Central Coast Community Energy

FISCAL YEAR 2026-27

RECOMMENDED BUDGET

About the cover: SunZia Wind, the largest renewable energy infrastructure project in U.S. history, is delivering clean, reliable power across the West. Through its long-term commitment to receive 255 megawatts of energy from the project, 3CE helped make this landmark wind resource possible for the communities we serve. Photo Credit: Pattern Energy

Table of Contents

Introduction

Leadership, Community, and Staff

FY 2026-27 Budget Presentation

Office and Department Summaries

Appendices

Executive Letter

September 2026

Dear Board Members, Customers, and Community Partners,

The Board set an ambitious vision for Central Coast Community Energy. Together we envisioned an organization that would do more than procure clean electricity. We set out to build a public power agency that delivers affordable, reliable service, invests in local communities, shapes energy policy, and equips our customers with the tools to participate in California's clean energy future.

Today, that vision is taking shape.

This past year reminded us that progress is rarely linear. The California Public Utilities Commission's decision to dramatically increase the Power Charge Indifference Adjustment (PCIA) exacerbated the affordability crisis for Californians. To support customers, the Policy Board took decisive action to reduce rates below the investor owned utilities and we made a deliberate decision to engage directly with our communities. Through proactive communications, transparent public education, and targeted outreach to customers, local officials, and community partners, we helped customers understand not only what was changing, but why. Despite these unprecedented market pressures, 3CE maintained its market share — a testament to the trust we have built through years of transparency and community engagement.

At the same time, our long-term planning and investment are yielding tangible results.

Several of the clean energy projects we committed to years ago entered commercial operation during the past year, adding approximately 348 megawatts of new renewable generation and 85 megawatts of energy storage to California's electric grid. These projects represent more than infrastructure, they demonstrate that community choice agencies are leading the development of new clean energy resources while supporting grid reliability.

Our work extends well beyond power procurement. Throughout the year, 3CE continued to advocate for policies that protect our customers and strengthen California's energy future. We remained deeply committed to meaningful engagement in state regulatory proceedings affecting electricity affordability, resource adequacy, and PCIA reform while working with legislators and industry partners to advance practical solutions that balance reliability, affordability, and California's clean energy goals. Ensuring that local communities have a meaningful voice in statewide energy policy remains one of the most important responsibilities entrusted to us by our member communities.

Internally, we have also continued to evolve.

As the agency has matured, our focus has expanded from building an energy portfolio to building an organization capable of delivering lasting value directly within our communities. This year, we are building a new Department of Energy Solutions, which represents a commitment to integrate local project development into our power portfolio and the next phase of 3CE's evolution. The department will position 3CE to complement its core business of procuring utility-scale clean energy with a growing portfolio of local energy initiatives. Through our shared vision and ambition, 3CE will soon be developing local energy projects, managing strategic assets, supporting member agencies with technical expertise, and delivering innovative energy solutions that improve resilience, strengthen local economies, and create long-term value for our customers.

Looking back, I am proud of how much we have accomplished together. The strategic priorities we established several years ago — expanding renewable energy resources, maintaining competitive rates, investing in innovative customer programs, strengthening our financial foundation, and becoming a stronger voice in California energy policy — are no longer aspirations. They have become defining characteristics of this organization.

Looking ahead, our work is far from complete.

California's energy landscape continues to evolve rapidly, bringing new opportunities and new challenges. We remain committed to delivering affordable, reliable, and increasingly clean electricity while helping our communities navigate that transition with confidence. We will continue investing in local energy solutions, advocating for fair and effective public policy, and ensuring that the benefits of the clean energy economy are realized here on the Central Coast.

None of this would be possible without the vision of our Board of Directors, the dedication and professional expertise of our employees, and the trust of the communities we serve. Thank you for your continued partnership as we build the next chapter of Central Coast Community Energy.

With gratitude,

Robert M. Shaw, Chief Executive Officer
Central Coast Community Energy

About 3CE

Central Coast Community Energy (3CE) is a Community Choice Aggregator (CCA) — a local public agency working to accelerate the transition to 100% clean and renewable energy. Guided by our Boards and supported by professional staff, we serve customers across the Central Coast by providing reliable, clean, and affordable electricity, along with electrification programs that reduce greenhouse gas emissions and strengthen our local economy.

3CE comprises 35 member agencies across five counties. The agency serves over 1.2 million people through more than 515,000 customer accounts representing approximately 95% of the region's electricity load. In Fiscal Year 2026-27, 3CE's projected peak load is 892 MW, and we expect to deliver approximately 5.395 million MWh of electricity to a mix of residential, commercial, and industrial customers.

3CE supports electrification in transportation, agriculture, and the built environment through our innovative, customer-focused energy programs and invests in new renewable energy projects to bring more clean energy onto the grid. In partnership with our customers, 3CE is strengthening grid resilience and advancing a cleaner, more sustainable future for the Central Coast.

Central Coast Community Energy

Our Boards

3CE is governed by two boards that work to guide the agency's mission and operations: our Policy Board and Operations Board. Together, they provide oversight and leadership on behalf of our 35 member agencies, with each board composed of 19 appointed representatives.

The Policy Board of Directors is made up of local elected officials appointed by their respective jurisdictions. This Board is responsible for setting the agency's strategic direction through informed oversight, approving the annual budget, establishing customer rates, and authorizing major non-energy capital expenditures.

The Operations Board of Directors includes senior city and county executives from 3CE's member agencies. The Operations Board ensures policies are effectively implemented, provides day-to-day guidance, and approves contracts and agreements.

This two-board structure ensures that both community priorities and operational expertise shape 3CE's decisions and long-term planning.

Policy Board

Fred Keeley
Chair
City of Santa Cruz

Dawn Ortiz-Legg
Vice Chair
County of San Luis Obispo

Jose Luis Barajas
City of Salinas

Charles Bourbeau
City of Atascadero

Angela Curro
County of San Benito

Kate Daniels
County of Monterey

Bruce Delgado
City of Marina

Jimmy Dutra
City of Watsonville

Joan Hartmann
County of Santa Barbara

Monica Martinez
County of Santa Cruz

Open Seat
City of Grover Beach

Dolores Morales
City of Hollister

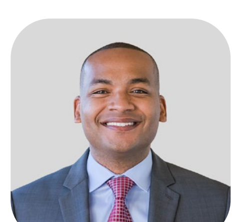
Wade Nomura
City of Carpinteria

Alice Patino
City of Santa Maria

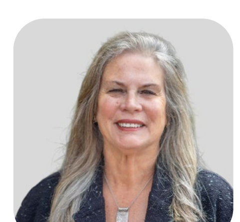
David Silva
City of Buellton

Derek Timm
City of Scotts Valley

Robert White
City of Greenfield



Tyller Williamson
City of Monterey



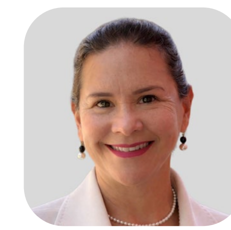
Carla Wixom
City of Morro Bay

Operations Board

Matt Huffaker
Chair
City of Santa Cruz

Jim Lewis
Vice Chair
City of Atascadero

Matthew Bronson
City of Grover Beach



Ana Cortez
City of Hollister

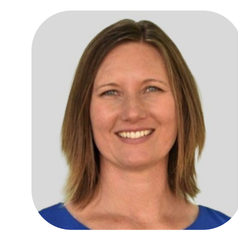
John Craig
City of Morro Bay

Sonia de la Rosa
County of Monterey

Dante Hall
City of Monterey

Megan Hunter
City of Soledad

Peter Imhof
City of Goleta



Mali LaGoe
City of Scotts Valley

Rene Mendez
City of Salinas

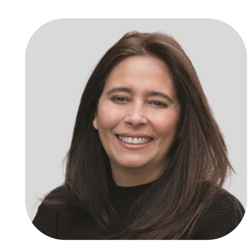
Matt Mogensen
City of Marina

Jana Petersen
County of Santa Barbara

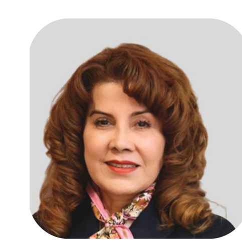
Kimberly Petersen
County of Santa Cruz

Matt Pontes
County of San Luis Obispo

David W. Rowlands
City of Santa Maria



Tamara Vides
City of Watsonville



Esparanza Colio-Warren
County of San Benito

Scott Wolfe
City of Buellton

Community Advisory Council

Gine Johnson
Chair
County of Santa Cruz

Norman Tuitavuki
Vice Chair
County of Monterey

The Community Advisory Council (CAC) is composed of community members serving three-year terms. The Council currently has five vacancies, with new appointments considered by the Policy Board at the annual meeting. The CAC provides valuable input on energy programs and outreach strategies, helping to strengthen the connection between 3CE and the diverse communities we serve across the Central Coast.

Lew Bauman
County of Monterey

Celina Stotler
County of San Benito

Jason Sedano
County of Monterey

Ivor John
County of Santa Barbara

Rosemary Soto
County of Monterey

Kris Damhorst
County of Santa Cruz

Dennis Osmer
County of Santa Cruz

About the Budget Process

3CE'S ANNUAL BUDGET IS DEVELOPED THROUGH A FIVE-STAGE PROCESS

3CE's annual budget cycle begins with budget initiation and a mid-year update to the three-year financial forecast. The updated forecast informs departmental budget proposals for the coming fiscal year, including baseline operating needs and requests for new or increased funding.

The CEO reviews and prioritizes these proposals based on the reasonableness of financial assumptions, demonstrated organizational benefit, and alignment with Policy Board priorities. This process results in a fiscally responsible Recommended Budget that advances 3CE's mission, strategic priorities, and reliable operations in the coming year.

The Recommended Budget for Fiscal Year 2026-27 will be reviewed by the Audit & Finance Committee and the Operations Board before being presented to the Policy Board for consideration and possible adoption at its September 17, 2026, meeting.

1. Budget Initiation
2. Mid-year Forecast
3. Budget Development
4. Budget Adoption
5. Budget Management

MID-YEAR FORECAST (MARCH-APRIL)

- Departments provide current-year estimates and forecast market outlook.
- Boards and Audit & Finance Committee receive forecast.

BUDGET DEVELOPMENT (MAY-AUGUST)

- Departments submit baseline budget and augmentation requests.
- Policy Board approves the Financial Policies.
- Audit & Finance Committee receives the Recommended Budget.

BUDGET ADOPTION (SEPTEMBER)

- Operations Board receives the Recommended Budget.
- Policy Board considers adoption of the Recommended Budget.

BUDGET MANAGEMENT (ONGOING)

- Management monitors expenditures and estimated revenues.
- Boards and Audit & Finance Committee receive monthly and quarterly financial reports.

ANNUAL HIGHLIGHTS

2025-26

POWER SUPPLY RESOURCES

Aratina Solar & Storage Project Comes Online

Another large-scale California clean energy project has come online, in part due to 3CE's support. Aratina 1 in Kern County will provide enough energy to power 93,000 homes statewide, delivering 120 MW of solar power and 75 MW of energy storage to 3CE customers. Altogether, this project will deliver long-term contributions toward 3CE's 100% clean and renewable energy goal.

3CE Extends Geothermal Agreement through 2032

3CE extended its agreement with the Mammoth Casa Diablo IV Geothermal Project, providing customer access to round-the-clock renewable energy. In addition to powering 22,000 homes and offsetting 160,000 tons of carbon emissions, this project brought over $13 million in economic benefits to the Mammoth Lakes region and created more than 180 construction jobs.

Innovative Partnership Generates Local Renewable Energy

In partnership with ReGen Monterey, 3CE began generating renewable energy locally through an innovative landfill gas-to-energy biomass facility that captures harmful emissions and uses them to generate energy. Electricity generated from landfill gas provides steady, around-the-clock power.

OPERATIONS

3CE Again Earns Great Place to Work Certification

For the second consecutive year, 3CE achieved Great Place to Work Certification through Our Best Workplaces™. As 3CE works to fill open positions, recognition as an employer of choice will help attract and retain talent.

3CE Opens New Regional Santa Barbara Office and Relocates Headquarters

In addition to relocating its main office in Monterey, 3CE celebrated the opening of its new regional office in downtown Santa Barbara. Located near the County Administration Building, City Hall, and key community partners, the new office gives 3CE a home base in the region's largest city with a place to listen, collaborate, and work more closely with the South County communities it serves.

FINANCE

3CE Policy Board Votes to Lower Generation Rates

On February 11, 3CE's Policy Board voted to lower rates by an average generation rate decrease of 25% across customer classes, reflecting lower costs in the energy market, disciplined financial management, and a commitment to return savings directly to customers. This decrease followed increases in investor-owned utility fees, such as the Power Charge Indifference Adjustment.

Reduced Energy Costs through Second Prepayment Transaction

The Finance team initiated 3CE's second energy prepayment transaction on its PPA portfolio to reduce future energy costs.

12

REGULATORY

CPUC Advocacy Resulted in $1.6 Billion Reduction to Procurement Costs

Successfully advocated for revisions to a California Public Utilities Commission (CPUC) procurement order, resulting in an estimated $1.6 billion in avoided procurement costs over 10 years by aligning the order with resources already within 3CE's portfolio.

First CCA to Secure BioMAT Program

Led 3CE's participation in the CPUC's Bioenergy Market Adjusting Tariff (BioMAT) Program, becoming the first CCA to secure a project and apply for cost recovery through the program. BioMAT receives procurement funding through a Public Purpose Program fund — a cost that all Californians pay into, but from which CCA customers had not previously received benefits.

Continued Progress on PCIA Reform

Successfully reduced mid-year changes to the 2026 Power Charge Indifference Adjustment and established a venue with the CPUC for broader reform efforts for the 2027 Forecasted PCIA and beyond.

EMISSIONS

689,890 Metric Tons of CO_2 Emissions Avoided through PPAs & Electrification

Equivalent to removing 60,920 gasoline-powered passenger vehicles from the road for a year.

GOVERNMENT & COMMUNITY RELATIONS

3CE Staff Learn, Share, and Collaborate at Annual CalCCA Conference

3CE staff joined more than 1,000 energy leaders, innovators, and policymakers in Sacramento for the 2026 CalCCA Annual Conference. CEO Robert Shaw moderated a high-profile panel on California's 2026 legislative agenda while Energy Programs Analyst Paige Callaghan and Director of Government & Community Relations Das Williams shared their expertise through presentations.

Passage of the Clean Energy Safety Act

Secured passage and signing of the Pathways Initiative (AB 825) and the Clean Energy Safety Act (SB 283) through sustained advocacy in the final weeks of the legislative session, including stakeholder and coalition outreach, letters of support, and in-person canvassing of Senate and Assembly offices.

PCIA Transparency and Hourly RA Trading

Staff advocated for two pieces of sponsored legislation, including AB 1761 (PCIA transparency, Assemblymember Rogers) and SB 1138 (hourly RA trading, Senator Padilla) by meeting with legislators, committee staff, and stakeholders to advance 3CE's broader agenda on large load interconnection, Diablo Canyon Nuclear Power Plant, CCA autonomy, and more.

