Stress Test Analyses

Amrit Singh

Finance and Administration Committee

May 13, 2024

SILICON VALLEY CLEAN ENERGY

Purpose

Present findings of the stress test analyses

Presentation Highlights

- Recap of ERM Framework
- Construction of Stress Tests
  - 5-yr Financial Stress Test
  - Long-Term Load Uncertainty
- Financial Stress Tests and Implied Reserve Targets
- Portfolio and Risk Management with Load Growth Uncertainty
- Next Steps

Recap of the ERM Framework

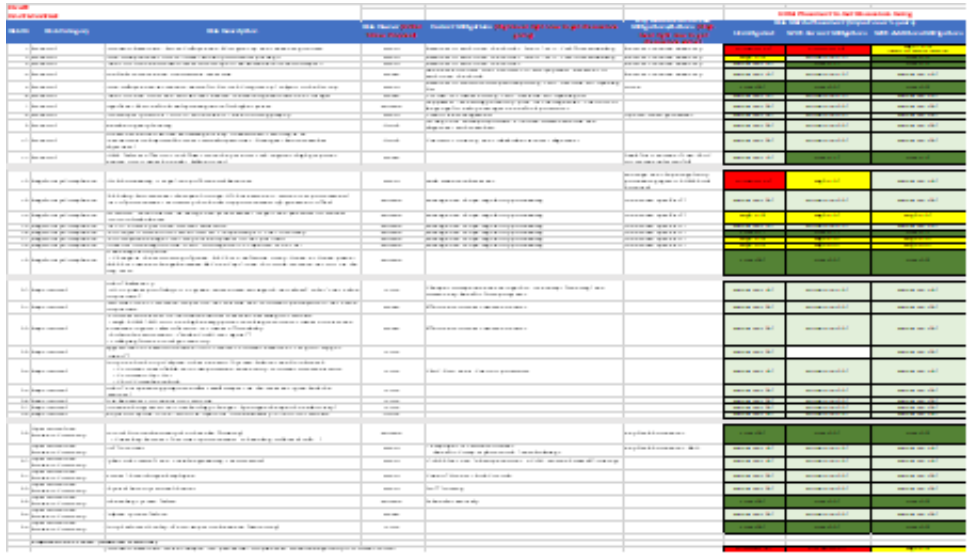
Comprehensive organization-wide assessment of risks

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

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

2. Risk Matrix
   - Assess the likelihood and consequence of risk
   - Calibrate risks
   - Identify risk tolerance levels

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



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

Additional review slides are in the appendix (28-30).

Past Stress Test Learnings

- Examined both increases and decreases in market prices for energy
- Among them, the price collapse scenario was the most consequential
- **Price collapse scenario remains one of the most significant financial risks in the near term**

First Set of Stress Tests

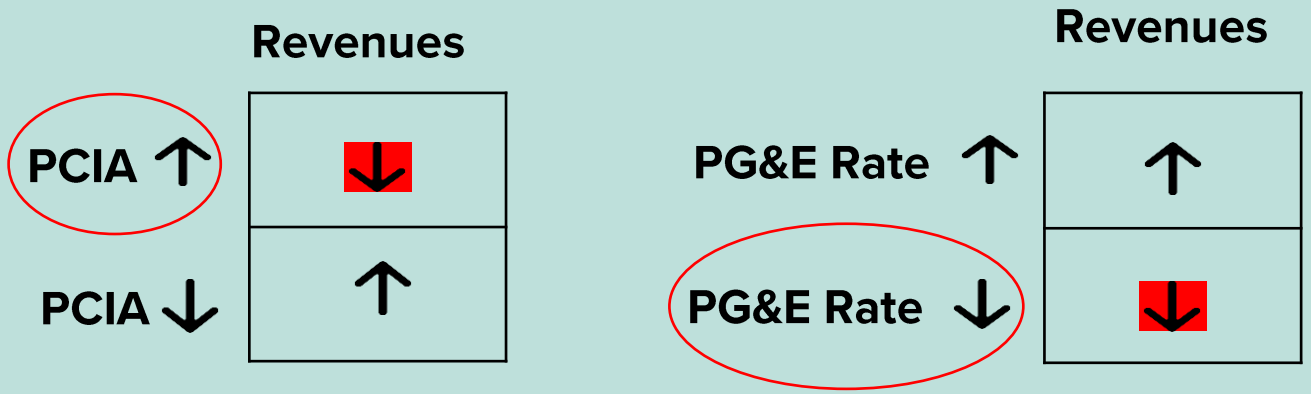
Stress Scenarios for CY 2023 to CY2027 (five-year horizon):

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

Recap – Price Uncertainty

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

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



PCIA increases and PG&E generation rates decrease when energy prices decline

Because of hedging, power supply costs are locked

This Year's Stress Tests

Stress tests are extreme but plausible scenarios

- Financial Stress Test
  - Continue to model the price collapse scenario over the next 5 fiscal years for adequate reserve planning
- Additional Stress Tests – Load Growth Uncertainty
  - Explore longer-term load growth uncertainty and its strategic implications

5-yr Financial Stress Test

Financial Stress Test Description

- Forward Energy Prices Collapse to the one percentile level
- Economic Recession Creates Load Loss
- Customer Uncollectables Increase
- Additional Financial Liquidity Stress
  - In the past, we modeled the draw on reserves from the new potential requirement from the POLR Proceeding
    - POLR decision significantly mitigates the previously modeled risk that would have required posting collateral or cash equivalent of two highest months of procurement
  - For the current stress test, staff continued to model the requirement of a one-time cash draw equivalent to two months of procurement under the very low-price scenario as a proxy for other potential business operating and regulatory risks
  - Larger counterparty collateral postings from collapse in prices

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Stress Test and Reserve Planning

Continue with the current methodology

Manage reserve targets to ensure the ability to withstand price collapse risk

- Maintain competitive rates over the next two fiscal years without drawing down reserves below 120 days of cash on hand (DCOH)
- Set the upper reserve target by ensuring SVCE's reserves stay above 90 DCOH over the next five fiscal years
- Other considerations include feedback from rating agencies

Financial Projections – More Uncertainty Than Past

Background:

- Energy prices have always been highly volatile
  - Fairly liquid forward energy prices are available
- Now RA, CF, and RPS* prices are also highly volatile
  - Limited forward RA, CF, and RPS prices are available
- CPUC's market price benchmarks (MPB)
  - Used in computing PCIA
  - Forecast Energy Prices – uses market forwards
  - Forecast RA and RPS – based on past LSE's** transactions
  - CPUC will publish MPBs in fall

Issue:

- Revenue forecast has become extremely difficult
- Last Fiscal Year
  - Adjusted budget in December 2023 was higher by ~$120 million than the initial budget
  - Main driver: higher MPBs from higher RA and RPS prices
- Next fiscal year's revenue forecast ranges:

