



**Silicon Valley Clean Energy
Finance and Administration Committee Meeting**

Thursday, May 28, 2026
10:00 am

Larry Klein, Chair
City of Sunnyvale

Sally Meadows, Vice Chair
City of Los Altos

Terry Hines
City of Campbell

R "Ray" Wang
City of Cupertino

Zach Hilton
City of Gilroy

George Tyson
Town of Los Altos Hills

Rob Rennie
Town of Los Gatos

Garry Barbadillo
City of Milpitas

Bryan Mekechuk
City of Monte Sereno

Yvonne Martinez Beltran
City of Morgan Hill

Pat Showalter
City of Mountain View

Chuck Page
City of Saratoga

Otto Lee
County of Santa Clara

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

Teleconference Meeting Information:

<https://svcleanenergy-org.zoom.us/j/84088859479>

Or by Telephone (Audio only):
US: +1 669 219-2599
Webinar ID: 840 8885 9479

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

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

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Suite 330
Sunnyvale, CA 94087

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.

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Consent Calendar (Action)

1a) Approve Minutes of the March 5, 2026, Finance and Administration Committee Meeting

1b) Recommend the SVCE Board of Directors Approve Amendments to Finance Policy 6: Purchasing and Spending; Finance Policy 8: Investments; Finance Policy 10: Delinquent Accounts and Collections; and Information Technology Policy 1: Information Technology

Regular Calendar

2) CFO Update (Informational)

3) Results of Stress Test Analyses (Discussion)

4) Recommend the SVCE Board of Directors Approve the Financial Levers Playbook (Action)

5) Budget Framework for the Stub Period Budget, October 2026 – December 2026 (Discussion)

6) Recommend the SVCE Board of Directors Approve Changes to Finance Policy 2: Budget Adoption, Control and Reporting, to Increase the Power Supply Budget Contingency, and Finance Policy 9: Reserve Policy, to Authorize Changes to Reserve Drawdown (Action)

7) Recommend the SVCE Board of Directors Approve Changes to Finance Policy 11: Capitalization Policy, to Establish Capitalization Threshold for Subscription-Based IT Arrangements (Action)

Committee/Staff Remarks

Adjourn

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**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

DRAFT MEETING MINUTES

Call to Order

Chair Srinivasan called the meeting to order at 10:07 a.m.

Roll Call

Present:

Chair Murali Srinivasan, Sunnyvale
Director Chuck Page, Saratoga (arrived at 10:25 a.m.)
Director Elliot Scozzola, Campbell (participated remotely pursuant to Government Code Section 54953.8.7 and arrived at 10:56 a.m.)
Alternate Director Maria Ristow, Los Gatos
Director Bryan Mekechuk, Monte Sereno

Absent:

None.

Public Comment on Matters Not Listed on the Agenda

No speakers.

Consent Calendar

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

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

The motion carried with Directors Page and Scozzola absent.

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



Regular Calendar

2) CFO Update (Informational)

Amrit Singh, Chief Financial Officer (CFO), addressed the following in his report:

- Information on the annual financial audit results of the fiscal year that ended September 30, 2025, noting the findings would be presented at the March Board of Directors meeting; and
- An update on the development of the Governmental Accounting Standards Board (GASB) 96 policy, which would likely be presented to the Finance and Administration Committee in May 2026.

Director Mekechuk addressed his membership on the Audit Committee, noting his intention to resign once the audit results are reported to the Board of Directors, and the preference for five members to serve on the Audit Committee.

Staff responded to committee member questions on dual Finance and Administration and Audit Committee membership.

3) Elect Chair and Vice Chair of the 2026 SVCE Finance and Administration Committee (Action)

Chair Srinivasan requested nominations for the role of Chair and Vice Chair from committee members.

MOTION: Director Mekechuk moved and Alternate Director Ristow seconded the motion to nominate Alternate Director Murali Srinivasan to serve as Chair of the 2026 Finance and Administration Committee.

The motion carried with Directors Page and Scozzola absent.

MOTION: Chair Srinivasan moved and Alternate Director Ristow seconded the motion to nominate Director Bryan Mekechuk to serve as Vice Chair of the 2026 Finance and Administration Committee.

The motion carried with Directors Page and Scozzola absent.

There were no public comments.

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)

Director Page arrived during Item 4.

CFO Singh presented a request for the Finance and Administration Committee to recommend the Board of Directors approve changing the fiscal period to a calendar year, along with the proposed transition plan and changes to the Budget Policy. CFO Singh reviewed the following:

- Current budgeting and planning timeline and process;
- Revised timeline and process under a calendar year fiscal period;
- Proposed transition plan and interim 3-month transition fiscal period from October 2026 to December 2026; and
- Proposed changes to the Budget Policy to 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 Power Charge Indifference Adjustment (PCIA) and PG&E generation rate information in time to prepare the budget.



Vice Chair Mekechuk shared the Audit Committee also received the request to recommend the change in fiscal year at its March 3, 2026 meeting and supported staff's request.

Staff responded to committee member questions on the stub-period and reasoning behind SVCE's current fiscal year.

Chair Srinivasan opened Public Comment.

No speakers.

Chair Srinivasan closed Public Comment.

MOTION: Vice Chair Mekechuk moved and Alternate Director Ristow seconded the motion to recommend the SVCE 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 stub-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.**

The motion carried with Director Scozzola absent.

5) Recommend Approval of the Fiscal Year 2025-2026 Mid-Year Adjusted Operating Budget (Action)

Director Scozzola joined during Item 5.

CFO Singh presented a request for the Finance and Administration Committee to recommend that the SVCE Board of Directors adopt the Mid-year 2025-2026 adjusted operating budget. Main areas of discussion included:

- Changes since the adoption of the adjusted budget in December;
- Comparison of mid-year and adjusted budget key line items;
- Comparison of final 2026 PG&E Generation and PCIA rates with those forecasted in December and the impact on SVCE margins; and
- Review of the five-year reserve projections.

Highlights of the mid-year FY26 budget included a \$12.5 million draw from reserves as opposed to the \$60.5 million adopted in the December 2025 budget due to power costs decreasing and revenues increasing, however the negative five-year financial outlook trend from the December 2025 budget update continued, with the five-year financial projection in December 2025 showing 200 days of cash on hand (DCOH) at the end of the five year projection period decreasing to 142 DCOH.

Staff responded to questions on the operating margins and GASB 62, SVCE customers, DCOH projections for the business-as-usual scenario, anticipation of new programs, revenue calculations and projections, and customer billing rates.

Chair Srinivasan opened Public Comment.

No speakers.

Chair Srinivasan closed Public Comment.

MOTION: Vice Chair Mekechuk moved and Director Page seconded the motion to recommend the SVCE Board of Directors adopt the proposed Mid-year 2025-26 Adjusted Operating Budget.



The motion carried unanimously by verbal roll call vote.

6) Financial Levers Update: Modeled Scenario and Reflecting Feedback (Discussion)

Justin Zagunis, Director of Customer Success, presented information on financial levers for additional feedback on scenario design and key datapoints. Director of Customer Success Zagunis reviewed the following:

- A recap from the December Special Meeting introducing the financial levers (Community Reinvestment, Local Control and Presence, Clean Power and the Grid, Competitive Rates, and Accelerating Electric Upgrades);
- A review of key numbers for revenue and costs;
- Introduction of an example scenario, where the default clean product is a 4% premium, creation of a new minimum compliance product that is a 1% discount to PG&E, and reduction of program spend by 10%; and
- Next steps.

Staff responded to questions and comments from committee members on PG&E rates, customer choice, revenues and costs and the potential for a higher future rate, compliments on SVCE's power procurement and forecasting, SVCE's commercial and industrial customers, and compliance requirements.

Chair Srinivasan opened Public Comment.

No speakers.

Chair Srinivasan closed Public Comment.

7) Enterprise Risk Management and Proposed Stress Test Cases (Discussion)

Chair Srinivasan left the meeting during Item 7; Vice Chair Mekechuk presided over the remainder of the meeting.

Scott Wigglesworth, Director of Risk Management and Analytics, presented an overview of SVCE's planning and budgeting process and requested feedback on the planned financial stress test scenarios. Presentation information included:

- FY 26-27 budgeting and planning timeline;
- An overview of Enterprise Risk Management (ERM) and stress tests;
- A review of key drivers of financial risks;
- A review of planned financial stress test scenarios (price collapse, affordability focus, and PCIA reopening/revamp); and
- Next steps.

Vice Chair Mekechuk opened Public Comment.

No speakers.

Vice Chair Mekechuk closed Public Comment.

Staff responded to questions from committee members on highest impact items not included in the stress tests, regulatory and legislative risk, true up data, and risk from data centers.

Committee/Staff Remarks

None.

Adjournment

Vice Chair Mekechuk adjourned the meeting at 12:10 p.m.



ATTEST:

Andrea Pizano, Board Secretary



Staff Report – Item 1b

Item 1b: Recommend the SVCE Board of Directors Approve Amendments to Finance Policy 6: Purchasing and Spending; Finance Policy 8: Investments; Finance Policy 10: Delinquent Accounts and Collections; and Information Technology Policy 1: Information Technology

From: Monica Padilla, CEO

Prepared by: Michael Callahan, General Counsel

Date: 5/28/2026

RECOMMENDATION

Staff recommends the Silicon Valley Clean Energy (SVCE) Finance and Administration Committee (Committee) recommend the SVCE Board of Directors (Board) approve proposed amendments, included as attachments, to the following Board-approved policies:

1. Finance Policy 6: Purchasing and Spending,
2. Finance Policy 8: Investments,
3. Finance Policy 10: Delinquent Accounts and Collections Policies, and
4. Information Technology Policy 1: Information Technology (IT).

