

Fiscal Year 2025-2026 Budget Update

Amrit Singh
Finance and Administration Committee
November 24, 2025

Purpose

1. Review updated fiscal year 2025-2026 (FY 26) budget and 5-year financial forecast
2. Recommend that the Board approve the updated budget and the proposed SVCE rate changes

Main Areas of Discussion

1. Highlights of the updated financial forecast
2. Comparison of the adopted and updated Budget
3. SVCE's financial reserves outlook and management
4. Setting SVCE's rates for 2026





Highlights of Updated Financial Forecast

1. 5-year margins remain negative - Under business-as-usual* scenario

- Largely similar to the September 2025 Budget (Adopted Budget) Outlook
- Days Cash on Hand declines to ~150 at the end of the 5-year forecast period (below the target level of 350 but above the minimum level of 120 DCOH)

2. FY 26 draw on reserves increases to \$60 million from \$40 million (Adopted Budget)

3. 2026 Customer Discount - 1% and an additional \$12 bill credit for low-income customers

- Reserves built for such financial outcomes enable SVCE not to make any abrupt changes
- Analyses support no significant impact from a one-year delay in implementing any changes
- Staff will continue the work on Financial Levers Analyses and will engage further with the Board, the Executive Committee, and the Finance and Administration Committee

* Business-as-usual here is defined as all SVCE rates set at a competitive advantage to comparable PG&E rates.



FY 26 Adopted vs. Adjusted Budget

~\$40 million decrease in revenue projection

Reflecting CPUC-adopted market price benchmarks and a continued decline in energy prices

Offset by ~\$25 million decrease in Power Supply Costs

Primarily from a decline in energy prices and also from a favorable regulatory outcome, reducing interim procurement in meeting compliance obligations

Transfer of \$5.5 million to the building fund because of higher-than-expected expenditures

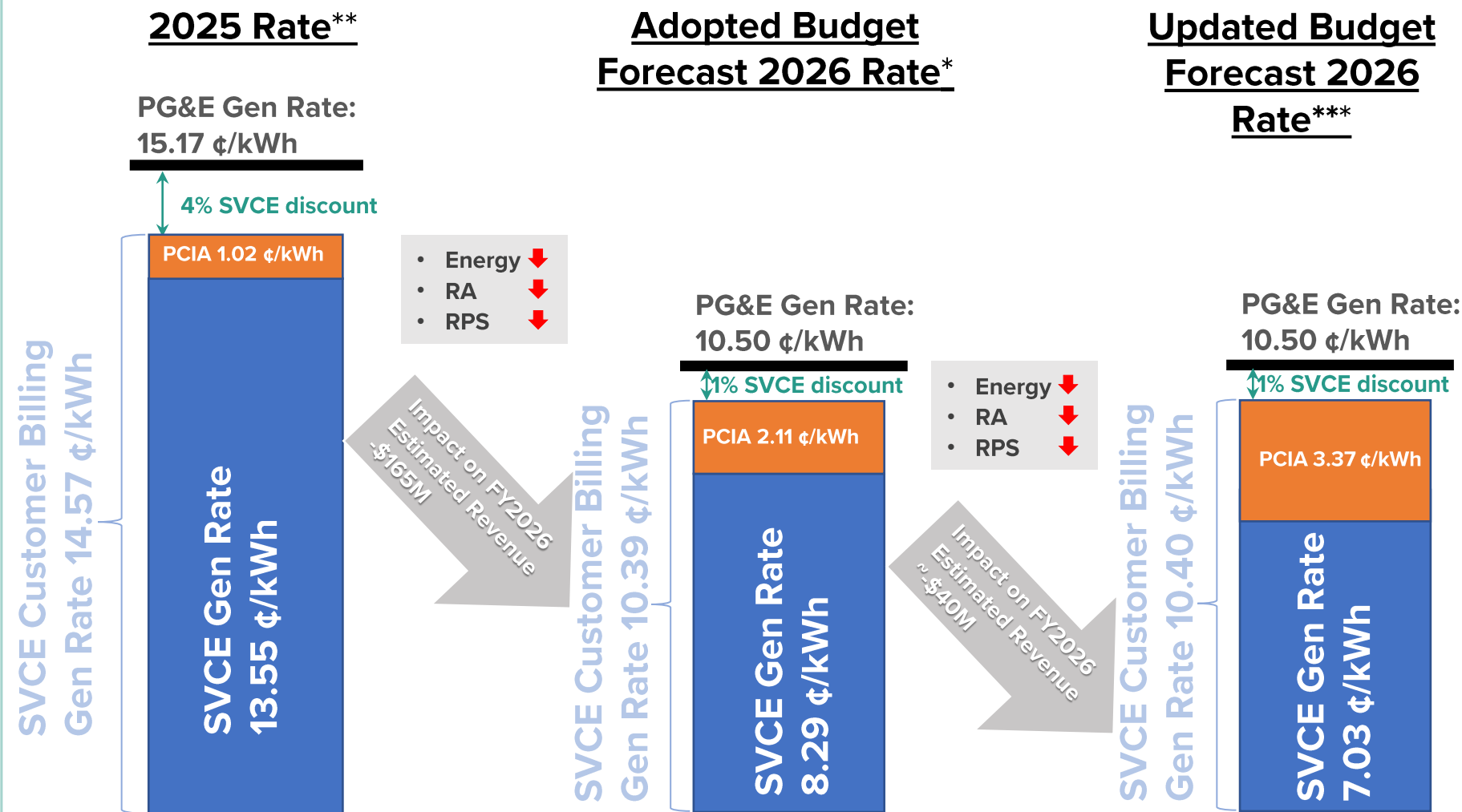
(\$ in thousands)

	FY25-26 ADOPTED BUDGET	FY25-26 ADJUSTED BUDGET	Change	
			\$	%
Energy Revenues	358,416	319,324	(39,092)	-10.9%
Power Supply Expense	368,896	344,221	(24,675)	-6.7%
Operating Margin	<u>(10,480)</u>	<u>(24,897)</u>	<u>(14,417)</u>	<u>137.6%</u>
Operating Expenses	43,193	43,193	0	0.0%
Non-Operating Revenue (Expense)	21,384	20,854	(531)	-2.5%
Annual Transfers and Other Expenses				
Capital Outlay	512	512	0	0.0%
Additional Transfer to Building Fund	0	5,500	5,500	100.0%
Program Fund	7,251	7,251	0	0.0%
TOTAL CAPITAL EXPENDITURES, INTERFUND TRANSFERS & OTHER	<u>7,763</u>	<u>13,263</u>	<u>5,500</u>	<u>70.8%</u>
BALANCE AVAILABLE FOR RESERVES	<u>(40,052)</u>	<u>(60,500)</u>	<u>(20,448)</u>	<u>51.1%</u>

