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# Changing the Fiscal Period to a Calendar Year

**Amrit Singh**  
**Finance and Administration Committee**  
**February 25, 2026**

# Purpose

Action: Recommend that the Board approve changing the fiscal period to a calendar year, along with the proposed transition plan and changes to the Budget Policy

## Main Areas of Discussion

- 1) Current budgeting and planning timeline and process
- 2) Revised timeline and process under a calendar year fiscal period
- 3) Proposed transition plan
- 4) Proposed changes to the budget Policy





# Why Change the Fiscal Period?

*More closely align adoption of Annual Budget with Customer Rate Changes*

## Background:

- JPA allows the Board to change the fiscal year by resolution
- Changed once before in September 2016
  - From the period July 1 - June 30 to the current period, October 1 - September 30
  - Changed to facilitate compliance with loan covenants during SVCE's startup, which are no longer relevant.

## Proposed Fiscal Period:

- Calendar Year, commencing January 1 and ending December 31.

## Benefits from the change:

- Avoids setting a budget in September and then amending it 3 months later when there's more certainty on upcoming PG&E rates and PCIA charges
- Aligns with the timeline for many external compliance requirements and internal planning processes



# Current Budgeting and Planning Process and Timeline

## January, February, and March

- Enterprise Risk Assessments
- Stress Tests Proposals
- Mid-year budget review and adoption
- Completion of prior year's financial audit

## May and June

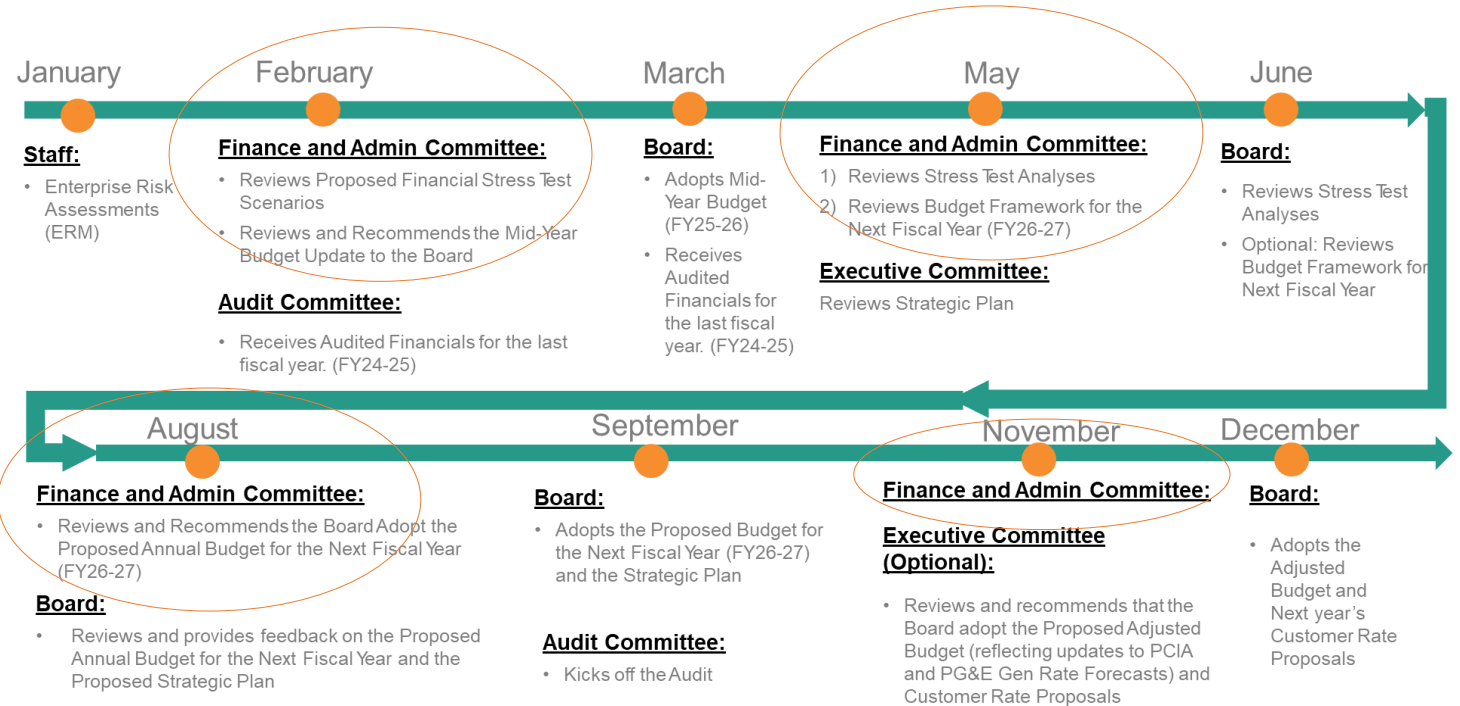
- Stress test analyses
- Reserve adequacy
- Next fiscal year's budget framework review
- Strategic plan review (biennially)

## August and September

- Annual budget and strategic plan review and feedback, and adoption one month later

## November and December

- Budget adjusted to reflect updates to:
  - PCIA and PG&E generation rate forecasts
  - Customer Rate Proposals



*Larger timeline slide shown in the appendix*

 *Planned Finance and Admin Committee meetings.*

# Budgeting and Planning Process and Timeline

## If the Fiscal Period is Changed to Calendar Year

### February or March

- High-level Budget and Reserves update to the Finance and Administration Committee

### March, May, and June

- Enterprise Risk Assessments
- Stress Tests Proposals
- Mid-year budget review and adoption
- Completion of prior year's financial audit

### August and September

- Stress test analyses
- Reserve adequacy
- Next fiscal year's budget framework review
- Strategic plan review (Biennially)

### November and December

- Annual budget, strategic plan, and customer rate proposal review by Committee(s) and adoption by the Board in December



*Full timeline slide shown in the appendix*

○ *Planned Finance and Admin Committee meetings.*

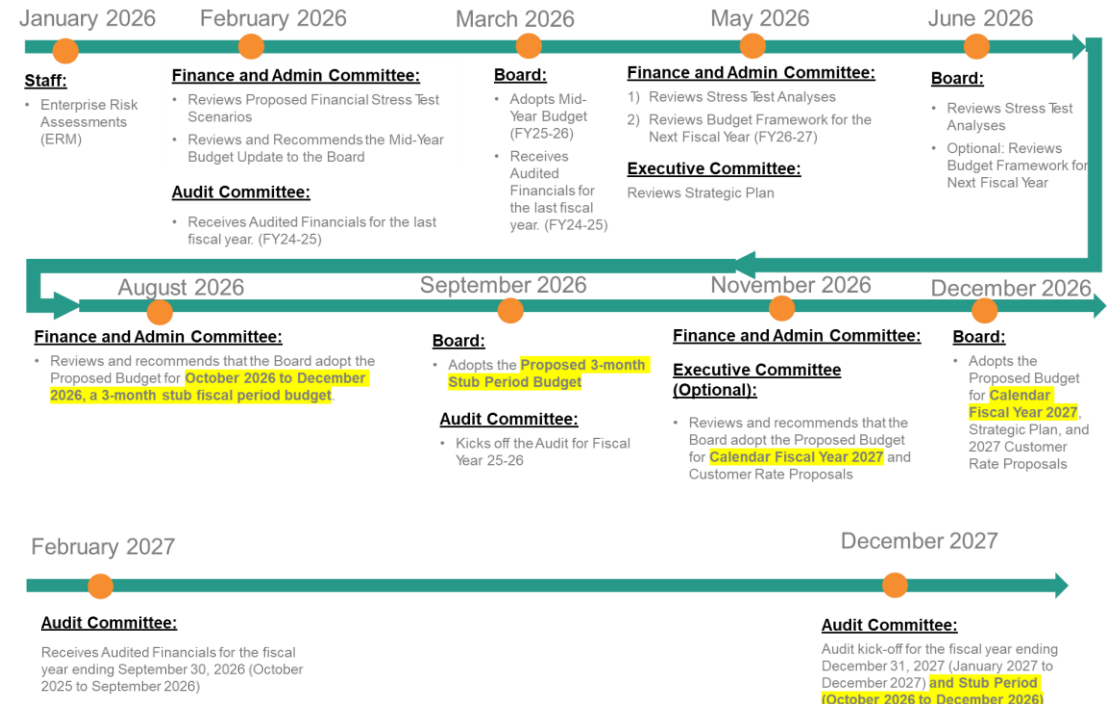
**Key Change:** The Board will not have the opportunity to review and provide feedback on the proposed budget two months prior to the end of the fiscal year.



# Requires a Transition Period

*Staff proposes to transition to a calendar fiscal period starting January 1, 2027*

1. Need an interim 3-month transition fiscal period, stub fiscal period, from October 2026 to December 2026
2. Board sets the budget for the interim 3-month fiscal period in September 2026
3. Board sets the budget for the new 12-month, calendar-year fiscal period in December 2026
4. Board allows the auditor to perform a combined, two-period audit covering:
  - The 3-month stub period (October 2026 to December 2026)
  - The first full calendar year (1/1/27 to 12/31/2027)



*Full timeline slides are shown in the appendix*



# Requires Changes to Budget Policy

## III. Policy

### A. Budget Adoption

- The CEO, in concurrence with the Finance and Administration Committee, shall prepare a budget and budget overview for the Board for the following fiscal year two months prior to the end of the fiscal year. The proposed budget shall be balanced and in alignment with the

Remove the requirement to provide a budget overview two months prior to the end of the fiscal year, as staff will not have the updated PCIA and PG&E generation rate information in time to prepare the budget.



# Recommendation

## Recommend that the Board of Directors approve:

1. Changing SVCE's fiscal period to a Calendar Year (January 1 to December 31), beginning January 1, 2027
2. Establishing an interim 3-month stub fiscal period, starting October 1, 2026, and ending December 31, 2026, and adopting a schedule to approve the stub period budget at the September 2026 Board meeting
3. Authorizing a combined two-period audit covering the 3-month sub-period, along with the first audit of the new fiscal year
4. Amending the Budget, Adoption, Control and Reporting Policy to remove the requirement to provide a budget overview two months prior to the end of a fiscal year.

