



Staff Report Item 11

To:	Ava Community Energy Authority Board of Directors
From:	Howard Chang, CEO
Subject:	Mid-Year Budget Review
Date:	February 18, 2026

Recommendation

Receive the report informing Ava’s Board of Directors (the “Board”) of the mid-year budget performance for the 2025-26 fiscal year.

Analysis and Context

Every June, the Board approves the budget for the following fiscal year spanning from July 1st of that calendar year through June 30th of the following calendar year. Staff internally reviews budget performance regularly during the fiscal year and presents an update of these results to the Board at the mid-year mark.

Ava’s accounting generally requires about 45 days to close the preceding period to ensure all revenues and expenses are captured accurately. As such, the close of December 31st is typically mid-February. Presenting the mid-year analysis in February allows a more accurate presentation on the half-year performance.

The mid-year report presented covers the closed months of July through December 2025 actuals, and updated projections for the second half of the fiscal year: January through June 2026. Below is a concise high-level summary of our year-to-date financial performance.

Revenues

Revenues from sales are expected to come in approximately \$42MM above budget for the fiscal year due to moving forward the timeline to incorporate San Joaquin County from November 2026 to May and Board approved changes to the value proposition in calendar year 2026. These changes improved revenues by \$7.8MM and eliminated the need to use the budgeted \$35 million from the Rate Stabilization Fund (RSF).

Cost of Energy

Total cost of energy is down by about \$19.3MM driven predominately by favorable energy market conditions and reduction in renewable targets for 2026

Overhead

Total overhead expenses are expected to be down by about \$3.5MM due primarily to a more measured approach in filling vacant positions throughout the year.

Non-Operating Activity

Total annual net non-operating activity is expected to be about \$13.9MM above budget due to “higher for longer” interest rates on invested capital and reductions to Local Development

Net Revenues

Total annual net revenue is expected to be \$44.5MM above budget without the utilization of RSF.

Ava Community Energy	FY 2026 BUDGET FY 2026	FY 2026 ACTUAL FY 2026	FY 2026 Delta	FY 2026 %D
Revenue & Other Sources				
Electricity Sales	869,170,000	911,190,000	42,020,000	4.8%
Uncollectables	(8,692,000)	(9,111,000)	(419,000)	4.8%
Other Operating Revenue	0	1,525,000	1,525,000	0.0%
GASB 62	35,327,000	0	(35,327,000)	-100.0%
Total Operating Revenue	895,805,000	903,604,000	7,799,000	0.9%
Energy Operations				
Cost of Energy	836,970,000	817,671,000	(19,299,000)	-2.3%
Cost of Energy Services	14,056,000	14,122,000	66,000	0.5%
Total Energy Expenses	851,026,000	831,793,000	(19,233,000)	-2.3%
Overhead Expenses				
Personnel	29,639,000	26,093,000	(3,546,000)	-12.0%
Marketing & Communication	3,875,000	3,875,000	0	0.0%
Legal, Policy, & Regulatory Affairs	4,247,000	4,247,000	0	0.0%
Other Professional Services	3,515,000	3,515,000	0	0.0%
General & Administrative	7,091,000	7,091,000	0	0.0%
Total Overhead Expenses	48,367,000	44,821,000	(3,546,000)	-7.3%
Total Operating Expenses	899,393,000	876,614,000	(22,779,000)	-2.5%
Non-Operating Revenue				
Interest Income	15,066,000	19,118,000	4,052,000	26.9%
Grants	0	0	0	0.0%
Other Non-Operating Revenue	49,000	50,000	1,000	2.0%
Total Non-Operating Revenue	15,115,000	19,168,000	4,053,000	26.8%
Non-Operating Expenses				
Local Development Funding	10,190,000	190,000	(10,000,000)	-98.1%
Borrowing Interest	1,087,000	955,000	(132,000)	-12.1%
Capital Expenditures	250,000	524,000	274,000	109.6%
Total Non-Operating Expenses	11,527,000	1,669,000	(9,858,000)	-85.5%
NET NON-OPERATING REVENUES	3,588,000	17,499,000	13,911,000	387.7%
TOTAL NET REVENUES	0	44,489,000	44,489,000	0.0%

