Silicon Valley Clean Energy
Finance and Administration Committee Meeting

Thursday, March 5, 2026
10:00 a.m.

Silicon Valley Clean Energy Office
333 W. El Camino Real, Suite 330
Sunnyvale, CA

Director Scozzola will participate remotely pursuant to Government Code Section 54953.8.7

Teleconference Meeting Information:
https://svcleanenergy-org.zoom.us/j/84085345562

Or by Telephone (Audio only):
US: +1 669 219-2599
Webinar ID: 840 8534 5562

Members of the public may observe this meeting electronically by accessing the meeting via instructions above. Public Comments can be sent in advance of the meeting to Board Clerk Andrea Pizano at Andrea.Pizano@svcleanenergy.org and will be distributed to the Finance and Administration Committee. The public will also have an opportunity to provide comments during the meeting. Members of the public using Zoom may comment during public comment or the applicable agenda item by using the Raise Hand feature and you will be recognized by the Chair. Those using the telephone (audio only) feature should press star 9 on your phones to initiate the "Raise Hand" function in Zoom. You will then be announced, unmuted, and your time to speak will begin.

The public may provide comments on any matter listed on the Agenda. Speakers are customarily limited to 3 minutes each, however, the Committee Chair may increase or decrease the time allotted to each speaker based on the number of speakers, the length of the agenda and the complexity of the subject matter. Speaking time will not be decreased to less than one minute.

If you are an individual with a disability and need a reasonable modification or accommodation pursuant to the Americans with Disabilities Act ("ADA") please contact Board Clerk Andrea Pizano at Andrea.Pizano@svcleanenergy.org prior to the meeting for assistance.

AGENDA

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333 W El Camino Real
Suite 330
Sunnyvale, CA 94087

Call to Order

Roll Call

Public Comment on Matters Not Listed on the Agenda

The public may provide comments on any matter not listed on the Agenda provided that it is within the subject matter jurisdiction of SVCE. Speakers are customarily limited to 3 minutes each, however, the Committee Chair may increase or decrease the time allotted to each speaker based on the number of speakers, the length of the agenda and the complexity of the subject matter. Speaking time will not be decreased to less than one minute.

Consent Calendar (Action)

1) Approve Minutes of the November 24, 2025, Finance and Administration Committee Meeting

Regular Calendar

2) CFO Update (Informational)
3) Elect Chair and Vice Chair of the 2026 SVCE Finance and Administration Committee (Action)
4) Recommend Approval to Change SVCE's Fiscal Year Period from October to September to a Calendar Year Period Effective January 1, 2027 and Other Necessary Changes to Allow for the Implementation of the New Fiscal Year (Action)
5) Recommend Approval of the Fiscal Year 2025-2026 Mid-Year Adjusted Operating Budget (Action)
6) Financial Levers Update: Modeled Scenario and Reflecting Feedback (Discussion)
7) Enterprise Risk Management and Proposed Stress Test Cases (Discussion)

Committee/Staff Remarks

Adjourn

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333 W El Camino Real
Suite 330
Sunnyvale, CA 94087

Pursuant to the Americans with Disabilities Act, if you need special assistance in this meeting, please contact the Clerk for the Authority at (408) 721-5301 x1005. Notification 48 hours prior to the meeting will enable the Authority to make reasonable arrangements to ensure accessibility to this meeting. (28 CFR 35.105 ADA Title II).

Silicon Valley Clean Energy
Finance and Administration Committee Meeting
Monday, November 24, 2025
1:00 p.m.

Silicon Valley Clean Energy Office
333 W. El Camino Real, Suite 330
Sunnyvale, CA

DRAFT MEETING MINUTES

Call to Order

Chair Srinivasan called the meeting to order at 1:02 p.m.

Roll Call

Present:
Chair Murali Srinivasan, Sunnyvale
Vice Chair Pat Showalter, Mountain View
Director Elliot Scozzola, Campbell
Alternate Director Maria Ristow, Los Gatos

Absent:
Alternate Director Sheila Mohan, Cupertino

Public Comment on Matters Not Listed on the Agenda

Bryan Mekechuk, SVCE Board member, introduced Terry McCarthy, Monte Sereno resident, to the Finance and Administration Committee.

Consent Calendar

Chair Srinivasan opened Public Comment.
No speakers.
Chair Srinivasan closed Public Comment.

MOTION: Alternate Director Ristow moved and Director Scozzola seconded the motion to approve the Consent Calendar.

The motion carried with Alternate Director Mohan absent.

1) **Approve Minutes of the August 4, 2025, Finance and Administration Committee Meeting**

Regular Calendar

2) CFO Update (Informational)

Amrit Singh, Chief Financial Officer (CFO), addressed the following in his report:
- Thanked committee members for their attendance during the Thanksgiving holiday week;
- Announcement that the fiscal year 2024-2025 audit kickoff began, with the Audit Committee meeting October 6, 2025 to hear from the independent auditor on the financial audit process; and
- Timing for upcoming items and the next Finance and Administration Committee meeting.

Staff responded to questions regarding timing of the next Finance and Administration Committee meeting, access to the financial auditor's report, and if there were any odd findings in the financial statements that they would be presented to the Finance and Administration Committee.

Chair Srinivasan opened Public Comment.
No speakers.
Chair Srinivasan closed Public Comment.

3) Recommend the Silicon Valley Clean Energy Board of Directors Approve the Proposed Updated Fiscal Year 2025-2026 Budget and 2026 Rate Changes (Action)

CFO Singh presented the proposed updated fiscal year 2025-2026 budget and proposed SVCE rate changes. Highlights from the updated financial forecast included:
- The five-year margins remaining negative (under business-as-usual, defined as SVCE rates set at a competitive advantage comparable to PG&E rates);
- Fiscal year 2026 draw on reserves increasing to $60 million from $40 million; and
- A 1% 2026 customer discount and additional $12 bill credit for low-income customers.

CFO Singh's presentation included a comparison of the adopted and updated budget, SVCE's financial reserves outlook and management, and setting 2026 SVCE rates. CFO Singh noted delaying any changes to the pricing methodology by one year enables staff to finalize the financial levers analysis, and work with the Finance and Executive Committees and 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.

Staff responded to committee member questions on the monthly dollar bill impact from potential future rate premiums, impact on days of cash on hand if SVCE's rates were the same as PG&E's, other options to prevent having higher rates than PG&E, the volatility of the market and its impact on projections, customer rates for 2026, the financial levers that will be addressed at a future meeting and addressing the bigger picture variables that are not controlled by SVCE, the request to transfer $5.5 million to the building fund, the budget projections balance, 2027 customer rates, and the possibility of changing SVCE's fiscal year.

Monica Padilla, Chief Executive Officer (CEO), noted staff's plans to have a financial levers discussion with the Board in December that would allow a more in-depth conversation on value proposition.

Director Scozzola shared his desire that SVCE be cheaper and cleaner than PG&E.

Chair Srinivasan opened Public Comment.
Bryan Mekechuk shared his support for changing SVCE's fiscal year, a question of how GASB 62 would impact the earmarked funds, support for sharing the days of cash on hand if SVCE's rates equal PG&E's rates when presenting the item to the Board, if the analysis includes the impact of any increase in electricity demand due to

AI or desalination, clarification on number of CARE customers, and request that the Finance and Administration Committee support staff's recommendation.

Chair Srinivasan closed Public Comment.

MOTION: Alternate Director Ristow moved and Director Scozzola seconded the motion to 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.**

The motion carried with Alternate Director Mohan absent.

