

# Administrative Procurement Policy

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## I. Background and Purpose

It is in the interest of Ava Community Energy (“Ava”) to establish procurement practices for high-quality materials, finished goods, and services that balance the following:

- facilitating efficient business operations;
- providing fair compensation and local workforce opportunities; and
- maximizing value for cost

whenever possible within a framework of competitive offerings.

## II. Policy Compliance Steps for Ava Staff: 3 Steps

Staff shall follow the steps below to comply with this policy:

1. Collect [required documentation](#) (page 2).
2. Match the transaction to its [transaction type\(s\)](#) (page 3).
3. Complete the [transaction requirements](#) for the transaction type (page 9).

**NOTE:** Any manager may apply additional requirements at their discretion provided those requirements are communicated to the Relationship Manager and the Legal team.

The 3 steps in this section represent the full scope of responsibility for Staff serving as Relationship Managers coordinating transactions. Other requirements, such as assigning a signatory and collecting approvals, are the responsibility of the Legal team.

## Required Documentation

Staff shall collect the following information prior to entering into a procurement transaction:

- Taxpayer identity documentation.
  - W-9 for a US-based vendor.
  - W-8BEN for an international vendor.



- The full name and email address of the principal vendor contact.
- The full address of the vendor's place of business (either headquarters or the regional office most relevant to the transaction).

## Transaction Types

Review each transaction type below to determine which types apply to your purchase.

Ava categorizes transactions into the types below in order to apply an appropriate balance of safeguards and latitude to each purchase type. Ava recognizes the following types of transactions:

1. [Power procurement](#)
2. [Combination](#)
3. [Micro-purchase](#)
4. [Mission-critical products and services](#)
5. [Exigent or emergency](#)
6. [Routine administrative](#)
7. [Sole source](#)
8. [Cooperative Purchasing](#)
9. [Regulated](#)
10. [Professional services](#)
11. [General products and services](#)

### Power procurement

Power procurement transactions are those that transact for power resources, such as energy, renewable energy credits (RECs), or resource availability (RA). Power procurement transactions are not governed by this policy.

#### Power procurement transaction requirements

Power procurement transactions may only be executed under the management of Ava's Power Resources team and in accordance with Ava's [Energy Risk Management Policy](#).

### Combination

A combination transaction is a transaction that spans more than one of the categories below.

#### Combination transaction requirements

For a purchase that meets the criteria for more than one type of transaction, the Relationship Manager must meet the requirements for all transaction types.

For instance, a transaction for a [micro-purchase](#) that uses federal funds (making it a [regulated transaction](#)) must meet both [Universal requirements \(page 9\)](#) and [Compliance requirements \(page 11\)](#).

## Micro-purchase

A transaction qualifies as a micro-purchase if it meets all of the following criteria:

Price:	The total price (or not-to-exceed price) does not exceed \$10,000.
Subject matter:	The purchase is exclusively for one or both of the following: <ul style="list-style-type: none"> <li>Physical goods.</li> <li>Services that <i>exclude</i> construction or installation services, or related services such as mechanical designs or building plans.</li> </ul>
Governance:	The transaction does <u>not</u> involve any of the following: <ul style="list-style-type: none"> <li>A written agreement.</li> <li>A purchase document (e.g. order form) <i>containing legal terms</i>.</li> <li>A purchase document with a link or other reference <i>to legal terms</i>.</li> </ul>
Non-recurring:	The transaction may not commit Ava to a series of purchases, though Ava may reserve the right to make subsequent purchases in accordance with this policy.

## Micro-purchases transaction requirements

Staff shall complete the following:

- [Universal requirements \(page 9\)](#)

**NOTE:** Staff shall submit the related purchase document to Ava’s Legal team to route for signature. Ava’s Legal team shall maintain a process for all documents that require signature.

## Mission-critical products and services

Transactions for products and services that are, for all practical purposes, essential to Ava’s day-to-day operations qualify as purchases of mission-critical products and services.

Ava categorizes these transactions separately because they regularly raise considerations that require individualized attention and do not fit effectively into a one-size-fits-all strategy for purchasing. Mission-critical products and services can include essential technology infrastructure, commercial real estate procurement, billing/payment services, and customer service.