$215 million

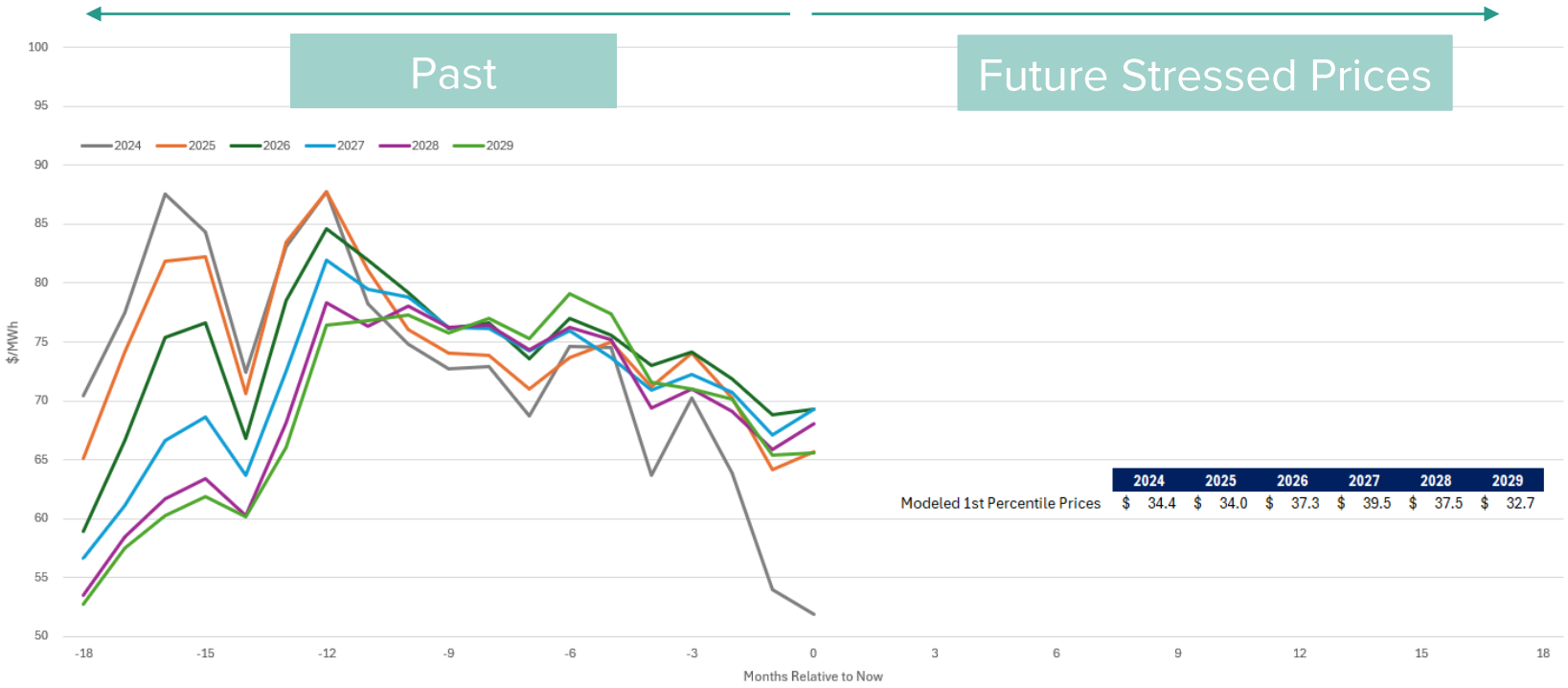
  - $600 million – using incremental market observed RA and RPS Prices
  - $400 million – adjusting incremental prices per implied adjustment observed in last year's MPBs
  - $385 million – using NewGen consultant's model prices –based on last year's MPBs

* *RA: Resource Adequacy, CF: Carbon Free, RPS: Renewable Portfolio Standard*

** *LSE: Load-serving entity*

Past, Current, and Stress Case Modeled Commodity Prices

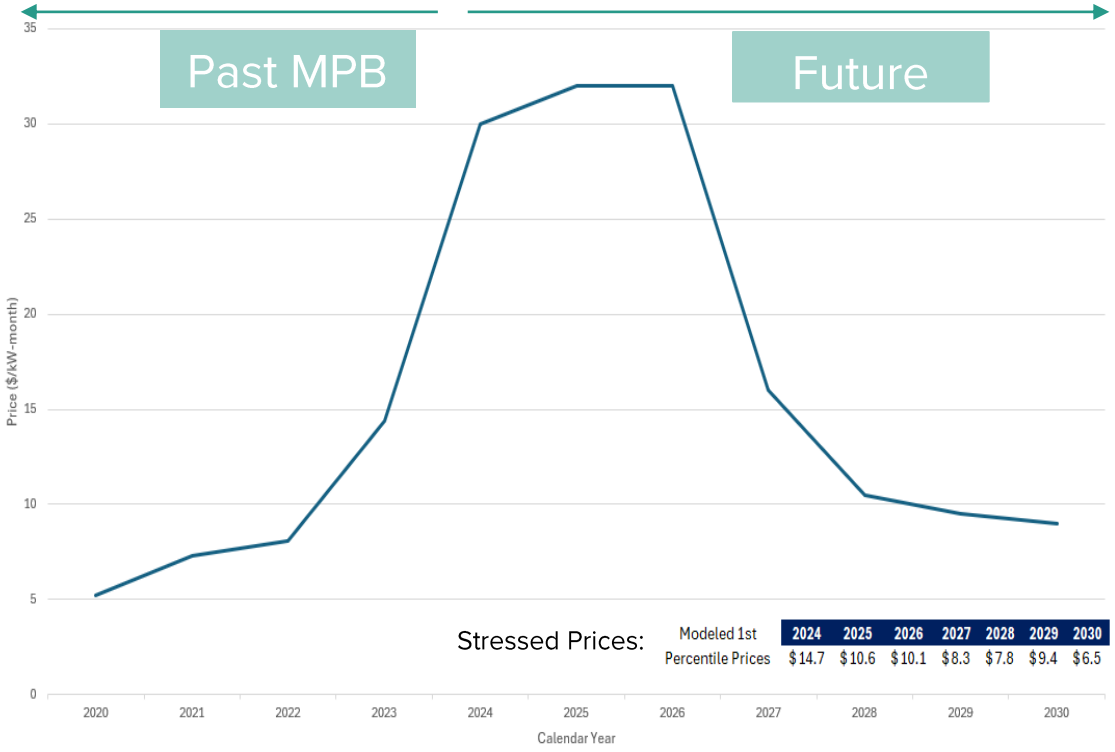
- Forward prices have fallen 13-41% from their recent highs.
- Currently substantial contango between 2024 and 2025 forward prices.
- Traded prices were at the modeled stress test levels as recently as three years ago.



	2024	2025	2026	2027	2028	2029
Modeled 1st Percentile Prices	$ 34.4	$ 34.0	$ 37.3	$ 39.5	$ 37.5	$ 32.7

Past MPB, Current, and Stress Case Modeled RPS and System RA Prices

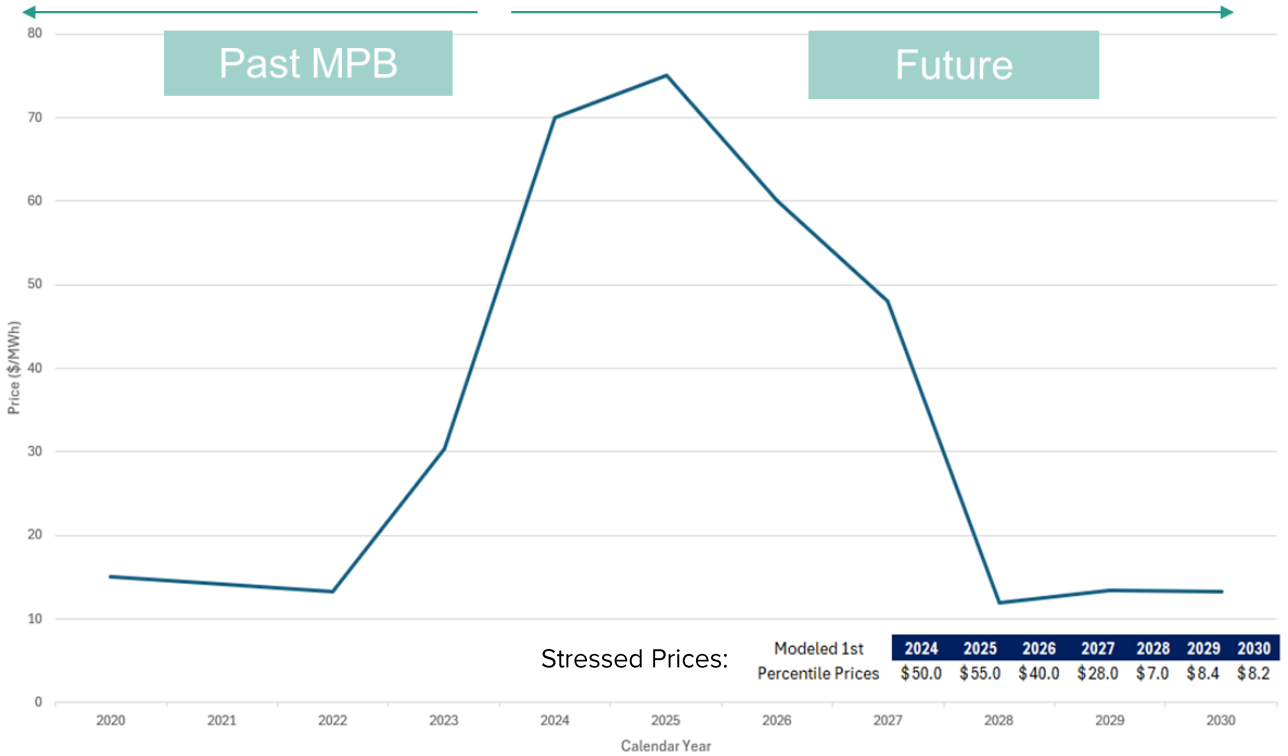
System RA Prices



Stressed Prices:

