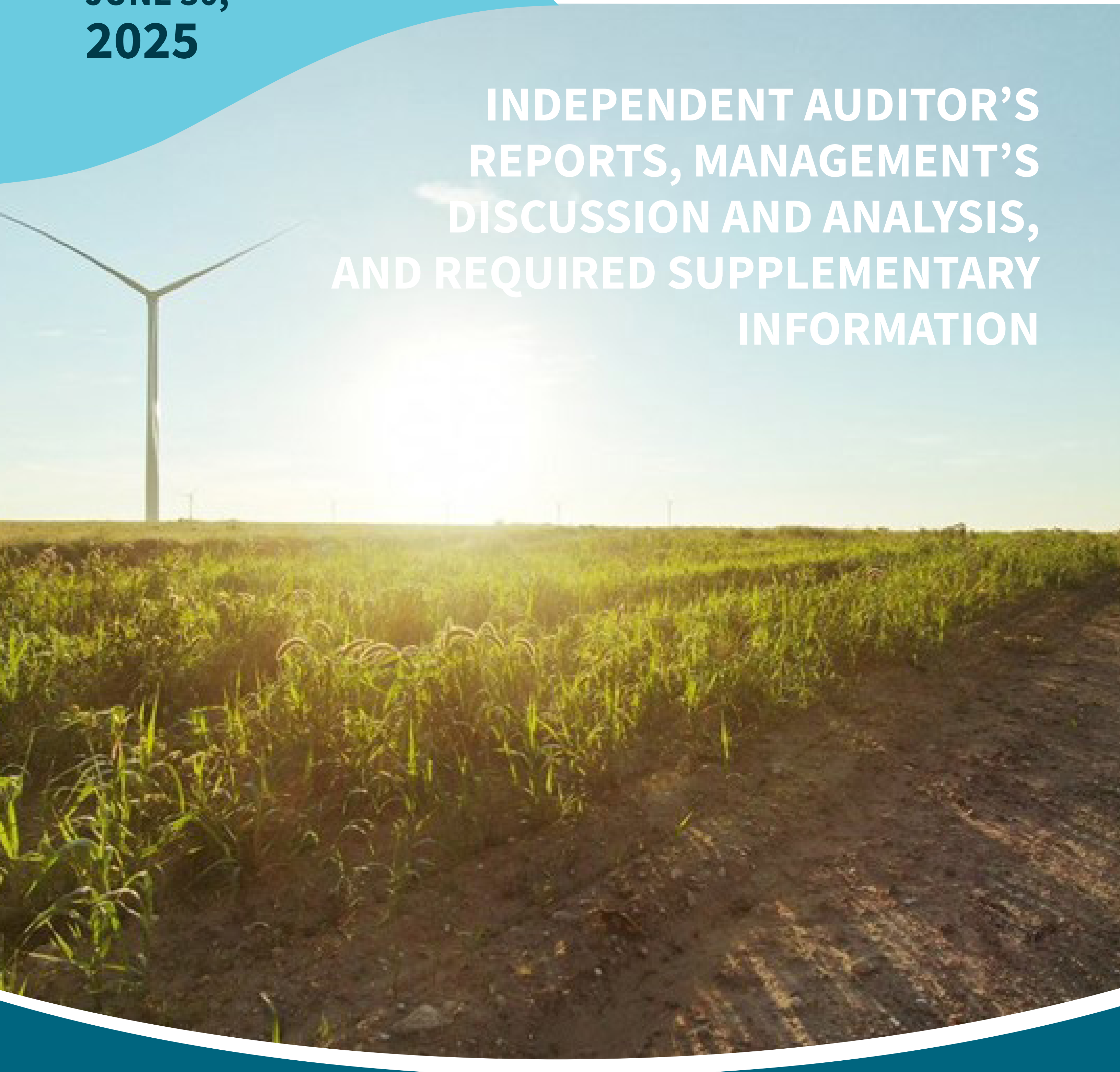
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

SAN JOSE CLEAN ENERGY

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

INDEPENDENT AUDITOR'S REPORTS, MANAGEMENT'S DISCUSSION AND ANALYSIS, AND REQUIRED SUPPLEMENTARY INFORMATION



SAN JOSE **CLEAN ENERGY**

An Enterprise Fund of the City of San José, California

MGO. | Certified Public Accountants

Independent Auditor's Report

Honorable City Council
San José Clean Energy
San José, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the San José Clean Energy (SJCE), an enterprise fund of the City of San José, California (City), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the SJCE's financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the SJCE as of June 30, 2025, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the SJCE and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the financial statements of the SJCE are intended to present the financial position, the changes in financial position and cash flows of only that portion of the business-type activities and major enterprise fund of the City that is attributable to the transactions of the SJCE. They do not purport to, and do not, present fairly the financial position of the City as of June 30, 2025, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The SJCE's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the SJCE's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the proportionate share of the net pension liability (asset), the schedule of employer contributions – defined benefit pension plan, the schedule of the proportionate share of the net OPEB liability (asset), and the schedule of employer contributions – postemployment healthcare plan, identified as required supplementary information in the accompanying table of contents, be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2025 on our consideration of the SJCE's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the SJCE's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SJCE's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Walnut Creek, California
November 13, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

(UNAUDITED)

SAN JOSE CLEAN ENERGY • 2025

(An Enterprise Fund of the City of San José)

The following discussion and analysis of San José Clean Energy's ("SJCE") financial performance provides an overview of its financial activities for the year ended June 30, 2025 . Please review this in conjunction with SJCE's audited financial statements. The Energy Department of the City of San José ("City") serves as the administrator of the SJCE community choice aggregation program. To the best of our knowledge and belief, the financial statements, as presented, are accurate in all material respects.

Financial Statements

SJCE's financial statements are those of a proprietary enterprise fund engaged in purchasing wholesale energy and re-selling it to consumers in the San José service territory. Under Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, public entities like SJCE that have only business-type activities may present only enterprise fund financial statements as follows: (1) statement of net position; (2) statement of revenues, expenses, and changes in net position; (3) statement of cash flows; and (4) notes to financial statements.

SJCE's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). SJCE is reported as a single enterprise fund.

Financial Highlights

The following table indicates the net position on June 30, 2025 and 2024 (in thousands):

	2025	2024	Dollar Change
Assets	$ 438,436	$ 363,590	$ 74,846
Deferred Outflows	6,524	5,550	974
Liabilities	55,732	58,110	(2,378)
Deferred Inflows	106,854	51,177	55,677
Net position	$ 282,374	$ 259,853	$ 22,521

Statement of Net Position

SJCE's net position is $282.4 million as of June 30, 2025 , an increase of 8.7% from $259.9 million in 2024.

Assets increased by 20.6% or $74.8 million for fiscal year 2025. This is due to an increase in cash primarily as a result of SJCE's customer revenue collections, SJCE customer rate changes that were implemented in 2024 and offset by a reduction in the Power Charge Indifference Adjustment ("PCIA") fee implemented by PG&E, as approved by the California Public Utilities Commissions ("CPUC"). SJCE consistently incorporates changes in the PCIA when setting customer rates. SJCE's rates are also set to include the funding of an operating reserve.

Liabilities decreased by 4.1% or $2.4 million for fiscal year 2025. This reduction is due primarily to a decrease in the accrued cost of electricity reflecting a difference in power purchase agreement ("PPA") counterparty and Renewable Portfolio Standards ("RPS") counterparty settlement timings year over year.

The following table indicates the changes in net position for the years ended June 30, 2025 and 2024 (in thousands):

	2025		2024	Dollar Change
Operating revenues, net	$ 467,506		$ 492,262	$ (24,756)
Operating expenses	458,279		413,575	44,704
Operating income	9,227		78,687	(69,460)
Nonoperating revenues (expenses), net	13,686		5,096	8,590
Change in net position	22,913		83,783	(60,870)
Net position, beginning of year, as previously reported	259,853		176,070	83,783
Change in accounting principal	(392)	(a)	-	(392)
Net position at beginning of year, as restated	259,461	(a)	-	$ 259,461
Net position, end of year	$ 282,374		$ 259,853	$ 22,521

(a) FY2024 balances have been restated as a result of implementing GASB 101, Compensated Absences.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position identifies various revenue and expense items which impact the change in net position. SJCE's operating revenues are materially comprised of sales of electricity to consumers. Other operating revenues include customer program funding originating from California Public Utilities Commission ("CPUC")-directed customer fees that were reimbursed as program expenses were incurred, as well as liquidated damages from suppliers that fail to meet delivery commitments.

Revenues decreased in 2025 by 5.0% or $24.8 million due to a net decrease in power sales of $20.0 million and an increase in other revenues of $0.6 million, offset by a deferred inflow set aside to increase the amount in the rate stabilization reserve to $106.0 million up from $50.0 million in fiscal year 2024. Operating expenses were comprised primarily of energy purchases from wholesale energy suppliers. Operating expenses increased in 2025 by 10.8% or $44.7 million primarily driven by elevated prices in resource adequacy markets.

Economic Outlook

SJCE serves approximately 352,000 residential and commercial customers in the San José service territory and expects to maintain a steady customer base in 2025. SJCE's electricity demand is projected to remain steady in the near-term. Third-party forecasts and California state regulations indicate significant statewide growth in electric load from data centers, electric vehicles, and a switch from fossil fuel-burning appliances to electric appliances in buildings over the coming decade. Accelerated data center development in San Jose is anticipated to elevate SJCE's long-term load forecasts. In December 2022, SJCE adopted a cost-of-service model for rate setting, which allows for increased flexibility in response to economic factors affecting operations and rates.

SJCE minimizes the risks arising from participation in energy markets by procuring a power portfolio diversified by contract length, power resources, counterparties, project locations, and size, and procures the bulk of their energy in the forward markets. As of June 30, 2025, SJCE has committed to 18 long-term power purchase and energy storage service agreements, which are expected to supply the majority of the community's electricity needs for the next 11 years. Long-term agreements assist SJCE in meeting CPUC-directed Resource Adequacy ("RA") and Renewable Portfolio Standards ("RPS") requirements and are consistent with modeling undertaken in the context of SJCE's 2022 Integrated Resource Plan. Rising tariffs on imported clean energy technologies - such as solar panels and battery systems are adding uncertainty to energy markets. These cost pressures may lead to higher prices for future power purchase agreements and could disrupt procurement schedules for clean energy projects. Additionally, the expiration of tax credits could slow progress on transportation and building electrification efforts across the City, making it more challenging to maintain momentum towards clean energy goals.

SJCE received an "A2" Investment Grade Credit Rating from Moody's in May 2024 and an "A" Investment Grade Credit Rating from S&P Global in June 2024, both entities indicating a stable outlook for SJCE. These ratings are indicative of SJCE's strong financial position and management believes they will have a positive impact on supplier negotiations.

Request for Information

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed in writing to San José Clean Energy c/o Energy Department 4 North 2nd St., Suite 700, San José, CA 95113, or to the Director of Finance, 200 E. Santa Clara Street, 13th Floor, San José, CA 95113.

