

Vacancies, Recruitment & Retention

(Compliance with AB 2561)

SVCE Board of Directors
August 13, 2025

Assembly Bill (AB) 2561 (McKinnor) amended the Myers-Milias-Brown Act (MMBA) to add Government Code Section 3502.3.

Requirements:

Public agencies shall hold a public hearing to present:

- Status of vacancies
- Recruitment and retention efforts
- Any identified changes to policies, procedures or recruitment activities

Additionally:

- The hearing should be held once per fiscal year before budget adoption
- Employee bargaining units are entitled to present (SVCE has none)

The new law took effect on January 1, 2025, and applies to all public agencies.

Vacant Role	Department	Status	Approval
Associate Finance, Data, Risk Analyst	Finance & Administration	Final Interviews	Mid-year Budget 3/12/2025
Energy Services Specialist (Key Accounts)	Customer Success	Developing Job Description	Mid-year Budget 3/12/2025
Energy Services Specialist (Demand Flex Manager)	Customer Success	Panel Interviews	Mid-year Budget 3/12/2025
Resource Planner	Regulatory, Policy, Planning, and Legislative	Re-posting / realignment	Mid-year Budget 3/12/2025
Senior Energy Specialist	Customer Success	Panel Interviews	Backfill - employee moved to new mid-year budgeted role - June 9th

Vacancy:

- Currently, SVCE holds an 7.5% vacancy rate for Full Time roles (5 vacant /67 FTEs)
 - Those vacant are based on the new roles approved in mid-year budget

Recruitment:

- SVCE supports a comprehensive selection process with a recently (2024) modernized recruitment system which streamlines selection, improves candidate and hiring team experience, and automates job postings to both free and paid job sites to broaden exposure to qualified candidates



Retention – Full-Time Employees

Fiscal Year: 2024 / 2025 Retention

Period	Starting Headcount	Ending Headcount	Retention Rate
FY 2024/2025	58	62	100%

- No turnover Fiscal Year 2024-25 to date
- Retention efforts include competitive compensation and benefits, and a culture of connection, development, and balance

- **Hiring timelines, vacancy rates, and retention percentages are acceptable when compared with industry trends and business needs.**
- **Staff will continue to optimize the below recruitment strategies:**
 - Use of LinkedIn, Government Jobs, other niche recruitment marketing, and external recruiters when required for hard-to-fill roles
 - Regular evaluations of benefits and compensation to ensure competitive total rewards
- **No change in Board-approved policies and/or internal practices are required that would lead to obstacles in the hiring process.**

Prepay Transaction Request for Approval

Amrit Singh
SVCE Board of Directors
August 13, 2025

Purpose

Action: Adopt Resolution 2025-16 to 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



Adopt Resolution to 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 California Community Choice Financing Authority (CCCFA) Board Approval thereafter
- Target bond issuance for August/September 2025. Timing will depend on market conditions.



Recommendation

Staff recommends that the Board of Directors adopt Resolution 2025-16 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 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 <ul style="list-style-type: none">- 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	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• February 1, 2052.
Discount Achieved	<ul style="list-style-type: none">• \$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	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• July 1, 2053.
Discount Achieved	<ul style="list-style-type: none">• \$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	<ul style="list-style-type: none">• ~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	<ul style="list-style-type: none">• May 1, 2054
Discount Achieved	<ul style="list-style-type: none">• \$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)

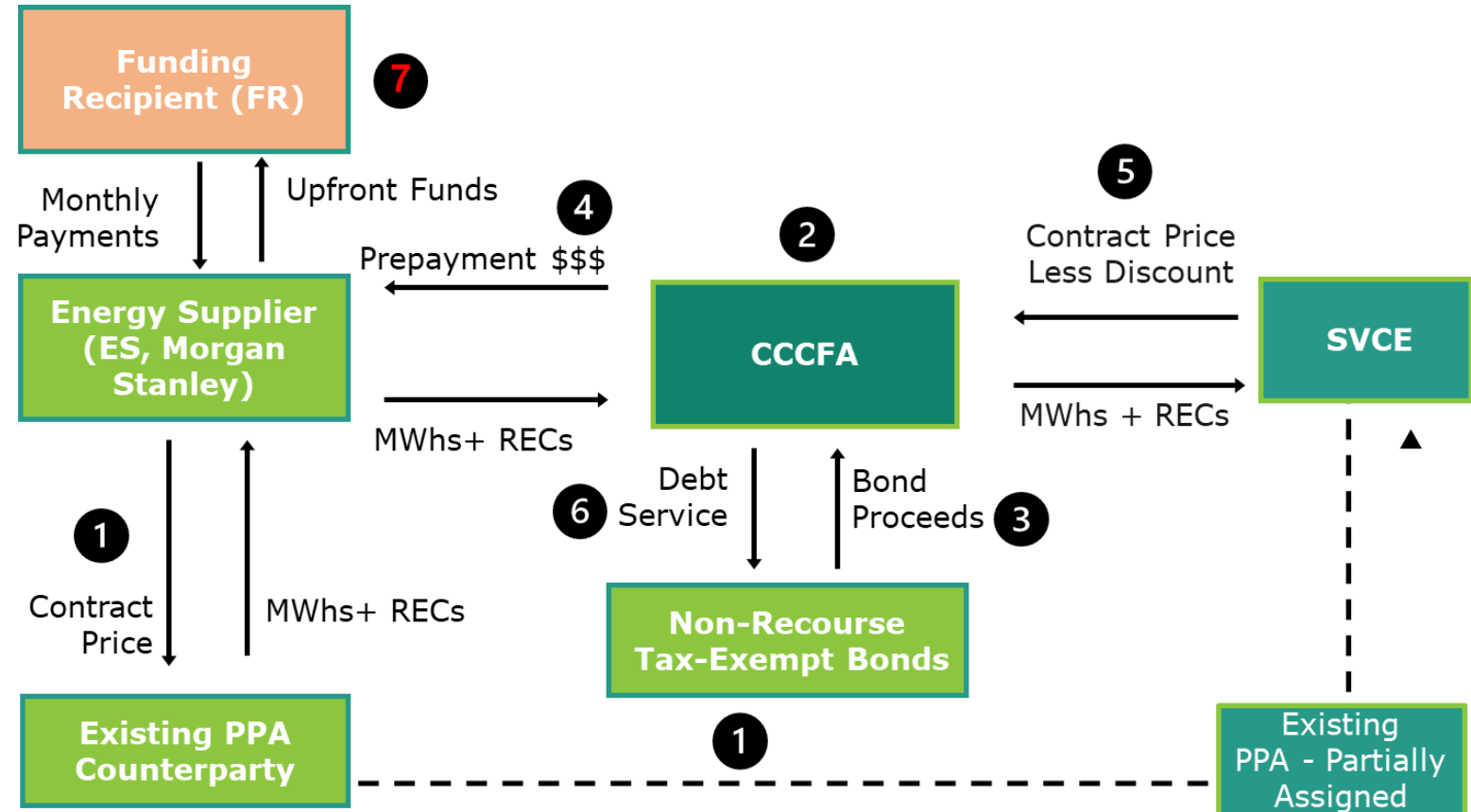
Cost of Issuance (COI)	\$ in 000's
Bond and Tax Counsel: Ballard Spahr	250
Credit Rating: Moody's	273
Issuer's Counsel and Disclosure Counsel: Chapman & Cutler LLP	175
Municipal Advisor: PFM Financial Advisors LLC	155
Investment Advisor: PFMAM (US Bank)	30
Trustee: BNY Mellon Corporate Trust	41.4
Trustee 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.



A background image of a green hill with several wind turbines. The image is overlaid with a semi-transparent blue filter. A white horizontal line is positioned above the main title text.

Item 5: Authorize the Chief Executive Officer to Execute a Power Purchase Agreement with IP Darden, LLC

**SVCE Board Meeting
August 13, 2025**

Authorize the Chief Executive Officer to execute an agreement with IP Darden, LLC for the procurement of co-located solar energy and battery energy storage system (BESS) in substantial form and any non-substantive sequential amendments and ancillary agreements as follows:

1. IP Darden LLC (PPA)

- a) Up to 93.01 MW, or approximately 250,000-270,000 MWh per year
- a) 91.48 MW or 365.92 MWh 4-hour battery energy storage
- b) 10-Year term PPA with expected commercial operation dates (COD) and term from June 1, 2028, through May 31, 2038.
- c) Total amount not-to-exceed \$330,000,000



Executed Long-Term PPAs

SVCE has 9 of its 24 PPAs online

- 9 PPAs Online
- 625 MW of nameplate capacity online
- 1,571 MW of nameplate capacity executed
- 78% RPS expected in 2030

	Seller	Project Name	Technology	Generation MW	Storage MW	Storage MWh	Term (years)	SVCE Board Approval	Status
1	MN8	Slate	Solar + Storage	93	46.5	186	17	Oct-18	Online
2	Ormat	Casa Diablo	Geothermal	7			10	Feb-20	Online
3	Atlantica	Coso	Geothermal	43.8			15	Mar-20	Online
4	Leeward	Rabbitbrush	Solar + Storage	40	8	20	15	Apr-20	Online
5	NextEra	Yellow Pine	Solar + Storage	50	26	104	20	May-20	Online
6	AES	Mountain View	Wind	33.3			20	Apr-21	Online
7	Clearway	Victory Pass	Solar + Storage	100	25	100	15	May-21	Online
8	Terra-Gen	Cameron Crest	Wind	77.7			15	May-21	Online
9	AES	Baldy Mesa (RA-only)	Storage	0	75	300	10	Sep-22	Online
10	Avantus	Aratina	Solar + Storage	80	50	200	20	Jun-20	Construction
11	174 Power Global	Atlas	Solar	50			10	Jan-21	Pre-construction
12	SB Energy	Angela	Solar + Storage	20	10	40	15	Mar-21	Construction
13	Origis	San Luis West	Solar + Storage	62.5	15.625	62.5	15	Apr-21	Pre-construction
14	ev Renewable	Tumbleed	Long Duration Storage		15.9375	127.5	15	Feb-22	Construction
15	Ormat	Geothermal Portfolio	Geothermal	16.75			20	Jun-22	Pre-construction
16	OME	Fish Lake	Geothermal	1.82			20	Jun-22	Pre-construction
17	Middle River Power	Hanford	Thermal + BESS	99.4	131.4	131.4	12	Apr-23	Construction
18	NextEra	Grace	Solar	120			15	Aug-23	Pre-construction
19	NextEra	Yellow Pine III	Storage	0	24	96	15	Aug-23	Pre-construction
20	NextEra	Yellow Pine III	Long Duration Storage	0	9	72	15	Aug-23	Pre-construction
21	Pattern	SunZia	Wind	100			15	Nov-23	Construction
22	VCI Energy	Glossy Garlic	Solar + Storage	50	50	200	10	Oct-24	Pre-construction
23, 24	Pattern	SunZia Wind North & South	Wind	25			10	May-25	Construction



