Clean Energy Alliance

FY2026-2027 Fiscal Year

Operating Budget

Board Approved

June 25, 2026

Table of Contents

Fiscal Year Operating Budget 2026-2027

Budget Review Timeline

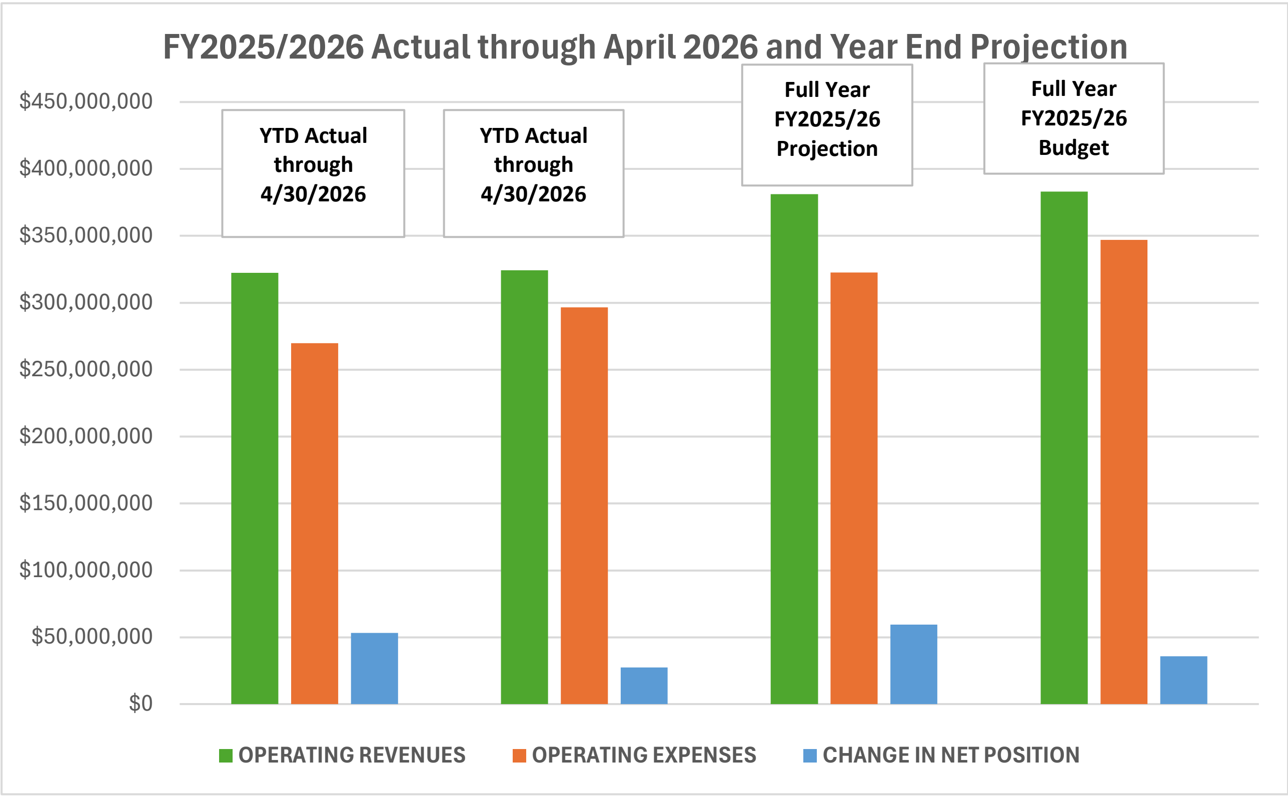
Fiscal Year Operating Budget 2026-2027

CLEAN ENERGY ALLIANCE

- MAY 28
  - Initial Budget Review with CEA Board
- June 11
  - Proposed Budget Review with Community Advisory Committee
- June 25
  - Final Budget Recommendation to CEA Board

Fiscal Year 2025-2026 Actuals and Year-End Forecast

Compare to Budget



- Revenues slightly below Budget for YTD and Forecasted Year-end
- Expenses below Budget for YTD and Forecasted Year-end
- Change in Net Position above Budget