FINANCIAL STATEMENTS

SAN JOSE CLEAN ENERGY • 2025

(An Enterprise Fund of the City of San José)

Statement of Net Position
June 30, 2025
($000's)

ASSETS	
Current assets:	
Equity in pooled cash and investments held in City Treasury	$ 246,051
Receivables, net of allowance	71,621
Prepaid expenses, advances and deposits	9,574
Total unrestricted current assets	327,246
Restricted assets:	
Equity in pooled cash and investments held in City Treasury	106,000
Total current assets	433,246
Noncurrent assets:	
Net OPEB asset	1,417
Capital asset, net of amortization	3,773
Total noncurrent assets	5,190
Total assets	438,436
DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	5,401
OPEB related items	1,123
Total deferred outflows of resources	6,524
LIABILITIES	
Current liabilities:	
Accrued cost of electricity	42,535
Accounts payable	1,298
Accrued salaries, wages, and payroll taxes	351
Interest payable	18
Leases payable	345
Accrued vacation, sick leave and compensatory time	852
Subscription liability	202
Estimated liability for self-insurance	3
User taxes and energy surcharges due to other governments	2,392
Advances and deposits payable	346
Community investment pass-through	971
Unearned revenue	2,465
Total current liabilities	51,778
Noncurrent liabilities:	
Accrued vacation, sick leave and compensatory time	363
Net pension liability	439
Leases Payable	3,152
Total noncurrent liabilities	3,954
Total liabilities	55,732
DEFERRED INFLOWS OF RESOURCES	
Pension related items	633
OPEB related items	221
Rate stabilization reserve	106,000
Total deferred inflows of resources	106,854
NET POSITION	
Net invested in capital assets	74
Restricted for net OPEB asset	1,417
Unrestricted	280,883
Total net position	$ 282,374

The Notes to Financial Statements are an integral part of this statement.

Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2025
($000's)

OPERATING REVENUES	
Power sales, net	$ 501,949
Rate stabilization reserve	(56,000)
Other revenues	21,557
Total operating revenues	467,506
OPERATING EXPENSES	
Power purchases	427,656
Operations and maintenance	11,420
General and administrative	18,316
Depreciation and amortization	887
Total operating expenses	458,279
Operating income	9,227
NONOPERATING REVENUES (EXPENSES)	
Program grants	2,036
Investment revenue	9,060
Unrealized gain on investment	5,018
Letter of credit fees	(1,537)
Commercial paper fees	(501)
Intergovernmental payment to City of San Jose	(390)
Net nonoperating revenues	13,686
Change in net position	22,913
Net position - beginning, as previously reported	259,853
Changes in accounting principles	(392)
Net position - beginning, as restated	259,461
Net position - ending	$ 282,374

The Notes to Financial Statements are an integral part of this statement.

Statement of Cash Flows
For the Year Ended June 30, 2025
($000's)

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	$ 512,529
Payments to suppliers	(445,597)
Payments to employees	(13,983)
Payments for city services	(2,378)
Other receipts	17,757
Net cash provided by operating activities	68,328
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer to other funds	(389)
Subsidies from operating grants	2,036
Advances and deposits received	613
Net cash provided by noncapital financing activities	2,260
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Leases payment	(995)
Letter of credit fees	(1,944)
Commercial paper fees	(501)
Subscription asset payment	(214)
Net cash used in capital and related financing activities	(3,654)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment gain	13,767
Net cash provided by investing activities	13,767
Net change in cash and cash equivalents	80,701
Cash and cash equivalents - beginning	271,350
Cash and cash equivalents - ending	$ 352,051

The Notes to Financial Statements are an integral part of this statement.

Statement of Cash Flows (Continued)
For the Year Ended June 30, 2025
($000's)

Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$	9,227
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization		887
Other nonoperating expenses		233
Decrease (increase) in:		
Accounts receivable		8,388
Prepaid expenses		772
Increase (decrease) in:		
Accrued cost of electricity		(5,282)
Accounts payable		342
Accrued salaries, wages, and payroll taxes		81
Accrued vacation, sick leave and compensatory time		237
Estimated liability for self-insurance		3
Unearned revenues		(819)
Net pension liability, deferred outflows/inflows of resources related to pension		(1,031)
Net OPEB asset, deferred outflows/inflows of resources related to OPEB		79
User taxes due to other governments		(114)
Advances and deposits payable		(675)
Rate stabilization reserve fund		56,000
Total adjustments		59,101
Net cash provided by operating activities	$	68,328
Reconciliation of cash and cash equivalents to the statement of net position:		
Equity in pooled cash and investments held in City Treasury		
Unrestricted	$	246,051
Restricted		106,000
	$	352,051
Noncash noncapital, capital and related financing, and investing activities:		
Change in fair value of investments	$	(5,017)
Acquisition of right-to-use lease assets		4,300

The Notes to Financial Statements are an integral part of this statement.

Note 1 - Description of Operations

Overview

On May 16, 2017, the City Council approved the establishment of SJCE, a Community Choice Aggregation program ("CCA") with the goals of providing city residents and businesses with a choice of electricity providers while progressing towards meeting greenhouse gas emissions reduction goals.[1] Under State law, the City may establish a CCA program to purchase electricity on behalf of its residents and businesses. If a local government chooses to form a CCA or join an existing CCA, all residents and businesses within the local government's jurisdiction are automatically enrolled in the program. Electric service customers may elect to remain with the incumbent utility, or to later leave CCA service ("opt-out"). CCAs determine the source of electricity offered, set customer rates for energy, retain revenue, and determine spending priorities locally. The incumbent Investor Owned Utility ("IOU") in the City, which is Pacific Gas and Electric ("PG&E"), continues to charge customers to maintain the transmission and distribution infrastructure and deliver the energy. For these continued services, PG&E charges CCA customers the same delivery rates as its remaining PG&E customers. PG&E also acts as the billing agent for SJCE, including SJCE charges as part of a single monthly customer bill. Customers make payments to PG&E, and PG&E remits the SJCE portion of payments to SJCE every business day.

CCAs provide many community benefits, including significant environmental and economic benefits. CCAs provide choice in electricity options, typically with a higher mix of renewable energy in their base power products than is available from the incumbent utility, at competitive rates. CCAs also allow local governmental entities to have more direct control over rates. As part of its approval to establish SJCE, the City Council directed staff to develop SJCE as a stand-alone enterprise fund to be operated in a new department and reliant on utility customer revenues to minimize the financial risk to the City's General Fund.

Governance

The City Council provides policy oversight and approves rates. At its August 15, 2017 meeting, the City Council adopted an ordinance amending Title 2 of the San José Municipal Code to establish the Community Energy Department, renamed at its October 3, 2023 meeting to the Energy Department ("ED").[2] [3] The City Manager and the Director of Energy have overall responsibility for managing the program including day-to-day operations of SJCE, as outlined in Title 26 of the San José Municipal Code.

On October 24, 2017, the City Council adopted an ordinance to establish the Clean Energy Community Advisory Commission ("CECAC"). The CECAC is a public advisory committee that provides input on SJCE operations including policies and programs, rate setting, and community outreach efforts.[4] The CECAC provides policy guidance to the Mayor and City Council, City Manager, and Director of Energy. Comprised of community members with a wide range of professional and technical disciplines, the CECAC is a liaison to the community for advocacy and outreach. The CECAC reflects a CCA best practice, as effective public oversight helps to ensure the program is responsive to community needs, which in turn helps to minimize customer opt-outs. On May 2, 2023, the City Council approved an amendment to Title 2 which establishes a Climate Advisory Commission ("CAC") for the City and merges the CECAC into this entity effective January 1, 2024.[5] . The purpose of the Climate Advisory Commission is to bring together voices of technical experts, climate scientists, advocacy organizations, and community members to provide guidance and feedback on the Climate Smart plan, including the City's Pathway to Carbon Neutrality by 2030, and climate adaption measures. The CAC is facilitated by the Environmental Services Department with co-leaders including the Departments of Transportation, Energy, and Planning, Building, and Code Enforcement. The CAC convenes quarterly, and meetings are open to the public.

[1] May 16, 2017 San José City Council Agenda, Item 7.1
[2] August 15, 2017 San José City Council Agenda, Item 2.2
[3] October 3, 2023 San José City Council Agenda, Item 6.1
[4] October 24, 2017 San José City Council Agenda, item 2.2
[5] May 2, 2023 San José City Council Agenda, Item 6.2

On May 1, 2018, the City Council adopted the ERMP and created the Risk Oversight Committee ("ROC").[6] On May 2, 2023 the City Council approved an amendment to SJCE's ERMP which included clarification of the ROC's responsibilities.[7] The ROC is a staff advisory committee that serves as the highest level of organizational risk management and is responsible for advising SJCE and the City Manager on compliance with risk management policies within SJCE. The ROC consists of seven voting members: the City Manager or their designee, the Director of Energy, the Director of Finance, the City Risk Manager, the Budget Director, the ED Deputy Director of Power Resources, and the ED Division Manager of Risk Management and Contracts Administration. The City Attorney provides legal advice to the ROC. The ROC convenes at least quarterly.

The ERMP addresses risks faced by SJCE arising from SJCE's procurement activities on behalf of its customers in energy and related markets. SJCE developed the Energy Risk Management Regulations ("ERMR") to guide procurement decisions, which include analysis of net open position and mark-to-market position. The purpose of the ERMR is to utilize the philosophies and objectives specified in the ERMP, and document and describe the roles, strategies, controls, and authorities that will govern SJCE's comprehensive energy risk management program. The ERMR are approved annually by the City Manager or their designee, and are subject to yearly review by an independent third-party audit firm to ensure SJCE adheres to the specific risk management practices outlined in the ERMR.

Operations

SJCE began providing electric generation service to City facilities in September 2018 in Phase I (City of San José accounts), the first of three phases. The Phase II launch including residential and large commercial accounts began in February 2019; and Phase III launch for small commercial customers began in June 2019. As of June 30, 2025, SJCE serves approximately 352,000 customer accounts in San José with two electricity rate plans, as well as a special discount program, SJ Cares, which was originally established for households that qualify for the California Alternate Rates for Energy ("CARE") or the Family Electric Rate Assistance ("FERA") state programs, and in fiscal year 2024 expanded to include residents living in affordable housing units and those deemed to be at significant risk of disconnection. These options are designed to best serve customer's financial needs while also providing programs with a range of renewable energy content. An opt-out rate reflects the percent of customer accounts that choose to decline CCA service. As of June 30, 2025, SJCE maintains an opt-out rate of approximately 2.5%. As the default energy provider for residents and businesses, SJCE provides the City with the ability to choose its sources of energy and to set power generation rates in the City.

To meet SJCE customer demands for renewable energy and balance the City's supply with real-time demand, SJCE procures energy from power generators and electric service providers, and purchases and sells power on the California Independent System Operator ("CAISO") day-ahead and spot markets. PG&E still provides the transmission and distribution of electricity to SJCE customers, sets rates for those services, and performs the monthly billing.

In January 2021, SJCE became a member of California Community Power ("CC Power"), a newly formed Joint Powers Authority ("JPA") consisting of nine CCAs. Membership in CC Power allows SJCE the option of participating in larger projects that are necessary to meet CPUC regulatory requirements while benefiting from economies of scale in purchasing.

In June 2024, SJCE became a member of the California Community Choice Financing Authority ("CCCFA"), a JPA consisting of 11 CCAs. CCCFA was formed as a conduit issuer to assist its members by undertaking the financing or refinancing of energy prepayments that can be financed with tax advantaged bonds on behalf of one or more of the members by, among other things, issuing or incurring bonds and entering into related contracts with its members. Any debt or liability incurred by CCCFA on behalf of a member to prepay for renewable energy is not a debt or liability of that member. Furthermore, the assets of CCCFA in the form of prepaid energy or reserves held

[6] Actions Related to the San José Clean Energy Risk Management Policy
[7] May 2, 2023 San José City Council Agenda, Item 6.1

by the respective bond trustees for any prepayment transaction undertaken on behalf of a member does not constitute an asset or reserve of that member. Such a prepaid structure enables publicly owned utilities, including CCA's to reduce energy costs by financing the acquisition of long-term energy supplies with tax-exempt bonds.

In November 2024, CCCFA issued 30-year tax-exempt Clean Energy Project Revenue Bonds totaling $1.24 billion, which are expected to provide over 12% savings annually, or approximately $8.7 million per year on average during the initial eight years. These savings will amount to $66 million by the end of the initial term, ending Sept. 1, 2032. SJCE will pass these savings to customers through decreased energy rates.

