SILICON VALLEY CLEAN ENERGY

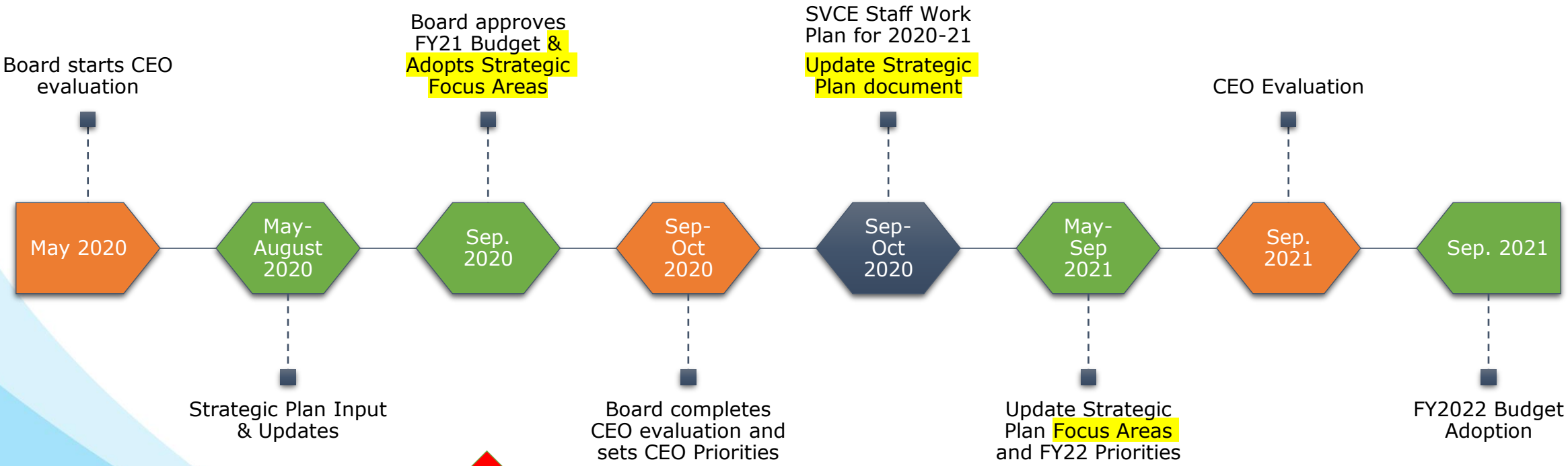
Strategic Plan Update

Board of Directors Meeting
September 9, 2020

SVCE Adaptation to Change
(in addition to Business-As-Usual)

- Additional Resources & Efficiencies
- Enterprise-wide systems, metrics & tools
- Focus on Equity
- Digital Pivot - Customer & Community engagement
- Community outreach and leverage

SVCE Strategic Planning & Work Plan Process



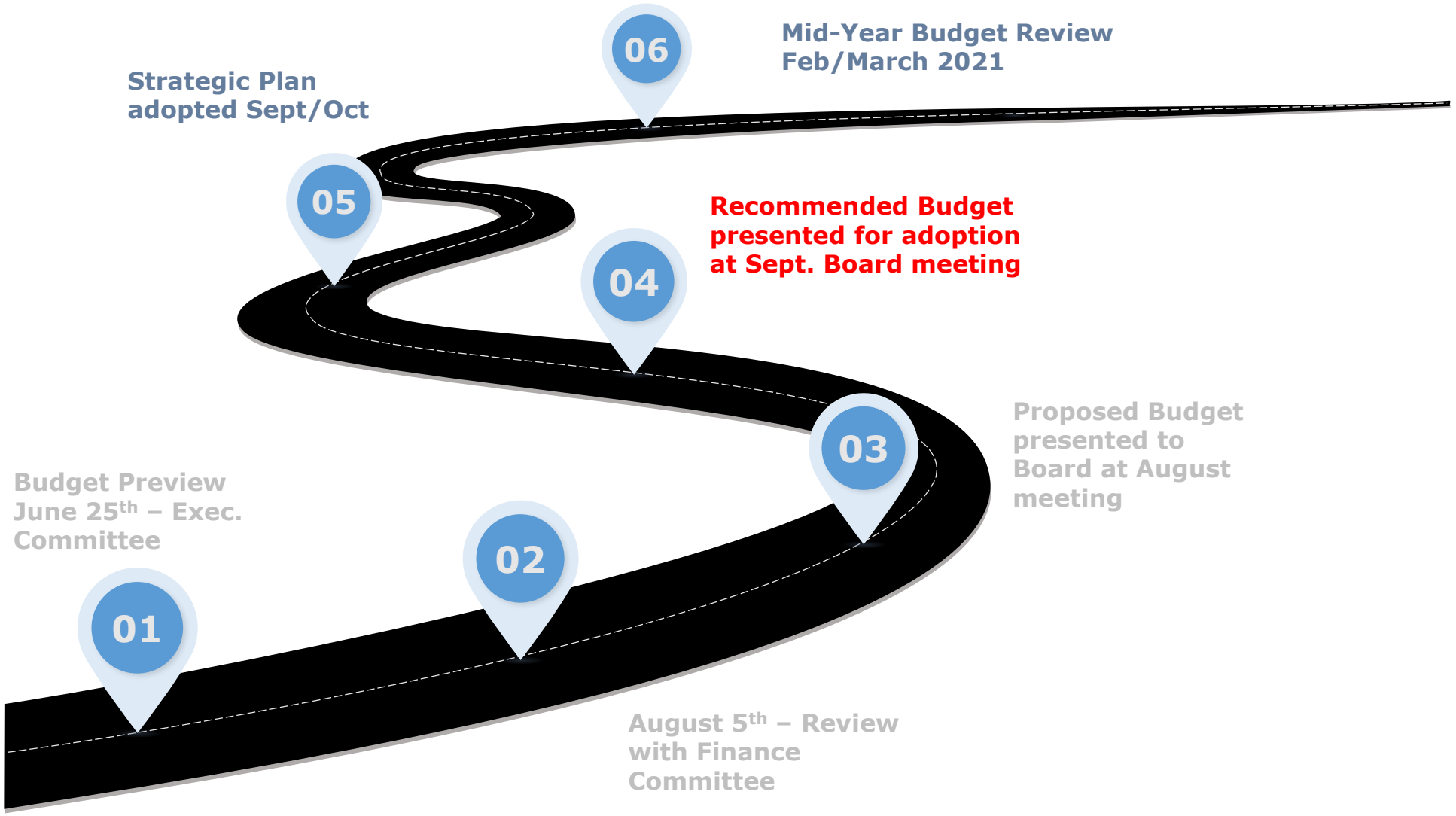
Questions?

SILICON VALLEY CLEAN ENERGY

RECOMMENDED FY 2020-21 OPERATING BUDGET

BOARD OF DIRECTORS
September 9, 2020

ROADMAP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Mid-Year Budget Review
Feb/March 2021
Strategic Plan
adopted Sept/Oct
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Recommended Budget
presented for adoption
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Proposed Budget
presented to
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Budget Preview
June 25th – Exec.
Committee
02
01
August 5th – Review
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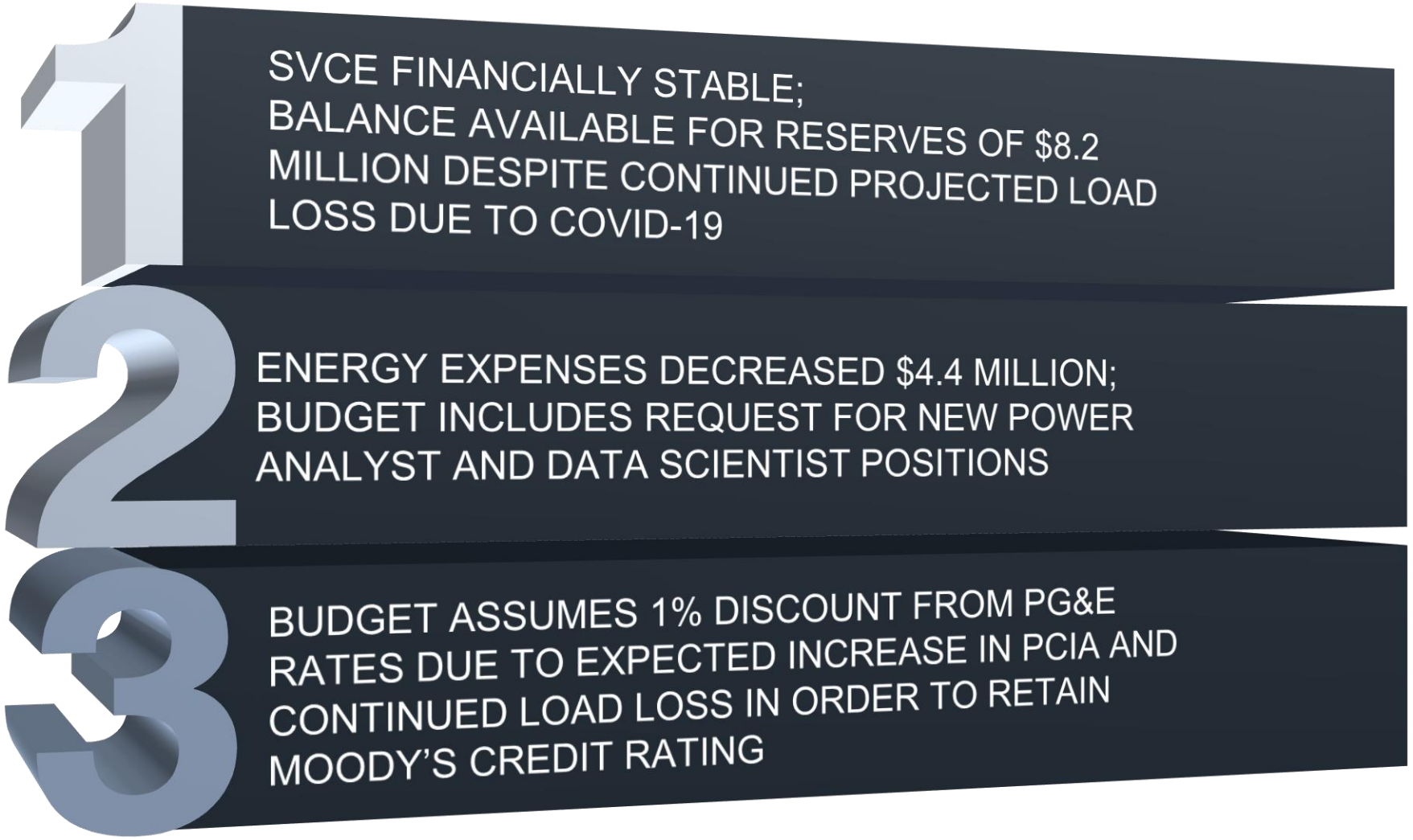
Committee

