

# Fiscal Year 2026-2027 Draft Budget

Howard Chang, CEO | May 6, 2026

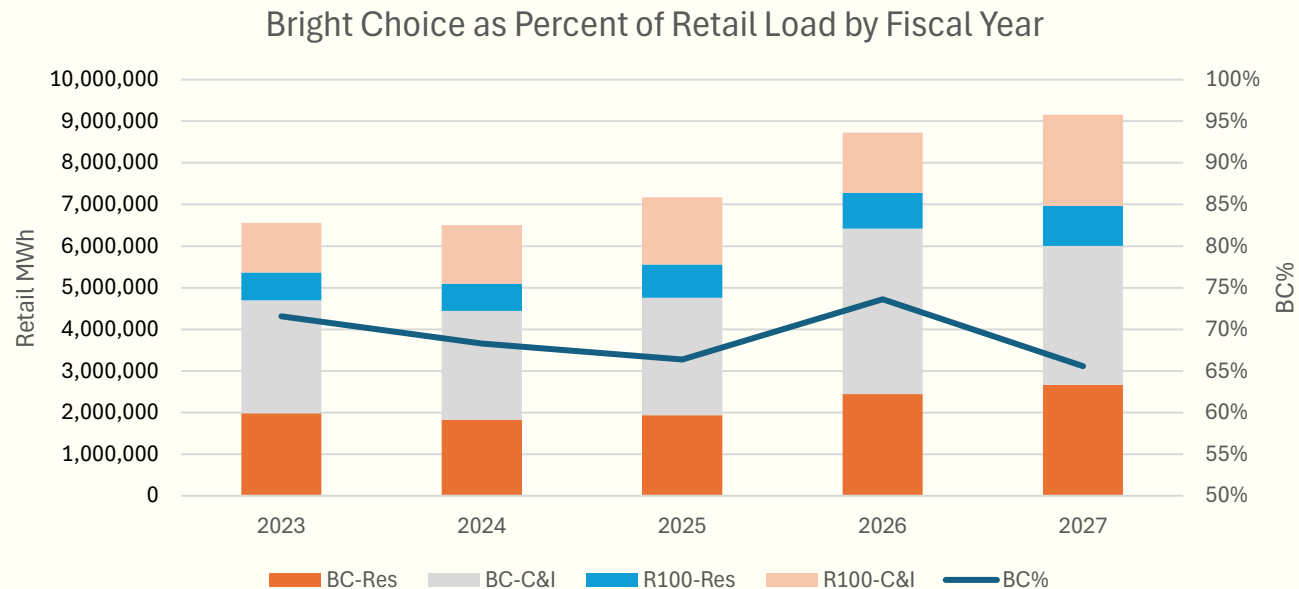


# Introduction

- Every year in June, Ava Board of Directors (the “Board”) approves the following fiscal year’s budget
- This draft budget will be reviewed with the Ex Comm (5/6 and 6/3) and FAP (5/27) subcommittees and presented to the Board at the May 20<sup>th</sup> meeting with approval scheduled for the meeting on June 17<sup>th</sup>.
- 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

# 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



# 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 pass-through charge to PG&E for the 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 next year's rates
  - PCIA and rates are "trued up" from forecast to actual, and any overcollection 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



# Fiscal Year 2025-2026 Budget Performance



# Current Fiscal Year Performance

- Details on “Actuals” are settlements through February and updated projections through June.
- Revenues are expected to settle above budget due to Board action on value proposition in December.
  - Other Operating Revenue is primarily a modification fee on an energy contract delivery and damages to Ava for delayed energy deliveries
- Cost of energy is coming in below expectations as market prices soften and higher than expected large 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 on accounts remains higher-for-longer and with the reduction of Local Development contributions
- Overall Net Revenues are expected to come in at \$80.7MM above estimates without using \$35MM budgeted GASB 62 funds.