Forecasted Margins Drop ~50% from 2025 Levels

Comparing 2025 Rate
(first bar) to Forecast 2026
Rate (third bar)

- **Customer Rate** (inclusive of PCIA) **Drops ~ 30%** (~24% if including one-time bill credit)
- **SVCE Margin Drops ~50%**
- **PG&E 2026 Gen Rate Drops ~30%**
- **PCIA Increases 230%**
- Rates are not final until late December



* 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)

*** Estimated 2026 rates, based on PG&E Fall Update Errata, effective January 1, 2026 (Weighted for SVCE Portfolio Load)

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

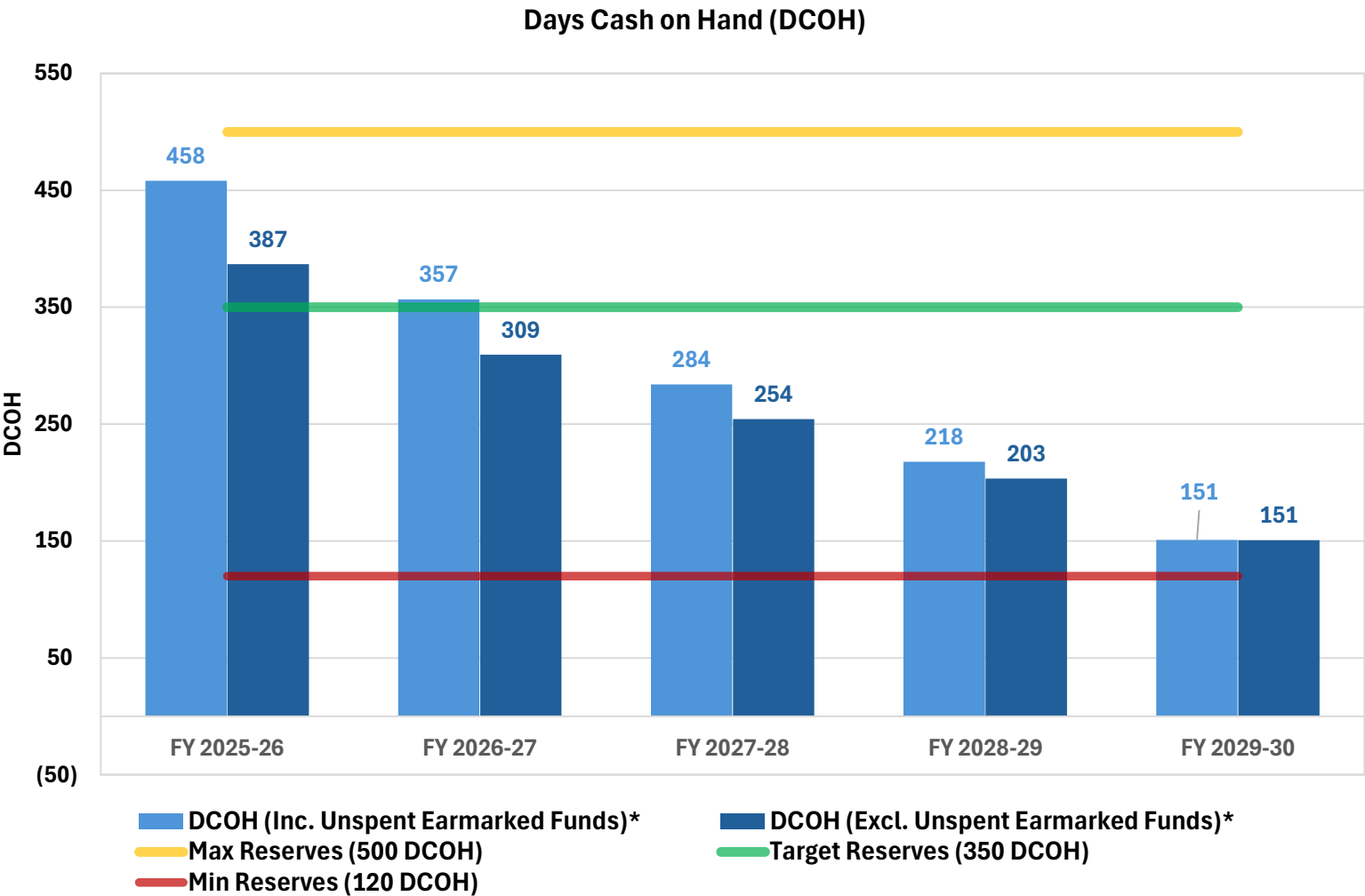


Reserve Projection Under Business-as-Usual Scenario

(Rates Set Relative to Comparable PG&E Rates)

Projected End of FY Reserves:

- 458 Days of Cash on Hand (DCOH)
 - If unspent Program Funds and Building Fund were included in the reserve calculation
- 387 Days of Cash on Hand (DCOH)
 - Excludes Unspent Program Funds and Building Fund

