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# Request to Recommend the SVCE Board Ratify Broker Transaction Expenses for Past Commodity Purchases

SVCE Executive Committee Meeting  
June 23, 2023



# Background

- SVCE's Purchasing Policy, FP6, limits not-to-exceed maximum dollar amount to \$100,000 per vendor per fiscal year
- SVCE has incurred broker expenses for past commodity transactions, in an amount totaling ~\$357K (out of which ~261.5 K is incurred in 2023 with one broker, Tullett Prebon)
- For past transactions, staff recommends that, to the extent these transactions exceed the CEO's authority, the Executive Committee recommend that the Board ratify broker expenses with Tullett Prebon, Equus, and Karbone ("Brokers").

# Next Steps

- Staff will be proposing to include an amendment to the Energy Risk Management Policy that increases the limit per broker as part of the authority delegated to the CEO by the Board of Directors within the Energy Risk Management Policy
- If today's recommendation is approved, staff will include the ratification request on the August Board of Directors meeting consent calendar via adoption of a Resolution

# Recommendation

Staff recommends that, to the extent these transactions exceed the CEO's authority, the Executive Committee recommend that the SVCE Board of Directors ratify broker expenses with Tullett Prebon, Equus, and Karbone ("Brokers") for past commodity transactions, in an amount totaling \$357,515.55.



# Amended Energy Risk Management Policy

Karthik Rajan  
Executive Committee  
June 23, 2023



# Background & Plan of Presentation

- SVCE last updated the ERM policy in Nov 2021
- Major Updates for June 2023 update
  1. Enhance approved product provisions for
    - Executing gas transactions for potential hedging of peaking resources like Middle River Transactions
  2. Enhance the Delegation of Authority
    - Accounting for Gas Transactions
    - Accounting for Brokerage Cost – mainly for RA transactions
  3. Streamline Process for Authorized Personnel Acknowledgements
    - Consolidating policy acknowledgement, conflict of interest and trader integrity attestation into one document

# Reasons for Change: Approved Transactions

ERM Policy adopted Nov 2021,  
section 6.3

## 6.3 Approved Transactions

Authorized transactions which SVCE authorized traders can utilize must be consistent with this Policy. Transactions must be directly related to the procurement and/or administration of:

- electric energy,
- reserve capacity,
- transmission and distribution service,
- ancillary services,
- congestion revenue rights (CRRs),
- renewable energy,
- renewable energy certificates (RECs),
- basis transactions,
- greenhouse gas emissions allowances,
- **tolling agreements**, and
- bilateral purchases of energy products.

- ERM Policy allows for tolling agreements
- However, it is not explicit for gas tolling agreements and associated hedging transactions to manage the risk from the underlying gas position
  - For example, when SVCE enters a PPA agreement, the price for the energy (power price) is locked in.
  - In a gas toll, the heat rate (power price/gas price) is locked in, exposing SVCE to potential gas price swings. To mitigate the gas price risk, SVCE may need to enter into additional transactions to manage the gas price risk such as fixed-price gas transactions.
- Middle River transaction, recently approved by the board for contract negotiations, is a gas tolling agreement
- Staff recommends adopting a change to the ERM Policy to enable execution of any board approved gas tolling agreement and any additional natural gas hedges needed to manage risks associated with board approved natural gas tolling agreements.

# Proposed Revision: Approved Transactions

## Existing Policy Version

### 6.2 Approved Transactions

Authorized transactions which SVCE authorized traders can utilize must be consistent with this Policy. Transactions must be directly related to the procurement and/or administration of:

- electric energy,
- reserve capacity,
- transmission and distribution service,
- ancillary services,
- congestion revenue rights (CRRs),
- renewable energy,
- renewable energy certificates (RECs),
- basis transactions,
- greenhouse gas emissions allowances,
- tolling agreements, and
- bilateral purchases of energy products.

Prohibited transactions are those transactions that are not related to serving retail electric load and/or reducing financial exposure. Speculative buying and selling of energy products is prohibited. Speculation is defined as buying energy in excess of forecasted load plus reasonable planning reserves or selling energy or environmental attributes that are not yet owned by SVCE. In no event shall speculative transactions be permitted. Any financial derivatives transaction including, but not limited to futures, swaps, options, and swaptions are also prohibited.



## 6.3 Approved Transactions

Authorized transactions which SVCE authorized traders can utilize must be consistent with this Policy. Transactions must be directly related to the procurement and/or administration of:

- electric energy,
- Resource adequacy products,
- Storage capacity,
- Transmission products,
- ancillary services,
- congestion revenue rights (CRRs),
- renewable energy,
- Carbon-free energy and/or attributes
- renewable energy certificates (RECs),
- basis transactions,
- greenhouse gas emissions allowances,
- tolling agreements, & natural gas tolling agreements specifically approved by the board,
- natural gas hedges needed to manage risks associated with board approved natural gas tolling agreements. This includes use of both physical and financially settled natural gas hedges and
- bilateral purchases of energy products.

Prohibited transactions are those transactions that are not related to serving retail electric load and/or reducing financial exposure. Speculative buying and selling of energy products is prohibited, including the use of financial derivatives but not limited to futures, swaps, options and swaptions. Speculation is defined as buying energy more than forecasted load plus reasonable planning reserves or selling energy or environmental attributes that are not yet owned by SVCE. In no event shall speculative transactions be permitted.



# Proposed Revision: Delegation Of Authority

ERM Policy adopted Nov 2021,  
section 6.5.2 – Authority  
Delegated to the CEO by the  
Board

Product	Term Limit	Maturity Limit	Volume Limit	Counterparty Limits	Who
Energy, Capacity, and CAISO Ancillary Services	Day Ahead and Real Time	N/A	As needed to meet SVCE's expected load obligations with the CAISO	Any counterparty	CEO
Energy, Capacity, CRRs, and Environmental Products	Up to 12 months	18 months	As needed to meet SVCE's expected load needs (per Purchasing Policy)	Any counterparty	CEO
	Up to 60 months	72 months	As needed to meet SVCE's expected load needs	Board-approved Master Agreements	CEO
	Over 60 months	As approved by Board	As approved by the Board	As approved by the Board	Board

Product	Term Limit	Maturity Limit	Volume Limit	Counterparty Limits	Who
Energy, Capacity, and CAISO Ancillary Services	Day Ahead and Real Time	N/A	As needed to meet SVCE's expected load obligations with the CAISO	Any counterparty	CEO
Gas	Daily	N/A	As needed to meet SVCE's obligations for gas tolls*	Through the counterparty associated with the toll	CEO
Energy(Power)Gas, Capacity, CRRs, and Environmental Products	Up to 12 months	18 months	As needed to meet SVCE's expected load/gas toll needs (per Purchasing Policy)	Any counterparty	CEO
	Up to 60 months	72 months	As needed to meet SVCE's expected load/gas toll*needs	Board-approved Master Agreements	CEO
	Over 60 months	As approved by Board	As approved by the Board	As approved by the Board	Board

\*natural gas hedges needed to manage risks associated with board approved natural gas tolling agreements

Reason for Change:  
To enable the execution of natural  
gas hedges

# Reasons for Change: Cost of Brokered Transactions

- SVCE needs to engage with brokers to enter into energy transactions especially for Resource Adequacy (RA) products which are often difficult to find given the tight RA market.
- Broker fees are often interwoven with energy product negotiations and are better addressed in this policy than in the purchasing policy.
- The fees for brokered transactions is limited to \$100k/fiscal year allowed in the Purchasing Policy (FP6).
- Staff recommends a proposed limit of \$300K/fiscal year per broker and include it as part of the authority delegated to the CEO by the board within the Energy Risk Management Policy.

# Proposed Revisions: Brokered Transactions

ERM Policy adopted Nov 2021,  
section 6.5.2 – Authority Delegated  
to the CEO by the Board

No table exists for brokered transactions

ERM Policy adopted Nov 2021, section  
6.5.4 -Limits of Authority Delegated to  
Authorized Personnel by the CEO

Table 4: Limits of Authority Delegated to Authorized Personnel by the CEO

Product	Term Limit	Notional Value Limit
Energy, Capacity, and CAISO Ancillary Services	Day Ahead and Real Time	As needed to meet SVCE's obligations with the CAISO
	Balance of the month	\$5 Million
Energy	Prompt month	\$7.5 Million
	Up to 12 months	\$25 Million
Resource Adequacy Products, CRRs	Prompt month	As needed to meet SVCE's obligations
	Balance of compliance year	As needed to meet SVCE's obligations
	Up to 12 months	\$15 Million
Environmental Products (Carbon Free and Renewable Energy Resources)	Up to 12 months	\$15 Million



Table 3: Authority Delegated to the CEO by the Board for Brokered Transactions

Transaction Type	Fiscal Year Limit
Brokered Transactions Fees	\$300 K of broker fee expense per broker per fiscal year

Table 5: Limits of Authority Delegated to Authorized Personnel by the CEO

Product	Term Limit	Notional Value Limit
Energy, Capacity, and CAISO Ancillary Services	Day Ahead and RealTime	As needed to meet SVCE's obligations with the CAISO
	Balance of the month	\$5 Million
Energy	Prompt month	\$7.5 Million
	Up to 12 months	\$25 Million
Resource Adequacy Products,CRRs	Prompt month	As needed to meet SVCE's obligations
	Balance of complianceyear	As needed to meet SVCE's obligations
	Up to 12 months	\$15 Million
Environmental Products (Carbon Freeand Renewable Energy Resources)	Up to 12 months	\$15 Million
	Up to 12 months	\$15 Million

\*Notional value limits are inclusive of broker fees

# Proposed Revisions: Trader Authorization Process

ERM Policy adopted Nov 2021,  
section 6.1

## 6.1 Trader Authorization Process

The Front Office shall request that the Middle Office begin the trader authorization process. The Middle Office shall verify that the trader's background and experience is sufficient to transact on behalf of SVCE. Before authorizing personnel to transact, the Middle Office shall:

- Require that trader affirm that they are not currently under investigation for market manipulation;
- Require that trader affirm that they have not been previously investigated for market manipulation;
- Verify that trader has read and understands SVCE's ERM Policy and Guidelines; and
- Determine that the trader has sufficient understanding and experience of the energy markets in which SVCE participates.

Reason for Change:  
To enhance acknowledgement  
processes

## 6.1 Trader Authorization Process

The Front Office shall request that the Middle Office begin the trader authorization process. The Middle Office shall verify that the trader's background and experience is sufficient to transact on behalf of SVCE. Before authorizing personnel to transact, the Middle Office shall:

- determine that the trader has sufficient understanding and experience of the energy markets in which SVCE participates.

Before commencing transaction on behalf of SVCE, every trader must sign the trader integrity attestation (see Appendix A) to:

- affirm that they are not currently under investigation for market manipulation
- affirm that they have not been previously investigated for market manipulation.

In addition to that, traders are expected to complete any energy risk management related training put forth by the Middle Office.

The Middle Office shall, as part of the ERM Guidelines, maintain a list of the authorized trading personnel and records for each trader of:

- 1) Acknowledgement of ERM Policy
- 2) Declaration of Conflict of Interest and;
- 3) Trader Integrity Attestation.



# Updates to Forms

Addition of two sections:

- 1) Acknowledgement of Policy
- 2) Trader Integrity Attestation

## 8 Appendix A: Acknowledgement of ERM Policy, Declaration of Conflict of Interest and Trader Integrity Attestation

Item 4  
PRESENTATION

To: \_\_\_\_\_

### Acknowledgement of ERM Policy

I acknowledge that I've read, understand, and will comply with SVCE's Energy Risk Management Policy.

