MCE Finance Committee Meeting
Thursday, September 24, 2026
10:00 a.m.

Belvedere City Hall
450 San Rafael Ave, Small Conference Room
Belvedere, CA 94920
(Belvedere)

Lamorinda Music
81 Lafayette Circle
Lafayette, CA 94549
(Lafayette)

Napa County Administration Building
1195 Third Street, Suite. 310
Napa, CA 94558
(Napa County)

MCE Concord Office
2300 Clayton Road, Suite 1500, Wind Room
Concord, CA 94520

Liz Alessio, County of Napa (Committee Chair)
John McCormick, City of Lafayette (Committee Vice Chair)
Stephanie Andre, City of Larkspur
Charles Palmares, City of Vallejo
Sally Wilkinson, City of Belvedere

Public comments may be made in person or remotely via the details below.

Remote Public Meeting Participation

Video Conference:
https://us02web.zoom.us/j/83911081030?pwd=nJ6IsCQuBVcnnsuayq5sFLAtljICvk.1
Phone: Dial (669) 900-9128, Meeting ID: 839 1108 1030, Passcode: 167504

Materials related to this agenda are available for physical inspection at MCE's offices in San Rafael at 1125 Tamalpais Avenue, San Rafael, CA 94901 and in Concord at 2300 Clayton Road Suite 1500, Concord, CA 94520.

DISABLED ACCOMMODATION: If you are a person with a disability who requires an accommodation or an alternative format, please contact MCE at (888) 632-3672 or ada-coordinator@mceCleanEnergy.org at least 72 hours before the meeting start time to ensure arrangements are made.

The Finance Committee may discuss and/or take action on any or all of the items listed on the agenda irrespective of how the items are described.

1. Roll Call

2. Public Open Time for Items Not on the Agenda (Discussion)
3. Consent Calendar (Discussion/Action)

    C.1. 8.27.26 Meeting Minutes

4. Report from Chief Executive Officer (Discussion)
5. Proposed Fiscal Year End 2027 Budget Amendment with Increased Temporary Rate Credit (Discussion/Action)
6. Committee & Staff Announcements (Discussion)
7. Adjourn

The next regularly scheduled Finance Committee meeting will be October 22, 2026.

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MCE FINANCE COMMITTEE MEETING MINUTES
Thursday, August 27, 2026
10:00 A.M.

Present:	Liz Alessio, Napa County, Chair Stephanie Andre, City of Larkspur John McCormick, City of Lafayette
Absent:	Charles Palmares, City of Vallejo Sally Wilkinson, City of Belvedere
Staff & Others:	CB Hall, Director of Power Resources Susan Hardgrave, Accounting Manager, Programs Vicken Kasarjian, Acting CEO and COO Jonnie Kipyator, Power Analytics Principal Manager Tanya Lomas, Board Clerk Linda Lye, Senior Legal Counsel Mike Maher, Maher Accountancy Catalina Murphy, General Counsel Efren Oxlaj, Manager of Finance Enyonam Senyo-Mensah, Manager of Internal Operations Maíra Strauss, Chief Financial Officer Ryan Theiler, Baker Tilly Aaron Worthman, Baker Tilly

1. **Roll Call**

   Chair Alessio called the regular Finance Committee meeting to order at 10:02 a.m. with quorum established by roll call.

2. **Public Open Time for Items Not on the Agenda (Discussion)**

   There were no comments.

3. **Consent Calendar (Discussion/Action)**

   C.1 Approval of 7.29.26 Meeting Minutes

   Chair Alessio opened the public comment period and there were no comments.

Action: It was M/S/C (McCormick/Andre) to **Approve Consent Calendar Item C.1.** Motion carried by unanimous roll call vote. (Absent: Palmares and Wilkinson).

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4. Report from Chief Operating Officer (Discussion)

Vicken Kasarjian, Acting CEO and Chief Operating Officer, introduced this item.

Chair Alessio opened the public comment period and there were no comments.

5. Fiscal Year End 2026: Budget Results, Power Supply Variance, and Ratification of Certain Line Item Variances (Discussion/Action)

(Video 0:00:06)

Maíra Strauss, Chief Financial Officer, and Efren Oxlaj, Manager of Finance, CB Hall, Director of Power Resources, and Catalina Murphy, General Counsel, presented this item and addressed questions from Committee members.

Chair Alessio opened the public comment period and there was a comment from member of the public, Dan Segedin.

Action: It was M/S/C (Andre/McCormick) to **Receive information regarding the Fiscal Year End 2026: Budget Results, Power Supply Variance and Recommend to the Board of Directors for approval, Resolution 2026-07 Ratifying Certain Line Item Variances Between Actual and Budgeted Amounts in MCE's Fiscal Year End 2026 Budget, provided that the table in the whereas clause be updated and conformed to the table listed in slide 2 with the signs in the variance percent column corrected.** Motion carried by unanimous roll call vote. (Absent: Palmares and Wilkinson).

6. Financial Audit Fiscal Year End 2026 (Discussion)

(Video 0:48:40)

Maíra Strauss, Chief Financial Officer, introduced Efren Oxlaj, Manager of Finance, Mike Maher, Maher Accountancy, Aaron Worthman, Baker Tilly, and Ryan Theiler, Baker Tilly, who presented this item and addressed questions from Committee members.

Chair Alessio opened the public comment period and there was a comment from member of the public, Alicia Minyen.

Action: No action required.

7. Committee & Staff Matters (Discussion)

(Video 1:19:32)

There were no comments.

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8. <u>Adjournment</u>

(Video 1:19:50)

Chair Alessio adjourned the meeting at 11:41 a.m. to the next scheduled Finance Committee Meeting on September 24, 2026.

Liz Alessio, Chair

Attest:

Justine Parmelee, Secretary

Empowering Our Clean Energy Future
CONTRA COSTA | MARIN | NAPA | SOLANO

September 24, 2026

TO:	MCE Finance Committee
FROM:	Maíra Strauss, Chief Financial Officer and Treasurer Alcides Hernandez, Director of Rates Efren Oxlaj, Manager of Finance
RE:	Proposed Fiscal Year End 2027 Budget Amendment with Increased Temporary Rate Credit (Agenda Item #05)
ATTACHMENTS:	A. Presentation FYE 2027 Proposed Increased Rate Credit and Budget Amendment B. FYE 2027 Proposed Operating Fund Amended Budget C. FYE 2027 Proposed Program Development Fund Amended Budget D. FYE 2027 Proposed Resiliency VPP Fund Amended Budget E. FYE 2027 Approved Energy Efficiency Fund Budget

Dear Finance Committee Members:

Summary:
Since adoption of the FYE 2027 Budget, actual results and updated projections indicate that MCE is expected to perform materially better than assumed when the budget was approved. Based on actual results through July and updated projections for the remainder of the fiscal year, staff projects year-end change in net position of approximately $7.7 million, compared to $1.4 million in the approved budget, and no longer projects the need for the $62.0 million Operating Reserve Fund withdrawal included in the approved budget. Based on this improved outlook, staff recommends a targeted FYE 2027 Budget Amendment to: (1) increase the authorized Operating Reserve Fund withdrawal from $62.0 million to $85.9 million to fund a temporary rate credit of up to $0.03725/kWh from November 1, 2026, through March 31, 2027 to provide rate relief; (2) approve the line item amendments shown in Table 8, including updated energy revenue, cost of energy, grant income and expense, other income, Transportation Electrification, and Energy Storage Program amounts; and (3) present contingency as a separate Operating Fund category and authorize the Finance Department to apply contingency to any Operating Fund expense line item other than cost of energy. The proposed credit would remain in effect through March 31, 2027, at which time staff would return to the Board with recommendations as part of the FYE 2028 budget process.