4) Implementation of GASB 62 Rate Stabilization Fund (Discussion)

CFO Singh presented information on staff's plan for implementation of the Governmental Accounting Standards Board (GASB) 62 for the fiscal year that ended September 30, 2025. CFO Singh provided information on the following: a recap of GASB 62, which 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; reviewed the Board-approved criteria for implementing GASB 62; and reviewed staff's plan for deferring revenues to the GASB 62 Rate Stabilization Fund.

Chair Srinivasan opened Public Comment.
Terry McCarthy, Monte Sereno resident, inquired if GASB 62 reflects the income statements.
Chair Srinivasan closed Public Comment.

5) Treatment of GASB 96 (Discussion)

CFO Singh provided information on GASB 96, which covers subscription-based IT arrangements (SBITAs) such as cloud software and certain IT services, noting staff plans to formalize a policy with specific thresholds for recognition and to present the policy to the Finance and Administration Committee at a future meeting date.

Staff responded to questions on the impact for fiscal year ending September 30, 2025, and identifying a threshold.

Chair Srinivasan opened Public Comment.
No speakers.
Chair Srinivasan closed Public Comment.

6) Review of Silicon Valley Clean Energy's Fourth Power Prepay Transaction (Informational)

CFO Singh introduced Zak Liske, Deputy Director of Power Resources, who provided an update on SVCE's fourth power prepay transaction. Deputy Director of Power Resources Liske reviewed the goals of the prepay, the Board authorized execution parameters, a summary of executed transactions, and next steps.

Staff responded to questions on the aggregate principal amount of bonds not to exceed $1.25 billion, and prior prepay totals.

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Chair Srinivasan opened Public Comment.
No speakers.
Chair Srinivasan closed Public Comment.

Committee/Staff Remarks
Chair Srinivasan thanked staff and the committee.

CEO Padilla reminded the committee about the planned discussion at the Board meeting on December 10, 2025 and the Special Meeting on December 12, 2025 on financial levers.

Adjournment
Chair Srinivasan adjourned the meeting at 2:26 p.m.

ATTEST:

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Andrea Pizano, Board Secretary

Staff Report – Item 2

Item 2:	**CFO Update**
From:	Monica Padilla, CEO
Prepared by:	Andrea Pizano, Sr. Executive Assistant and Board Clerk
Date:	3/5/2026

This item will be addressed in the form of an oral report to the Finance and Administration Committee from Amrit Singh, Chief Financial Officer.

Staff Report – Item 3

Item 3:	**Elect Chair and Vice Chair of the 2026 SVCE Finance and Administration Committee**
From:	Monica Padilla, CEO
Prepared by:	Andrea Pizano, Sr. Executive Assistant and Board Clerk
Date:	3/5/2026

RECOMMENDATION
Establish a Chair and Vice Chair of the Silicon Valley Clean Energy (SVCE) Finance and Administration Committee (Committee) to preside over Committee meetings.

BACKGROUND
At the February 14, 2018 SVCE Board of Directors meeting, the Board approved the formation of a Finance and Administration Committee, consistent with Board Policy FP-01A02*, Establish Finance and Administration Committee*.

ANALYSIS & DISCUSSION
As a permanent standing committee of the Board of Directors, the Committee is subject to the Brown Act for all meetings. In order to provide for efficient and reliable Committee meeting organization, Staff recommends the Committee appoint a Chair to preside over its meetings, and a Vice Chair to act in the absence of the Chair. The last Chair and Vice Chair of the committee were selected at the February 26, 2025 meeting (Alternate Director Murali Srinivasan and Director Pat Showalter, respectively).

Since 2026 committee membership was ratified at the February Board of Directors meeting and new members have joined, this committee is in need of a new Chair and Vice Chair.

STRATEGIC PLAN
N/A

ALTERNATIVE
Staff is open to any suggestions from the Committee on selection of the Chair and/or Vice Chair.

FISCAL IMPACT
No fiscal impact from the selection of a Chair and Vice Chair of the Committee.

Staff Report – Item 4

Item 4:	**Recommend Approval to Change SVCE's Fiscal Year Period from October to September to a Calendar Year Period, Effective January 1, 2027, and Other Necessary Changes to Allow for the Implementation of the New Fiscal Year**
From:	Monica Padilla, CEO
Prepared by:	Amrit Singh, CFO
Date:	3/5/2026

RECOMMENDATION

Staff requests that the Silicon Valley Clean Energy (SVCE) Finance and Administration Committee recommend that the SVCE Board of Directors (Board) approve:

1. Changing the current fiscal year (October to September) period to follow the calendar year (January to December), beginning January 1, 2027;
2. Establishing an interim three-month fiscal period ("stub period"), starting October 1, 2026, and ending December 31, 2026, and adopting a schedule to approve the stub fiscal period budget at a September 2026 Board meeting;
3. Authorizing a combined two-period audit covering the three-month stub period along with the first audit of the new fiscal year starting January 1, 2027, and ending December 31, 2027, including waiving any conflicting annual requirements during the transition period from October 1, 2026, to December 31, 2027, in accordance with the Board-approved Policies[1]; and
4. Amending the Budget Adoption, Control and Reporting Policy FP-02 ("Budget Policy") as shown in the redlined version in Attachment A, removing the requirement to provide a budget overview two months before the end of the fiscal year.

BACKGROUND

SVCE's Joint Powers Agreement (JPA) Section 6.1 authorizes the Board to change the fiscal year by resolution. The Board has once before changed the fiscal year (period) in September 2016 from the initial 12-month period starting July 1 to June 30 to the current 12-month fiscal period beginning October 1. The change was made to facilitate compliance with loan covenants during SVCE's startup, which are no longer relevant.

ANALYSIS & DISCUSSION

Calendar Year – Fiscal Year

The primary reason for proposing to adopt a calendar year fiscal period is to closely align the Board's budget adoption with customer rate changes. Currently, the Board approves SVCE's annual budget in September, when staff have limited information about Pacific Gas and Electric's (PG&E) generation rate and Power Charge Indifference Adjustment[2] (PCIA) charges for the upcoming year. With the California Public Utilities

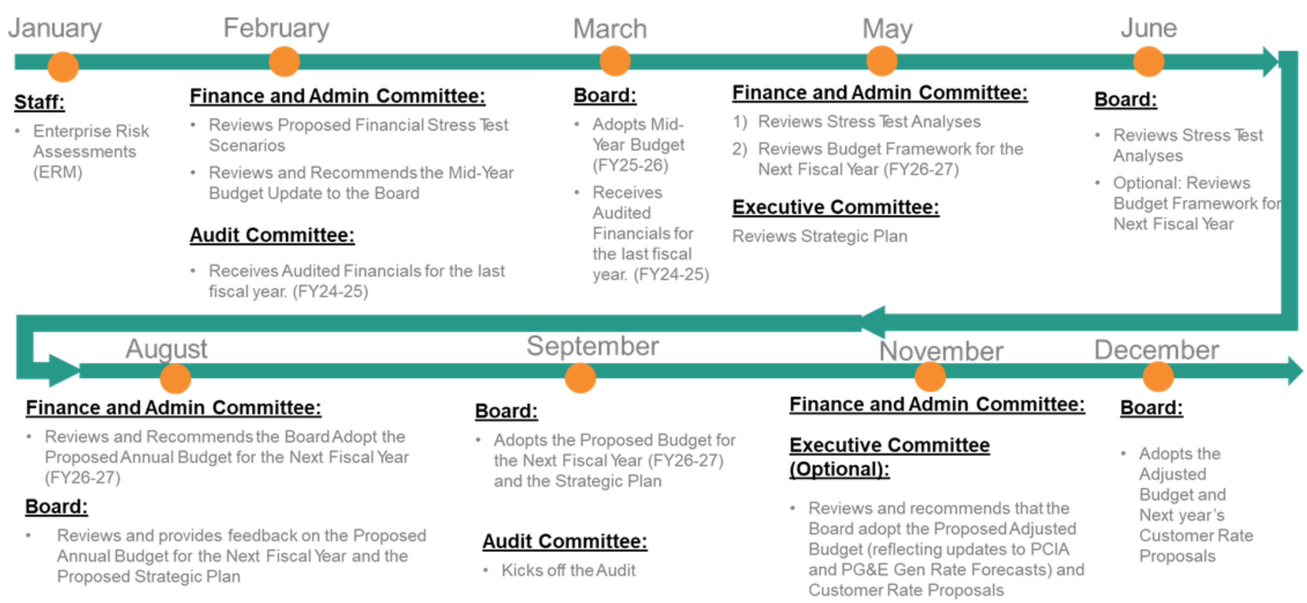
[1] For example, Finance Policies include criteria such as the requirement to conduct an annual audit and annually retain or appoint an independent auditor.

