

Prepay Transaction Request for Approval

Amrit Singh
Finance and Administration Committee
August 4, 2025

Purpose

Action: Recommend the Board
Authorize CEO to Execute or
Approve Prepay Agreements

Main Areas of Discussion

1. Recap of Prepay Goal and Structure
2. Board-authorized parameters for execution of the deal
3. Next Steps
4. Appendix
 - Summary of Transactional Documents
 - Estimated Fees
 - Details of Prior Prepays and Cost Breakdown
 - Overview of Prepay Structure and Background Information



Recap of Prepay Goal and Structure

Substantial savings with minimal risks

Goal

- Reduce the cost of power purchases by leveraging SVCE's ability to fund low-cost tax-exempt debt
- Gain competitive advantage relative to Investor Owned Utilities (IOUs)

How

- Benefit from the spread between taxable and tax-exempt interest rates
- Use of financially engineered prepay structure*
 - Bonds not guaranteed by SVCE or California Community Financing Authority (CCCFA).
 - Bonds secured by the contractual rights and transaction cashflows
- Seasoned team of professionals helps guide, negotiate, and structure the transactions.

**Refer to the appendix for a more detailed overview of prepay structure*

Minimal Risks

- Fees (except rating agency) are contingent on the execution of the deal and paid from the bond proceeds
- Bonds issued are non-recourse to SVCE



Recommend the Board Authorize the CEO to Execute Prepay Transactional Agreements Contingent on Board-Authorized Parameters

- Transaction expected to cover about 12% of SVCE's load and combined with first three deals covers ~51% of load
- Actual realized discount will depend on the spread between taxable and tax-exempt rates (net of transaction costs)
 - Savings expected to be about \$4 to \$6 million during the initial term of the bonds
- 30-year bonds will reset after the initial period expected to be 5-10 years and discount on future reset periods will depend on the then prevailing market conditions.
 - Repricing agreement will set a minimum discount threshold for future bond reset periods, expected to be at energy savings of about 4%.

- Execution Contingent on:
 - Aggregate principal amount of bonds will not exceed \$1.25 billion
 - Bonds issued by California Community Financing Authority (CCCFA) are not guaranteed obligations of SVCE
 - Overall energy savings to SVCE shall be at least 8 percent during the initial term of the bonds



Next Steps

- Seek SVCE Board of Directors Approval on August 13
- Seek California Community Choice Financing Authority (CCCFA) Board Approval thereafter
- Target bond issuance for August/September 2025. Timing will depend on market conditions.



Committee Recommendation

Staff requests the Finance and Administration Committee recommend that the Board of Directors adopt a resolution authorizing the CEO to execute the Power Supply Contract with the California Community Choice Financing Authority (CCCFA) and execute or approve the related supporting agreements to enable SVCE to enter an approximately 30-year energy prepayment transaction with authority to make any minor clarifying modifications to the contracts and agreements as necessary that do not change the intent or economics of the transaction. Staff also requests the Finance and Administration Committee recommend the Board authorize the CEO to enter into agreements with credit rating agencies, generally, to provide a credit rating for the bonds.

The Board's authorization will be subject to the following parameters.

1. The Bonds, issued by CCCFA, will not be guaranteed obligations of SVCE but will be limited obligations of CCCFA payable solely from the revenues and other amounts pledged under the Indenture as the Trust Estate, including amounts owed by SVCE under the Power Supply Contract.
2. The aggregate principal amount of the Bonds shall not exceed \$1,250,000,000.
3. The energy savings to SVCE under the Power Supply Contract for the initial Bond Reset Period, including the Annual Refund (as defined in the Power Supply Contract), shall be at least 8 percent.
4. The energy Service Revenue fee in the transaction shall not exceed \$1.10 per MWh.
5. The commodity swap counterparty fee in the transaction shall not exceed \$0.50 per MWh.
6. If any floating rate bonds are issued, Morgan Stanley shall charge no more than six basis points on the interest rate swap spread to mid-market.
7. The 8 percent saving is relative to a fixed price for energy deliveries under the power supply contract that will be established at the time of the pricing of the bonds using available energy market prices and other information that will be reviewed and approved by SVCE's financial advisor, PFM Financial Advisors LLC.

Thank you! / Questions?



Summary of Transaction Documents

Agreements that will be executed by SVCE:

1. Power Supply Contract
 - Between SVCE and CCCFA
 - Provides for the sale of clean energy from CCCFA to SVCE
2. Assigned PPA Payments Custodial Agreement
 - Between SVCE, CCCFA, Morgan Stanley, MSCG and the Custodian Bank
 - Specifies the terms on handling cashflows among the parties and making required payments to the Energy/PPA Supplier
3. Form of Limited Assignment Agreement
 - Between SVCE, Morgan Stanley, and Third-party Energy Supplier
 - Details the terms of partially assigning SVCE's energy contracts to Morgan Stanley
 - Future PPAs will include this agreement
4. Letter Agreement Regarding PPA Assignments
 - Between SVCE, CCCFA, MSCG, and the Prepaid Supplier
 - Details the terms of assigning PPAs that SVCE has with a current or future energy Supplier
5. Project Administration Agreement
 - Between SVCE and CCCFA.
 - Sets the terms for SVCE to act on behalf of the CCCFA such as scheduling for the energy.
6. Memorandum of Understanding
 - Between SVCE, Morgan Stanley and CCCFA.
 - Indemnifies CCCFA against certain ratings fees should the transaction not close



4. Summary of Transaction Documents – Cont'd

Agreements Executed by CCCFA

1. Trust Indenture

- Between CCCFA and the Trustee
- Sets forth the terms of bond issuance, the rights of bondholders, and secures the cashflows of CCCFA to ensure principal and interest payments to the bondholders

2. Prepaid Agreement

- Between CCCFA and Morgan Stanley
- Details the terms of the prepayment by CCCFA to Morgan Stanley and the flow of energy from Morgan Stanley to CCCFA

3. Re-pricing Agreement

- Between CCCFA and Morgan Stanley
- Sets the terms for remarketing and repricing of bonds at future bond repricing periods and the terms for calculation of future energy price discount that will be offered to SVCE.

4. Commodity Swap Agreement and Related Custodial Agreement

- Between CCCFA and Swap Counterparty (Morgan Stanley also executes a corresponding agreement with the same swap counterparty)
- Converts any index payments by SVCE (variable or floating price) to a fixed price



4. Summary of Transaction Documents – Cont'd

Other Document

Preliminary Official Statement

- Used to market the bonds
- Provides information on the prepayment transaction including the key terms
- Includes background information on SVCE
 - Formation of SVCE, service area, customers, and sources of clean energy
 - Other information to inform bond holders on the financial and operational strength of the organization



Estimated Summary of Transaction Cost (\$000)

Firm	Expected Cost (\$000)
Bond and Tax Counsel: Ballard Spahr	\$250
Credit Rating: [Moody's Investors Service/S&P Global Ratings]	321.5
Issuer's Counsel and Disclosure Counsel: Chapman & Cutler LLP	175
Municipal Advisor: PFM Financial Advisors LLC	230
Swap Advisor: PFM Swap Advisors LLC	25
Investment Advisor	50
Trustee: Bank of New York (BNY)	20.2
Trustee Counsel: BNY Counsel	35
CCCFA JPA Administrative Fee	20
Green Bond Second Party Opinion (Kestrel Verifiers)	22.6
Printing Cost	4
Contingency/Other	10
Total COI	1,163
Morgan Stanley Underwriting	4,700
Underwriters Counsel	115
Miscellaneous	85
Total	6,063



Leverage the Existing Prepay Structure

Benefit from several years of effort to execute prior three transactions

- Replicate the third transaction's structure with the same counterparties plus addition of Special Purpose Vehicle ("SPV") model to diversify third party funding recipient risk
- Other CCAs have taken or plan to take advantage of market opportunities to execute Prepays
- Since the execution of our first Prepay in partnership with Ava Community Energy:
 - 3CE, Ava, CPA, MCE, Pioneer, SCP, SDCP, VCE have executed prepays
 - Par Value of CCCFA transactions is over \$18 Billion and savings of \$100 million/year



Timeline of SVCE's First Prepay Transaction

June-2019	SVCE presents Prepay Structure Overview Presentation (developed by Goldman Sachs) to Finance and Admin Committee
Aug-2019	SVCE presents a brief verbal update on prepay process to Finance and Admin Committee
Sept-2019	SVCE and PFM Financial Advisors provide update on the upcoming RFP process to Finance and Admin Committee
Nov-2019	SVCE provides Prepay RFP Overview to Executive Committee - PFM issues RFP to select Prepay Bank Supplier on behalf of EBCE and SVCE on Nov 12th - RFP Proposals were due December 5th
Jan-2020	SVCE presents Prepay Structure Overview to Finance and Admin Committee
Spring-2020	SVCE and EBCE conduct RFP evaluations to select Prepay Bank Supplier
July-2020	SVCE and EBCE select Morgan Stanley as Prepay Bank Supplier
Aug-2020	SVCE provides Prepay Status Report to Finance and Admin Committee
Sept-2020	SVCE provides Board with Prepay Overview on preparing for a Prepay Transaction SVCE provides Prepay Status Report to Finance and Admin Committee

Oct-2020	SVCE Board Authorizes CEO to enter legal service agreements to finalize Prepayment Transaction (Orrick, Herrington & Sutcliffe and Chapman & Cutler LLP)
Nov-2020	SVCE provides Prepay Status Report to Finance and Admin Committee
Mar-2021	SVCE provides Prepay Status Report to Finance and Admin Committee SVCE provides Prepay Status Report to Executive Committee
April-2021	SVCE Board Approves Participation in the California Community Choice Financing Authority Joint Powers Authority
Aug-2021	The Finance and Admin Committee reviews the Prepay Transaction and votes to recommend Board approval. Board authorizes execution of the first Prepay Transaction subject to parameters including that bonds are not obligations of SVCE, size of the bonds, and minimum savings target.
Sept-2021	Sept 9, 2021 bonds priced
Jan-2022	Power delivery under Prepay begins



Details of the First Prepay Transaction

Aggregate Principal Bond Amount	\$1,234,720,000 (SVCE and EBCE combined)
Total Bond Proceeds	\$1,475,895,642.5 (SVCE and EBCE combined)
Municipal Bond Rating	A1
Green Certification	Designated Green Bonds by Kestrel Verifiers
Initial Bond Pricing Period	• 10 years. • After the initial period, bonds will be repriced per the negotiated repricing agreement, and a new discount will be established based on the then prevailing market conditions.
Final Bond Maturity Date	• February 1, 2052.
Discount Achieved	• \$4.38 per MWh, about 10% of the energy cost of SVCE's 3-year transaction initially assigned into the Prepay. • ~\$1.9 million per year for SVCE during the initial bond pricing period of ten years.
Energy Volume Supported by Bond Proceeds	109 MW, of which SVCE's share is 50 MW (about 11% of load) and EBCE's share is 59 MW for approximately the first ten years of the transaction; after that, the same proportional volume split will be maintained between SVCE and EBCE.