Overview:
This report presents two related financial views: the current financial outlook and the Proposed Amended Budget. The outlook estimates where MCE is expected to end FYE 2027 based on actual results through July and updated projections for the remainder of the year. The Proposed Amended Budget reflects only the specific budget authority changes staff is requesting from your Board. Because this is a targeted amendment, all other budget authority would remain unchanged, and staff will continue to report significant variances through the normal Treasurer's quarterly reporting process.

The outlook reflects staff's best estimate based on information available at this time, but actual results may differ as conditions change. Key variables include CAISO market prices, load and usage patterns, contract performance, weather, and other market or regulatory developments that could affect revenues, power costs, reserves, or liquidity.

In March 2026, your Board approved the FYE 2027 Budget, including a 2.05 cent/kWh generation rate reduction effective April 1, 2026, a temporary 0.62 cent/kWh rate credit from April through December 2026, and a $10 million allocation for the MCE Cares Credit program. Together, these measures were intended to provide broad rate relief while delivering additional targeted assistance to eligible residential and small commercial customers.

Current Financial Outlook
The approved budget assumes a $62.0 million withdrawal from the Operating Reserve Fund (ORF) and a $1.4 million change in net position. Under the current outlook, which reflects rates in place today and the temporary 0.62¢/kWh credit ending December 31, 2026 (the "status quo"), MCE would instead finish the fiscal year with a $7.7 million change in net position and no ORF withdrawal.

The ORF balance grew from $70 million to $150 million in July 2026, when the Board approved setting aside $80 million of FYE 2026 revenue. Drawing the budgeted $62.0 million would leave an ending balance of $88 million; because the outlook shows a positive change in net position without any withdrawal, the full $150 million would remain intact. Table 1 below shows the ORF withdrawal, change in net position, and ORF balance under the approved budget and status quo outlook.

Table 1: ORF Withdrawal, Balance, and Change in Net Position.

	FYE 2027 Approved	Status Quo FYE 2027 Outlook	Variance $	Variance %
ORF Withdrawal	62,000,000	-	(62,000,000)	(100.0%)
Change in Net Position	**1,423,000**	**7,728,000**	**6,305,000**	**443.1%**
ORF Balance	**88,000,000**	**150,000,000**	**62,000,000**	**70.5%**

More details on the status quo outlook are provided below. Operating performance is projected to finish approximately $68.3 million better than budget, enough to cover the $62.0 million ORF withdrawal entirely and still improve the year end net position.

Table 2: FYE 2027 Outlook Under the Status Quo

	FYE 2027 Approved	Status Quo FYE 2027 Outlook	Variance $	Variance %
Energy Revenue, Net	$ 621,291,000	$ 636,950,000	$ 15,659,000	2.5%
ORF Withdrawal	62,000,000	-	(62,000,000)	(100.0%)
Cost of Energy	(631,944,000)	(597,830,000)	34,114,000	5.4%
Operating Expenses	(52,443,000)	(49,287,000)	3,156,000	6.0%
Non-Operating Revenues	19,157,000	28,075,000	8,918,000	46.6%
Non-Operating Expenses	(6,018,000)	(1,611,000)	4,407,000	73.2%
Contingency	(1,500,000)	(550,000)	950,000	63.3%
Program Expenses	(25,201,000)	(22,695,000)	2,506,000	9.9%
Program Income	16,081,000	14,676,000	(1,405,000)	(8.7%)
Change in Net Position	**1,423,000**	**7,728,000**	**6,305,000**	**443.1%**
Capital outlay	10,397,000	167,000	(10,230,000)	(98.4%)
ORF Balance	**88,000,000**	**150,000,000**	**62,000,000**	**70.5%**

Table 2 compares the Board Approved FYE 2027 Budget to staff's current status quo outlook. The current outlook projects operating performance approximately $68.3 million better than budget. Of that amount, $62.0 million replaces the budgeted ORF withdrawal, leaving the reserve untouched, and the remaining $6.3 million improves the projected change in net position from $1.4 million to $7.7 million.

Table 3: Sources of Favorable Operating Variance

	Favorable / (Unfavorable)
Cost of Energy	$ 34,114,000
Energy Revenue, Net	15,659,000
Non-Operating Revenues	8,918,000
Non-Operating Expenses	4,407,000
Operating Expenses	3,156,000
Program Expenses	2,506,000
Contingency	950,000
Program Income	(1,405,000)
Total Favorable Operating Variance	**68,305,000**
Amount offsetting the budgeted ORF withdrawal	(62,000,000)
Improvement in Change in Net Position	**6,305,000**

The discussion below identifies the sources of the $68.3 million favorable variance. The largest source is cost of energy, which is projected to finish at $597.8 million, approximately $34.1 million, or 5.4%, below budget. Table 4 presents the details by the "super six" procurement categories.

Table 4: FYE 2027 Cost of Energy Outlook

	FYE 2027 Budget	FYE 2027 Outlook	Variance $	Variance %
Hedge Contracts	$ 225,028,000	$ 234,236,000	$ 9,208,000	4.1%
Renewable - Long Term	158,798,000	137,914,000	(20,884,000)	(13.2%)
Renewable - Short Term	33,235,000	47,851,000	14,616,000	44.0%
Resource Adequacy	105,565,000	98,002,000	(7,563,000)	(7.2%)
Net CAISO Costs	88,104,000	55,971,000	(32,133,000)	(36.5%)
Carbon Free - Large Hydro/ACS	21,214,000	23,855,000	2,641,000	12.4%
Total	**631,944,000**	**597,830,000**	**(34,114,000)**	**(5.4%)**

Net CAISO costs are projected to finish at approximately $56.0 million, about $32.1 million below the budget projection, representing the largest favorable variance in the portfolio. CAISO market prices have remained below the levels assumed when the budget was adopted, reflecting ample solar and storage supply and moderate load conditions. Additional hedge contracts executed after the budget adoption increased hedge costs but reduced exposure to CAISO market purchases. MCE pays a fixed price under these contracts and receives the floating market price, offsetting budgeted open positions for system power under Net CAISO Costs.

Long-term renewable costs are projected to finish $20.9 million below budget projections, while short-term renewable costs are projected to end $14.6 million above. A significant portion of this movement reflects the reclassification of a $14.7 million contract from the long-term renewable category to the short-term renewable category to more accurately reflect its nature. An additional $3.5 million reflects higher than anticipated prepay savings resulting from updates to the timing and recognition of annual prepay deposits. Long-term renewable costs are presented net of these prepay savings. The remaining variance is primarily attributable to portfolio management activities and differences between how costs are now expected to be incurred and how they were represented during the budget development process. On a combined basis, renewable procurement costs are projected to finish approximately $6.3 million below budget.