Ava evaluates whether a transaction qualifies as mission-critical on a case-by-case basis. To confirm whether a transaction is mission critical, Staff shall seek approval from either:



- The CEO; or
- Both the Functional Lead of your department and either the Legal Director or the General Counsel.

Considerations for whether a transaction is mission critical include the following:

- The extent to which Ava's essential operations are dependent upon the product or service.
- The difficulty level of finding and transitioning to an alternative supplier that meets Ava's requirements.
- The degree of financial and/or reputational harm Ava would face in the event of an outage or other material instance of unavailability.

To request that a product or service be considered mission critical, take the following steps:

1. Draft a request to management (email preferred) to label the product/service as mission critical, setting forth in detail:
  - a. Why the product/service is essential to core operations, compliance, or safety;
  - b. Why the product/service has no practicable substitutes or work-arounds; and
  - c. What severe financial, reputational, or legal harm Ava would face from the failure/unavailability of the product/service.
2. Review the proposal with your Functional Lead.
3. Deliver the proposal to the CEO and/or General Counsel/Legal Director for approval.

#### Mission-critical products and services transaction requirements

Staff shall complete the following:

- [Universal requirements \(page 9\)](#)
- [Contracting requirements \(page 10\)](#)
- [Board Approval \(over \\$250,000\) \(page 12\)](#)

#### Exigent or emergency

Exigent transactions are those (1) that a reasonable person would find must be executed without delay, and (2) where no intentional action or inaction by Ava Staff materially contributed to the urgency, for instance:

- Hiring a plumber to fix a leak.
- Abating a pest infestation or addressing a health hazard.
- Remediating compromised access to a facility.
- Finding a replacement for a vendor that became unavailable due to a reasonably unforeseeable circumstance.

Any Ava personnel of Job Level 11 (such as Director) or higher, or the General Counsel, may designate a transaction as an exigent transaction.

Emergency transactions are those that are directly related to or in response to extraordinary circumstances, such as:

- An unexpected occurrence requiring immediate action to prevent or mitigate the loss or impairment of life, health, property, or essential public services, including the provision of energy or power to Ava customers.
- An immediate need to prepare for national or local defense.
- A breakdown in infrastructure or an essential service which requires the immediate purchase of supplies or contractual services to protect public health, safety, or property.
- The declaration of an emergency or disaster by a valid public authority.

Only Ava's CEO or General Counsel may designate a transaction as an emergency transaction.

#### Exigent or emergency transaction requirements

Staff shall complete the following:

- [Universal requirements \(page 9\)](#)
- [Contracting requirements \(page 10\)](#)

#### Routine administrative

Routine administrative transactions must meet all of the following criteria:

Price (or not-to-exceed price):	Not in excess of \$35,000.
Subject matter:	<p>Routine administrative transactions are limited to the following areas of goods and services:</p> <ol style="list-style-type: none"> <li>1. Food services, including restaurants and catering.</li> <li>2. Team-building and employee-appreciation events.</li> <li>3. Travel, including flights and hotel accommodations.</li> <li>4. Office supplies, representing consumable items regularly used in an office environment.</li> </ol>

Transactions for restaurants and other food-service providers, such as caterers, as well as hospitality providers such as hotels are highly regulated in the United States and most other jurisdictions. Additionally, spend on such services tends to be intermittent and of a low dollar spend compared to other materials and services. Team building services tend to be unique or limited in terms of options, and of a low spend compared to other services. For these reasons, this policy grants Ava Staff broad leeway in transactions of this type.

#### Routine administrative transaction requirements

Staff shall complete the following:

- [Universal requirements \(page 9\)](#)
- [Contracting requirements \(page 10\)](#)

## Sole source

A sole-source transaction is one where the goods or services are only available from one source either because the brand or trade name article, goods, or product or proprietary service is the only one which will properly meet the needs of Ava or the item or service is unique and available only from a sole source. It is authorized when the goods or services contemplated are only able to be performed by a sole provider, such as the holder of an exclusive patent or franchise, for the purchase of unique or innovative goods or services including but not limited to computer software and technology, or for purchases of goods or services when there is a demonstrated need for compatibility with an existing item or service used by Ava.

Only the CEO, CCO, General Counsel, or functional lead of the relevant department may designate a purchase as sole-source.