### Declaration of Conflict of Interest

I understand that I am obligated to give notice in writing to Silicon Valley Clean Energy of any interest or relationship that I may have in any counterparty that seeks to do business with Silicon Valley Clean Energy, and to identify any real or potential conflict of interest such counterparty has or may have with regard to any existing or potential contract or transaction with Silicon Valley Clean Energy, within 48-hours of becoming aware of the conflict of interest.

I would like to declare the following existing/potential conflict of interest situation arising from the discharge of my duties concerning Silicon Valley Clean Energy activities covered by the scope of the ERM:

a) Persons/companies with whom/which I have official dealings and/or private interests:

b) Brief description of my duties which involved the persons/companies mentioned in item a) above.

### Trader Integrity Attestation – Please complete this section if you trade on behalf of SVCE

Yes No: Are you currently under investigation for market manipulation?

Yes No: Were you previously investigated for market manipulation ?

Position and Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

# Recommendation

- Staff recommends that the Executive Committee recommend that the Board of Directors approve revisions to SVCE's Energy Risk Management Policy
- Staff plans to include the item on the consent agenda for the August 9th, 2023 Board meeting

# FY 23-24 Preliminary Budget Forecast

Amrit Singh  
Executive Committee  
June 23, 2023



# Purpose

## Preview Preliminary Budget Forecast

- Seeking feedback on the current forecast
- Budget numbers will be updated in July

# Main Areas of Discussion

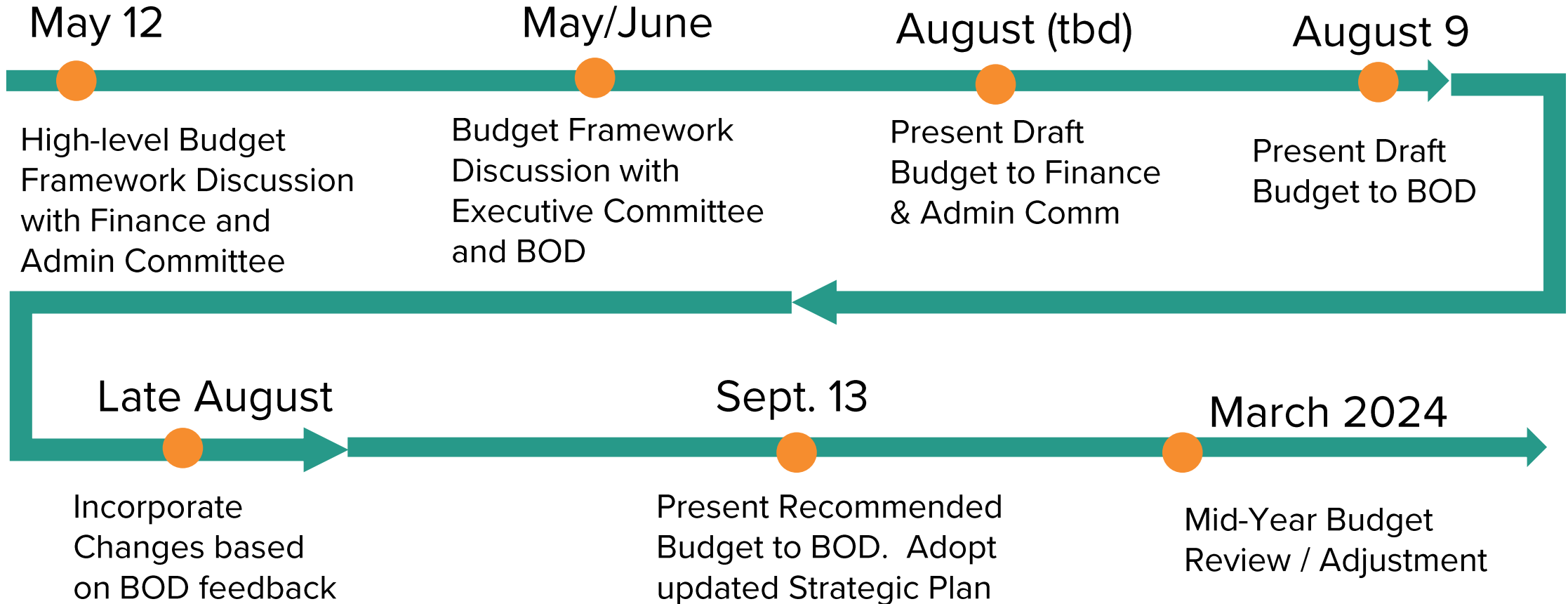
1. Review Key Highlights
2. Preliminary Budget Forecast
3. Revenue Forecast Uncertainty
4. Power Supply Cost Comparison to FY 23 Mid-Year Budget
5. Other Operating Expenses
  - Increase Staffing; Merit/Cola Adjustment
  - Office Building Fund
  - Programs Funding







# FY23-24 Budget will be ready for Discussion in August





# Key Highlights of the Draft Budget Preview

## 1. Potentially good financial year; Results highly uncertain due to the impact of energy price volatility on revenues

- Forecast year-over-year (YOY) revenues decrease ~\$72 million
  - Energy price volatility from March 2023 to June 2023 has contributed to a downward adjustment in revenue projections of ~\$115 million
  - High RA and RPS prices, unlike prior years, substantially increase forecast uncertainty
- Power Supply Costs YOY slightly lower (~2%)
  - Lower forward energy prices and more favorable PPAs coming online help offset the increase in costs resulting from higher load and RA prices
- Contribution to reserves of \$5.9 million after setting aside \$20 million for an office building fund

## 2. Customer Discount

- Continue the 4% discount until the new 2024 PG&E rates are in effect
- Rest of fiscal year
  - 2% discount for all customers, or
  - 1% for all customers and continue with 1% offered as \$ bill credits to low-income customers
- Primarily for setting the budget. Revisit (likely in December) once there's more certainty on PG&E rates

## 3. Other Changes

- 12 additional full-time positions; Adjustment of employee compensation for the cost of living and merit (~8%)
- Additional program funding is needed, but delay the decision until there's more certainty on PG&E rates



# Preliminary FY 24 vs FY 23 Mid-Year Adjusted Budget

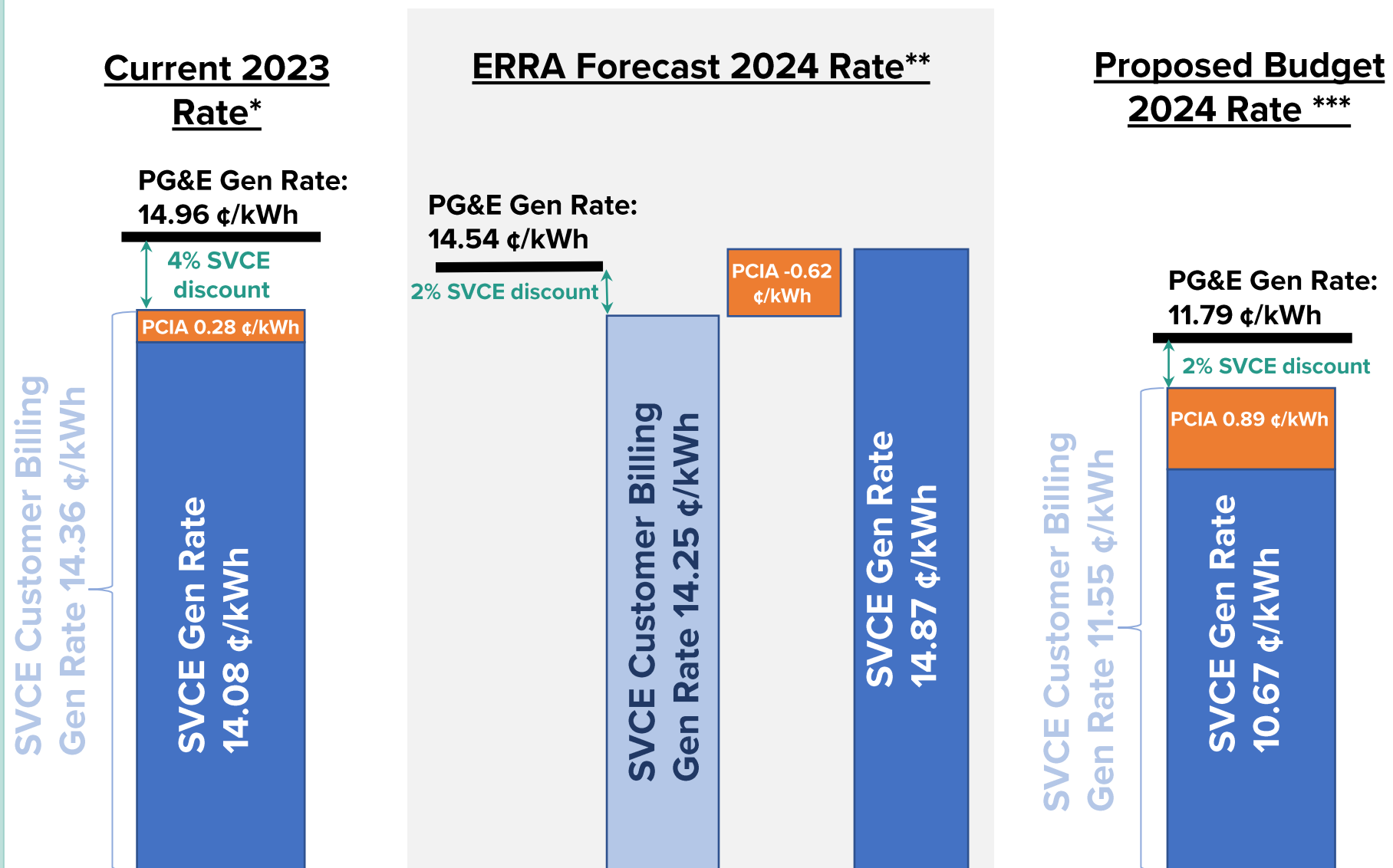
DRAFT

**SILICON VALLEY CLEAN ENERGY  
FY 2023-24 OPERATING BUDGET**  
(\$ in thousands)

DESCRIPTION	MY 2022-23 ADJUSTED BUDGET	FY 2023-24 PROPOSED BUDGET	Year over Year Change	
			\$	%
Energy Revenues	523,958	451,778	(72,180)	-13.8%
Power Supply Expense	392,436	384,853	(7,583)	-1.9%
Operating Margin	<u>131,522</u>	<u>66,926</u>	<u>(64,596)</u>	<u>-49.1%</u>
Operating Expenses	27,559	33,020	5,461	19.8%
Non-Operating Revenue (Expense)	3,867	3,359	(509)	-13.2%
Annual Transfers and Other Expenses				
Program Fund	9,765	9,104	(661)	-6.8%
Nuclear Allocation	1,900	2,188	288	15.2%
Multi Family Direct Install Program	9,500	0	(9,500)	-100.0%
Electrification Discount Program	9,500	0	(9,500)	-100.0%
Customer Bill Relief	3,600	0	(3,600)	-100.0%
Building Fund	0	20,000	20,000	
Other	200	50		
<b>BALANCE AVAILABLE FOR RESERVES</b>	<u>\$73,365</u>	<u>\$5,922</u>	<u>(\$67,443)</u>	<u>-91.9%</u>

