Financial, Administrative and Procurement Subcommittee Meeting

Wednesday, October 28, 2026
3:30 pm

In Person:
Altamont Conference Room
Ava Community Energy
1999 Harrison Street, Suite 2300
Oakland, CA 94612

Or from the following locations:

- Dublin Civic Center - 100 Civic Plaza, Dublin, CA 94568
- 4917 Knowlson Terrace, Fremont, CA 94555
- 35653 Scarborough Dr. Newark CA 94560
- 1100 Webster St., 2nd Floor Conference Room, Oakland, CA 94607
- City of Union City's Administrative Offices, Council Conference Room - 34009 Alvarado-Niles Road. Union City, CA 94587
- Commodore Lounge - 3 Commodore Drive, Emeryville, CA 94608

Via Zoom:
https://avaenergy-org.zoom.us/j/83599993289

Or join by phone:
Dial(for higher quality, dial a number based on your current location): US: +1 669 900 6833 or +1 346 248 7799 or +1 253 215 8782 or +1 929 205 6099 or +1 301 715 8592 or 888 475 4499 (Toll Free) or 877 853 5257 (Toll Free)
Webinar ID: 835 9999 3289

Meetings are accessible to people with disabilities. Individuals who need special assistance or a disability-related modification or accommodation to participate in this meeting, or who have a disability and wish to request an alternative format for the meeting materials, should contact the Clerk of the Board at least 2 working days before the meeting at (510) 707-1764 or cob@avaenergy.org.

If you have anything that you wish to be distributed to the Finance, Administration and Procurement Subcommittee, please email it to the clerk by 5:00 pm the day prior to the meeting.

1. **Welcome & Roll Call**

2. **Public Comment**
   This item is reserved for persons wishing to address the FAP Subcommittee on any Ava-related matters that are not otherwise on this meeting agenda. Public comments on matters listed on the agenda shall be heard at the time the matter is called. As with all public comment, members of the public who wish to address the Board are customarily limited to three minutes per speaker. The FAP Chair may increase or decrease the time allotted to each speaker.

3. **Approval of Minutes from September 9, 2026 (Action Item)**

4. **Fiscal Year 2025-2026 Operating Results and Audit Preview (Informational Item)**
   Howard Chang, CEO;
   Rusty Mills, Senior Vice President and Chief Financial Officer;
   Jason Bartlett, Senior Finance Manager; and
   Amy Vallandigham, Director of Accounting and Controller
   Provide an overview of operating results and an update of the audit process

5. **Budget Surplus Revenue Discussion (Informational Item)**
   Howard Chang, CEO;
   Rusty Mills, Senior Vice President and Chief Financial Officer; and
   Jason Bartlett, Senior Finance Manager
   Discuss the options and considerations for allocating the Fiscal Year 2025-2026 surplus revenues

6. **Committee Member and Staff Announcements including requests to place items on future Board Agendas**

7. **Adjourn**

   The next Financial, Administrative and Procurement Subcommittee meeting will be held on Wednesday, January 27, 2027 at 3:30pm.

   Altamont Conference Room
   Ava Community Energy
   1999 Harrison Street, Suite 2300
   Oakland, CA 94612

Ava Community Energy

Draft Minutes

Financial, Administrative and Procurement Subcommittee Meeting

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1. **(12:09) Welcome & Roll Call**
   Present: Members: Sukhdeep Kaur (Emeryville), Teresa Keng (Fremont), Rowena Brown (Oakland), and Scott Sakakihara (Union City).

   Not Present: Members: Julie Del Catancio (Newark) and John Morada (Dublin).

2. **(13:18) Public Comment**
   This item is reserved for persons wishing to address the FAP Subcommittee on any Ava-related matters that are not otherwise on this meeting agenda. Public comments on matters listed on the agenda shall be heard at the time the matter is called. As with all public comment, members of the public who wish to address the Board are customarily limited to three minutes per speaker. The FAP Chair may increase or decrease the time allotted to each speaker.

   No public comment was received.

3. **(14:13) Approval of Minutes from May 27, 2026 (Action Item)**

   No public comment was received.

   Member Keng moved and Member Brown seconded approval of the May 27, 2026 meeting minutes. The motion carried, 4/0/0/0/2.
   Yes: Members: Kaur, Keng, Brown, Sakakihara
   No: None
   Abstain: None
   Recuse: None
   Not Present: Members: Del Catancio and Morada

4. **(15:44) FY 6/30/26 Audit Progress (Informational Item)**
   Provide an update on 6/30/26 FYE audit

   Amy Vallandigham, Director of Accounting and Controller, reported that the fiscal year-end audit was underway. Staff anticipated presenting the audit to FAP in October and to the Board in November 2026. The audit ad hoc committee had met and planned to meet again in October.

   No public comments were received.

5. **(17:30) Working Capital Management Overview (Informational Item)**
   Overview of Working Capital and Liquidity Management

   Chief Financial Officer Russell Mills and Senior Finance Manager Jason Bartlett presented Ava's approach to working capital and liquidity management, including allocated and restricted funds, the cash collection cycle, the Power Charge Indifference Adjustment (PCIA), and cash forecasting. Staff described an approximately 45-day gap between supplier payments and customer revenue collections, an internal 45-day working capital minimum, and stress-tested forecasts through June 2028. Staff did not anticipate an immediate draw on the Rate Stabilization Fund.

(37:24) Public Comment: Jim Lutz asked about seasonal cash-flow fluctuations, the influence of fossil-fuel prices on power costs, and the possibility of setting rates independently of PG&E.

6. **(44:29) REC Exchange Deal for Pre-Pay (Informational Item)**
   Summary of a transaction for exchanging Renewable Energy with another CCA to enable Pre-Pay savings

   Jim Dorrance, Director of Power Resources, presented a proposed exchange of renewable energy with another community choice aggregator to facilitate assignment into energy prepayment transactions. Staff described paired contracts involving approximately 175,000 megawatt-hours annually, with no incremental transaction cost to Ava customers. Staff anticipated bringing the long-term agreement to the Board for approval in October 2026.