First Prepay Transaction Cost Breakdown (\$000)

Bond and Tax Counsel: Orrick, Herrington & Sutcliffe	425
Credit Rating: Moody's	315
Issuer's Counsel and Disclosure Counsel: Chapman & Cutler LLP	310
Municipal Advisor: Public Financial Management	250
Investment Advisor: Public Financial Management Asset Mgmt	42
Trustee: Bank of New York (BNY)	32
Trustee Counsel: BNY Counsel	35
Printing Cost	3
Contingency/Other	10
Total COI	1,422
Morgan Stanley Underwriting	6,341
Total	7,763



Details of the Second Prepay Transaction

Aggregate Principal Bond Amount	\$841,500,000
Total Bond Proceeds	\$891,418,648.1
Municipal Bond Rating	A1
Green Certification	Designated Green Bonds by Kestrel Verifiers
Initial Bond Pricing Period	• 6.5 years. • After the initial period, bonds will be repriced per the negotiated repricing agreement, and a new discount will be established based on the then prevailing market conditions.
Final Bond Maturity Date	• July 1, 2053.
Discount Achieved	• \$9.77 per MWh, about 10% of the price established for energy deliveries under the power supply contract. • ~\$4.7 million per year during the initial bond pricing period of 6.5 years.
Energy Volume Supported by Bond Proceeds	~55 MW (about 12% of load; a slight escalation in the latter half of the transaction)



Second Prepay Transaction Cost Breakdown (\$000)

Cost of Issuance (COI)	\$ in 000's
Bond and Tax Counsel: Ballard Spahr	300
Credit Rating: Moody's	232.5
Issuer's Counsel and Disclosure Counsel: Chapman & Cutler LLP	200
Municipal Advisor: PFM Financial Advisors LLC	175
Investment Advisor: PFMAM (US Bank)	35
Trustee: BNY Mellon Corporate Trust	30.9
Trustee Counsel: Ballard Spahr	30
Printing Cost: ImageMaster	3.3
Green Bond Second Party Opinion: Kestrel	22
Contingency/Other	16.8
Total COI	1,045.5
Morgan Stanley Underwriting	4,359.2
Total	5,404.7



Details of the Third Prepay Transaction

Aggregate Principal Bond Amount	\$1,101,625,000
Total Bond Proceeds	\$1,165,919,381.75
Municipal Bond Rating	A1
Green Certification	Designated Green Bonds by Kestrel Verifiers
Initial Bond Pricing Period	• ~8 years. • After the initial period, bonds will be repriced per the negotiated repricing agreement, and a new discount will be established based on the then prevailing market conditions.
Final Bond Maturity Date	• May 1, 2054
Discount Achieved	• \$11.32 per MWh, about 13.1% of the price established for energy deliveries under the power supply contract. • ~\$7.7 million per year during the initial bond pricing period of 8 years.
Energy Volume Supported by Bond Proceeds	~77 MW (about 17% of load; a slight escalation in the latter half of the transaction)



Third Prepay Transaction Cost Breakdown (\$000)

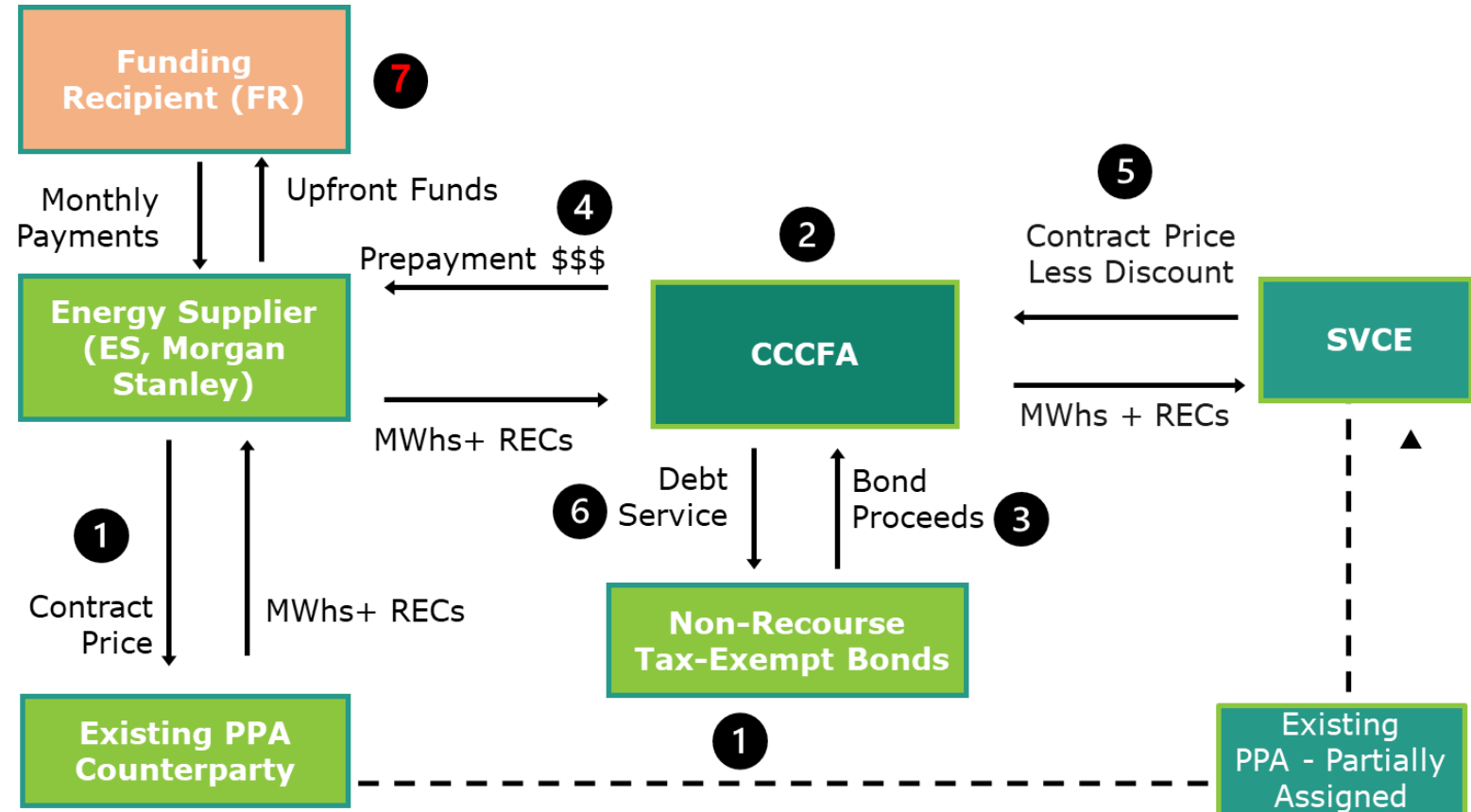
Cost of Issuance (COI)	\$ in 000's
Bond and Tax Counsel: Ballard Spahr	250
Credit Rating: Moody's	273
Issuer's Counsel and Disclosure Counsel: Chapman & Cutler LLP	175
Municipal Advisor: PFM Financial Advisors LLC	155
Investment Advisor: PFMAM (US Bank)	30
Trustee: BNY Mellon Corporate Trust	41.4
Trustee Counsel: Ballard Spahr	30
Printing Cost: ImageMaster	4
Contingency/Other	66
Total COI	1,041.3
Morgan Stanley Underwriting	5,712.1
Total	\$6,753.4



Overview of Prepay Structure

Term: 30-year with bonds repricing every 5-10 years, depending on the optimal spread between taxable and tax-exempt interest rates.

1. SVCE partially assigns, using a Limited Assignment Agreement, an energy contract to Energy Supplier (ES). ES agrees to pay the contract price to the PPA provider.
2. CCAs created CCCFA, a separate legal entity that can issue tax-exempt debt.
3. CCCFA issues non-recourse tax-exempt bonds.
 - Bonds not guaranteed by SVCE or CCCFA.
 - Bonds secured by the contractual rights and transaction cashflows; Bonds carry FR credit ratings.
4. CCCFA pays bond proceeds, net of transaction fees, to as prepayment for energy and related products that ES will provide over the 30-year term. Executes Prepaid Agreement.
5. SVCE and CCCFA execute a Power Supply Agreement, where SVCE pays CCCFA the contract price less a discount for the energy delivered by CCCFA.
6. CCCFA uses payments from SVCE to pay interest and principal payments to bondholders.
7. ES and Funding Recipient (FR) execute a funding agreement where FR receives upfront funds and makes monthly payments to ES, which they use to pay PPA provider.



2025 Customer Bill Credit Status Update

Peyton Parks
August 4, 2025



\$33M community reinvestment via on-bill customer credits

Agenda:

- Background
- Implementation plan
- Messaging
- Timeline



Background

- Bill credit to every active SVCE customer
- Credit means SVCE's effective rate discount to PG&E for 2025 is 10% (4% throughout the year, and then this one-time credit is equivalent to another 6% throughout the year)
- Residential customers will receive a *flat credit*
- Non-Residential customers will receive a *credit scaled to their usage*

**ENERGY STATEMENT**
www.pge.com/MyEnergy

Account No: 2718590438-4
Statement Date: 02/05/2024
Due Date: 02/19/2024

Service For:
FIRST NAME LAST NAME
ADDRESS
CITY, STATE, ZIP CODE

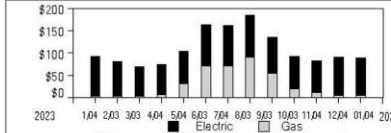
Questions about your bill?
Monday-Friday 7 a.m.-9 p.m.
Saturday 8 a.m.-6 p.m.
Phone: 1-800-743-5000
www.pge.com/MyEnergy

Ways To Pay
www.pge.com/waystopay

Your Account Summary

Amount Due on Previous Statement	\$144.92
Payment(s) Received Since Last Statement	-144.92
Previous Unpaid Balance	\$0.00
Current PG&E Electric Delivery Charges	\$40.82
Silicon Valley Clean Energy Electric Generation Charges	\$94.70

Total Amount Due by 02/19/2024 **\$135.52**

Monthly Billing History

Month	Electric kWh / Day	Gas Therms / Day
1/04	12.3	0.14
2/04	12.3	0.16
3/04	12.3	0.12
4/04	12.3	0.12
5/04	12.3	0.12
6/04	12.3	0.12
7/04	12.3	0.12
8/04	12.3	0.12
9/04	12.3	0.12
10/04	12.3	0.12
11/04	12.3	0.12
12/04	12.3	0.12

Daily Usage Comparison

1 Year Last	Current
12/3	12/5

Electric kWh / Day

Gas Therms / Day

Important Messages

The Family Electric Rate Assistance (FERA) Program provides a monthly discount on electric bills for income-qualified households of three or more persons. To see if you qualify, please call 1-800-PGE-5000 or apply online at www.pge.com/fera.