# Margins Highly Uncertain

- PG&E filed its forecast of 2024 Rates on 5/15/23
  - PG&E Gen Rate down ~3%
  - PCIA down from positive 0.28 ¢/kWh to negative -0.62 ¢/kWh
  - SVCE margin up ~6% due to negative PCIA
- PG&E used 3/27 forward prices
- Prices since have decreased ~13% for 2023 and ~14% for 2024
- SVCE 2024 Margins since ERRA forecast dropped 28%
- SVCE Margins Y-o-Y dropped 24%



\* Source: PG&E 2023 Average Rate, effective January 1, 2023 (Weighted for SVCE Portfolio Load)

\*\* PG&E 2024 ERRA Forecast, released on 15th of May, 2023 (Weighted for SVCE Portfolio Load)

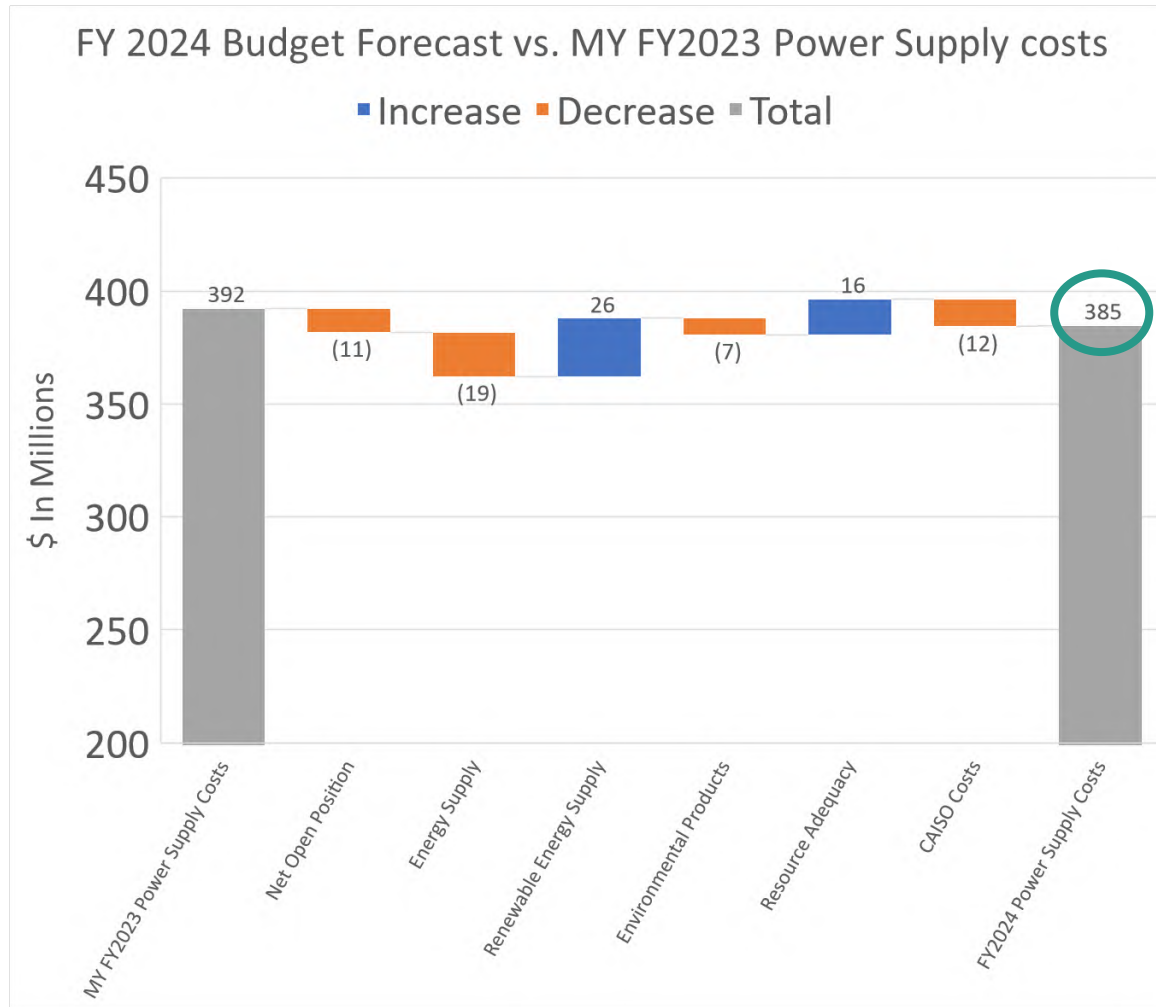
\*\*\* Using NewGen Model with 6/9/2023 Forward Curves and 10% haircut

Above margin analyses ignores minor reductions for franchise fees (0.09 ¢/kWh)





# Power Supply Costs



FY 24 costs, forecasted at 385 million dollars, are estimated to be lower than FY 23 at the Mid-Year Budget by \$7 Million Dollars

- Favorable Drivers
  - Drop in forward prices
  - More favorably priced PPAs coming online resulting in lower need for energy supply and environmental products
  - Lower CAISO non-energy costs in FY2024 compared to MY FY2023. High costs in MY FY2023 due to prior period adjustments.
- Offset by
  - Increase in load YOY (1.5%)
    - Increase in direct access load
    - Recovery from COVID
  - Increase in RA costs



# Operating Expenses and Transfers

## Sources of Operating Expense and Transfer Amount Changes

Operating Expenses	Change (000s)*	Implications/Reasons
Personnel Costs	\$4,708	
Increased Staffing	\$2,515	12 additional FTE positions requested
Annualized Positions	\$740	Vacancy Savings from MY budget, now annualized
COLA	\$670	Preliminary ~5% COLA included
Merit	\$402	3% budgeted for merit increases (avg)
Other Expenses	\$753	Add'l Marketing, G&A, Prof Svcs

\*Amounts include 5% operating expense contingency

Transfers	Amount (000s)	Implications/Reasons
Programs Transfer	\$9,170	2% of projected revenues
Nuclear Allocation	\$2,188	2022 PG&E Carbon Free Allocation
Building Reserve	\$20,000	Set Aside for Building Purchase



# Staffing – Propose 12 Additional Full-time Positions

## Current Staffing

- 46 full-time employees
  - 3 current vacancies; (2 additional pending)
- 3 intern positions (open)
- 4 part-time employees
- 2 Climate Corps Fellows
- 2 long-term independent consultants

## Personnel Authority

- CEO can approve job titles, salary ranges, and org chart positions
- Positions can be swapped/changed and added within Board-approved budget
- Additions will not exceed 10% of authorized number shown in budget
- Changes/hires communicated in next CEO report to Board

*Per CEO personnel authority, these and existing positions may change to address evolving business needs.*

### **Decarbonization Programs and Policy (5)**

- Programs Specialist – Community Programs (1)– to design and implement decarbonization programs
- Associate Data Scientist (1) – to support data use, visualization, and communication across the organization
- Additional Program Specialists (up to 3)– Additional staffing needed over coming 12 months to scale programs

### **ESCR (3)**

- Program Marketing Specialists (3) – focused marketing efforts on program growth and adoption

### **4PRO (3)**

- Regulatory Analyst (1) – to support engagement at CPUC, CAISO, CEC (unfilled during FY22-23 and swapped for another position – now being re-requested)
- Data Engineer (1) – to integrate the various wholesale and operational data streams within 4PRO
- Senior Management Analyst (1) – to coordinate and effectively manage 4PRO team efforts

### **Finance & Admin (1)**

- Senior Financial Analyst (1)– to support the organization with budgeting, accounting, and financial analysis

# Programs capacity is increasing

**\$85M allocated over the last  
~5 years**

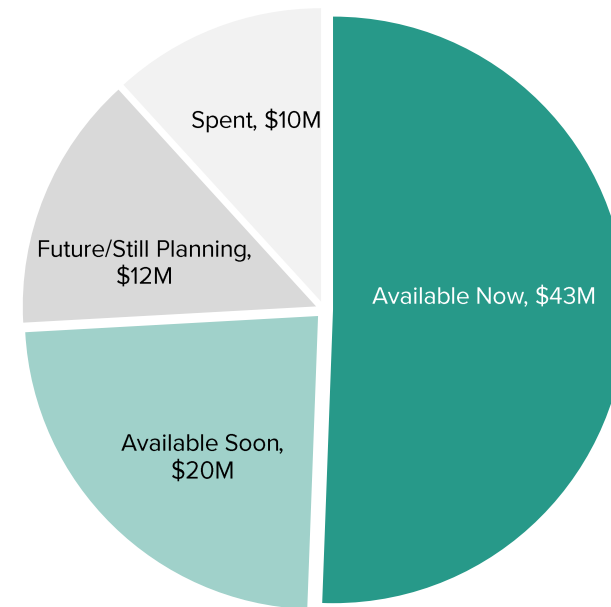
~\$50M within last 1.5 years

Making progress in opening  
funds to customers

Some programs take time to  
spend budget, once open



**Programs Fund Availability**



Spent: already paid out to customer or vendors

Available Now: program currently open to customers – includes available and reserved customer incentives (e.g. FutureFit Homes), or funds contracted with a vendor (e.g. eHub, fleet electrification support)

Available Soon: currently in a planning phase, but will launch by ~June 2024

Future/Still Planning: programs that won't launch until after June 2024 and funds not currently earmarked for a program





# There is a need for continued program funding

2025 goal for SVCE territory: emissions 40% below 2015 levels (currently at 29% below)

## Illustrative Budgeting Example: \$100M

Sample # Units	Portion of reduction needed for 2025 goal*
2021 emissions % below 2015 levels (weather and other factors also influence)	29%
10,000 HPWH rebates, with emergency replacement support (\$50M)	+0.3%
10,000 smart L1/L2 outlets at multifamily, with some rebates and education (\$50M)	+0.7%
<b>TOTAL, for \$100M, below 2015 levels</b>	<b>~30%</b>
Looking to other SVCE programs, market, other actors (e.g. IRA) to help hit 2025 goal	~10%

\*Assumptions:

- 1 HPWH replaced avoids ~1.4 MTCO<sub>2</sub>e annually
- Every smart L1/L2 outlet installed leads to 1 new EV (from gas car) immediately
- 1 EV avoids 3 MTCO<sub>2</sub>e annually

- Even \$100M will just be incremental
- We are one part of the ecosystem in hitting goals, and rely on many actors to help our region
- SVCE works on addressing barriers and “friction” as well as rebates – needed to help all customers
- Plan to explore funding and financing to reach larger scales and funnel through current programs



