



Financial, Administrative and Procurement Subcommittee Meeting

Monday, September 8, 2025
3:30 pm

In Person:

Rotunda Building
Large Conference Room
300 Frank H. Ogawa Plaza
Oakland, CA 94612

Or from the following locations:

- Clipper Club, 5 Captain Drive, Emeryville, CA 94608
- Milk and Honey Cafe, 34265 Fremont Blvd Fremont, CA 94555
- 35653 Scarborough Dr, Newark, CA 94560
- Oakland City Hall, 2nd Floor, 1 Frank H. Ogawa Plaza, Oakland, CA 94612
- The Westin San Diego Bayview, 1051 Columbia St, San Diego, CA 92101
- 34009 Alvarado-Niles Road, Union City, CA 94587

Via Zoom:

<https://avaenergy-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 July 9, 2025 (Action Item)**
- 4. Credit Card Policy Amendment (Informational Item)**
Proposed amendments to the Credit Card Policy.
- 5. Rate Stabilization Fund (Informational Item)**
Proposed Rate Stabilization Fund Policy.
- 6. Line of Credit (Informational Item)**
Review of Line of Credit for Board approval.
- 7. Committee Member and Staff Announcements including requests to place items on future Board Agendas**
- 8. Adjourn**

The next Financial, Administrative and Procurement Subcommittee meeting will be held on Wednesday, November 7, 2025 at 3:30pm.

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



Draft Minutes

Financial, Administrative and Procurement Subcommittee Meeting

Wednesday, July 9, 2025
3:30 pm

In Person:

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

Or from the following locations:

- Milk and Honey Cafe, 34265 Fremont Blvd Fremont, CA 94555
- 35653 Scarborough Dr, Newark, CA 94560
- 1100 Webster St, Oakland, CA 94607
- 34009 Alvarado-Niles Road, Union City, CA 94587

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1. (0:17) Welcome & Roll Call

Present: Directors: Keng (Fremont), Brown (Oakland), Del Catancio (Newark), Sakakihara (Union City) and Chair Kaur (Emeryville).

Absent: Morada (Dublin).

2. (0:54) 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. (1:04) Approval of Minutes from May 8, 2025 (Action Item)

Director Sakakihara (Union City) motioned to approve the minutes. Director Brown (Oakland) seconded the motion, which passed 4/0/0/0/1.

Yes: Keng (Fremont), Brown (Oakland), Del Catancio (Newark), Sakakihara (Union City) and Chair Kaur (Emeryville).

No: None.

Abstain: None.

Recuse: None.

Not Present: Morada (Dublin).

There were no speakers for public comment.

4. (2:36) Compliance Period Procurement Methodology (Informational Item)

Review of proposed compliance periods for Ava procurement.

Izzy Carson outlined three proposed timelines for adopting a multi-year compliance period approach to Ava's energy procurement methodology, aimed at improving management of variability, costs, and upcoming regulatory requirements.

There were no speakers for public comment.

Selection of topics discussed by subcommittee members:

- Possibility of a rolling three-year compliance period and its potential volatility
- Use of 2024 excess procurement to stagger targets
- Scenario 2 (2024–2027)'s alignment with 2028 emissions accounting rules
- Uncertainty of 2028 emissions accounting timeline and its impact on planning

5. (28:57) Administrative Procurement Policy (Informational Item)

Revisions to Ava's procurement policy.

This item was pulled from the agenda and postponed to a later date.

6. (29:00) Fiscal Year Annual Audit Preview (Informational Item)

Preview the details of the upcoming annual audit.

Russell (Rusty) Mills discussed Ava's annual financial audit process, noting that the independent auditor has begun work to ensure compliance with contractual and credit

facility requirements, with audited statements due by December 27, 2025.

There were no speakers for public comment.

Selection of topics discussed by subcommittee members:

- Formation timeline of the Audit Committee

7. (33:23) Updated Energy Risk Management Policy (Informational Item)

Review of the updated Energy Risk Management Policy.

