Fiscal Year 2025-2026 Budget Surplus Allocation

Executive Committee

November 4, 2026

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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

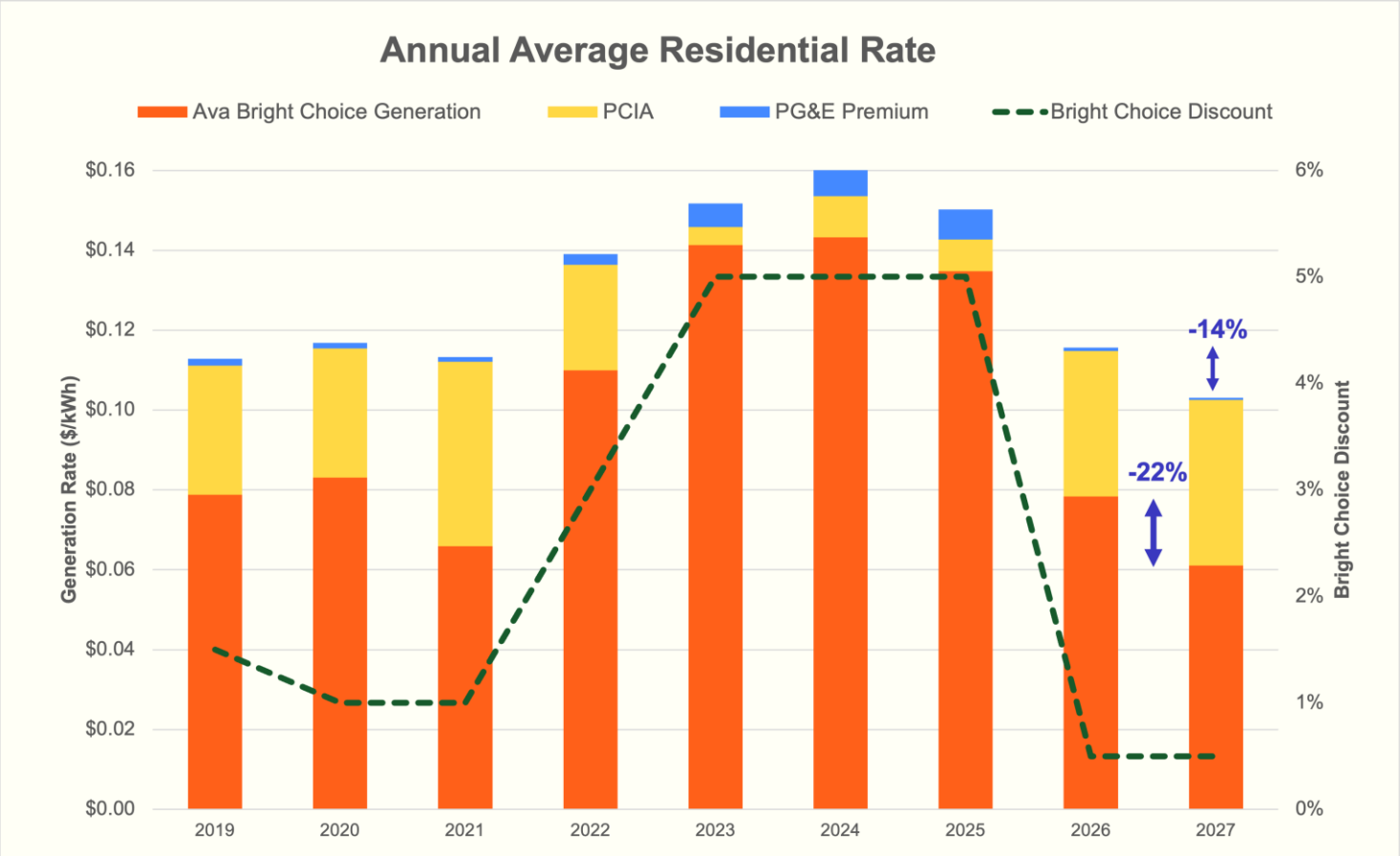
Thus, the annual rebalancing in years where prices are increasing requires rates go up and PCIA come down. Conversely, when prices are decreasing, rates come down and PCIA goes up.