Fiscal Year 2025-2026 Actuals and Year-End Forecast

Compare to Budget

	Year-to-date			Full Year	
	YTD Actual through 4/30/2026	YTD Budget through 4/30/2026	Variance: Favorable / (Unfavorable)	Full Year Forecast FY2025-2026	Full Year Budget FY2025-2026
Total Operating Revenues	$322,435,204	$324,304,196	($1,868,992)	$381,090,001	$383,146,909
OPERATING EXPENSES					
Total Cost of Goods Sold (Energy Expense)	260,511,175	285,382,303	24,871,127	311,418,164	333,540,321
Other Operating Expenses (excluding COGS)	9,171,027	11,162,665	1,991,638	11,198,765	13,363,246
Total Operating Expenses	$269,682,202	$296,544,967	$26,862,766	$322,616,930	$346,903,567
OPERATING INCOME/(LOSS)	$52,753,002	$27,759,229	$24,993,773	$58,473,071	$36,243,342
NON-OPERATING REVENUES (EXP.)			-		
Total Nonoperating Income/(Expense)	603,088	(318,611)	921,699	912,714	(380,692)
			-		
CHANGE IN NET POSITION	$53,356,090	$27,440,618	$25,915,472	$59,385,785	$35,862,650
Beginning Net Position	$21,379,112			$21,379,112	$14,787,266
Ending Net Position	$74,735,203			$80,764,898	$50,649,916
Days Liquidity on Hand	116			112	81

Fiscal Year 2025-2026 Year-end Forecast

Observations and Highlights

Revenues

- Total revenues expected to be 0.5% below Budget ($2.1 million lower)
  - Likely due to higher NEM adoption and use higher than anticipated

Energy Expenses

- Total energy expenses expected to be $22.1 million below Budget (6.6% less than Budget)
  - Savings mostly represent unused Budget contingency
  - Prices for energy, renewable content and Resource Adequacy have been at multi-year lows for most of this fiscal year
- Forward price expectations by most analysts for energy and other energy attributes see significant rises

Operating Expenses

- Other operating expenses expected to be $2.2 million below Budget (16.2% less)
- Almost all of that savings is from unspent Energy Program budget ($2.0 million)
- Total of all other expenses within 1.5% of Budget
- Total of operating expenses remains less than 3% of revenues
  - Well below most, if not all, other CCAs

FY2026-2027 Fiscal Year

Approved Operating Budget

Fiscal Year 2026-2027 Approved Budget

Summary

	Full Year Forecast FY2025-2026	Full Year Budget FY2025-2026	Variance: Favorable / (Unfavorable)		Approved Budget FY2026-2027	% of Revenues
Total Operating Revenues	**$381,090,001**	**$383,146,909**	**($2,056,908)**		**$378,512,223**	
Total Cost of Goods Sold (Energy Expense)	**311,418,164**	**333,540,321**	**22,122,157**		**337,941,430**	89.3%
Communications and Outreach	381,410	409,791	28,381		656,674	0.2%
Data Management and SDG&E Svcs	4,334,219	4,659,600	325,381		4,356,000	1.2%
Staffing Costs	2,763,892	2,730,818	(33,074)		4,595,560	1.2%
Legal	759,438	807,047	47,609		1,000,000	0.3%
Consultants & Professional Services	1,680,168	1,675,354	(4,814)		1,802,885	0.5%
General and Administrative	1,279,638	1,080,635	(199,003)		1,433,000	0.4%
Energy Programs	-	2,000,000	2,000,000		500,000	0.1%
Other Operating Expenses (excluding COGS)	**11,198,765**	**13,363,246**	**2,164,480**		**14,344,118**	3.8%
Total Operating Expenses	**$322,616,930**	**$346,903,567**	**$24,286,637**		**$352,285,548**	
OPERATING INCOME/(LOSS)	**$58,473,071**	**$36,243,342**	**$22,229,730**		**$26,226,675**	
Total Nonoperating Income/(Expense)	**912,714**	**(380,692)**	**1,293,405**		**2,032,385**	
			-			
CHANGE IN NET POSITION	**$59,385,785**	**$35,862,650**	**$23,523,135**		**$28,259,061**	
Beginning Net Position	**21,379,112**	**14,787,266**			**80,764,898**	
Ending Net Position	**80,764,898**	**$50,649,916**			**109,023,958**	
Days Liquidity on Hand	**112**	**81**			**130**	

Fiscal Year 2026-2027 Approved Budget

Revenue Assumptions – Background and Key Highlights

CEA's revenue primarily derives from retail electricity sales, driven by generation rates designed to cover power procurement, operating and non-operating expenses, capital expenditures, and contributions to the operating reserve to ensure financial stability and sustainability.