Ray Dai presented revisions to Ava's Energy Risk Management Policy, including updating ROC membership and quorum rules, clarifying CEO reporting for Brown Act compliance, and making title changes.

There were no speakers for public comment.

Selection of topics discussed by subcommittee members:

- Clarification of ROC membership rules

8. (42:09) Fiscal Year 2024-2025 Q3 Draft Financial Statements (Informational Item)

Review the financial statements for the quarter closing March 31, 2025.

Jason Bartlett outlined Ava's Q3 financials, noting reserve and rate stabilization balances, \$198.5M in revenue, \$224M in expenses, and a \$16.7M net reduction, leaving a net position of \$636M.

There were no speakers for public comment.

There was no discussion by the subcommittee members.

9. (45:10) Committee Member and Staff Announcements including requests to place items on future Board Agendas

There were no committee member or staff announcements.

10. Adjourned at 4:30pm.

The next Financial, Administrative and Procurement Subcommittee meeting will be held on Monday, September 8, 2025 at 3:30pm.

Rotunda Building
Large Conference Room
300 Frank Ogawa Plaza
Oakland, CA 94612

Minutes Written by Raïssa Ngoma

CREDIT CARD USE AND CONTROLS POLICY, SECOND AMENDMENT

Policy Number: 16.2

Approval Date: 9/17/2025

Agenda Item: {To be added by Clerk}

Approved by Resolution: {To be added by Clerk}

PURPOSE:

The purpose of this Policy is to set guidelines for the usage and payment of business expenditures from the Corporate Credit Cards (Cards). This Policy is not intended to override the Administrative Procurement Policies and use of the Cards shall be in accordance with these policies.

RESPONSIBLE PARTIES:

The Financial Executive/Treasurer is responsible for ensuring uniform policies and procedures are followed for Ava's Credit Card Policy.

SCOPE:

The Policy applies to all the Corporate Credit Cardholders of Ava Community Energy (Ava).

CONTROLS OVER CARDS

1. Cards may be issued only to Ava executives at the Senior Vice President level and above, the Financial Operations Lead, the Controller, or other staff as necessary at the discretion of the CEO and the Treasurer.
2. At least one card controlling member will review and approve the monthly statements before the cards are paid irrespective of the account balance.
3. The use of the card shall only be used for business-related expenditures and shall not be used for personal expenses or cash withdrawals.
4. The account will have a standard monthly credit limit of \$100,000
5. A lost or stolen card must be reported as soon as it is discovered as missing.

CARD USAGE

The proper name of the cardholder will be embossed on the card along with "Ava Community Energy". The card is valuable property which requires proper treatment by the cardholder to protect it from misuse by unauthorized parties. The cardholder is required to activate (as per instructions received with the card) and sign the card immediately upon receipt. The card may be used upon activation. When a new card is issued to the cardholder, it is the cardholder's responsibility to destroy the previous card (cut it in pieces) and discard. If the cardholder's employment is terminated for any reason, the card will be immediately cancelled upon notice of termination by the Financial Operations Lead, Controller or Treasurer.

Eligible uses of the card include, but are not limited to:

1. Refreshments and meals for outreach events and meetings
2. Conference registration
3. Travel arrangements (ex: airfare, car rental, train fare and hotels)
4. Certain marketing and social media expenses
5. Recurring payment of data or industry news subscriptions
6. Urgent office supplies and maintenance
7. Cell phone purchases and monthly cell phones service
8. Other approved expenditures

All expenses must be in accordance with the Board approved expenses established in the approved budget and within guidelines set in the Administrative Procurement Policy.

The card may not be transferred to, assigned to, or used by anyone other than the designated cardholder. Amex or Ava may, at any time, suspend or cancel the cardholder's privileges for any reason and the cardholder will surrender the credit card upon request. The cardholders should attempt to keep the use of the card to a minimum.