CUSTOMER SUCCESS

Brought Energy Bill Relief to Rural Communities

Committed to addressing customer needs and meeting them where they are, 3CE staff hosted events in rural communities to provide bill assistance and solutions that ease the burden of energy costs. The Greenfield event took place at an apartment community with units set aside for income-qualified and farmworker households, providing Spanish-language support for those who needed it.

Advanced Customer Intelligence

Advanced Customer Intelligence by connecting accounts, people, interactions, customer inquiries, and energy program participation data into structured customer hierarchies, creating a more complete organizational view of key customers and reducing dependence on manual reports and institutional knowledge.

PCIA Outreach & Education to Strategic Accounts

Directed proactive outreach to 250 strategic accounts ahead of the January PCIA increase, delivering targeted customer education and relationship-based support that helped retain customers, reduce customer uncertainty, and deepen engagement with key contacts.

ENERGY PROGRAMS

Electrify Your Home Program Adds Renter-Friendly Offerings

In the prior fiscal year, 3CE hosted community workshops to gather community input about the Electrify Your Ride Program. The resulting program updates — adding induction cooktops and ranges as well as heat pump space conditioners — provide more choices for customers plus a renter-friendly option for heating and cooling.

Pilot Project Powers Community Benefits through Public Chargers

In partnership with the City of Santa Maria, 3CE launched a pilot program to own and operate EV charging infrastructure across the Central Coast, expanding access to affordable, reliable public charging in high-use community locations.

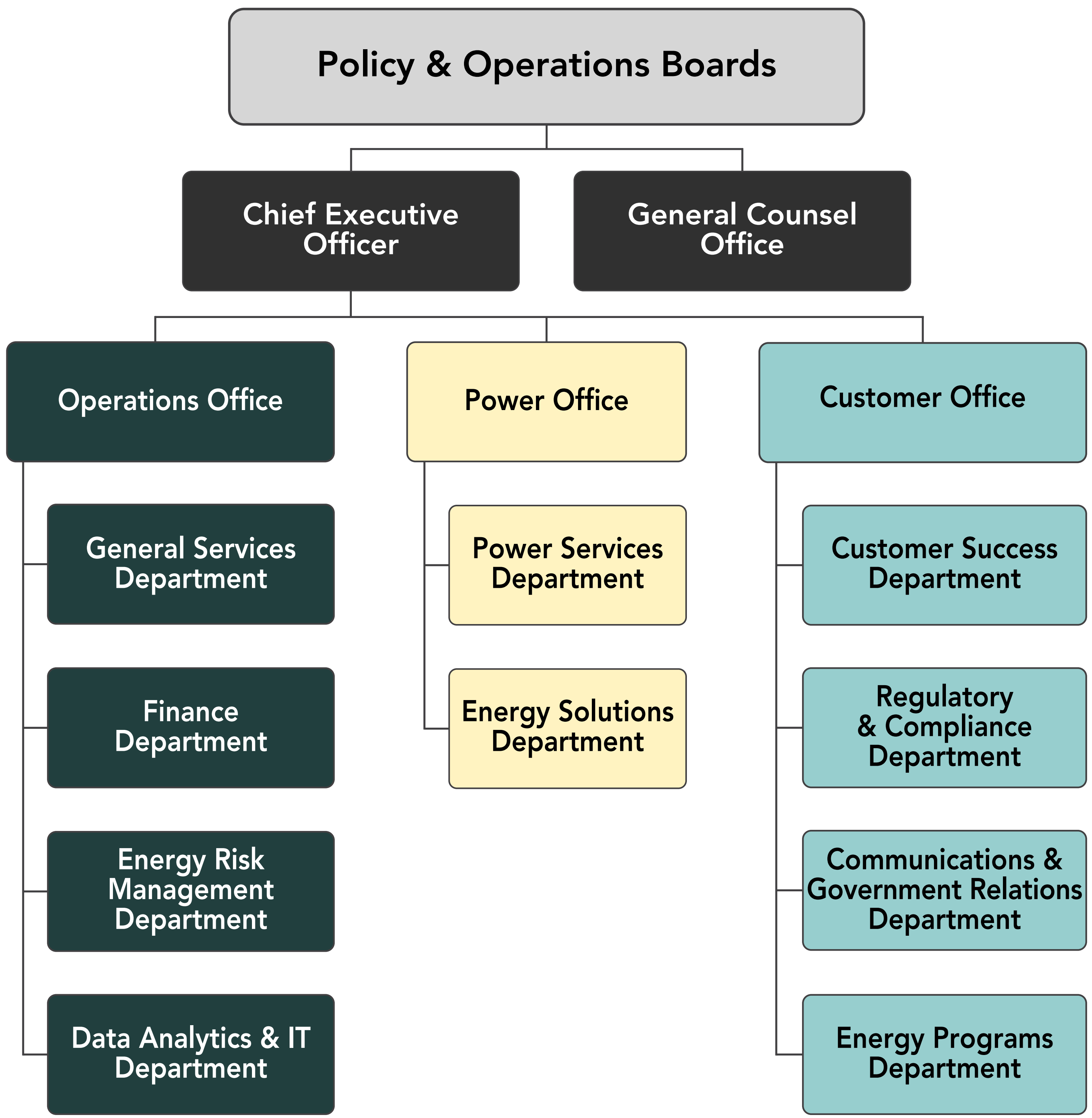
Electrify Your Ride Expands Offerings and Impacts

3CE expanded its Electrify Your Ride (EYR) Program, adding rebates for bi-directional chargers. This two-way charging capability helps customers maximize EV investment by supporting energy resilience, grid reliability, and smarter home energy use. Since 2021, EYR has helped nearly 4,000 residential customers purchase or lease an EV, saving them more than $9 million.

Electric Bus Program Drives Clean Public Transportation Infrastructure

3CE staff continues to build relationships and collaborate with Member Agencies. In November 2025, the Electrify Your Fleet program awarded $350,000 toward four electric transit buses for the San Luis Obispo Regional Transit Authority. These buses benefit passengers, the environment, the city's bottom line, and expand clean transportation infrastructure across the Central Coast.

Organization Chart



3CE Staff Positions Schedule

Office/Department	Position Title	FY 2024-25	FY 2025-26	FY 2026-27	Change from Prior Year
Office of the CEO	**Chief Executive Officer**	1	1	1	0
	Board Clerk	1	1	1	0
	Principal Management Analyst	0	1	1	0
	To Be Determined	1	0	0	0
	Total Positions	**3**	**3**	**3**	**0**
Office of the General Counsel	**General Counsel**	1	1	1	0
	Deputy General Counsel	1	1	0	-1
	Total Positions	**2**	**2**	**1**	**-1**
Office of the COO	**Chief Operating Officer**	1	1	1	0
General Services	Director of General Services	1	1	1	0
	Senior Manager of Human Resources	0	0	1	1
	Facilities Coordinator	0	0	1	1
	Human Resources Analyst	1	1	2	1
	Administrative Specialist	1	1	1.5	0.5
	Subtotal	4	4	7.5	3.5
Finance	Director of Finance	1	1	1	0
	Controller	0	0	1	1
	Senior Accountant	1	1	1	0
	Accountant	1	1	1	0
	Administrative Specialist	1	1	1	0
	Financial Planning and Analysis Analyst	0	0	2	2
	Senior Billing Operations & Rates Analyst	1	1	1	0
	Billing Operations & Rates Analyst	1	1	1	0
	Subtotal	6	6	9	3
Energy Risk Management	Director of Energy Risk Management	1	1	1	0
	Energy Risk Analyst	1	2	2	0
	Subtotal	2	3	3	0

3CE Staff Positions Schedule

Office/Department	Position Title	FY 2024-25	FY 2025-26	FY 2026-27	Change from Prior Year
Data & IT	Director of Data Analytics and IT	1	1	1	0
	Manager of Information Technology	1	1	1	0
	Data Analyst	1	1	1	0
	Data Engineer	1	1	1	0
	Business Applications Developer	0	1	1	0
	Information Technology Specialist	1	1	1	0
	Subtotal	5	6	6	0
	Total Positions	**17**	**19**	**25.5**	**6.5**
Office of the CPO	**Chief Power Officer**	1	1	1	0
Power Supply	Director of Power Supply Resources	1	1	1	0
	Manager of Planning & Portfolio Management	1	1	1	0
	Manager of Market Operations	1	1	1	0
	Power Resources & Markets Manager	1	1	1	0
	Power Resources Planner	2	2	2	0
	Contract Lifecycle/Commerical Operations Manager	0	0	1	1
	Power Supply Asset Manager	1	1	1	0
	Manager of Settlements	0	0	1	1
	Energy Transaction & Portfolio Analyst	0	0	1	1
	Power Supply Analyst	1	1	1	0
	Settlements Analyst	2	2	2	0
	Administrative Specialist	0	0	0.5	0.5
	Subtotal	11	11	14.5	3.5
Energy Solutions	Director of Energy Solutions	0	0	1	1
	Manager of Project Delivery	1	1	1	0
	Manager of Business Development	0	0	1	1
	Subtotal	1	1	3	2
	Total Positions	**12**	**12**	**17.5**	**5.5**

Office/Department	Position Title	FY 2024-25	FY 2025-26	FY 2026-27	Change from Prior Year
Office of the CCO	**Chief Customer Officer**	1	1	1	0
Customer Success	Director of Customer Success	1	1	1	0
	Manager of Customer Accounts & Services	1	1	1	0
	Senior Customer Accounts Manager	2	2	2	0
	Customer Accounts Manager	2	2	2	0
	Administrative Specialist	1	1	1	0
	Subtotal	8	8	8	0
Regulatory & Compliance	Director of Regulatory Affairs & Compliance	1	1	1	0
	Senior Policy Advisor	0	0	1	1
	Policy Advisor	2	2	2	0
	Subtotal	3	3	4	1
Government & Community Relations	Director of Government & Community Relations	0	1	1	0
	Manager of Communications	1	1	1	0
	Community Relations Manager	2	2	2	0
	Communications Specialist	2	2	2	0
	Subtotal	5	6	6	0
Energy Programs	Director of Energy Programs	1	1	1	0
	Manager of Energy Programs	1	1	1	0
	VPP Programs Manager	0	0	1	1
	Energy Programs Analyst	4	4	4	0
	Subtotal	6	6	7	1
	Total Positions	**22**	**23**	**25**	**2**
	3CE GRAND TOTAL	**56**	**59**	**72**	**13**

Executive Summary

Introduction

Fiscal Year (FY) 2026-27 will mark another year of progress for Central Coast Community Energy (3CE), as the agency now serves more than 1.2 million people and 515,000 customer accounts across residential, commercial & industrial, and agricultural industries. We are proud to be the energy provider for these customers and communities, working hand in hand with 35 local agencies in five counties to serve approximately 95% of our region's total electricity load.

The Recommended Budget aligns 3CE's resources with its mission: to deliver reliable, clean, affordable electricity and electrification programs that reduce greenhouse gas emissions and strengthen the local economy. That mission places 3CE at the center of California's energy transition — and carries a corresponding commitment to make that transition affordable for the customers who fund it. Guided by Financial Policies adopted annually by the Policy Board, this budget reflects proactive strategic and financial stewardship: investing in 3CE's growth and protecting affordability, while navigating and shaping an uncertain regulatory environment, to deliver the best outcomes for our customers and stakeholders.

The Recommended Budget totals $500.7 million in appropriations, funded by $515.3 million in projected revenues. The budget is balanced and is projected to add approximately $14.6 million to net position — strengthening reserves while maintaining rates stable for customers. Total appropriations are $87.7 million (14.9%) below the prior-year Adopted Budget, driven almost entirely by lower cost of energy (COE). Given these market conditions, 3CE can invest in the agency's service commitment to customers, which includes continued progress on our renewable goals and ensuring fair and stable customer rates. These investments show up as robust energy contract administration, building internal capabilities to reduce reliance on outside vendors, promoting engagement through market driven energy programs, developing 3CE owned generation assets, and enhancing 3CE's legislative and regulatory advocacy.

That choice is disciplined by three investment commitments that run through this budget and through the agency's Financial Policies:

- Investing in growth: the staffing, programs, and portfolio that let 3CE operate at the scale it has reached;
- Investing in robust fiscal discipline: the reserves, risk controls, and owned assets that let the agency withstand market and regulatory shocks; and
- Investing in affordability: holding rates stable, building long-term value, and promoting local economic investment, as well as helping customers lower their overall energy costs through electrification.

How the Budget Was Built

The Recommended Budget is the product of 3CE's five-stage annual process, developed within the framework of the Financial Policies the Policy Board adopts each year. Those policies set the agency's guiding commitments; a balanced budget aligned to a cost-of-service revenue requirement, minimal reliance on reserves for ongoing operations, stable and fair rates, and quantified liquidity and credit-rating targets. Following the mid-year forecast, each department submitted a baseline spending plan — the cost to continue current operations — along with augmentation requests to staff new functions and business lines, for programs, and capital projects. The CEO reviewed and prioritized these submissions based on accuracy, demonstrated benefit, and alignment with Policy Board priorities. The result is a comprehensive and balanced recommendation.

The Budget at a Glance

FY 2025-26 Budget Summary	Prior Year Actuals 2024-25	Adopted Budget 2025-26	Mid-Year Estimate 2025-26	Recommended Budget 2026-27	Recommended Change from Adopted
Net Electricity Sales	658,974,802	578,022,716	555,527,132	505,582,881	(72,439,835)
Deferred Revenue	-	-	(39,527,962)	-	-
Interest and Investment Returns	11,037,533	9,100,000	9,942,617	9,450,000	350,000
Other Income	159,518	75,000	136,849	250,000	175,000
Revenue for Damages	8,101,745	-	-	-	-
Sub-Total Revenues	**678,273,598**	**587,197,716**	**526,078,636**	**515,282,881**	**(71,914,835)**
Capital Infrastructure Reserve	-	1,200,000	6,741,324	-	(1,200,000)
Total Financing Sources	**678,273,598**	**588,397,716**	**532,819,960**	**515,282,881**	**(73,114,835)**
Cost of Energy	593,415,108	534,776,256	452,043,477	432,693,327	(102,082,929)
Salaries and Employee Benefits	10,765,707	14,260,774	12,601,420	18,235,160	3,974,386
Services and Supplies	29,288,173	38,160,686	36,211,516	42,790,622	4,629,936
Capital Assets	276,648	1,200,000	383,219	6,941,500	5,741,500
Total Financing Uses	**633,745,636**	**588,397,716**	**501,239,632**	**500,660,609**	**(87,737,107)**
Total Budgeted Change to Net Position	**44,527,962**	**0**	**31,580,328**	**14,622,272**	**14,622,272**

Cost of Energy: Understanding the Decline

COE is 3CE's largest and most volatile expense, comprising 86% of total appropriations. COE covers the electricity needed to serve customer load, regulatory compliance products such as Resource Adequacy (RA) and Renewable Portfolio Standard (RPS) attributes, as well as grid-operation services managed by the California Independent System Operator (CAISO). At $432.7 million, the COE is down $102.1 million (19%) from the prior-year Adopted Budget and well below the $593.4 million recorded in FY 2024-25.