Staff undertakes regular reviews of policies and standards to identify potential improvements. The proposed changes are necessary to clarify ambiguities in language; provide for minor clean ups; better reflect current practices and/or align with requirements, as necessary.

BACKGROUND

In 2024, staff performed a policy streamlining project to review, consolidate, and amend SVCE's policies. As a result of the project, staff was able to retire policies that were no longer needed, standardize relevant policies, and create corresponding standards and procedures for internal use. Also identified in the project was the establishment of an update and training cadence for staff to review the policies on a more consistent basis for any changes and amendments needed. These changes to SVCE policies were approved by the Board of Directors on December 11, 2024.

ANALYSIS & DISCUSSION

The following potential improvements to policies have been identified:

Purchasing and Spending Policy

The Purchasing and Spending Policy relates to SVCE's ability to expend funds with vendors and includes proposed updates to:

- remove the delegation on energy contracts to consolidate them in the Energy Risk Management Policy and Standard;
- clarify that the Board delegates to staff the authority to enter into agreements associated with approved grant and scholarship programs;
- clarify SVCE can apply for external grant funds without Board approval;
- delegate authority to the CEO to enter settlement agreements to accept up to \$250,000, intended to address minor commercial disputes with vendors;

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- direct energy solicitation rules to be defined in the Energy Risk Management Standard;
- clarify emergency procurement rules including the definition of an emergency and adding in a shorter notice period for the Board on emergency public works procurement; and
- clarify the CFO can delegate their authority to approve wire transfers.

These changes are intended to enhance aspects of the policy and make it more complete, clarify delegations to the CEO and reduce the administrative items that must be decided by the Board, and improve organization of procurement-related policies.

Investment Policy

The Investment Policy revision is intended to clarify that SVCE will manage diversification of investments by issuer. Previously the policy called for SVCE to manage diversification by both financial institution and security type. However, this broad language referencing financial institution could be inadvertently read to include SVCE's financial advisor. Staff recommends modifying this language to issuer to make it clear diversification should apply to those entities in which SVCE is investing. Staff recommends removing the reference to security type because those levels may appropriately exceed 5% depending on the type of security and are governed by limits in the Investment Standard.

Other Clean Up

Staff recommend minor clean up, including title changes, to the Information Technology Policy 1: Information Technology; and the Finance Policy 10: Delinquent Accounts and Collections.

STRATEGIC PLAN

Reviewing, updating, and amending SVCE's policies applies to Goal 9 of SVCE's Strategic Plan to, "Implement industry best practices to enable data-driven decision making across the organization; enhance systems, standards and procedures to streamline business processes and improve operational effectiveness and reliability (aka SVCE 3.0)."

ALTERNATIVE

Staff is open to any suggestions from the Committee on the proposed amendments to the policies.

FISCAL IMPACT

Staff does not anticipate a direct fiscal impact as a result of approving the proposed policy amendments.

ATTACHMENTS

1. Finance Policy 6: Purchasing and Spending – clean
2. Finance Policy 6: Purchasing and Spending – redline
3. Finance Policy 8: Investment – clean
4. Finance Policy 8: Investment – redline
5. Finance Policy 10: Delinquent Accounts and Collections – clean
6. Finance Policy 10: Delinquent Accounts and Collections - redline
7. Information Technology Policy 1: Information Technology – clean
8. Information Technology Policy 1: Information Technology - redline



Finance Policy 6: Purchasing and Spending

I. Purpose

The purpose of this policy is to describe delegation and parameters for spend.

II. Scope

All SVCE purchases.

III. Policy

A. Delegation to the Chief Executive Officer

- The CEO shall have all necessary and proper authority and the ability to further delegate their authority to approve and execute:
 - contracts with a not-to-exceed maximum dollar amount of less than or equal to \$250,000 per vendor for a given scope of work, per fiscal year;
 - contracts to provide grants and scholarships that are included within a Board-approved program;
 - grant applications to pursue funding that may supplement SVCE's budget and increase SVCE's ability to spend on activities that are consistent with priorities within SVCE's Strategic Plan;
 - settlement agreements where SVCE is receiving funds up to \$250,000 per agreement;
 - amendments or addenda to existing contracts, regardless of the existing contract's price or total amount, which improves the terms of the contract to SVCE's benefit without increasing the contract's non-to-exceed maximum dollar amount; and
 - in the event of an emergency situation contracts with a not-to-exceed maximum dollar amount of;
 - 150% of the maximum dollar amount delegated for vendor agreements in this policy per fiscal year; or
 - 500% of the maximum dollar amount delegated for vendor agreements in this policy per fiscal year with the prior



written consent of two (2) Executive Committee members

- Emergency Procurement Solicitation Guidelines
 - In case of emergency, defined as a sudden, unexpected occurrence that poses a clear and imminent danger, requiring immediate action to prevent or mitigate the loss or impairment of life, health, property, or essential public services, goods or services may be procured without complying with the standard procurement requirements in order to mitigate impacts of the emergency.
 - For public works projects subject to informal or formal bidding under the California Uniform Public Construction Cost Accounting Act (CUPCCAA), the Chief Executive Officer shall approve the emergency procurement and shall report to the Board the reasons justifying why the emergency did not permit a delay resulting from a competitive solicitation for bids and why the action was necessary to respond to the emergency. The report must occur not later than seven (7) days after the action, or at the Board's next regularly scheduled meeting if that meeting will occur not later than 14 days after the action. Until the emergency action is terminated, at every regularly scheduled Board meeting, the Board must determine, by a four-fifths vote, that there is a need to continue the action. See Public Contract Code section 22050 *et seq.*
 - For all other procurement of goods and services, the Chief Executive Officer shall disclose any circumstances of an emergency to the Chair and Vice Chair of the Board within 30 days; and report all emergency procurement to the Board within 30 days.
- The CEO shall develop and maintain Purchasing and Spending Standards related to the vendor and/or goods solicitations, sole source justifications, the use and issuance of Purchasing Cards (P-Cards), disposal of property, and general spending under the delegated authority including for employee travel and training, meetings, meals, operations, equipment and workforce development.
- The CEO may delegate their authority under this policy and shall document any such delegations in Purchasing Standards.
- The Board shall adopt Energy Risk Management Policies which include a delegation of authority to the CEO for contracts for energy and related



procurement of less than five years in term. All energy related procurement in excess of five years or more, requires Board approval.

- The CEO shall develop Energy Risk Management Standards related to the solicitation and procurement process for all energy products such as electricity, clean attributes, resource adequacy, congestion revenue rights and other hedging products, and any other related products consistent with the Board adopted Energy Risk Management Policies.
- The CEO may authorize staff to make payments utilizing any payment method they deem appropriate. However, all automated clearinghouse (ACH) payments and wire transfers must be approved by the Chief Financial Officer or their delegee.

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.

B. Cadence for Review

- This Policy will be reviewed at least every five (5) years.
- Changes to this policy will be reviewed by the Finance and Administration Committee before being presented to the Board.



Finance Policy 6: Purchasing and Spending

I. Purpose

The purpose of this policy is to describe delegation and parameters for spend.

II. Scope

All SVCE purchases.

III. Policy

A. Delegation to the Chief Executive Officer

- The CEO shall have all necessary and proper authority and the ability to further delegate their authority to approve and execute:
 - ~~contracts for Energy Procurement for terms of less than or equal to 12 months, to meet SVCE's expected energy, capacity, and hedging needs, which the CEO shall timely report to the Board;~~
 - contracts with a not-to-exceed maximum dollar amount of less than or equal to \$250,000 per vendor for a given scope of work, per fiscal year;
 - contracts to provide grants and scholarships that are included within a Board-approved program;
 - grant applications to pursue funding that may supplement SVCE's budget and increase SVCE's ability to spend on activities that are consistent with priorities within SVCE's Strategic Plan;
 - settlement agreements where SVCE is receiving funds up to \$250,000 per agreement;
 - amendments or addenda to existing contracts, regardless of the existing contract's price or total amount, which improves the terms of the contract to SVCE's benefit without increasing the contract's non-to-exceed maximum dollar amount; and
 - in the event of an emergency situation contracts with a not-to-exceed maximum dollar amount of;
 - 150% of the maximum dollar amount ~~in Section 1.b~~



~~if delegated for vendor agreements in~~ this policy per fiscal year; or

- 500% of the maximum dollar amount ~~in Section 1.b~~ ~~if delegated for vendor agreements in~~ this policy per fiscal year with the prior written consent of two (2) Executive Committee members

- ~~• In order to avert or alleviate damage to property, to protect the health, safety and welfare of the community and SVCE's employees, or to repair or restore damaged or destroyed property of SVCE.~~
- ~~• An "emergency situation" for purposes hereof is a situation creating an imminent danger to life or property or other material financial loss that calls for immediate action with inadequate time for prior Board approval. The Chief Executive Officer shall within thirty (30) days of the emergency, deliver a report to the Board of Directors explaining the necessity for the action, a listing of expenditures made under these emergency powers and any recommended future actions.~~
- Emergency Procurement Solicitation Guidelines
 - In case of emergency, defined as a sudden, unexpected occurrence that poses a clear and imminent danger, requiring immediate action to prevent or mitigate the loss or impairment of life, health, property, or essential public services, goods or services may be procured without complying with the standard procurement requirements in order to mitigate impacts of the emergency.
 - For public works projects subject to informal or formal bidding under the California Uniform Public Construction Cost Accounting Act (CUPCCAA), the Chief Executive Officer shall approve the emergency procurement and shall report to the Board the reasons justifying why the emergency did not permit a delay resulting from a competitive solicitation for bids and why the action was necessary to respond to the emergency. The report must occur not later than seven (7) days after the action, or at the Board's next regularly scheduled meeting if that meeting will occur not later than 14 days after the action. Until the emergency action is terminated, at every regularly scheduled Board meeting, the Board must determine, by a four-fifths vote, that



there is a need to continue the action. See Public Contract Code section 22050 et seq.