Resource Adequacy is projected at $98.0 million, approximately $7.6 million below projections reflecting excess sales of RA as part of portfolio optimization efforts.

Partially offsetting these favorable results, hedge contracts are projected to finish at $234.2 million, approximately $9.2 million above budget due to additional hedge purchases after the budget was set. Similarly, carbon-free energy (large hydro and ACS) is projected at $23.9 million, approximately $2.6 million above budget.

The remaining favorable variance is spread across the following lines:

- Energy revenue, net, is projected to finish at $637.0 million, approximately $15.7 million above budget. Revenue is projected about 2.5% higher than the approved budget, while total energy consumption remains largely consistent. The minor variance primarily reflects differences in the load mix, customer class mix, seasonal usage patterns (summer vs. winter), and on-peak/off-peak consumption patterns.

- Non-operating revenues at $28.1 million, approximately $8.9 million above budget, primarily reflecting a one-time payment for damages received under an amendment to an energy storage service agreement approved by the Technical Committee in February 2026. This payment was not contemplated in the approved budget.
- Program expenses at $22.7 million, approximately $2.5 million below budget;
- Non-operating expenses at $1.6 million, approximately $4.4 million below budget;
- Operating expenses at $49.3 million, approximately $3.2 million below budget reflecting lower than budgeted spending under certain operating expense categories; and
- Contingency utilization of $550,000. Staff already reserved approximately $550,000 of contingency this fiscal year: $250,000 under Other Professional Services for costs related to the CEO search, and $300,000 under Legal and Policy for litigation and claims.
- Program income is projected at $14.7 million, approximately $1.4 million below budget, primarily reflecting lower expected spending against the virtual power plant grant found in the Resiliency Virtual Power Plant Fund. Because these funds reimburse program costs, less spending means less reimbursement.

Impact of the Proposed Additional Rate Credit

Table 5 compares the status quo revenue projection against the projection with the increased credit starting in November 2026 and ending in March 2027.

Table 5: Impact of Increased Credit under the Proposed Budget Amendment

	Status Quo FYE 2027 Outlook	After Increased Credit FYE 2027 Amended	Variance $	Variance %
Energy Revenue, Net	$ 636,950,000	$ 554,158,000	$ (82,792,000)	(13.0%)
ORF Withdrawal	-	85,906,000	85,906,000	NM
Change in Net Position	**7,728,000**	**1,423,000**	**(6,305,000)**	**(81.6%)**
ORF Balance	**150,000,000**	**64,094,000**	**(85,906,000)**	**(57.3%)**

Under the status quo outlook, no withdrawal from the Operating Reserve Fund is needed. The proposed increased credit reduces projected energy revenue, net by $82.8 million, from $637.0 million to $554.2 million. To fund that reduction and the other amendments described below, the Proposed Amended Budget draws $85.9 million from the ORF, leaving a year end fund balance of $64.1 million.

Proposed Amended Budget Compared to Approved Budget

Table 6: Proposed Amended Budget compared to the Approved Budget[1]

	FYE 2027 Approved	Proposed FYE 2027 Amended	Variance $	Variance %
Energy Revenue, Net	$ 621,291,000	$ 554,158,000	$ (67,133,000)	(10.8%)
ORF Withdrawal	62,000,000	85,906,000	23,906,000	38.6%
Cost of Energy	(631,944,000)	(597,830,000)	34,114,000	5.4%
Operating Expenses	(52,443,000)	(52,443,000)	-	0.0%
Non-Operating Revenues	19,157,000	27,320,000	8,163,000	42.6%
Non-Operating Expenses	(6,018,000)	(4,038,000)	1,980,000	32.9%
Contingency	(1,500,000)	(1,500,000)	-	0.0%
Program Expenses	(25,201,000)	(26,231,000)	(1,030,000)	(4.1%)
Program Income	16,081,000	16,081,000	-	0.0%
Change in Net Position	**1,423,000**	**1,423,000**	**-**	**0.0%**
Capital outlay	10,397,000	10,397,000	-	0.0%
ORF Balance	**88,000,000**	**64,094,000**	**(23,906,000)**	**(27.2%)**

Table 6 compares the proposed FYE 2027 Amended Budget to the Board Approved Budget currently in place. Only the line items listed below are proposed for amendment. All listed line items are included in the Operating Fund, except for Transportation Electrification programs, which is included in the Program Development Fund, and the Energy Storage Program, which is included in the Resiliency Virtual Power Plant Fund.

Energy Revenue, net: $554,158,000 (10.8% less than the Approved Budget)
Energy revenue after uncollectibles and the MCE Cares Credit program is decreasing by about $67.1 million or 10.8% relative to the approved budget as a result of the proposed increased rate credit. MCE Cares Credit would remain funded at $10 million while uncollectibles would remain at 1.2% of sales bringing the energy revenue, net figure to $554.2 million as shown above and in Table 7 below.

Table 7: Energy Revenue breakout

Energy Revenue	FYE 2027 Approved	Proposed FYE 2027 Amended	Variance $	Variance %
Operating Revenues	$ 638,933,000	$ 570,977,000	$ (67,956,000)	(10.6%)
Cost Relief Program	(10,000,000)	(10,000,000)	-	0.0%
Uncollectible Accounts	(7,642,000)	(6,819,000)	823,000	(10.8%)
Energy Revenue, net	621,291,000	554,158,000	(67,133,000)	(10.8%)

ORF Withdrawal: $85,906,000 (38.6% more than the Approved Budget)

[1] The Approved budget places contingency in Operating Expenses. This line is presented as its own category in this table and others for illustrative purposes in light of the proposed amendment.

Your Board has already authorized a $62.0 million withdrawal from the Operating Reserve Fund for FYE 2027 to fund the rate relief measures currently in place. The proposed amendment would increase that authorization by $23.9 million, to $85.9 million to fund the proposed increased rate credit of up to $0.03725/kWh effective from November 1, 2026, through March 31, 2027.

Cost of Energy: $597,830,000 (5.4% less than the Approved Budget)
Cost of energy is proposed to be amended to $597.8 million, consistent with the amount shown in the financial outlook presented earlier. This reflects a decrease of $34.1 million from the approved budget of $631.9 million.

Grant Income: $3,038,000 (39.5% less than the Approved Budget)
Grant income is proposed to decrease by about $2 million, from approximately $5.0 million to $3.0 million, to reflect an updated estimate for the Disadvantaged Communities Green Tariff (DAC-GT)[2] program. The amount in the approved budget incorrectly included revenues that had already been received (in the prior fiscal year) and did not align with the timing of when MCE expects the California Public Utilities Commission (CPUC) reimbursements. The updated amount corrects these timing and forecasting assumptions.

Other Income: $10,143,000 (% variance not meaningful relative to the Approved Budget)
Other Income is proposed to increase from $0 to $10.1 million reflecting $10 million in damages payments to MCE related to project delays, plus approximately $143,000 of other miscellaneous income MCE expects to receive as a participant in the Western Area Power Administration's (WAPA) Displacement Program.

Grant Expenses: $3,038,000 (39.5% less than the Approved Budget)
Grant expense matches grant income. The proposed reduction reflects the adjustment to the DAC-GT program described earlier. Grant income offsets grant expenses.

