

Item 3: Approve the Chief Executive Officer to Execute a 15-Year Power Purchase Agreement with Grace Orchard Solar II, LLC for Renewable Solar PV Supply (PCC1) and a 15-Year Energy Storage Service Agreement with Yellow Pine Solar III, LLC for Energy Storage, in Substantial Form and Any Necessary Ancillary Agreements and Documents

SVCE Board Meeting
August 9, 2023



Request and Justification

Grace Orchard Solar II Standalone Solar

120 MW Solar

Riverside County, CA

331 GWh/year

Price: fixed dollar per megawatt hour

Term: 15 years

Not-to-exceed: \$286,000,000

Yellow Pine Solar III Standalone Storage

115 MW Standalone Storage

Clark County, NV

Price: fixed capacity price

Term: 15 years

Not-to-exceed: \$420,000,000

Authorize the Chief Executive Officer to Execute a 15-Year Power Purchase Agreement with Grace Orchard II Solar, LLC for Renewable Solar PV Supply (PCC1) and a 15-Year Energy Storage Service Agreement with Yellow Pine Solar III, LLC for Energy Storage, in Substantial Form and Any Necessary Ancillary Agreements and Documents

- **Grace Orchard Solar II** is needed to meet ongoing Renewable Portfolio Standard requirements starting in Compliance Period 5
- **Yellow Pine Solar III Standalone Storage** is needed to meet ongoing Resource Adequacy requirements and Mid-Term Reliability Procurement Order
- Provides the ability to meet large customer needs for clean energy via the non-standard pricing policy



Authorize the Chief Executive Officer to Execute two separate NextEra agreements for the procurement of renewable solar energy and standalone storage capacity in substantial form and any necessary ancillary agreements and documents as follows:

1. Grace Orchard Solar II, LLC, Power Purchase Agreement (PPA) ("Grace Solar")

- a. 120 MW or approximately 331,000 MWh per year of Renewable Portfolio Standard (RPS) Portfolio Category Content One ("PCC1") eligible resources
- b. 15-Year term PPA with expected commercial operation date (COD) and term from July 1, 2027, through June 30, 2042.
- c. Total amount not-to-exceed \$286,000,000.

2. Yellow Pine Solar III, LLC, Energy Storage Service Agreement (ESSA) ("YP3 BESS")

- a. 115 to 120 MW, four-hour standalone battery energy storage system (BESS).
- b. 15-year deliver term with expected COD and term of August 1, 2025, through July 31, 2040.
- c. Dollar authority not to exceed \$420,000,000.



Executed Long-Term PPAs

Significant progress made towards meeting long-term clean energy goals

- \$2.2 Billion in executed PPAs
- 17 PPAs
- 1,087 MW of nameplate capacity
- 988 MW of Clean Capacity
- 58% RPS in 2028
- 7 projects on-line and operating – 32.7% RPS in 2023

	Seller	Project Name	Technology	Generation MW	Storage MW	Storage MWh	Approximate % of Annual load in 2025	Approximate % of Annual load in 2028	Term (years)	Lifetime Not to Exceed Authority (MM\$)	SVCE Board Approval	Status
1	MN8	Slate	Solar + Storage	93	46.5	186	6.70%	6.60%	17	\$198	Oct-18	Online
2	Ormat	Casa Diablo	Geothermal	7			1.40%	1.40%	10	\$43	Feb-20	Online
3	Atlantica	Coso	Geothermal	43.8			9.60%	6.50%	15	\$331	Mar-20	Online
4	Leeward	Rabbitbrush	Solar + Storage	40	8	20	3.00%	3.00%	15	\$64	Apr-20	Online
5	NextEra	Yellow Pine	Solar + Storage	50	26	104	4.10%	4.00%	20	\$128	May-20	Online
6	Avantus	Aratina	Solar + Storage	80	20	60	6.60%	6.60%	20	\$174	Jun-20	Pre-construction
7	174 Power Global	Atlas	Solar	50			3.80%	3.80%	10	\$27	Jan-21	Pre-construction
8	SB Energy	Angela	Solar + Storage	20	10	40	1.40%	1.40%	15	\$35	Mar-21	Pre-construction
9	AES	Mountain View	Wind	33.3			3%	3%	20	\$128	Apr-21	Online
10	Origo	San Luis West	Solar + Storage	62.5	15.625	62.5	4%	4%	15	\$74	Apr-21	Pre-construction
11	Clearway	Victory Pass	Solar + Storage	100	25	100	8%	8%	15	\$149	May-21	Construction
12	Terra-Gen	Cameron Crest	Wind	77.7			5%	5%	15	\$150	May-21	Online
13	Rev Renewables	Tumbleweed	Long Duration Storage		15.9375	127.5	n/a		15	\$100	Feb-22	Pre-construction
14	Onward	Goal Line	Long Duration Storage		14.2	113.6	n/a		15	\$100	Mar-22	Pre-construction
15	Ormat	Geothermal Portfolio	Geothermal	16.75			3.30%	4.40%	20	\$256	Jun-22	Pre-construction
16	OME	Fish Lake	Geothermal	1.82			0.40%	0.40%	20	\$30	Jun-22	In-development
17	MRP	Hanford	Thermal + BESS	99.4	131.4	131.4			12	\$280	Apr-23	In-development
Total:				775	313	945	60.30%	58.10%		\$2,267		

Fall 2022 Request for Proposals

RFP Goals & Requirements:

- Renewable Portfolio Standard (RPS)
- Integrated Resource Plan (IRP) GHG Reductions
- Mid-term Reliability (MTR) Procurement Order
- Resource Adequacy
- Carbon Free Energy & Standalone Storage Projects
- COD: as early as 1/1/2024
- Term: minimum 10 years

November
2022

- Issued RFP

Winter/Spring
2023

- Evaluated, Scored, Ranked, Shortlisted

May-July
2023

- Negotiated PPA and ESSA Terms and Conditions



Meets 8 to 9% of SVCE's retail sales:

- IRP GHG reduction target
- 75% RPS by 2030
- 100% Annual Clean Energy Goal
- SB100 Clean Energy target of 100% by 2045
- Meets long-term RPS requirements

Developer / Parent Company

- NextEra Energy, Inc.

Product & Attributes

- 120 MW New Solar
- 331 GWh, PCC1 Renewable Energy

Project Name & Location

- Grace Orchard Solar II, LLC
- Riverside County, CA

Expected Delivery Term Start

- 15-year, Mid-2027

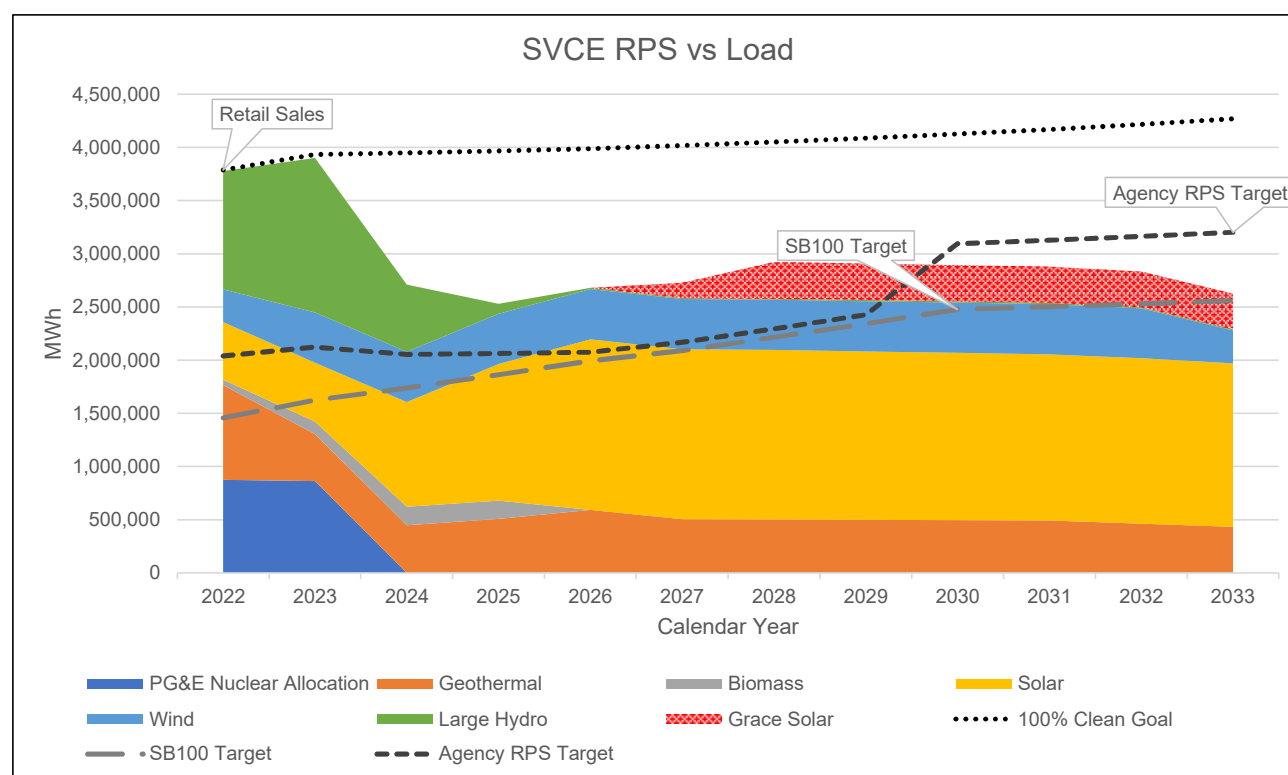
Contract Price Structure

- Fixed price (\$/MWh) for Metered Energy. No Escalator

Annual RPS Progress

Grace Solar will help SVCE meet ongoing SB100 RPS requirements as well as SVCE's Agency RPS target that climbs to 75% in 2030

2030 Targets for Retail Sales Served by RPS:
SB100: 60%
SVCE: 75%





Compliance with Long-Term RPS Procurement Mandate

- SB350 requires 65% of RPS to come from long-term (≥ 10 years) contracts
- Grace Solar adds to Compliance Periods 5 and 6 obligations

Compliance Period ->	CP#4 2021-2024	CP#5 2025-2027	CP#6 2028-2030
1. State Mandated RPS per Compliance Period - % of Retail Sales	40%	50%	57%
2. State Mandated % of Mandated RPS (Row #1) to be Contracted Under RPS Long-term Contracts	65%	65%	65%
3. State Mandated % of Retail Sales with RPS Long-term Contracts (Row 2* Row 1)	26%	33%	37%
4. SVCE: Current Compliance with Row #3: Existing RPS Achieved with Long-term Contracts	30.7%	64.8%	63.6%
5. SVCE: RPS Achieved with Grace Solar	30.7%	66.0%	66.3%
Open Position relative to State Mandate (Row #3) +Above/ (-) Short	+4.7%	+33%	+29.3%



Yellow Pine III Storage

MTR Procurement Order: provides 85-88 MW of counting capacity

Resource Adequacy Capacity: 115 MW, 4-hour RA, reduced to reflect counting effectiveness

Energy Arbitrage: ability to charge in lower priced hours and discharge in higher priced hours

Reduces overall emissions in evening peaking hours to help meet 24/7 carbon-free energy goals

Supports decarbonization and electrification efforts

Developer / Parent Company

- NextEra Energy, Inc.