- For all other procurement of goods and services, the Chief Executive Officer shall disclose any circumstances of an emergency to the Chair and Vice Chair of the Board within 30 days; and report all emergency procurement to the Board within 30 days.
- The CEO shall develop and maintain Purchasing and Spending Standards related to the vendor and/or goods solicitations, sole source justifications, the use and issuance of Purchasing Cards (P-Cards), disposal of property, and general spending under the delegated authority including for employee travel and training, meetings, meals, operations, equipment and workforce development.
- ~~• The CEO shall develop Energy Risk Management Standards related to the solicitation and procurement process for all energy products such as electricity, clean attributes, resource adequacy, congestion revenue rights and other hedging products, and any other related products.~~
- The CEO may delegate their authority under this policy and shall document any such delegations in Purchasing Standards.
- The Board shall adopt Energy Risk Management Policies which include a delegation of authority to the CEO for contracts for energy and related procurement of less than five years in term. All energy related procurement in excess of five years or more, requires Board approval.
- The CEO shall develop Energy Risk Management Standards related to the solicitation and procurement process for all energy products such as electricity, clean attributes, resource adequacy, congestion revenue rights and other hedging products, and any other related products consistent with the Board adopted Energy Risk Management Policies.
- The CEO may authorize staff to make payments utilizing any payment method they deem appropriate. However, all automated clearinghouse (ACH) payments and wire transfers must be approved by the Chief Financial Officer or their delegee.

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.

B. Cadence for Review

- This Policy will be reviewed at least every five (5) years.
- Changes to this policy will be reviewed by the Finance and Administration Committee before being presented to the Board.



Finance Policy 8: Investments

I. Purpose

Silicon Valley Clean Energy ("SVCE") shall invest public funds in such a manner as to comply with state and local laws; ensure prudent money management; provide for daily cash flow requirements; and meet the objectives of the Policy, in priority order of Safety, Liquidity and Return on investment.

II. Scope

This investment policy applies to all investment activities and financial assets of SVCE.

III. Policy

A. Objective

- The primary objectives, in priority order, of the investment activities of SVCE shall be:
 - With respect to all investments:
 - To be in compliance with all Federal, State and local laws as well as all SVCE policies and procedures.
 - All investments of SVCE shall be undertaken in a manner which seeks the preservation of principal.
 - To remain sufficiently liquid to enable SVCE to meet all operating requirements which might be reasonably anticipated.
 - To maximize return consistent with risk limitations identified herein and prudent investment principles.
 - With respect to short-term cash management objectives:
 - To accelerate receipt of all funds due to SVCE.
 - To accurately monitor and forecast expenditures and revenues, thus enabling SVCE to invest funds to the fullest extent possible.
 - The investment portfolio shall be designed with the objective of obtaining a rate of return throughout



budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs.

B. Standard of Care

- SVCE will manage funds in accordance with the Prudent Investor Standard pursuant to California Government Code 53600.3.1. The “prudent investor” standard shall be applied in the context of managing the overall portfolio. Persons authorized to make investment decisions on behalf of SVCE are trustees and therefore fiduciaries subject to the prudent investor standard which states, “When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency”.

C. Delegation of Authority

- The following individuals are authorized to sign investment documents and/or execute cash transfers and make investments of SVCE’s funds:
 - Chief Executive Officer, or their designee
 - Chief Financial Officer, or their designee
- SVCE may also delegate investment decision making and execution authority to an investment advisor. The advisor shall follow this Investment Policy and such other written instructions as are provided. Investment advisor must be approved by the SVCE Board prior to engaging with SVCE.



D. Ethics and Conflicts of Interest

- The authorized employees who are responsible for the investment of SVCE funds shall refrain from personal business activity that could conflict with the proper execution of SVCE's investment program, or which could impair the ability to make impartial investment decisions. Pursuant to SVCE's Conflict of Interest Code, employees shall disclose any financial interests and investment holdings that could affect the performance of SVCE's portfolio or the individual's judgement or decisions regarding SVCE's portfolio.

E. Socially Responsible Investments

- SVCE's investment portfolio shall not include investments in companies in the industries or subindustries of fossil fuel extraction, refining, and/or distribution. SVCE's investment advisor shall provide SVCE information on their screening process.

F. Diversification

- SVCE will diversify its investments. With the exception of U.S. Treasury securities, federal agencies, and authorized pools, no more than 5% of SVCE's total investment portfolio will be invested in a single issuer.

G. Additional Investment Standards

- Staff will develop additional standards to implement aspects of this policy. These standards shall address, but are not limited to, the following subjects:
 - Authorized Financial Dealers and Institutions
 - Authorized and Suitable Investments
 - A Hedging Program
 - Reporting Requirements
 - Investment Pools/Mutual Funds
 - Collateralization
 - Safekeeping and Custody
 - Maximum Maturities
 - Performance Standards



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.

B. Cadence for Review

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



Finance Policy 8: Investments

I. Purpose

Silicon Valley Clean Energy ("SVCE") shall invest public funds in such a manner as to comply with state and local laws; ensure prudent money management; provide for daily cash flow requirements; and meet the objectives of the Policy, in priority order of Safety, Liquidity and Return on investment.

II. Scope

This investment policy applies to all investment activities and financial assets of SVCE.

III. Policy

A. Objective

- The primary objectives, in priority order, of the investment activities of SVCE shall be:
 - With respect to all investments:
 - To be in compliance with all Federal, State and local laws as well as all SVCE policies and procedures.
 - All investments of SVCE shall be undertaken in a manner which seeks the preservation of principal.
 - To remain sufficiently liquid to enable SVCE to meet all operating requirements which might be reasonably anticipated.
 - To maximize return consistent with risk limitations identified herein and prudent investment principles.
 - With respect to short-term cash management objectives:
 - To accelerate receipt of all funds due to SVCE.
 - To accurately monitor and forecast expenditures and revenues, thus enabling SVCE to invest funds to the fullest extent possible.
 - The investment portfolio shall be designed with the



objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs.

B. Standard of Care

- SVCE will manage funds in accordance with the Prudent Investor Standard pursuant to California Government Code 53600.3.1. The “prudent investor” standard shall be applied in the context of managing the overall portfolio. Persons authorized to make investment decisions on behalf of SVCE are trustees and therefore fiduciaries subject to the prudent investor standard which states, “When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency”.

C. Delegation of Authority

- The following individuals are authorized to sign investment documents and/or execute cash transfers and make investments of SVCE’s funds:
 - Chief Executive Officer, or their designee
 - Chief Financial Officer, or their designee
- SVCE may also delegate investment decision making and execution authority to an investment advisor. The advisor shall follow this Investment Policy and such other written instructions as are provided. Investment advisor must be approved by the SVCE Board prior to engaging with SVCE.



D. Ethics and Conflicts of Interest

- The authorized employees who are responsible for the investment of SVCE funds shall refrain from personal business activity that could conflict with the proper execution of SVCE's investment program, or which could impair the ability to make impartial investment decisions. Pursuant to SVCE's Conflict of Interest Code, employees shall disclose any financial interests and investment holdings that could affect the performance of SVCE's portfolio or the individual's judgement or decisions regarding SVCE's portfolio.

E. Socially Responsible Investments

- SVCE's investment portfolio shall not include investments in companies in the industries or subindustries of fossil fuel extraction, refining, and/or distribution. SVCE's investment advisor shall provide SVCE information on their screening process.

F. Diversification

- SVCE will diversify its investments ~~by security type and institution.~~ With the exception of U.S. Treasury securities, federal agencies, and authorized pools, no more than 5% of SVCE's total investment portfolio will be invested in a single ~~security type or with a single financial institution~~ issuer.

G. Additional Investment Standards

- Staff will develop additional standards to implement aspects of this policy. These standards shall address, but are not limited to, the following subjects:
 - Authorized Financial Dealers and Institutions
 - Authorized and Suitable Investments
 - A Hedging Program
 - Reporting Requirements
 - Investment Pools/Mutual Funds
 - Collateralization



- Safekeeping and Custody
- Maximum Maturities
- Performance Standards

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.

B. Cadence for Review

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



Finance Policy 10: Delinquent Accounts and Collections

I. Purpose

To provide guidelines for the determination of delinquent accounts.

II. Scope

Pacific Gas & Electric (PG&E) issues bills to customers and uses the power of disconnection to manage delinquent accounts. Silicon Valley Clean Energy (SVCE) does not have the power of disconnection. For PG&E, accounts become "past due" 18-22 days after the bill is issued. For residential customers, a 15-day notice is sent with the next bill, and the account becomes eligible for disconnection within 50-56 days from original bill issuance. For commercial customers, a 7-day notice is sent, and the account becomes eligible for disconnection after 32 days from when the bill was issued.

III. Policy

- Delinquent electricity accounts will be returned to PG&E generation service due to non-payment. Delinquent customers that meet the criteria for termination of SVCE service will receive a series of no less than three monthly notices of their delinquency prior to removal.
- The criteria used to determine a customer's eligibility for noticing and removal are:
 - Customer has past due amounts older than 91 days aged.
 - The amount owed to SVCE in the 91+ day aging bucket is > \$100.
 - The delinquent customer does not have a payment plan established with PG&E.
- Customers that fail to make a substantial payment will be given 14 days from the date of the third and final notice to either 1) make a substantial payment that reduces the total amount owed to SVCE or 2) enroll in a structured payment plan with PG&E. A substantial payment is one that reduces the total amount owed to SVCE in the 91+ day aged bucket at the time of noticing.