[2] Public Utility Code Sections 366.1 and 366.2 require the CPUC to make sure that customers leaving PG&E do not burden remaining PG&E customers with costs that were incurred to serve them. To ensure customer

Commission's (CPUC) publishing of the market price benchmarks (MPBs) in the fall and PG&E's subsequent Energy Resource Recovery Account[3] (ERRA) update using the latest MPBs, by around mid-November, staff can significantly improve the forecast for the prompt year's PG&E generation rates and PCIA charges, both of which significantly impact the estimation of SVCE's revenue forecast. Because of this late availability of information, for the past few years, the Board has amended the adopted budget in December of each year. Changing the fiscal year to start in January avoids setting a budget and then having to amend it three months later. Having a calendar fiscal year also provides additional benefits by aligning with the timeline for many external compliance requirements and the internal planning processes.

The figure below illustrates the current, new, and transition period budgeting and planning process and timeline, including reviews and/or approvals by the Finance and Administration Committee, the Audit Committee, and the Executive Committee for budgets, stress test analyses, the strategic plan, and financial audits.

Current Planning Process and Timeline

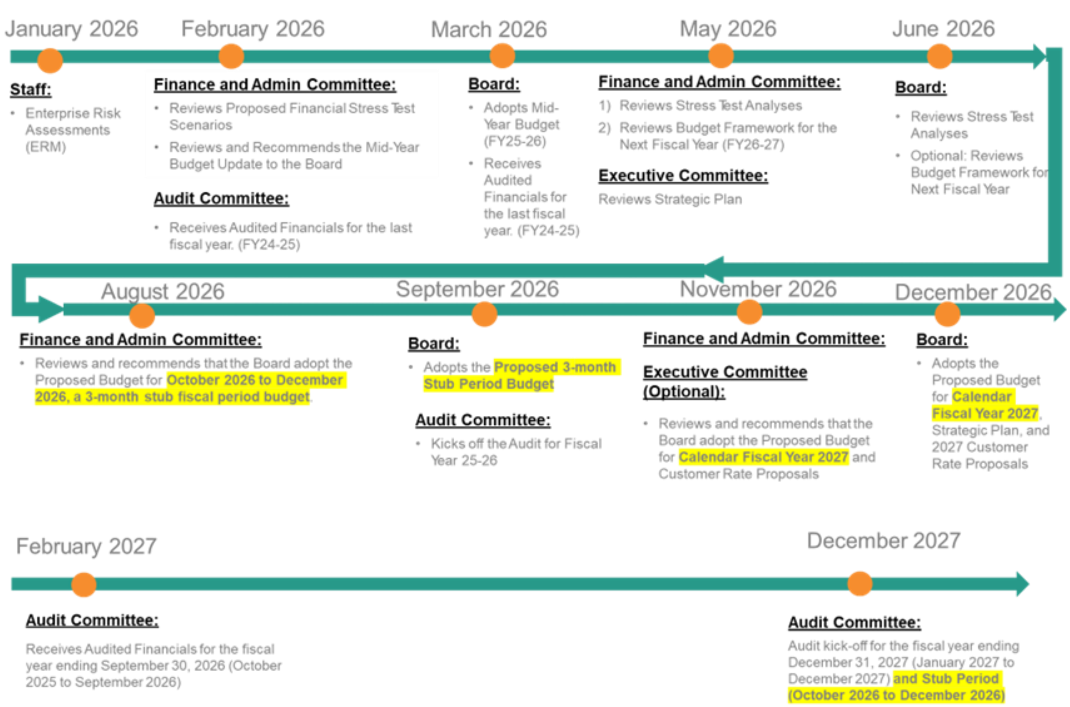


indifference, CCAs and Direct Access or departing load customers are required to pay a power charge indifference adjustment (PCIA).

[3] ERRA, the Energy Resource Recovery Account, is a balancing account utilized by PG&E to record and recover power costs associated with PG&E's authorized procurement plan. ERRA proceedings are used to determine fuel and purchased power costs that can be recovered in rates.

New Planning Process and Timeline

Transition Period Planning Process and Timeline



Stub Period and Exception from Annual Audit Requirement in Finance Policy 1

The transition to the proposed new fiscal period requires a three-month stub period from October 2026 to December 2026. Staff proposes that the Board adopt the stub period budget in September 2026 and set December 2026 as the deadline for adopting the annual budget. To avoid costly and time-consuming audits for the stub period, and as is common in such circumstances, staff further recommends that the Board authorize a combined audit covering both the stub period (October 2026 to December 2026) and the first new fiscal period (January 2027 to December 2027). This requires an exception from the Board requirement in Finance Policy 1, which mandates an annual audit.

Budget Adoption, Control and Reporting Policy FP-02 – Budget Policy
To support the adoption of a new fiscal year period, staff recommends that the Board eliminate the Budget Policy requirement to provide a budget overview two months before the end of the fiscal year. With the updated budget approval schedule, staff will not receive the latest PCIA and PG&E generation rate information in time to prepare a budget overview, as such data becomes available only from mid-October to mid-November.

STRATEGIC PLAN
By aligning the budget timeline with when customer rates are set, as well as with many external compliance periods and internal planning processes, the proposed changes generally support all goals of the strategic plan.

ALTERNATIVE
Many fiscal periods may be considered, including adopting a fiscal year similar to those of many cities, from July to June. Staff did not consider this alternative as it found no agency benefits.

FISCAL IMPACT
There is no fiscal impact.

ATTACHMENT
1. Redlined Budget Adoption, Control and Reporting Policy

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Finance Policy 2: Budget Adoption, Control and Reporting

I. Purpose

This Budget Adoption, Control and Reporting Policy ("Budget Policy") provides clarity about budget authority for the Chief Executive Officer (CEO) of Silicon Valley Clean Energy (SVCE) and lays out budget adoption and periodic budget reporting requirements. The policy also allows for sufficient flexibility to address ~~changes in the market price of energy~~ the volatility of the power supply portfolio consistent with SVCE's Financial Reserves Policy.

II. Scope

All budget requirements.

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~~ one month~~s~~ prior to the end of the fiscal year. The proposed budget shall be balanced and in alignment with the proposed Strategic Plan. The budget shall reflect all activities, including operating, capital programs expenditures, revenues and risk. The CEO will maintain standards related to showings for capital expenditures for budgeting purposes. A balanced budget is one in which expenditures are matched by revenues and recommended changes to reserves.
- The CEO shall submit a recommended budget document for adoption to the Board of Directors for approval by Resolution~~ in the month following the proposed budget submittal~~. When approved by the Board, the budget shall be considered adopted and appropriated at the level it is controlled by the CEO, discussed below.
- In the event that the Board does not adopt the proposed budget by the end of the fiscal year, the Board of Directors may adopt a continuing appropriations resolution until such time as a budget is adopted. A

continuing appropriations resolution would provide that payments for services performed on behalf of the Agency and authorization of awarded contracts would continue until such time as the budget is adopted.

