
Stress Test Analyses

Amrit Singh

Finance and Administration Committee

May 12, 2023

Purpose

Present findings of the stress test analyses

Presentation Highlights

- Recap of ERM Framework
- Construction of Stress Test Scenario
- Overview of Modeled Price Collapse
- Results and Implied Reserve Targets
- Next Steps





Recap of the ERM Framework

Comprehensive organization-wide assessment of risks

Optimally manage enterprise risks to achieve the organization's mission and goals.

1. Risk Register

- Record of organization's risks
- Lists current and additional risk mitigations
- Identifies a risk owner

2. Risk Matrix

- Assess the likelihood and consequence of risk
- Calibrate risks
- Identify risk tolerance levels

3. Stress Tests

- An essential component of ERM
- Model scenarios of interrelated risks that are extreme but plausible
- Important for commodity trading portfolios because of the inherent weakness of market risk measures in assessing black swans, such as disruptions in markets

		Impact/Consequence				
		Insignificant	Minor	Moderate	Major	Catastrophic
Frequency/Likelihood		Risk Easily Mitigated through Day-to-Day Operations	Risk is Manageable/Low Impact on Mission	Moderate Erosion of Reserves/Impact on Mission	Significant Erosion of Reserves/Impact on Mission	Risk of Existence
Certain	>90% chance	High (1)	High (2)	Extreme (3)	Extreme (4)	Extreme (5)
Likely	50%- 90% Chance	Moderate (6)	High (7)	High (8)	Extreme (9)	Extreme (10)
Moderate	10%- 50% Chance	Low (11)	Moderate (12)	High (13)	Extreme (14)	Extreme (15)
Unlikely but Plausible	5%-10% Chance	Low (16)	Low (17)	Moderate (18)	High (19)	Extreme (20)
Rare	<=5% Chance	Low (21)	Low (22)	Moderate (23)	High (24)	High (25)

Additional review slides are in the appendix (20-23).



Stress Test

Extreme but plausible scenarios that can deplete reserves and make SVCE uncompetitive.

Insight from 2022 analyses

- Last year, SVCE conducted five stress test scenarios – four of them were impacted by market price uncertainties
- Among them, the price collapse scenario was the most consequential
- Price collapse scenario under an economic recession remains as one of the most significant risks



Stress Test Scenarios

Extreme but plausible scenarios that can deplete reserves and make SVCE uncompetitive.

- Ensure adequacy of reserves and organizational resiliency
- Guide development of strategic plan
- Shape FY 22-23 budget and reserve targets
- Price uncertainty Drives the first 4 scenarios

Stress Scenarios for CY 2023 to CY2027 (five-year horizon):

1. Significant drop in energy prices including REC
 - Higher PCIA and lower PG&E Gen Rate
2. Insufficient financial liquidity
 - Price collapse triggers credit downgrade
 - Collateral calls from counterparties and CAISO
 - Increase in POLR (Provider of Last Resort) funding (called FSR – Financial Security Requirement)
3. PPAs default, renegotiate for higher prices, and/or delay start
 - RPS non-compliance penalty
 - Replacement at higher prices
4. Load loss due to direct access and distributed load
5. Threat to Public Services or Facilities



2023 Stress Test Scenario Description

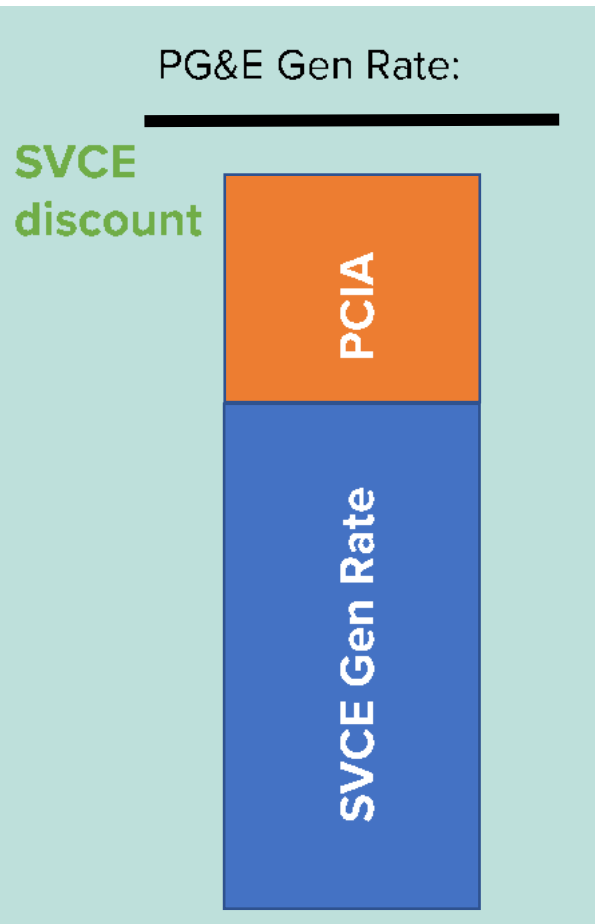
Economic Recession

- Forward Energy Prices Collapse to the one percentile level
- Economic Recession Creates Load Loss
- Customer Uncollectables Increase
- Additional Financial Liquidity Stress
 - Increase in POLR (Provider of Last Resort) funding (called FSR – Financial Security Requirement)
 - Large Counterparty Collateral Postings
 - MTM Losses on Investments

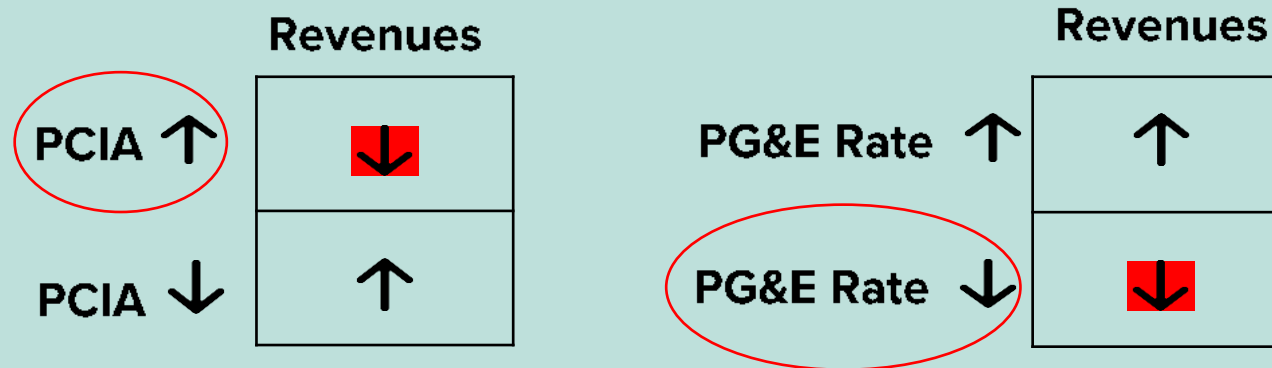


Key Takeaways – Price Uncertainty

Biggest contributor to risk: PCIA and PG&E Generation Rate Uncertainty.



PCIA and PG&E Gen Rate determine SVCE Rates and therefore Revenues



Revenues decline when prices decline



Key Takeaways – Price Uncertainty – Cont'd

Big contributor to PCIA and PG&E Generation Rate Uncertainty is Market Prices.

Next Year's PCIA &
PG&E Gen Rate



Current Year's actual
realized Prices



Forecast of Next
Year's Market Prices



Can't fully bank the current year's margin

- Deviations between actual and forecast costs are tracked in balancing accounts and trued up next year
- If prices drop, then there can be a substantial draw from reserves

- $PCIA_{2023} = PCIA \text{ Balancing Account}_{2022} + \text{Forecast Balance}$
 - $\text{Balancing Account} = (\text{Prior Year's Forecast Prices}_{2022} - \text{Actual Prices}_{2022}) * PCIA \text{ Portfolio}$
 - $\text{Forecast Balance} = (\text{Legacy Contract Costs} - \text{Forecast Prices}_{2023}) * PCIA \text{ Portfolio}$
- PG&E Gen Rate Set Similarly
 - $PG\&E \text{ Gen Rate} = ERRA \text{ Balancing Account} + \text{Forecast Costs}$

* Simplified representation of concepts



Key Takeaways – Price Uncertainty – Cont'd

Price collapse poses biggest financial risk.

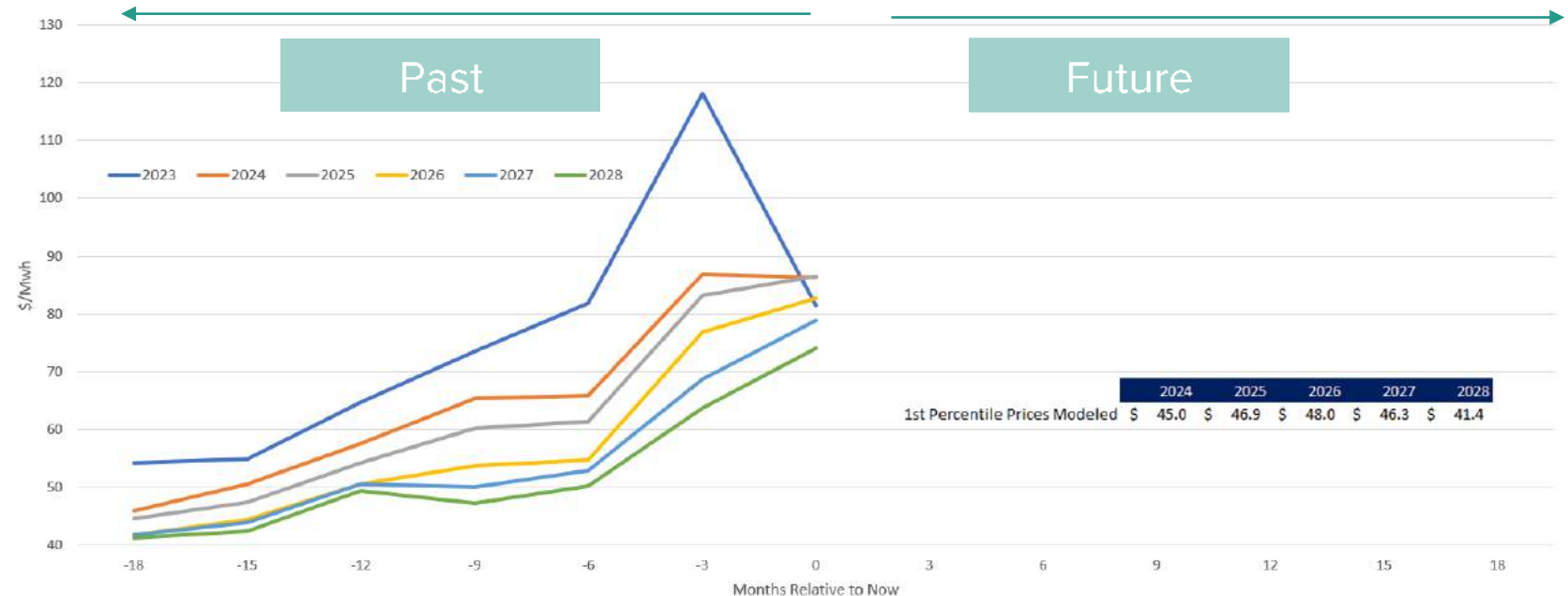
- Revenues drop significantly
- Loss of revenues far exceed savings from lower power procurement costs
 - Power procurement savings dampened by existing hedges

	2024 Prices ↑	2024 Prices ↓
2023 Prices ↑	PCIA ↓ PG&E Rate ↑ SVCE Revenues ↑	
2023 Prices ↓		PCIA ↑ PG&E Rate ↓ SVCE Revenues ↓



Past, Current, and Stress Case Modeled Commodity Prices

- Forward prices are at all time high.
 - Extreme case of runup in prices
- Can't predict future but price trends could reverse, and prices could drop equally or more.
- Prices were trading closer to the modeled stress test levels as recently as 15 to 18 months ago.