HIGHLIGHTS


1
SVCE FINANCIALLY STABLE;
BALANCE AVAILABLE FOR RESERVES OF $8.2
MILLION DESPITE CONTINUED PROJECTED LOAD
LOSS DUE TO COVID-19
2
ENERGY EXPENSES DECREASED $4.4 MILLION;
BUDGET INCLUDES REQUEST FOR NEW POWER
ANALYST AND DATA SCIENTIST POSITIONS
3
BUDGET ASSUMES 1% DISCOUNT FROM PG&E
RATES DUE TO EXPECTED INCREASE IN PCIA AND
CONTINUED LOAD LOSS IN ORDER TO RETAIN
MOODY'S CREDIT RATING

KEY ASSUMPTIONS

TRADE-OFFS

To maintain balance between ratepayer value and agency sustainability – lower the discount to PG&E to 1%

PCIA

SVCE will plan for a significant spike to near 5 cents in October then backing down to near 4 cents in 2021

RETAIL LOAD

SVCE will plan on an extended, double-dip recovery that continues to impact energy sales

PG&E RATES

Big threat would be PG&E rate decrease. Minimal chance. Budget assumes static PG&E rates through 2021.

BAD DEBT

SVCE has one of the lowest bad debt rates of CCA's. Should plan on 3x-4x historical performance to ~1%

FINANCIAL SUMMARY

$264.4 MM

Energy Revenues

- Load reduction continues due to Covid-19
- PCIA increase
- Move from 4% to 1% discount

$234.7 MM

Energy Costs

- $4.4 million reduction reflects lower load to serve
- 88% hedged in FY2020-21

$29.7 MM

Operating Margin

- Margin to fund operations, reserves, programs, and capital

$21.5 MM

Other revenue, expenses and transfers

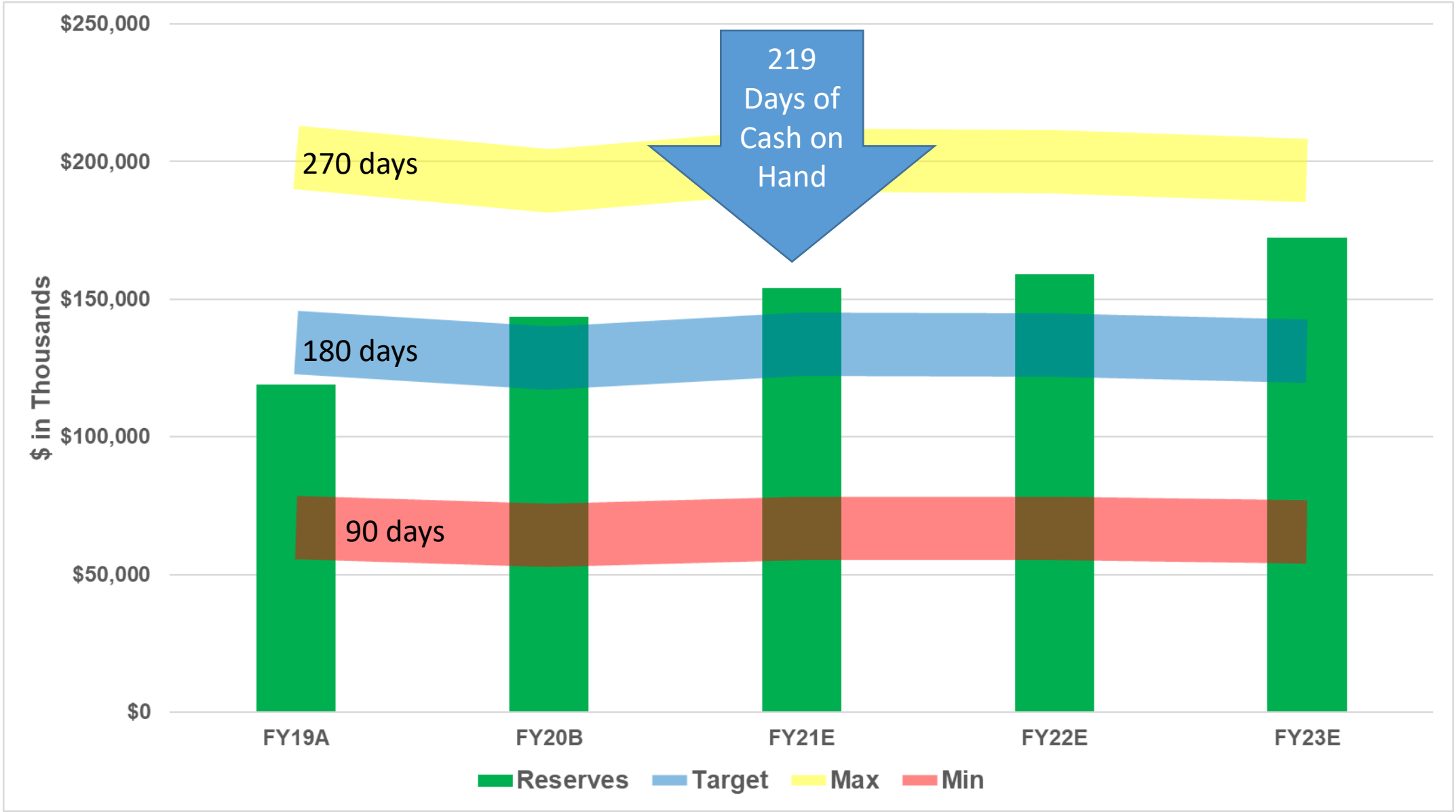
- $17 million for other operations
- $1.1 net non-operations
- $5.7 million for programs & capex

$8.2 MM

Reserves

- End the FY at Reserve Target Range of 219 Days

PROJECTED RESERVES



BUDGET DELTAS (Aug – Sept)

$ in Thousands

	Proposed Budget	Recommended Budget	Variance
Energy Revenues	264,415	264,415	0
Power Supply	234,662	234,662	0
Operating Margin	**$29,753**	**$29,753**	**$0**
Operating Expenses	16,753	16,950	197
Non-Operating Income/(Expense)	1,108	1,108	0
Transfers, Debt Service and Other Expenses	5,670	5,670	0
Balance Available For Reserves	**$8,439**	**$8,242**	**$197**

BUDGET DELTAS (cont)

- Increase To Regulatory Consulting budget (+$40k)
  - Rolling blackout follow-up / intervention
- Organizational Review funding (+$50k)
  - Improve internal policies / procedures
- Power Prepay up-front costs (+$75k)
  - To be repaid later through financing process
- Continued WFH Employee Support (+$32k)

PERSONNEL REVIEW

- Recommended Budget Funds 31 FTE's + 5 Temporary
  - New Data Scientist (Decarb & Grid Innovation)
  - New Analyst (Power Resources)

- Anticipate Additional Staffing Requests in late 2020
  - Policy - Senior Government Relations
  - Power – additional Power Resources Analyst

FORWARD-LOOKING CHANGES

- Continued intervention in regulatory arena
  - Added regulatory work at CAISO and CPUC
  - Added coordination through CalCCA

- Continued volatility will impact power supply budget; effects to be realized at mid-year

- Equity program to be defined / expanded following decarbonization hiring

RECOMMENDATION

- Approval of FY 2020-21 Operating Budget
  - Resolution 2020-26

- Mid-Year Budget Spring 2021
  - Recalibrate the budget

THANK YOU

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Supplemental

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Uncertainty, Risk, and COVID-19

LOAD LOSS
~8% load loss; return to "normal" in 2022

PAYMENTS
Customer defaults, payment issues due to COVID-19

PCIA
PCIA uncapped later in 2020, 10+M reserve call in 2021

L&R ISSUES
Central buyer, PCIA, Transparency, PSPS, Long-duration storage

SUPPLY
Project delays and financing issues; new IRP/RA rules; Ops issues with PPAs online next summer