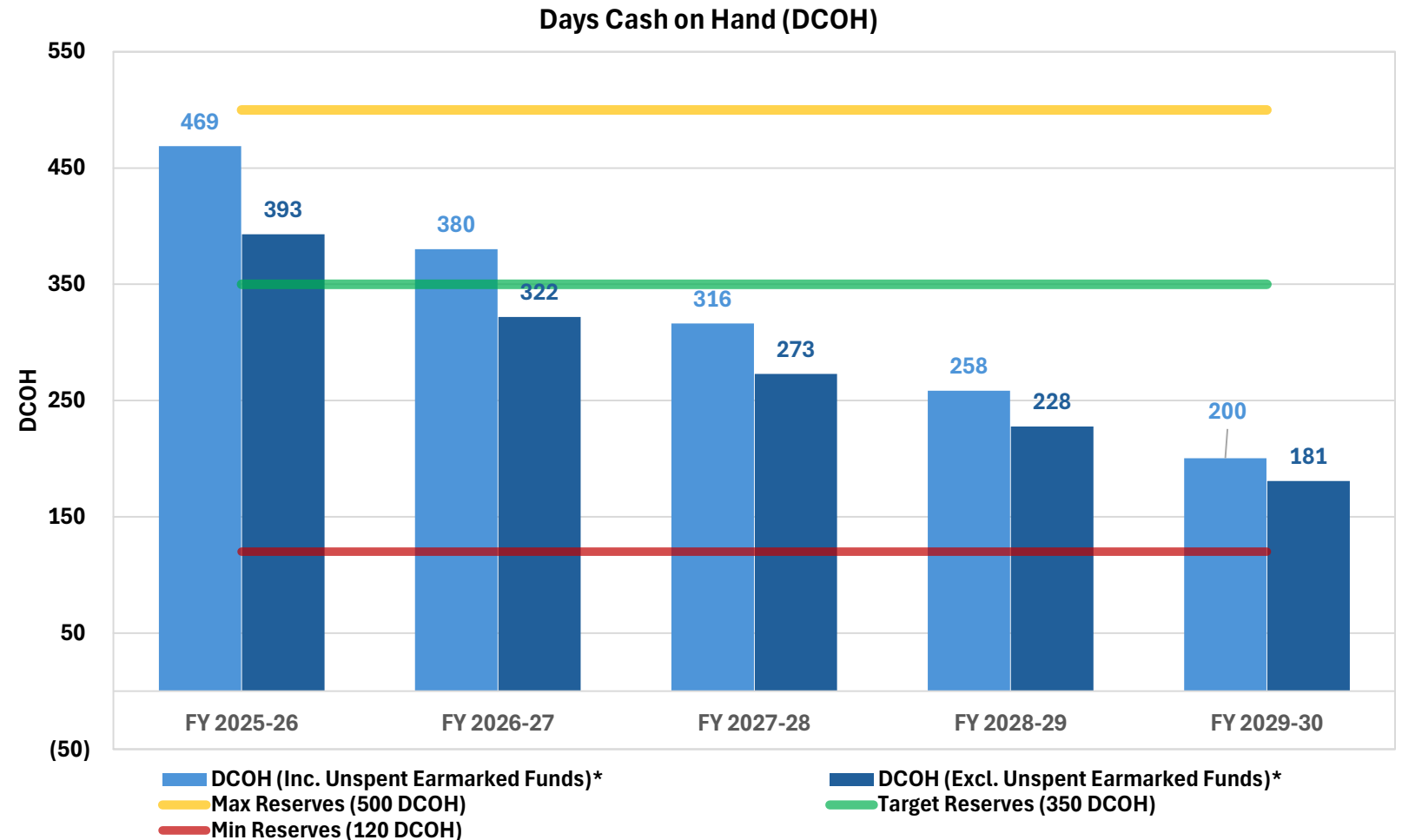


* Earmarked funds are unspent SVCE Program Funds and Building Funds.



Business-as-Usual Scenario with Additional Operating Liquidity

- Additional Operating Liquidity:
 1. Lag in customer uptake of programs
 2. Operational flexibility within operating expenses (other than power supply expenses)
- Revised reserve projections assume
 - \$25 million program fund balance remains at the end of the 5-year period - (Beginning of FY 26 unspent program fund balance was ~\$100 million)
 - \$6.5 million a year in expected underrun of other operating expenses