3CE sets rates to recover its cost of service; a lower COE flows through to customers as lower rates and to the agency as lower revenue. The corresponding $71.9 million reduction in budgeted revenues reflect a declining energy market while keeping the budget balanced. Understanding both why COE ran high in recent years and why it is now declining is central to this budget.

Market Volatility and Regulatory Impacts Pushed Costs Higher

In past years, COE rose due to a combination of forces largely outside 3CE's direct control. The COVID pandemic and resulting supply chain challenges delayed new generation projects, requiring the agency to purchase a larger share of its energy on the open market rather than take delivery from its own contracted, fixed-price resources. With less of its load hedged by operating projects, the agency was more exposed to that market volatility driven by macroeconomic pressures and seasonal events such as summer and fall heat waves. At the same time, surging RA costs, driven by heightened statewide demand and constrained supply, inflated the cost of meeting compliance obligations.

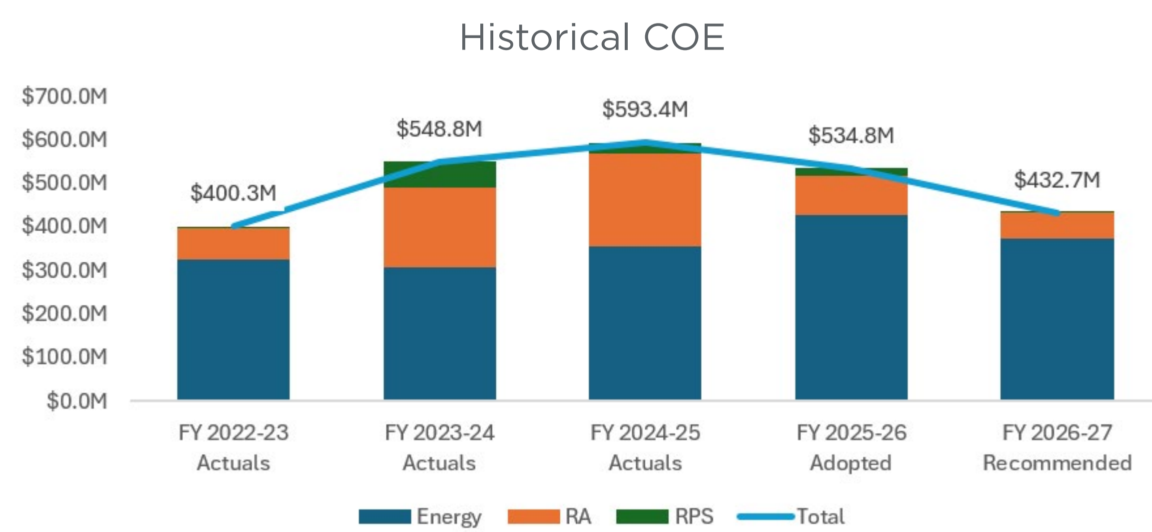
Executive Summary (continued)

Prudent Management and Informed Oversight Drive Lower Cost Outcomes

The decline in the cost of energy projected FY 2026-27 reflects a structural improvement in 3CE's hedge performance and maturing portfolio, not just a favorable market. New long-term clean generation and storage resources are coming online and delivering, reducing our need to buy power on the open market. For 3CE, advancing the energy transition and protecting affordability are complementary objectives. Four factors compound:

- More projects online. 2026 is a breakout year for 3CE's build-out. Four new projects reached commercial operation in 2026, adding roughly 25% of retail load. With them, 3CE's operational portfolio grows to approximately 11 projects covering more than half of retail load, up from roughly a quarter the prior year.
- More energy delivered from owned contracts. As these projects deliver, energy generated under 3CE's Power Purchase Agreements (PPAs) displaces market purchases. 3CE is buying more of its power from contracted resources at known, long-term prices and less from the volatile spot market.
- Lower market prices and effective hedging. 3CE's hedging strategy has locked in favorable pricing during favorable market conditions, and has reduced RA and RPS costs. 3CE's effective position management, conducted in compliance with the board-adopted Energy Risk Management Policy and the board's strategic approach to RA compliance, has also contributed to lower cost outcomes.
- Lower-cost financing of energy supply. 3CE's 2023 "prepayment" transaction, a bond issuance through the California Community Choice Financing Authority, discounted a portion of the power delivered under it by roughly $5 million per year. A second prepayment transaction opportunity will be presented to the Policy Board for approval alongside this budget as another strategy to ultimately lower costs for our customers; because it is not yet final, no savings from this proposed transaction are yet reflected in the Recommended Budget.

The result is energy costs that are both lower and more stable than in recent years, with far less of the portfolio exposed to spot-market swings. That is the payoff of a long-term procurement strategy reaching maturity, financing decisions which reduced COE, and advocacy for compliance rules that lower RA and RPS costs.



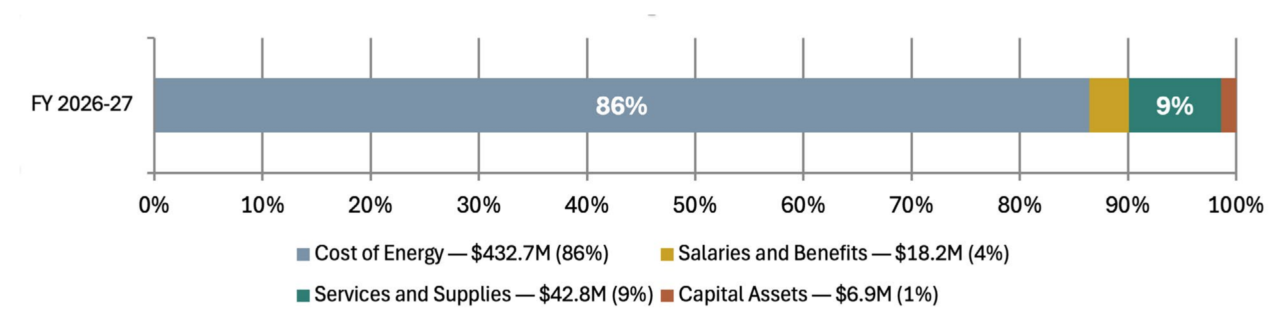
Investing in the Organization

Salaries and benefits account for 3.6% of the total Recommended Budget. The recommended $18.2 million represents an increase of $4.0 million, or 27.9%, over the $14.3 million adopted for FY 2025-26. Roughly a quarter of that increase ($1.0 million) reflects potential salary adjustments and higher employer health care premiums – investments the agency is making to retain our talented staff. The remaining $3.0 million, funds 13 new positions, including two in the new Energy Solutions department, as described later in this summary.

The new additions are in operational and analytical roles in Power Services and Finance — settlement, contract administration, portfolio analysis, and financial planning — functions that must scale with a growing portfolio, or areas that the agency can avoid costly outside contractors and conditions where available consultants have been over consolidated, leaving few qualified vendors. Other additions deepen senior specialist capacity in regulatory policy and virtual power plant program management, and add internal operations, facilities, and human resources capacity for an expanded workforce and property footprint. Building this expertise internally reduces reliance on consultants, keeps institutional knowledge within the organization, and gives 3CE direct command of the technical work that determines its costs and its standing before regulators.

Services and supplies of $42.8 million include $3.8 million in new spending to support customers. Energy Programs grows by $2.2 million, maintaining funding levels across transportation, building, and agricultural electrification while expanding offerings such as bidirectional charging and virtual power plant operations that shift the portfolio from one-way incentives toward programs that return capacity to the grid. Roughly $950,000 strengthens 3CE's voice with the customers and policymakers who shape its operating environment — including strengthening its federal advocacy presence. A further $700,000 modernizes how the agency serves and understands its customers, funding new customer experience and call center capability, agencywide artificial intelligence enablement, and the technical support behind the agency's move into owned assets. The operating contingency remains at $3.5 million, 5% of non-COE, thereby preserving the flexibility required by the approved Financial Policies without expanding the agency's cost base.

Capital outlay investments reach $6.9 million — with the majority, $4.3 million, advancing a permanent 3CE headquarters, including $3.5 million to acquire the land and $800,000 for planning, permitting, and entitlement work that must precede construction. These investments will consolidate the agency's core operations into a facility it owns. The remaining $2.6 million funds the first 3CE-owned public EV charging stations in Santa Maria and Monterey, preliminary microgrid design, and improvements to existing offices and technology infrastructure across our four workplace locations in Monterey County, Santa Cruz County, San Luis Obispo County, and Santa Barbara County. Every figure here is a planning-level estimate, and every project returns to the Policy Board or Executive Committee for approval before it proceeds, with its own funding and financing analysis.



Operating Revenue

Appropriations are funded by revenues of $515.3 million, $71.9 million below the prior-year Adopted Budget, reflecting lower COE and savings passed on directly to customers. Net electricity sales of $505.6 million are down 12.5%, driven by lower COE. Interest and investment returns are budgeted at $9.5 million, a deliberately conservative figure in anticipation of a softening short-term rate environment.

Staff will bring proposed 2027 electric generation rates to the Policy Board for consideration in March 2027, in accordance with the rate development timeline established in 2026. Based on the Recommended Budget as presented, no rate increase is expected to fund the appropriations described above. The declining cost of energy is sufficient to support the agency's investments while maintaining a balanced budget and meeting its cost-of-service revenue requirement.

Building on a Year of Accomplishment

This Recommended Budget builds on a year that demonstrated commitment to 3CE's mission. The agency's clean-energy portfolio expanded significantly — 3CE onboarded four Power Purchase and Energy Storage Agreement projects, including receiving energy from the local ReGen Monterey project — while strengthening load forecasting, a new cost of energy review process, and the in-house Energy Trading and Risk Management (ETRM) system improved the discipline with which that growing portfolio is managed. Regulatory and legislative advocacy delivered direct customer value, most notably CPUC procurement-order revisions expected to avoid an estimated $1.6 billion in costs over ten years, alongside the signing of the Pathways Initiative (AB 825), Clean Energy Safety Act (SB 283), and sponsoring of bills on Power Charge Indifference Adjustment (PCIA) transparency (AB 1761) and hourly Resource Adequacy trading (SB 1138).

Customers saw benefits in record program participation, greenhouse gas reductions, equity program participation levels, the launch of improved Electrify Your Home, and the first 3CE-owned public EV charging station under construction in Santa Maria. Just as important, 3CE reinforced the financial framework underpinning this budget: it updated its Financial Policies to add credit-rating and liquidity targets and GASB 62/63 reserve treatment, advanced a second energy prepayment transaction now before the Policy Board, and modernized administrative and financial controls on which prudent stewardship depends.

Priorities for the Year Ahead

The investments in this budget are directed toward a clear and connected set of priorities. At the center is the clean-energy portfolio itself: with a rapidly expanding resource base, 3CE will build out the Power Services team and develop an ETRM roadmap for end-to-end contract, settlement, and financial coverage, ensuring the agency can manage a portfolio that will span dozens of projects. Alongside that operational work, 3CE will continue to advance PCIA reform and regulatory advocacy — through CalCCA and direct engagement — to protect customers from rate shock and inequitable cost shifts while pressing for incremental reforms to the PCIA calculation and other CPUC initiatives that erode local control.

Two initiatives extend 3CE's mission in new directions. The agency will establish the new Energy Solutions department and its owned-asset strategy, and launch a Virtual Power Plant (VPP) program built on a Distributed Energy Resource Management System (DERMS), piloting residential battery enrollment to optimize grid operations and deliver customer benefits through load shifting. Both reflect a deliberate move from buying energy toward shaping how and when it is generated and used.

Underpinning it all are financial and customer capacity. 3CE will pursue a credit-rating upgrade to A+ as part of its biannual review, evaluate adoption of an enterprise resource-planning (ERP) system, update electric generation rates in preparation for 2027 implementation, and advance a multi-year plan to sustain reserves at policy-target levels. On the customer side, the agency will operationalize a new customer load-analysis tool, expand CRM adoption agencywide, and continue delivering on the Underserved Communities Outreach and Engagement Action Plan.

A Long-Term Initiative: The Energy Solutions Department

The most significant new investment in this budget is establishing the Department of Energy Solutions (DES). With the Policy Board's support, this department is tasked with translating 3CE's clean-energy procurement success into local energy infrastructure, member-agency support, customer value, and long-term business resilience. It represents a deliberate evolution in strategy: supplementing our foundational approach of purchasing energy through traditional PPA structures to directly owning and developing energy assets that the agency controls throughout their full useful lives.

The DES is built to also establish a project development capability. Its initial work includes an EV charging master plan to scale affordable, 3CE-owned public charging at critical sites; identifying and evaluating local microgrid and grid-scale storage projects; and delivering the agency's office capital projects, including the new headquarters.

The long-term logic is straightforward. Owned generation, storage, EV charging infrastructure, and microgrids give 3CE a durable tool to advance grid reliability and resiliency in its own communities, to make measurable progress toward its greenhouse gas emission targets, and — over time — to convert capital investment into rate-stabilizing value rather than recurring market expense. Where a purchased megawatt is a cost that recurs every year at whatever the market dictates, an owned asset is a balance-sheet investment whose benefits accrue to customers for decades.

Regulatory and Market Uncertainty

Maintaining stable and fair rates is central to 3CE's mission, and the single largest source of near-term rate uncertainty remains the PCIA — a fee set annually by the CPUC and collected by the Investor-Owned Utilities from CCA customers to recover the utilities' legacy generation costs. The PCIA is not a 3CE charge. It is a CPUC established and IOU collected fee that appears on customers' bills and can move sharply from year to year, creating volatility largely outside the agency's control. A CPUC methodology change, effective January 1, 2026, increased the charge for CCA customers, and 3CE has joined the California Community Choice Association (CalCCA) in formally challenging the CPUC's decision.

What customers ultimately pay depends on decisions still pending: the challenge to the 2026 change, a broader CPUC rulemaking on how the charge is calculated, and the annual benchmarks that are not final until the fall. Given that uncertainty, the Recommended Budget takes a deliberately conservative posture: current rates are maintained, and staff will assess the CPUC's final 2027 PCIA and IOU generation-rate decisions before recommending any adjustments. 3CE continues to advocate — through CalCCA, its Board committees, and its regulatory and legislative teams, including sponsored legislation on PCIA transparency (AB 1761) — for a PCIA that is fair, transparent, and predictable for the communities it serves. At the same time, 3CE has been building connections with customers to ensure our long-term value proposition and partnership resonate, despite whatever year-to-year regulatory challenges may come our way.

Longer-term uncertainty rests in how Senate Bill 100's zero-carbon requirement will be defined and what new compliance structures may be introduced, such as the Clean Energy Standard and Reliable Clean Power Procurement Program (RCPPP). Similarly, the RCPPP implementation may further limit local decision-making by converting the Integrated Resource Plan to an enforceable procurement mandate. These efforts could create unnecessary costs for customers by requiring load serving entities to procure beyond their need, or conversely, could discourage load serving entities from proactively addressing portfolio needs.

