equivalents were held in depository accounts.

At the end of each year, SVCE had restricted cash that was held as collateral for its bank line of credit, as well as collateral held in accordance with certain security agreements with suppliers.

3. ACCOUNTS RECEIVABLE AND ACCRUED REVENUE

Accounts receivable were as follows as of September 30:

	2021	2020
Accounts receivable from customers	\$ 28,590,183	\$ 32,958,312
Allowance for uncollectible accounts	(2,600,000)	(1,500,000)
Net accounts receivable	\$ 25,990,183	\$ 31,458,312

The majority of account collections will occur within the first few months following customer invoicing. SVCE estimates that a portion of the billed 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 allowance for uncollectible accounts at the end of a period includes amounts billed during the current and prior fiscal years and is adjusted for write-offs.

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4. MARKET SETTLEMENTS RECEIVABLE

SVCE receives generation scheduling and other services from a scheduling coordinator registered with CAISO. Energy settlements due from the scheduling coordinator were approximately \$269,000 and \$107,000 as of September 30, 2021 and 2020, respectively.

5. CAPITAL ASSETS

Capital asset activity for the years ended September 30, 2021 and 2020 was as follows:

	Furniture & Equipment	Leasehold Improvements	Accumulated Depreciation	Total
Balances at September 30, 2019	\$ 245,351	\$ 5,263	\$ (102,576)	\$ 148,038
Additions	24,116	-	(52,979)	(28,863)
Balances at September 30, 2020	269,467	5,263	(155,555)	119,175
Additions	212,629	72,613	(87,651)	197,591
Balances at September 30, 2021	<u>\$ 482,096</u>	<u>\$ 77,876</u>	<u>\$ (243,206)</u>	<u>\$ 316,766</u>

6. DEBT

As of September 30, 2021 and 2020, SVCE had a bank line of credit in the amount of \$35,000,000 to provide additional liquidity for operations as needed. The line of credit matures in October 2022.

As of September 30, 2021, SVCE had not drawn any cash proceeds on the line of credit. However, the line of credit was used to issue Letters of Credit to energy suppliers which totaled approximately \$2,682,000. These Letters of Credit reduce the available balance on the revolving line of credit.

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7. 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 the Public Agency Retirement System (PARS). At September 30, 2021 and 2020, SVCE had 27 and 25 plan participants, respectively. SVCE is required to contribute up to 10% of covered payroll as a match to required employee contributions. SVCE contributed approximately \$414,000 and \$413,000 during the years ended September 30, 2021 and 2020, respectively. Plan provisions and contribution requirements as they apply to SVCE are established and may be amended by the Board of Directors.

8. 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.

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9. 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, 2021:

Years ending September 30,	
2022	\$ 235,000,000
2023	165,000,000
2024	134,000,000
2025	109,000,000
2026	103,000,000
2027-2043	<u>1,077,000,000</u>
Total	<u><u>\$ 1,823,000,000</u></u>

As of September 30, 2021, SVCE had non-cancelable contractual commitments to professional service providers through December 2024 for services yet to be performed. Fees associated with these contracts are based on volumetric activity and are expected to be \$10.3 million.

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10. OPERATING LEASE

In December 2019 SVCE amended its non-cancelable lease for its office premises, extending the lease through June 30, 2025.

Rental expense for SVCE's office space was \$453,000 and \$395,000 for the years ended September 30, 2021 and 2020, respectively.

As of September 30, 2021, future minimum lease payments under the lease are as follows:

Years ending September 30,	
2022	\$ 492,693
2023	507,480
2024	522,705
2025	400,770
Total	<u>\$ 1,923,648</u>

11. FUTURE GASB PRONOUNCEMENTS

The requirements of the following GASB Statements are effective for future fiscal years ending after September 30, 2021:

GASB has approved GASB Statement No. 87, *Leases*, GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*; and GASB Statement No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Management is analyzing its activity to determine the effect of the new guidance on its operating results and financial condition.