Demand Forecast: Total retail load consumption is projected at 2,110 GWh for FY2026/27.

CEA Customer Rates: No change in current rates

- Clean Impact (50% Renewable): Close to Parity with SDG&E
- Clean Impact Plus (50% Renewable & 75% Carbon Free): Clean Impact rate plus $0.001 per KWh
- Green Impact (100% Renewable): Clean Impact rate plus $0.0075 per KWh

Load growth: Assume flat usage

5-year Forecast rates: Assumption of no change in rates in the next 5 years. Current levels enable alignment with the CEA Strategic Plan for financial sustainability.

Uncollectible Accounts: Accrual set at 1.0% of Revenues (reduced from 1.3% in FY2025) reflecting a low incidence of accounts that are slow or non-paying. Lower than general CCA average.

Fiscal Year 2026-2027 Approved Budget

Energy Cost Assumptions – Background and Key Highlights

Procurement: CEA procures electricity from renewable sources, such as solar and wind, to meet customer demand; SDG&E manages delivery, billing, and infrastructure maintenance. CEA's energy costs are impacted by market fluctuations, seasonal demand surges (e.g. summer heat waves), and increasing customer load, which may necessitate purchasing additional power at elevated market rates.

Regulatory: Regulatory requirements, including California's Resource Adequacy (RA) mandates, require CEA to secure sufficient energy capacity, potentially raising costs, especially during peak periods.

Hedge Contracts: To address some of these challenges, CEA employs hedge contracts and long-term power purchase agreements while maintaining a diverse renewable energy portfolio. Hedge contracts enable CEA to lock-in supply and prices in advance, thereby ensuring resource sufficiency when needed and cost predictability for the Budget.

Net Energy Metering (NEM): CEA's territory has among the highest rooftop solar usage and penetration in California. CEA offers competitive compensation for excess solar generation and Net Surplus Compensation (NSC).

Fiscal Year 2026-2027 Approved Budget

Energy Cost Assumptions – Cost of Energy Components

- Power Supply: Includes system energy, renewable energy (RECs and carbon-free attributes), and CAISO fees. The total power supply costs for the upcoming FY2026/27 fiscal year are estimated at $231.0 million, or 68.3% of total energy cost Budget.
  - The approved Budget is $5.7 million less than the FY2025/2026 forecast.

- Resource Adequacy (RA): A reliability obligation required by the CPUC providing committed generating capacity for system reliability, estimated at $73.7 million or 21.8% of FY2026/27 total energy cost Budget.
  - The approved Budget is $7.3 million more than the FY2025/2026 forecast.

- Contingency: Energy costs are highly volatile and, sometimes, unpredictable. To ensure that there are adequate resources to mitigate any such volatility, CEA's Budget includes a conservative estimate for Contingency. The FY2026/27 includes an estimate of $28.1 million for Contingency. Any amount of that full allocation that remains at the end of the fiscal year will flow directly back to general reserves.

- Net Energy Metering: The estimated payout for the NEM program to customers in FY2026/27 is $5.2 million.
  - The approved Budget is $0.9 million more than the FY2025/2026 forecast as robust solar adoption continues in CEA's territory.