Summer 2024 Procurement Efforts

SVCE Procurement Goals:

- Renewable Portfolio Standard (RPS)
- Integrated Resource Plan (IRP) GHG Reductions
- Mid-term Reliability (MTR) Procurement Order
- Portfolio Diversity
 - Technology
 - Geography
- Resource Adequacy
- Carbon Free Energy & Standalone Storage Projects
- Term: minimum 10 years

June 2024

- Issued RFO – seeking diverse RPS & MTR Resources

Fall 2024

- Cluster 15 resources prioritized in short-term

2025

- Darden shortlisted and negotiated



IP Darden III, LLC

- ~6% of SVCE's retail sales
- IRP GHG reduction target
- 75% RPS by 2030
- SB100 Clean Energy target of 100% by 2045
- Meets long-term RPS requirements
- Supports GreenStart and GreenPrime
- Provides 70 MW of MTR capacity
- Provides Resource Adequacy
- Support future prepaids

Project

- Darden III Project
- Fresno County, CA
- Parent Company: Intersect Power, LLC

Project Size

- 91.48-93.01 MW New Solar, subject to final engineering design
 - To be confirmed by Intersect Power shortly after execution
- 91.48 MW New 4-hour Battery Storage

Products

- 250-270 GWh annual PCC1 Renewable Energy
- MTR and RA countable

Expected Delivery Term Start

- 10-year, Mid 2028

Contract Price Structure

- Fixed price (\$/kW-mo) for Resource Adequacy and (\$/MWh) for Metered Energy. No Escalator



Annual RPS Progress

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

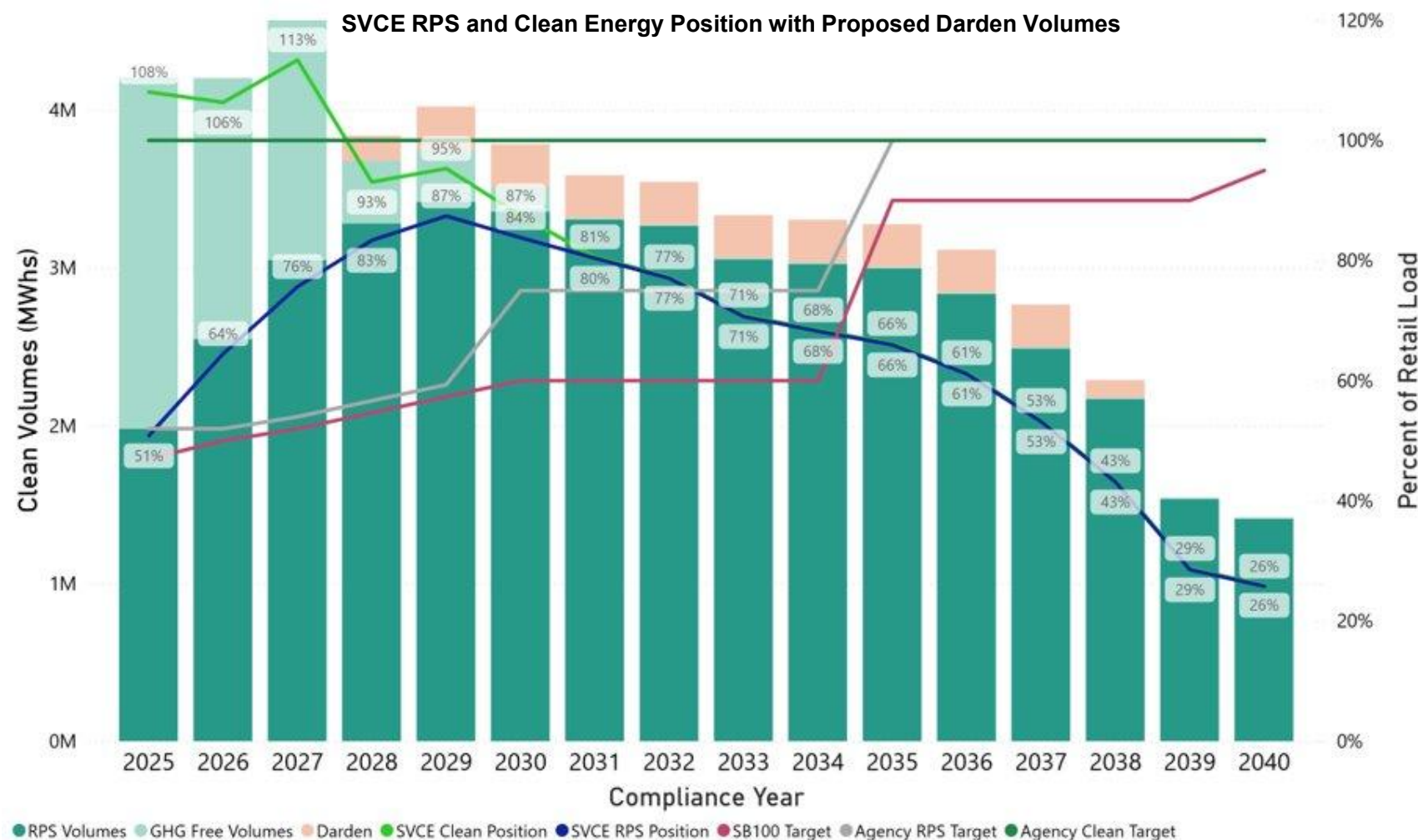
SB100 Carbon Neutral targets per SB 1020

60% by 2030

90% by 2035

95% by 2040

100% by 2045





Compliance with Long-Term RPS Procurement Mandate

- SB350 requires 65% of RPS to come from long-term (≥ 10 years) contracts
- Darden adds to Compliance Period 6 obligations

	CP #6 2028-2030
1. State Mandated RPS per Compliance Period - % of Retail Sales	57%
2. State Mandated % of Mandated RPS (Row #1) to be Contracted Under RPS Long-term Contracts	65%
3. State Mandated % of Retail Sales with RPS Long-Term Contracts (Row 2 * Row 1)	37%
4. SVCE: Current Compliance with Row #3: Existing RPS Achieved with Long-term Contracts	73.6%
5. SVCE: RPS Achieved with Darden agreement	79.1%
Open Position relative to State Mandate (Row #3) +Above / (-) Short	+42.1%



Energy and Reliability Portfolio

Darden will increase clean energy and capacity

Darden increases Clean Energy by Solar by 6%

Darden increases Clean RA peak Capacity by 4%

Darden provides 70 MW of MTR eligible capacity in 2028

Estimated for 2030	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	412	10%	7%
Solar with Darden	2218	51%	12%
Wind	713	16%	10%
Large Hydroelectric	915	21%	0%
Battery Storage with Darden	0	0%	4%
Natural Gas RA-only	0	0%	52%
Hanford - Natural Gas	70	2%	14%
Total	4,328	100%	100%



Darden Project Risk

All power supply projects carry risk which may be managed through sound contract provisions, proper portfolio oversight and diversification of technology, location, tenor and counterparty.

- Development Risk – pre on-line
 - Intersect has site control for Darden
 - Local and other use permits are complete, under CEC "Opt-In Certification" Program
 - CAISO interconnection underway (Cluster 14)
 - Supply-chain and labor cost
 - Financing & Tariff Risk
 - Contract allows for a level of storage rate adjustment mirroring tariff changes to accommodate uncertainty and developer costs
- Performance Risk – post on-line
 - PV generation
 - Energy & RA value
 - BESS Operations



Darden III Project diversifies SVCE's portfolio while meeting clean objectives

- Contributes an additional 6% of RPS-eligible energy on an annual basis
- Helps meet clean energy goals, SB 100, SB 350 and SB 1020
- Reduces GHG emissions
- Can provide Resource Adequacy capacity
- Can provide MTR attributes for 2028
- Co-located solar and storage balance hourly clean energy and capacity positions
- Provides net positive portfolio value
- Can support future prepay volume needs

Authorize the Chief Executive Officer to execute an agreement with IP Darden, LLC for the procurement of co-located solar energy and battery energy storage system (BESS) in substantial form and any non-substantive sequential amendments and ancillary agreements as follows:

1. IP Darden LLC (PPA)

- a) Up to 93.01 MW, or approximately 250,000-270,000 MWh per year
- a) 91.48 MW or 365.92 MWh 4-hour battery energy storage
- b) 10-Year term PPA with expected commercial operation dates (COD) and term from June 1, 2028, through May 31, 2038.
- c) Total amount not-to-exceed \$330,000,000

FY 25-26 Proposed Operating Budget Review

Amrit Singh
Board of Directors
August 13, 2025

Purpose

In preparation for adopting the budget in September, review and provide feedback on the Proposed 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