DIRECT ACCESS
Potential for additional DA market expansion

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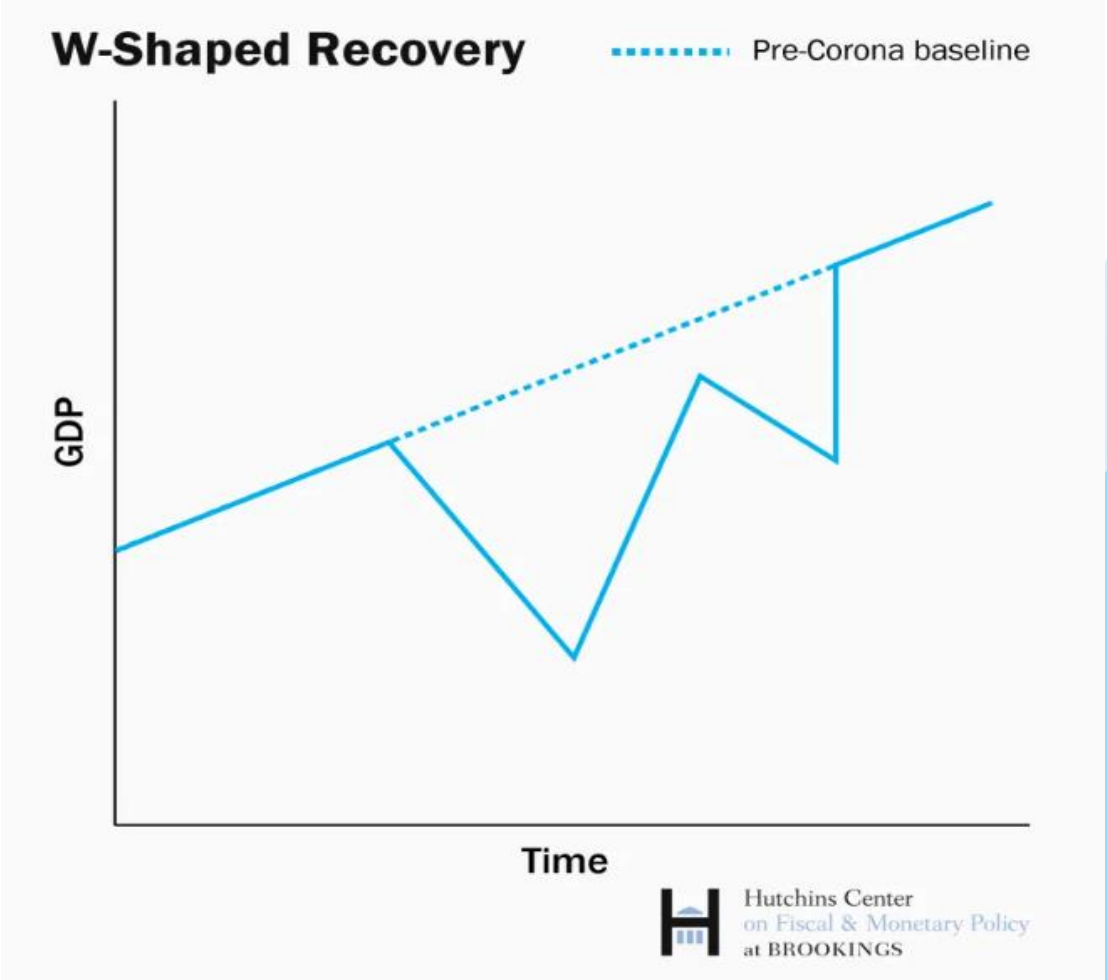
Mid-Case represents the "W" recovery curve

- *C&I load drops a second time due to resurgence in COVID-19 in the winter.*

- *Second recovery period followed by permanent reductions to a majority of small & medium C&I customers.*



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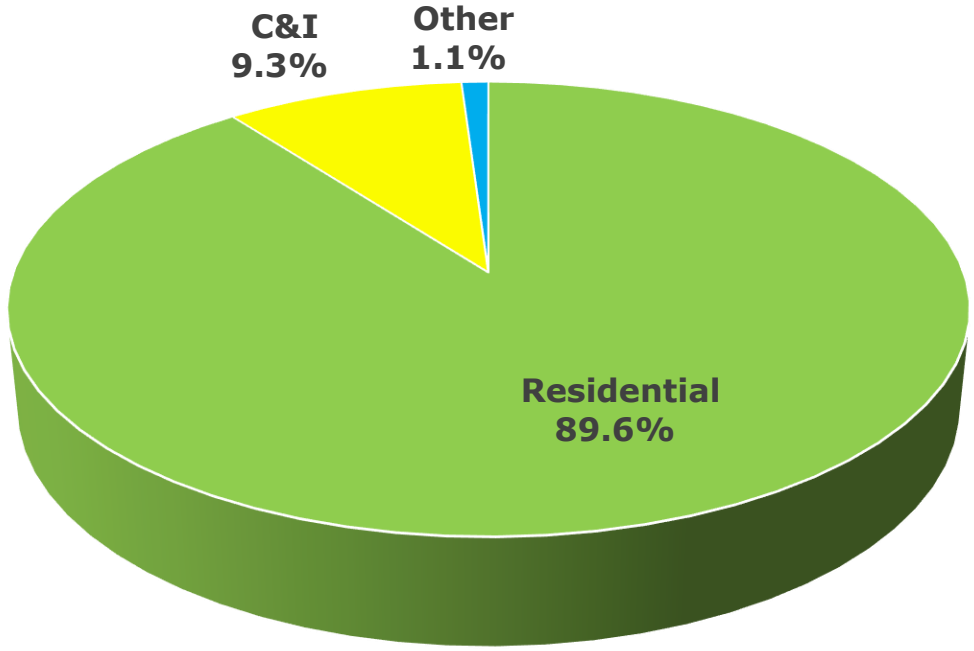
ACCOUNTS & SALES

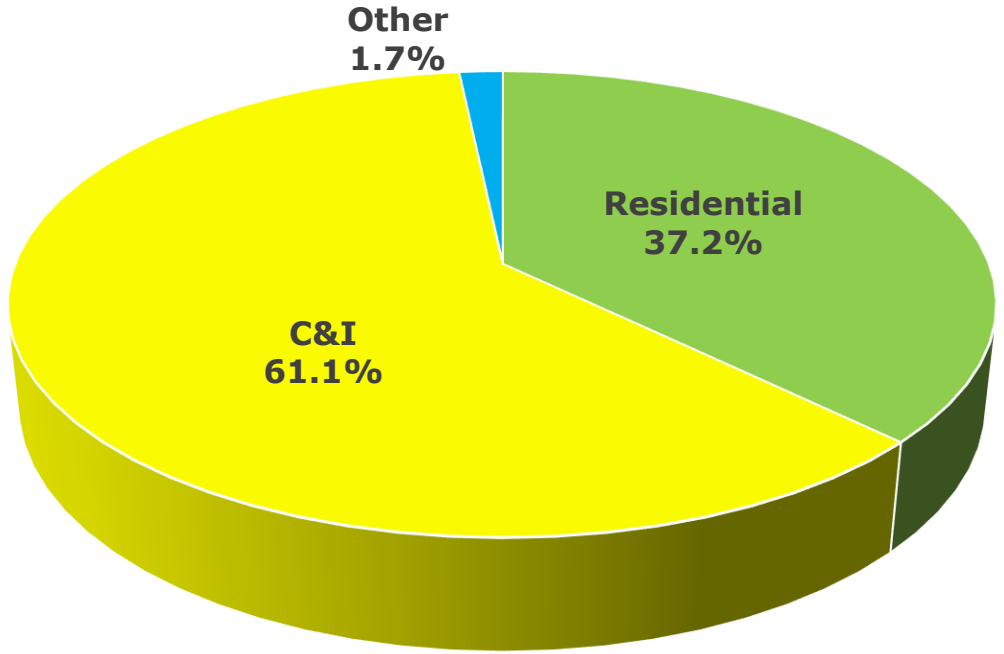
Customer Accounts

- 267,000 Accounts



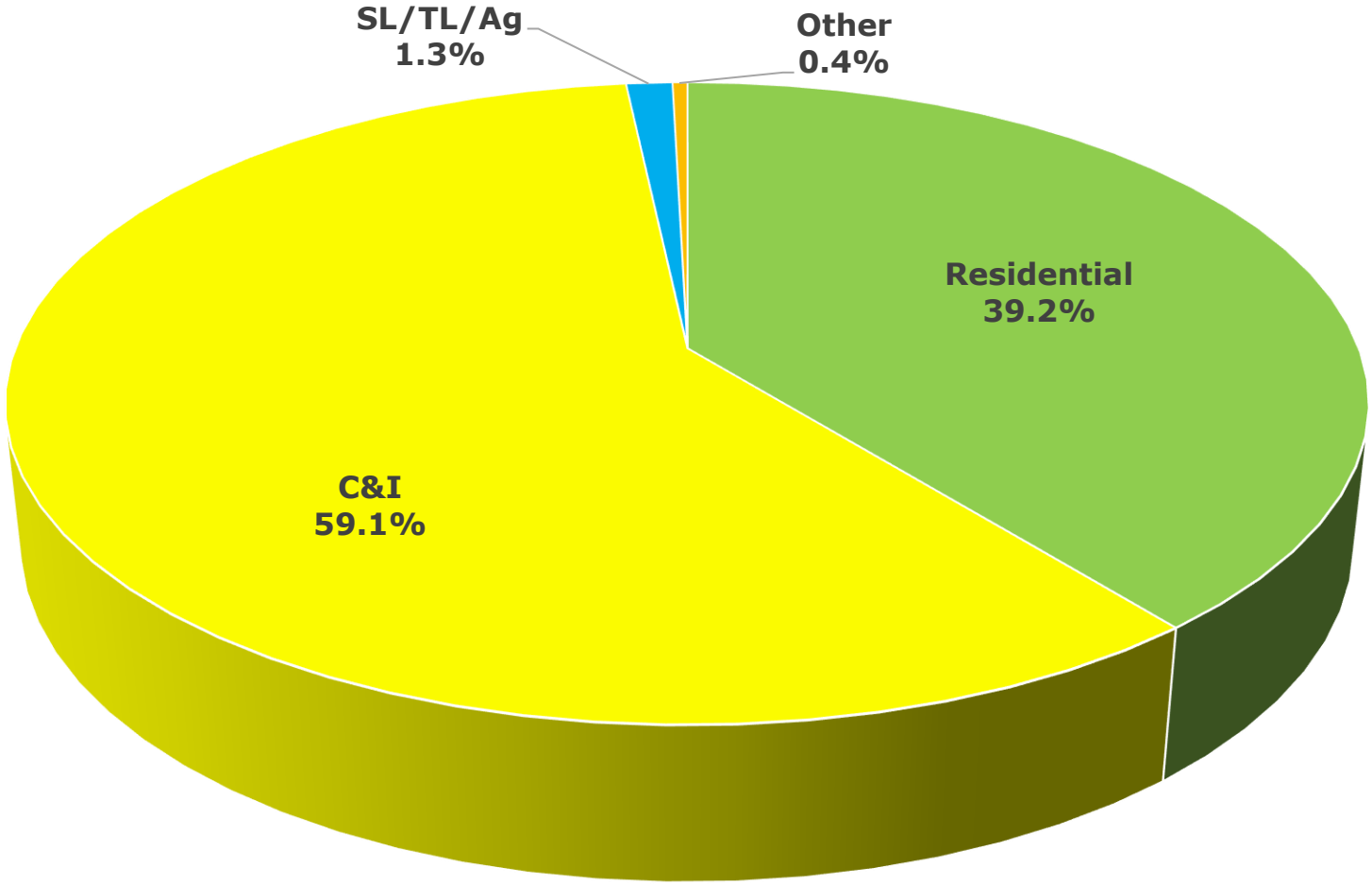
Energy Sales (MWh's)