Modeled 1st Percentile Prices	2024	2025	2026	2027	2028	2029	2030
	$14.7	$10.6	$10.1	$8.3	$7.8	$9.4	$6.5

RPS Prices



Stressed Prices:

Modeled 1st Percentile Prices	2024	2025	2026	2027	2028	2029	2030
	$50.0	$55.0	$40.0	$28.0	$7.0	$8.4	$8.2

Base Case versus Financial Stress Scenario

Base Case

- Uses the lower end of the revenue projections
- If modeled assumptions prevail:
  - Reserves fall from the current forecast level of $420 million at the end of the current fiscal year to $368 million at the end of the next fiscal year.
  - Reserves continue to fall in subsequent years and then rise to $360 million towards the end of the 5-year forecast period
- Caveats:
  - PCIA and PG&E Gen Rate portfolio assumptions based on public data as best modeled by NewGen Consultants
  - PG&E's portfolio management strategy and portfolio contents may change from those modeled
  - CPUC may moderate future rate impacts
  - Uncertainty increases further out in time
- **Focus on the delta of the base case to stress test results**

Stress Case

- If the modeled stress scenario were to occur, reserves would drop to $292 million at the end of FY2025 (A drawdown of $128 Million)
- Projected Days Cash on hand will also be below the minimum target of 120 DCH

	2025	2026	2027	2028	2029
Days Cash on Hand	274	97	52	8	(38)

Below minimum target of 120 DCOH.

Risk Mitigations

- Best Mitigation
  - Hold Sufficient Reserves
- Other Mitigations
  - Revisit the current energy hedging strategy
    - Allow for loss in revenues from price collapse to be mitigated by a reduction in power supply costs
    - Challenge: Determining the level of hedging given the uncertainty in modeling PCIA and PG&E Generation Rates
    - SVCE will collaborate with CCAs who have recently come to the same conclusion

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

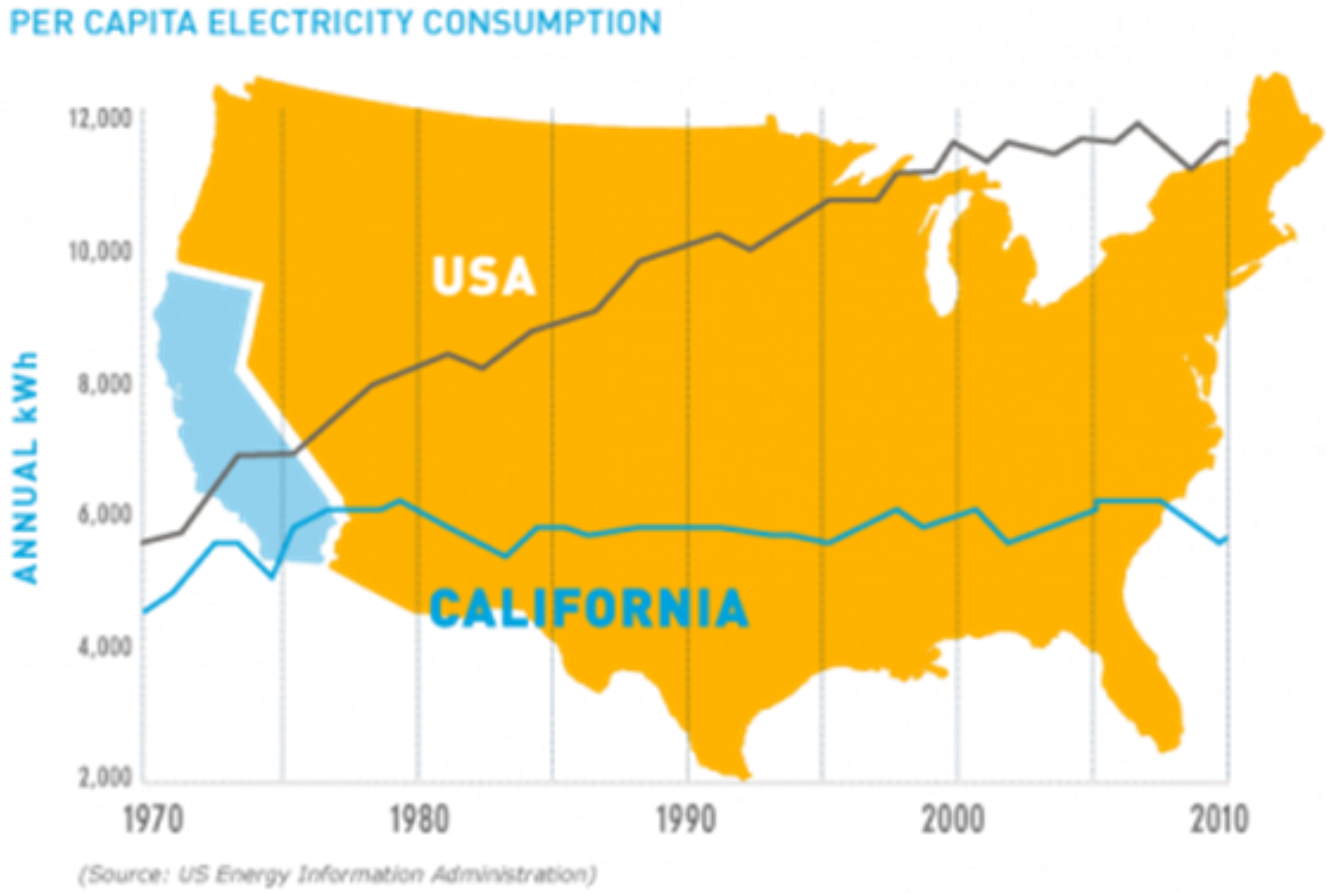
	Current	Illustrative Implied Targets
Minimum	120	120
Goal (Target)	300	315
Maximum (Upper Target)	490	420

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

Long-Term Load Uncertainty

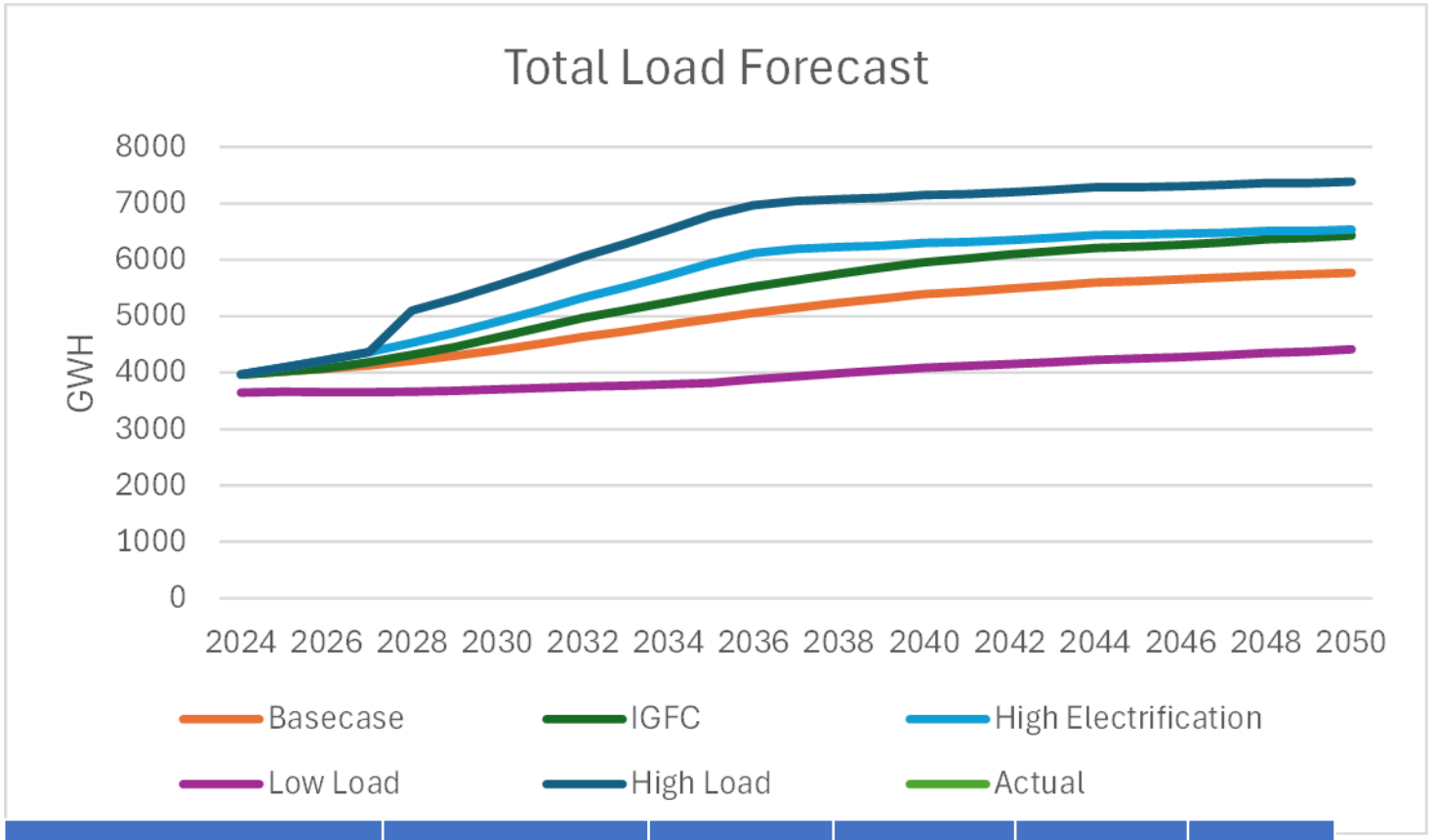
Fairly Stable CA Load Over the Last Few Decades