   (51:49) Public Comment: Jim Lutz asked why the counterparty CCA would participate. Staff explained that the structure could facilitate prepaid assignments for both organizations.

   Member Brown requested additional materials explaining the transaction for the Board, asked about the undisclosed counterparty and potential long-term cost exposure, and raised a separate question about data centers. Staff addressed these questions, stated that the transaction was unrelated to data centers, and indicated that it would consider including a nonconfidential form contract with the forthcoming Board materials.

7. **(1:04:50) Committee Member and Staff Announcements including requests to place items on future Board Agendas**

   No announcements or requests for future Board agenda items were made.

8. **(1:05:20) Adjourn**

   The meeting was adjourned at 4:31 p.m.

   The next Financial, Administrative and Procurement Subcommittee meeting will be held on Wednesday, October 28, 2026 at 3:30pm.

   Altamont Conference Room
   Ava Community Energy
   1999 Harrison Street, Suite 2300
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Fiscal Year 2025-2026 Operating Results and Audit Preview

Finance, Administrative, and Procurement Subcommittee

October 28, 2026

Contents

- Audit Background
- Highlights of FY 25-26 Financial Results
- Budget to Actuals Comparison
- Local Development Fund Activity
- Overview of budget reconciliation process with audited financial statements

Audit Background

- Each year, Ava conducts an audit of the fiscal year-end financial statements.
- The annual audit is conducted by Sorren CPAs, P.C., an independent, external CPA team.
- The Independent Auditor's Report preliminarily concludes their opinion of the financial statements as materially accurate with no significant deficiencies or material weakness in internal controls identified. This will be included in the final financial statements delivered to the Board tentatively planned for Nov 18th.
- The Management Discussion and Analysis (MD&A) provides an overview of Ava's financial activities for the fiscal years reported and gives information on financial position, reporting protocols, and overall economic factors that relate to Ava activities.
- The Basic Financial Statements provide an independently verified, accurate portrait of Ava's financial position as of June 30, 2026.
- Notes to the Basic Financial Statements discuss accounting policies, cash and capital positions, risk management, commitments, and known subsequent events.

Audit Update and FY25-26 Financial Highlights

Per our debt covenants, we are required to have a completed audit within 180 days of fiscal year-end (e.g. 12/27/2026 this year). The audit is estimated to be final and presented by staff and the auditors at the November 18th Board meeting. There is some risk that the audit won't be closed in time to present in November. If that is the case, we will move the presentation to the December 16th Board meeting and meet Ava's compliance deadline. Factors that compressed our timeline:

- PCIA and ERRA Filings in Mid-October that affected year end accruals.
- GASB 103 implementation - categorizes certain revenue items to a new section called Noncapital Subsidies on the Statements of Revenue, Expenses, and Changes in Net Position (Grants and DAC-GT Revenues for Ava).
- Staff modification of the methodology for estimating accruals for uncollectibles.

Highlights of the Draft FY 25-26 financial results and audit are as follows:

It is expected that the auditors will report an unmodified opinion – financial statements are materially accurate. We are not aware of any significant deficiencies or material weakness in internal controls, no proposed adjustments to the financial statements have been communicated to Ava, and no unusual transactions or applications of accounting principles have been identified.

- Estimated Annual Operating Revenues: $808,235,142 (gross operating revenue is $889,202,948 and net revenue deferred is $80,967,806).
- Estimated Annual Operating Expenses: $845,576,991.
- Noncapital subsidy revenue from the CPUC for Disadvantaged Communities Green Tariff (DAC-GT) and other Grant revenue, $5,782,579 and $1,298,240, respectively.
- Estimated Annual Net Nonoperating Revenues: $20,888,365.
- Estimated Net Position decrease of $9,372,665 to $544,525,201.

Draft Audited Financial Statements (not final):

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2026 AND 2025

	2026	2025
OPERATING REVENUES		
Electricity sales, net	$ 885,852,817	$ 890,372,917
Revenue directed to Rate Stabilization Fund	(80,967,806)	(108,097,808)
Liquidated damages	2,255,035	10,825,198
Other operating revenues	1,095,096	523,852
Total operating revenues	808,235,142	793,624,159
OPERATING EXPENSES		
Cost of electricity	781,449,941	749,266,364
Contract services	23,900,671	24,108,447
Staff compensation	24,416,879	20,387,169
Other operating expenses	14,570,974	7,502,636
Depreciation and amortization	1,238,526	923,330
Total operating expenses	845,576,991	802,187,946
Operating income (loss)	(37,341,849)	(8,563,787)
NONCAPITAL SUBSIDIES		
Grant and subsidy revenue	7,080,819	3,822,021
Operating income (loss) and noncapital subsidies	(30,261,030)	(4,741,766)
NONOPERATING REVENUES (EXPENSES)		
Loss on disposition of assets	-	(80,977)
Investment income	22,875,185	24,928,705
Interest and financing expense	(1,986,820)	(1,542,127)
Nonoperating revenues (expenses), net	20,888,365	23,305,601
CHANGE IN NET POSITION	(9,372,665)	18,563,835
Net position at beginning of period	553,897,866	535,334,031
Net position at end of period	$ 544,525,201	$ 553,897,866