Product & Attributes

- 115 MW, 4-hour of New Standalone Storage (up to 120 MW)
- Resource Adequacy
- MTR Capacity
- Energy Shifting/Arbitrage

Project Name & Location

- Yellow Pine Solar III, LLC
- Clark County, NV

Expected Delivery Term Start

- 15-year, Mid-2025

Contract Price Structure

- Fixed capacity price (\$/kW-month) for rights to all products.

Energy and RA Capacity Portfolio

Grace Solar and Yellow Pine III Storage increase clean energy and capacity

Overall, 100% Clean Energy

Grace Solar increases Clean Energy from Solar by 8.5%

Overall, 56% Clean Capacity

Yellow Pine III Storage increases Clean Capacity by 10%

Estimated for 2028	Annual Energy (GWh)	Energy Source as a Percent of Total Retail Sales	Capacity Source as a Percent of Total RA Requirement
Biomass	0	0%	0%
Geothermal	503	12.4%	7%
Solar with Grace Solar	1,938	47.8%	1%
Wind	473	11.7%	2%
Large Hydroelectric	1,130	27.9%	0%
Battery Storage with YP3	0	0%	42%
Natural Gas RA-only	0	0%	32%
Hanford – Natural Gas	Est. 8	.2%	16%
Total	4,052	100%	100%



Summary

Grace Solar Clean Energy

- Contributes 8-9% of RPS-eligible energy on an annual basis
- Helps meet clean energy goals, SB 100, SB 350 and SB 1020
- Reduces GHG emissions

Yellow Pine III Storage Clean Capacity

- 88 MW of reliable capacity for MTR
- 115 MW of RA
- Energy Arbitrage value
- Reduces portfolio/grid GHG emissions



Authorize the Chief Executive Officer to Execute two separate NextEra agreements for the procurement of renewable solar energy and standalone storage capacity in substantial form and any necessary ancillary agreements and documents as follows:

1. Grace Orchard Solar II, LLC, Power Purchase Agreement (PPA) (“Grace Solar”)

- a. 120 MW or approximately 331,000 MWh per year of Renewable Portfolio Standard (RPS) Portfolio Category Content One (“PCC1”) eligible resources
- b. 15-Year term PPA with expected commercial operation date (COD) and term from July 1, 2027, through June 30, 2042.
- c. Total amount not-to-exceed \$286,000,000.

2. Yellow Pine Solar III, LLC, Energy Storage Service Agreement (ESSA) (“YP3 BESS”)

- a. 115 to 120 MW, four-hour standalone battery energy storage system (BESS).
- b. 15-year deliver term with expected COD and term of August 1, 2025, through July 31, 2040.
- c. Dollar authority not to exceed \$420,000,000.

FY 23-24 Proposed Operating Budget Review

Amrit Singh
Board of Directors
August 9, 2023

Purpose

In preparation for adopting the budget in September, review and provide feedback on the Proposed Fiscal Year 2023-2024 (FY 24) Budget and Revised Reserves Policy.

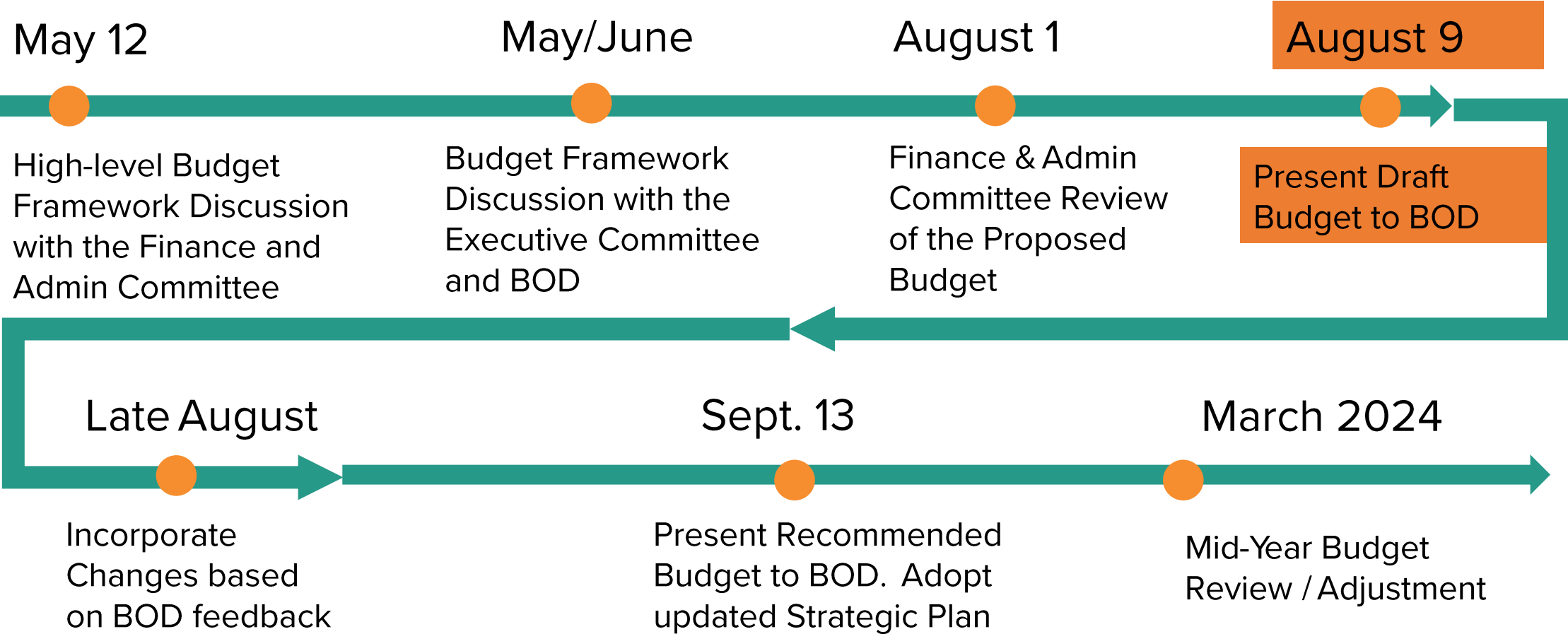
Main Areas of Discussion

1. Review Key Highlights
2. Proposed 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
 - Transfer to Programs
6. Review Reserve Targets





FY23-24 Budget Development Timeline





Key Highlights of the Draft Budget Preview

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

- Forecast year-over-year (YOY) revenues decrease ~\$84 million
 - Energy price volatility from March 2023 to July 2023 has contributed to a downward adjustment in revenue projections of ~\$140 million
 - High RA and RPS prices, unlike in prior years, substantially increase forecast uncertainty
- Power Supply Costs remain almost flat YOY (-0.2%)
 - Lower forward energy prices and more favorable PPAs coming online help offset the increase in costs resulting from higher load, RPS, and RA prices
- Contribution to reserves remains positive at \$7.7 million

2. Customer Discount

- Continue the 4% discount until the new 2024 PG&E rates are in effect
- Rest of fiscal year
 - 1% discount for all customers
 - An additional 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

- 9 additional full-time positions; Adjustment of employee compensation for the cost of living and merit (~7.5%)
- Delay decision on additional funding for programs or set aside for a building fund



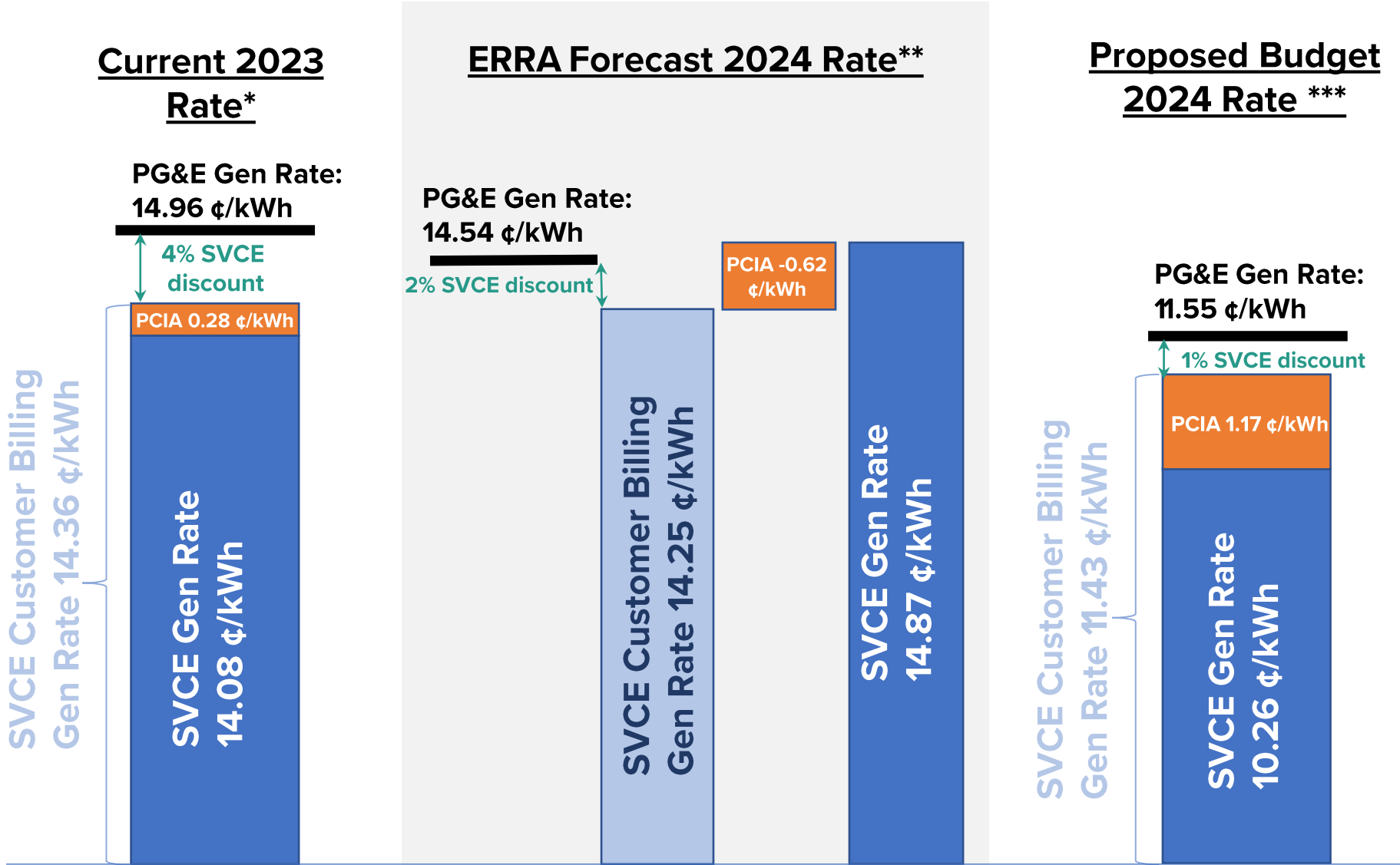
Preliminary FY 24 vs FY 23 Mid-Year Adjusted Budget

