



## Staff Report Item 11

<b>To:</b>	Ava Community Energy Authority Board of Directors
<b>From:</b>	Russell Mills, CFO
<b>Subject:</b>	Allocation of Net Revenues to the Rate Stabilization Fund
<b>Date:</b>	September 17, 2025

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### **Summary/Recommendation**

Adopt a resolution contributing 100% of the net revenue surplus from Fiscal Year 2024-2025 to the Rate Stabilization Fund (RSF).

### **Financial Impact**

The contribution of net revenues to the RSF will have no material impact on Ava's current fiscal year approved budget, net position, or financial operations. The contribution will have an impact on Fiscal Year 2024-25 net revenues and the waterfall allocation of net revenues as revenues are deferred into the RSF for recognition in a future year. Separate action has been taken by the Ava Board to utilize the RSF for potential Fiscal Year 2025-26 financial needs with resolution R-2025-23.

### **Analysis and Context**

The previous item was brought forth to the Board of Directors (the "Board") in today's meeting whereby the RSF was established in name and in policy by a resolution. Please refer to this item for further details on the history and mechanisms for management, including funding target of 20% of operating expenses in the RSF.

The present balance of the fund is approximately \$57.2MM with three Board approved recognitions pending against the balance:

1. Resolution R-2025-23 authorized the recognition of up to \$35.3MM to be used to balance the Fiscal Year 2025-2026 Budget, with about \$3.2MM being a required contribution from the 2024-25 fiscal year
2. Resolution R-2024-26 recognizes about \$10.5MM in the 2027 calendar year for long-term contract renewable energy premium
3. Resolution R-2024-2 authorized an amount from audited net revenues from Fiscal Year 2023-2024 to be allocated to future solar and storage incentives equaling about \$15MM

The full record of recognition and utilization by fiscal year (FY) is presented in the table below.

FY Contribution Recognition			Balance	Purpose
2020	12,680,000	-	12,680,000	R-2020-26 establishes method to stabilize Local Development balance until Fund is established
2021	15,814,000	12,680,000	15,814,000	R-2020-26 recognizes LD balance with fund establishment via Budget. Contributed to PCIA PUBA balance through December 2023 as allocated by Audit
2022	-	-	15,814,000	No Activity
2023	37,200,000	-	53,014,000	R-2023-37 contributes ~\$10.5MM each for on-bill credits and PPA premium plus \$16.2MM for rate stabilization as allocated by audit
2024	37,407,824	10,504,837	79,916,987	R-2024-2 contributes for on-bill credits and NBT from FY 23-24 surplus revenue as allocated by audit. R-2023-58 recognizes on-bill credits from FY 2023 contribution
2025	<b>3,197,274</b>	22,319,294	60,794,967	<b>Bold contribution</b> is minimum contribution to meet FY 2026 approved recognition by R-2025-23. R-2024-73 recognizes net on-bill credits from previous FY contribution
2026	-	<b>35,327,000</b>	25,467,967	<b>Bold recognition</b> is Board approved for balancing FY 2025-26 budget by R-2025-23
2027	-	10,504,837	14,963,130	R-2024-26 recognize PPA premium contribution from 2023
2027	-	14,963,130	-	Possible recognition of NBT incentives contributed in FY 2024 by R-2024-2

*Fiscal Year 2024-2025 Waterfall of Budget Net Revenues*

With resolution R-2024-42, the Board approved the 2024-2025 fiscal year (FY) budget and a methodology of distribution of any net revenues—aka “the Waterfall”. This Waterfall was approved as follows:

1. The first \$50MM is to be applied to Ava’s reserve funds
2. For any additional surplus, the allocations will be:
  - a. \$25 CARE/FERA customer on-bill credits
  - b. \$25MM to be divided 60/40 to customer on-bill credits and solar storage incentives, respectively
  - c. Any surplus beyond would be added to reserve funds

Recent best estimates of forecasted surplus revenue from FY 2024-2025 is about \$107MM. Based on this strong performance staff recommends allocating the full amount to the RSF. This would increase the RSF balance to about \$129.4MM, or about 14.4% of current FY operating expenses. This will allow approximately \$104MM to be available for rate stabilization for the 2026-2027 fiscal year net of other pre-approved RSF utilizations. Note that future operating expenses are anticipated to increase due to expansion to San Joaquin County.