STATEMENTS OF NET POSITION
AS OF JUNE 30, 2026 AND 2025

	2026	2025
ASSETS		
Current assets		
Cash and cash equivalents - unrestricted	$ 431,511,847	$ 374,802,685
Cash and cash equivalents - restricted	2,414,235	3,691,237
Accounts receivable, net of allowance	69,844,850	92,646,802
Accrued revenue	45,629,852	61,177,258
Other receivables	6,046,976	6,776,630
Prepaid expenses	5,916,946	5,200,855
Deposits	-	147,000
Investments	18,996,609	30,099,286
Total current assets	580,361,315	574,541,753
Noncurrent assets		
Deposits	975,415	1,230,512
Investments	333,858,101	299,651,534
Loans receivable	2,573,838	2,066,218
Capital assets, net of depreciation and amortization	23,857,094	21,080,775
Total noncurrent assets	361,264,448	324,029,039
Total assets	941,625,763	898,570,792
LIABILITIES		
Current liabilities		
Accrued cost of electricity	92,010,629	119,424,612
Accounts payable	6,271,915	5,956,470
Advances from grantors	2,414,235	3,691,237
Other accrued liabilities	2,923,784	2,228,542
User taxes and energy surcharges due to other governments	8,595,534	8,455,238
Lease liability	465,029	-
Security deposits - energy suppliers	3,974,570	5,024,000
Total current liabilities	116,655,696	144,780,099
Noncurrent liabilities		
Lease liability	11,462,265	11,878,032
Total liabilities	128,117,961	156,658,131
DEFERRED INFLOWS OF RESOURCES		
Rate Stabilization Fund	268,982,601	188,014,795
NET POSITION		
Net investment in capital assets	11,929,800	9,202,743
Unrestricted	532,595,401	544,695,123
Total net position	$ 544,525,201	$ 553,897,866

General Fund Budget to Actuals Comparison

- NOTE: The numbers presented here are not final but represent the current estimated results
- Key Highlights:
  - **Net revenue -** increased by $81MM, driven primarily by higher than expected rates in calendar year 2026, lower than forecasted renewable prices, and decisive measures taken by the Board in December 2025, implemented January 1, 2026
  - **Rate Stabilization Fund -** budgeted recognition was not necessary given the stronger performance from the items mentioned above.
  - **Investment Income -** yields were higher than expected as interest rates remain higher for longer through the period
  - **Personnel -** costs were reduced by deferred hiring for open positions
- The full net revenues are deferred under GASB 62 to allow the Board to consider how to best allocate this surplus. Options are presented in the next item: Budget Surplus Allocation Discussion

AVA COMMUNITY ENERGY AUTHORITY
BUDGETARY COMPARISON SCHEDULE
OPERATING FUND
Year Ended June 30, 2026

	2025/26 YTD Budget	2025/26 YTD Actual	2025/26 YTD Budget Variance Over (Under)	2025/26 YTD Actual/ Budget %
REVENUE				
Electricity Sales	$ 869,170,000	$ 903,243,277	$ 34,073,277	104%
Revenue directed to Rate Stabilization Fund	$ 25,327,000	(80,967,806.00)	(106,294,806)	-229%
Uncollectible	(8,692,000)	(11,607,882)	(2,915,882)	134%
Total Revenue and Other Sources	885,805,000	810,667,589	(75,137,411)	90%
EXPENDITURES AND OTHER USES				
CURRENT EXPENDITURES				
Cost of energy	836,970,000	781,424,881	(55,545,119)	93%
Energy Services				
Data Management/CRM	10,081,000	10,157,998	76,998	101%
Billing & Metering	3,208,000	3,231,449	23,449	101%
Scheduling	767,000	737,608	(29,392)	96%
Total Energy Services	14,056,000	14,127,055	71,055	101%
Overhead Operating Expenses				
Personnel	29,639,000	24,128,722	(5,510,278)	81%
Marketing & Communications	3,872,000	2,379,680	(1,492,320)	61%
Legal, Policy, & Regulatory Affairs	4,243,000	3,245,881	(997,119)	76%
Other Professional Services	3,518,000	2,380,911	(1,137,089)	68%
General & Administrative	7,095,000	6,123,103	(971,897)	86%
Total Overhead Operating Expenses	48,367,000	38,258,297	(10,108,703)	79%
Total Current Expenditures	899,393,000	833,810,233	(65,582,767)	93%
OTHER SOURCES AND USES				
Investment Income	15,066,000	22,688,544	7,622,544	151%
Other Income	49,000	59,387	10,387	121%
Liquidated damages	-	2,248,731	2,248,731	N/A
Interest and Financing Costs	(1,087,000)	(1,032,471)	54,529	95%
Local Development (Transfer to LD Fund Budget)	(190,000)	(190,000)	-	100%
Capital expenditures	(250,000)	(631,547)	(381,547)	253%
Total Other Sources and Uses	13,588,000	23,142,644	9,554,644	0%
Net Increase (Decrease)	$ -	$ -	$ -	0%

Local Development Fund Activity

- NOTE: The numbers presented here are not final but represent the current, best estimate results
- Key Highlights
  - Grant revenues were attributed to the following programs:
    - Health e-Communities
    - Critical Municipal Facilities
    - Energy Efficiency
  - Interest income was generated through program lending to Blocpower and the EV Realty loans
  - Largest costs centers by programs as percent of total expenses
    - Bike Electric: 48% (large incentives distribution)
    - Critical Municipal Facilities: 24% (construction development)
    - Building Efficiency: 11% (operations and incentives)
    - Ava Charge: 10% (operations)

AVA COMMUNITY ENERGY AUTHORITY
LOCAL DEVELOPMENT FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2026

	2025/26 Annual Budget	2025/26 YTD Actual	2025/26 Budget Remaining
REVENUE AND OTHER SOURCES			
Transfer from Operating Fund	$ 190,000	$ 190,000	$ -
Grants/Credits	-	2,340,253	(2,340,253)
Interest income	-	186,641	(186,641)
Total Revenues and other sources	190,000	2,716,894	(2,526,894)
EXPENDITURES AND OTHER USES			
CURRENT EXPENDITURES			
Program expenses	10,190,000	14,899,849	(4,709,849)
Total Expenditures and other uses	10,190,000	14,899,849	(4,709,849)
Net Increase (Decrease)	(10,000,000)	(12,182,955)	
Fund balance at beginning of period	74,801,996	74,801,996	
Fund balance at end of period	$ 64,801,996	$ 62,619,041	
Program loans receivable outstanding		(724,998)	
Adjusted fund balance at end of period		$ 61,894,043	