- 3.76 million MWh's



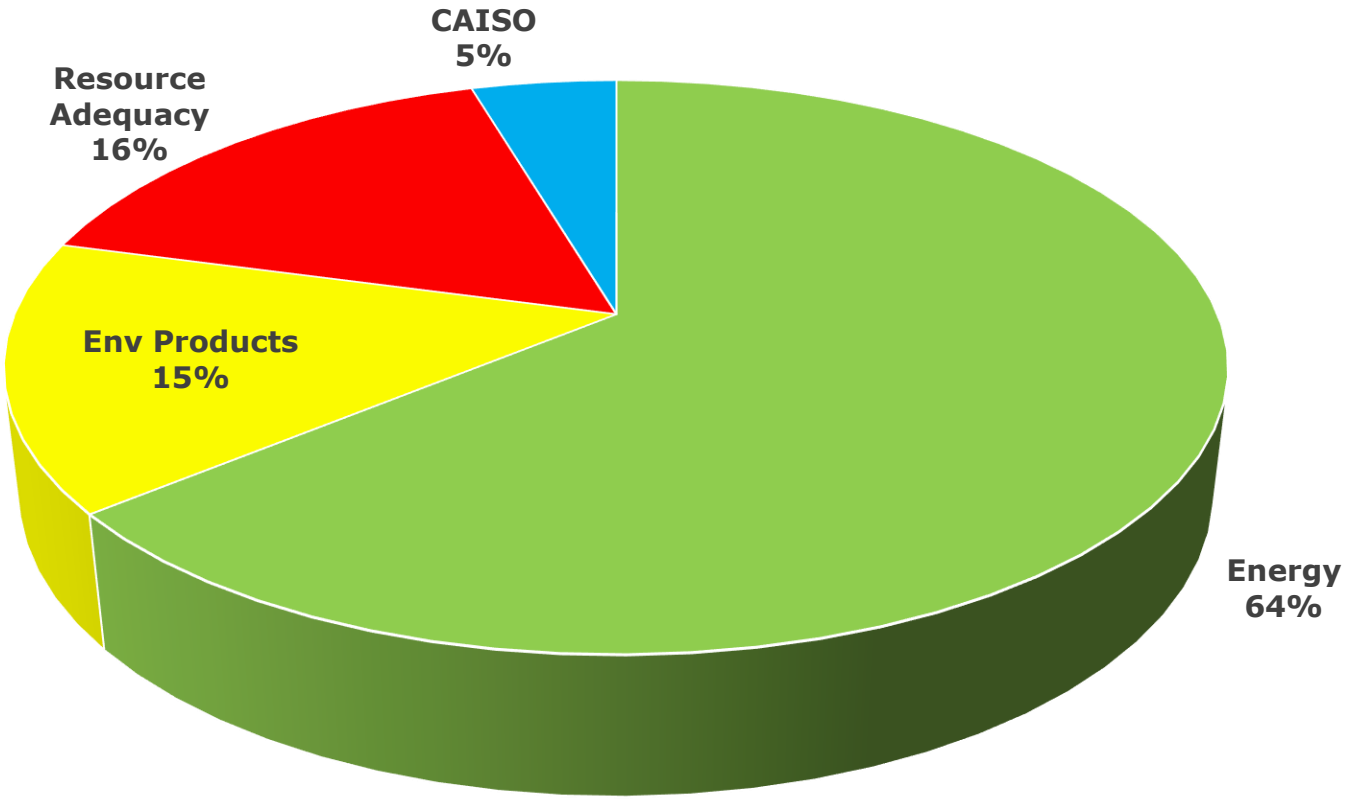
TOTAL REVENUES

- Continued exposure to COVID load loss and volatile PCIA
- Long-term revenue vulnerability from Direct Access



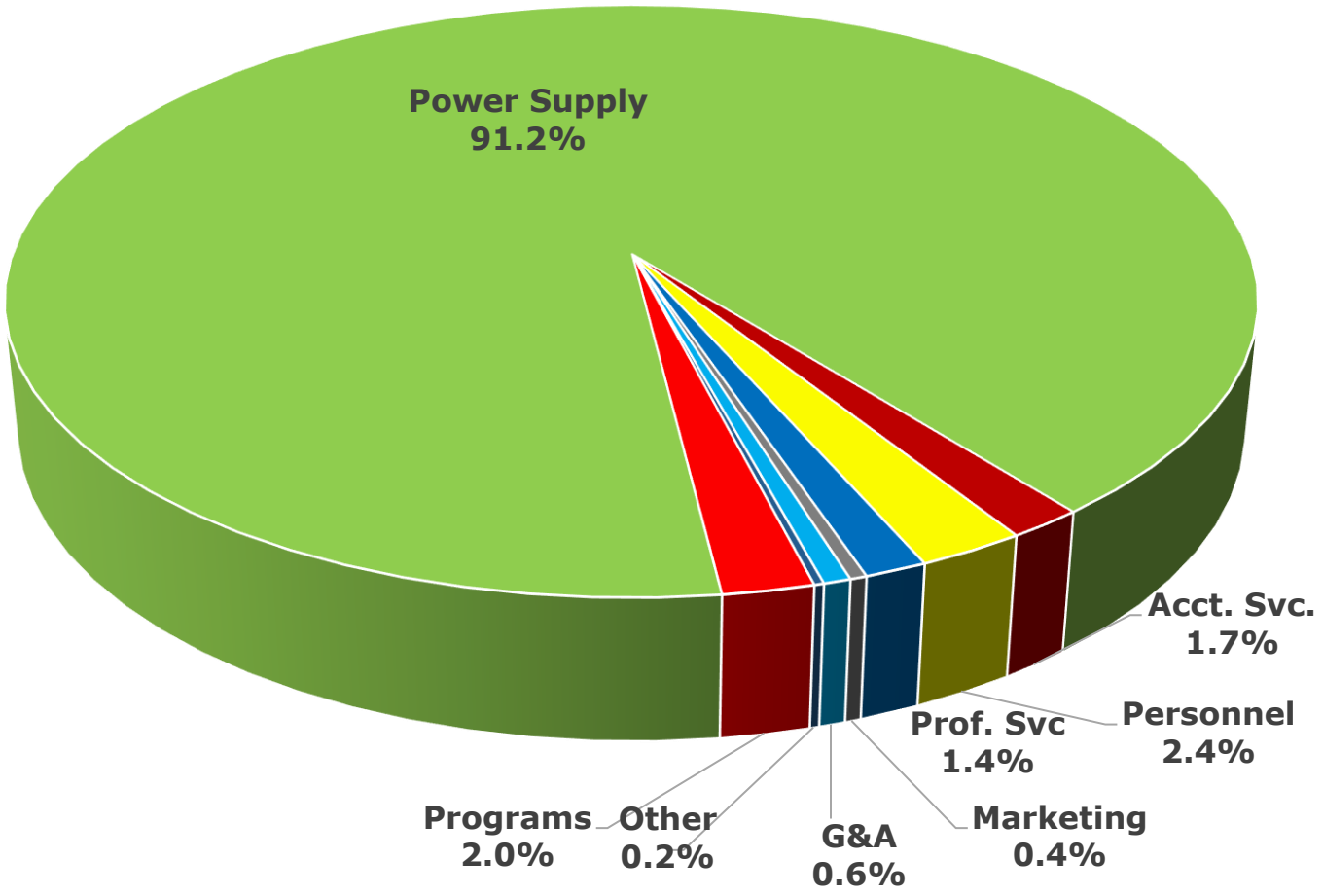
POWER SUPPLY

- $234.7 million Energy Supply Cost
- Well hedged (88%) for FY 2020-21
- Resource Adequacy increases each year



TOTAL EXPENSES

- Low Overhead keeps SVCE nimble to respond to changing business



NEW POSITIONS

CURRENT STATE

Long-Term Procurement Negotiations

Developing customized contracts for high load customers

React to regulatory rules changes

Data systems and processes currently being centralized, streamlined and automated

Rudimentary modeling approaches used for consequential business functions

FUTURE STATE

New Power Analyst
provides analytical support and management of resources obtained through the PPA negotiations