- Staff will prepare a five-year financial forecast as part of the budget process projecting revenues and expenditures for all operating funds and planned capital projects in alignment with the Strategic Plan.
- The budget document will also contain the following, at minimum, a schedule showing revenues, expenses, and changes to financial reserves. The first year of the five-year horizon is the budget to be considered and formally adopted by the Board by Resolution. The final four years are shown for planning purposes and may be shown at more summary levels.
- The first-year proposed budget shall further show:
    - Expenditures by expense type/category across the organization;
    - Projected revenues;
    - Organization chart(s) showing all proposed budgeted positions in the organization;
    - A current salary schedule for job classifications to be in effect for the proposed fiscal year (Salaries may be adjusted by the CEO in the fiscal year, with salary changes being reported to the Board).

B. Budget Control

- After adoption, the budget shall be controlled by the CEO at the total annual expenditure level for the SVCE organization, which includes power purchases, employee costs, contract and professional services, capital improvements, debt service, and all other costs. Customer Generation Rates will be set per the Board approved budget for the corresponding fiscal year or as designated by the Board after establishing the budget. The total budget may be amended by the Board during the year by Resolution.

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- The CEO may institute separate budget procedures internally that give the CEO further controls at the department and/or expenditure category level if the CEO so desires.

C. Budget Reporting

- A budget-to-actual status update report shall be presented to the Board on a quarterly basis.

D. Authority to Flexibly Staff and Over~~-~~hire Budgeted Positions

- Under the Human Resources Policy 01: Personnel and Reimbursement, the CEO is authorized to hire in excess of 10% of the number of positions shown in the annual budget without prior approval of the Board.
- In no case shall positions be added or salaries be adjusted during the year that cause the total annual budget to be exceeded in total by fiscal year-end without prior Board approval by Resolution.

E. Power/Energy Purchases Contingency

- The nature of the ~~energy~~ power markets is one of rapid changes in prices and market volatility. The ability to quickly adapt to those changes is important for maintaining consistent power delivery to customers. Therefore, the CEO is granted authority to overspend the total annual budget for ~~energy~~ power supply purchases by the lesser of 10% of the annual power supply budget, or $30 million, without Board approval provided the over expenditure is due to higher energy costs or greater customer demand. Overspending for these purposes may require use of reserves and the conditions on use of reserves as stated in the Financial Reserves Policy apply, where reserves cannot be drawn down more than 10% of the year's budgeted cost of power supply or $30 million, whichever is less, nor below the baseline Minimum Operating Reserve level without Board approval.

IV. Policy Compliance

A. Violations

- Any known violations of this policy must be immediately reported to the Finance and Administration Committee, CEO, and General Counsel.
- Any employee found to have violated this policy may be subject to disciplinary action, up to and including termination of employment.

B. Cadence for Review

- This Policy will be reviewed at least every five (5) years.

Staff Report – Item 5

Item 5:	**Recommend Approval of the 2025-2026 Mid-Year Adjusted Operating Budget**
From:	Monica Padilla, CEO
Prepared by:	Amrit Singh, CFO Scott Wrigglesworth, Director of Risk and Analytics Karen Chang, Manager of Finance
Date:	3/5/2026

RECOMMENDATION

Staff recommends that the Finance and Administration Committee recommend that the Silicon Valley Clean Energy (SVCE) Board of Directors (Board) approve the 2025-26 Mid-year (MY26)[1] Adjusted Operating Budget that projects withdrawing $12.5 million from the reserves.

BACKGROUND

The SVCE Board initially adopted the FY26 annual budget at the September 10, 2025, meeting. The budget was based on staff's projections of the 2026 Power Charge Indifference Adjustment[2] (PCIA) charges and Pacific Gas and Electric (PG&E) generation rates. Staff committed to updating the budget in December 2025, when it would include much better market and regulatory information regarding the 2026 PCIA and PG&E's generation rates.

At the December 2025 Board of Directors meeting, staff presented an updated FY26 budget along with a five-year outlook, indicating that the financial trend staff has been discussing with the Board remains negative. Staff also noted that if SVCE continues to operate under the "business as usual" scenario in 2026, where all customer rates are set to be competitive with PG&E rates, the delay in charging premiums to meet SVCE's financial targets over five years—specifically, charging above PG&E rates for one year—would not be significant. Staff demonstrated that delaying premium charges by one year would increase the 2027 premium by about 1%, or roughly $0.53 per month for residential customers. This delay in changing SVCE's pricing methodology would also allow staff to finalize the financial levers analysis and collaborate with the Finance and Administration and Executive Committees, as well as the Board, to design any necessary adjustments to SVCE's products, services, and rates. The financial analysis would enable SVCE to carefully assess changes to ensure they continue to support the agency's mission and balance customer value with SVCE's financial stability. Staff also noted that the financial reserves built for such financial outcomes do not place SVCE in immediate risk, especially over the next two years, allowing time to complete the financial levers analysis and avoid abrupt changes. The Board approved the adjusted budget that provided a 1% general customer discount compared to comparable PG&E generation rates and a $12 monthly bill credit to each low-income (CARE/FERA) customer starting in 2026 and a reduction in the GreenPrime premium to $0.0074 per kilowatt hour.

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[1] The fiscal year 2025-26 started on October 1, 2025, and ends on September 30, 2026.
[2] Public Utility Code Sections 366.1 and 366.2 require the CPUC to make sure that customers leaving PG&E do not burden remaining PG&E customers with costs that were incurred to serve them. To ensure customer indifference, CCAs and Direct Access or departing load customers are required to pay a power charge indifference adjustment (PCIA).

ANALYSIS & DISCUSSION

At midyear, the updated budget accounts for energy supply expenses using the latest market price data and portfolio positions, revenue estimates reflecting the final rate changes that went into effect in January 2026, and other minor adjustments, as well as projected increases/decreases in operating expenses and investment income. The MY26 Adjusted Operating Budget is balanced and presents SVCE in a stable financial condition (Attachment 1).

The MY26 budget projects a withdrawal of $12.5 million from reserves, a decrease of $48 million from the $60.5 million withdrawal in the December 2025 adjusted FY26 Budget. This seemingly positive outcome is mainly due to $32 million reduction in power supply costs and $20 million increase in revenues, driven by a favorable regulatory decision[3] that resulted in higher PG&E generation rates. Although falling prices for power supply resources, including energy, Resource Adequacy (RA), Renewable Portfolio Standard (RPS) prices, and Greenhouse Gas-free energy and attributes (GHG-free), improve FY26 projections, these gains are projected to be more than offset by margin deterioration in fiscal year 2026-2027 (FY27). Now that the 2026 PCIA and PG&E generation rates are set, any differences between actual power supply costs and the estimates used to set the 2026 rates will be trued-up during the next rate-setting cycle, further reducing SVCE's FY27 margins. The current projections forecast $131 million withdrawal from reserves for FY27, an increase of $50 million from the December 2025 forecast.