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

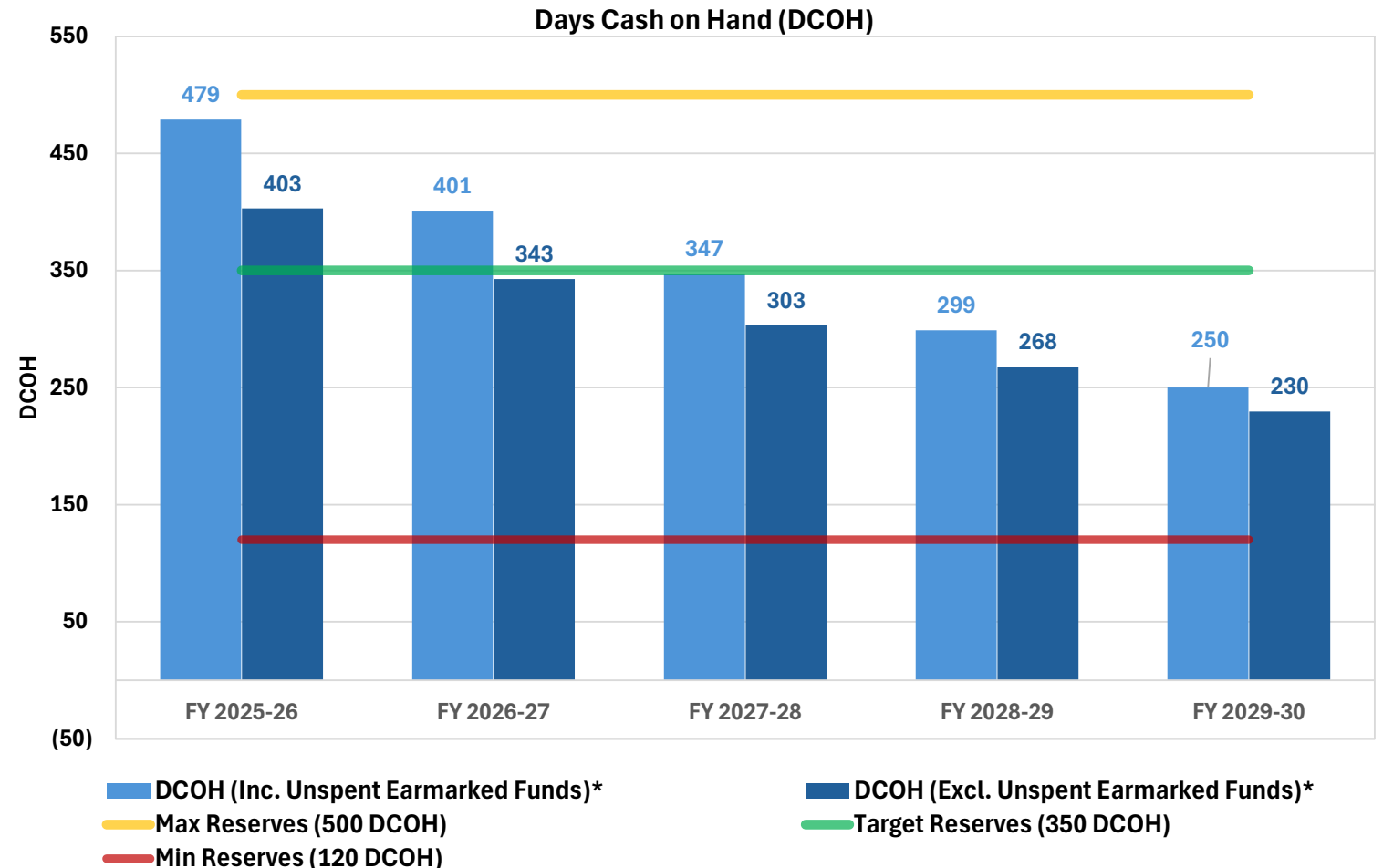


Keeping DCOH Above 250

(Under Business-as-Usual Scenario with Additional Operating Liquidity)

Recommended Reserve Management Goal: Keep DCOH Above: 250 (under these financial conditions)

To keep DCOH above 250, on average, SVCE rates would need to be about **1.8%** higher than PG&E starting in **CY 2026** (including CARE/FERA)



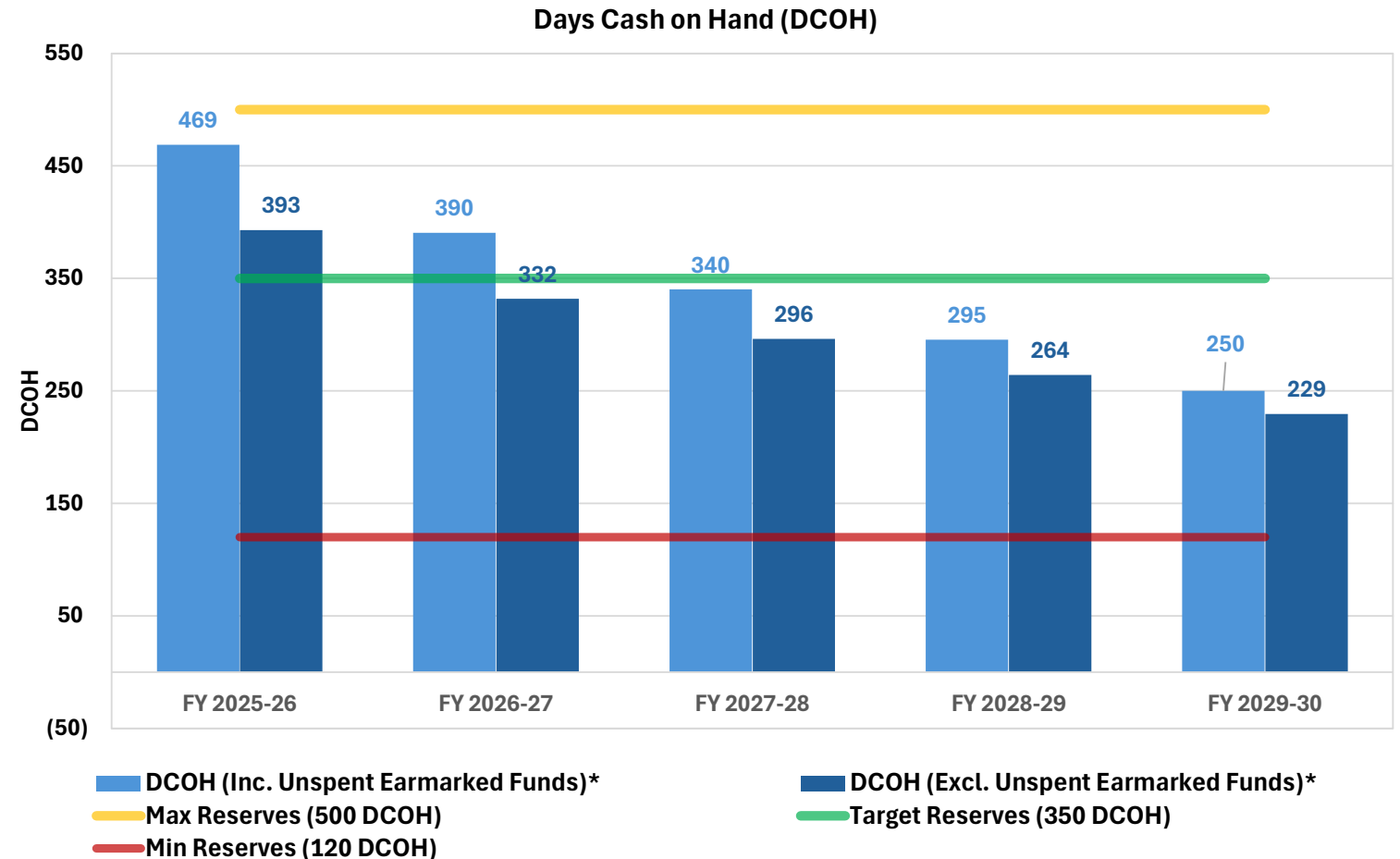
* Earmarked funds are unspent SVCE Program Funds and Building Funds.



Implementing Rate Premium in 2027 to Keep DCOH Above 250

Same as the scenario in previous slide but instead of charging a premium in 2026 the premium starts in 2027. In 2026, rates are at the proposed levels of 1% lower than those of PG&E, and low-income customers receive an additional \$12 monthly bill credit.

On average, SVCE rates would need to be about **2.7%** higher than PG&E starting in **CY 2027** (including CARE/FERA)



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



Staff Recommendation

- For Calendar Year 2026:
 - 1% discount to all customers
 - Additional \$12 monthly bill credit for CARE/FERA customers
- Basis for the recommendation:
 - Additional premium in 2027 is 0.9% from not charging a premium starting in 2026
(The impact of 1% premium on the residential rate on average is about \$0.53 a month.)
 - Delaying any changes to the pricing methodology by one year enables staff to:
 - Finalize the financial levers analysis
 - Work with the Finance and Executive Committees and the Board to design any changes to SVCE's products and services, along with rates that continue to promote the agency's mission and balance customer value and the agency's finances



Recommendation

Recommend that the Board of Directors approve the updated Fiscal Year 2025-26 operating budget that includes:

1. Implementing SVCE generation rates to establish a 1% discount to PG&E's applicable generation rates,
2. Providing a monthly bill credit of \$12 for CARE/FERA customers,
3. Approving the new GreenPrime rate of \$0.0074/kWh (\$7.40/MWh) starting in January 2026, and transferring
4. \$5.5 million to the building fund.