Attachment

- A. Power Point Presentation to Board



Fiscal Year 2025-26 Mid-Year Budget to Actuals Review

Board of Directors

Howard Chang | February 18, 2026



Introduction

- Every June, Ava’s Board of Directors (the “Board”) approves spending for the following fiscal year spanning from July 1st through June 30th of the following year.
- Staff reviews budget performance internally regularly and presents these results to the Board at, or about, the mid-year mark.
- Ava’s accounting cycle generally requires about 45 days to close a period to ensure all revenues and expenses are captured accurately. Thus, the close of December 31st is typically mid-February.
- Presenting the mid-year analysis in February allows a more accurate presentation on the true half year performance.
- The mid-year report presented today covers the closed months of July through December, and updated projections for the second half of the fiscal year—January through June. **These updated values will collectively be referred to as “updates”**
- This mid-year budget update incorporates more substantive updates from a typical year due to significant rate changes and following the board actions taken in December 2025

Ava Historical and 2026 Residential Generation Rates



Note: All data on this slide reflects 2018 PCIA vintage TOU-C (Ava's most common residential rate)

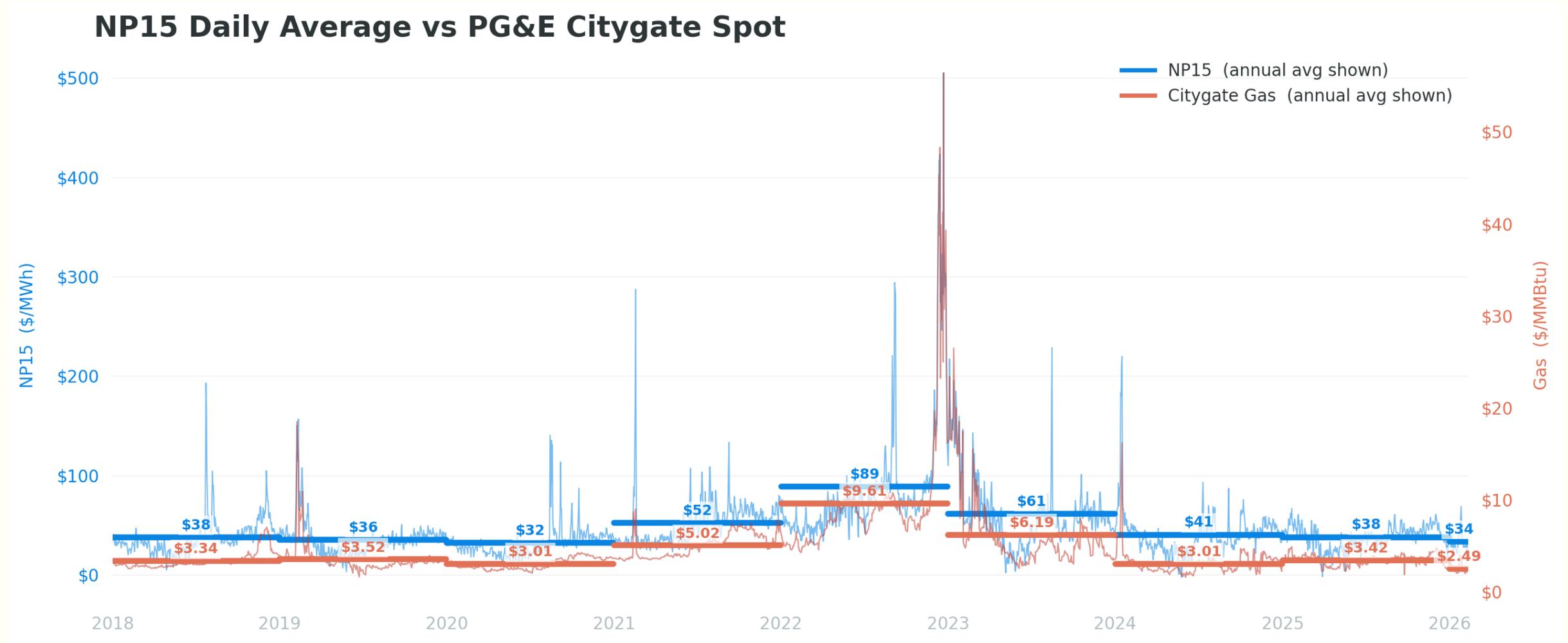
- PG&E's final Annual Energy True-up (AET) was released on December 31st, which finalized 2026 rates
 - Avg 2026 rates in the AET were higher than the ERRA by ~12%
 - Relative to the Oct ERRA, this results in a 1.3 cent increase in Bright Choice customer rates with 0.7 cents from rates and 0.6 cents in PCIA
- Ava reduced 2026 Bright Choice generation rates by 42% (exclusive of PCIA) and 20% (inclusive of PCIA)
 - The Dec update reflected a 29% reduction (inclusive of PCIA)
- For Renewable 100 , 2026 generation rates are reduced by 34% (exclusive of PCIA) and 14% (inclusive of PCIA)
 - The Dec update reflected a 21% reduction (inclusive of PCIA)
- Average TOU-C residential Bright Choice customer bill is ~ \$10 less per month compared to 2025
- Average TOU-C residential Renewable 100 customer bill is ~ \$8 less per month compared to 2025