- Load changes year-over-year are mainly due to weather
- Longer-term load growth in the past was largely moderated by energy efficiency measures



Future Load Growth is Highly Uncertain

- The future, while highly uncertain, will be unlike the past
- Over the longer term, significant load growth is expected
  - Electric Vehicles
  - Building Electrification
  - Data Center Load - AI
- Energy efficiency, behind-the-meter PV, and batteries will continue to lessen the impact of the above drivers
- SVCE's load growth scenarios range from cumulative base case growth of 46% to high case of 86% over the period from 2024 to 2050



2024-2050	Base Case	IGFC	HE	HL	LL
CAGR	1.5%	1.9%	1.9%	2.4%	0.7%
Cumulative	46%	62%	65%	86%	21%

Load Growth Scenario Assumptions

Scenario	Load Modifier						
	BTM PV	EV	EE	BE	BTM ESS	Opt-Out	Others
Base	12% CAGR	61% by 2035	12% CAGR	68% space heating and 19% water heater by 2035	13% CAGR	No	No
IGFC	11%	67% by 2035	Base	75% space heating and 55% water heater by 2035	Base	No	No
High Electrification	Base	90% by 2035	Base	86% space heating and 81% water heater by 2035	Base	No	No
High Load	Base	90% by 2035	Base	86% space heating and 81% water heater by 2035	Base	No	Data Center 3*Current large sized load by 2035
Low Load	Base	30% by 2035	Base	53% space heating and 14% water heater by 2035	Base	4%	DA Open ~400 GWh by 2035

Long-Term Portfolio Management Risks

SVCE's planning is based on its base case scenario

If these load scenarios prevail in the future

	Higher Future Prices	Lower Future Prices
High load	**High portfolio costs; Uncompetitive rates if other suppliers hedged a greater portion of their load; Procurement Compliance Penalties**	**Procure additional volumes at lower prices**
Base Case	**Regret or Opportunity Cost – could have procured more volumes**	**Regret or Opportunity Cost – could have procured at lower costs**
Low load	**Sell excess volumes at higher prices**	**High stranded costs; Uncompetitive rates if other suppliers hedged a lower portion of their load or from new entrants.**

Similar to the IOU's predicament with load departure to CCAs. However, PCIA protects the IOUs, but CCA's do not have such protection.

Factors that can affect future market prices:

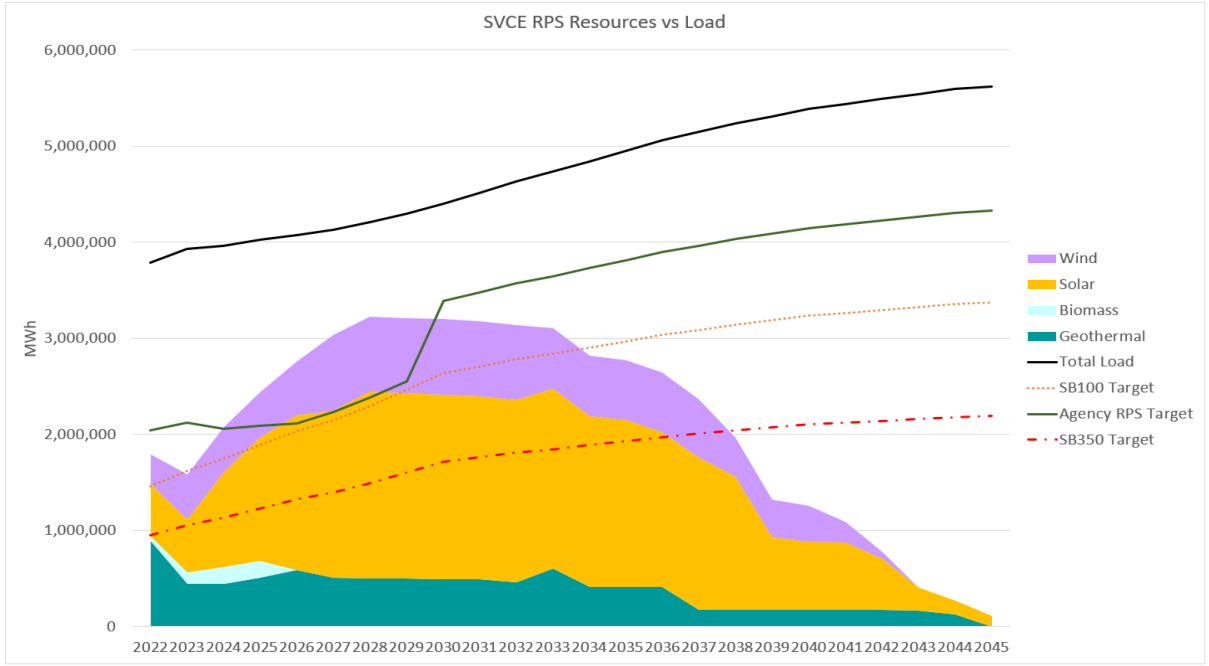
- Resource Development
  - CAISO Interconnection
  - Transmission
  - Supply Chain Issues
- Load growth uncertainty
- Technology

Current Risk Management Strategy

1. 5-yr short-term laddered energy hedges per the Energy Risk Management Policy

Period	ERMP Min	ERMP Max
Prompt Quarter	85%	110%
2024 (balance)	80%	110%
2025	70%	90%
2026	55%	80%
2027	50%	80%
2028	50%	80%

2. Longer-term hedges through Power Purchase Agreements (PPA)
   - Meet SVCE target of 75% RPS by 2030
   - Meet CPUC procurement orders for reliability
   - Comply with SB 350
     - 65% RPS from long-term contracts of 10 years or longer
   - Comply with SB 100 and SB 1020
     - 60% RPS by 2030; 90% clean by 2035; 95% clean by 2040; 100% clean by 2045



Current Plan and Future Considerations

1. Assess long-term pathways to 2045
   - Conducting analyses with consultant Energy Environmental Economics (E3) for use in developing long-term clean targets
   - Expect to present results to the Board in late summer/early fall
   - Monitor Central Procurement Entity (CPE) activity and fair cost allocation
2. Continue with laddered procurement of long-term resources
   - Reduces risks from advances in technology, changes in resource cost, and load uncertainty
   - Focus on resources coming online after 2030 as those currently under contract roll-off
3. Work with CC Power to assess the economics and risks of direct ownership versus PPA
   - Take advantage of IRA benefits and further diversity portfolio
4. Revisit hedging targets
   - Take account of PCIA and PG&E generation rate impact on revenues
   - Will reduce the amount of hedges needed