The table below compares the proposed MY26 adjusted operating budget (second column) with the adjusted budget adopted in December 2025 (first column):

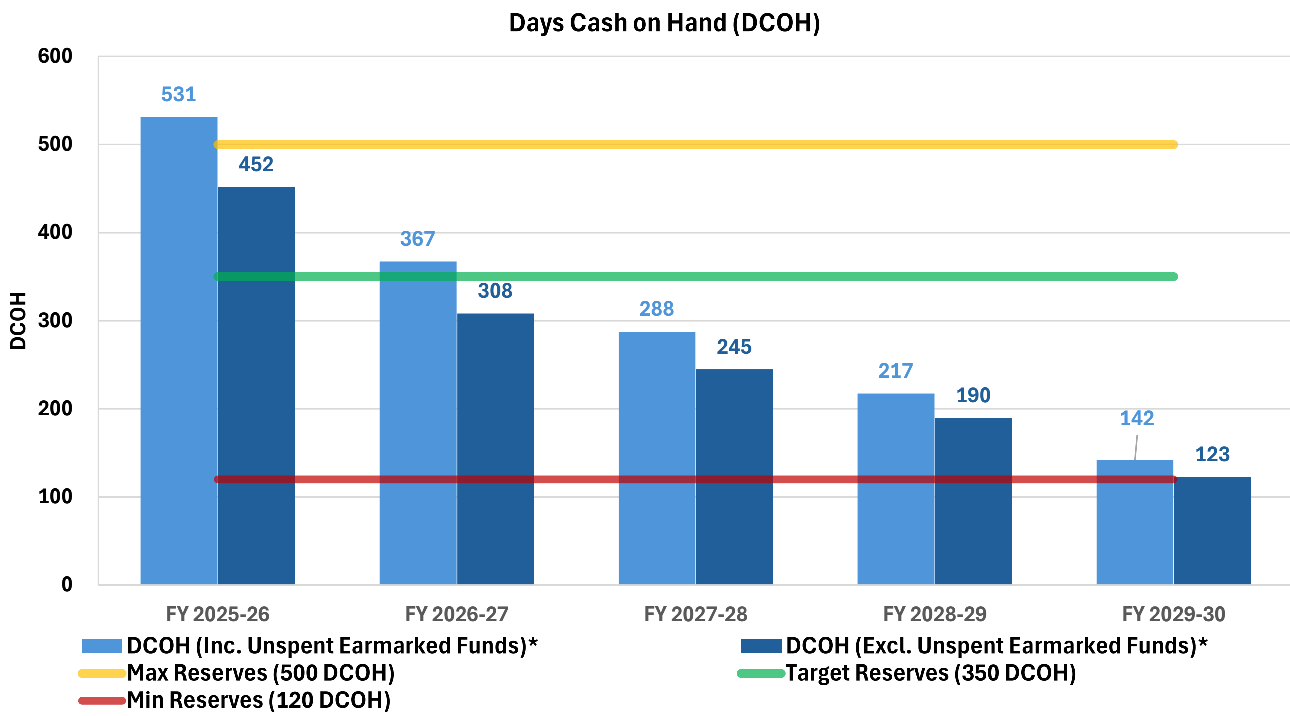
($ in thousands)	FY25-26 ADJUSTED BUDGET	FY25-26 MID-YEAR ADJUSTED BUDGET	Changes to Reserves Contribution* $	%
Energy Revenues	319,324	335,478	16,155	5.1%
Power Supply Expense	(344,221)	(311,996)	32,225	9.4%
Operating Margin	(24,897)	23,482	48,379	194.3%
Operating Expenses	(43,193)	(42,684)	509	1.2%
Non-Operating Revenue (Expense)	20,854	20,106	(748)	-3.6%
Annual Transfers and Other Expenses				
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%
TOTAL CAPITAL EXPENDITURES, INTERFUND TRANSFERS & OTHER	(13,263)	(13,362)	(99)	-0.7%
BALANCE AVAILABLE FOR RESERVES	(60,500)	(12,458)	48,042	79.4%

** 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.*

The negative outlook in the 5-year financial forecast, which staff began projecting during last year's mid-year budget update, has worsened as power supply resource prices (energy, RA, RPS, and GHG-free) decline. The

[3] PG&E assigned zero value to the battery energy storage systems from the PCIA portfolio under the new slice of day resource adequacy market, which the CPUC rejected and assigned values in line with the methodology used by the Southern California Edison (SCE) utility.

5-year financial outlook presented by staff at the December 2025 Board meeting showed 200 days of cash on hand (DCOH) at the end of five years (FY 2029-30), but this has now decreased to 142. The DCOH projections are based on the additional operating liquidity assumptions discussed during the December 2025 budget update. The additional liquidity scenario adjusts the forecasts to reflect a more realistic expectation of some delay in customer adoption of decarbonization programs, leaving an "earmarked" funds balance of $25 million at the end of the 5-year forecast period. It also reduces annual operating expenses by $6.5 million to remove amounts budgeted for contingencies. The current 5-year financial forecast is shown in Attachment 2, and the projected DCOH under the additional liquidity scenario is displayed below. The lighter shade of blue bars, with higher values, include allocated but unspent earmarked funds, mainly decarbonization program dollars, while the darker shade of blue bars, with lower values, exclude these earmarked funds. Because the Board can always redirect allocated but unspent funds, SVCE's financial liquidity is assessed accordingly, using the higher values.



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

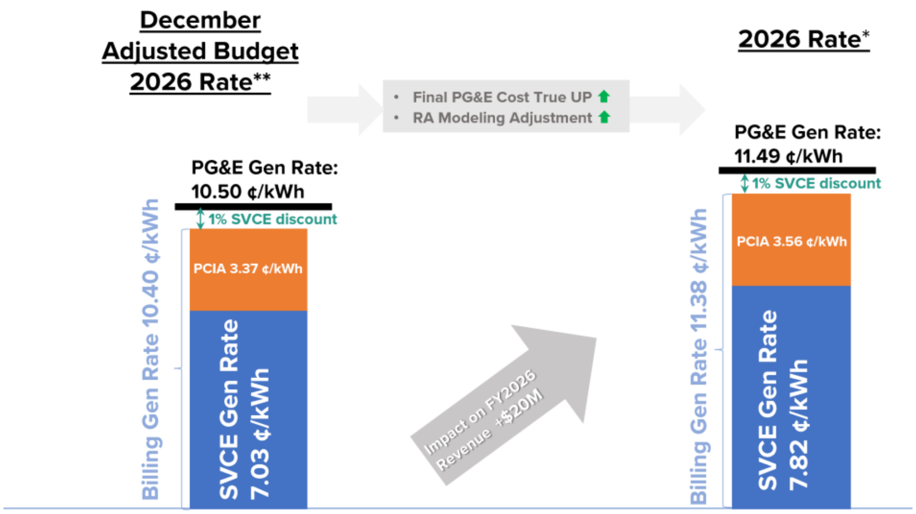
Although reserves are lower than those in the December 2025 budget update, they remain above 350 DCOH over the two-year forecast period. The two-year outlook is especially important because balancing account true-ups used in setting PCIA and PG&E rates settle the current year's movement in power supply resource prices the following year; therefore, one year's financial results cannot be relied upon. For example, as mentioned earlier, the gains in the FY 26 budget due to lower power supply resource prices will be more than offset in next year's financials by reduced revenues when PCIA and PG&E generation rates are trued up.

Staff will continue the financial analyses work started with the Board of Directors, the Finance and Administration, and the Executive Committees, and will also perform additional annual financial stress test analyses. Staff plans to present the stress test results, along with a review of SVCE's financial reserve targets, and budget contingency fund needed to cover power supply cost uncertainty to the Finance and Administration Committee in May and to the Board of Directors in June.

The discussion below provides additional information on the proposed MY 26 Adjusted budget.

