Financial, Administrative and Procurement Subcommittee Meeting

Wednesday, November 13, 2024
1:00 pm

In Person:
Conference Room 5
Ava Community Energy
1999 Harrison Street, Suite 2300
Oakland, CA 94612

Or from the following locations:

- Member Kaur - Clipper Club, 5 Captain Drive, Emeryville, CA 94608
- Member Bedolla - 1755 Harvest Landing Lane, Tracy, CA 95376

Via Zoom:
https://ebce-org.zoom.us/j/83599993289

Or join by phone:
Dial(for higher quality, dial a number based on your current location): US: +1 669 900 6833 or +1 346 248 7799 or +1 253 215 8782 or +1 929 205 6099 or +1 301 715 8592 or 888 475 4499 (Toll Free) or 877 853 5257 (Toll Free)
Webinar ID: 835 9999 3289

Meetings are accessible to people with disabilities. Individuals who need special assistance or a disability-related modification or accommodation to participate in this meeting, or who have a disability and wish to request an alternative format for the meeting materials, should contact the Clerk of the Board at least 2 working days before the meeting at (510) 707-1764 or cob@avaenergy.org.

If you have anything that you wish to be distributed to the Finance, Administration and Procurement Subcommittee, please email it to the clerk by 5:00 pm the day prior to the meeting.

1. Welcome & Roll Call

2. Public Comment
This item is reserved for persons wishing to address the FAP Subcommittee on any Ava-related matters that are not otherwise on this meeting agenda. Public comments on matters listed on the agenda shall be heard at the time the matter is called. As with all public comment, members of the public who wish to address the Board are customarily

limited to three minutes per speaker. The FAP Chair may increase or decrease the time allotted to each speaker.

3. **Approval of Minutes from September 11, 2024**

4. **Audit (Informational Item)**
   Report on annual audit.

5. **Budget to Actuals (Informational Item)**
   Report on surplus budget.

6. **Bill Credit (Informational Item)**
   Surplus revenue bill credits.

7. **CMF Greenbridge PPA (Informational Item)**
   Review of PPAs to support Critical Municipal Facilities.

8. **Committee Member and Staff Announcements including requests to place items on future Board Agendas**

9. **Adjourn**

The next Financial, Administrative and Procurement Subcommittee meeting will be held on Wednesday, January 8, 2025 at 1pm.

Conference Room 5
Ava Community Energy
1999 Harrison Street, Suite 2300
Oakland, CA 94612

Draft Minutes

Financial, Administrative and Procurement Subcommittee Meeting

Wednesday, September 11, 2024
1:00 pm

In Person:
Conference Room 5
Ava Community Energy
1999 Harrison Street, Suite 2300
Oakland, CA 94612

Or from the following locations:

- Member Kaur - Clipper Club, 5 Captain Drive, Emeryville, CA 94608
- Member Bedolla - 1755 Harvest Landing Lane, Tracy, CA 95376
- Member Cox - Fremont City Hall, Building B, HR Training Room 3300 Capitol Ave. Fremont, CA 94538

Via Zoom:
https://ebce-org.zoom.us/j/83599993289

Or join by phone:
Dial(for higher quality, dial a number based on your current location): US: +1 669 900 6833 or +1 346 248 7799 or +1 253 215 8782 or +1 929 205 6099 or +1 301 715 8592 or 888 475 4499 (Toll Free) or 877 853 5257 (Toll Free)
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If you have anything that you wish to be distributed to the Finance, Administration and Procurement Subcommittee, please email it to the clerk by 5:00 pm the day prior to the meeting.

1. **Welcome & Roll Call**
   Present: Directors: Andersen (Piedmont), Bedolla (Tracy), Gonzalez (San Leandro), Kaur (Emeryville), and Chair Cox (Fremont).

Director Bedolla (Tracy) joined at 1:16pm.

2. **Public Comment**
This item is reserved for persons wishing to address the FAP Subcommittee on any Ava-related matters that are not otherwise on this meeting agenda. Public comments on matters listed on the agenda shall be heard at the time the matter is called. As with all public comment, members of the public who wish to address the Board are customarily limited to three minutes per speaker. The FAP Chair may increase or decrease the time allotted to each speaker.

There were no speakers for public comment.

3. **Approval of Minutes from July 10, 2024**

Director Gonzalez (San Leandro) motioned to approve the minutes. Director Kaur (Emeryville) seconded the motion, which passed 3/0/1/0/1.
Yes: Directors: Andersen (Piedmont), Gonzalez (San Leandro), and Kaur (Emeryville).
No: none.
Abstain: Chair Cox (Fremont).
Recuse: none.
Excused: Director Bedolla (Tracy).

There were no speakers for public comment.

Please note that the meeting did not start recording until after Item 3. Approval of Minutes at 1:08pm due to technical difficulties. The minutes record was noted and retrieved from the internal clerk roll call and tally spreadsheet.

4. **Audit Progress Report (Informational Item)**
Report on the status and timeline of the fiscal audit.

The Committee Discussed:
- **(2:45) Director Gonzalez (San Leandro)** sought clarification on whether there is a delivery obligation for Ava to provide audit documents to counterparties. He also expressed a preference for using the auditor's exact language when describing the audit in any public presentation.

(1:01) Public Comment – Ayla Peters inquired whether the audit will be available and accessible to the public for reading.

5. **Ava Participation in Hourly Flex Pricing Pilots (Informational Item)**
Staff seeking approval to participate in hourly flex pricing pilots with PG&E.

The Committee Discussed:
- **(25:11) Director Andersen (Piedmont)** inquired about differences between this pilot and PG&E time-of-use plans, how they will be communicated to current participants, and the possibility of an app for real-time pricing adjustments. She

also suggested adding more context to the presentation before the board meeting to show Ava's awareness of time-of-use pricing.

- **(30:29) Director Gonzalez (San Leandro)** questioned why daytime electricity prices are lowest despite high demand and expressed concerns about potential long-term behavioral impacts from this. He also asked if the pilot is limited to non-residential customers and noted that, unlike real-world scenarios, there are no financial consequences for participants.
- **(39:29) Director Andersen (Piedmont)** voiced concern that limiting the pilot to 200 opt-in participants may create a non-representative sample, attracting mainly highly motivated customers. She questioned if the pilot primarily serves internal goals rather than providing broader insights for a wider rollout.
- **(42:33) Chair Cox (Fremont)** inquired if there is a specific target area or city for the 200 customers participating in the pilot.

(18:48) Public Comment – Ayla Peters sought clarification on whether there is currently a way for the public to enroll in the Hourly Flex Pricing Pilots program.

(20:44) Public Comment – Jim Lutz asked if energy usage for residential customers will be automated to adjust settings like air conditioner temperatures. He also asked whether shadow bills will show spending or savings, and if there will be incentives or notifications for participation during extreme peak pricing.

6. Committee Member and Staff Announcements including requests to place items on future Board Agendas

There were no Committee Member or Staff Announcements.

7. Adjourned at 1:52pm.

The next Financial, Administrative and Procurement Subcommittee meeting will be held on Wednesday, November 13, 2024 at 1pm.

Conference Room 5
Ava Community Energy
1999 Harrison Street, Suite 2300
Oakland, CA 94612

Minutes written by Raïssa Ngoma

Annual Financial Statement Audit for FY 2023-2024

Finance, Administrative, & Procurement Subcommittee

November 13, 2024

Ava Community Energy

Background & Discussion

Each year, Ava conducts an audit of the fiscal year end financial statements.

The annual audit is conducted by an independent, external team. In June of 2024, Ava completed an RFP and selected Pisenti & Brinker, LLP (P&B) as the Authority's auditor. P&B has been Ava's previous auditor and their familiarity with Ava and the CCA space made them the best selection

The Independent Auditor's Report concludes their opinion of the financial statements as materially accurate with no significant deficiencies or material weakness in internal controls identified. This will be included in the final financial statements delivered to the Board on Nov 20.

The Management Discussion and Analysis (MD&A) provides an overview of Ava's financial activities for the fiscal years reported and gives information on financial position, reporting protocols, and overall economic factors that relate to Ava activities.

The Basic Financial Statements provide an independently verified, accurate portrait of Ava's financial position as of June 30, 2024.

Notes to the Basic Financial Statements discuss accounting policies, cash and capital positions, risk management, commitments, and known subsequent events

Further Discussion

Full, formal Auditor's Presentation will be at November 20 Board meeting, but highlights of the audit are as follows:

- The auditors will report an unmodified opinion—financial statements are materially accurate
- No significant deficiencies or material weakness in internal controls identified
- Significant areas of focus are revenue recognition, cash, accrued costs, REC expenses, supplier security deposits, and financial statements note disclosures
- No proposed adjustments to the financial statements
- No unusual transactions or applications of accounting principles identified
- Annual Operating Revenues: $909,536,352
- Annual Operating Expenses: $749,162,050
- Annual Net Nonoperating Activities: $12,303,453
- Net position increase by $172,677,755 to $535,344,031

Thank you!

Ava Community Energy

Online	AvaEnergy.org
Phone	+1 833.699.3223
Email	customer-support@AvaEnergy.org
Social	PoweredWithAva

Ava Community Energy

Financial Statements

Years ended June 30, 2024 and June 30, 2023
with Independent Auditor's Report

Contact us
customer-support@AvaEnergy.org
1-833-699-3223

Visit and follow us
AvaEnergy.org
@PoweredbyAva

At right: Ava Community Energy's Scott Haggerty Wind Energy Center in Livermore, CA

FINANCIAL STATEMENTS

FISCAL YEARS ENDED JUNE 30, 2024 AND 2023

WITH REPORT OF

INDEPENDENT AUDITORS

Ava Community Energy

TABLE OF CONTENTS

Placeholder

Placeholder

The purpose of management's discussion and analysis (MD&A) is to help stakeholders and other readers understand what the financial statements and notes in this report say about Ava Community Energy Authority's (Ava) financial health and why it has changed since last year. It contains information drawn from other parts of the report, accompanied by explanations informed by the finance staff's knowledge of Ava's finances.

Background

The formation of Ava was made possible in 2002 by the passage of California Assembly Bill 117, enabling communities to purchase power on behalf of their residents and businesses and creating competition in power generation.

Ava was created as a California Joint Powers Authority (JPA) effective December 1, 2016, and was established to provide electric power at competitive costs as well as provide other benefits within Alameda County, including reducing greenhouse gas emissions related to the use of power, procuring energy with a priority on the use and development of local renewable resources, stimulating local job creation through various programs and development, promoting personal and community ownership of renewable resources, as well as promoting long-term electric rate stability and energy reliability for residents and businesses.

In June 2018, Ava began providing service to its first approximately 55,000 customer accounts as part of its initial enrollment phase. This initial phase included municipal and business accounts. The next major enrollment of residential accounts began in November 2018, which added approximately 500,000 accounts. In April 2021, Ava expanded their service territory by adding approximately 80,000 accounts. As of June 30, 2024, Ava had approximately 640,000 customers enrolled.

On October 31, 2023, East Bay Community Energy Authority changed its name to Ava Community Energy Authority to reflect its diversifying customer base from its expansion into the California central valley. Governed by a board of directors (Board) consisting of elected representatives from each jurisdiction, Ava has the rights and powers to set rates for the services it furnishes, incur indebtedness, and issue bonds or other obligations. Ava is responsible for the acquisition of electric power for its service area.