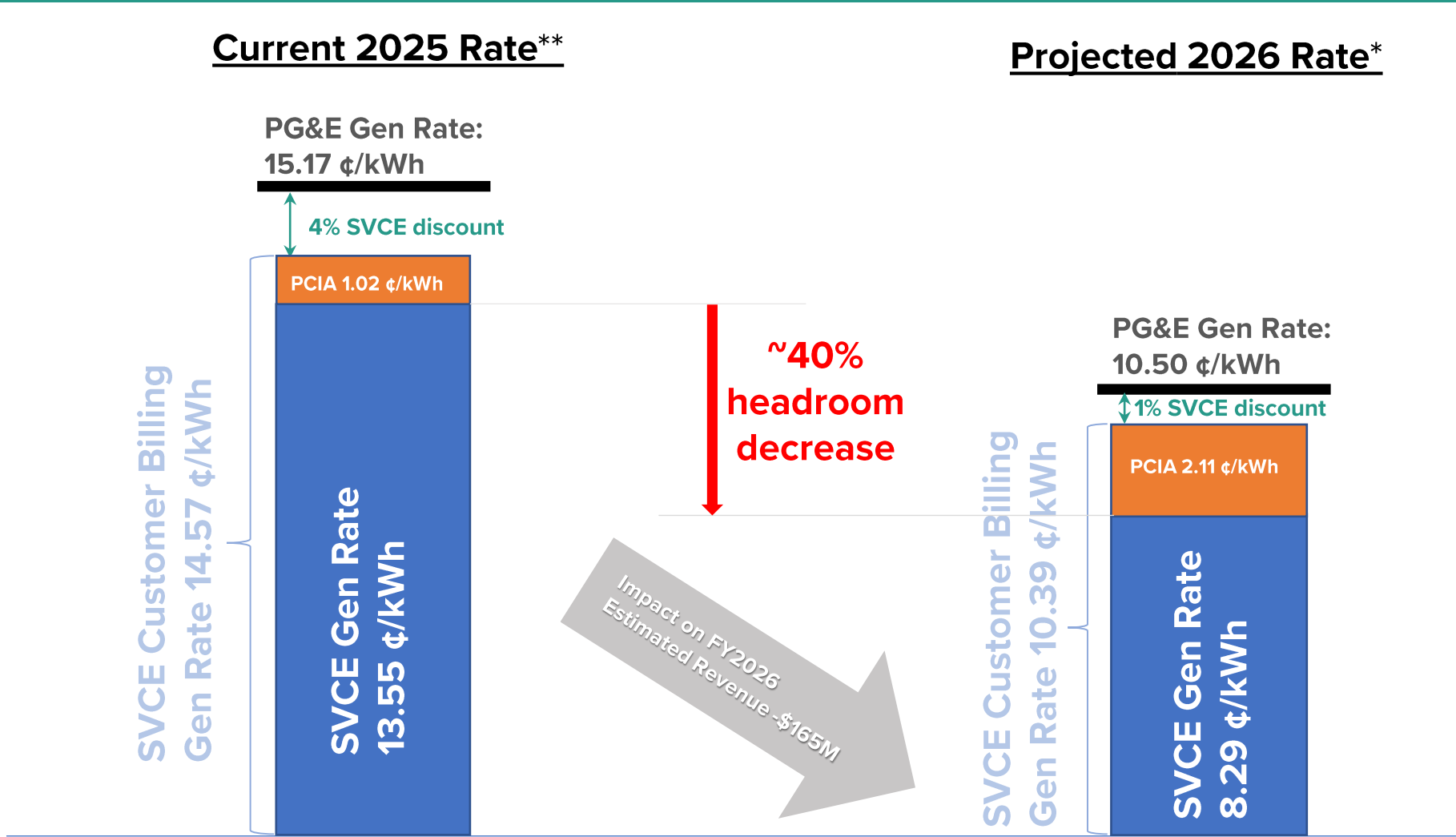
- Lower revenue from anticipated high PCIA and lower PG&E Generation rates
- Power Supply Cost increases mainly due to portfolio position changes, compliance obligations, and increases in energy cost
- Program Fund allocation is lower due to reduced revenue
- Customer Bill Relief is shown as a reduction 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	<u>174,056</u>	<u>(10,480)</u>	<u>(184,536)</u>	<u>-106.0%</u>
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	<u>56,458</u>	<u>7,763</u>	<u>(48,695)</u>	<u>-86.2%</u>
BALANCE AVAILABLE FOR RESERVES	<u>98,057</u>	<u>(40,052)</u>	<u>(138,109)</u>	<u>-140.8%</u>

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)

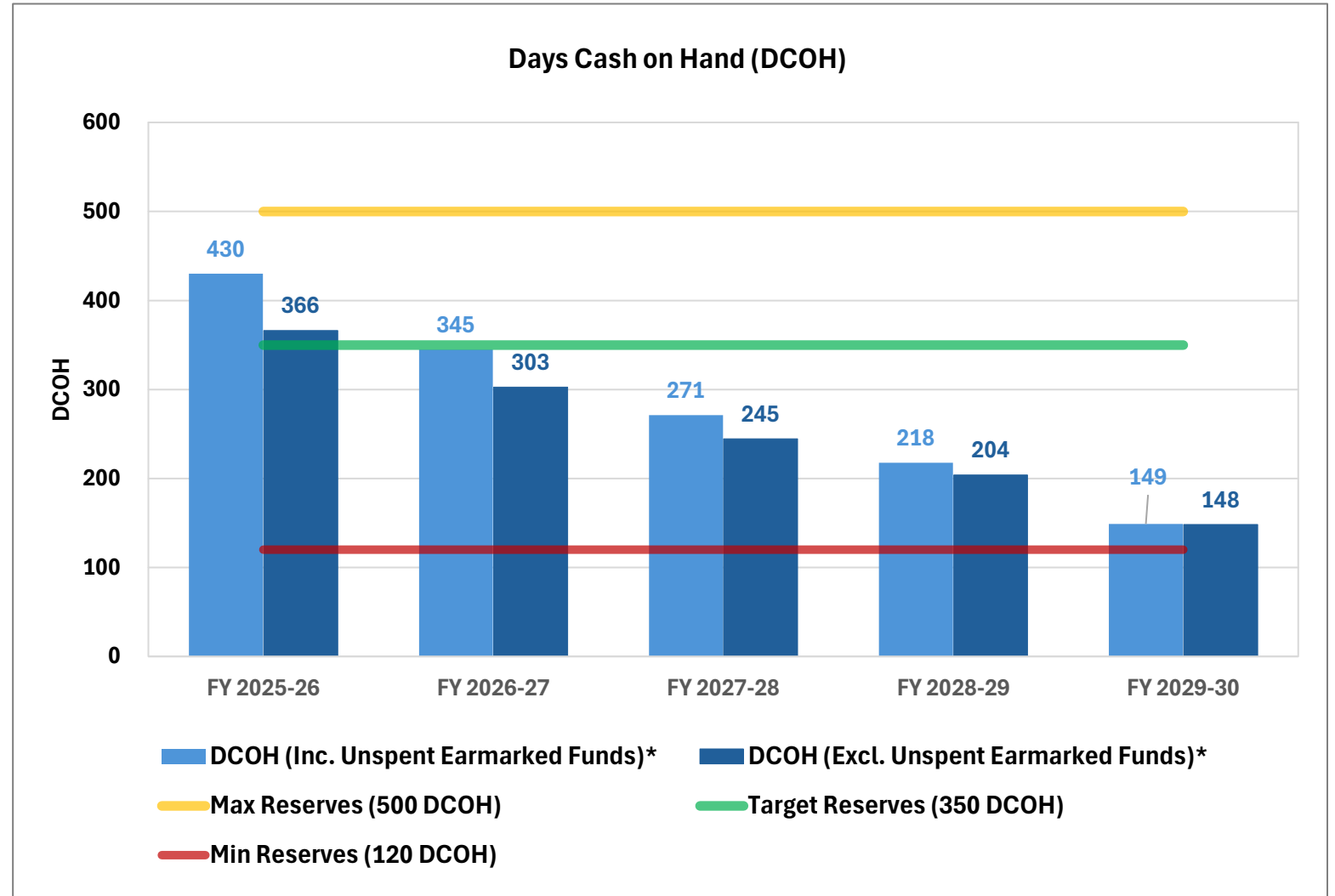
Above margin analyses ignores minor reductions for franchise fees (0.1¢/kWh)



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.

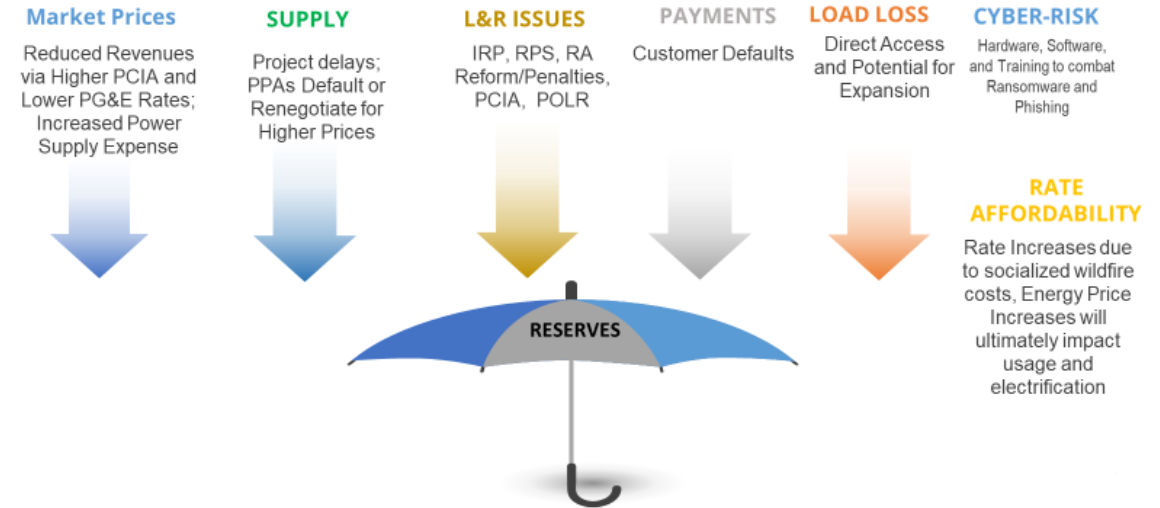
Capital Outlay	Amount (000s)	Implications/Reasons
New Office Space Expenditures	\$462	Estimated new office space expenditures, in preparation for potential office move in FY25-26

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

Provide feedback on the Proposed FY 2025-26 operating budget and staff's recommendation to maintain the current reserve targets with no changes to the current Reserves Policy.

Thank you! / Questions?

Fiscal Year 2025-2026 Annual Operating Budget

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

Item 6
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
<p>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.</p> <p>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.</p>					
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