Note: Graphs to the right are for illustrative purposes





New 2027 Rates from ERRA Filing



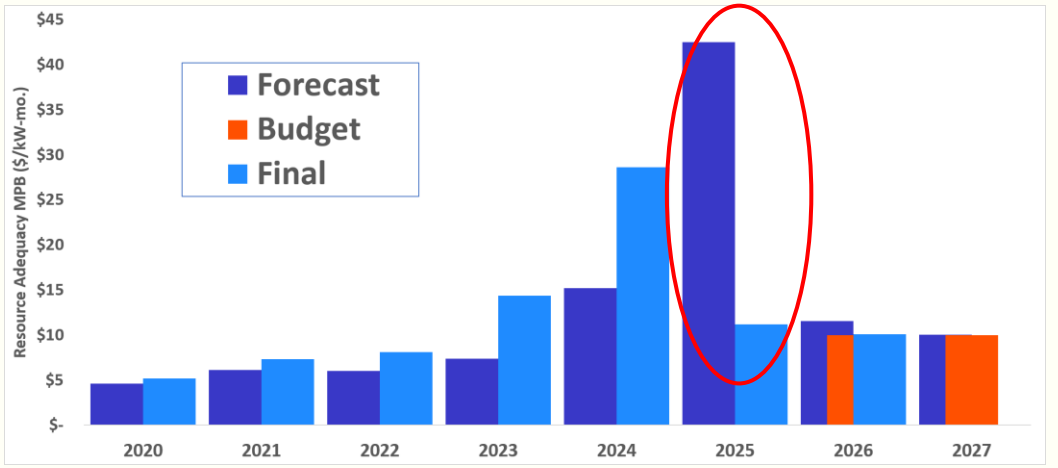
Note: This slide reflects 2018 PCIA Vintage (Ava's most common residential vintage)

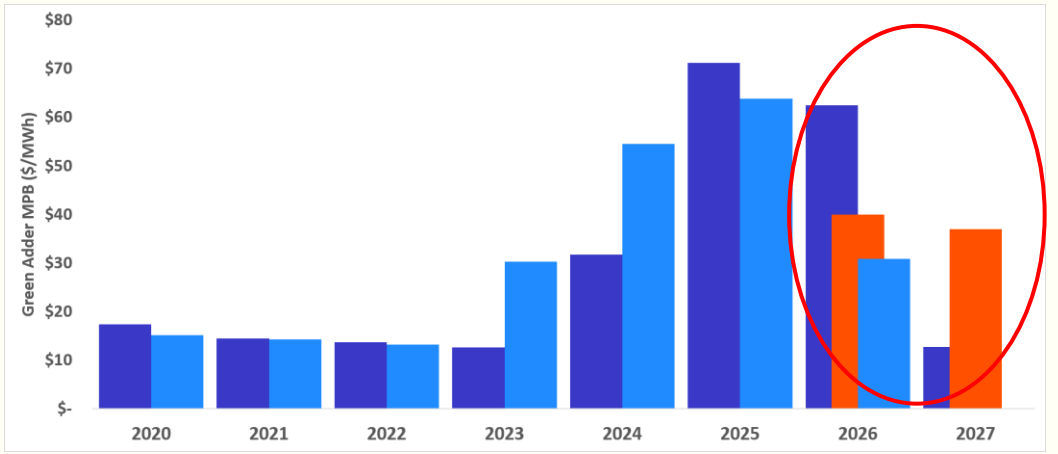
- 2027 Generation rates (including PCIA) are expected to decrease by ~14% from 2026 levels
  - This translates to about an average $50 bill reduction over the calendar year
- Ava-specific customer rates are expected to decrease by ~22%
- These estimates assume no change to the Bright Choice discount
- 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)