#### **Staff Recommendation**

Allocation of the full surplus to the RSF will serve Ava customers by working to preserve Ava’s value proposition against upcoming headwinds. Such headwinds include uncertainty in areas such as PCIA reform, energy markets volatility, and federal policy uncertainty.

Being sensitive to the various interest Ava provides to the community it serves, additional allocation scenarios were requested by the Board. The following table outlines a few alternative amended Waterfall scenarios.

Scenario	Contribution*	Balance	Pct OpEx**
<b>Budget Waterfall As Approved</b>			
Reserves	77,851,000	408,724,400	45.4%
Solar & Storage Incentives	10,000,000	24,963,130	
Customer Credits	19,258,000	19,258,000	
Rate Stabilization Fund***	-	(3,197,274)	-0.4%
<b>100% Allocation to RSF</b>			
Reserves	-	330,873,400	36.8%
Rate Stabilization Fund	107,109,000	103,911,726	11.6%
<b>90% RSF/10% Reserves</b>			
Reserves	10,710,900	341,584,300	38.0%
Rate Stabilization Fund	96,398,100	93,200,826	10.4%
<b>90% RSF/10% Customer Credits</b>			
Customer Credits	10,710,900	10,710,900	
Rate Stabilization Fund	96,398,100	93,200,826	10.4%
<b>80% RSF/20% Reserves</b>			
Reserves	21,421,800	352,295,200	39.2%
Rate Stabilization Fund	85,687,200	82,489,926	9.2%

\* Contributions to Reserves and RSF is based on 6/30/2025 estimates

\*\* Operating Expenses for FY 2025-26

\*\*\* Balance of RSF net of all outstanding, currently approved utilizations

Approval of staff recommendation of 100% allocation of net revenues to the RSF would amend the Waterfall to meet current balance requirements and set aside a material amount of revenues to protect Ava's value proposition to customers.

### **Committee Recommendation**

This item was brought forth to the Full Board on July 16, 2025 and to the Finance, Administrative, and Procurement Subcommittee on September 8, 2025, with the recommendation of approving an allocation to the RSF.

### **Attachments**

- A. Resolution to Approve the Allocation of Net Revenues to the Rate Stabilization Fund
- B. Allocation of Surplus PPT

**RESOLUTION NO. R-2025-xx**  
**A RESOLUTION OF THE BOARD OF DIRECTORS**  
**OF AVA COMMUNITY ENERGY AUTHORITY APPROVING AN ALLOCATION OF NET**  
**REVENUES TO THE RATE STABILIZATION FUND**

**WHEREAS** Ava Community Energy Authority (“Ava”) was formed as a community choice aggregation agency (“CCA”) on December 1, 2016, under the Joint Exercise of Powers Act, California Government Code sections 6500 *et seq.*, among the County of Alameda, and the Cities of Albany, Berkeley, Dublin, Emeryville, Fremont, Hayward, Livermore, Piedmont, Oakland, San Leandro, and Union City to study, promote, develop, conduct, operate, and manage energy-related climate change programs in all of the member jurisdictions. The cities of Newark and Pleasanton, located in Alameda County, along with the City of Tracy, located in San Joaquin County, were added as members of Ava and parties to the Joint Powers Agreement (“JPA”) in March of 2020. The city of Stockton was added as a member to Ava in September of 2022. The city of Lathrop was added as a member to Ava in October of 2023. San Joaquin County was added as a member to Ava in July 2024. On October 24, 2023, Ava legally adopted the name Ava Community Energy Authority, where it had previously used the name East Bay Community Energy Authority since its inception.