Overview of the Financial Statements

Ava's financial report contains basic financial statements, which include:

- The *Statements of Net Position* include all of Ava's assets, liabilities, and net position and provides information about the nature and amount of resources and obligations at a specific point in time.

- The *Statements of Revenues, Expenses, and Changes in Net Position* report all of Ava's revenue and expenses for the years shown.

- The *Statements of Cash Flows* report the cash provided and used by operating activities, as well as other sources and uses, such as capital and investing activities.

- The notes to the Basic Financial Statements provide additional details and information related to the basic financial statements.

Financial reporting

Ava presents its financial statements as an enterprise fund under the economic resources measurement focus and accrual basis of accounting, in accordance with Generally Accepted Accounting Principles (GAAP) for enterprise funds, as prescribed by the Governmental Accounting Standards Board (GASB).

Financial Summary

AVA'S NET POSITION

	2024	2023	2022
Current assets	$728,820,721	$441,433,975	$319,677,508
Noncurrent assets:			
Capital assets, net	10,367,342	9,600,031	8,760,016
Other noncurrent assets	59,372,137	54,436,185	16,356,858
Total noncurrent assets	69,739,479	64,036,216	25,116,874
Total assets	**798,560,200**	**505,470,191**	**344,794,382**
Current liabilities	179,709,182	85,012,415	96,450,766
Noncurrent liabilities	3,600,000	4,787,500	-
Total liabilities	**183,309,182**	**89,799,915**	**96,450,766**
Deferred inflows of resources	**79,916,987**	**53,014,000**	**15,814,000**
Net position			
Net investment in capital assets	9,658,727	9,600,031	8,760,016
Restricted for collateral	-	1,000,000	9,000,000
Unrestricted	525,675,304	352,056,245	214,769,600
Total net position	**$535,334,031**	**$362,656,276**	**$232,529,616**

As of June 30, 2024, Ava's total net position was approximately $535,000,000, an increase of $173,000,000 or 48% as compared to June 30, 2023. Most of the increase in net position was in an increase in cash, as a result of Ava's operating surplus discussed below.

AVA'S CHANGES IN NET POSITION

	2024	2023	2022
Operating revenues	$ 909,536,352	$ 817,931,312	$ 555,332,546
Nonoperating revenues - grants	-	4,050,916	7,901,267
Nonoperating revenues - investments	13,149,786	2,609,002	221,757
Total income	**922,686,138**	**824,591,230**	**563,455,570**
Operating expenses	749,162,050	693,785,891	501,933,974
Nonoperating expenses	846,333	678,679	903,504
Total expenses	**750,008,383**	**694,464,570**	**502,837,478**
Change in net position	**$ 172,677,755**	**$ 130,126,660**	**$ 60,618,092**

Detailed Analysis

Increases in electricity sales accounted for most of the increase in total income. The cost of electricity, a component of operating expenses, increased approximately 7% from fiscal year 2023 to fiscal year 2024.

Current assets increased from $441,000,000 at the end of fiscal year 2023 to $729,000,000 at the end of fiscal year 2024. This increase was due to operating surpluses primarily driven by increased electricity rates charged to customers. Current assets at the end of fiscal year 2024 were primarily comprised of cash of $574,000,000, which includes $22,000,000 of cash held in a Rate Stabilization Fund, accounts receivable of $85,000,000, and accrued revenue of $61,000,000.

Capital assets are reported net of depreciation and amortization. Each year, the change represents the cost of capital assets acquired less depreciation and amortization expense for the year. Capital assets held by Ava include an office building, furniture and equipment, and a lease asset related to Ava's office premises.

Other noncurrent assets include cash of $57,000,000 segregated in a Rate Stabilization Fund used to hold revenue that is to be deferred for recognition and use in later years in period when there is a need to supplement revenues. By postponing revenue recognition to future years, Ava is positioning itself to avoid sudden rate increases to address unanticipated spikes in energy costs and other unforeseen circumstances. Rate Stabilization Funds that are intended to be recognized in revenue within one year of these financial statements are included as cash in the current asset section.

The largest component of current liabilities is the cost of electricity delivered to customers that was not paid by Ava at fiscal year-end. Current liabilities for the cost of energy increased each year due to changes in payment terms of certain energy products, as well as the prices of those products.

Noncurrent liabilities consist of supplier security deposits held by Ava as collateral.

Operating revenues increased each year from fiscal years 2022 to 2024, primarily from increases in rates charged to customers. Ava also receives revenues from sources other than retail customer sales. These sources include liquidated damage revenue resulting from supplier noncompliance with contract provisions and grant income used to support various customer programs. Revenue from liquidated damages increased from fiscal year 2023 to fiscal year 2024 primarily due to delays in the operations of certain energy supplier facilities.

Detailed Analysis (continued)

Grant income from the California Arrearage Payment Plan (CAPP) was included in nonoperating revenues for fiscal years 2022 and 2023. This grant was applicable for two years and did not recur in fiscal year 2024. Investment income increased each year due to changes in market interest rates as well as increases in invested assets.

Operating expenses increased each year primarily due to market forces that resulted in increases in the cost of electricity, Ava's largest expense. Ava procures energy from a variety of sources to reduce market risk and to maintain a balanced renewable power portfolio. The primary driver of the increase in energy costs from 2023 to 2024 was the rising renewable energy and resource adequacy market.

Significant Capital Asset and Long-Term Financing Activity

Included in capital assets are an office building and land, and furniture and equipment.

Office premises leased by Ava are reported in the Statement of Net Position as "lease asset." The related future payments are reported as "lease liability."

Ava does not have any outstanding financing debt.

Currently Known Facts, Decisions, or Conditions

California Independent System Operator (CAISO) system power prices experienced volatility through the year ended June 30, 2024. Intra-year variability was somewhat consistent with year-to-year historical variability that occurs due to seasonal and annual weather changes and was also characterized by carrying over a marked increase in *total* energy prices above historical levels from the previous year.

Infrastructure supply development remains somewhat constrained. In previous years the driver of these constraints included lingering supply chain disruptions, but now interconnection bottlenecks plague California as well as the rest of the United States. These constraints are driven by the increased demand for renewable and other energy resources by urban electrification and the growth in technology data center and associated artificial intelligence processing needs.

Currently Known Facts, Decisions, or Conditions (continued)

Ava has certain contracts in place that mitigate exposure to price spikes in the CAISO markets, but currently CAISO market prices as well as electricity futures prices in liquid forward markets are declining. At the same time, the overall market for electricity and the related commodity products is experiencing a rising price environment. The rising price environment is driven by elevated costs to enter into long-term offtake agreements (e.g. power purchase agreements (PPAs) and energy storage offtake agreements), elevated prices for Resource Adequacy, and dramatically elevated costs for environmental attributes like Renewable Energy Certificates (RECs). Noting that both Resource Adequacy and RECs are required commodities for compliance with California legislative obligations.

Ava has in place a formal risk management policy that includes guidance on target levels of non-financial hedges. Energy hedging is intended to reduce the financial risk of unexpected price surges by contracting for a significant portion of future energy at fixed prices. Purchases made at fixed contractual prices reduce the need to purchase energy at the volatile daily open market. The target hedge percentages depend on factors including time and the hedge pricing relative to historical energy costs. In general, Ava targets hedging 60-100% of its exposure in energy products on a short-duration basis of under a year and aims to hedge greater than 80% of its exposure going into any particular month. Ava has complied with its risk management policy and regulations.

Year-over-year, Ava has retained a strong customer and revenue base with low opt-out levels. Ava continues to be actively engaged on legislative and regulatory matters that can impact Ava's energy procurement requirements and, therefore, energy-related expenditures. This provides some level of additional certainty on Ava revenues.

Requests for information

This financial report is designed to provide Ava's board members, stakeholders, customers, and creditors with a general overview of Ava's finances and to demonstrate Ava's accountability for the funds under its stewardship.

Please address any questions about this report or requests for additional financial information to 1999 Harrison Street, Suite 2300, Oakland, CA 94612.

BASIC FINANCIAL STATEMENTS

AVA COMMUNITY ENERGY AUTHORITY
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2024 AND 2023

	2024	2023
ASSETS		
Current assets		
Cash and cash equivalents - unrestricted	$ 574,113,778	$ 291,035,233
Accounts receivable, net of allowance	84,962,803	84,198,659
Accrued revenue	60,952,393	45,767,329
Market settlements receivable	-	807,102
Other receivables	242,447	90,568
Prepaid expenses	2,825,541	18,388,084
Deposits	6,143,357	147,000
Cash - restricted	-	1,000,000
Total current assets	729,240,319	441,433,975
Noncurrent assets		
Cash in Rate Stabilization Fund - unrestricted	57,472,293	53,014,000
Deposits	1,193,774	931,164
Loan receivable	286,472	491,021
Capital assets, net of depreciation and amortization	10,367,342	9,600,031
Total noncurrent assets	69,319,881	64,036,216
Total assets	798,560,200	505,470,191
LIABILITIES		
Current liabilities		
Accrued cost of electricity	149,299,510	65,136,135
Accounts payable	5,352,155	4,295,566
Advances from grantors	9,052,151	-
Other accrued liabilities	3,523,316	5,930,936
User taxes and energy surcharges due to other governments	7,444,637	7,404,678
Lease liability	708,615	-
Security deposits - energy suppliers	4,328,798	2,245,100
Total current liabilities	179,709,182	85,012,415
Noncurrent liabilities		
Security deposits - energy suppliers	3,600,000	4,787,500
Total liabilities	183,309,182	89,799,915
DEFERRED INFLOWS OF RESOURCES		
Rate Stabilization Fund	79,916,987	53,014,000
NET POSITION		
Net investment in capital assets	9,658,727	9,600,031
Restricted for collateral	-	1,000,000
Unrestricted	525,675,304	352,056,245
Total net position	$ 535,334,031	$ 362,656,276

The accompanying notes are an integral part of these financial statements.

AVA COMMUNITY ENERGY AUTHORITY
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
OPERATING REVENUES		
Electricity sales, net	$ 919,222,939	$ 847,306,890
Revenue deferred to Rate Stabilization Fund, net	(26,902,987)	(37,200,000)
Liquidated damages	15,330,202	6,150,378
Grant revenue	1,440,935	1,498,666
Other operating revenues	445,263	175,378
Total operating revenues	909,536,352	817,931,312
OPERATING EXPENSES		
Cost of electricity	707,476,247	658,204,854
Contract services	18,980,445	18,104,240
Staff compensation	16,269,116	12,950,359
Other operating expenses	5,736,911	4,435,677
Depreciation and amortization	699,331	90,761
Total operating expenses	749,162,050	693,785,891
Operating income	160,374,302	124,145,421
NONOPERATING REVENUES (EXPENSES)		
Grant revenue	-	4,050,916
Investment income	13,149,786	2,609,002
Financing costs	(846,333)	(678,679)
Nonoperating revenues (expenses), net	12,303,453	5,981,239
CHANGE IN NET POSITION	172,677,755	130,126,660
Net position at beginning of year	362,656,276	232,529,616
Net position at end of year	$ 535,334,031	$ 362,656,276

The accompanying notes are an integral part of these financial statements.