Budget Reconciliation to Financial Statements

- The Budget is an internal proforma document set at the discretion of the Board
- The financial statements in the Audit are standardized by Generally Accepted Accounting Principles (GAAP) and have additional rules set forth by the Governmental Accounting Standards Board (GASB)
- Ava drafts each budget in accordance with industry best practices and employs best efforts to align with GAAP and GASB standards, but financial differences exist and reconciliation is defined per item of **Audited Net Position** (GAAP/GASB) against **Actualized Net Revenues** (Budget)
- The table below is the current status of FY 2025-2026's reconciliation of Net Position (decrease on financial statements by $9.4MM) to Net Revenues (flat on Budget to Actuals statement at $0)

Reconciled Item	Details	Amount	Balance
Audited Net Position Difference	*Relative to net deferred revenues*		(9,372,665)
Loss on Disposition of Assets	*Accrued depreciation of discarded assets*	(312,964)	(9,059,701)
GASB 87 Lease	*Lease obligations outstanding as of 6/30/2026*	(974,821)	(8,084,880)
LD Actual Expenses	*Actual FY 25/26 Program expenses*	(14,899,849)	6,814,969
LD Budget Allocation	*Budgeted capital transfer to Programs*	190,000	6,624,969
LD Revenue from Grants/Credits	*FY 25/26 grant & credit revenue in Programs*	2,340,253	4,284,716
LD Interest Income	*Interest on development loans*	186,641	4,098,075
Capital Outlay	*Capital reconcilliation*	4,098,075	-

Conclusion

- This presentation is provided as an informational update
- Financial Statements and figures are not final, but are not expected to materially change
- Staff is targeting to bring final audited financial statements for the November board meeting, though it may push to December due to:
  - The annual ERRA filing was released on October 15 and this year requires more substantive updates due to market price volatility
  - GASB 103 and 104 implementation
  - Updated methodology on aging and uncollectibles



Fiscal Year 2025-2026 Budget Surplus Allocation

Finance, Administrative, and Procurement Subcommittee

October 28, 2026

Contents

- Introduction
- Overview of Rate & PCIA Setting Process
- Recent ERRA and MPB Filings and the history of rate forecasting
- Financial Projections—Budget Impact, Net Revenues, Working Capital
- GASB62, Reserve, & RSF Balances
- Allocation options
- Next Steps & Conclusion

Budget Surplus Discussion Introduction

- With the imminent close of the 2025-2026 fiscal year financial statements, ending June 30th, Ava's accounting team is estimating an approximately $81MM surplus in net revenues.
- Last year, the surplus was held in the GASB 62 account as deferred revenues while the Board decided how to best allocate those funds. This year, we are repeating this same process.
- On October 16th, the Energy Resource Recovery Account (ERRA) filing was released that confirms actual prices for 2026, forecasts prices for 2027, and sets the generation and PCIA rates that go into effect on January 1, 2027, directly affecting Ava's revenues
- This presentation will cover broadly how this mechanism works, the impact to current fiscal year outlook, implications to future revenues and working capital, and then discuss the options available to the Board for allocation of the surplus revenues from the closing fiscal year.

Rates & PCIA Overview

Changes in actual energy market prices vs forecasted prices are trued up through PCIA and rate setting processes, which typically span multiple full calendar years.

These changes create an imbalance in how rates recover costs

- A price spike results in an undercollection
- A price dip results in an overcollection

These imbalances are tracked in the ERRA for rate setting purposes and the Portfolio Allocation Balancing Account (PABA) for PCIA purposes