Employees are NOT permitted to use the card for personal expenses. Any rewards earned on card will belong to Ava and will be used to buy down the balance of the account periodically or be used to reduce cost of qualifying new purchases as permissible.

SAFEGUARD OF CARDS

1. The cardholder is required to ensure proper safeguard of the card by: Securely keeping the card in their possession, signing the back of the card, and destroying an expired or replaced card
2. Ensuring that only the last four digits of the card number appear on any printed document

EXPENSE ACCOUNTING, REPORTING, AND PAYMENT

1. The cardholder is required to obtain and submit the original invoices/receipts for all purchases. Missing receipts will require a formal review and notice process. In addition to receipts, the employee requesting use for an approved purchase shall provide prior to the transaction:
 - i. A description of the business purpose
 - ii. In the case of meals or conferences, who was in attendance
 - iii. In the case of travel, travel dates
2. Any transaction with missing documentation requires a written explanation for the missing documentation, and must include the vendor name, date, description of purchase, and reason for the missing documentation.
3. The cardholder is responsible for submitting the invoices/receipts of all transactions to

the Treasurer, Controller or Finance Operations Lead within 5 business days of incurring the transaction or receiving the invoice/receipt.

4. The Finance Operations Lead or Controller is responsible for downloading the monthly statement for all the cards, matching the invoices/receipts to the charges in the statement, ensuring the accounting of every charge in the appropriate period, and making payment by the statement due date.
5. The Finance Operations Lead or Controller will review monthly statements and documentation for completeness and process payment upon approval from direct supervisor. In the case of the Finance Operations Lead's expenses, the Treasurer or CEO will review and sign off on such expenses. In the case of an executive's expenses, the CEO will review and sign off on such expenses. In the case of the CEO's expenses, the expenses will be provided to the Chair of the Board or the Treasurer for review and approval. However, Ava will not await approval to make payment of credit card expenses.

POLICY ENFORCEMENT:

1. Employees are NOT permitted to use the card for personal expenses for any reason. Failure to abide by this provision could result in disciplinary actions, up to and including termination of employment.
2. Any willful intent to disregard the policy will result in revocation of the card and could result in disciplinary actions, up to and including termination of employment

Introduction & Background

- On October 18, 2018, Ava Board approved Credit Card Use and Controls Policy to establish guidelines on use and risk management on corporate credit cards
 - This policy established two cards to be issued—one to the CEO and one to the COO/Treasurer—for eligible operating expenses that cannot be procured through invoicing, check payment, or bank transfers
 - This policy set a cap of \$20,000 total on the account
- November 16, 2022, Ava Board approved amendments to the Credit Card Use and Controls Policy
 - Additional card issued to Finance lead for recurring operational charges to ease demand on executive cards
 - Increase credit limit on account to \$60,000 per month
 - Additional controls placed on Finance card: level of authorization and executive level of review
- The effects of the amendment have helped financial, operating, and accounting functions
 - Demand on executive cards and co-mingling of accounting functions was mitigated
 - Card capacity has been sufficient for sustained growth
 - Controls and processes were improved—ticketing and approval system

Current Usage

- Ava still retains two processes by which credit cards are used:
 - Executive Charges—Executive cardholders are allowed to use the card for business related needs with independent monthly review of charges at time of payment
 - Operational Charges—Employees can request use of the cards through a two-level authorization process with a no-touch final payment (employees never see the card numbers)
- At the time of the 2022 amendment, Ava had 54 employees with 2 executives. Today, Ava has authorization up to 105 FTE with 4 SVP or above level executives.
 - Currently over 54% of operational charges is used for recurring charges like subscriptions, data usage, and similar needs
 - Marketing costs are 34% of monthly Operational Charges on average and have doubled in the last year, particularly for social media advertising. The increase in Marketing needs is impacting capacity on the Operating card, and Marketing is increasing its social media advertising expenses.
- Demand on executive cards has remained minimal with plenty of capacity for executive needs