2026 Forward Energy Market Volatility



- The graph shows the forward price for full calendar year 2026 at the NP15 node over the past 5 years. NP15 is a close proxy to PG&E DLAP. Prices have been highly volatile for the past 5 years, reaching a peak in 2023 and have since steadily softened.

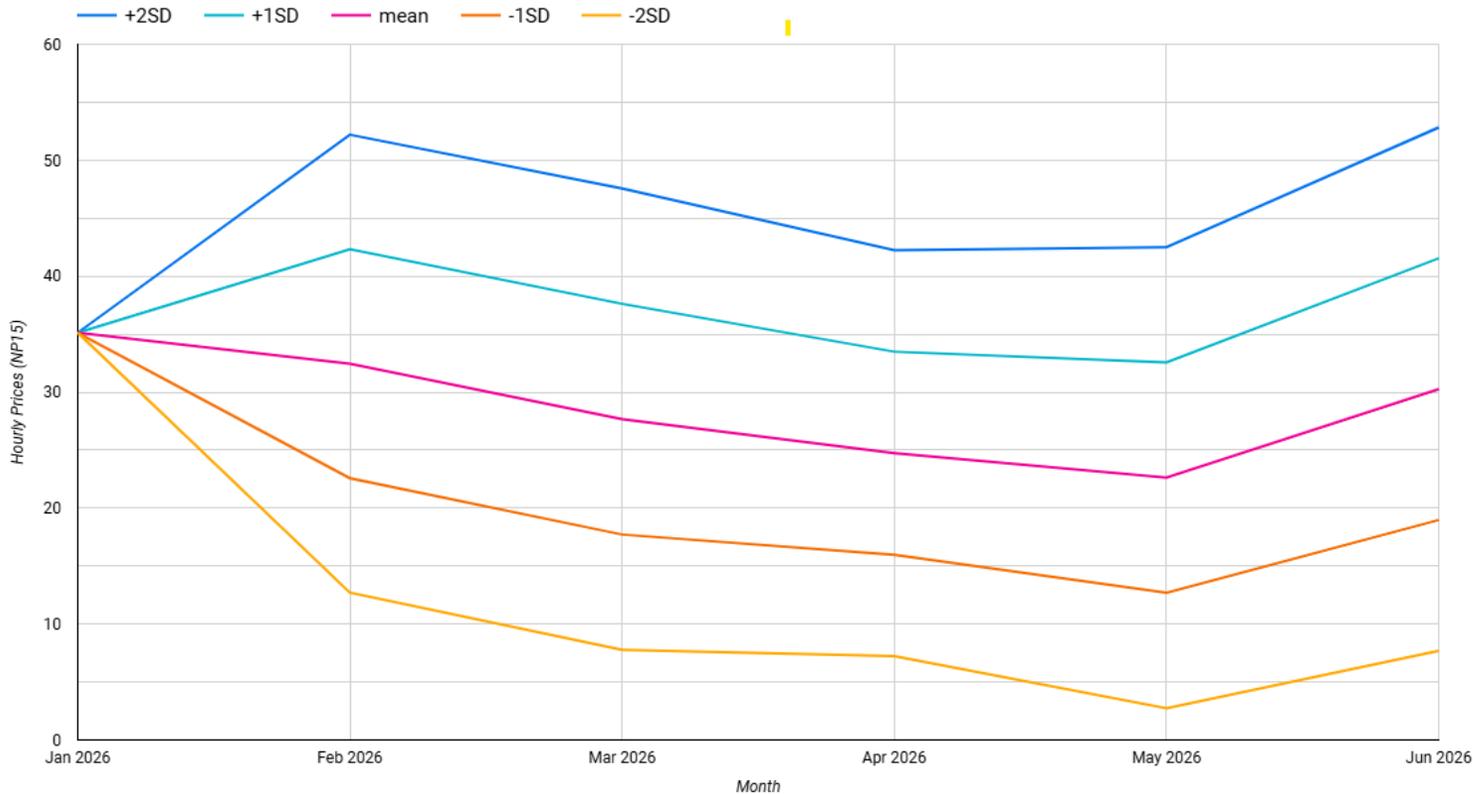
Historical Energy Market Volatility



- The graph to the right shows historical daily NP15 energy and PG&E Citygate natural gas hub prices.

Price Volatility—Impact on Market Prices to Fiscal Year Outcomes

Chart shows expected market prices (mean) and +/-1 and +/-2 standard deviation moves by calendar month



- Historically, March through May are low price volatility months
- Stressed price scenarios are for February through June
- +/-1 SD move across the 6-month period results in a \$12.7MM increase/decrease in energy costs
- +/-2 SD move across the 6-month period results in a \$25.1MM increase/decrease to energy costs

Ava Community Energy	FY 2026	FY 2026	FY 2026 Delta	FY 2026 %D
	BUDGET FY 2026	ACTUAL FY 2026		
Revenue & Other Sources				
Electricity Sales	869,170,000	911,190,000	42,020,000	4.8%
Uncollectables	(8,692,000)	(9,111,000)	(419,000)	4.8%
Other Operating Revenue	0	1,525,000	1,525,000	0.0%
GASB 62	35,327,000	0	(35,327,000)	-100.0%
