Silicon Valley Clean Energy Authority

Financial Statements
Years Ended:

September 30, 2023
September 30, 2022

With Report of Independent Auditors

SILICON VALLEY
CLEAN ENERGY

SILICON VALLEY CLEAN ENERGY AUTHORITY
YEARS ENDED SEPTEMBER 30, 2023 AND 2022

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Independent Auditor's Report

To the Board of Directors
Silicon Valley Clean Energy Authority

Report on the Audits of the Financial Statements

Opinion

We have audited the accompanying financial statements of Silicon Valley Clean Energy Authority (SVCE), as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise SVCE's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SVCE as of September 30, 2023 and 2022, 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.

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 Audits 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 for 12 months beyond the financial statement date, 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.

Pisenti & Brinker LLP

Santa Rosa, California
February 20, 2024

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, 2023 and 2022. 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.

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

FINANCIAL HIGHLIGHTS

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

	2023	2022	2021
Current assets	$ 376,699,458	$ 270,632,455	$ 206,813,185
Noncurrent assets			
Investments	56,819,513	-	-
Capital and lease assets, net	1,259,365	1,681,871	2,122,391
Other noncurrent assets	45,130	45,330	45,330
Total noncurrent assets	58,124,008	1,727,201	2,167,721
Total assets	434,823,466	272,359,656	208,980,906
Current liabilities	86,003,663	51,733,663	34,519,867
Noncurrent liabilities	24,283,988	7,942,472	8,425,392
Total liabilities	110,287,651	59,676,135	42,945,259
Net position			
Net investment in capital assets	348,144	287,728	269,927
Restricted for security collateral	163,861	162,014	4,000,216
Unrestricted	324,023,810	212,233,779	161,765,504
Total net position	$ 324,535,815	$ 212,683,521	$ 166,035,647

Current Assets

Current assets were approximately $376,699,000 at the end of 2023 and are mostly comprised of cash, accounts receivable, investments and accrued revenue. Accrued revenue differs from accounts receivable in that it is the result of electricity provided to SVCE customers that has not yet been invoiced. Current assets increased each year as a result of SVCE's operating surpluses.

Noncurrent Assets

During 2023, SVCE purchased investments that are scheduled to mature in more than one year. SVCE reports investments, other than non-negotiable CDs, at fair value in the noncurrent assets section of its Statements of Net Position.

Capital assets, including right-of-use assets, were approximately $1,259,000 at the end of 2023, 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.

A lease asset is reported in accordance with Governmental Accounting Standards Board No. 87 *Leases* (GASB 87) that was implemented during 2022, with a restatement back to 2020. According to GASB, the Statement aims to increase the usefulness of governments' financial statements by requiring reporting of certain lease assets and liabilities that previously were not recognized on the statement of net position.

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

The most significant element of current liabilities is the obligation to pay the cost of electricity delivered to customers. Accrued cost of electricity at the end of fiscal year 2023 increased compared to the prior year. This was a result of increased prices of electricity purchased as well as a small increase in the volume of purchased electricity outstanding.

Other components include taxes and surcharges due to other governments and various other accrued liabilities.

SVCE receives deposits from energy suppliers as a form of collateral on committed future purchases. As of September 30, 2023, SCVE held approximately $1.0 million of deposits expected to be returned or applied within one year.

Noncurrent Liabilities

Noncurrent liabilities increased in 2023 as a result of collateral deposits from energy suppliers held by SVCE that are not due to be returned within a year. There was little change in deposits from 2021 to 2022.

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

	2023	2022	2021
Operating revenues	$ 503,675,151	$ 363,521,534	$ 242,600,167
Nonoperating revenues	9,262,831	1,870,954	273,895
Total income	512,937,982	365,392,488	242,874,062
Operating expenses	401,057,113	318,708,488	257,751,261
Nonoperating expenses	28,576	36,126	230,632
Total expenses	401,085,689	318,744,614	257,981,893
Change in net position	$ 111,852,293	$ 46,647,874	$ (15,107,831)

Operating Revenues

SVCE's operating revenues are derived from the sale of electricity to commercial and residential customers throughout its territory. SVCE's customer territory was stable each year, with approximately 280,000 customers enrolled. Rate increases in effect during 2023 and 2022 account for the majority of the increase in revenue from the prior years.

Nonoperating Revenues

The nonoperating revenue increase from 2021 to 2022 was primarily the result of grant income from the California Arrearage Payment Plan (CAPP) that was received in 2022. The increase from 2022 to 2023 was the result of investment income from market rate increases and increased invested amounts.