Reserves and Liquidity

Prudent financial management is core to 3CE's ability to navigate market and regulatory uncertainty, and strong liquidity is the foundation of that resilience. Aided by the stronger-than-budgeted current year, 3CE expects to close FY 2025-26 with approximately $320 million in unrestricted liquidity available for reserves — equivalent to roughly 64% of budgeted annual expenditures, or about 233 days of cash on hand. This position reflects disciplined cost management and the lower Cost of Energy described throughout this summary, rather than any rate increase.

Central to this strength is the Energy Rate Stability Reserve, which provides the financial capacity to absorb revenue impacts in challenging years while maintaining fair and stable rates. By continuing to build reserves alongside regulatory advocacy and market strategies, 3CE strengthens its ability to manage risk, stabilize rates, and protect the long-term interests of its communities. Robust liquidity is also a key factor credit rating agencies weigh when assessing financial stability — supporting 3CE's objective of maintaining and improving its credit standing.

Looking Ahead

This Recommended Budget reflects 3CE at an inflection point: financially strong enough to invest, and strategically clear about where those investments should go. The agency has fully extended into its service territory footprint; a maturing clean-energy portfolio is bringing energy costs down and making them more predictable; a strong liquidity position anchors the agency's resilience; and a new Department of Energy Solutions extends 3CE's mission into owned assets that advance grid reliability and greenhouse gas reduction for decades to come. The regulatory path, particularly around the PCIA, remains uncertain; 3CE's response is to stay disciplined, stay engaged, and continue acting as a careful steward of the public resources entrusted to it — advancing the energy transition on terms its customers can afford.

Office Summary

Office of the CEO

The Office of the Chief Executive Officer provides leadership and directs the implementation of 3CE's business functions, programs, and initiatives to ensure alignment with the Policy Board's strategic vision and policies. An integral part of this work involves communication and collaboration with customers and stakeholders, the cultivation of strong relationships with 3CE's Member Agencies, and the facilitation of programs that advance the Board's goals.

FY 2026-27 Budget Summary — Office of the CEO	Prior Year Actuals 2024-25	Adopted Budget 2025-26	Mid-Year Estimate 2025-26	Recommended Budget 2026-27	Recommended Change from Adopted
Salaries and Employee Benefits	961,954	1,034,085	1,069,600	1,460,816	426,731
Services and Supplies	114,005	133,000	103,446	147,000	14,000
Total Financing Uses	**1,075,958**	**1,167,085**	**1,173,046**	**1,607,816**	**440,731**
Change in Net Position	**(1,075,958)**	**(1,167,085)**	**(1,173,046)**	**(1,607,816)**	**(440,731)**

The Chief Executive Officer works to accelerate the adoption of renewable energy resources, overseeing the negotiation of Power Purchase Agreements (PPAs) and ensuring 3CE's plans align with its mission to provide reliable, clean, affordable electricity and electrification programs that reduce greenhouse gas emissions and strengthen the local economy. At its heart, the Executive Office focuses on leading 3CE in a way that serves its customers, empowers its staff, and brings economic and environmental benefits to its communities.

The Recommended Budget for the Office of the CEO totals $1,607,816, with $1,460,816 allocated to salaries and benefits and $147,000 for services and supplies. This reflects a $440,731 increase from the FY 2025-26 Adopted Budget of $1,167,085. Personnel costs increase $426,731, of which $247,266 is an approved augmentation for a contracted Board Clerk. Services and supplies increase $14,000, primarily for travel costs. Three permanent positions are authorized for this office in FY 2026-27.

Office of the CEO: Chief Executive Officer

FY 2025-26 ACCOMPLISHMENTS

- Led a coordinated, agency-wide response to unprecedented PCIA pressures, aligning regulatory advocacy, customer outreach, rate design and executive decision-making to protect customer value and achieve 100% retention among strategically engaged accounts.
- Advanced the creation of the Department of Energy Solutions, securing Board direction to develop an implementation framework that will help 3CE move from supporting local energy concepts to developing and operating local energy projects.
- Strengthened executive oversight and organizational accountability by realigning leadership responsibilities across Power Services, Regulatory Affairs, Finance, Data and IT, Human Resources and Facilities — streamlining decision-making and reinforcing audit-ready controls.
- Guided major strategic decisions defining 3CE's next phase, including the transition from standalone battery rebates toward a Virtual Power Plant, expansion of the agency's renewable portfolio and development of 3CE-owned public-facing EV charging infrastructure.
- Expanded 3CE's regional presence and institutional strength through service expansion to Atascadero and unincorporated San Luis Obispo County, establishment of the Santa Barbara regional office, relocation of the Monterey headquarters, completion of the annual financial audit and maintenance of the agency's "A" credit rating.

FY 2026-27 FOCUS AREAS

- Support the Boards' vision and lead an enterprise strategy that aligns 3CE's affordability, renewable energy, customer engagement, policy, financial, and community-investment priorities.
- Strengthen executive-team coordination and accountability through clear priorities, performance measures, decision-making responsibilities, and regular board reporting.
- Guide the successful launch of the Energy Solutions Department, ensuring its project-development, financing, governance, and partnership models support member-agency priorities while appropriately managing risk.
- Strengthen relationships with board members, member agencies, public-power partners, and industry leaders to advance shared priorities and identify strategic opportunities for 3CE.
- Build a high-performing organizational culture grounded in collaboration, accountability, professional development, transparent governance, and service to customers and communities.

Office Summary (continued)

Office of the General Counsel

The Office of the General Counsel manages 3CE's legal affairs, compliance, contract review and negotiation, and dispute resolution. The office also coordinates with outside counsel on specialized legal matters such as power purchase agreements, regulatory proceedings, real property transactions, and litigation. The General Counsel serves under a professional services agreement and will continue in that capacity in FY 2026-27.

FY 2025-26 Budget Summary — Office of General Counsel	Prior Year Actuals 2024-25	Adopted Budget 2025-26	Mid-Year Estimate 2025-26	Recommended Budget 2026-27	Recommended Change from Adopted
Salaries and Employee Benefits	293,224	698,108	137,237	-	(698,108)
Services and Supplies	459,413	2,071,000	831,247	2,294,000	223,000
Total Financing Uses	**752,637**	**2,769,108**	**968,484**	**2,294,000**	**(475,108)**
Change in Net Position	(752,637)	**(2,769,108)**	**(968,484)**	**(2,294,000)**	**475,108**

The Recommended Budget totals $2,294,000, a decrease of $ 475,108 from the FY 2025-26 Adopted Budget. The FY 2025-26 Adopted Budget included two positions in salaries and employee benefits, General Counsel and Deputy General Counsel, totaling $698,108. Neither is budgeted for FY 2026-27. The General Counsel cost is now budgeted in services and supplies within the legal services line, consistent with how the function is contracted and paid, and the Deputy General Counsel position is not carried forward. The reclassification accounts for a $240,000 increase in legal services; the balance of the reduction reflects the elimination of the Deputy General Counsel position and decreases across travel and other auxiliary expenses.

Services and supplies total $2,294,000; of that amount, $2,240,000 supports legal services, comprising the contracted General Counsel and outside counsel engaged on power supply, real property, regulatory, litigation, and dispute resolution matters. Legal spending varies significantly year to year with transaction volume and the timing of contested proceedings, and the budget is set to maintain capacity for matters that cannot be forecast at adoption.

FY 2025-26 ACCOMPLISHMENTS

- Drafted and negotiated contracts and amendments supporting all agency offices and departments.
- Advised on real-property negotiations and the purchase of 3CE's Santa Cruz County office.
- Supported Energy Programs procurements, capital-improvement initiatives, electrification projects and grants.
- Advised the Boards on closed-session matters, public-agenda business and agency policy updates.
- Managed pending litigation with outside counsel and advised on advocacy and comments in CPUC proceedings.

FY 2026-27 FOCUS AREAS

- Provide timely, accurate legal advice and services that support staff and board priorities.
- Manage litigation and advise on contracts, regulatory developments, and other legal matters affecting the agency.
- Develop, review, and maintain agency policies in coordination with staff and the boards.

Office Summary (continued)

Office of the Chief Operations Officer

The Office of the Chief Operations Officer oversees four departments: General Services, Finance, Energy Risk Management, and Data Analytics & Information Technology. This office is responsible for 3CE's financial planning, treasury and investment management, rates and billing operations, and internal controls; for the independent monitoring and measurement of energy risk exposures; for the stewardship of customer usage and transaction data and the agency's information technology infrastructure; and for the human resources, facilities, and administrative services that develop, retain, and enable 3CE staff.

FY 2026-27 Budget Summary — Office of the COO

	Prior Year Actuals 2024-25	Adopted Budget 2025-26	Mid-Year Estimate 2025-26	Recommended Budget 2026-27	Recommended Change from Adopted
Interest and Investment Returns	9,731,643	9,100,000	9,223,535	9,450,000	350,000
Other Income	91,090	75,000	75,775	50,000	(25,000)
Sub-Total Revenues	**9,822,733**	**9,175,000**	**9,299,310**	**9,500,000**	**325,000**
Capital Infrastructure Reserve	-	1,200,000	6,741,324	-	(1,200,000)
Total Financing Sources	**9,822,733**	**10,375,000**	**16,040,634**	**9,500,000**	**(875,000)**
Salaries and Employee Benefits	3,179,023	4,314,396	4,095,262	5,968,743	1,654,347
Services and Supplies	9,751,046	15,212,433	13,901,048	15,883,050	670,617
Capital Assets	276,648	500,000	118,219	3,560,000	3,060,000
Total Financing Uses	**13,206,718**	**20,026,829**	**18,114,529**	**25,411,793**	**5,384,964**
Change in Net Position	**(3,383,985)**	**(9,651,829)**	**(2,073,895)**	**(15,911,793)**	**(6,259,964)**

The Recommended Budget for the Office of the Chief Operations Officer totals $25,411,793, with $5,968,743 allocated to salaries and benefits, $15,883,050 to services and supplies, and $3,560,000 to capital assets. This is a $5,384,964 increase from the FY 2025-26 Adopted Budget of $20,026,829, driven principally by planned capital projects and staffing augmentations. Salaries and benefits also include $152,616 for two contracted positions and three summer interns; these costs are budgeted within salaries and benefits but are excluded from the office's position count.

The Recommended Budget for the office is partially financed by $9,500,000 in estimated revenue, consisting of $9,450,000 in interest income on self-managed investments and $50,000 in rental income from the San Luis Obispo office building. No draw on the Capital Infrastructure Reserve is budgeted in FY 2026-27, compared to $1,200,000 in the prior year. Twenty-six positions, or 25.5 full-time equivalents, across its four departments are authorized for this office.

Office of the COO — General Services

The General Services Department (formerly Administrative Services and Human Resources) supports 3CE's mission by developing, retaining, and enabling a diverse, productive workforce, and by managing the agency's facilities, insurance, risk, and administrative operations across its office locations.

FY 2026-27 Budget Summary — General Services

	Prior Year Actuals 2024-25	Adopted Budget 2025-26	Mid-Year Estimate 2025-26	Recommended Budget 2026-27	Recommended Change from Adopted
Salaries and Employee Benefits	466,782	659,777	712,795	1,255,739	595,962
Services and Supplies	577,570	786,600	388,125	1,433,000	646,400
Capital Assets	-	-	10,000	-	-
Total Financing Uses	**1,044,352**	**1,446,377**	**1,110,920**	**2,688,739**	**1,242,362**
Change in Net Position	**(1,044,352)**	**(1,446,377)**	**(1,110,920)**	**(2,688,739)**	**(1,242,362)**

The Recommended Budget for the General Services Department totals $2,688,739, with $1,255,739 in salaries and benefits and $1,433,000 in services and supplies. This is a $1,242,362 increase from the FY 2025-26 Adopted Budget of $1,446,377.

Personnel costs increase by $595,962, reflecting approved augmentation requests — a Senior Manager of Human Resources, a Facilities Coordinator, an additional Human Resources Analyst, a half-share of a shared Administrative Specialist, and additional workers' compensation. Personnel costs also include funding for a limited-term contractor and for the agency's summer internship program.

Services and supplies increase $646,400, driven largely by the realignment of agencywide facilities and risk costs from the Finance Department to General Services — including rent, liability insurance, utilities, and building maintenance.

Seven positions, or 6.5 full-time equivalents, are authorized for this department.

FY 2025-26 ACCOMPLISHMENTS

- Opened new 3CE Santa Barbara regional office and moved the agency headquarters in Monterey to 20 Ryan Ranch Road.
- Switched benefit providers, maintaining competitive offerings while continuing to fund 100% of employee costs and 90% of employee dependent costs.
- Achieved Great Place to Work certification for second consecutive year.

FY 2026-27 FOCUS AREAS

- Improve Ryan Ranch office to add collaborative team workspaces, modern video conference facilities, and space for future employee headcount growth.
- Work with employees to build a best-in-class workplace — one that invests in staff engagement, professional development, and growth so our team has what it needs to thrive on behalf of customers.
- Enhance the recruitment and onboarding processes to secure top talent for all departmental vacancies and support the establishment of the new Department of Energy Services.

Office Summary (continued)

Office of the COO — Finance

The Finance Department oversees financial planning and budgeting, financial reporting and analysis, electric generation rates, billing operations, treasury and investment management, debt and financing transactions, internal controls and compliance, and financial strategy. Key duties include developing the annual Recommended Budget, recommending electric generation rates, producing the mid-year budget forecast, supporting the annual financial audit, and developing and monitoring financial policies. By aligning financial operations with regulatory and market dynamics, the department plays a central role in sustaining 3CE's operational and programmatic success.

FY 2026-27 Budget Summary — Finance

	Prior Year Actuals 2024-25	Adopted Budget 2025-26	Mid-Year Estimate 2025-26	Recommended Budget 2026-27	Recommended Change from Adopted
Interest and Investment Returns	9,731,643	9,100,000	9,223,535	9,450,000	350,000
Other Income	91,090	75,000	75,775	50,000	(25,000)
Sub-Total Revenues	9,822,733	9,175,000	9,299,310	9,500,000	325,000
Capital Infrastructure Reserve	-	1,200,000	6,741,324	-	(1,200,000)
Total Financing Sources	9,822,733	10,375,000	16,040,634	9,500,000	(875,000)
Salaries and Employee Benefits	1,429,831	1,516,863	1,606,485	2,340,641	823,778
Services and Supplies	8,682,344	13,294,333	12,896,533	13,292,050	(2,283)
Capital Assets	143,272	500,000	100,000	3,500,000	3,000,000
Total Financing Uses	**10,255,448**	**15,311,196**	**14,603,018**	**19,132,692**	**3,821,496**
Change in Net Position	**(432,715)**	**(4,936,196)**	**1,437,616**	**(9,632,692)**	**(4,696,496)**

The Recommended Budget for the Finance Department totals $19,132,692, including $2,340,641 in salaries and benefits, $13,292,050 in services and supplies, and $3,500,000 in capital assets. This is a $3,821,496 increase from the FY 2025-26 Adopted Budget of $15,311,196.