Transportation Electrification Programs: $6,984,000 (17% more than the Approved Budget)
Transportation Electrification Programs is a line item found in the Program Development Fund. These programs provide incentives for buying electric vehicles (EVs) and installing EV charging stations. The proposed amendment represents a $1 million increase that would be used to pay incentives on previously reserved projects that are closing out sooner than anticipated during the fiscal year. The increased budget would pay for approximately 612 new EV charging ports. If approved, MCE's operating fund would show an increase in the transfer to the Program Development Fund equal to the $1 million being requested.

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[2] The DAC-GT program reimburses MCE for bill credits it provides to customers. Because bill credits reduce what the customer owes, they reduce incoming sales revenue. As such, a matching expense for this grant would not show up in the grant expense section when reviewing budget reports with actuals. However, for budgeting purposes, grant income matches grant expenses as MCE can only recognize income when there's a matching expense. Grants are not additional income for the agency.

Energy Storage Program: $167,000 (22% more than the Approved Budget)
MCE's Energy Storage Program is a program within the Resiliency Virtual Power Plant (VPP) Fund. The program facilitates the adoption of customer-owned energy storage systems paired with on-site solar. The proposed amendment reflects a $30,000 increase for the Energy Storage Program to support the integration of non-residential batteries installed through the program into MCE's Distributed Energy Resource Management System (DERMS) Platform. No additional transfer from the Operating Fund would be required, as the existing Resiliency Virtual Power Plant Fund balance is sufficient to cover the proposed increase.

Staff would also like to request that the Committee discuss requesting an additional contribution of up to $3 million for a range of customer programs. The programs to be discussed would aim to equitably and equally distribute these funds across our four-county service area.

Contingency: $1,500,000 (Unchanged from the Approved Budget)
Staff is not proposing to change the contingency amount, but recommends two changes to how it is presented and applied.

1) Contingency would be removed from operating expenses and shown as its own category within the Operating Fund budget. This means the operating expense lines would reflect planned spending only, making budget to actual comparisons cleaner and contingency usage visible on its own.

2) Staff recommends that your Board authorize the Finance Department to apply contingency to any expense line item except cost of energy in the Operating Fund. Unanticipated costs do not always land in the lines in which they were budgeted, and this change would allow staff to absorb them without returning to your Board for a mid-year amendment or post year ratification[3]. Line items eligible for contingency offsets would include: operating expenses, non-operating expenses, and revenue reducing cost relief programs (e.g. MCE Cares Credit program). The authority would apply only to the Operating Fund and would not extend to the Program Development, Resiliency VPP, or Energy Efficiency Funds.

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[3] Staff would return to your Board for an amendment or ratification if costs exceed budget for cost of energy or in the Program Development, Resiliency VPP, or Energy Efficiency Funds.

Table 8: Summary of Proposed Budget Lines for Amendment

Budget Line	Approved Amount	Proposed Amended Amount	Change
Energy Revenue, Net	$ 621,291,000	$ 554,158,000	$(67,133,000)
ORF Withdrawal	62,000,000	85,906,000	23,906,000
Cost of Energy	631,944,000	597,830,000	(34,114,000)
Grant Income	5,018,000	3,038,000	(1,980,000)
Other Income	-	10,143,000	10,143,000
Grant Expenses	5,018,000	3,038,000	(1,980,000)
Transportation Electrificati	5,984,000	6,984,000	1,000,000
Energy Storage Program	137,000	167,000	30,000
Contingency*	1,500,000	1,500,000	-

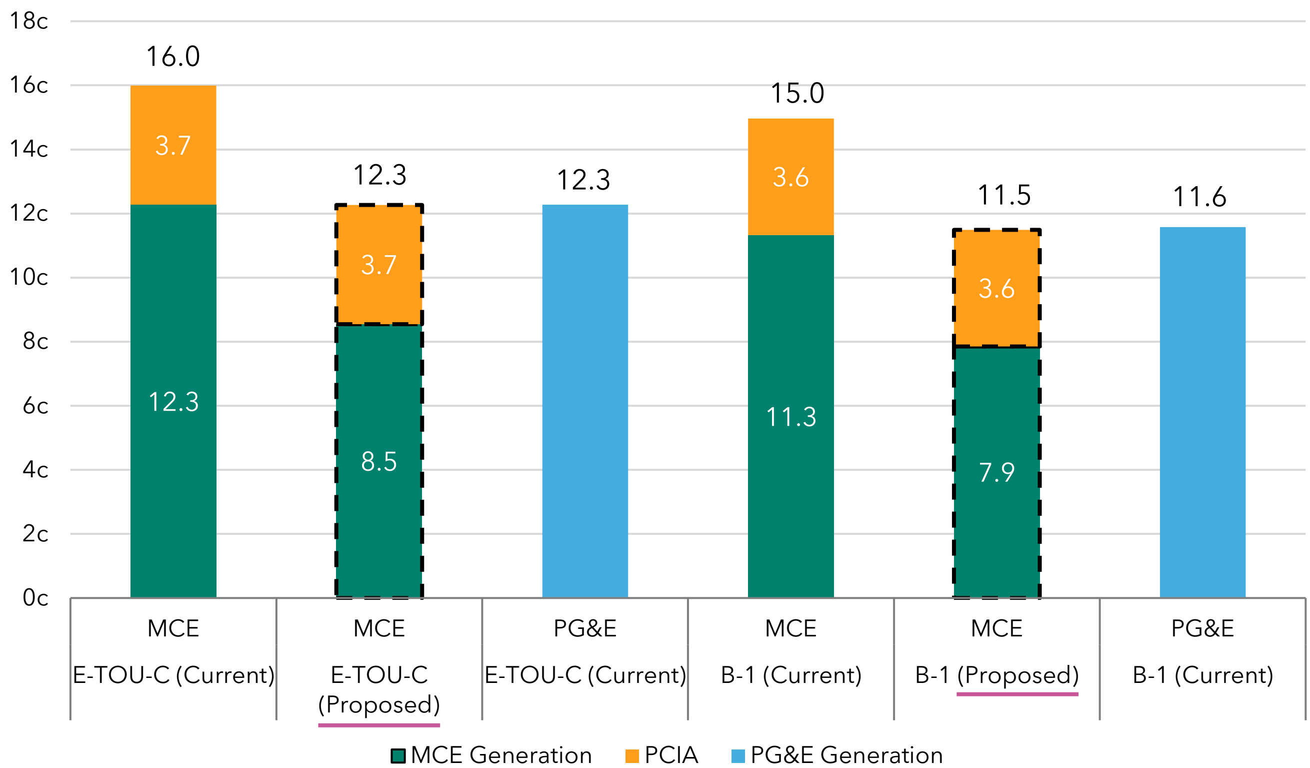
*The amount for contingency is not changing, but its presentation and usage would be revised as discussed above.