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	440,404	(83,554)	-15.9%
Power Supply Expense	392,436	391,624	(812)	-0.2%
Operating Margin	<u>131,522</u>	<u>48,780</u>	<u>(82,742)</u>	<u>-62.9%</u>
Operating Expenses	27,559	32,361	4,802	17.4%
Non-Operating Revenue (Expense)	3,867	5,498	1,631	42.2%
Annual Transfers and Other Expenses				
Program Fund	9,765	8,874	(891)	-9.1%
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	3,136	(464)	-12.9%
Other	200	50		
BALANCE AVAILABLE FOR RESERVES	<u>\$73,365</u>	<u>\$7,669</u>	<u>(\$65,696)</u>	<u>-89.5%</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 ~18% for 2023 and ~14% for 2024
- SVCE 2024 Margins since ERRA forecast dropped -31%
- SVCE Margins Y-o-Y dropped -27%



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

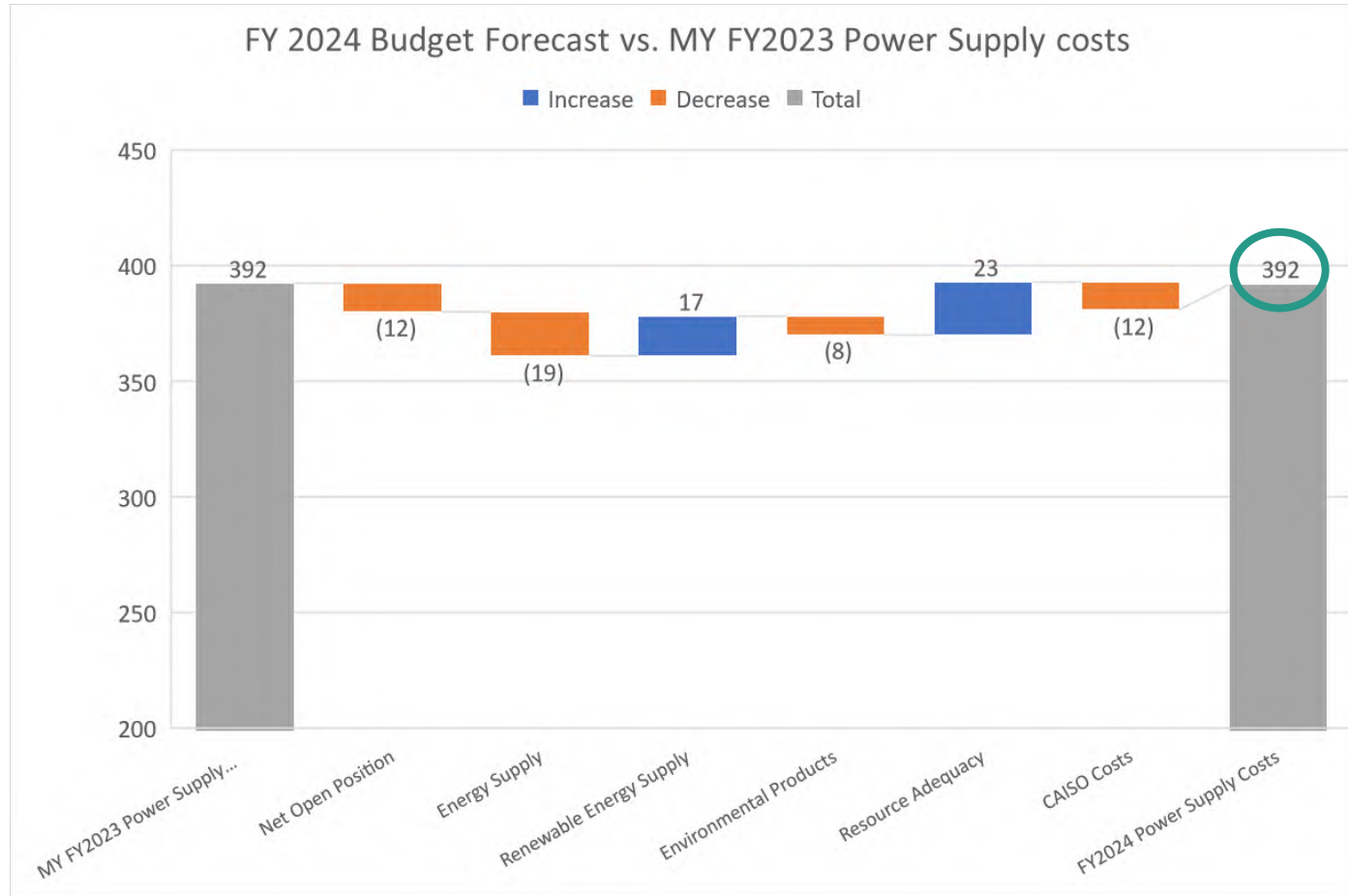
** PG&E 2024 ERRA Forecast, released on 15th of May, 2023 (Weighted for SVCE Portfolio Load)

*** Using NewGen Model with 7/7/2023 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 392 million dollars, are estimated to be in line with FY 23 at the Mid-Year Budget

- 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 from the winter's disruption in the natural gas market.
- 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** Increased Staffing Annualized Positions COLA Merit	\$4,120 \$1,830 \$1,490 \$500 \$300	9 additional FTE positions Vacancy Savings from MY budget; Promotions/Position Upgrades 4.5% COLA 3% budgeted for merit increases (avg)
Other Expenses	\$681	Add'l Marketing, G&A, Professional Services

*Amounts include a 5% operating expense contingency
** Staff to present potential enhancements to benefits package to promote employee retention later during the fiscal year.

Transfers	Amount (000s)	Implications/Reasons
Programs Transfer	\$8,874	2% of projected revenues
Nuclear Allocation	\$2,188	2022 PG&E Carbon Free Allocation
Customer Bill Credit	\$3,136	1% of projected revenues for January – September 2024



Staffing – 9 Additional Positions Since Last FY

Current Staffing

- 44 full-time employees
 - 7 current vacancies (including Senior Regulatory Analyst position)
- 3 intern positions (open)
- 4 part-time employees
- 1 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, the Associate Data Scientist position is filled, and the Senior Regulatory Analyst is currently being recruited.

Proposed budget requests approval for the remaining **7** positions.

ESCR (3)

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

Decarbonization Programs and Policy (2)

- 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. (Already filled per CEO personnel authority).

4PRO (3)

- Senior Regulatory Analyst (1) – to support engagement at CPUC, CAISO, and CEC (unfilled during FY22-23 and swapped for another position – currently being recruited under CEO personnel Authority)
- Data Engineer (1) – to integrate the various wholesale and operational data streams within 4PRO
- Management Analyst /Admin (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



Update Reserve Targets

- Ensure SVCE maintains sufficient reserves to manage risks such as those modeled in the Stress Test analysis.
 - Prices collapse reducing revenues and there's an additional draw on reserves from an increase in financial posting requirements to the Provider of Last Resort (PG&E).
- Set the reserve target such that if the stress scenario were to occur, Days Cash On Hand (DCOH) stays above 120 for the next two fiscal years
- Set the upper target such that if the stress scenario were to occur, DCOH stays above 90 for the next five fiscal years

The stress test analysis was updated with assumptions consistent with those used to develop the proposed budget.

Reserve Targets (DCOH)	Current	New
Minimum	120	120
Goal (Target)	285	300
Maximum (Upper Target)	490	490

Recommendation:

Increase the target DCOH to 300 from 285

- Supported by the stress test analysis
- Aligns with one of Moody's key criteria

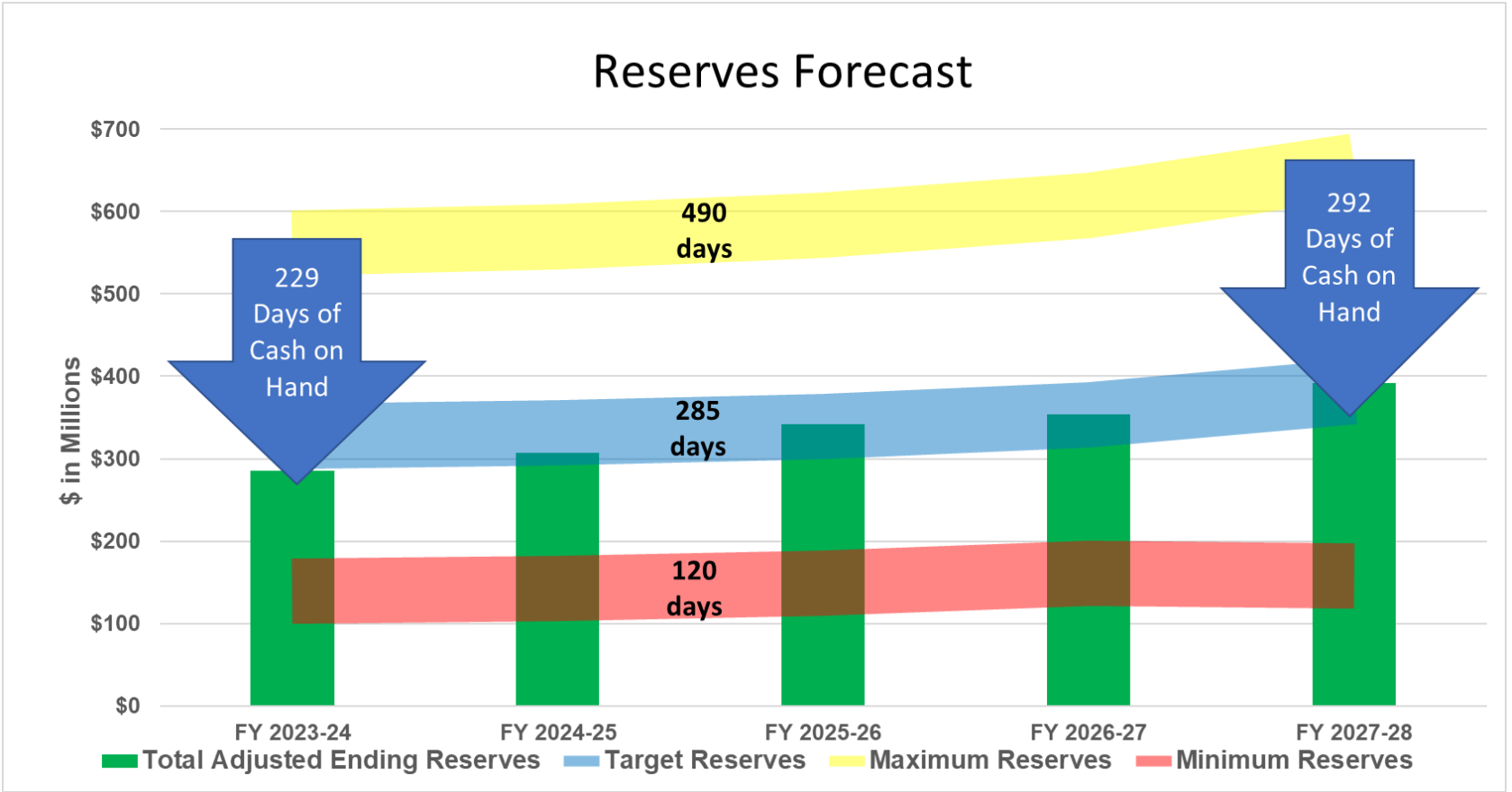
"Maintenance of strong liquidity position through sound financial management with days cash on hand in excess of 300 days" was listed by Moody's as one of several factors that could lead to a rating upgrade.*

On July 26th, Moody's Investor Service, a credit rating agency, upgraded SVCE's issuer rating from Baa2 to Baa1 with a stable outlook. Strong liquidity and adopting a more stringent reserves policy were cited as credit-positive elements.