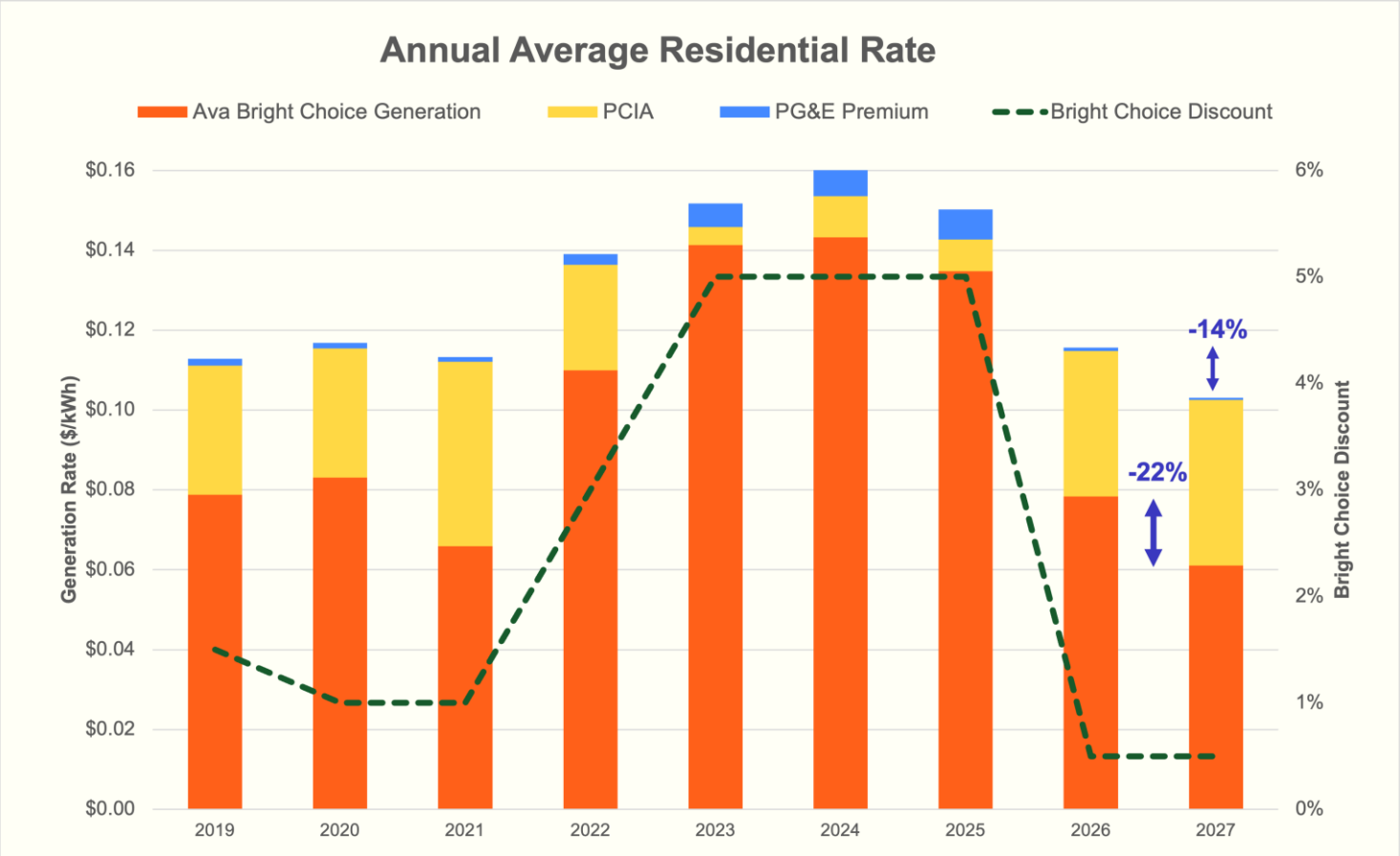
Thus, the annual rebalancing in years where prices are increasing requires rates go up and PCIA come down. Conversely, when prices are decreasing, rates come down and PCIA goes up.

Note: Graphs to the right are for illustrative purposes





New 2027 Rates from ERRA Filing



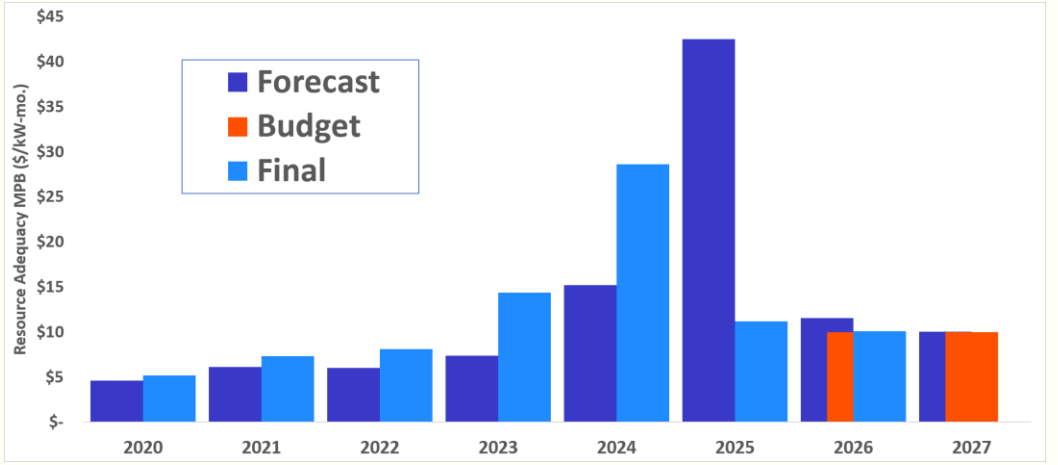
Note: This slide reflects 2018 PCIA Vintage (Ava's most common residential vintage)

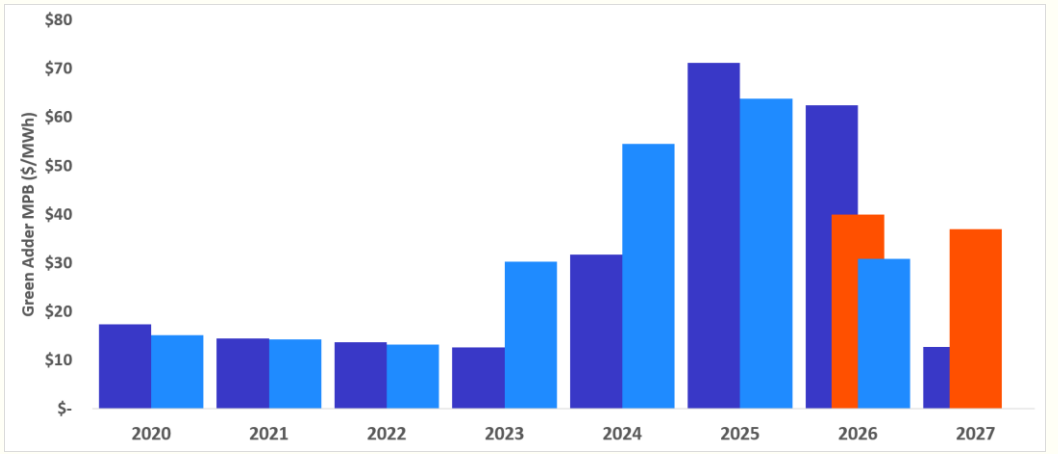
- 2027 Generation rates (including PCIA) are expected to decrease by ~14% from 2026 levels
  - This translates to about an average $50 bill reduction over the calendar year
- Ava-specific customer rates are expected to decrease by ~22%
- These estimates assume no change to the Bright Choice discount
- Average customer generations-related rates are expected to be about $0.103/kWh
- Final 2027 rates may differ based on the final Annual Energy True-up (AET)