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**Thank you! / Questions?**

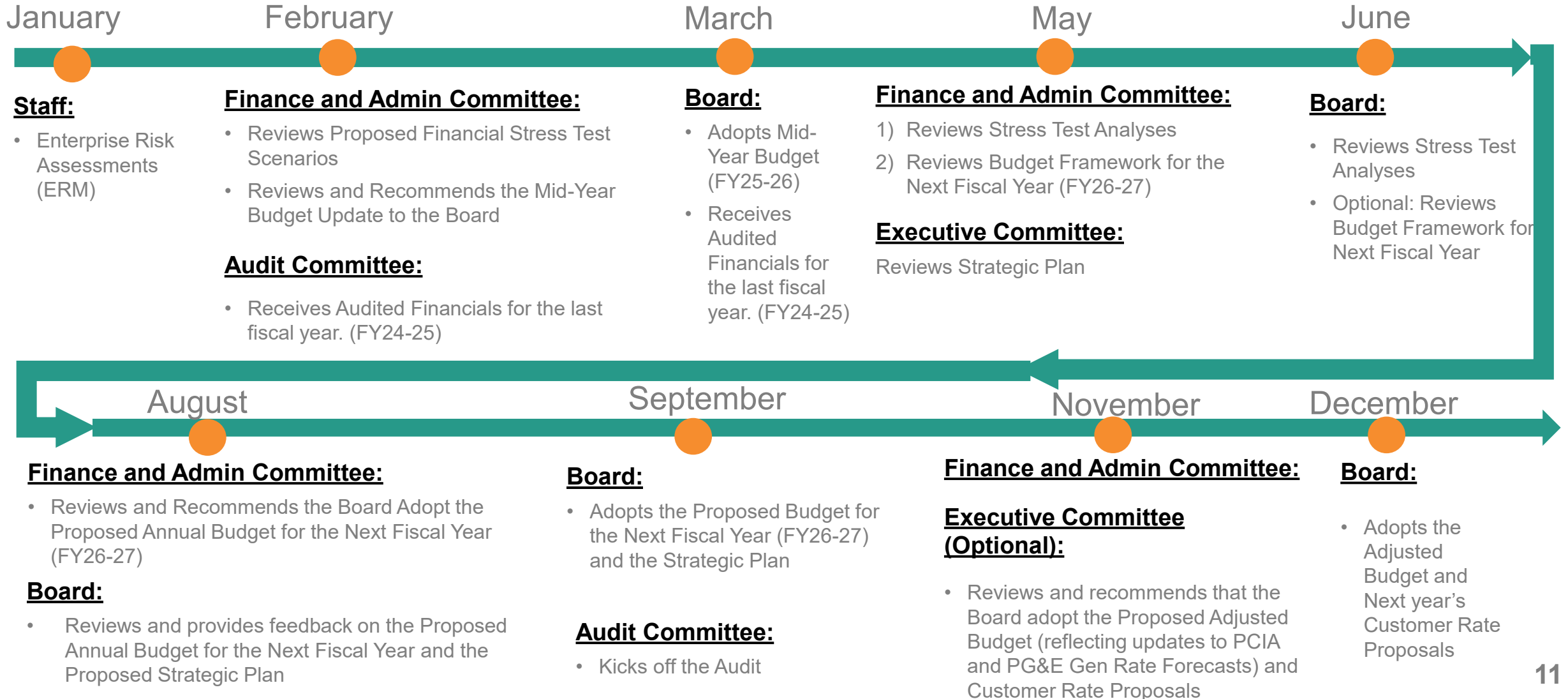


# SVCE's Budgeting & Planning Process





# Current Budgeting and Planning Process and Timeline





# Budgeting and Planning Process and Timeline

## If Fiscal Period Changed to Calendar Year

Late February or March

**Finance and Admin Committee:**

- High-level (“Mini”) Budget & Reserves Update (Revenues and Power Supply Updated)

March

**Staff:**

Enterprise Risk Assessments (ERM)

May

**Finance and Admin Committee:**

- Reviews Proposed Financial Stress Test Scenarios
- Reviews and Recommends the Mid-Year Budget Update to the Board

**Audit Committee:**

- Receives Audited Financials for the last fiscal year.

June

**Board:**

- Adopts Mid-Year Budget
- Receives Audited Financials for the last fiscal year.

August

**Finance and Admin Committee:**

- Reviews Stress Test Analyses
- Reviews Budget Framework for the Next Fiscal Year

**Executive Committee:**

- Reviews Strategic Plan

September

**Board:**

- Reviews Stress Test Analyses
- Optional: Reviews Budget Framework for Next Fiscal Year

Late November

**Finance and Admin Committee**

**Executive Committee (Optional):**

- Reviews and Recommends that the Board Adopt the Proposed Annual Budget and Customer Rate Proposals

**Board:**

- Reviews the Proposed Strategic Plan

December

**Board:**

- Adopts the Proposed Budget, Strategic Plan, and Next Year’s Customer Rate Proposals

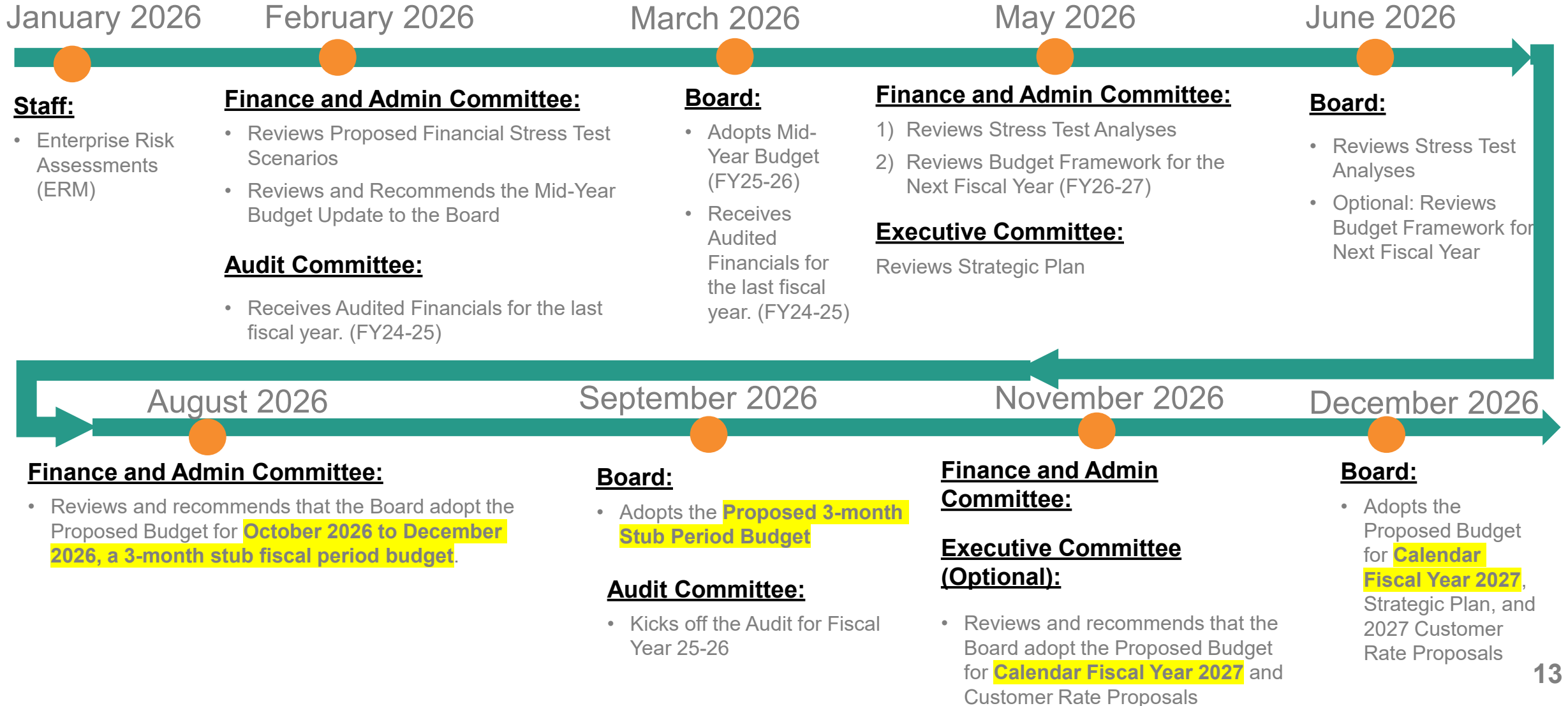
**Audit Committee:**

- Kicks off the Audit



# Transition Timeline and Plan

## New Fiscal Period Starts January 1, 2027





# Transition Timeline and Plan - Continued

*New Fiscal Period Starts January 1, 2027*

February 2027

~August 2027\*

December 2027



**Audit Committee:**

Receives Audited Financials for the fiscal year ending September 30, 2026 (October 2025 to September 2026)

**Audit Committee:**

Selects a new auditor

**Audit Committee:**

Audit kick-off for the fiscal year ending December 31, 2027 (January 2027 to December 2027) **and Stub Period (October 2026 to December 2026)**

- **Starting in 2028, the February Audit Committee will move to May**

- **September Audit Committee moves to December**

*\* An additional Audit Committee meeting in 2027 to select a new auditor is not because of the change to a new fiscal period. SVCE's policies require selecting a new auditor every 5 years. The proposed period is tentative; the new auditor needs to be selected before December 2027, the kick-off of the new audit.*

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# MY 25-26 Adjusted Operating Budget

Amrit Singh  
Finance and Administration Committee  
February 25, 2026

# Purpose

Action: Recommend that the Board Adopt Mid-Year 2025-2026 (MY 26) Adjusted Operating Budget

## Main Areas of Discussion

- Highlight changes since the adoption of the adjusted budget in December
- Compare mid-year and adjusted budget key line items
- Compare final 2026 PG&E Generation and PCIA rates with those forecasted in December and the impact on SVCE margins
- Review 5-yr Reserve Projections
- Committee Vote





# Mid-Year FY26 Budget Highlights

## Negative 5-yr Financial Outlook Trend Continues; Deteriorates Further with Declines in Energy Prices

- Ending 5-year **Days Cash on Hand (DCOH) Forecast\***:
  - December 2025 Adjusted Budget: 200
  - **Mid-Year Budget: 142**
- With declining prices, the **FY26 budget improves**, but at the expense of a **larger deterioration of the FY27 outlook (Net Negative)**
  - 2026 PCIA and PG&E rates are set
  - Deviations between actuals and market price estimates used to set the 2026 rate will be trued-up in setting next year's rates
    - Leading to larger 2027 PCIA and likely lower 2027 PG&E Generation rates