Ava Community Energy	FY 2026	FY 2026	FY 2026	FY 2026
	BUDGET	ACTUAL		
	FY 2026	FY 2026		
<b>Revenue &amp; Other Sources</b>				
Electricity Sales	869,170,000	895,093,000	25,923,000	3.0%
Uncollectables	(8,692,000)	(8,918,000)	(226,000)	2.6%
Other Operating Revenue	0	1,620,000	1,620,000	0.0%
GASB 62	35,327,000	0	(35,327,000)	-100.0%
<b>Total Operating Revenue</b>	<b>895,805,000</b>	<b>887,795,000</b>	<b>(8,010,000)</b>	<b>-0.9%</b>
<b>Energy Operations</b>				
Cost of Energy	836,970,000	772,839,000	(64,131,000)	-7.7%
Cost of Energy Services	14,056,000	14,452,000	396,000	2.8%
<b>Total Energy Expenses</b>	<b>851,026,000</b>	<b>787,291,000</b>	<b>(63,735,000)</b>	<b>-7.5%</b>
<b>Overhead Expenses</b>				
Personnel	29,639,000	26,564,000	(3,075,000)	-10.4%
Marketing & Communication	3,872,000	2,604,000	(1,268,000)	-32.7%
Legal, Policy, & Regulatory Affairs	4,243,000	3,261,000	(982,000)	-23.1%
Other Professional Services	3,518,000	2,428,000	(1,090,000)	-31.0%
General & Administrative	7,095,000	6,972,000	(123,000)	-1.7%
<b>Total Overhead Expenses</b>	<b>48,367,000</b>	<b>41,829,000</b>	<b>(6,538,000)</b>	<b>-13.5%</b>
<b>Non-Operating Revenue</b>				
Interest Income	15,066,000	23,014,000	7,948,000	52.8%
Other Non-Operating Revenue	49,000	54,000	5,000	10.2%
<b>Total Non-Operating Revenue</b>	<b>15,115,000</b>	<b>23,068,000</b>	<b>7,953,000</b>	<b>52.6%</b>
<b>Non-Operating Expenses</b>				
Local Development Funding	10,190,000	190,000	(10,000,000)	-98.1%
Borrowing Interest	1,087,000	351,000	(736,000)	-67.7%
Capital Expenditures	250,000	551,000	301,000	120.4%
<b>Total Non-Operating Expenses</b>	<b>11,527,000</b>	<b>1,092,000</b>	<b>(10,435,000)</b>	<b>-90.5%</b>
<b>NET NON-OPERATING REVENUES</b>	<b>3,588,000</b>	<b>21,976,000</b>	<b>18,388,000</b>	<b>512.5%</b>
<b>TOTAL NET REVENUES</b>	<b>0</b>	<b>80,651,000</b>	<b>80,651,000</b>	<b>0.0%</b>

# Fiscal Year 2026-2027 Draft Budget

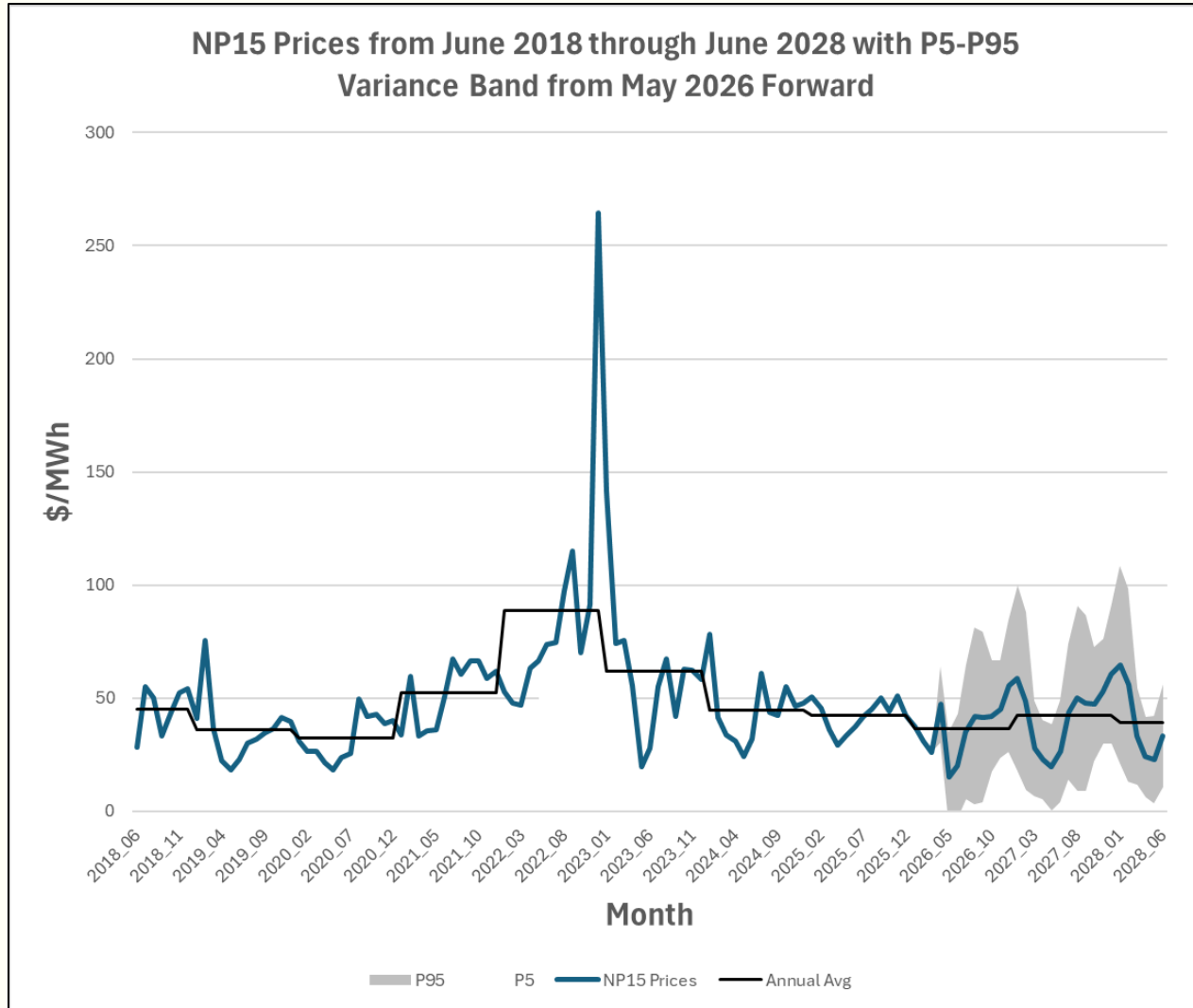


# Draft Budget Fiscal Year 2026-2027

- **Revenues:** Market prices continue to push lower, lowering projected rates an increasing expected PCIA
- **Cost of Energy:** Lower market prices equates to lower open position costs
- **Overhead:** Increase in G&A is predominately due to a change in accounting treatment of credit facility fees and increasing software costs
- **Non-Operating Activity:** Higher interest income as “higher-for-longer” remains as policy. Lower borrowing interest due to change in accounting treatment of credit facility.