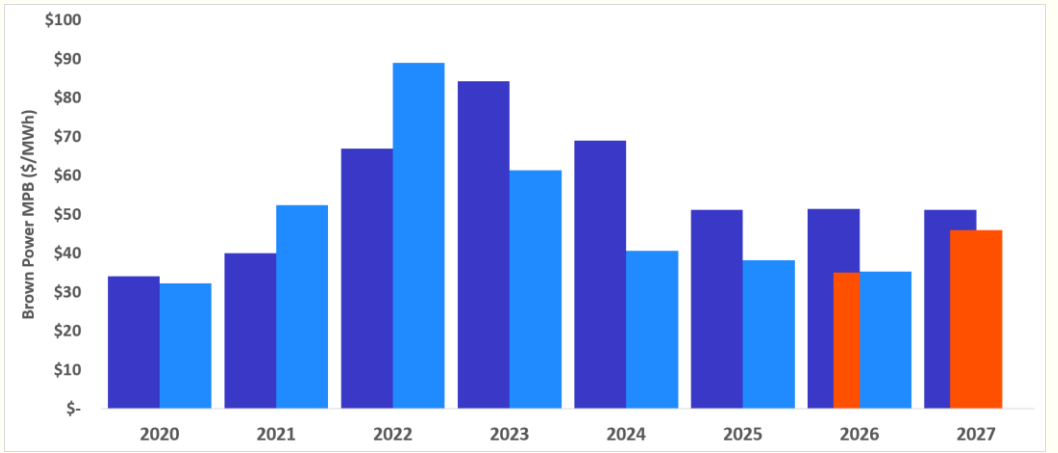
How We Got Here

Volatility in the market, and changes to regulatory processes, translates to MPBs and then materializes through rates

- 2025—High forecasted market prices across energy products led to significant generation rate and revenue growth.
- 2026—Decreasing market prices for brown power and RA, driven by PCIA Track 1 changes on RA MPBs. Includes significant true up for 2025 overcollection.
- 2027—Decreasing market prices for renewable energy (RECs), which includes PCIA Track 2 changes shifting $1BN in value from pre-2019 banked RECs to PG&E bundled customers. Includes significant true up for 2026 overcollection.
- 2028 – Assume market prices remain stable at low levels in line with 2027 forecasts. No true-up assumed.
  - Future potential changes from PCIA Track 3A, 3B, and 4 are not incorporated in forecast