*\*With additional operating liquidity assumptions*

## FY26 Budget Update:

- December 2025 Budget: Negative \$60.5 Million
- **Mid-Year Budget: Negative \$12.5 Million** (\$12.5 million draw from reserves) \$48 Million improvement
  - **\$32 million decrease in power supply costs**
  - **\$16 million increase in revenues**
- **Power costs decrease due to lower prices**
- **Revenues improve due to a positive regulatory outcome** that reduced some (vintages) PCIA rates and increased PG&E's generation rates

## FY27 Outlook:

- December 2025 Adjusted Budget: Negative \$81 Million
- Mid-Year Budget: **Negative \$131 Million**



# Annual Adjusted Budget vs. Mid-Year Budget

- Revenues slightly higher
  - Final PG&E 2026 gen rates came in higher than projected due to a positive regulatory decision, adjusted RA modeling methodology (+\$20 million).
- Power Supply Cost decrease
  - Market price decreases, benefiting SVCE's physical open positions

(\$ in thousands)

	FY25-26 ADJUSTED BUDGET	FY25-26 MID-YEAR ADJUSTED BUDGET	Changes to Reserves Contribution*	
			\$	%
<b>Energy Revenues</b>	319,324	335,478	16,155	5.1%
<b>Power Supply Expense</b>	(344,221)	(311,996)	32,225	9.4%
<b>Operating Margin</b>	<u>(24,897)</u>	<u>23,482</u>	<u>48,379</u>	<u>194.3%</u>
<b>Operating Expenses</b>	(43,193)	(42,684)	509	1.2%
<b>Non-Operating Revenue (Expense)</b>	20,854	20,106	(748)	-3.6%
<b>Annual Transfers and Other Expenses</b>				
Capital Outlay	(512)	(611)	(99)	-19.3%
Transfer to Building Fund	(5,500)	(5,500)	0	0.0%
Program Fund	(7,251)	(7,251)	0	0.0%
<b>TOTAL CAPITAL EXPENDITURES, INTERFUND TRANSFERS &amp; OTHER</b>	<u>(13,263)</u>	<u>(13,362)</u>	<u>(99)</u>	<u>-0.7%</u>
<b>BALANCE AVAILABLE FOR RESERVES</b>	<u>(60,500)</u>	<u>(12,458)</u>	<u>48,042</u>	<u>79.4%</u>

\* Positive values (increases) in contribution to reserves can result from increases in Revenues, as well as decreases in Expenses. Negative values (decreases) in contribution to reserves can result from decreases in Revenues, as well as increases in Expenses.

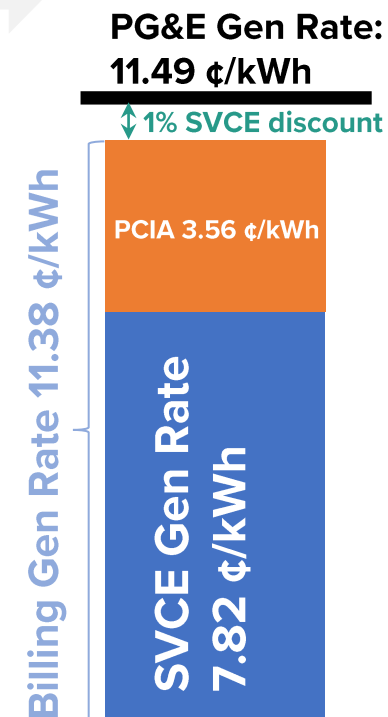
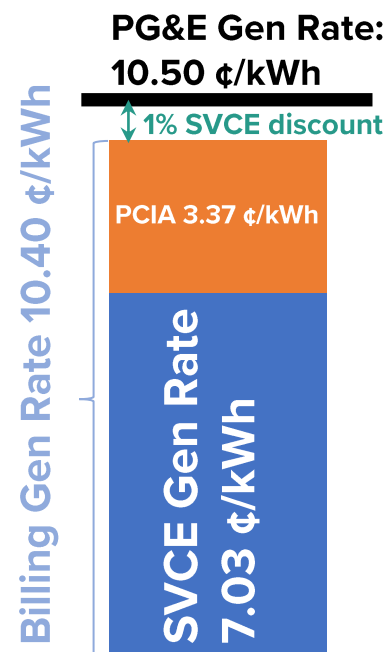
# Final PG&E Rate Improved SVCE Margins

- Relative to Assumptions in the December Adjusted Budget:
  - PG&E's average 2026 generation rate increased by about 9%
  - PCIA increased from 3.37¢/kWh to 3.56¢/kWh
- Relative to Adjusted Budget, SVCE's 2026 margin improved by about 11%
- The rate changes were effective Jan 1, 2026.

**December Adjusted Budget 2026 Rate\*\***

**2026 Rate\***

- Final PG&E Cost True UP ↑
- RA Modeling Adjustment ↑



Impact on FY2026 Revenue +\$20M

\* Source: PG&E 2026 Average Rates, effective January 1, 2026 (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 (0.06 ¢/kWh)



# Business-as-Usual Scenario\* with Additional Operating Liquidity Assumptions from December

## Additional Operating Liquidity Assumptions:

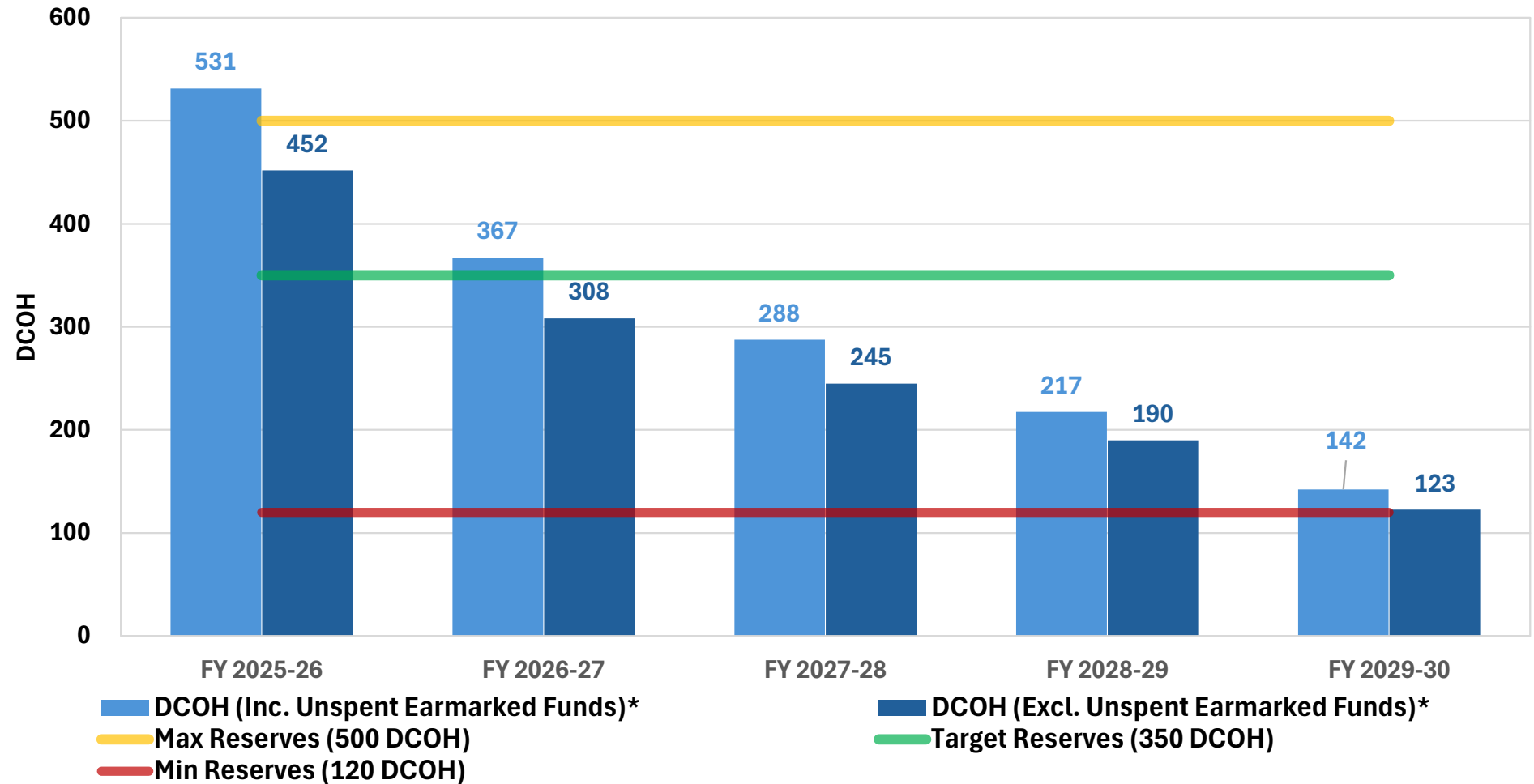
### 1. Lag in customer uptake of programs

- \$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)

### 2. Operational flexibility within operating expenses (other than power supply expenses)

- \$6.5 million a year in expected underrun of other operating expenses

### Days Cash on Hand (DCOH)



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

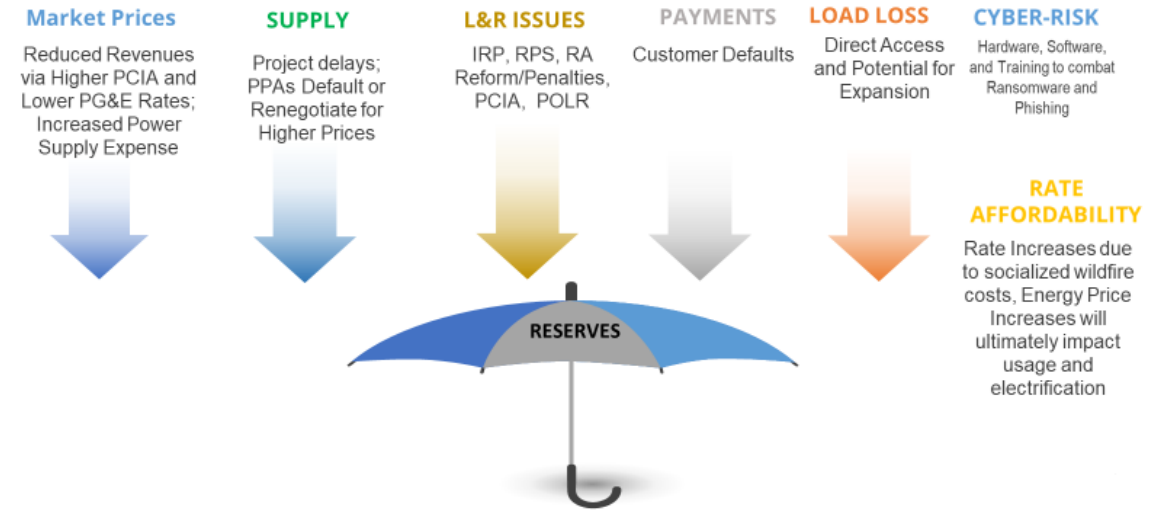
\* Business-as-usual here is defined as all SVCE rates set at a competitive advantage to comparable PG&E rates.

