



Staff Report Item 9

To:	Ava Community Energy Authority Board of Directors
From:	Howard Chang, CEO
Subject:	Draft Budget Review for Fiscal Year 2026-2027
Date:	5/20/2026

Summary/Recommendation

Receive, review, and provide feedback on the Draft Budget for the next fiscal year.

Financial Impact

This is an informational item

Analysis and Context

Ava's fiscal years (FY) runs from July 1st through June 30th. Staff is presenting a draft version of next fiscal year's budget for the Board of Directors (the "Board") to review and provide feedback.

The attached presentation fills out the complete details on staff's best estimates and provides key discussion points.

Committee Recommendation

This item has been before the Executive Committee on May 6, 2026. Although this meeting was inquorate, any questions regarding clarification of certain details have been addressed in this presentation.

Attachments

- A. Appendix A: Draft Budget FY 2026-2027 1-Pager
- B. Draft Budget FY 2026-2027 presentation

APPENDIX A: Draft Budget FY 2026-2027 1-Pager

Ava Community Energy	FY 2026	FY 2027	FY 2027	FY 2027
	BUDGET	BUDGET	Delta	%D
	FY 2026	BASE CASE		
Wholesale Load (MWh)	8,984,000	9,544,000	560,000	5.9%
Retail Load (MWh)	8,439,000	8,966,000	527,000	5.9%
Revenue & Other Sources				
Electricity Sales	869,170,000	815,730,000	(53,440,000)	-6.6%
Uncollectables	(8,692,000)	(10,197,000)	(1,505,000)	14.8%
GASB 62	35,327,000	5,250,000	(30,077,000)	-572.9%
Total Operating Revenue	895,805,000	810,783,000	(85,022,000)	-10.5%
Energy Operations				
Cost of Energy	836,970,000	756,505,000	(80,465,000)	-10.6%
Energy Services				
Data Management/CRM	10,080,000	9,980,000	1,180,000	11.8%
Billing & Metering	3,208,000	3,446,000	10,000	0.3%
Scheduling	768,000	792,000	42,000	5.3%
Cost of Energy Services	14,056,000	14,218,000	162,000	1.1%
Total Energy Expenses	851,026,000	770,723,000	(80,303,000)	-10.4%
Overhead Expenses				
Personnel	29,639,000	31,470,000	1,050,000	3.3%
Marketing & Communication	3,872,000	3,421,000	119,000	3.5%
Legal, Policy, & Regulatory Affairs	4,243,000	4,308,000	144,000	3.3%
Other Professional Services	3,518,000	4,387,000	149,000	3.4%
General & Administrative	7,095,000	9,975,000	333,000	3.3%
Total Overhead Expenses	48,367,000	53,561,000	5,194,000	9.7%
Total Operating Expenses	899,393,000	824,284,000	(75,109,000)	-9.1%
Non-Operating Revenue				
Interest Income	15,066,000	24,727,000	(8,667,000)	-35.1%
Other Non-Operating Revenue	49,000	48,000	0	0.0%
Total Non-Operating Revenue	15,115,000	24,775,000	9,660,000	39.0%
Non-Operating Expenses				
Local Development Funding	10,190,000	0	0	0.0%
Borrowing Interest	1,087,000	0	0	0.0%
Capital Expenditures	250,000	120,000	0	0.0%
Total Non-Operating Expenses	11,527,000	120,000	(11,407,000)	-9505.8%
NET NON-OPERATING REVENUES	3,588,000	24,655,000	21,067,000	85.4%
TOTAL NET REVENUES	0	11,154,000	11,154,000	100.0%



Fiscal Year 2026-2027 Draft Budget

Howard Chang, CEO | May 20, 2026



Introduction

- Every year in June, Ava Board of Directors (the “Board”) approves the following fiscal year’s budget
- This draft budget was reviewed by an ad hoc group of the Ex Comm on 5/6 and will be further reviewed by FAP (5/27) and Ex Comm (6/3) with approval scheduled for the meeting on June 17th.
- The Budget covers the overall categories of the General Operating Fund:
 - Revenues from Operations
 - Energy Operating Expenses (typically 90%+ of total expenses)
 - Services to Facilitate Energy Operations
 - Operational Overhead to Energy Operations
 - Non-Operating Revenues
 - Non-Operating Expenses, including a Capital Transfer to the Local Development Fund
- PG&E issued an updated ERRA filing on May 15 that materially altered the forecast in this presentation and was updated on 5/20, after the first review by ExComm
 - Staff may consider delaying the first review of the budget draft to post May ERRA filing in future years

Current Fiscal Year 2025-2026 Performance

- Details on “Actuals” are settlements through March and updated projections through June.
- Revenue is expected to settle above budget due to Board action on value proposition in December.
 - Other Operating Revenue is primarily fees and damages to Ava on energy contracts
- Cost of energy is coming in below expectations as market prices softened and higher than expected large hydro generation
- Total overhead is currently estimated at \$6.5MM below budget due to opex reductions
- Non-operating activity is higher than expected as interest rates remain higher-for-longer and with the reduction of Local Development contributions
 - Borrowing interest expenses have been moved to General & Administrative overhead due to accounting treatment changes
- Overall Net Revenues are expected to come in at \$83MM above estimates without using \$35MM budgeted GASB 62 funds.

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	BUDGET	ACTUAL	Delta	%D
	FY 2026	FY 2026		
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Retail Load (MWh)	8,439,000	7,887,000	(552,000)	-6.5%
Revenue & Other Sources				
Electricity Sales	869,170,000	890,848,000	21,678,000	2.5%
Uncollectables	(8,692,000)	(8,912,000)	(220,000)	2.5%
Other Operating Revenue	0	1,620,000	1,620,000	0.0%
GASB 62	35,327,000	0	(35,327,000)	-100.0%
Total Operating Revenue	895,805,000	883,556,000	(12,249,000)	-1.4%
Energy Operations				
Cost of Energy	836,970,000	770,312,000	(66,658,000)	-8.0%
Cost of Energy Services	14,056,000	14,252,000	196,000	1.4%
Total Energy Expenses	851,026,000	784,564,000	(66,462,000)	-7.8%
Overhead Expenses				
Total Overhead Expenses	48,367,000	41,828,000	(6,539,000)	-13.5%
Total Non-Operating Revenue	15,115,000	26,540,000	11,425,000	75.6%
Total Non-Operating Expenses	11,527,000	741,000	(10,786,000)	-93.6%
TOTAL NET REVENUES	0	82,963,000	82,963,000	0.0%

Fiscal Year 2026-2027 Draft Budget



Draft Budget Fiscal Year 2026-2027

- **Revenues:** Energy prices continue to soften, and with the resolution of Track 1 Ava’s effective PCIA is lowering while PG&E’s rates are increasing due to persistent costs in their portfolio
- **Cost of Energy:** Lower energy prices reduce open position costs
- **Overhead:** Increase in G&A is predominantly due to increased rent, a change in accounting treatment of credit facility fees, and increasing software costs
- **Non-Operating Activity:** Higher interest income and lower borrowing interest due to a change in accounting treatment of credit facility. No incremental contributions to Local Development Funding in fiscal year 2026-2 with current fund balance at \$83.6MM