Fiscal Year 2026-2027 Approved Budget

Energy Cost Assumptions – Cost of Energy Components

	Full Year Forecast FY2025-2026	Full Year Budget FY2025-2026	Variance: Favorable / (Unfavorable)		Approved Budget FY2026-2027	% of Revenues
Resource Adequacy	66,380,422	69,054,700	2,674,279		73,674,664	
Energy (including RECs, GHG, CAISO)	236,652,641	233,160,158	(3,492,483)		230,959,925	
Contingency	4,061,202	28,716,809	24,655,607		28,118,161	
Subtotal Cost of Energy	307,094,264	330,931,667	23,837,403		332,752,749	
NEM Expense	4,323,900	2,608,654	(1,715,246)		5,188,680	
Total Cost of Goods Sold (Energy Expense)	**311,418,164**	**333,540,321**	**22,122,157**		**337,941,430**	89.3%

FY2025/26: Energy Costs are expected to end the year at $22.1 million below Budget as a result of the included Contingency. Without the Contingency, Energy Expenses would have been $2.5 million over Budget.

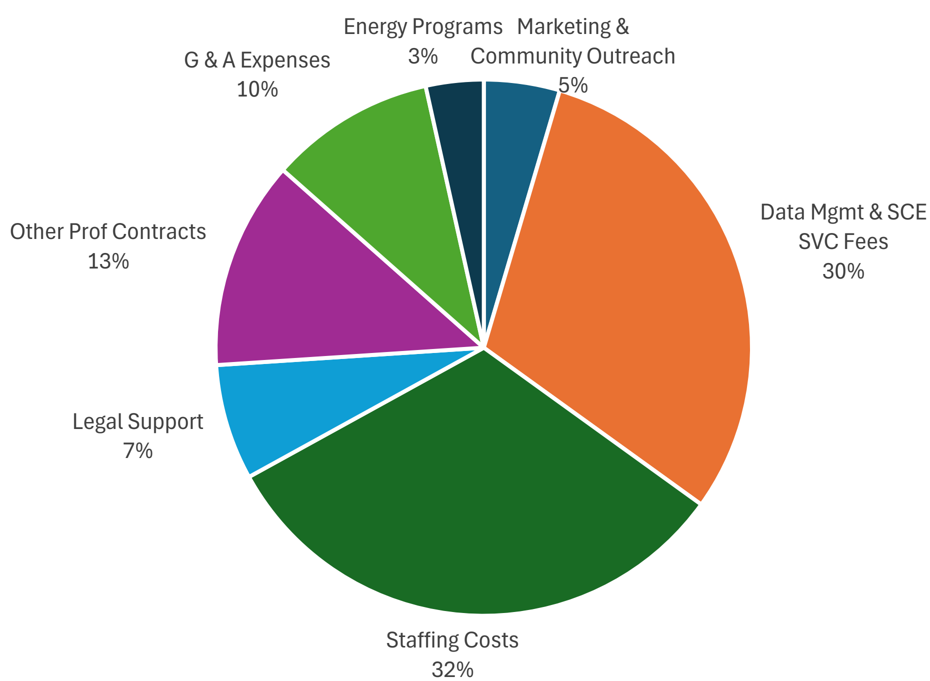
For FY2026/27, it is anticipated that Energy Purchases and Resource Adequacy costs will experience increases. Uncertainty in world energy markets necessitates conservative Contingency planning to maintain adequate resources to mitigate cost volatility.

Fiscal Year 2026-2027 Approved Budget

Operating Cost Assumptions – Background and Key Highlights

CEA's operating expenses are categorized into seven primary categories:

- Marketing and Community Outreach
- Data Management & SCE Service Fees
- Staffing Costs
- Legal Support
- Other Professional Contracts
- General and Administrative Expenses
- Energy Programs



Fiscal Year 2026-2027 Approved Budget

Operating Cost Components – Marketing and Community Outreach

CEA is a community-focused public agency that prioritizes meaningful engagement with its customers to build trust, strengthen relationships, and advance its mission of delivering clean, affordable energy. Through a variety of communication channels, CEA actively connects with local communities to raise awareness of OCPA, educate the public on the benefits of community choice energy, and promote sustainability initiatives. Additionally, the budget provides for sponsorships of community events and partnerships with local organizations.