Note 2 - Summary of Significant Accounting Policies

(a) Basis of Presentation and Accounting

The financial statements are prepared in accordance with GAAP. The GASB is responsible for establishing GAAP for state and local governments through its pronouncements. SJCE operations are accounted for as an enterprise fund and are reported using the economic resources measurement focus and the accrual basis of accounting – similar to business enterprises. Accordingly, revenues are recognized when they are earned, and expenses are recognized when liabilities are incurred. Enterprise fund-type operating statements present increases (revenues) and decreases (expenses) in total net position. SJCE's financial statements are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the business-type activities and major enterprise fund of the City that is attributable to the transactions of SJCE. They do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2025, the changes in its financial position, or, where applicable, its cash flows for the year ended in accordance with accounting principles generally accepted in the United States of America.

(b) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(c) Equity in Pooled Cash and Investments Held in City Treasury

Most cash balances of the City's funds and some of its component units are pooled and invested by the City Treasurer (i.e., Director of Finance) unless otherwise dictated by legal or contractual requirements. Income and losses arising from the investment activity of pooled cash are allocated to the participating funds and component units on a monthly basis, based on their proportionate shares of the average daily cash balance. Pooled cash and investments in the City Treasury are considered to be cash and cash equivalents for purposes of the accompanying statement of cash flows. Pooled cash and investments represent deposits and investments held in the City's cash management pool. This cash management pool possesses the characteristics of a demand deposit account; therefore, investments in this pool are considered to be cash equivalents. SJCE also considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

(d) Accounts Receivable

Accounts receivable reflects invoices issued by SJCE for liquidated damages from counterparties that are not yet paid, invoices issued by PG&E on behalf of SJCE to SJCE customers during the reporting period but not yet paid, and electricity estimated to have been delivered but not yet billed, net of an allowance for uncollectible accounts. As the billing agent for SJCE, PG&E collects payments from SJCE customers and remits the electricity generation portion of those payments to the City. PG&E undertakes activities to collect on delinquent SJCE balances until fifty-two (52) days after the final bill is sent to customer (i.e., after customer account is closed), at which time any outstanding SJCE balance is transferred to SJCE.

(e) Capital Assets

Capital assets include identifiable intangible assets that are used in operations and that have initial useful lives in excess of one year. Capital assets are reported in the statement of net position. For Subscription-Based Information Technology Arrangements ("SBITA"), SJCE recognizes an intangible right-to-use software subscription asset when the applicable accounting criteria is met. The capitalization threshold is an initial cost of more than $250,000 per item at its net present value for software subscription. The subscription asset must also have an initial useful life of more than one year. In addition, a subscription asset should be at least 75% of fair value in order to qualify as an exchange-like transaction.

Capital assets are defined as assets with an initial individual cost of more than $5,000 for general capital assets (increasing to more than $10,000 effective fiscal year 2026) and $100,000 for major infrastructure assets, and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the time received.

Intangible assets not having indefinite useful lives will be amortized over the estimated service capacity of the asset. Leased assets are amortized over the lease term. Assets that are Subscription-Based Information Technology Arrangements are amortized over the shorter of the subscription term including periods covered by an option to extend where it is reasonably certain that the extension will be exercised, or the useful life of the underlying IT asset.

Consistent with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, SJCE recognizes an intangible right-to-use software subscription asset when the applicable accounting criteria is met. The capitalization threshold for SJCE as subscriber is an initial cost of more than $250,000 per item at its net present value for software subscription. The subscription asset must also have an initial useful life of more than one year. In addition, a subscription asset should be at least 75% of fair market value in order to qualify as an exchange-like transaction.

(f) Deferred Inflow Rate Stabilization Reserve

In 2024, the City Council approved[8] the establishment of a Rate Stabilization Reserve (the *Reserve*) to allow San José Clean Energy, beginning in fiscal year 2024, to defer revenues from the current year to a future year. The Reserve provides protection against market volatility and serves as a tool to maintain compliance with financial covenants. Establishing the Reserve aligns with utility industry best practices by mitigating unplanned rate increases when faced with fluctuations in power costs or regulatory changes.

Contributions are permitted only in years when SJCE achieves a minimum net revenue threshold, defined as a change in net position (total revenues less total expenses) exceeding 5% of total year-end revenues. This ensures the Reserve preserves the integrity of the annual net position and remains aligned with financial reporting requirements. Withdrawals may be made when net revenues are projected to be negative or as necessary to satisfy legal covenants, contractual obligations, or to maintain investment-grade credit ratings.

In accordance with GASB Statement No. 62, deferred revenue associated with the Reserve is presented as a reduction of operating revenues and a deferred inflow of resources related to rate stabilization. The Reserve is funded, and an equivalent amount of cash is restricted. The initial deferral in fiscal year 2024 was $50.0 million.

In 2025, the City Council approved an amendment[9] to the SJCE Financial Reserves Policy to increase the maximum contribution amount to the Reserve to up to 25% of total operating and non-operating revenues for the fiscal year. In fiscal year 2025, the Reserve balance increased from $50.0 million to $106.0 million, enhancing SJCE's capacity to manage potential financial impacts from regulatory changes or unforeseen events in future years.

[8] August 13, 2024 San Jose City Council Agenda, Item 6.2
[9] June 3, 2025 San Jose City Council Agenda, Item 2.20

(g) Defined Benefit Plans

1. Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension and pension expense, information about the fiduciary net position of the SJCE's participation in the Federated City Employees' Retirement System ("FCERS"), and additions to/deductions from the FCERS' fiduciary net position have been determined on the same basis as they are reported by the FCERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. FCERS' investments are reported at fair value. While the City reports its pension plan managed by FCERS as a single employer defined benefit pension plan, SJCE recognizes a proportionate share of its participation in FCERS based on the SJCE pension contributions relative to the total City pension contributions to FCERS. For more information regarding SJCE retirement benefits, please refer to Note 9 and the Required Supplementary Information ("RSI") section.

2. Other Postemployment Benefits

For purpose of measuring the net Other Postemployment Benefits ("OPEB") liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the SJCE's participation in the FCERS, and additions to/deductions from the FCERS' fiduciary net position have been determined on the same basis as they are reported by the FCERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. FCERS investments are reported at fair value. While the City reports its OPEB plan managed by FCERS as a single employer defined benefit OPEB plan, SJCE recognizes a proportionate share of its participation in the FCERS OPEB plan based on the SJCE OPEB contributions relative to the total City OPEB contributions to FCERS. For more information regarding SJCE OPEB benefits, please refer to Note 10 and the RSI section.

(h) Net Position

Net position is classified in the following three components:

Net Investment in Capital Assets groups all capital assets less their capital liabilities into one component of net position. Accumulated depreciation/amortization reduces the balance in this category.

Restricted Net Position consists of the constraints placed on net asset use by external creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position consists of the remaining balance of net position not subject to the aforementioned categorizations.

When both restricted and unrestricted resources are available for use, it is SJCE's policy to use restricted resources first and then unrestricted resources, as needed.

(i) Operating Revenues and Expenses

Enterprise funds distinguish operating revenues and expenses from nonoperating items. SJCE defines its operating revenues as charges for electric sales, which are earned when electricity is provided to customers. Other operating revenues include customer program funding originating from CPUC-directed customer fees reimbursed as program expenses are incurred, as well as liquidated damages from suppliers that fail to meet delivery commitments. Operating expenses are mainly incurred through the purchase of energy and other power resources and also include the cost of services and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

(j) Revenue Recognition

SJCE recognizes revenue on the accrual basis of accounting. This includes invoices issued by SJCE for liquidated damages, invoices issued by PG&E to customers on behalf of SJCE during the reporting period, and electricity estimated to have been delivered but not yet invoiced. Management estimates that a portion of the billed amounts will be uncollectible. An allowance for doubtful accounts has been assumed to reflect the amount of SJCE revenues that SJCE estimates will be uncollectible. This allowance ensures SJCE revenues are not overstated and that outstanding balances deemed uncollectible are accurately recorded in the correct period for financial reporting purposes. Efforts are made to pursue the timely collection of delinquent accounts.

(k) New Pronouncements

During the year ended June 30, 2025, the SJCE implemented the following Governmental Accounting Standards Board (the "GASB") Statements:

SJCE has adopted GASB Statement No. 101, *Compensated Absences*. This statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. This statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. The adoption of GASB Statement No. 101 resulted in a restatement to beginning net position of $392,000. The year-end balance is $1,215,000, the beginning restated balance is $978,000, and there was a net increase of $237,000, of which $852,000 is considered current.

SJCE has adopted GASB issued Statement No. 102, *Certain Risk Disclosures.* The objective of this statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending. This statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The application of Statement No. 102 did not have any effect on the City's financial statements.

San Jose Clean Energy is currently analyzing its accounting practices to determine the potential impact on the financial statements for the upcoming GASB Statements:

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This statement also addresses certain application issues. This statement addresses the following financial reporting topics: (1) Management's Discussion and Analysis; (2) Unusual or Infrequent Items; (3) Presentation of the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position, (4) Major Component Unit Information, and (5) Budgetary Comparison Information.

The requirements of this statement will take effect for financial statements starting with the fiscal year that ends June 30, 2026.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The purpose of this statement is to provide users of governmental financial statements with essential information about certain types of capital assets. It requires certain types of capital assets to be disclosed separately within the capital assets note disclosures required by Statement 34. These include lease assets recognized under Statement No. 87 (Leases), intangible right-to-use assets recognized under Statement No. 94 (Public-Private and Public-Public Partnerships and Availability Payment Arrangements), and subscription assets recognized under Statement No. 96 (Subscription-Based Information Technology Arrangements). These assets must be disclosed separately by major class of underlying asset in the capital assets note disclosures.

In addition, intangible assets other than those three types must also be disclosed separately by major class. The statement further requires additional disclosures for capital assets that are held for sale.

The requirements of this statement will take effect for financial statements starting with the fiscal year that ends June 30, 2026.

(l) Operating Grants

SJCE has been awarded government funding from the California Public Utilities Commission for the primary purpose of customer debt relief and arrearage management. In fiscal year 2025, the grant funds received were intended to subsidize prior period customer electric utility debt and are therefore recognized upon receipt. These subsidies are recognized as nonoperating revenue.

(m) Significant Agreements with Outside Parties

SJCE maintains several significant professional services agreements with the following outside parties:

> Calpine Energy Solutions, LLC ("Calpine"): Provides data management and security, reporting functions, management of a customer information system and call center, billing administration, and coordination with PG&E on behalf of SJCE. On February 27, 2018, City Council approved the original Professional Services Agreement for Data Management and Customer Call Center Services with Calpine for a period of two years from the date of execution in an amount not to exceed $5,784,000, and up to two (2) one-year agreement extension options, each for an additional $4,950,000 for a total contract amount not to exceed $15,684,000. Subsequent to the original 2018 agreement, the City executed a total of seven amendments to modify service terms, extend the agreement term, and/or increase the maximum compensation.
>
> On May 13, 2025, City Council authorized the City Manager or her designee to negotiate and execute a new agreement for the Billing Operations, Data Management, and Customer Support Services with Calpine for an initial three-year term, with a maximum compensation not to exceed $13,148,180, and up to (4) additional one-year options to extend the term of the agreement through May 14, 2032. In addition, the City Manager is authorized to negotiate and execute amendments, as required, for any

unanticipated changes to the agreement with Calpine not to exceed a total amount of $1,000,000 during the initial term.