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TOTAL NET REVENUES	0	11,154,000	11,154,000	100.0%

Expanded budget view shown in appendix

Draft Budget: Forecast Uncertainty

- May 15, 2026 ERRRA filing provided a year-to-date update on a subset of the underlying assumptions that generate the PCIA and rates, but did not provide updated MPBs. Assumptions require additional diligence and validation. This is separate from potential changes that may come from the General Rate Case (GRC)
- PCIA Tracks 2 and 3 may have material impacts on PCIA and rate setting methodologies. Track 3 scope and timing presents the greatest uncertainty. 3 pre-scoping workshops have been scheduled for June.
- Load forecast uncertainty:
 - Weather conditions present the greatest impact on actualized load volume and shape
 - With the addition of SJC, estimates will become more accurate as Ava receives more data beyond initial enrollment
 - Longer-term: data center and electrification presents significant uncertainty as well
- New power generation project online dates may be delayed or moved forward impacting power portfolio expenses
- Energy prices are highly volatile and currently softening in response to a mild winter, accelerated melting snowpack, and new energy capacity coming online.
 - While forecasted summer prices are softening, actuals may vary greatly based on temperatures and demand
- Opaque portfolios with the IOU could lead to materially different MPBs in the October ERRRA filing
- Interest rates and macroeconomic environment may change

May ERRA Addendum Filings

- The May 15 ERRA filing consists of the filing documents and the series of datasets called the “Working Papers”
 - The filing and working papers can be accessed through the PG&E Azure website here: <https://pgera.azurewebsites.net/Regulation/search>
 - Select the “ERRA 2027 PGE – Forecase [A.25-05-007]” case from the dropdown menu and click search to see all documents available for download
- Staff is still processing the working papers with consultants to get better color on the details
- What is known:
 - 2025 RA PCIA reform is in place at a steady state for 2027
 - Load appears to be materially lower for PG&E due to milder than expected weather to date and community load departure
 - PG&E's revenue requirements remain stable despite the reduction in load, increasing generation rates
- What is not known from the ERRA:
 - Direction on MPB settlement for all attributes
 - A significant portion of the filing is redacted due to market sensitive confidential information and our 3rd party consultant has access to this information, which may be shared on a very limited basis
 - There were some known errors/inconsistencies that are in the process of being validated and reconciled

The screenshot shows the search interface on the PG&E Azure website. The URL is pgera.azurewebsites.net/Regulation/search. The page features a blue header with the PG&E logo and navigation links: For My Home, About, Contact Us, Safety, English, Go, and Log In. Below the header is a navigation bar with tabs for Company Info, Newsroom, Environment, Community, and Careers. The main content area is titled "Search for Public Case Documents" and contains a search form. The form includes a dropdown menu for "Case" with the selected option "ERRA 2027 PGE - Forecase [A.25-05-007]". Other fields include "Document Type" (set to "All"), "Keyword" (with a note: "When using the 'Keyword' search, confidential documents will not be included in your search results."), "Description/Title Contains", "Party" (set to "All"), "Date(s) from" and "to" (both set to "MM/DD/YY" with a note: "(default is all dates)"), "Sort Order" (set to "File Name"), and "Records Per Page" (set to "100"). There are "Search" and "Clear" buttons at the bottom of the form. A footer note states: "If you need an ADA reasonable modification to view a document, please reach out to ADA_Support@pge.com". The footer also includes links for "For My Home", "For My Business", "Doing Business with PG&E", "About PG&E", "Privacy", and "Accessibility", along with a copyright notice: "PG&E refers to Pacific Gas and Electric Company, a subsidiary of PG&E Corporation. © 2014 Pacific Gas and Electric Company. All rights reserved." and social media icons for Facebook, Twitter, and LinkedIn.

PCIA & Operating Headroom

- Ava's generation rates to customers are indexed to PG&E's generation rate
- A portion of the generation cost is a charge from PG&E for the Power Charge Indifference Adjustment (PCIA)
 - The PCIA is how PG&E recovers "stranded costs or credits" for legacy generation resources



- PCIA rates are based on an annual mark-to-market
 - For Energy, Resource Adequacy (RA), and Renewable Portfolio Standard (RPS) resources, the mark-to-market is against "Market Price Benchmarks" (MPBs)
 - Forecasts for MPBs are presented by the Investor-Owned Utilities (IOUs) in May and then updated in October to establish the following year's rates
 - PCIA and rates are "trued up" from forecast to actual, and any over-collection or under-collection is recovered in rates the following year.
 - Higher MPBs --> higher rates and lower PCIA = more operating headroom for Ava
 - Lower MPBs --> lower rates and higher PCIA = less operating headroom for Ava

PCIA Proceeding & Risk Elements

The CPUC has an ongoing proceeding regarding the PCIA, divided into "Tracks".

○ **Track 1**

- **CalCCA has appealed CPUC Track 1 decision; appeal is pending**
- Revised the MPB for RA retroactive through 2025
- Major driver for the much higher PCIA most Ava customers see in 2026 versus 2025

○ **Track 2**

- **Proceeding is ongoing; decision expected in time for inclusion in 2027 rates**
- The CPUC is reviewing the methodology for valuing RECs that PG&E "banked" prior to 2019 but did not actually use for compliance purposes until 2025. An interim methodology values those RECs at \$0. This increases the PCIA for most Ava customers versus what the PCIA would be if those RECs were valued at the current market price for RECs
- Outcome indeterminate; CalCCA proposal would use current market prices for REC value, and lower the PCIA for most Ava customers versus status quo; PG&E proposal would make the status quo interim methodology permanent