El Programa FERA ofrece ahorros mensuales sólo en las facturas de electricidad a hogares de ingresos económicos bajos y medianos con tres o más personas. Para determinar si califica, por favor llame al 1-800-PGE-5000 o puede aplicar a través de nuestra página web www.pge.com/fera.

Continued on page 2

Please return this portion with your payment. No staples or paper clips. Do not fold. Thank you.



Account Number:	Due Date:	Total Amount Due:	Amount Enclosed:
2718590438-4	02/19/2024	\$135.52	\$

FIRST NAME LAST NAME
ADDRESS
CITY, STATE, ZIP CODE

PG&E
BOX 6018
LOS ANGELES, CA 90044



Implementation plan

All *active* SVCE customers will receive a bill-credit from SVCE on their Sept. bill

- Estimated \$33M, plus a \$2M contingency
- Credits to be delivered via customer bills in September, for August usage
- Non-res credits determined by using trailing 12 months of customer usage
- Customers under special supply agreements will be excluded from receiving credits, per the agreement language.



Determining customer credits

Residential customers receive a flat credit amount regardless of usage.

Non-Residential customers' credits will be prorated by their rate class and usage.

	Step 1	Step 2
RES	Determine Residential share of credit by load and prorate \$33M $\sim 33\% * \$33\text{M} = \11M	Divide total Residential portion by number of eligible customers. $\$11\text{M} / \sim 253,000 = \43.47 Illustrative Estimate
Non-RES	- Determine Non-Res share of load by class. - Determine per-kWh credit amount per class share. B1 (Small) B10 (Med) B19 (Large) B20 (Ind) Ag Lighting	Individually assess customer credit by SAID for ~33,000 Non-RES customers based on usage in the relevant period. $\$/\text{kWh} * \text{Usage} = \text{Bill Credit}$



Highlighting this community reinvestment

Community reinvestment is core to the SVCE mission - this credit is one of many ways that SVCE reinvests.

Key message: SVCE continues to deliver on its commitment to community reinvestment.

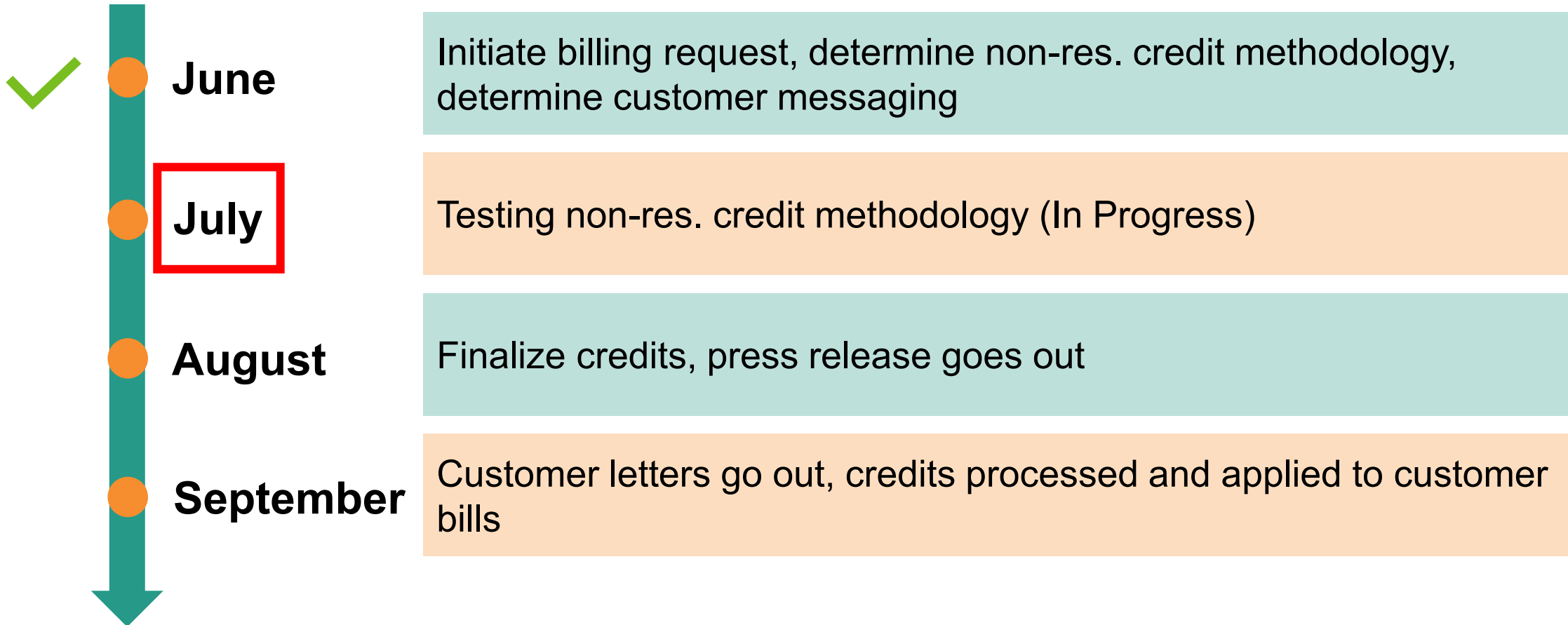


Letter to customers, separated by Res and Non-Res



Press release announcing that customers can expect the credit

Timeline



Questions

FY 25-26 Proposed Operating Budget Review

Amrit Singh
Finance and Administration Committee
August 4, 2025

Purpose

Action: Recommend the Board approve, with any suggested changes, the proposed Fiscal Year 2025-2026 (FY 26) Annual Operating Budget

Main Areas of Discussion

1. Budget Timeline and Key Highlights
2. Proposed Budget Forecast
3. Revenue Forecast
4. Reserves Projection
5. Reserve Management
6. Review Reserve Targets and Policy
7. Other Operating Expenses





FY 26 Annual Operating Budget Process

Budget Framework

June

Discuss the high-level budget framework and stress analysis with the **Finance and Admin Committee**

June

Present the stress test analysis to the **BOD**

Full-Year Update

August

Review the draft budget with the **Finance & Admin Committee**

August

Present the draft budget to the **BOD** for review and feedback

September

Present to the **BOD** the budget, incorporating any feedback received in August

“Adjusted December Budget”

Oct 1st

Fiscal Year Start

November

Review adjustments to the budget to reflect updates to PCIA and PG&E gen rate assumptions with the **Finance and Admin Committee**

December

Present the adjusted budget to the **BOD** for approval

“Mid-Year Budget”

February

Review the mid-year budget with the **Finance and Admin Committee**

March

Present the mid-year budget to the **BOD** for approval



Fiscal Year 26 Annual Budget Highlights

1. Negative Margins over 5-yr Outlook

- A negative contribution to reserves of \$40.1 million for FY 26
- Year-over-Year revenues decline significantly (~\$165 million) from anticipated high PCIA and lower PG&E generation rates
- Results are highly uncertain and dependent on CPUC's adoption of Market Price Benchmarks (MPBs) in the fall
- 5-yr financial outlook largely consistent with results presented in June 2025 as part of the stress test analyses

3. Customer Discount – Revisit in December

- Maintain 4% discount through December 2025 and reduce the discount to 1% starting next year
- Continue to provide an additional 1% directed to low-income customers as bill credits
- Revisit in December when setting 2026 customer rates

2. No Major Changes Recommended At This Time

- Budget consistent with discussions in June
 - Adjust the budget in December when there's more certainty on next year's rates
 - Staff will present financial levers in December
 - Reserves built over time enable SVCE to take measured and strategic responses to changes in the market and business operating environment

4. Relatively Minor Increases in Operating Expenses

- Personnel: No additional positions; 3% adjustment for the cost of living
- Slight increase in power supply expenses (~\$19 million), largely from portfolio changes and increases in energy cost
- Other expenses: Increase by ~\$4 million (updated vendor fees; anticipated legal expenses and other minor changes)



Proposed FY 26 vs. FY 25 Mid-Year Adjusted Budget

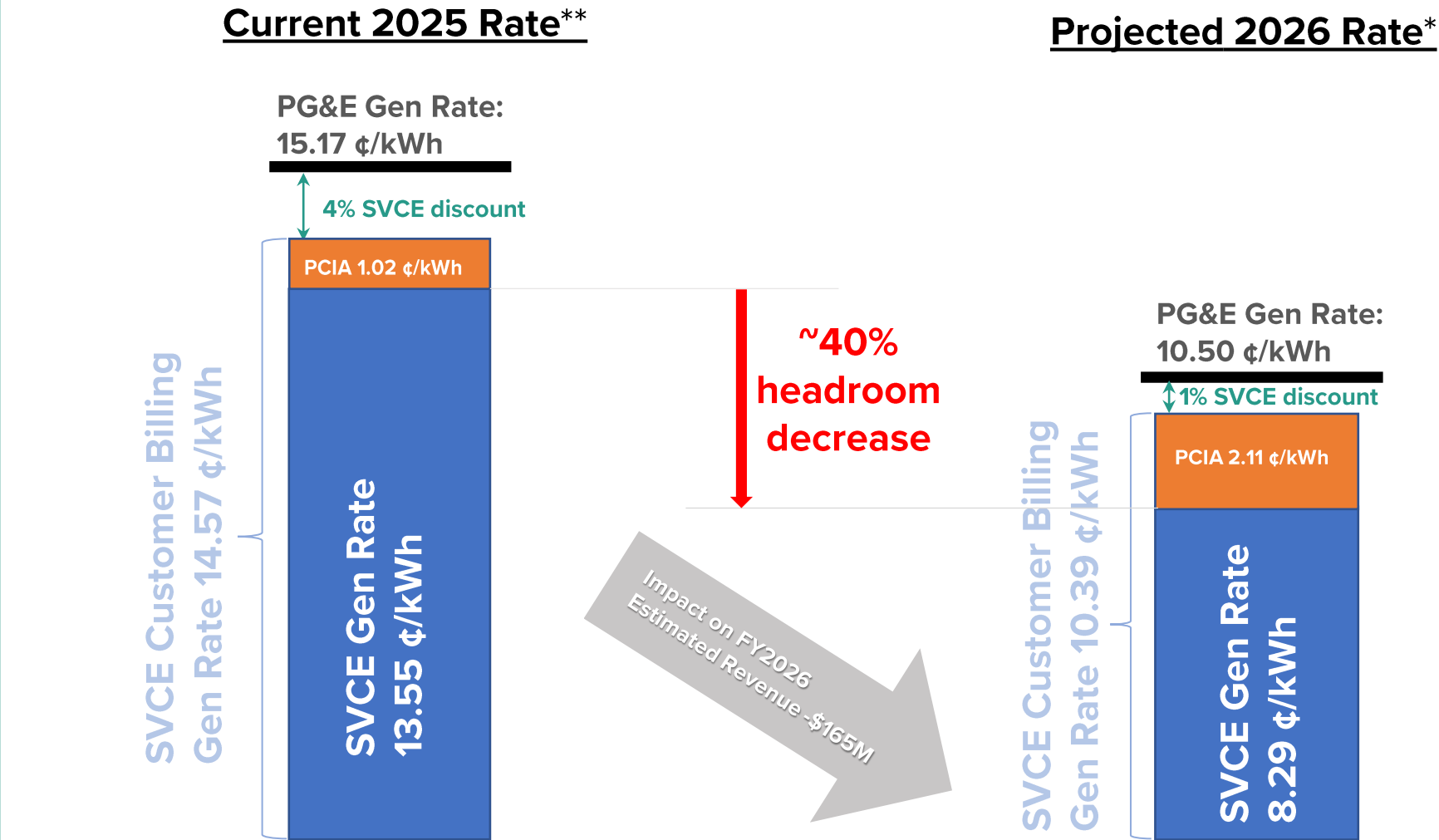
- Lower revenue from anticipated high PCIA and lower PG&E Generation rates
- Power Supply Cost increases mainly due to portfolio position changes, compliance obligations, and increases in energy cost
- Program Fund allocation is lower due to reduced revenue
- Customer Bill Relief is shown as a reduction in revenue
- Capital Outlay adjusted for anticipated new office furniture