# Summary – While Declining Energy Prices Improve FY26 Adjusted Operating Budget, 5-year Financial Outlook Deteriorates Further

## Next Steps

- Staff continues the work on Financial Levers Analyses started last year
- Reserves built for such financial outcomes position SVCE well even under the business-as-usual scenario, with reserves over the critical 2-year forecast period remaining above 350 DCOH
- However, if the 5-year expected trend prevails, SVCE will need to adjust the business-as-usual operating scenario, which is the objective of the Financial Levers Analyses
- Staff will conduct additional financial stress test analyses and recommend any updates to the reserve targets in May to the Finance and Admin Committee and in June to the Board

## Many Risks can Deplete Reserves





# Recommendation

Recommend that the Board of Directors adopt the proposed Mid-year (MY) 2025-26 Adjusted Operating Budget.

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**Thank you! / Questions?**

# 2025-2026 Mid-Year Adjusted Operating Budget

(\$ in thousands)	FY25-26 MID-YEAR ADJUSTED BUDGET
<b>DESCRIPTION</b>	
<b>ENERGY REVENUES</b>	
Energy Sales	335,858
Green Prime	2,439
CARE/FERA Bill Credit	(4,163)
Other Income	1,344
<b>TOTAL ENERGY REVENUES</b>	<b><u>335,478</u></b>
<b>ENERGY EXPENSES</b>	
Power Supply	(311,996)
<b>OPERATING MARGIN</b>	<b><u>23,482</u></b>
<b>OPERATING EXPENSES</b>	
Data Management	(3,764)
PG&E Fees	(1,569)
Salaries and Retirement	(18,870)
Professional Services	(10,645)
Marketing & Promotions	(2,189)
General & Administrative	(5,647)
<b>TOTAL OPERATING EXPENSES</b>	<b><u>(42,684)</u></b>
<b>OPERATING INCOME (LOSS)</b>	<b><u>(19,202)</u></b>
<b>NON-OPERATING REVENUES</b>	
Interest Income	20,272
<b>TOTAL NON-OPERATING REVENUES</b>	<b><u>20,272</u></b>
<b>NON-OPERATING EXPENSES</b>	
Financing	(166)
<b>TOTAL NON-OPERATING EXPENSES</b>	<b><u>(166)</u></b>
<b>TOTAL NON-OPERATING INCOME (EXPENSES)</b>	<b><u>20,106</u></b>
<b>CHANGE IN NET POSITION</b>	<b><u>904</u></b>
<b>CAPITAL EXPENDITURES, INTERFUND TRANSFERS &amp; OTHER</b>	
Capital Outlay	(611)
Transfer to Building Fund	(5,500)
Program Fund	(7,251)
<b>TOTAL CAPITAL EXPENDITURES, INTERFUND TRANSFERS &amp; OTHER</b>	<b><u>(13,362)</u></b>
<b>BALANCE AVAILABLE FOR RESERVES</b>	<b><u>(12,458)</u></b>

# 5-Year Forecast

Budget View – without additional liquidity assumptions

For forecast years FY25-26 onward:

- Revenues are based on SVCE's load forecast and CalCCA NewGen Model for SVCE margin analysis using market data as of 1/31/2026
- Power Supply Costs are based on updated portfolio positions and latest market data
- Operating Expenses are assumed to grow 5% / year

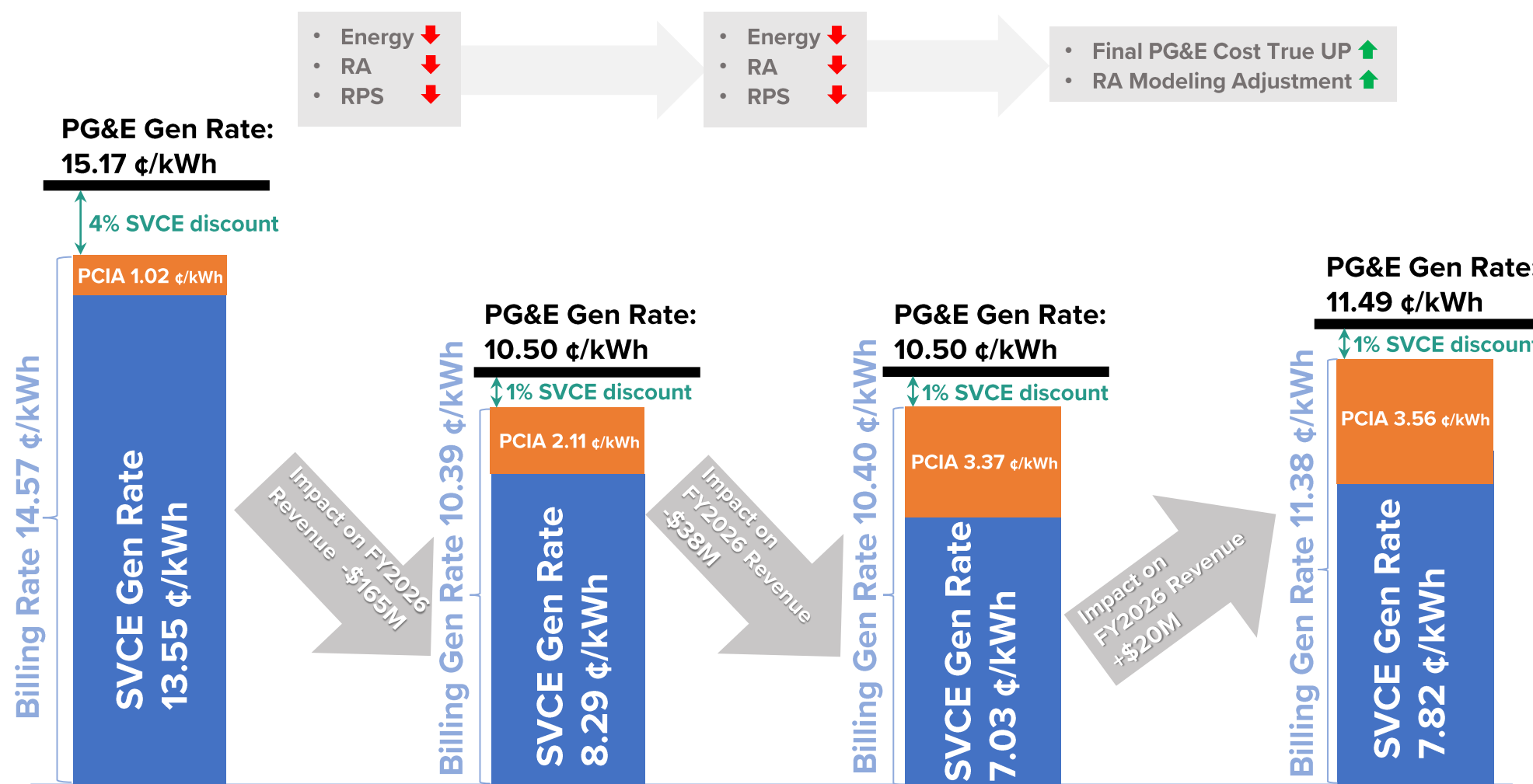
(\$ in Thousands)					
	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
<b>Operating Revenue</b>	(Forecast)	(Forecast)	(Forecast)	(Forecast)	PRESENTATION
Electricity Sales, Net <sup>1</sup>	\$335,858	\$238,142	\$317,067	\$367,680	\$390,693
GreenPrime Electricity Premium	\$2,439	\$2,510	\$2,336	\$2,309	\$2,361
Reduction in Revenue <sup>1</sup>	\$(4,163)	\$(928)	\$0	\$0	\$0
Other Income	\$1,344	\$0	\$0	\$0	\$0
<b>Total Operating Revenues</b>	<b>\$335,478</b>	<b>\$239,724</b>	<b>\$319,403</b>	<b>\$369,989</b>	<b>\$393,054</b>
<b>Operating Expense</b>					
Power Supply	\$(311,996)	\$(336,336)	\$(356,970)	\$(378,051)	\$(414,042)
<b>Operating Margin</b>	<b>\$23,482</b>	<b>\$(96,611)</b>	<b>\$(37,566)</b>	<b>\$(8,062)</b>	<b>\$(20,987)</b>
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	\$(10,645)	\$(11,177)	\$(11,736)	\$(12,323)	\$(12,939)
Marketing & Promotions	\$(2,189)	\$(2,299)	\$(2,414)	\$(2,534)	\$(2,661)
General and Administration	\$(5,647)	\$(5,537)	\$(5,814)	\$(6,104)	\$(6,410)
Transfers to Programs Fund	\$(7,251)	\$(4,794)	\$(6,388)	\$(7,400)	\$(7,861)
<b>Total Operating Expenses</b>	<b>\$(361,931)</b>	<b>\$(385,555)</b>	<b>\$(410,004)</b>	<b>\$(434,430)</b>	<b>\$(473,331)</b>
<b>Operating Income</b>	<b>\$(26,453)</b>	<b>\$(145,831)</b>	<b>\$(90,601)</b>	<b>\$(64,441)</b>	<b>\$(80,276)</b>
<b>Nonoperating Revenue</b>					
Investment Income	\$20,272	\$15,050	\$10,070	\$7,568	\$5,191
Grant Income	\$0	\$0	\$0	\$0	\$0
<b>Total Non-Operating Revenues</b>	<b>\$20,272</b>	<b>\$15,050</b>	<b>\$10,070</b>	<b>\$7,568</b>	<b>\$5,191</b>
<b>Nonoperating Expense</b>					
Financing Cost	\$(166)	\$(442)	\$(788)	\$(186)	\$(172)
Capital Outlay	\$(611)	\$(50)	\$(50)	\$(50)	\$(50)
Interest Expense	\$0	\$0	\$0	\$0	\$0
<b>Total Non-Operating Expense</b>	<b>\$(777)</b>	<b>\$(492)</b>	<b>\$(838)</b>	<b>\$(236)</b>	<b>\$(222)</b>
<b>Non-Operating Income</b>	<b>\$19,495</b>	<b>\$14,558</b>	<b>\$9,232</b>	<b>\$7,332</b>	<b>\$4,969</b>
<b>Change in Net Position/Available for Reserves</b>					
Begin, Net Financial Position	\$585,328	\$534,173	\$382,966	\$285,063	\$212,750
Adjustment for Program Expenditure and Building Fund <sup>2</sup>	\$(38,698)	\$(19,934)	\$(16,534)	\$(15,204)	\$(7,281)
End, Net Financial Position	\$534,173	\$382,966	\$285,063	\$212,750	\$130,162

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 \$4.2 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.