# Example program funding packages

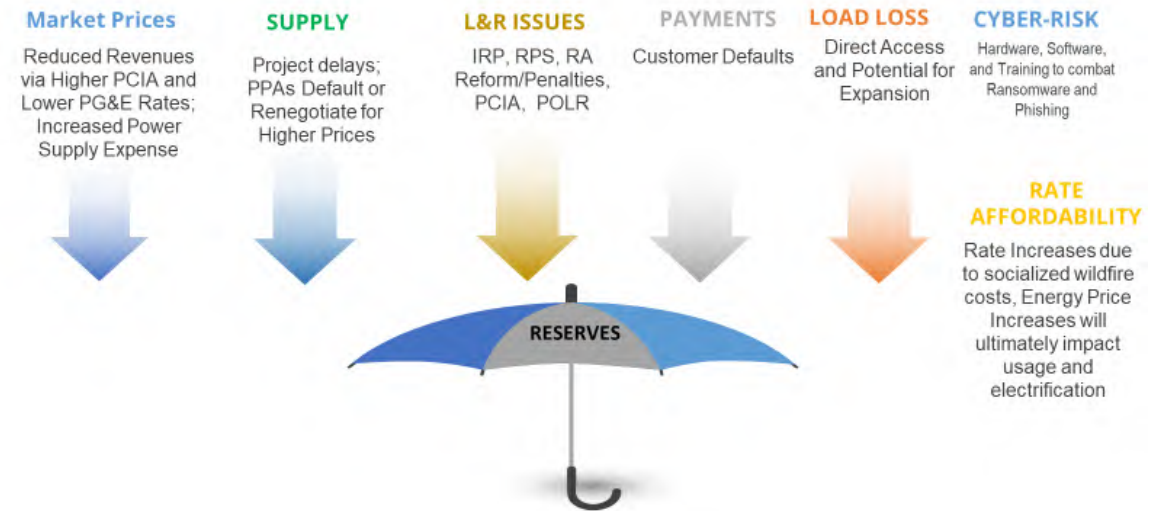
To be considered later in the year

<div><div><div>Package A</div><div>\$40M</div></div><div>Expand some current building and EV charger programs</div></div> <table><tr><td><u>Add</u> funds to FutureFit Home rebates</td></tr><tr><td>Provide emergency water heater support and an SVCE “turnkey” pathway</td></tr><tr><td><u>Add</u> funds to support local policy adoption</td></tr><tr><td><u>Add</u> funds to multifamily EV charging rebates</td></tr></table>	<u>Add</u> funds to FutureFit Home rebates	Provide emergency water heater support and an SVCE “turnkey” pathway	<u>Add</u> funds to support local policy adoption	<u>Add</u> funds to multifamily EV charging rebates	<div><div><div>Package B</div><div>\$80M</div></div><div>Package A + More program expansion and new approaches/topics</div></div> <table><tr><td>Large C&amp;I-focused rebates</td></tr><tr><td><u>Add</u> funds to small/med business electrification rebates</td></tr><tr><td>Neighborhood electrification pilot</td></tr><tr><td><u>Expand</u> website to eHub 2.0</td></tr><tr><td><u>Add</u> funds to Priority Zone DCFC charging program</td></tr><tr><td>Workforce development partnerships</td></tr></table>	Large C&I-focused rebates	<u>Add</u> funds to small/med business electrification rebates	Neighborhood electrification pilot	<u>Expand</u> website to eHub 2.0	<u>Add</u> funds to Priority Zone DCFC charging program	Workforce development partnerships	<div><div><div>Package C</div><div>\$120M</div></div><div>Package B + More new approaches/topics</div></div> <table><tr><td><u>Add</u> funds to community resilience grants</td></tr><tr><td>Public facility complete electrification pilots</td></tr><tr><td>Smart thermostat “virtual power plant”</td></tr><tr><td>Keep some flexible funds to deploy opportunistically</td></tr></table>	<u>Add</u> funds to community resilience grants	Public facility complete electrification pilots	Smart thermostat “virtual power plant”	Keep some flexible funds to deploy opportunistically
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# Summary – Potentially Good Year But Results are Highly Uncertain

- Biggest risks include late-year adjustments to PCIA / PG&E Gen Rate and significant volatility in power prices
- Keep 4% until new PG&E 2024 rates. Budget 2% for the rest of the fiscal year. Revisit once there's more certainty on PG&E and PCIA rates
- Additional program funding will be needed to advance SVCE's mission further. Currently, funding is sufficient to delay the decision until the end of the year.
- Budget increases for operating expenses other than power supply needed to advance strategic focus areas, including retaining and attracting employees, reducing operational risks, and enhancing operational efficiency.

## Many Risks can Deplete Reserves



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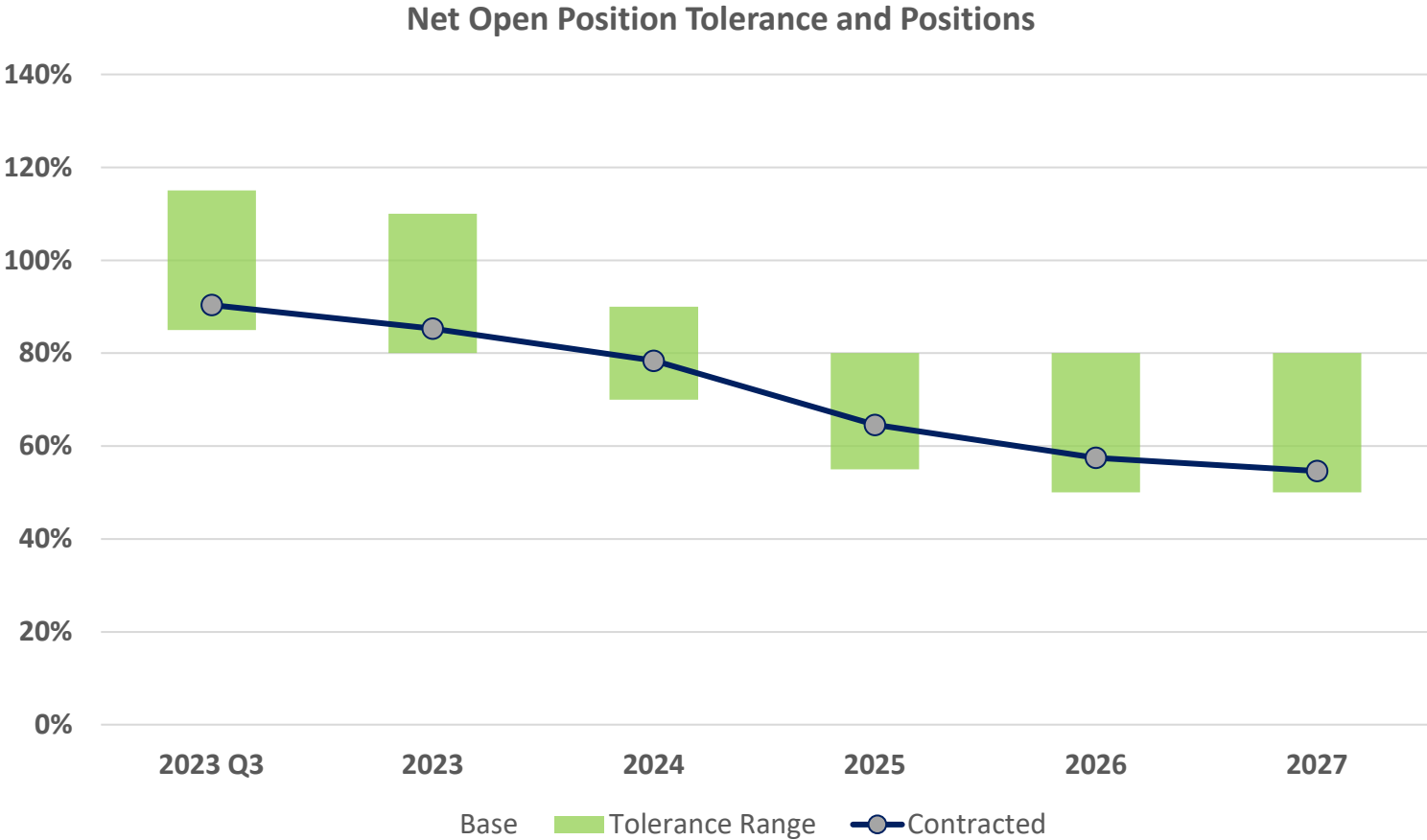
**Thank you! / Questions?**



# Current Energy Hedge Levels

Hedged 82% for FY24

Calendar Period	ERM Min Tolerance	ERM Max Tolerance	Current
Prompt Quarter (Q3 2023)	85%	110%	90%
BoY (June-Dec 2023)	80%	110%	85%
2024	70%	90%	78%
2025	55%	80%	64%
2026	50%	80%	57%
2027	50%	80%	54%