The FY2026/2027 Budget includes allocation of funds that will substantially increase:

- Digital Marketing and Advertisement
- Community Sponsorships

	Full Year Forecast FY2025-2026	Full Year Budget FY2025-2026	Variance: Favorable / (Unfavorable)		Approved Budget FY2026-2027	% of Revenues
Advertising	24,753	33,174	8,421		172,700	
Marketing Consultants	229,875	251,174	21,298		253,080	
Sponsorships	39,802	17,482	(22,320)		111,275	
Promotional Items	16,889	26,400	9,511		33,230	
Printing	30,442	42,577	12,135		32,330	
Postage	39,649	38,984	(664)		54,059	

Fiscal Year 2026-2027 Approved Budget

Operating Cost Components - Data Management and SDG&E Service Fees

Data Management Services: Provided by Calpine, these services encompass all customer billing data validation and coordination with SDG&E, call center operations, customer enrollment database management, move-in/move-out services, and data reporting.

SDG&E Services: SDG&E provides meter reading, data processing, and customer billing and collection services, as mandated by the California Public Utilities Commission (CPUC), with associated fees reflecting these regulatory requirements.

These costs are based on customer counts and account activity. Given that the number of customers is relatively stable, these costs are somewhat stable and predictable.

	Full Year Forecast FY2025-2026	Full Year Budget FY2025-2026	Variance: Favorable / (Unfavorable)		Approved Budget FY2026-2027	% of Revenues
Data Management Services	3,599,651	3,841,200	241,549		3,600,000	
Service Fees - SDG&E	734,568	818,400	83,832		756,000	
Data Managemement and SDG&E Service Fees	4,334,219	4,659,600	325,381		4,356,000	1.2%

Fiscal Year 2026-2027 Approved Budget

Operating Cost Components – Staffing Costs and Related Expenses

Staffing costs include salaries, payroll taxes, health and welfare benefits for staff and their dependents, and retirement contributions. The projections account for full-year financial impacts of existing staff, merit-based salary increases, and recruitment of several new positions. It is assumed that approximately $150,000 in staffing expenses per year are eligible for reimbursement through funding from the Equitable Building Decarbonization Direct Install (EBD-DI) Program.

In FY2025, on the advice of Human Resources Counsel, CEA discontinued participation in the Federal Social Security program. CEA's contribution to employee retirement accounts was increased to offset some of that prior participation.

Staffing

- Approved Staffing. The current fiscal year includes 11 full-time employees and 1 part-time employee.
- Planned hires prior to start of FY2026/27 Fiscal Year – 5 new, full-time employees are expected to start employment in May 2026. And the one part-time employee is expected to convert to full-time on June 1, 2026.

Fiscal Year 2026-2027 Approved Budget

Operating Cost Components – Staffing Costs and Related Expenses (continued)

FY2026/27 Staffing

- CEA will start the FY2026/2027 Fiscal Year with 17 full-time employees
- The Staffing Budget assumes the addition of 4 new employees in the upcoming Fiscal Year that will be reviewed and approved with the Board prior to commencing the recruitment for those positions

	Full Year Forecast FY2025-2026	Full Year Budget FY2025-2026	Variance: Favorable / (Unfavorable)		Approved Budget FY2026-2027	% of Revenues
Employee benefits	237,427	203,792	(33,634)		416,233	
Payroll tax expense	54,791	61,138	6,347		133,194	
Retirement plan contributions	267,564	264,930	(2,634)		432,882	
Salaries and wages	2,036,823	2,037,924	1,101		3,329,862	
Workers comp insurance	3,038	-	(3,038)		5,000	
Payroll Service Charges	8,250	10,190	1,940		12,000	
Temp Employee/PTO expenses	156,000	152,844	(3,156)		266,389	
Data Managemement and SDG&E Service Fees	2,763,892	2,730,818	(33,074)		4,595,560	1.2%

Fiscal Year 2026-2027 Approved Budget

Operating Cost Components – Legal Support

CEA's business is complex and engages legal services in multiple disciplines to support many of those complex areas. CEA retains legal support for general operations, public agency governance, regulatory and legislative support, and advocacy efforts.

These services include general and special counsel representation, support for power supply procurement transactions and negotiations, participation in regulatory proceedings (e.g., SDG&E's ERRA Applications, SDG&E GRC assessment, and other compliance obligations), non-energy contracting support, employment matters, governance and general liability management, clerk support, and regulatory and legislative advocacy.