# Final PG&E Rate Improved SVCE Margins

**2025 Rate\*\***      **Adopted Budget 2026 Rate\***      **Adjusted Budget 2026 Rate\*\*\***      **2026 Rate\*\***



\* 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 and 2026 Average Rates, effective January 1, 2025 and January 1, 2026 (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 (0.06 ¢/kWh)

- Relative to Assumptions in the December Adjusted Budget:
  - PG&E's average 2026 generation rate increased by about 9%
  - PCIA increased from 3.37¢/kWh to 3.56¢/kWh
- Relative to Adjusted Budget, SVCE's 2026 margin improved by about 11%
- The rate changes were effective Jan 1, 2026.

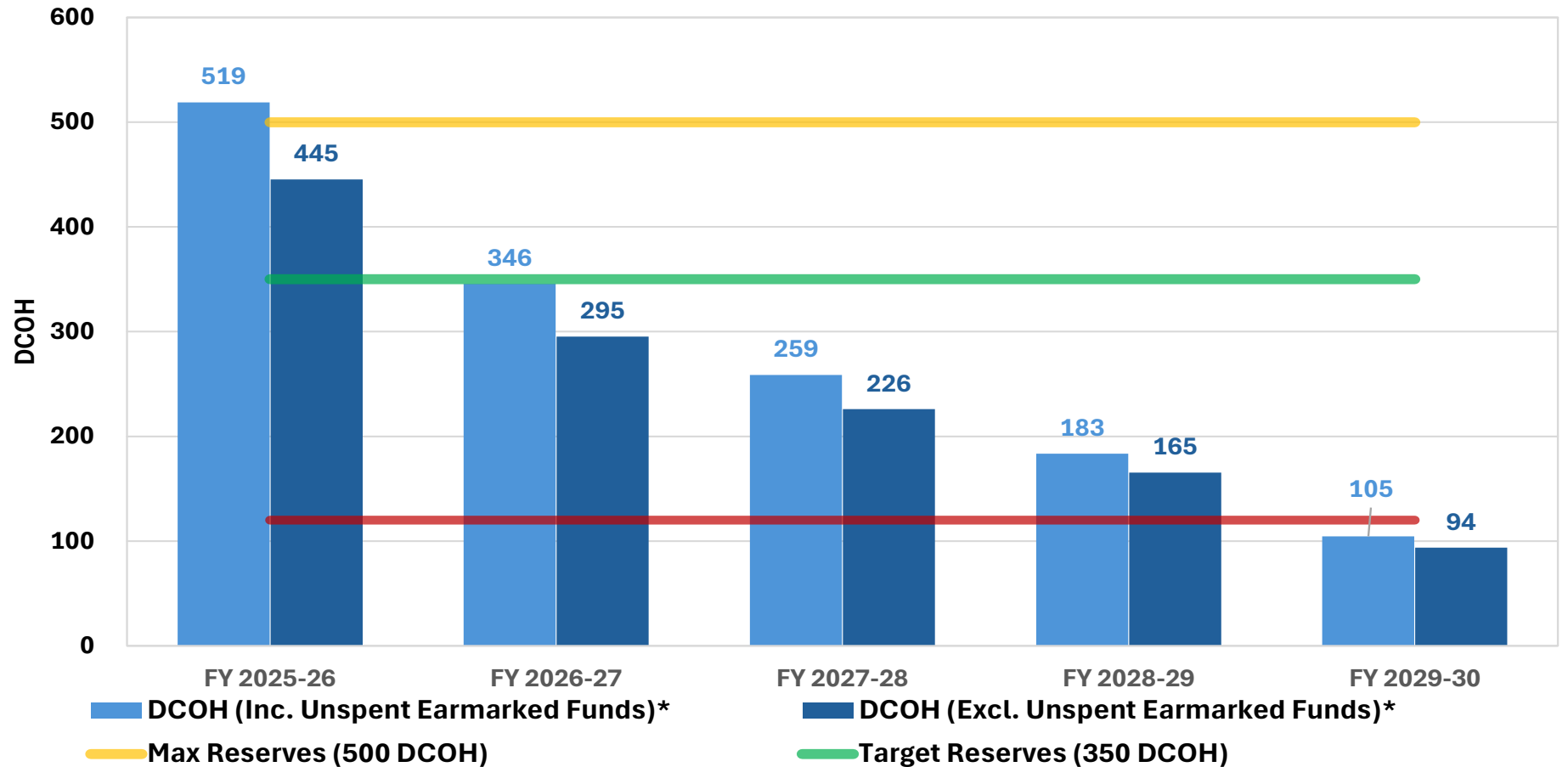


# Reserve Projection Under Business-as-Usual Scenario

## Projected End of FY Reserves:

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

### Days Cash on Hand (DCOH)



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

Calendar year 2027 onwards assumes 1% discount is provided as either

- 1) Discounts to all customers, or,
- 2) As bill credits to CARE/FERA customers only (and 0% discount to all customers)

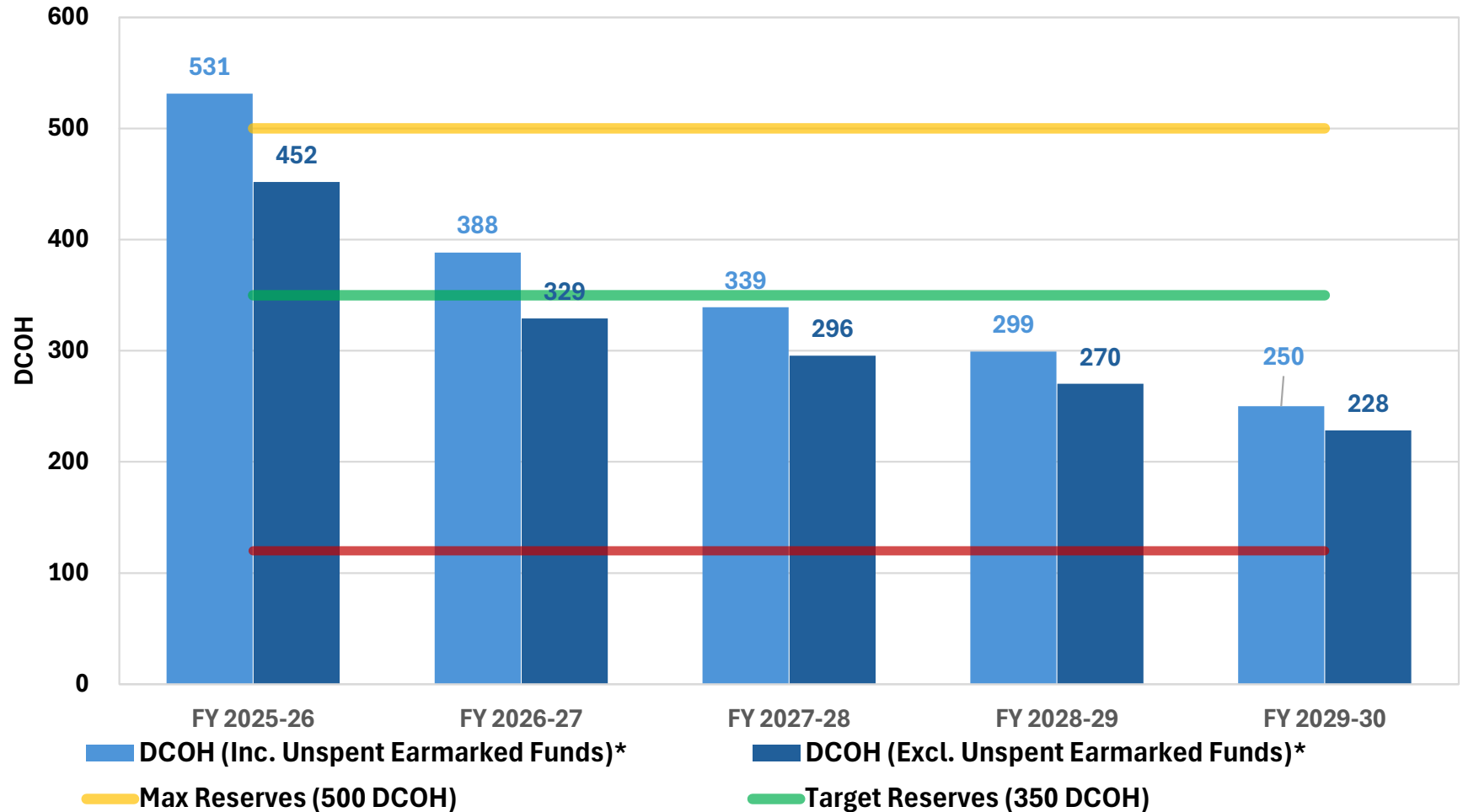


# Implementing Rate Premium in 2027 to Keep DCOH Above 250

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

On average, SVCE rates would need to be about **7.7%** higher than PG&E starting in **CY 2027** (no CARE/FERA bill credits)

Days Cash on Hand (DCOH)