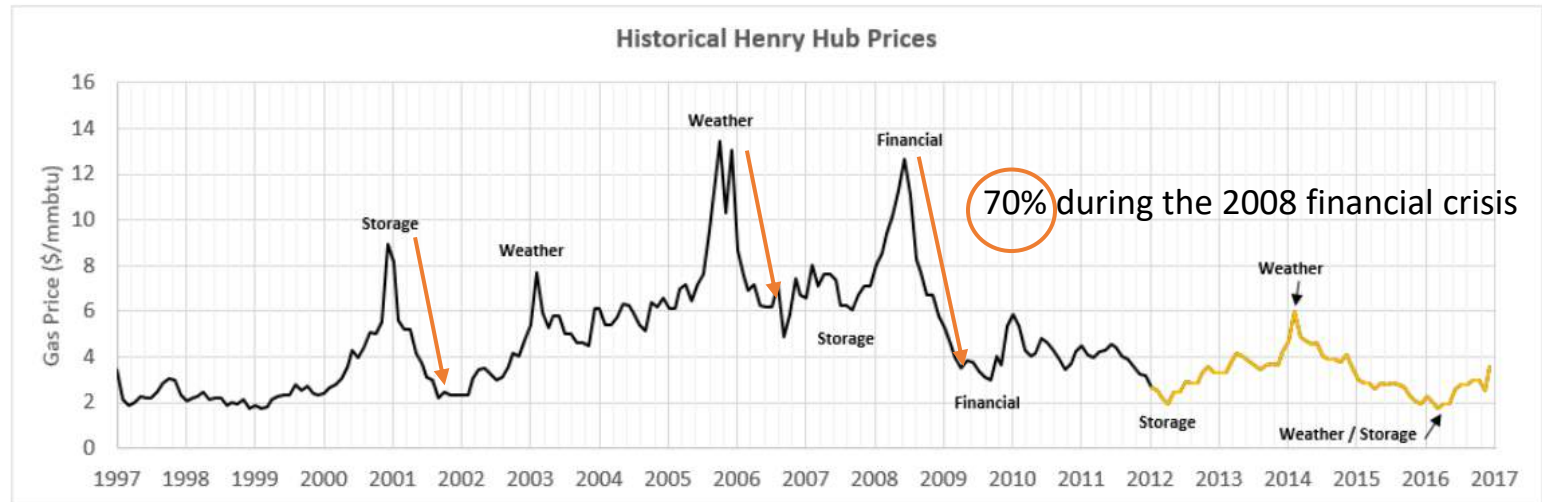




Modeled Price Collapse Comparison to Past Prices

Volatility in Natural Gas Markets Translates to Volatility in Electricity Markets

- 2008 financial crisis natural gas prices dropped ~70% with a corresponding drop in power prices
- Stress test modeled price drop from base case to the one percentile level is about a 44%
 - Depended on assessment of current market volatility



Source: <http://epis.com/powermarketinsights/index.php/2017/05/18/how-good-is-the-eia-at-predicting-henry-hub/>



Base Case versus Stress Scenario

Base Case

- High forward prices result in low PCIA and high PG&E Gen rates resulting in healthy SVCE Margins
- If current forward prices are realized and other model assumptions prevail:
 - Significant growth in reserves from FY2023 level of \$219 million to \$390 million at the end of FY2024
 - Continued strong growth in margins over the next 5 years
- Caveats:
 - PCIA and PG&E Gen Rate portfolio assumptions based on public data as best modeled by NewGen Consultants
 - PG&E's portfolio management strategy and portfolio contents may change from those modeled
 - CPUC may moderate rate impacts
 - Uncertainty increases further out in time
- **Focus on delta of the base case to stress test results**

Stress Case

- If the modeled stress scenario were to occur, reserves would drop from \$224 million at the end of FY2023 to only \$39 million at the end of FY2025 (A drawdown of \$185 Million from our reserves)
- Projected Days Cash on hand will also be below the minimum target of 120 DCH

	2024	2025	2026	2027	2028
Days Cash on Hand	157	41	(14)	(62)	(123)

Below minimum target of 120 DCOH.



Risk Mitigations

- Best Mitigation

- Hold Sufficient Reserves

- Other Mitigations

- Revisit the current energy hedging strategy
 - Allow for loss in revenues from price collapse to be mitigated by a reduction in power supply costs
 - Challenge: Determining the level of hedging given the uncertainty in modeling PCIA and PG&E Generation Rates
 - SVCE is spearheading analysis jointly with CalCCA consultant, NewGen Strategies

- Use the results of these analyses to propose a reserve target for the next fiscal year's budget
- Build reserves such that if the stress scenario were to occur, reserves do not fall below the minimum reserve threshold of holding 120 DCOH over the next 2 years and 90 DCOH over the years 3 to 5

	Current	Illustrative New Targets
Minimum	120	120
Goal (Target)	285	270
Maximum (Upper Target)	490	390

- The stress test analysis will be updated using prices consistent with those used to construct next year's fiscal budget. The above table will then be revised and will be used to update the targets in the reserves policy.



Next Steps

June 14, 2023

Staff presents stress analysis to the Board

August

Finance Committee and Board review and provides staff feedback on the proposed budget and any changes to reserves targets

September 13, 2023

Board approves FY 2023 – 2024 budget with updated reserves targets

Appendix



Stress Test Scenario Construction -2023

Economic Recession

- Price Drop
- Increase in POLR
- Resource Adequacy (RA) reform and market uncertainties, along with increased procurement targets and potential penalties, increase procurement costs
- Bad Debt @ 1%
- Potential Load Loss
- Large Counterparty Collateral Postings
- MTM Losses on Investments

Scenario Construction (revenue side)

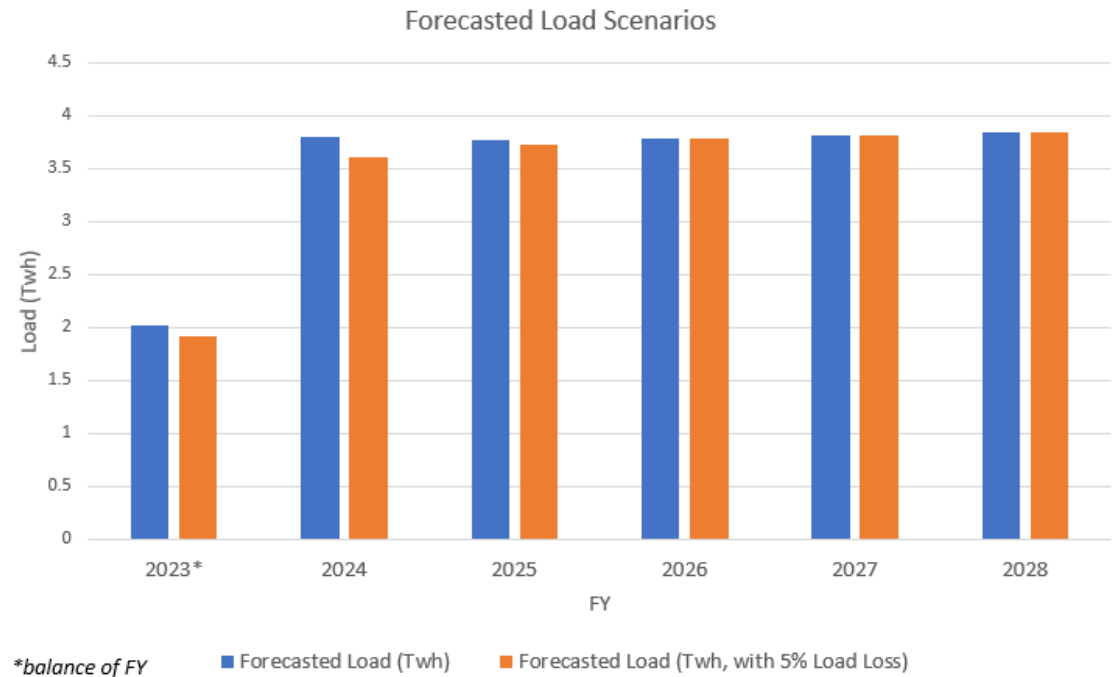
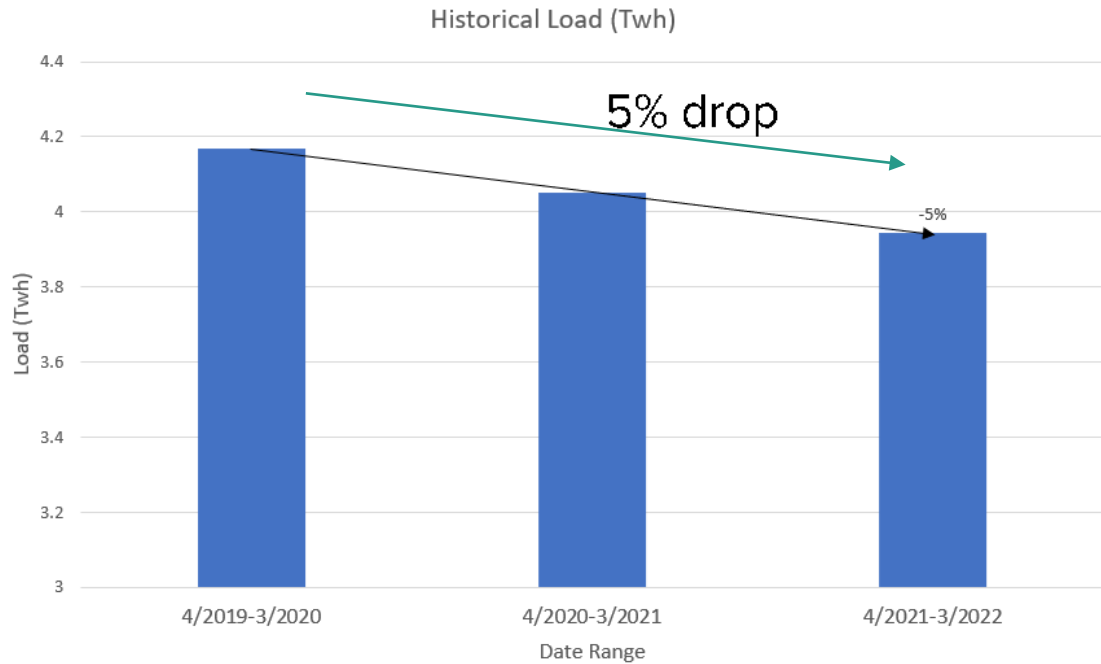
- Bad Debt @ 1%
- 4% Discount until Dec 2023 and 1% thereafter
- 5% Load Loss
- 10% modeling error adjustment to NewGen model forecast based on past trends