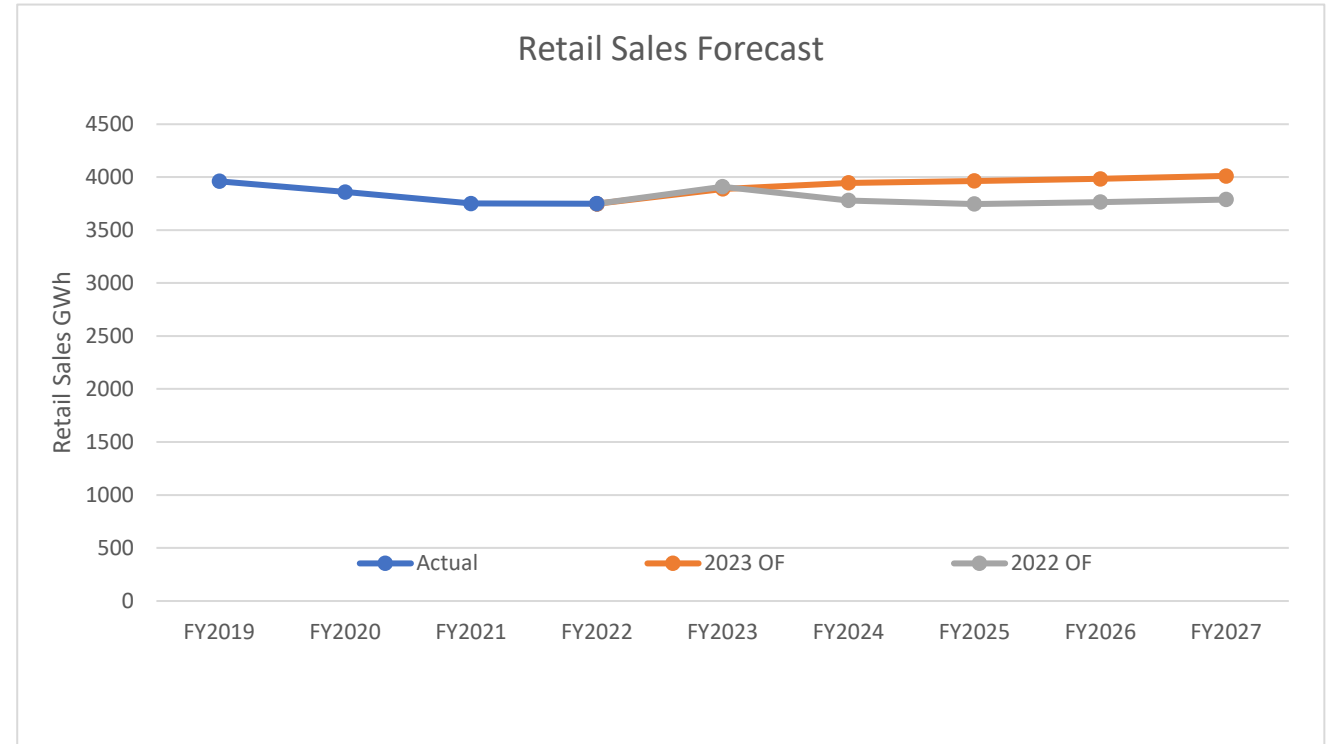






# Medium-Term Load Forecast

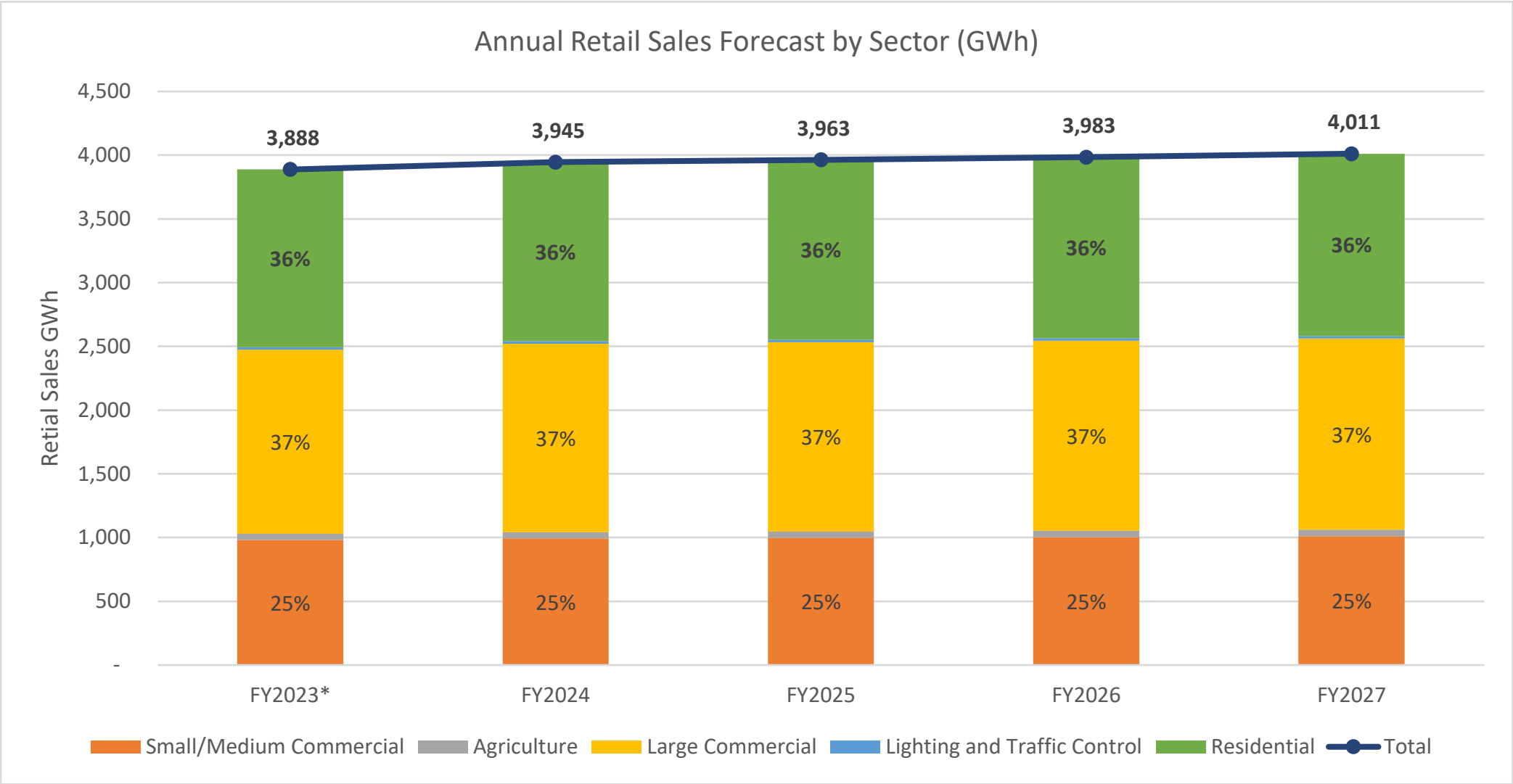
- In 2023, SVCE began forecasting load in-house after using a third-party service since inception.
- The past model assumed partial COVID-19 impacts, while the new forecast excludes COVID-19 impacts, assuming 100% recovery. 2023 actuals support this assumption.
- FY 2025 and beyond averages 6% above the previous forecast, largely due to expected load growth from electrification in the transportation and building sectors.





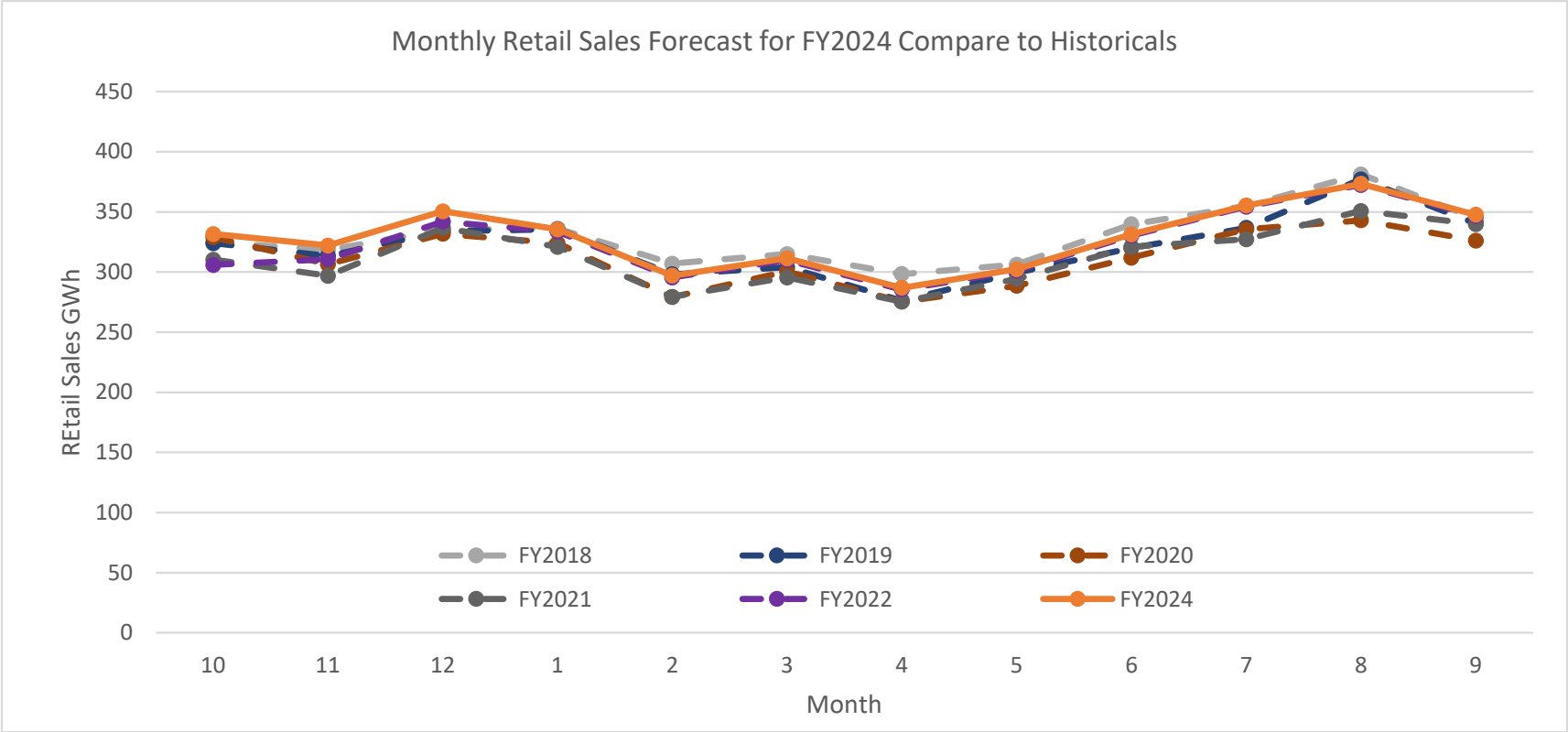


# Medium-Term Load Forecast by Sector





# Medium-Term Load Forecast

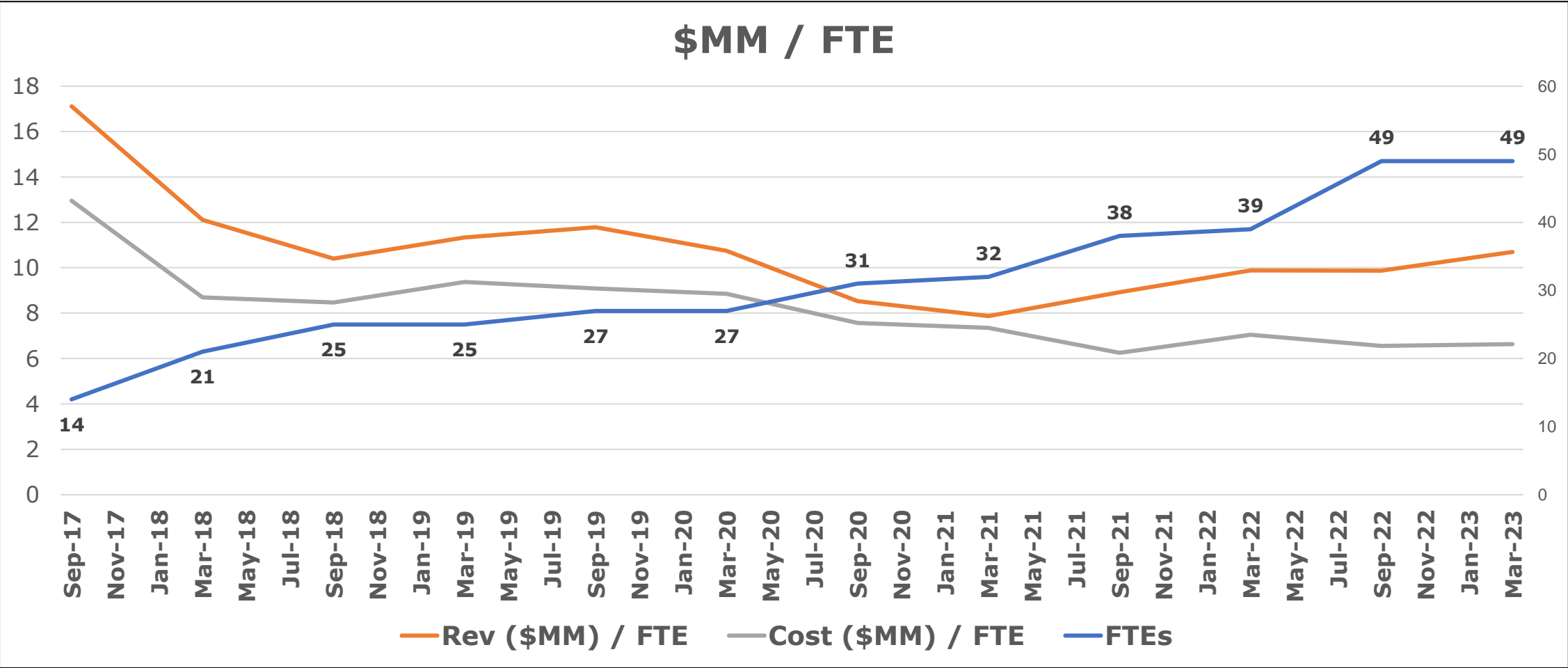


	10	11	12	1	2	3	4	5	6	7	8	9	Total
FY2018	325	318	335	336	307	315	298	306	340	355	381	345	3,962
FY2019	324	314	334	336	298	304	276	299	320	337	377	340	3,859
FY2020	329	306	332	324	279	300	275	289	312	336	343	326	3,751
FY2021	310	297	337	321	279	296	275	294	321	327	351	340	3,748
FY2022	306	311	342	334	296	310	286	301	330	354	372	347	3,888
FY2024	332	322	351	335	297	311	287	302	331	355	373	348	3,945



# Revenues/FTE; Energy/FTE

Revenue and Energy Costs / FTE have remained fairly flat over time.





