



## Staff Report Item 10

<b>To:</b>	Ava Community Energy Authority
<b>From:</b>	Howard Chang, CEO
<b>Subject:</b>	Calendar Year 2026 Budget Forecast & Adjustments
<b>Date:</b>	November 19, 2025

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### **Summary**

Staff is presenting on the financial forecast for calendar 2026 and reviewing recommended measures to offset a forecasted deficit of \$247MM from July 2025 to December 2026. This memo relies upon the comprehensive presentation detailing the calendar year 2026 financial forecast and measures available to allow Ava to reduce customer bills, remain competitive to PG&E, and offset a forecasted financial deficit.

Important context for this review is that Fiscal year 2024-25 actualized with a strong budget surplus of ~\$130.4MM serving to provide a significant Rate Stabilization Fund. Additionally, 2026 residential generation rates (Ava generation + PG&E PCIA charges) are forecasted to decrease by ~30% from 2025 levels. Reducing Ava's rates has been a critical focus to address affordability concerns in the face of rising electricity prices, primarily driven by PG&E's transmission & distribution charges.

Staff is seeking approval to:

- Direct 100% of the 2024-25 budget surplus to RSF
- Reduce local development funding by \$10MM from non-earmarked funding
- Move forward on the process to adjust the value proposition, effective January 2026 to:
  - 1% savings for Bright Choice and Renewable 100 at a 1¼¢ premium to PG&E
  - To be formally voted out by Board on Dec 17, 2025 following public comment
- Utilize up to the full Rate Stabilization Fund in 2026 to manage the financial deficit

- Staff is recommending future consideration of adjustments to 2027 procurement levels

This memo serves as a very succinct summary and reference should be made to the presentation for further details.

### **Attachments**

- A. Resolution #1: On-bill credit update
- B. Resolution #2: Local Development budget update
- C. PowerPoint Presentation

**RESOLUTION NO. R-2025-xx**  
**A RESOLUTION OF THE BOARD OF DIRECTORS**  
**OF AVA COMMUNITY ENERGY AUTHORITY ON ON-BILL CREDIT**  
**ALLOCATION OF SURPLUS REVENUE FROM FISCAL YEAR 2024-2025**

**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**, on June 12, 2024, the Board of Directors (the “Board”) approved a plan to allocate Fiscal Year 2024-2025 net position surplus money to reserve funds, a CARE/FERA customer on-bill credit, and to Net Billing Tariff incentives program;

**WHEREAS**, on September 17, 2025 the Board approved an amendment to allocate 90% of the Fiscal Year 2024-2025 net position surplus money to a Rate Stabilization Fund and 10% to a CARE/FERA customer on-bill credit;

**WHEREAS**, staff have completed the financial audit for Fiscal Year 2024-2025, and the Board has received the final audit results;

**WHEREAS**, Structural reform to the Power Charge Indifference Adjustment in 2025 and energy market changes created a material and detrimental impact on revenue, (the “Fiscal Impact”);

**WHEREAS**, due to the Fiscal Impact, the forecast for 2026 shows a significant budget deficit which would be aided by the inclusion of the full Fiscal Year 2024-2025 surplus into the Rate Stabilization Fund.

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

Section 1. Allocate 100% of Fiscal year 2024-2025 net position surplus to a Rate Stabilization Fund, superseding a Board amendment made on September 17, 2025

ADOPTED AND APPROVED this 19th day of November 2025.