SILICON VALLEY CLEAN ENERGY FY25-26 OPERATING BUDGET (\$ in thousands)

DESCRIPTION	FY 2024-25 MID-YEAR ADJUSTED BUDGET	FY25-26 ANNUAL BUDGET	Change	
			\$	%
Energy Revenues	523,534	358,416	(165,118)	-31.5%
Power Supply Expense	349,478	368,896	19,418	5.6%
Operating Margin	174,056	(10,480)	(184,536)	-106.0%
Operating Expenses	39,284	43,193	3,909	9.9%
Non-Operating Revenue (Expense)	19,743	21,384	1,641	8.3%
Annual Transfers and Other Expenses				
Capital Outlay	50	512	462	924.0%
Program Fund	10,530	7,251	(3,279)	-31.1%
Nuclear Allocation	3,708	0	(3,708)	-100.0%
Customer Bill Relief (Existing CARE/FERA)	5,370	0	(5,370)	-100.0%
Additional One-Time Bill Credit for All Customers	35,000	0	(35,000)	-100.0%
Hanford Emissions Mitigation Fund	1,800	0	(1,800)	-100.0%
Other	0	0	0	0.0%
TOTAL CAPITAL EXPENDITURES, INTERFUND TRANSFERS & OTHER	56,458	7,763	(48,695)	-86.2%
BALANCE AVAILABLE FOR RESERVES	98,057	(40,052)	(138,109)	-140.8%

Forecasted Margins Drop ~40%

- PG&E 2026 Gen Rate is estimated to decrease by ~30% Year over Year
- PCIA estimated to increase from 1.02 ¢/kWh to 2.11 ¢/kWh (from ~\$41M in CY2025 to over \$81M in CY2026)
- SVCE margin is estimated to decrease by ~40% YoY
- Customer billing rates drop on average by ~30%
- Prices for RA and RPS have dropped significantly
 - Estimated 2025 final and 2026 forecast system RA MPBs are 65% and 64% lower vs 2025 forecast RA MPBs
 - Estimated 2025 final and 2026 forecast RPS MPBs are 10% and 38% lower vs 2025 forecast RPS MPBs



* Source: CalCCA NewGen Model analysis using market data as of 6/27/2025 and estimated CPUC attribute benchmarks for CY 2025-2026 (Weighted for SVCE Portfolio Load)

** PG&E 2025 Average Rate, effective January 1, 2025 (Weighted for SVCE Portfolio Load)

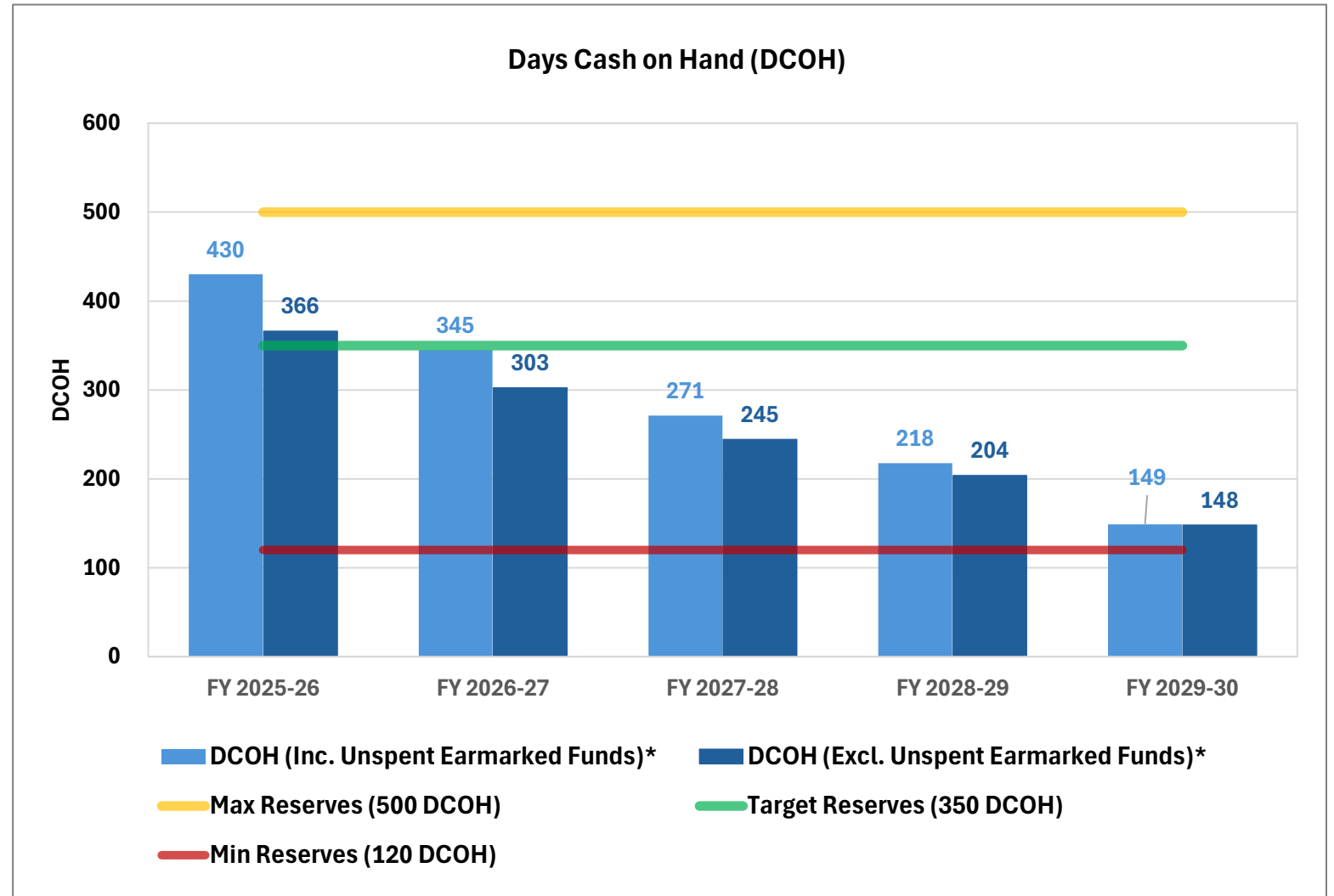
Above margin analyses ignores minor reductions for franchise fees (0.1 ¢/kWh)



Reserve Projection

Projected End of FY 26 Reserves:

- 366 Days of Cash on Hand (DCOH)
 - Excludes Unspent Program Funds and Building Fund
- 430 Days of Cash on Hand (DCOH)
 - If unspent Program Funds and Building Fund were included in the reserve calculation
 - Relevant metric for assessing financial liquidity



* Earmarked funds are unspent SVCE Program Funds and Building Funds.



Reserve Management

- 5-yr outlook projects drawing ~\$75 million a year on average from reserves under the current operating framework
 - All customer rates are at a competitive advantage (1%) relative to PG&E Rates
 - Programs are funded at 2% of revenues (\$37.5 million over 5 years)
 - The current earmarked funds, mostly for programs, currently around ~\$93 million, are spent over the next 5 fiscal years
- Financially, SVCE is well-positioned
 - DCOH above the minimum threshold of 120 over 5 years
 - DCOH at 345 is close to the target level of 350 through the end of Sept. 2027

Staff Recommendation (same as discussed in June 2025):

- No major changes recommended yet
- Adjust the budget in December when there's more certainty on next year's rates
- Staff will assess the financial levers
 - Reassess rate discounts and rate design along with customer product offerings
 - Consider increasing financial liquidity
 - Bank Line of Credit



Review Reserve Targets and Policy

- Ensure SVCE maintains sufficient reserves to manage risks such as those modeled in the Stress Test analysis.
- Set the goal target such that if the stress scenario were to occur, DCOH stays above 120 for the next two fiscal years.
- Set the maximum target (upper target) such that over the next five fiscal years, reserves do not fall below 90 DCOH under the modeled stress scenario

Reserve Targets (DCOH)	Current	Implied Targets*	Proposed
Minimum	120	120	120
Goal (Target)	350	380	350
Maximum (Upper Target)	500	800	500

Staff Recommendation:

- No changes to reserve targets or policy
- Changing the targets has no practical implication, given that the financial outlook does not support contributing to reserves
- Current targets support guidance from credit rating agencies

** Implied targets based on the stress test analyses presented in June 2025.*



Operating Expenses and Transfers

Operating Expenses*	Change (000s)*	Implications/Reasons
Personnel Costs**	\$66	No additional FTE positions requested, COLA 3%, accounting recategorization of consultant fees, other position adjustments, promotions, and actual vacancies.
Other Expenses	\$3,843	Add'l Data Management, PG&E fees, Professional Services, Marketing, and G&A

*Amounts include 5% operating expense contingency

** Proposes no changes to current benefits. Ongoing benefits include SVCE coverage for employees' out-of-pocket premiums for dental and vision expenses. Staff informed the Board at the December 11, 2024, meeting to provide this benefit in 2025, which resulted from expected cost savings from lower rates for other benefits.