AVA COMMUNITY ENERGY AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 939,057,618	$ 878,374,195
Receipts from grantors	4,564,468	-
Receipts of supplier security deposits	6,804,858	8,602,600
Other operating receipts	17,226,004	12,650,524
Payments to suppliers for electricity	(611,040,073)	(618,685,214)
Payments for other goods and services	(22,702,802)	(21,223,125)
Payments of staff compensation	(15,937,300)	(12,694,993)
Payments for deposits and collateral	(7,212,418)	(51,689,464)
Tax and surcharge payments to other governments	(35,743,923)	(32,070,485)
Net cash provided by operating activities	275,016,432	163,264,038
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Grant revenue	-	4,050,916
Payments of financing costs	(675,281)	(899,099)
Net cash provided (used) by non-capital financing activities	(675,281)	3,151,817
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments under lease obligation	(433,780)	-
Payments to acquire capital assets	(359,262)	(1,011,413)
Net cash used by capital and related financing activities	(793,042)	(1,011,413)
CASH FLOWS FROM INVESTING ACTIVITIES		
Principal payments received of loan receivable	204,549	8,979
Investment income received	12,784,180	2,606,751
Net cash provided by investing activities	12,988,729	2,615,730
Net change in cash and cash equivalents	286,536,838	168,020,172
Cash and cash equivalents at beginning of year	345,049,233	177,029,061
Cash and cash equivalents at end of year	$ 631,586,071	$ 345,049,233
Reconciliation to the Statement of Net Position		
Cash and cash equivalents - unrestricted (current)	$ 574,113,778	$ 291,035,233
Cash and cash equivalents - restricted (current)	-	1,000,000
Cash and cash equivalents - unrestricted (noncurrent)	57,472,293	53,014,000
Cash and cash equivalents	$ 631,586,071	$ 345,049,233

The accompanying notes are an integral part of these financial statements.

AVA COMMUNITY ENERGY AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2024 AND 2023

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	2024	2023
Operating income	$ 160,374,302	$ 124,145,421
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization expense	699,331	90,761
(Increase) decrease in:		
Accounts receivable	(764,144)	(4,384,259)
Market settlements receivable	807,102	(807,102)
Other receivables	(50,198)	6,214,035
Accrued revenue	(15,185,064)	1,822,681
Prepaid expenses	15,562,543	(9,659,760)
Deposits	(5,995,042)	14,992,053
Increase (decrease) in:		
Accrued cost of electricity	84,163,375	4,852,765
Accounts payable	1,025,455	1,772,053
Other accrued liabilities	254,156	313,794
Advances from grantors	4,564,468	-
Deferred revenue	1,721,004	3,985,600
User taxes due to other governments	39,959	1,558,396
Security deposits from energy suppliers	896,198	(18,832,400)
Rate Stabilization Fund	26,902,987	37,200,000
Net cash provided by operating activities	$ 275,016,432	$ 163,264,038

The accompanying notes are an integral part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Ava Community Energy Authority (Ava), formerly East Bay Community Energy, is a California joint powers authority created on December 1, 2016. As of June 30, 2024, parties to its Joint Powers Agreement consist of the following local governments, plus one representative (non-voting) from the Community Advisory Committee (CAC):

County	Cities	
Alameda	Albany	Newark
	Berkeley	Oakland
	Dublin	Piedmont
	Emeryville	Pleasanton
	Fremont	San Leandro
	Hayward	Stockton
	Lathrop	Tracy
	Livermore	Union City

Ava is separate from and derives no financial support from its members. Ava is governed by a Board of Directors (Board) whose membership is composed of elected officials representing the member governments.

A core function of Ava is to provide electric service that includes the use of renewable sources under the Community Choice Aggregation Program under California Public Utilities Code Section 366.2.

Ava began its energy delivery operations in June 2018. Electricity is acquired from electricity suppliers and delivered through existing physical infrastructure and equipment managed by Pacific Gas and Electric Company.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING

Ava's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements.

Ava's operations are accounted for as a governmental enterprise fund and are reported using the economic resources measurement focus and the accrual basis of accounting – similar to business enterprises. Accordingly, revenues are recognized when they are earned, and expenses are recognized at the time liabilities are incurred. Enterprise fund-type operating statements present increases (revenues) and decreases (expenses) in total net position. Reported net position is segregated into three categories – investment in capital assets, restricted and unrestricted.

When both restricted and unrestricted resources are available for use, it is Ava's policy to use restricted resources first, and then unrestricted resources as they are needed.

CASH AND CASH EQUIVALENTS

For purposes of the Statements of Cash Flows, Ava defines cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with an original maturity of three months or less. For the purpose of the Statements of Net Position, restricted cash balances are presented separately. Restricted cash reported on the Statements of Net Position includes collateral on a credit facility, as well as a required minimum balance to be maintained in one of its bank accounts.

MARKET SETTLEMENTS RECEIVABLE

Ava receives generation scheduling and other services from a registered California Independent System Operator (CAISO) scheduling coordinator.

PREPAID EXPENSES

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid expenses.

DEPOSITS

Contracts to purchase energy may require Ava to provide the supplier with advanced payments or security deposits. Deposits are generally held for the term of the contract and are classified as current or noncurrent assets depending on the length of time the deposits will be outstanding.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LEASE ASSET AND LEASE LIABILITY

Ava recognizes an asset and liability when it enters into certain leasing arrangements. The leased asset is amortized over the term of the lease. The lease liability is the present value of payments expected to be paid to the lessor during the lease term. Ava's only leased asset and liability relate to its office premises.

CAPITAL ASSETS AND DEPRECIATION

Ava's policy is to capitalize furniture and equipment valued over $1,000 that is expected to be in service for over one year. Depreciation is computed according to the straight-line method over estimated useful lives of three years for electronic equipment, seven years for furniture and leasehold improvements, unless limited by the length of the original lease term. Ava does not own any electric generation assets.

ADVANCES FROM GRANTORS

Ava received grant funding from various grantors. The amount in this category represents funds received by Ava, but not yet expended to carry out specific goals. See Note 6 for additional information related to grants administered by Ava.

SECURITY DEPOSITS – LIABILITY

Various energy contracts entered into by Ava require the supplier to provide Ava with a security deposit. Security deposits are held by Ava for the duration of the contract or until certain milestones are met. Deposits are classified as current or noncurrent depending on the length of time the deposits will be held.

RATE STABILIZATION FUND

Ava created a Rate Stabilization Fund to allow Ava to defer revenue in years when financial results are strong to be used in future years when financial results are stressed. In accordance with GASB Statement No. 62 and GASB Statement No. 65, the amount recognized as an addition to the fund is shown as a reduction of operating revenues and reported on the statements of net position as a deferred inflow of resources.

Ava directed revenue of $37,408,000 and $37,200,000 to the Rate Stabilization Fund for the years ended June 30, 2024 and 2023, respectively. Ava removed $10,500,000 and $0 from the Rate Stabilization Fund for the years ended June 30, 2024 and 2023, respectively. The removal of funds resulted in a recognition of revenue in the same amount. The accumulated balance in the Rate Stabilization Fund at June 30, 2024 and 2023 was approximately $79,917,000 and $53,014,000, respectively. Cash held for Rate Stabilization Fund purposes that are intended to be recognized as revenue within one year of these financial statements are included as cash in the current asset section. Otherwise, the related cash is included in the noncurrent asset section.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

NET POSITION

Net position is presented in the following components:

Net Investment in capital assets: This component of net position consists of capital assets, net of accumulated depreciation and amortization and is reduced by outstanding borrowings that are attributable to the acquisition, construction, or improvement of those assets. Ava did not have any such borrowings outstanding as of June 30, 2024 and 2023.

Restricted: This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted: This component of net position consists of net position that does not meet the definition of “investment in capital assets” or “restricted.”

OPERATING AND NONOPERATING REVENUES

Operating revenues include revenues derived from the provision of energy to retail customers and grant revenue related to the delivery of program activities. Operating revenues are affected by amounts directed to or from the Rate Stabilization Fund.

Investment income is considered “nonoperating revenue.” Certain grant revenue that is not subject to performance obligations, such as from the California Arrearage Payment Program (CAPP), is also considered “nonoperating revenue.”

REVENUE RECOGNITION

Ava recognizes revenue on an accrual basis. This includes invoices issued to customers during the reporting period and electricity estimated to have been delivered but not yet invoiced. Management estimates that a portion of the invoiced amounts will be uncollectible. Accordingly, an allowance for uncollectible accounts has been recorded.

OPERATING AND NONOPERATING EXPENSES

Operating expenses include the costs of sales and services, administrative expenses, and depreciation on capital assets. Expenses not meeting this definition are reported as nonoperating expenses.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ELECTRICAL POWER PURCHASED

During the normal course of business, Ava purchases electrical power from numerous suppliers. Electricity costs include the cost of energy and capacity arising from bilateral contracts with energy suppliers as well as generation credits, and load and other charges arising from Ava's participation in CAISO's centralized market. The cost to acquire electricity and capacity is recognized as "Cost of Electricity" in the Statements of Revenues, Expenses and Changes in Net Position.

To comply with the State of California's Renewable Portfolio Standards (RPS) and self-imposed benchmarks, Ava acquires RPS eligible renewable energy evidenced by Renewable Energy Certificates (Certificates) recognized by the Western Renewable Energy Generation Information System. Ava obtains Certificates with the intent to retire them and does not sell or build surpluses of Certificates with a profit motive. Ava recognizes an expense that corresponds to the volume sold to its customers for its various renewable and carbon-free products. This expense recognition increases accrued cost of electricity reported on the Statements of Net Position until the time the payment has been made to the supplier.

Ava purchases capacity commitments from qualifying electricity generators to comply with the California's Resource Adequacy Program. The goals of the Resource Adequacy Program are to provide sufficient resources to CAISO to ensure the safe and reliable operation of the electrical grid in real-time and to provide appropriate incentives for the siting and construction of new resources needed for reliability in the future.

STAFFING COSTS

Ava pays employees semi-monthly and fully pays its obligation for health benefits and contributions to its defined contribution retirement plan monthly. Ava is not obligated to provide post-employment healthcare or other fringe benefits, and accordingly, no related liability is recorded in these financial statements. Ava provides compensated absences, and the related liability is recorded in these financial statements.

INCOME TAXES

Ava is a joint powers authority under the provision of the California Government Code and is not subject to federal or state income or franchise taxes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation of the current-year financial statements. These reclassifications did not result in any change in the previously reported net position.

2. CASH AND CASH EQUIVALENTS

Ava maintains its cash in both interest-bearing and non-interest-bearing accounts. Ava's deposits are subject to California Government Code Section 16521, which requires that banks collateralize public funds in excess of the Federal Deposit Insurance Corporation limit of $250,000 by 110%. Ava has no deposit or investment policy that addresses a specific type of risk that would impose restrictions beyond this code. Accordingly, the amount of risk is not disclosed. Ava monitors its risk exposure to its banks on an ongoing basis.

3. ACCOUNTS RECEIVABLE

Accounts receivable were as follows as of June 30:

	2024	2023
Accounts receivable from customers	$110,562,803	$117,017,715
Allowance for uncollectible accounts	(25,600,000)	(32,819,056)
Net accounts receivable	$ 84,962,803	$ 84,198,659

The majority of account collections occur within the first few months after a customer is invoiced. Ava estimates that a portion of the billed accounts will not be collected. Ava continues collection efforts on accounts in excess of *de minimis* balances regardless of the age of the account. Although collection success generally decreases with the age of the receivable, Ava continues to have success collecting older accounts. The allowance for uncollectible accounts at the end of a period includes amounts billed during the current and prior fiscal years. During the year ended June 30, 2023, Ava received CAPP funds (see Note 6) that helped Ava recover funds for previously written off accounts receivable.