- Such substantial payment will cause the series of noticing the customer to reset. Customers that fail to take either of these actions in the allotted time after the third and final notice will be returned to PG&E generation service.
- Closed accounts may be written-off with approval by the CFO or their delegate(s).

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.

B. Cadence for Review

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- Closed accounts may be written-off with approval by the CFO/~~Director of Finance~~ or their delegate(s).

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.

B. Cadence for Review

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



Information Technology Policy 1: Information Technology

I. Purpose

The purpose of the Silicon Valley Clean Energy Information Technology Policy is to establish guiding principles regarding the use of Silicon Valley Clean Energy (SVCE) information resources in order to protect the confidentiality, integrity and availability of information created, collected, utilized, and maintained by the organization. Proper management of information technology is required to support regulatory compliance, minimize legal liability, reduce the risk of criminal activity, and to sustain stakeholder and customer satisfaction.

II. Scope

The SVCE Information Technology Policy applies to all information technology resources, as well as personnel and third parties accessing information resources using SVCE's computers or network infrastructure. Information technology ("IT" or "Information") is a critical SVCE component and will be managed to ensure that it remains complete, accurate, confidential, and available for authorized business activities.

III. Policy

A. Information Technology Requirements

- To ensure protection of information technology resources, operational standards will be in place for all employees and designated third parties to follow. SVCE IT staff may maintain additional standards or guidelines related to the following IT policy requirements and issues including, but not limited to:
 - Ensure business continuity and disaster preparedness.



- Appropriate management of IT assets, networks, data, identity and access for systems, vulnerabilities, security, and incident response.
- Access to specific information technology resources is to be assigned to SVCE employees or designated third parties with the minimum level of access necessary to perform respective responsibilities.
- Security systems are to be structured to address security at multiple levels, including physical, network, host, and personnel security measures.
- The degree of information security protection is to be commensurate with the impact of inadvertent or intentional misuse, improper disclosure, damage or loss.
- Information technology resources are to be tracked and monitored through established tools to ensure the ongoing security of SVCE.
- Data will be classified, and appropriate security controls will be applied, based on established industry standards to ensure security of sensitive data.
- All SVCE staff, are informed that security is not an optional component of operations and their involvement is imperative to maintaining SVCE's cyber security posture.
- All staff and designated parties that use or have access to SVCE information technology are personally responsible for exercising the proper control over information according to the operational standards provided to them.
- Operational standards for treatment of information technology are subject to change as needed to protect SVCE based on any changes in systems, threats, and practices. All operational IT standards will be reviewed on an annual basis.
- SVCE shall conduct internal audits or assessments of its security management system as needed and/or as required by compliance standards to determine if its control objectives, controls, processes, and procedures conform to legal/regulatory requirements, and that SVCE information security requirements



are effectively implemented, maintained and perform as expected.

IV. Policy Compliance

A. Exceptions and Violations

- Requests for an exception to this policy must be submitted to the Director of Operations for approval.
 - Any known violations of this policy must be reported to the Director of Operations and General Counsel. Violations of this policy may be escalated to the CEO for review.

B. Cadence for Review

- This Policy will be reviewed at least every one (1) year.



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- The degree of information security protection is to be commensurate with the impact of inadvertent or intentional misuse, improper disclosure, damage or loss.
- Information technology resources are to be tracked and monitored through established tools to ensure the ongoing security of SVCE.
- Data will be classified, and appropriate security controls will be applied, based on established industry standards to ensure security of sensitive data.
- All SVCE staff, ~~through ongoing training,~~ are informed that security is not an optional component of operations and their involvement is imperative to maintaining SVCE's cyber security posture.
- All staff and designated parties that use or have access to SVCE information technology are personally responsible for exercising the proper control over information according to the operational standards provided to them.
- Operational standards for treatment of information technology are subject to change as needed to protect SVCE based on any changes in systems, threats, and practices. All operational IT standards will be reviewed on an annual basis.
- SVCE shall conduct internal audits or assessments of its security management system as needed and/or as required by compliance standards to determine if its control objectives, controls, processes, and procedures conform to legal/regulatory requirements, and that SVCE information security requirements



are effectively implemented, maintained and perform as expected.

IV. Policy Compliance

A. Exceptions and Violations

- Requests for an exception to this policy must be submitted to the Director of Operations for approval.
 - Any known violations of this policy must be ~~immediately~~ reported to the ~~Finance and Administration Committee, CEO, Director of Operations~~ and General Counsel. Violations of this policy may be escalated to the CEO for review.

B. Cadence for Review

- This Policy will be reviewed at least every one (1) year.



Staff Report – Item 2

Item 2: CFO Update

From: Monica Padilla, CEO

Prepared by: Andrea Pizano, Sr. Executive Assistant and Board Clerk

Date: 5/28/2026

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: Results of Stress Test Analyses

From: Monica Padilla, CEO

Prepared by: Amrit Singh, CFO
Scott Wrigglesworth, Director, Risk Management & Analytics

Date: 5/28/2026

RECOMMENDATION

Receive the results of the stress test analyses. This report provides background information for staff to develop recommendations to the Silicon Valley Clean Energy (SVCE) Board of Directors (Board) on managing reserve levels and developing the next fiscal year budget (2027).

BACKGROUND

At the March 5, 2026, Finance and Administration Committee meeting, staff reviewed the Enterprise Risk Management (ERM) framework for comprehensively assessing and managing the organization's risks and opportunities. SVCE's fiscal year planning begins with the ERM framework, which identifies risks and opportunities that impact SVCE's mission. Staff explained that stress tests are an essential component of the ERM because standard market risk measures are inherently limited in assessing "black swans" or extreme but plausible events, such as market disruptions caused by an economic recession. Staff proposed a financial stress scenario that could have severe and direct financial consequences for the organization, and its mitigations are prudent to account for when developing the fiscal year budget. In addition, staff proposed a quantitative stress scenario in which the financial stress is exacerbated by stranded costs that could result from the CPUC's recent procurement order. The other risks and opportunities identified through the ERM process shape the next fiscal year's strategic focus areas and/or department work plans. Some of these items were raised for qualitative consideration and discussion.

ANALYSIS & DISCUSSION

Staff used lessons and insights from past observed SVCE financial performance and analyses to construct the stress test scenario. The past analyses included the increase and collapse of market prices, insufficient financial liquidity, load losses, and loss or delay of resources under Power Purchase Agreements. The key finding from these analyses remains that the most significant financial risk facing SVCE over the next 5 years is a collapse in energy prices. A collapse in energy prices will significantly reduce SVCE's revenues because of higher Power Charge Indifference Adjustment (PCIA¹) and lower PG&E generation rates. However, this price drop will not substantially reduce SVCE's energy purchase costs. The prices for most forward energy purchases are locked because of existing hedges, with more hedges in earlier years aligned with the Energy Risk Management Policy hedging targets. With the implementation of the 2025 Energy Risk Management Policy updates, adjustments to energy hedging to account for PCIA and PG&E generation rates have already proven to be an effective partial mitigation of market price declines impacting SVCE. As with prior analyses, the effect of price collapse, through reduced revenues, overwhelms all other stress factors. This year's

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).

analysis assesses price collapse risks over the next five fiscal years.

An alternative case on the stress scenario includes potential implications of the recent CPUC procurement order. In that scenario, Staff assumes that it procures incremental resources to ensure compliance but considers a 'what-if the load does not show up' outcome, meaning that if the load growth that the procurement order is intended to address does not occur what are the implications on SVCE financials.

The 5-Year Price Collapse Financial Stress Scenario

The 5-year financial stress test scenario includes these fundamental assumptions.

1) Energy price drops to less than one percentile statistical level

To provide customers with competitive rates, SVCE sets its generation rates such that customers receive an effective discount, currently set at 1% for the current and all future years, to comparable PG&E rates. Because CCA customers must pay PCIA charges to provide the effective discount rate, SVCE reduces its rate by the PCIA amount. As a result of the price collapse, PCIA will increase, and PG&E generation rates will likely decrease, thereby reducing SVCE's generation rates.

In the appendix of the accompanying PowerPoint presentation, staff demonstrates that such a price collapse scenario is plausible by comparing the modeled prices to those observed during the 2008 financial crisis.

2) Price drop stresses financial liquidity

The standard credit risk management practice, except for long-term Power Purchase Agreements (PPAs), is the requirement to post collateral, usually cash or letters of credit, when the exposure to the counterparty reaches the negotiated credit limit. The stress test models how much SVCE's collateral posting requirements can increase with price collapse. The results show that price collapse does not significantly impact liquidity because of SVCE's active management of collateral posting requirements, including placing key counterparties in a lockbox mechanism in return for not having posting requirements and long-term PPAs not being subject to this requirement.

3) Other business operating and regulatory risks

In the past stress test analyses, staff modeled regulatory uncertainty from the potential changes to the Financial Security Requirement (FSR) that, under some proposals, would have required SVCE to post collateral equivalent to the cost of procuring energy over the two highest calendar months. The stress test continues to model the requirement of a one-time cash draw equivalent. In the base and stress cases staff employs a new FSR model obtained from PG&E through CalCCA and inclusive of the Decision Order on changes to FSR methodology.

The reopening of the PCIA proceeding at the CPUC further increases financial uncertainty. The stress test analysis does not explicitly model this risk. Staff is analyzing potential impacts and will discuss the latest information with the Committee as part of the budget framework discussion.