Estimated Rates and Bill Impacts of the Proposed Increased Rate Credit

Updated FYE 2027 financial projections showed stronger than expected fiscal year 2027 results that can support additional funds to expand and increase the temporary rate credit that is set to expire on December 31. The proposal aims to provide additional rate credit while preserving the ability to reassess the credit after March 31, 2027. MCE would raise the existing temporary credit from $0.0062 per kilowatt-hour up to $0.03725 per kilowatt-hour for all customer rate plans, applying to usage from November 1, 2026 through March 31, 2027. The proposal would provide an additional credit of up to $0.03105 per kilowatt-hour compared with the existing credit.

Figure 1 shows the change in average rates in cents per kWh for residential E-TOU-C customers under this proposal and assumed 2017 PCIA vintage year. Actual average rates for each customer vary depending on load pattern and vintage year. The proposed increased credit brings average MCE generation charges plus PCIA in line with PG&E for representative non-summer usage as shown in Figures 1 and 2 below.

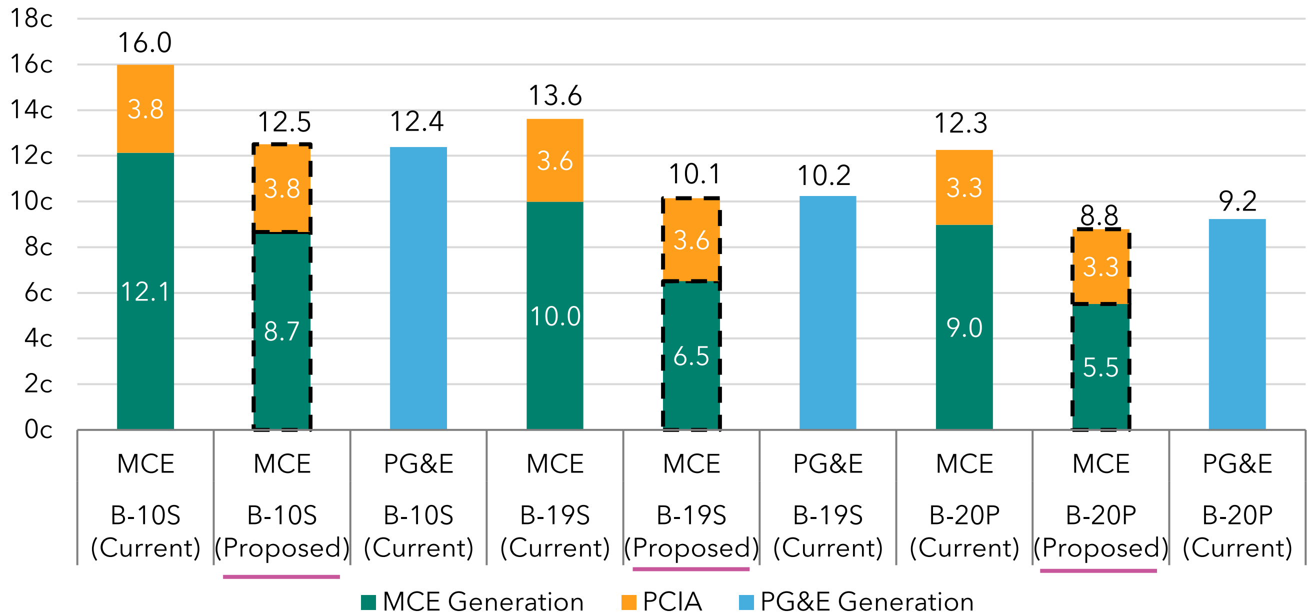
Figure 1: Residential and small commercial non-summer average generation rates (cents per kWh)



Estimated average generation rates for non-summer months from November through March based on forecasted energy sales. Assumes a 2017 PCIA vintage year and includes franchise fee as well. Values have been rounded up for simplicity. Actual average rates for each individual customer vary depending on usage pattern and vintage year.

Figure 2 shows average generation rates for medium and large commercial customers in cents per kWh for both MCE and PG&E, including the PCIA for the 2017 vintage year. The proposed increase to the rate credit would bring MCE's average rates for medium and large commercial customers in line with, or below, PG&E's rates for the same categories.

Figure 2: Medium and large commercial non-summer average generation rates (cents per kWh)



Estimated average generation rates for non-summer months from November through March based on forecasted energy sales. Assumes 2017 PCIA vintage year and includes franchise fee as well. The values were rounded up for simplicity. Actual average rates for each customer would vary depending on usage pattern and vintage year.

Because customers see monthly bills rather than average rates, Table 9 illustrates estimated MCE generation charges for non-summer months from November through March. The table compares current generation charges plus PCIA and Franchise Fee with the estimated reduction from the rate credit, assuming the current PCIA and franchise fee remain in effect.

Table 9: Monthly MCE generation charges plus PCIA and Franchise Fee for non-summer months

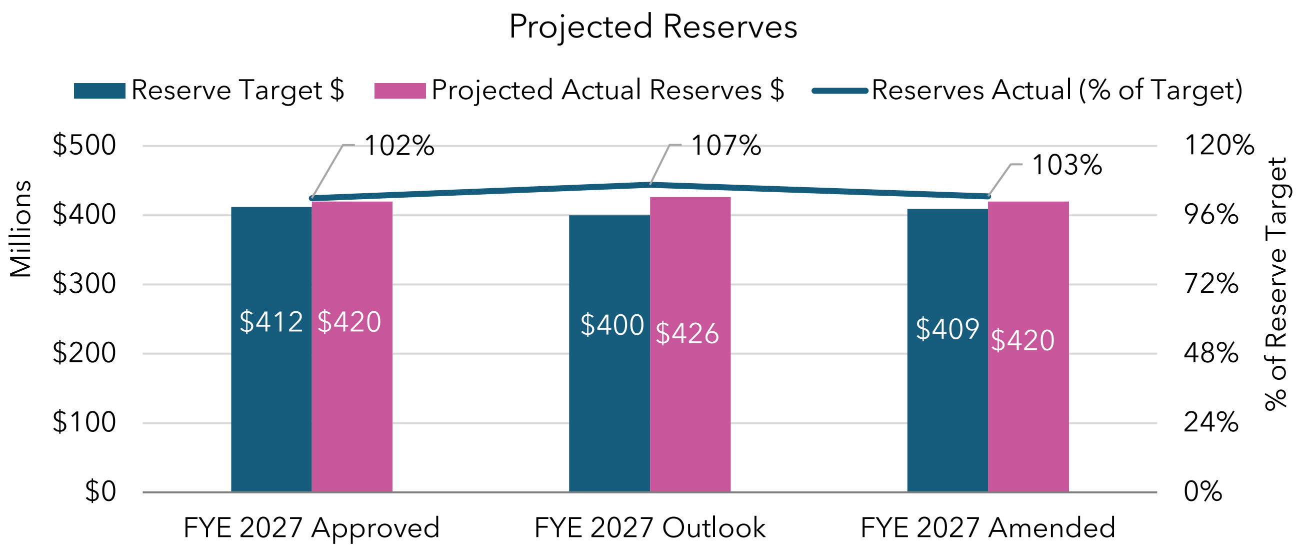
Customer Type	Monthly kWh Usage	Monthly Estimated Average MCE Generation Charges plus PCIA & Franchise Fee from Nov-Mar		
		Current ($)	Rate Relief ($)	Change (%)
Residential E-TOU-C	410	$64.5	-$14.2	-22%
Small Commercial B-1	1,100	$164.6	-$38.3	-23%
Medium Commercial B-10	14,000	$2,237	-$486	-22%
Large Commercial B-19S	195,000	$26,555	-$6,778	-26%
Large Commercial B-20P	725,000	$88,843	-$25,141	-28%

Estimated average generation charges for non-summer months from November through March at assumed average monthly usage, 2017 PCIA and franchise fee vintage year. Actual bill reduction in generation charges will depend on individual load pattern, rates and vintage year.