Next Steps

Staff presents stress analysis to the Board

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

Board approves FY 2024 – 2025 budget with updated reserves targets

Staff completes hedge target analyses and proposes new hedging targets

Appendix

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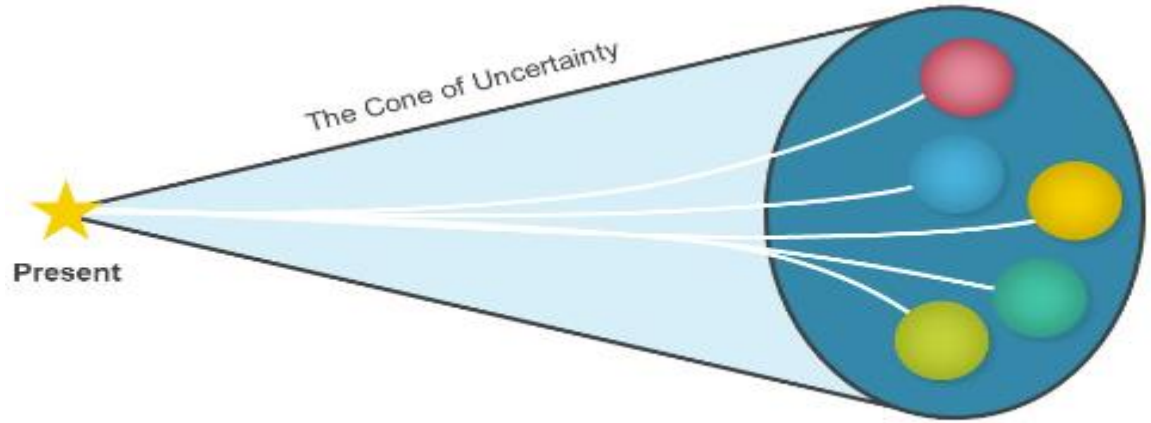
Summary of Base Case Results

Using NewGen Consultant's Model Prices as RA & RPS MPB Estimates

$ millions

	2025	2026	2027	2028	2029
Revenues	$ 384	$ 459	$ 416	$ 450	$ 438
Power Supply Costs	$ 397	$ 485	$ 360	$ 370	$ 360
Operating Margin	$ (13)	$ (26)	$ 56	$ 80	$ 78
Other Costs	$ 40	$ 66	$ 47	$ 41	$ 43
Net Contribution to Reserves	$ (53)	$ (91)	$ 9	$ 39	$ 35
Reserve Balance	$ 368	$ 277	$ 286	$ 325	$ 360
Days Cash on Hand	307	183	257	289	326



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

Summary of Stress Test Results

	2025	2026	2027	2028	2029
Revenues	$ 167	$ 225	$ 239	$ 288	$ 308
Power Supply Costs	$ 277	$ 308	$ 249	$ 282	$ 309
Operating Margin	$ (110)	$ (84)	$ (10)	$ 6	$ (1)
Other Costs	$ 40	$ 66	$ 47	$ 41	$ 43
Counterparty Collateral Outflow	$ (10)	$ (11)	$ -	$ -	$ -
Net Contribution to Reserves	$ (140)	$ (138)	$ (57)	$ (35)	$ (43)
Reserve Balance	$ 292	$ 154	$ 97	$ 62	$ 18
Reserve after Risk Adjustment	$ 237	$ 99	$ 42	$ 7	$ (37)
Days Cash on Hand	**274**	**97**	**52**	**8**	**(38)**

Days Cash on Hand Comparison

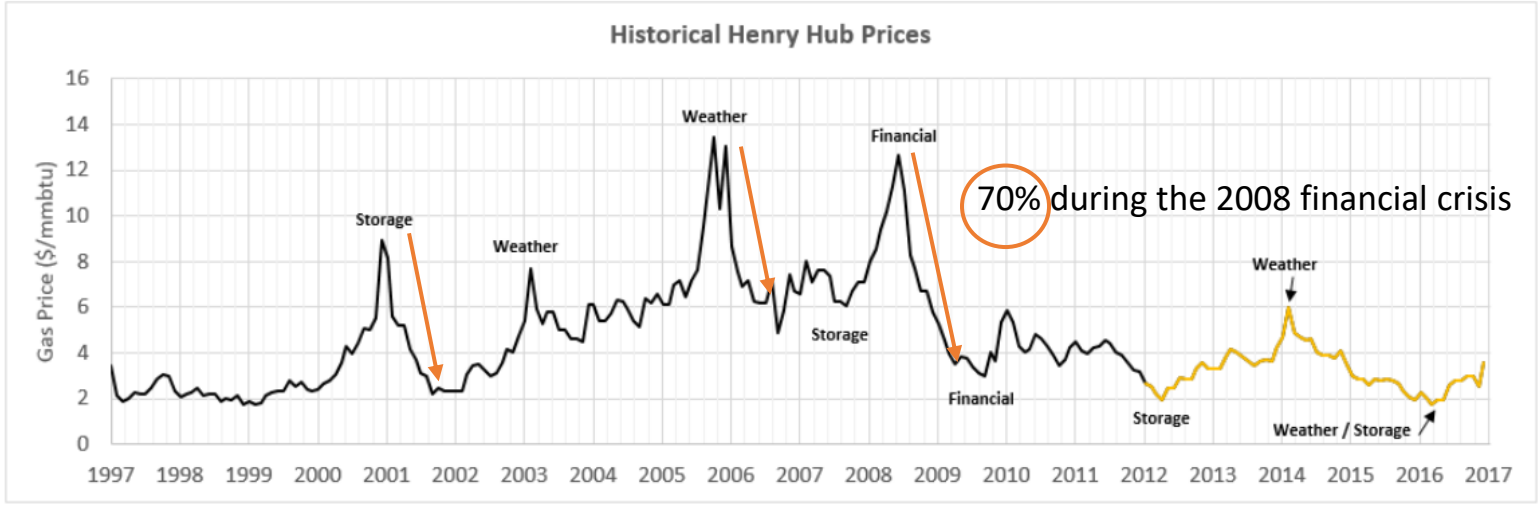
SVCE Target Days Cash on Hand is 300

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

Past Price Collapse

2008 financial crisis natural gas prices dropped ~**70%** with a corresponding drop in power prices

Volatility in Natural Gas Markets Translates to Volatility in Electricity Markets



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

2024-2029 Forward Prices Across Time

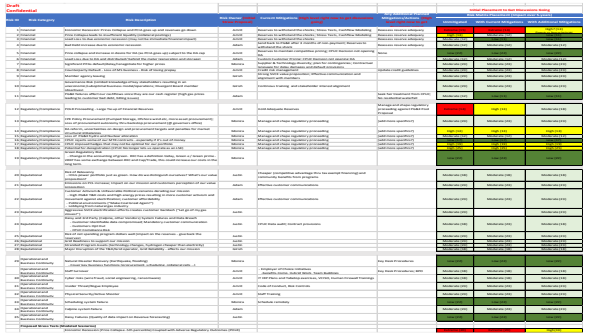
Load Forecast Results – Percentage in Total (2035)

Scenario	Load Modifier						
	BTM PV	EV	EE	BE	BTM ESS	Opt-Out	Others
Base	6.3%	15.5%	2.0%	4.5%	0.1%		
IGFC	5.6%	15.7%	2.3%	10.6%	0.1%		
High Electrification	5.3%	19.5%	2.3%	14%	0.1%		
High Load	4.6%	17%	2%	12.3%	0.1%		12% Data Center
Low Load	8.2%	8.9%	2.7%	5.8%	0.2%	4%	10% goes to DA

Key Components of the ERM Framework

Risk Register

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



Risk Matrix

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

Frequency/Likelihood		Impact/Consequence				
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		Risk Easily Mitigated through Day-to-Day Operations	Risk is Manageable/Low Impact on Mission	Moderate Erosion of Reserves/Impact on Mission	Significant Erosion of Reserves/Impact on Mission	Risk of Existence
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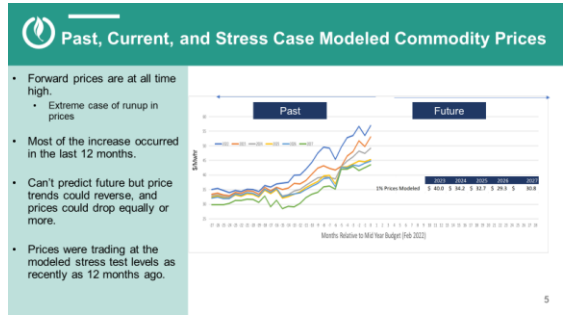
Rare	<=5% Chance	Low (21)	Low (22)	Moderate (23)	High (24)	High (25)