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Betsy Andersen, Chair

ATTEST:

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Adrian Bankhead, Clerk of the Board

**RESOLUTION NO. R-2025-xx**  
**A RESOLUTION OF THE BOARD OF DIRECTORS**  
**OF AVA COMMUNITY ENERGY AUTHORITY TO AMEND THE LOCAL**  
**DEVELOPMENT BUDGET**

**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** The Board approved nearly \$105M towards Local Development funding from Fiscal Year (FY) 2020 through FY 2025;

**WHEREAS** As presented to the Board in March 2025, some of the Local Development budget allocation from FY 2020 through FY 2025 has not been assigned to specific work or programs;

**WHEREAS** On June 18, 2025, the Board approved an additional \$10,190,000 to be allocated to Local Development work as part of the FY 2026 budget for the agency, of which \$4M was assigned to “Future Roadmap Funding”;

**WHEREAS**, Structural reform to the Power Charge Indifference Adjustment in 2025 and energy market changes created a material and detrimental impact on revenue, (the “Fiscal Impact”)

**WHEREAS**, due to the Fiscal Impact, the forecast for 2026 shows a significant budget deficit, which would be aided by a \$10MM reduction in Local Development Funding.

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

Section 1. The Board approves a reduction of the Local Development budget allocation from FY 2020 through FY 2025 by \$6M from unassigned funding.

Section 2. The Board approves a reduction of the Local Development budget allocation for FY 2026 by \$4M by eliminating the budget for “Future Roadmap Funding.”

ADOPTED AND APPROVED this 19<sup>th</sup> day of November, 2025.

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Betsy Andersen, Chair

ATTEST:

Adrian Bankhead, Clerk of the Board

# Calendar Year 2026 Financial Forecast & Adjustments

November 19, 2025



# Introduction

- Fiscal year 2024-25 actualized with a strong budget surplus of ~\$130.4MM
- 2026 residential generation rates (Ava generation + PG&E PCIA charges) are forecasted to decrease by ~30% from 2025 levels
- Review calendar year 2026 financial forecast and consider different measures to allow Ava to reduce customer bills, remain competitive to PG&E, and offset a forecasted financial deficit of \$247MM from July 2025 to December 2026
  - 2025 PCIA and energy market price changes
  - Historical generation rates
  - 2026 Financial Forecast
  - Measures to consider
- Staff is recommending a number of measures for board consideration, some of which require action in Nov/Dec: Adjustments to value proposition, changes to 2024-25 budget surplus allocation, and changes to local development funding
- With the established RSF, substantial Reserves, Compliance Period Procurement Method, \$300MM line of credit, and the value that we have created for our customers since launching in 2018, we are well positioned to work through challenges in 2026 and significantly reduce customer rates



# PCIA and Market Price Changes

## June 2025 CPUC PCIA Reform (Track 1)

- CPUC adopted a decision ([D.25-06-049](#)) under an accelerated 4-month schedule revising how Market Price Benchmarks (“MPBs”) are calculated for Resource Adequacy (“RA”).
  - Note: Ava and CalCCA’s requests for rehearing to the CPUC were denied ([D.25-10-061](#)).*
- RA MPBs now use multi-year averaging instead of single-year data, among other changes. This smooths the effect of price volatility, lowers MPBs for 2025 and 2026, and increases the Power Charge Indifference Adjustment (“PCIA”).
- This change is being implemented to 2026 rates and includes a retroactive true-up on 2025 rates
- Track 2 (2026-27) will examine potential changes to renewable and brown power MPB calculations