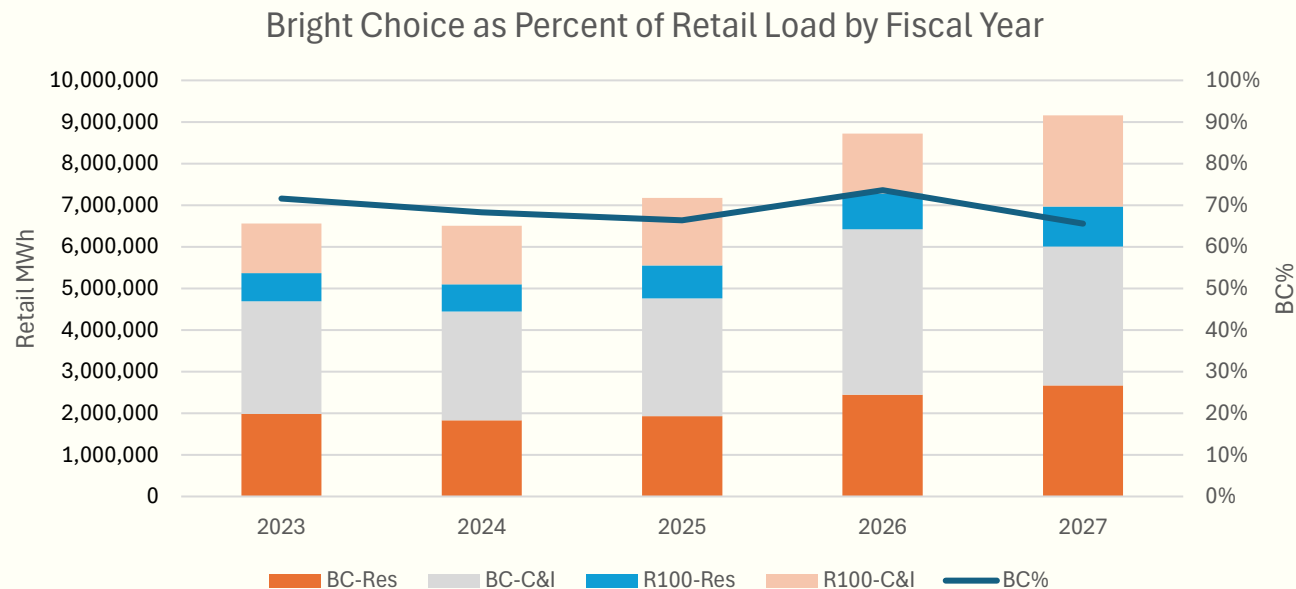
○ **Track 3**

- **Scope and timing undetermined**
 - CCAs propose to address reviewing the Track One revisions to MPBs; aligning the RA MPB with the RA Slice of Day framework; reventinging of PCIA resources; PCIA GHG-free methodology; and potentially other structural changes to the PCIA
 - IOUs propose to prioritize changes to RPS MPBs ahead of any other issues, with changes to the brown power MPB next
- Outcome indeterminate; CCA approach would likely reduce PCIA for most Ava customers if adopted while the IOU approach would likely raise the PCIA for most Ava customers if adopted



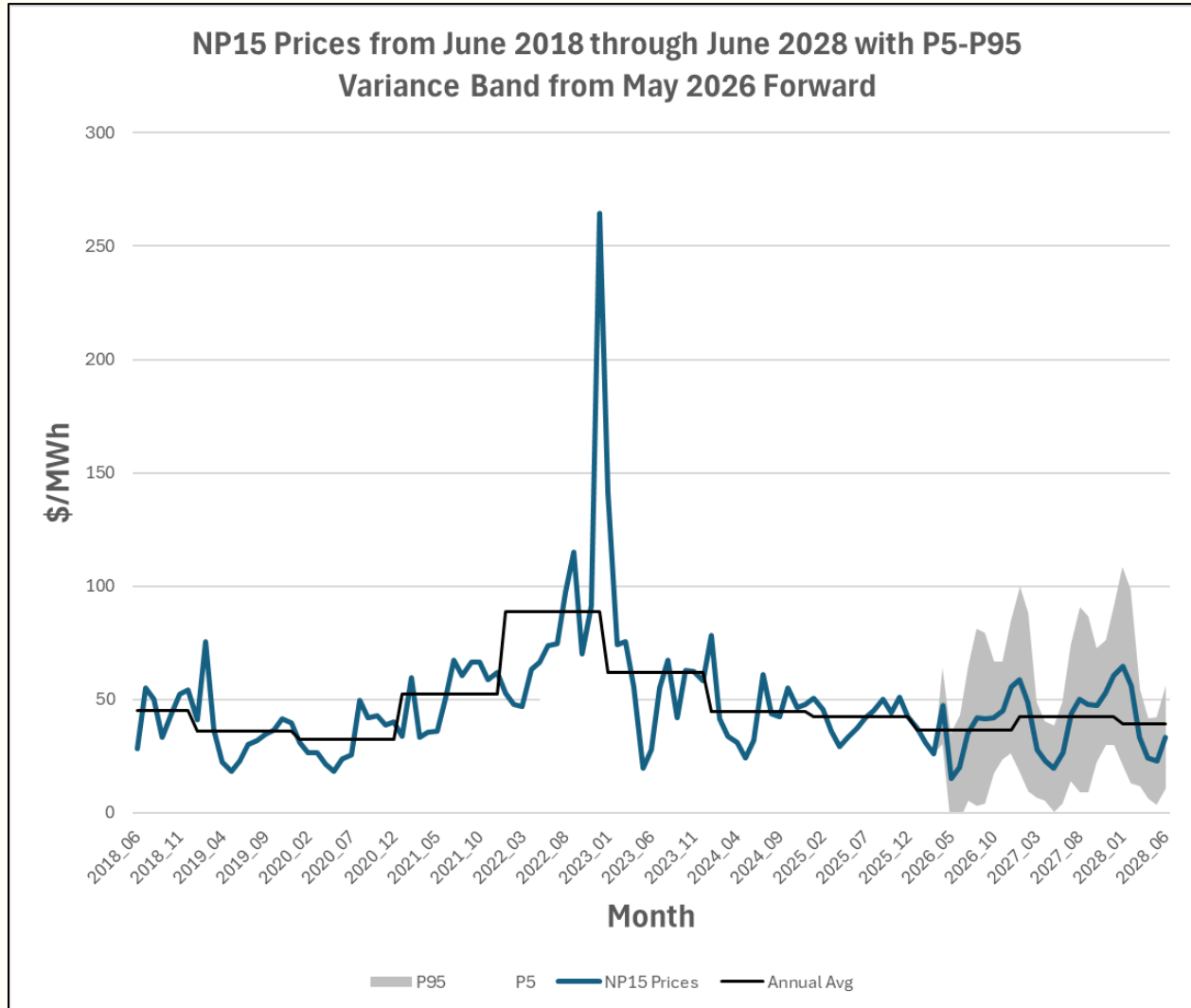
Electricity Product Load & Rates

- Renewable 100:
 - Originally set at \$0.01/kWh above PG&E and has migrated down as Ava financials improved
 - Currently priced at \$0.0175/kWh above PG&E rates
- Bright Choice:
 - Originally set at 1.5% discount to PG&E, reduced to a 1% discount in 2021, increased to a 3% discount in 2022, increased to 5% discount to PG&E rates in 2023. Latest adjustment was to 0.5% discount to PG&E in January of 2026
- The percent load of Bright Choice customers is estimated at ~66% for FY 2027



- Growth in Bright Choice in FY 2026 is due to unincorporated SJC
- Growth in Renewable 100 in FY 2027 is due to Fremont opt up
- Annual load and load shape can vary materially year to year and between budget to actuals due to weather, individual customer usage, and expansion to new territories

