



Consent Item 16

TO: Ava Community Energy Board of Directors

FROM: Jason Bartlett, Sr Finance Manager

SUBJECT: Aging Account Write-Off Policy

DATE: March 20, 2024

Recommendation

Approve a Resolution adopting the Aging Account Write-Off Policy.

Background and Discussion

Ava Community Energy Authority (Ava) tracks unpaid and delinquent accounts on its books as a balance in the accounts receivable (AR) line item on the financial statements. Currently, this balance is held indefinitely and accumulates over time.

While there have been a couple of instances with removing unrecoverable customer payments from the AR line item (an act known as “writing off”, as it is written off the books) through the California Arrearage Payment Program (CAPP), there has been no other instance of reducing the AR balance by determining which accounts are truly unrecoverable and those that are simply delinquent or can be followed up for recovery or payment planning.

Ava staff is now proposing a policy with the intent to implement immediately. The policy gives details into operational logistics and regulatory conditions of write-offs, particularly with alignment to California Code of Civil Procedure 337 (Section 337), which governs timelines in which recovery attempts can occur. Specifically, recovery efforts are not permitted to continue after four years from the time debt incursion.

In addition, this policy coordinates with the proposed Accounts Receivable Recovery Process Policy to establish a best practice for write-offs to work with recovery options. This policy can also work with all currently established Ava recovery policies.

Fiscal Impact

The immediate write-off of accounts aged more than four years, as per Section 337, would result in a reduction of approximately \$1.9MM from the accounts receivable balance.

Average write-offs for accounts aging to the four-year mark, per Section 337, is approximately \$121,500 per month over the next year. Efforts with recovery would reduce this amount.

There is a total of \$26MM in unrecovered payments from terminated accounts.

Committee Recommendation

The Finance, Administrative, and Procurement (FAP) subcommittee has reviewed this item and has approved it to be brought to the Board of Directors for approval.

Attachments

- A. Resolution to Adopt the Aging Account Write-Off Policy
- B. Aging Account Write-Off Policy

RESOLUTION NO. R-2024-XX
A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE AVA COMMUNITY ENERGY AUTHORITY
TO APPROVE THE AGING ACCOUNT WRITE-OFF POLICY

WHEREAS The Ava Community Energy Authority (“Ava”) was formed as a community choice aggregation agency (“CCA”) on December 1, 2016, Under the Joint Exercise of Power Act, California Government Code sections 6500 *et seq.*, among the County of Alameda, and the Cities of Albany, Berkeley, Dublin, Emeryville, Fremont, Hayward, Livermore, Piedmont, Oakland, San Leandro, and Union City to study, promote, develop, conduct, operate, and manage energy-related climate change programs in all of the member jurisdictions. The cities of Newark and Pleasanton, located in Alameda County, along with the City of Tracy, located in San Joaquin County, were added as members of Ava and parties to the JPA in March of 2020. The city of Stockton, located in San Joaquin County was added as a member of Ava and party to the JPA in September of 2022. The city of Lathrop, located in San Joaquin County, was added as a member to Ava and party to the JPA in October of 2023. On October 24, 2023, the Authority legally adopted the name Ava Community Energy Authority, where it had previously used the name East Bay Community Energy Authority since its inception.

WHEREAS Ava tracks unpaid and delinquent accounts on its books as a balance (“aging balance”) in the accounts receivable (AR) line item on the financial statements.

WHEREAS the aging balance is held indefinitely and accumulates over time.

WHEREAS there currently is no approved policy to reduce this balance for accounts that are truly uncollectable.

WHEREAS any policy established should complement Ava’s existing Accounts Receivable Recovery Policy and be compliant with all relevant laws and statues.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF AVA COMMUNITY ENERGY AUTHORITY DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. The adoption of the Aging Account Write-Off policy (the “Policy”) to establish a methodology for managing the aging balance with write-offs of customer balances that are deemed truly uncollectable.

Section 2. The Policy aligns with Ava’s existing Accounts Receivable Recovery Policy in matters of applied criteria and abides by California Code of Civil Procedure 337 in matters of due process.

ADOPTED AND APPROVED this 20th day of March, 2024.

Jack Balch, Chair

ATTEST:

Adrian Bankhead, Clerk of the Board



Aging Account Write-Off Policy

Policy Number:

Approval Date:

Agenda Item: {To be added by Clerk}

Approved by Resolution: {To be added by Clerk}

Purpose

The purpose of this policy is to establish a consistent, self-standing process for writing off aging accounts in coordination with established accounts receivable and recovery policy and practices.

Background Discussion

Ava Community Energy Authority (Ava) has the authority to deem an account unrecoverable and approve a write-off of an amount owed by a customer.

In accordance with Generally Accepted Accounting Principles (GAAP), Ava recognizes bad debt expense in the period that the unrecoverable balance has been identified. Under California State law, Ava may pursue the aged balances in accordance with its Board approved recovery policy. Ava may write off certain unrecoverable balances that meet specific criteria which satisfy both governing laws and guiding principles.

Policy

1. Unless otherwise formally directed, administered, or requested by the Board of Directors through an amendment to this policy, balances will only be written off from terminated accounts or any balances that are allowed to be written off under law.
 - a. Terminated accounts are defined as customers no longer under service by Ava Community Energy Authority. Active accounts are still being notified of any past-due amounts through the customer's monthly bill.
2. Per California Code of Civil Procedure §337, the statute of limitations to pursue debt is four years after debt incursion. Pursuant to this Civil Procedure any terminated accounts with debts aged greater than four years may be considered for immediate write-off.
3. If applicable, terminated accounts with balances below the established minimum recovery threshold will be written off upon the returning of the aged balance from PG&E.
4. Terminated accounts with balances above the minimum recovery threshold, if established, will be evaluated for write-off in a process in accordance with governing best-practices and Ava's accounts receivable recovery policy.
5. Periodically, staff will review this write-off policy for best practice developments and propose any adjustment to the Board of Directors for any recommended changes.