# CCA Comparisons

CCA Comparisons							
CCA Name	FY22-23			Staffing			
	Accounts	Revenue (\$MM)	Net Position (\$MM)	FY21-22	FY22-23	FY23-24 Budget	Revenue (\$MM/FTE)
Silicon Valley Clean Energy	280,000	\$365.4	\$212.7	39	49	60	\$7.5
Peninsula Clean Energy	300,000	\$233.6	\$167.7	32	39	Unavailable	\$6.0
Central Coast Community Energy	449,500	Unavailable	Unavailable	43	43	56	Unavailable
Clean Power Alliance	1,029,800	\$867.6	\$141.2	59	69	75	\$12.6
East Bay Community Energy	640,000	\$563.5	\$232.5	49	68	78	\$8.3
MCE	470,000	\$487.7	\$203.3	63	76	84	\$6.4

\*n/a – not available

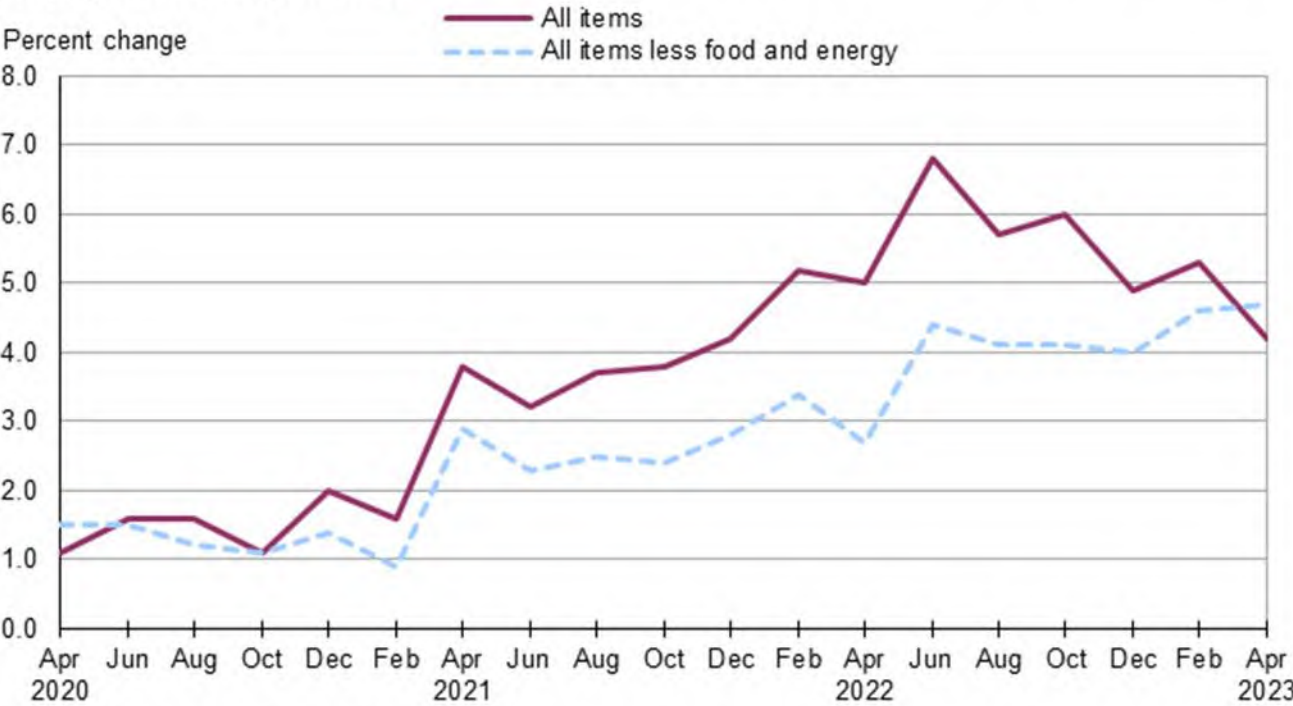


# Cost-of-Living & Adjustment (COLA) & Merit Increase Proposals

Current 5.1% COLA based on SF Bay Area CPI; smoothed over trailing months; next update in June

Add'l Merit/promotional increases at CEO discretion

Chart 1. Over-the-year percent change in CPI-U, San Francisco-Oakland-Hayward, CA, April 2020–April 2023



Source: U.S. Bureau of Labor Statistics.

Year	COLA
FY17-18	3%
FY18-19	4%
FY19-20	4%
FY20-21	0%
FY21-22	5%
FY22-23	5.3%
FY23-24	5.1%*
* will update again in June	



# Example program funding packages

Showing possible # units that would result, based on draft allocations

## Package A \$40M

Expand some current building and EV charger programs

650 HP HVAC, 500 HPWH, 200 panel, 750 circuit and 100 gas meter rebates

100 income-qualified homes fully electric, 1,500 emergency HPWH installs

Hundreds to thousands more equipment in support of new, local policies

130 multifamily sites with 9 L2s or 20 L1s, with education for 1,200 residents and 500 EV rebates for low income

## Package B \$80M

Package A +  
More program expansion and new approaches/topics

Dozens of large C&I engaged for load reduction and electrification

700 HP HVAC, 600 HPWH, 200 circuit and 400 point-of-use water heaters as small/medium businesses

200 homes fully electrified, clustered in neighborhoods (pilot zonal electrification)

eHub 2.0, multiple campaigns for electric tech (e.g. induction) awareness and 10 major grants for local CBOs

15 DCFC hubs with 20 ports each, with affordable rates for local residents

Partner with several organizations on workforce development – 1,000 new trainees

## Package C \$120M

Package B +  
More new approaches/topics

More resilience projects at community facilities

Handful of complete electrification projects at public facilities

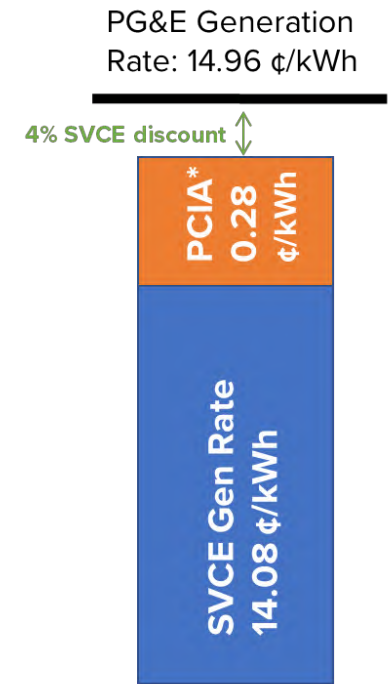
50,000 controlled smart thermostats

Flexible funds to reinforce existing programs based on uptake/interest





# Revenue Forecast Depends on PG&E Generation and PCIA Rates



\* 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.

Issue: Rate Uncertainty	Staff Recommendation	Implications/Reasons
<ul style="list-style-type: none"><li>PG&amp;E issued the 2023 ERRA forecast on May 15 with preliminary <u>2024</u> PG&amp;E generation and PCIA rate forecasts</li><li>Shows negative PCIA and about 3% lower PG&amp;E generation rate leading to an overall ~3% improvement in SVCE revenues (at current discount level)</li><li>Results already outdated, given the high volatility in energy prices</li><li>Based on 5/11 prices, revenues could be lower by an estimated 14-19 %</li><li>PG&amp;E will update this forecast in the fall. CPUC normally adopts the rate in December based on this update</li></ul>	<p>Use the latest market data in the Cal-CCA NewGen model after calibrating the model to PG&amp;E's forecasted rates and accounting for modeling error</p> <p>(10% downward adjustment on headroom)</p>	<ul style="list-style-type: none"><li>Likely aligns revenues closer to rates that PG&amp;E will later update</li><li>Better aligns revenues with power supply costs</li><li>Primarily for budget-setting purposes</li><li>Additional expenditures based on headroom projections can be made by the Board in December when actual PG&amp;E and PCIA rates are known</li></ul>



# Power Supply Expenses

(>90% of Expenses)

Issue: Volatile Power Prices	Staff Recommendation	Implications/Reasons
<ul style="list-style-type: none"> <li>Power prices are near record high levels and are very volatile</li> <li>In addition to PG&amp;E Gen Rate and PCIA uncertainty, power price volatility makes energy budget projections highly uncertain               <ul style="list-style-type: none"> <li>Budget will be developed based on a snapshot of market prices in July</li> <li>Currently hedged ~85%</li> <li>Remaining 15% exposed to volatile market prices</li> </ul> </li> <li>Contract delays/renegotiations further add uncertainty</li> <li>Resource adequacy requirements are changing, and costs are high, but more hedged next year</li> </ul>	<ul style="list-style-type: none"> <li>Continue hedging to current ERM (Energy Risk Management) targets</li> <li>Continue with SVCE's 100% clean policy</li> </ul>	<ul style="list-style-type: none"> <li>Maintain a high customer value proposition with 100% clean energy and serve SVCE's mission</li> <li>Furthers SVCE focus toward 24x7 clean energy goal</li> </ul>

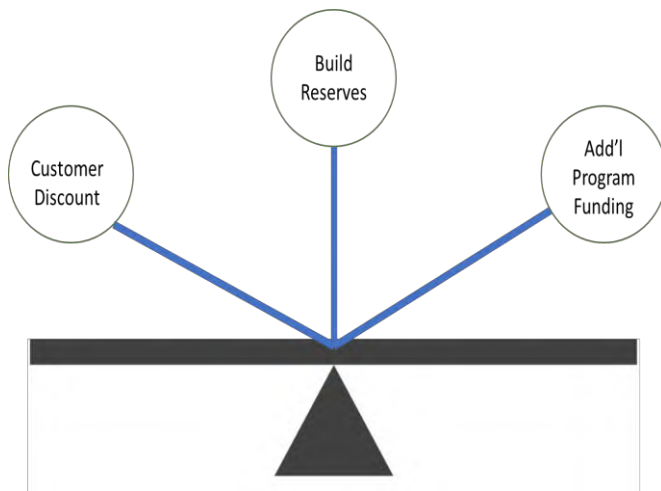


# Other Costs

(Staffing, Cost of living/Merit, Building)

Status	Staff Recommendation	Implications/Reasons
<ul style="list-style-type: none"> <li>Review and assess staffing in all areas of the organization               <ul style="list-style-type: none"> <li>10 new budgeted positions were authorized in the FY22-23 budget</li> <li>13 new staff hired since Sept 2022 (includes 1 starting later in June)</li> <li>5 vacancies - 3 current; 2 being vacated at end of June</li> </ul> </li> <li>Adjust employee salaries for cost-of-adjustment and merit/promotions</li> <li>Review existing employee benefits to remain competitive with peer CCAs</li> <li>Decarb Programs continue to ramp – quantity of rebates/ scope of outreach</li> </ul>	<ul style="list-style-type: none"> <li>Current FY22-23 budgeted headcount of 49</li> <li>Proposed FY23-24 budgeted headcount of 61               <ul style="list-style-type: none"> <li>12 new proposed FTEs</li> </ul> </li> <li>Budgeted Personnel Costs include:               <ul style="list-style-type: none"> <li>Salary Ranges adjusted based on 6-month rolling average of SF Bay Area CPI – currently ~5% (COLA)</li> <li>Additional 3% Merit increase included in budget</li> </ul> </li> <li>Individual salary adjustments and promotional recommendations based on CEO discretion during performance review process               <ul style="list-style-type: none"> <li>Individual changes based on employee pay relative to market range, performance, and date of hire</li> </ul> </li> <li>Employee benefit review and update underway – recommendations for August</li> </ul>	<ul style="list-style-type: none"> <li>Evaluate staff levels needed to:               <ul style="list-style-type: none"> <li>Scale up programs team</li> <li>Reduce high level of existing employee workload</li> <li>Advance strategic focus area goals</li> <li>Create organizational depth for business continuity</li> </ul> </li> <li>Sustained investments in cybersecurity preparedness and business process optimization projects</li> </ul>