Reserve Projection

Projected End of FY Reserves:

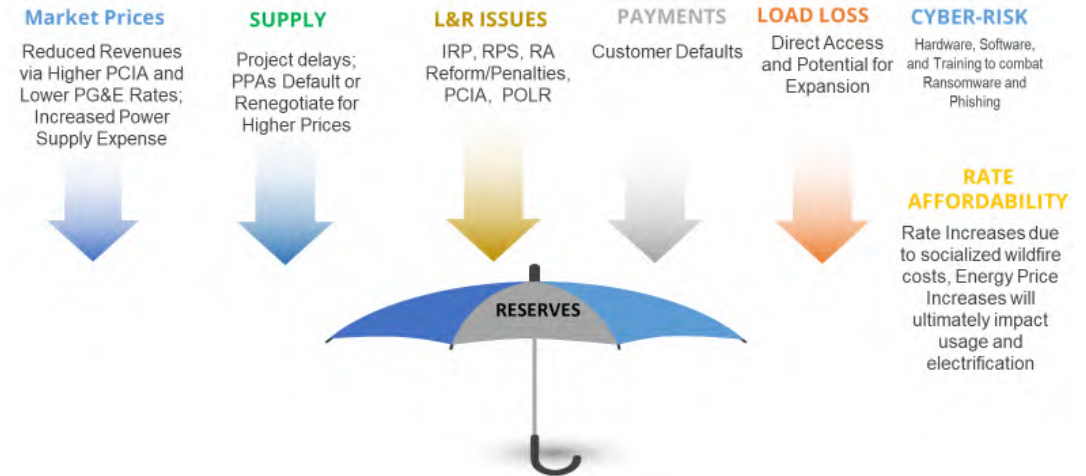
- \$285 Million
- 229 Days of Cash on Hand



Summary – Potentially Positive Year But Results are Highly Uncertain

- Biggest risks include late-year adjustments to PCIA / PG&E Gen Rate and significant volatility in energy prices.
- Keep the current customer discount rate of 4% until new PG&E rates are enacted.
 - Budget 1% for the rest of the fiscal year and an additional 1% towards bill credits for low-income customers.
 - Revisit once there's more certainty on PG&E rates.
- Update Reserve Target DCOH to 300
- Delay decisions on additional funding for programs or set aside for a building fund.
 - More funding for programs is needed over time but is currently well funded to engage staff fully.
 - Staff will continue assessing opportunities to purchase a building and will later update the Board on the next steps.

Many Risks can Deplete Reserves





Board Feedback

- Provide feedback on the FY 2023-24 Proposed Operating Budget and the Updated Reserves Policy
- Next Steps
 - Incorporate the Board's feedback and seek approval in September
 - Seek SVCE rate change approval, likely in December
 - Once PCIA and PG&E Generation rates are known with more certainty
 - Board can revisit the customer discount rate
 - Adjust budget in March

Thank you! / Questions?

5-Year Forecast

(\$ in Thousands)	FY22-23	FY23-24	FY24-25	FY25-26	FY26-27	FY27-28
	(Adjusted Budget)	(Budget)	(Forecast)	(Forecast)	(Forecast)	(Forecast)
Operating Revenue						
Electricity Sales, Net ¹	\$ 531,561	\$ 435,206	\$ 471,956	\$ 503,130	\$ 515,879	\$ 517,916
GreenPrime Electricity Premium	1,055	2,012	2,322	2,334	2,351	2,371
Total Operating Revenues	532,616	437,218	474,278	505,464	518,230	520,287
Operating Expense						
Power Supply	\$ 391,261	\$ 391,624	\$ 400,877	\$ 416,343	\$ 450,677	\$ 439,648
Operating Margin	141,355	45,594	73,401	89,122	67,553	80,639
Data Management	3,413	3,413	3,583	3,762	3,950	4,148
PG&E Service Fees	1,470	1,470	1,544	1,621	1,702	1,787
Staff Compensation	11,285	15,406	16,176	16,985	17,834	18,726
Consultants and other Professional Fees	8,016	8,084	8,570	9,084	9,629	10,206
Communications and Noticing	993	1,370	1,439	1,511	1,586	1,666
General and Administration	2,382	2,618	2,749	2,886	3,031	3,182
Transfers to Programs Fund	34,265	11,062	9,486	10,109	10,365	10,406
Total Operating Expenses	453,085	435,047	444,422	462,300	498,773	489,769
Operating Income	79,531	2,171	29,856	43,164	19,457	30,518
Nonoperating Revenue (Expense)						
Other Income	182	50	51	51	52	52
Investment Income	-	5,501	5,251	5,683	6,389	6,635
Capital Outlay & Financing Costs	(200)	(53)	(53)	(53)	(53)	(53)
Grant Income	-	-	-	-	-	-
Total Non-Operating Revenue (Expense)	(18)	5,498	5,249	5,681	6,387	6,634
Change in Net Position/Available for Reserves	79,513	7,669	35,104	48,845	25,844	37,152
Begin, Net Position	212,684	320,082	307,579	329,143	364,448	376,752
Adjustment for Program Expenditure ²	27,886	(20,173)	(13,540)	(13,540)	(13,540)	0
End, Net Position	\$ 320,082	\$ 307,579	\$ 329,143	\$ 364,448	\$ 376,752	\$ 413,904

¹ Assumptions: 4% overall discount relative to comparable PG&E rates for Oct-Dec 2023 and 1% for Jan-Sept 2024. FY 23-24 includes additional bill credit to low income customers totaling \$3.14 million (1% of Jan-Sept 2024 Revenue). 1% discount for FY24-25, FY25-26, FY26-27 and FY27-28.

² Each year the Board transfers funds from the Operating Budget to the Decarbonization Programs Fund as shown in the above forecast under line item Transfers to Programs Fund. The line item Adjustment for Program Expenditure accounts for the difference between *forecasted spend* for programs versus the amount transferred to the fund. This adjustment is needed because program spending to date has been less than the amount transferred to the programs fund.

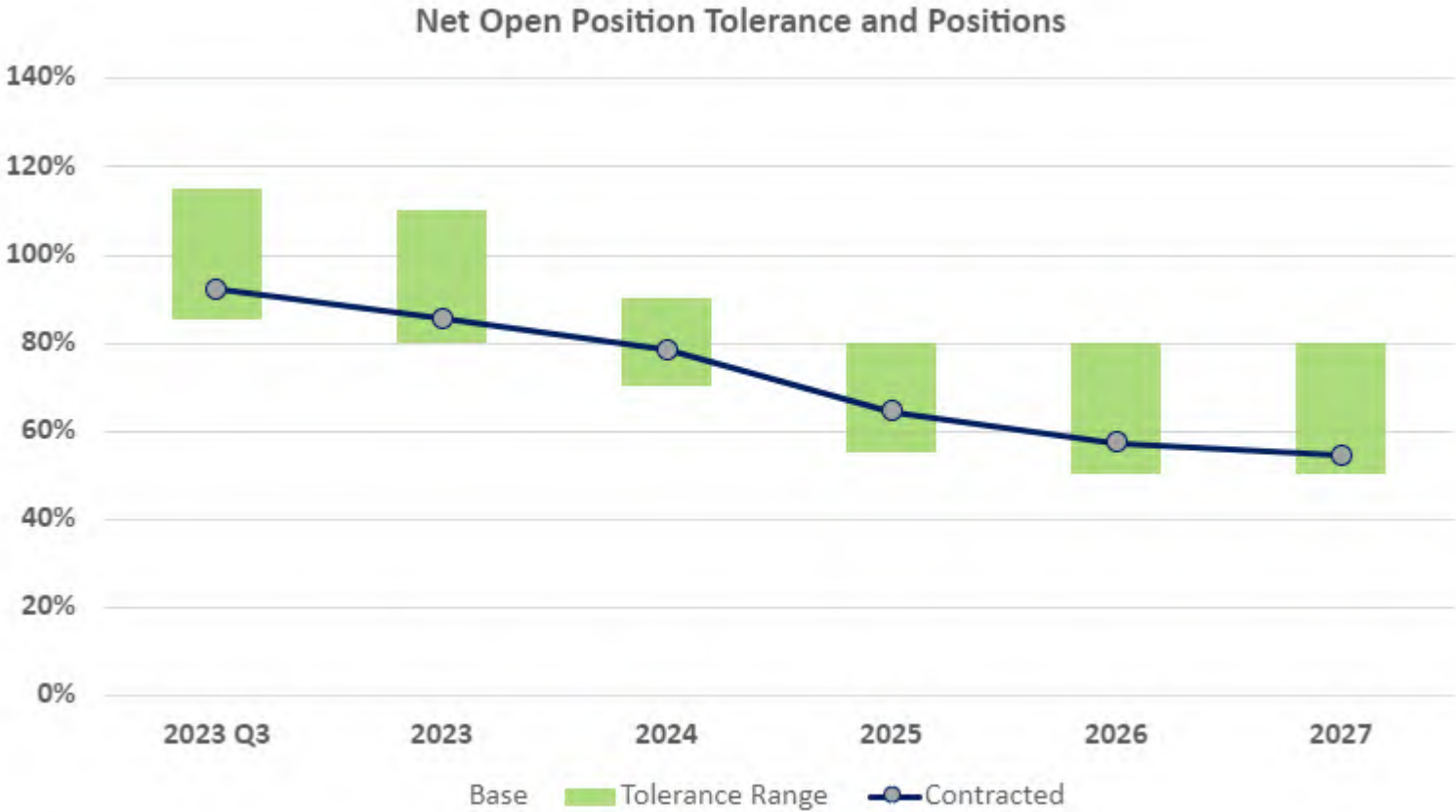
Days Cash On Hand (DCOH) at Year End	\$ 297,561	\$ 285,058	\$ 306,622	\$ 341,927	\$ 354,230	\$ 391,383
Days of cash on hand	255	229	244	262	252	292