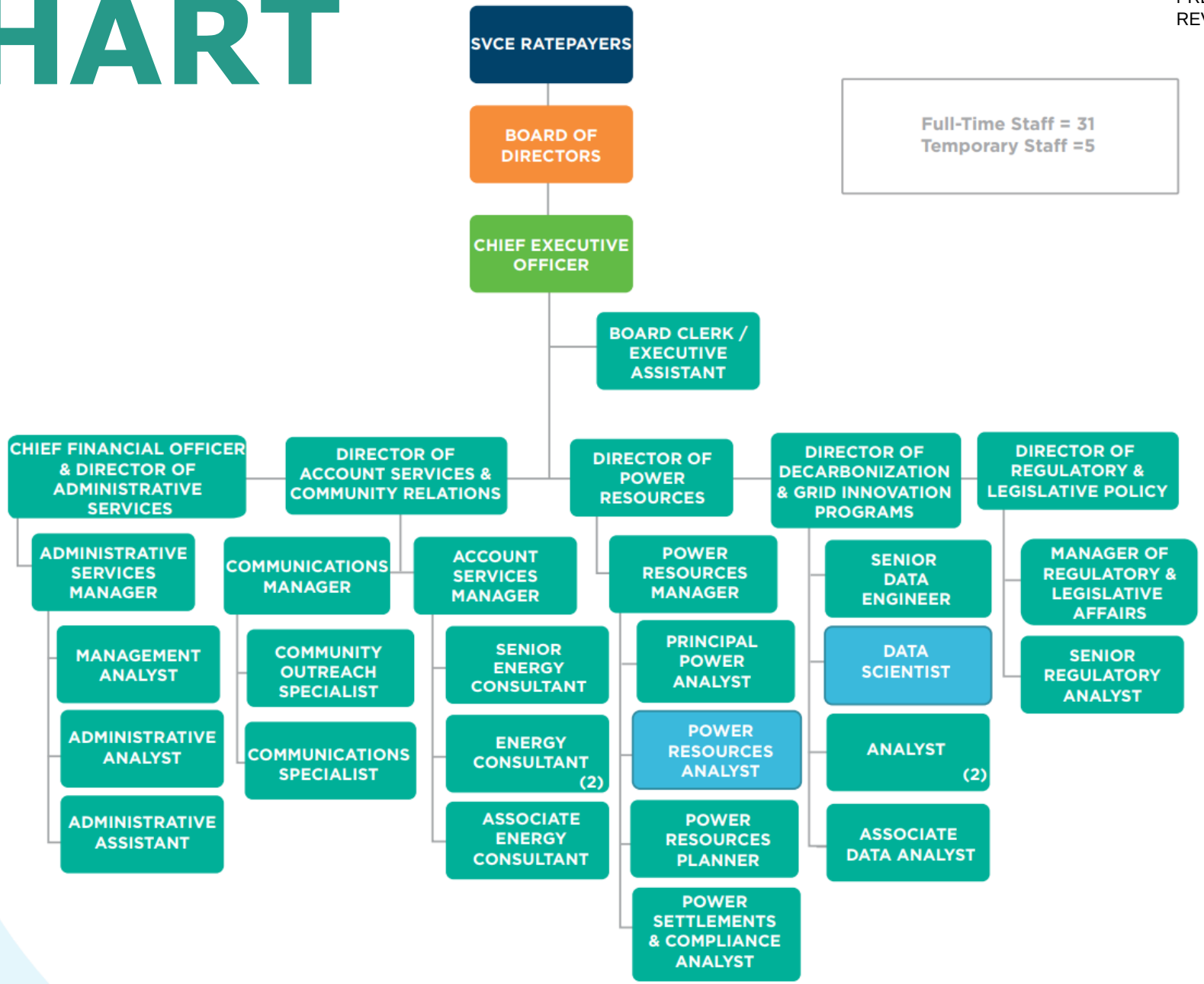
Evaluates new resources and products

Energy portfolio optimization and risk management

New Data Scientist
Generates agency-wide data-driven insights to support mission

Leads high-impact analyses to enhance operational performance and mitigate risk (e.g. load analysis, customer segmentation, program operations, etc.)

ORG. CHART


SVCE RATEPAYERS
BOARD OF DIRECTORS
CHIEF EXECUTIVE OFFICER
Full-Time Staff = 31
Temporary Staff =5
BOARD CLERK / EXECUTIVE ASSISTANT
CHIEF FINANCIAL OFFICER & DIRECTOR OF ADMINISTRATIVE SERVICES
DIRECTOR OF ACCOUNT SERVICES & COMMUNITY RELATIONS
DIRECTOR OF POWER RESOURCES
DIRECTOR OF DECARBONIZATION & GRID INNOVATION PROGRAMS
DIRECTOR OF REGULATORY & LEGISLATIVE POLICY
ADMINISTRATIVE SERVICES MANAGER
COMMUNICATIONS MANAGER
ACCOUNT SERVICES MANAGER
POWER RESOURCES MANAGER
SENIOR DATA ENGINEER
MANAGER OF REGULATORY & LEGISLATIVE AFFAIRS
MANAGEMENT ANALYST
COMMUNITY OUTREACH SPECIALIST
SENIOR ENERGY CONSULTANT
PRINCIPAL POWER ANALYST
DATA SCIENTIST
SENIOR REGULATORY ANALYST
ADMINISTRATIVE ANALYST
COMMUNICATIONS SPECIALIST
ENERGY CONSULTANT (2)
POWER RESOURCES ANALYST
ANALYST (2)
ADMINISTRATIVE ASSISTANT
ASSOCIATE ENERGY CONSULTANT
POWER RESOURCES PLANNER
ASSOCIATE DATA ANALYST
POWER SETTLEMENTS & COMPLIANCE ANALYST

DEPT HIGHLIGHTS

- Executive Administration
  - Strategic Plan Implementation
  - Cross-CCA Collaboration

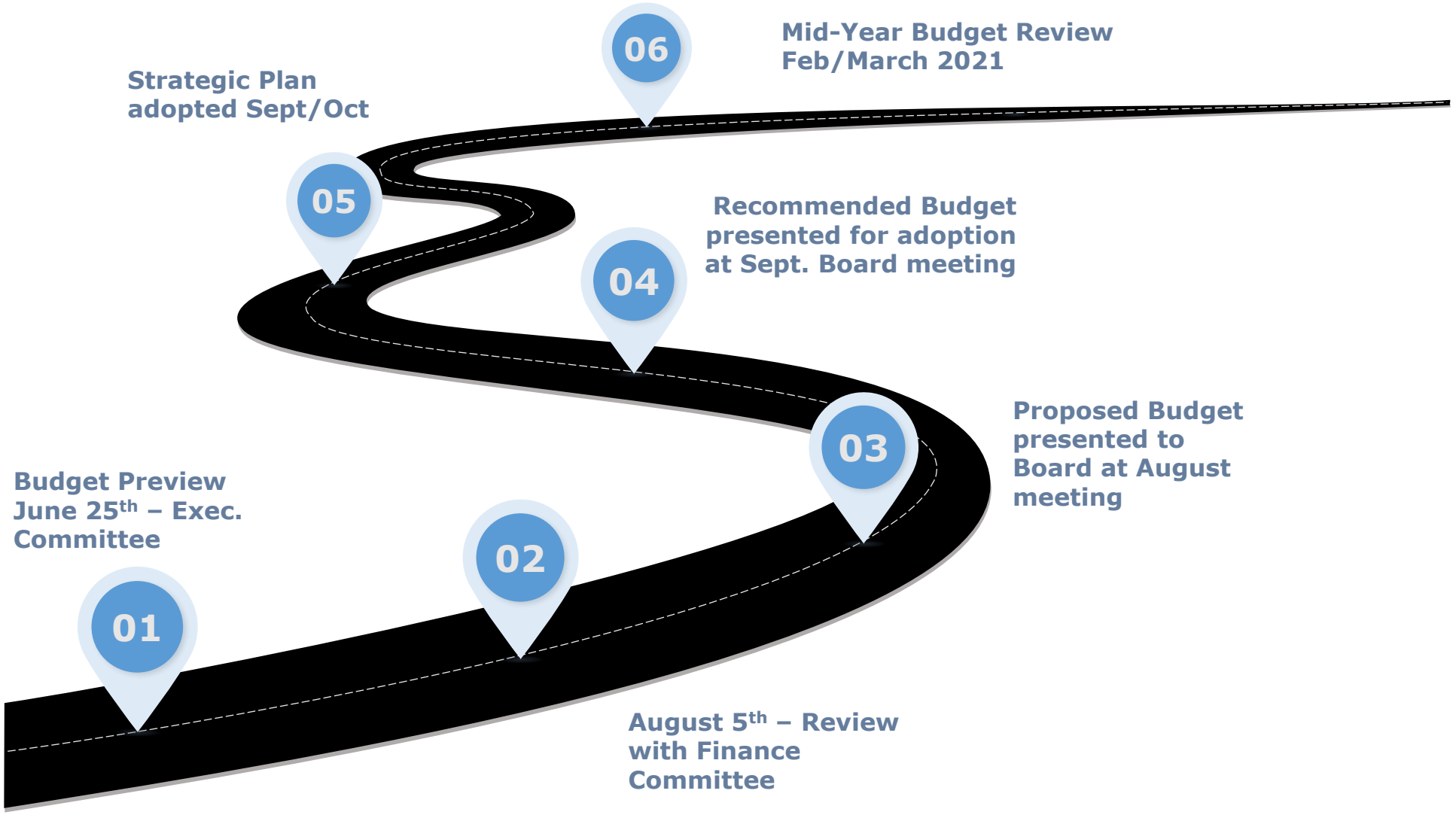
- Finance & Administration
  - Cybersecurity
  - Power Prepay
  - Workforce Productivity and Wellness

- Power Resources
  - Operational Management of long-term power contracts
  - Portfolio Optimization

DEPT HIGHLIGHTS

- Account Services & Community Relations
  - Digital Engagement and Outreach
  - Customer Program Implementation
  - C&I Offerings – GreenPrime Direct; EcoInvestment
- Decarbonization & Grid Innovation Programs
  - Resiliency and Building Electrification
  - Electric Vehicle Charging Infrastructure Support
  - Innovative Pilot Programs
  - Data Analysis and Governance
- Regulatory and Legislative Policy
  - PCIA Reform
  - Industry Restructuring