Total Operating Revenue	895,805,000	903,604,000	7,799,000	0.9%
Energy Operations				
Cost of Energy	836,970,000	817,671,000	(19,299,000)	-2.3%
Cost of Energy Services	14,056,000	14,122,000	66,000	0.5%
Total Energy Expenses	851,026,000	831,793,000	(19,233,000)	-2.3%
Overhead Expenses				
Personnel	29,639,000	26,093,000	(3,546,000)	-12.0%
Marketing & Communication	3,875,000	3,875,000	0	0.0%
Legal, Policy, & Regulatory Affairs	4,247,000	4,247,000	0	0.0%
Other Professional Services	3,515,000	3,515,000	0	0.0%
General & Administrative	7,091,000	7,091,000	0	0.0%
Total Overhead Expenses	48,367,000	44,821,000	(3,546,000)	-7.3%
Total Operating Expenses	899,393,000	876,614,000	(22,779,000)	-2.5%
Non-Operating Revenue				
Interest Income	15,066,000	19,118,000	4,052,000	26.9%
Grants	0	0	0	0.0%
Other Non-Operating Revenue	49,000	50,000	1,000	2.0%
Total Non-Operating Revenue	15,115,000	19,168,000	4,053,000	26.8%
Non-Operating Expenses				
Local Development Funding	10,190,000	190,000	(10,000,000)	-98.1%
Borrowing Interest	1,087,000	955,000	(132,000)	-12.1%
Capital Expenditures	250,000	524,000	274,000	109.6%
Total Non-Operating Expenses	11,527,000	1,669,000	(9,858,000)	-85.5%
NET NON-OPERATING REVENUES	3,588,000	17,499,000	13,911,000	387.7%
TOTAL NET REVENUES	0	44,489,000	44,489,000	0.0%