Operating Expenses

SVCE's largest operating expense is the purchase of electricity for retail customer use. SVCE procures energy from a variety of sources, aiming at purchasing electricity at competitive costs and maintaining a balanced renewable power portfolio. Electricity costs increased as a result of rising market prices. 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 operational demands.

ECONOMIC OUTLOOK

SVCE serves approximately 96% of all eligible customers in the service area, and that rate of participation is expected to remain stable in 2024.

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 (LSEs) 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 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. To date SVCE has executed 17 RPS contracts of ten years or more in duration 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).

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 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 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 the load in the CAISO market.

ECONOMIC OUTLOOK (continued)

In the fiscal year ending September 30, 2023, SVCE's retail load increased by about 2% from the prior fiscal year to 3.82 Terrawatt-hours (TWhrs). SVCE expects retail load to grow to 3.99 TWhrs for the Fiscal Year ending September 30, 2024, resulting primarily from commercial load increase along with load modifier load growth. Over the next ten years, SVCE expects the load to grow by about 1% 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.

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. SVCE has now signed long-term arrangements with two major customers for customized power supply offerings and is working with additional prospective customers.

SVCE expects to continue to provide competitive electric rates. Volatile energy prices and the variability of the PG&E customer exit fee can be barriers to providing stable rates. The exit fee will increase in 2024, relative to the 2023 rate. As of January 2023, SVCE has increased its discount relative to PG&E's generation service to 4 percent. SVCE is engaged in the development of both legislative and regulatory policies that impact rates (e.g., procurement mandates, load management standards, and reliability proceedings). Additionally, 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 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 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 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, 2023 AND 2022

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents - unrestricted	$ 230,530,644	$ 167,673,753
Accounts receivable, net of allowance	49,889,393	55,663,227
Investments	34,331,496	-
Accrued revenue	30,432,122	25,508,698
Other receivables	4,396,286	81,714
Prepaid expenses	1,353,177	977,928
Deposits	25,602,479	20,565,121
Cash - restricted	163,861	162,014
Total current assets	376,699,458	270,632,455
Noncurrent assets		
Deposits	45,130	45,330
Investments	56,819,513	-
Lease asset, net of amortization	842,625	1,324,125
Capital assets, net of depreciation	416,740	357,746
Total noncurrent assets	58,124,008	1,727,201
Total assets	434,823,466	272,359,656
LIABILITIES		
Current liabilities		
Accrued cost of electricity	78,604,532	36,054,862
Accounts payable	2,857,744	1,007,808
Other accrued liabilities	1,286,104	1,094,075
User taxes and energy surcharges due to other governments	1,726,800	1,693,997
Supplier security deposits	1,020,000	11,400,000
Lease liability	508,483	482,921
Total current liabilities	86,003,663	51,733,663
Noncurrent liabilities		
Supplier security deposits	23,881,250	7,031,250
Lease liability	402,738	911,222
Total noncurrent liabilities	24,283,988	7,942,472
Total liabilities	110,287,651	59,676,135
NET POSITION		
Net investment in capital assets	348,144	287,728
Restricted for security collateral	163,861	162,014
Unrestricted	324,023,810	212,233,779
Total net position	$ 324,535,815	$ 212,683,521

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, 2023 AND 2022

	2023	2022
OPERATING REVENUES		
Electricity sales, net	$ 500,150,468	$ 359,373,795
GreenPrime electricity premium	1,456,427	1,741,940
Liquidated damages	2,019,600	2,371,250
Other income	48,656	34,549
Total operating revenues	503,675,151	363,521,534
OPERATING EXPENSES		
Cost of electricity	375,015,282	300,290,056
Contract services	10,228,607	9,255,297
Staff compensation and benefits	9,682,535	6,744,553
Other operating expenses	5,509,407	1,836,654
Depreciation and amortization	621,282	581,928
Total operating expenses	401,057,113	318,708,488
Operating income	102,618,038	44,813,046
NONOPERATING REVENUES (EXPENSES)		
Grant income	716,553	1,545,172
Interest and investment returns	8,546,278	325,782
Financing costs	(28,576)	(36,126)
Nonoperating revenues (expenses), net	9,234,255	1,834,828
CHANGE IN NET POSITION	111,852,293	46,647,874
Net position at beginning of year	212,683,522	166,035,647
Net position at end of year	$ 324,535,815	$ 212,683,521