In FY2026/27, CEA anticipates significantly more contracting activity related to long-term energy transactions.

	Full Year Forecast FY2025-2026	Full Year Budget FY2025-2026	Variance: Favorable / (Unfavorable)		Approved Budget FY2026-2027	% of Revenues
Regulatory	350,000	375,000	25,000		450,000	
Contracts/Transactions	175,000	200,000	25,000		225,000	
General/Other	234,438	232,047	(2,391)		325,000	
Legal	759,438	807,047	47,609		1,000,000	0.3%

Fiscal Year 2026-2027 Approved Budget

Operating Cost Components – Other Professional Contracts

CEA follows industry best-practices by leveraging external consultants while progressively building internal staffing capacity to handle non-technical tasks. This strategic approach ensures operational efficiency and cost-effectiveness as CEA continues its transition to greater self-reliance.

Contract services include the following professional support services:

- Energy Procurement and Portfolio Management: Encompasses scheduling coordination, Congestion Revenue Rights (CRR) purchases and sales, and California Independent System Operator (CAISO) settlements and reporting.
- Financial and Other Services: Includes accounting, financial management, annual financial audit, information technology support, and human resources support.

	Full Year Forecast FY2025-2026	Full Year Budget FY2025-2026	Variance: Favorable / (Unfavorable)		Approved Budget FY2026-2027	% of Revenues
Administration	49,673	109,121	59,448		53,000	
Accounting	166,000	149,600	(16,400)		179,000	
Forecasting and Scheduling	261,366	273,439	12,073		289,429	
Recruiting	2,900	-	(2,900)		100,000	
IT Consulting	55,900	66,000	10,101		60,000	
Technical/Power Consultants	633,389	450,000	(183,389)		585,456	
Audit Services	25,000	28,540	3,540		40,000	
Other Consultants	485,941	598,654	112,713		496,000	
Data Managemement and SDG&E Service Fees	1,680,168	1,675,354	(4,814)		1,802,885	0.5%

Fiscal Year 2026-2027 Approved Budget

Operating Cost Components – General and Administrative

General & Administrative (G&A) expenses support CEA's daily operations and include office rent, maintenance, insurance, bank fees, dues for California Community Choice Association (CalCCA), and office supplies. This category also covers IT equipment and software. Discretionary spending for conferences, professional development, travel, and business meals is managed prudently.

	Full Year Forecast FY2025-2026	Full Year Budget FY2025-2026	Variance: Favorable / (Unfavorable)		Approved Budget FY2026-2027	% of Revenues
Bank Fees	423,767	371,094	(52,674)		500,000	
Building Maintenance	175	-	(175)		-	
Business Meals	5,286	2,912	(2,374)		6,000	
Conferences & Prof Development	10,363	18,186	7,823		15,000	
Subscriptions and Publications	2,921	8,524	5,603		2,500	
HR and Related G&A	2,610	12,071	9,462		20,000	
Dues - Misc Industry Membership	26,993	24,767	(2,226)		25,000	
Dues	520,000	520,000	0		600,000	
Insurance	60,320	17,030	(43,290)		7,500	
Misc G&A	1,522	1,427	(95)		25,000	
Office Supplies	5,823	1,572	(4,251)		5,000	
Late Payment and Interest Charges	191	-	(191)		-	
Occupancy	51,719	21,722	(29,997)		108,000	
Small equipment	63,913	57,066	(6,847)		30,000	
Software	82,900	-	(82,900)		60,000	
Phone, Internet & Utlities	2,059	1,930	(129)		3,000	
Travel - Mileage/fuel	5,367	4,815	(552)		5,000	
Parking and Tolls	531	761	230		1,000	
Airfare	3,951	4,516	565		10,000	
Travel - Lodging	9,228	12,242	3,014		10,000	
Data Managemement and SDG&E Service Fees	1,279,638	1,080,635	(199,003)		1,433,000	0.4%

Fiscal Year 2026-2027 Approved Budget

Operating Cost Components – Energy Programs

CEA is committed to reinvesting in the community through energy programs that directly support its customers. These programs will be designed to address the specific energy needs of households and businesses while advancing the transition from fossil fuels to clean energy solutions.