4) Increased bad debt

Economic recessions often increase bad debt losses. In the stress case, the bad debt assumption is 2% of revenues, as opposed to 0.75% in the base case.

The attachments to this report provide the summary tables with financial results under an updated base case scenario and the modeled stress case scenario. The base case shows that reserves fall from the forecast level of \$544 million at the end of the current fiscal year and stub period (December 31, 2026) to \$ 316 million at the end of the next calendar fiscal year 2027. Reserves continue to fall in subsequent years to \$228 million towards the end of the 5-year forecast period.

There's considerable uncertainty in developing the base case scenario. While energy prices have always been volatile, resource adequacy (RA) and renewable portfolio standard (RPS) prices dropped significantly in the past two years. As referenced earlier, energy prices, including those for the forward months, have declined significantly, and this decline has reduced SVCE's financial margin projections because of the resulting increase in PCIA. The actual impact of these prices was dampened when the CPUC issued its market price benchmarks (MPBs) in the fall, adopting a multi-year rolling average approach. The PCIA proceeding mentioned earlier adds to this uncertainty and could adversely affect SVCE in how MPBs for RA and, potentially, for RPS are determined. There are several topics for consideration in the OIR tracts with CalCCA advocating for SVCE and other CCAs.

Financial projections are made with the best available data and information during modeling. The uncertainty or risks of the inputs, such as market prices and other assumptions, including the regulatory and legislative landscape, and the PCIA and PG&E generation portfolio assumptions, add to or compound the uncertainty surrounding these projections. Market prices for energy, RPS, and RA are from external sources that attempt to collect current market prices. These are snapshots of prices at the time of modeling. These are forward prices because they represent the current transaction price for the future delivery period. There is a band of uncertainty or distribution around these prices, and this band widens further out in time. Also, there's greater illiquidity or difficulty of market price discovery further out in time than closer to the delivery period. The forward market for RA and RPS is particularly illiquid, making their modeling even more uncertain. Also, PCIA and PG&E portfolio data are unknown, and staff uses the California Community Choice Association's (CALCCA) consultant, NewGen Strategies & Solutions, model, which uses the limited publicly available data. In addition to not knowing the contents of the PCIA portfolio and PG&E's generation portfolio, PG&E's portfolio management strategy may change from those modeled, and the California Public Utilities Commission (CPUC) may moderate future PG&E generation rate increases. All these uncertainties make the absolute value of the results highly unreliable. Nevertheless, the relative differences between the base case and the modeled stress test scenario are pertinent to understanding our strategic risks.

If the modeled primary stress scenario were to occur, the reserves would be drawn down by about \$300 million at the end of the next fiscal year. The resulting days cash on hand (DCOH) remains above the minimum threshold of 120 through the end of December 2027, and starting late 2029, reserves begin to be depleted. Despite this extreme yet plausible stress-test scenario, reserves are at 158 DCOH, above the minimum threshold through the end of the following two fiscal years.

The corresponding base case through the end of the five-year forecast period (December 2031), the DCOH at 177 remains above the minimum threshold of 120. In the base case, SVCE's reserves are below the target of 350 DCOH by the end of 2027. Both the base and the stress case are modeled under the current operating framework, where all customers' rates are at a competitive advantage to PG&E rates, programs are funded at two percent of the revenues, and the current earmarked funds, primarily for programs, currently around \$100 million, are spent by the end of the fiscal year 2031.

The analysis demonstrates that SVCE is financially well-positioned, but staff recommends that the Board engage the 'financial levers' discussion with an eye toward the power supply market's long-term outlook and reserve implications over the next five years when it adopts the 2027 fiscal year's budget. SVCE implemented a new calendar fiscal year for the next full-year budget. Since the budget will now be up for approval in December, it will align when there's more certainty on next year's rates. With the five-year outlook indicating declining reserves, staff will start assessing financial levers, rate discounts, rate design, and customer product offerings.

Staff will present the results of the stress test analysis to the Board in June. The stress test analysis is a key input in assessing the adequacy of reserves and in developing staff's proposal for any changes to the reserve policy. The methodology used to evaluate the adequacy of reserves is whether reserves, under a business-as-usual approach (before mitigation), would fall below the minimum reserve threshold of holding 120 DCOH

over the next two fiscal years and 90 DCOH over the remaining five fiscal years if the modeled stress scenario were to occur.

Given the current financial outlook, which is driven by a combination of unusually uncertain dynamics, staff recommends not updating the reserve thresholds/targets, but staff does recommend taking up the topic of financial levers with diligence given the results from the base case and stress cases. The stress test analyses would imply raising the current upper target from 500 to ~650 DCOH. However, the new implied target level of ~270 is lower than the current target of 350 DCOH. Changing the reserve thresholds has no practical implication, given that the financial outlook does not support contributing to reserves. The current target level of 350 DCOH aligns with the credit rating agency's recent review of SVCE.

The appendix and the attachments also provide two alternative stress cases. The first, is one where the CPUC's recent procurement order induces SVCE compliance but that their assumed load growth does not materialize. This case generates stranded costs that make the stress case more adverse. It is a plausible, if not likely scenario, where the P1 prices of the stress case are fundamentally driven by a glut of oversupply in CAISO. The other alternative case considers only the historical low prices for attributes and RA. The historical prices are higher than those assumed in the primary stress case, and as such, that alternative stress case outcome is less drastic, but still results in depleted reserves. Staff shares these two alternative stress cases to highlight some of the impacts of uncertainties mentioned earlier in this staff report.

STRATEGIC PLAN

The analyses support SVCE Strategic Plan Goal 6 – "Maintain healthy financial position; avoid failures in management of market risk, credit risk, liquidity risk, operational risks, and enterprise risks".

FISCAL IMPACT

The stress test analyses show that the key financial risk facing SVCE in the near term is a collapse in energy prices, which can significantly reduce revenues and require a substantial drawdown of funds from reserves. The best mitigation of this risk is to hold sufficient funds in reserves, and to engage in long-term strategy evaluation through the 'financial levers' discussion. Staff will use the results of these analyses in developing the stub period (Q4 2026) and the next fiscal year (2027) budgets, reviewing the adequacy of reserves, and proposing any changes to the reserves policy.

ATTACHMENT

1. Summary of Base Case and Stress Results

Attachment 1 – Summary of Base Case and Stress Test ResultsBase Case Results**Current Portfolio | Mean Prices | Operating Load**

	BCFY2026	CFY2027	CFY2028	CFY2029	CFY2030	CFY2031
Revenues	\$ 235	\$ 215	\$ 360	\$ 398	\$ 406	\$ 465
Power Supply Costs	\$ 240	\$ 328	\$ 365	\$ 389	\$ 394	\$ 420
Operating Margin	\$ (5)	\$ (113)	\$ (5)	\$ 10	\$ 12	\$ 45
Other Costs	\$ 42	\$ 46	\$ 53	\$ 56	\$ 54	\$ 57
Counterparty Collateral Outflow	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Contribution to Reserves	\$ (47)	\$ (159)	\$ (57)	\$ (46)	\$ (42)	\$ (11)

Reserve Balance	\$ 545	\$ 386	\$ 329	\$ 282	\$ 240	\$ 229
Reserve Balance after FSR Posting	\$ 544	\$ 316	\$ 308	\$ 268	\$ 228	\$ 228
Days Cash on Hand		322	279	227	188	177

Primary Stress Test Results**Current Portfolio | P1 Prices | Operating Load**

	BCFY2026	CFY2027	CFY2028	CFY2029	CFY2030	CFY2031
Revenues	\$ 230	\$ 66	\$ 194	\$ 220	\$ 241	\$ 266
Power Supply Costs	\$ 214	\$ 276	\$ 299	\$ 315	\$ 305	\$ 317
Operating Margin	\$ 15	\$ (210)	\$ (105)	\$ (95)	\$ (64)	\$ (50)
Other Costs	\$ 42	\$ 46	\$ 55	\$ 62	\$ 64	\$ 65
Counterparty Collateral Outflow	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Contribution to Reserves	\$ (27)	\$ (256)	\$ (160)	\$ (157)	\$ (128)	\$ (115)

Reserve Balance	\$ 565	\$ 309	\$ 149	\$ (8)	\$ (135)	\$ (250)
Reserve Balance after FSR Posting	\$ 564	\$ 264	\$ 147	\$ (9)	\$ (136)	\$ (251)
Days Cash on Hand		315	158	(9)	(138)	(245)

Agenda Item: 3**Agenda Date: 5/28/2026**

Alternative Stress Test Results

CPUC Procurement order without the load growth that it is predicated upon – yielding stranded costs

Current Portfolio with CPUC Procurement Order | P1 Prices | Operating Load

	BCFY2026	CFY2027	CFY2028	CFY2029	CFY2030	CFY2031
Revenues	\$ 230	\$ 66	\$ 194	\$ 220	\$ 241	\$ 266
Power Supply Costs	\$ 214	\$ 276	\$ 299	\$ 315	\$ 325	\$ 355
Operating Margin	\$ 15	\$ (210)	\$ (105)	\$ (95)	\$ (84)	\$ (88)
Other Costs	\$ 42	\$ 46	\$ 55	\$ 62	\$ 64	\$ 65
Counterparty Collateral Outflow	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Contribution to Reserves	\$ (27)	\$ (256)	\$ (160)	\$ (157)	\$ (148)	\$ (153)

Reserve Balance	\$ 565	\$ 309	\$ 149	\$ (8)	\$ (155)	\$ (308)
Reserve Balance after FSR Posting	\$ 564	\$ 264	\$ 147	\$ (9)	\$ (157)	\$ (309)
Days Cash on Hand		315	158	(9)	(150)	(274)

Note: in 2032 and years beyond procurement order assets may produce as much as \$60MM annually in stranded costs.