Thank you! / Questions?

Fiscal Year 2025-2026 Annual Operating Budget

(\$ in Thousands)					
	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
	(Forecast)	(Forecast)	(Forecast)	(Forecast)	(Forecast)
Operating Revenue					
Electricity Sales, Net ¹	\$321,123	\$301,154	\$357,822	\$385,564	\$402,578
GreenPrime Electricity Premium	\$2,469	\$2,510	\$2,336	\$2,309	\$2,361
Reduction in Revenue ¹	\$(4,268)	\$(957)	\$0	\$0	\$0
Other Income	\$0	\$0	\$0	\$0	\$0
Total Operating Revenues	\$319,324	\$302,706	\$360,158	\$387,872	\$404,939
Operating Expense					
Power Supply	\$344,221	\$347,583	\$363,375	\$384,686	\$406,000
Operating Margin	\$(24,897)	\$(44,877)	\$(3,218)	\$3,186	\$(1,061)
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	\$6,054	\$7,203	\$7,757	\$8,099
Total Operating Expenses	\$394,665	\$398,487	\$417,671	\$441,890	\$466,018
Operating Income	\$(75,342)	\$(95,781)	\$(57,513)	\$(54,018)	\$(61,079)
Nonoperating Revenue					
Investment Income	\$20,882	\$15,222	\$10,803	\$9,477	\$7,405
Grant Income	\$0	\$0	\$0	\$0	\$0
Total Non-Operating Revenues	\$20,882	\$15,222	\$10,803	\$9,477	\$7,405
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	\$20,342	\$15,144	\$10,724	\$9,399	\$7,327
Change in Net Position/Available for Reserves	\$(60,500)	\$(80,637)	\$(46,789)	\$(44,619)	\$(53,752)
Begin, Net Financial Position	\$585,328	\$495,287	\$389,499	\$324,886	\$263,808
Adjustment for Program Expenditure and Building Fund ²	\$(29,542)	\$(25,151)	\$(17,824)	\$(16,459)	\$(17,368)
End, Net Financial Position	\$495,287	\$389,499	\$324,886	\$263,808	\$192,687

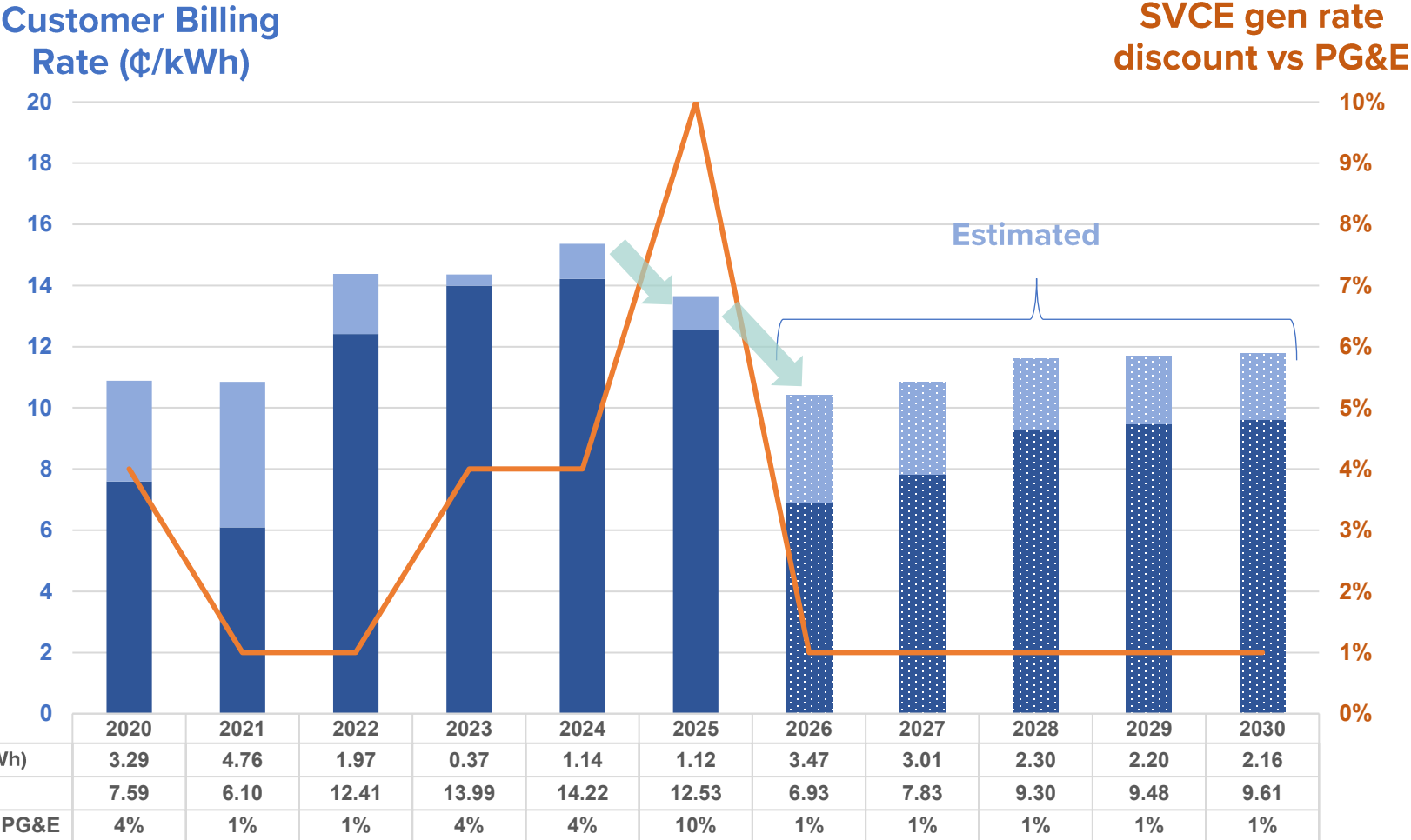
1. Assumptions: 4% discount relative to comparable PG&E rates for CY 2025 and 1% discount for CY 2026-30. FY 2025-26 includes additional discount in the form of CARE/FERA bill credit estimates to low-income customers for \$4.3 million and FY 2026-27 for \$1 million (through Dec 2026 only). No CARE/FERA bill credit is assumed for CY 2027-30.