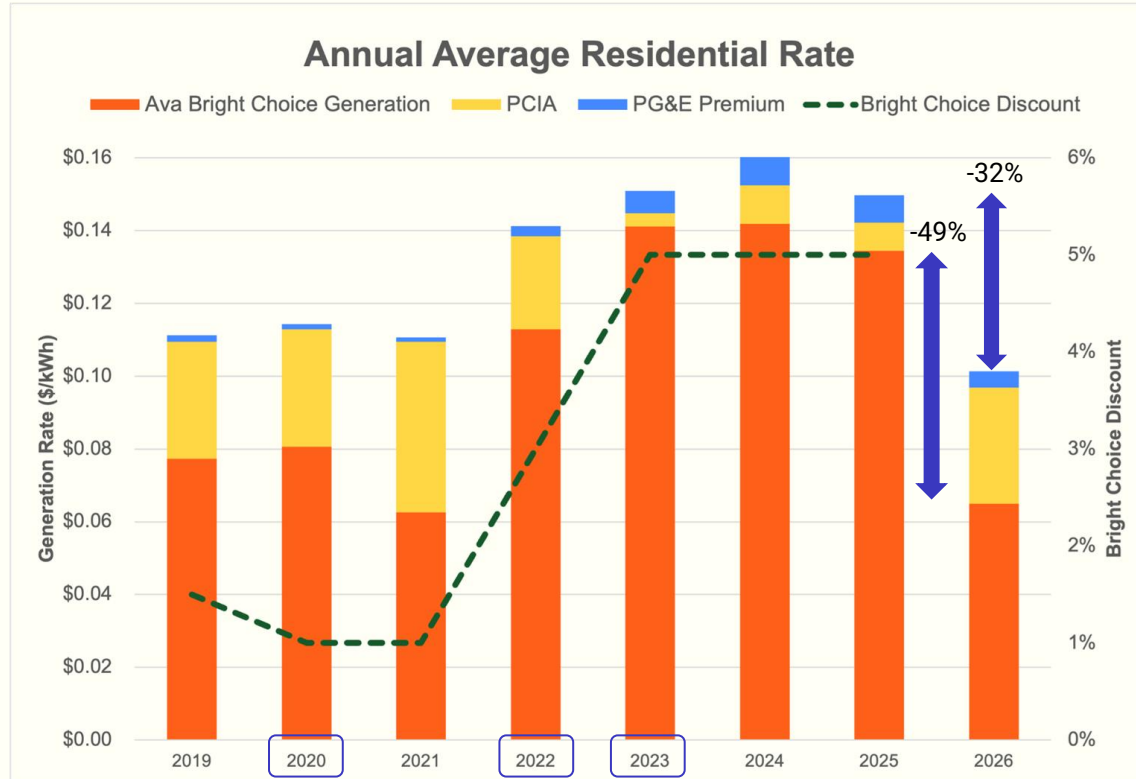
## October 2025 PG&E ERRA Filing

- PG&E’s Energy Resource Recovery Account (ERRA) filing provided revised revenue requirements, PCIA MPBs, and 2026 rates
- RA MPBs decrease materially due to PCIA reform while Renewables and Brown Power decrease due to softening prices

<u>PG&amp;E PCIA Adders</u>	<u>Forecast 2025**</u>	<u>Final 2025**</u>	<u>Forecast 2026**</u>	<u>% Δ 2025 Forecast vs. Final</u>
<b>RA (\$/kW-month)</b>				
System RA	\$42.54	\$11.21	\$11.53	(73.6%)
Local RA (PG&E)	\$13.29	\$11.21	\$11.53	(15.7%)
Flex RA	\$14.16	\$11.21	\$11.53	(20.8%)
<b>Renewables (\$/MWh)</b>	\$71.24	\$63.86	\$62.45	(10.4%)
<b>Brown Power (\$/MWh)</b>				
On Peak	\$55.02		\$50.20	(9.6%)
Off Peak	\$53.18		\$52.31	(1.6%)

**\*\*Source:** [PG&E-06, \[2024\] Fall Update Testimony, \(A.24-05-009\), Table A & B, pp. 10–11](#); [Exhibit PG&E-06, \[2025\] Fall Update Testimony, \(A.25-05-011\), Table A & B, pp. 16-17](#).

# Historic Generation Rates



Note: Chart reflects 2018 PCIA vintage TOU-C (Ava's most common residential rate)

Ava value proposition July update

- Ava is seeking to reduce its 2026 Bright Choice generation rates by ~40-50% from 2025 levels
- 2026 generation rates (including PCIA) are expected to decrease by ~32% from 2025 levels
- PG&E's 2026 T&D rates are projected to increase ~4% from 2025 levels
- 2026 overall electricity bills are projected to decrease by ~11% from 2025 levels