Ava Community Energy	FY 2026	FY 2027	FY 2027	FY 2027
	BUDGET	BUDGET	Delta	%D
	FY 2026	FY 2027		
<b>Revenue &amp; Other Sources</b>				
Electricity Sales	869,170,000	642,231,000	(226,939,000)	-26.1%
Uncollectables	(8,692,000)	(8,028,000)	664,000	-7.6%
Other Operating Revenue	0	0	0	0.0%
GASB 62	35,327,000	5,250,000	(30,077,000)	-85.1%
<b>Total Operating Revenue</b>	<b>895,805,000</b>	<b>639,453,000</b>	<b>(256,352,000)</b>	<b>-28.6%</b>
<b>Energy Operations</b>				
Cost of Energy	836,970,000	745,454,000	(91,516,000)	-10.9%
Cost of Energy Services	14,056,000	14,219,000	163,000	1.2%
<b>Total Energy Expenses</b>	<b>851,026,000</b>	<b>759,673,000</b>	<b>(91,353,000)</b>	<b>-10.7%</b>
<b>Overhead Expenses</b>				
Personnel	29,639,000	31,470,000	1,831,000	6.2%
Marketing & Communication	3,872,000	3,421,000	(451,000)	-11.6%
Legal, Policy, & Regulatory Affairs	4,243,000	4,254,000	11,000	0.3%
Other Professional Services	3,518,000	4,387,000	869,000	24.7%
General & Administrative	7,095,000	9,699,000	2,604,000	36.7%
<b>Total Overhead Expenses</b>	<b>48,367,000</b>	<b>53,231,000</b>	<b>4,864,000</b>	<b>10.1%</b>
<b>Non-Operating Revenue</b>				
Interest Income	15,066,000	24,246,000	9,180,000	60.9%
Grants	0	0	0	0.0%
Other Non-Operating Revenue	49,000	48,000	(1,000)	-2.0%
<b>Total Non-Operating Revenue</b>	<b>15,115,000</b>	<b>24,294,000</b>	<b>9,179,000</b>	<b>60.7%</b>
<b>Non-Operating Expenses</b>				
Local Development Funding	10,190,000	0	(10,190,000)	-100.0%
Borrowing Interest	1,087,000	996,000	(91,000)	-8.4%
Capital Expenditures	250,000	120,000	(130,000)	-52.0%
<b>Total Non-Operating Expenses</b>	<b>11,527,000</b>	<b>1,116,000</b>	<b>(10,411,000)</b>	<b>-90.3%</b>
<b>NET NON-OPERATING REVENUES</b>	<b>3,588,000</b>	<b>23,178,000</b>	<b>19,590,000</b>	<b>546.0%</b>
<b>TOTAL NET REVENUES</b>	<b>0</b>	<b>(150,273,000)</b>	<b>(150,273,000)</b>	<b>0.0%</b>