Personnel costs increase $823,778, of which $506,270 reflects approved augmentation requests for a Controller and two Financial Planning Analysts. The remaining increase is largely due to increased health benefit costs.

Services and supplies are essentially flat, decreasing $2,283 on a net basis: with increases in data management, IOU service fees, and accounting services costs offset by the transfer of rent, insurance, utilities, and building maintenance to General Services. Capital assets increase $3,000,000 for planned agencywide capital projects, including real estate purchases related to the build-out of the Monterey headquarters. The appropriation for operational contingencies, which equals five percent (5%) of recommended appropriations excluding cost of energy (COE), is budgeted under this department.

The Recommended Budget for the department is financed by $9,450,000 in interest and investment returns and $50,000 in rental income from the San Luis Obispo office building. No draw on the Capital Infrastructure Reserve is budgeted, compared to $1,200,000 in the prior year. The department is led by the Director of Finance and is authorized ten positions, or 10.0 full-time equivalents, including the Chief Operations Officer position, which is budgeted within the department.

FY 2025-26 ACCOMPLISHMENTS

- Updated Financial Policies to incorporate credit rating and liquidity targets, Government Accounting Standards Board (GASB) 62/63 reserve accounting treatment, and capital governance enhancements.
- Initiated 3CE's second energy prepayment transaction on its PPA portfolio to reduce future energy costs.
- Continued investment in automation, validation, and check request processes to improve customer support and experience.
- Implemented a new purchase card and travel reimbursement platform, strengthening internal financial controls and expense management.

FY 2026-27 FOCUS AREAS

- Position 3CE for an A+ credit rating by strengthening liquidity, reserves, and financial governance and completing a well-supported credit rating review process.
- Execute the second PPA prepayment transaction to achieve meaningful, long-term savings in power purchase costs and deliver measurable value to customers.
- Strengthen finance and accounting capabilities through process standardization, stronger internal controls, and evaluation of an ERP system and implementation roadmap.
- Develop and implement a multi-year reserve funding plan that establishes a sustainable path to policy targets while addressing rate affordability, market volatility, and out-year cost pressures.

Office Summary (continued)

Office of the COO — Energy Risk Management

The Energy Risk Management Department independently monitors, measures, and reports risk exposures; oversees compliance with the agency's Energy Risk Management Policy; provides analytics, valuation, and counterparty credit management; and serves as a control and check on procurement activities.

FY 2026-27 Budget Summary — Energy Risk Management	Prior Year Actuals 2024-25	Adopted Budget 2025-26	Mid-Year Estimate 2025-26	Recommended Budget 2026-27	Recommended Change from Adopted
Salaries and Employee Benefits	311,212	819,017	620,622	781,770	(37,247)
Services and Supplies	21,711	57,000	33,711	77,000	20,000
Total Financing Uses	**332,922**	**876,017**	**654,333**	**858,770**	**(17,247)**
Change in Net Position	**(332,922)**	**(876,017)**	**(654,333)**	**(858,770)**	**17,247**

The Recommended Budget for the Energy Risk Management Department totals $858,770, including $781,770 in salaries and benefits and $77,000 in services and supplies. This is a $17,247 decrease from the FY 2025-26 Adopted Budget of $876,017.

Personnel costs decrease $37,247 based on updated position and benefit assumptions. Services and supplies increase $20,000 for ancillary costs such as analytical service subscriptions and professional development. The department is led by the Director of Energy Risk Management and is authorized three positions, or 3.0 full-time equivalents.

FY 2025-26 ACCOMPLISHMENTS

- Completed the 2025 Energy Risk Management Policy (ERMP) annual review (adopted by the Operations Board in November 2025), delivered the 2026 staff and agent training and acknowledgement cycle, and launched the 2026 revision — benchmarking peer policies and scoping a substantial slate of governance and control enhancements for Board adoption later in the year.
- Authored a Risk Office operating-model framework establishing an independent, auditable risk function with explicit model, valuation, and consultant governance, benchmarked against peer CCAs and utilities.
- Advanced 3CE's in-house ETRM to production (deal entry, position, mark-to-market, RA and RPS compliance, credit/collateral) and deployed internal Energy and Credit/Collateral Dashboards for real-time prices and portfolio views, reducing reliance on external systems and consultants.
- Strengthened trade-lifecycle controls — trade validation, price-source governance, and counterparty and collateral exposure monitoring — with monthly reporting to the RMC, and contributed risk and portfolio analysis to the October 2025 Executive Committee staff report and the Long-Range Portfolio Strategy Working Group.

FY 2026-27 FOCUS AREAS

- Complete and adopt the 2026 ERMP revision, strengthening escalation and budget-deviation reporting, Middle Office compliance independence, advisor governance and attestation, delegation provisions, and Back Office confirmation review, and aligning hedge tolerances with Long-Range Portfolio Strategy and PCIA developments.
- Formalize the independent Risk Office as an enterprise-facing control and analytics function — a documented charter, standing interfaces with Finance, Legal, Regulatory, and Data/IT, direct risk reporting to executive and board committees, and clear dual-key controls where risk oversight meets business execution.
- Mature the ETRM (Version II) and Energy Dashboard toward a single governed system of record for positions, valuation, compliance, and exposure reporting.
- Establish formal model and valuation governance — a model inventory, change control, and documented price-source hierarchies and assumptions — to further reduce dependence on outside consultants.
- Deepen analyst-team capability and cross-training to ensure the continuity, independence, and resilience of the risk function as portfolio complexity grows.

Office of the COO — Data Analytics & Information Technology

The Data Analytics & Information Technology Department oversees 3CE's customer usage and transaction data for more than 515,000 accounts and provides strategic analysis to inform business decisions. The department's primary objective is to empower the organization with information and insights derived from a consolidated data environment that increases visibility into agency operations. The department also includes 3CE's information technology team, which builds, maintains, and defends the agency's technology infrastructure and ensures data security.

FY 2025-26 Budget Summary — Data Analytics & Information Technology	Prior Year Actuals 2024-25	Adopted Budget 2025-26	Mid-Year Estimate 2025-26	Recommended Budget 2026-27	Recommended Change from Adopted
Salaries and Employee Benefits	971,198	1,318,739	1,155,360	1,590,592	271,853
Services and Supplies	469,421	1,074,500	582,679	1,081,000	6,500
Capital Assets	133,376	-	8,219	60,000	60,000
Total Financing Uses	**1,573,995**	**2,393,239**	**1,746,258**	**2,731,592**	**338,353**
Change in Net Position	**(1,573,995)**	**(2,393,239)**	**(1,746,258)**	**(2,731,592)**	**(338,353)**

The Recommended Budget for the Data Analytics & Information Technology Department totals $2,731,592, with $1,590,592 in salaries and benefits, $1,081,000 in services and supplies, and $60,000 in capital assets. This is a $338,353 increase from the FY 2025-26 Adopted Budget of $2,393,239.

Personnel costs increase $271,853, reflecting higher salary and health care premium benefit expenses based on competitive market conditions. Services and supplies increase $6,500 on a net basis, driven by an augmentation for agencywide artificial intelligence enablement, partially offset by lower contractor services. Capital assets of $60,000 are budgeted for end-user equipment and network security hardware. The department is authorized six positions, or 6.0 full-time equivalents. Salaries and benefits also include $100,000 for a contracted part-time backfill, which is not counted in the position total.

FY 2025-26 ACCOMPLISHMENTS

- Strengthened data governance and compliance by implementing additional Advanced Metering Infrastructure (AMI) audit readiness measures, including annual scanning of vendors with access to AMI-related data.
- Created and implemented the Agency's AI Policy to support the safe, responsible, and consistent use of AI across the agency.
- Advanced the Agency's data and technology foundation through continued support of core analytics, reporting, and operational systems.

FY 2026-27 FOCUS AREAS

- Expand ETRM 2.0 to include additional contract management capabilities and power supply-specific use cases, improving visibility across transactions, settlements, financial tracking, and operational decision-making.
- Enable the Agency's AI infrastructure to support safe, responsible AI innovation across departments, including approved tools, governance, training, and practical use cases.
- Strengthen documentation of existing systems, including schemas, data flows, business logic, ownership, and system dependencies to improve continuity, supportability, and long-term governance.

Office Summary (continued)

Office of the Chief Power Officer

The Office of the Chief Power Officer oversees two departments: Power Services and Energy Solutions. This office is responsible for securing competitively priced, reliable, clean, and renewable electricity for 3CE customers; for managing the agency's wholesale portfolio, settlements, and long-term resource planning; and for developing and operating 3CE-owned energy assets and distributed energy resource solutions that create additional value for customers and the grid.

FY 2026-27 Budget Summary — Office of the Chief Power Officer

	Prior Year Actuals 2024-25	Adopted Budget 2025-26	Mid-Year Estimate 2025-26	Recommended Budget 2026-27	Recommended Change from Adopted
Net Electricity Sales	658,974,802	578,022,716	555,527,132	505,582,881	(72,439,835)
Deferred Revenue	-	-	(39,527,962)	-	-
Interest and Investment Returns	1,305,890	-	716,029	-	-
Other Income	-	-	-	200,000	200,000
Revenue for Damages	8,101,745	-	-	-	-
Total Financing Sources	**668,382,437**	**578,022,716**	**516,715,199**	**505,782,881**	**(72,239,835)**
Cost of Energy	593,415,108	534,776,256	452,043,477	432,693,327	(102,082,929)
Salaries and Employee Benefits	2,281,186	3,293,777	2,753,122	5,033,802	1,740,025
Services and Supplies	1,321,307	2,415,640	1,402,485	2,482,000	66,360
Capital Assets	-	-	-	3,381,500	3,381,500
Total Financing Uses	**597,017,600**	**540,485,673**	**456,199,084**	**443,590,628**	**(96,895,045)**
Change in Net Position	**71,364,837**	**37,537,043**	**60,516,115**	**62,192,252**	**24,655,209**

The Recommended Budget for the Office of the Chief Power Officer totals $443,590,628, including $432,693,327 in cost of energy, $5,033,802 in salaries and benefits, $2,482,000 in services and supplies, and $3,381,500 in capital assets. This is a $96,895,045 decrease from the FY 2025-26 Adopted Budget of $540,485,673, driven almost entirely by a $102,082,929 reduction in the cost of energy.

The Recommended Budget for the office is financed by $505,782,881, consisting of $505,582,881 in net electricity sales and $200,000 in grant-supported other income. The office is authorized 18 positions, or 17.5 full-time equivalents, across its two departments. Salaries and benefits also include $221,957 for a part-time contracted position, which is not counted in the position total.

Office of the CPO — Power Services

The Power Services Department secures competitively priced, reliable, clean, and renewable electricity for 3CE customers. This is achieved through a mix of short-term and long-term contracts designed to increase cost certainty and ensure compliance with all regulatory procurement requirements. Other departmental functions include power settlements, scheduling coordination, and long-term resource planning, as well as continued participation in joint procurement efforts through California Community Power (CC Power).

FY 2026-27 Budget Summary — Power Services

	Prior Year Actuals 2024-25	Adopted Budget 2025-26	Mid-Year Estimate 2025-26	Recommended Budget 2026-27	Recommended Change from Adopted
Net Electricity Sales	658,974,802	578,022,716	555,527,132	505,582,881	(72,439,835)
Deferred Revenue	-	-	(39,527,962)	-	-
Interest and Investment Returns	1,305,890	-	716,029	-	-
Revenue for Damages	8,101,745	-	-	-	-
Total Financing Sources	**668,382,437**	**578,022,716**	**516,715,199**	**505,582,881**	**(72,439,835)**
Cost of Energy	593,415,108	534,776,256	452,043,477	432,693,327	(102,082,929)
Salaries and Employee Benefits	2,281,186	3,293,777	2,753,122	4,319,509	1,025,732
Services and Supplies	1,321,307	2,415,640	1,402,485	2,062,000	(353,640)
Total Financing Uses	**597,017,600**	**540,485,673**	**456,199,084**	**439,074,835**	**(101,410,838)**
Change in Net Position	**71,364,837**	**37,537,043**	**60,516,115**	**66,508,045**	**28,971,002**

Power Services staff operate within a dynamic and often volatile energy market, where prices can shift unpredictably and significantly. In addition to market variability, evolving regulatory and legislative frameworks may lead to structural changes that impact energy pricing and procurement obligations. To navigate these challenges, 3CE adheres to its Energy Risk Management Policy — helping to mitigate risk, promote rate stability, and support the agency's commitment to securing clean and renewable energy resources.

The Recommended Budget for the Power Services Department totals $439,074,835, including $432,693,327 in cost of energy, $4,319,509 in salaries and benefits, and $2,062,000 in services and supplies. This is a $101,410,838 decrease from the FY 2025-26 Adopted Budget of $540,485,673.

The cost of energy decreases $102,082,929, reflecting lower energy purchase and CAISO day-ahead costs, reduced capacity purchases, and increased generation credits from 3CE's expanding portfolio of executed power purchase agreements. Personnel costs increase $1,025,732, of which $663,834 reflects approved augmentation requests for a Manager of Settlements, a Contract Lifecycle and Commercial Operations Manager, an Energy Transaction and Portfolio Analyst, and a half-share of a shared Administrative Specialist. The remaining increase is largely due to increased health care premium benefit costs. Services and supplies decrease $353,640 on a net basis, with a reduction in technical consultants partially offset by legal services and membership and project costs associated with CC Power.

Office Summary (continued)

The Recommended Budget for the department is financed by $505,582,881 in estimated net electricity sales, a $72,439,835 decrease from the prior year, driven by lower generation rates as a result of the rate adjustment that the Policy Board approved in early 2026 driven by lower energy costs. The Recommended Budget assumes no rate adjustment, but staff will continue to monitor per the rate development schedule. The department is authorized 15 positions, or 14.5 full-time equivalents, including the Chief Power Officer position, which is budgeted within the department. Salaries and benefits also include $221,957 for a part-time contracted position, which is not counted in the position total.

FY 2025-26 ACCOMPLISHMENTS

- Onboarded six PPA/ESA into operation, including Sunzia Wind, Angela Solar+Storage and Aratina Solar+Storage. These are 3CE's first new build projects since 2022. Signed a PPA and began receiving energy from ReGen Monterey, a local landfill gas project.
- Completed an audit of the Settlements division, identifying strengths and opportunities.
- Improved internal processes to facilitate COE performance monitoring and optimize hedging strategy to benefit customers.
- Implemented load forecasting enhancements to reduce forecasting errors by nearly two thirds, improving budgeting and planning.

FY 2026-27 FOCUS AREAS

- Evaluate a settlements system to improve resource-level revenue tracking and validation of counterparty and vendor charges, with potential midyear procurement.
- Develop an ETRM roadmap with Energy Risk Management and Data Analytics and IT to guide future portfolio and contract management enhancements.
- Implement a Power Services staffing strategy to manage the agency's growing portfolio.