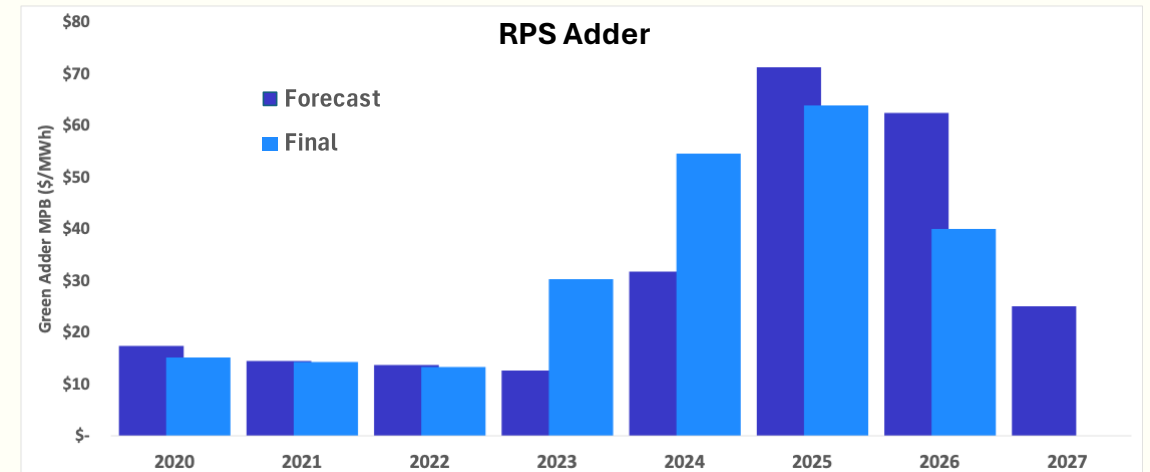
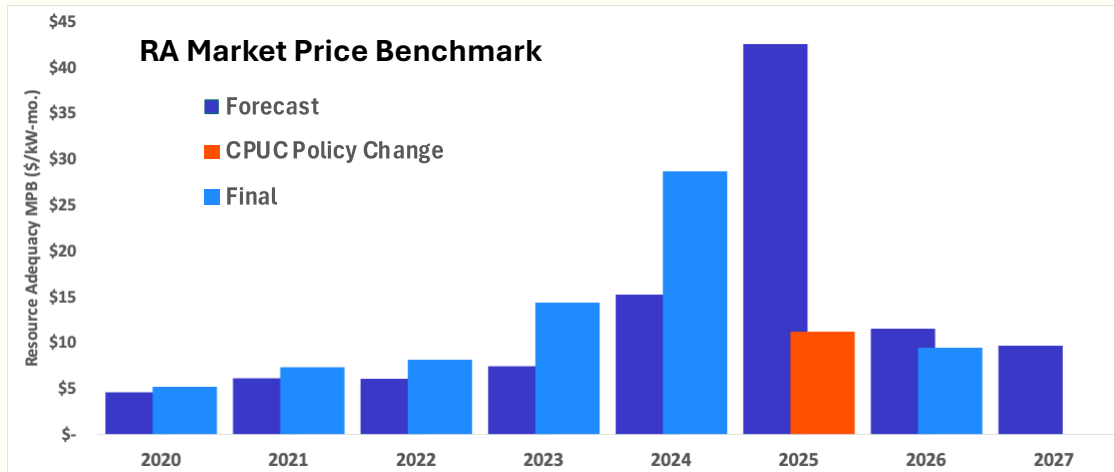
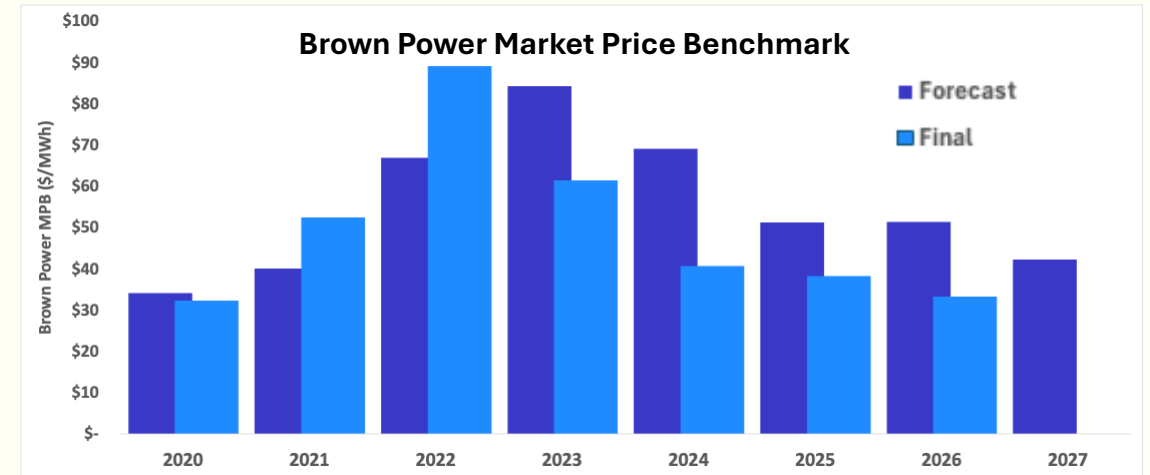
Brown Power Energy Price Volatility



- Brown power prices are set by a number of factors impacting supply and demand, such as weather, natural gas prices, system capacity, transmission congestion, etc.
- Volatility is high due to these uncertain and changing factors year to year
- Customer rates (generation and PCIA) are set based on a forecast while also incorporating a true up of the prior year's forecasted market prices with actualized prices
- 2026 rates were set by and 2026 forecasted prices and trueing up 2025 actualized prices. 2027 rates will be set by 2027 forecasted prices and trueing up 2026 actualized prices.

Market Price Benchmark Trends 2020-2027

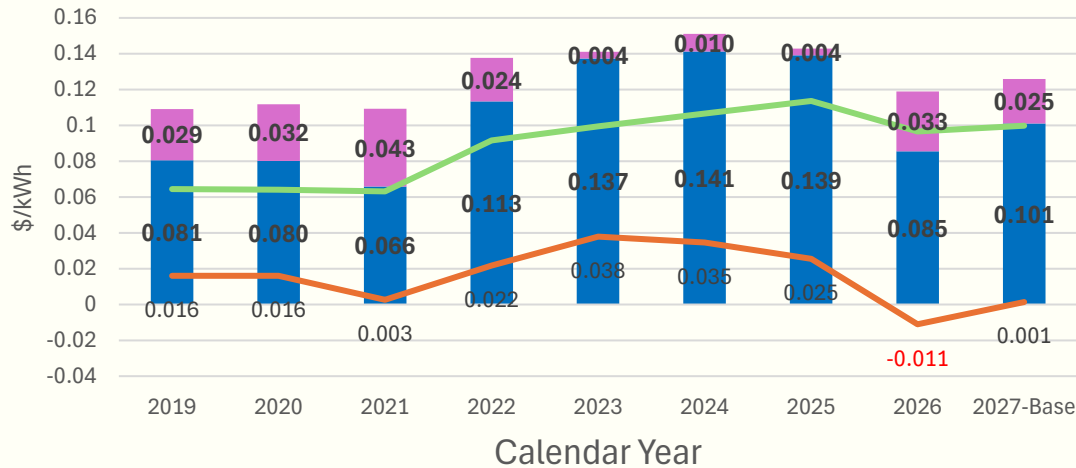
- Forecast MPBs used to develop PCIA and generation rates are calculated in Sept each year:
 - Energy: Avg forward price during Sept for delivery the following year
 - REC: Avg executed contract price in the past 15 months for delivery in following year
 - RA: Avg executed contract price in the past 3 years for delivery the following year
- Forecasted vs. Final MPBs vary significantly, reflecting year to year market volatility
- RA MPB in 2025 reflects regulatory changes, no future PCIA reform is assumed in forecasts
- "Final" numbers in 2026 reflect actuals through March and updated forecast as of April