Energy Revenues

Net energy revenues are slightly higher by about $16.2 million from the December 2025 adjusted budget. The California Public Utilities Commission's (CPUC) final adopted PG&E generation rates improved overall SVCE's margins by about 11% (to 7.82 ¢/kWh) or about $20 million, partially offset by slightly higher final PCIA rate and adjustments to other SVCE revenues that vary with changes in power supply resource prices.



* 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)

Power Supply Expenses

Power supply expenses have decreased significantly by about $32 million since the December budget update. The reduction primarily results from much lower market prices for meeting SVCE's load obligations.

The market prices, including actual/observed prices for October 2025 to December 2025 and forward prices for the remaining forecast period, for energy and RPS, have declined significantly. Since the December 2025 adjusted budget update, FY26 energy prices have dropped about 18%, and the 5-year average energy prices have decreased by roughly 11%. FY26 RPS prices fell by approximately 26%, and the 5-year average declined by about 7%. The decline in RPS prices does not lower power supply costs for FY26 as it does for the rest of the 5-year forecast period because SVCE has already secured its RPS needs for the current fiscal year. RA prices for FY26 decreased 3%, with the 5-year average dropping about 11%.

Operating Expenses

Operating expenses are approximately $0.5 million lower than the December 2025 adjusted budget. This decrease mainly results from reductions in vendor and consultant fees, leading to lower costs in Professional Services and Marketing & Promotions, along with reduced rental rates for the current office and lower property taxes for the future office location.

There are no changes to the Data Management, PG&E Fees, and Salaries and Retirement operating expenses relative to the December 2025 adjusted budget.

The Professional Services expense has decreased by approximately $257,000. The favorable variance results from active vendor management negotiation and fee optimization, enabling staff to obtain more competitive market rates from various vendors and software providers.

The Marketing & Communications expense has decreased by approximately $160,000, also due to strategic vendor management and improved forecasting and alignment on resource timing compared to initial expectations.

The General and Administrative expenses decreased by approximately $95,000, mainly due to two factors. First, property taxes for the new office building were lowered after a successful exemption filing with the City of Sunnyvale in late 2025; this exemption will result in ongoing annual property tax savings. Second, a new lease agreement with the current landlord for the office led to reduced rental rates.

Non-Operating Revenues

Investment income is expected to decline by $610,000 due to lower interest rates and increased funds that are collateralized to support the letter of credit provided to PG&E per the CPUC Financial Security Requirement (FSR) for being the Provider of Last Resort (POLR)[4] for SVCE customers, which decreases the amount SVCE can invest.

Non-Operating Expenses

Financing expense has increased by $138,000. This is due to the latest Provider of Last Resort (POLR) Financial Security Forecast (FSR) forecast, which predicts a rise in POLR FSR posting requirements in the coming years, thereby increasing the estimated collateral posting fees charged by financial institutions.

Programs Budget

SVCE will continue incorporating projected Decarbonization Programs spending over the 5-year forecast into the reserve balance projections. For the current fiscal year, Program spending is projected to be $28.6 million, with an additional spend of $0.96 million from the Customer Relief and Community Resilience Program (CRCR) Fund, $1.7 million from the Nuclear Program Fund, $0.5 million in the E-Elec (all-electric) Fund, the all-electric rate discounts, and $0.45 million from the Handford Program Fund.

Capital Outlay

Capital Outlay has increased by $99,000. This change is due to updated projections for furniture expenses related to the new office building. Previously, the calculations were high-level estimates based on limited data and scope available at the time. Recently, the construction project management team provided more accurate estimates based on the latest available cost data. Also, attachment 3 provides an updated Capitol Projects report.

STRATEGIC PLAN

The recommendation supports all of the Board's adopted strategic plan goals. Specifically, this budget update supports SVCE Strategic Plan Goal 6 – "Maintain healthy financial position; avoid failures in the management of market risk, credit risk, liquidity risk, operational risks, and enterprise risks."

ALTERNATIVE

Staff is open to feedback and suggestions from the committee. At a strategic level, the Board can change the discount to PG&E, reduce the power supply portfolio's carbon-free and/or renewable energy percentages, and cut expenditures on the Decarbonization Programs.

Staff does not recommend any specific reductions given a sufficient projected reserve balance that maintains SVCE's stable financial condition.

FISCAL IMPACT

The MY 2026 Adjusted Operating Budget includes $335.5 million in revenues and $347.9 million in expenses, non-operating revenues, and transfers, resulting in a withdrawal from reserves of 12.5 million an improvement in net position of approximately $48 million from the December 2025 adjusted budget.

[4] Provider of Last Resort refers to the obligation of a load serving entity, such as SVCE, to ensure continuous electricity service to customers in the event the LSE fails. The POLR for SVCE customers is PG&E. The CPUC requires LSEs to post financial security such as a letter of credit to the POLR to ensure sufficient funds for POLR to undertake LSE's customers in the event of their failure.

ATTACHMENT

1. MY 2025-26 Adjusted Operating Budget
2. Five-year Forecast
3. Capital Projects Report

Attachment 1: MY 2025-26 Adjusted Operating Budget

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

DESCRIPTION	FY25-26 MID-YEAR ADJUSTED BUDGET
ENERGY REVENUES	
Energy Sales	335,858
Green Prime	2,439
CARE/FERA Bill Credit	(4,163)
Other Income	1,344
TOTAL ENERGY REVENUES	**335,478**
ENERGY EXPENSES	
Power Supply	(311,996)
OPERATING MARGIN	**23,482**
OPERATING EXPENSES	
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)
TOTAL OPERATING EXPENSES	**(42,684)**
OPERATING INCOME (LOSS)	**(19,202)**
NON-OPERATING REVENUES	
Interest Income	20,272
TOTAL NON-OPERATING REVENUES	**20,272**
NON-OPERATING EXPENSES	
Financing	(166)
TOTAL NON-OPERATING EXPENSES	**(166)**
TOTAL NON-OPERATING INCOME (EXPENSES)	**20,106**
CHANGE IN NET POSITION	**904**
CAPITAL EXPENDITURES, INTERFUND TRANSFERS & OTHER	
Capital Outlay	(611)
Transfer to Building Fund	(5,500)
Program Fund	(7,251)
TOTAL CAPITAL EXPENDITURES, INTERFUND TRANSFERS & OTHER	**(13,362)**
BALANCE AVAILABLE FOR RESERVES	**(12,458)**

Attachment 2: MY 2025-26 Adjusted Operating Budget – 5 Year View

($ 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]	$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[1]	$(4,163)	$(928)	$0	$0	$0
Other Income	$1,344	$0	$0	$0	$0
Total Operating Revenues	**$335,478**	**$239,724**	**$319,403**	**$369,989**	**$393,054**
Operating Expense					
Power Supply	$(311,996)	$(336,336)	$(356,970)	$(378,051)	$(414,042)
Operating Margin	**$23,482**	**$(96,611)**	**$(37,566)**	**$(8,062)**	**$(20,987)**
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)	$(7,861)
Total Operating Expenses	**$(361,931)**	**$(385,555)**	**$(410,004)**	**$(434,430)**	**$(473,331)**
Operating Income	**$(26,453)**	**$(145,831)**	**$(90,601)**	**$(64,441)**	**$(80,276)**
Nonoperating Revenue					
Investment Income	$20,272	$15,050	$10,070	$7,568	$5,191
Grant Income	$0	$0	$0	$0	$0
Total Non-Operating Revenues	$20,272	$15,050	$10,070	$7,568	$5,191
Nonoperating Expense					
Financing Cost	$(166)	$(442)	$(788)	$(186)	$(172)
Capital Outlay	$(611)	$(50)	$(50)	$(50)	$(50)
Interest Expense	$0	$0	$0	$0	$0
Total Non-Operating Expense	**$(777)**	**$(492)**	**$(838)**	**$(236)**	**$(222)**
Non-Operating Income	**$19,495**	**$14,558**	**$9,232**	**$7,332**	**$4,969**
Change in Net Position/Available for Reserves	**$(12,458)**	**$(131,273)**	**$(81,369)**	**$(57,109)**	**$(75,308)**
Begin, Net Financial Position	**$585,328**	**$539,673**	**$388,466**	**$290,563**	**$218,250**
Adjustment for Program Expenditure and Building Fund[2]	**$(33,198)**	**$(19,934)**	**$(16,534)**	**$(15,204)**	**$(7,281)**
End, Net Financial Position	**$539,673**	**$388,466**	**$290,563**	**$218,250**	**$135,662**

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.