Amendment Request

- Staff recommends three amendments to the policy to allow for better process and controls
 - Allow executive cards to be available for any executive role at the Senior Vice President level or higher with the approval of the CEO and Treasurer
 - All other executive card functions, controls, and processes remained unchanged
 - Allow operational cards to be available for the Finance Operations Lead, the Controller, or other necessary staff with the approval of the CEO and Treasurer
 - All other operational card functions, controls, and processes remained unchanged
 - Increase the account capacity
 - Raise capacity from \$60,000 to \$100,000 per month to allow for increasing operational demands
- These amendments will allow greater flexibility for executives to manage expenses and add necessary capacity to continue necessary marketing functions without impacting other operational needs

Questions & Comments?

RATE STABILIZATION FUND POLICY

Policy Number: XX

Approval Date: 9/17/2025

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 Rate Stabilization Fund (RSF) as a source of liquidity to manage financial and operational risk. This Policy will also set guidelines for the processes for funding, utilizing, and managing the RSF.

POLICY OBJECTIVES:

The establishment of the RSF will allow Ava to defer revenue in years when fiscal results are strong and to apply deferred revenue in years when financial results are negatively impacted by uncontrollable events. The RSF will provide Ava with a mechanism to protect customers from risks related to energy market volatility, extreme events, and regulatory changes, as well as maintain financial covenants, achieve annual budget objectives, and other such fiscal matters.

FUNDING MECHANISM:

Funding the RSF is accounted for under Governmental Accounting Standards Board (GASB) rules which codify and standardize the accounting management of revenue recognition for public agencies. Deferrals of revenue as a transfer to the RSF reduces revenue, and the change in net revenues and net position in that period of deferral, by the same amount.

The Board of Directors (the “Board”) has authorized the Chief Executive Officer (CEO) and the Treasurer, or their designee, to deposit from time to time such amount as may be determined as appropriate from any source designated as surplus in accordance with the budget previously approved by the Board.

MECHANISM OF FUND UTILIZATION:

Recognition of contributions to the RSF is also governed by GASB rules. Recognition of deferred revenues as a transfer from the RSF increases revenues, and the change in net revenues and position in that period of recognition, by the same amount.

The CEO and the Treasurer, or their designee, are authorized to utilize deferred revenues in the RSF as necessary to stabilize rates, satisfy financial covenants, achieve budget objectives, and other such matters as may be authorized from time to time by the Board.

REPORTING:

The RSF balance is recorded on Ava's Statement of Net Position. Transfers to and from the RSF are recorded in the Statements of Revenues, Expenses, and Changes in Net Position. Both statements are presented quarterly, and audited annually, in Ava's financial statements.

MAXIMUM AND TARGET FUND BALANCE:

The RSF balance is capped at 30% of Ava's annual budgeted operating expenses with a target of 20% of operating expenses.

FUND HOLDINGS AND INVESTMENTS:

Fund balances are not required to be held in a separate account and may be commingled with other funds held by Ava for investment purposes but always accounted for and reported separately. All fund balances are subject to Ava's Board approved and State Government Code compliant investment policy.

Introduction & Background

- Ava currently maintains a Budget (Rate) Stabilization Fund, established in 2020, intended to create a more stable short-term financial position by deferring revenue in years when financial results are strong and be recognized in years when financial results may be negatively impacted by uncontrollable events
- Ava also maintains a cash Reserve Fund, established in 2018 and amended in 2021, and is intended to provide financial stability for long-term business sustaining objectives
- Currently, these funds operate together along with other layers of protection to provide mitigation against potential risks related to energy market volatility, extreme events and regulatory changes
- Staff is providing a recommendation to the board for action this month and seeking feedback from this subcommittee on the following:
 - Changes the name of the Budget Stabilization Fund to a Rate Stabilization Fund (RSF) to align with industry norm
 - Formalizes existing practices as established operating policy for the RSF as a strategic reserve of revenues with defined guidelines for funding, utilizing, and overall management
 - Recommended allocation amount from this year's budget surplus to the RSF