Northern California Power Agency (“NCPA”): Provides energy Scheduling Agent services to support SJCE operations. These services include power supply scheduling, control center services, portfolio management, and optimization services. On March 27, 2018, City Council approved the original Professional Services Agreement for Services with NCPA for a period of two years and five months and two (2) one-year agreement extensions, for a total contract amount not to exceed $2,725,000. Subsequent to the original agreement, on May 17, 2022, City Council approved a new Professional Services Agreement with NCPA for an initial term through August 31, 2025 in an amount not to exceed $2,267,000 and up to three (3) additional 2-year agreement extension options, for a total contract amount not to exceed $7,451,000.

PG&E: The services that PG&E provides to SJCE, including customer switching, meter reading, and billing services, are delineated in PG&E Electric Schedule E-CCA. The recurring monthly charges are $0.35 per customer meter per month, or approximately $1.5 million annually for SJCE with 352,000 customer accounts.

Note 3 - Equity in Pooled Cash and Investments Held in City Treasury

SJCE’s cash as of June 30, 2025 is classified in the financial statements as follows (in thousands):

Unrestricted Equity in pooled cash and investments held in the City Treasury	$	246,051
Restricted Equity in pooled cash and investments held in City Treasury		106,000
Total:	$	352,051

(a) Nature of Cash Account

SJCE maintains all its funds as cash deposits in the City pooled cash and investments held in the City Treasury. The pool is managed by the City Treasurer, and SJCE has an equity share in the pool as reflected in the enterprise fund’s accounting records. Funds from the operating account are used to disburse funds for operations and capital outlays, under the direction of SJCE. The receipts account is in the name of the City and is under the custodianship of the City. All revenues collected by SJCE are deposited into the operating account as received.

(b) Pooled Cash and Investments

The City Council adopted an investment policy (“Investment Policy”) on April 2, 1985, related to the City cash and investment pool, which is subject to annual review and was reviewed and amended on March 11, 2025. The Investment Policy specifically prohibits trading securities for the sole purpose of speculating or taking an un-hedged position on the future direction of interest rates. Per the Investment Policy, the investments conform to Sections 53600 et seq. of the California Government Code, and the applicable limitations contained within the Investment Policy.

SJCE invests funds subject to the Investment Policy. According to the Investment Policy, SJCE is permitted to invest in the City cash and investment pool, the State of California Local Agency Investment Fund (“LAIF”), obligations of the U.S. Treasury or U.S. Government Agencies, time deposits, investment agreements, money market mutual funds invested in U.S. Government securities, along with various other permitted investments.

SJCE maintains all of its cash in the City’s cash and investment pool. As of June 30, 2025, SJCE’s share of the City cash and investment pool totaled $352,051,000. It is not possible to disclose relevant information about SJCE’s separate portion of the cash and investment pool, as there are no specific investments belonging to SJCE itself. Information regarding the characteristics of the entire investment pool can be found in the City’s June 30, 2025 Annual Comprehensive Financial Report (“ACFR”). A copy of that report may be obtained by visiting the City's website at www.sanjoseca.gov or by contacting the City's Finance Department, 200 East Santa Clara Street, 13th Floor, San José, CA, 95113.

Interest Rate Risk – Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, debt investments with fixed coupons for longer terms are subject to more variability in their value as a result of changing interest rates. The City manages its exposure to interest rate risk by capping the weighted average maturity of the investment portfolio at 2.5 years (or 913 days). Also, the City sets the maximum maturity for every investment at the time of purchase by asset class, with the longest not to exceed five years.

In practice, the City purchases a combination of short-term and long-term investments and times the cash flows to meet liquidity needs for operations. The weighted average days to maturity of the City's pooled cash and investments at June 30, 2025, was approximately 560 days.

Credit Risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. When investing, the City applies the Prudent Investor Standard and acts with care, prudence, and diligence to safeguard the principal, maintain liquidity, and seek reasonable yields. The City's Investment Policy has strict rating requirements. The City manages credit risk by selecting high quality securities, diversifying the portfolio, and establishing monitoring procedures.

Concentration of Credit Risk – It is not possible to disclose relevant information about SJCE's separate portion of the cash and investment pool, as there are no specific investments in the City's cash and investment pool belonging to SJCE itself. The Investment Policy sets forth the policies regarding concentration of credit risk.

As of June 30, 2025, the City's pooled investments in the City Treasury have investments that represent 5% or more of the total pooled investments in the following:

Federal Home Loan Bank	16.77%
Federal Home Loan Mortgage Corporation	15.06%
Federal National Mortgage Association	5.88%
Federal Farm Credit Bank	5.12%

Foreign Currency Risk – The risk that changes in exchange rates will adversely affect the fair value of an investment. As of June 30, 2025, the City's Investment Policy does not permit investments in the pool to hold foreign currency. As such, the investments in the City's investment pool were not subject to foreign currency risk.

Note 4 - Capital Assets

In accordance with GASB Statement No. 96, SJCE recognizes a subscription liability and a subscription asset for software subscriptions SJCE categorizes as in-scope of GASB Statement No. 96. The subscription asset value, net of accumulated amortization, as of June 30, 2025 is $180,000. The current and noncurrent subscription liabilities as of June 30, 2025 are $202,000 and $0, respectively. Noncurrent subscription liabilities are zero for contracts with less than 12-months remaining. Amortization for the year ended June 30, 2025 is $180,000. The subscription liability exceeds the net subscription asset because the asset is amortized on a straight-line basis, while future subscription payments increase over time, resulting in a higher current liability balance.

Consistent with GASB Statement No. 87, *Leases*, SJCE recognizes an intangible right to use lease asset when the applicable accounting criteria is met. The capitalization threshold for SJCE as lessee is an initial cost of more than $250,000 per item at its net present value for office space. The lease asset must also have an initial useful life of more than one year.

On May 17, 2024, SJCE entered into a 70-month lease agreement for the use of approximately 17,845 square feet of office space to serve as SJCE headquarters. In accordance with GASB Statement No. 87, SJCE recognized a right-to use asset and corresponding liability in July 2024 upon taking occupancy of the space. SJCE initially measured the lease liability at the present value of payments expected to be made during the lease term using the interest rate charged by the lessor or SJCE's incremental borrowing rate. Subsequently, the lease liability was reduced by the principal portion of the lease payments made. The right-to-use asset was originally measured at the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized over the lease term.

As of June 30, 2025 the right-to-use asset net of accumulated amortization of $707,000 is $3,593,000. and the corresponding long-term and short term lease liabilities are $3,152,000 and $345,000 respectively.

Note 5 - Accounts Receivable

The accounts receivable balance at June 30, 2025 was $71.6 million and is net of an allowance for estimated uncollectible amounts. Management estimated the uncollectible amounts to be $22.5 million at June 30, 2025, using its allowance calculation methodology based on historical experience and current market conditions.

Note 6 - Accrued Cost of Electricity

Accrued cost of electricity represents the amount due for electrical power delivered to SJCE during the fiscal year that has not yet been invoiced by June 30, 2025. The SJCE accrual of $42.5 million is primarily due to regular electrical power contracts, expected CAISO power market transaction expenses for June, and an accrued portion of the entirety of Renewable Energy Credits, which are attributed to calendar year 2025 as a whole, but not billed uniformly throughout the year.

Note 7 - Notes Payable to the City of San José Financing Authority

SJCE does not rely on contributions from other City funds to support ongoing operations. Funds for ongoing operations are provided by the sale of electricity to SJCE customers. On June 22, 2021, the City Council adopted a resolution authorizing the issuance of City of San José Financing Authority Lease Revenue Commercial Paper ("CP") Notes to finance the purchase of power and other operating costs of SJCE in an amount not to exceed $95.0 million, subject to the satisfaction of certain conditions.[10] On June 20, 2023, the City Council adopted a resolution reducing the amount of CP notes authorized to be issued to an amount not to exceed $75.0 million.[11] The most recent draw on CP notes occurred on December 21, 2021, and most recent CP repayment was made on November 15, 2023. As of June 30, 2025, SJCE has no CP drawn.

Note 8 - Clean Energy Revolving Credit Agreement

On December 13, 2022, the City Council adopted Resolution No. 80833 authorizing the City Manager, Director of Finance, Assistant Director of Finance, and their authorized designees to negotiate, execute, and deliver a Revolving Credit Agreement with JPMorgan Chase Bank, N.A. ("Bank") including loans and letters of credit for up to $250 million outstanding at one time. Effective February 17, 2023, the Bank and the City entered into a Revolving Credit Agreement ("Credit Agreement") under which the Bank has committed to provide the City with a credit facility consisting of : (i) a $50 million Line Of Credit under which the Bank has committed to make loans to the City for working capital and other general operational purposes of SJCE, including without limitation, the purchase of power products, and to secure the City's payment obligations under one or more power purchase

[10] Issuance of City of San José Financing Authority ("Financing Authority") Commercial Paper Notes for San José Clean Energy Operations and Related Budget Actions

[11] June 20, 2023 meeting of the joint City of San José City Council and San José Financing Authority Agenda Item 2

agreements; (ii) a $100 million standby Letter Of Credit facility providing for the issuance of standby letters of credit each with a term of two years or less to secure the City's payment obligations under one or more power purchase agreements; and (iii) a $100 million standby Letter Of Credit facility providing for the issuance of standby letters of credit each with a term of more than two years to secure the City's payment obligations under one or more power purchase agreements.

On April 21, 2025, pursuant to the Revolving Credit Agreement by and between the City and JPMorgan Chase Bank, N.A. dated February 17, 2023, Section 2.05(a), the City requested a permanent reduction of the LC Expiration Date Sublimit (Two-Years) from $100 million to $25 million, effective April 30, 2025.

This request resulted in a permanent reduction to the total commitment amount of the Revolving Credit Agreement from $250 million to $175 million.

As of June 30, 2025, the balance for the JPMorgan Chase Revolving Credit Agreement is as follows:

Credit Facility	**Available Credit Sublimit**	**Less: Working Capital Loan(1) and Letters of Credit Commitments(2)**	**Remaining Available Credit as of 6/30/2025**
Working Capital Loans(1)	$ 50,000,000	$ -	$ 50,000,000
Standby Letters of Credit Facility(2)(3)(4)	125,000,000	(7,242,521)	117,757,479
Remaining Aggregate Credit as of 6/30/25			**$ 167,757,479**

(1)Working Capital Loans are cash draws that SJCE can use to cover operating expenses and make cash collateral payments.
(2)Letters of Credits are issued by JPMorgan Chase as a commitment to pay collateral calls in the event of an SJCE default. The commitment does not become a liability of SJCE unless and until a collateral call is paid by JPMorgan Chase on behalf of SJCE, which has not yet occurred.
(3)The City can request the letter of credit limit to be increased incrementally up to $175 million if needed. The $50 million dedicated to the working capital loan will be incrementally reduced if this request happens to maintain a total Aggregate Credit maximum of $175 million.
(4) On April 21, 2025, the City requested permanent reduction of the LC Expiration Date Sublimit (Two-Years) from $100 million to $25 million, effective April 30, 2025, thereby reducing the Standby LOC Facility from $200 million to $125 million.

The City's obligations under the Credit Agreement are secured by SJCE's net revenues. The Bank's commitment under the Credit Agreement is currently scheduled to expire on February 17, 2028.

The table below shows the fees and interest rates payable by the City to the Bank with respect to the credit facilities under the Credit Agreement.

Commitment Utilization	**Undrawn Fee**	**Applicable Rate**	
		Term Benchmark Borrowing	**ABR Borrowing**
≥ 25%	0.57%	Adjusted Term SOFR + 1.425%	Alternate Base Rate + 0.425%
<25%	0.60%	Adjusted Term SOFR + 1.500%	Alternate Base Rate + 0.500%

Loans made by the Bank to the City under the Credit Agreement will bear interest at the Alternate Base Rate plus the Applicable Rate, the Adjusted Term Secured Overnight Financing Rate ("SOFR") Rate plus the Applicable

Rate or Adjusted Daily Simple SOFR plus the Applicable Rate (as such terms are defined in the Credit Agreement). Interest computed by reference to the Term SOFR Rate or Daily Simple SOFR will be computed on the basis of a year of 360 days, and actual days elapsed. Interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate will be computed on the basis of a year of 365 days (or 366 days in a leap year), and actual days elapsed. In each case, interest will be payable for the actual number of days elapsed (including the first day but excluding the last day). Accrued interest on each Loan will be payable in arrears on each interest payment date for such Loan set forth in the Credit Agreement and upon termination of the Bank's commitment thereunder.