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



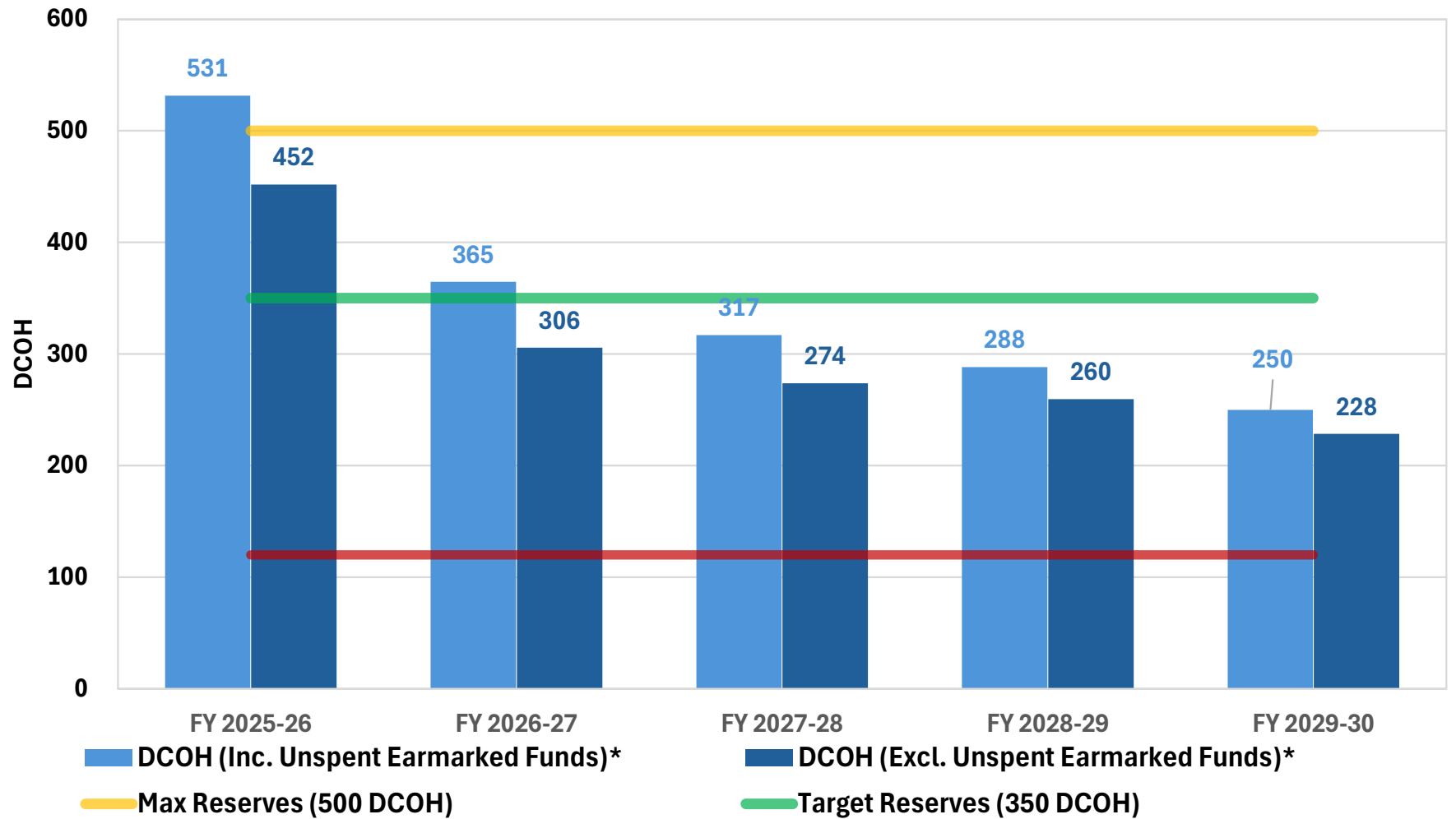
# Implementing Rate Premium Starting in 2028 to Keep DCOH Above 250

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

On average, SVCE rates would need to be about **10.6%** higher than PG&E starting in **CY 2028 (no CARE/FERA bill credits)**

2027 rates at set at 1% discount to PG&E with an additional 1% directed towards CARE/FERA bill credits

Days Cash on Hand (DCOH)



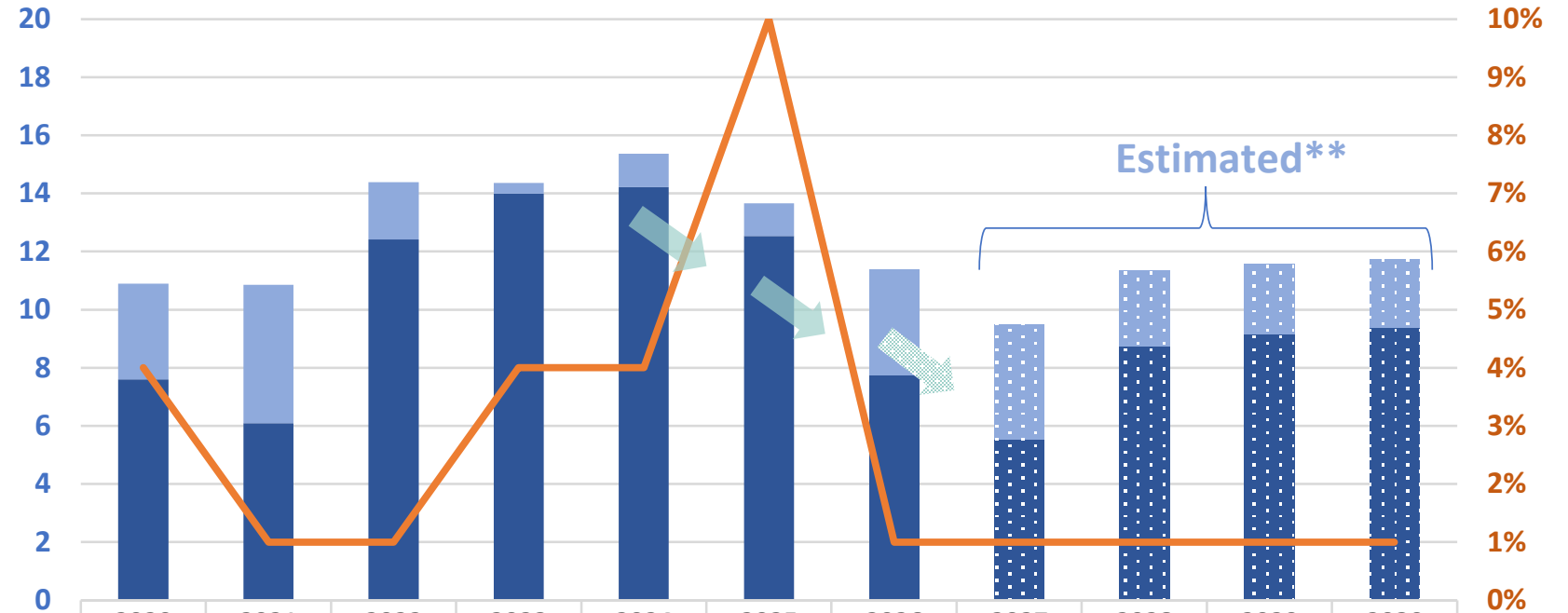
\* Earmarked funds are unspent SVCE Program Funds and Building Funds.



# Average Effective Customer Billing Rates

- 2026 Average Customer Billing Generation Rate decreased 17% Year over Year, inclusive of SVCE One-Time Bill credit disbursement in September 2025
- 2026 SVCE margins decline 38%
- 2027 Estimated Average Customer Billing Generation Rate is expected to decrease further by around 17% Year over Year
- 2027 SVCE margins decline 28%

Customer Billing Rate (¢/kWh)



	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
PCIA & Franchise Fee* (¢/kWh)	3.29	4.76	1.97	0.37	1.14	1.12	3.62	3.93	2.59	2.39	2.32
SVCE Gen Rate* (¢/kWh)	7.59	6.10	12.41	13.99	14.22	12.53	7.76	5.55	8.74	9.16	9.39
SVCE gen rate discount vs PG&E	4%	1%	1%	4%	4%	10%	1%	1%	1%	1%	1%

\*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)

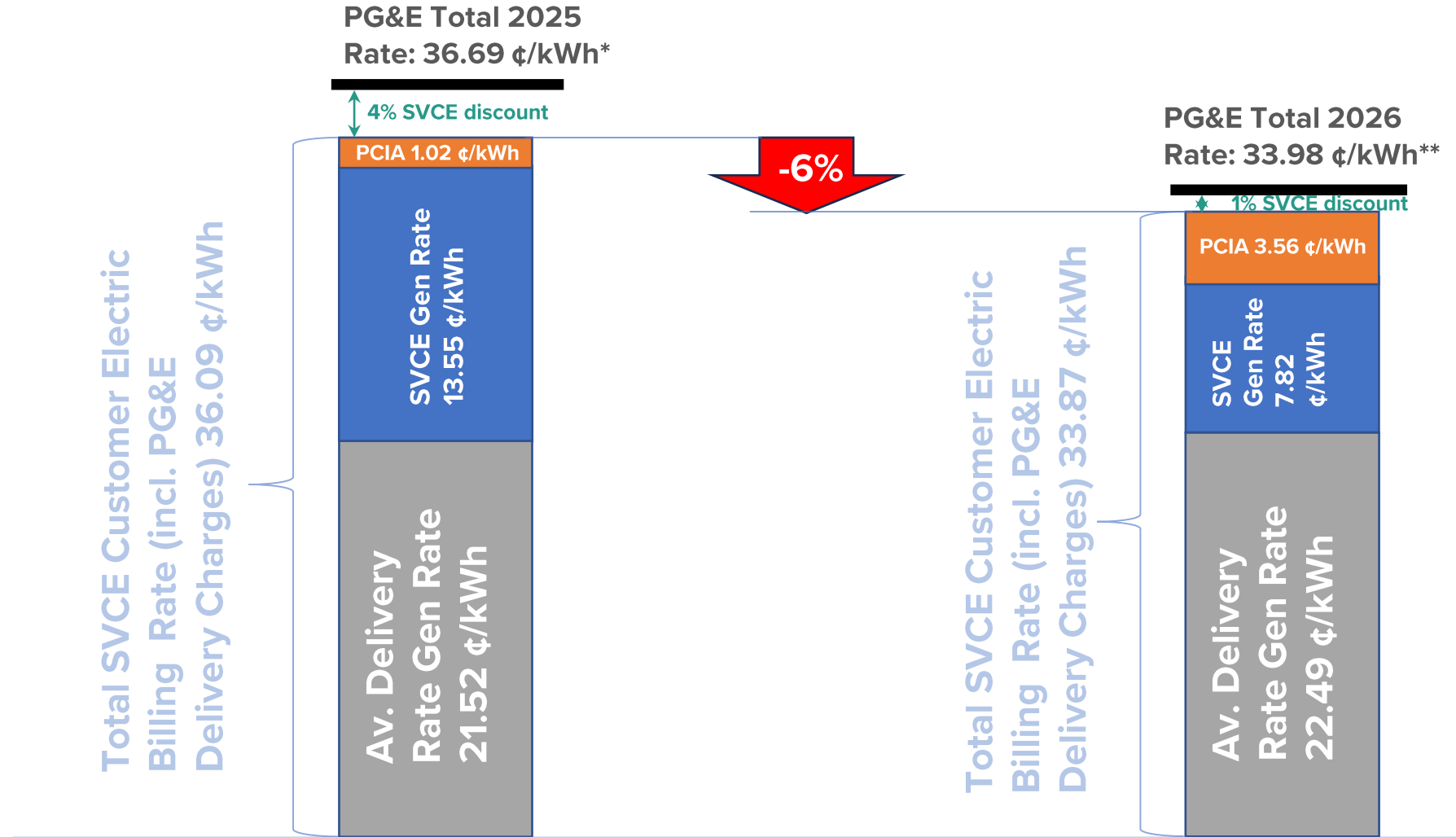
\*\*CalCCA NewGen Model analysis using market data as of 1/30/2026 and estimated CPUC attribute benchmarks for CY 2026-2030 (Weighted for SVCE Portfolio Load)