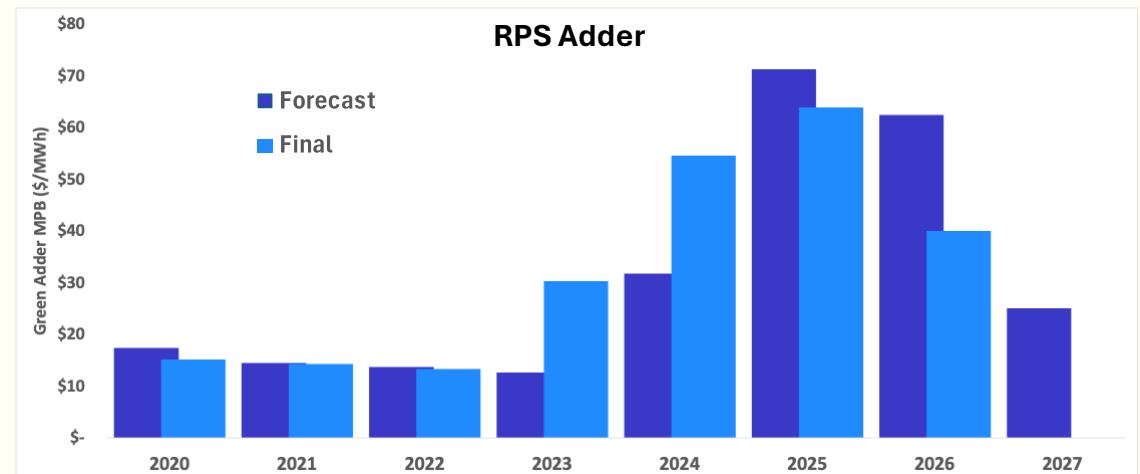
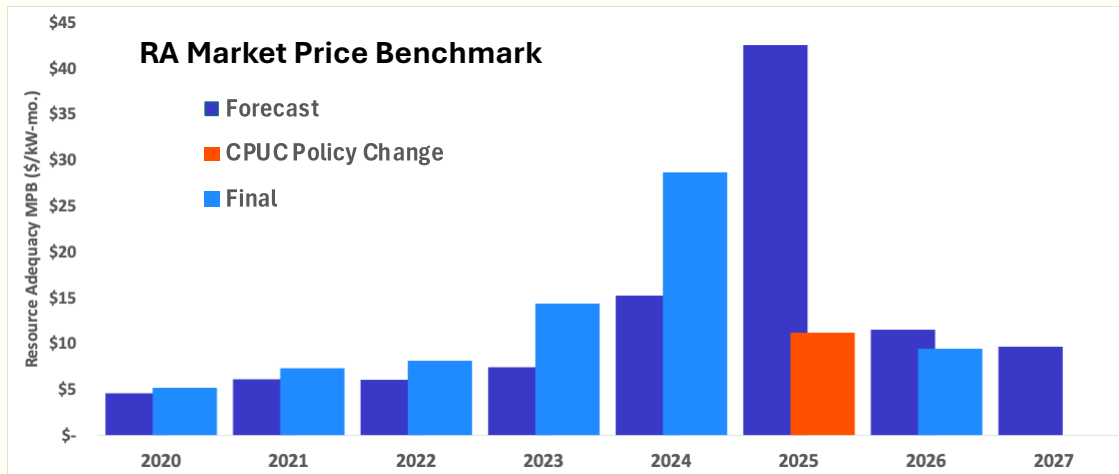
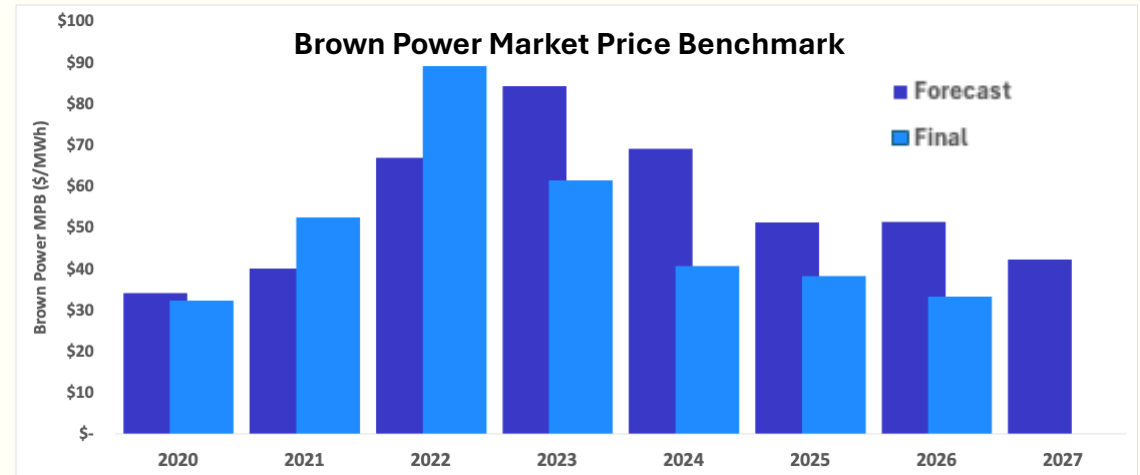
# Brown Power Energy Price Volatility



- Customer rates are determined truing up forecasted market prices with actualized prices
- 2026 rates were set by 2025 actualized prices and 2026 forecasted prices. 2027 rates will be set by 2026 actualized prices and 2027 forecasted prices.
- In a declining price environment, rates set by prior year's forecast over-collect relative to current year prices and future rates will adjust to correct the over-collection
- Calendar years 2026 and 2027 rates are being set by such a correction