SVCE Capital Projects Report

Description	Account	Date	Cost	Life (months)	Depreciation	Operating Cost/Revenue Impact	Effect on Operations/ Reliability	Consequence of not funding the Capital Project	Source of Funding	On-going Impact to Operational Budget
January 2025 - Stage 1 Initial Roof Inspection - Building finalized in February 2025	Construction in Progress	01/31/2025	$ 3,000	480	not in service yet	None (allocated towards Office Building Fund)	N/A	Need to fulfill staff office space needs	Office Building Fund	Reduction in 5-Year Reserves forecast
January 2025 - deposit for stage 1 initial roof inspection -Building finalized in February 2025	Construction in Progress	01/31/2025	$ 1,000	480	not in service yet	None (allocated towards Office Building Fund)	N/A	Need to fulfill staff office space needs	Office Building Fund	Reduction in 5-Year Reserves forecast
Office Building on 298 South Sunnyvale Avenue, Sunnyvale CA 94086	Building	02/20/2025	$ 7,000,000	480	not in service yet	None (allocated towards Office Building Fund)	N/A	Need to fulfill staff office space needs	Office Building Fund	Reduction in 5-Year Reserves forecast
May 2025 - Sunnyvale HQ - Construction Project Management Services	Construction in Progress	05/31/2025	$ 20,000	480	not in service yet	None (allocated towards Office Building Fund)	N/A	Need to fulfill staff office space needs	Office Building Fund	Reduction in 5-Year Reserves forecast
June 2025 - Sunnyvale HQ - Construction Project Management Services	Construction in Progress	06/30/2025	$ 11,000	480	not in service yet	None (allocated towards Office Building Fund)	N/A	Need to fulfill staff office space needs	Office Building Fund	Reduction in 5-Year Reserves forecast
July 2025 - Sunnyvale HQ - Construction Project Management Services	Construction in Progress	07/31/2025	$ 11,000	480	not in service yet	None (allocated towards Office Building Fund)	N/A	Need to fulfill staff office space needs	Office Building Fund	Reduction in 5-Year Reserves forecast
Aug 2025 - fumigation services	Construction in Progress	08/18/2025	$ 37,000	480	not in service yet	None (allocated towards Office Building Fund)	N/A	Need to fulfill staff office space needs	Office Building Fund	Reduction in 5-Year Reserves forecast
August 2025 - Sunnyvale HQ - Construction Project Management Services	Construction in Progress	08/31/2025	$ 19,000	480	not in service yet	None (allocated towards Office Building Fund)	N/A	Need to fulfill staff office space needs	Office Building Fund	Reduction in 5-Year Reserves forecast
June 2025 - SVCE HQ interior design services	Construction in Progress	08/01/2025	$ 9,000	480	not in service yet	None (allocated towards Office Building Fund)	N/A	Need to fulfill staff office space needs	Office Building Fund	Reduction in 5-Year Reserves forecast
July 2025 - SVCE HQ interior design services	Construction in Progress	08/01/2025	$ 52,000	480	not in service yet	None (allocated towards Office Building Fund)	N/A	Need to fulfill staff office space needs	Office Building Fund	Reduction in 5-Year Reserves forecast
September 2025 - Sunnyvale HQ - Construction Project Management Services	Construction in Progress	09/30/2025	$ 12,000	480	not in service yet	None (allocated towards Office Building Fund)	N/A	Need to fulfill staff office space needs	Office Building Fund	Reduction in 5-Year Reserves forecast
August 2025 - Sunnyvale HQ - Elevator Modernization Management Services	Construction in Progress	09/01/2025	$ 8,000	480	not in service yet	None (allocated towards Office Building Fund)	N/A	Need to fulfill staff office space needs	Office Building Fund	Reduction in 5-Year Reserves forecast
October 2025 Building Permit Fee	Construction in Progress	10/20/2025	$ 34,000	480	not in service yet	None (allocated towards Office Building Fund)	N/A	Need to fulfill staff office space needs	Office Building Fund	Reduction in 5-Year Reserves forecast
October 2025 - Sunnyvale HQ - Construction Project Management Services	Construction in Progress	11/01/2025	$ 13,000	480	not in service yet	None (allocated towards Office Building Fund)	N/A	Need to fulfill staff office space needs	Office Building Fund	Reduction in 5-Year Reserves forecast
November 2025 - Sunnyvale HQ - Construction Project Management Services	Construction in Progress	12/01/2025	$ 19,000	480	not in service yet	None (allocated towards Office Building Fund)	N/A	Need to fulfill staff office space needs	Office Building Fund	Reduction in 5-Year Reserves forecast
September 2025 - SVCE HQ interior design services	Construction in Progress	12/01/2025	$ 182,000	480	not in service yet	None (allocated towards Office Building Fund)	N/A	Need to fulfill staff office space needs	Office Building Fund	Reduction in 5-Year Reserves forecast
August 2025 - SVCE HQ interior design services	Construction in Progress	12/01/2025	$ 63,000	480	not in service yet	None (allocated towards Office Building Fund)	N/A	Need to fulfill staff office space needs	Office Building Fund	Reduction in 5-Year Reserves forecast
November 2025 - SVCE HQ interior design services	Construction in Progress	12/01/2025	$ 11,000	480	not in service yet	None (allocated towards Office Building Fund)	N/A	Need to fulfill staff office space needs	Office Building Fund	Reduction in 5-Year Reserves forecast
November 2025 - SVCE HQ interior design services	Construction in Progress	12/01/2025	$ 27,000	480	not in service yet	None (allocated towards Office Building Fund)	N/A	Need to fulfill staff office space needs	Office Building Fund	Reduction in 5-Year Reserves forecast
December 2025 - Elevator modernization services	Construction in Progress	12/16/2025	$ 93,000	480	not in service yet	None (allocated towards Office Building Fund)	N/A	Need to fulfill staff office space needs	Office Building Fund	Reduction in 5-Year Reserves forecast
LAND Office Building on 298 South Sunnyvale Avenue, Sunnyvale CA 94086	Land	02/20/2025	$ 4,500,000	N/A Land	not in service yet	None (allocated towards Office Building Fund)	N/A	Need to fulfill staff office space needs	Office Building Fund	Reduction in 5-Year Reserves forecast
Office Furniture for 298 S Sunnyvale	Furniture	09/01/2026	$ 561,000	84	not in service yet	Listed in FY25-26 Mid-Year Proposd Budget Capital Expenditure	N/A	Need to fulfill staff office space needs	FY25-26 Operating Budget	One-time Capital cost in FY25-26 budget

**Furniture depreciates at 84 months*
**Software / electronics depreciate at 36 month*

Updated 2/2026

Staff Report – Item 6

Item 6:	**Financial Levers Update: Modeled Scenario and Reflecting Feedback**
From:	Monica Padilla, CEO
Prepared by:	Justin Zagunis, Director of Customer Success
Date:	3/5/2026

This item will be addressed in the form of a presentation to the Finance and Administration Committee. This is a discussion item with no action requested by the Committee.