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024, was as follows:

	Beginning balance	Increases	Ending balance
Capital assets not being depreciated:			
Building - construction in progress	$ 5,131,484	$ -	$ 5,131,484
Land	4,255,380	-	4,255,380
Total capital assets not being depreciated	9,386,864	-	9,386,864
Capital assets being depreciated and amortized:			
Furniture and equipment	481,818	318,485	800,303
Leasehold improvements	-	71,911	71,911
Lease asset	-	1,076,246	1,076,246
Total capital assets being depreciated and amortized:	481,818	1,466,642	1,948,460
Less accumulated depreciation and amortization:			
Furniture, equipment and leasehold improvements	(268,651)	(161,208)	(429,859)
Lease asset	-	(538,123)	(538,123)
Total accumulated depreciation and amortization	(268,651)	(699,331)	(967,982)
Total capital assets, net of depreciation and amortization	$ 9,600,031	$ 767,311	$ 10,367,342

Capital asset activity for the year ended June 30, 2023, was as follows:

	Beginning balance	Increases	Ending balance
Capital assets not being depreciated:			
Building - construction in progress	$ 4,350,153	$ 781,331	$ 5,131,484
Land	4,255,380	-	4,255,380
Total capital assets not being depreciated	8,605,533	781,331	9,386,864
Capital assets being depreciated and amortized:			
Furniture and equipment	332,373	149,445	481,818
Less accumulated depreciation and amortization:			
Furniture, equipment and leasehold improvements	(177,890)	(90,761)	(268,651)
Total capital assets, net of depreciation and amortization	$ 8,760,016	$ 840,015	$ 9,600,031

5. DEBT

In October 2022, Ava closed its revolving credit agreement with Barclays Bank and entered into a new agreement with U.S. Bank (formerly Union Bank). The available credit line under the new agreement is $200,000,000. The credit agreement enhances Ava's overall liquidity for potential working capital needs and collateral requirements. This agreement terminates in October 2025. The borrowing rate on the credit facility is 1.4%.

Ava had no debt outstanding under either line of credit agreement as of June 30, 2024 or 2023. However, Ava did issue standby letters of credit secured by the line of credit agreement. As of June 30, 2024 and 2023, these letters of credit reduce the available portion of the line by approximately $34,000,000 and $39,770,000, respectively, but are not considered debt to Ava.

6. GRANTS

Ava administered a grant from the California Arrearage Payment Program (CAPP) that offered financial assistance for California energy utility customers to help reduce past due energy bill balances that increased during the COVID-19 pandemic. In 2022 this program was funded through the federal American Rescue Plan Act (ARPA) with Coronavirus State and Local Fiscal Recovery Funds. The program was funded by the State of California in 2023.

Ava also administers a grant from the California Public Utilities Commission (CPUC) for the Disadvantaged Communities Green Tariff (DAC-GT). This grant provides for bill discounts to eligible customers.

In addition to the two grants mentioned above, Ava also administers several small grants generally aimed at energy efficiency measures.

The following is a summary grant revenue for the years ended June 30:

	2024	2023
CAPP	$ -	$ 4,050,916
DAC-GT	1,241,704	1,228,613
Miscellaneous	199,231	270,053
Total grant revenue	$ 1,440,935	$ 5,549,582

7. DEFINED CONTRIBUTION RETIREMENT PLAN

The Ava 401(a) Plan (the Plan) is a defined contribution retirement plan administered by LT Trust. As of June 30, 2024, there were 81 plan members. Ava is required to contribute a match up to 6% of annual covered payroll to the Plan and contributed $1,697,000 and $1,456,000 during the years ended June 30, 2024 and 2023, respectively. Ava has elected out of the Social Security system for employees eligible for the Plan. As part of this election, Ava makes required “replacement” contributions to the Plan. Plan provisions are established and may be amended by the Board.

8. RISK MANAGEMENT

Ava is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and errors and omissions. During the years, Ava purchased insurance policies from investment-grade commercial carriers to mitigate risks that include those associated with earthquakes, theft, general liability, errors and omissions, and property damage. Deductible limits range from $0 to $1,000. Settled claims have not exceeded coverage in the last two years. There were no significant reductions in coverage compared to the prior year. From time to time, Ava may be party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and Ava’s legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on Ava’s financial position or results of operations.

Ava maintains risk management policies, procedures and systems that help mitigate credit, liquidity, market, operating, regulatory and other risks that arise from participation in the California energy market. Credit guidelines include a preference for transacting with investment-grade counterparties, evaluating counterparties’ financial condition and assigning credit limits as applicable. These credit limits are established based on risk and return considerations under terms customarily available in the industry. In addition, Ava enters into netting arrangements whenever possible and where appropriate obtains collateral and other performance assurances from counterparties.

9. PURCHASE COMMITMENTS

In the ordinary course of business, Ava enters into various power purchase agreements in order to acquire renewable and other energy and electric capacity. The price and volume of purchased power may be fixed or variable. Variable pricing is generally based on the market price of either natural gas or electricity at the date of delivery. Variable volume is generally associated with contracts to purchase energy from as-available resources such as solar, wind, and hydroelectric facilities.

The following table details the obligations on existing energy, renewable, and resource adequacy (RA) contracts as of June 30, 2024:

Year ending June 30,		
2025	$	730,300,000
2026		634,000,000
2027		454,100,000
2028		403,700,000
2029		361,200,000
2030-2048		4,180,700,000
Total	$	6,764,000,000

10. LEASE

A lease asset is reported in accordance with GASB No. 87.

In July 2023, Ava entered into two lease agreements, one a sublease and one a main lease, for its office premises. Both agreements are for the same office space and each lease runs in succession over the period September 1, 2023 through October 31, 2032. The sublease will be in effect until April 2025 when the main lease becomes active. Rental expense for Ava's office space was $618,000 and $519,000 for the years ended June 30, 2024, and 2023, respectively.

As of June 30, 2024, future minimum lease payments under the sublease were projected to be $709,000.

11. JOINT VENTURE

AVA participates in a joint powers agreement (JPA) through the California Community Choice Financing Authority (CCCFA). CCCFA was formed as a conduit issuer to assist its members by undertaking the financing or refinancing of energy prepayments that can be financed with tax advantaged bonds on behalf of one or more of the members by issuing or incurring bonds and entering into related contracts with its members. Any debt or liability incurred by CCCFA on behalf of a member to prepay for renewable energy is not a debt or liability of that member. Furthermore, the assets of CCCFA in the form of prepaid energy or reserves held by the respective bond trustees for any prepayment transaction undertaken on behalf of a member does not constitute an asset or reserve of that member.

CCCFA has issued bonds whose proceeds are to being used to finance energy purchases that will be delivered to AVA. No debt, liability, or obligation of CCCFA is a debt, liability, or obligation of AVA. AVA will purchase energy from CCCFA in the same manner as it purchases energy from other suppliers. The outstanding purchase commitments related to these financing facilities are included in Note 9. AVA purchased approximately $56,436,000 and $49,243,000 from CCCFA during fiscal years 2024 and 2023, respectively. The financial statements of CCCFA are available online at http://www.cccfa.org/key-documents.html.

12. FUTURE GASB PRONOUNCEMENTS

The requirements of the following GASB Statements are effective for years ending after June 30, 2024:

GASB has approved GASB No. 102, *Certain Risk Disclosures*, and GASB No. 103, *Financial Reporting Model Improvements*.

Management is evaluating the effect of implementation of these statements.

13. SUBSEQUENT EVENTS

NEW MEMBERS

Ava anticipates beginning electric deliveries to recently admitted members of the cities of Stockton and Lathrop in 2025. Service to these communities is expected to increase Ava total load by approximately 13% when fully incorporated.

The County of San Joaquin has voted to join Ava Community Energy, and Ava’s Board of Directors has approved the County’s admission. An implementation plan has been filed with the CPUC and is currently being evaluated. If approved, service to the County would be expected to begin sometime in the 2026 calendar year.

FY 2023-2024 Budget Surplus, Waterfall Allocations, and Reserve Fund Balance

Jason Bartlett

Sr. Finance Manager

November 13, 2024

FY 2024 Budget to Actuals

Overall, actuals came in very much aligned with net budget expectations:

- Revenue slightly under by 2%
- Overall Operating Expenditures higher by 1.6%
- Other Sources & Uses had largest variance due to elevated interest rates through the year and damages recovered from undelivered contracts
- ~$10.5MM was recognized from GASB 62 Rate Stabilization Fund for customer On-Bill Credits from FY 2022-2023 net revenues
- ~$37.4MM deferred to GASB 62 Rate Stabilization Fund in accordance with Board approved waterfall (discussed further)

REVENUES	**Budget**	**Actuals**	
Electricity Sales	950,386,000	927,809,610	*-2.4%*
Uncollectable	(12,095,000)	(8,586,671)	*-29.0%*
Total Revenue and Other Sources	938,291,000	919,222,939	*-2.0%*
EXPENDITURES & OTHER USES			
OPERATING EXPENDITURES			
Cost of Energy	682,367,000	707,476,247	*3.7%*
Data Management/Customer Service	7,769,000	7,729,768	*-0.5%*
PG&E Service Fees	2,719,000	2,723,416	*0.2%*
CAISO Scheduling Coordinator	731,000	708,964	*-3.0%*
Personnel	21,911,000	16,269,116	*-25.7%*
Marketing & Communications	5,303,000	2,582,110	*-51.3%*
Legal, Policy, & Regulatory Affairs	3,509,000	1,368,407	*-61.0%*
Other Professional Services	2,505,000	1,383,794	*-44.8%*
General & Administrative	5,711,000	4,332,803	*-24.1%*
Total Current Expenditures	732,525,000	744,574,625	*1.6%*
OTHER SOURCES & USES			
Investment Income	1,680,000	13,149,786	*682.7%*
Other Income	48,000	445,263	*827.6%*
Liquidated Damages	-	15,330,202	*100.0%*
Interest & Financing Costs	(1,650,000)	(780,181)	*-52.7%*
Local Development Transfer	(25,500,000)	(25,500,000)	*0.0%*
Capital Expenditures *	(500,000)	(390,397)	*-21.9%*
Total Other Sources & Uses	(25,922,000)	2,254,673	*-108.7%*
GROSS INCREASE (DECREASE)	179,844,000	176,902,987	*-1.6%*
Revenue Recognized from Rate Stabilization Fund**	-	10,504,837	*100.0%*
Revenue Deferred to Rate Stabilization Fund	(29,844,000)	(37,407,824)	*25.3%*
NET INCREASE (DECREASE) * **	150,000,000	150,000,000	*0.0%*

* Depreciation has been removed and is expressed as Capital Expenditures

** Amount not determinable at time of budget approval

*** Net Increase is allocated to working capital and reserves

Budget Net Revenues to Audit Net Position Reconciliation

The Budget is an internal proforma document set at the discretion of the Board. The financial statements in the Audit are standardized by Generally Accepted Accounting Principles (GAAP) and have additional rules set forth by the Governmental Accounting Standards Board (GASB).

Ava drafts each budget in accordance with industry best practices and does best efforts to align with GAAP and GASB standards, but fundamental differences exist and reconciliation should be defined.