NEXT STEPS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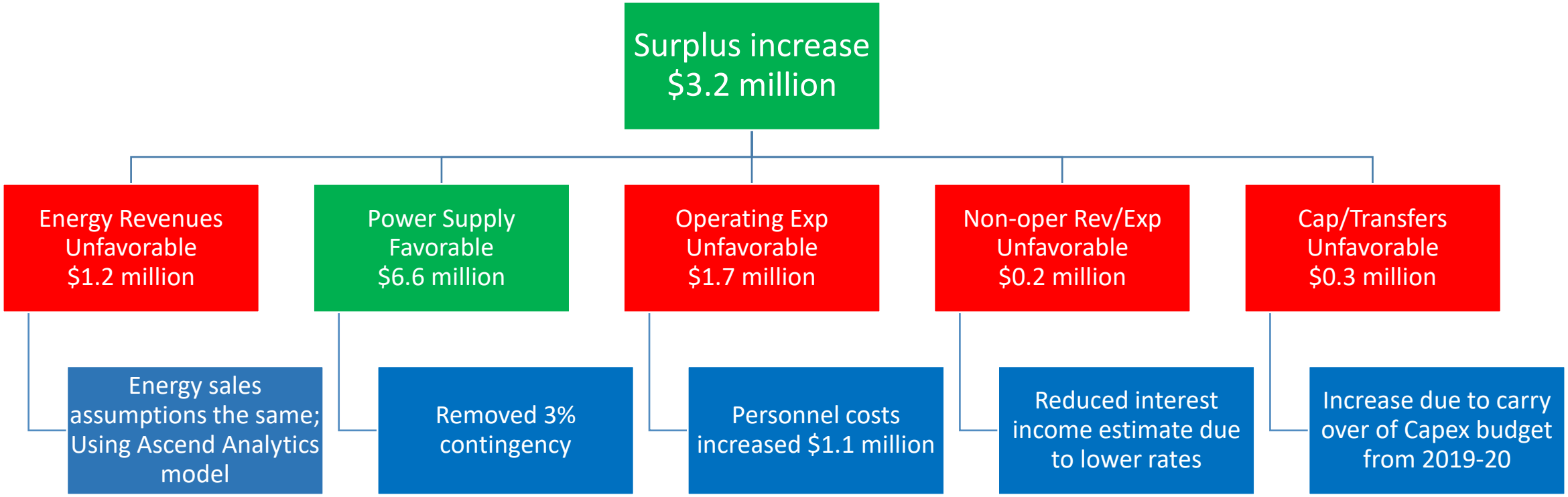
Changes in FY 2020-21 Projected Budget Surplus since Mid-year (June 25 update)



SILICON VALLEY CLEAN ENERGY
FY 2020-21 RECOMMENDED OPERATING BUDGET
($ in thousands)

DESCRIPTION	FY 2019-20 BUDGET AS ADOPTED MIDYEAR	FY 2020-21 RECOMMENDED BUDGET	VARIANCE $	VARIANCE %
ENERGY REVENUES				
Energy Sales	285,540	263,524	(22,016)	-7.7%
Green Prime Premium	1,100	891	(209)	-19.0%
TOTAL ENERGY REVENUES	**286,640**	**264,415**	**(22,225)**	**-7.8%**
ENERGY EXPENSES				
Power Supply	239,070	234,662	(4,408)	-1.8%
OPERATING MARGIN	**47,570**	**29,753**	**(17,817)**	**-37.5%**
OPERATING EXPENSES				
Data Management	3,160	3,020	(140)	-4.4%
PG&E Fees	1,260	1,350	90	7.1%
Employment Expenses	5,120	6,240	1,120	21.9%
Professional Services	3,420	3,800	380	11.1%
Marketing & Promotions	740	870	130	17.6%
Notifications	160	100	(60)	-37.5%
Lease	500	500	0	0.0%
General & Administrative	960	1,070	110	11.5%
TOTAL OPERATING EXPENSES	**15,320**	**16,950**	**1,630**	**10.6%**
OPERATING INCOME (LOSS)	**32,250**	**12,803**	**(19,447)**	**-60.3%**

SILICON VALLEY CLEAN ENERGY
FY 2020-21 RECOMMENDED OPERATING BUDGET
($ in thousands)

DESCRIPTION	FY 2019-20 BUDGET AS ADOPTED MIDYEAR	FY 2020-21 RECOMMENDED BUDGET	VARIANCE $	VARIANCE %
NON-OPERATING REVENUES				
Other Income	0	50	50	-
Interest Income	2,000	1,155	(845)	-42.3%
Grant Income	160	68	(92)	-57.5%
TOTAL NON-OPERATING REVENUES	**2,160**	**1,273**	**(887)**	**-41.1%**
NON-OPERATING EXPENSES				
Financing	290	165	(125)	-43.1%
Interest	0	0	0	-
TOTAL NON-OPERATING EXPENSES	**290**	**165**	**(125)**	**-43.1%**
TOTAL NON-OPERATING INCOME (EXPENSES)	**1,870**	**1,108**	**(762)**	**-40.7%**
CHANGE IN NET POSITION	**34,120**	**13,911**	**(20,209)**	**-59.2%**
CAPITAL EXPENDITURES, INTERFUND TRANSFERS & OTHER				
Capital Outlay	400	400	0	0.0%
Other	50	0	(50)	-
Transfer to CRCR Fund	8,500	0	(8,500)	-
Transfer to Programs Fund	5,050	5,270	220	4.4%
TOTAL CAPITAL EXPENDITURES, INTERFUND TRANSFERS & OTHER	**$14,000**	**$5,670**	**(8,330)**	**-59.5%**
BALANCE AVAILABLE FOR RESERVES	**$20,120**	**$8,241**	**($11,879)**	**-59.0%**

CCA Base Rate Comparison

Summary Table			
CCA	**Base Rate**	**Base Rate Renewable**	**Base Rate Discount to PGE Gen**
PCE	ECOplus	50%	-5%
SVCE	GreenStart	50%	-4%
MBCP	MBChoice	34%	-2%
CleanPower SF	CPSF Green	48%	-1%
SJCE	GreenSource	45%	-1%
EBCE	Bright Choice	41%	-1%
MCE	Light Green	61%	3%
Sonoma Clean Power	CleanStart	49%	6%

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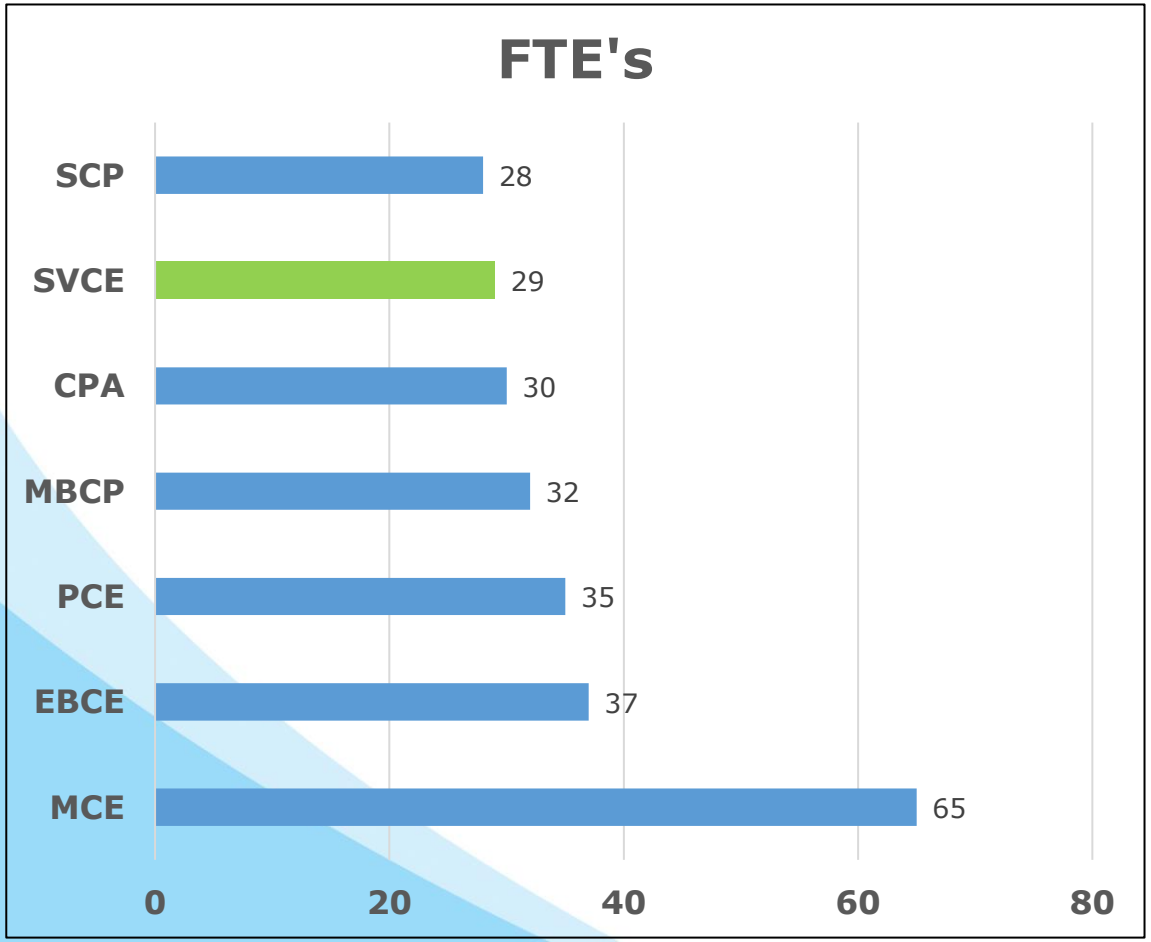
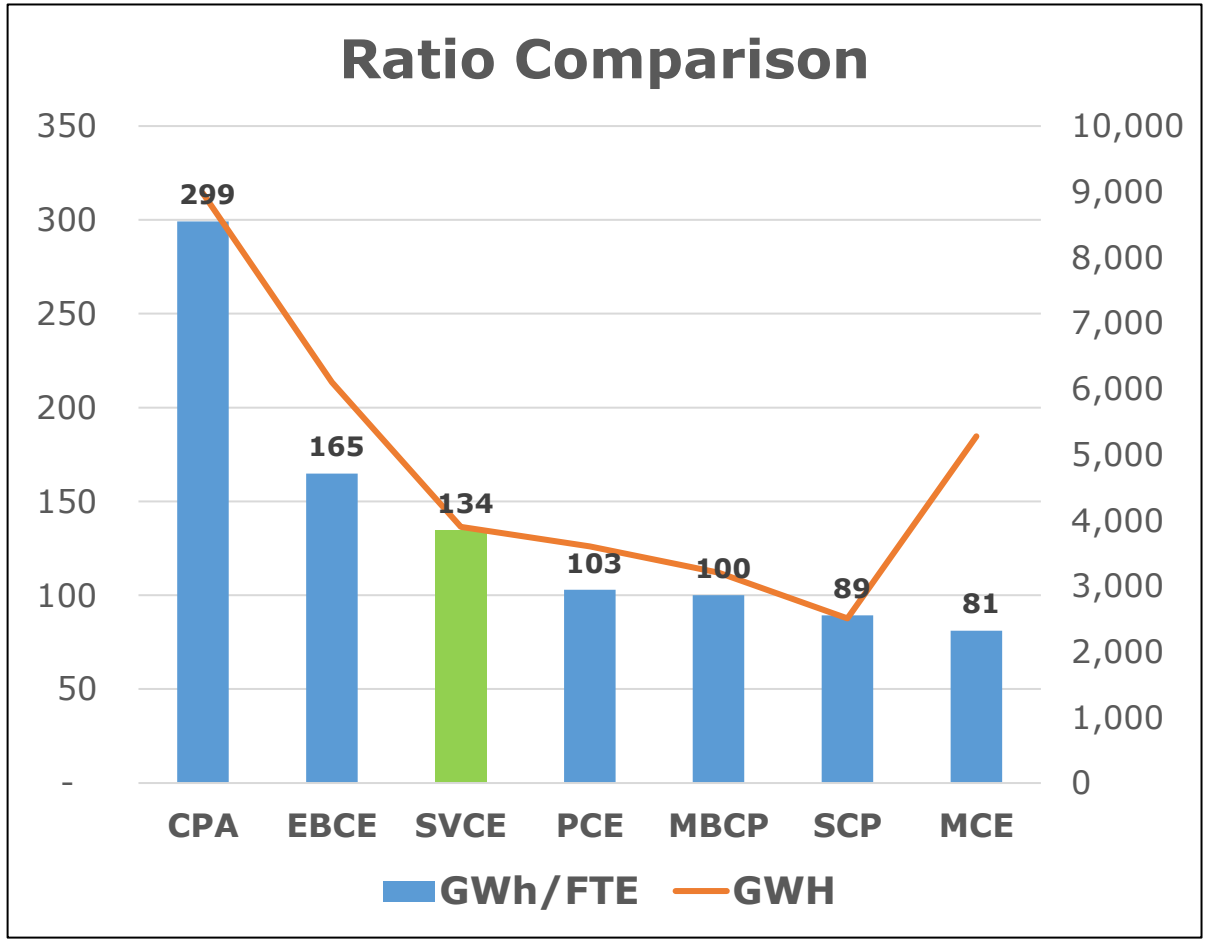
FTE COMPARE