# Additional Funding for Programs, Customer Discounts, and Building Reserves



- 1% customer discount over 12 months of 2024 is ~\$4.7 million\*
- 1% discount over 9 months (Jan – Sep 2024) ~\$3.5 million\*
- Monthly Average Bill Savings of 1%\* Discount:
  - Residential - ~\$0.60
  - Small Commercial - ~\$2.18
  - Medium Commercial - ~\$24.07

\* Based on 6/9/23 Forward prices

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



# Reserve Targets

Issue: Update Reserve Targets	Staff Recommendation	Implications/Reasons
<ul style="list-style-type: none"><li>• Ensure SVCE maintains sufficient reserves to manage risks such as those modeled under the Stress Test analyses</li><li>• Staff will update the stress test analyses in July using market prices consistent with those used to develop the annual budget</li></ul>	<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"><li>• FY 24 margins not guaranteed given true-up in 2023 for PCIA and PG&amp;E Gen rate</li><li>• If adverse conditions materialize, need 120 days to reshape strategy and secure additional liquidity</li><li>• Increase upper reserve target to take advantage of good margin years to manage risks over 5-year period</li></ul>





# SVCE Office Space – Lease vs Buy

<b>Current Lease Details</b>		
Monthly Lease Cost	5.30 \$/sf	
Size	7,900 sf	
<b>New Lease Assumptions</b>		
New Monthly Lease Cost	7.50 \$/sf	(est)
<b>Purchase Assumptions</b>		
Purchase Cost	700 \$/sf	(est)
Improvement Cost	100 \$/sf	(est)
<b>Office Assumptions</b>		
Size	20,000 sf	(est)
Location for Comps*	Sunnyvale, Mtn View, Santa Clara, San Jose	
* further analyses to include broader service territory		



Issue: Financial Stewardship	Staff Recommendation	Implications/Reasons
<ul style="list-style-type: none"> <li>SVCE's current lease runs through Sept. 2025 <ul style="list-style-type: none"> <li>Need time to explore the alternatives of buying or leasing new space</li> </ul> </li> <li>SVCE should be prepared to pursue attractive property opportunities as they arise</li> </ul>	<ul style="list-style-type: none"> <li>Research alternatives and establish an ad hoc Committee to advise staff and evaluate property and financing options</li> <li>Earmark a portion of reserves for a potential building purchase</li> <li>\$16MM (based on current assumptions) + 25% contingency = \$20MM set aside</li> </ul>	<ul style="list-style-type: none"> <li>Buying may be a cheaper longer-term option <ul style="list-style-type: none"> <li>Initial back-of-the-envelope analysis indicates a roughly 10-year breakeven period compared to leasing</li> </ul> </li> <li>SVCE is growing and requires more space for employees and expanded programs</li> <li>Purchasing also enables customization to suit the hybrid work environment <ul style="list-style-type: none"> <li>Flexible workspace for collaborative work</li> </ul> </li> </ul>



# PG&E 2024 ERRA Forecast vs NewGen Model Run

## Using 3/27/2023 Forward Prices

NewGen Model has approximately 3 - 5% modeling error

### ERRA Forecast 2024 Rate\*

**PG&E Gen Rate:**  
**14.54 ¢/kWh**

4% SVCE discount  
(Illustrative)

PCIA -0.62  
¢/kWh

**SVCE Customer Billing  
Gen Rate 14.39 ¢/kWh**

**SVCE Gen Rate  
14.57 ¢/kWh**

### NewGen Model 2024 Rate\*\*

**PG&E Gen Rate:**  
**15.28 ¢/kWh**

4% SVCE discount  
(Illustrative)

PCIA -0.30  
¢/kWh

**SVCE Customer Billing  
Gen Rate 14.67 ¢/kWh**

**SVCE Gen Rate  
14.97 ¢/kWh**

\*PG&E 2024 ERRA Forecast, released on 15th of May, 2023 (Weighted for SVCE Portfolio Load)

\*\*Using NewGen Model (version 3.4) with 3/27/2023 Forward Curves (Weighted for SVCE Portfolio Load)

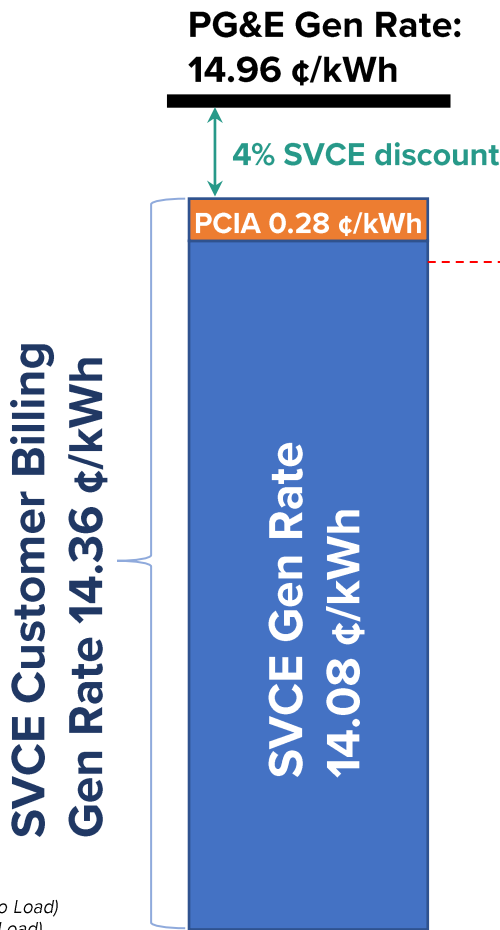
Above margin analyses ignores minor reductions for franchise fees (0.09 ¢/kWh)



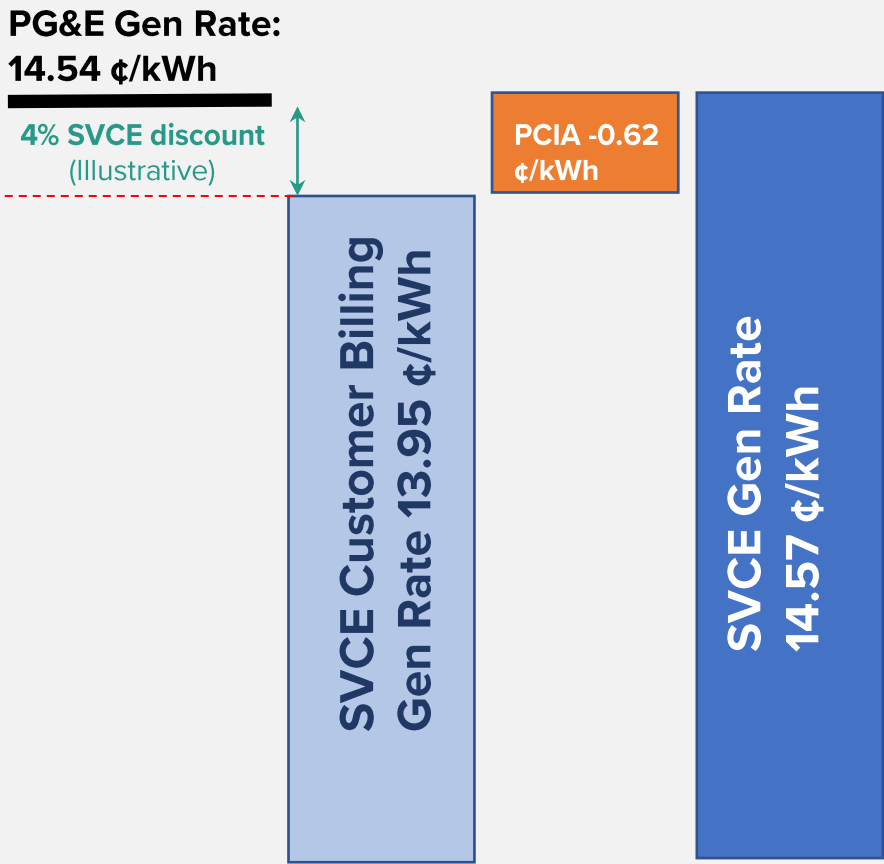
# Current 2023 Rate vs PG&E 2024 ERRA Forecast

- PG&E filed it's forecast of 2024 Rates on 5/15/23
  - PG&E Gen Rate decreased ~-3%
  - PCIA reduced from positive 0.28 ¢/kWh to negative -0.62 ¢/kWh
- PG&E ERRA forecast is based on 3/27/2023 forward market prices
- Represents weighted average customer billing rate decrease of -3% from 14.36 ¢/kWh to 13.95 ¢/kWh
- SVCE gen rate is higher than Customer Billing Rate due to negative PCIA
  - SVCE gen rate up ~3.5%

## Current 2023 Rate\*



## ERRA Forecast 2024 Rate\*\*



\* Source: PG&E 2023 Average Rate, effective January 1, 2023 (Weighted for SVCE Portfolio Load)  
\*\* PG&E 2024 ERRA Forecast, released on 15th of May, 2023 (Weighted for SVCE Portfolio Load)  
Above margin analyses ignores minor reductions for franchise fees (0.09 ¢/kWh)



# Market Prices Since PG&E's ERRA Forecast Date has Dropped

- On average, prices are down ~10%
- Reduces SVCE headroom from current rates by ~14-19%
  - Based on 5/11 market prices
  - Budget will be based on market prices in July
- Prices are extremely volatile; RPS premium and RA prices difficult to estimate
- Like last year, staff recommends adjusting NewGen Model results by 10% to account for modeling error

	CY 2023*	CY 2024**			
	Current Gen Rate	PG&E ERRA Forecast (3/27/23)	NewGen Run (5/11/23)- No Haircut	NewGen Run (5/11/23)- 5% Haircut	NewGen Run (5/11/23)- 10% Haircut
PG&E Gen Rate (¢/KWH)	14.96	14.54	14.21	13.50	12.79
Customer Rate Discount***	-4%	-4%	-4%	-4%	-4%
Customer Billing Generation Rate	14.36	13.95	13.65	12.96	12.28
PCIA (¢/KWH)	0.28	-0.62	0.93	0.89	0.84
Headroom (¢/KWH)	14.08	14.57	12.71	12.08	11.44
Headroom Delta from Current Rates	0%	3%	-10%	-14%	-19%
Estimated 2024 \$M Delta from Current Rates	-	17.3	(48.8)	(71.4)	(94.0)

\* Source: Official PG&E Rates for 2023 (Weighted for SVCE Portfolio Load)

\*\* Source: PG&E 2024 ERRA Forecast released on May 15 and NewGen model runs (Weighted for SVCE Portfolio Load)

\*\*\* Customer discount for 2024 is illustrative and will be determined later this year.