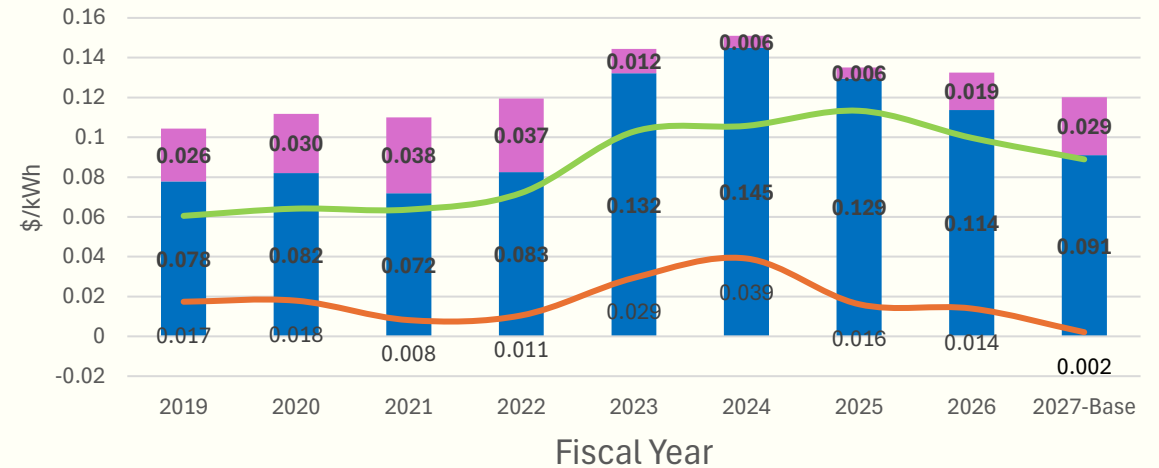
Expected Market Environment & Impact to Gen Rates & PCIA

- Rates increased and PCIA decreased from 2021 to 2025, driven by historic increases in market energy prices
- Since then, energy costs softened, setting PCIA higher and rates lower in 2026, in addition to substantive PCIA reform
- Lower prices are expected to continue through 2026 and we are forecasting a modest increase to generation rates and a lower PCIA in 2027, though rates remain stable
 - Between calendar year 2025 and 2026, customer rates dropped 20%, and between 2026 and 2027 Ava is estimating rates will increase 5.6% (inclusive of PCIA)
 - Between fiscal year 2025 and 2026, customer rates dropped 2%, and between 2026 and 2027, rates are expected to drop another 10%

Customer Rate Revenue Profile



Customer Rate Revenue Profile



■ Ava Average Rates
 ■ PCIA Fees
 ■ Operating Expenses
 ■ Margin

■ Ava Average Rates
 ■ PCIA Fees
 ■ Operating Expenses
 ■ Margin

Draft Budget: Revenues

Ava Community Energy	FY 2026	FY 2026	FY 2027		
	BUDGET	ACTUAL	BUDGET	FY 2027	FY 2027
	FY 2026	FY 2026	BASE CASE	Delta	%D
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Total Operating Revenue	895,805,000	883,556,000	810,783,000	(85,022,000)	-10.5%

- Revenues from sales of electricity are expected increase as PG&E is expected to raise rates and PCIA is expected to decrease from previous year’s budget
- Value proposition remains unchanged at 0.5% discount to PG&E for Bright Choice and a \$0.0175 premium on Renewable 100 products
- Estimated bad debt slightly increased from 1.0% to 1.25% of billings based on rising trends and getting ahead of possible inflation increases due to oil market volatility
- Recognition of GASB 62 deferred revenue is not from the Rate Stabilization Fund but is half of the amount deferred from resolution R-2024-26, which allocated \$10,504,837 to local, incremental generation and capacity from the 2023 RFO for projects starting in 2027

Draft Budget: Base Case Revenue Assumptions

Year	Energy		RPS		RA	
	Brown Power		RPS Adder		All RA (\$/kW-mo)	
	Forecast	Final	Forecast	Final	Forecast	Final
2026	\$ 51.13	\$ 40.90	\$ 62.45	\$ 40.00	\$ 11.53	\$ 9.42
2027	\$ 42.66	\$ 42.66	\$ 25.00	\$ 25.00	\$ 9.67	\$ 9.67

- Base Case Assumptions have MPB's for calendar year 2026 down to align with market actuals and forwards year to date
- Forward looking prices in cost of energy reflect market price assumptions
- In addition to MPB assumptions, revenue requirement inputs directly from PG&E are critical in determining generation rates
 - In May ERRRA filing, PG&E's revenue requirement stayed relatively flat despite declining load in 2027, which needs further diligence

FY 2026-2027 Scenarios & Sensitivities

Ava looked at possible alternative MPB/revenue scenarios —High-End and Low-End

- **High-end:** calendar year 2026 prices end up as current MPB forecasts from May ERRA filings, which are unchanged from the October ERRA filing
- **Low-end:** calendar year 2026 prices are one standard deviation down from current forward averages for brown power and Ava’s base case RPS and RA estimates

	Base Case	Low End	High End
Revenues	810,783,000	741,506,000	900,593,000
Cost of Energy	770,723,000	751,537,000	843,483,000
Overhead	53,561,000	53,561,000	53,561,000
Net Non-Op	24,655,000	20,353,000	23,684,000
Net Revenues	11,154,000	(43,239,000)	27,233,000

	Base Case		Low End		High End	
	2026	2027	2026	2027	2026	2027
MPBs						
Power	34.05	42.66	23.70	33.28	40.90	47.61
RPS	40.00	25.00	40.00	25.00	62.45	62.45
RA	9.42	9.67	9.42	9.67	11.53	11.53