Office of the CPO — Energy Solutions

The Energy Solutions Department is a new department in FY 2026-27. It develops, owns, and operates 3CE energy assets and customer-sited solutions — including electric vehicle charging infrastructure, distributed energy resources, and storage — that expand customer access to clean energy, strengthen local resilience, and aims to create new revenue streams that support rate stability. The department also serves as 3CE's capital project delivery function, managing tenant improvement and office buildout projects on behalf of the agency.

FY 2026-27 Budget Summary — Energy Solutions

	Prior Year Actuals 2024-25	Adopted Budget 2025-26	Mid-Year Estimate 2025-26	Recommended Budget 2026-27	Recommended Change from Adopted
Other Income	-	-	-	200,000	200,000
Total Financing Sources	**-**	**-**	**-**	**200,000**	**200,000**
Salaries and Employee Benefits	-	-	-	714,293	714,293
Services and Supplies	-	-	-	420,000	420,000
Capital Assets	-	-	-	3,381,500	3,381,500
Total Financing Uses	**-**	**-**	**-**	**4,515,793**	**4,515,793**
Change in Net Position	**-**	**-**	**-**	**(4,315,793)**	**(4,315,793)**

The Recommended Budget for the Energy Solutions Department totals $4,515,793, with $714,293 in salaries and benefits, $420,000 in services and supplies, and $3,381,500 in capital assets covering both energy asset development and agency facility buildouts. Because FY 2026-27 is the department's first budgeted year, there is no comparable prior-year adopted budget, and the full amount is presented as an increase.

Personnel costs of $714,293 fund the department's initial staffing component, including approved augmentations for a Director of Energy Solutions and a Manager of Business Development, both budgeted from January 1, with a Manager of Project Delivery transferred from the Energy Programs Department.

Services and supplies of $420,000 include consulting for program development, site assessment, and technical support. The budget also funds ongoing operations and maintenance of 3CE-owned charging assets at three sites. Capital assets of $3,381,500 fund three areas of work: $1.4 million for electric vehicle charger asset program (EVCAP) infrastructure and planning, $0.5 million for microgrid analysis and preliminary design, and $1.5 million for agency facility buildouts delivered by the department in its capital project management role.

The Recommended Budget for the department is financed in part by $200,000 in grant revenue from the Santa Barbara County Air Pollution Control District for EVCAP infrastructure. The department is authorized three positions, or 3.0 full-time equivalents.

FY 2025-26 ACCOMPLISHMENTS

- Received Policy Board direction to establish a new department of Energy Solutions with a mission to convert clean energy procurement success into local energy infrastructure, member agency support, customer value, and long-term business resilience.

FY 2026-27 FOCUS AREAS

- Establish and resource department, including hiring staff, reviewing active support opportunities across service area, and establishing short-term, medium-term, and long-term strategic priorities.
- Identify and evaluate sites for local generation projects to utilize battery storage and generation assets to enhance energy resiliency, reduce utility costs, and support transition to 100% renewable energy.
- Manage 3CE capital projects, including renovation of existing Soquel office and preliminary planning of new main headquarters.

Office Summary (continued)

Office of the Chief Customer Officer

The Office of the Chief Customer Officer leads 3CE's efforts to drive lasting community impact through strong, transparent relationships with customers and member communities. This office oversees four departments: Customer Success, Regulatory & Compliance, Communications & Government Relations, and Energy Programs. Together they guide customer service and experience, regulatory advocacy and compliance, legislative and community engagement, and the delivery of energy programs that provide meaningful benefits across the Central Coast.

By promoting accessible, community-driven programs for residents, businesses, and public agencies, and by advocating for 3CE customers before state and federal regulators and legislators, the Office of the Chief Customer Officer fosters trust, encourages participation, and magnifies the value of 3CE service.

FY 2026-27 Budget Summary — Office of the Chief Customer Officer

	Prior Year Actuals 2024-25	Adopted Budget 2025-26	Mid-Year Estimate 2025-26	Recommended Budget 2026-27	Recommended Change from Adopted
Interest and Investment Returns	-	-	3,053	-	-
Other Income	68,428	-	61,074	-	-
Total Financing Sources	**68,428**	-	64,127	-	-
Salaries and Employee Benefits	4,050,321	4,920,408	4,546,199	5,771,799	851,391
Services and Supplies	**17,642,403**	**18,328,613**	**19,973,290**	**21,984,572**	**3,655,959**
Capital Assets	-	700,000	265,000	-	**(700,000)**
Total Financing Uses	**21,692,723**	**23,949,021**	**24,784,489**	**27,756,371**	**3,807,350**
Change in Net Position	**(21,624,295)**	**(23,949,021)**	**(24,720,362)**	**(27,756,371)**	**(3,807,350)**

The Recommended Budget for the Office of the Chief Customer Officer totals $27,756,371, a $3,807,350 increase from the FY 2025-26 Adopted Budget of $23,949,021. Salaries and benefits account for $5,771,799 and services and supplies for $21,984,572. No capital assets are budgeted in FY 2026-27, compared to $700,000 in the prior year, as ownership of charging assets will be transferred to the Energy Solutions Department.

The increase reflects continued investment in customer-facing programs and advocacy. Salaries and benefits grow $851,391, of which $400,927 funds approved augmentations — a Senior Policy Advisor and a Virtual Power Plant Programs Manager — with the remainder reflecting merit and benefit cost adjustments across existing positions. Services and supplies grow $3.7 million: $2.2 million for energy program delivery, including direct customer incentive payments and $1.5 million to expand communications, customer experience capacity, and legislative and community engagement.

The office is authorized 25 positions, or 25.0 full-time equivalents, across its four departments.

Office of the CCO — Customer Success

The Customer Success Department (formerly Communications & Outreach) provides direct customer support services, helping customers access benefits and understand their energy choices. Following the completion of 3CE's regional enrollment, the department is reoriented toward post-enrollment operations: customer accounts and service delivery, call center performance, customer experience systems, and the measurement of customer satisfaction.

FY 2026-27 Budget Summary — Customer Success

	Prior Year Actuals 2024-25	Adopted Budget 2025-26	Mid-Year Estimate 2025-26	Recommended Budget 2026-27	Recommended Change from Adopted
Salaries and Employee Benefits	2,409,030	2,241,259	2,009,434	1,984,007	(257,252)
Services and Supplies	1,646,356	1,702,750	1,055,614	522,500	(1,180,250)
Total Financing Uses	**4,055,386**	**3,944,009**	**3,065,048**	**2,506,507**	**(1,437,502)**
Change in Net Position	**(4,055,386)**	**(3,944,009)**	**(3,065,048)**	**(2,506,507)**	**1,437,502**

The Recommended Budget for the Customer Success Department totals $2,506,507, with $1,984,007 in salaries and benefits and $522,500 in services and supplies. This is a $1,437,502 decrease from the FY 2025-26 Adopted Budget of $3,944,009. The reduction reflects a change in organizational structure, which moved the agency's communications staff to the Government & Community Relations Department.

Personnel costs decrease $257,252 versus the prior year because of the transfer of communications staff to the Government & Community Relations Department, which is partially offset by an increase in merit and benefit cost adjustments across remaining positions.

Services and supplies decrease $1,180,250, reflecting the reorganization that transfers the agency's advertising, communications consulting, website, promotional items, noticing, and required mailings budgets to the Government & Community Relations Department. These decreases are partially offset by an augmentation for a new customer experience systems contract and a planned assessment of call center capabilities.

The department is led by the Director of Customer Success, and is authorized eight positions, or 8.0 full-time equivalents.

Office Summary (continued)

FY 2025-26 ACCOMPLISHMENTS

- Strengthened customer intelligence and service delivery by connecting account, contact, interaction and program-participation data in Salesforce; centralizing customer escalations; and advancing the Customer Insights Report to support more informed decision-making.
- Conducted proactive outreach to 250 strategic accounts ahead of the January PCIA increase, providing targeted education and relationship-based support that reduced uncertainty, strengthened engagement and supported customer retention.
- Enhanced rate-related customer support by developing communications and service plans for 3Cflex, supporting a new rate-analysis tool and positioning 3Cprime as a source of sustainability, rate stability and strategic value.
- Expanded customer and community education through ten webinars — including bilingual rates and programs sessions — and partnerships with community-based organizations and social-service representatives.
- Advanced community and equity initiatives by coordinating climate-action planning research across 35 member agencies and implementing most actions in the Underserved Communities Outreach and Engagement Action Plan, including improved communications, bilingual feedback, program refinements and strategic partnerships.

FY 2026-27 FOCUS AREAS

- Expand agencywide Salesforce CRM adoption through intuitive dashboards, custom views, reports, mobile access, and training.
- Launch a load-analysis tool that improves billing transparency, models bill impacts, and provides account-specific cost and usage information for strategic customers.
- Strengthen strategic-account retention through proactive engagement with key commercial and public-sector customers, emphasizing rate education, sustainability value, relationship-building, and early identification of opt-out risk.
- Prepare customer account managers to support future Energy Solutions offerings by identifying large-load customers and member agencies with generation or storage potential, mapping key contacts and needs, and tracking projects in development.
- Evaluate high-value, responsibly governed AI applications for customer support and account intelligence and develop a pilot roadmap for CRM- and website-enabled tools.

Office of the CCO — Regulatory & Compliance

The Regulatory & Compliance Department ensures 3CE meets all regulatory requirements and actively engages with the agencies that oversee energy markets and Community Choice Aggregators. The department supports statewide goals related to reliability, clean energy, and affordability through proceedings addressing Integrated Resource Planning, Resource Adequacy, the Renewable Portfolio Standard, the Reliable and Clean Power Procurement Program, and the Power Charge Indifference Adjustment.

FY 2026-27 Budget Summary — Regulatory & Compliance

	Prior Year Actuals 2024-25	Adopted Budget 2025-26	Mid-Year Estimate 2025-26	Recommended Budget 2026-27	Recommended Change from Adopted
Salaries and Employee Benefits	640,004	634,995	613,241	1,016,313	381,318
Services and Supplies	580,925	1,279,500	856,904	1,319,500	40,000
Total Financing Uses	**1,220,929**	**1,914,495**	**1,470,145**	**2,335,813**	**421,318**
Change in Net Position	**(1,220,929)**	**(1,914,495)**	**(1,470,145)**	**(2,335,813)**	**(421,318)**

The Recommended Budget for the Regulatory & Compliance Department totals $2,335,813, with $1,016,313 allocated to salaries and benefits and $1,319,500 for services and supplies. This is a $421,318 increase from the FY 2025-26 Adopted Budget of $1,914,495.

Personnel costs increase $381,318, of which $202,714 funds a new Senior Policy Advisor position, budgeted to begin January 1. The remaining increase is largely due to increased health benefit costs. Services and supplies increase $40,000, primarily from an increase in industry memberships and dues supporting participation in CalCCA, the statewide trade association for CCAs.

The department is led by the Director of Regulatory Affairs and is authorized four positions, or 4.0 full-time equivalents.

FY 2025-26 ACCOMPLISHMENTS

- Secured revisions to a CPUC procurement order that recognized resources already in 3CE's portfolio, resulting in an estimated $1.6 billion in avoided procurement costs over 10 years.
- Advanced customer affordability and billing protections by limiting midyear changes to the 2026 PCIA, establishing a pathway for broader PCIA reform and filing a proposed settlement with PG&E to improve CCA billing data, bill-design flexibility and correction procedures.
- Expanded recognition and value for CCA resources by becoming the first CCA to secure a BioMAT project and apply for cost recovery, earning recognition for prudent contract management and enabling co-located Energy-Only resources to support storage-charging requirements.
- Strengthened long-term planning and forecasting by establishing CCAs as the default energy provider within their service areas, securing access to interconnection data and completing 3CE's Integrated Resource Plan through 2045.
- Maintained rigorous compliance and regulatory advocacy, completing more than 100 filings and requirements on time with no penalties, submitting over 650 pages of 3CE-specific comments and participating in more than 16 CalCCA working groups.

FY 2026-27 FOCUS AREAS

- Work with CalCCA and industry stakeholders to protect customers from rate shock and inequitable cost shifts arising from Power Charge Indifference Adjustment decisions.
- Advance regulatory and policy changes that accelerate resource integration and enable load shifting in support of 3CE's 100% clean and renewable energy goal.
- Advocate for statewide policies aligned with 3CE's existing and planned resource portfolio to maximize customer value and avoid unnecessary procurement costs.
- Improve compliance valuation for short- and long-duration storage, so it reflects each resource's contribution to reliability and greenhouse-gas reduction.

Office Summary (continued)

Office of the CCO — Government & Community Relations

The Government & Community Relations Department leads 3CE's engagement with Member Agencies, local officials, community-based organizations, and state and federal policymakers. Mid-fiscal year, the department grew to encompass the agency's brand, advertising, and public communications functions, positioning 3CE to speak with one voice across community, legislative, and customer audiences.

FY 2026-27 Budget Summary — Government & Community Relations

	Prior Year Actuals 2024-25	Adopted Budget 2025-26	Mid-Year Estimate 2025-26	Recommended Budget 2026-27	Recommended Change from Adopted
Salaries and Employee Benefits	-	722,000	723,666	1,328,944	606,944
Services and Supplies	-	456,000	406,461	3,031,500	2,575,500
Total Financing Uses	**-**	**1,178,000**	**1,130,127**	**4,360,444**	**3,182,444**
Change in Net Position	**-**	**(1,178,000)**	**(1,130,127)**	**(4,360,444)**	**(3,182,444)**

The Recommended Budget for the Government & Community Relations Department totals $4,360,444, with $1,328,944 allocated to salaries and benefits and $3,031,500 for services and supplies. This is a $3,182,444 increase from the FY 2025-26 Adopted Budget of $1,178,000.

Personnel costs increase $606,944, which reflects communications positions consolidated into the department through the mid-year reorganization rather than net new staffing; underlying growth is approximately $70,000 and includes increases in merit and benefit cost adjustments across remaining positions and an augmentation for a year-round intern.

Services and supplies increase by $2,575,500; of that, $2.4 million is a mixture of ongoing and augmented funding for advertising, communications, notice, and required mailings functions transferred from the Customer Success Department. The remaining increase supports expanded advocacy, including further funding to increase federal and state lobbying presence and further strengthen community sponsorships.

The department is led by the Director of Government & Community Relations and is authorized six positions, or 6.0 full-time equivalents.

FY 2025-26 ACCOMPLISHMENTS

- Helped secure passage and signing of AB 825 and SB 283 through coalition building, stakeholder outreach, letters of support and direct legislative advocacy.
- Advanced 3CE-sponsored legislation, including AB 1761 on PCIA transparency and SB 1138 on hourly resource-adequacy trading, while advocating on large-load interconnection, Diablo Canyon, CCA autonomy and related priorities.
- Strengthened member-agency engagement through presentations to 31 agencies across all five counties and targeted PCIA briefings for county supervisors and city officials.
- Expanded 3CE's state, federal and regional presence by participating in Federal Advocacy Days for the first time, engaging federal agencies and congressional staff, and representing 3CE at more than 50 community events and public meetings.
- Delivered 3CE's strongest-performing advertising campaigns to date, quadrupling year-over-year website traffic and increasing website engagement by more than 50%.