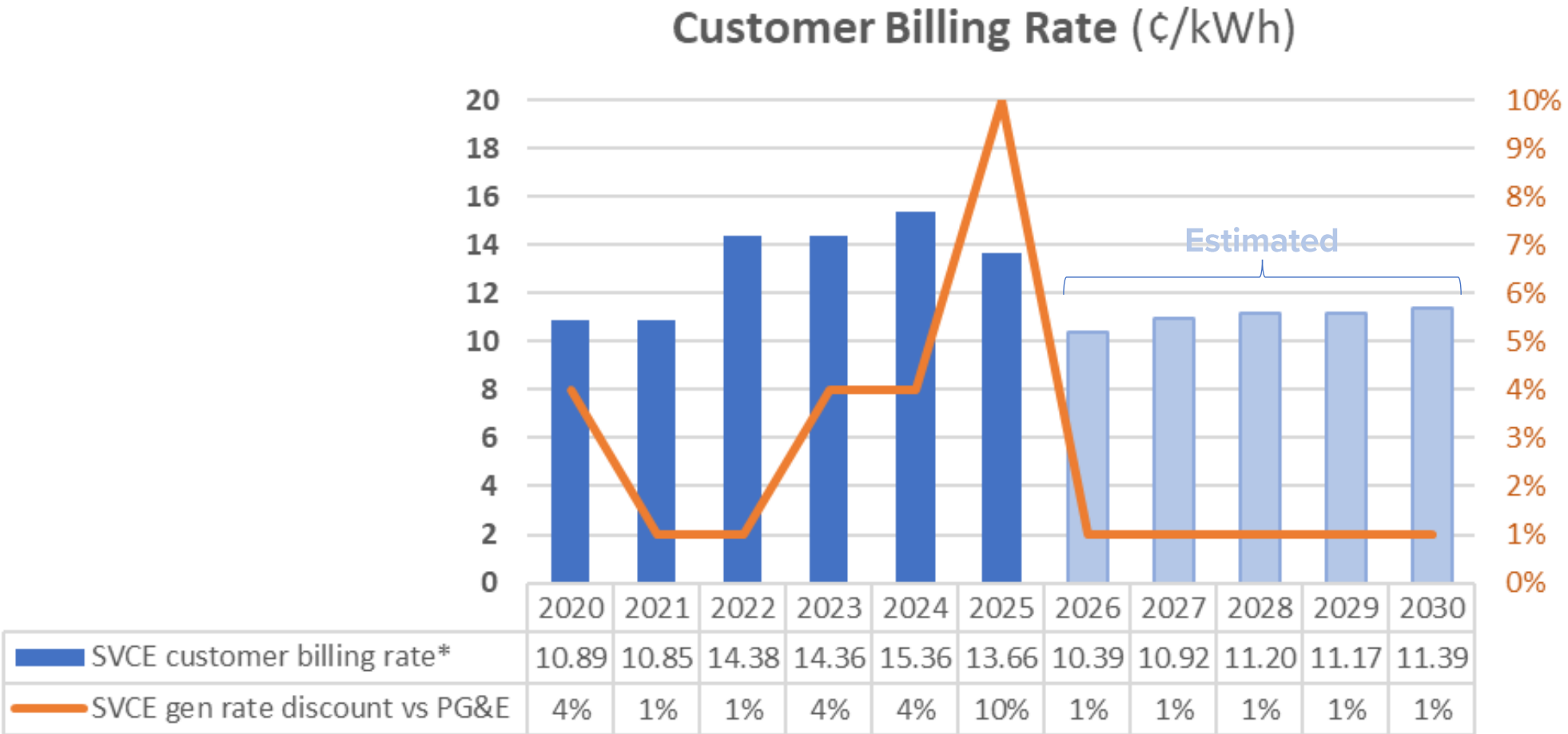
(Current Rates)

	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.

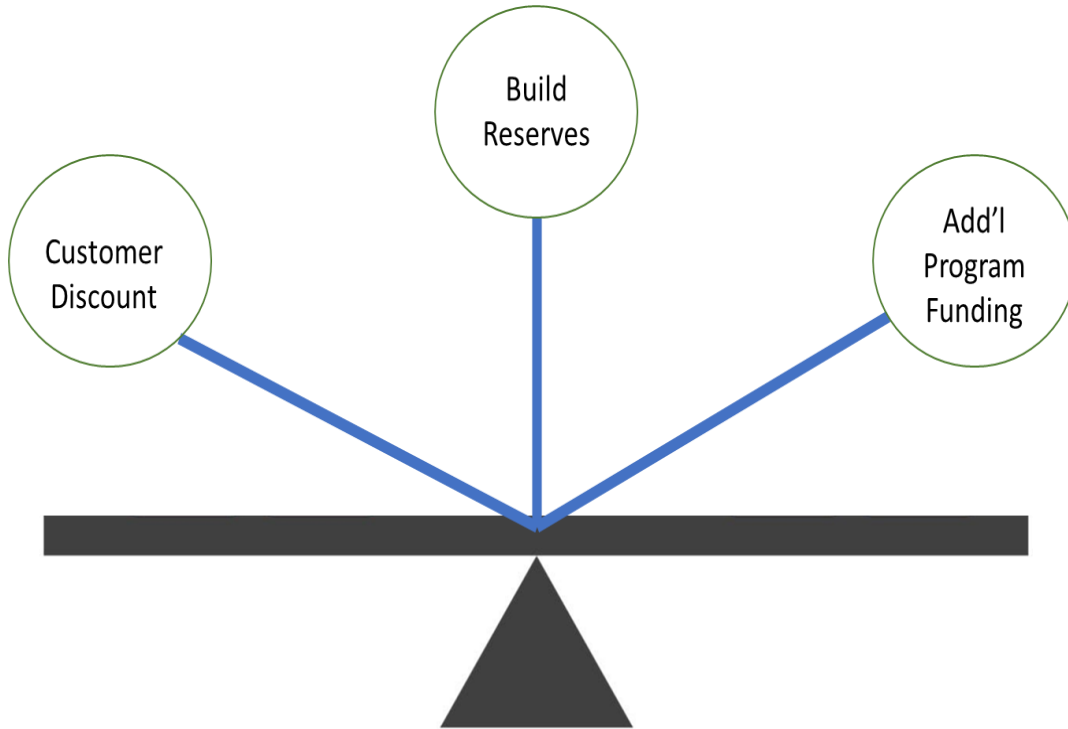
For CARE, eligibility can also be obtained through enrollment in one of the qualifying public assistance programs*

* 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



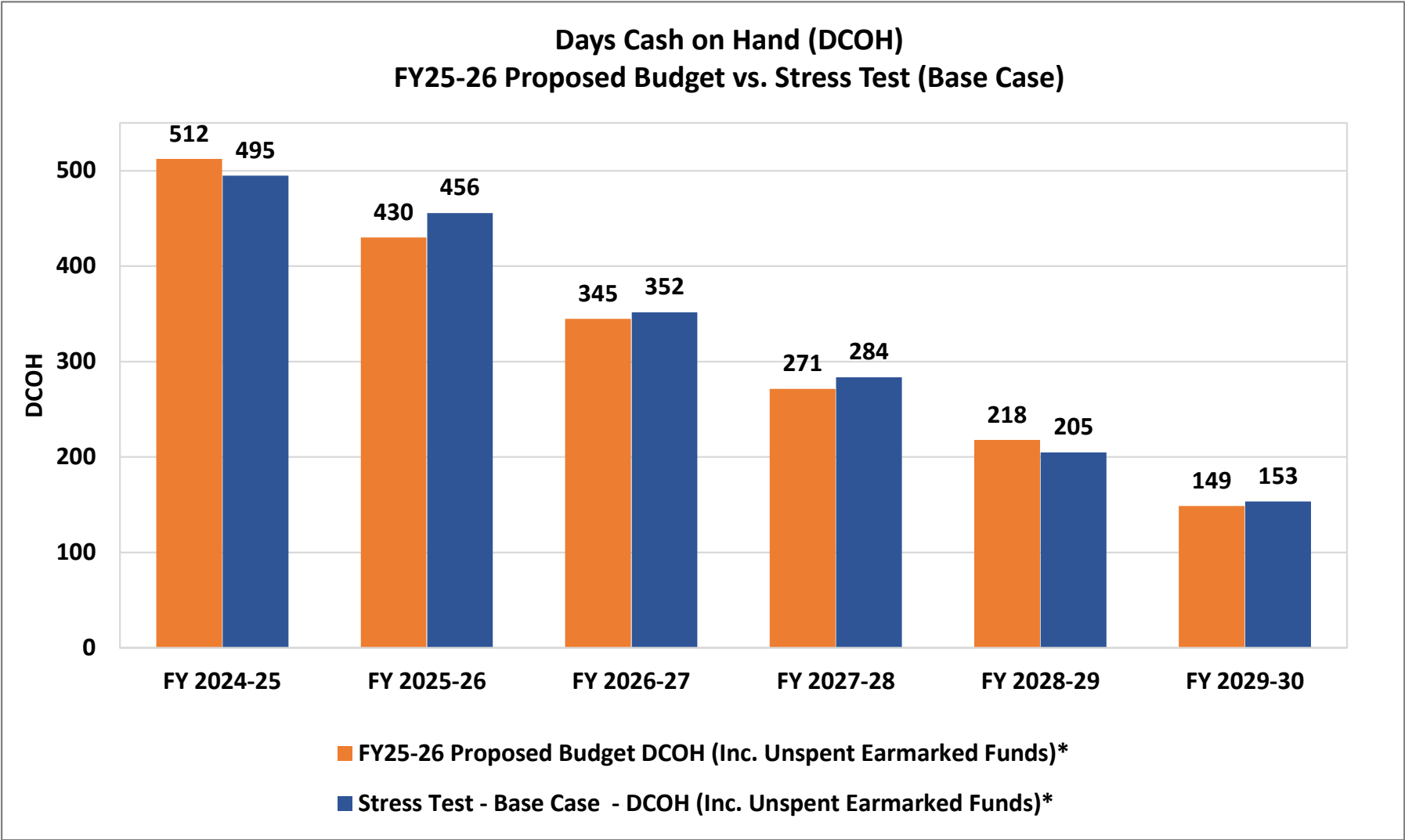
Reserve Target Definitions

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.



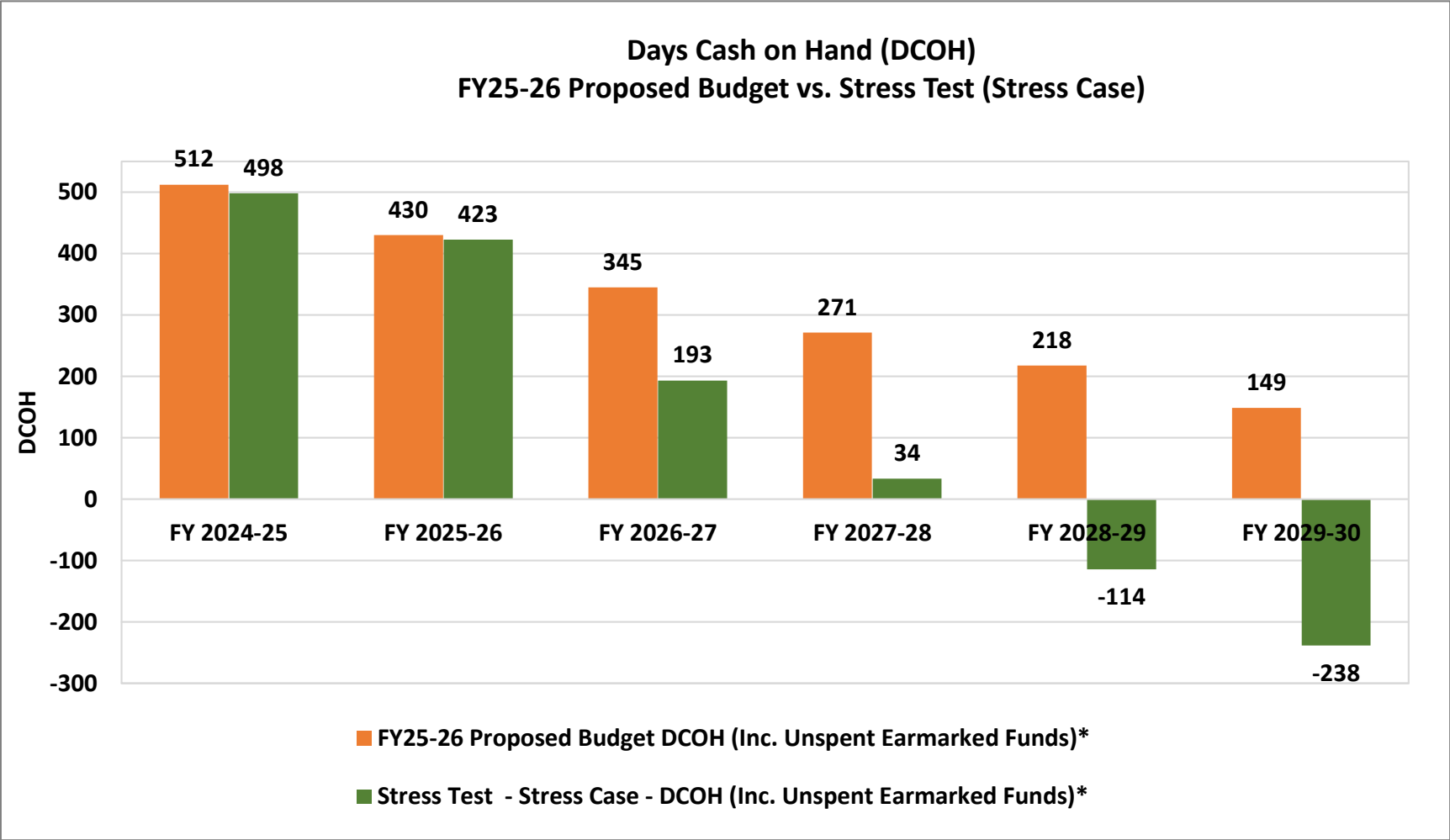
DCOH Compared to Stress Tests (Base Case)