Current Energy Hedge Levels

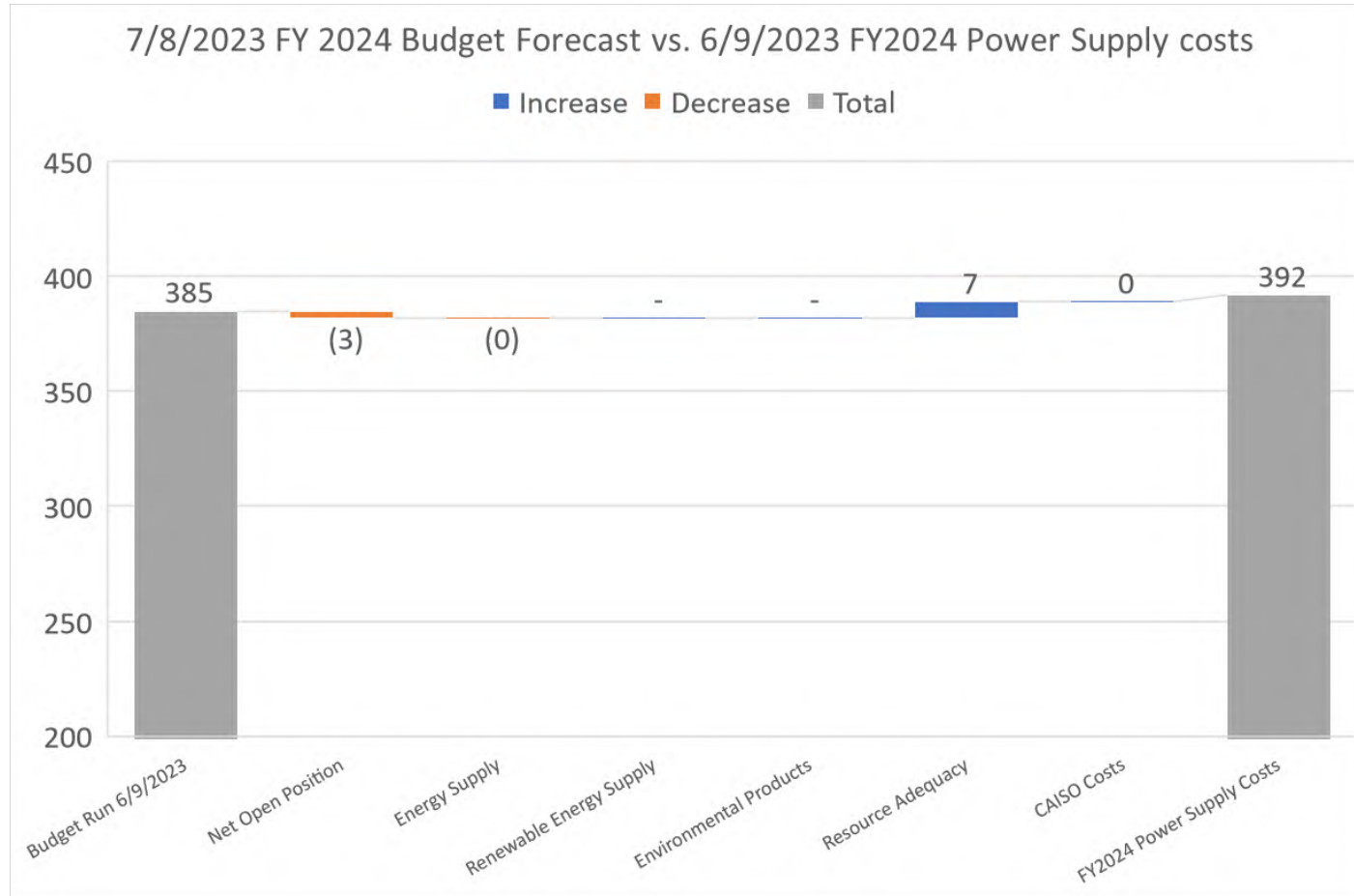
Hedged 82% for FY24

Calendar Period	ERM Min Tolerance	ERM Max Tolerance	Current
Prompt Quarter (Q3 2023)	85%	110%	92%
BoY (June-Dec 2023)	80%	110%	86%
2024	70%	90%	78%
2025	55%	80%	65%
2026	50%	80%	57%
2027	50%	80%	55%





Power Supply Costs – Variance to June EC

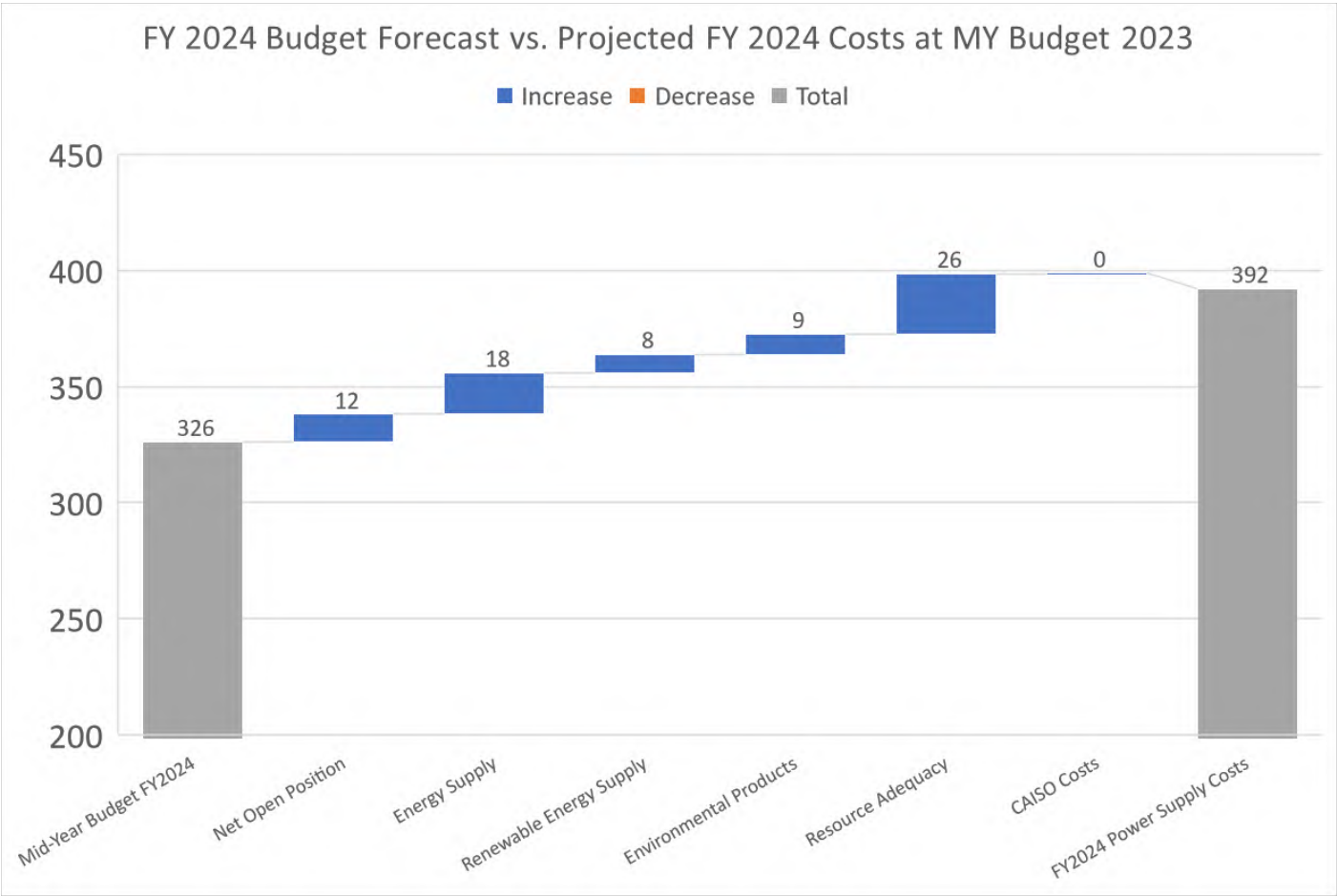


FY 24 costs, forecasted at 392 million dollars, are estimated to be \$7M higher than projected at 6/9/2023 (\$385M)

- RA Costs have increased by \$7M due to increased RA market prices, new Q2-Q3 2024 deal.
- Despite the forward prices decreasing, the open position costs are offset by lower revenues from supplies



Power Supply Costs – Variance to FY2024 Projections at 2023 Mid-Year Budget



FY 24 costs, forecasted at 392 million dollars, are estimated to be \$62M higher than projected at 2023 Mid-Year Budget (\$328M)

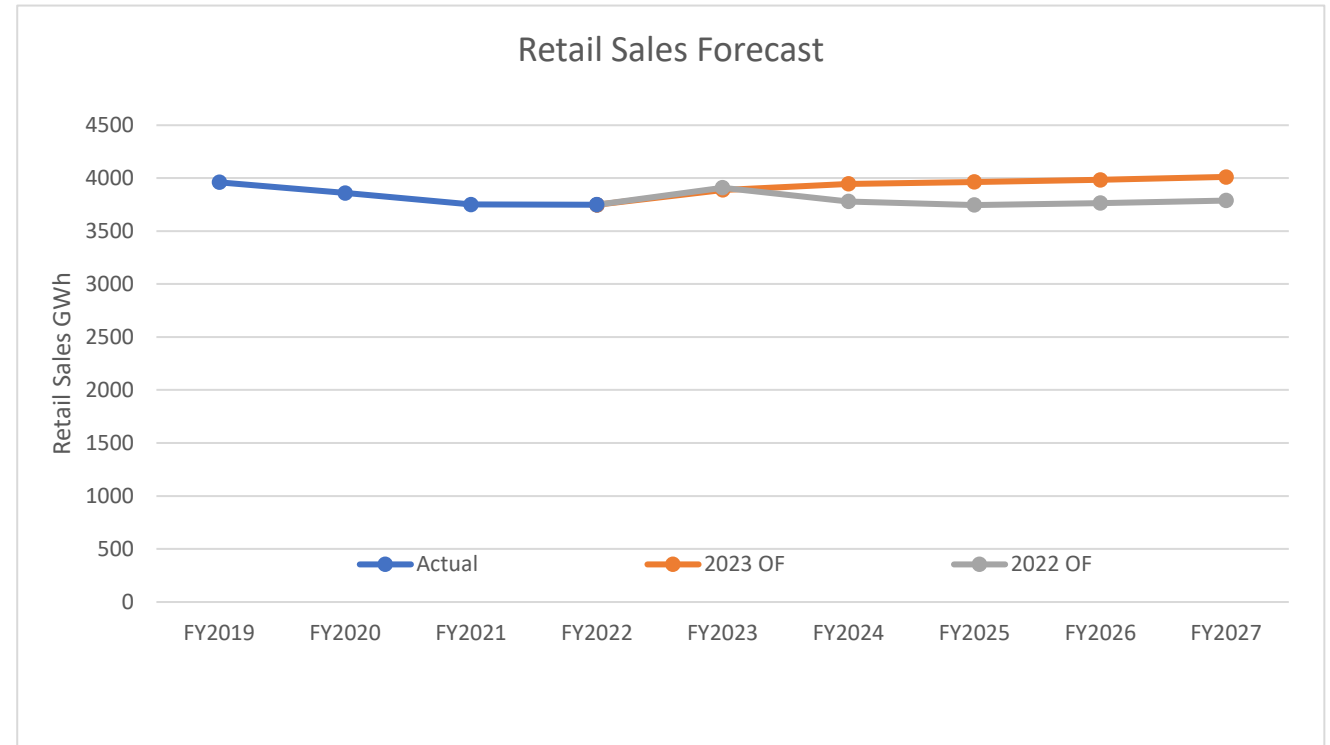
- Increase in load forecast increases open position, CAISO costs
- Increased hedging since mid-year budget has increase energy supply
- New PPA Rio Bravo Fresno increases PPA costs
- Market prices for PCC1, CF, and RA costs have increased from mid-year budget