FY 2026-27 FOCUS AREAS

- Expand public awareness through additional advertising and community partnerships.
- Tell 3CE's story through the new website, social media, advertising, and impact-focused content.
- Implement a strategic communications plan that guides public relations, earned media, and executive visibility.
- Advance 3CE priorities in Sacramento, including reforms to the Power Charge Indifference Adjustment and Resource Adequacy program and policies addressing the grid impacts of large producers and consumers.
- Represent 3CE in regional, statewide, and national energy discussions and ensure Central Coast perspectives inform policy development.

Office of the CCO — Energy Programs

The Energy Programs Department leads 3CE's efforts to empower customers to take part in the renewable energy transition and reduce greenhouse gas emissions. Through a range of incentives and technical assistance, the department helps customers replace fossil-fuel-powered vehicles, equipment, and appliances with clean, all-electric alternatives. Programs also support customers in shifting when and how they use energy to improve cost effectiveness and reduce strain on the grid.

FY 2026-27 Budget Summary — Energy Programs

	Prior Year Actuals 2024-25	Adopted Budget 2025-26	Mid-Year Estimate 2025-26	Recommended Budget 2026-27	Recommended Change from Adopted
Salaries and Employee Benefits	-	722,000	723,666	1,328,944	606,944
Services and Supplies	-	456,000	406,461	3,031,500	2,575,500
Total Financing Uses	**-**	**1,178,000**	**1,130,127**	**4,360,444**	**3,182,444**
Salaries and Employee Benefits	1,001,287	1,322,154	1,199,858	1,442,535	120,381
Services and Supplies	15,415,122	14,890,363	17,654,311	17,111,072	2,220,709
Capital Assets	-	700,000	265,000	-	(700,000)
Total Financing Uses	**16,416,409**	**16,912,517**	**19,119,169**	**18,553,607**	**1,641,090**
Change in Net Position	**(16,347,981)**	**(16,912,517)**	**(19,055,042)**	**(18,553,607)**	**(1,641,090)**

Office Summary (continued)

The Recommended Budget for the Energy Programs Department totals $18,553,607, with $1,442,535 allocated to salaries and benefits and $17,111,072 for services and supplies. This is a $1,641,090 increase from the FY 2025-26 Adopted Budget of $16,912,517. No capital assets are budgeted in FY 2026-27, compared to $700,000 in the prior year, as ownership of charging assets moves to the Energy Solutions Department.

Personnel costs increase $120,381, of which $178,431 is an approved augmentation for a Virtual Power Plant Programs Manager budgeted from January 1, partially offset by baseline reductions from the transfer of the Manager of Project Delivery. Services and supplies increase $2,220,709, driven by a $1.1 million increase in direct customer incentive payments and a $1.1 million increase in energy program delivery and implementation.

The department is led by the Director of Energy Programs and is authorized seven positions, or 7.0 full-time equivalents.

FY 2025-26 ACCOMPLISHMENTS

- Developed Agricultural Electrification 2.0 in partnership with the Community Advisory Council, customers and agricultural stakeholders, incorporating new offerings informed by industry research and direct feedback.
- Launched improved Electrify Your Home, expanding contractor eligibility and adding induction-cooktop and portable space-conditioning rebates to better serve renters and homeowners.
- Established Energy Optimization as a new portfolio focus, building on the Residential Battery Rebate Program's achievement of more than 8 MWh of daily load shifting.
- Expanded 3CE-owned EV charging infrastructure by operationalizing workplace chargers at the San Luis Obispo and Soquel offices — contributing to a 50% increase in staff EV adoption — and beginning construction of public chargers in Santa Maria.
- Improved program access, performance and equity through stronger communications and budget management, record participation and emissions-reduction results, and support for a mobile-home park's CEC Coordinated Holistic Inverter-based Resources (CHOIR) grant application for a potential microgrid and distributed energy resource management system.

FY 2026-27 FOCUS AREAS

- Develop a long-term Energy Programs strategic plan with input from the Community Advisory Council, communities, and stakeholders.
- Launch a Virtual Power Plant supported by a Distributed Energy Resource Management System, including a residential battery-enrollment pilot that shifts load to improve grid operations and customer value.
- Launch the EV Launchpad Program to provide planning and technical assistance for fleet, workplace, multifamily, public, and community EV-charging projects.
- Offer virtual home assessments that help residential customers understand electrification options, available financial support, project requirements, and potential bill impacts.
- Expand agricultural electrification through enhanced incentives, technical assistance, and demonstration events.
- Continue improving the CRM platform and integrate Salesforce Marketing Cloud to automate customer touchpoints, reduce escalations, and streamline the program application experience.

Energy Programs 2026-27 Overview

TRANSPORTATION ELECTRIFICATION

Supports customers to transition from fossil fuels to electricity for all vehicles including charging infrastructure

ELECTRIFY YOUR RIDE
residential & commercial incentives to purchase EVs & install EV Chargers - $4mil

E-BUS PROGRAM
incentives for all-electric buses in public schools, districts, & transit agencies - $1.6mil

CHARGE & ELECTRIFY YOUR FLEET
member community incentives to purchase fleet EVs & install EV Chargers - $1.45mil

EV LAUNCHPAD TECHNICAL ASSISTANCE
EV fleet & EV infrastructure development assistance for member communities, nonresidential, and multifamily customers - $1.2mil

AGRICULTURAL ELECTRIFICATION

Supports agricultural customers to transition from fossil fuel to electric equipment and automation options

AG ELECTRIFICATION PROGRAM
residential & commercial incentives to purchase EVs & install EV Chargers - $800k

AG TECHNICAL ASSISTANCE PILOT
Energy assessments and technical support to electrify and optimize energy use at farms and ag facilities - $70k

AG-POWER ELECTRIC SHOWCASE
opportunity for customers to demo available electric equipment and learn financing options - $25k

"The support we received from 3CE allowed us to purchase a fully electric excavator to help trench new irrigation lines to support our expansion efforts. This is a critical part of our growth. Without the Ag program, we would have struggled to maintain our farm, let alone expand it."

- Our Parent Company, Watsonville

BUILDING ELECTRIFICATION

Supports customers to transition from fossil fuels to electricity for various end uses in new and existing residential buildings

ELECTRIFY YOUR HOME
residential & commercial incentives to purchase EVs & install EV Chargers - $2.9mil

NEW CONSTRUCTION ELECTRIFICATION
incentives to develop new, all-electric single-family and multifamily housing - $1.2mil

REACH CODES PROGRAM
technical assistance to adopt and codify building codes that promote electrification - $80k

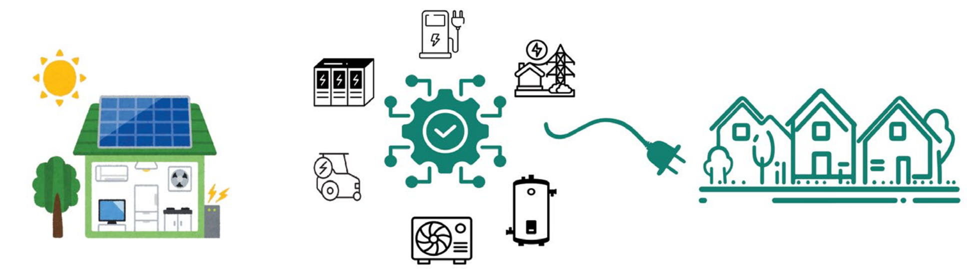
VIRTUAL HOME ENERGY ASSESSMENTS
providing customized recommendations on home electrification projects, incentives available, bill impacts, and more - $164k

ENERGY OPTIMIZATION

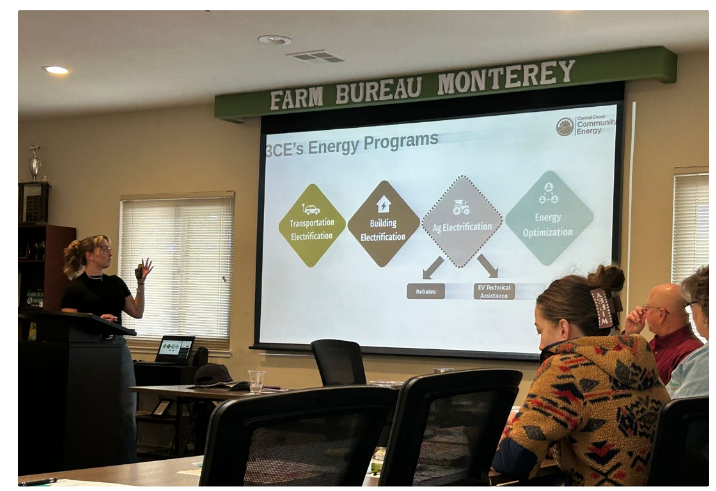
Supports agricultural customers to transition from fossil fuel to electric equipment and automation options

VIRTUAL POWER PLANT PROGRAM
residential & commercial incentives to purchase EVs & install EV Chargers - $2.8mil

HOURLY FLEX PRICING PILOT 1 & 2
dynamic pricing for agricultural, residential, and commercial customers to enable load shifting - $100k



1. **Install smart electric devices in your home**
2. **Connect devices to Distributed Energy Resource Management System (DERMS)**
3. **Devices aggregated to support cleaner, reliable grid**



12 engagement workshops
including focus groups, roundtable discussions, one-on-on interviews, and presentations

50+ attendees
including growers, shippers, farm operators, agricultural workers, Resource Conservation Districts, and Farm Bureaus

3 community discussions
with 3CE's community advisory council consisting of representatives from five counties

23 survey responses
engaging past program particpants and grower networks

Financial Policies

1.0 Purpose and Background

The prudent and responsible stewardship of public assets is a principal obligation of Central Coast Community Energy (3CE) officials and managers. The development and maintenance of financial policies enable 3CE officials to protect those public assets, ensure transparency, and build public trust. Financial policies define a shared understanding of how 3CE administers its financial affairs and communicates how the agency manages its resources to deliver the highest value to the communities served.

This document centralizes 3CE's financial policies and establishes a framework for overall fiscal planning, management, and decision-making related to public assets controlled by 3CE. These policies are reviewed, updated, and brought before the Policy Board as needed, but at least annually for adoption. This continued review and adoption promote sound financial management and help maintain 3CE's stability, efficiency, and effectiveness by ensuring the Policy Board's financial policy guidance is provided before 3CE takes any financial actions. The policies also offer guidelines for evaluating both current activities and proposals for future programs and direct 3CE's financial resources toward meeting its objectives and strategic initiatives.

These policies provide general guidance in the management of 3CE's fiscal affairs and are to be used by all 3CE employees to meet their obligation to operate in a financially prudent manner. The Recommended Budget is developed in accordance with this framework.

2.0 General Financial Policy

The cornerstone and highest priority of 3CE's financial policies is fiscal integrity. It shall be the goal of 3CE to achieve a strong financial condition with the ability to:

- Sustain adequate financial liquidity to meet operating and contingent obligations;
- Ensure a sufficient financial base is maintained to withstand local, regional, national, and global economic impacts;
- Foster the ability to adjust efficiently to the community's changing service requirements;
- Maintain and improve infrastructure and capital assets;
- Regularly review operations and operational methods to improve processes that result in higher productivity and eliminate repetitive and duplicative functions;
- Encourage collaboration with other government entities, the private sector, and public-private partnerships where cost and risk are minimized in the delivery of services;
- Promote sharing of costs and benefits by service users;
- Ensure the legal use of financial resources through an effective system of internal controls;
- Support sound financial management by providing accurate and timely information on 3CE's financial condition; and
- Provide a framework for the wise and prudent use of debt financing and maintain a strong credit rating in the financial community, with the long-term goal of achieving and sustaining a rating in the A category or higher.

2.1 THE ANNUAL BUDGET

The Chief Executive Officer (CEO) will recommend a balanced budget that:

- Aligns annual expenditures with the revenue requirement established through a cost-of-service methodology;
- Minimizes reliance on reserves and one-time funding sources for ongoing operations; and
- Maintains competitive, cost-based rates while supporting 3CE's renewable energy goals.

Through the CEO, the Chief Financial Officer (CFO) will consult with 3CE Officers and seek their input in developing the Recommended Budget through cooperative discussions and financial education. The CEO will keep the Policy Board apprised of the condition of 3CE's finances and emerging fiscal issues.

3.0 Roles and Functions

3.1 ROLE OF CHIEF EXECUTIVE OFFICER

The CEO serves as the chief policy advisor to the Policy Board, Operations Board, and the various Board committees. The CEO promotes responsible resource allocation, strives to protect 3CE's financial position and integrity, and provides independent analysis on policy and financial issues. The CEO is the fund manager for 3CE's enterprise fund and any other funds that may be created.

3.2 PRINCIPAL FUNCTIONS OF THE CHIEF EXECUTIVE OFFICER

Principal functions of the CEO include:

- Promoting continuous improvement of the structures, systems, processes, and effectiveness of operations;
- Preparing the annual financial plan (Recommended Budget);
- Evaluating potential federal, state, and local budget impacts;
- Developing financial forecasts;
- Monitoring revenues and expenditures for conformance with the annual budget;
- Recommending effective fiscal policies to carry out the 3CE mission;
- Verifying Policy Board policies are consistently applied; and
- Ensuring items brought before the Policy Board are transparent, accurate, complete, fully justified, and reviewed by appropriate stakeholders.

3.3 PRINCIPAL FUNCTIONS OF THE CHIEF FINANCIAL OFFICER

The CFO is 3CE's Policy Board-appointed Treasurer and considered the subject-matter expert for the financial management of the agency. The CFO is responsible for:

- Carrying out financial operations efficiently and cost-effectively while adhering to all 3CE, state, and federal laws, regulations, and policies;
- Preparing budgets and financial estimates with attention to accuracy based on financial expertise, state, and federal funding and regulatory changes, and economic indicators affecting revenues, expenditures, and service levels;
- Reviewing, evaluating, and assessing potential federal and state budget and regulatory issues that may impact the agency;
- Developing and performing financial forecasts;
- Overseeing Middle Office responsibilities as identified in 3CE's Energy Risk Management Policy;
- Monitoring monthly revenue, expenditure, and cash flow performance and conformance with the Adopted Budget;
- Meeting the Policy Board's strategic financial initiatives and policies; and
- Ensuring items brought before the Policy Board are transparent, accurate, complete, fully justified, and reviewed by all appropriate stakeholders.

3.4 PRINCIPAL FUNCTIONS OF THE AUDIT AND FINANCE COMMITTEE

The Audit and Finance Committee's principal functions include receiving staff updates on financial issues and providing oversight and direction to staff in developing and modifying the budget and audits.