The table below reconciles the audited Net Position increase to the budget actuals Net Revenues

Reconciled Item	Details	Amount	Balance
Audited Net Position	*Includes GASB 62 Net Deferral*		172,677,755
Depreciation	*Accrued depreciation of assets*	(699,331)	173,377,086
LD Budget Allocation	*Budgeted capital transfer to Programs*	25,500,000	147,877,086
LD Revenue from Grants	*FY 23/24 grant revenue in Programs*	1,440,935	146,436,151
LD Actual Expenses	*Actual FY 23/24 Program expenses*	(4,321,877)	150,758,028
Capital Outlay	*Capital reconcilliation*	390,397	150,367,631
GASB 87 Lease	*Lease obligations outstanding as of 6/30/2024*	367,631	150,000,000

The remaining $150MM balance is allocated to reserve funds and working capital and is described in further details in the next two slides.

Waterfall Discussion

June 21, 2023, the Board of Directors (BOD) approved the fiscal year budget for July 1, 2023 through June 30, 2024 by Resolution R-2023-37.

This resolution allocated surplus revenues to abide by a waterfall of contributions in the following manner:

- The first $50 million to be retained for working capital needs
- The next $100 million to be allocated to reserve funds
- The remaining balance was to be split with 50% being allocated to long-term renewable energy and/or clean storage investments and 50% to be determined at a future date

January 17, 2024, the BOD approved Resolution R-2024-2, to restructure and more clearly define the remaining balance allocations as:

- 60% to be dedicated to on-bill credits with some portions specifically applied to CARE and FERA customers
- 40% to be dedicated to incentives for clean storage investments as incentives for net-billing tariff projects with an emphasis on resilience development.

Waterfall Distribution

In accordance with Board resolutions R-2023-37 and R-2024-2, the allocation of net revenues is as follows:

- The first $50 million is recognized and retained for working capital needs
- The next $100 million is recognized and added to the reserve fund balance
- The remaining amount is deferred to the GASB 62 Rate Stabilization Fund to be recognized in the following manner:
  - $22,444,694 to be applied to customer bills as a credit in the current fiscal year
  - $14,963,130 to be applied as program incentives for net billing tariff solar & storage program

	Allocation	Budget	Actuals	% Change
Revenues After Operations & Other Uses		179,484,000	176,902,987	*-1.4%*
GASB 62 RSF Recognition		-	10,504,837	*100.0%*
Net Revenues		179,484,000	187,407,824	*4.4%*
Contributions				
Working Capital	50,000,000	129,484,000	137,407,824	*6.1%*
Reserve Funds	100,000,000	29,484,000	37,407,824	*26.9%*
Remaining				
On-Bill Credits	60%	17,690,400	22,444,694	*26.9%*
Net Billing Tariff Program	40%	11,793,600	14,963,130	*26.9%*

Reserve Fund Balance

The Reserve Fund, as established by resolution R-2021-2 and governed by policy P10.1, works to provide a suitable cash balance to guard against expense shocks. The fund balance is set to meet annual operating expense targets. These targets meet Ava financial objectives, including but not limited to:

- Securing favorable commercial terms with vendors and power providers
- Maintain Ava's "A Stable" credit rating
- Provide funds for unanticipated expenditures
- Maintain long-term Ava financial independence and rate stability

Contribution Year	Contribution	Withdraws	Balance	OpEx to Cover	PctOps
2018-2019	40,513,687	-	40,513,687	410,686,000	9.9%
2019-2020	49,704,640	-	90,218,327	383,045,000	23.6%
2020-2021	-	-	90,218,327	471,897,000	19.1%
2021-2022	65,655,073	-	155,873,400	562,667,000	27.7%
2022-2023	75,000,000	-	230,873,400	732,885,000	31.5%
2023-2024	100,000,000	-	330,873,400	810,350,000	40.8%

Thank you!

Ava Community Energy

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Social	PoweredWithAva

Staff Report Item 6:
Recommendation

To:	Ava Community Energy Authority
From:	Kelly Brezovec, Sr. Director, Account Services
Subject:	Seeking feedback from the Finance, Administration and Procurement Subcommittee on fiscal year 2023-2024 surplus revenue customer bill credits.
Date:	November 13, 2024

Summary/Recommendation

Staff seeks feedback on proposed Fiscal Year 2023-2024 surplus revenue bill credit options based on the January 2024 Fiscal Year Budget Surplus Allocation resolution.

To review, the plan allocation is as follows:
1. $50 million to be retained for working capital needs
2. $100 million to be contributed to reserve funds
3. The remaining balance to be split 60/40 between:
    a. One-time on-bill credits to customers, with some portion applied specifically to CARE/FERA customers
    b. Incentives for an Ava Solar and Storage Program

Table 1 identifies the credits available for the on-bill credits and the Ava Solar and Storage Program, following the allocation approved in January 2024. A discussion of the budget and performance compared to forecast is available in the Budget to Actuals, Waterfall, and Reserves presentation at the November 13, 2024, Finance, Administration, and Procurement Subcommittee.

	Allocation	Budget	Actuals	% Change
Net Revenues		$179,484,000	$187,404,824	4.4%
Contributions				
Working Capital	$50,000,000	$129,484,000	$137,404,824	6.1%

Reserve Funds	$100,000,000	$29,484,000	$37,407,824	26.9%
Remaining				
On-Bill Credits	60%	$17,690,400	$22,444,694	26.9%
Ava Solar + Storage Program	40%	$11,793,600	$14,963,130	26.9%

Table 1: FY 2023-2024 Net Revenues and Fund Allocations

Staff recommends allocating the one-time on-bill credits to customers as follows:

- $75 for CARE/FERA customers,
- $11.68 for non-CARE/FERA residential customers, and
- $0.0026 per kilowatt-hour used during fiscal year 2023-2024.

This credit allocation provides each customer class with a larger credit than they received from the FY2022-2023 surplus revenue credits. Later in this memo this series of credits is identified as "Option 3."

Financial Impact

Allocation of surplus funds from the previous fiscal year has already been approved by the Ava Board and does not have an impact on ongoing operations. The financial impact on customer bills is discussed below in the Analysis section.

Analysis and Context (with deadlines as applicable)

History

In the January 2024 resolution, Fiscal Year Budget Surplus Allocation, The Board agreed to move forward with the Finance, Administrative, and Procurement subcommittee's recommendation where 60% of the unallocated budget surplus is to be dedicated to on-bill credits with some portion specifically applied to CARE and FERA customers.

Since the assignment of the unallocated budget surplus credit is by customer class, and exactly what portion is to be applied to CARE and FERA customers, the Board is expected to provide guidance at the November Board meeting in advance of customers seeing these credits in December - February.

Credits have been applied to customer bills in 2022 and 2023; staff recommend reviewing the proposed credits for 2023-2024 through the lens of previous customer experiences and potential expectations.

Fiscal Year 2022-2023:

The 2022-2023 budget included a $50 credit for CARE customers, specifically to be applied in Q1/Q2. In August/September 2022, CARE/FERA customers received a $50 "EBCE CARE Customer 2022" credit.

The 2022-2023 budget also allowed for a Budget Surplus Waterfall Allocation as follows:

1. Working Capital Needs: $50MM

2. Reserve Account Funding: $75MM
3. 50/50% split of any excess to:
    a. Incremental Long-term Renewable Energy/Clean Energy Storage Investments
    b. One-time On-Bill Credits to customers

Based on the 2022-2023 surplus, $10,504,837 was allocated to “revenue share” customer credits. The credits were split pro-rata based on total load between the residential and non-residential segments. Approximately 40% of total usage was attributed to Residential customers. Every active residential customer received the same credit amount, $7.27. Non-residential customers received a credit based on a volumetric calculation of $0.002 per kWh of FY 2022-2023 usage. Table 1 identifies credits provided by customer class.

The non-residential credits were provided based on annual consumption; Table 1 provides average credits for common commercial rates.

Non-residential Customer Size	Average Annual Usage (kWh)	Average Credit
Small (B1)	16,632	$33
Medium (B10)	205,176	$410
Large (B19)	2,676,288	$5,353

Table 1: FY 2022-2023 Average Non-residential Surplus Revenue Credits

On the bill, these credits were identified as “Ava Customer Dividend.” Residential credits were applied to the bill in December and non-residential in January/February.

Fiscal Year 2023-2024

The 2023-2024 budget again included a special $50 CARE or FERA credit. On the bill, these credits were the “Ava Customer Credit.” These were applied in November 2023.

To review, in January 2024, the Board approved a surplus allocation plan:
1. $50 million to be retained for working capital needs
2. $100 million to be contributed to reserve funds
3. The remaining balance to be split 60/40 between:
    a. One-time on-bill credits to customers, with some portion applied specifically to CARE/FERA customers
    b. Incentives for an Ava Solar and Storage Program

Note: The 2024-2025 budget did NOT include a special Q1/Q2 CARE allocation. The 2023-2024 surplus will be the “fall” credit that CARE customers may be accustomed to receiving from Ava.

2023-2024 Surplus and Credit Options

Following the direction of the Board’s resolution from January 2024, for the credit assignments described in table 3, staff first assigned a value to credits for CARE/FERA customers. Then, using the same methodology applied to the FY 2022-2023 surplus, staff divided the remaining funds proportionally between residential and non-residential, based on 2022-2023 actual load (annual usage). Also, based on the operational success of applying the FY 2022-2023 surplus, residential credits are divided equally among all customers. Non-residential, or commercial, credits are applied based on actual usage in the previous fiscal year. In options 1, 2, and 3, CARE/FERA customers receive only the CARE credit, so their load is not included in the proportional division. In options 4 and 5, CARE/FERA customers receive both their unique credit and the residential credit, so their load is included in the total residential load.

Staff used the following assumptions in developing Options 1, 2 and 3, shown in Table 4.

CARE/FERA Customer Count	108,415
Residential Customer Count, total	512,850
Non-residential load, 2023-2024	3,747,420,727 kWh
Residential load, total, 2023-2024	2,189,688,525 kWh
CARE/FERA load, 2023-2024	368,023,164 kWh
Total Surplus Available	$22,444,694

Table 2: Assumptions for analysis

Option 1: $125 for CARE/FERA Credit

Customer Class	% Funds	Total	Bill Credit	Note
Residential	13%	$2,934,630	$7.26	Similar to 2023 credit
CARE/FERA	60%	$13,551,875	$125.00	Does not receive Residential Credit
Non-residential	27%	$5,958,189	$0.0016	Same to 2023 credit

Option 2: $100 for CARE/FERA Credit

Customer Class	% Funds	Total	Bill Credit	Note
Residential	17%	$3,829,054	$9.47	Nearly double 2023 credit
CARE/FERA	48%	$10,841,500	$100.00	Does not receive Residential Credit
Non-residential	35%	$7,774,140	$0.0021	Similar to 2023 credit

Option 3: $75 for CARE/FERA Credit

Customer Class	% Funds	Total	Bill Credit	Note
Residential	21%	$4,723,478	$11.68	Nearly double 2023 credit
CARE/FERA	36%	$8,131,125	$75.00	Does not receive Residential Credit
Non-residential	43%	$9,590,091	$0.0026	1.5x 2023 credit

Option 4: $50 for CARE/FERA Credit

Customer Class	% Funds	Total	Bill Credit	Note
Residential	28%	$6,298,859	$12.28	Nearly double 2023 credit

CARE/FERA	24%	$5,420,750	$50.00	Also receives Residential Credit
Non-residential	48%	$10,725,085	$0.0029	1.5x 2023 credit

Option 5: $40 for CARE/FERA Credit

Customer Class	% Funds	Total	Bill Credit	Note
Residential	30%	$6,699,995	$13.06	Nearly double 2023 credit
CARE/FERA	19%	$4,336,600	$40.00	Also receives Residential Credit
Non-residential	51%	$11,408,099	$0.0030	1.5x 2023 credit

Option 6: No special credit to CARE/FERA

Customer Class	% Funds	Total	Bill Credit	Note
Residential	37%	$8,304,537	$16.19	More than double 2023 credit
Non-residential	63%	$14,140,157	$0.0038	Almost double 2023 credit

Table(s) 3: Staff identified options for 2023-2024 bill credits

Staff recommends the middle option, Option 3. Table 4 provides an overview of all options provided with a comparison to the previous credits shared with customers.