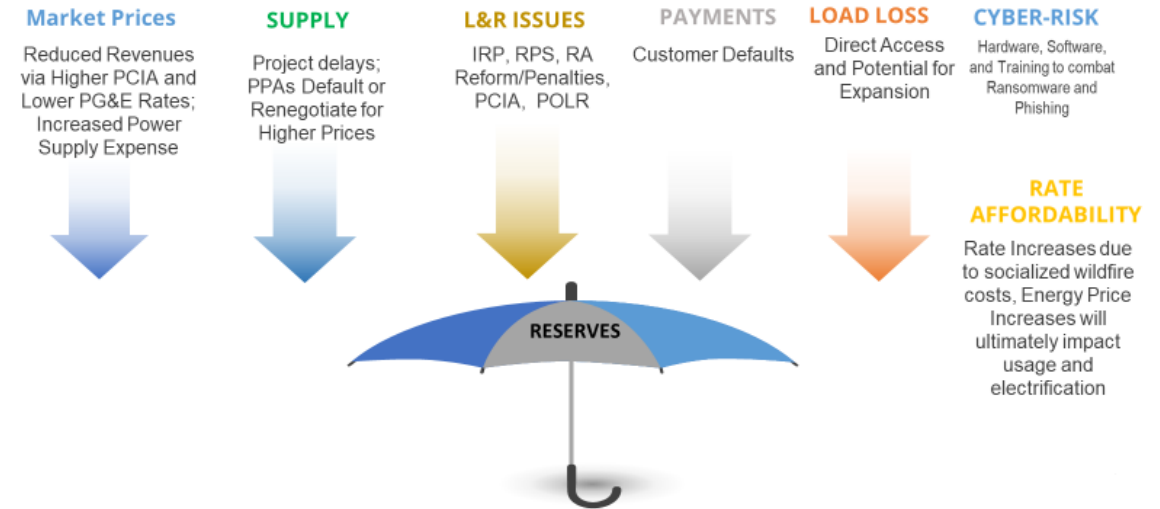
Capital Outlay	Amount (000s)	Implications/Reasons
New Office Furniture	\$462	Estimated furniture cost for new office space, in preparation for potential office move in FY25-26

Transfers	Amount (000s)	Implications/Reasons
Programs Transfer	\$7,251	2% of projected revenues

Summary – Negative Financial Outlook; Results are Highly Uncertain

- The biggest risks include:
 - late-year adjustments to PCIA / PG&E Gen Rate
 - significant price volatility, especially for RA and RPS resources
 - regulatory uncertainty on PCIA and balancing account true-ups from 2025 in 2026
- Revisit customer discounts for 2026 later in the year when there's more certainty on PG&E and PCIA rates
 - 4% customer discount remains for the first three months of the fiscal year (Oct 2025 to Dec 2025)
 - An additional 1% towards bill credits remains for low-income customers
- Staff to assess additional financial levers for managing the 5-year reserve outlook
- No changes to reserve targets or reserves policy

Many Risks can Deplete Reserves





Recommendation

Recommend that the Board of Directors approve the Proposed FY 2025-26 operating budget and not change the current reserve targets or the Reserves Policy.

Thank you! / Questions?

Fiscal Year 2025-2026 Annual Operating Budget

SILICON VALLEY CLEAN ENERGY FY25-26 OPERATING BUDGET (\$ in thousands)

Item 4
PRESENTATION

	FY25-26 ANNUAL BUDGET
DESCRIPTION	
ENERGY REVENUES	
Energy Sales	360,057
Green Prime	2,469
Customer Bill Relief (Existing CARE/FERA)	(4,110)
Other Income	0
TOTAL ENERGY REVENUES	<u>358,416</u>
ENERGY EXPENSES	
Power Supply	368,896
OPERATING MARGIN	<u>(10,480)</u>
OPERATING EXPENSES	
Data Management	3,764
PG&E Fees	1,569
Salaries and Retirement	18,870
Professional Services	10,902
Marketing & Promotions	2,347
General & Administrative	5,742
TOTAL OPERATING EXPENSES	<u>43,193</u>
OPERATING INCOME (LOSS)	<u>(53,673)</u>
NON-OPERATING REVENUES	
Interest Income	21,413
TOTAL NON-OPERATING REVENUES	<u>21,413</u>
NON-OPERATING EXPENSES	
Financing	29
TOTAL NON-OPERATING EXPENSES	<u>29</u>
TOTAL NON-OPERATING INCOME (EXPENSES)	<u>21,384</u>
CHANGE IN NET POSITION	<u>(32,289)</u>
CAPITAL EXPENDITURES, INTERFUND TRANSFERS & OTHER	
Capital Outlay	512
Program Fund	7,251
Nuclear Allocation	0
Customer Bill Relief (Existing CARE/FERA)	0
Additional One-Time Bill Credit for All Customers	0
Hanford Emissions Mitigation Fund	0
Other	0
TOTAL CAPITAL EXPENDITURES, INTERFUND TRANSFERS & OTHER	<u>7,763</u>
BALANCE AVAILABLE FOR RESERVES	<u>(40,052)</u>

(\$ in Thousands)	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Operating Revenue	(Forecast)	(Forecast)	(Forecast)	(Forecast)	(Forecast)
Electricity Sales, Net ¹	\$360,057	\$344,870	\$373,562	\$385,869	\$399,386
GreenPrime Electricity Premium	\$2,469	\$2,510	\$2,336	\$2,309	\$2,361
Reduction in Revenue	\$(4,110)	\$0	\$0	\$0	\$0
Other Income	\$0	\$0	\$0	\$0	\$0
Total Operating Revenues	\$358,416	\$347,380	\$375,898	\$388,178	\$401,747
Operating Expense					
Power Supply	\$368,896	\$377,056	\$390,399	\$389,754	\$409,179
Operating Margin	\$(10,480)	\$(29,676)	\$(14,501)	\$(1,576)	\$(7,432)
Data Management	\$3,764	\$3,952	\$4,149	\$4,357	\$4,575
PG&E Service Fees	\$1,569	\$1,647	\$1,729	\$1,816	\$1,907
Salaries and Retirement	\$18,870	\$19,814	\$20,805	\$21,845	\$22,937
Professional Services	\$10,902	\$11,447	\$12,019	\$12,620	\$13,251
Marketing & Promotions	\$2,347	\$2,464	\$2,587	\$2,717	\$2,852
General and Administration	\$5,742	\$5,526	\$5,803	\$6,093	\$6,397
Transfers to Programs Fund	\$7,251	\$6,948	\$7,518	\$7,764	\$8,035
Total Operating Expenses	\$419,340	\$428,854	\$445,009	\$446,965	\$469,134
Operating Income	\$(60,924)	\$(81,475)	\$(69,111)	\$(58,787)	\$(67,387)
Nonoperating Revenue					
Investment Income	\$21,413	\$16,236	\$11,990	\$10,449	\$8,184
Grant Income	\$0	\$0	\$0	\$0	\$0
Total Non-Operating Revenues	\$21,413	\$16,236	\$11,990	\$10,449	\$8,184
Nonoperating Expense					
Financing Cost	\$29	\$29	\$29	\$29	\$29
Capital Outlay	\$512	\$50	\$50	\$50	\$50
Total Non-Operating Expense	\$541	\$79	\$79	\$79	\$79
Non-Operating Income	\$20,872	\$16,157	\$11,911	\$10,371	\$8,106
Change in Net Position/Available for Reserves					
Begin, Net Financial Position	\$593,981	\$523,874	\$434,778	\$360,355	\$296,351
Adjustment for Program Expenditure and Building Fund ²	\$(30,055)	\$(23,779)	\$(17,224)	\$(15,588)	\$(16,196)
End, Net Financial Position	\$523,874	\$434,778	\$360,355	\$296,351	\$220,873
1. Assumptions: 4% overall discount relative to comparable PG&E rates for calendar year 2025. FY 25-26 includes additional bill credit to low income customers totaling \$4.1 million. 1% discount for 2026-2030. 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. The \$20 million in building Fund is assumed to be spent between FY24-25 and FY25-26.					
Days Cash On Hand (DCOH) at Year End	\$494,189	\$405,094	\$330,670	\$266,666	\$191,188
Days of cash on hand	430	345	271	218	149

5-Year Forecast



Estimated Customer Billing Rate Breakdown and Comparison Y-o-Y

	Residential		Res CARE*		Small Commercial		Medium Commercial		Large Commercial	
	2025**	2026***	2025**	2026***	2025**	2026***	2025**	2026***	2025**	2026***
Rate Schedule	E-TOUC	Est. Avg	E-TOUCL	Est. Avg	B-1	Est. Avg	B-10S	Est. Avg	B-19S	Est. Avg
PG&E Bundled Gen Rate (\$/kWh)	\$ 0.150	\$ 0.108	\$ 0.150	\$ 0.1081	\$ 0.151	\$ 0.105	\$ 0.159	\$ 0.111	\$ 0.145	\$ 0.105
SVCE Gen Rate (\$/kWh)	\$ 0.134	\$ 0.084	\$ 0.134	\$ 0.084	\$ 0.134	\$ 0.083	\$ 0.141	\$ 0.087	\$ 0.128	\$ 0.083
PG&E Delivery Rate (\$/kWh)	\$ 0.286	\$ 0.273	\$ 0.113	\$ 0.108	\$ 0.299	\$ 0.293	\$ 0.216	\$ 0.234	\$ 0.170	\$ 0.202
PG&E PCIA/FF (\$/kWh)	\$ 0.012	\$ 0.023	\$ 0.012	\$ 0.023	\$ 0.011	\$ 0.021	\$ 0.012	\$ 0.022	\$ 0.011	\$ 0.021
Total Electricity Cost (\$/kWh)	\$ 0.432	\$ 0.380	\$ 0.259	\$ 0.215	\$ 0.444	\$ 0.397	\$ 0.369	\$ 0.343	\$ 0.310	\$ 0.306
SVCE CARE/FERA Monthly Credit*	\$ -		\$ (17.50)	\$ (12.00)						
Est. Average Usage (kWh/month)	491	491	491	491	1,851	1,851	22,540	22,540	148,625	148,625
SVCE Gen Rate Discount vs PG&E**	4%	1%	~28%*	~24%	4%	1%	4%	1%	4%	1%
Est. Av. Monthly Savings vs PG&E**	\$ 2.36	\$ 0.53	\$ 19.89	\$ 12.53	\$ 11.18	\$ 1.95	\$ 143.58	\$ 24.95	\$ 865.00	\$ 156.07

*Estimated, based on average historic residential usage and number of CARE/FARE customers as of 6/16/2025.

**Estimated, based on current PG&E rates as of March 1, 2025.

***Estimated, based on CalCCA NewGen Model analysis using market data as of 6/27/2025 (for gen rate and PCIA/FF) and PG&E 2026 ERRR forecast, published on May 15, 2025 (for T&D charges).

- Total CARE bill discount (including T&D) vs average residential PG&E customer, assuming the same usage (491 kWh/month), is about -49% in 2025 and is estimated to be around -50% in 2026 .
- The 2025 monthly savings do not include the one-time August 2025 bill credit, which is equivalent to a 6% additional gen rate discount based on average rate class usage.
- On average, CARE usage is about 9% lower than that of an average residential (E-TOUC) customer.