Stress Tests

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



Risk Matrix

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

Frequency/Likelihood		Impact/Consequence				
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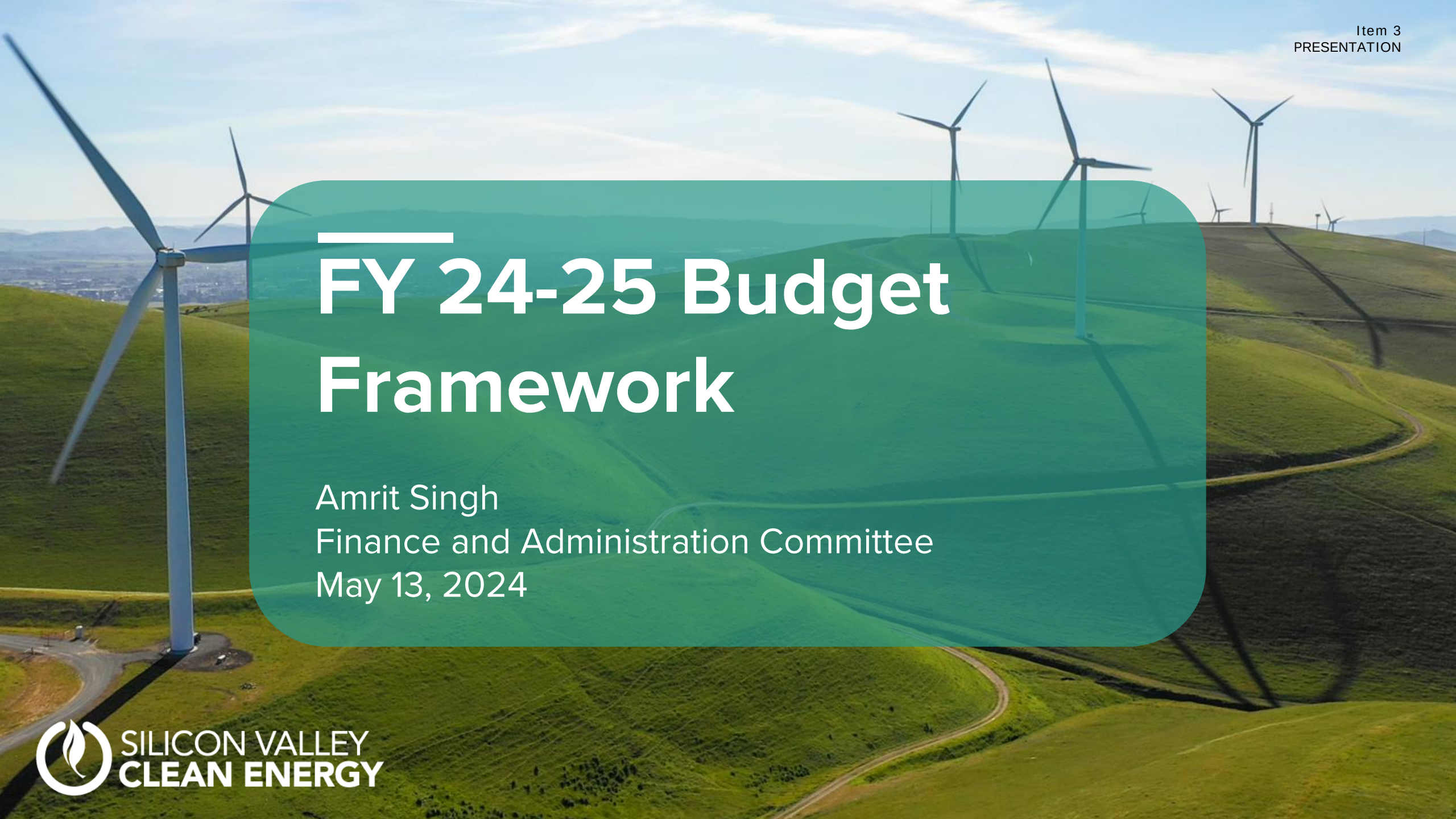
Risk Register

- Risk Register:
  - Records risks/opportunities
  - Briefly describes each risk/opportunity
  - Lists existing and planned mitigations
  - Ranks risks/opportunities
  - Identifies risk owner
- Cross-functional teams brainstormed and identified risks and opportunities
- Bucketed the risks into the following categories:
  - Financial
  - Regulatory and Compliance
  - Customer Opt-Out Risk
  - Operational and Business Continuity
  - Opportunities

Draft and Illustrative

Risk ID	Risk Category	Risk Description	Risk Owner	Current Mitigations	Any Additional Planned Mitigations/Actions	Risk Matrix Placement (Impact Over 5Yrs) (Initial Placement to Get Discussions Going)		
						Unmitigated	With Current Mitigations	With Additional Mitigations
1	Financial	Prices Collapse (insufficient liquidity, collateral postings; MTM losses on investments); PCIA Increases; Revenues Decrease (under current rate methodology); Credit downgrade; insufficient liquidity, Increase DA load	Amrit	Reserves to withstand the shocks; Stress Tests, Cashflow Modeling; Reserves to maintain competitive pricing; CPUC Decision not opening DA	Reassess reserve adequacy; Hedging Strategy	Extreme (20)	High (19)	High (19) (Depends on Reserve Set Aside)
7	Financial	Significant Number of PPAs Default/Delay/Renegotiate for higher prices	Kris	Supplier & Technology diversity; plan for contingencies; Contractual language for delay damages and default provisions; credit provisions	Renegotiated several PPAs; reserve litigation path for some PPAs. Over procure relative to compliance requirements.	Moderate (14)	Moderate (12)	Moderate (12)
15	Regulatory/ Compliance	POLR Proceeding - Large Tie up of Financial Reserves	Amrit	Hold Adequate Reserves	Manage and shape regulatory proceeding against PG&E Pool Proposal	Extreme (14)	High (13)	Moderate (12)
30	Customer Opt-Out	Ineffective or sluggish spending of approved program dollars;	Justin	Program plans developed with stakeholders, ongoing feedback during design/management, increased staff/resources, and emphasizing larger-scale programs.	Additional staffing, new supporting systems, and public reporting on impacts. SVBEST, additional Study Sessions, systematizing processes.	High (19)	Moderate (18)	Low (17)
34	Customer Opt-Out	Major Disruption of the T&D/Grid operator, Grid Reliability - affects our mission	Monica	Shape Regulatory and Legislative Initiatives		Moderate (18)	Moderate (18)	Moderate (18)
37	Operational and Business Continuity	Natural Disaster Recovery/Pandemic/War (Earthquake, flooding) - Cover key business functions (procurement, scheduling, collateral calls ...)	Amrit	System backups and desk procedures	Add'l Desk Procedures and Continuity Plans	Low (22)	Low (22)	Low (22)
43	Operational and Business Continuity	Calpine system failure; issues that SVCE has to pay to resolve (such as billing issues)	Adam	Verify Calpine/third party security risks, compliance status and mitigation strategy. eg.SOX compliance		Moderate (23)	Moderate (23)	Moderate (23)