Ava Community Energy Fiscal Year 2025-2026 Mid-Year Budget Update

- Expecting increase in operating revenue by \$7.8MM
 - Operating Revenue increases by \$42MM without use of Rate Stabilization Fund (GASB 62)
- Cost of Energy expected to improve by \$19.2MM based on favorable energy market conditions
- Overhead expenses forecasted to be reduced by \$3.5MM
- Non-Operating activity is expected to add an addition \$13.9MM to net revenues
- Net Revenues are projected to be positive by about \$44.5MM
 - Net Revenue increases by \$79.8MM without use of Rate Stabilization Fund (GASB 62)

The following slides provide more detail on these changes

Ava Community Energy

	FY 2026	FY 2026	FY 2026	FY 2026
	BUDGET	ACTUAL	Delta	%D
	JUL-DEC	JUL-DEC		

	BUDGET	ACTUAL	Delta	%D
Revenue & Other Sources				
Electricity Sales	631,109,000	593,422,000	(37,687,000)	-6.0%
Uncollectables	(6,311,000)	(5,934,000)	377,000	-6.0%
Other Operating Revenue	0	1,525,000	1,525,000	0.0%
GASB 62	0	0	0	0.0%
Total Operating Revenue	624,798,000	589,013,000	(35,785,000)	-5.7%
<i>Price Stress</i>				
Energy Operations				
Cost of Energy	460,972,000	437,546,000	(23,426,000)	-5.1%
Cost of Energy Services	6,849,000	6,978,000	129,000	1.9%
Total Energy Expenses	467,821,000	444,524,000	(23,297,000)	-5.0%
Overhead Expenses				
Personnel	14,820,000	11,783,000	(3,037,000)	-20.5%
Marketing & Communication	1,938,000	926,000	(1,012,000)	-52.2%
Legal, Policy, & Regulatory Affairs	2,124,000	1,420,000	(704,000)	-33.1%
Other Professional Services	1,758,000	1,013,000	(745,000)	-42.4%
General & Administrative	3,546,000	2,781,000	(765,000)	-21.6%
Total Overhead Expenses	24,186,000	17,923,000	(6,263,000)	-25.9%
Total Operating Expenses	492,007,000	462,447,000	(29,560,000)	-6.0%
NET OPERATING REVENUES	132,791,000	126,566,000	(6,225,000)	-4.7%
Non-Operating Revenue				
Interest Income	6,738,000	13,097,000	6,359,000	94.4%
Grants	0	0	0	0.0%
Other Non-Operating Revenue	24,000	26,000	2,000	8.3%
Total Non-Operating Revenue	6,762,000	13,123,000	6,361,000	94.1%
Non-Operating Expenses				
Local Development Funding	5,094,000	94,000	(5,000,000)	-98.2%
Borrowing Interest	511,000	429,000	(82,000)	-16.0%
Capital Expenditures	250,000	524,000	274,000	109.6%
Total Non-Operating Expenses	5,855,000	1,047,000	(4,808,000)	-82.1%
NET NON-OPERATING REVENUES	907,000	12,076,000	11,169,000	1231.4%
TOTAL NET REVENUES	133,698,000	138,642,000	4,944,000	3.7%

First Half FY2026 Budget to Actuals

- Revenues from sales were \$37.7MM under budget driven by lower load resulting from milder than expected weather
- Cost of Energy was \$23.4MM under budget driven by lower load/lower energy prices, higher than forecasted RA sales, and higher than forecasted large hydro production. This was partially offset by higher REC costs from higher than expected market price benchmarks.
- Overhead expenses are \$6.3MM below budget due to cost reductions, deferred hiring, and deferred functional area costs
- Non-Operating activity increased net revenues by \$11.2MM from higher interest rates on investments and reduced Local Development funding from the December Board decision
- Net revenues were \$5MM above expected budget