Typical Customer Bill Savings

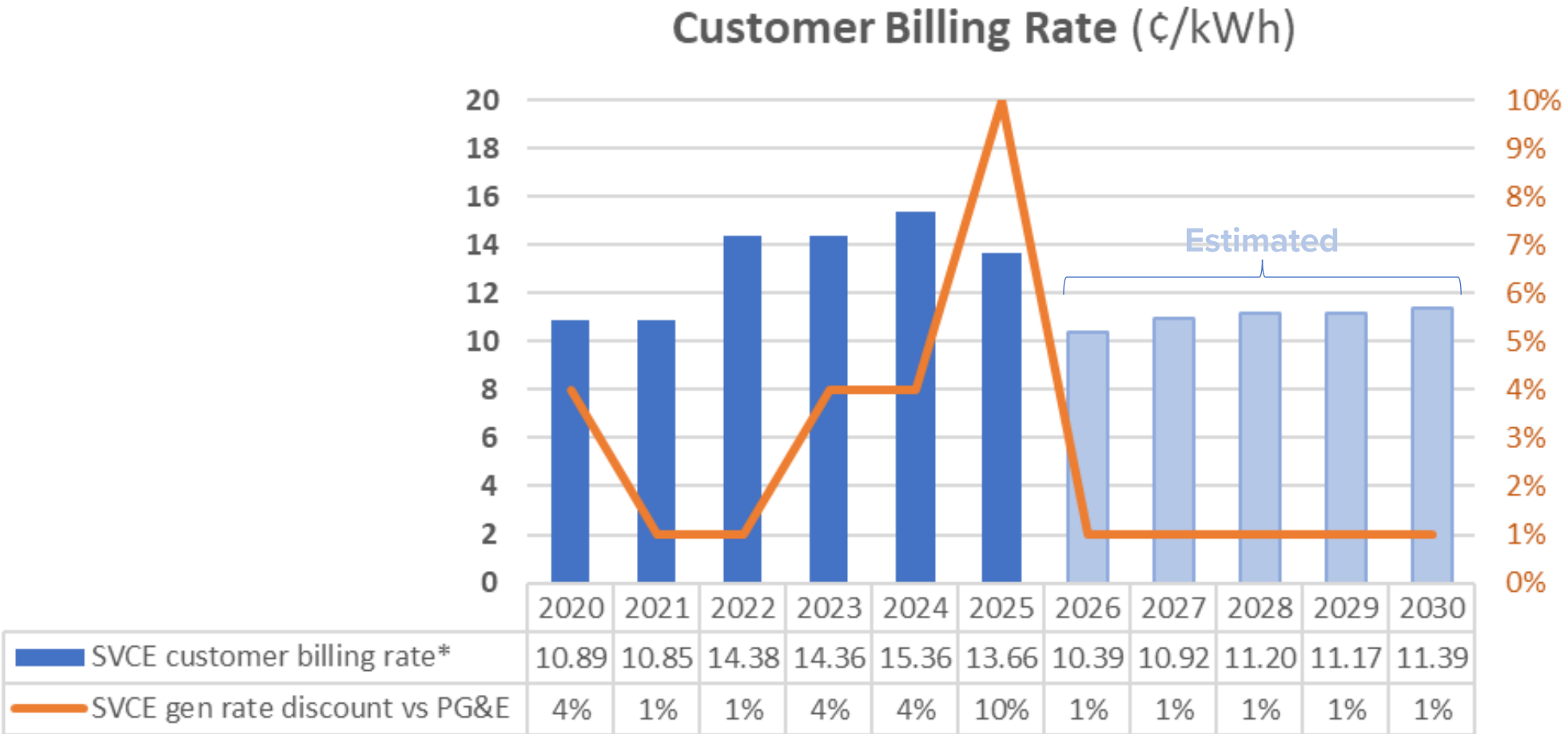
(Current Rates)

	Residential		Res CARE/FERA*		Small Commercial		Medium Commercial		Large Commercial	
	SVCE	PG&E	SVCE	PG&E	SVCE	PG&E	SVCE	PG&E	SVCE	PG&E
Rate Schedule	E-TOUC	E-TOUC			B-1	B-1	B-10	B-10	B-19S	B-19S
Average Usage (kWh/month)	491	491	491	491	1,851	1,851	22,540	22,540	148,625	148,625
Annual Peak Demand (kW)					0	0	0	0	499	499
PG&E Electric Delivery	\$ 140.60	\$ 140.60	\$ 55.60	\$ 55.60	\$ 552.58	\$ 552.58	\$ 4,879.01	\$ 4,879.01	\$ 25,303.41	\$ 25,303.41
Electric Generation	\$ 65.57	\$ 85.14	\$ 65.72	\$ 85.32	\$ 247.72	\$ 320.32	\$ 3,176.34	\$ 4,104.98	\$ 19,068.59	\$ 24,832.27
CARE/FERA monthly bill credit			\$ (17.50)							
PG&E Added Fees (PCIA, Franchise)	\$ 5.78	\$ (11.43)	\$ 5.78	\$ (11.43)	\$ 20.68	\$ (40.74)	\$ 264.39	\$ (520.67)	\$ 1,649.74	\$ (3,248.94)
Average Total Cost	\$ 211.95	\$ 214.31	\$ 109.60	\$ 129.49	\$ 820.97	\$ 832.15	\$ 8,319.74	\$ 8,463.32	\$ 46,021.73	\$ 46,886.73
Average Monthly Savings	\$ 2.36		\$ 19.89		\$ 11.18		\$ 143.58		\$ 865.00	

*Estimated, based on current PG&E rates as of March 1, 2025



Average Effective Customer Billing Rates



*Average effective billing rate inclusive of PCIA, weighted for SVCE portfolio load. The 10% discount for 2025 includes a one-time bill credit, equal to 6% annual discount (up to \$35 million in total additional credits).



CARE and FERA Customer Eligibility Criteria

CARE Income Guidelines

(valid through May 31, 2026)

Number of people in household	Total gross annual household income
1-2	\$42,300 or less
3	\$53,300 or less
4	\$64,300 or less
5	\$75,300 or less
6	\$86,300 or less
7	\$97,300 or less
8	\$108,300 or less
9	\$119,300 or less
10	\$130,300 or less
Each additional person, add	\$11,000

*Before taxes and based on all current income sources.

Eligible low-income customers who are enrolled in the CARE program receive a 30-35% discount (not including additional SVCE discount and bill credits) on their total electric bills and a 20% discount on their natural gas bills.

FERA Income Guidelines

(valid through May 31, 2026)

Number of people in household	Total gross annual household income*
1-2	\$42,301 - \$52,875
3	\$53,301 - 66,625
4	\$64,301 - \$80,375
5	\$75,301 - \$94,125
6	\$86,301 - \$107,875
7	\$97,301 - \$121,625
8	\$108,301 - \$135,375
9	\$119,301 - \$149,125
10	\$130,301 - \$162,875
Each additional person, add	\$11,000 - \$13,750

*Before taxes and based on all current income sources.

FERA offers an 18% discount on total electric rates but not on gas rates. CARE and FERA share one application. If applicants do not qualify for CARE, they might still qualify for FERA.

Eligibility for California Alternate Rates for Energy (CARE) or Family Electric Rate Assistance (FERA) is based on:

- Household income and size, or
- Enrollment in one of the qualifying public assistance programs* (CARE)

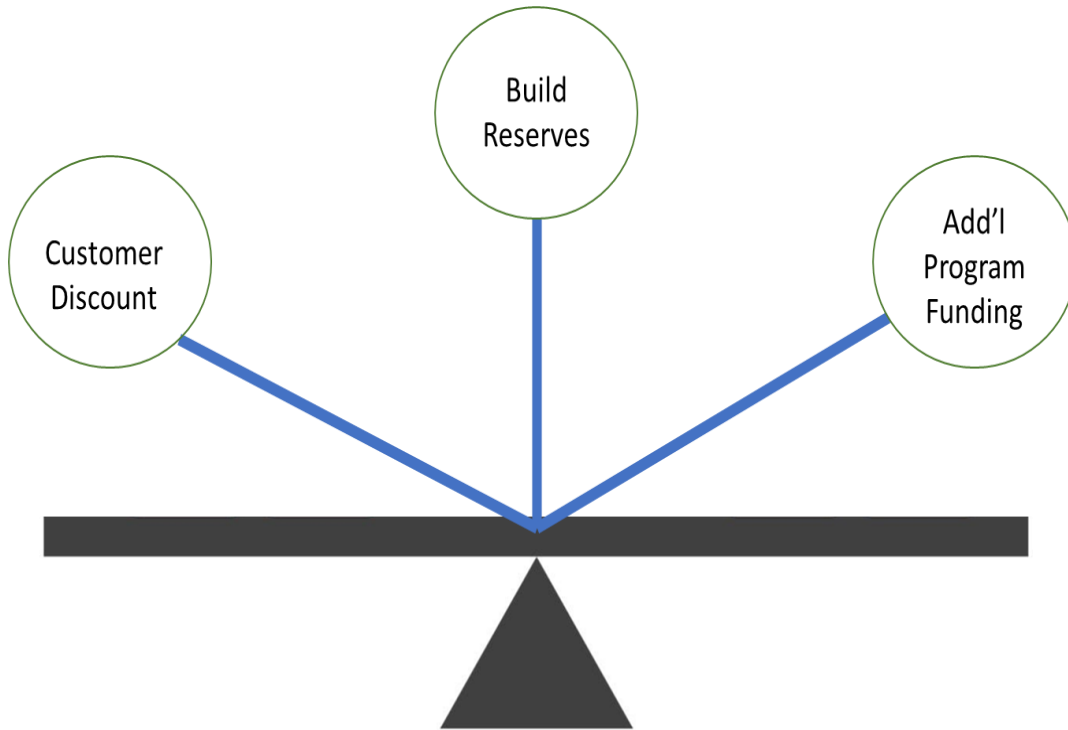
* To qualify through other public assistance programs:

Someone in a household must take part in any of the following public assistance programs:

- Low Income Home Energy Assistance Program (LIHEAP)
- Women, Infants, and Children (WIC)
- CalFresh/SNAP (Food Stamps)
- CalWORKs (TANF) or Tribal TANF
- Head Start Income Eligible (Tribal Only)
- Supplemental Security Income (SSI)
- Medi-Cal for Families (Healthy Families A & B)
- National School Lunch Program (NSLP)
- Bureau of Indian Affairs General Assistance
- Medicaid/Medi-Cal (under age 65)
- Medicaid/Medi-Cal (age 65 and over)*



Balancing Priorities



- 1% customer discount over 12 months of 2026 is ~\$3.7 million
- Monthly Average Bill Savings of 1% Discount:
 - Residential - ~\$0.53
 - Small Commercial - ~\$1.95
 - Medium Commercial - ~\$24.95

- Continue to provide competitively priced and high-value 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