Scenario Construction (cost side)

- Energy: Statistical 1 percentile low case prices (extreme but plausible scenario)
- RA : Fundamental Forecast based
- Term : Balance of fiscal year 2023 to FY2028 (5+years)
- Price drops for all forward months to the 1 percentile level taking into account current forward prices
- Hedges and MTR executed per ERM thresholds (hedge to max targets)
- Evaluation of Collateral postings at stress price levels



Load Assumptions and Forecast





Days Cash on Hand CCA Comparable

SVCE Target Days on Hand is 285

CCA	Published Targets
SCP	280
MCE	240
3CE	183
EBCE	183
PCE	180
SJCA	180



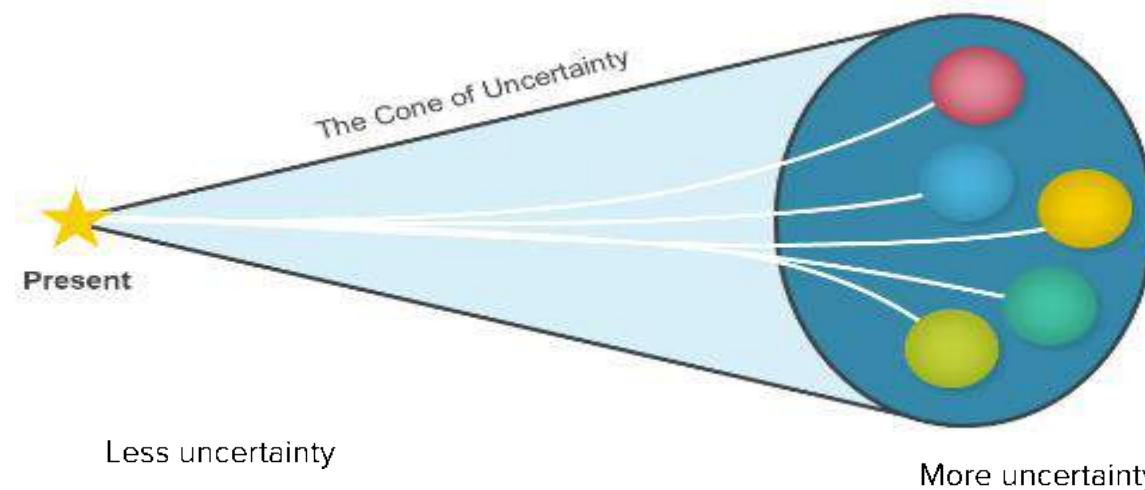
Summary of Base Case Results

High forward prices result in low PCIA and high PG&E Gen Rates resulting in healthy SVCE Margins.

Base Case \$ millions

	Fiscal Year (BY)					
	2023	2024	2025	2026	2027	2028
Revenues	\$ 251	\$ 573	\$ 574	\$ 525	\$ 498	\$ 471
Power Supply Cost	\$ 212	\$ 364	\$ 377	\$ 387	\$ 379	\$ 372
Operating Margin	\$ 39	\$ 210	\$ 196	\$ 138	\$ 119	\$ 98
Other Costs	\$ 29	\$ 39	\$ 32	\$ 32	\$ 32	\$ 33
Net Contribution to Reserves	\$ 10	\$ 170	\$ 164	\$ 106	\$ 86	\$ 66
Reserve Balance	\$ 219	\$ 390	\$ 554	\$ 660	\$ 746	\$ 812
Days Cash on Hand		353	494	575	662	732

Constructed for stress analysis. Does not account for additional expenditures for programs and customer discounts beyond the 1 % level.





Summary of Stress Test Results

Base Case

Fiscal Year (BY)

	2023	2024	2025	2026	2027	2028
Revenues	\$ 251	\$ 573	\$ 574	\$ 525	\$ 498	\$ 471
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Stress Case

P1

	BY 2023	2024	2025	2026	2027	2028
Revenues	\$ 242	\$ 333	\$ 228	\$ 289	\$ 294	\$ 280
Power Supply Cost	\$ 198	\$ 322	\$ 313	\$ 308	\$ 306	\$ 303
Operating Margin	\$ 44	\$ 11	\$ (85)	\$ (19)	\$ (12)	\$ (23)
Other Costs	\$ 29	\$ 39	\$ 32	\$ 32	\$ 32	\$ 33
Net Contribution to Reserves	\$ 15	\$ (29)	\$ (117)	\$ (51)	\$ (45)	\$ (55)
Reserve Balance	\$ 224	\$ 196	\$ 79	\$ 27	\$ (18)	\$ (73)
Reserve Balance after POLR Adjustment	\$ 224	\$ 156	\$ 39	\$ (13)	\$ (58)	\$ (113)
Days Cash on Hand		157	41	(14)	(62)	(123)



Key Components of our ERM Framework

Risk Matrix

- Risk Rubric. Assess the likelihood and consequence of risk events
- Calibrate risks
- Identify risk tolerance – level of acceptance

		Impact/Consequence				
		Insignificant	Minor	Moderate	Major	Catastrophic
		Risk Easily Mitigated through Day-to-Day Operations	Risk is Manageable/Low Impact on Mission	Moderate Erosion of Reserves/Impact on Mission	Significant Erosion of Reserves/Impact on Mission	Risk of Existence
Frequency/Likelihood						
Certain	>90% chance	High (1)	High (2)	Extreme (3)	Extreme (4)	Extreme (5)
Likely	50%- 90% Chance	Moderate (6)	High (7)	High (8)	Extreme (9)	Extreme (10)
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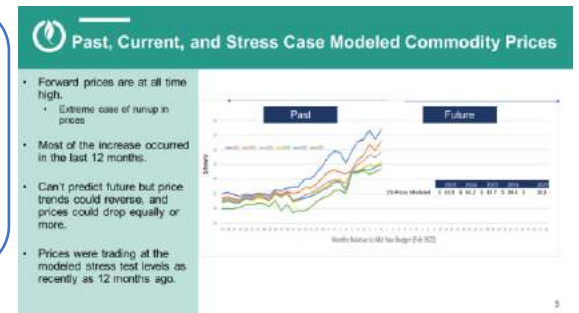
Risk Register

- Record of organization's risks
- Identify current and additional planned mitigations
- Identify risk owner

		Risk Register		Risk Register		Risk Register	
		Risk ID	Risk Description	Risk ID	Risk Description	Risk ID	Risk Description
Strategic	Strategic Risk	SR001	Strategic Risk Description	SR002	Strategic Risk Description	SR003	Strategic Risk Description
	Strategic Risk	SR004	Strategic Risk Description	SR005	Strategic Risk Description	SR006	Strategic Risk Description
Operational	Operational Risk	OR001	Operational Risk Description	OR002	Operational Risk Description	OR003	Operational Risk Description
	Operational Risk	OR004	Operational Risk Description	OR005	Operational Risk Description	OR006	Operational Risk Description
Financial	Financial Risk	FR001	Financial Risk Description	FR002	Financial Risk Description	FR003	Financial Risk Description
	Financial Risk	FR004	Financial Risk Description	FR005	Financial Risk Description	FR006	Financial Risk Description
Compliance	Compliance Risk	CR001	Compliance Risk Description	CR002	Compliance Risk Description	CR003	Compliance Risk Description
	Compliance Risk	CR004	Compliance Risk Description	CR005	Compliance Risk Description	CR006	Compliance Risk Description
Reputational	Reputational Risk	RR001	Reputational Risk Description	RR002	Reputational Risk Description	RR003	Reputational Risk Description
	Reputational Risk	RR004	Reputational Risk Description	RR005	Reputational Risk Description	RR006	Reputational Risk Description
Environmental	Environmental Risk	ER001	Environmental Risk Description	ER002	Environmental Risk Description	ER003	Environmental Risk Description
	Environmental Risk	ER004	Environmental Risk Description	ER005	Environmental Risk Description	ER006	Environmental Risk Description
Legal	Legal Risk	LR001	Legal Risk Description	LR002	Legal Risk Description	LR003	Legal Risk Description
	Legal Risk	LR004	Legal Risk Description	LR005	Legal Risk Description	LR006	Legal Risk Description
Other	Other Risk	OT001	Other Risk Description	OT002	Other Risk Description	OT003	Other Risk Description
	Other Risk	OT004	Other Risk Description	OT005	Other Risk Description	OT006	Other Risk Description

Stress Tests

- Model scenarios (financial position, systems, and processes) of interrelated risks that are extreme but plausible
- Develop appropriate risk management strategies, including the adequacy of reserves





Risk Matrix

- Assess the likelihood (frequency of occurrence) and consequence (impact)
- Calibrate risks and optimally direct resources
- Identify risk tolerance or acceptable level of risk
- Most risks assessed based on the subject matter expert's (SME) judgment
- Will continue to refine further and attempt to quantify risks
- Significant financial risks will be explicitly quantified and used for reserve planning, like last year's stress test analyses

		Impact/Consequence				
		Insignificant	Minor	Moderate	Major	Catastrophic
Frequency/Likelihood		Risk Easily Mitigated through Day-to-Day Operations	Risk is Manageable/Low Impact on Mission	Moderate Erosion of Reserves/Impact on Mission	Significant Erosion of Reserves/Impact on Mission	Risk of Existence
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Risk Register

- Risk Register:
 - Record of risks
 - Briefly describes each risk
 - Lists existing and planned mitigations
 - Ranks risks
 - Identifies risk owner
- Cross-functional teams brainstormed and identified an initial set of critical risks
- Bucketed the risks into the following initial categories:
 - Financial
 - Regulatory and Compliance
 - Reputational
 - Operational and Business Continuity