In summary, the current $0.0062/kWh rate credit has provided timely customer relief, but MCE customer bills have remained higher than comparable PG&E bundled customer bills, mainly because of the Power Charge Indifference Adjustment (PCIA). The proposed extension and increase to the credit would help offset the temporary impact of the PCIA and bring MCE's average generation charges in line with, or below, PG&E's generation charges.

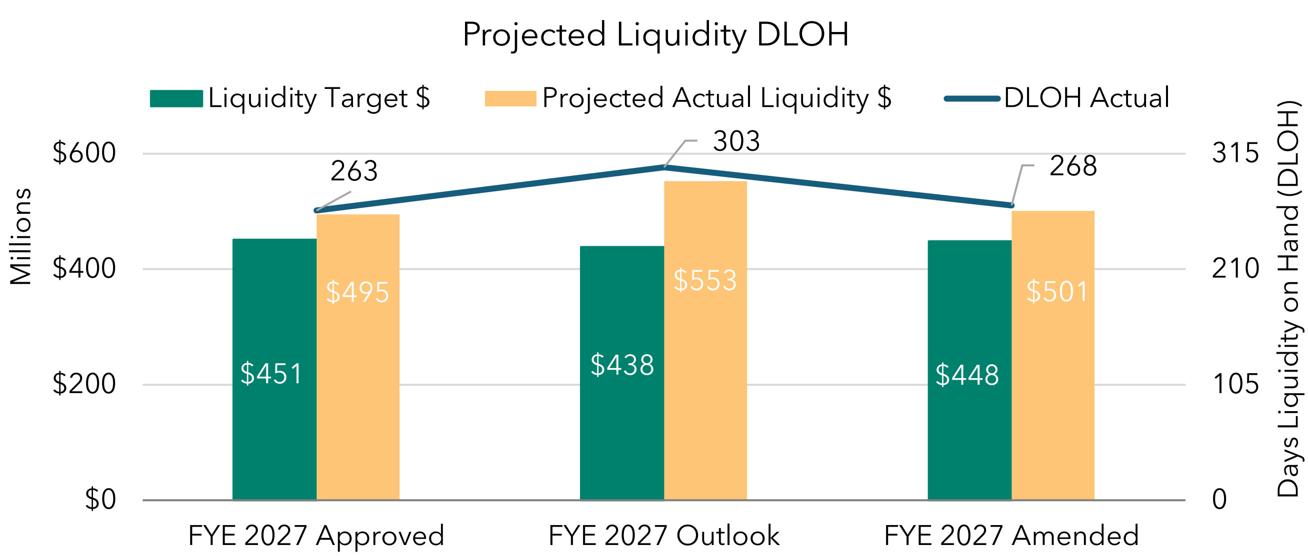
Fiscal Impacts:

Figure 3: Projected Reserves[4]



MCE's reserve target is set at 60% of total expenses and therefore moves with projected spending. Under the approved budget, the target was $412 million against projected reserves of $420 million, or 102% of target. The status quo outlook projects lower total expenses, which lowers the target to $400 million while reserves rise to $426 million, improving coverage to 107%. Under the Proposed Amended Budget, expenses rise because certain lines remain at their approved amounts, raising the target to $409 million and returning reserves to $420 million. Coverage remains above target in all three scenarios.

Figure 4: Projected Liquidity



[4] Reserves are accounted for as the net position as reported in the financial statements.

MCE's liquidity target reflects 240 days of liquidity on hand (DLOH) and likewise scales with total expenses. The approved budget assumes a target of $451 million against projected liquidity of $495 million, equivalent to 263 DLOH. Under the status quo outlook, liquidity increases to $553 million while the target declines to $438 million, resulting in 303 DLOH. Under the proposed Amended Budget, the drop in revenue due to the increased rate credit reduces liquidity to $501 million against a target of $448 million, or 268 DLOH. Liquidity at 268 days on hand remains above both MCE's 240-day target and the 263 days assumed in the approved budget.

The $67.1 million reduction in projected energy revenue, net relative to the Approved Budget described earlier does not translate into an equivalent reduction in liquidity. Revenue is recognized when customers are billed, while liquidity reflects cash on hand. Because the proposed increased rate credit applies to usage from November 1, 2026, through March 31, 2027, some of the reduced billing would not affect cash by fiscal year end. In addition, the ORF withdrawal recognizes revenue that MCE already holds; drawing on the ORF does not bring in new cash.

Recommendation:
Recommend to the MCE Board of Directors approval of the proposed FYE 2027 Budget Amendment, including:
(1) Increasing the authorized Operating Reserve Fund withdrawal from $62,000,000 to $85,906,000 to fund a temporary increased rate credit of up to $0.03725/kWh effective November 1, 2026 through March 31, 2027.
(2) Approving the proposed amended budget lines presented in Table 8.
(3) Authorizing contingency as a separate category within the Operating Fund budget, to be applied to any Operating Fund expense line item other than cost of energy.

Proposed Fiscal Year End 2027 Proposed Budget Amendment with Increased Temporary Rate Credit

MCE Finance Committee

September 24, 2026

Summary

- **Favorable status quo outlook:** No Operating Reserve Fund (ORF) withdrawal is needed under the current outlook, and projected net position improves from **$1.4M to $7.7M**