BACKGROUND

This item continues the discussion on financial levers from the following meetings: October 2025 Executive Committee, December 2025 Board of Directors, and December 2025 Board of Directors special meeting.

ATTACHMENTS

The presentation for this item is posted to SVCE's website.

Staff Report – Item 7

Item 7:	**Enterprise Risk Management and Proposed Stress Test Cases**
From:	Monica Padilla, CEO
Prepared by:	Amrit Singh, CFO Scott Wrigglesworth, Director of Risk and Analytics
Date:	3/5/2026

RECOMMENDATION

This is an informational item to provide the Silicon Valley Clean Energy (SVCE) Finance and Administration Committee (Committee) with an overview of SVCE's planning and budgeting process and to seek feedback on this year's planned financial stress test scenarios.

BACKGROUND

SVCE's fiscal year planning begins using the enterprise risk management (ERM) framework that attempts to assess risks and opportunities that impact SVCE's mission. From the ERM process, staff also considers stress test scenarios that can be extreme but plausible and severely affect the organization's ability to achieve its mission. At this meeting, staff will review the proposed stress scenarios that can have severe and direct financial consequences for the organization and whose mitigations are prudent to account for in developing the fiscal year budget. The other risks and opportunities identified from the ERM process will be used to shape next fiscal year's strategic focus areas, measures, and department work plans.

ANALYSIS & DISCUSSION

The ERM framework is a comprehensive organization-wide assessment of risks and opportunities that can enable SVCE to achieve its mission optimally. The attachment provides further information on the ERM framework.

Stress testing is an essential component of ERM. SVCE uses the ERM framework to assess the interrelatedness of various risks or their plausible combinations to model extreme but plausible ("Black Swan") events that can have significant adverse consequences for SVCE. Such scenarios or stress tests are essential for managing risky commodity portfolios because of the inherent weakness in standard market risk measures in assessing "black swan" events such as market disruptions caused by, for example, an economic recession.

For the next fiscal year, staff proposes to continue to model the price collapse scenario and use it to assess the adequacy of reserve holdings. A collapse in energy prices will significantly reduce SVCE's revenues because of higher Power Cost Indifference Adjustment (PCIA[1]) and lower Pacific Gas and Electric (PG&E) generation rates. While SVCE accounts for the 'PCIA financial hedge', it will not completely reduce energy purchase costs because the prices for most forward energy purchases are locked due to long-term power purchase agreements (PPA) secured at fixed prices.

[1] Public Utility Code Sections 366.1 and 366.2 require the CPUC to make sure that customers leaving PG&E do not burden remaining PG&E customers with costs that were incurred to serve them. To ensure customer indifference, CCAs and Direct Access or departing load customers are required to pay a power charge indifference adjustment (PCIA).

Staff is also likely to explore other stress test scenario(s) identified from the ERM process. Staff will update the Committee at a future meeting, most likely in May 2026, on considering any additional stress scenario(s). These scenarios include risks or opportunities around PCIA legislative and/or regulatory changes, and affordability considerations. While quantifiable impacts are difficult for staff to assess, staff is monitoring and mitigating other key impacts that surfaced through the ERM Process. These include but are not limited to: other CCA failures, stranded cost with no recovery, re-opening of direct access, AI Data Center large loads coming onto the system, operational system interruptions, loss of program autonomy, cyber security breach, and federal policy changes.

Next steps

After completing the proposed financial stress test analyses, staff will present the findings to the Committee, which is expected in May 2026, and to the SVCE Board of Directors, which is expected in June 2026. Like last year, staff will recommend any changes to the reserve policy as part of the annual budgeting process to ensure the agency can withstand the modeled risks. The other risks and opportunities identified from the ERM framework will help shape next fiscal year’s strategic focus areas, measures, and department work plans.

STRATEGIC PLAN

The stress test analyses will support effective risk management strategies, enabling SVCE to withstand adverse events that can significantly deplete financial reserves and make SVCE uncompetitive. These analyses support SVCE Strategic Plan Goal 6 – “Maintain healthy financial position; avoid failures in the management of market risk, credit risk, liquidity risk, operational risks, and enterprise risks.”

FISCAL IMPACT

The stress test analysis does not result in a fiscal impact.

ATTACHMENT

1. Overview of the ERM Framework

Attachment: Overview of the ERM Framework

There are three main components of SVCE's ERM framework:

1. Risk Matrix
2. Risk Register
3. Stress Tests

Risk Matrix

SVCE uses a risk matrix to assess the likelihood (frequency of occurrence) and consequence (impact) of potential risks and opportunities. The matrix helps the organization to calibrate risks and optimally direct resources to those with the most significant impact. The risk matrix, in conjunction with the risk register, will help identify the risk tolerance or acceptable level of risk after implementing planned mitigations. For example, those with a high likelihood of occurrence and high impact require an appropriate level of risk mitigation versus those with low probability and low impact.

The following is the current version of the risk matrix, which staff will continue refining. The matrix helps distinguish the significance among various potential risks/opportunities and enables optimal risk-based decision-making.

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

The numbers in the parentheses are for ease of referencing a particular box (level of frequency and impact) in the matrix.

Risk Register

SVCE uses the risk register to record the organization's identified risks and potential opportunities. The risk register:

1. Briefly describes each risk driver or source of risk and opportunities
2. Lists existing mitigation strategies and additional planned mitigations
3. Ranks or quantifies, using the risk matrix, the risks listed on the register. Risks can be ranked if no mitigation actions were taken (unmitigated risks), with current mitigations (current level of risk), and with additional planned mitigations (acceptable level of risk).
4. Identifies a risk owner

The following is a draft illustration of the risk register.

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	Kris	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	Bena	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 ...)	Gia	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	Justin			Moderate (23)	Moderate (23)	Moderate (23)

Stress Tests

Using the risk register, staff assesses the interrelatedness of various risks or combinations of risks that can materialize simultaneously to create plausible risk events that can have a significant adverse impact on the organization.

In the past, cross-functional teams at SVCE brainstormed on risks facing the agency over five years and prioritized the stress test scenarios that included:

1. A significant drop in energy prices results in higher Power Cost Indifference Adjustment (PCIA) and a lower Pacific Gas and Electric (PG&E) generation rate.
2. Insufficient financial liquidity caused by:
    a. Energy price collapse that reduces SVCE's margins and triggers credit downgrades
    b. Higher energy collateral postings from counterparties and the California Independent System Operator (CAISO)
    c. Pending regulatory case that significantly increases Financial Security Requirements (FSR) to the Provider of Last Resort (POLR), which for SVCE currently is PG&E. FSR amounts posted are held by POLR as financial security in the event a community choice aggregator's (CCA's) customers are returned to POLR such as during a CCA bankruptcy.
3. Power Purchase Agreements (PPAs) default, renegotiate for higher prices, and delay their commercial start dates, resulting in RPS non-compliance penalties and replacement of energy and RA at higher market prices.
4. SVCE loses load due to direct access and growth in distributed energy resources.
5. Risks that threaten public services or facilities.
6. Risks and potential mitigations associated with load growth uncertainty. If load growth is higher than anticipated, SVCE can face difficulty meeting procurement and compliance targets. On the other hand,

if load growth is lower than expected, SVCE can face stranded cost risks that can erode its competitiveness and ability to carry out its mission.