Draft and illustrative

Risk ID	Risk Category	Risk Description	Risk Owner	Current Mitigations	Additional Planned Mitigations	Risk Matrix Placement (Impact over 5-years)		
						Unmitigated	With Current Mitigations	With Additional Mitigations
1	Financial	Prices Collapse; PCIA Increases; Revenues Decrease	Amrit	Reserves to withstand the shocks; Stress Tests, Cashflow modeling	Reassess reserve adequacy	Extreme (15)	Extreme (14)	High (13)
7	Financial	Significant Number of PPAs Default/Delay/Renegotiate for higher prices	Monica	Supplier & Technology Diversity; Plan for Contingencies; Contractual language for delay damages and default provisions		Moderate (14)	Moderate (12)	Moderate (12)
13	Regulatory/Compliance	POLR Proceeding - Large Tie Up of Financial Reserves	Amrit	Hold Adequate Reserves	Manage and shape regulatory proceeding	Extreme (14)	High (13)	Moderate (18)
26	Reputational	Ineffective or sluggish spending of approved program dollars	Justin	Program plans developed with stakeholders, ongoing feedback during design/management, increased staff/resources, and emphasizing larger-scale programs.	Additional staffing, new supporting systems, and public reporting on impacts.	Moderate (23)	Moderate (23)	Moderate (23)
29	Reputational	Major disruption of the T&D/Grid operator, Grid Reliability - affects our mission	Girish	Shape Regulatory and Legislative Initiatives		Moderate (18)	Moderate (18)	Moderate (18)
30	Operational and Business Continuity	Natural Disaster Recovery (Earthquake, flooding) - Cover key business functions (procurement, scheduling, collateral calls ...)	Monica	System backups and desk procedures	Add'l Desk Procedures and Continuity Plans	Low (22)	Low (22)	Low (22)
35	Operational and Business Continuity	Calpine system failure	Adam			Moderate (23)	Moderate (23)	Moderate (23)
Proposed Stress Tests (Modeled Scenarios)								
		Economic Recession (Price Collapse -1 percentile) Coupled with Adverse Regulatory Outcomes (POLR); Increase RA/procurement costs; MTM Losses on Investments		Reserves; Strong Advocacy	Additional Reserves; Revist Hedging Strategy	Extreme (20)	High(19)	Moderate (18)

An expanded view is shown in the next slide.

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FY 23-24 Budget Framework

Amrit Singh

Finance and Administration Committee

May 12, 2023

Purpose

Discuss Budget Framework

- Seeking high-level feedback/validation on principles and assumptions
- Budget numbers to be computed in July based on feedback
- Methodology could be tweaked if results from actual numbers in July do not align with expectations

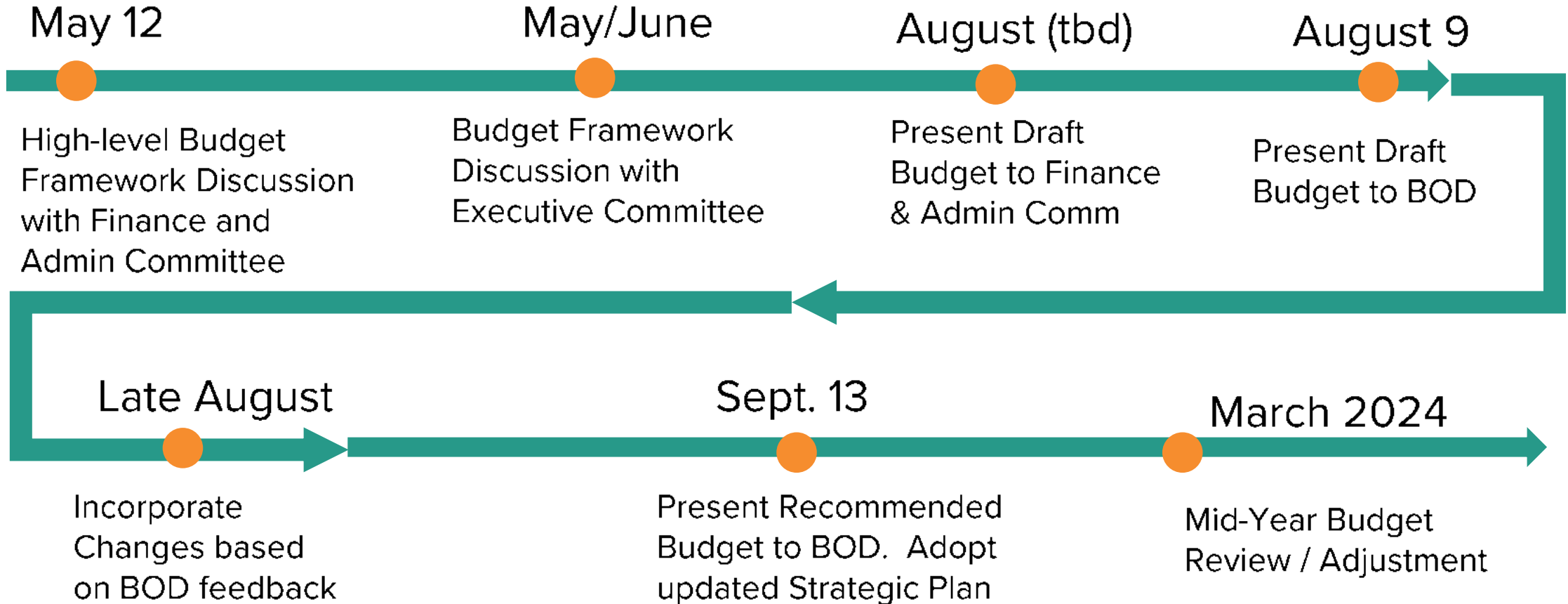
Main Areas of Discussion

1. Revenue Modeling
 - PCIA and PG&E Gen Rate Uncertainty
2. Reserve Targets
3. Customer Discount Rate, Additional Funding for Programs and Set Aside for Reserves
4. Power Supply Costs
5. Other Cost Drivers
 - Personnel, Business Process Optimization, Cybersecurity





FY23-24 Budget will be ready for Discussion in August



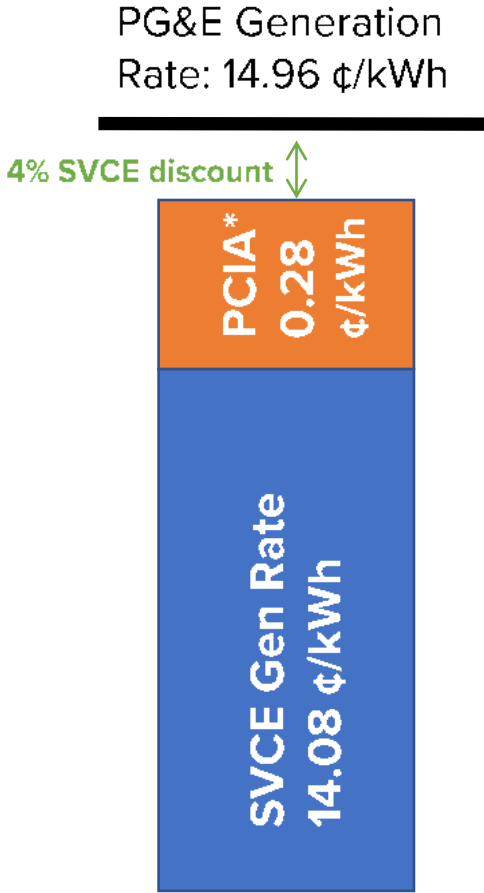


SVCE Planning & Budgeting Process





Revenue Forecast Depends on PG&E Generation and PCIA Rates



Issue: Rate Uncertainty	Staff Recommendation	Implications/Reasons
<ul style="list-style-type: none">PG&E is expected to issue the 2023 ERRA forecast on May 15 with preliminary <u>2024</u> PG&E generation and PCIA rate forecastsPG&E will update this forecast in the fall. CPUC normally adopts the rate in December based on this updateGiven the high volatility in power prices, when staff prepares the Budget in July, the PG&E estimate may be outdated	<ul style="list-style-type: none">Use latest market data in Cal-CCA NewGen model after calibrating the NewGen model to PG&E's forecasted rates	<ul style="list-style-type: none">Likely aligns revenues closer to rates that PG&E will update in OctoberBetter aligns revenues with power supply costsPrimarily for budget setting purposesAdditional expenditures based on headroom projections can be made by the Board in December when actual PG&E and PCIA rates are known

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

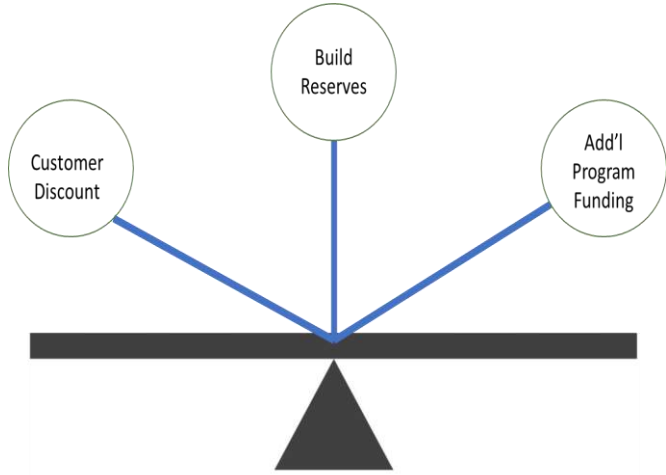


Reserve Targets

Issue: Update Reserve Targets	Staff Recommendation	Implications/Reasons
<ul style="list-style-type: none">• Ensure SVCE maintains sufficient reserves to manage risks such as those modeled under the Stress Test analyses• Staff will update the stress test analyses in July using market prices consistent with those used to develop the annual budget	<p><u>Target</u> to keep reserves above 120 Days Cash On Hand (DCOH) for FY 2023-2024 and FY 2024-2025</p> <p>Reset <u>Upper</u> Reserve Target such that over the next 5 fiscal years reserves do not fall below 90 DCOH</p>	<ul style="list-style-type: none">• FY 24 margins not guaranteed given true-up in 2023 for PCIA and PG&E Gen rate• If adverse conditions materialize, need 120 days to reshape strategy and secure additional liquidity• Increase upper reserve target to take advantage of good margin years to manage risks over 5-year period



Additional Funding for Programs, Customer Discounts, and Building Reserves



- 1% customer discount over 12 months of 2024 is ~\$5 million*
- 1% discount over 9 months (Jan – Sep 2024) ~\$3.5 million*
- Monthly Average Bill Savings of 1%* Discount:
 - Residential - ~\$0.67
 - Small Commercial - ~\$2.41
 - Medium Commercial - ~\$26.58