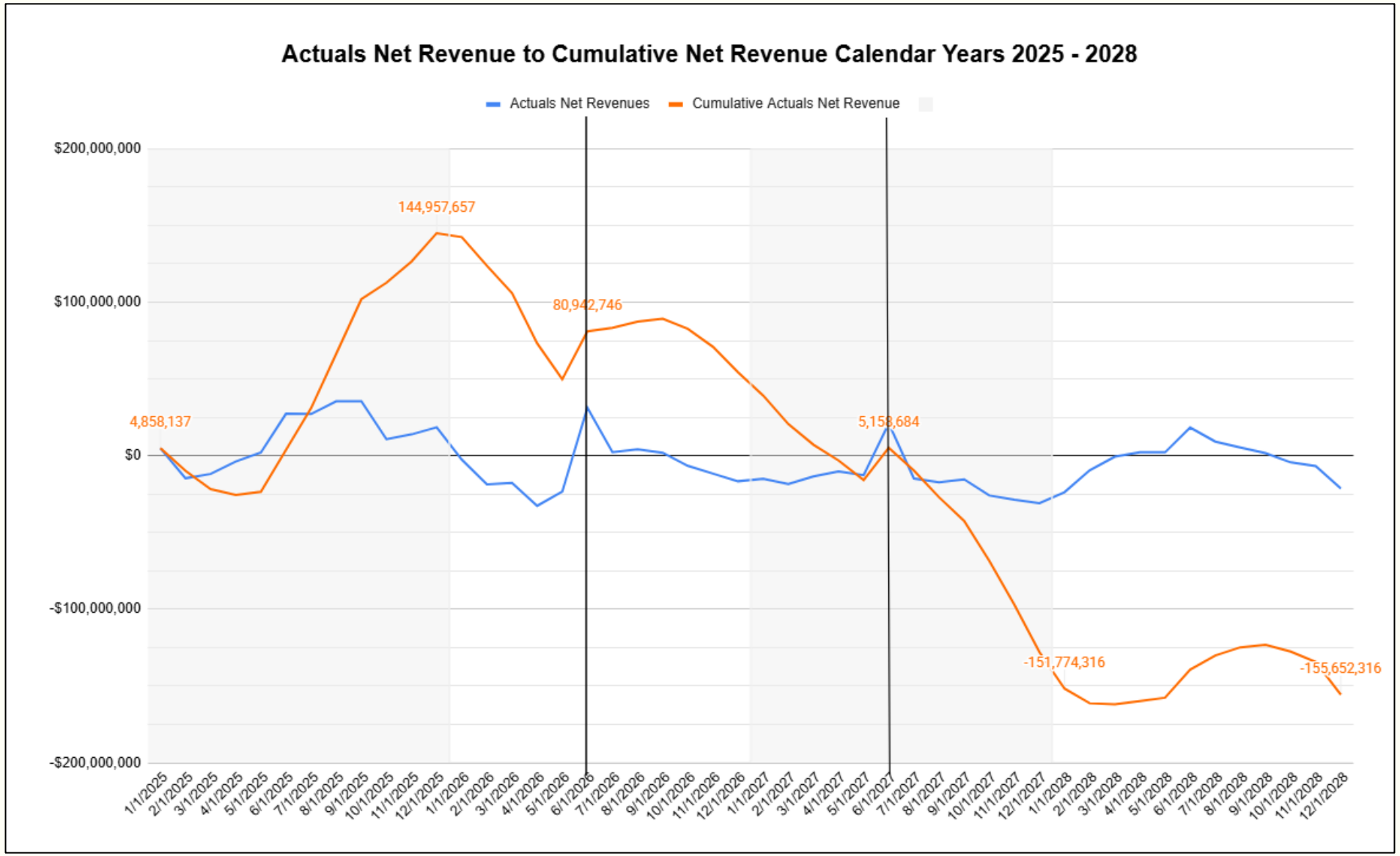


2026-2027 Budget – Updated Financial Projections

Ava Community Energy	FY 2027 BUDGET	FY 2027 ACTUAL	FY 2027 Delta	FY 2027 %D
Wholesale Load (MWh)	9,553,000	9,512,000	(41,000)	-0.4%
Retail Load (MWh)	8,975,000	9,016,000	41,000	0.5%
Revenue & Other Sources				
Electricity Sales	805,476,000	692,477,000	(112,999,000)	-14.0%
Uncollectables	(10,068,000)	(8,658,000)	1,410,000	-14.0%
Other Operating Revenue	0	6,000	6,000	0.0%
GASB 62	24,160,000	24,160,000	0	0.0%
Total Operating Revenue	**819,568,000**	**707,985,000**	(111,583,000)	-13.6%
Energy Operations				
Cost of Energy	775,323,000	739,041,000	(36,282,000)	-4.7%
Cost of Energy Services	14,218,000	14,077,000	(141,000)	-1.0%
Total Energy Expenses	**789,541,000**	**753,118,000**	**(36,423,000)**	**-4.6%**
Overhead Expenses				
Total Overhead Expenses	54,306,000	53,009,000	(1,297,000)	-2.4%
Total Non-Operating Revenue	24,399,000	22,042,000	(2,357,000)	-9.7%
Total Non-Operating Expenses	120,000	116,000	(4,000)	-3.3%
NET NON-OPERATING REVENUES	**24,279,000**	**21,926,000**	**(2,353,000)**	**-9.7%**
TOTAL NET REVENUES	**0**	**(76,216,000)**	**(76,216,000)**	**0.0%**

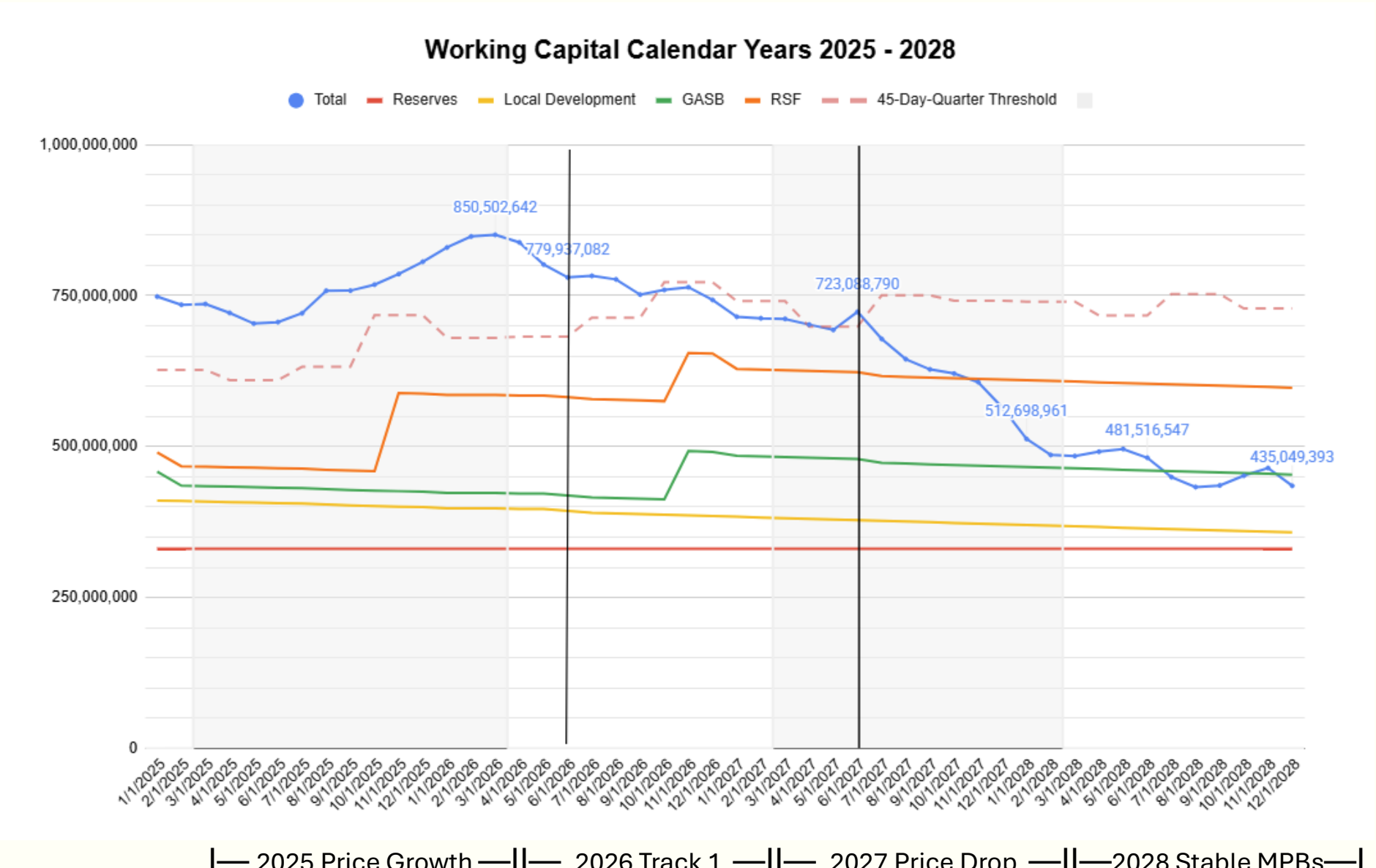
- The ERRA filing projects a decrease in customer rates for calendar year 2027, as prices generally declined through 2026.
  - This reduces expected revenues by $113MM
- Along with ERRA filing, the Market Price Benchmark (MPB) prices for renewable energy credits and resource adequacy reduced expected energy costs by $36.3MM for the current fiscal year
  - This is a true up to calendar year 2026 market prices and estimated prices for calendar year 2027
- The net result is current fiscal year has an additional $76.2MM drawdown from budgeted amounts, totaling a net loss of $100.4MM
  - Previous budget estimated a $24.2MM release
- A more comprehensive update will be presented by staff at the Mid-Year budget presentation in February based on actual 2027 rates