Product	MYB Price 2/2/2023	7/7/2023 Budget
PCC1 (\$/MWh)	\$40.00	\$45.00
CF (\$/MWh)	\$5.00	\$9.00
RA(\$ kW-Month)	\$7.50	\$12.75



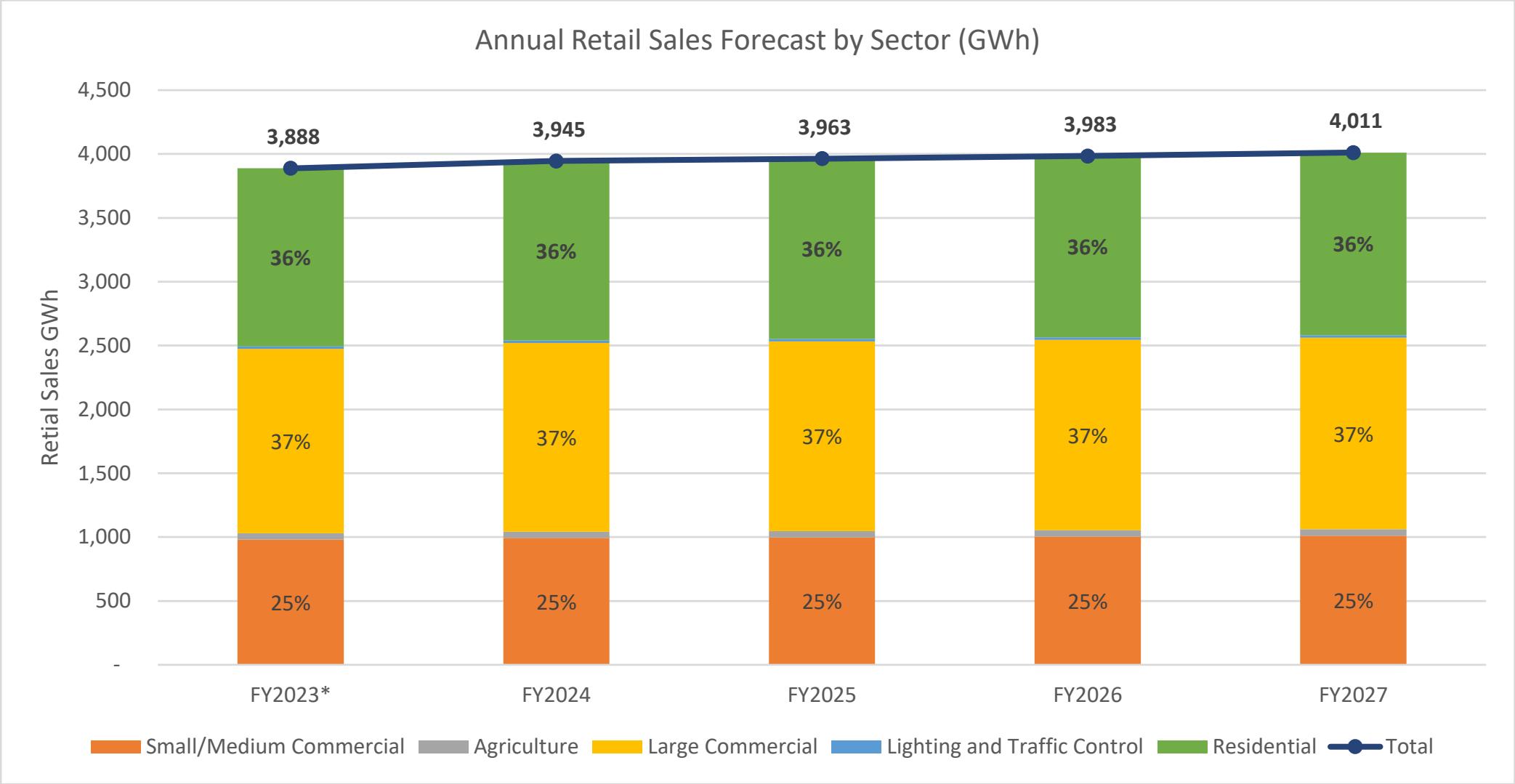
Medium-Term Load Forecast

- 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.



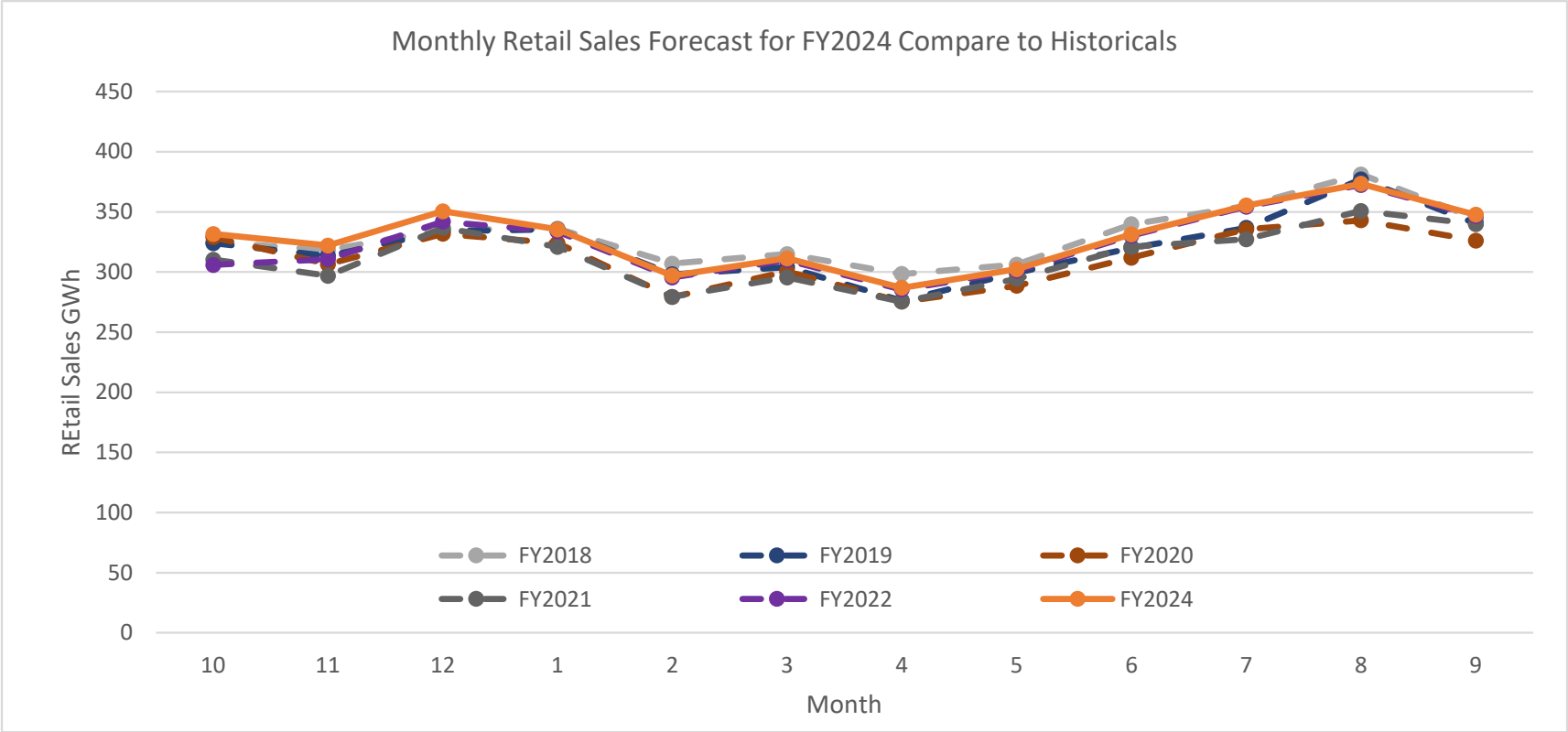


Medium-Term Load Forecast by Sector





Medium-Term Load Forecast

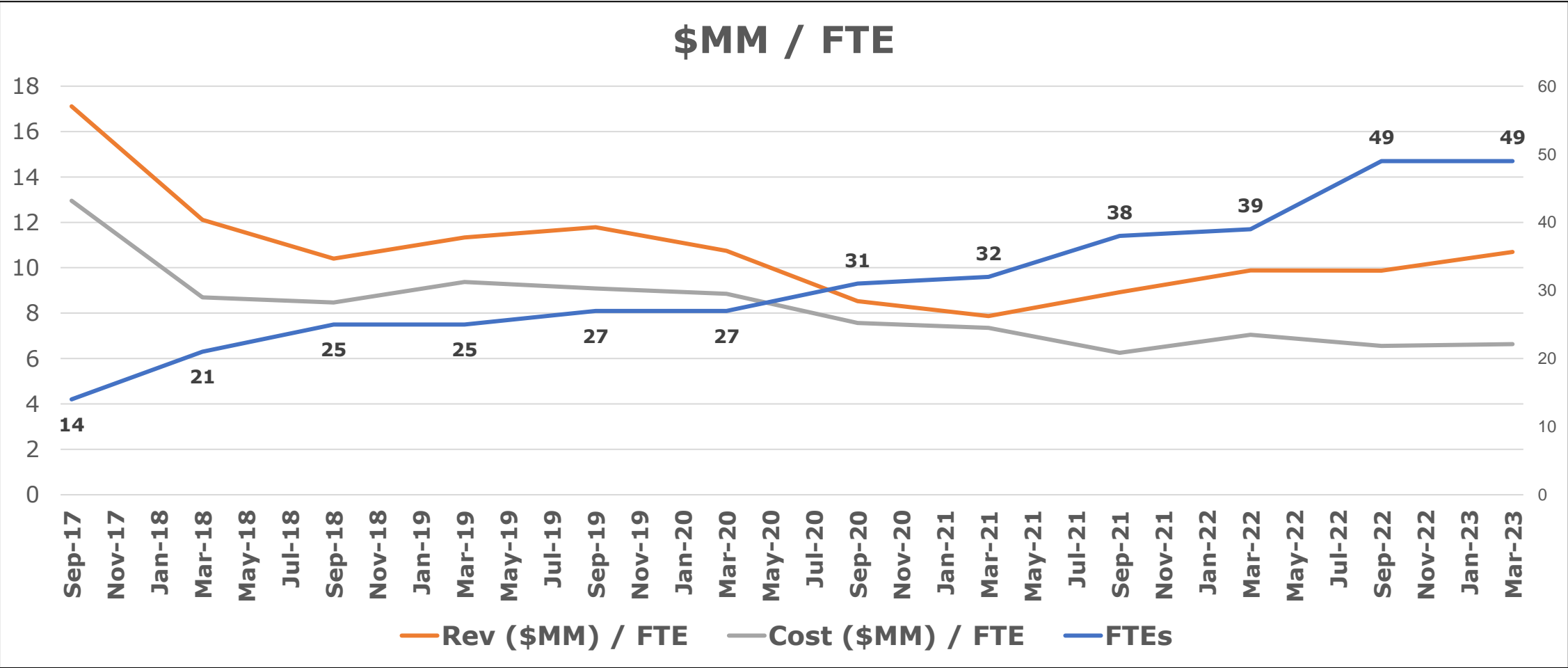


	10	11	12	1	2	3	4	5	6	7	8	9	Total
FY2018	325	318	335	336	307	315	298	306	340	355	381	345	3,962
FY2019	324	314	334	336	298	304	276	299	320	337	377	340	3,859
FY2020	329	306	332	324	279	300	275	289	312	336	343	326	3,751
FY2021	310	297	337	321	279	296	275	294	321	327	351	340	3,748
FY2022	306	311	342	334	296	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) FY 23
Silicon Valley Clean Energy	280,000	\$365.4	\$212.7	39	49	58	\$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