** 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.*

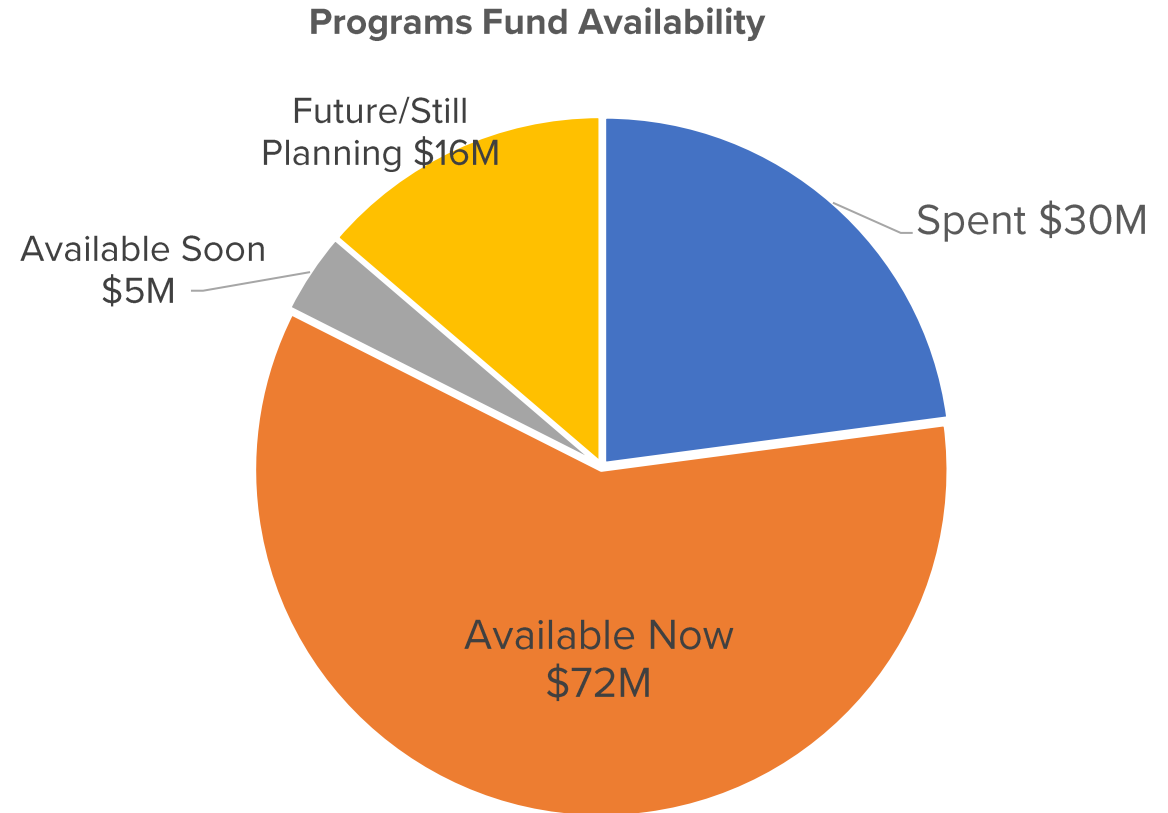


Programs Capacity is Increasing

\$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.

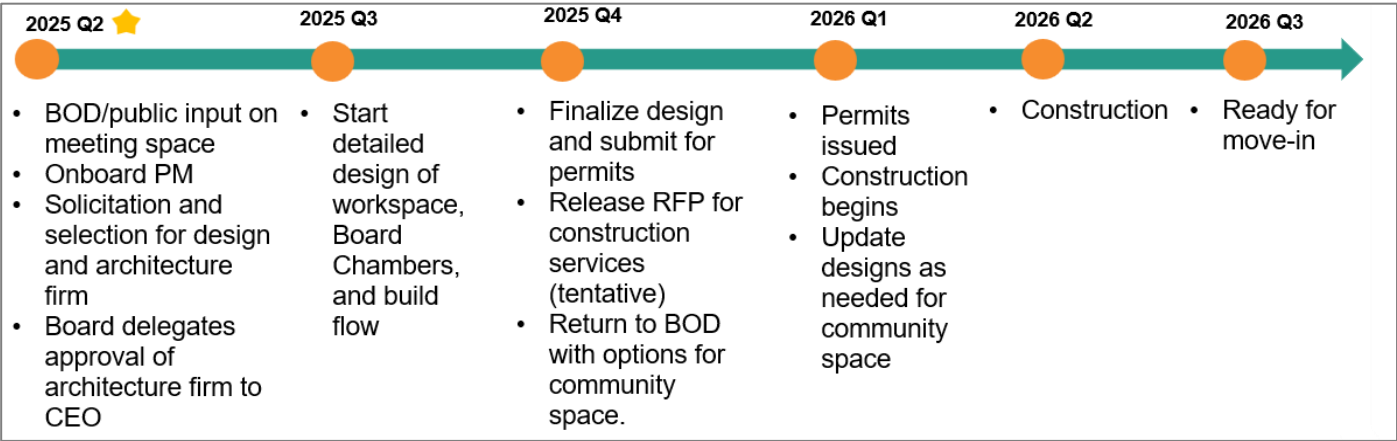
FY FTE Request Summary	FTE
Authorized in the FY24-25 Annual Budget	62
Authorized in the Midyear 24-25 Budget	+5
Current Authorized FTE Total	67