# 2025 to 2026 Forecasted Budget Impacts

	2025	2026	2026
OPERATING ACTIVITY	Jul-Dec	Jan-Jun	Jul-Dec
<b>TOTAL OPERATING REVENUE</b>	597,713,000	251,746,000	350,605,000
<b>EXPENSES &amp; OTHER USES</b>			
<b>Total Energy Operating Expenses</b>	461,757,000	392,265,000	533,546,000
<b>Total Overhead Operating Expenses</b>	21,368,000	24,185,000	25,158,000
<b>NET NON-OPERATING POSITION</b>	<b>2,618,000</b>	<b>2,003,000</b>	<b>6,799,000</b>
<b>TOTAL NET REVENUES</b>	<b>117,206,000</b>	<b>(162,701,000)</b>	<b>(201,300,000)</b>

- Cal Year 2026 deficit of (\$364MM), net with 2nd half 2025 surplus of \$117MM = **(\$247MM)**
- FY 2025-2026 estimates are updated from the board approved budget on June 18, 2025
  - Actuals: July to September; Updated projections: October to June
- FY 2026-2027 budget has the following assumptions:
  - Energy market forecasts are based on October ERRA and industry derived forward prices
  - 4% increase in operating expenses
  - \$0 allocated to Local Development

# Measures to Consider

Measure	Approximate Value	Cumulative Value
Rate Stabilization Fund (RSF)	\$149.5MM	\$149.5MM
Value Proposition Change in January 2026 <i>Bright Choice: 5% → 1% and Renewable 100: 0.25¢ → 1.25¢ per kWh</i>	\$51.7MM	\$201.2MM
2024-25 Budget Surplus On-bill credits moved to RSF	\$13.0MM	\$214.2MM
2025-26 Local Development budget reduction (non earmarked funding)	\$10.0MM	\$224.2MM
Reduce REC procurement	\$4-12MM	\$228.2MM

- Projected deficit for July 2025 through Dec 2026 is **(\$247MM)**
  - ~\$20MM deficit remains following all recommended actions
- Staff recommends very prudent management of expenses and close monitoring of actuals & liquidity
  - Consider further action in 2026 as 2nd half carries the largest proportion of deficit

# Summary of RSF and Reserve Balances

- **Staff recommends utilization of RSF in full in 2026 to offset the deficit**
- Staff does not recommend any material use of Reserves
  - Maintain sufficient liquidity and credit stability
- Utilization of RSF will lead to a significant reduction in cash levels
  - Ava has a \$300MM line of credit for short-term liquidity needs, if necessary
  - \$257MM is available, net of planned posted letters of credit

	As of June 30, 2025	Added	Current
RSF	32,129,726	117,375,392	149,505,118
Reserves	330,873,400	-	330,873,400
Totals	363,003,126	117,375,392	480,378,518

# Adjustments to Value Proposition

Attachment Staff Report Item 10C

Bright Choice and Renewable 100 value proposition adjustments scenarios

Generation Rate Discount to PG&E	2026 Revenue Contribution - Bright Choice (\$MM)	¢ per kWh Adder to PG&E	2026 Revenue Contribution - Renewable 100 (\$MM)	Bright Choice Discount, Renewable 100 Adder	2026 Revenue Contribution (\$MM)
4%	6.3	0.5	6.6	4%, 0.5¢	12.9
3%	12.6	0.75	13.3	3%, 0.75¢	25.8
2%	18.8	1.0	19.9	2%, 1.0¢	38.7
1%	25.1	1.25	26.5	1%, 1.25¢	51.7
0%	31.4	1.5	33.2	0%, 1.5¢	64.6

Ava has updated the value proposition three times. Bright Choice was at a 1% savings 2020-2022 years.