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

SILICON VALLEY CLEAN ENERGY AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 511,002,951	$ 326,719,985
Receipts of liquidated damages	2,019,600	2,371,250
Other operating receipts	38,633,263	11,512,300
Payments to suppliers for electricity	(372,229,527)	(313,073,540)
Payments for other goods and services	(14,469,068)	(11,536,855)
Payments of staff compensation and benefits	(9,393,101)	(6,554,946)
Payments of taxes and surcharges to other governments	(8,512,842)	(5,469,828)
Net cash provided by operating activities	147,051,276	3,968,366
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Grant revenue received	716,553	1,545,172
Finance costs paid	(28,576)	(170,068)
Net cash provided by non-capital financing activities	687,977	1,375,104
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments under lease obligation	(507,480)	(500,642)
Payments to acquire capital assets	(188,270)	(141,408)
Net cash (used) by capital and related financing activities	(695,750)	(642,050)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	6,946,208	325,783
Purchase of investments	(91,130,973)	-
Net cash provided (used) by investing activities	(84,184,765)	325,783
Net change in cash and cash equivalents	62,858,738	5,027,203
Cash at beginning of year	167,835,767	162,808,564
Cash at end of period	$ 230,694,505	$ 167,835,767
Reconciliation to the Statement of Net Position		
Cash and cash equivalents - unrestricted	$ 230,530,644	$ 167,673,753
Cash - restricted	163,861	162,014
Total cash	$ 230,694,505	$ 167,835,767

SILICON VALLEY CLEAN ENERGY AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2023 AND 2022

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	2023	2022
Operating income	$ 102,618,038	$ 44,813,046
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization expense	621,282	581,928
(Increase) decrease in:		
Accounts receivable	5,773,835	(29,673,042)
Accrued revenue	(4,923,424)	(11,098,078)
Market settlements receivable	-	269,012
Other receivables	(2,734,538)	148,771
Prepaid expenses	(375,249)	1,400,308
Current deposits	(5,037,158)	(19,839,037)
Increase (decrease) in:		
Accrued cost of electricity	41,494,549	5,140,221
Accounts payable	1,839,430	(529,568)
Other accrued liabilities	216,587	628,293
Energy settlements payable	1,055,121	87,550
User taxes and energy surcharges due to other governments	32,803	638,962
Supplier security deposits	6,470,000	11,400,000
Net cash provided by operating activities	$ 147,051,276	$ 3,968,366

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, 2023, 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. 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.

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 investment of funds in depository accounts, certificates of deposit, the Local Agency Investment Fund (LAIF) program operated by the California State Treasury, United States Treasury obligations, Federal Agency Securities, commercial paper, corporate notes, and asset-backed securities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PREPAID EXPENSES AND 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. Also included are prepaid expenses and deposits for regulatory and other operating purposes.

LEASE ASSET AND LEASE LIABILITY

SVCE recognizes an asset and liability when it enters into certain leasing arrangements. 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 relates 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.

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 NONOPERATING REVENUE

Revenue from the sale of electricity to customers is considered operating revenue.

Investment income includes interest earned on bank deposits as well as unrealized gains and losses on its investment holdings. Grant revenue, interest and investment income are considered nonoperating activity.

REVENUE RECOGNITION

SVCE recognizes revenue on 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 charges.

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, and 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 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.

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.

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 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.

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

3. ACCOUNTS RECEIVABLE

Accounts receivable were as follows as of September 30:

	2023	2022
Accounts receivable from customers	$ 52,689,393	$ 58,563,227
Allowance for uncollectible accounts	(2,800,000)	(2,900,000)
Net accounts receivable	$ 49,889,393	$ 55,663,227

The majority of account collections occur within the first few months following the issuance of customer invoices. 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. In 2023 and 2022, SVCE received CAPP funds (see Note 7) that helped recover previously written off accounts receivable.

4. INVESTMENTS

During the year ended September 30, 2023, SVCE purchased investments with original maturities of three months or more. As of September 30, the fair value of investments was as follows:

	2023	2022
Current Investments:		
U.S. Treasury Bonds and Notes	$ 8,750,279	$ -
Commercial Paper	18,981,723	-
Certificate of Deposits	6,599,494	-
Total current investments	$ 34,331,496	$ -

	2023	2022
Noncurrent Investments:		
U.S. Treasury Bonds and Notes	$ 41,492,790	$ -
Federal Agency Commercial	1,336,930	-
Corporate Notes	9,893,896	-
Certificate of Deposits	829,694	-
Asset-Backed Securities	3,266,203	-
Total noncurrent investments	$ 56,819,513	$ -

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, 2023, SVCE's investments are considered Level 1 inputs. Quoted prices in active markets were used for determining fair value measurement (except CDs, which are based on the nominal value).