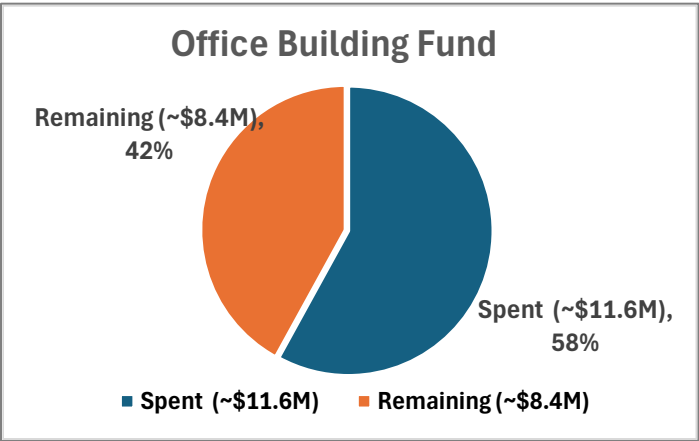
SVCE New Office Space Budget Update

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

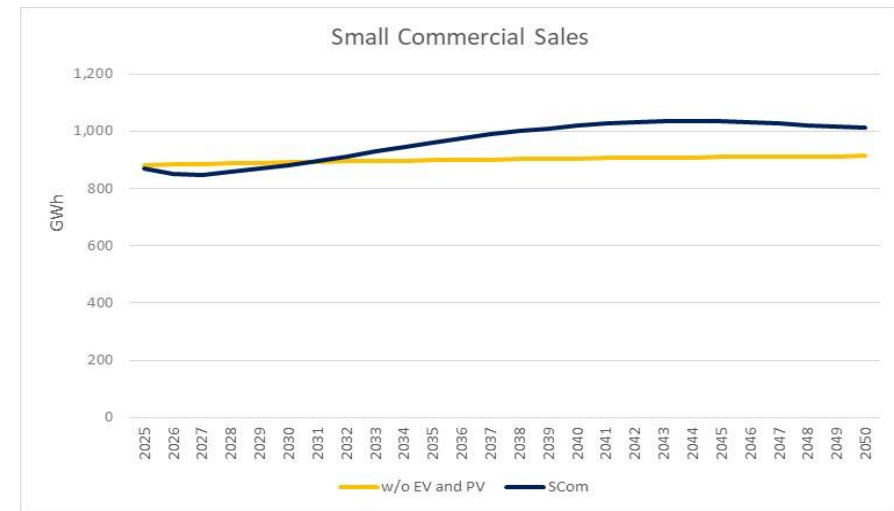




Sales by Class

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



Introduction to FY 2025-26 Strategic Focus Areas and Strategic Plan

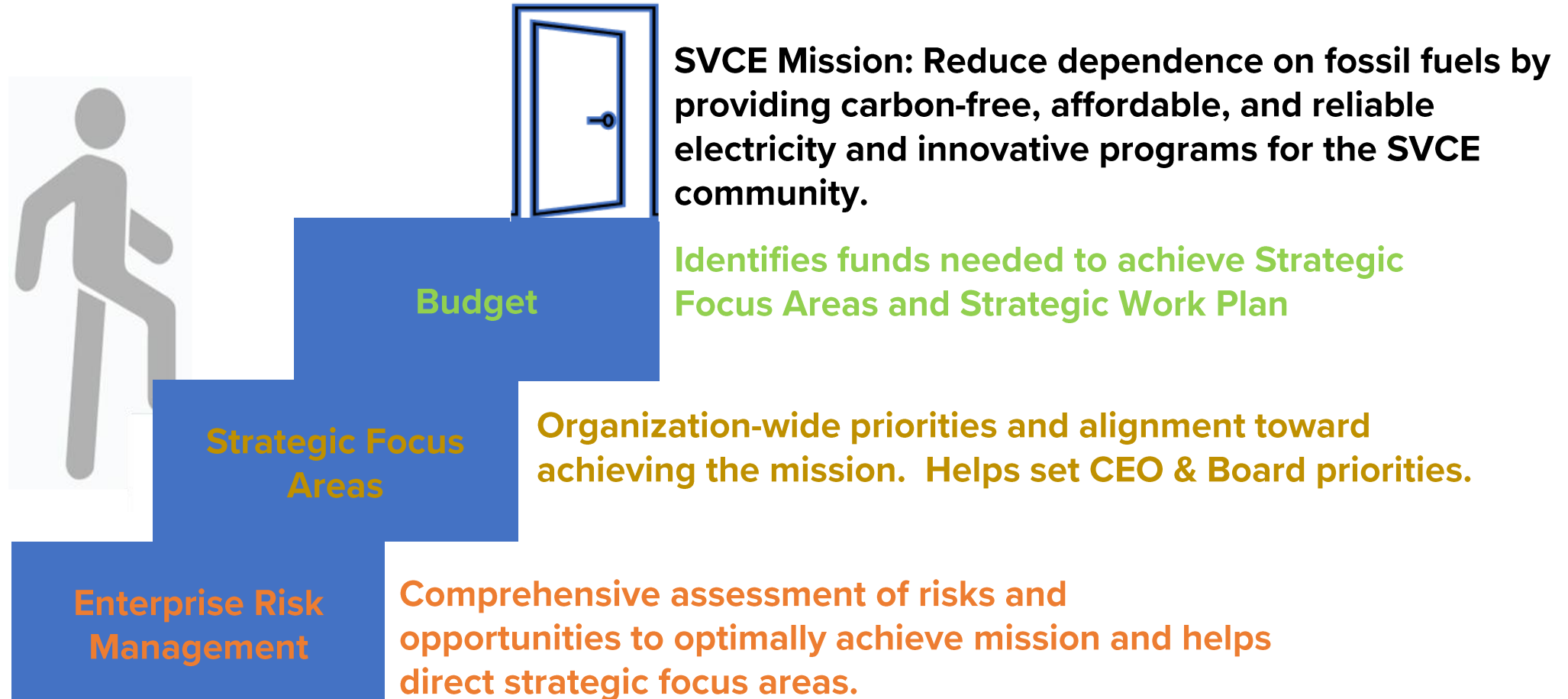
Board of Directors
August 13, 2025



- Review Fiscal Year 2025-26 Strategic Plan & Budget process and timeline
- Overview of Strategic Plan and Strategic Focus Areas
- Existing Strategic Focus Areas (SFA)
- Initial Feedback on Strategic Focus Areas and Recommendation
- Next Steps



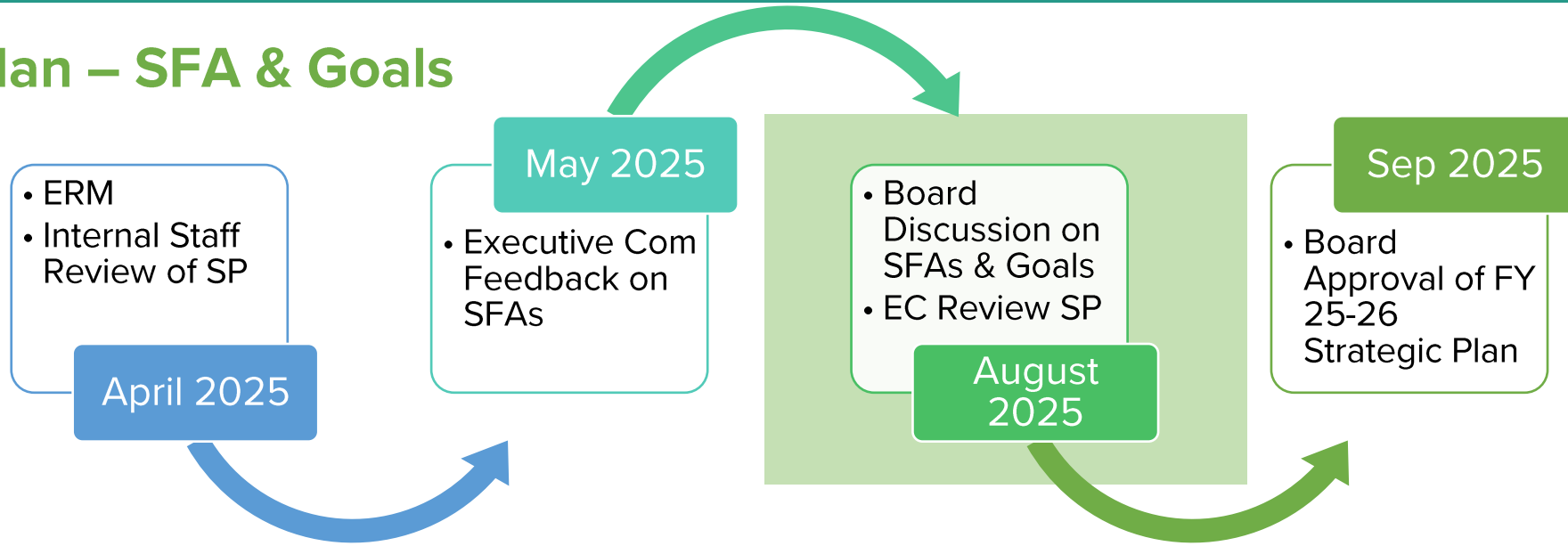
SVCE Planning & Budgeting Process



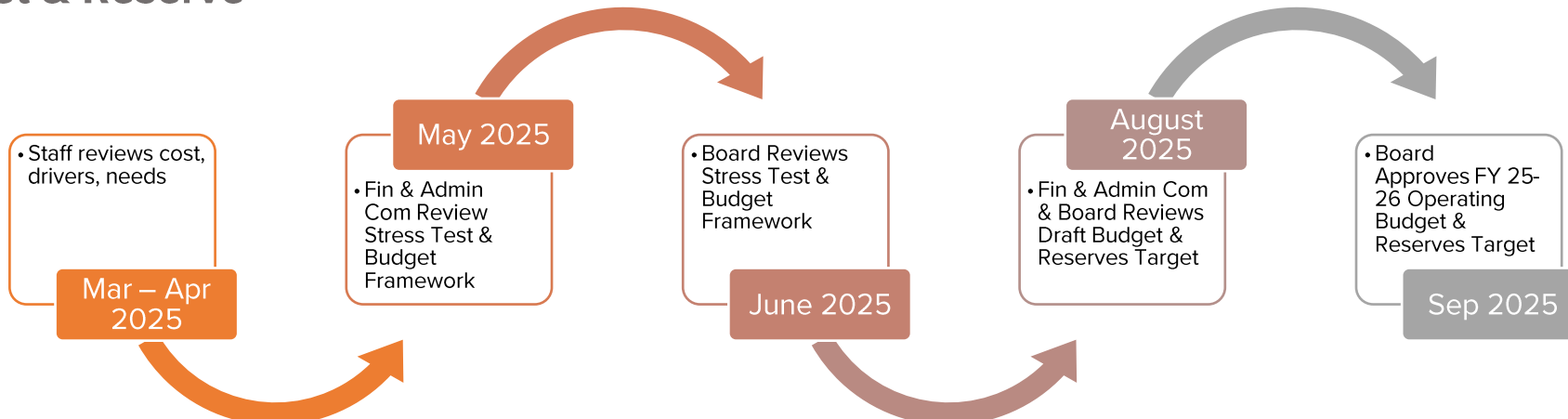


FY 2025-2026 Timeline

Strategic Plan – SFA & Goals



Operating Budget & Reserve Targets





Strategic Plan & Focus Areas



Mission

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

Focus Area

Focus Area

Focus Area

Focus Area

Focus Area



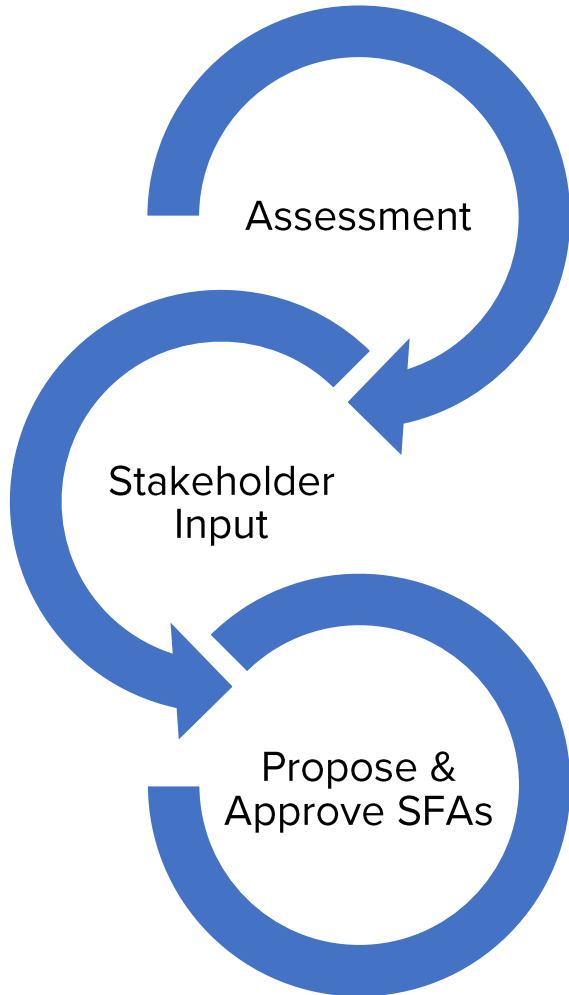
Goal Goal Goal Goal Goal
Goal Goal Goal Goal Goal

SFAs and Goals drive
Internal Workplan &
Measures

M M M M M M M M M M M M M
M M M M M M M M M M M M M
M M M M M M M M M M M M M
M M M M M M M M M M M M M
M M M M M M M M M M M M M



Focus on Strategic Focus Areas



Scan the Landscape – Key Drivers

- New Threats/Risks/Challenges
- Opportunities
- New priorities – Board, customer or staff directed

Review and Reflect on Existing SFAs

- Progress on achieving – is it now operational?
- Priority - top 5 item to focus on for next 12 months?
- Is the SFA unachievable or beyond our scope?
- Staff input – March – June – in process
- Executive Committee initial input – May 2025
- Board input – August 2025

Propose modifications, deletions and/or new SFAs

- Existing
- New



Macro Events & Uncertainty

- Executive Orders
- New Tariffs
- New Legislation
- Regulatory Change
- Looming State Budget Deficit
- Large load growth



Trump Wants to Reverse Coal's Long Decline. It Won't be Easy.

Coal has been displaced by cheap and plentiful natural gas and the rapid growth of wind and solar energy — forces that President Trump will struggle to do away with.