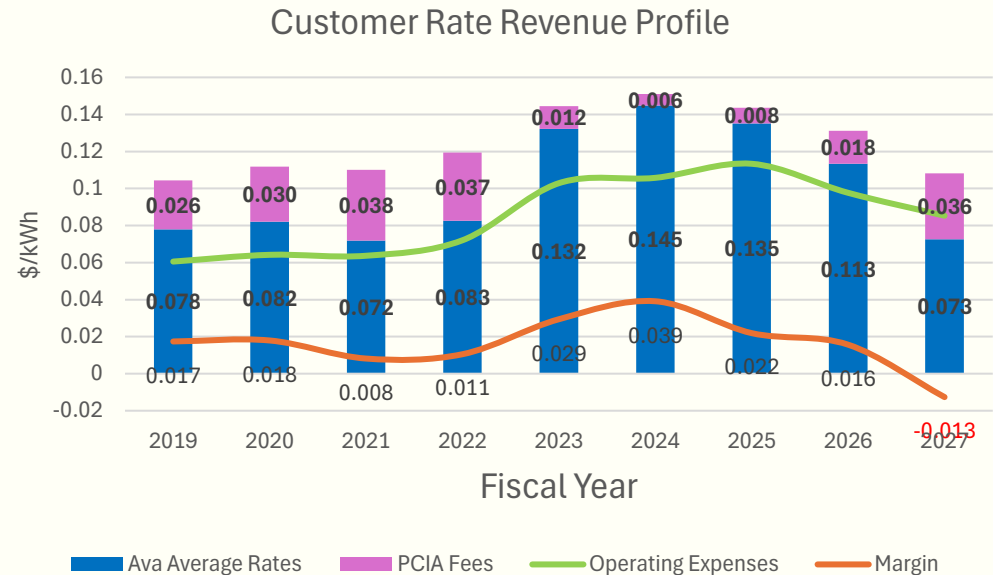
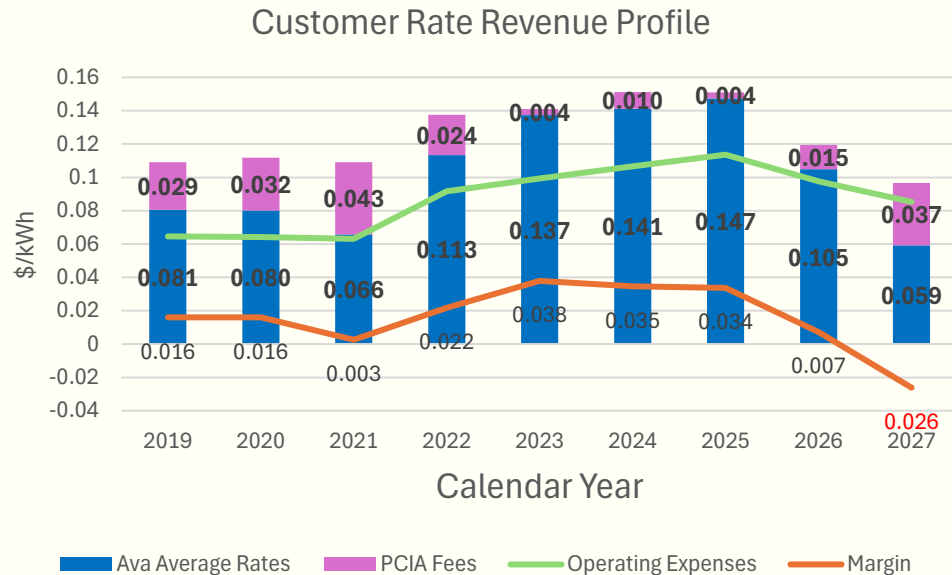
# Market Price Benchmark Trends 2020-2027

- Forecast MPBs used to develop 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 Rates/PCIA

- Rates have increased and PCIA has decreased from 2021 to 2025, driven by historic increases in market energy prices
- Since then, energy costs softened and market prices set PCIA higher and rates lower in 2026, in addition to substantive PCIA reform.
- Lower prices are expected to continue through the 2026 and we are forecasting continued lower rates and higher PCIA for 2027 true up
- Between calendar year 2025 and 2026, customer rates have dropped 20.9%, and between 2026 and 2027 Ava is estimating rates will decline an additional 19.1% (inclusive of PCIA)
  - Ava average rates dropped 28.8% between 2025 and 2026, and is expected to decline an additional 43.6% in 2027 to the lowest rates in Ava's history



# Draft Budget: Base Case Assumptions

Year	Energy		RPS		RA	
	Brown Power		RPS Adder		System RA (\$/kW-mo.)	
	Forecast	Final	Forecast	Final	Forecast	Final
2026	\$ 51.38	\$ 33.28	\$ 62.45	\$ 40.00	\$ 11.53	\$ 9.42
2027	\$ 42.18	\$ 42.18	\$ 25.00	\$ 25.00	\$ 9.67	\$ 9.67
2028	\$ 47.25	\$ 47.25	\$ 20.00	\$ 20.00	\$ 10.65	\$ 10.65

- 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
- Renewable and carbon free targets are aligned with previous Board decisions for compliance period through calendar year 2027
- Interest income reflects higher-for-longer interest rate policy and adjusts for expected cash drawdowns—current estimates are 3.5% until December then 3.25% for remaining period
- No contributions to Local Development Fund this year
- Borrowing costs reflects collateral changes expected with FSR, higher placement is anticipated

# 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%
<b>Period*</b>	<b>57.3%</b>	<b>23.7%</b>	<b>80.9%</b>	<b>57.9%</b>	<b>25.4%</b>	<b>83.3%</b>	<b>2.4%</b>

\* Load Weighted

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

# Draft Budget: Forecast Uncertainty

- May ERRA filing will provide a year-to-date on a subset of the underlying assumptions that generate the PCIA and rates, but will not provide updated MPBs
- Tracks 2 and 3 of the PCIA reform may be fast-tracked or delayed, depending upon CPUC rulings
- Load has some uncertainty:
  - With the addition of SJC, estimates will become more accurate as Ava receives more data directly in real time
  - Longer-term: data center and electrification resents significant uncertainty
- New PPA developments may be delayed or moved forward in expected start dates
- Market prices are fluctuant and can spike on demand or supply constraints, or generally migrate over time
- Opaque portfolios with the IOU could lead to materially different MPBs in October filing
- Interest rates could be adjusted at a different time and amount than modeled

# FY 2026-2027 Scenarios & Sensitivities

Ava looked at possible alternative market outcomes—High-End and Low-End scenarios