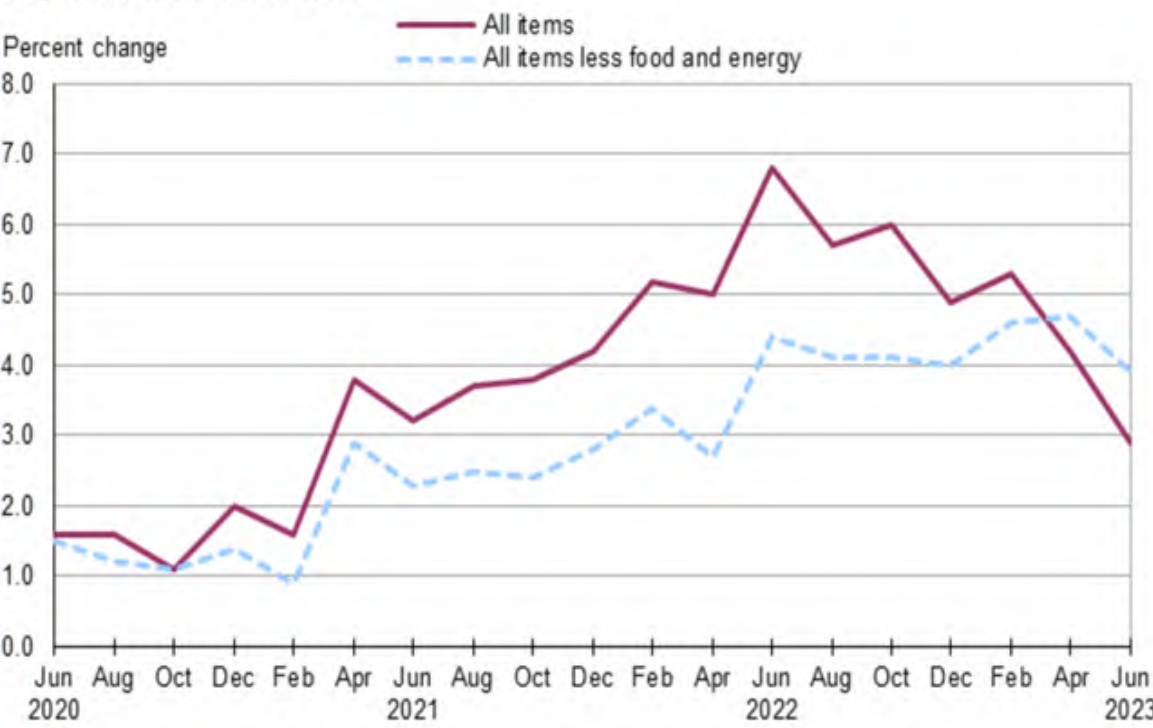
*n/a – not available



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

Current 4.33% COLA based on SF Bay Area CPI; smoothed over trailing months;
Add'l Merit/promotional increases at CEO discretion

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

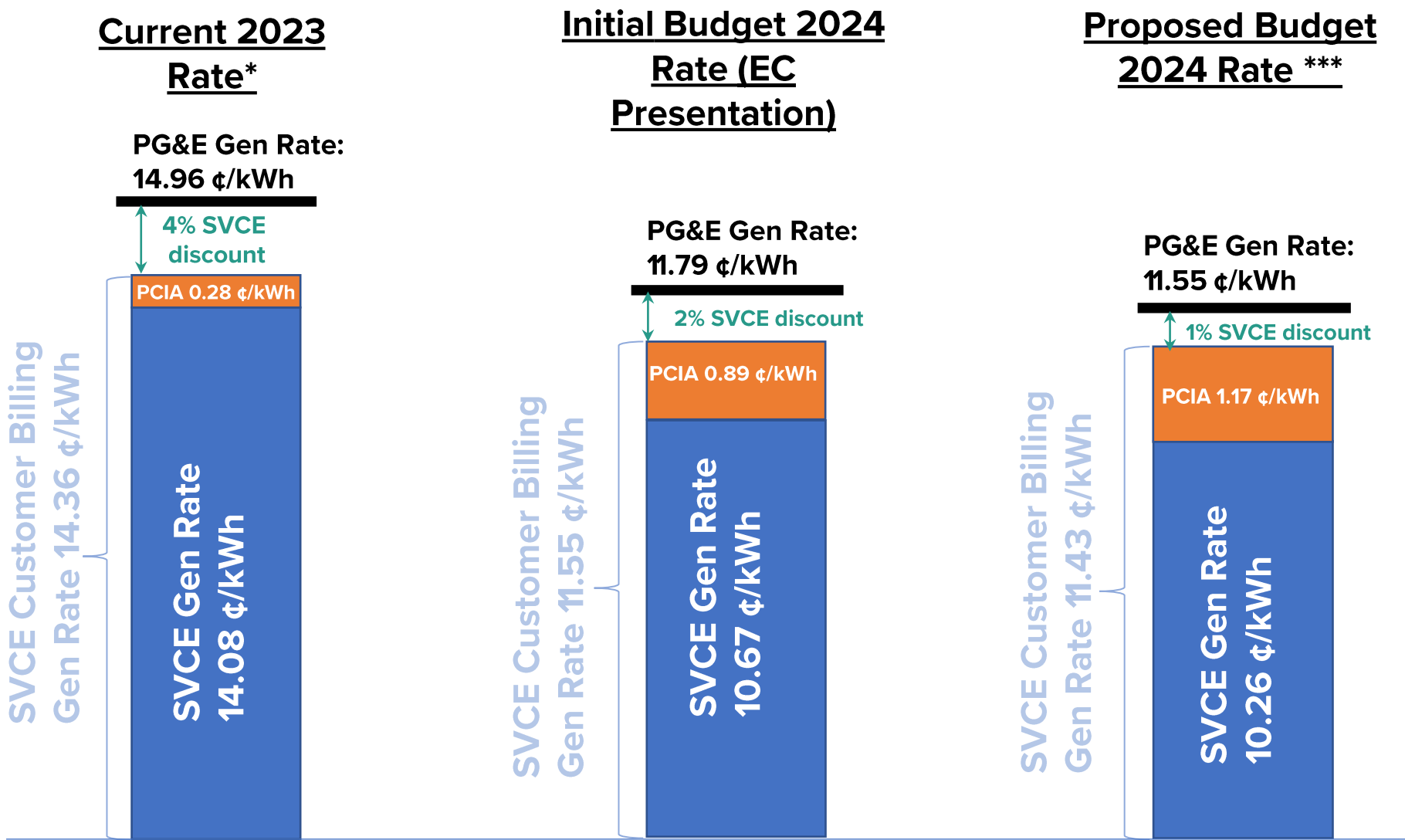


Source: U.S. Bureau of Labor Statistics.

Year	COLA
FY17-18	3.00%
FY18-19	4.00%
FY19-20	4.00%
FY20-21	0.00%
FY21-22	5.00%
FY22-23	5.30%
FY23-24	4.33%

Projected margins are declining

- Prices since the initial 2024 budget run for the June 2023 Executive Committee Meeting have decreased ~5% for 2023 and ~1% for 2024
- SVCE 2024 Margins since dropped -4%
- The initially proposed 2% SVCE Customer discount for Jan – Sep 2024 was divided:
 - 1% to all SVCE customers
 - 1% as an additional bill credit distributed to low-income customers



* Source: PG&E 2023 Average Rate, effective January 1, 2023 (Weighted for SVCE Portfolio Load)
** PG&E 2024 ERRRA Forecast, released on 15th of May, 2023 (Weighted for SVCE Portfolio Load)
*** Using NewGen Model with 7/7/2023 Forward Curves and 10% haircut
Above margin analyses ignores minor reductions for franchise fees (0.09 ¢/kWh)



Recap: 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 issued the 2023 ERRA forecast on May 15 with preliminary <u>2024</u> PG&E generation and PCIA rate forecastsShows negative PCIA and about 3% lower PG&E generation rate leading to an overall ~3% improvement in SVCE revenues (at current discount level)Results already outdated, given the high volatility in energy pricesBased on 7/7 prices, revenues could be lower by an estimated ~31 %PG&E will update this forecast in the fall. CPUC normally adopts the rate in December based on this update	<p>Use the latest market data in the Cal-CCA NewGen model after calibrating the model to PG&E’s forecasted rates and accounting for modeling error</p> <p>(10% downward adjustment on headroom)</p>	<ul style="list-style-type: none">Likely aligns revenues closer to rates that PG&E will later updateBetter 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 Supply Expenses

(>90% of Expenses)

Issue: Volatile Power Prices	Staff Recommendation	Implications/Reasons
<ul style="list-style-type: none">• Power prices are very volatile• In addition to PG&E Gen Rate and PCIA uncertainty, power price volatility makes energy budget projections highly uncertain• Contract delays/renegotiations further add uncertainty• Resource 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) targets• Continue with SVCE's 100% clean policy Purchasing remaining carbon free allocations expected to cost about \$2.1 million to \$9.6 million depending on PG&E allocations.	<ul style="list-style-type: none">• Maintain a high customer value proposition with 100% clean energy and serve SVCE's mission• Furthers SVCE focus toward 24x7 clean energy goal