			To be applied Dec-24 to Feb-25					
	FY22/23	**FY23/24 Budget**	**Option 1**	**Option 2**	**Option 3**	**Option 4**	**Option 5**	**Option 6**
Residential Credit	**$7.27** (Dec-23)		$7.26	$9.47	$11.68	$12.28	$13.06	$16.19
CARE Credit (Total)	**$50** (Aug-22) **$7.27** (Dec-23)	**$50** (Nov-23)	$125	$100	$75	$62.28	$53.06	$16.19
Non-Residential (per kWh)	**$0.002/kWh** (Jan-24)		$0.0016	$0.0021	$0.0026	$0.0029	$0.003	$0.0038

Table 4: Summary of Options

Customer Bill Impact

The non-residential credits by option vary widely based on annual usage; table 6 provides context. Staff recommends option 3. For a small or medium commercial customer, this is an extra $10 and $120 credit, respectively, compared to 2023

Non-residential Customer Size	Average Annual Usage (kWh)	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6
Small (B1)	16,632	$27	$35	$43	$48	$50	$63
Medium (B10)	205,176	$328	$431	$533	$595	$616	$780
Large (B19)	2,676,288	$4,282	$5,620	$6,958	$7,761	$8,029	$10,170

Table 5: Example credits for average commercial customers

With significantly less usage variability, residential bills are more meaningful to compare year-to-year and for an "average" household. Tables 6 and 7 provide a snapshot of average annual electricity bills for residential CARE/FERA customers and residential customers respectively; annual bills are inclusive of generation and delivery charges. Staff used the default rate, which was E-1, a flat generation rate with tiered delivery charges, until 2021 when the new default was a time-of-use rate, TOU-C.

Default CARE/FERA Rate

Rate	Year	Average Monthly Usage (kWh)	PG&E Average Annual Bill ($)	Ava Average Annual Bill ($)	Ava Average Annual with Credits ($)
E-1	2019	338	$659	$651	
E-1	2020	338	$693	$689	
E-1	2021	429	$925	$919	
E-TOUC	2022	339	$889	$871	$821
E-TOUC	2023	343	$934	$904	$846
E-TOUC	2024	341	$1,080	$1,050	$975

Table 6: Average annual CARE/FERA residential bills, 2019-2024

In 2022, compared to 2021, CARE customers experienced lower annual bills due to a decrease in average monthly usage, annual electricity bills were lowered further through the Ava $50 bill credit. In 2023, customers would have seen average monthly bills increase from $871 to $904, however the $57 in bill credits from Ava effectively offset this increase. Should Ava apply a $75 credit to customer bills in 2024, customers would again be shielded from the bulk of the nearly $100 annual increase.

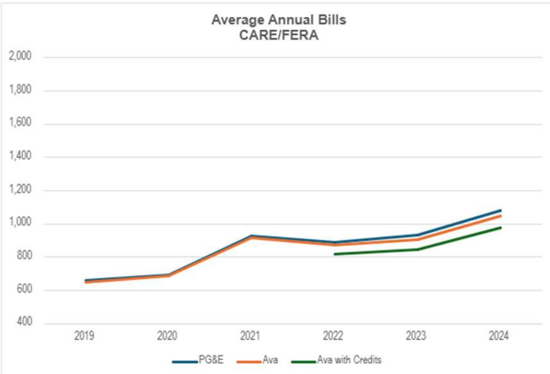
Standard residential customer bills, shown below in Table 7 do not experience this same benefit, as the credit has not been nearly as significant.

Default Residential Rate

Rate	Year	Average Monthly Usage (kWh)	PG&E Average Total Annual Bill ($)	Ava Average Total Annual Bill ($)	Ava Average Total Annual Bill with Credits ($)
E-1	2019	359	$1,070	$1,063	
E-1	2020	359	$1,165	$1,160	
E-1	2021	402	$1,358	$1,353	
E-TOUC	2022	373	$1,525	$1,505	
E-TOUC	2023	365	$1,549	$1,516	$1,502
E-TOUC	2024	360	$1,776	$1,744	$1,732

Table 7: Average annual residential bills, 2019-2024

Another way to look at this information is shown in Figures 1 and 2, with the same information provided graphically.



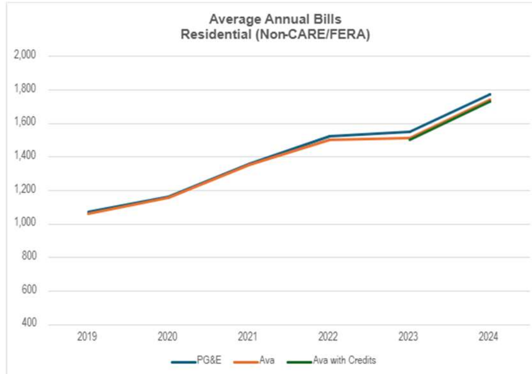


Figure 1: Average annual CARE/FERA residential bills, 2019-2024
Figure 2: Average annual residential bills, 2019-2024

Review of Option 3
Staff recommends Option 3, as this provides a larger credit than all three customer groups received last year. These bill credits would be applied to customer bills one to three months after Board approval.

Customer Group	Proposed Credit from FY23-24 Surplus
Residential	$11.68
CARE/FERA	$75
Non-Residential	$0.0026 per kWh
Small (B1)	$43
Medium (B10)	$533
Large (B19)	$6,958

Table 8: Option 3, review

<u>Attachments (if applicable)</u>

A. PowerPoint

Ava Community Energy

Fiscal Year 2023-2024 Customer Bill Credits

Finance, Administration, and Procurement Subcommittee

November 13, 2024

Summary

The January 2024 Budget Surplus Allocation resolution identified the following allocation:

1. $50 million to be retained for working capital needs
2. $100 million to be contributed to reserve funds
3. The remaining balance to be split 60/40 between:
   - One-time on-bill credits to customers, with some portion applied specifically to CARE/FERA customers
   - Incentives for an Ava Solar and Storage Program

Staff seeks feedback on proposed FY2023-2024 bill credit options. Based on the 23-24 financial audit ~ $22M is available for on-bill credits.

History

- Previous budgets have provided for on-bill customer credits as follows:

	FY 22/23	FY23/24
Residential Credit	$7.27, Dec 2023	TBD
CARE Customer Credit	$50, Aug 2022 $7.27 Dec 2023	$50, Nov 2023
Commercial Credit	$0.002/kWh, Jan 2024	TBD

- The CARE customer credits provided in 2022 and 2023 were authorized by the board at $50 each
- Credits that were funded by surplus revenue were calculated by staff, splitting the total amount available into residential and commercial based on percentage of total load.
  - Commercial customers were provided a custom credit based on actual usage
  - Residential customers all received the same amount

Summary of Options: FY23-24 Surplus Revenue On-bill Credits

Customer Class	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6
	One-time Bill Credit					
Residential	$7.26	$9.47	$11.68	$12.28	$13.06	$16.19
CARE/FERA	$125.00	$100.00	$75.00	$62.28	$53.06	$16.19
Non-Residential Credit (per kWh)	$0.0016	$0.0021	$0.0026	$0.0029	$0.0030	$0.0038
Small (B1)	$27	$35	$43	$48	$50	$63
Medium (B10)	$328	$431	$533	$95	$616	$780
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Recommendation (Option 3)

Customer Group	Proposed Credit from FY23-24 Surplus
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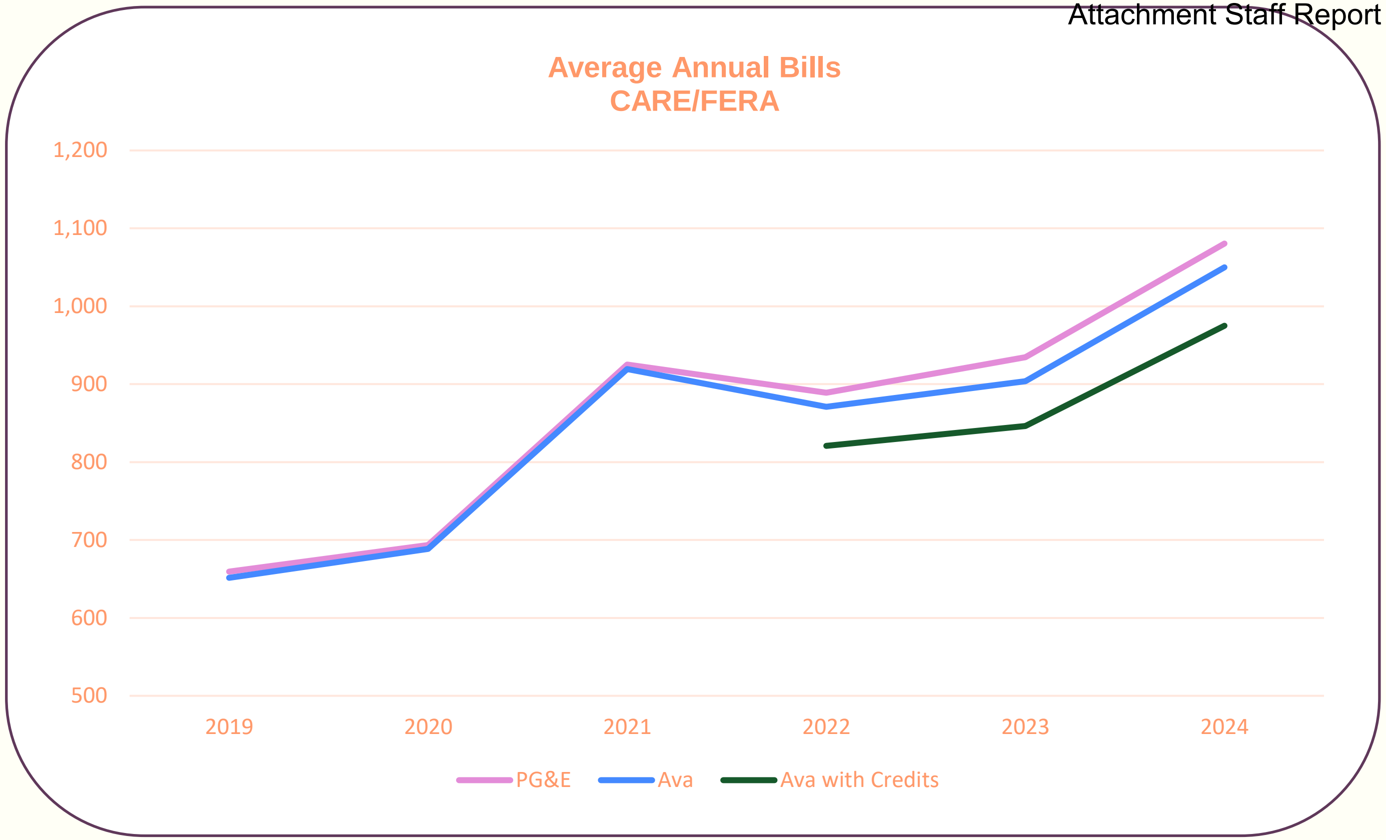
Effect on Customer Bills: CARE/FERA Customers with Option 3



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E-TOUC	2023	343	$934	$904	$846
E-TOUC	2024	341	$1,080	$1,050	$975

Next Step

- Staff will bring the recommendation and feedback from the Finance, Administration, and Procurement Subcommittee to the Board of Directors on Wednesday, November 20.