Listen to this article - 5:53 min [Learn more](#)

[Share full article](#)



Coal preparation plant near Welch, W.Va. States that coal is still very reliant on the fuel. Evelyn Hockaday



Legislation



Key Drivers

Market fluctuations, regulatory changes and pending legislative bills create planning challenges

Challenges/Threats:

- Compressed margins due to PCIA and PG&E gen rate
- Regulatory changes to PCIA
- Overall high rates
- Cost of procuring long-term renewable resources
- Load growth uncertainty
- Procurement Mandates
- Restrictions on local reach codes
- Decarbonization cost – less tax credits and subsidies

Opportunities/Strengths:

- Regionalization, could reduce costs
- Reliable and Clean Power Procurement Program (RCPPP) to avoid procurement mandates
- All focused on Affordability
- Extensive program offerings
- Clean Energy & Capacity portfolio
- Customer and stakeholder support and relationships
- Healthy reserves
- Engaged, smart and productive staff



FY 2025 Strategic Focus Areas

SFA1

Expand Affordability Efforts

Expand rate-related education, legislative and regulatory advocacy, and rate-setting principles to support all-electric as the most affordable and competitive option for customers.

SFA2

Expand Clean & Reliable Grid Actions

Develop a pathway to 2030, 2035 and 2045 for clean energy delivery at scale; evaluate SVCE product offerings to ensure the agency provides customers a sustainable balance of clean, reliable and affordable energy.

SFA3

Expand Offerings to C/I Customers

Engage commercial and industrial customers in new/expanded SVCE offerings, including electrification and demand-side management programs, and customized generation services.

SFA4

Prepare Region for Electrification at Scale

Inform and prepare for upcoming requirements such as BAAQMD and CARB rules to ensure they are implemented sensibly, successfully, and equitably; continue scaling SVCE efforts.

SFA5

Attract & Retain Employees

Be the Employer of Choice and maintain culture of innovation, collaboration, high performance, and passion for our mission.



Initial Thoughts – SFAs

Strategic Focus Areas represent the Board's priorities for the upcoming year

- **SFA1: Expand Affordability Efforts**
- SFA2: Expand Clean and Reliable Grid Actions
- SFA3: Expand Offerings to C/I Customers
- SFA4: Prepare Region for Electrification at Scale
- SFA5: Attract & Retain Employees

RED – Active but still more to be done

YELLOW – In progress, work continues

GREEN – In a good place



Initial Feedback

SFAs Feedback, Executive Committee May 2025

- Existing SFAs are still relevant and there is additional work to be done
- Given the challenges/opportunities ahead, would be good to include a reference to adaptability somewhere in the plan
- Suggestion to move to a biennial review cycle, given the focus areas and goals remain relevant



Proposed SFA Amendments

SFA1: Expand Affordability Efforts

Expand rate-related education, legislative and regulatory advocacy, and rate-setting principles to support all-electric as the most affordable and competitive option for customers.

SFA2: Expand Clean & Reliable Grid Actions

~~Develop a pathway to 2030, 2035 and 2045 for clean energy delivery at scale~~
Design and assess scenarios which align with SVCE's long-term clean targets to determine most affordable, viable and low risk pathways; evaluate SVCE product offerings to ensure the agency provides customers a sustainable balance of clean, reliable and affordable energy.

SFA3: Expand Offerings to C/I Customers

Engage commercial and industrial customers in new/expanded SVCE offerings, including electrification and demand-side management programs, and customized generation services; track and serve new large loads.



Proposed SFAs

SFA4: Prepare Region for Electrification at Scale

Inform and prepare for upcoming requirements such as Bay Area Air District ~~AAQMD~~ and California Air Resources Board ~~ARB~~ rules to ensure they are implemented sensibly, successfully, and equitably; continue scaling SVCE efforts.

SFA5: Attract & Retain Employees

Be the Employer of Choice and maintain culture of innovation, collaboration, high performance, and passion for our mission.



FY 2025 Strategic Plan - Goals

1. **Advance policies** which support SVCE's mission to **reduce dependence on fossil fuels**.
2. **Long-term**, target for **100% clean energy** annually by building a balanced portfolio with consideration for both affordability and reliability while exploring long-term **pathways to clean power supply**.
3. **Create a long-term decarbonization plan** that integrates supply and demand changes, opportunities, and challenges.
4. **Acquire power supply resources** in a cost-effective manner to meet legislative and regulatory obligations, Board directives and customer specific products.
5. **Manage and optimize load and power resources** to meet affordability, GHG reduction and reliability objectives.
6. **Maintain healthy financial position**; avoid failures in management of market risk, credit risk, liquidity risk, operational risks, and enterprise risks.
7. **Support all SVCE communities to decarbonize through local investments** that reduce barriers and demonstrate sensible, scalable, and equitable solutions.
8. **Engage customers and community stakeholders** to build trust of SVCE and advance decarbonization.
9. **Implement industry best practices** to enable data-driven decision making across the organization; enhance systems, standards and procedures to streamline business processes and improve operational effectiveness and reliability (aka SVCE 3.0).
10. **Hire, retain and develop high-performing talent** via competitive benefits and rewarding work culture.



Request and Next Steps

Request:

Receive feedback on the proposed changes to SFAs and request to move to a biennial Strategic Plan starting in fiscal year 2025-26

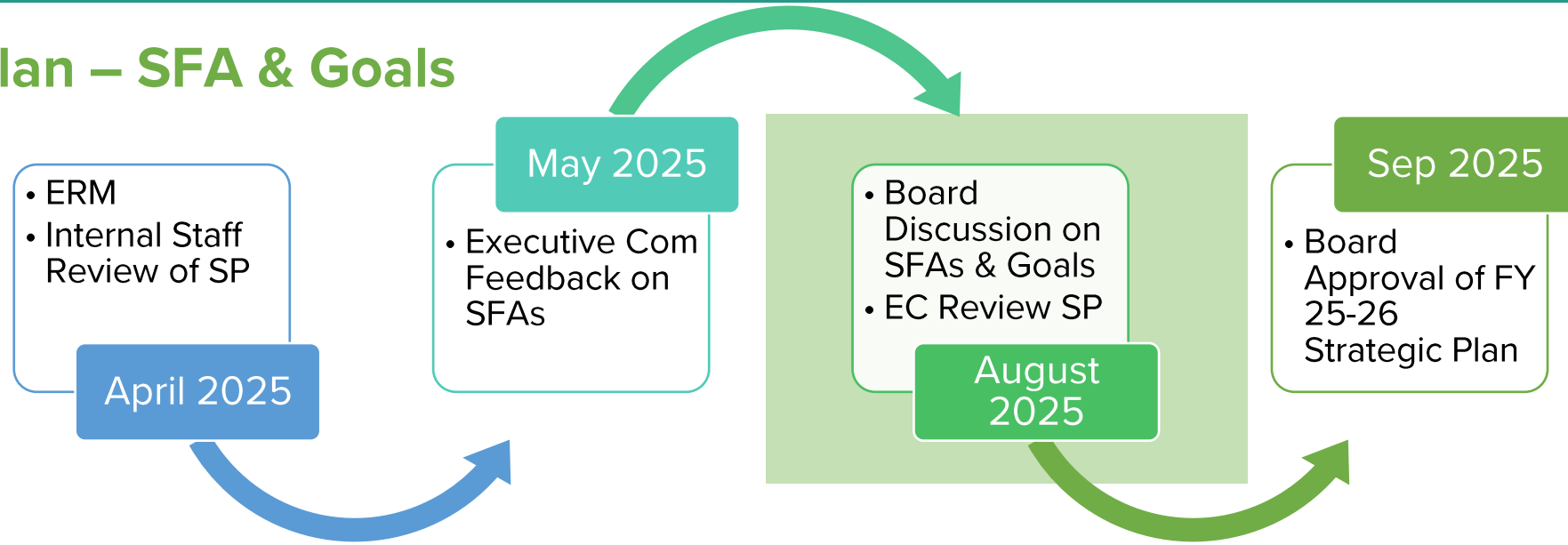
Next Steps

1. Based on Board feedback, modify Strategic Plan – SFAs and Goals
2. Seek Executive Committee support in August
3. Seek Board approval in September
4. Implement in October with continued quarterly progress reports

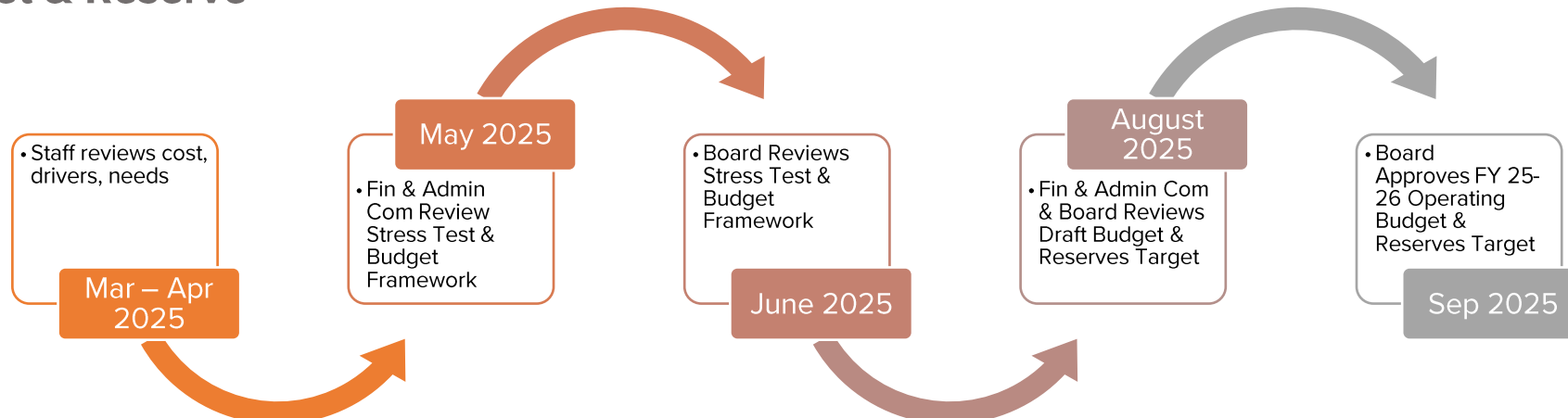


Next Steps

Strategic Plan – SFA & Goals



Operating Budget & Reserve Targets



Thank you

2025 Local Agency Action Planning

Resources to support the transition to pollution-free buildings and transportation.

