

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