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

	Base Case	High End	Low End
Revenues	639,453,000	739,032,000	594,075,000
Cost of Energy	759,673,000	819,347,000	738,685,000
Overhead	53,231,000	53,231,000	53,231,000
Net Non-Op	23,178,000	23,178,000	23,178,000
Net Revenues	(150,273,000)	(110,368,000)	(174,663,000)

	Base Case		High End		Low End	
	2026	2027	2026	2027	2026	2027
MPBs						
Power	33.28	42.18	51.38	42.18	23.7	42.18
RPS	40.00	25.00	62.45	25.00	40.00	25.00
RA	9.42	9.67	11.53	9.67	9.42	9.67

Staff also tested sensitivities to gauge general price movement impacts on net revenues

Price Sensitivities		
MPBs	Move	Impact on Net Revenues
Power	\$5.00	\$11.0MM
RPS	\$5.00	\$4.9MM
RA	\$1.00	\$8.1MM

# Draft Budget: Revenues

Ava Community Energy	FY 2026	FY 2027		
	BUDGET	BUDGET	FY 2027	FY 2027
	FY 2026	FY 2027	Delta	%D
<b>Revenue &amp; Other Sources</b>				
Electricity Sales	869,170,000	642,231,000	(226,939,000)	-26.1%
Uncollectables	(8,692,000)	(8,028,000)	664,000	-7.6%
Other Operating Revenue	0	0	0	0.0%
GASB 62	35,327,000	5,250,000	(30,077,000)	-85.1%
<b>Total Operating Revenue</b>	<b>895,805,000</b>	<b>639,453,000</b>	<b>(256,352,000)</b>	<b>-28.6%</b>

- Revenues from sales of electricity are expected down from previous year’s budget due to softer energy prices materializing in 2026, which affects rates for 2027
- 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: Overview of Operating Expenses

<b>Ava Community Energy</b>	FY 2026 BUDGET FY 2026	FY 2027 BUDGET FY 2027	FY 2027 Delta	FY 2027 %D
<b>Energy Operations</b>				
Cost of Energy	836,970,000	745,454,000	(91,516,000)	-10.9%
Cost of Energy Services	14,056,000	14,219,000	163,000	1.2%
<b>Total Energy Expenses</b>	<b>851,026,000</b>	<b>759,673,000</b>	<b>(91,353,000)</b>	<b>-10.7%</b>
<b>Overhead Expenses</b>				
Personnel	29,639,000	31,470,000	1,831,000	6.2%
Marketing & Communication	3,872,000	3,421,000	(451,000)	-11.6%
Legal, Policy, & Regulatory Affairs	4,243,000	4,254,000	11,000	0.3%
Other Professional Services	3,518,000	4,387,000	869,000	24.7%
General & Administrative	7,095,000	9,699,000	2,604,000	36.7%
<b>Total Overhead Expenses</b>	<b>48,367,000</b>	<b>53,231,000</b>	<b>4,864,000</b>	<b>10.1%</b>
<b>Total Operating Expenses</b>	<b>899,393,000</b>	<b>812,904,000</b>	<b>(86,489,000)</b>	<b>-9.6%</b>

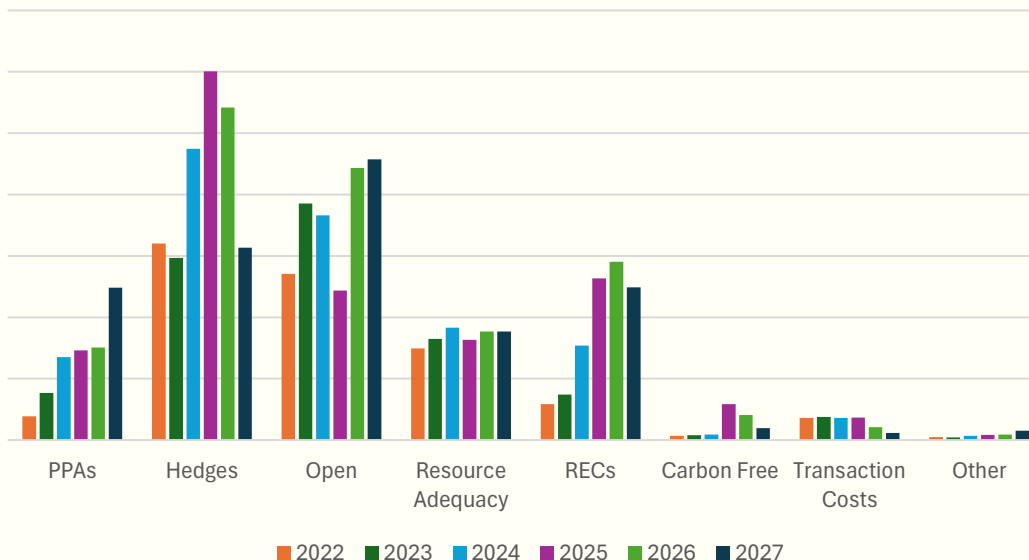
Expenses are divided into three overall cost center categories:

- **Energy Operations** which includes all energy, energy attributes, and 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	FY 2027	FY 2027	
	BUDGET	BUDGET	FY 2027	FY 2027
	FY 2026	FY 2027	Delta	%D
<b>Energy Operations</b>				
Cost of Energy	836,970,000	745,454,000	(91,516,000)	-10.9%
<b>Energy Services</b>				
Data Management/CRM	10,080,000	9,981,000	(99,000)	-1.0%
Billing & Metering	3,208,000	3,446,000	238,000	7.4%
Scheduling	768,000	792,000	24,000	3.1%
Cost of Energy Services	14,056,000	14,219,000	163,000	1.2%
<b>Total Energy Expenses</b>	<b>851,026,000</b>	<b>759,673,000</b>	<b>(91,353,000)</b>	<b>-10.7%</b>

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: Fiscal Year Personnel Details

PERSONNEL	2026		2026		2027	
	BUDGET	%Cost	ACTUALS	%Cost	BUDGET	%Cost
Salaries & Wages	23,171,000	78.2%	21,233,000	79.9%	23,070,000	73.3%
Health Care/Benefits	3,242,000	10.9%	2,456,000	9.2%	4,884,000	15.5%
Retirement	2,745,000	9.3%	2,461,000	9.3%	2,983,000	9.5%
Payroll Expenses	481,000	1.6%	414,000	1.6%	533,000	1.7%
<b>Total</b>	<b>29,639,000</b>	<b>100.0%</b>	<b>26,564,000</b>	<b>100.0%</b>	<b>31,470,000</b>	<b>100.0%</b>

- 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) Analyst
- Compensation Adjustments:
  - COLA: 3%; Promotions/Wage Adjustments: 3%; AIP Compensation: 12%
  - Accounting for increased healthcare premiums and associated benefit costs (realized and expected)

# 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%

*\*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*

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!

*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
<b>MARKETING</b>				
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%
<b>Total</b>	<b>3,872,000</b>	<b>2,607,000</b>	<b>3,421,000</b>	<b>-11.6%</b>

## FY 2027 Summary of Adjustments:

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

# Draft Budget: Legal, Policy, & Regulatory Affairs

	BUDGET FY2026	ACTUALS FY2026	BUDGET FY2027	%Change
<b>LEGAL, POLICY, &amp; REGULATORY AFFAIRS</b>				
Legal Consultants	3,143,000	2,527,000	3,110,000	-1.0%
Policy & Legislative Consultants	740,000	539,000	740,000	0.0%
Software & Subscriptions	281,000	148,000	325,000	15.7%
Memberships & Sponsorships	79,000	52,000	79,000	0.0%
<b>Total</b>	<b>4,243,000</b>	<b>3,266,000</b>	<b>4,254,000</b>	<b>0.3%</b>

## FY 2027 Summary of Adjustments

### Legal:

- Litigation counsel: ongoing dispute with energy provider; litigation readiness; all 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
<b>PROFESSIONAL SERVICES</b>				
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%
<b>Total</b>	<b>3,518,000</b>	<b>2,424,000</b>	<b>4,387,000</b>	<b>24.7%</b>

## FY 2027 Summary of Adjustments:

- **Operations:** Reduction in costs as tenant improvement contractors are not in 2027
- **Technology Consultants:** Expanding operations requires additional engineering and CRM structure and design support
- **Other Services:** Work continues to expand in all areas and to offset full time hires, temporary contractors are needed

# Draft Budget: General & Administrative

	BUDGET FY2026	ACTUALS FY2026	BUDGET FY2027	%Change
<b>GENERAL OPERATIONS</b>				
Operational Expenses	2,162,000	3,248,000	3,216,000	48.8%
Software & Subscriptions	2,880,000	2,550,000	3,925,000	36.3%
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%
<b>Total</b>	<b>7,095,000</b>	<b>6,968,000</b>	<b>9,699,000</b>	<b>36.7%</b>

## FY 2027 Summary of Adjustments:

- **Operational Expenses:** Increase is due to accounting change for interest reporting, some increases in insurance premiums and service fees
- **Software & Subscriptions:** Increases to cover additional software needs for IT, Power Resources, and EAS data and increased cyber security needs
- **Rent & Utilities:** Annual increase and TI catchup
- **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 2027 BUDGET FY 2027	FY 2027 Delta	FY 2027 %D
<b>Non-Operating Revenue</b>				
Interest Income	15,066,000	24,246,000	9,180,000	60.9%
Grants	0	0	0	0.0%
Other Non-Operating Revenue	49,000	48,000	(1,000)	-2.0%
<b>Total Non-Operating Revenue</b>	<b>15,115,000</b>	<b>24,294,000</b>	<b>9,179,000</b>	<b>60.7%</b>
<b>Non-Operating Expenses</b>				
Local Development Funding	10,190,000	0	(10,190,000)	-100.0%
Borrowing Interest	1,087,000	996,000	(91,000)	-8.4%
Capital Expenditures	250,000	120,000	(130,000)	-52.0%
<b>Total Non-Operating Expenses</b>	<b>11,527,000</b>	<b>1,116,000</b>	<b>(10,411,000)</b>	<b>-90.3%</b>
<b>NET NON-OPERATING REVENUES</b>	<b>3,588,000</b>	<b>23,178,000</b>	<b>19,590,000</b>	<b>546.0%</b>