Service Plan	Start Service 2018	July 2020	July 2022	July 2023 - Current
Bright Choice % below PG&E	1.5%	1%	3%	5%
Renewable 100 Premium	1¢		0.75¢	0.25¢

# Recommended Adjustments to Value Proposition

## **Staff recommends adjusting the value proposition, effective January 2026 to:**

- 1% savings for Bright Choice
- Renewable 100 at a 1.25¢ premium to PG&E

### Note:

- Historically, when rates are high Ava's Bright Choice discount has increased and when rates are low, the discount has decreased
- Renewable 100 at a 1.25¢ premium in 2026 is 20% lower than 2025's Bright Choice rate

Ava Generation Plus PCIA	Average Residential Rate (\$/kWh)			Percent Rate Decrease	
	2025	2026, Current	2026, Proposed	2025 to 2026, Current	2025 to 2026, Proposed
Bright Choice	0.1422	0.0969	0.1003	32%	29%
Renewable 100	0.1522	0.1038	0.1138	32%	25%

# Value Proposition Update Schedule

Ava follows the Board-adopted protocol in updating the Ava value proposition:

Protocol Event	Schedule (approx)
Present to Full Board (Added step to the required protocol)	11/19
Present rates to Executive Committee	12/3
Two community webinars	11/24 - 12/5
Receive written comments.	11/20 - 12/8
Presentation to Community Advisory Committee	12/15
Present findings & feedback from Exec Committee, CAC, public webinar, and written comments to the Board prior to a decision	12/17

Protocol adopted on 5/18/2022



# Ava Customer Savings and Value

## \$174 million

Total customer savings since 2018

## \$115 million

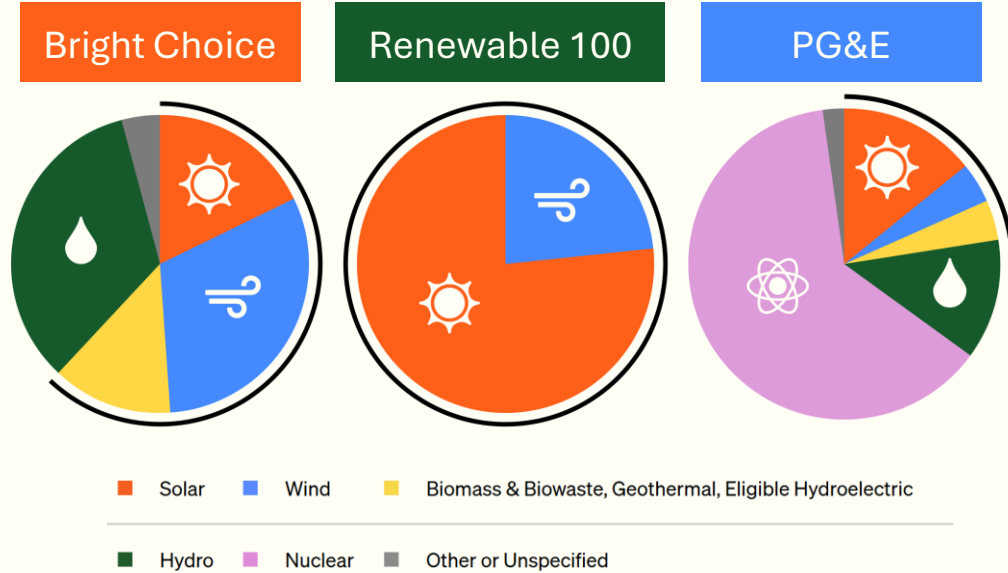
Reinvested in our communities since 2018 through programs, such as:

- Local Infrastructure
  - Critical Municipal Facilities
  - Ava Charge
- Programs
  - Ava Bike Electric
  - SmartHome Charging
  - Health-e Communities
- Local sponsorships
- Community grants
- Local vendor spending

## \$40 million

Paid to date for local generation, driving economic development, local union jobs, and tax revenue

- Scott Haggerty Wind Energy Center
- Kola Battery Storage System



## 2024-25 Budget Surplus On-bill credits moved to RSF

### **Staff recommends directing 100% of the 2024-25 budget surplus to RSF**

Fiscal Year 2024-25 budget surplus allocation was amended at Sept 17, 2025 Board meeting

- 90% of surplus net revenues to be allocated to the Rate Stabilization Fund
- 10% to on-bill credits for CARE/FERA customers \$13,041,710
  - Potential for one-time \$80 on-bill credit