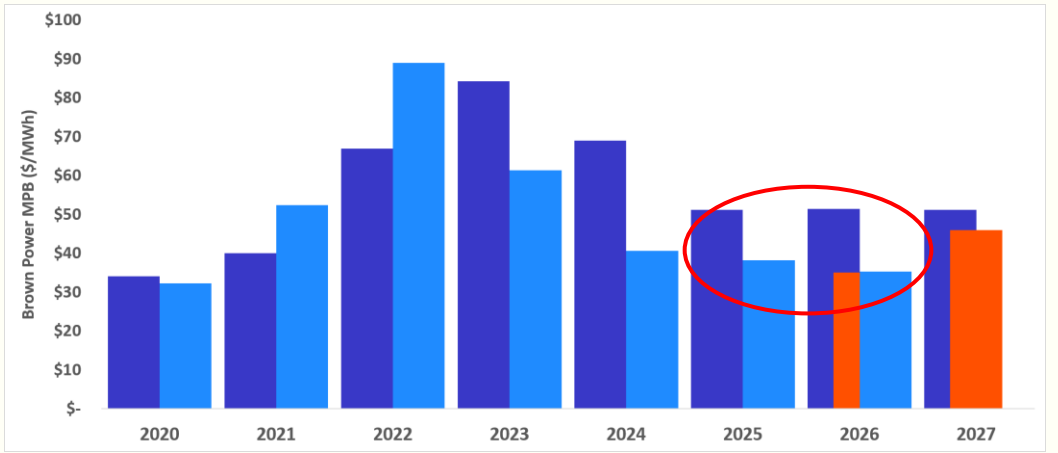
How We Got Here

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





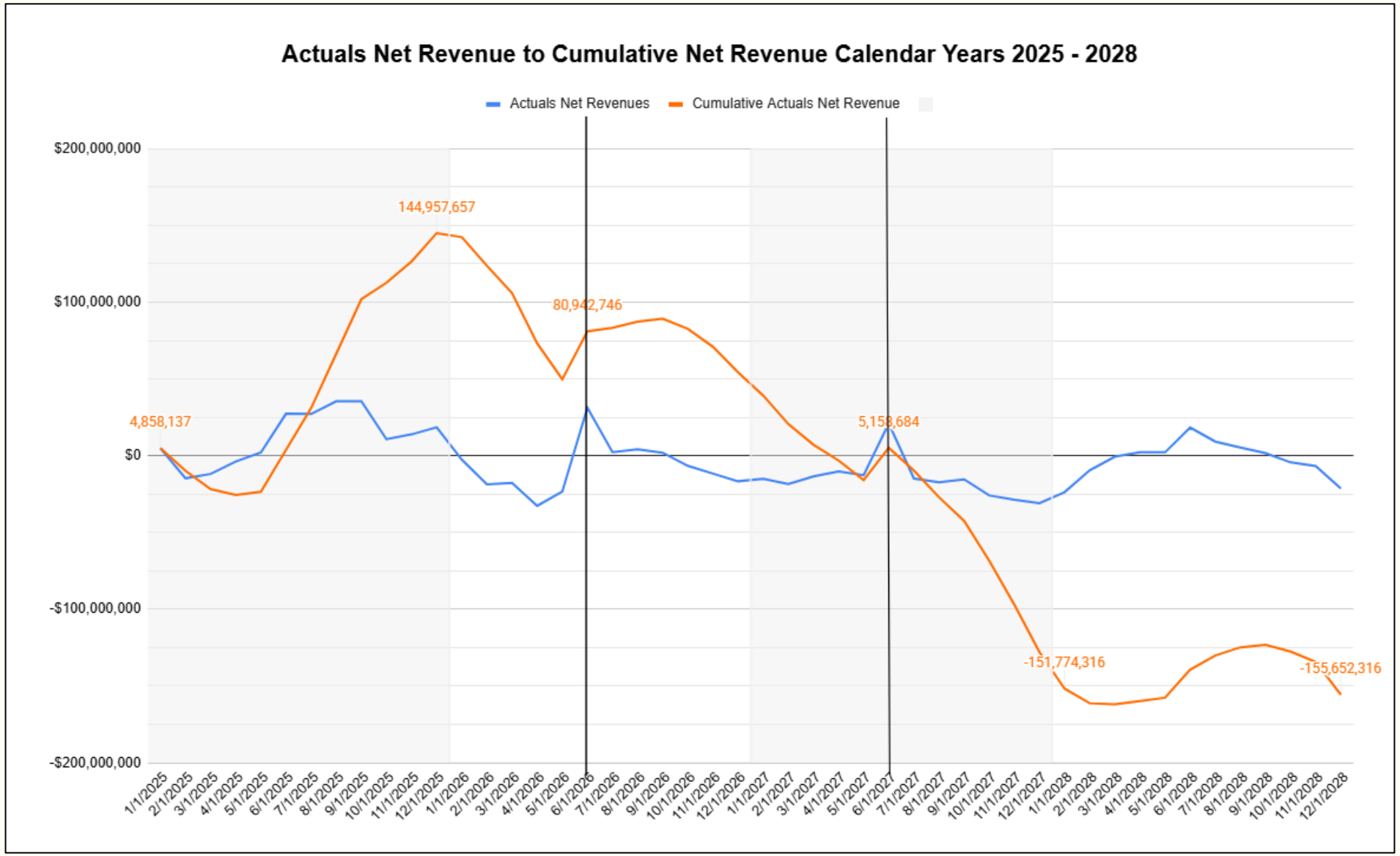


2026-2027 Budget – Updated Financial Projections

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%**

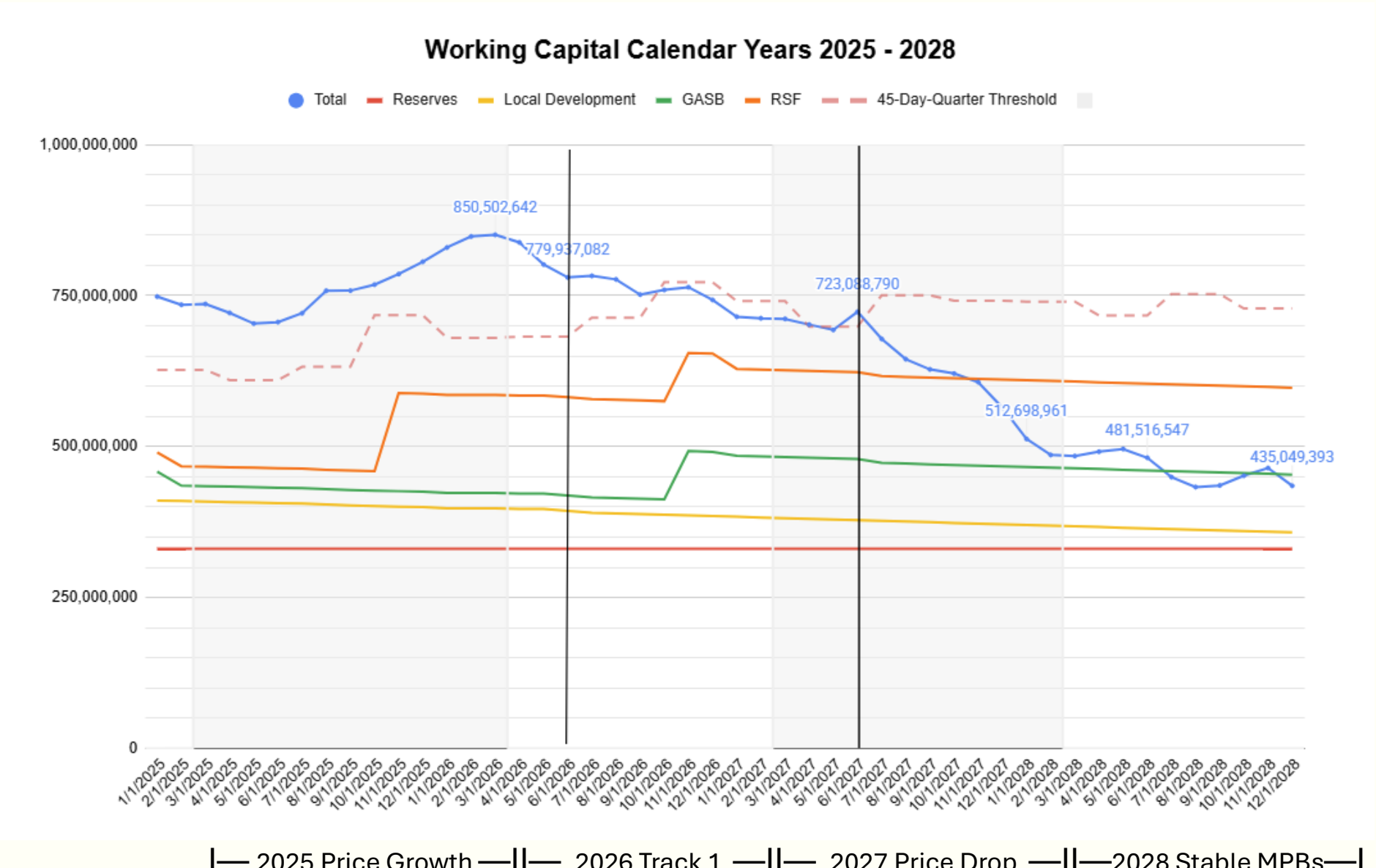
- The ERRA filing projects a decrease in customer rates for calendar year 2027, as prices generally declined through 2026.
  - This reduces expected revenues by $113MM
- Along with ERRA filing, the Market Price Benchmark (MPB) prices for renewable energy credits and resource adequacy reduced expected 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 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%***
2026-2027*	***330,873,400***	***895,499,000***	***36.9%***	***(5,252,419)***	***101,183,354***	***(95,123,581)***	***67,423,247***	***7.5%***