**WHEREAS** Ava currently maintains a Rate Stabilization Fund (RSF), which allows for the accrual and deferral of excess revenue, identified as budget surplus revenues, to be recognized in successive periods to offset uncontrolled cost variations and preserve positive net position for Ava by mechanisms of accounting governed under the Governmental Accounting Standards Board (GASB).

**WHEREAS** the RSF is an integral part of Ava’s waterfall of liquidity resources and is used for short-term budget cycle liquidity challenges and other financial matters necessary for maintaining budget stability year-to-year.

**WHEREAS** the 2025-26 fiscal year (FY) budget approved by the Board of Directors (the “Board”) requires amending the allocation of net revenues from FY 2024-25 to allow for a contribution to meet approved expenses as set forth by resolution R-2025-23.

**WHEREAS** the FY 2024-25 net revenues are forecasted to be near \$107 million.

**NOW, THEREFORE, THE BOARD OF DIRECTORS OF AVA COMMUNITY ENERGY AUTHORITY DOES HEREBY RESOLVE AS FOLLOWS:**

Section 1. The allocation of surplus revenues from the 2024-2025 fiscal year budget, originally set forth by resolution R-2024-42, is hereby amended to allow 100% of the surplus net revenues of the 2024-2025 fiscal year budget actuals as determined by the annual audit to be allocated to the RSF.

ADOPTED AND APPROVED this 17<sup>th</sup> day of September, 2025.

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Betsy Andersen, Chair

ATTEST:

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Adrian Bankhead, Clerk of the Board



# Allocation of Budget Surplus Board Meeting

Russell Mills| September 17, 2025



# Current Status of Deferred Revenue Allocations

- Ava established a "GASB 62 Budget Stabilization Fund" in 2020 by Resolution R-2020-26 that functions as a Rate Stabilization Fund (the “Fund”)
- The prior board item sought to formalize a Policy Document and a renaming to the Rate Stabilization Fund (RSF)
- The current balance of the Fund is approximately \$57.6MM
  - Up to \$35.3MM may be utilized to balance the current fiscal year budget by resolution R-2025-23
  - \$10.5MM approved for recognition in 2027 for renewable energy as deemed by resolution R-2023-58
  - \$15MM approved for recognition at a later date for solar + storage incentives by resolution R-2024-26



# Ava Rate Stabilization Fund Record of Utilization

- The current balance is approximately \$57.6MM
- The Rate Stabilization Fund is intended to be used to balance surplus and deficit reflecting over and under-collection year to year to stabilize customer rates
- Currently the Fund requires a \$3.2MM contribution from the forecasted surplus for 2024-25 to balance with obligations
- Based on the strong forecasted surplus of >\$107MM, staff proposes a recommendation to allocate all to the Fund
- Allocating the full surplus would increase available funds in the Rate Stabilization Fund to \$129.4MM at end of the current fiscal year

FY Contribution		Recognition	Balance	Purpose
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# Utilization of Ava's Rate Stabilization Fund

- Stabilizes Ava's rates charged to customers, helping preserve the value proposition
- Fosters strong financial covenant agreements with counterparties
- Funds are an integral part of Ava's waterfall of liquidity resources that maintain our ability to operate and supports our financial strength and "A" ratings

## The waterfall consists of four distinct levels for utilization:

1. Working Capital – Ongoing Operational Cash Flow
2. Rate Stabilization Fund – Smooth out cash flows during challenging budget cycles
3. Credit Facility – Post LOCs to operate and only draw if necessary
4. Reserve Funds – Financial strength base layer set aside as a "Disaster/Earthquake" fund

# Recommended Allocation of Budget Surplus

Attachment Staff Report Item 11B

Staff forecasts a Fiscal Year 2024-25 surplus of \$107 million

## **Staff recommends allocating 100% of the FY2024-25 Surplus to the Rate Stabilization Fund**

- Note that the % OpEx is anticipated to decrease in the following fiscal year due to expansion to San Joaquin County in 2026

Scenario	Contribution*	Balance	Pct OpEx**
<b>Budget Waterfall As Approved</b>			
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*** Balance of RSF net of all outstanding, currently approved utilizations			

# Questions and Discussion?