* Based on 4/27/23 Forward prices

Issue: Balancing Priorities	Staff Recommendation	Implications/Reasons
<ul style="list-style-type: none">• Continue to provide competitively-priced and high-valued services to SVCE customers• Funds not needed to cover cost-of-service flow to customers via lower SVCE rates (discount to comparable PG&E rates)• Cost-of-service includes funds needed to cover operations, meet reserve targets, and fund decarbonization programs	<ul style="list-style-type: none">• To be developed later after completing the budget analysis<ul style="list-style-type: none">• Likely to keep current discount through the end of this year• Set a preliminary discount for next year• Board can change the budgeted discount rate once actual PG&E rates are known towards the end of the year• Staff plans to present several options to the Board on different levels of discount rates, additional spending on programs, and set aside for reserves	<ul style="list-style-type: none">• Reaching new target reserve levels ensures SVCE can withstand adverse risk scenarios• Keeping the discount rate to a reasonable level<ul style="list-style-type: none">• Enables additional funding for valued customer programs such as decarbonization efforts• Ensures there's more organizational resiliency to respond to risks over the 5-yr planning horizon



Power Supply Expenses

(>90% of Expenses)

Issue: Volatile Power Prices	Staff Recommendation	Implications/Reasons
<ul style="list-style-type: none">Power prices are near record high levels and are very volatileIn addition to PG&E Gen Rate and PCIA uncertainty, power price volatility makes budget projections highly uncertain<ul style="list-style-type: none">Budget will be developed based on a snapshot of market prices in JulyCurrently hedged ~79%Remaining 21% exposed to volatile market pricesContract delays/renegotiations further add uncertaintyResource adequacy requirements are changing, and costs are high, but more hedged next year	<ul style="list-style-type: none">Continue hedging to current ERM (Energy Risk Management) targetsContinue with SVCE's 100% clean policy	<ul style="list-style-type: none">Maintain a high customer value proposition with 100% clean energy and serve SVCE's missionFurthers SVCE focus toward 24x7 clean energy goal



Other Costs

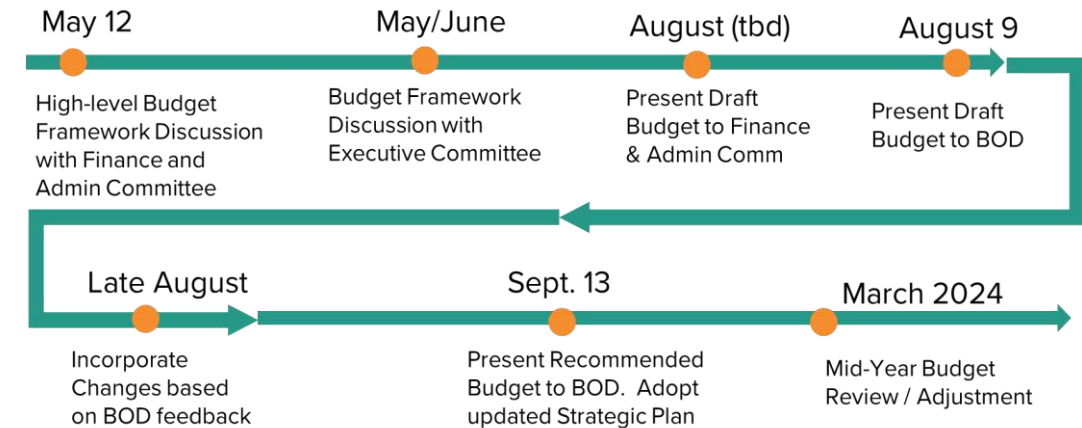
(Staffing, Cost of living/Merit, Operations)

Status	Staff Recommendation	Implications/Reasons
<ul style="list-style-type: none">Review and assess staffing in all areas of the organization<ul style="list-style-type: none">10 new budgeted positions added in FY22-23 budget11 new staff hired since Sept 20224 remaining vacanciesAdjust employee salaries for cost-of-adjustment and merit/promotionsReview existing employee benefits to remain competitive with peer CCAsDecarb Programs continue to ramp – quantity of rebates / scope of outreach	<ul style="list-style-type: none">Current budgeted headcount of 49<ul style="list-style-type: none">Directors will be surveyed for future staffing needs during budget development processAdjustment for COLA<ul style="list-style-type: none">Consider basing on 6-month (Jan – June 2023) rolling average of SF Bay Area CPI – current trailing 6-mo average is 5.48%CEO discretion applied depending on employee pay relative to market range, performance, and date of hireAny additional increases for merit and promotions based on CEO discretionEmployee benefits – to be reviewed/ updated during budget process	<ul style="list-style-type: none">Evaluate staff levels needed to:<ul style="list-style-type: none">Scale up programs teamReduce high level of existing employee workloadAdvance strategic focus area goalsCreate organizational depth for business continuitySustained investments in cybersecurity preparedness and business process optimization projects



Next Steps

- Discussion of the budget framework with the Executive Committee
- Analyze PG&E's forecast of 2024 generation and PCIA rates
- Staff to develop recommendations with some options for:
 - Customer Discount Levels
 - Additional funding for Programs
 - Set aside for Reserves
 - Staffing Needs
 - Employee Cost of Living, Merit, and Benefits adjustments
- Present draft budget for Finance Committee review in early August and then to the Board
- Board adopts the budget in September



Thank you! / Questions?



Typical Customer Bill Savings

(Current Rates)

	Residential		Small Commercial		Medium Commercial		Large Commercial	
	SVCE	PG&E	SVCE	PG&E	SVCE	PG&E	SVCE	PG&E
Rate Schedule (eff. Jan 1, 2023)	E-TOUC	E-TOUC	B-1	B-1	B-10	B-10	B-19S	B-19S
Average Usage (kWh/month)	491	491	1,851	1,851	19,390	19,390	148,625	148,625
Annual Peak Demand (kW)							499	499
PG&E Electric Delivery	\$ 93.36	\$ 93.36	\$ 334.88	\$ 334.88	\$ 3,484.91	\$ 3,484.91	\$ 18,457.74	\$ 18,457.74
Electric Generation	\$ 71.63	\$ 76.66	\$ 258.55	\$ 276.71	\$ 3,319.99	\$ 3,550.05	\$ 20,835.80	\$ 22,292.26
PG&E Added Fees (PCIA, Franchise)	\$ 1.96	\$ -	\$ 7.09	\$ -	\$ 91.06	\$ -	\$ 564.78	\$ -
Average Total Cost	\$ 166.95	\$ 170.02	\$ 600.52	\$ 611.59	\$ 6,895.96	\$ 7,034.96	\$ 39,858.32	\$ 40,750.00
Average Monthly Savings	\$ 3.07		\$ 11.07		\$ 139.00		\$ 891.68	

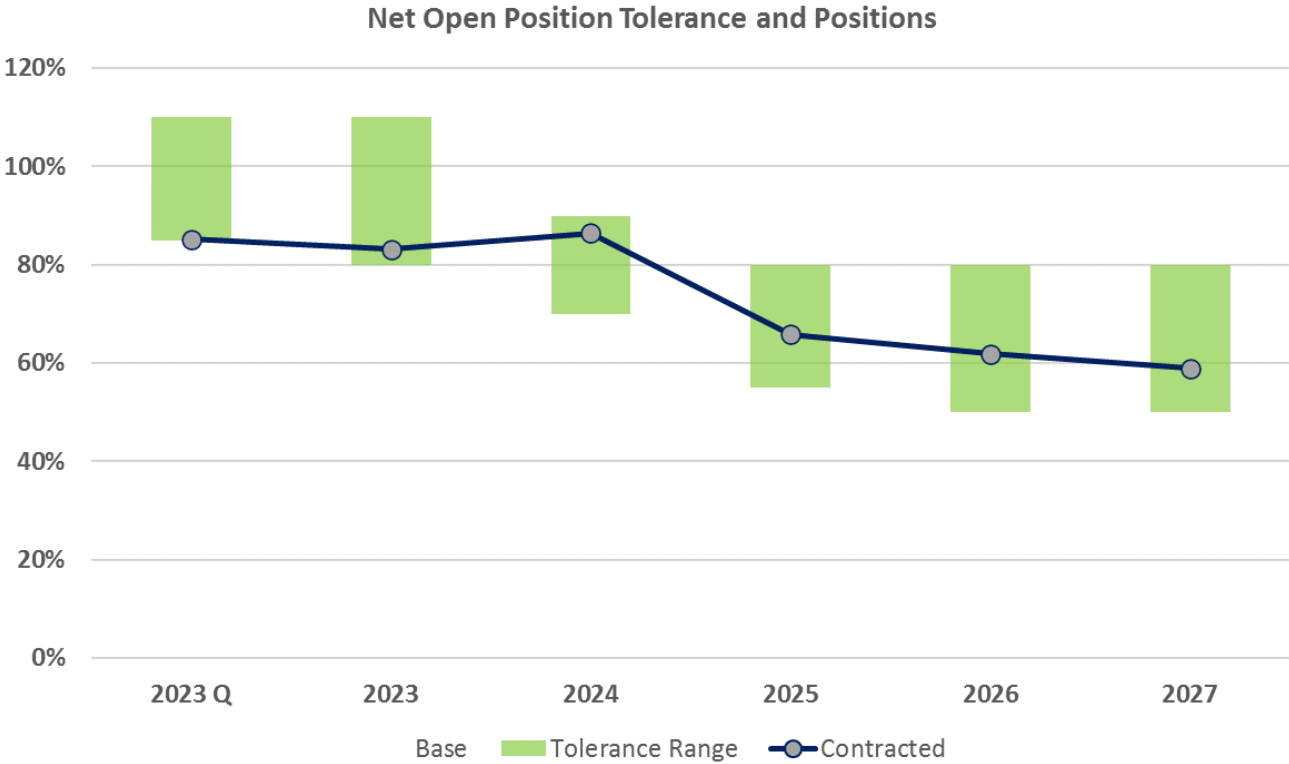


Current Energy Hedge Levels

Hedged 79% for FY24

Table 1 Calendar Year Energy NOP Tolerance Bands

Period*	Minimum Tolerance	Maximum Tolerance
Prompt Quarter	85%	110%
Current Balance of Year	80%	110%
Year 2	70%	90%
Year 3	55%	80%
Year 4	50%	80%
Year 5	50%	80%