The City agrees to pay the Bank the fees (computed on the basis of 360 days and actual days elapsed) and other amounts set forth in the fee agreement at the time and in the manner set forth in the fee agreement, including, but not limited to, the undrawn fee, the Letter Of Credit facility fee, the termination fee and the reduction fee. All fees and other amounts payable under the fee agreement shall be paid in immediately available funds. Fees paid shall not be refundable under any circumstances.

Under the Credit Agreement, the City agrees that, so long as the Bank has any commitment thereunder or any amount payable thereunder remains unpaid, among other things, the debt service coverage ratio shall not be less than 1.10 to 1.00 as of the last day of the fiscal quarter most recently ended, commencing with the last fiscal quarter ended March 31, 2023; provided, however, in the event the debt service coverage ratio for any fiscal quarter is less than 1.10 to 1.00 but the days liquidity on hand for such fiscal quarter equals or exceeds 90 days (or, 75 days, so long as the long-term unenhanced rating by at least one rating agency on debt secured by net revenues shall be at or above "Baa3" (or its equivalent) with respect to Moody's, "BBB-" (or its equivalent) with respect to S&P or "BBB-" (or its equivalent) with respect to Fitch, respectively) then the City will be deemed to be in compliance for such period (the liquidity cure right); provided, further, that in no event will the City be permitted to exercise liquidity cure rights under the Credit Agreement more than three times during any four consecutive fiscal quarter periods.

In addition, the Credit Agreement permits the City to make loans from any fund, including the General Fund, to SJCE, including from proceeds of CP issued by the Financing Authority, to finance the purchase of power and/or pay other operating costs of SJCE in an amount not to exceed $95.0 million. Such loans are subordinate to the City's obligations to the Bank under the Credit Agreement. The City may incur additional debt with respect to SJCE that is payable on a basis subordinate to the City's obligations to the Bank under the Credit Agreement upon the satisfaction of certain conditions specified in the Credit Agreement.

The Credit Agreement prohibits repayment of loans and other debt payable from Revenues or Net Revenues of SJCE to the City or the Financing Authority, if any, unless, among other things,: (i) the aggregate amount of Cash and Cash Equivalents (as defined in the Credit Agreement) available in the Clean Energy Fund at the end of the fiscal quarter prior to repayment, and projected per pro forma effect to the fiscal quarter following projected repayment are equal to or in excess of $50 million, and (ii) no Event of Default (as defined in the Credit Agreement) has occurred and is continuing.

Events of default under the Credit Agreement include, among others: (i) any representation or warranty shall have been incorrect or untrue in any materially adverse respect when made or deemed to have been made, (ii) non-payment, (iii) breach of covenants, including failure to maintain the required debt service coverage ratio or days liquidity on hand, as applicable, not cured within applicable cure periods, if any (iv) any material provision of the Agreement or any other Basic Document (as defined in the Credit Agreement) at any time for any reason ceases to be valid and binding on the City as a result of any legislative or administrative action, or judgment, (v) bankruptcy, (vi) the default in the due performance or observance of any material term, covenant or agreement contained in the Credit Agreement and not cured within the applicable cure period, (vii) defaults on the payment of the principal of or interest on any Parity Debt or Subordinate Debt (as defined in the Credit Agreement) beyond the period of grace, if any, provided in the instrument or agreement under which such Parity Debt or Subordinate Debt was created or incurred, (viii) one or more final, unappealable judgments or orders for the payment of money in excess of $10.0 million where such judgment or order remains unsatisfied and unstayed for a period of 60 days and which is payable from revenues or net revenues of SJCE, (ix) the long-term, unenhanced ratings by any Rating Agency (as defined in the Credit Agreement) on any general-obligation bonded indebtedness of the City is withdrawn or suspended (but excluding withdrawals or suspensions if the applicable Rating Agency stipulates in writing that the rating action is being taken for non-credit related reasons) or reduced below "A1" (or its equivalent) by Moody's, "A+" (or its equivalent) by S&P, or "A+" (or its equivalent) by Fitch, (x) any "event of default" under any Other Credit Agreement (as defined in the Credit Agreement) occurs, (xi) a debt moratorium, debt restructuring, debt adjustment, or comparable restriction is imposed on the repayment of any Parity Debt of the City, or (xii) the dissolution or termination of the existence of the City or SJCE.

Upon the occurrence and during the continuance of an event of default under the Credit Agreement, the Bank may exercise all of its rights and remedies available to it under the Credit Agreement and as otherwise permitted by law. The Bank's rights and remedies include, among others, taking one or more of the following actions: (i) declare the commitment and the obligation of the Bank to make Credit Extensions (as defined in the Credit Agreement) to be terminated, (ii) by written notice to City, declare the outstanding amount of the obligations of the City under the Credit Agreement to be immediately due and payable, (iii) require the City to cash collateralize 105% of the Letter of Credit Exposure (as defined in the Credit Agreement) which generally includes the amounts available to be drawn under any letters of credit plus any amounts drawn by beneficiaries under such letters of credit but which are not reimbursed by the City as required under the Credit Agreement, plus accrued and unpaid interest thereon, (iv) and at the expense of the City, cure any event of default; provided, however that the Bank shall have no obligation to effect such a cure, and (v) by written notice to the City, impose the Default Rate (as defined in the Credit Agreement) with respect to the City's obligations under the Credit Agreement (which imposition may be retroactive to the date on which the event of default first occurred).

Note 9 - Defined Benefit Retirement Plan

(a) General Information

The City sponsors and administers a single employer defined benefit retirement system, FCERS, which, with the exception of certain unrepresented employees, covers all full-time and certain part-time employees of the City. The FCERS provides general retirement benefits under a single employer Defined Benefit Pension Plan, as well as the Postemployment Healthcare Plan. All full-time and certain part-time employees in the Energy Department participate in the FCERS.

The FCERS is administered by the Chief Executive Officer of the Office of Retirement Services, an employee of the City, who serves at the pleasure of the Board of Administration for the FCERS. The separately issued annual report of FCERS, together with various chapters in Title 3 of the City Municipal Code, provides more detailed information about the FCERS, and may be obtained from the City of San José Office of Retirement Services, 1737 North First Street, Suite 600, San José, California 95112 or at http://www.sjretirement.com. SJCE presents the related defined benefit disclosures of FCERS as a participant in a cost-sharing arrangement with the City.

(b) Benefits Provided

FCERS provides general retirement benefits including pension, death, and disability benefits to members. FCERS benefits are based on average final compensation, years of service, and cost of living increases as specified by the City Municipal Code. The contribution and benefit provisions and all other requirements are established by the City Charter and the City Municipal Code. Information regarding disability and death benefits can be found in the annual reports of the FCERS and on the Office of Retirement Services website at http://www.sjretirement.com.

(c) Contributions

This subsection provides information related to contributions paid by SJCE for pension benefits provided by FCERS.

Under GASB Statement No. 68, the City's and the participating employees' contributions to the Defined Benefit Pension Plan are based upon an actuarially determined percentage of each employee's pensionable and earnable salary to arrive at an actuarially determined contribution ("ADC") sufficient to provide adequate assets to pay benefits when due. The contribution requirements are established by City Charter Articles XV and XV-A, and Title 3 of the San José Municipal Code.

The contribution rates for the Defined Benefit Pension Plan for the City and the participating employees for the year ended June 30, 2025 were based on the actuarial valuation performed as of June 30, 2023. SJCE's contributions paid during the year ended June 30, 2025 were $3,881,000. The contribution rates in effect and the amounts contributed to the pension plan for the year ended June 30, 2025 are as follows:

	City		Participants	
Defined Benefit Pension Plan	**Tier 1 [2]**	**Tier 2**	**Tier 1 [1]**	**Tier 2**
Actuarial Rate:				
06/23/25-06/30/25	23.18%	8.62%	6.55%	8.62%
06/23/24-06/22/25	22.81%	8.73%	6.61%	8.49%

[1] Under Measure F, certain Tier 2 members who had previous Tier 1 service or prior service with a reciprocal employer were reclassified to Tier 1. Ordinance No. 30183, which became effective January 4, 2019, amended the Municipal Code to reflect these changes. Reclassified Tier 1 members paid an additional 3.00% in contributions for fiscal years ended June 30, 2025 and 2024. Classic Tier 1 members paid an additional 1.03% and 1.02% in contributions for fiscal years ended June 30, 2025 and 2024, respectively.

[2] Contributions are structured as a normal cost, plus a payment on the Unfunded Actuarial Liability ("UAL"). Tier 1 City contributions are administered as a normal cost contribution rate based on payroll plus a dollar amount payment on the UAL.

(d) Net Pension Liability

The City's net pension liability for FCERS Plan is measured as the total pension liability, less the pension plan fiduciary net position as of the measurement date of June 30, 2024. The City's net pension liability as of June 30, 2025 is measured as of June 30, 2024, using an annual actuarial valuation as of June 30, 2023 and rolled forward to June 30, 2024 using standard update procedures by the actuary. In summary, the SJCE's proportionate share of the City's net pension liability at June 30, 2025 is $0.439 million based on SJCE's share of 0.02%, which changed from 0.03% in fiscal year 2024.

Discount Rate for FCERS

The discount rate used to measure the total pension liability was 6.625% for the valuation dated June 30, 2023. It is assumed that FCERS members' contributions and City's contributions will be made based on the actuarially determined rates based on the funding policy of the FCERS Board. Based on those assumptions, the FCERS' fiduciary net position is expected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in Discount Rates

The following presents the SJCE proportionate share of the net pension liability, calculated using the discount rate of 6.625% in effect as of the measurement date, as well as what the proportionate share of the net pension liability would be if it was calculated using discount rates that are one percentage point lower 5.625% or one percentage point higher 7.625% than the rate used for the FCERS plan (in thousands):

FCERS sensitivity analysis	Decrease 5.625%	Discount Rate 6.625%	Increase 7.625%
Proportionate share of net pension liability	$ 594	$ 439	$ 313

Pension Expense and Deferrals – For the year ended June 30, 2025, SJCE recognized a negative pension expense of $1.031 million for FCERS. As of June 30, 2025, SJCE reported its proportionate share of the City's deferred outflows and inflows of resources related to pension from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	$ 3,871	$ -
Differences between expected and actual experience	1,250	-
Changes in assumptions	280	-
Net difference between projected and actual earnings on pension plan investments	-	633
Total	$ 5,401	$ 633

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows (in thousands):

Fiscal Year Ending June 30:	Deferred Outflows/ (Inflows) of Resources
2026	$ (177)
2027	1,259
2028	1
2029	(186)
	$ 897

As of June 30, 2025, SJCE reported $3.871 million as deferred outflows of resources related to contributions subsequent to the measurement date for the FCERS will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources related to pensions will be recognized as pension expense shown in the tables above.

Recognition of Deferred Outflows and Deferred Inflows of Resources for FCERS

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

One fifth of the net earnings is recognized in the first year when the gain or loss occurred for the difference between projected and actual earnings on pension plan investments. The other deferred amounts are amortized over the expected average remaining service lifetime. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pension and are to be recognized in future pension expense.