Draft Budget: Overview of Operating Expenses

Ava Community Energy	FY 2026	FY 2026	FY 2027		
	BUDGET	ACTUAL	BUDGET	FY 2027	FY 2027
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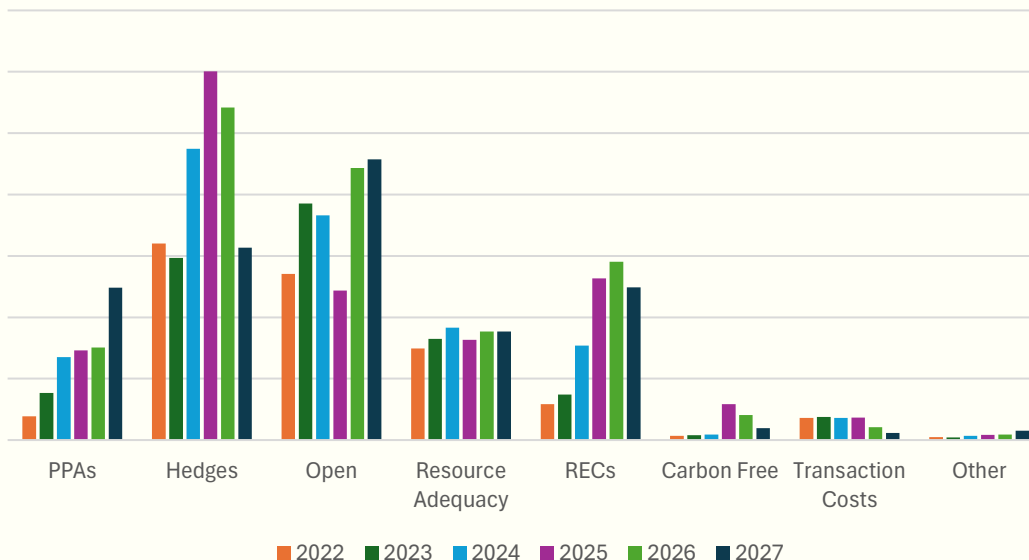
Expenses are divided into three overall cost center categories:

- **Energy Operations** which includes all energy, energy attributes, ancillary related costs and required management services such as scheduling, data management, and customer billing
 - This category comprises 93.5% of Ava's total operating expenses
- **Overhead Operations** which includes all personnel and staffing needs as well as work function cost centers required to manage the organization at large, and is about 6.5% of total operating expenses
- **Non-Operating Expenses** which are all capital and capital transfer related costs, including Local Development Fund contributions. This category is presented and discussed in a later slide

Draft Budget: Energy Operations

Ava Community Energy	FY 2026 BUDGET FY 2026	FY 2026 ACTUAL FY 2026	FY 2027 BUDGET BASE CASE
Energy Operations			
Cost of Energy	836,970,000	770,312,000	756,505,000
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Fiscal Year Cost of Energy Budget by Attribute



Energy Costs

- Costs are generally derived from a blend of contracted and open position for all energy attributes
 - Currently, renewables, carbon free, and RA are fully procured
 - Open prices are non-stressed, mean forecasted
 - Material increase in PPAs due to reduced revenue expectations from lower market prices

Draft Budget: Renewable & Large Hydro Content

Year	Bright Choice				CA-RPS %
	Renewable %	Carbon Free %	TCR*-Emission Factor	PSDR-Emission Factor	Renewable %
2018	41%	87%	101	n/a	29%
2019	60%	85%	135	n/a	31%
2020	40%	54%	n/a	580	33%
2021	41%	55%	n/a	577	36%
2022	45%	63%	n/a	566	39%
2023	49%	66%	n/a	521	41%
2024	52%	71%	n/a	455	44%
2025	56%	76%	n/a	387	47%
2026	60%	81%	n/a	315	49%
2027	64%	85%	n/a	241	52%
2028	67%	90%	n/a	163	55%
2029	71%	95%	n/a	83	57%
2030	75%	100%	n/a	-	60%

- In April 2022, the Board approved the “Path to Zero by 2030” plan for the Bright Choice product, as shown in the table to the left
- Periodically, the Board has approved adjusting targets to fit Ava’s financial position, typically raising targets
- In December 2025, the Board approved a compliance period approach across multiple years instead of single year targets specifically

Year	Annual Targets			Actuals/Forecast			Long/Short
	Renewables	Lg. Hydro	Total	Renewables	Lg. Hydro	Total	
2024	52.0%	29.0%	81.0%	62.0%	33.7%	95.6%	14.6%
2025	56.0%	25.0%	81.0%	56.5%	37.6%	94.1%	13.1%
2026	55.6%	21.0%	76.6%	54.7%	18.0%	72.7%	-3.9%
2027	64.0%	21.0%	85.0%	58.4%	12.3%	70.8%	-14.3%
Period*	57.3%	23.7%	80.9%	57.9%	25.4%	83.3%	2.4%

* Load Weighted

This table shows where Ava currently stands with procurement relative to the compliance period, and annual, targets

Draft Budget: Fiscal Year Personnel Details

PERSONNEL	2026 BUDGET	2026 ACTUALS	2027 BUDGET	%Change
Salaries & Wages	23,171,000	21,233,000	23,070,000	-0.4%
Health Care/Benefits	3,242,000	2,456,000	4,884,000	50.6%
Retirement	2,745,000	2,461,000	2,983,000	8.7%
Payroll Expenses	481,000	414,000	533,000	10.8%
Total	29,639,000	26,564,000	31,470,000	6.2%

- FY 2026 Budget was set for 7 additional FTE (105 total) to build more depth and to continue addressing increased workflow in key areas to help scale operations further.
 - Ava is not filling 2 roles bringing the forecasted end of FY 2026 FTE to 103.
- FY 2027 Budget seeks to add 5 FTE (108 total) to provide added expertise and support in key areas and help to meet essential business needs.
 - 1) Contract Management Analyst 2) Finance Manager / Staff Accountant 3) Contract / Settlements Analyst
 - 4) Optimization Software Engineer 5) Data Analyst
- Compensation Adjustments:
 - COLA: 3%; Promotions/Wage Adjustments: 3%; AIP Compensation: 12%
 - Accounting for increased healthcare premiums and associated benefit costs (realized and expected)
- Change to benefits reflects some recategorization of expenses from Salaries & Wages to Health Care/Benefits

Public Hearing - AB 2561: Ava FY 25-26 YTD

FY 2025 - 2026 Budgeted Headcount	
Total Active FTE Budgeted	105
New FTE Budgeted	7
New FTE Filled to date	5
Average Time to Hire	67 Days
Vacancy Rate	29%
Retention Rate	95%
Average Turnover Rate	5%

Ava has a strong retention rate of 95%, with only 5 terminations so far this year.

Hiring Decision: Ava elected not to fill 2 positions this FY, bringing the total budgeted FTE down to 103.

Challenges faced in hiring:

- Finding a great fit can take time, but it's worth it.
 - We are prudent in our hiring process, strategically planning the timing of hiring, carefully considering all aspects of the role and desired impact.
- Competition for talent is high, especially in the Bay Area

What helps us overcome challenges?