Thank you!

Ava Community Energy

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Phone +1 833.699.3223

Email customer-support@AvaEnergy.org

Social PoweredWithAva

Attachment Staff Report Item 6A

Appendix: Options

Option 1: $125 for CARE/FERA Credit

Customer Class	% Funds	Total		Bill Credit	Note
Residential	13%	$2,934,630		$7.26	Similar to 2023 credit
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Option 4: $50 for CARE/FERA Credit

Customer Class	% Funds	Total	Bill Credit	Note
Residential	28%	$6,298,859	$12.28	Nearly double 2023 credit
CARE/FERA	24%	$5,420,750	$50.00	Also receives Residential Credit
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Option 6: No special credit to CARE/FERA

Customer Class	% Funds	Total	Bill Credit	Note
Residential	37%	$8,304,537	$16.19	More than double 2023 credit
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Ava Community Energy

Critical Municipal Facilities: Request for Approval

Agenda

1. Transaction Overview
2. CMF Program Structure
3. Key Counterparties
4. Next Steps

1. Transaction Overview

Executive Summary / Request for Consent

- Ava is working with a renewable energy developer, GreenBridge, to design, construct, and operate solar and storage systems across 34 municipal sites by entering power purchase agreements ("PPAs") with 6 participating cities.
- City project portfolios are designed to deliver energy savings over the contract terms, as well as resiliency benefits to protect against grid outages and extreme weather events.
- Projects to be constructed in phases to achieve commercial operation on varying timelines in 2025-2027.
- Ava working towards execution of a master PPA with Green Bridge by early December to enable early-phase projects to kickoff development to support NEM2.0 qualification deadlines.
- **Nov Board Approval Requests:**

  1) Negotiate and execute Developer PPA and Asset Transfer Agreements with GreenBridge LLC

  2) Negotiate and execute PPAs with Cities and provide Solar and Storage incentives to Cities

2. CMF Program Structure

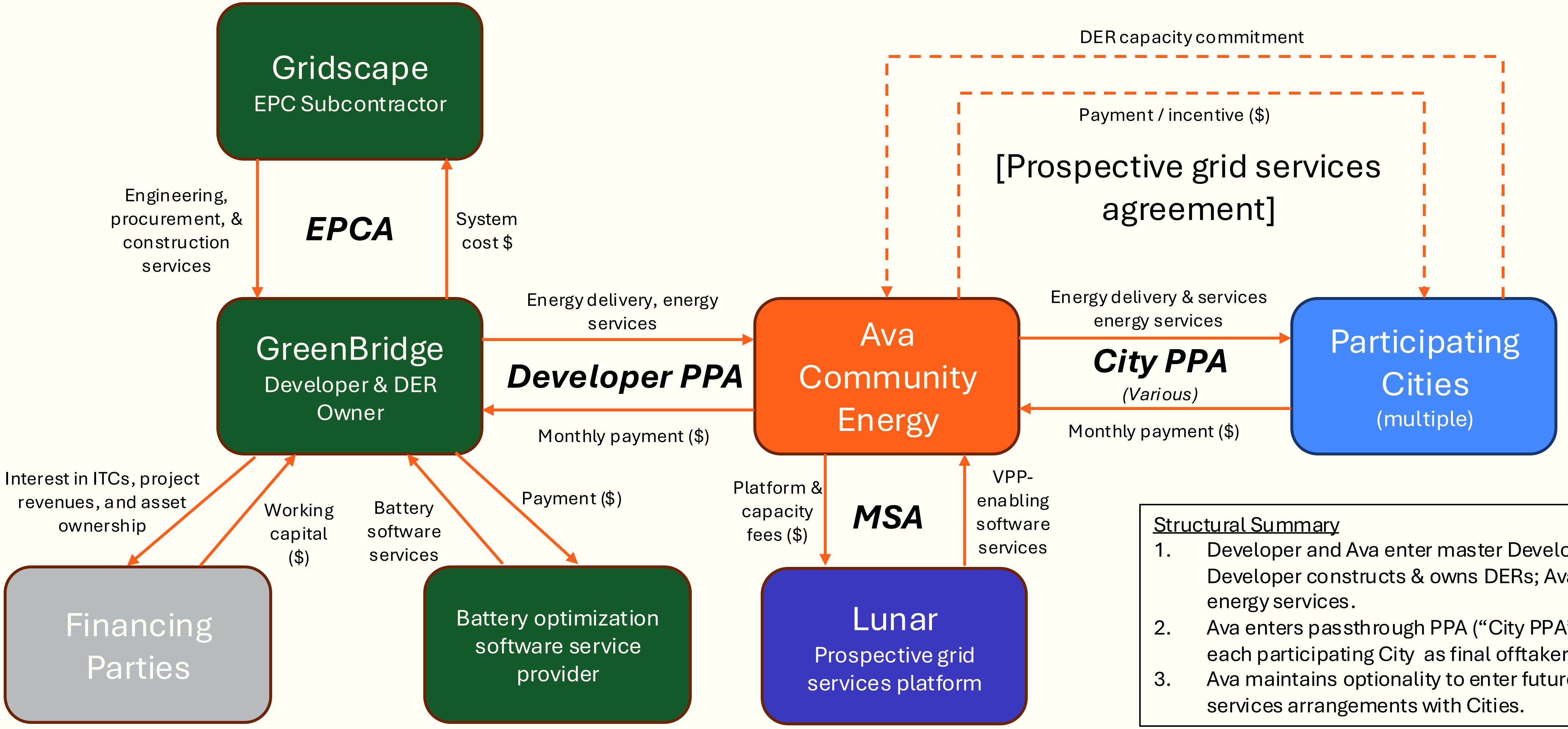
Developer & City PPA Overview

Ava to enter long-term energy service agreements with each participating city, which go “back-to-back” with master agreement Ava enters with experienced project developer.

- **Developer PPA:** Ava to enter master purchase agreement (“PPA”) with Green Bridge (experienced C&I-scale developer) which will construct, operate, and own the systems and sell the site energy generation and optimization services to Ava.
- **City PPAs:** Ava to separately enter individual PPAs with each city that passes through rights / obligations of the master PPA:
  - Ava to sell energy generation and energy services (e.g. use of battery energy storage system and optimization software) to Cities
  - Ava to deliver construction, operation, and system maintenance (directly or indirectly via Developer’s obligations in the master PPA)
- Benefits to Cities:
  - Multi-city initiative enables scale-based benefits in commercial terms for Cities relative to single-project financing, e.g. Lower costs/ increased savings, higher quality contractual terms, etc.
  - Ava (trusted entity) transacts with Cities directly to close and administer the services
  - Ava holds ability to deliver ancillary services and incentives to Cities

Transaction Diagram

Ava managing high degree of complexity while streamlining the development process on behalf of Cities.

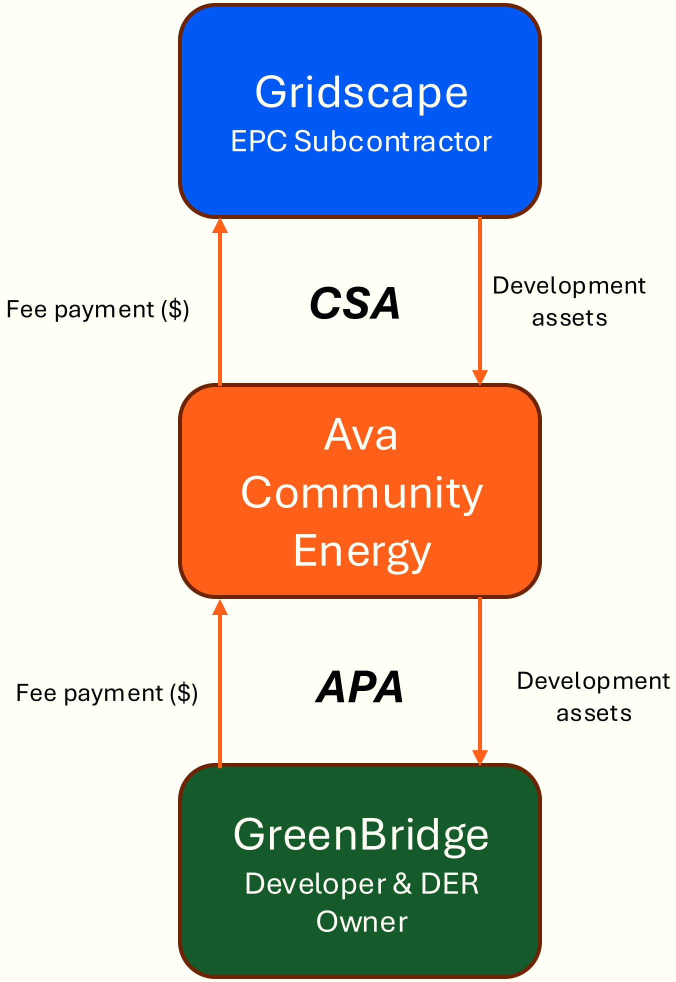


Structural Summary

1. Developer and Ava enter master Developer PPA. Developer constructs & owns DERs; Ava pays for energy services.
2. Ava enters passthrough PPA ("City PPA") with each participating City as final offtaker.
3. Ava maintains optionality to enter future grid services arrangements with Cities.

Asset Purchase Agreement

- In advance of Developer PPA execution, Ava entered Consulting Services Agreement ("CSA") with Gridscape to conduct and pay up to $1.8M for preliminary design, development, and interconnection application work for NEM2.0 projects
- CSA was critical to support development ahead of NEM2.0 cliff dates and requisite PG&E approval milestones
- Ava to simultaneously execute Asset Purchase Agreement ("APA") with Green Bridge to assign Ava's CSA development assets to Green Bridge for ongoing project development
  - Under APA, Green Bridge to pay Ava for 100% of the development assets for each project at notice to proceed
  - Ava will retain the sunk cost of development for CSA work related to projects deemed non-viable or terminated prior to NTP



Labor Commitments

Ava working with Developer to ensure construction labor is paid at prevailing wages and contracts with local, union labor.

- **Commitment to Local:** Developer committing to hire construction contractors and subcontractors residing in Alameda or San Joaquin county ("Local Hires").
- **Prevailing wages:** Commitment to pay prevailing wages at local level across each City.
- **Use of union labor:** Developer committing to use union labor where it is possible to (i) use Local Hires, (ii) meet project development timelines, and (iii) meet cost neutrality requirements of the Cities.
    - In the event that the Developer cannot find union labor that can meet all items above, it will provide advance notice to Ava and provide an alternative proposal that meets (i)-(iii).

City Portfolios

Portfolio Profile by City

City	# NEM 2.0 Projects	# NEM3.0 Projects	Total Project Count	PV Capacity (kW)	Battery Capacity (kWh)
Berkeley	2		2	202	387
Fremont	2	4	6	303	697
Hayward	3	1	4	218	387
Livermore	2	4	6	2,814	5,954
Oakland	5	4	9	1,466	2,786
San Leandro	5	2	7	880	1,780
Grand Total	**19**	**15**	**34**	**5,883**	**11,992**

Site list and capacity figures pending finalization

PPA Pricing to Ensure City Savings

Developer commits to a pricing construct that (i) ensures each City achieves portfolio savings, (ii) locks pricing for early-stage projects, and (iii) sets guardrails on pricing changes for late-stage projects.