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 and the additional \$5.5 million to be allocated in FY25-26 are expected to be spent by end of FY25-26.



Average Effective Customer Billing Rates

- **2025 Average Customer Billing Generation Rate decreased -11% Year over Year, reflecting SVCE One-Time Bill Credit**
- **2026 Estimated Average Customer Billing Generation Rate will decrease around -24% Year over Year**



*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). SVCE Gen Rate discount excludes CARE/FERA customer discount equal to 1% general discount distributed among CARE/FERA customers.



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	\$ 0.1084	\$ 0.151	\$ 0.105	\$ 0.159	\$ 0.111	\$ 0.145	\$ 0.105
SVCE Gen Rate (\$/kWh)	\$ 0.134	\$ 0.071	\$ 0.134	\$ 0.071	\$ 0.134	\$ 0.069	\$ 0.141	\$ 0.073	\$ 0.128	\$ 0.069
PG&E Delivery Rate (\$/kWh)	\$ 0.286	\$ 0.221	\$ 0.113	\$ 0.074	\$ 0.299	\$ 0.239	\$ 0.216	\$ 0.177	\$ 0.170	\$ 0.151
PG&E PCIA/FF (\$/kWh)	\$ 0.012	\$ 0.036	\$ 0.012	\$ 0.036	\$ 0.011	\$ 0.035	\$ 0.012	\$ 0.037	\$ 0.011	\$ 0.035
Total Electricity Cost (\$/kWh)	\$ 0.432	\$ 0.328	\$ 0.259	\$ 0.181	\$ 0.444	\$ 0.343	\$ 0.369	\$ 0.287	\$ 0.310	\$ 0.255
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	\$ 25.04	\$ 865.00	\$ 156.64

*Estimated, based on average historic residential usage.

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

***Estimated, based on PG&E Fall Update Erra, published on October15, 2025 and Errata, published on November 6, 2025.

Total CARE/FERA bill discount (including T&D) vs average residential customer, assuming the same usage (491 kWh/month) is about 52%.

On average, CARE/FERA usage is about 12% lower than that of an average 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



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)*



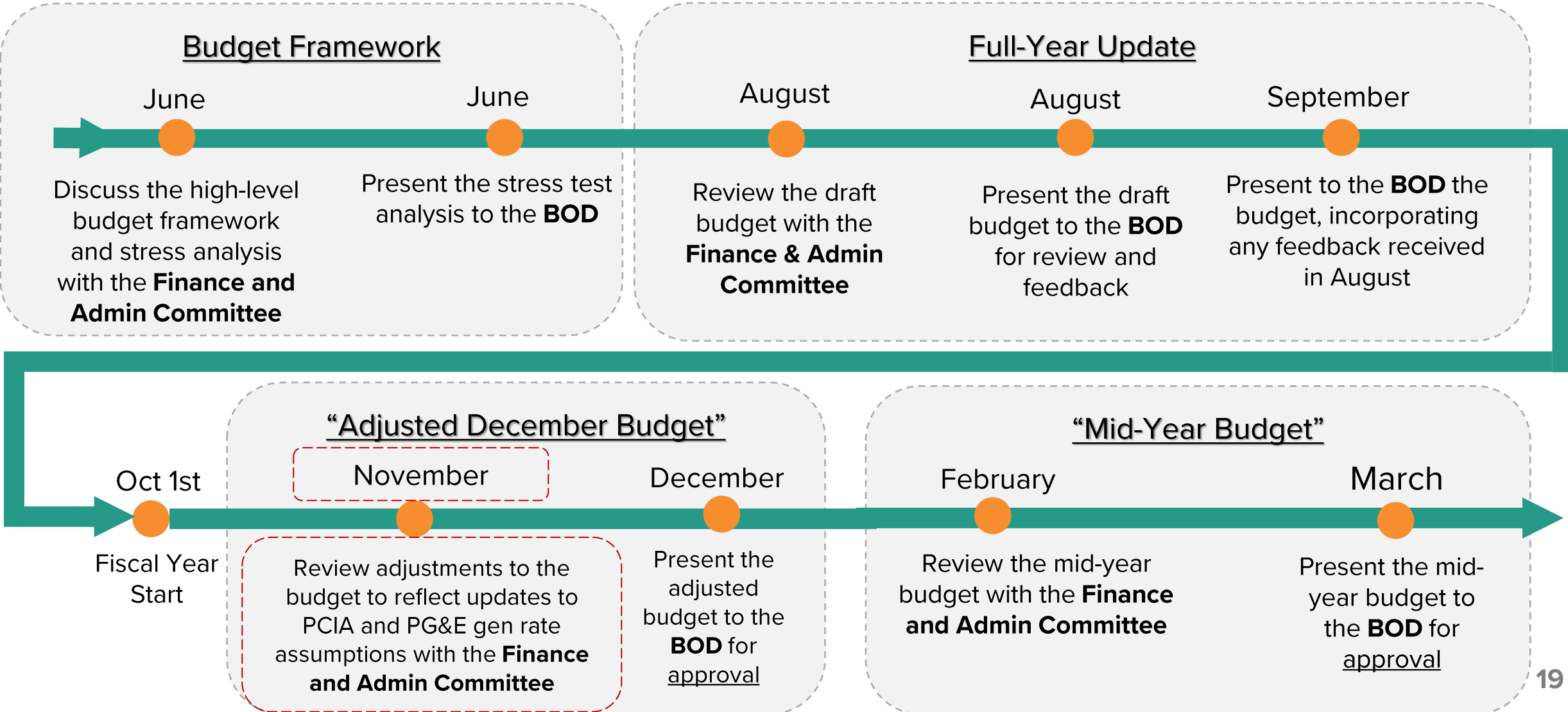
Reserve Target Definitions

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.



FY25-26 Budget Development Timeline





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.