The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on pension plan investments	5 years
All other amounts	Expected average remaining service lifetime (5.0 years at June 30, 2024 measurement date)

Long-term Expected Rate of Return on Plan Investments

The assumption for the long-term expected rates of return on FCERS investments of 6.625% for the valuation dated June 30, 2023 was selected by estimating the median real rates of return based on long-term capital market assumptions adopted by the FCERS Board, including real expected rates of return for each of the asset classes, and reducing the estimated median by a margin so that there is estimated to be a greater than 50 percent probability of achieving the returns.

Best estimates of geometric real rates of return for each major asset class included in the FCERS target asset allocation are summarized in the following table:

	FCERS	
	Target Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	49.00%	5.70%
Private equity	8.00%	8.00%
Investment grade bonds	6.00%	2.00%
Core real estate	5.00%	4.10%
Immunized cash flows	5.00%	-0.30%
Venture / Growth capital	4.00%	9.20%
Growth real estate	3.00%	6.20%
Emerging market bonds	3.00%	4.00%
Private debt	3.00%	6.40%
Market neutral strategies	3.00%	3.00%
Private real assets	3.00%	6.50%
Long-term government bonds	4.00%	2.20%
Treasury inflation-protected securities	2.00%	1.90%
High yield bonds	2.00%	4.00%
Cash and cash equivalent	N/A	-0.30%

The separately issued annual report of FCERS provides more information about the most recent long-term expected rates of return on plan investments.

(e) Actuarial Methods and Assumptions

The significant actuarial methods and assumptions used to compute the total pension liability as of June 30, 2024 are from the actuarial valuation report with a valuation date of June 30, 2023.

	FCERS
Description	**Method/Assumption**
Measurement date	June 30, 2024
Valuation date	June 30, 2023
Inflation rate	2.50%
Discount rate	6.625% The Board expects a long-term rate of return of 8.8% based on Meketa's 2023 20-year capital market assumptions and the Retirement System's current investment policy. A margin for adverse deviation was used to improve the probability of achieving the discount rate.
Post-retirement mortality	
Healthy retirees:	0.995 for males and 1.020 for females, times the 2010 Public General Mortality Table (PubG-2010)
Disabled retirees:	0.990 for males and 0.920 for females, times the 2010 Public Mortality Table (PubG-2010)
Rates of service retirement, withdrawal, death, disability retirements	Mortality is projected on a generational basis using the MP-2021 scale
Salary increases	
Wage Inflation	The wage inflation assumption reflects currently bargained increases of 4.5% effective July 1, 2024, 3.5% effective July 1, 2025, and 3.00% thereafter. These increases approximate the bargained increases for the largest bargained groups.
Merit Increase	Merit/longevity increase based on years of service ranging from 3.25% at hire to 0.25% for members with 18 or more years of service
Cost-of-Living Adjustment	Tier 1 – 3.0% per year Tier 2 – 1.25% to 2.0% depending on years of service

Changes in Assumptions

For the measurement period ended June 30, 2024, the wage inflation assumption was updated to reflect currently bargained agreements for FY 2024 through FY 2026 — 4.5% effective July 1, 2024, 3.5% effective July 1, 2025, and 3.0% thereafter, respectively. Demographic assumptions were updated based on the most recent experience study covering the period through June 30, 2023. Tier 1 member contributions were updated to exclude any share in the cost of administrative expenses. The pre-retirement death benefit, if eligible for retirement, was updated from 2.5% to 2.0% of final compensation for each year of service, before minimum and maximum restrictions.

Note 10 - Other Postemployment Benefits ("OPEB")

(a) General Information

In addition to the FCERS Defined Benefit Pension Plan, the City also sponsors and administers a single employer FCERS Postemployment Healthcare Plan, which includes an Internal Revenue Code (IRC[1]) 115 Trust. The Postemployment Healthcare Plan covers eligible full-time and certain part-time employees of the City and are accounted for in the Pension Trust Funds of the City.

Generally, the defined benefit Postemployment Healthcare Plan provides medical and dental benefits to eligible retirees and their beneficiaries. Benefits are 100% of the premium cost for the lowest priced medical insurance plan available to an active City employee, and 100% of the premium cost for a dental insurance plan available to an active City employee.

Per the terms of the Framework discussed in Note 9, the City established a Voluntary Employees' Beneficiary Association ("VEBA") for retiree healthcare for the members of the FCERS in FY 2018. The City does not make contributions into the VEBA and the VEBA is not subject to the jurisdiction of the FCERS Board.

The Internal Revenue Service approved allowing eligible employees who are rehired by the City during calendar years 2018 through 2022 to opt into the applicable VEBA and transfer the retiree healthcare contributions from the Postemployment Healthcare Plan to their individual VEBA accounts.

(b) Contributions

Contribution amounts to the Postemployment Healthcare Plan for both the City and the participating members are based upon agreements between the City and the bargaining units. With the implementation of Measure F, ADC was calculated beginning with the year ended June 30, 2019.

On June 24, 2008, the City Council adopted Ordinance No. 28332 amending Title 3 of the San José Municipal Code to provide the City with the option to make lump sum prepayments of City required contributions for Postemployment healthcare benefits to FCERS.

Subsequently, in October 2014, the Board of Administration of FCERS approved implementing an incremental reduction approach to determining the "actuarial equivalence" for the City's prefunding of its contribution when the economic expansion has exceeded 58 months in duration and/or the S&P 500 has returns in excess of 130%. This approach was undertaken to ensure that as business expansions and/or market valuations mature and exceed historic norms, FCERS reduces the City's incentive to prefund its contributions when market valuations and/or economic expansions are beyond historic norms. The incremental reduction is 15% per year, up to a maximum of 45%, which was the reduction to the discount rate that was applied to calculate the actuarially determined prepayment amount for the participating members to be paid by the City at the beginning of the year ended June 30, 2020. However, the City elected to not prefund its ADC for Tier 1 members for the year ended June 30, 2020. Subsequent to this date, the City resumed prefunding its ADC for Tier 1 members for the year ended June 30, 2021 and forward.

The FCERS Board on February 15, 2018 approved a contribution policy for the respective Postemployment Healthcare Plan that sets the City's contribution as a flat dollar amount.

[1] The IRC refers to Title 26 of the U.S. Code, the official "consolidation and codification of the general and permanent laws of the United States," as the Code's preface explains. Commonly referred to as the IRS code or IRS tax code, the laws in Title 26 are enforced by the Internal Revenue Service ("IRS").

(c) Funding Policy

Historically, member and City contributions to the Postemployment Healthcare Plan were negotiated through collective bargaining and were not actuarially determined. Until the City entered into agreements with various bargaining groups in 2009 and prior to implementation of Measure F, contributions for the health and dental benefits for both the City and the participating employees of the Postemployment Healthcare Plan were based upon an actuarially determined percentage of employees' base salary sufficient to provide adequate assets to pay benefits when due over the next 15 years for FCERS. From 2009 until the implementation of Measure F, the City had been in the process of phasing in payment of the annual required contribution ("ARC") for the retiree health and dental benefits provided by Postemployment Healthcare Plan as calculated pursuant to GASB Statement No. 43 and GASB Statement No. 45 then in effect. However, the contribution rates for the City and members of the Postemployment Healthcare Plan were capped before the full ARC was reached.

The annual contribution costs for the Postemployment Healthcare Plan benefits are allocated to both the City and the active employee members. Contributions to the Postemployment Healthcare Plan for both the City and the participating members are based upon agreements between the City and the bargaining units. With the implementation of Measure F, member contributions are fixed as a percentage of pay and the City's contribution toward the explicit subsidy (premium subsidy) is an ADC determined by the Postemployment Healthcare Plan. The ADC for the Postemployment Healthcare Plan is the normal cost plus the amortization payment on the unfunded actuarial liability, less expected member contributions. The City has an option to limit its ADC for the Postemployment Healthcare Plan to a fixed percentage of the payroll of all active members of the pension plan. The ADC for the Postemployment Healthcare Plan is calculated beginning with FY 2019.

The City will pay the implicit subsidy on a pay-as-you go basis as part of active health premiums. An implicit subsidy for retiree health benefits exists because the medical experience for retirees under age 65 are pooled with the experience for active employees, thereby resulting in a lowering of the premium paid for retirees under age 65. The implicit subsidy is included in the actuarial valuation of the Postemployment Healthcare Plan. The implicit subsidy is shown as both a contribution and payment from the Postemployment Healthcare Plan. However, the implicit subsidy is not actually contributed to or paid from the Postemployment Healthcare Plan. Rather, it is paid directly by the City on a pay-as-you-go basis as a part of active member health plan premiums. The actuary for the Postemployment Healthcare Plan separately calculates the total unfunded actuarial liability being the aggregate unfunded actuarial liability for both implicit and explicit subsidies, and the unfunded actuarial liability for only the explicit subsidy. The unfunded actuarial liability for the explicit subsidy is used to calculate the City ADC to the Postemployment Healthcare Plan.

As of March 25, 2018, members remaining in the FCERS Postemployment Healthcare Plan contribute 7.5% of pay.

The contributions to the FCERS Postemployment Healthcare Plan for the SJCE and the participating employees for the year ended June 30, 2025 are shown below:

	City - Board Adopted		Member with Healthcare
	Tier 1	**Tier 2**	**Tier 1 and Tier 2**
Actuarial Rate:			
Postemployment Healthcare Plan:	*	*	
07/01/2024 - 06/30/2025			7.50%

*In February 2018, the Board approved the contribution policy that sets the City healthcare beginning with fiscal year 2019. The City's contribution for the Postemployment Health Plan during 2025 was a flat amount of $27,645,000, $20,352,000 in regular contributions and $7,285,000 in implicit subsidy, and $8,000 in adjustments and accruals.

(d) Net OPEB Liability / (Asset)

The City's net OPEB liability for the Postemployment Healthcare Plan is measured as the total OPEB liability, less the plan fiduciary net position as of the June 30, 2024 measurement date. The City's net OPEB liability as of June 30, 2025 for FCERS Postemployment Healthcare Plan is measured as of June 30, 2024, using an annual actuarial valuation as of June 30, 2023 and rolled forward to June 30, 2024 using standard update procedures by the actuary for the plan. The SJCE's proportionate share of the City's net OPEB liability at June 30, 2025 is a net OPEB asset of $1.42 million based on SJCE's share of -0.45%, which changed from -0.63% in fiscal year 2024.

(e) Actuarial Methods and Assumptions

Description	FCERS Method/Assumption
Measurement date	June 30, 2024
Valuation date	June 30, 2023
Actuarial cost method:	Entry age normal, level of percentage of pay
Actuarial assumptions:	
Discount rate	6.00% per year. The Board expects a long-term rate of return of 8.0% based on Meketa's 20-year capital market assumptions and the System's current investment policy. A margin for adverse deviation was used to improve the probability of achieving the discount rate.
Inflation rate	2.50%
Merit Increase	Merit component added based on an individual's years of service ranging from 3.25% at hire to 0.25% for members with 18 or more years of services.
Wage Inflation Rate	The wage inflation assumption reflects currently bargained increases of 4.5% effective July 1, 2024, 3.5% effective July 1, 2025, and 3.00% thereafter. These increases approximate the bargained increases for the largest bargained groups.
Rate of Mortality*	Mortality is projected on a generational basis using the MP-2021 scale
Pre-Retirement Turnover**	Please see below table
Healthcare Trend Rate – Medical	The valuation assumes that future medical inflation will be at a rate of 8.60% to 3.94% per annum graded down over a 51-year period for medical pre-age 65 and 5.72% to 3.94% per annum for medical post-age 65. For fiscal year beginning 2024, actual calendar year 2024 premiums are combined with a trend assumption for calendar year 2025.
Healthcare Trend Rate – Dental	Dental inflation is assumed to be 3.5%

* Actuarial Methods and Assumptions – FCERS Mortality Rates

Category	Male	Female
Healthy Annuitant	0.995 times the 2010 Public General Mortality Table (PubG-2010) for Healthy Retirees	1.020 times the 2010 Public General Mortality Table (PubG-2010) for Healthy Retirees
Healthy Non-Annuitant	0.992 times the 2010 Public General Mortality Table (PubG-2010) for Healthy Retirees	1.084 times the 2010 Public General Mortality Table (PubG-2010) for Healthy Retirees
Disabled Annuitant	0.990 times the 2010 Public General Mortality Table (PubG-2010) for Disabled Retirees	0.920 times the 2010 Public General Mortality Table (PubG-2010) for Disabled Retirees

** Rates of Pre-Retirement Turnover. Sample rates of termination are shown in the following table.

Rate of Termination

Year	Percent	Year	Percent	Year	Percent
0	15.00%	5	8.75%	10	4.25%
1	12.75%	6	7.75%	11	4.00%
2	11.75%	7	6.50%	12	3.75%
3	10.75%	8	5.50%	13	3.50%
4	9.75%	9	4.75%	14	3.25%
				15+	3.25%

Terminations do not apply once a member is eligible for retirement.