Alternate Stress Test Results with Historical Low Prices for RA, RPS and GHG (instead of P1 estimates)

Current Portfolio | P1 Energy, Historical Low RA, REC, GHG Prices | Operating Load

	BCFY2026	CFY2027	CFY2028	CFY2029	CFY2030	CFY2031
Revenues	\$ 229	\$ 82	\$ 236	\$ 258	\$ 276	\$ 318
Power Supply Costs	\$ 211	\$ 275	\$ 301	\$ 318	\$ 315	\$ 333
Operating Margin	\$ 18	\$ (193)	\$ (65)	\$ (60)	\$ (39)	\$ (15)
Other Costs	\$ 42	\$ 46	\$ 55	\$ 60	\$ 61	\$ 65
Counterparty Collateral Outflow	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Contribution to Reserves	\$ (24)	\$ (239)	\$ (119)	\$ (119)	\$ (100)	\$ (79)

Reserve Balance	\$ 568	\$ 330	\$ 210	\$ 91	\$ (9)	\$ (88)
Reserve Balance after FSR Posting	\$ 567	\$ 272	\$ 209	\$ 89	\$ (10)	\$ (89)
Days Cash on Hand		326	224	89	(10)	(84)



Staff Report – Item 4

Item 4: Recommend the SVCE Board of Directors Approve the Financial Levers Playbook

From: Monica Padilla, CEO

Prepared by: Justin Zagunis, Director of Customer Success

Date: 5/28/2026

RECOMMENDATION

Staff requests that the Silicon Valley Clean Energy (SVCE) Finance and Administration Committee recommend to the SVCE Board of Directors to approve the proposed “playbook” of actions. This playbook will serve as the guidance for future budget proposals and conversations in the event that the current negative financial forecasts are accurate and as SVCE draws down its reserves.

BACKGROUND

This item will be addressed in the form of a presentation to the Finance and Administration Committee. It continues the discussion on financial levers from the following meetings: October 2025 Executive Committee, December 2025 Board of Directors meeting, December 2025 Board of Directors special meeting, February 2026 Finance and Administration Committee, February 2026 Executive Committee, March 2026 Board of Directors, and May 2026 Executive Committee meeting.

ATTACHMENT

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



Staff Report – Item 5

Item 5: Budget Framework for the Stub Period Budget, October 2026 – December 2026

From: Monica Padilla, CEO

Prepared by: Andrea Pizano, Sr. Executive Assistant/Board Clerk

Date: 5/28/2026

This item will be addressed in the form of a presentation to the Finance and Administration Committee regarding the stub period budget (October 2026 – December 2026) and the transition to the calendar year fiscal year period approved at the March 11, 2026 Board of Directors meeting.

ATTACHMENT

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



Staff Report – Item 6

Item 6: Recommend the SVCE Board Approve Amendments to Finance Policy 2: Budget Adoption, Control and Reporting to Increase the Power Supply Budget Contingency; and Finance Policy 9: Reserve Policy to Authorize Changes to Reserve Drawdown

From: Monica Padilla, CEO

Prepared by: Amrit Singh, CFO
Scott Wrigglesworth, Director of Risk and Analytics

Date: 5/28/2026

RECOMMENDATION

Staff requests that the Finance and Administration Committee (Committee) recommend that the Silicon Valley Clean Energy (SVCE) Board of Directors (Board) approve amendments to the following Board-adopted policies, Finance Policy 2: Budget Adoption, Control and Reporting (“Budget Policy”) and Finance Policy 9: Financial Reserves (“Financial Reserves Policy”), as follows:

1. Finance Policy 2: Budget Adoption, Control and Reporting: Increase the contingency amount for power purchases, allowing the Chief Executive Officer (CEO) to overspend the total annual power supply budget by the lesser of 15% of the annual power supply budget or \$50 million without Board approval, provided the overspending is due to higher power supply portfolio costs or increased customer demand (Attachment A, redline).
2. Financial Policy 9: Financial Reserves: Enable the reserves to be drawn down by the CEO during the fiscal year, up to the lesser of 15% of the year’s budgeted cost of power supply, or \$50 million (Attachment C, redline).

BACKGROUND

SVCE’s current Budget Policy and the Financial Reserves Policy allow the CEO to exceed the annual budgeted power supply cost by the lesser of 15% or \$30 million to account for market price and customer demand volatility. The Board revised the Energy Risk Management Policy (ERMP) in March 2025, reducing physical hedges (e.g., fewer purchases of fixed-price power) to reflect the estimated financial hedge from the Power Charge Indifference Adjustment¹ (PCIA). These reduced physical hedges lower SVCE’s overall financial volatility, especially over the 2-year period that aligns with the California Public Utilities Commission’s (CPUC) setting of the PCIA rate; however, annual budget volatility increases, as explained in the next section. Staff’s analysis supports increasing the power supply contingency to ensure sufficient operating flexibility within the annual budget.

ANALYSIS & DISCUSSION

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).

As shown in the stress test analyses, SVCE faces greater financial risk when energy prices decline because lower prices increase PCIA and can reduce Pacific Gas and Electric’s (PG&E) generation rates. SVCE can partially offset this risk by reducing its forward “physical energy” purchases that settle in the California Independent System Operator (CAISO) market. By reducing these forward purchases, SVCE can buy in the CAISO day-ahead market, also known as the spot market, at lower prices when prices decline, rather than having bought them at higher prices in advance. While this is a sound risk-management practice that reduces SVCE’s financial volatility, it increases the volatility of the power supply budget. In a rising-price market, when SVCE’s overall financial position improves, not having bought energy ahead of time means its purchases in the CAISO spot market will be subject to higher prices. As a result, in a rising-price market, SVCE can more easily exceed the budget. As discussed previously with the Committee, the impact on SVCE’s financials usually lags by a year because the CPUC allows PG&E to true up its rates and PCIA charges using a balancing account in the following year.

Another way of stating the PCIA hedge impact is that by leaving a portion of the energy supply portfolio cost to move up or down with market prices, it reduces SVCE’s financial risks over the two-year period because:

- 1) When energy prices decline during the budget year, SVCE’s power supply cost goes down, which then offsets next year’s increase in PCIA.
- 2) There is no such thing as a free lunch; unfortunately, the opposite is also true. When energy prices rise during the budget year (which is when Power Supply Cost will likely exceed the budget), SVCE’s power supply cost increases, which will offset the next year’s decrease in PCIA.

The diagram below summarizes the impact:

Before ERMP Changes

	Budget	+	Next Year's PCIA	=	Impact on SVCE's Financials Over 2 Years
Prices ↑	_____	+	↓	=	↑
Prices ↓	_____	+	↑	=	↓

Described as being net long, accounting for both physical and financial positions. Long the market meaning when energy prices increase, financials really improve and when energy prices drop, financials really suffer.

After ERMP Changes

	Budget	+	Next Year's PCIA	=	Impact on SVCE's Financials Over 2 Years
Prices ↑	↑	+	↓	=	_____
Prices ↓	↓	+	↑	=	_____

Described as being hedged, accounting for both physical and financial positions. Changes in prices do not improve or reduce financial results as much.

This illustration shows how accounting for movements in the PCIA, driven by changes in the market price of energy, provides SVCE with a financial hedge. The flat lines indicate no change or low variability relative to budgeted or expected outcomes. This is a simplified example to demonstrate the concepts. It is not possible to eliminate all price risks through hedging, or to be truly 100% hedged. Per the ERMP, SVCE is not required to have a fully hedged position when the budget is prepared. The flat lines in the second chart aim to show reduced variability or fluctuations in SVCE’s financial outcomes relative to the expected outcomes, rather than no change in the overall financial outlook, because the budget and SVCE’s finances are affected by many factors beyond energy prices. Additionally, SVCE lacks detailed information on the PCIA portfolio; therefore, the amount of the energy hedge position from the PCIA portfolio relies on staff’s best, but imperfect, estimates. Resource Adequacy (RA), Greenhouse Gas (GHG) attributes, and Renewable Portfolio Standards (RPS) prices also affect the power supply budget and the PCIA. Unlike energy, SVCE cannot adjust its RA, GHG, and RPS portfolio positions to account for the hedge impact from the PCIA portfolio due to the lack of a

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liquid settlement market (market-clearing price, such as that provided for energy through the CAISO market) and the need to maintain physical positions to meet its compliance requirements.

As the illustration above shows, from a purely budgetary perspective, in a market with rising power prices, SVCE can now more easily exceed the budgeted Power Supply Costs and the overall budgeted expenditure.

Staff used the same portfolio and market data used to establish the Fiscal Year 2025-2026 annual budget to compute new contingency thresholds. The intent was to maintain the same probability of exceeding the power supply budget as before the ERMP change. The analysis shows that before the ERMP changes, the probability of needing to reset the budget ranged from 1% to 14%, depending on where the hedges fell within the allowable energy hedge bands. After the ERMP changes, the probability of resetting the budget ranges from 17% to 20%, depending on where the hedges fall within the allowable hedge bands. To bring the probability of resetting the budget closer to what it was before the ERMP changes, and using round numbers, the analyses support increasing the contingency threshold to the lesser of \$50 million or a 15% change in total budgeted power supply costs. In other words, revise the Budget and the Financial Reserves Policies to grant the CEO the authority to overspend the total annual budget for power purchases by the lesser of 15% of the annual power supply budget or \$50 million, without Board approval, provided the overspend is due to higher power supply costs or greater customer demand.