3.5 PRINCIPAL FUNCTIONS OF THE ENERGY RISK MANAGEMENT COMMITTEE

The Energy Risk Management Committee is formed by the CEO to implement and maintain the Energy Risk Management Policy, which requires 3CE to maintain sufficient financial reserves to:

- Establish long-term business sustainability;
- Build collateral for power procurement activities;

- Maintain an investment-grade credit rating;
- Develop funding sources for investment in generation and other local initiatives; and
- Reduce the business and customer impact of year-to-year volatility in energy markets and procurement costs.

4.0 Services and Fund Structure

4.1 ENTERPRISE FUND

3CE operates as an enterprise fund. The enterprise fund accounts for revenues and expenditures for all 3CE activities. The fund's operations are financed and operated like private business enterprises, with services primarily funded through user charges (electric generation rates).

4.2 EXPENSES

Enterprise fund expenses and revenues will be established at sufficient levels to properly maintain the fund's infrastructure and provide significant capital development.

4.3 RATE STRUCTURE AND NET POSITION

The enterprise fund will maintain an adequate rate structure to cover the cost of all operations, including cash flow, capital replacement and maintenance, debt service if applicable, contingency funding, reserve contributions, and depreciation. Rates may be offset from the available unreserved net position, including the Energy Rate Stabilization Reserve, only after these requirements are met.

5.0 Operating Budget

5.1 THE BUDGET

The Recommended Budget is the central financial planning document that sets the agency's goals, objectives, priorities, levels of service, and the associated operating revenue and expenditures. Expenditures are recommended based on the relationship between expected expenditures and revenue. If revenues are estimated to fall below expected amounts, the agency will take all actions available to reestablish a revenue and expenditure relationship that conforms to the operating requirements.

The Recommended Budget shall be presented to the Policy Board for adoption in September of each year and clearly presented to a general audience of the public.

5.2 BALANCE BUDGET

A budget is balanced when the total estimated financing sources (beginning net position plus revenues) equal the total expenditures. At no time shall spending in a given year exceed total current estimated revenues plus any net positive position (reserved and non-reserved).

5.3 ONGOING OPERATIONS NEEDS

3CE will adequately fund ongoing maintenance and operational needs with ongoing annual revenue. Without prior direction and approval from the Policy Board, the use of one-time revenues or short-term borrowing is not allowed as a resource for financing ongoing operational needs.

5.4 CAPITAL FACILITIES AND EQUIPMENT

3CE shall establish as a primary fiscal responsibility the acquisition, preservation, maintenance, improvement, and, when applicable, orderly replacement of 3CE's capital facilities and equipment. 3CE shall endeavor to purchase a permanent headquarters and appropriate regional offices to provide continuity of location and operations while stabilizing and controlling facility costs into the future. 3CE will acquire and maintain high-quality equipment to maximize useful life and ensure efficient operations.

5.5 APPROPRIATIONS AND TRANSFERS

The agency enterprise fund is not constrained by appropriation controls. The CEO is charged with maintaining the relationship between financing uses and sources and shall report to the Policy Board any deviation exceeding the adopted budget. The CEO is authorized to make appropriation transfers between departments within the enterprise fund as necessary to adequately reflect the agency's expenditure needs.

5.6 RESPONSIBILITY FOR BUDGET MANAGEMENT AND BUDGETARY CONTROL

3CE shall maintain a budgetary control system to help it adhere to the adopted budget. The CEO has budgetary control and authority over expenditures. The CFO shall administer and maintain the system utilized for budgetary control. As the administrator of the budgetary control system, the CFO shall notify the CEO when a department approaches its expenditure limit. The CFO shall seek guidance from the CEO on all issues relating to expenditures and controls.

3CE Officers, in coordination with the CFO, have primary responsibility for managing departmental budgets by:

- Providing accurate and timely budget estimates;
- Monitoring revenues to ensure timely receipt in the amounts anticipated;
- Ensuring that expenditures comply with the law, adopted resolutions, policies, and align appropriations relative to revenues;
- Providing prompt notification to the CEO when either revenues or expenditures are not as anticipated; and
- Preparing and justifying budget revisions when necessary

5.7 PREPARATION OF FINANCIAL REPORTS

The CEO annually prepares or causes to be prepared:

- An Annual Comprehensive Financial Report (ACFR) that reports on 3CE's financial position and activities, adhering to Generally Accepted Accounting Principles (GAAP) or state law requirements, to provide readers with a broader understanding of the agency's financial operations;
- A mid-year estimate to provide current-year performance and three-year forecast to advise the Policy Board on future challenges and provide a base for building the following year's Recommended Budget; and
- Additional reports, as appropriate, to keep the Policy Board informed on current financial performance and developments.

The CEO has oversight and contract management over the external auditors reviewing the ACFR.
External auditors shall report to the CEO or designated officer on audit findings. The CEO will thereafter take the audit findings to the Policy Board.

5.8 PUBLICATION OF BUDGET

The CEO shall publish annually a Recommended Budget document that satisfies nationally recognized standards for effective budget presentation. The Recommended Budget will be provided to the Policy Board a minimum of two weeks in advance of the annual budget hearings.

5.9 BUDGET DEVELOPMENT

Budget development is an annual process incorporating the Policy Board's priorities and weighing competing requests for 3CE resources within expected fiscal constraints. The process begins with departments preparing "baseline" budgets proposing levels of service and staffing that can be carried out within expected resources (e.g., revenues). Departments may submit "augmentation requests" for additional resources to mitigate potential impacts, increase staffing/services, or invest in infrastructure. The CEO evaluates baseline budgets and augmentation requests within the constraints of a balanced budget and builds the annual Recommended Budget. Staff considers the following criteria in formulating recommendations for the annual budget and subsequent mid-year budget modifications:

- Mandated by current law, regulation, or Policy Board policy;
- Alignment with 3CE's strategic initiatives and priorities;
- Necessary to maintain the current level of mission-critical services/operations;
- Substantiation of compelling public need (e.g., health, safety, economic vitality, quality of life) that cannot be met within existing resources;

- Likelihood of success based on prior performance, degree of planning/specificity, requested resources, and assumed timeline;
- Leverages sustainable financial support from non-3CE sources;
- Appropriate placement of responsibility (federal, state, or local);
- Degree of urgency; and
- Critical infrastructure investment to ensure productivity and continuity of operations.

Criteria in the listing are not exhaustive or in any particular order, nor are they mutually exclusive; funding recommendations may align with more than one criterion.

5.10 AMENDMENTS TO THE ADOPTED BUDGET

Modifications to the Adopted Budget require the approval of a majority of Policy Board members. Amendments to the Adopted Budget will be made in compliance with Policy Board policies. As an enterprise fund, the relationship between financing uses and financing sources is the overriding principle; thus, appropriation controls are not required.

5.11 BUDGETARY BASIS

3CE uses the full accrual basis of accounting following GAAP. The budgetary basis is appropriation-based, beginning on October 1 and ending on the last day of September each year. 3CE is an enterprise fund that is appropriation-based budgeted; however, accounting is on a full accrual basis.

5.12 CAPITAL ASSET DEFINITION

3CE defines capital assets as assets with initial, individual costs of $5,000 or more and an estimated useful life greater than one year, except infrastructure, for which the threshold is set at $100,000. Capital assets include both tangible and intangible assets categorized by asset type for reporting purposes.

Infrastructure refers to long-lived capital assets that are typically stationary and can be preserved for significantly longer than most other capital assets. Infrastructure assets typically include, but are not limited to, energy generation and storage facilities, electric distribution systems, and grid interconnection infrastructure.

5.13 APPROPRIATIONS FOR CONTINGENCIES

3CE annually budgets for contingencies to provide sufficient working capital and a margin of safety for unplanned operational needs. The contingency is utilized only after all other budget resources have been examined. The budgeted amount for operational contingencies shall be equal to five percent (5%) of recommended appropriations, excluding cost of energy (COE), unless expressly modified by the Policy Board as part of the annual budget adoption.

6.0 Net Position and Reserve Policies

6.1 NET POSITION

Net position is a measurement of available financial resources. It is the difference between total assets and total liabilities. The Policy Board recognizes that maintaining a positive net position is essential to preserving 3CE's financial integrity. Sufficient net position and reserve levels are a critical component of 3CE's overall financial management strategy. They are key factors in the ability to sustain service delivery and obtain external financing. Rating agencies analyze net position when considering 3CE's overall financial strength and creditworthiness. Adequate reserves enable flexible financial planning in developing rate structures, future capital projects, dealing with unforeseen emergencies, and changes in general economic conditions.

6.2 STRATEGIC RESERVE

A strategic reserve is essential to provide an adequate financial backstop throughout the year. 3CE shall adopt a strategic reserve equal to twenty-five percent (25%) of budgeted appropriations. The strategic reserve will provide sufficient working capital (cash flow), fund settlements of legal judgments against 3CE in excess of reserves specifically designated for litigation, for natural disasters as determined by the CEO or Policy Board, and for one-time-only budget overruns that could not be addressed through the annual appropriations for contingencies.

If the strategic reserve is utilized to provide temporary funding for unforeseen needs, 3CE shall take the measures necessary to prevent its use in the following fiscal year by increasing revenues and/or decreasing expenditures to regain balance. 3CE shall also restore the strategic reserve to the minimum level of twenty-five percent (25%) of budgeted appropriations within three fiscal years following the fiscal year in which the event occurred. The plan to restore the strategic reserve shall be included and highlighted in the Recommended Budget.

6.3 ENERGY RATE STABILIZATION RESERVE

The agency shall maintain an energy rate stabilization reserve equal to twenty percent (20%) of the budgeted COE. This reserve serves as a financial buffer to absorb fluctuations in energy costs and to respond to unforeseen changes in market conditions or regulatory requirements that may increase power procurement expenses beyond what rate adjustments can cover.

The central purpose of this reserve is to support rate smoothing and long-term rate stability. By strategically using this reserve, 3CE pursues stable customer rates even during periods of cost volatility, strengthening its position as a load-serving entity and sustaining customer trust.

The reserve may be partially or fully accounted for under Government Accounting Standards Board (GASB) Statement 62 and GASB Statement 63, which govern the presentation of deferred outflows and inflows of resources and their effects on net position. A transfer into the reserve reduces revenue and the change in net position in the year of deferral by the same amount. A transfer from the reserve increases revenues and changes net position in the year the transfer occurs.

The reserve balance is recorded on the Statement of Net Position as unrestricted net position and, if deferred, in a separate section following liabilities, entitled Deferred Inflows of Resources. Transfers to and from the reserve are recorded in the Statements of Revenues, Expenses, and Changes in Net Position under Operating Revenues. Any material or sustained use of the reserve shall be reflected in the Recommended Budget, including a long-term plan to replenish the reserve. This reserve may be utilized throughout the fiscal year at the direction of the CEO, with subsequent reporting to the Audit & Finance and Energy Risk Management committees and the Boards.

6.4 RENEWABLE ENERGY INNOVATION AND INITIATIVES RESERVE

The agency shall maintain a renewable energy innovation and initiatives reserve equal to five percent (5%) of the budgeted COE. This reserve shall be utilized for investments in furtherance of the Boards' goals to accelerate the utilization of 100% clean and renewable energy through the commitment to new or emerging, but scalable, technologies that can address the challenges of an intermittent renewable grid and reduce dependency on fossil fuels for electricity generation.

6.5 CAPITAL INFRASTRUCTURE RESERVE

The agency shall establish a capital infrastructure reserve sufficient to provide for the operation, routine scheduled maintenance, reasonably anticipated unplanned repair, and orderly replacement of 3CE's capital infrastructure, including enterprise software, real estate, and electric generation and storage facilities. Funding contributions to this reserve shall be established annually through the budget process or otherwise amended by Policy Board resolution.

6.6 MEASUREMENT OF RESERVE TARGETS

Due to the nature of the agency's business, the mechanism for funding the four reserves shall be cash, cash equivalents, and short-term investments, including any balance in the Energy Rate Stabilization Reserve held as deferred inflows. The reserves must be liquid and available to ensure they can be used for their intended purpose.

7.0 Capital Facilities and Improvement Policies

7.1 CAPITAL INVESTMENTS

3CE is responsible for investing in the preservation, maintenance, and improvement of owned assets, including buildings, equipment, and other capital infrastructure.

Projects in excess of $100,000 with an estimated useful life of at least five years and non-recurring costs are considered capital projects and should be evaluated against other uses and priorities. All capital projects should be included in the Adopted Budget or taken to the Policy Board for approval and amendment to the Adopted Budget.

Per Resolution No. PB-2025-04, the Executive Committee is delegated to approve capital projects that do not exceed $5,000,000 per project, with CEO approval of any necessary contracts or agreements to effectuate the approved projects within that limit.

8.0 Credit Rating, Coverage, and Liquidity Targets

8.1 RATIONALE

A strong credit profile reduces 3CE's borrowing costs, expands access to power-supply counterparties without onerous collateral postings, and signals financial discipline to ratepayers and member agencies. 3CE manages its finances to achieve and sustain an investment-grade issuer credit rating, with the long-term objective of reaching and maintaining a rating in the A category or higher.

8.2 FINANCIAL-METRICS TARGETS

Reserves shall support a DLOH (Days Liquidity on hand) target equal to 180 days. The Financial Policies seek to achieve a long-term target of a strong investment-grade rating (A+/A1 or higher) or an equivalent rating from any nationally recognized rating organization.

8.3 LIQUIDITY FACILITIES

3CE may maintain a committed liquidity facility (revolving credit agreement or equivalent) with one or more investment-grade financial institutions. The CFO shall report annually to the Audit and Finance Committee on the status of the liquidity facility, including pricing, covenants, available headroom, and any anticipated renewal or replacement activity.

8.4 CREDIT-RATING MAINTENANCE

3CE shall maintain active relationships with at least one nationally recognized credit rating organization. The CFO shall provide the Policy Board with any updates to 3CE's rating actions and outlook changes.

9.0 Debt Management

Due to its length and complexity, the Debt Management Policy is reviewed by the Policy Board separately from these policies.

Definition of Terms

3CE	Central Coast Community Energy
ACFR	Annual Comprehensive Financial Report
BioMAT	Bioenergy Market Adjusting Tariff
CAC	Community Advisory Council
CAISO	California Independent System Operator
CalCCA	California Community Choice Association
CBO	Community-Based Organization
CCA	Community Choice Aggregator
CCO	Chief Customer Officer
CEC	California Energy Commission
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIR	Capital Infrastructure Reserve
COE	Cost of Energy
COO	Chief Operations Officer
COS	Cost of Service
CPO	Chief Power Officer
CPUC	California Public Utilities Commission
CRM	Customer Relationship Management
DERMS	Distributed Energy Resource Management System
ERRA	Energy Resource Recovery Account
ETRM	Energy Trading and Risk Management
FTE	Full-Time Equivalent
GAAP	Generally Accepted Accounting Principles
HRIS	Human Resources Information Systems
IOU	Investor-Owned Utility
kWh	Kilowatt-hour
LSE	Load Serving Entity
MPB	Market-Price Benchmark
MWh	Megawatt-hour
PCIA	Power Charge Indifference Adjustment
PPA	Power Purchase Agreement
RA	Resource Adequacy
RPS	Renewable Portfolio Standard
VPP	Virtual Power Plant