2022-2023 Mid-Year Operating Budget

SILICON VALLEY CLEAN ENERGY MY 2022-23 OPERATING BUDGET (\$ in thousands)	
DESCRIPTION	MY 2022-23 ADJUSTED BUDGET
ENERGY REVENUES	
Energy Sales	522,853
Green Prime	1,055
Other Income	50
TOTAL ENERGY REVENUES	<u>523,958</u>
ENERGY EXPENSES	
Power Supply	392,436
OPERATING MARGIN	<u>131,522</u>
OPERATING EXPENSES	
Data Management	3,413
PG&E Fees	1,470
Salaries and Retirement	11,285
Professional Services	8,016
Marketing & Promotions	862
Notifications	131
Lease	525
General & Administrative	1,857
TOTAL OPERATING EXPENSES	<u>27,559</u>
OPERATING INCOME (LOSS)	<u>103,963</u>
NON-OPERATING REVENUES	
Interest Income	3,870
Grant Income	0
TOTAL NON-OPERATING REVENUES	<u>3,870</u>
NON-OPERATING EXPENSES	
Financing	3
Interest	0
TOTAL NON-OPERATING EXPENSES	<u>3</u>
TOTAL NON-OPERATING INCOME (EXPENSES)	<u>3,867</u>
CHANGE IN NET POSITION	<u>107,830</u>
CAPITAL EXPENDITURES, INTERFUND TRANSFERS & OTHER	
Capital Outlay	200
Transfer to CRCR Fund	0
Transfer to Program Fund	9,765
Nuclear Allocation	1,900
Multi Family Direct Install Program	9,500
Electrification Discount Program	9,500
Customer Bill Relief	3,600
Other	0
TOTAL CAPITAL EXPENDITURES, INTERFUND TRANSFERS & OTHER	<u>\$34,465</u>
BALANCE AVAILABLE FOR RESERVES	<u>\$73,365</u>

Treasurers Report Format Changes

Amrit Singh

Aidas Baublys

Finance and Administration Committee

May 12, 2023

Purpose

Discuss Proposed Changes to the Monthly Treasurers Report

Staff is revising the monthly Treasurers report to more concisely and informatively represent financials

Main Areas of Discussion

Review Changes to Report:

- Summary Pages
- Investment Summary Reports
- Customer Data





Old Reporting vs New

Old Format:

- **Summary**
- **FYTD Financial Statements:**
 - Statement of Net Position
 - FYTD Statement of Revenues / Expenses
 - FYTD Statement of Cash Flows
- **Budgetary Comparisons:**
 - Statement of Revenues / Expenses
 - Program Funding / Expenses
- **Monthly Statement of Revenues / Expenses**

Redesigned

Unchanged

- **Investment Summary**
- **Number of Customer Accounts**
- **Accounts Receivable Aging Report**

Redesigned

Redesigned

New Format:

- **Summary**
- **FYTD Financial Statements:**
 - Statement of Net Position
 - FYTD Statement of Revenues / Expenses
 - FYTD Statement of Cash Flows
- **Budgetary Comparisons:**
 - Statement of Revenues / Expenses
 - Program Funding / Expenses
- **Monthly Statement of Revenues / Expenses**

- **Investment Summary**

- **Retail Load Statistics:** Sales, Number of Accounts, Participation, Receivable Aging



Current Report - Summary Pages 1 & 2

SILICON VALLEY CLEAN ENERGY AUTHORITY Financial Statement Highlights* (\$ in 000's)

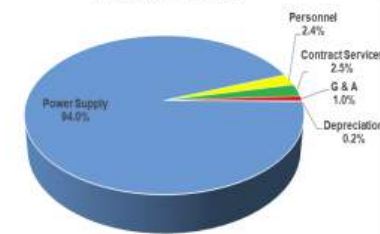
Financial Highlights for the month of February 2023:

- > SVCE operations resulted in a change in net position of \$13.3 million for the month of February and \$42.5 million for fiscal-year-to-date (FYTD).
- > Retail GWh sales for the month landed 5.3% above budget.
- > FYTD operating margin of \$50.2 million or ~26.1% is above amended budget expectations of 13.1% operating margin for the fiscal year to date.
- > FYTD Power Supply costs are -14.6% below mid-year budget.
- > SVCE is investing ~93.4% of available funds generating FYTD interest/divident income of \$1.5 million.

Change in Net Position	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Total	Amended Budget
Actual	10,608	10,380	2,026	6,211	13,295	-	-	-	-	-	-	-	42,520	73,365
Power Supply Costs	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Total	Amended Budget
Energy & REC's	18,322	15,903	13,022	10,566	9,996								67,809	
Wholesale Sales	(976)	(300)	(436)	-	-								(1,711)	
Capacity	4,101	4,063	4,228	2,207	2,360								16,958	
CAISO Charges	(538)	3,364	10,935	2,124	9,626								25,510	
NEM Expense	204	(150)	(438)	(510)	(136)								(1,030)	
Charge/Credit (IST/Net Rev)	2,104	(1,060)	8,054	21,448	4,167								34,712	
Net Power Costs	23,218	21,819	35,365	35,834	26,012	-	-	-	-	-	-	-	142,249	392,436
Other	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Total	Amended Budget
Capital Expenditures	34	-	4	-	17								55	200
Energy Programs	73	182	898	156	158								1,466	15,007
Load Statistics - GWh	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Total	Amended Budget
Retail Sales Actual	299	296	341	341	311								1,588	
Retail Sales Budget	315	308	331	336	295	309	290	313	340	358	369	342	3,907	3,907

* The financial results in this report are preliminary and subject to change pending closing of the books for the fiscal year. Any potential changes are not expected to be significant.

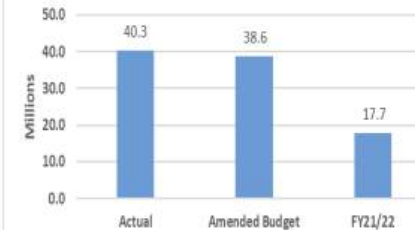
YTD EXPENSES



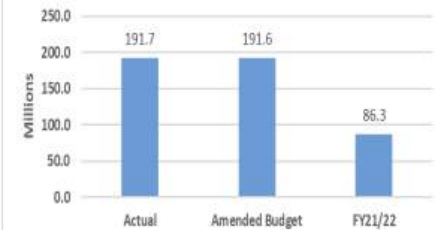
Other Statistics and Ratios

Working Capital	\$261,244,931
Current Ratio	7.3
Operating Margin	25.8%
Expense Coverage Days	194
Long-Term Debt	\$0
Total Accounts	277,956
Opt-Out Accounts (Month)	144
Opt-Out Accounts (FYTD)	379
Opt-Up Accounts (Month)	(36)
Opt-Up Accounts (FYTD)	(41)

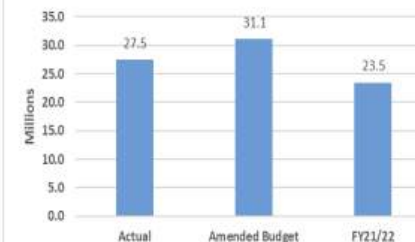
Retail Sales - Month



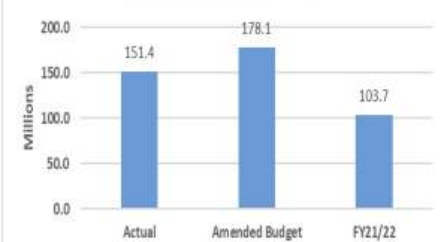
Retail Sales - YTD



Controllable O&M - Month



Controllable O&M - YTD



New Report - Summary Page 1

- Balance Sheet Highlights
- Change in Net Position
- Days Cash on Hand (DCOH)
- Investment Account Summary
- Investment Breakdown
- Investment Portfolio performance vs Benchmark

SILICON VALLEY CLEAN ENERGY AUTHORITY Financial Statement Highlights* (\$ in millions) X Month, 2023

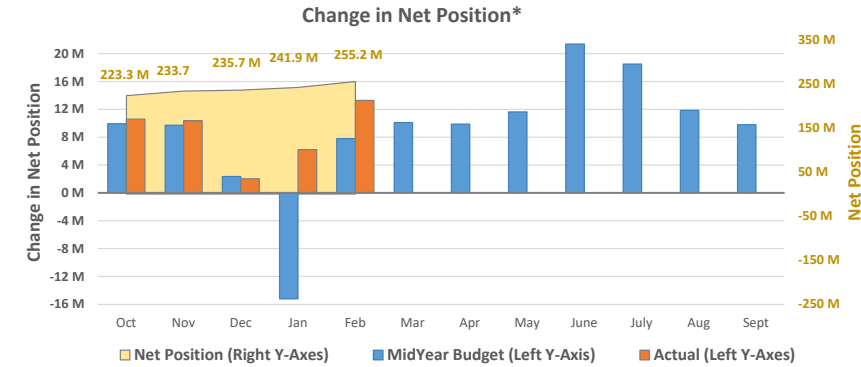
Item 5
PRESENTATION

Page 1

Illustrative Report - not necessarily based on actual numbers

Balance Sheet Highlights:

- > SVCE operations resulted in a change in net position of \$13.3 million for the month of February and \$42.5 million for fiscal-year-to-date (FYTD).
- > Net position increased further to \$255.2 M
- > SVCE is investing ~93.4% of available funds generating FYTD interest/divident income of \$1.5 million.



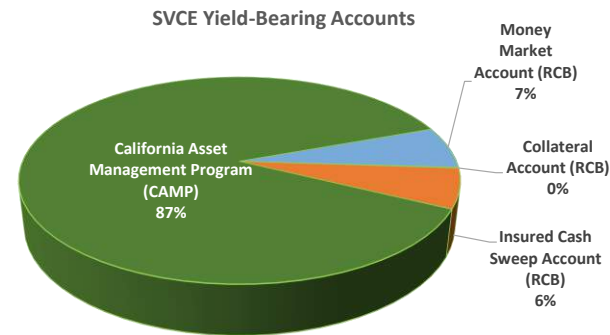
*Does not yet recognize unspent program dollars

SVCE Yield-bearing Accounts:

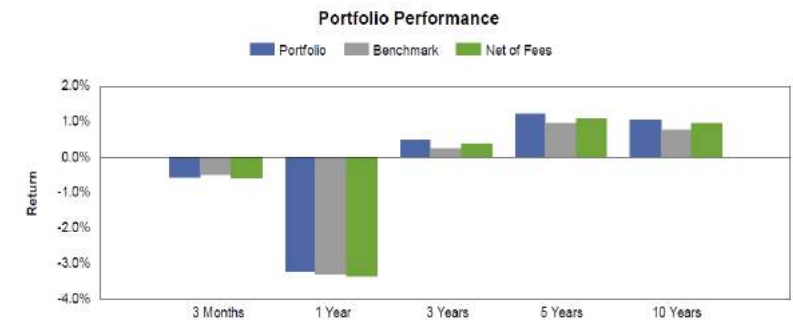
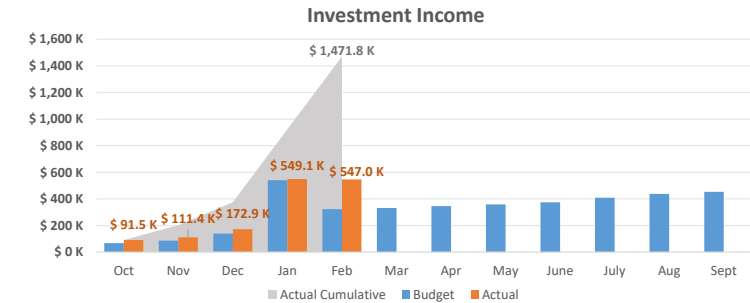
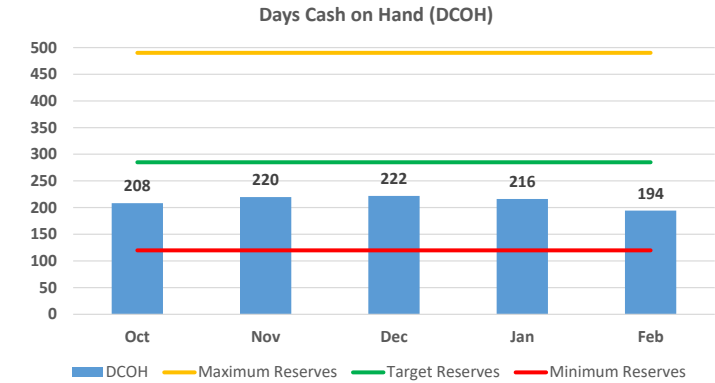
Combined Ending Balance	161.7 M
Total Interest/Div Earned FYTD	1.4 M
Average Return On Investmens**	3.8%

* Includes River City Bank (RCB) accounts - Money Market, Collateral and ICS; CAMP; PFM Portfolio

** Average annualized Yield for the current month



Some numbers in this slide are fictitious and used for illustrative purposes only.