FY 24-25 Budget Framework

Amrit Singh
Finance and Administration Committee
May 13, 2024

SILICON VALLEY CLEAN ENERGY

Purpose

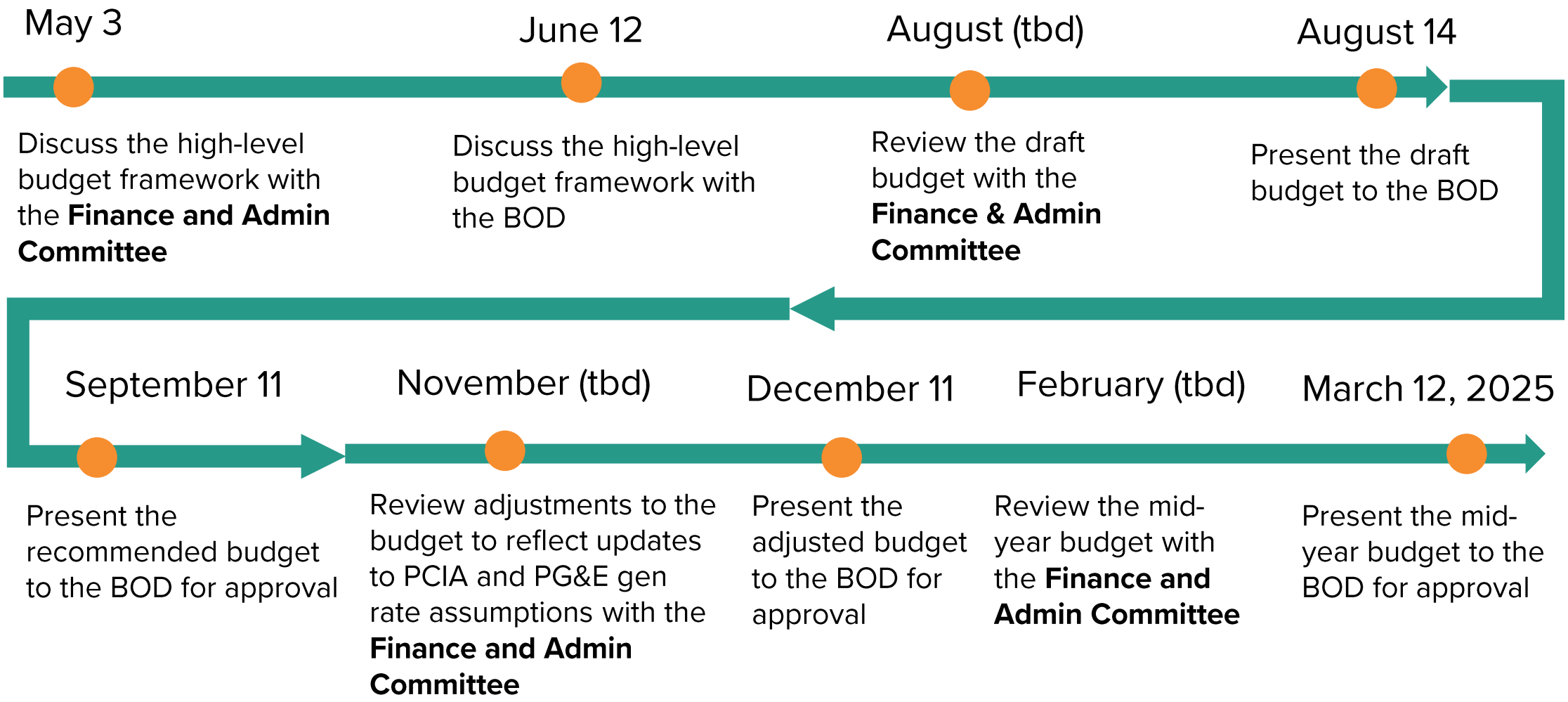
Discuss Budget Framework

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

Main Areas of Discussion

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

FY24-25 Budget will be ready for Review in August



SVCE Planning & Budgeting Process

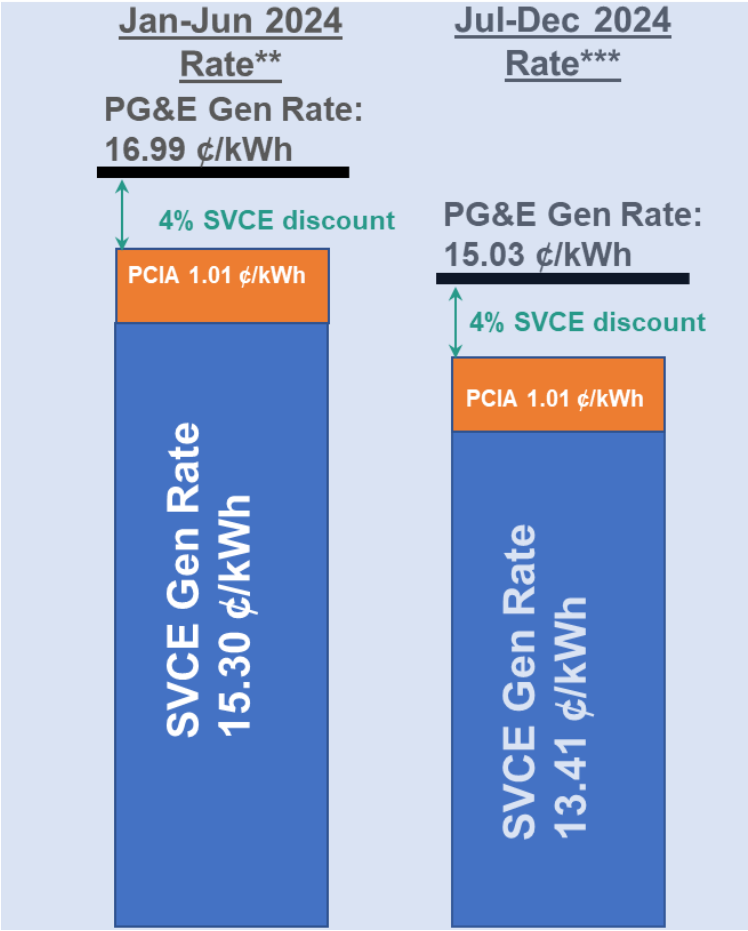
SVCE Mission: Reduce dependence on fossil fuels by providing carbon-free, affordable, and reliable electricity and innovative programs for the SVCE community.

Funding in alignment with achieving the strategic focus areas

Organization-wide priorities and alignment toward achieving the mission

Comprehensive assessment of risks and opportunities to optimally achieve mission

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.

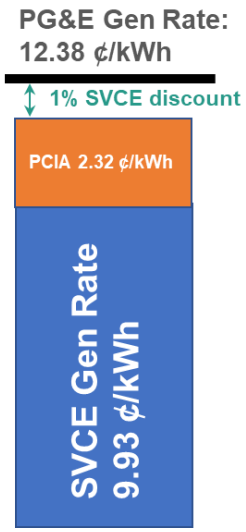
Issue: Rate Uncertainty	Staff Recommendation	Implications/Reasons
• PG&E is expected to issue the 2024 ERRA forecast by May 15 with preliminary 2025 PG&E generation and PCIA rate forecasts • PG&E will update this forecast in the fall. CPUC normally adopts the rate in December based on this update • Given the high volatility in energy, RA, and RPS prices, when staff prepares the budget in July, the PG&E estimate may be outdated	• Use latest market data in Cal-CCA NewGen model after calibrating the NewGen model to PG&E's forecasted rates	• Likely aligns revenues closer to rates that PG&E will update in October • Better aligns revenues with power supply costs • Primarily for budget setting purposes • Additional expenditures based on headroom projections can be made by the Board in December when actual PG&E and PCIA rates are known

Current Rate Projections – Highly Uncertain

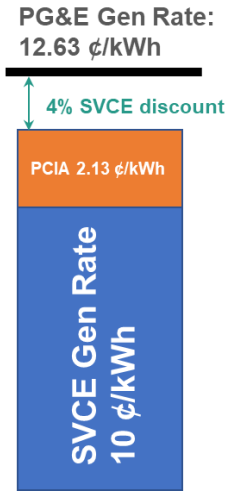
- Higher uncertainty in forecasting CPUC's fall market price benchmarks, given volatile Resource Adequacy (RA) and Renewable Portfolio Standard (RPS) prices, will continue to make revenue projections difficult.

- Staff's current 2025 rate projection scenarios, illustrated below, correspond to revenue projections ranging from about $385 to $600 million.

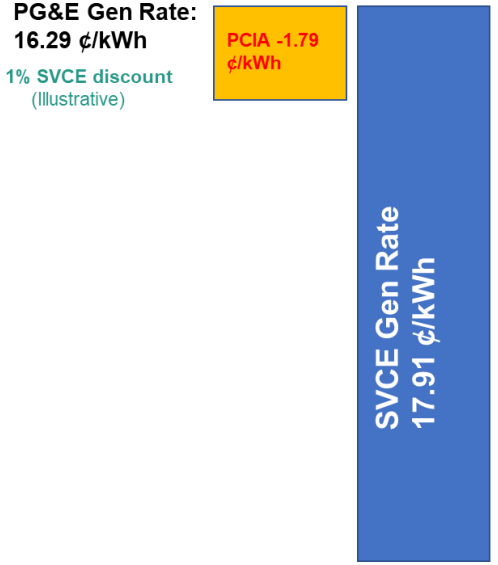
NewGen Model RA/RPS Prices*



Market RA/RPS Prices Adjusted Based on 2024 implied adjustment



Market RA/RPS Prices*

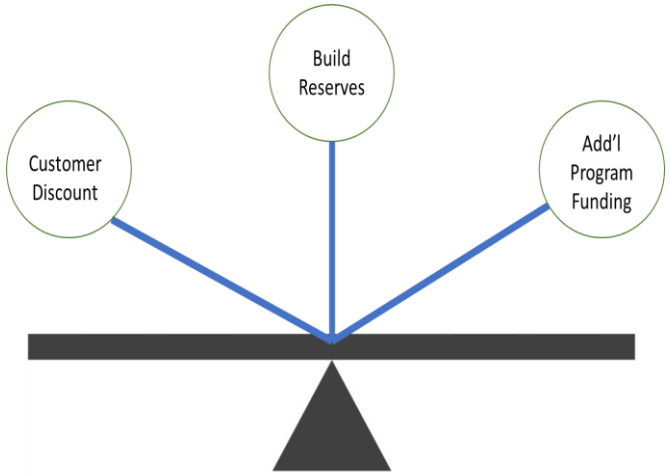


SVCE Load portfolio weighted Rates

Reserve Targets

Issue: Update Reserve Targets	Staff Recommendation	Implications/Reasons
• Ensure SVCE maintains sufficient reserves to manage risks such as those modeled under the stress test analyses • Staff will likely update the stress test analyses in July using market prices consistent with those used to develop the annual budget	Target to keep reserves above 120 Days of Cash On Hand (DCOH) for FY 2024-2025 and FY 2025-2026 under the modeled stress scenario Reset upper reserve target such that over the next 5 fiscal years, reserves do not fall below 90 DCOH under the modeled stress scenario	• FY 25 margins not guaranteed given true-up in 2024 for PCIA and PG&E Gen rate • If adverse conditions materialize, need 120 days to reshape strategy and secure additional liquidity • The upper reserve target enables the agency to take advantage of good margin years to manage risks over a 5-year period