The assumption for the long-term expected rate of return on OPEB plan investments of 6.00% for the valuation year ended June 30, 2023, was selected by estimating the median real rates of return based on long-term capital market assumptions adopted by the FCERS Board, including real expected rates of return for each asset class, and reducing the estimated median by a margin so that there is estimated to be a greater than 50 percent probability of achieving the return.

Best estimates of geometric real rates of return for each major asset class included in FCERS's target asset allocation as of June 30, 2024 measurement date are summarized in the following table.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	58.0%	5.7%
Investment grade bonds	14.0%	2.0%
Core real estate	12.0%	4.1%
Short-term investment grade bonds	6.0%	0.9%
Commodities	5.0%	2.5%
Long-term government bonds	5.0%	2.2%

Changes in Assumptions

For the measurement period ended June 30, 2024, the per-person cost trends were updated. All claims costs were updated to reflect the changes in plan premiums and the populations. Plan election assumptions and the administrative expense assumption were updated. The wage inflation assumption was revised to reflect currently bargained agreements for FY 2024 through FY 2026 — 4.5% effective July 1, 2024, 3.5% effective July 1, 2025, and 3.0% thereafter, respectively. Demographic assumptions were updated based on the most recent experience study covering the period through June 30, 2023.

Discount Rate for FCERS

The discount rate used to measure the total OPEB liability was 6.00% for the measurement year ended June 30, 2024 and is based on the long-term expected rate of return on investments. It is assumed that FCERS member contributions remain fixed at 7.50% of pay for employees eligible to participate in the Postemployment Healthcare Plan and the City contributes the ADC toward the explicit subsidy up to a maximum of 14.00% of the total payroll. In addition, the City pays the implicit subsidy on a pay-as-you-go basis. Based on those assumptions, the FCERS' fiduciary net position is expected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments for FCERS was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Asset to Changes in Discount Rates

The following presents SJCE's proportionate share of the City's net OPEB liability for FCERS, as well as what the SJCE's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the measurement date rate.

As of June 30, 2025, SJCE's share of the City's net OPEB liability was based on -0.45% of SJCE's proportion of the City's net OPEB liability for FCERS at the measurement date, June 30, 2024 (in thousands):

FCERS sensitivity analysis	1% Decrease 5%	Measurement Date Discount Rate 6%	1% Increase 7%
Net OPEB Asset	$ (1,061)	$ (1,417)	$ (1,852)

Sensitivity of the Net OPEB Asset to Changes in the Health Care Cost Trend Rates

The following presents SJCE's proportionate share of the City's net OPEB liability for FCERS, as well as what the SJCE proportionate share of the net OPEB liability would be if it were calculated using a health care cost trend rate that is one percentage point lower or one percentage point higher than the measurement date rate.

As of June 30, 2025, SJCE's share of the City's net OPEB liability was based on -0.45% of the SJCE proportion of the City's net OPEB liability for FCERS at the measurement date, June 30, 2024 (in thousands):

FCERS sensitivity analysis	1% Decrease	Measurement Date Health Care Cost Trend Rates	1% Increase
Net OPEB Asset	$ (1,897)	$ (1,417)	$ (1,024)

OPEB Fiduciary Net Position

The City issues a publicly available financial report that may be obtained from the Office of Retirement Services, 1737 North First Street, Suite 600, San José, CA 95112-4505 or at https://www.sjretirement.com. The SJCE presents the related defined benefit disclosures of FCERS as a participant in a cost-sharing arrangement with the City.

Recognition of Deferred Outflows and Deferred Inflows of Resources for FCERS

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

One fifth of the net earnings are recognized in the first year when the gain or loss occurred for the difference between projected and actual earnings on OPEB plan investments. The other deferred amounts are amortized over the expected average remaining service lifetime. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 Years
All other amounts	Expected average remaining service lifetime (5.0 Years at June 30, 2024 measurement date)

For the year ended June 30, 2025, SJCE recognized a negative OPEB expense of $41,000. As of June 30, 2025, SJCE reported deferred outflows and inflows of resources related to OPEB from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 464	$ -
Difference between expected and actual experience	564	208
Changes in assumptions	95	-
Net difference between projected and actual earnings on OPEB plan investments	-	13
Total	$ 1,123	$ 221

The $464,000 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2024 measurement date will be recognized as an addition to the net OPEB asset during the year ending June 30, 2026.

Other amounts reported as deferred outflows/(inflows) of resources related to OPEB will be recognized as expense as follows (dollar amounts in thousands):

Fiscal Year Ending June 30:	Deferred Outflows/ (Inflows) of Resources
2026	$ (4)
2027	350
2028	142
2029	(50)
	$ 438

Note 11 - Purchase Commitments

In the ordinary course of business, SJCE enters into various power purchase agreements and energy storage services agreements of different duration (i.e., short-, medium-, and long-term) to acquire renewable and other power supply products, and resource adequacy (RA). The price and volume of purchased resources may be fixed or variable. Variable pricing is generally based on the market price of either natural gas or electricity on the date of delivery. Variable volume is generally associated with contracts to purchase energy from as-available resources such as solar, wind, and hydro-electric facilities.

The following table represents the expected, undiscounted, contractual commitments for energy storage, power, and electric capacity outstanding as of June 30, 2025 (in thousands):

Year ended June 30,	
2026	$ 337,741
2027	286,790
2028	247,951
2029	230,763
2030	229,847
2031 - 2048	1,949,856
Total	$ 3,282,948

Note 12 - Contingencies

Claims and Litigation

SJCE is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; contractual delays and defaults by energy suppliers; and natural disasters. SJCE funds the costs of salaries and benefits, including the cost of workers' compensation coverage, for employees in the Energy Department.

Reliability

The CPUC adopted a Resource Adequacy ("RA") policy framework in 2004 in an effort to ensure the reliability of electric service in the State of California. In particular, the RA policy framework is designed to ensure that CPUC jurisdictional Load Serving Entities, such as SJCE, have sufficient capacity to meet their peak load plus a planning reserve margin. The City has paid four CPUC citations assessed against the City for failing to procure RA in amounts sufficient to satisfy the 2019 ($6.8 million), 2020 ($1.1 million), 2021 ($758,000), and 2023 ($10,000) RA Requirements. SJCE prioritizes full compliance with the RA requirements, however tight RA market conditions and project delays make compliance challenging in months with high peak load. Future RA deficiencies and CPUC citations remain a possibility due to high prices, constrained supply, regulatory changes, and the implementation of an RA program framework requiring twenty-four hourly compliance obligations in each month.

Power Charge Indifference Adjustment ("PCIA")

The PCIA is a fee PG&E charges CCA customers to cover the above-market costs associated with PG&E's power generation portfolio and is revised annually. CCAs factor the PCIA into their rate setting. The volatility of the PCIA, which is tied to energy prices, continues to create uncertainty in rate and budget forecasting, however the use of internal forecasting tools and recent CPUC proceeding decisions have created some additional predictability and allowed SJCE to plan for future PCIA impacts. For example, track one of the current PCIA proceedings adopted constraints on how the Resource Adequacy portion of the PCIA benchmark is derived, which should reduce unexpected swings. Track two is expected to begin in early 2026 and will include any additional benchmark revisions and improved mechanisms to reduce rate volatility, among other related topics.

Provider of Last Resort

In May 2025, the Provider of Last Resort ("POLR") proceeding at the CPUC revised the Financial Security Requirement ("FSR") methodology in which CCAs like SJCE must provide financial security (in the form of letter of credit, surety bonds, or cash) in case of an unexpected CCA default and customer return to the IOU, the current POLRs. The recent decision increased the minimum FSR posting for SJCE from $0.15 million to approximately $1.52 million (calculated as PG&E's administrative fee times the number of SJCE customer accounts), improves the accuracy of the FSR and re-entry fee calculations, updates the requirements concerning CCA registration and deregistration, and creates financial monitoring of the financial status of CCAs.

Green-e CY2022 Decertification

In February 2024, SJCE was informed by the Center for Resource Solutions ("CRS") that due to a clerical error, SJCE's TotalGreen product could not be certified by the Green-e® Energy program between the dates of January 1, 2022 and December 31, 2022. On August 15, 2024, SJCE contacted their 2022 TotalGreen customers to offer refunds for the net difference between GreenSource and TotalGreen rates that customers had paid for 2022, should Green-e® certification be an important factor in their decision to choose TotalGreen. SJCE had already voluntarily terminated participating in the Green-e® certification program for their TotalGreen product as of January 1, 2024, with little customer attrition due to this change. The total potential refunds due to this decertification was $856,000, however it was improbable that such a magnitude of claims would have been asserted due to customer feedback regarding how important Green-e® certification was to them. A refund total of $75,000 was accounted for as a liability in fiscal year 2024. In fiscal year 2025, the actual amount paid was approximately $1,000 and the remaining liability was reversed leaving a balance of zero at year end.

Integrated Resource Planning ("IRP") Mid-Term Reliability Order

The CPUC, through the Integrated Resource Planning (IRP) Rulemaking [R.20-05-003], has required jurisdictional Load Serving Entities (LSEs) to procure new resources to ensure reliability. The 2021 Mid-Term Reliability (MTR) Order (D.21-06-035) and the Supplemental MTR Order (D.23-02-040) direct SJCE to meet annual online compliance targets between 2023 and 2028. A later decision (D.24-02-047) modified these requirements by allowing a subset of "long-lead-time" resources to come online as late as June 1, 2031, provided that 2028 compliance is met with other generic eligible resources.

LSEs face penalty risk if projects are delayed or fail. To mitigate this, the CPUC has permitted LSEs to use "bridge" capacity contracts to cover delays until new resources come online. In a recent decision (D.25-09-007), LSEs with delayed projects will be considered compliant if they: (1) have sufficient executed long-term contracts to meet their procurement obligations, and (2) continue to meet month-ahead system RA requirements during the delay period. SJCE has managed penalty risk by securing bridge contracts and ensuring ongoing compliance with its monthly RA obligations.

Energy Efficiency Elect to Administer Program

In September 2021, SJCE received approval from the CPUC to Elect to Administer residential and commercial energy efficiency programs with a budget allocation of $5.1 million. In August 2024, SJCE was notified that there may have been a flaw in the calculations that CCAs used to develop the program budgets and ceased program operation. The CPUC directed SJCE to repay unspent funds and in June 2025, $2.083 million in unspent funds were transferred back to PG&E. The energy efficiency programs and final reporting concluded as planned on December 31, 2024.