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



# With Estimated PG&E Delivery Rates, Customers' Total Rate Expected to Drop on Average by 6% from 2025 Level

PG&E delivery rate, on average, is estimated to increase by about ~5%



\*PG&E 2025 Average Rate, effective January 1, 2025 and estimated total delivery rates as of September 1, 2025 (Weighted for SVCE Portfolio Load)  
 \*\*Gen rates are estimated based on PG&E Errata (November 6, 2025) and delivery rates are based on PG&E Preliminary Annual Electric True-Up Submittal (November 17, 2025) data for CCA/DA customers.  
 Above margin analyses ignores minor reductions for franchise fees (0.1 ¢/kWh)



# 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***
<b>Rate Schedule</b>	E-TOUC	Est. Avg	E-TOUCL	Est. Avg	B-1	B-1	B-10S	B-10S	B-19S	B-19S
<b>PG&amp;E Bundled Gen Rate (\$/kWh)</b>	\$ 0.1501	\$ 0.1184	\$ 0.1505	\$ 0.1182	\$ 0.1510	\$ 0.1153	\$ 0.1590	\$ 0.1221	\$ 0.1452	\$ 0.1175
<b>SVCE Gen Rate (\$/kWh)</b>	\$ 0.1323	\$ 0.0801	\$ 0.1327	\$ 0.0798	\$ 0.1338	\$ 0.0778	\$ 0.1409	\$ 0.0824	\$ 0.1283	\$ 0.0800
<b>PG&amp;E Delivery Rate (\$/kWh)</b>	\$ 0.2766	\$ 0.2813	\$ 0.1078	\$ 0.1169	\$ 0.2886	\$ 0.2989	\$ 0.2085	\$ 0.2304	\$ 0.1637	\$ 0.1913
<b>PG&amp;E PCIA/FF (\$/kWh)</b>	\$ 0.0118	\$ 0.0372	\$ 0.0118	\$ 0.0372	\$ 0.0112	\$ 0.0364	\$ 0.0117	\$ 0.0384	\$ 0.0111	\$ 0.0363
<b>Total Electricity Cost (\$/kWh)</b>	\$ 0.4207	\$ 0.3985	\$ 0.2523	\$ 0.2339	\$ 0.4336	\$ 0.4131	\$ 0.3611	\$ 0.3512	\$ 0.3031	\$ 0.3075
<b>SVCE CARE/FERA Monthly Credit*</b>	\$ -		\$ (17.50)	\$ (12.00)						
<b>Est. Average Usage (kWh/month)</b>	491	491	491	491	1,851	1,851	22,540	22,540	148,625	148,625
<b>SVCE Gen Rate Discount vs PG&amp;E**</b>	4%	1%	~28%*	~24%*	4%	1%	4%	1%	4%	1%
<b>Est. Av. Monthly Savings vs PG&amp;E**</b>	\$ 2.95	\$ 0.58	\$ 20.46	\$ 12.58	\$ 11.18	\$ 2.13	\$ 143.58	\$ 27.51	\$ 865.00	\$ 174.56
<b>Av. Monthly Cost at SVCE Gen Rate*</b>	\$ 206.56	\$ 195.67	\$ 106.38	\$ 102.85	\$ 802.58	\$ 764.60	\$ 8,140.10	\$ 7,916.03	\$ 45,048.24	\$ 45,705.98
<b>Av. Monthly Cost at PG&amp;E Gen Rate*</b>	\$ 209.51	\$ 196.25	\$ 126.84	\$ 115.43	\$ 813.76	\$ 766.74	\$ 8,283.68	\$ 7,943.55	\$ 45,913.24	\$ 45,880.54

\*Estimated, based on average historic SVCE usage for corresponding customer class.

\*\*Estimated, based on current PG&E 2025 rates as of September 1, 2025 and SVCE 2025 rates as of May 1st, 2025. Excludes One-Time Bill Credit distributed in Sept. 2025, equal to approx. 6% annual discount.

\*\*\*Gen rates and T&D rates are based on PG&E Annual Electric True-Up Submittal (Advice 7797-E, released on December 30, 2025) data for CCA/DA customers.

Total CARE/FERA bill discount (including T&D) vs average residential customer, assuming the same usage (491 kWh/month) is about 48%.

On average, CARE/FERA usage is about 12% lower than that of an average E-TOUC customer.

Delivery rates are estimated to increase approximately 5% Y-o-Y (load weighted for SVCE customer portfolio)



# Operating Expenses

FY25-26 Adjusted Budget	MY25-26 Mid-Year Budget Updates
<ul style="list-style-type: none"><li>Data Management Fees<ul style="list-style-type: none"><li>\$3.8M</li></ul></li></ul>	<ul style="list-style-type: none"><li>Unchanged</li></ul>
<ul style="list-style-type: none"><li>Billing (PG&amp;E Fees)<ul style="list-style-type: none"><li>\$1.6M</li></ul></li></ul>	<ul style="list-style-type: none"><li>Unchanged</li></ul>
<ul style="list-style-type: none"><li>Staffing (Salaries &amp; Retirement)<ul style="list-style-type: none"><li>\$18.9M</li></ul></li></ul>	<ul style="list-style-type: none"><li>Unchanged</li></ul>
<ul style="list-style-type: none"><li>Professional Services<ul style="list-style-type: none"><li>\$10.7M</li></ul></li></ul>	<ul style="list-style-type: none"><li>\$257k lower due to lower-than-expected software and consultant fees</li></ul>
<ul style="list-style-type: none"><li>Marketing &amp; Promotions<ul style="list-style-type: none"><li>-\$2.2M</li></ul></li></ul>	<ul style="list-style-type: none"><li>\$158k lower due to lower-than-expected vendor fees</li></ul>
<ul style="list-style-type: none"><li>G&amp;A / Lease<ul style="list-style-type: none"><li>\$5.6M</li></ul></li></ul>	<ul style="list-style-type: none"><li>\$95k lower due to lower maintenance fees, lower monthly rent for current office, and reduced property taxes for new office building going forward, as the property tax exemption was recently approved by the city.</li></ul>



# 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 around **40%** 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)\*



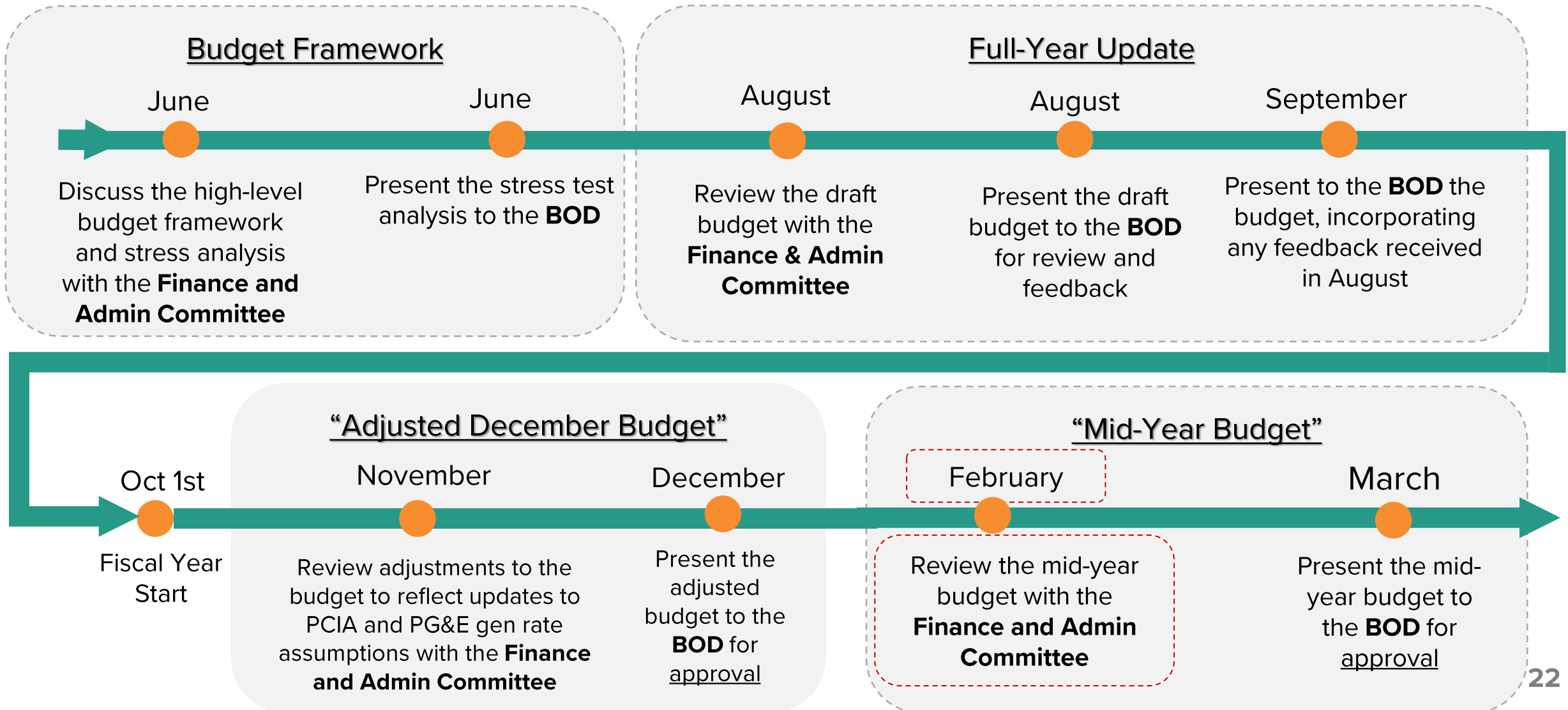
# Reserve Target Definitions

## 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 a 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.

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# SVCE's Planning & Budgeting Process and Financial Stress Tests