Previous on-bill credits provided to CARE/FERA customer bills:

- \$100 in January 2025
- \$50 in November 2023 and August 2022

Generation rates (inclusive of PCIA) are expected to decrease by 30% in 2025

- Avg monthly CARE Ava generation charges in 2025: \$54
- Avg monthly CARE Ava generation charges in 2026 (@ 1% discount): \$38
- Estimated annual generation bill reduction in 2026: \$192
- Customer savings is greater through rate reduction compared to a one-time bill credit
- Note: This does not account for any changes in PG&E's T&D charges

# Local Development Budget reduction

- **Staff recommends reducing Local Development funding by \$10MM,**
  - \$6MM from previously non-earmarked funding
  - \$4MM from 2025-26 non-earmarked budget
- Ava has allocated a total of \$104.5MM historically 2019-2025
  - ~\$17.1MM has been fully expensed, the remainder to be spent over the life of the program
  - Larger budget programs are in execution or late stages of design with most program dollars to be fully spent in next 5-10 years
  - ~\$9.5MM of funding is currently not earmarked for a specific program
  - Detailed Fund accounting was provided in the March 2025 Board meeting
- 2025-2026 budget includes an allocation of \$10.2MM to Local Development with \$4MM that was not earmarked to a specific program, but intended for future programs

# Renewable Energy Procurement Adjustments

Attachment Staff Report Item 10C

2026 (Base Case)	
Renewable	52.7%
Hydro	17.9%
Nuclear	6.5%
Unspecified	22.9%
GHG Emis. intensity	299
Excess '24 RE applied	7.3%
Excess '24 Hydro applied	3.1%

## Base Case:

- Renewable + Hydro = 70.6%
- Utilizes excess procurement from 2024/2025 to meet target
- Retains ~5% excess hydro for 2027

Estimated savings: n/a

2026 (5% RE/Hydro Reduction)	
Renewable	47.7%
Hydro	12.9%
Nuclear	6.5%
Unspecified	27.9%
GHG Emis. intensity	352
Excess '24 RE applied	7.3%
Excess '24 Hydro applied	8%

## 5% Renewable Energy Reduction:

- Renewable + Hydro = 65.6%
- Fully utilizes excess procurement from 2024/2025
- Requires 5% additional renewables in 2027

Estimated savings: \$8MM

- **Staff recommends future consideration of adjustments to lower 2027 procurement targets**
- Ava Compliance Period Procurement covers 2024-2027
- 2024/25 excess procurement = 15.3%
  - RE: 7.3% (in 2026 volumes)
  - Hydro: 8% (in 2026 volumes)
- 2026 RE + Hydro Ava target: 81%
- 2027 RE + Hydro Ava target: 85%
- A 5% reduction in 2027 renewable procurement is ~\$6MM savings

Note: Scenarios are estimates; exact savings, PCL %, & emissions to be determined by actual transactions

# Conclusion

- Ava is seeking to reduce overall generation charges by 25-30% in 2026 with Ava's generation component going down 40-50%
- Such a significant rate reduction is projected to lead to a forecasted deficit of ~\$247MM for the July 2025 to Dec 2026 timeframe
- Staff is recommending several measures to allow Ava to reduce customer bills and remain competitive to PG&E, while offsetting the forecasted financial deficit
- Staff is seeking approval to:
  - Direct 100% of the 2024-25 budget surplus to RSF
  - Reduce local development funding by \$10MM from non-earmarked funding
  - Move forward on the process to adjust the value proposition, effective January 2026 to:
    - 1% savings for Bright Choice and Renewable 100 at a 1.25¢ premium to PG&E
    - To be formally voted out by Board on Dec 17, 2025 following public comment
  - Utilize up to the full Rate Stabilization Fund in 2026 to manage the financial deficit (a formal review and authorization to come with the 2026-27 budget cycle)
  - Consider future adjustments to 2027 energy procurement targets