Note: 1% discount represents ~ \$4.6M at current estimated 2024 rates



# Additional Headroom Analyses

**Table 1: Illustrative Customer Discount at 4%**

	CY 2023*	CY 2024**						
	Current Gen Rate	PG&E ERRA Forecast (3/27/23)	NewGen Run (3/27/23)- No Haircut	NewGen Run (3/27/23)- 5% Haircut	NewGen Run (3/27/23)- 10% Haircut	NewGen Run (5/11/23)- No Haircut	NewGen Run (5/11/23)- 5% Haircut	NewGen Run (5/11/23)- 10% Haircut
PG&E Gen Rate (¢/KWH)	14.96	14.54	15.28	14.52	13.75	14.21	13.50	12.79
Customer Rate Discount***	-4%	-4%	-4%	-4%	-4%	-4%	-4%	-4%
Customer Billing Generation Rate	14.36	13.95	14.67	13.93	13.20	13.65	12.96	12.28
PCIA (¢/KWH)	0.28	-0.62	-0.30	-0.29	-0.27	0.93	0.89	0.84
Headroom (¢/KWH)	14.08	14.57	14.97	14.22	13.47	12.71	12.08	11.44
Headroom Delta from Current Rates	0%	3%	6%	1%	-4%	-10%	-14%	-19%
Estimated 2024 \$ Delta from Current Rates	-	17.3	31.5	4.8	(21.8)	(48.8)	(71.4)	(94.0)

**Table 2: Illustrative Customer Discount at 1%**

	CY 2023*	CY 2024**						
	Current Gen Rate	PG&E ERRA Forecast (3/27/23)	NewGen Run (3/27/23)- No Haircut	NewGen Run (3/27/23)- 5% Haircut	NewGen Run (3/27/23)- 10% Haircut	NewGen Run (5/11/23)- No Haircut	NewGen Run (5/11/23)- 5% Haircut	NewGen Run (5/11/23)- 10% Haircut
PG&E Gen Rate (¢/KWH)	14.96	14.54	15.28	14.52	13.75	14.21	13.50	12.79
Customer Rate Discount***	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%
Customer Billing Generation Rate	14.81	14.39	15.13	14.37	13.61	14.07	13.37	12.66
PCIA (¢/KWH)	0.28	-0.62	-0.30	-0.29	-0.27	0.93	0.89	0.84
Headroom (¢/KWH)	14.08	15.01	15.43	14.66	13.88	13.14	12.48	11.83
Headroom Delta from Current Rates	0%	7%	10%	4%	-1%	-7%	-11%	-16%
Estimated 2024 \$ Delta from Current Rates	-	32.8	47.8	20.3	(7.1)	(33.6)	(57.0)	(80.4)

\* Source: Official PG&E Rates for 2023 (Weighted for SVCE Portfolio Load)

\*\* Source: PG&E 2024 ERRA Forecast released on May 15 and NewGen model runs (Weighted for SVCE Portfolio Load)

\*\*\* Customer discount for 2024 is illustrative and will be determined later this year.

Note: 1% discount represents ~ \$4.6M at current estimated 2024 rates





# 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	



# SVCE Planning & Budgeting Process



# Medical Baseline Battery Pilot Program Snapshot

Executive Committee Meeting  
June 23, 2023



# Medical Baseline Battery Pilot Program

- This program was created to provide 50 free backup batteries to SVCE customers who:
  - require electricity for medical devices
  - are at higher risk of possible power outages
- Program Budget: \$200,000
  - funded by the nuclear allocation savings
- This program provides value to customers who depend on electricity to power their life sustaining medical devices



# Medical Baseline Battery Pilot Program

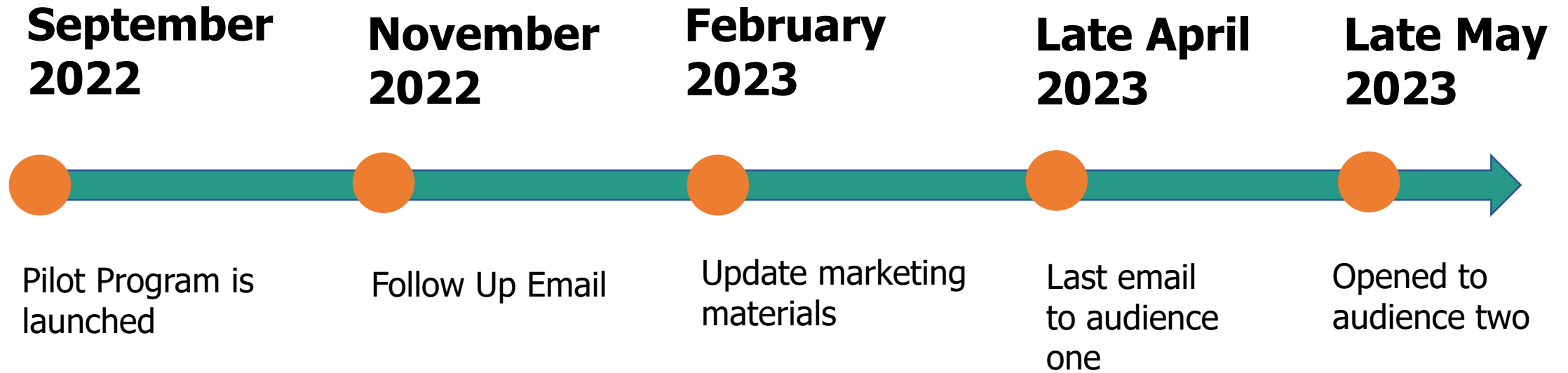
- Goal Zero Yeti 3000x battery
  - Can power a small refrigerator to store medications properly, ventilators for respiratory support, and mobility aids
- Target Audience
  - Audience 1: Medical Baseline + CARE/FERA + PSPS zones 2 & 3  
(September 2022-May 2023) **50 eligible customers**
  - Audience 2: Medical Baseline + CARE/FERA  
(May 2023- TBD) **111 eligible customers**





# Pilot Program Timeline

A learning experience







# Email Marketing








**You may be eligible to receive a backup portable battery at no cost.**

Your not-for-profit community electricity provider, Silicon Valley Clean Energy, is teaming up with the Silicon Valley Independent Living Center, your local non-profit disability justice organization, to provide eligible residents a free Goal Zero Yeti 3,000X portable battery to use during power outages.

Power outages caused by excessive heat and high winds during summer months and ongoing grid safety improvements year-round, disproportionately affect customers that rely on power to operate life-sustaining medical devices.







**Medical Baseline Battery Program**



**You may be eligible to receive a backup portable battery at no cost!**


[Learn More](#)

This friendly email reminder is to let you know that our records indicate that you are still eligible to receive a **FREE** Goal Zero Yeti 3,000X portable battery through our Medical Baseline Battery Program. [Silicon Valley Clean Energy \(SVCE\)](#) has teamed up with the [Silicon Valley Independent Living Center \(SVILC\)](#) to provide assistance in getting you a free portable battery.

Power outages caused by excessive heat and high winds during summer months and ongoing grid safety improvements year-round, disproportionately affect customers that rely on power to operate life-sustaining medical devices. Be sure to take advantage of this opportunity for a free portable battery!










**CLAIM YOUR FREE PORTABLE BATTERY!**

**Medical Baseline Portable Battery Pilot Program**

Dear Silicon Valley Clean Energy Customer,

Our records indicate that you qualify for a **FREE** portable backup battery through our Silicon Valley Clean Energy Medical Baseline Portable Battery Pilot Program. As your local electricity provider, we are teaming up with the Silicon Valley Independent Living Center, your local non-profit disability justice organization, to provide eligible residents with a **FREE** Goal Zero Yeti 3000X portable battery.



**Deadline: May 8, 2023**

Take advantage of this **FREE** portable battery before this program is opened up to a larger audience!

[Apply Today](#)



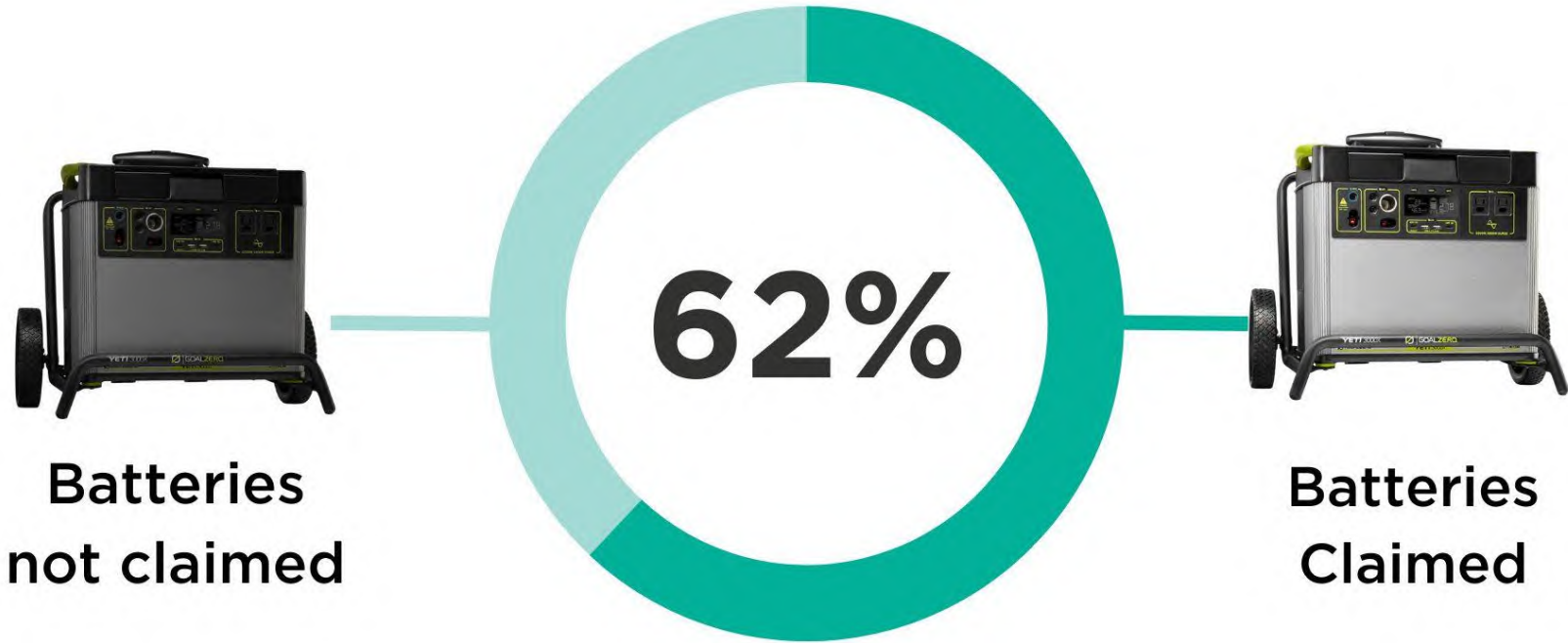
# Mailer + Phone Calls

- Mailers were successful
- Clear call to action in the second letter
- Phone calls helped increase sign ups





# 31 of 50 Batteries Claimed to Date





# Pilot Program Learnings

Item 6  
PRESENTATION

- “Too good to be true” factor
- Continue to build trust
- A combination between emails, mailers, and phone calls works best with this audience







# Next steps

- New Email and mailer sent out June 9th to audience 2
- Phone calls will proceed if needed