Implementation of Rate Stabilization Fund Under GASB 62 for Fiscal Year 2024-2025

Amrit Singh
Finance and Administration Committee
November 24, 2025

Purpose

Discussion of staff's plan for implementation of GASB 62 for the fiscal year that ended September 30, 2025.

Main Areas of Discussion

1. Recap of GASB 62
2. Board-approved criteria for implementing GASB 62
3. Staff's plan for deferring revenues





Recap – Board Approved GASB 62 Fund in March 2025

Finance and Administration Committee reviewed GASB Standard 62 at the November 25, 2024, meeting and at the February 26, 2025, meeting recommended that the Board establish a rate stabilization fund

- GASB 62 enables SVCE to defer revenues to future periods and recognize them later when expenditures occur that correspond to the Board's direction on the utilization of those revenues
- Impacts the Net Position in the Financial Statements
 - Lowers net position for the year revenues are deferred and increases it for the future year when revenues are recognized
 - Revenues for the applicable fiscal year are reduced, and a corresponding liability is created in the Statement of Net Position (balance sheet)
- SVCE's first implementation will be for the fiscal year ending September 30, 2025.

The Governmental Accounting Standards Board (GASB) is the organization that determines, and updates generally accepted accounting principles (GAAP) for government entities.



Board Approved Criteria for Deferring & Recognizing Revenues

- Staff may defer revenues provided that the amount does not exceed the outstanding balance of all earmarked budgeted funds*, and additions to the net position do not fall below two percent of the revenues
- Staff may recognize revenues from the Rate Stabilization Fund if the net position falls below two percent of revenues, and/or to adjust the Rate Stabilization balance to be consistent with the outstanding balance of all earmarked budgeted funds

** Earmarked funds are funds that have been allocated in the budget but not yet spent, usually funding for decarbonization programs.*

Unaudited/Soft Close of FY 2025

Before Implementation of GASB 62

- Two percent of revenues is slightly less than \$10 million
- The earmarked funds balance is about \$106 million (shown in the appendix)
- Staff is currently planning to defer \$100 million of revenues to the GASB 62 Rate Stabilization Fund
- Resulting addition to net position will be about \$22 million

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION		Item 4 PRESENTATION
October 1, 2024 through September 30, 2025		
OPERATING REVENUES		
Electricity Sales, Net		\$455,071,307
GreenPrime electricity premium		2,433,491
Liquidated damages		14,178,080
TOTAL OPERATING REVENUES		<u>471,682,878</u>
OPERATING EXPENSES		
Cost of Electricity		332,442,316
Contract services		14,947,789
Staff compensation and benefits		14,759,730
Program incentives		6,991,805
Other operating expenses		3,415,692
Depreciation		636,510
TOTAL OPERATING EXPENSES		<u>373,193,842</u>
OPERATING INCOME(LOSS)		<u>98,489,036</u>
NONOPERATING REVENUES (EXPENSES)		
Investment Income		23,242,267
Financing costs		(3,553)
TOTAL NONOPERATING REVENUES (EXPENSES)		<u>23,238,714</u>
CHANGE IN NET POSITION		121,727,750
Net Position at beginning of period		485,196,874
Net Position at end of period		<u>\$606,924,624</u>

Thank you! / Feedback / Questions?

Unaudited/Soft Close of FY 2025

Before Implementation of GASB 62

STATEMENT OF NET POSITION As of September 30, 2025

Item 4
PRESENTATION

ASSETS

Current Assets

Cash & Cash Equivalents*	\$ 314,494,997
Accounts Receivable, net of allowance	23,094,020
Investments	65,225,316
Accrued Revenue	31,097,074
Cash equivalents - restricted	1,242,049
Other Receivables	25,973,973
Prepaid Expenses	1,049,374
Deposits	873,380

Total Current Assets **463,050,183**

Noncurrent assets

Capital assets, net of depreciation	12,246,144
Investments**	214,086,188

Total Noncurrent Assets **226,332,332**

Total Assets **689,382,515**

LIABILITIES

Current Liabilities

Accounts Payable	2,512,309
Accrued Cost of Electricity	66,947,740
Other accrued liabilities	2,824,314
User Taxes and Energy Surcharges due to other gov'ts	1,695,403

Total Current Liabilities **73,979,766**

Noncurrent Liabilities

Supplier security deposits	8,478,125
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Total noncurrent liabilities **8,478,125**

Total Liabilities **82,457,891**

NET POSITION

Net investment in capital assets	12,246,144
Restricted for security collateral	1,242,049
Unrestricted (deficit)	593,436,431
Total Net Position	\$ 606,924,624

Earmarked Funds Balance

GENERAL PROGRAM FUND
BUDGETARY COMPARISON SCHEDULE
October 1, 2024 through September 30, 2025

REVENUE & OTHER SOURCES:	BUDGET	ACTUAL
Transfers in - General Programs	\$ 10,530,000	\$ 10,530,000
Total	\$ 10,530,000	\$ 10,530,000
EXPENDITURES & OTHER USES:		
Program expenditures	17,552,064	11,227,551
Net increase (decrease) in fund balance	<u>\$ (7,022,064)</u>	<u>\$ (697,551)</u>
Fund balance at beginning of period		77,436,658
Fund balance at end of period		<u>\$76,739,107</u>

CUSTOMER RELIEF & COMMUNITY RESILIENCY FUND
BUDGETARY COMPARISON SCHEDULE
October 1, 2024 through September 30, 2025

REVENUE & OTHER SOURCES:	BUDGET	ACTUAL
Transfer from Operating Fund	\$ 5,370,000	\$ 5,370,000
EXPENDITURES & OTHER USES:		
Customer bill relief credit	5,370,000	5,089,436
Other program expenditures	825,000	806,660
Total Program expenditures	<u>6,195,000</u>	<u>5,896,096</u>
Net increase (decrease) in fund balance	<u>\$ (825,000)</u>	<u>\$ (526,096)</u>
Fund balance at beginning of period		5,437,984
Fund balance at end of period		<u>\$4,911,889</u>

ELECTRIFICATION DISCOUNT FUND
BUDGETARY COMPARISON SCHEDULE
October 1, 2024 through September 30, 2025