In FY2025/26, the Budget assumed that CEA would spend up to $2.0 million on Energy Programs. As those programs are complex and take significant time to plan and roll-out, almost none of those funds were spent.

However, recently, Staff presented the long-term strategy for Community Energy Programs to its Board of Directors. That plan will start to roll out in the FY2026/2027 Fiscal Year and increase each year with a goal of targeting 3% of Revenues by the end of FY2031. That level is consistent with other, similar CCAs that are in the 3-5% range.

- FY2027 - $0.5 million (0.3% of revenues)
- FY2028 - $2.5 million (0.6%)
- FY2029 - $5.0 million (1.3%)
- FY2030 - $8.0 million (2.1%)
- FY2031 - $11.7 million (3.0%)

Fiscal Year 2026-2027 Approved Budget

Summary

	Full Year Forecast FY2025-2026	Full Year Budget FY2025-2026	Variance: Favorable / (Unfavorable)		Approved Budget FY2026-2027	% of Revenues
Total Operating Revenues	**$381,090,001**	**$383,146,909**	**($2,056,908)**		**$378,512,223**	
Total Cost of Goods Sold (Energy Expense)	**311,418,164**	**333,540,321**	**22,122,157**		**337,941,430**	89.3%
Communications and Outreach	381,410	409,791	28,381		656,674	0.2%
Data Management and SDG&E Svcs	4,334,219	4,659,600	325,381		4,356,000	1.2%
Staffing Costs	2,763,892	2,730,818	(33,074)		4,595,560	1.2%
Legal	759,438	807,047	47,609		1,000,000	0.3%
Consultants & Professional Services	1,680,168	1,675,354	(4,814)		1,802,885	0.5%
General and Administrative	1,279,638	1,080,635	(199,003)		1,433,000	0.4%
Energy Programs	-	2,000,000	2,000,000		500,000	0.1%
Other Operating Expenses (excluding COGS)	**11,198,765**	**13,363,246**	**2,164,480**		**14,344,118**	3.8%
Total Operating Expenses	**$322,616,930**	**$346,903,567**	**$24,286,637**		**$352,285,548**	
OPERATING INCOME/(LOSS)	**$58,473,071**	**$36,243,342**	**$22,229,730**		**$26,226,675**	
Total Nonoperating Income/(Expense)	**912,714**	**(380,692)**	**1,293,405**		**2,032,385**	
			-			
CHANGE IN NET POSITION	**$59,385,785**	**$35,862,650**	**$23,523,135**		**$28,259,061**	
Beginning Net Position	**21,379,112**	**14,787,266**			**80,764,898**	
Ending Net Position	**80,764,898**	**$50,649,916**			**109,023,958**	
Days Liquidity on Hand	**112**	**81**			**130**	

Fiscal Year 2026-2027 Budget

Liquidity and Financial Sustainability

CEA is committed to maintaining healthy financial reserves. Adequate reserves enable the organization to withstand and mitigate potential financial and operational risks including:

- Change in member participation – "Opt-outs"
- PCIA and SDG&E Generation Rate uncertainty
- Energy price volatility, scarce RA supply, collateral postings
- Customer defaults in the event of an economic downturn
- Regulatory and legislative changes