Net Revenues Multi-Year View



I— 2025 Price Growth —II—— 2026 Track 1 ——II— 2027 Price Drop —II—2028 Stabile MPBs—I

Working Capital Multi-Year View



I— 2025 Price Growth —II— 2026 Track 1 —II— 2027 Price Drop —II—2028 Stable MPBs—I

The gray areas represent the calendar year working capital cycle.

Working capital cycle is typically ~3 months adjusted from budget and annual cycles.

The vertical lines are balances at end of fiscal years.

The increase in GASB amount in 11/2026 is the FY 2025-2026 net revenue deferral

Updated RSF and Reserve Account Balances

Ava maintains and tracks the three main set-aside accounts each year:

Reserve Fund Account are balances held in investments in accordance with the Board approved investment policy (P 21) approved by resolution R-2024-31 in April 2024.

GASB 62 Fund Account are balances of other deferred revenues, independent of RSF. Currently includes the $81MM from 2025-2026 budget surplus, pending board action of formal allocation. Additional $15MM reflects SmartHome Battery & Community Resilience Hub incentive funding and $10.5MM of Incremental Clean Energy Investments funding.

Rate Stabilization Fund Account are balances held in accordance with RSF policy established by by resolution R-2025-41 in September 2025. Based on the current 2026-2027 updated budget forecast, RSF balance is expected to decrease to $62.2MM, based on a $100MM drawdown

The table below presents the historical and current balances of these accounts. Percent coverages are measured against the fiscal year ahead of the contribution year.

	RESERVE FUND ACCOUNT			GASB 62 FUND ACCOUNT		RATE STABILIZATION FUND ACCOUNT		
Contribution Year	Balance	Operating Expenses*	PctCoverage	Net Adjustment	Balance	Net Adjustment	Balance	PctCoverage
2018-2019	40,513,687	410,686,000	9.9%	-	-	-	-	0.0%
2019-2020	90,218,327	383,045,000	23.6%	12,680,000	12,680,000	-	-	0.0%
2020-2021	90,218,327	471,897,000	19.1%	3,161,000	15,841,000	-	-	0.0%
2021-2022	155,873,400	562,667,000	27.7%	-	15,841,000	-	-	0.0%
2022-2023	230,873,400	732,885,000	31.5%	37,200,000	53,041,000	-	-	0.0%
2023-2024	330,873,400	814,123,000	40.6%	26,902,987	79,943,987	-	-	0.0%
2024-2025	330,873,400	845,567,991	*39.1%*	(54,476,020)	25,467,967	162,546,828	162,546,828	19.2%
2025-2026	***330,873,400***	***805,700,000***	***41.1%***	***80,967,806***	***106,435,773***	***-***	***162,546,828***	***20.2%***

*Operating Expenses are fiscal year ahead for coverage purposes: 2025-26 contribution year aligns with 2026-2027 OpEx

2026-2027 OpEx is as of October 20, 2026, and reflects MPB filings

Allocation Options for FY 2025-2026 Surplus Revenues

Historically, Ava has an internal discussion to determine how to manage surplus revenues.

While there are a variety of allocation options available to the Board, historically the Board has focused on the following:

1. Change in the Value Proposition: Adjusting Bright Choice rates by percent discount to PG&E and Renewable 100 rates by 0.25¢ increments
2. Adjustments to renewable and carbon free energy procurement targets ahead of 2030 mandates
3. Distribution of on-bill credits to Ava customers
4. Allocation of additional funding to Local Development Fund
5. Allocation to Rate Stabilization Fund
6. Allocation to Reserve Fund
7. Retention for working capital needs

The table to the right provides estimates of financial impacts of some of the options

Value Proposition		
Change	Product	Impact in FY
0.5%	Bright Choice	$1,286,000
$0.0025	Renewable 100	$3,200,000

Renewable & Carbon Free Bright Choice Targets		
Change	Attribute	Cost
1%	RECs	$850,000
1%	Carbon Free	$375,000

One-Time On-Bill Credits			
Credit*	Customers**	Class	Total Credit Amount
$25	172,400	CARE/FERA	$4,310,000
$10	727,000	Residential	$7,270,000

**$47 is average Ava generation charge for CARE/FERA customers from 7/1/2025 through 6/30/2026, inclusive of PCIA*

***Approx count as of October 1, 2026*

Next Steps & Conclusion

Ava staff have deferred the net revenues as reconciled with net position to the GASB 62 account to allow the Board to freely consider how to allocate the surplus.

- As such, the order of operations at the November 18th Board meeting should occur as follows
  - Receive the Fiscal Year 2025-2026 Audited Financial Statements
  - Review the Budget Actuals to Financial Statement reconciliation
  - Board discussion and potential action on deferred surplus revenue allocation
- This item will also be reviewed at the Nov 3 Executive Committee meeting

⓫ Staff is seeking feedback from the committee on this information item to inform future recommendations to the full board