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

**Estimated against 2027-2028 Operating Expenses includes recognition of clean energy investments and expected budget shortfall

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:

- Change in the Value Proposition: Adjusting Bright Choice rates by percent discount to PG&E and Renewable 100 rates by 0.25¢ increments
- Adjustments to renewable and carbon free energy procurement targets ahead of 2030 mandates
- Distribution of on-bill credits to Ava customers
- Allocation of additional funding to Local Development Fund
- Allocation to Rate Stabilization Fund
- Allocation to Reserve Fund
- 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 monthly 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*

Local Development Fund, current allocation across program areas

Area	Funding ($MM)	Unearmarked ($MM)	Currently Active Programs
General	$2.8	$1.2	Strategy development, legal + marketing
Building Electrification and Energy Efficiency	$16.1	$15.4	Heat pump permit support
Transportation Electrification	$26.2	$1	Ava Charge, Ava SmartHome Charging, Ava Bike Electric
Grants	$8.8	$0	EV Charging in the Community, Community Resilience Hubs, Youth Training
Resilience	$20.3	$0	Critical Municipal Facilities, SmartHome Battery, Resilience Hubs, Virtual Power Plant
Total	**$74.2**	**$17.6**	Local Development Fund including GASB allocation

As of 6/30/2026 and includes $15MM of deferred revenues in the GASB 62 fund for SmartHome Battery and Resilience Hubs Initiative