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 June 30, 2023, credit risk for other investments were rated as follows:

Moody's Investors Service	2023
Commercial Paper	NR to P-1
Corporate Notes	BBB+ to AA1
Certificate of Deposits	A1 to P-1
Asset-Backed Securities	NR to 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 - CERTIFICATE OF DEPOSITS

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, 2023 and 2022, none of SVCE's bank balances are known to be individually exposed to 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 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 investment maturities as of September 30, 2023:

		Investment Maturities	
Investment Type	**Fair Value**	**Less Than 1 Year**	**1-5 Years**
U.S. Treasury Bonds and Notes	$ 50,243,069	$ 8,750,279	$ 41,492,790
Federal Agency Commercial	1,336,930	-	1,336,930
Commercial Paper	18,981,723	18,981,723	-
Corporate Notes	9,893,896	-	9,893,896
Certificate of Deposits	7,429,188	6,599,494	829,694
Asset-Backed Securities	3,266,203	-	3,266,203
	$ 91,151,009	$ 34,331,496	$ 56,819,513

5. CAPITAL ASSETS AND LEASE ASSET

Capital asset activity for the years ended September 30, 2023 and 2022 was as follows:

	Furniture & Equipment	Leasehold Improvements	Accumulated Depreciation	Total
Balances at September 30, 2021	$ 482,096	$ 77,876	$ (243,206)	$ 316,766
Additions	85,011	56,397	(100,428)	40,980
Balances at September 30, 2022	567,107	134,273	(343,634)	357,746
Additions	198,776	-	(139,782)	58,994
Dispositions	(7,000)	-	7,000	-
Balances at September 30, 2023	$ 758,883	$ 134,273	$ (476,416)	$ 416,740

Lease asset activity for the years ended September 30, 2023 and 2022 was as follows:

	Lease Asset	Accumulated Amortization	Total
Balances at September 30, 2021	$ 2,287,125	$ (481,500)	$ 1,805,625
Additions	-	(481,500)	(481,500)
Balances at September 30, 2022	2,287,125	(963,000)	1,324,125
Additions	-	(481,500)	(481,500)
Balances at September 30, 2023	$ 2,287,125	$ (1,444,500)	$ 842,625

6. LEASE

A lease asset is reported in accordance with Governmental Accounting Standards Board No. 87 *Leases* (GASB 87) that was implemented during 2022, with a restatement back to 2020. According to GASB, the Statement aims to increase the usefulness of governments' financial statements by requiring reporting of certain lease assets and liabilities that previously were not recognized on the statement of net position.

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

Rental payments under this lease were $519,000 and $501,000 for the years ended September 30, 2023 and 2022, respectively.

As of September 30, 2023, future minimum lease payments under the lease were projected as follows:

	Principal	Interest	Total
Years ending September 30,			
2024	$ 508,483	$ 14,222	$ 522,705
2025	402,738	3,554	406,292
Total	$ 911,221	$ 17,776	$ 928,997

7. GRANT REVENUE

SVCE administers 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. In 2022 this program was funded through the federal American Rescue Plan Act (ARPA) with Coronavirus State and Local Fiscal Recovery Funds. The program was funded by the State of California in 2023. Grant revenue recognized for the years ended September 30, 2023 and 2022 was approximately $717,000 and $1,545,000, respectively.

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, 2023 and 2022, SVCE had 48 and 40 plan participants, respectively. SVCE is required to contribute up to 10% of covered payroll as a match to required employee contributions. SVCE contributed approximately $758,000 and $519,000 during the years ended September 30, 2023 and 2022, 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, 2023:

Years ending September 30,	
2024	$ 301,000,000
2025	206,000,000
2026	184,000,000
2027	186,000,000
2029	193,000,000
2029-2046	2,206,000,000
Total	$ 3,276,000,000

11. JOINT VENTURE

The SVCE participates in a joint powers agreement (JPA) through the California Community Choice Financing Authority (CCCFA). CCCFA was formed as a conduit issuer to assist its members by undertaking the financing or refinancing of energy prepayments that can be financed with 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.

In September 2021, CCCFA issued bonds partially related to SVCE in the amount of $1,234,720,000, excluding original issue premium, the applicable proceeds of 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. SVCE will purchase energy from CCCFA in the same manner as it purchases energy from other suppliers. SVCE purchased approximately $29,081,000 and $15,320,000 from CCCFA during fiscal years 2023 and 2022, respectively. In January 2023, CCCFA issued additional bonds related to SVCE in the amount of $841,550,000, excluding original issue premium. The outstanding purchase commitments related to these financing facilities are included in Note 10.

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, 2023, and 2022, SVCE contributed approximately $87,000 and $46,000, 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, 2023:

GASB has approved GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, and GASB Statement No. 101, *Compensated Absences*. Management is evaluating the effect of implementation of these statements.