Additional Funding for Programs and Customer Discounts



- 1% customer discount over 12 months of 2024 is ~$5.5 million
- Monthly Average Bill Savings of 1%* Discount:
  - Residential - ~$0.80
  - Small Commercial - ~$2.80
  - Medium Commercial -~$30.85

Issue: Balancing Priorities	Staff Recommendation	Implications/Reasons

• 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
	• To be developed later after completing the budget analysis
	  • Likely to keep current discount through the end of this year
	  • Set a preliminary discount for next year
	• Board can change the budgeted discount rate once actual PG&E rates are known towards the end of the year
	• Staff will likely present several options to the Board on different levels of discount rates, additional spending on programs, and set aside for reserves
		• Keeping reserves at or above target levels ensures SVCE can withstand adverse risk scenarios and helps maintain/improve credit ratings
		• Keeping the discount rate at a reasonable level
		  • Enables additional funding for valued customer programs such as decarbonization efforts
		  • Ensures there's more organizational resiliency to respond to risks over the 5-yr planning horizon

Power Supply Expenses
(>90% of Expenses)

Issue: Volatile Prices	Staff Recommendation	Implications/Reasons

• Power prices are very volatile and have declined significantly.
• In addition to power price volatility, recent volatility in RA and RPS prices makes budget projections highly uncertain
  • Budget will be developed based on a snapshot of market prices in July 2024
• Contract delays/renegotiations further add uncertainty
• Resource adequacy requirements are changing, and costs are high. Slice of Day methodology is expected to be implemented in January 2025, and the portfolio is well positioned for its implementation.
	• Continue hedging to current ERM (Energy Risk Management) targets
	  • Staff to develop additional analysis to revisit the hedging targets to account for impacts from PCIA and PG&E Gen Rate
	• SVCE's clean policy
	  • Clean resources are scarce, and prices are at record-high levels
	  • For 2024, SVCE is expecting to be at 85% clean portfolio position
	  • For 2025, given the scarcity and high prices of clean resources, staff will propose lower than 100% clean targets
	  • Proposals are currently being developed and will be discussed with the Executive Committee in May and the Board in June
		• Balance customer value proposition of providing clean energy with greenhouse gas reduction benefits.
		  • Buying high-priced carbon-free attributes may not advance incremental greenhouse gas reductions in the market.

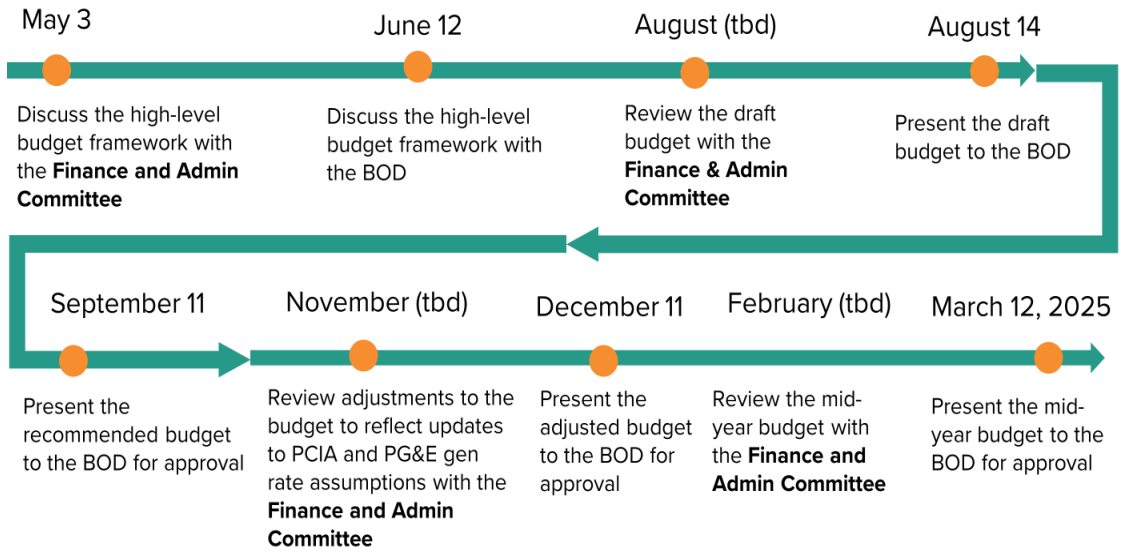
Other Costs
(Staffing, Cost of living/Merit, Operations)

Status	Staff Recommendation	Implications/Reasons

• Review and assess staffing in all areas of the organization
  • 13 new budgeted positions added in FY23-24
  • 11 new staff hired since Sept 2023
  • 5 vacancies
• Adjust employee salaries for cost-of-living and merit/promotions
• Review existing employee benefits to remain competitive with peer CCAs
	• Current budgeted headcount of 62
	  • Expect staffing levels to stabilize
	  • Currently anticipate 3 headcounts:
	  • 2 in Decarbonization Area and 1 in Risk Management
	• Adjustment for COLA
	  • Propose to continue using the 6-month (Jan – June 2024) rolling average of SF Bay Area CPI – current trailing 6-mo average is 2.8%
	  • CEO discretion applied depending on employee pay relative to market range, performance, and date of hire
	• Any additional increases for merit and promotions based on CEO discretion
	  • Budgeted at 3%
	• Employee benefits – under review
		• Evaluate staffing levels to:
		  • Scale up decarbonization programs
		  • Reduce the 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 continue

Next Steps

- Discuss framework for developing the budget with the Board in June
- Analyze PG&E's forecast of 2024 generation and PCIA rates
- Develop/finalize recommendations:
  - Customer discount levels
  - Any additional funding for programs
  - Reserve targets and set aside
  - Final staffing needs
  - Employee cost of living, merit, and benefits adjustments



- Present draft budget for Finance Committee review in early August and then to the Board
- The board adopts the budget in September

Thank you! / Questions?

2023-2024 Mid-Year Operating Budget

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

DESCRIPTION	FY 2023-24 MID-YEAR ADJUSTED BUDGET
ENERGY REVENUES	
Energy Sales	550,852
Green Prime	1,962
Other Income	50
TOTAL ENERGY REVENUES	**552,864**
ENERGY EXPENSES	
Power Supply	365,617
OPERATING MARGIN	**187,247**
OPERATING EXPENSES	
Data Management	3,413
PG&E Fees	1,470
Salaries and Retirement	14,818
Professional Services	8,210
Marketing & Promotions	1,250
Notifications	315
Lease	551
General & Administrative	2,091
TOTAL OPERATING EXPENSES	**32,118**
OPERATING INCOME (LOSS)	**155,129**
NON-OPERATING REVENUES	
Interest Income	12,867
Grant Income	0
TOTAL NON-OPERATING REVENUES	**12,867**
NON-OPERATING EXPENSES	
Financing	3
Interest	0
TOTAL NON-OPERATING EXPENSES	**3**
TOTAL NON-OPERATING INCOME (EXPENSES)	**12,864**
CHANGE IN NET POSITION	**167,994**
CAPITAL EXPENDITURES, INTERFUND TRANSFERS & OTHER	
Capital Outlay	50
Building Fund	20,000
Transfer to CRCR Fund	0
Program Fund	28,874
Nuclear Allocation	2,188
Multi Family Direct Install Program	0
Electrification Discount Program	0
Customer Bill Relief	4,300
Other	0
TOTAL CAPITAL EXPENDITURES, INTERFUND TRANSFERS & OTHER	**$55,412**
BALANCE AVAILABLE FOR RESERVES	**$112,582**