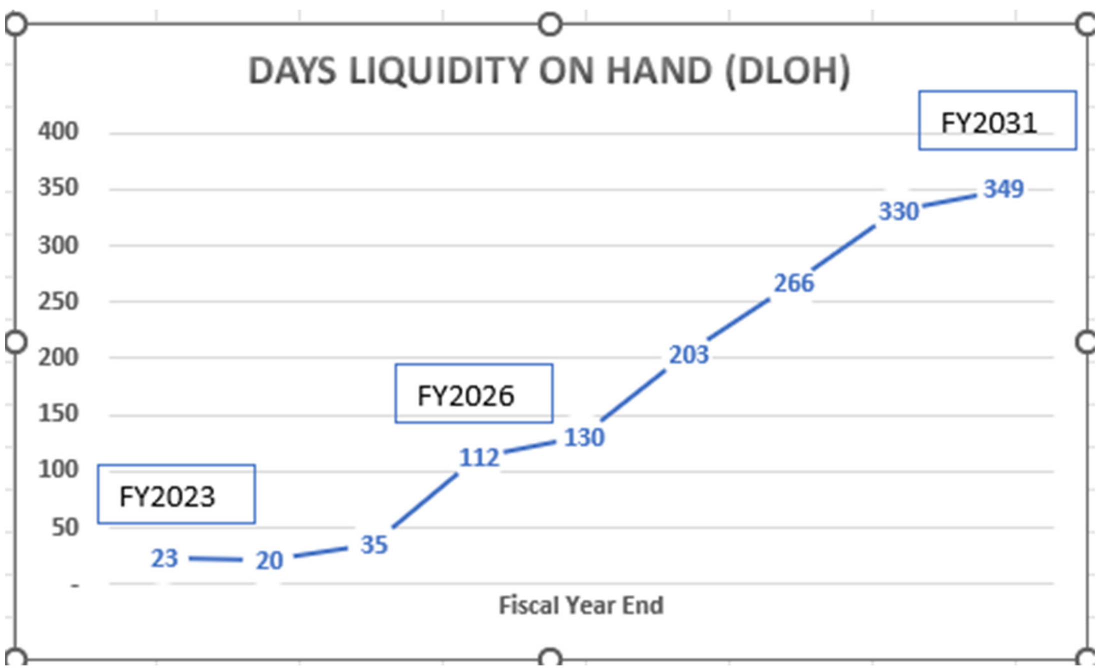
Further, adequate financial reserves are required by rating agencies in assessing CEA's qualifications for investment grade ratings. An investment grade rating is an industry-standard measure used by suppliers to determine financial viability and to enable CEA to negotiate more favorable contract terms.

The most visible financial metric that rating agencies use is Days Liquidity on Hand (DLOH) which calculates the number of days of regular expenses that an organization holds in available cash and credit lines. The general standard is 180 +/- days. Under the current projections, CEA is expected to achieve 180 days sometime in FY2028. Once an investment grade rating is achieved, the result of confidence of CEA's ability to maintain that level, CEA's Board can consider customer rate reductions or more investment in Energy Programs or a combination of actions to return savings to customers.

Fiscal Year 2026-2027 Approved Budget and the next 5 years

Liquidity and Financial Sustainability – Days Liquidity on Hand

CEA's cash and liquidity reserves have improved substantially in the past year, and projections indicate that healthy increases will likely continue for the next few years. It is anticipated that the metric will reach a likely investment grade level in the next 18 months. Once that happens, the focus can turn from building reserves to sustaining healthy financial reserves and the organization can start to look at lower customer electricity rates that would have the effect of lowering the growth in the years after FY2028 or FY2029.



Fiscal Year 2026-2027 Approved Budget

5-Year Pro-forma Forecast

	Current Year	Approved Budget	Forecast	Forecast	Forecast	Forecast
	Total Year FY26	FY2026/2027	FY2028	FY2029	FY2030	FY2031
Total Operating Revenues	381,090,001	$378,512,223	$383,132,856	$382,378,004	$382,220,984	$382,047,909
OPERATING EXPENSES						
Total Cost of Energy	311,418,164	337,941,430	311,884,458	306,977,547	303,948,011	321,881,198
Other Operating Expenses (excluding COGS)	11,198,765	14,344,118	17,232,154	20,689,236	24,774,243	29,591,416
Total Operating Expenses	322,616,930	352,285,548	329,116,611	327,666,783	328,722,254	351,472,614
Operating Income (Loss)	58,473,071	26,226,675	54,016,245	54,711,221	53,498,730	30,575,295
Total Nonoperating Income/(Expense)	912,714	2,032,385	2,971,049	4,242,703	5,542,096	6,614,981
CHANGE IN NET POSITION	59,385,785	$28,259,061	$56,987,294	$58,953,924	$59,040,826	$37,190,276
Total Cash	59,077,827	85,550,324	143,313,697	199,088,938	257,468,693	296,190,515
	-	-	-	-	-	-
Days Liquidity on Hand	112	130	203	266	330	349