- A strategic and robust hiring approach
- Ava is mission-driven & a certified Great Place to Work!

**For recruitment, only new budgeted positions are included. This does not account for other roles, like backfill positions.*

**Reporting Period: FY 25-26; July '25 - April '26 (YTD at time of report)*

**Average Time to Hire: Days from role posted to start date.*

**FTE: Full-time employee; YTD: Year-to-date*

This slide and data presented ensure compliance to AB 2561, which requires local public agencies to present the status of vacancies and recruitment and retention efforts at a public hearing before the governing board of the local agency at least once per fiscal year.

Draft Budget: Marketing & Communications

	BUDGET FY2026	ACTUALS FY2026	BUDGET FY2027	%Change
MARKETING				
Advertising & Promotions	1,130,000	256,000	713,000	-36.9%
Required Mailings	635,000	581,000	308,000	-51.5%
Communications	1,270,000	901,000	1,390,000	9.4%
Sponsorships	661,000	743,000	930,000	40.7%
Software & Subscriptions	176,000	126,000	80,000	-54.5%
Total	3,872,000	2,607,000	3,421,000	-11.6%

FY 2027 Summary of Adjustments:

- Continued notifications to unincorporated San Joaquin County solar customers
- Customer mailings for Fremont commercial Renewable 100 transition
- Investment to a brand awareness strategy and launch phase one of a multi-year awareness initiative
- Investment in sponsorships, fellow, partners to activate more robust community engagement

Draft Budget: Legal, Policy, & Regulatory Affairs

	BUDGET FY2026	ACTUALS FY2026	BUDGET FY2027	%Change
LEGAL, POLICY, & REGULATORY AFFAIRS				
Legal Consultants	3,143,000	2,527,000	3,110,000	-1.0%
Policy & Legislative Consultants	740,000	539,000	750,000	1.4%
Software & Subscriptions	281,000	148,000	325,000	15.7%
Memberships & Sponsorships	79,000	52,000	123,000	55.7%
Total	4,243,000	3,266,000	4,308,000	1.5%

FY 2027 Summary of Adjustments

Legal:

- Litigation counsel: funding to cover active litigation; litigation readiness; other potential disputes
- Commercial counsel: all procurement activities other than power resources
- Software and implementation: Legal research resources; contract platform Phase 3 rollout

Policy and Regulatory Affairs

- Federal and state lobbyists
- Consultants for compliance and CAISO matters
- Potential AI services

Draft Budget: Professional Services

	BUDGET FY2026	ACTUALS FY2026	BUDGET FY2027	%Change
PROFESSIONAL SERVICES				
Operations	1,125,000	954,000	1,070,000	-4.9%
Human Resources	792,000	372,000	556,000	-29.8%
Technology/IT	860,000	606,000	910,000	5.8%
Power Resources	741,000	492,000	651,000	-12.1%
Other Services	0	0	1,200,000	0.0%
Total	3,518,000	2,424,000	4,387,000	24.7%

FY 2027 Summary of Adjustments:

- **Technology Consultants:** Expanding operations requires additional engineering and CRM structure and design support
- **Other Services:** Primarily reflects temporary consultants and contractors, which was recategorized and consolidated this year

Draft Budget: General & Administrative

	BUDGET FY2026	ACTUALS FY2026	BUDGET FY2027	%Change
GENERAL OPERATIONS				
Operational Expenses	950,000	2,063,000	2,270,000	138.9%
Memberships & Sponsorships	1,212,000	1,183,000	1,220,000	0.7%
Software & Subscriptions	2,880,000	2,550,000	3,927,000	36.4%
Small Equipment	310,000	60,000	270,000	-12.9%
Rent & Utilities	1,021,000	848,000	1,533,000	50.1%
Conferences & Prof. Development	381,000	53,000	311,000	-18.4%
HR & Recruiting	250,000	164,000	390,000	56.0%
Board & Director Fees	91,000	45,000	54,000	-40.7%
Total	7,095,000	6,966,000	9,975,000	40.6%

FY 2027 Summary of Adjustments:

- **Operational Expenses:** Increase is primarily due to accounting change for fees with line of credit
- **Memberships Dues & Sponsorships:** Costs associated with JPAs, trade associations, and industry associations (CalCCA, CCCFA, CCPower, CFEE, Veloz, etc.)
- **Software & Subscriptions:** Increases to cover additional software needs for IT, Power Resources, and EAS data and increased cyber security needs
- **Rent & Utilities:** Increase due to initiation of primary lease agreement from a sub-lease agreement and no longer receiving TI related allowance
- **HR & Recruiting:** Some increase in recruiting costs for placing temporary consultants
- **Board & Director Fees:** These are reduced to more closely align with Board practices of requesting stipends

Draft Budget: Non-Operating Activity

Ava Community Energy	FY 2026 BUDGET FY 2026	FY 2026 ACTUAL FY 2026	FY 2027 BUDGET BASE CASE	FY 2027 Delta	FY 2027 %D
Non-Operating Revenue					
Interest Income	15,066,000	26,494,000	24,727,000	(8,667,000)	-35.1%
Grants	0	0	0	0	0.0%
Other Non-Operating Revenue	49,000	54,000	48,000	0	0.0%
Total Non-Operating Revenue	15,115,000	26,548,000	24,775,000	9,660,000	39.0%
Non-Operating Expenses					
Local Development Funding	10,190,000	190,000	0	0	0.0%
Borrowing Interest	1,087,000	0	0	0	0.0%
Capital Expenditures	250,000	551,000	120,000	0	0.0%
Total Non-Operating Expenses	11,527,000	741,000	120,000	(11,407,000)	-950.8%
NET NON-OPERATING REVENUES	3,588,000	25,807,000	24,655,000	21,067,000	85.4%

Non-Operating Revenue

- **Interest Income:** Reflects “higher-for-longer” FED interest rate policy and expected balance drawdowns
 - Rates are estimated to hold at 3.5%
- **Other Non-Operating Revenue:** is expected income AT&T tower rent at the 8th Street building

Non-Operating Expenses

- **Borrowing Interest:** reduced due to changes in line of credit accounting
- **Capital Expenditures:** costs estimated for general improvements at 1999 Harrison St offices
- **Local Development:** no planned incremental contributions in light of the current fund balance and future planning work that is underway

Draft Budget: Local Development Fund Balance*

Program Area		Balance
	Local Development	\$2,800,000
BE+EE	Building Electrification	\$14,600,000
	Building Efficiency Accelerator	\$1,300,000
TE	Vehicle Electrification	\$8,100,000
	Ava Charge	\$15,900,000
	Bike Electric	\$2,200,000
	SmartHome Charging	\$5,700,000
Resilience	Critical Municipal Facilities (CMF)	\$5,800,000
	SmartHome Battery	\$10,900,000
	Resiliency Hubs	\$5,600,000
BE+TE	Virtual Power Plant DERMS Platform	\$1,900,000
Grants	Community Investment Grants	\$8,800,00
	Total	\$83,600,000