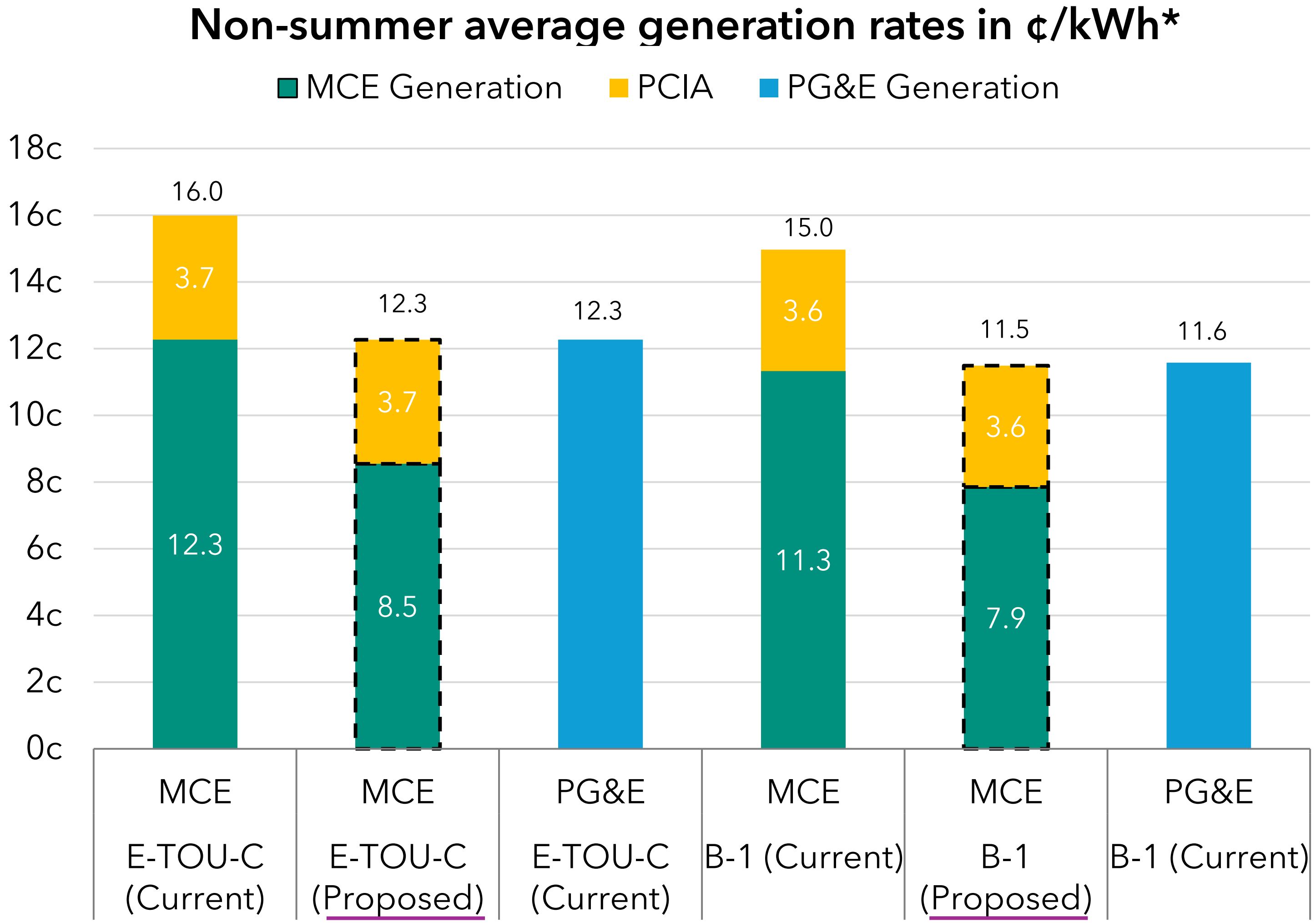
- **Temporary rate credit:** Increase the rate credit from **0.62¢/kWh to up to 3.725¢/kWh** for usage from **November 1, 2026 through March 31, 2027**

- **Proposed budget amendment:** Authorize ORF withdrawal increase from $62.0M to **$85.9M** to fund the rate credit and other amendments

- **Financial targets remain strong:** Reserves remain at **103% of target** and liquidity at **268 days on hand**

Proposed Rate Relief Credit Adjustment

- **Current credit:** 0.62¢/kWh set to end December 31, 2026
- **Proposal:** Increase the existing credit from 0.62¢/kWh to up to 3.725¢/kWh across all customer rate classes.
- **Proposed effective period:** November 1, 2026, through March 31, 2027
- **Takeaway:** Proposed increased and extended credit brings average MCE costs, including generation charges and PG&E's PCIA, in line with or below comparable PG&E costs



* Average generation rate including PCIA for residential E-TOU-C rate and 2017 PCIA and franchise fee vintage year.

Estimated average bill reductions

Monthly estimated average MCE generation charges for non-summer months with PCIA and Franchise Fee (excluding delivery charges)*

Customer Type	Monthly kWh Usage	Current Charges ($)	Proposed Rate Credit ($)
Residential E-TOU-C	410	$64.5	-$14.2
Small Commercial (B-1)	1,100	$164.6	-$38.3
Medium Commercial B-10	14,000	$2,237	-$486
Large Commercial B-19S	195,000	$26,555	-$6,778
Large Commercial B-20P	725,000	$88,843	-$25,141

* Average generation rate including 2017 PCIA and franchise fee vintage year. Actual bill reduction in generation charges will depend on individual load pattern, rates and vintage year.

Proposed Budget Amendment

Budget Line	Approved Amount	Proposed Amended Amount	Change
Energy Revenue, Net	$ 621,291,000	$ 554,158,000	$(67,133,000)
ORF Withdrawal	62,000,000	85,906,000	+23,906,000
Cost of Energy	631,944,000	597,830,000	(34,114,000)
Grant Income	5,018,000	3,038,000	(1,980,000)
Other Income	-	10,143,000	+10,143,000
Grant Expenses	5,018,000	3,038,000	(1,980,000)
Transportation Electrification Programs	5,984,000	6,984,000	+1,000,000
Energy Storage Program	137,000	167,000	+30,000
Contingency*	1,500,000	1,500,000	-

* Contingency remains unchanged, but its presentation and usage authority would be revised.

Proposed Budget Amendment

	FYE 2027 Approved	Proposed FYE 2027 Amended	Variance $	Variance %
Energy Revenue, Net	$ 621,291,000	$ 554,158,000	$(67,133,000)	(10.8%)
ORF Withdrawal	62,000,000	85,906,000	23,906,000	38.6%
Cost of Energy	(631,944,000)	(597,830,000)	34,114,000	5.4%
Operating Expenses	(52,443,000)	(52,443,000)	-	0.0%
Non-Operating Revenues	19,157,000	27,320,000	8,163,000	42.6%
Non-Operating Expenses	(6,018,000)	(4,038,000)	1,980,000	32.9%
Contingency	(1,500,000)	(1,500,000)	-	0.0%
Program Expenses	(25,201,000)	(26,231,000)	(1,030,000)	(4.1%)
Program Income	16,081,000	16,081,000	-	0.0%
Change in Net Position	**1,423,000**	**1,423,000**	**-**	**0.0%**
Capital outlay	10,397,000	10,397,000	-	0.0%
ORF Balance	**88,000,000**	**64,094,000**	**(23,906,000)**	**(27.2%)**

Legend: Red variances are unfavorable, green variances are favorable.

Variance $ is calculated as Proposed Amended Budget less Approved Budget. Variance % is calculated as Variance $ divided by the absolute value of the Approved Budget. Expenses are presented as negative amounts so the Variance $ column reconciles to Change in Net Position. This methodology applies to this consolidated summary table.

Recommendation

Recommend to the Board of Directors approval of:

1. Increasing the authorized Operating Reserve Fund withdrawal from $62,000,000 to $85,906,000 to fund a temporary increased rate credit of up to $0.03725/kWh effective November 1, 2026 through March 31, 2027.

2. Approving the proposed amended budget lines presented on slide 6 and table 8 of the staff report.

3. Authorizing contingency as a separate category within the Operating Fund budget, to be applied to any Operating Fund expense line item other than cost of energy.

Thank you!