February 25, 2026

Finance and Administrative Committee

Amrit Singh

Scott Wrigglesworth

# Purpose

## Information Item:

1. Overview of SVCE's Planning and Budgeting Process and Future Committee Meetings
2. Seek Feedback on the Planned Financial Stress Test Scenarios

## Main Areas of Discussion

- FY 26-27 Budgeting & Planning Timeline
- Overview of Enterprise Risk Management (ERM) and Stress Tests
- Review Key Drivers of Financial Risks
- Review Planned Financial Stress Test Scenarios
- Next Steps





# SVCE's Planning & Budgeting Process





# Stress Tests and ERM

## ERM

A comprehensive organization-wide assessment of risks and opportunities that leads to a more disciplined approach to achieving the organization's mission and objectives

- Ensure risks that can be optimally managed do not derail us from achieving the organization's objectives efficiently and effectively
- Can also aid in identifying opportunities that affect the organization's strategic priorities

## Stress Test

An essential component of ERM

- Assess the interrelatedness of risks in the ERM framework and model extreme but plausible scenarios that can have major adverse consequences for SVCE
- Important for commodity trading portfolios because of the inherent weakness of market risk measures in assessing black swans, such as disruptions in markets



# Key Components of the ERM Framework

## Risk Register

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

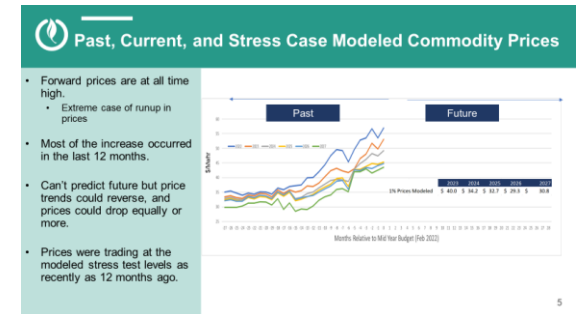
## Risk Matrix

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

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

## Stress Tests

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





# Stress Test Cases for DCOH Impact

Staff recommends the following three cases for stress testing around margin and days cash on hand (DCOH) impacts)

Cases	Description
<b>Price Collapse</b>	Energy, RPS and RA collapse resulting in higher PCIA and lower generation rates.
<b>Affordability Focus</b>	Customer, political, and/or legislative focus on affordability increases beyond current levels.
<b>PCIA Reopening/Revamp</b>	CPUC track 2 and track 3 OIR leads to risk/opportunities around the PCIA with positive or negative implications for SVCE.



# 2026 Stress Scenario: Power Price Collapse

- Energy, RA, and attributes prices collapse to the 1<sup>st</sup> percentile.
- This is a core risk driver and ongoing financial stress scenario.
- Considerations:
  - Physical and financial (PCIA) hedge levels
  - Rate-setting implications and PCIA Impacts
  - Fundamental reasons for persistently low prices (added supply, uncertain demand)
  - Standard Ascend stochastic modeling used to estimate 1<sup>st</sup> percentile energy prices.
  - Use of third-party provided fundamental research to model 1<sup>st</sup> percentile RA and attributes prices.



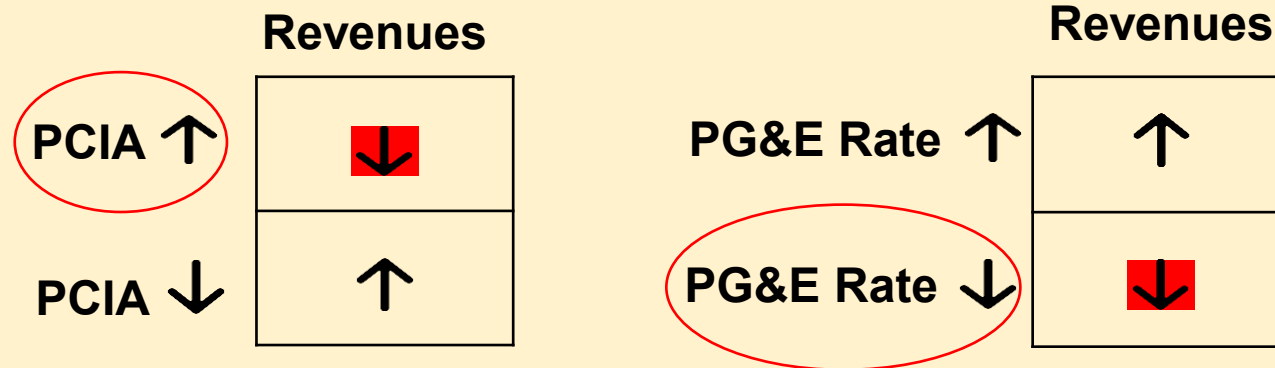


# Review of Key Financial Risk Drivers

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



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



Revenues decline when prices decline



# Price Uncertainty– Cont'd

*Price collapse continues to pose biggest financial risk.*

- Revenues drop significantly
- Loss of revenues far exceed savings from lower power procurement costs
  - Power procurement savings dampened by existing hedges
  - SVCE is adjusting its energy portfolio to mitigate this impact to the extent possible and as best estimated by SVCE

	2027 Prices ↑	2027 Prices ↓
2026 Prices ↑	PCIA ↓ PG&E Rate ↑ SVCE Revenues ↑	
2026 Prices ↓		PCIA ↑ PG&E Rate ↓ SVCE Revenues ↓



# 2026 Stress Scenario: Affordability Focus



- Heightened discussion in recent years on the importance of power affordability to customers.
- Increasing public pressure to decrease electricity rates.
- Political, Regulatory, Legislative and/or Customer interests
- Evaluate both in isolation and in conjunction with other stress scenarios.
  - Investigate the expected change in price/load in an affordability shift scenario.



# 2026 Stress Scenario: PCIA Reopening

- Ongoing CPUC proceedings on amendments to PCIA calculation
- Currently three tracks that address RA MPB, REC's vintages, and wholesale changes
- Impacts could be across a spectrum of positive to negative for CCAs
- Stress tests will consider implications based upon legal, regulatory and/or legislative potential





# Other Risks/Opportunities Worth Awareness

In addition to risks that staff is proposing for stress testing, staff also monitors the environment for other risks, manages strategy around those risks and where prudent takes pre-emptive or responsive risk mitigation action. Currently, the following are some key risk/opportunities that are more qualitative in nature, but still part of the overall risk register monitoring process.

- CCA Failures
- Stranded cost with no recovery
- Re-opening of direct access,
- AI Data Center large loads coming onto the system
- Operational systems interruption (billing, SC)
- Loss of program autonomy
- Cyber security breach
- Federal Policy changes



# Ongoing Risk/Opportunity Monitoring

- The Enterprise Risk Matrix fuels continuous evaluation of risks and opportunities large and small.
- We consider several of the risks/opportunities raised by staff for additional stress testing, ad hoc, as needed throughout the year.
- Staff will update the Finance and Administration Committee on any additional stress scenario(s) if conditions warrant throughout the year.



# Next Steps

- Present financial stress test scenario analysis results at the May 2026 meeting
  - Present to the Board in June 2026
  - Use the analyses to determine the adequacy of reserve-holding targets
- Update the Committee at a future meeting, most likely in May 2026, on any other stress scenario(s)
- Other risks and opportunities identified from the ERM framework will help shape next fiscal year's strategic focus areas, measures, and department work plans

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**Thank you! / Questions?**



# Risk Matrix

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

**Impact/Consequence**

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



# Risk Register

- Risk Register:
  - Record of risks
  - Briefly describes each risk
  - Lists existing and planned mitigations
  - Ranks risks
  - Identifies risk owner
- Cross-functional teams brainstormed and identified an initial set of critical risks
- Bucketed the risks into the following initial categories:
  - Financial
  - Regulatory and Compliance
  - Reputational
  - Operational and Business Continuity

**Draft and illustrative**

Risk ID	Risk Category	Risk Description	Risk Owner	Current Mitigations	Additional Planned Mitigations	Risk Matrix Placement (Impact over 5-years)		
						Unmitigated	With Current Mitigations	With Additional Mitigations
1	Financial	Prices Collapse; PCIA Increases; Revenues Decrease	Amrit	Reserves to withstand the shocks; Stress Tests, Cashflow modeling	Reassess reserve adequacy	Extreme (15)	Extreme (14)	High (13)
7	Financial	Significant Number of PPAs Default/Delay/Renegotiate for higher prices	Monica	Supplier & Technology Diversity; Plan for Contingencies; Contractual language for delay damages and default provisions		Moderate (14)	Moderate (12)	Moderate (12)
12	Regulatory/Compliance	POLR Proceeding - Large Tie Up of Financial Reserves	Amrit	Hold Adequate Reserves	Manage and shape regulatory proceeding	Extreme (14)	High (13)	Moderate (18)
25	Reputational	Ineffective or sluggish spending of approved program dollars	Justin	Program plans developed with stakeholders, ongoing feedback during design/management, increased staff/resources, and emphasizing larger-scale programs.	Additional staffing, new supporting systems, and public reporting on impacts.	Moderate (23)	Moderate (23)	Moderate (23)
28	Reputational	Major disruption of the T&D/Grid operator, Grid Reliability - affects our mission	Girish	Shape Regulatory and Legislative Initiatives		Moderate (18)	Moderate (18)	Moderate (18)
29	Operational and Business Continuity	Natural Disaster Recovery (Earthquake, flooding) - Cover key business functions (procurement, scheduling, collateral calls ...)	Monica	System backups and desk procedures	Add'l Desk Procedures and Continuity Plans	Low (22)	Low (22)	Low (22)
34	Operational and Business Continuity	Calpine system failure	Adam			Moderate (23)	Moderate (23)	Moderate (23)
<b>Proposed Stress Tests (Modeled Scenarios)</b>								
	Economic Recession (Price Collapse -5th percentile) Coupled with Adverse Regulatory Outcomes (POLR); Increase RA/procurement costs			Reserves; Strong Advocacy	Additional Reserves; Revisit Hedging Strategy	Extreme (20)	High(19)	Moderate (18)

An expanded view is also shown in the appendix.