Second Half FY2026 Original Budget to Updated Budget

	FY 2026	FY 2026	FY 2026	FY 2026
	BUDGET	UPDATE	Delta	%Δ
	JAN-JUN	JAN-JUN		
Revenue & Other Sources				
Electricity Sales	238,061,000	317,768,000	79,707,000	33.5%
Uncollectables	(2,381,000)	(3,177,000)	(796,000)	33.4%
Other Operating Revenue	0	0	0	0.0%
GASB 62	35,327,000	0	(35,327,000)	-100.0%
Total Operating Revenue	271,007,000	314,591,000	43,584,000	16.1%
<i>Price Stress</i>				
Energy Operations				
Cost of Energy	375,998,000	380,125,000	4,127,000	1.1%
Cost of Energy Services	7,207,000	7,144,000	(63,000)	-0.9%
Total Energy Expenses	383,205,000	387,269,000	4,064,000	1.1%
Overhead Expenses				
Personnel	14,819,000	14,310,000	(509,000)	-3.4%
Marketing & Communication	1,937,000	2,949,000	1,012,000	52.2%
Legal, Policy, & Regulatory Affairs	2,123,000	2,827,000	704,000	33.2%
Other Professional Services	1,757,000	2,502,000	745,000	42.4%
General & Administrative	3,545,000	4,310,000	765,000	21.6%
Total Overhead Expenses	24,181,000	26,898,000	2,717,000	11.2%
Total Operating Expenses	407,386,000	414,167,000	6,781,000	1.7%
Non-Operating Revenue				
Interest Income	8,328,000	6,021,000	(2,307,000)	-27.7%
Grants	0	0	0	0.0%
Other Non-Operating Revenue	25,000	24,000	(1,000)	-4.0%
Total Non-Operating Revenue	8,353,000	6,045,000	(2,308,000)	-27.6%
Non-Operating Expenses				
Local Development Funding	5,096,000	96,000	(5,000,000)	-98.1%
Borrowing Interest	576,000	526,000	(50,000)	-8.7%
Capital Expenditures	0	0	0	0.0%
Total Non-Operating Expenses	5,672,000	622,000	(5,050,000)	-89.0%
NET NON-OPERATING REVENUES	2,681,000	5,423,000	2,742,000	102.3%
TOTAL NET REVENUES	(133,698,000)	(94,153,000)	39,545,000	-29.6%

- Revenues from electricity sales is forecasted to increase by \$43.6MM driven by changes in value proposition, higher than forecasted 2026 rates, and SJ County enrollment in May
 - Operating Revenue increases by \$79.7MM when excluding RSF (GASB62)
- Cost of Energy is forecasted to increase by \$4MM relative to budget driven by higher REC costs due to increased market price benchmarks and partially offset by lower energy costs
- In Overhead, continued savings from deferred hiring for open positions while deferred costs from the first half in other functional areas are back half weighted
- Non-Operating activity is expected to add about \$2.7MM due to reduced Local Development Funding offset by reduced expected interest income
- Net Revenues are expected to increase by \$39.5MM from the original budget
 - Net Revenues increase by \$74.9MM without use of RSF GASB62

Second Half Calendar 2026 Dec BOD to Updated

- Revenues from electricity sales is forecasted to increase by \$73.9MM driven by changes in value proposition and higher than December estimated 2026 rates
- Cost of Energy is forecasted to decrease by \$42.4MM driven by \$14.3MM in lower energy prices, \$11MM additional sales of RA length, and \$17MM reduced REC costs due to Board action and lower market prices
- No expected changes in Overhead
- Non-Operating Income reduced by expected changes in interest rates
- Non-Operating Expenses includes reduced Local Development Funding
- Net Revenues are expected to increase by \$114MM from December estimates, but still retains a structural deficit of \$87.5MM