*Fund balance as of 1/31/26

Local Development – FY27 anticipated spend

Program Area	FY '27 Spend	Committed	FY'27 Activities
Program Roadmap	\$500,000	\$500,000	Local Development Programs Roadmap
Ava Charge	\$2,640,000	\$6,750,000	Development, Operations and Marketing for 5 Sites
Critical Municipal Facilities	\$2,000,000	N/A - 25 yr PPA	Complete Projects, Establish operating reserves, bill customers
Grants	\$600,000	\$1,900,000	Issue new solicitation, select at least three grantees and Payments for contracted grants
SmartHome Battery incentives	\$1,250,000	\$10,900,000	Upfront and ongoing payments for SHB
Resilience Hub TA/Incentives	\$1,500,000	\$5,600,000	Upfront incentives and Technical Assistance costs
Building Efficiency Accelerator	\$1,000,000	\$1,000,000	Incentives for Commercial Heat Pump Water Heaters
Ava Bike Electric incentives	\$2,200,000	\$2,200,000	Bike Electric will add \$4M from ACTC
Ava SmartHome Charging incentives	\$300,000	\$600,000	Enrollment incentives and VPP dispatch payment for SmartHome Charging program
Total	\$11,990,000	\$29,450,000	

Draft Budget: Deferred Revenues & Reserve Funds

Contribution Year	Contribution	Withdraws	Balance	Operating Expenses*	OpEx Year	PctCoverage
2018-2019	40,513,687	-	40,513,687	410,686,000	FY 2019-2020	9.9%
2019-2020	49,704,640	-	90,218,327	383,045,000	FY 2020-2021	23.6%
2020-2021	-	-	90,218,327	471,897,000	FY 2021-2022	19.1%
2021-2022	65,655,073	-	155,873,400	562,667,000	FY 2022-2023	27.7%
2022-2023	75,000,000	-	230,873,400	732,885,000	FY 2023-2024	31.5%
2023-2024	100,000,000	-	330,873,400	814,123,000	FY 2024-2025	40.6%
2024-2025	-	-	330,873,400	899,393,000	FY 2025-2026	36.8%
2025-2026**	-	-	330,873,400	824,284,000	FY 2026-2027	40.1%

*Operating Expenses are fiscal year ahead for coverage purposes: 2025-26 contribution year aligns with 2026-2027 OpEx
 **Expected contribution with current policy as of 5/6/2026
 Note: If \$0 are contributed from 2025-2026 surplus, the balance of \$330.9MM is 40.1% of FY 2026-27 OpEx

- Current reserve fund balance covers 40.1% of projected operating expenses for FY 2027
- Current FY surplus estimate of \$83MM not included in balances
- Staff will bring recommendations for allocation of the surplus to the Board after completion of the annual audit in November
- Budget includes a release of \$5.2MM, equal to 50% of the deferred revenues related to Clean Energy Investments

Deferred Revenue Usage	Balance	Guidance
		R-2025-23 authorizes recognition of ~\$35MM to balance FY25-26 budget
		R-2025-41 authorizes conversions from previous budget deferrals
Rate Stabilization Fund	162,546,828	R-2025-42 & R-2025-51 authorizes RSF funding allocations
		R-2023-37 authorizes deferral for specified use.
Clean Energy Investments	10,504,837	R-2024-26 authorizes recognition in 2027

Draft Budget: Next Steps & Expected Updates

- Staff to incorporate additional diligence and updates based on the recent May ERRA filing
- Staff is working to update a 5-year forecast view for future board review, which was removed from the prior draft presentation due to the late May ERRA filing
 - Note that the reliability of any 5-year forecast on Generation rates is limited due to limited visibility into key PG&E inputs, such as revenue requirements
- Additional review by FAP (5/27) and Ex Comm (6/3) as needed
- Final delivery to Board (6/17) for approval
- Further review with the board mid-year to account for 2026 actuals and final 2027 rate setting
 - PG&E's October ERRA filing will provide a meaningful update
- To the extent the budget forecast materially changes following the October ERRA filing and AET, staff will consider mid-year budget adjustments as needed

Note: These budget scenarios are indicative and will change based on energy market conditions, developments in CPUC proceedings, and updates to PG&E ERRA and GRC filings

Staff is seeking feedback on any matters in preparation for June board approval

Appendix A: FY 2026-2027 Draft Budget Expanded View

Ava Community Energy	FY 2026	FY 2027	FY 2027	
	BUDGET	BUDGET	FY 2027	FY 2027
	FY 2026	BASE CASE	Delta	%D
Wholesale Load (MWh)	8,984,000	9,544,000	560,000	5.9%
Retail Load (MWh)	8,439,000	8,966,000	527,000	5.9%
Revenue & Other Sources				
Electricity Sales	869,170,000	815,730,000	(53,440,000)	-6.6%
Uncollectables	(8,692,000)	(10,197,000)	(1,505,000)	14.8%
GASB 62	35,327,000	5,250,000	(30,077,000)	-572.9%
Total Operating Revenue	895,805,000	810,783,000	(85,022,000)	-10.5%
Energy Operations				
Cost of Energy	836,970,000	756,505,000	(80,465,000)	-10.6%
Energy Services				
Data Management/CRM	10,080,000	9,980,000	1,180,000	11.8%
Billing & Metering	3,208,000	3,446,000	10,000	0.3%
Scheduling	768,000	792,000	42,000	5.3%
Cost of Energy Services	14,056,000	14,218,000	162,000	1.1%
Total Energy Expenses	851,026,000	770,723,000	(80,303,000)	-10.4%
Overhead Expenses				
Personnel	29,639,000	31,470,000	1,050,000	3.3%
Marketing & Communication	3,872,000	3,421,000	119,000	3.5%
Legal, Policy, & Regulatory Affairs	4,243,000	4,308,000	144,000	3.3%
Other Professional Services	3,518,000	4,387,000	149,000	3.4%
General & Administrative	7,095,000	9,975,000	333,000	3.3%
Total Overhead Expenses	48,367,000	53,561,000	5,194,000	9.7%
Total Operating Expenses	899,393,000	824,284,000	(75,109,000)	-9.1%
Non-Operating Revenue				
Interest Income	15,066,000	24,727,000	(8,667,000)	-35.1%
Other Non-Operating Revenue	49,000	48,000	0	0.0%
Total Non-Operating Revenue	15,115,000	24,775,000	9,660,000	39.0%
Non-Operating Expenses				
Local Development Funding	10,190,000	0	0	0.0%
Borrowing Interest	1,087,000	0	0	0.0%
Capital Expenditures	250,000	120,000	0	0.0%
Total Non-Operating Expenses	11,527,000	120,000	(11,407,000)	-8505.8%
NET NON-OPERATING REVENUES	3,588,000	24,655,000	21,067,000	85.4%
TOTAL NET REVENUES	0	11,154,000	11,154,000	100.0%