## 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% through 2026 then 3.25% in 2027
- **Other Non-Operating Revenue:** is expected income AT&T tower rent at the 8<sup>th</sup> Street building

## Non-Operating Expenses

- **Borrowing Interest:** reduced due to changes in interest accounting
- **Capital Expenditures:** costs estimated for general improvements at 1999 Harrison St offices
- **Local Development:** no planned contributions

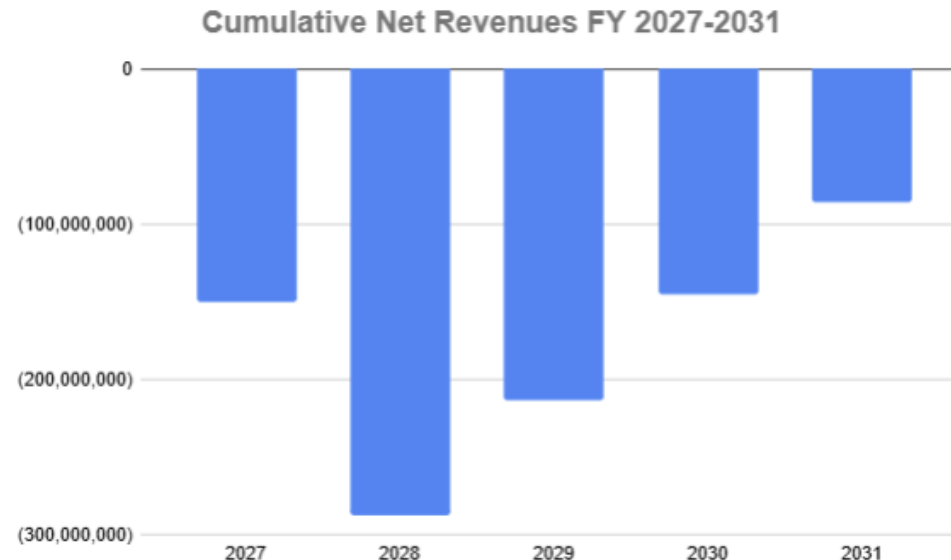
# Draft Budget: Five-Year Forecast

	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2027	2028	2029	2030	2031
<b>Revenue &amp; Other Sources</b>					
Total Operating Revenue	639,452,000	684,113,000	910,722,000	955,101,000	1,034,683,000
<b>Energy Operations</b>					
Cost of Energy	745,454,000	766,887,000	780,103,000	832,976,000	921,929,000
Cost of Energy Services	14,219,000	15,450,000	15,532,000	15,615,000	15,705,000
<b>Total Energy Operations</b>	<b>759,673,000</b>	<b>782,337,000</b>	<b>795,635,000</b>	<b>848,591,000</b>	<b>937,634,000</b>
Total Overhead Expenses	53,231,000	55,008,000	56,892,000	58,764,000	60,744,000
Total Non-Operating Revenue	24,294,000	16,962,000	17,988,000	21,254,000	24,082,000
Total Non-Operating Expenses	1,116,000	1,116,000	1,116,000	1,116,000	1,116,000
<b>Total Net Revenues</b>	<b>(150,274,000)</b>	<b>(137,386,000)</b>	<b>75,067,000</b>	<b>67,884,000</b>	<b>59,271,000</b>
<b>Load (MWh)</b>					
Wholesale	9,421,823	9,722,680	9,778,886	9,920,679	10,199,932
Retail	8,855,834	9,167,859	9,223,987	9,363,927	9,639,905

	Calendar Year MPB's				
	2027	2028	2029	2030	2031
<b>Power</b>	42.18	47.25	50.14	53.80	54.08
<b>RPS</b>	25.00	20.00	20.00	25.00	25.00
<b>RA</b>	9.67	10.65	10.86	10.29	11.24

## Assumptions for 5-year outlook

- Base case assumptions applied
- Current value proposition is retained through whole period
- No application of RSF
- Energy costs perform along mean expectations
- Overhead grows at rate of inflation
- Interest rates remain at 3%



# 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%
<b>2025-2026**</b>	-	-	<b>330,873,400</b>	<b>812,904,000</b>	<b>FY 2026-2027</b>	<b>40.7%</b>

\*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 40.7% of FY 2026-27 OpEx

- Current reserve fund balance covers 40.7% of projected operating expenses for FY 2027
- Rate Stabilization Fund balance holds 8% margin above base case drawdown for FY 2027
- Current FY surplus estimate of \$80.7MM is not included in these balances
- Staff will bring recommendations for allocation of the surplus to the Board after completion of the annual audit in November

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

# Local Development



# 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
	<b>Total</b>	<b>\$83,600,000</b>

\*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
<b>Total</b>	<b>\$11,990,000</b>	<b>\$29,450,000</b>	

# Draft Budget: Next Steps & Expected Updates

- The next presentation will be at the May 20<sup>th</sup> Board meeting
- Typically, end of May PG&E/CPUC issue ERRA update for current year filings—may or may not have material impact on these numbers as depending upon content reported
- Additional review opportunities by FAP (5/27), Ex Com (6/3)
- Final delivery to Board (6/17) for approval

Note: These budget scenarios are indicative and will change based on energy market conditions and developments in CPUC proceedings

Staff is seeking feedback on any matters that should be updated in May presentation to the Board