STRATEGIC PLAN

Prudently managing SVCE's financial position is supported by 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 Finance and Administration Committee.

FISCAL IMPACT

There is no fiscal impact.

ATTACHMENTS

- A. Financial Policy 2: Budget Adoption, Control and Reporting (redline)
- B. Financial Policy 2: Budget Adoption, Control and Reporting (clean)
- C. Financial Policy 9: Financial Reserves (redline)
- D. Financial Policy 9: Financial Reserves (clean)



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 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 for the Board for the following fiscal year one month 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. 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.
- 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.
- 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 Overhire 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 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 power supply purchases by the lesser of ~~10~~15% of the annual power supply budget, or \$~~5030~~ million, without Board approval provided the over expenditure is due to higher energy-power supply 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~~15% of the year's budgeted cost of power supply or \$~~5030~~ 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.



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 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 for the Board for the following fiscal year one month 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. 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).

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- 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.
- 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 Overhire 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.

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- The nature of the 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 power supply purchases by the lesser of 15% of the annual power supply budget, or \$50 million, without Board approval provided the over expenditure is due to higher power supply 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 15% of the year's budgeted cost of power supply or \$50 million, whichever is less, nor below the baseline Minimum Operating Reserve level without Board approval.

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B. Cadence for Review

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



Finance Policy 9: Financial Reserves

I. Purpose

This Reserve Policy outlines the appropriate types and levels (minimum, goal, and maximum) of financial reserves as prescribed in the following policy. The primary reason for a reserve policy is to be prepared for contingencies, but other reasons also exist. Seven important purposes of a reserve policy are as follow:

- Plan for contingencies. To maintain sufficient reserves to minimize rate increase due to market volatility (power supply shocks or maintain rate competitiveness), weather impacts on demands, economic downturns, emergencies (such as natural disasters), and regulatory changes.
- Maintain good standing with rating agencies. By maintaining sufficient reserves, SVCE can preserve good credit ratings, allowing it to secure power at lower costs, that is, without posting credit enhancements, in the energy markets.
- Avoid interest expense. To avoid interest expense to cover short-term cash shortfalls by having sufficient reserves to use for this purpose, rather than debt.
- Ensure cash availability when revenue is unavailable. To bridge times of the year that normally see temporary low levels of cash.
- Plan for anticipated future rate increases by gradually raising those rates, using reserves to cushion the full impact on customers over an extended time period. For example, if it is expected that rates are highly likely to increase in 3 to 5 years, higher reserves on hand can cushion those rate increases over a more gradual timeframe by drawing down on the accumulated funds that may be in excess of the reserves' goal.
- Manage the risks identified in the Energy Risk Management Policy, which are:
 - Market price risk,
 - Net revenue risk,
 - Counterparty credit and performance risk,
 - Load and generation volumetric risk,
 - Operational risk,



- Liquidity risk, and
 - Regulatory/legislative risk.
- Establish clear expectations between the Board of Directors and staff. A formal reserve policy creates a shared understanding of the proper level and use of reserves.

II. Policy

A. Financial reserves shall be set aside as follows:

The Reserve targets cover the operations of SVCE over a number of days in the event of emergencies or other significant unforeseen events. Three levels are defined, with the first being baseline. Given the purposes stated above, the Reserve shall be maintained at no less than the minimum described below. The operating reserve level described below is recommended as the goal. The Maximum reserve level described below would provide solid reserves for significant fluctuations in revenue or unforeseen circumstances. The Board shall review its reserve levels annually in context of SVCE's overall financial condition of the agency, as well as due to changes to the industry and/or risk factors as described in periodic review of targets below.

- **Minimum Operating Reserve (baseline)** shall be the minimum maintained to cover 120 days of operations of the annual operating budget;
- **An Operating Reserve** goal of covering 350 days of operations of the annual operating budget;
Maximum Operating Reserve to cover 500 days of operations of the annual operating budget.



B. Conditions for Use of Reserves

- For purposes of this policy, use of reserves is defined as a projected or estimated¹ reduction in reserves by fiscal year-end. A temporary reduction in cash consistent with the expected peaks or dips in revenues and expenditures are normal cyclical occurrences to be expected during the fiscal year, and do not constitute a use of reserves.
- The reserves may be drawn down upon by the CEO during the year, up to the lesser of 150% of the year's budgeted cost of power supply, or \$350 million, to:
 - Cover increases in power supply expenses due to spikes in costs and/or due to higher customer demand;
 - Provide necessary funds to make up for unanticipated revenue shortfalls;
 - Meet any margin or collateral posting requirements under energy supply contracts; and,
 - Provide resources to meet emergency expenditures.
- If further use of reserves are needed to manage the operations of the organization, or if the use of reserves would bring the balance below the Minimum Operating Reserve baseline, the CEO must present recommendations to the Board and the Board must authorize any such use.

C. Replenishment of Reserves

- Should SVCE drawdown reserves below the Minimum Operating Reserve level, SVCE will consider plans to return reserves to their minimum targets within two (2) fiscal years. Such plans will be provided in subsequent budget and rate discussions with the Board.

¹ It is not practical to wait the formal fiscal year end closing of the accounting records to determine if the reserves have been "used". Therefore, it is appropriate for staff to estimate reserve levels, with the important amount being what is estimated for fiscal year end.



D. Excess Reserves

- If reserve funds are projected to exceed the maximum level, the CEO shall present options for consideration by the Board of Directors for proper disposition of those reserves during the next budget cycle. In computing excess reserves, the reserve balance will be reduced for earmarked funds or allocated but unspent funds.

E. Reserves between Minimum and Maximum

- To the extent that reserves are above target and below the maximum, no other action by SVCE would be required.

F. Periodic Review of Reserve Goals

- Reserve goals shall be periodically reviewed for consistency with industry standards. If significant risk factors are eliminated or significant new risks emerge as a result of changes in the industry, legislation, or economic conditions, the basis of the reserve policy shall be reviewed, and the funding level shall be adjusted accordingly. Unless the Reserves are approaching minimum levels, formal Reserve funding discussions with the Board may await the next budget process.

G. Reporting

- Reserve levels will be monitored during the fiscal year and reported in the quarterly financial reports. Reserve target levels (minimum and maximum) will be analyzed annually, and over/under reserve determination shall be made in conjunction with year-end financial results. These results will be reported to the Board of Directors as part of the year-end financial report presentation.



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- Plan for contingencies. To maintain sufficient reserves to minimize rate increase due to market volatility (power supply shocks or maintain rate competitiveness), weather impacts on demands, economic downturns, emergencies (such as natural disasters), and regulatory changes.
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- Avoid interest expense. To avoid interest expense to cover short-term cash shortfalls by having sufficient reserves to use for this purpose, rather than debt.
- Ensure cash availability when revenue is unavailable. To bridge times of the year that normally see temporary low levels of cash.
- Plan for anticipated future rate increases by gradually raising those rates, using reserves to cushion the full impact on customers over an extended time period. For example, if it is expected that rates are highly likely to increase in 3 to 5 years, higher reserves on hand can cushion those rate increases over a more gradual timeframe by drawing down on the accumulated funds that may be in excess of the reserves' goal.
- Manage the risks identified in the Energy Risk Management Policy, which are:
 - Market price risk,
 - Net revenue risk,
 - Counterparty credit and performance risk,
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- Liquidity risk, and
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- Establish clear expectations between the Board of Directors and staff. A formal reserve policy creates a shared understanding of the proper level and use of reserves.

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The Reserve targets cover the operations of SVCE over a number of days in the event of emergencies or other significant unforeseen events. Three levels are defined, with the first being baseline. Given the purposes stated above, the Reserve shall be maintained at no less than the minimum described below. The operating reserve level described below is recommended as the goal. The Maximum reserve level described below would provide solid reserves for significant fluctuations in revenue or unforeseen circumstances. The Board shall review its reserve levels annually in context of SVCE's overall financial condition of the agency, as well as due to changes to the industry and/or risk factors as described in periodic review of targets below.

- **Minimum Operating Reserve (baseline)** shall be the minimum maintained to cover 120 days of operations of the annual operating budget;
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- For purposes of this policy, use of reserves is defined as a projected or estimated¹ reduction in reserves by fiscal year-end. A temporary reduction in cash consistent with the expected peaks or dips in revenues and expenditures are normal cyclical occurrences to be expected during the fiscal year, and do not constitute a use of reserves.
- The reserves may be drawn down upon by the CEO during the year, up to the lesser of 15% of the year's budgeted cost of power supply, or \$50 million, to:
 - Cover increases in power supply expenses due to spikes in costs and/or due to higher customer demand;
 - Provide necessary funds to make up for unanticipated revenue shortfalls;
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 - Provide resources to meet emergency expenditures.
- If further use of reserves are needed to manage the operations of the organization, or if the use of reserves would bring the balance below the Minimum Operating Reserve baseline, the CEO must present recommendations to the Board and the Board must authorize any such use.

C. Replenishment of Reserves

- Should SVCE drawdown reserves below the Minimum Operating Reserve level, SVCE will consider plans to return reserves to their minimum targets within two (2) fiscal years. Such plans will be provided in subsequent budget and rate discussions with the Board.

¹ It is not practical to wait the formal fiscal year end closing of the accounting records to determine if the reserves have been "used". Therefore, it is appropriate for staff to estimate reserve levels, with the important amount being what is estimated for fiscal year end.



D. Excess Reserves

- If reserve funds are projected to exceed the maximum level, the CEO shall present options for consideration by the Board of Directors for proper disposition of those reserves during the next budget cycle. In computing excess reserves, the reserve balance will be reduced for earmarked funds or allocated but unspent funds.