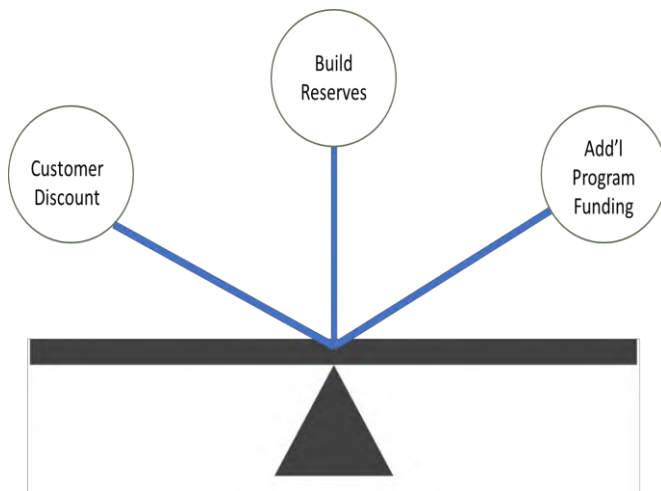


Other Costs

(Staffing, Cost of living/Merit, Building)

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 were authorized in the FY22-23 budget 7 Current Vacancies Adjust employee salaries for cost-of-adjustment and merit/promotions Review existing employee benefits to remain competitive with peer CCAs Decarb Programs continue to ramp – quantity of rebates/ scope of outreach 	<ul style="list-style-type: none"> Current FY22-23 budgeted headcount of 49 Proposed FY23-24 budgeted headcount of 58 <ul style="list-style-type: none"> 9 Add'l Since last Fiscal Year <ul style="list-style-type: none"> 1 position recently filled and 1 posted under the CEO Personnel Authority 7 additional positions requested Budgeted Personnel Costs include: <ul style="list-style-type: none"> Salary Ranges adjusted based on 6-month rolling average of SF Bay Area CPI – currently ~4.5% (COLA) Additional 3% Merit increase included in budget Individual salary adjustments and promotional recommendations based on CEO discretion during performance review process <ul style="list-style-type: none"> Individual changes based on employee pay relative to market range, performance, and date of hire Employee benefits review and update 	<ul style="list-style-type: none"> Evaluate staff levels needed to: <ul style="list-style-type: none"> Scale up programs team Reduce high level of existing employee workload Advance strategic focus area goals Create organizational depth for business continuity Sustained investments in cybersecurity preparedness and business process optimization projects

Additional Funding for Programs, Customer Discounts, and Building Reserves



- 1% customer discount over 12 months of 2024 is ~\$4.11 million*
- 1% discount over 9 months (Jan – Sep 2024) ~\$3.14 million*
- Monthly Average Bill Savings of 1%* Discount:
 - Residential - ~\$0.59
 - Small Commercial - ~\$2.14
 - Medium Commercial - ~\$23.57

* Based on 7/7/23 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">• Keep current discount through the end of this year<ul style="list-style-type: none">• Set a preliminary discount for next year of 1% for all customers and 1% translated to dollar bill credits for low-income customers• Board can change the budgeted discount rate once actual PG&E rates are known towards the end of the year	<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



Reserve Targets

Issue: Review 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 updated the stress test analyses in 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



SVCE Office Space – Lease vs Buy

Current Lease Details		
Monthly Lease Cost	5.30 \$/sf	
Size	7,900 sf	
New Lease Assumptions		
New Monthly Lease Cost	7.50 \$/sf	(est)
Purchase Assumptions		
Purchase Cost	700 \$/sf	(est)
Improvement Cost	100 \$/sf	(est)
Office Assumptions		
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

- SVCE's current lease runs through Sept. 2025
 - Need time to explore the alternatives of buying or leasing new space
- SVCE should be prepared to pursue attractive property opportunities as they arise

Staff Recommendation

- Research alternatives and establish an ad hoc Committee to advise staff and evaluate property and financing options
- Staff to continue assessing market opportunities and return to the Board at a later time to Earmark a portion of reserves for a potential building purchase
 - \$16MM (based on current assumptions) + 25% contingency = \$20MM set aside

Implications/Reasons

- Buying may be a cheaper longer-term option
 - Initial back-of-the-envelope analysis indicates a roughly 10-year breakeven period compared to leasing
- SVCE is growing and requires more space for employees and expanded programs
- Purchasing also enables customization to suit the hybrid work environment
 - Flexible workspace for collaborative work



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)

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

PCIA -0.62
¢/kWh

**SVCE Gen Rate
14.57 ¢/kWh**

NewGen Model 2024 Rate**

PG&E Gen Rate:
15.28 ¢/kWh

4% SVCE discount
(Illustrative)

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

PCIA -0.30
¢/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)

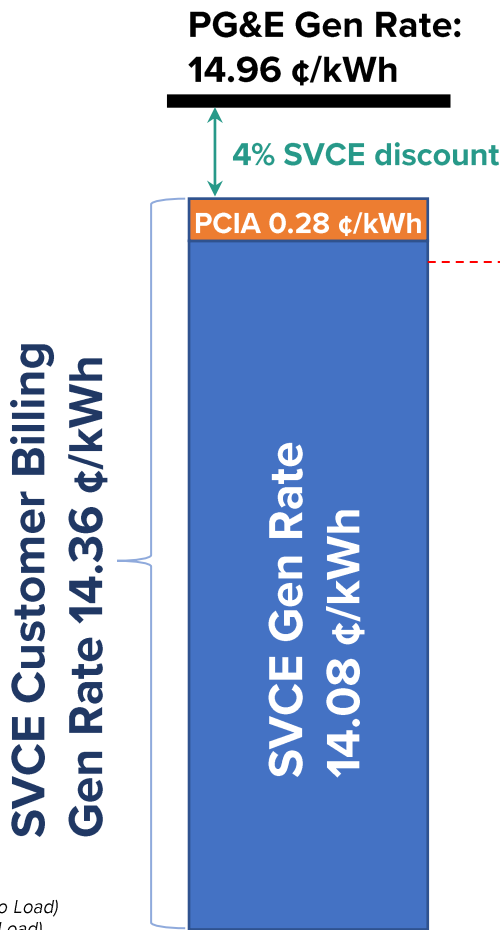
Above margin analyses ignores minor reductions for franchise fees (0.09 ¢/kWh)



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**

PG&E Gen Rate:
14.54 ¢/kWh

4% SVCE discount
(Illustrative)

PCIA -0.62
¢/kWh

SVCE Customer Billing
Gen Rate 13.95 ¢/kWh

SVCE Gen Rate
14.57 ¢/kWh

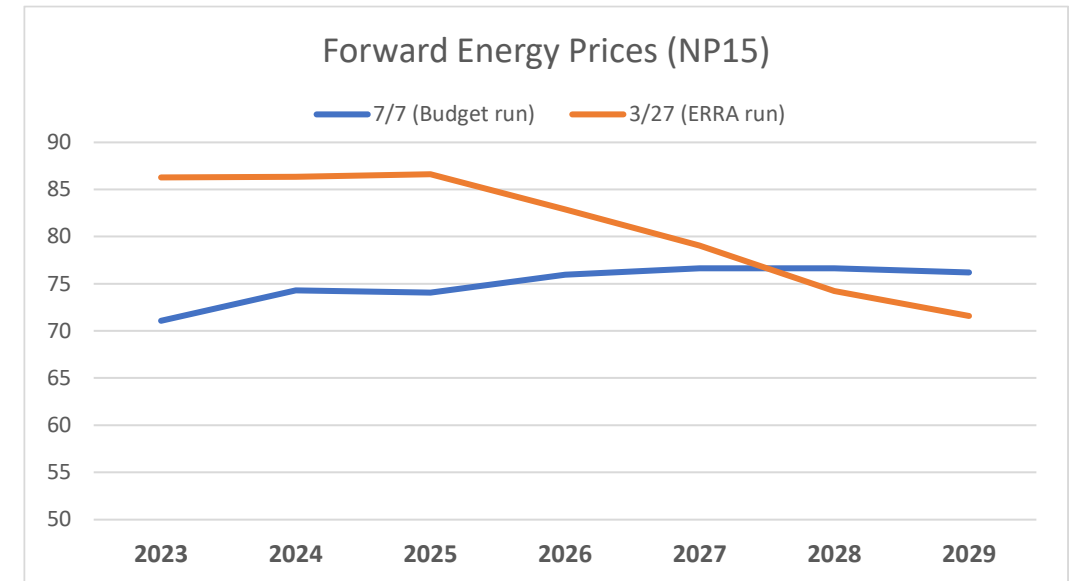
* Source: PG&E 2023 Average Rate, effective January 1, 2023 (Weighted for SVCE Portfolio Load)
** PG&E 2024 ERRA Forecast, released on 15th of May, 2023 (Weighted for SVCE Portfolio Load)
Above margin analyses ignores minor reductions for franchise fees (0.09 ¢/kWh)



Forward Energy Price Comparison

Budget Run (7/7/2023) vs ERRA Forecast Run (3/27/2023)

Forward Energy Prices (NP15)							
	2023	2024	2025	2026	2027	2028	2029
7/7 (Budget run)							
On-Peak	75.14	77.99	74.06	74.30	74.55	75.91	71.67
Off-Peak	65.89	69.57	74.04	78.05	79.30	77.57	81.93
ATC (Around-the-Clock)	71.06	74.29	74.05	75.95	76.63	76.64	76.18
3/27 (ERRA run)							
On-Peak	91.92	90.37	87.25	83.00	75.90	71.15	65.15
Off-Peak	79.11	81.17	85.80	82.68	83.04	78.15	79.79
ATC (Around-the-Clock)	86.27	86.33	86.61	82.86	79.04	74.23	71.58
ATC Price % change	-18%	-14%	-15%	-8%	-3%	3%	6%





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	

Programs capacity is increasing

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

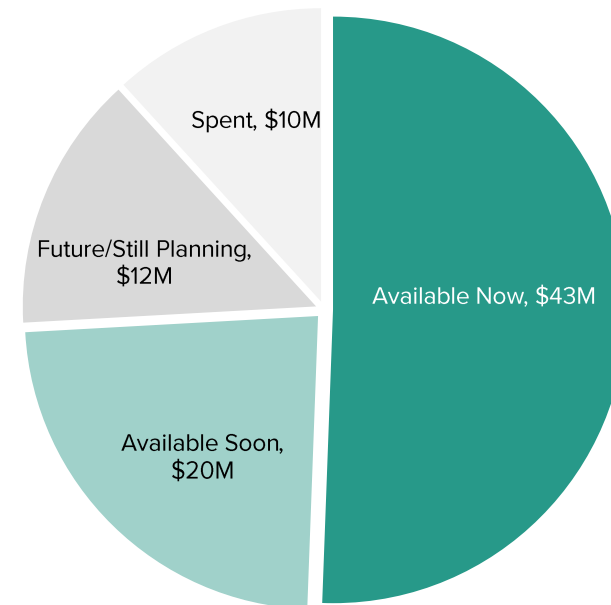
~\$50M within last 1.5 years

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



SVCE Planning & Budgeting Process



SVCE Mission: Reduce dependence on fossil fuels by providing carbon-free, affordable, and reliable electricity and innovative programs for the SVCE community.

Budget

Funding in alignment with achieving the strategic focus areas

Strategic Focus Areas

Organization-wide priorities and alignment toward achieving the mission

Enterprise Risk Management

Comprehensive assessment of risks and opportunities to optimally achieve mission