Current Fund Status

- Ava established a "Rate" Stabilization GASB 62 Fund in 2020 by Resolution R-2020-26
 - This resolution established the following objective:
 - In accordance with the Statement 62 under the Governmental Accounting Standards Board (GASB), allow the accrual of deferral of excess revenue to be recognized in successive periods to offset uncontrolled cost variations and preserve positive net position for Ava
 - This resolution thereby established the following practices:
 - To authorize the CEO and Treasurer, or their designee, to make deposits into the fund from any surplus from a Board approved budget as appropriate and prudent
 - Recognition of deposits for necessary financial functions are to be approved by the Board
 - The balance of the fund is to be accounted separately from all other Ava funds
- The current balance of the fund is approximately \$57.6MM
 - Up to \$35.3MM may be utilized to balance the current fiscal year budget by resolution R-2025-23
 - \$10.5MM approved for recognition in 2027 for renewable energy as deemed by resolution R-2023-58
 - \$15MM approved for recognition at a later date for solar + storage incentives by resolution R-2024-26
 - If budget amount is fully utilized, the net balance after the 3 approved recognitions is -\$3.2M

Utilization of Ava's Rate Stabilization Funds

- Stabilizes Ava's rates charged to customers, helping preserve the value proposition
- Fosters strong financial covenant agreements with counterparties
- Funds are an integral part of Ava's waterfall of liquidity resources that maintain our ability to operate and supports our financial strength and "A" ratings

The waterfall consists of four distinct levels for utilization:

1. Working Capital – Ongoing Operational Cash Flow
2. Rate Stabilization Fund – Smooth out cash flows during challenging budget cycles
3. Credit Facility – Post LOCs to operate and only draw if necessary
4. Reserve Funds – Financial strength base layer set aside as a "Disaster/Earthquake" fund

Ava Budget Stabilization Fund Record of Utilization

- The current balance is approximately \$57.6MM with ~\$32.1MM retained specifically for rate stabilization
- Based on the strong forecasted surplus for 2024-25 of >\$107MM, staff proposes a recommendation to allocate all to the Fund
- If we allocate the full surplus, this would increase the Rate Stabilization Fund to \$129.4MM at end of current fiscal year
- The Rate Stabilization Fund is intended to be used to balance surplus and deficit reflecting over and under-collection year to year to stabilize customer rates

FY Contribution Recognition			Balance	Purpose
2020	12,680,000	-	12,680,000	R-2020-26 establishes method to stabilize Local Development balance until Fund is established
2021	15,814,000	12,680,000	15,814,000	R-2020-26 recognizes LD balance with fund establishment via Budget. Contributed to PCIA PUBA balance through December 2023 as allocated by Audit
2022	-	-	15,814,000	No Activity
2023	37,200,000	-	53,014,000	R-2023-37 contributes ~\$10.5MM each for on-bill credits and PPA premium plus \$16.2MM for rate stabilization as allocated by audit
2024	37,407,824	10,504,837	79,916,987	R-2024-2 contributes for on-bill credits and NBT from FY 23-24 surplus revenue as allocated by audit . R-2023-58 recognizes on-bill credits from FY 2023 contribution
2025	-	22,319,294	57,597,693	R-2024-73 recognizes net on-bill credits from previous FY contribution
2026	107,109,000	35,327,000	129,379,693	Bold contribution is potential contribution from FY 2024-25. Bold recognition is Board approved for balancing FY 2025-26 budget by R-2025-23
2027	-	10,504,837	118,874,856	R-2024-26 recognize PPA premium contribution from 2023
2027	-	14,963,130	103,911,726	Possible recognition of NBT incentives contributed in FY 2024 by R-2024-2