*The portfolio benchmark is the ICE BofAML 1-3 Year Treasury Index. Source: Bloomberg

New Report - Summary Page 2

- Actual Results vs Budget
- Breakdown of Operating Expenses
- Key Operating Numbers vs Budget (for the Month and FYTD)
- Summary of Customer Load and Account Statistics
- Program Funding and Expenses

Illustrative Report - not necessarily based on actual numbers

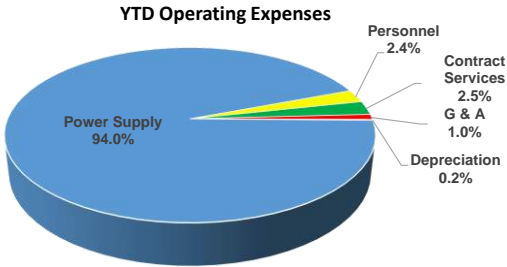
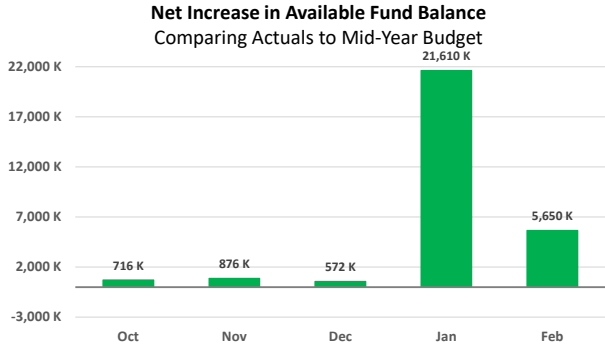
Summary of Actual Results vs. Budget (includes allocated but unspent program dollars):

- FYTD operating margin of \$50.2 million or ~26.1% is above amended budget expectations of 13.1% operating margin for the fiscal year to date.
- FYTD Power Supply costs are -14.6% below mid-year budget.
- Retail GWh sales for the month landed 5.3% above budget.

Variance Explanation:

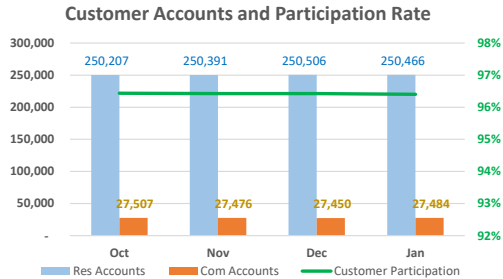
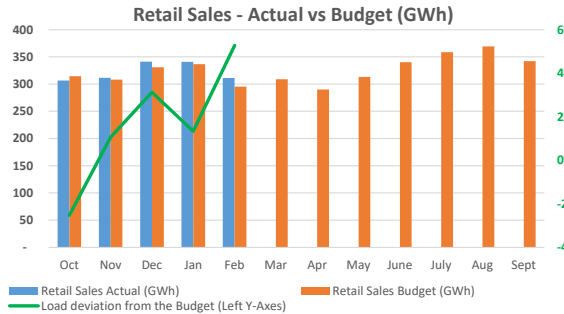
January - the variance mainly reflects a big drop in prices from December'22 to January'23 resulting in \$21.5M net power cost savings compading to MY Budget estimations

February - mainly reflects the below budget net power suply cost and saving in all categories of other operating expences.



\$ in thousands	February			Fiscal YTD			Main Drivers:
	Actual	Budget	% Dif	Actual	Budget	% Dif	
Revenue	40.3 M	38.6 M	4.2%	192.5 M	191.6 M	0.5%	• Higher than projected load levels for December-February. • \$14M higher CAISO cost due to neutralities and September adjustment
Power Suply Cost	26.0 M	28.8 M	-9.8%	142.2 M	166.5 M	-14.6%	
Operating Margin	14.2 M	9.8 M	45.4%	50.2 M	25.0 M	100.5%	• Staffing vacancies, underrunning professional services, lower marketing expenses and PG&E fees • Reflects Interest Income and \$19M transfer to Program Funds in December and \$3.6M CRCR allocation in January
Operating Expenses (ex Power)	1.3 M	2.3 M	-42.4%	7.6 M	11.6 M	-33.9%	
Other Non-Operating Items	-0.5 M	-0.3 M	73.3%	50.2 M	25.0 M	100.5%	• Additional \$19M Allocated to Program Funds
Net Increase in Available Fund Balance	13.4 M	7.8 M	72.5%	9.7 M	-19.7 M	-149.3%	

Customer Load Statistics:



Total Accounts	277,956
Opt-Out Accounts (Month)	144
Opt-Out Accounts (FYTD)	379
Opt-Up Accounts (Month)	(36)
Opt-Up Accounts (FYTD)	(41)

Program Funds:

	Beginning Balance	End Balance	YTD Contributions	YTD Expenditures
General Program Fund	\$ 28,536,229	\$ 48,234,931	\$ 21,165,000	\$ 1,466,298
CRCR Fund**	\$ 7,982,993	\$ 11,582,993	\$ 3,600,000	-
Electrification Discount Fund	\$ -	\$ 9,500,000	\$ 9,500,000	-

** Customer Relief and Community Resilience Fund

* The financial results in this report are preliminary and subject to change pending closing of the books for the fiscal year. Any potential changes are not expected to be significant.

Some numbers in this slide are fictitious and used for illustrative purposes only.



Current Report - Investment Summary

**SILICON VALLEY CLEAN ENERGY AUTHORITY
INVESTMENTS SUMMARY
October 1, 2022 through February 28, 2023**

Return on Investments	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	YTD Total
	\$91,459	\$111,370	\$172,923	\$549,063	\$546,985	\$0	\$0	\$0	\$0	\$0	\$0	\$0	<u>\$1,471,800</u>
<hr/>													
Portfolio Invested													
<i>Average daily portfolio available to invest*</i>	172,316,490	194,339,856	206,387,935	204,912,664	186,285,344								
<i>Average daily portfolio invested</i>	159,489,912	182,240,450	193,643,770	187,505,697	173,917,058								
<i>% of average daily portfolio invested</i>	92.6%	93.8%	93.8%	91.5%	93.4%								
<hr/>													
Detail of Portfolio													
			<u>Annualized Yield</u>		<u>Carrying Value</u>			<u>Interest Earned</u>					
<i>Money Market - River City Bank</i>			1.07%		\$10,567,974			\$19,106					
<i>ICS Account**</i>			2.32%		\$10,022,948			\$17,597					
<i>CAMP Account***</i>			4.73%		\$140,996,992			\$510,145					

* Note: Balance available to invest does not include lockbox funds.

** IntraFi Cash Service Account (ICS) - River City Bank

*** California Asset Management Program (CAMP)

New Report - Investment Summary

- Balances of SVCE Accounts
- Breakdown of Annualized Returns on Investments
- Interest Earned
- CAMP Portfolio Statistics
- PFM Portfolio Statistics

Illustrative Report - not necessarily based on actual numbers

Ending Balance of SVCE Accounts:	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Checking Account (RCB)	\$ 6,269,889	\$ 9,104,028	\$ 41,068,791	\$ 23,271,450	\$ 45,744,475	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Money Market Account (RCB)	\$ 190,073,783	\$ 205,159,899	\$ 181,299,497	\$ 30,548,868	\$ 10,567,974	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pledgor Account (RCB)	\$ 11,610,937	\$ 7,115,513	\$ 4,631,418	\$ 6,205,439	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Collateral Account (RCB)	\$ 162,083	\$ 162,159	\$ 162,277	\$ 162,415	\$ 132,553	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Insured Cash Sweep Account (RCB)	\$ -	\$ -	\$ -	\$ 10,005,352	\$ 10,022,948	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
California Asset Management Program (CAMP)	\$ -	\$ -	\$ -	\$ 140,486,848	\$ 140,996,992	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
PFM Asset Management Investment Portfolio	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Ending Balance	\$ 208,116,692	\$ 221,541,600	\$ 227,161,983	\$ 210,680,372	\$ 207,464,943	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

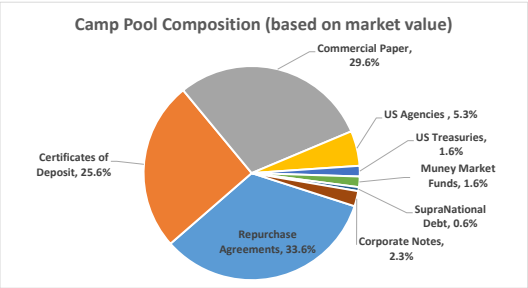
Return On Investments:	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Annual % Yield												
Money Market Account (RCB)	0.50%	0.58%	0.85%	1.01%	1.07%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Collateral Account (RCB)	0.50%	0.58%	0.86%	1.00%	1.11%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
IntraFi Cash Service Account ("ICS")	0.00%	0.00%	0.00%	2.19%	2.32%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
California Asset Management Program (CAMP)	0.00%	0.00%	0.00%	4.53%	4.73%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
PFM Asset Management Investment Portfolio	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Average Return On Investmens:	0.51%	0.57%	0.87%	3.46%	3.77%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Interest Earned	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Money Market Account (RCB)	\$ 67,742	\$ 86,116	\$ 139,598	\$ 49,401	\$ 19,106	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Collateral Account (RCB)	\$ 69	\$ 77	\$ 118	\$ 138	\$ 138	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
IntraFi Cash Service Account ("ICS")	\$ -	\$ -	\$ -	\$ 5,352	\$ 17,597	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
California Asset Management Program (CAMP)	\$ -	\$ -	\$ -	\$ 486,848	\$ 510,145	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
PFM Asset Management Investment Portfolio	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Interest/Div Earned	\$ 67,811	\$ 86,193	\$ 139,716	\$ 541,738	\$ 546,985	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CAMP Portfolio Statistics