Ava Community Energy	From Dec Deck	CY 2026	From Dec Deck	
	CY 2026	UPDATE	Jul-Dec	Jul-Dec
	JUL-DEC	JUL-DEC	Delta	%D
Revenue & Other Sources				
Electricity Sales	354,146,000	428,074,000	73,928,000	20.9%
Uncollectables	(3,541,000)	(4,281,000)	(740,000)	20.9%
Other Operating Revenue	0	0	0	0.0%
GASB 62	0	0	0	0.0%
Total Operating Revenue	350,605,000	423,793,000	73,188,000	20.9%
<i>Price Stress</i>				
Energy Operations				
Cost of Energy	526,093,000	483,668,000	(42,425,000)	-8.1%
Cost of Energy Services	7,453,000	7,455,000	2,000	0.0%
Total Energy Expenses	533,546,000	491,123,000	(42,423,000)	-8.0%
Overhead Expenses				
Personnel	15,560,000	15,560,000	0	0.0%
Marketing & Communication	1,984,000	1,984,000	0	0.0%
Legal, Policy, & Regulatory Affairs	2,175,000	2,175,000	0	0.0%
Other Professional Services	1,803,000	1,803,000	0	0.0%
General & Administrative	3,636,000	3,636,000	0	0.0%
Total Overhead Expenses	25,158,000	25,158,000	0	0.0%
Total Operating Expenses	558,704,000	516,281,000	(42,423,000)	-7.6%
Non-Operating Revenue				
Interest Income	7,434,000	5,686,000	(1,748,000)	-23.5%
Grants	0	0	0	0.0%
Other Non-Operating Revenue	25,000	25,000	0	0.0%
Total Non-Operating Revenue	7,459,000	5,711,000	(1,748,000)	-23.4%
Non-Operating Expenses				
Local Development Funding	0	0	0	0.0%
Borrowing Interest	660,000	736,000	76,000	11.5%
Capital Expenditures	0	60,000	60,000	0.0%
Total Non-Operating Expenses	660,000	796,000	136,000	20.6%
NET NON-OPERATING REVENUES	6,799,000	4,915,000	(1,884,000)	-27.7%
TOTAL NET REVENUES	(201,300,000)	(87,573,000)	113,727,000	-56.5%

Ava Community Energy	CY 2027 BUDGET CY 2027
Revenue & Other Sources	
Electricity Sales	886,767,000
Uncollectables	(8,867,000)
Other Operating Revenue	0
GASB 62	10,505,000
Total Operating Revenue	888,405,000
Energy Operations	
Cost of Energy	871,531,000
Cost of Energy Services	14,979,000
Total Energy Expenses	886,510,000
Overhead Expenses	
Personnel	30,678,000
Marketing & Communication	4,014,000
Legal, Policy, & Regulatory Affairs	4,386,000
Other Professional Services	3,654,000
General & Administrative	7,380,000
Total Overhead Expenses	50,112,000
Total Operating Expenses	936,622,000
Non-Operating Revenue	
Interest Income	10,744,000
Grants	0
Other Non-Operating Revenue	48,000
Total Non-Operating Revenue	10,792,000
Non-Operating Expenses	
Local Development Funding	0
Borrowing Interest	1,472,000
Capital Expenditures	120,000
Total Non-Operating Expenses	1,592,000
NET NON-OPERATING REVENUES	9,200,000
TOTAL NET REVENUES	(39,017,000)

Calendar 2027 Preliminary Forecast

- This forecast is indicative and not board approved
- Maintains the adjusted value proposition of 0.5% discount on BC and 1¾ ¢ on R100 and has \$0 of incremental local development funding
- Relative to the December Board update, the Net Revenues are reduced by ~\$100MM when accounting for the value proposition adjustments
- This forecast does not include any changes that may occur resulting from PCIA Track 2 or 3
 - The CPUC initiated Track 2 in early 2026

Attachment Staff Report Item 11A	
Impact to RSF	In \$MM's
Current RSF Balance	162.5
2nd Half CY 2026 Shortfall	-87.6
CY 2027 Projected Shortfall	-39.0
RSF Balance	35.9
FY 2026 Projected Surplus	44.5

- The RSF balance is forecasted to be higher relative to the December forecast driven by board actions, higher rates, and lower forecasted energy costs
 - This is partially offset by lower net revenues in 2027
- Staff will continue to update projections going into the May/June budget setting process for FY 2026-27
- FY 2025-26 results will be discussed with the financial audit in fall 2026