REQUIRED SUPPLEMENTARY INFORMATION

(UNAUDITED)

SAN JOSE CLEAN ENERGY • 2025
(An Enterprise Fund of the City of San José)

Schedule of the Proportionate Share of the Net Pension Liability (Asset)
(Dollar Amounts in Thousands)

	2025	2024	2023	2022	2021	2020	2019
Proportion of the collective net pension liability	0.02%	0.03%	0.03%	(0.17%)	(0.08%)	(0.06%)	-%
Proportionate share of the collective net pension liability (asset)	$ 439	$ 512	$ 529	$ (2,747)	$ (1,660)	$ (1,156)	$ -
Covered payroll	$ 6,209	$ 4,520	$ 3,692	$ 2,650	$ 2,336	$ 2,181	$ 1,627
Proportionate share of collective net pension liability (asset) as percentage of covered payroll	7.07%	11.33%	14.33%	(103.66%)	(71.06%)	(53.00%)	-%
Plan fiduciary net position as a percentage of the total pension liability	61.68%	59.55%	57.75%	63.72%	51.07%	50.41%	51.00%

Schedule of Employer Contributions - Defined Benefit Pension Plan
(Dollar Amounts in Thousands)

	2025	2024	2023	2022	2021	2020	2019
Actuarially determined contribution	$ 3,871	$ 3,112	$ 2,340	$ 2,209	$ 1,770	$ 1,429	$ 804
Contribution in relation to the actuarially determined contributions	3,871	3,112	2,340	2,209	1,770	1,429	804
Difference between actuarially determined contribution and contributions made	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 7,715	$ 6,209	$ 4,520	$ 3,692	$ 2,650	$ 2,336	$ 2,181
Contributions as a percentage of covered payroll	50.18%	50.12%	51.77%	59.83%	66.79%	61.18%	36.86%

Methods and assumptions used to determine contributions

Fiscal year	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
Valuation date	**June 30, 2023**	**June 30, 2022**	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**
Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age
Asset valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market
Discount rate	6.625%	6.625%	6.625%	6.625%	6.750%	6.750%	6.875%
Salary increases	3.00% plus merit component based on years of service	3.00% plus merit component based on years of service	3.00% plus merit component based on years of service	3.00% plus merit component based on years of service	3.00% plus merit component based on years of service	3.25% plus merit component based on years of service	3.25% plus merit component based on years of service
Amortization growth rate	2.75%	2.75%	2.75%	2.75%	2.75%	3.00%	3.00%
Amortization method	Unfunded actuarial liability as of June 30, 2009 was amortized over a closed 30-year period commencing June 30, 2009. Gains, losses and plan changes are amortized over 20-year periods, and assumption changes are amortized over 25-year periods. Tier 2's Unfunded Actuarial Liability as of June 30, 2017 is amortized over a 10-year period. Tier 2 actuarial gains and losses, assumption changes, and plan changes are amortized over 10-year periods	Unfunded actuarial liability as of June 30, 2009 was amortized over a closed 30-year period commencing June 30, 2009. Gains, losses and plan changes are amortized over 20-year periods, and assumption changes are amortized over 25-year periods. Tier 2's Unfunded Actuarial Liability as of June 30, 2017 is amortized over a 10-year period. Tier 2 actuarial gains and losses, assumption changes, and plan changes are amortized over 10-year periods	Unfunded actuarial liability as of June 30, 2009 was amortized over a closed 30-year period commencing June 30, 2009. Gains, losses and plan changes are amortized over 20-year periods, and assumption changes are amortized over 25-year periods. Tier 2's Unfunded Actuarial Liability as of June 30, 2017 is amortized over a 10-year period. Tier 2 actuarial gains and losses, assumption changes, and plan changes are amortized over 10-year periods	Unfunded actuarial liability as of June 30, 2009 was amortized over a closed 30-year period commencing June 30, 2009. Gains, losses and plan changes are amortized over 20-year periods, and assumption changes are amortized over 25-year periods. Tier 2's Unfunded Actuarial Liability as of June 30, 2017 is amortized over a 10-year period. Tier 2 actuarial gains and losses, assumption changes, and plan changes are amortized over 10-year periods	Unfunded actuarial liability as of June 30, 2009 was amortized over a closed 30-year period commencing June 30, 2009. Gains, losses and plan changes are amortized over 20 year periods, and assumption changes are amortized over 25-year periods. Tier 2's Unfunded Actuarial Liability as of June 30, 2017 is amortized over a 10-year period.	Unfunded actuarial liability as of June 30, 2009 was amortized over a closed 30- year period commencing June 30, 2009. Gains, losses and plan changes are amortized over 20 year periods, and assumption changes are amortized over 25-year periods. Tier 2's Unfunded Actuarial Liability as of June 30, 2017 is amortized over a 10-year period.	Unfunded actuarial liability as of June 30, 2009 was amortized over a closed 30-year period commencing June 30, 2009. Gains, losses and plan changes are amortized over 20 year periods, and assumption changes are amortized over 25-year periods. Tier 2's Unfunded Actuarial Liability as of June 30, 2017 is amortized over a 10-year period.

Mortality	Adjusted 2010 Public General (healthy and disabled) mortality tables projected on a generational basis with the SOA MP-2021 projection scale	Adjusted 2010 Public General (healthy) and 2009 CalPERS (disabled) mortality tables projected on a generational basis with the SOA MP-2021 projection scale	Adjusted 2010 Public General (healthy) and 2009 CalPERS (disabled) mortality tables projected on a generational basis with the SOA MP-2021 projection scale	Adjusted 2010 Public General (healthy) and 2009 CalPERS (disabled) mortality tables projected on a generational basis with the SOA MP-2020 projection scale	Adjusted 2010 Public General (healthy) and 2009 CalPERS (disabled) mortality tables projected on a generational basis with the SOA MP-2019 projection scale	Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP- 2018 projection scale	Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP- 2017 projection scale

Note to Schedules

As a cost-sharing enterprise fund of the City, SJCE is required to recognize a liability/(asset) for its proportionate share of the City's collective net pension liability. SJCE recognizes pension expense and reports deferred outflows of resources and deferred inflows of resources related to pension for its proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to pensions.

The schedules present information to illustrate changes in SJCE's proportionate share of the net pension liability (asset) and contributions over a 10-year period when the information is available. SJCE commenced operations in fiscal year 2018.

Schedule of the Proportionate Share of the Net OPEB Liability (Asset)
(Dollar Amounts in Thousands)

	2025	2024	2023	2022	2021	2020	2019
Proportion of the collective net OPEB liability (asset)	(0.45%)	(0.63%)	(0.37%)	(0.67%)	(0.31%)	(0.19%)	(0.20%)
Proportionate share of the collective net OPEB liability (asset)	$ (1,417)	$ (1,835)	$ (1,210)	$ (1,878)	$ (1,062)	$ (715)	$ (742)
Covered payroll	$ 7,338	$ 5,331	$ 4,319	$ 3,757	$ 2,336	$ 2,181	$ 1,627
Proportionate share of the collective net OPEB asset as percentage of covered payroll	(19.31%)	(34.42%)	(28.02%)	(49.99%)	(45.46%)	(32.78%)	(45.61%)
Plan fiduciary net position as a percentage of the total OPEB liability	56.67%	56.32%	51.46%	57.80%	46.67%	43.81%	42.57%

Schedule of Employer Contributions - Postemployment Healthcare Plan
(Dollar Amounts in Thousands)

	2025	2024	2023	2022	2021	2020	2019
Actuarially determined contribution	$ 464	$ 429	$ 317	$ 307	$ 349	$ 115	$ 148
Contribution in relation to the actuarially determined contributions	464	429	317	307	349	115	148
Difference between actuarially determined contribution and contributions made	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 8,001	$ 7,338	$ 5,331	$ 4,319	$ 3,757	$ 2,336	$ 2,181
Contributions as a percentage of covered payroll	5.80%	5.85%	5.95%	7.11%	9.29%	4.92%	6.79%

Methods and assumptions used to determine contributions

Fiscal Year	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
Valuation Date	**June 30, 2023**	**June 30, 2022**	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**
Timing	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year
Actuarial Cost Method	Individual entry age	Individual entry age	Individual entry age	Individual entry age	Individual entry age	Individual entry age	Individual entry age
Amortization Method/ Period	20-year layered amortization as a level dollar amount with 3 year phase-in and phase-out	20-year layered amortization as a level dollar amount with 3 year phase-in and phase-out	20-year layered amortization as a level dollar amount with 3 year phase-in and phase-out	20-year layered amortization as a level dollar amount with 3 year phase-in and phase-out	20-year layered amortization as a level dollar amount with 3 year phase-in and phase-out	20-year layered amortization as a level dollar amount with 3 year phase-in and phase-out	25-year layered amortization as a level dollar amount with 3 year phase-in and phase-out
Asset Valuation Method	Fair value of assets	Fair value of assets	Fair value of assets	Fair value of assets	Fair value of assets	Fair value of assets	Fair value of assets
Amortization growth rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Discount rate	6.000%	6.000%	6.000%	6.250%	6.750%	6.750%	6.88%
Ultimate rate of medical inflation	3.94%	3.94%	3.78%	3.78%	3.94%	4.25%	4.25%
Salary increases	3.00% plus merit component based on years of service	3.00% plus merit component based on years of service	3.00% plus merit component based on years of service	3.00% plus merit component based on years of service	3.00% based on years of service	3.25% based on years of service	3.25% based on years of service
Mortality	Adjusted 2010 Public General Mortality tables for healthy and disabled members projected on a generational basis with the SOA MP-2021 projection scale	Adjusted 2010 Public General Mortality tables for healthy members and adjusted 2009 CalPERS mortality tables for disabled members projected on a generational basis with the SOA MP-2021 projection scale	Adjusted 2010 Public General Mortality tables for healthy members and adjusted 2009 CalPERS mortality tables for disabled members projected on a generational basis with the SOA MP-2021 projection scale	Adjusted 2010 Public General Mortality tables for healthy members and adjusted 2009 CalPERS mortality tables for disabled members projected on a generational basis with the SOA MP-2020 projection scale	Adjusted 2010 Public General Mortality tables for healthy members and adjusted 2009 CalPERS mortality tables for disabled members projected on a generational basis with the SOA MP-2019 projection scale	Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2018 projection scale	Adjusted 2009 CalPERS mortality tables projected on a generational basis with the SOA MP-2018 projection scale

A complete description of the methods and assumptions used to determine contributions for the year ended June 30, 2025 can be found in the June 30, 2023 actuarial valuation report.

Changes in assumptions. The discount rate was 6.00% for FCERS for the measurement period ended June 30, 2024. Plan enrollment assumptions were updated based on recent experience and the expected impact of added and dropped plans. The per person cost trends were moved forward one year. Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information become available.

Note to Schedules

As a cost-sharing enterprise fund of the City, SJCE is required to recognize a liability/(asset) for its proportionate share of the City's collective net Other Postemployment Benefits (OPEB) liability. SJCE recognizes OPEB expense and reports deferred outflows of resources and deferred inflows of resources related to OPEB for its proportionate shares of collective OPEB expense and collective deferred outflows of resources and deferred inflows of resources related to OPEB.

The schedules present information to illustrate changes in the SJCE's proportionate share of the net OPEB liability (asset) and contributions over a 10-year period when the information is available. SJCE commenced operations in fiscal year 2018.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Honorable City Council
San José Clean Energy
San José, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the San José Clean Energy (SJCE), an enterprise fund of the City of San José, California (City), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the SJCE's financial statements, and have issued our report thereon dated November 13, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the SJCE's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the SJCE's internal control. Accordingly, we do not express an opinion on the effectiveness of the SJCE's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the SJCE's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Walnut Creek, California
November 13, 2025

SAN JOSE
CLEAN ENERGY

CITY OF
SAN JOSE
CAPITAL OF SILICON VALLEY

SAN JOSE **CLEAN ENERGY**

An Enterprise Fund of the City of San José, California