SILICON VALLEY CLEAN ENERGY

Scenario: Mid Case

Below are average changes to load based on a pre-covid forecast

	Small/Medium C&I	Large C&I	Residential	Total Load *(Weighted avg by rate class)*
Shelter-in-Place #1 *Mar 17 - May 30, 2020*	-23%	-13%	11%	-8%
Recovery Period #1 *Jun 1 - Nov 30, 2020*	-12%	-8%	3%	-5%
Shelter-in-Place #2 *Dec 1, 2020 - April 30, 2021*	-16%	-7%	9%	-3%
Recovery Period #2 *May 1 – Jun 31, 2021*	-9%	-6%	3%	-4%
New Normal Phase 1 *July 1 – Dec 31, 2021*	-9%	-4%	1%	-3%
New Normal Phase 2 *2022*	-4%	-2%	0%	-2%

REVENUES INPUTS

- No changes to rates since May 2020
  - 1% discount to PG&E rates for FY20-21
    - Resume 4% discount in FY21-22
  - Forecasting stable rates through Spring 2021
- Double-dip Recovery through late 2020
- PCIA trigger and fallback anticipated, but timing uncertain
- No change to customer participation rate
- Direct Access Expansion, pending CPUC report release

Executive Administration

Strategic Plan

Less task-orientated document

Implementation of Strategic Plan

Collaboration

Continued collaboration with other Bay Area CCAs

Long-duration Storage

Power Prepay

Board

General Counsel

Board/Committee meetings support

Finance & Administration

Cybersecurity

Continued funding to support cybersecurity initiatives

Focus on security and reliability

Facility Improvements

Increased rent budget to support larger new office space

Continued capital budget to support delayed construction improvements in new upstairs space

HR/Payroll Improvements

Maintain competitive compensation and benefits package

Support remote workforce productivity and wellness

Risk Management

Support for risk management of agency (insurance, etc.)

Support for risk management of energy supply and compliance

Power Pre-Pay

Support for analysis and possible execution of a power prepay agreement that would lower power supply cost

Power Resources

PPAs & Contracts

Consultants and Legal support for new PPA negotiations

Monitoring and action for ongoing PPAs

Coordinated Operations Agreement with MBCP

Master Agreements (EEI) management

Portfolio Optimization

Monitoring & management of Power Supply Costs

Assist with Direct Access strategies and response

Hybrid Resource valuation & optimization

Compliance

Leg/Reg support

Operations

Scheduling Coordination

Clean energy procurement

Resource Adequacy & joint procurement

Risk management, load forecasting, and software tools/ solutions to support more integrated trade and settlements system

Integrated Resource Plan (IRP)

Preparation and filing in 2020

Implementation of 2021-30 IRP

Assessment of SVCE's clean goals

Joint Long Duration Storage RFP

Stand-alone storage procurement

Account Services & Community Relations

Data Management

Continued coordination with Calpine

Long-Term data management strategies

Outreach

Continued shift in focus to digital outreach and engagement due to COVID

Outbound email Marketing and Promotions to drive eHub utilization

Awareness

Expanded print / digital advertising campaign around electrification

Collateral development and marketing to support new programs (EV Charging, HPWH, Workforce Training)

Programs Support

Collaboration with the Decarbonization and Grid Innovations Team to roll out programs

C&I Offerings / Long-Term contracts including:

GreenPrime Direct

EcoInvestment

Required Notifications

Funding for various mailers that are required by the CPUC, such as the annual joint rate mailer, with coordination of PG&E

Transition to electronic distribution when feasible

Decarbonization & Grid Innovation Programs

Programs Funding

Continue with the 2% of energy revenues formula for annual funding of programs

Carry over unused $ from this fiscal year by creating programs fund

Programs Roadmap

Continued rollout of various programs identified in the roadmap

Building Decarbonization Joint Action Plan

Community Resilience Planning & Capital Support

Community Equity

Innovation

Launch multiple pilots through Innovation Onramp

Telematics Smart Charging

Smart Electrical Panel Demonstrations

Tools

Develop DAISY 2.0 – a comprehensive data analytics platform to provide cross-functional support

Build on DER and VPP valuation assessments to improve avoided cost model and GHG forecasting

Regulatory & Legislative

Pro-Active with Legislature

Funding for Lobbyist presence

Funding for continued communications with key stakeholders

CalCCA

Membership Dues

Support of various committees and initiatives

Regulatory / Rate-Setting

PCIA Reform

Direct Access Expansion

Industry Restructuring

Keyes & Fox
M. Cubed
MRW

SILICON VALLEY
CLEAN ENERGY

Power Prepay –
Being Ready When the Market is Ready

Presentation to SVCE Board
September 9, 2020

Purpose

- Board feedback related to taking steps to being ready - when the market is ready - to enter a 30-year power prepay agreement that would reduce cost by 8-12% (approximately $3 million per year)

SILICON VALLEY CLEAN ENERGY

Overview

1. Tax law and applicability to energy prepayment
2. What is a tax-exempt energy prepayment transaction?
3. Timeline & Next Steps

SILICON VALLEY CLEAN ENERGY

Eleven Prepayments Totaling Over $5.7 Billion Have Been Completed in California

Date	Amt. ($000)	Issuer	Description	Beneficiary
6/2006	230,845	Vernon Nat. Gas Fin Auth	Nat Gas	City of Vernon Elec
1/2007	209,350	Roseville Natural Gas Fin Auth	Nat. Gas	City of Roseville Elec
5/2007	757,055	Northern Ca Gas Auth No. 1	Nat. Gas	SMUD
9/2007	887,360	Long Beach Bond Fin Auth	Nat. Gas	City of Long Beach
10/2007	504,445	So. Ca. Pub. Power Auth	Nat. Gas	Multiple MOUs
10/2007	251,695	Long Beach Bond Fin. Auth	Nat. Gas	City of Long Beach
8/2009	901,620	M-S-R Energy Authority	Nat. Gas	MID/Redding/SVP
10/2009	514,160	So Ca Pub Power Auth (Windy Flats)	Elec (Wind)	LADWP, Mult. MOUs
4/2010	778,665	Cal. Statewide Comm Dev Auth	Nat. Gas	SMUD
2010/11	394,700	So Ca Pub Power Auth (Milford 1 & 2)	Elec (Wind)	LADWP, Mult. MOUs
12/2018	539,615	Northern Ca Energy Auth	Gas/Elec	SMUD
Total	**5,717,815**			

1. Prepayments May Help SVCE Reduce Cost of Energy

- Same Tax-Law and similar transaction structure can be used to reduce the cost of electricity produced from renewable resources; though this same structure can be used to pre-pay other energy transactions too

- Opportunity to reduce Purchased Power costs by 8-12% through a prepayment of existing and future PPAs

- Prepayment structures have up to a 30-year term – the "longer the better" – to maximize savings and introduce minimal incremental risk to the CCA

2. Sample Transaction Terms

Master Power Supply Agreement

- Between SVCE and a municipal conduit issuer (e.g. CSCDA or a "to be formed" CCA specific conduit issuer) which issues the bonds allowing for:
  - SVCE to assign long term power contracts into the program and purchase power at a discount to existing price

Term of Prepayment

- Up to a 30-year agreement, subject to early termination if program terminates early

Minimum Savings

- Approximately 8-12% discount for initial reset period (first 5-7 years). Savings are generated by the difference between the taxable borrowing cost of the prepaid supplier (bank) and the tax-exempt rate on the bonds issued to fund the prepayment.