August 2025

Objective

Provide the Board with a status update on agency electrification readiness planning

Despite Legal Changes, Reach Codes Drove Electrification, while Reducing Cost

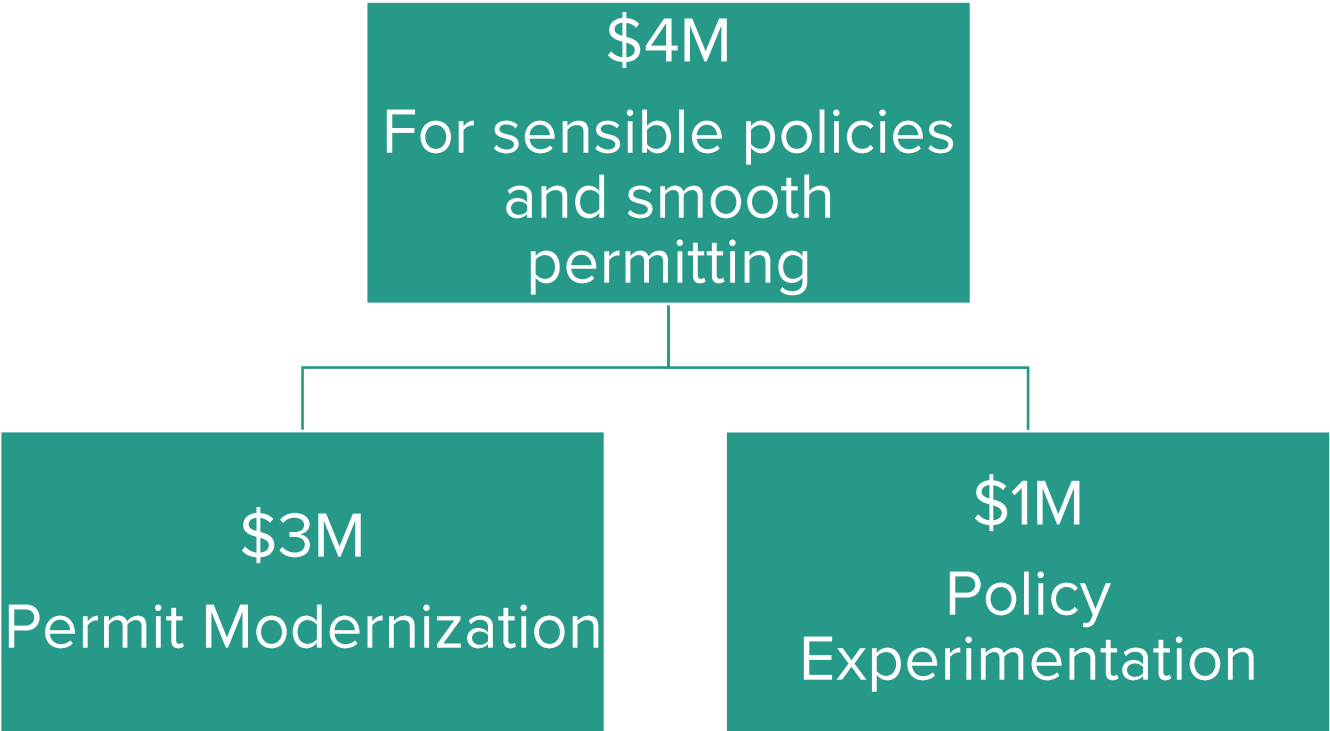
A few of the benefits in our territory 2020-2023

- >11,000 HPWHs
- ~\$34M in on-bill savings
- >\$71M in avoided retrofit costs
- Thousands of EV Chargers
- Thousands of induction cooktops

SVCE and Member Agency Partnership

SVCE rebates and federal tax credits can reduce the financial cost of electrification. Local codes and permitting can increase adoption at the best time and with less friction.

SVCE is launching two complementary programs to provide our member agencies \$4M in technical resources and grants to enable sensible local policies and smoother local permitting.

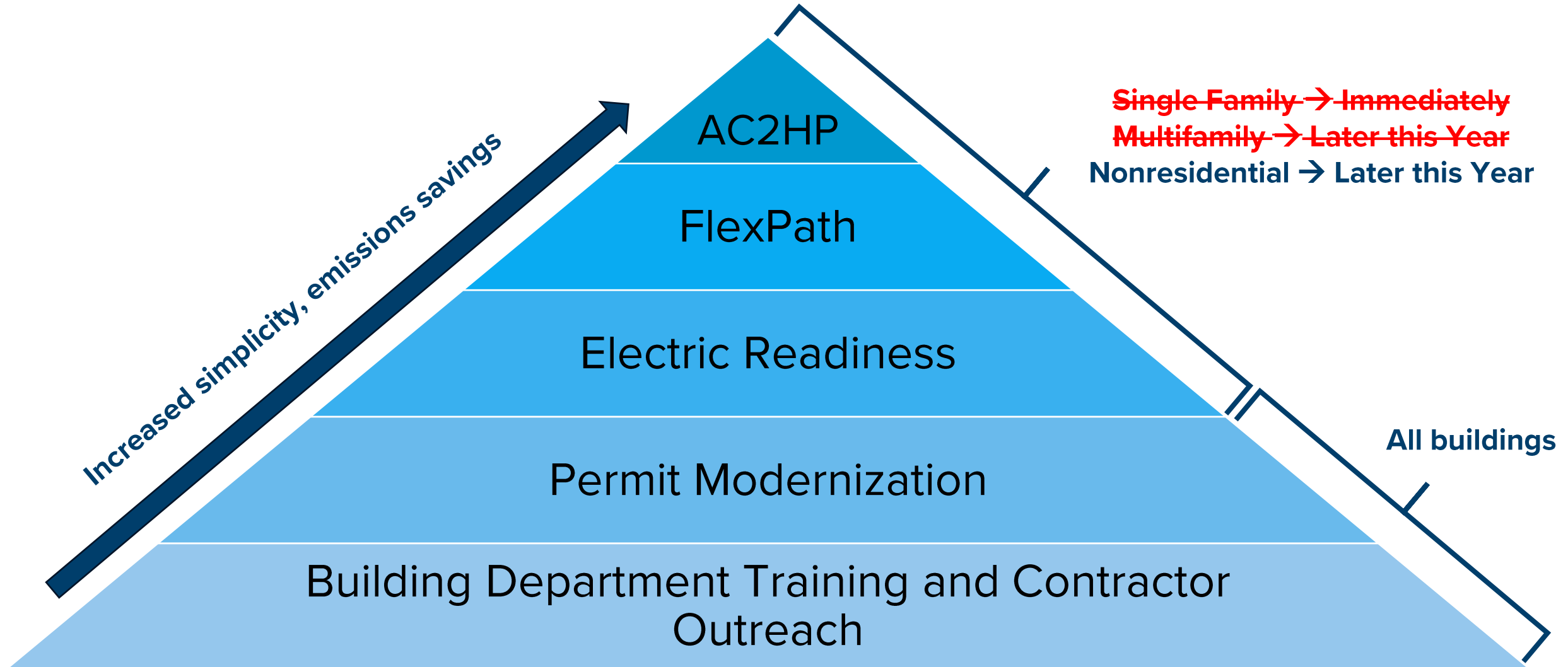


Passage of AB130 limits the ability of local jurisdictions to adopt reach codes September 2025 – December 2031.

There are some exceptions

- Only impacts residential - commercial reach codes remain a go
- Carve out for jurisdictions where electrification codes are linked to their general plan requirements/goals - if general plan was adopted before June 10, 2025.

Even with AB130, we can still make progress!



Two agencies working to adopt before October; four working to adopt before December 1; five evaluating.

Before Oct 1
Before Dec 1
Evaluating
No Go

All agencies are also moving forward to increase training and modernize permitting.

Jurisdiction	AC-to-HP	Flex Path Code (electrify at remodel)	Electric Readiness Code (prewire)
Campbell	October	Ø	TBD
Cupertino	TBD	TBD	TBD
Gilroy	TBD	TBD	TBD
Los Altos	October	TBD	October
Los Altos Hills	November	Ø	TBD
Los Gatos	TBD	TBD	TBD
Milpitas	Ø	Ø	Ø
Monte Sereno	TBD	TBD	TBD
Morgan Hill	Ø	Ø	Ø
Mountain View	September	Ø	September
Saratoga	October	Ø	October
Sunnyvale	August	Ø	August
County of Santa Clara	TBD	TBD	TBD

SVCE is here to support Board members and member agency staff.

- 1. Staff in communication with all 13 jurisdictions**
- 2. Available for Board 1:1s as needed**
- 3. Technical resources, Special Counsel resources, communications resources**

Your Efforts Matter

SVCE will continue to work with your staff to develop sensible actions and continue to pivot as circumstances evolve.

Thank you!



svcleanenergy.org



Zoe.Elizabeth@svcleanenergy.org



Appendix

Each agency selects from a menu of options to help their community more easily make this transition.

There are three tiers of action.

Foundational Practices	Advancing Practices	Leading Practices
<i>Choose 3</i>	<i>Foundational + Choose 3 Advancing</i>	<i>Advancing + Choose 4 Leading</i>
Distribute info about BAAQMD, incentives, etc. with each permit	Train on avoiding unnecessary service upgrades	Allow plumbers to perform minor electrical work to streamline HPWH installations per CSLB
Implement Permit Concierge	Participate in meeting(s) on certified contractors network	BAAQMD ramp up (includes electrification readiness) on remodels
Provide staff training on building electrification technologies	Free permit pilot with outreach campaign	Require disclosures about gas appliances at time of sale
Enhance pre-application support materials	Insert comments in plans encouraging rewiring during other work	Implement certified contractors program
		Incentive-based remodels for electrification
		Adopt real-time permitting for HPWHs
		Require heat pumps at time of AC install or replacement

SVCE is providing a comprehensive set of resources to help each agency meet its goals.

Available
to All

Resources Available	Permit Modernization	Policy Experimentation
1:1 consultation w/SVCE staff (Board member & agency staff)	X	X
Tailored action plan for each jurisdiction	X	X
Technical, legal, and staff support resources	X	X
Access to national-level climate change trainings	X	X
Stipend for part-time, one-year fellow	X	X
Expanded consultant support to implement leading-edge initiatives	X	X

Available
to
Leadership
Cohort

The Impact of Your Leadership - Assumptions

Sensible action now can make this transition easier and cheaper. For example, if every jurisdiction...

- Adopted rewiring requirements it could lead to **tens of thousands of electric-ready homes by 2030.**
- There are at least 5000 permits drawn per year in our service territory that could reasonably require pre-wiring. This could mean at least 25,000 electric-ready homes by 2030. Given the variety of ways these policies could be written, we are not stating a certain number, but rather an order of magnitude.
- Required bi-directional AC at the time of replacement, it could add **~16,000 heat pumps by 2029** and **save residents \$ millions in redundant costs.**
- According to the market saturation study that SVCE conducted, there are ~100,000 ducted AC systems in our territory and they last ~20 years. Assuming an even annual turnover, that is ~5 replacements per year and ~20,000 by 2029 if policies went into effect in 2025.