- City portfolios must meet cost neutrality over PPA term
- Developer commits to design and price each City portfolio to meet cost neutrality
- Developer agrees to limitations on price changes for NEM3.0 projects
- Each City has 2 separate PPA rates applicable to its (i) NEM2.0 and (ii) NEM3.0 project cohorts
  - NEM2.0 projects: Pricing is locked at PPA execution
  - NEM3.0 projects: Pricing may change due to design changes, but only to extent that City portfolio remains cost-neutral
    - If pricing changes impair cost neutrality, then Ava/City has right to remove minimum projects to achieve cost neutrality
  - City-specific pricing and savings figures to be shared with Cities shortly after 11/6
- Ava collecting 2.5% surcharge to collect for: Administration, legal expenses, extra-ordinary charges and potential removal fee

City Savings Calculation

Estimated site utility costs during term without projects
<u>(-) Estimated site utility costs during term with projects</u>
= Estimated City utility bill savings
<u>(-) cumulative PPA payments for the projects</u>
= Cumulative net energy bill savings to City

Ava Providing Solar and Storage Incentives

- Ava requesting permission apply approved CMF budget of $7M towards Solar & Storage incentives structured like the upcoming publicly available Community Resilience Hub incentives
- All projects will receive an incentive of $2/month/kWh of aggregate BESS nameplate capacity for 5 years. NEM3.0 projects will also receive an upfront incentive of $400/kWh to account for lower bill savings.
- Incentive to be passed to Cities as a monthly bill credit on City PPA invoices from Ava for a 5-year credit term
- Ava retains option to use the upfront incentive via an optional prepayment of the Developer PPA if the pre-payment delivers additional savings to the Cities

3. Key Counterparties

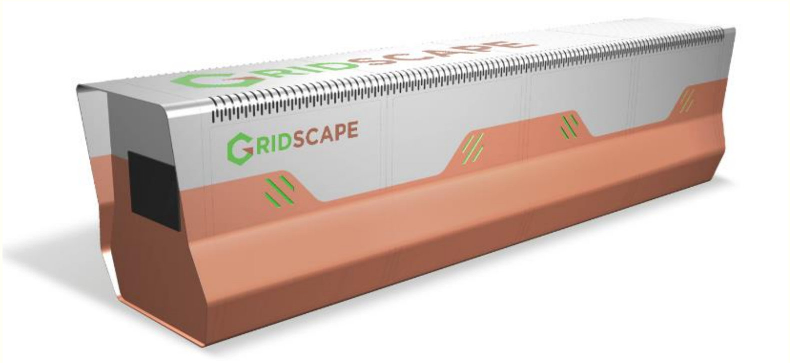
RFO Process

- Initial RFO in July 2022, for projects with 4 Cities and selected SunWealth LLC as Asset Owner and received approval from BoD to negotiate and execute agreement in January 2023.
- Ava and SunWealth were unable to successfully agree on PPA
- Ava re-issued RFO with 8 participating Cities in July of 2023 and received four bids. After initial review 2 bidders were shortlisted
- Greenbridge was selected as final counterparty progress with PPA negotiations

Financing Partner: Green Bridge

- North Carolina-based commercial and utility-scale renewable energy financing and development platform
- Founded in 2020 by legacy GE Capital leadership, with over 38 years of renewables and energy financing and development experience
- Has funded over $1B of projects to date, with pipeline of over $250M in development
- Uses institutional tax equity and debt financing capital to deliver competitive PPA pricing
- Lever relationships with best-in-class operational service providers to support its operational services

Engineering, Procurement, & Construction (EPC): Gridscape



Gridscape

- Headquartered in Fremont
- Portfolio includes 19 municipal solar and/or storage microgrid projects in California
- Deep capabilities in microgrid solar and storage design, engineering, procurement, installation, interconnection, and operation & maintenance
- Levers network of subcontractors as boots-on-the-ground for project construction

4. Next Steps

Next Steps & Timing

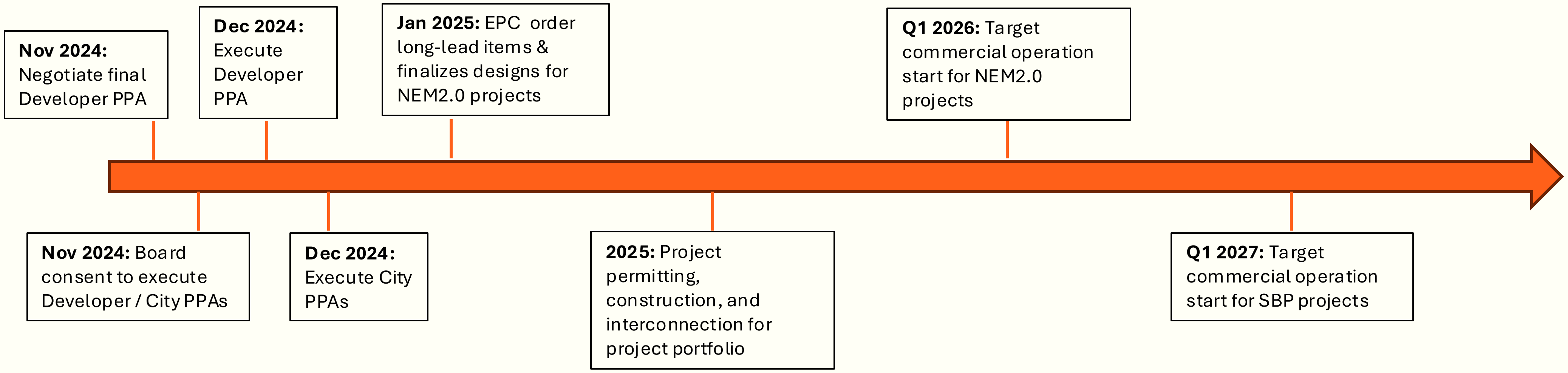
Next two months

- **Mid-November:** Finalize Developer PPA form; deliver pricing to Cities
- **Ava 11/20 Board Meeting:** Authorize CEO to negotiate and execute
- **Early Dec:** Execute Developer PPA
- **EOM Dec:** Execute City PPA with all Cities
- **Jan 2025:** NEM2.0 design finalization & long-lead equipment orders placed
- **2025-2027:** Projects constructed, interconnected, & operationalized in phases

City Calendar for Approval to Execute

City	City Council Approval Date
Berkeley	11/12
Fremont	12/3
Hayward	10/15
Livermore	11/25
Oakland	11/12
San Leandro	12/2

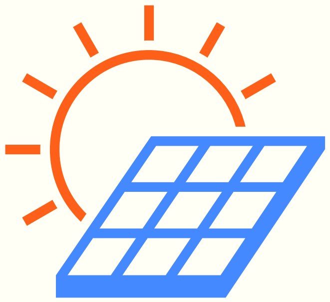
CMF Timeline

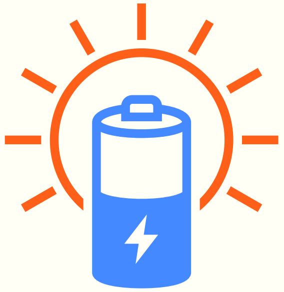


Appendix

Equipment, Operations, & Warranties

- **Major Equipment**
  - All equipment vetted by GreenBridge’s independent engineer and supported by manufacturer’s warranty on performance and functionality:
    - Solar modules: Minimum 25 year warranty
    - Battery energy storage systems: Minimum 10 year warranty
    - Inverters: Minimum 5 year warranty
- Installer warranties:
  - Workmanship warranty: 3 years
  - Roof warranty: 10 years
- **Operations & Maintenance:** Gridscape
  - As original EPC, maintenance benefitted by Gridscape warranties and project familiarity





Third-Party Advisors

Program structure and project consultation has been supported by best-in-class advisory.

- **Outside counsel:** Ava representation and transaction document drafting by Wilson Sonsini, a leading renewable energy and clean technology law firm.
- **Energy modeling:** Project site assessment verification services provided by EcoMotion, an experienced consultancy with specialty in microgrid resiliency projects.

Ava’s Responsibilities & Risk Mitigants

Program has been designed to offer cost-neutral renewable-based energy resiliency for Cities. Ava directly provides services to Cities, while mitigating risk to Ava though Developer’s ownership.

Issue	Risk(s)	Mitigation
Billing	• Risk of Ava coming out of pocket to make monthly PPA payments to Developer	• Ava collects City payments through City PPA and passes them through to Developer under Developer PPA • Monthly Payment sized on same reported energy metrics to ensure City payment covers Ava’s payment • Billing cycle: City pays Ava before Ava pays Developer
Equipment Performance	• Poor solar or battery performance result in reduced energy savings delivered to the site	• solar performance guarantee, with damages payable to Cities if not met to incentive • Developer backstops BESS performance triggers for BESS availability, efficiency, and capacity with EOD ramifications
Project Operation & Maintenance	• Solar or BESS equipment fails or underperforms during contract term • System owner fails to maintain system to prudent operating standards	• Developer bears cost & responsibility of project O&M services to Ava, which Ava passes along to Cities • Original installer (Gridscape) serving as O&M provider, with support of their workmanship & roof warranties • Developer posts replenishable performance security as reserve for project maintenance and system removal throughout term
Development Timing	• Project construction and commissioning runs late, causing certain projects to miss NEM2.0 deadline and/or inconvenience at project sites	• Developer owes damages passed through to Cities in event project does not meet target operation start date • City has project termination rights if COD is delayed greater than 45 days (for NEM2.0 projects) or 120 days (for SBP projects).
Equipment Selection & Procurement	• Equipment does not meet industry standards around performance and/or warranty • Sourcing practices conflict with federal/state/local regulations	• Developer approved vendor requires technical opinion by reputable third-party independent engineer • Major components supported by fulsome manufacturer’s warranty. • Developer required to comply with trade regulations, including UFLPA & modern slavery

Ava's Responsibilities & Risk Mitigants (cont.)

Issue	Risk	Mitigation
Project Insurance	• Unforeseen installer liability during construction • Disaster, wildfire, extreme weather, or other insurable event results in system loss during operation	• Developer required to maintain fulsome construction all-risk and operating all-risk insurance • Force majeure language limits performance obligation
Project Removal	• Cities left bearing the responsibility and expense of removing systems from their sites at end of term	• Developer required to perform and pay for end-of-term project removals • Developer posts replenishable performance security to support end-of-term project removal • Ava bears obligation to pay for end-of-term project removals if not covered by Developer • In event Ava loses investment grade status, Ava to post cash or LC security at City's benefit for use in system removals
Project / Portfolio Termination Rights	• Project terminations or default by City leave Ava at risk of performing PPA buyer obligations to Developer • Project termination or default by Developer leave Ava at risk of performing seller obligations to City	• Agreements designed to cross-terminate at project & portfolio level • In event of post-construction City early termination, City makes termination payment that passes through to Developer
Developer Risk	• Developer is unable to perform its obligations through the end of the term due to financial distress or changes to its business model	• Developer's use of traditional renewable project financing creates likelihood of ownership assignment to reputable asset managers in event of Developer insolvency • In a severe downside scenario, Ava has buyout rights and manager transition rights to step into Developer obligations to the projects