Item 4

PRESENTATION

REVENUE & OTHER SOURCES:	BUDGET	ACTUAL
Transfer from Operating Fund	\$ -	\$ -
EXPENDITURES & OTHER USES:		
Program expenditures	850,000	419,071
Net increase (decrease) in fund balance	<u>\$ (850,000)</u>	<u>(419,071)</u>
Fund balance at beginning of period		9,159,383
Fund balance at end of period		<u>\$8,740,312</u>

BUILDING FUND
BUDGETARY COMPARISON SCHEDULE
October 1, 2024 through September 30, 2025

REVENUE & OTHER SOURCES:	BUDGET	ACTUAL
Transfer from Operating Fund *		
EXPENDITURES & OTHER USES:		
Capital outlay	-	11,681,508
Other building expenditures		<u>104,182</u>
		11,785,690
Net increase (decrease) in fund balance	<u>\$ -</u>	<u>(11,785,690)</u>
Fund balance at beginning of period		20,000,000
Fund balance at end of period		<u>\$8,214,310</u>

NUCLEAR AND HANFORD PROGRAM FUNDS
BUDGETARY COMPARISON SCHEDULE
October 1, 2024 through September 30, 2025

REVENUE & OTHER SOURCES:	BUDGET	ACTUAL
Transfers in - Nuclear Allocation	\$ 3,708,000	\$ 3,708,000
Transfer in - Hanford Emissions Mitigation Fund	\$ 1,800,000	\$ 1,800,000
Total	\$ 5,508,000	\$ 5,508,000
EXPENDITURES & OTHER USES:		
Program expenditures	-	1,703
Net increase (decrease) in fund balance	<u>\$ 5,508,000</u>	<u>\$5,506,297</u>
Fund balance at beginning of period		2,188,000
Fund balance at end of period		<u>\$7,694,297</u>

GASB 96 – Subscription-Based IT Arrangements (SBITAs)

Amrit Singh, CFO
Finance and Administration Committee
November 24, 2025





What is GASB 96? (Background)

- GASB 96 covers “Subscription-Based IT Arrangements (SBITAs)” such as cloud software and certain IT services.
- Examples: Microsoft 365, Salesforce, or customer program software.
- The rule says treat these like leases: record an intangible asset (right to use) and a liability (future payments).
- Effective for SVCE starting fiscal year ended Sept 30, 2023 (subject to materiality thresholds)



Application to SVCE

- Reviewed contracts that might qualify as SBITAs
- For years ended 9/30/2023 and 9/30/2024: determined not material, no recognition required
- Documented results shared with auditors
- Auditors concluded that historical results are immaterial



Impact for Fiscal Year Ending September 30, 2025

- Management intends to recognize applicable SBITAs beginning in FY 2025. Although current balances are not expected to materially impact the financial statements (less than 0.50% of net position), prospective recognition will improve transparency and consistency with GASB 96.
- Adoption in FY 2025 provides useful information to the Board and stakeholders, particularly as SVCE anticipates growth in the volume and size of SBITA-related technology contracts over future periods.
- Prior periods (FY 2023 and FY 2024) are immaterial, and GASB 96 permits prospective application. Therefore, SVCE does not intend to restate these closed years.



Next Steps

- Continue analyzing contracts annually for applicability of GASB 96
- Staff plans to formalize a policy with specific thresholds for recognition and to present that policy to the Finance and Administration Committee, likely in February 2026

Review of Completed Fourth Prepay Transaction

Amrit Singh
Finance and Administration Committee
November 24, 2025

Purpose

Informational Item: Report Out of the Completed Fourth Prepay Transaction

Main Areas of Discussion

- Goals of Prepay
- Board Authorized Execution Parameters
- Summary of Executed Transactions
- Next Steps



Review of Prepay Goal and Benefits

- Goal
 - ✓ Reduce the cost of power purchases by leveraging SVCE's ability to fund low-cost tax-exempt debt
 - Prepays grant CCA's competitive advantage relative to IOUs
- Target Benefits
 - ✓ Savings over the 30-year term around 8% - 10% per year on power quantities delivered under the pre-pay structure
 - ✓ Approximately 3 MM to \$4 MM per year in savings
 - ✓ Favorable risk allocation where SVCE only pays for energy that is delivered (same as contracts today)
 - ✓ Debt is non-recourse to SVCE

Board Authorized Execution Parameters

- Aggregate Principal Amount of bonds to not exceed \$1.25 billion
- Execution contingent on achieving savings of at least 8 percent under the power supply contract for the initial bond reset period
- Bonds not be guaranteed obligations of SVCE



Summary of Transaction

New Prepay:

Series 2025F

Prior Prepays:

Series 2021B

- ~\$1.2bn total
- \$4.38/MWh savings
- 46% share; split with Ava

Series 2023B

- ~\$850M total
- \$9.77/MWh savings

Series 2024A

- ~\$1.1bn total
- \$11.31/MWh savings

- \$844M deal size
- 10.8% discount (BOD authorization was 8%)
 - \$11.65/MWh
 - **\$4.6M annual average savings through 2033**
- 10% of load coverage
- Combined, all four prepaes provide:
 - 48% of load coverage
 - **\$19M in annual average savings during initial bond reset periods**

Next Steps

- Work with CCCFA on ongoing annual disclosure requirements
- Assign existing or new Power Purchase Agreements (PPA) into the Prepay before the end of 2027, when the initially assigned contract ends
- Analyze the Power Procurement Portfolio and continue to monitor the Prepay Market for Additional Opportunities

Thank you! / Questions?



Review of Prepay Background Information

Goal: Reduce the cost of power purchases

- Savings achieved by leveraging SVCE/CCCFA's ability to fund low-cost tax-exempt interest rates
- Used since the 1990s for natural gas transactions
- Codified in the US Tax law
 - Municipal electric and gas utilities (and tax-exempt entities such as CCAs) in the US can prepay for a supply of electricity or natural gas from a taxable (corporate) entity and fund that prepayment with tax-exempt municipal bonds:
 - Must sell that commodity to retail end-users within their traditional service area.
 - Since the first prepayments of natural gas were done in the early 1990s, the IRS issued rules allowing tax-exempt prepayments, and Congress enacted legislation specifically allowing the transactions (National Energy Policy Act of 2005; Section 1327).
- A seasoned team of professionals will help to guide, negotiate, and structure the transactions. Fees for professionals are contingent on the completion of the deal and paid from the deal proceeds.



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.