2. Transaction Terms (continued)

Tax-Exempt Debt, other Financial Terms and Conditions

- SVCE will not be party to, responsible for, or account for any bond offering. If program terminates early or prepaid supplier fails to perform, the SVCE forgoes the future savings and assigned contracts return to status quo
- Prepaid supplier (bank) is responsible for the tax-exempt debt. Debt associated with program is issued through a conduit and is non-recourse to SVCE; does not impact SVCE's balance sheet or credit metrics
- The municipal conduit will issue tax-exempt bonds which will be refinanced in 5-7 years, subject to market conditions
- If bank doesn't perform, cannot remarket the bonds or if SVCE needs to exit prepay for some reason, the assigned contracts revert back to SVCE at the original price and terms

3. Next Steps – Getting Ready

Allows SVCE to transact when the spread between taxable and non-taxable interest rates are favorable

Transaction and Consultant Costs

- Initial exploratory costs borne by SVCE should be minimal to review legal and regulatory questions regarding the prepayment
- SVCE would need to identify and contract with:
  - Prepaid Supplier – "A" rated (or better) bank to take prepayment and guaranty the bonds
  - Legal Counsel – to provide necessary legal opinions to SVCE and assist in negotiating transaction documents
  - Municipal Financial Advisor – assist in negotiating the financial terms of the transaction
- Traditionally, these consultants and all other fees paid to complete the prepayment transaction would be paid from bond proceeds if and only if the transaction closes – so minimal financial risk to SVCE to initiate and negotiate a transaction.

3. Next Steps – Getting Ready

Allows SVCE to transact when the spread between taxable and non-taxable interest rates are favorable

Bond Conduit Formation

- SVCE, EBCE, MCE, CCCE
- Work has been initiated
- To be completed in Q4 2020 or Q1 2021
- Minimal cost ~$15K

Documentation and Transaction Terms

- SVCE & EBCE
- Work has been initiated
- To be completed by Q1 2021
- Select pre-pay supplier, hire legal counsel, municipal finance advisor and other necessary professionals; nearly all fees are contingent on a deal being transacted.

Next Steps - Timing

August 2020
- SVCE Finance Committee Briefing #1

September 2020
- SVCE Board Briefing on Getting Ready to Transact a Power Prepay

September 2020
- SVCE Finance Committee Discussion #2

October 2020
- SVCE Board Provides Direction to Explore & Get Ready

Q4 2020 - Q1 2021
- Documentation and Transaction Terms Developed

TBD - Q1 2021 or later
- Transaction brought to SVCE Board for approval when market is ready

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Request

- Provide feedback on efforts underway to explore and get ready to transact a power prepay agreement
- Discuss with Finance Committee - September 15th
- Obtain direction to explore at October 14th Board meeting

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Additional Background Slides

Glossary of Terms

Power Purchase Agreement "PPA" – contract to receive and pay for a specific type of energy (i.e. renewable solar, wind, etc.) at a specific price over the term of the contract (i.e. 15 years)

Tax-exempt Prepayment – payment in advance by a municipal utility for a number of years of contracted energy and financing the prepayment with tax-exempt debt

"Novate" – to assign a PPA contract to another party for a some or all of the contract term

"Recourse to..." – secured or guaranteed by the referenced entity

"Non-recourse..." – not secured or guaranteed by the referenced entity

"Conduit issuer" – entity formed to issue debt but not responsible to repay the debt (non-recourse!)

History and Tax Law Behind Municipal Prepaid Energy Transactions

- Municipal electric and gas utilities (and tax-exempt entities such as CCAs) in the US can prepay for a supply of electricity or natural gas from a taxable (corporate) entity and fund that prepayment with tax-exempt municipal bonds:
  - Must sell that commodity to their retail end-users that reside within their traditional service area.

- Prepayment transactions are legal and Codified in US Tax Law: Since first prepayments of natural gas were done in the early 1990's, the IRS issued rules allowing tax-exempt prepayments and Congress enacted legislation specifically allowing the transactions (National Energy Policy Act of 2005; Section 1327).

- Over 90 municipal prepayment transactions totaling over $50 Billion have been completed in the US – over 95% of them for natural gas. Natural gas is much easier to "prepay" because the commodity is homogenous and is easy to store.

- Prepayments have saved utility ratepayers (natural gas, electricity from gas fired power plants and energy from renewable power projects) billions of $ in reduced rates and energy charges and will continue to do so over the 30-year life of the transactions.

Renewable Energy Prepayment -Key Elements of an SVCE Transaction -

- Existing Renewable PPA's are assigned or "novated" to the taxable prepaid supplier
- SVCE continues to take and pay for energy and attributes delivered through the contract
- Maintains the existing terms of PPAs, including scheduling and operations
  - Preserves critical PCC-1 and "long-term" attributes for renewable contracts
- Debt associated with program is issued through a conduit and is non-recourse to SVCE; does not impact SVCE's balance sheet or credit metrics,
- Debt is recourse to (guaranteed by) the bank that receives the prepayment
- If program terminates early or prepaid supplier fails to perform, the SVCE forgoes the future savings and assigned contracts return to status quo

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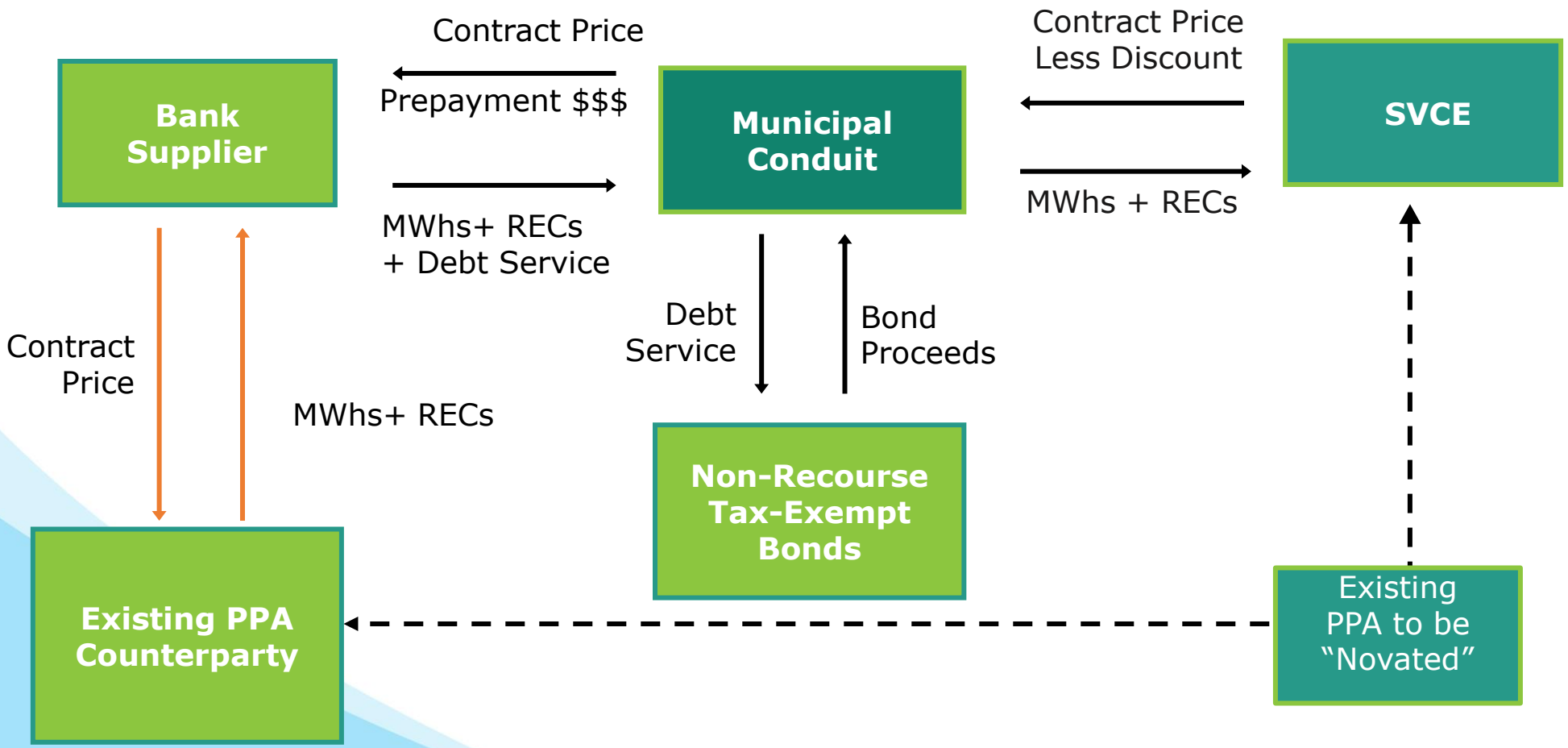
Structure Overview



Joint Powers Authority

- CSCDA (California Statewide Communities Development Authority)
  - Existing, costly (~$50k/yr)
  - Standard option

- New Conduit JPA
  - Elevate CCA brand
  - Reduces costs

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Summary - Benefits and Risk Prepay Program

- **Benefits**
  - ✓ Savings over the 30-year term expected to be 8% - 12% per year on power quantities delivered under the pre-pay structure compared to spot market purchases / current contracts
  - ✓ Equates to @$2.5MM to $3.5MM per year or @0.50% to 0.75% rate reduction
  - ✓ Favorable risk allocation where SVCE only pays for energy that is delivered (same as contracts today)
  - ✓ Debt is non-recourse to SVCE
  - ✓ Rating agencies comfortable with comparable deals at SMUD, SCPPA, others
- **Risks**
  - – Loss of savings and back to square one
  - – Lost investment of staff time

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Timing and Cost

- **Timing**
  - Transaction is dependent on number of market factors which are in constant fluctuation; opportunities to transact can be episodic
  - Moving forward and preparing paperwork takes months
  - Invest the time now to prepare for future approval, execution and success
- **Cost**
  - Majority of the costs are contingent and paid through bond proceeds at closing
  - Various parties involved: bond underwriter, energy supplier, lawyers (bond/tax/disclosure/underwriter's), municipal advisor, and rating agencies
  - Estimated costs of $1.5MM (paid for by bond issuance)
  - Exploring creation of a JPA Conduit Issuer at a cost of $15k (out of pocket)

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