E. Reserves between Minimum and Maximum

- To the extent that reserves are above target and below the maximum, no other action by SVCE would be required.

F. Periodic Review of Reserve Goals

- Reserve goals shall be periodically reviewed for consistency with industry standards. If significant risk factors are eliminated or significant new risks emerge as a result of changes in the industry, legislation, or economic conditions, the basis of the reserve policy shall be reviewed, and the funding level shall be adjusted accordingly. Unless the Reserves are approaching minimum levels, formal Reserve funding discussions with the Board may await the next budget process.

G. Reporting

- Reserve levels will be monitored during the fiscal year and reported in the quarterly financial reports. Reserve target levels (minimum and maximum) will be analyzed annually, and over/under reserve determination shall be made in conjunction with year-end financial results. These results will be reported to the Board of Directors as part of the year-end financial report presentation.



Staff Report – Item 7

Item 7: Recommend the SVCE Board of Directors Approve Changes to Finance Policy 11: Capitalization Policy, to Establish Capitalization Threshold for Subscription-Based IT Arrangements

From: Monica Padilla, CEO

Prepared by: Amrit Singh

Date: 5/28/2026

RECOMMENDATION

Staff recommends that the Finance and Administration Committee (Committee) recommend that the Silicon Valley Clean Energy (SVCE) Board of Directors (Board) approve the proposed amendments to the Capitalization Policy, as shown in the redlined version of Attachment A, which include:

- Changes to delineate between capital assets and intangible assets subject to capitalization under the applicable Governmental Accounting Standards Board (GASB) standards, and
- Specification that subscription-based information technology arrangements (SBITAs) as per GASB 96 should be capitalized and amortized if the net present value of future payments exceeds \$250,000 per contract.

BACKGROUND

GASB 96 sets out the requirements for capitalizing and amortizing SBITAs, such as cloud software and certain IT services. Under GASB 96, qualifying SBITAs must be recognized in the Statement of Net Position (Balance Sheet) as an intangible asset, a right-to-use per contract, along with a corresponding liability for future payment obligations measured at present value. This includes software-as-a-service (SaaS) subscriptions such as Microsoft 365, Salesforce, and other customer program software.

On November 24, 2025, staff, along with SVCE's Accountant, Mike Maher from Maher Accountancy, provided the Committee with an overview of GASB 96 and discussed SVCE's adoption of it. At this meeting, staff discussed returning to the Committee with a proposal for a specific threshold for recognizing GASB 96 assets, similar to the current \$5,000 threshold for capital assets, under which assets at or below the threshold are expensed, and those above are capitalized and depreciated.

ANALYSIS & DISCUSSION

Staff, in consultation with SVCE's Accountant, proposes a \$250,000 threshold for capitalizing SBITAs. If the net present value of future subscription payments, per contract, exceeds \$250,000, SVCE will capitalize and amortize SBITAs. Those below the threshold will be expensed as incurred.

As with capital assets and leases, GASB 96 does not prescribe a specific capitalization threshold and allows management to exercise judgment in balancing administrative costs against the materiality of such treatment in the financial statements.

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Government Finance Officers Association (GFOA) guidance on capitalization thresholds supports establishing different thresholds for different classes of assets. GFOA does not provide a specific threshold but supports not capitalizing small-value items that are immaterial, with periodic review of the capitalization threshold.

Compared with the capitalization threshold for capital assets, which is \$5,000, the higher proposed \$250,000 threshold for SBITAs is commensurate with their higher administrative, accounting, and audit costs. SBITAs require detailed contract analyses and ongoing reassessments for contract renewals, term changes, payment changes, and other contract modifications. Staff anticipates that approximately 5–10 contracts annually could fall below this threshold. These contracts would be expensed over the term of the subscription rather than capitalized. Staff believes the proposed threshold appropriately balances the administrative complexity and ongoing reassessment requirements associated with GASB 96 against the expected financial statement impact of smaller-dollar SBITAs. While individual contracts below the threshold may collectively represent a measurable amount, management will annually evaluate the aggregate impact of non-capitalized SBITAs to determine whether additional financial statement recognition or disclosure is warranted.

STRATEGIC PLAN

Prudently managing SVCE's financial position is supported by 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

The Committee can propose a lower or higher capitalization threshold.

FISCAL IMPACT

There is no direct fiscal impact, but setting a threshold too low will increase future administrative, accounting, and auditing costs.

ATTACHMENT

- A. Capitalization Policy – Redlined
- B. Capitalization Policy - Clean



Finance Policy 11: Capitalization

I. Purpose

To capitalize and depreciate SVCE capital assets with a useful life expectancy of greater than one year and a cost greater than \$5,000.

To capitalize and amortize subscription-based information technology arrangements (SBITAs) if the net present value of future subscription payments, per contract, exceeds \$250,000.

To capitalize and amortize leases, SBITAs, and any other intangible assets as per any applicable standards from the Governmental Accounting Standards Board (GASB).

II. Scope

All acquisitions of capital assets (tangible assets) and intangible assets, as per any standards from GASB, such as SBITAs (GASB 96), and leases (GASB 87), for the Agency.

III. Policy

- Except for land, individual capital assets with a useful life of greater than one year and costing more than \$5,000 (per asset basis) will be capitalized and will be recorded in the depreciation records. Any asset that does not meet the above criteria will be expensed, such as small equipment, ~~or~~ repairs, and maintenance.
- The cost basis of furniture and equipment assets will include all charges relating to the purchase of the asset including the purchase price, freight charges, and installation, if applicable.
- Leasehold improvements, including painting, are to be capitalized if they relate to the occupancy of a new office or a major renovation of an existing office. Expenditures incurred in connection with maintaining an existing facility in good working order should be expensed as a repairs.



- The following lifespan table should be used as a guide for the following asset classifications for financial reporting and depreciation purposes:

Property	Asset Description
3-year property	Computer software, hardware and office machinery
5-year property	Automobiles
7-year property	Office furniture and fixtures

- SBITAs that require recognition under GASB Statement No. 96 shall be capitalized if the net present value of future subscription payments associated with the underlying subscription arrangement exceeds \$250,000. SBITAs excluded from GASB 96 recognition requirements, including short-term SBITAs, shall be expensed as incurred. SVCE will annually evaluate sub-threshold SBITAs in the aggregate for materiality and, as appropriate, consider financial statement presentation and disclosure information.

IV. Reference Documents

A. Definitions

- Capitalization – Capitalization is the method chosen to record the ~~purchase-acquisition of tangible and intangible assets of fixed assets~~ on SVCE’s accounting books. If an asset is capitalized then it is not expensed in the same year the asset is ~~purchased~~acquired. Instead, the asset is generally recorded on the balance sheet and individually on an asset schedule. Examples of tangible capital expenditures are purchases of office equipment, furniture, and vehicles. The tangible asset is expensed each year as depreciation. Examples of intangible expenditures are office leases and SBITAs. The intangible asset is expensed each year as amortization.

V. Policy Compliance

A. Violations

- Any known violations of this policy must be immediately reported to the Finance and Administration Committee, CEO, and General Counsel.



B. Cadence for Review

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



Finance Policy 11: Capitalization

I. Purpose

To capitalize and depreciate SVCE capital assets with a useful life expectancy of greater than one year and a cost greater than \$5,000.

To capitalize and amortize subscription-based information technology arrangements (SBITAs) if the net present value of future subscription payments, per contract, exceeds \$250,000.

To capitalize and amortize leases, SBITAs, and any other intangible assets as per any applicable standards from the Governmental Accounting Standards Board (GASB).

II. Scope

All acquisitions of capital assets (tangible assets) and intangible assets, as per any standards from GASB, such as SBITAs (GASB 96), and leases (GASB 87), for the Agency.

III. Policy

- Except for land, individual capital assets with a useful life of greater than one year and costing more than \$5,000 (per asset basis) will be capitalized and will be recorded in the depreciation records. Any asset that does not meet the above criteria will be expensed, such as small equipment, repairs, and maintenance.
- The cost basis of furniture and equipment assets will include all charges relating to the purchase of the asset including the purchase price, freight charges, and installation, if applicable.
- Leasehold improvements, including painting, are to be capitalized if they relate to the occupancy of a new office or a major renovation of an existing office. Expenditures incurred in connection with maintaining an existing facility in good working order should be expensed as repairs.



- The following lifespan table should be used as a guide for the following asset classifications for financial reporting and depreciation purposes:

Property	Asset Description
3-year property	Computer software, hardware and office machinery
5-year property	Automobiles
7-year property	Office furniture and fixtures

- SBITAs that require recognition under GASB Statement No. 96 shall be capitalized if the net present value of future subscription payments associated with the underlying subscription arrangement exceeds \$250,000. SBITAs excluded from GASB 96 recognition requirements, including short-term SBITAs, shall be expensed as incurred. SVCE will annually evaluate sub-threshold SBITAs in the aggregate for materiality and, as appropriate, consider financial statement presentation and disclosure information.

IV. Reference Documents

A. Definitions

- Capitalization – Capitalization is the method chosen to record the acquisition of tangible and intangible assets on SVCE’s accounting books. If an asset is capitalized then it is not expensed in the same year the asset is acquired. Instead, the asset is generally recorded on the balance sheet and individually on an asset schedule. Examples of tangible capital expenditures are purchases of office equipment, furniture, and vehicles. The tangible asset is expensed each year as depreciation. Examples of intangible expenditures are office leases and SBITAs. The intangible asset is expensed each year as amortization.

V. Policy Compliance

A. Violations

- Any known violations of this policy must be immediately reported to the Finance and Administration Committee, CEO, and General Counsel.



B. Cadence for Review

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