Recommended Allocation and Policy Modifications

Ava forecasts a FY24-25 surplus of \$107 million

Recommended Allocation

- Allocate 100% of the FY2024-25 Surplus to the Rate Stabilization Fund

Recommended Policy Creation

- Formally establish and rename the Policy and Fund to "Rate Stabilization Fund" (RSF)
- Authorizes funding and utilization to the CEO and Treasurer consistent with prior Board authorization
- Staff proposes adding a funding level cap and target
 - Up to 30% of operating expenses with a 20% target
 - Consistent with best practices and complementary to other levels in financial resource waterfall (working capital, line of credit and reserves)

Scenario	Contribution*	Balance	Pct OpEx**
Budget Waterfall As Approved			
Reserves	77,851,000	408,724,400	45.4%
Solar & Storage Incentives	10,000,000	24,963,130	
Customer Credits	19,258,000	19,258,000	
Rate Stabilization Fund***	-	22,270,693	2.5%
100% Allocation to RSF			
Reserves	-	330,873,400	36.8%
Rate Stabilization Fund	107,109,000	129,379,693	14.4%
90% RSF/10% Reserves			
Reserves	10,710,900	341,584,300	38.0%
Rate Stabilization Fund	96,398,100	118,668,793	13.2%
80% RSF/ 20% Reserves			
Reserves	21,421,800	352,295,200	39.2%
Rate Stabilization Fund	85,687,200	107,957,893	12.0%

* Contributions to Reserves and RSF is based on 6/30/2025 estimates

** Operating Expenses for FY 2025-26

*** Balance of RSF at end of FY 2025-26 after budgeted recognition

Questions and Discussion?

Credit Facility Renewal Informational Review

Rusty Mills | September 8, 2025



Process for Obtaining the New Credit Facility

- Ava currently holds a \$200MM credit facility with US Bank
 - Expires October 27, 2025
- Staff conducted a formal RFP to solicit offers to replace and expand the current credit facility
 - Six proposals were received and scored based on flexibility, capacity and pricing
 - Additionally considered ESG goals, reference vetting, adherence to RFP details, and applied scoring methodology
 - **Bank Awarded – PNC Bank, based in Pittsburgh PA**
- Ava is seeking to increase the facility to \$300MM due to multiple risk factors
 - More volatile cash flow and operating conditions may stress working capital needs – higher capacity can further preserve financial strength and reserve balances
 - Stress testing shows potential for needing additional liquidity should market prices spike with weather, political conditions, or other systemic risk factors such as PCIA
 - Load Serving Entities (LSEs) have a risk of posting higher collateral because of market conditions—LOCs can protect reserves and working capital

New Credit Facility Terms

Certain aspects of the facility are still being negotiated by Staff, but some color on terms offered are as follows:

- Capacity is \$300 million (\$100mm increase)
- Undrawn Fee offered for any unused balance is 0.20%, which is 0.05% lower on the new facility — *This is the cost to hold the facility as available*
- Standby LOCs have lower costs when issued 1.25% vs. 1.40%
- Facility has a much lower Applicable Margin on draws 0.45% vs. 1.40%
- Draws still based on Monthly Term Secured Overnight Financing Rate (SOFR) + the Applicable Margin, which as of September 1, 2025, is 4.70%.
- Margin and fees can increase in the event S&P downgrades Ava's "A" rating
- Liquidity covenant in place of Debt Service Coverage covenant
- Additional Bonds Test (ABT) has a DSC metric to meet if Ava issues Parity Debt, and no consent now needed.

Good Faith Estimates

- Good faith estimates have been provided by PFM Financial Advisors LLC in accordance with California Government Code Section 5852.1, requiring such presentation in a meeting open to the public
 - Total maximum interest payment amount is \$42,956,807, under the following assumptions:
 - Maximum draw of \$300,000,000 for the full term of the facility at a 1M SOFR+ 45bps of 4.70% (the rate as of 9/1/2022), while maintaining an “A” rating
 - If \$0 is drawn, then the total maximum fee and interest payments for the full term of the facility over three years would be \$1,826,667
 - If as much as \$50MM is issued as LOCs, and no cash is drawn, then the total maximum interest payment for the full term of the facility over three years would be \$3,425,000

Questions & Discussion