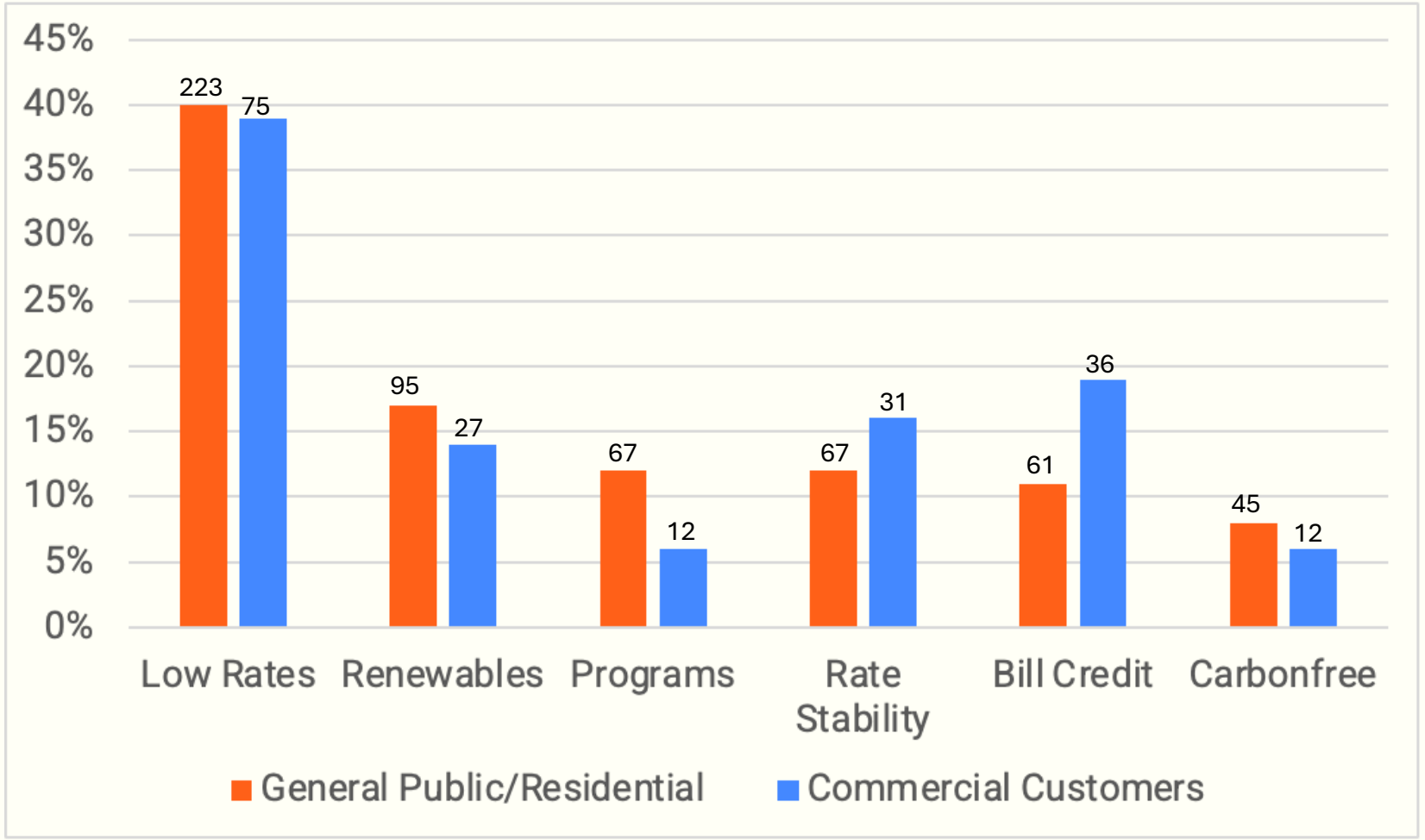
Recent Customer Survey Data

Details of customer survey data were recently provided at the September 2026 Board Meeting

Included here is a brief summary of results for a question asking customers to indicate their top choice for allocation of surplus revenue

Surveys were completed across Alameda and San Joaquin Counties with random sampling that generally reflected Ava's customer demographics

The survey included 557 general public/residential customers and 192 commercial customers



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 was presented at the FAP on October 28th

⓾ Staff is seeking feedback from the committee on this informational item to inform future recommendations to the full board and desired timing for potential board action