As of February 28, 2023

Beginning Market Value	\$ 140,486,848
Ending Market Value	\$ 140,996,992
Amount Invested	
Yield at Market	4.53%
Weighted Average Maturity (days)	28

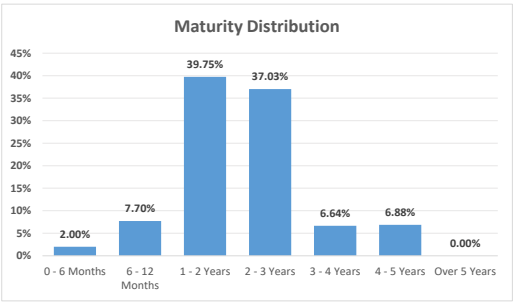
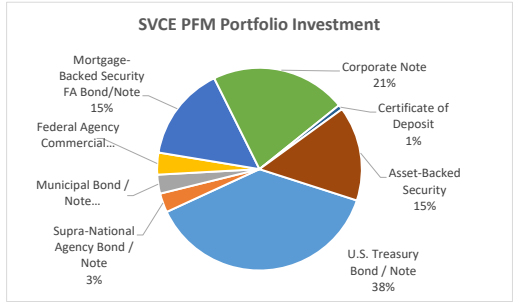


Comparison to Benchmark Chart will be included once we have 3 Months return data with PFM

PFM Portfolio Statistics

As of February 28, 2023

Portfolio Par Value	
Portfolio Market Value	
Amount Invested	
Yield at Cost	
Yield at Market	
Benchmark Yield	
Weighted Average Maturity (days)	



Comparison to Benchmark Chart will be included once we have 3 Months return data with PFM

SVCE Invetment Policy:

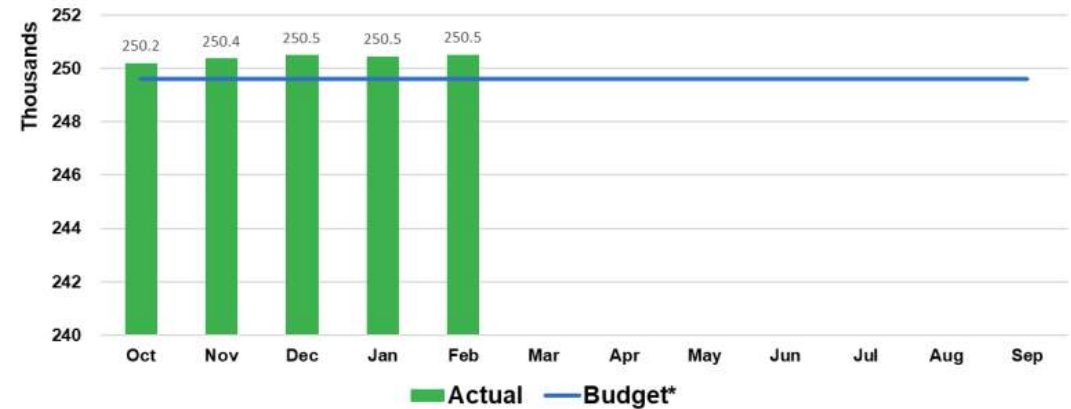
https://svcleanenergy.org/wp-content/uploads/2018/10/FP-08_Investments-Policy-F.pdf



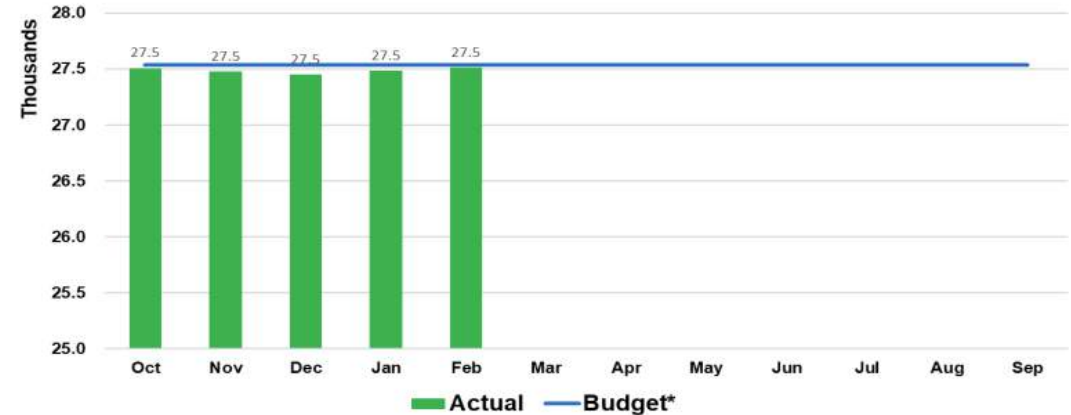
Current Report – Customer Accounts & Receivables

CUSTOMER ACCOUNTS

RESIDENTIAL ACCOUNTS



NON-RESIDENTIAL ACCOUNTS

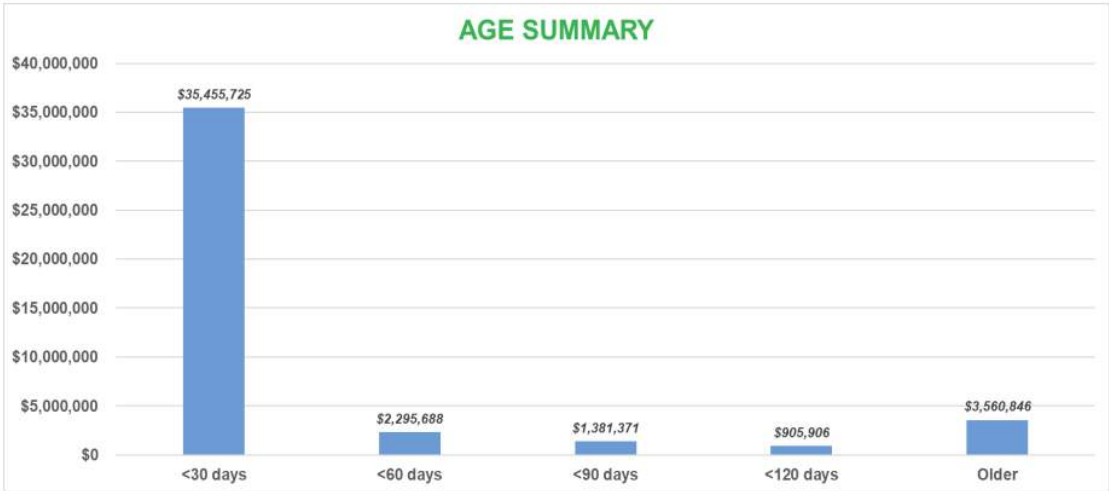


SILICON VALLEY CLEAN ENERGY AUTHORITY ACCOUNTS RECEIVABLE AGING REPORT

	October	November	December	January	February	March	April	May	June	July	August	September
0 to 30 days	77.4%	76.1%	80.5%	82.3%	81.3%							
31 to 60 days	7.6%	7.9%	5.1%	4.8%	5.3%							
61 to 90 days	4.6%	4.8%	4.0%	2.7%	3.2%							
91 to 120 days	3.4%	2.9%	2.3%	2.5%	2.1%							
Over 120 days	7.0%	8.3%	8.1%	7.8%	8.2%							

Accounts Receivable Days
30 Days
\$43,599,536
TOTAL DUE
Bad Debt % (Budget)
1%

AGE SUMMARY



New Report - Customer Load / Account Statistics

- Retails Sales (GWH) vs Budget
- Customer Participation Rate
- Number of Accounts
- Opt-Outs & Opt-Ups
- Receivable Aging Summary
- Customer Delinquency Information

Illustrative Report - not necessarily based on actual numbers

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	YTD
Retail Sales Actual (GWh)	307	311	341	341	311								1,611
Retail Sales Budget (GWh)	315	308	331	336	295	309	290	313	340	358	369	342	1,290
Load deviation from the Budget (Let)	-2.5%	1.1%	3.1%	1.3%	5.3%								24.9%
Customer Participation Rate Res	96.4%	96.4%	96.4%	96.4%	96.4%								
Customer Participation Rate Com	96.7%	96.7%	96.7%	96.7%	96.7%								
Total Accounts	277,714	277,867	277,956	277,956	277,956								
Opt-Out Accounts	74	62	99	144	144								523
Opt-Up Accounts	-3	4	-6	-36	-36								-77

0.08

30.37

Age Summary (as of 2/27/2023)

<30 days	\$35,455,725
<60 days	\$2,295,688
<90 days	\$1,381,371
<120 days	\$905,906
Older	\$3,560,846

Accounts Receivable Days
30 Days
\$43,599,536
TOTAL DUE

Bad Debt % (Budget)
X%

Bad Debt % (Actual) February 2023 FYTD
X%

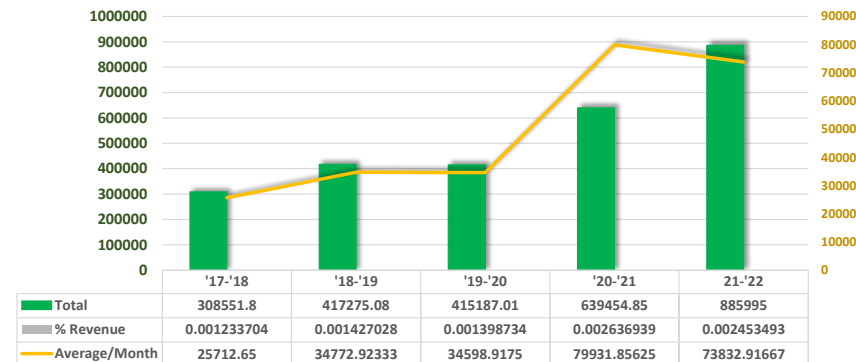
SVCEs Arrearage Total for customers 31+ days late, 120+ days late



	Date	Amount
High	11/29/2021	\$7.99M
Low	4/17/2020	\$2.54M
Current	1/30/2023	\$7.45M

- Green arrow indicates receipt of \$1.3M in Federal CAPP funds
- An additional \$717k in CAPP funding provided winter '23
- Growth at red arrow indicates short-term PG&E billing-hold issue in fall '21 that was quickly resolved.

SVCE Write-offs By Fiscal Year



Thank you! / Questions?