MCE

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MCE Operating Fund
Proposed Amended Budget Fiscal Year End 2027
From April 1, 2026 through March 31, 2027

ENERGY REVENUE	FYE 2027 Approved	Proposed FYE 2027 Amended	Variance $	Variance %
Operating Revenues	$ 638,933,000	$ 570,977,000	$ (67,956,000)	(10.6%)
Cost Relief Program	(10,000,000)	(10,000,000)	-	0.0%
Uncollectible Accounts	(7,642,000)	(6,819,000)	823,000	(10.8%)
Energy Revenue, net	621,291,000	554,158,000	(67,133,000)	(10.8%)
Transfer from Operating Reserve Fund	62,000,000	85,906,000	23,906,000	38.6%
Total Energy Revenue	**683,291,000**	**640,064,000**	**(43,227,000)**	**(6.3%)**
ENERGY EXPENSES				
Cost of Energy	631,944,000	597,830,000	(34,114,000)	-5%
NET ENERGY REVENUE	**51,347,000**	**42,234,000**	**(12,227,000)**	**-24%**
OPERATING EXPENSES				
Personnel	28,652,000	28,652,000	-	0.0%
Data Manager	5,434,000	5,434,000	-	0.0%
Technical and Scheduling Consultants	1,588,000	1,588,000	-	0.0%
Service Fees - PG&E	2,608,000	2,608,000	-	0.0%
Legal and Policy Services	1,427,000	1,427,000	-	0.0%
Communication Services	2,046,000	2,046,000	-	0.0%
Other Professional Services	4,779,000	4,779,000	-	0.0%
General and Administrative	5,492,000	5,492,000	-	0.0%
Occupancy	417,000	417,000	-	0.0%
TOTAL OPERATING EXPENSES	**52,443,000**	**52,443,000**	**-**	**0.0%**
OPERATING INCOME	**(1,096,000)**	**(10,209,000)**	**(9,113,000)**	**831%**
NONOPERATING REVENUES				
Grant Income	5,018,000	3,038,000	(1,980,000)	(39.5%)
Other Income	-	10,143,000	10,143,000	NM
Interest Income	14,139,000	14,139,000	-	0%
TOTAL NONOPERATING REVENUES	**19,157,000**	**27,320,000**	**8,163,000**	**43%**
NONOPERATING EXPENSES				
Banking Fees and Financing Costs	1,000,000	1,000,000	-	0.0%
Grant Expenses	5,018,000	3,038,000	(1,980,000)	(39.5%)
TOTAL NONOPERATING EXPENSES	**6,018,000**	**4,038,000**	**(1,980,000)**	**(32.9%)**
CONTINGENCY	**1,500,000**	**1,500,000**	**-**	**0.0%**
CHANGE IN NET POSITION	**10,543,000**	**11,573,000**	**1,030,000**	**9.8%**
Budgeted Net Position Beginning of Period	416,863,000	416,863,000	-	-
Change in Net Position	10,543,000	11,573,000	1,030,000	9.8%
BUDGETED NET POSITION END OF PERIOD	**427,406,000**	**428,436,000**	**1,030,000**	**0.24%**
CAPITAL EXPENDITURES, INTERFUND TRANSFERS & OTHER				
Software Transmission Upgrade	10,250,000	10,250,000	-	0.0%
Office Improvements and Retrofits	147,000	147,000	-	0.0%
Transfer to Resiliency VPP Fund	-	-	-	0.0%
Transfer to Program Development Fund	8,077,000	9,107,000	1,030,000	12.8%
TOTAL CAPITAL EXPENDITURES, INTERFUND TRANSFERS & OTHER	**18,474,000**	**19,504,000**	**1,030,000**	**5.6%**
	(7,931,000)	**(7,931,000)**	**-**	**0.0%**

MCE
Program Development Fund
Proposed Amended Budget Fiscal Year End 2027
From April 1, 2026 through March 31, 2027

	FYE 2027 Approved	Proposed FYE 2027 Amended	Variance $	Variance %
REVENUE AND OTHER SOURCES				
Transfer from Operating Fund and Deep Green	$8,077,000	$9,077,000	$1,000,000	12.4%
Marin Community Foundation Grant	131,000	131,000	-	0.0%
Community Benefits Funds	0	0	-	0.0%
TOTAL REVENUE AND OTHER SOURCES	**$8,208,000**	**$9,208,000**	**$1,000,000**	**12.2%**
EXPENDITURES				
Transportation Electrification Programs	5,984,000	6,984,000	1,000,000	16.7%
Heat Pump Water Heater Incentives	682,000	682,000	-	0.0%
Emergency Water Heater Loaner Program	0	0	-	0.0%
MCF - EV Charging at Affordable Housing	131,000	131,000	-	0.0%
Community Housing Support	260,000	260,000	-	0.0%
TOTAL EXPENDITURES AND OTHER USES	**7,057,000**	**8,057,000**	**1,000,000**	**14.2%**
Net Increase (Decrease) in Fund Balance	1,151,000	1,151,000	-	-
Fund Balance at Beginning of Period	(1,151,000)	(1,151,000)	-	-
Fund Balance at End of Period	**0**	**0**	**-**	**-**

MCE
Resiliency VPP Fund
Proposed Amended Budget Fiscal Year End 2027
From April 1, 2026 through March 31, 2027

	FYE 2027 Approved	Proposed FYE 2027 Amended	Variance $	Variance %
REVENUE AND OTHER SOURCES				
CEC VPP Flex Grant	$1,200,000	$1,200,000	-	0.0%
Federal Earkmark Funding	100,000	100,000	-	0.0%
Marin Community Foundation Grant	270,000	270,000	-	0.0%
Transfer from Operating Fund	-	-	-	0.0%
TOTAL REVENUE AND OTHER SOURCES	**1,570,000**	**1,570,000**	**-**	**0%**
EXPENDITURES AND OTHER USES				
CEC VPP Flex Grant Expenses	1,200,000	1,200,000	-	0.0%
Energy Storage Program	137,000	167,000	30,000	21.9%
CEC VPP Flex Grant Match	1,000,000	1,000,000	-	0.0%
MCE Sync	927,000	927,000	-	0.0%
Federal Earmark - Energy Storage	100,000	100,000	-	0.0%
MCF - Resiliency at Critical Facilities	270,000	270,000	-	0.0%
Federal Earmark Match Expense	100,000	100,000	-	0.0%
Virtual Power Plant	30,000	30,000	-	0.0%
TOTAL EXPENDITURES AND OTHER USES	**3,764,000**	**3,794,000**	**30,000**	**0.8%**
Net Increase (Decrease) in Fund Balance	(2,194,000)	(2,224,000)	-	-
Fund Balance at Beginning of Period	2,615,000	2,615,000	-	-
Fund Balance at End of Period	**421,000**	**391,000**	**-**	**-**

MCE
Energy Efficiency Fund
Approved Budget Fiscal Year 2026/27
From April 1, 2026 through March 31, 2027
No Changes

	FYE 2027 Approved
REVENUE AND OTHER SOURCES	
Public Purpose Energy Efficiency Program	$ 14,380,000
Public Purpose Low Income Families and Tenants Pilot Program	-
TOTAL REVENUE AND OTHER SOURCES	**14,380,000**
EXPENDITURE AND OTHER USES	
Public Purpose Energy Efficiency Program	14,380,000
Public Purpose Low Income Families and Tenants Pilot Program	-
TOTAL EXPENDITURES AND OTHER USES	**14,380,000**
BALANCE	0