Power Supply Costs

Fiscal Year 2026 (Oct '25– Sep '26) costs, forecasted at \$368.9 million dollars, are estimated to be \$19.4M higher than the FY2025 (Oct '24- Sep '25) forecast at mid-year budget (\$349.5MM)

Favorable Drivers:

- \$1.4MM lower ISO charge costs based on forecast updates from historical data

Offset by Additional Costs:

- \$3.9MM higher RA costs due to increased contract costs to procure MTR products at a premium to system RA
- \$7.1MM higher cost of Environmental products due to increased procurement costs with PPA at-risk, expected higher 2026 RPS MPB
- \$9.8MM higher cost of energy supply due to an increase in energy market prices, and a higher energy net open position



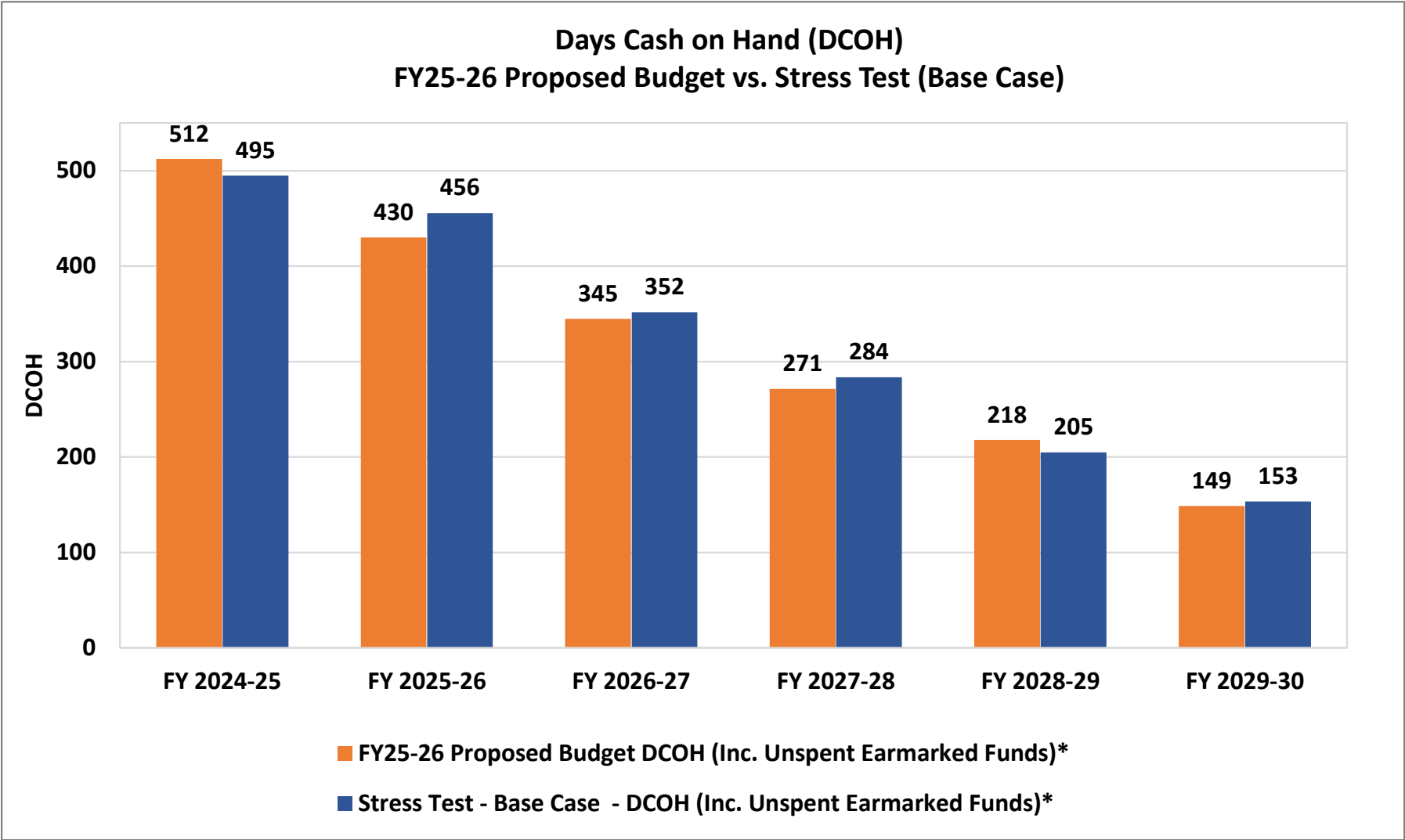
Reserve Target Definitions

Current Reserve Targets:

- Minimum Reserve Level: **120 DCOH**
 - If reserves fall below the minimum level, develop plans to restore them to the minimum level within two fiscal years.
- Reserve Goal: **350 DCOH**
 - No action required if the reserves are above the minimum and below the maximum levels.
- Maximum Reserve Level: **500 DCOH**
 - If reserve funds are projected to exceed the maximum level, present the Board of Directors with options for disposition of those reserves during the next budget cycle.



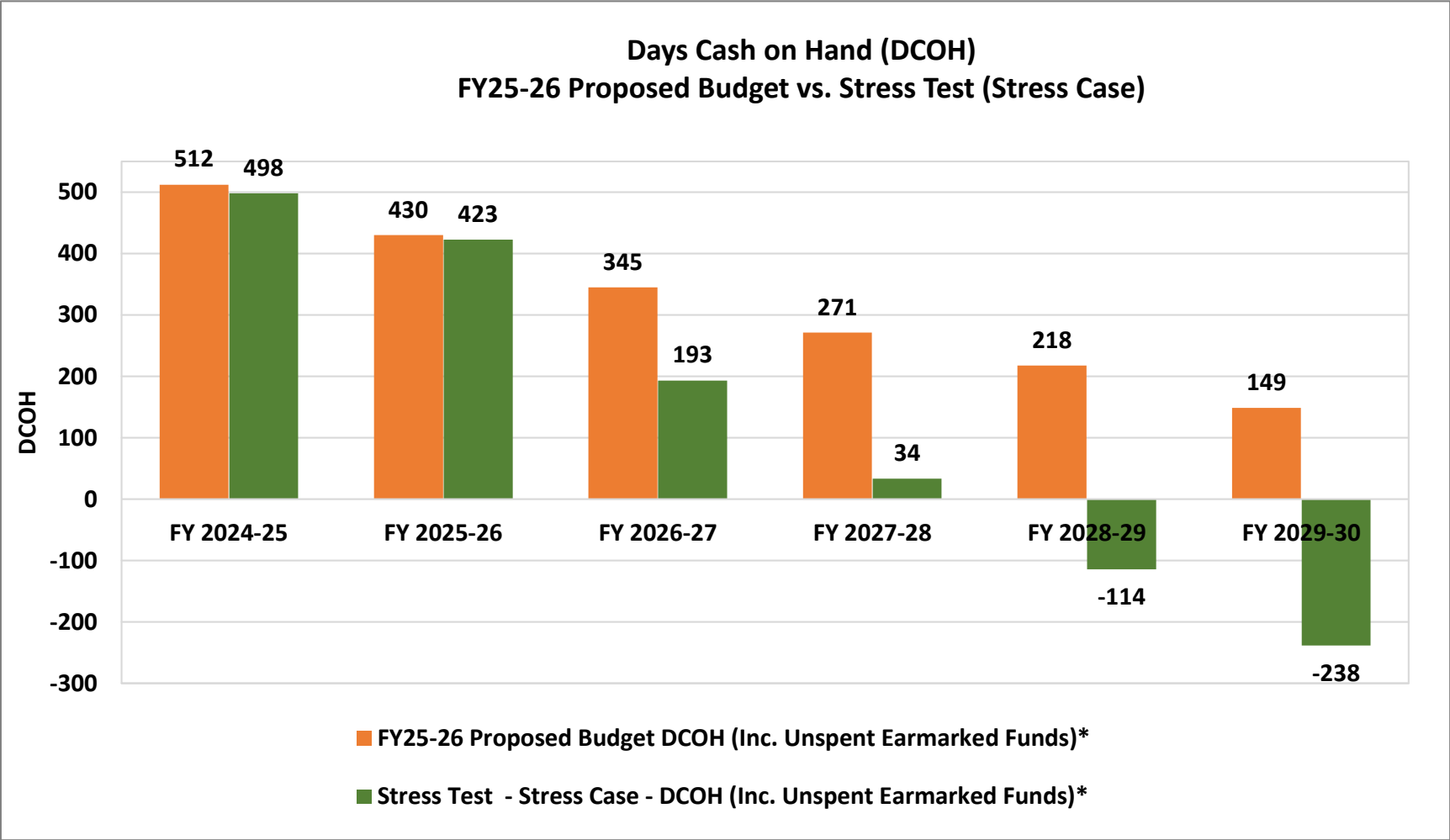
DCOH Compared to Stress Tests (Base Case)



** Earmarked funds are unspent SVCE Program Funds and Remaining Building Funds.*



DCOH Compared to Stress Tests (Stress Case)



** Earmarked funds are unspent SVCE Program Funds and Remaining Building Funds.*

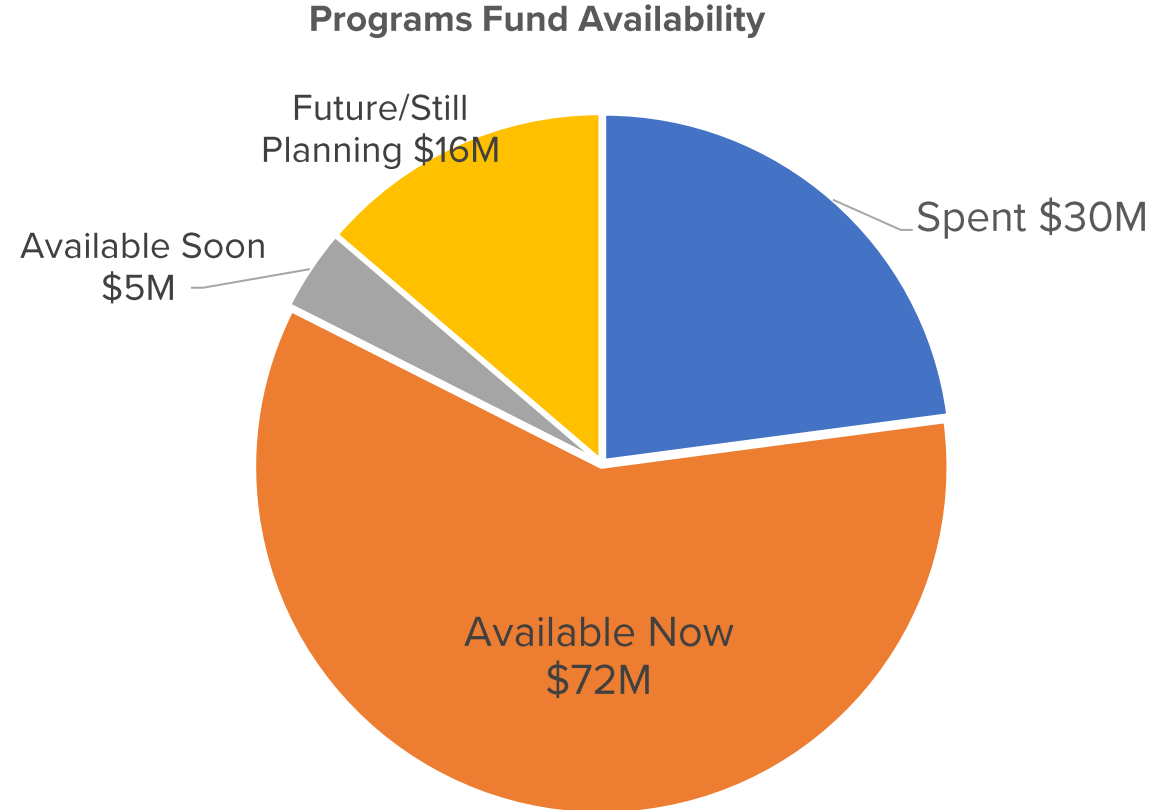


Programs Capacity is Increasing

\$130M allocated over the last 6 years

\$75M allocated over the last 3 years

Some programs are open multiple years so may take time to ramp up spending



Spent: Already paid out to customer or vendors

Available Now: 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: In a planning phase, but will plan to launch in 2025

Future/Still Planning: Won't launch until 2026 or after and funds not currently allocated to a program

Current Budgeted Staffing

- **62** Full-time Employees (5 Vacancies)
- 3 intern positions
- 3 Part-time Employees
- 3 Climate Corps Fellows
- 1 Long-term Independent Consultant

No additional headcount request for FY25-26.

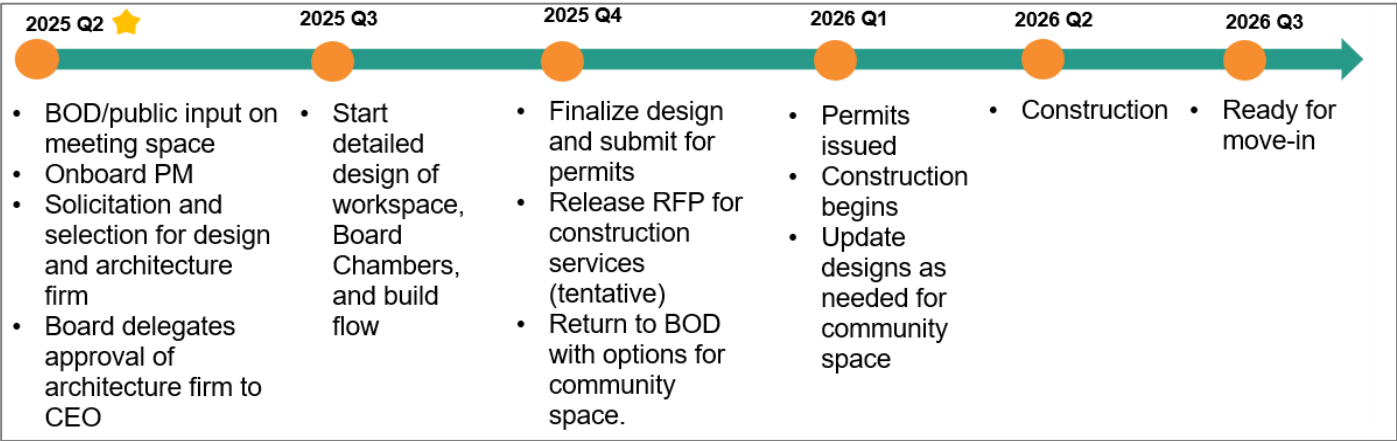
FY FTE Request Summary	FTE
Authorized in the FY24-25 Annual Budget	62
Authorized in the Midyear 24-25 Budget	+5
Current Authorized FTE Total	67



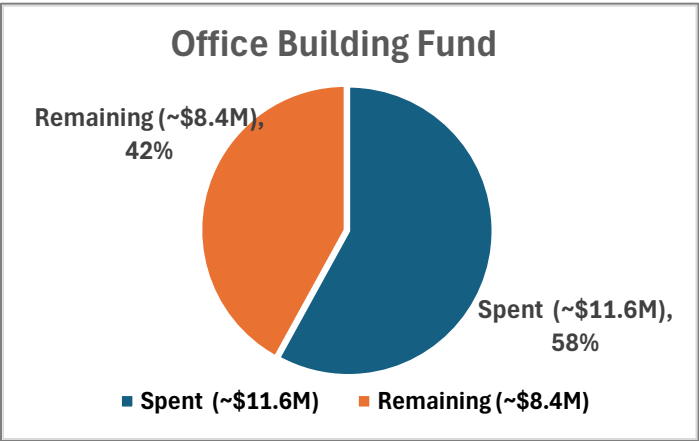
SVCE New Office Space Budget Update

SVCE Closed the Purchase of 298 S. Sunnyvale Ave. Office Space in Feb 2025

- BOD approved allocation of \$20M to the Office Building Fund during FY23-24 Midyear Budget in 2024
- Since closing of the purchase, staff has been working through design, permitting, and constructions for an anticipated office move around 2026 Q3
- Remaining building fund will continue to be allocated for construction and renovation of the office space, Board Chamber, and a “warm shell” for the community space
 - Staff will return to the Board with full options for the community space including associated budget
- Other capital costs such as office furniture and on-going facility operating costs have been included in the Proposed FY25-26 budget



**Timeline subject to change*





Medium-Term Load Forecast by Sector

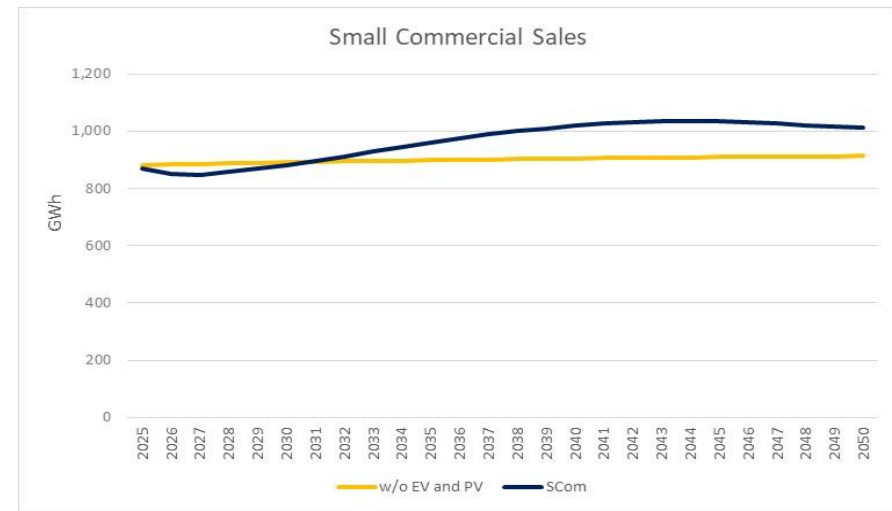
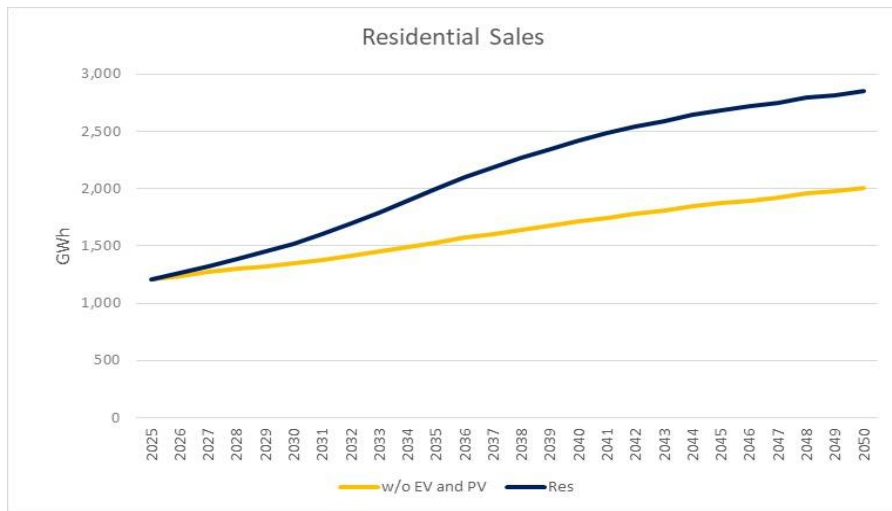




Sales by Class

Share of SVCE Sales by Class

	2025	2030	2035	2045	Driver
Residential	31%	35%	40%	47%	Load Modifiers
Small Medium	22%	20%	19%	18%	Near-term: BTM PV, Long-term: public EV charging
Large	38%	35%	32%	28%	Economy (no new data centers)
Agriculture	1%	1%	1%	1%	Held Constant
Lighting	0%	0%	0%	0%	Change in Residential Customers, but minimal impact





Glossary

- **RPS** – Renewable Portfolio Standard - The RPS program requires investor-owned utilities (IOUs), publicly owned utilities (POUs), electric service providers (ESPs), and community choice aggregators (CCAs) to increase procurement from eligible renewable energy resources to 60% of total procurement by 2030. RPS eligible resources include solar, wind, small hydro, biomass and geothermal.
- **RA** – Resource Adequacy - Under its Resource Adequacy (RA) program, the California Public Utilities Commission (CPUC) requires load-serving entities—including investor-owned utilities (IOUs), electric service providers (ESPs), and community choice aggregators (CCAs)—to demonstrate in both monthly and annual filings that they have purchased capacity commitments to contribute their share of system reliability.
- **MTR** – Mid-Term Reliability – Procurement order issued by the CPUC to focus on securing sufficient online resources to ensure reliability through at least 2028.
- **PCIA** – Power Charge Indifference Adjustment - Designed to recover the above market cost of long-term power purchased on behalf of customers who later departed the IOU to be served by a CCA. The calculation methodology is set by the CPUC, and the amount is calculated annually, with vintages set for each year of customer departures.
- **OIR** –Order Instituting Rulemaking - A procedural document that is issued by the CPUC to start a formal proceeding. A draft OIR is issued for comment by interested parties and made final by vote of the five Commissioners of the CPUC.
- **ERRA** – Energy Resource Recovery Account - ERRA proceedings are used to determine fuel and purchased power costs which can be recovered in rates. The utilities do not earn a rate of return on these costs, and only recover actual costs. The costs are forecast for the year ahead, and actual costs are retroactively trued-up via balancing accounts.
- **MPBs** – Market Price Benchmarks - estimated values per unit associated with key components of energy portfolios, such as the Energy Index, Renewable Portfolio Standard (RPS) Adder, and Resource Adequacy (RA) Adder.



SVCE Planning & Budgeting Process