### Sole source transaction requirements

Staff shall complete the following:

- [Universal requirements \(page 9\)](#)
- [Contracting requirements \(page 10\)](#)
- [Board Approval \(over \\$250,000\) \(page 12\)](#)

## Cooperative purchasing

Cooperative purchasing transactions as those where either (1) Ava is purchasing from another government agency; or (2) Ava is adopting an agreement all or largely identical to one negotiated by another government agency where that agreement has undergone that agency's procurement process and such process is not in conflict with California law.

### Cooperative purchasing transaction requirements

Staff shall complete the following:

- [Universal requirements \(page 9\)](#)
- [Contracting requirements \(page 10\)](#)
- [Board Approval \(over \\$250,000\) \(page 12\)](#)

## Regulated

Regulated transactions are those that are subject to additional requirements due to applicable law, regulation, or other valid governing authority. A transaction is regulated for the purposes of this policy if it meets either of the following criteria:

- The transaction is for installation, construction, or construction-related services for an amount in excess of \$1,000.



- Ava will pay for the transaction in whole or in part with any amount of federal funds (e.g. funds received from a federal grant).

#### Regulated transaction requirements

Staff shall complete the following:

- [Universal requirements \(page 9\)](#)
- [Contracting requirements \(page 10\)](#)
- [Solicitation requirements \(page 10\)](#)
- [Compliance requirements \(page 11\)](#)
- [Board Approval \(over \\$250,000\) \(page 12\)](#)

#### Professional services

Professional services are those that require a government license or certification, including but not limited to the following:

- legal services,
- licensed contractor services (for a dollar value less than or equal to \$1,000 after which threshold the transaction is [Regulated](#), as set forth above),
- audit services, and
- engineering services.

Providers of these services possess a high degree of specialized skill or expertise, not always adaptable to competitive bidding.

#### Professional services transaction requirements

Staff shall complete the following:

- [Universal requirements \(page 9\)](#)
- [Contracting requirements \(page 10\)](#)
- [Board Approval \(over \\$250,000\) \(page 12\)](#)

#### General products and services

A transaction that does not meet the criteria, in whole or in part, of any of the categories above is a transaction for general products and services, for instance the procurement of cleaning services or the purchase of office furniture. The majority of Ava's purchase transactions qualify under this category.

#### General products and services transaction requirements

Staff shall complete the following:

- [Universal requirements \(page 9\)](#)
- [Contracting requirements \(page 10\)](#)
- [Solicitation requirements \(page 10\)](#)



- [Board Approval \(over \\$250,000\)](#) (

## Transaction Requirements

The requirements below apply based on the transaction type, as detailed above.

### Universal requirements

Staff shall:

- Confirm whether Ava will use federal funds to pay for the purchase in whole or in part. (**NOTE:** if such funds will be used, the transaction qualifies as [Regulated](#).)
- Undertake reasonable due diligence to procure satisfactory goods or services at an appropriate price under the circumstances.
- Confirm that the purchase represents an appropriately complete scope (see [Multiple Transactions with a Counterparty](#), below) and open a ticket with Ava's Legal team if you have any questions:
  - Confirm that no transaction has been divided into multiple purchases to avoid approval thresholds.
  - Confirm that no transaction has been segmented to avoid regulatory requirements.
  - Confirm whether the transaction would increase the total spend with the vendor for the current fiscal year over the board-approval threshold.
- Confirm compliance with Ava's [Conflicts of Interest Code](#).
- Confirm that Ava has budgeted for the first fiscal year (or remainder of the fiscal year, if applicable) of the transaction.
- Confirm that the term of the transaction does not exceed 5 years or that any extension of an existing engagement does not extend the term beyond 5 years.
- **Open a ticket with Legal to process the transaction and include the [Required Documentation](#) plus any related documentation if applicable.**

### Multiple Transactions with a Counterparty

When analyzing whether multiple transactions with the same counterparty should be collectively subject to a procurement threshold or evaluated individually, Staff must consider the substance and timing of the transactions, their relationship to one another, and whether they reflect a single underlying procurement need.

Only the **Functional Lead** of the relevant group, the **CEO**, the **CCO**, or the **General Counsel** has the authority to determine whether multiple purchases with the same counterparty qualify as distinct transactions or one transaction. If you are unsure whether multiple transactions must be aggregated for the purpose of complying with this Policy, escalate to your Functional Lead.

If the transactions are closely related in purpose, scope, or timing—such as purchases of similar goods or services made within a short period—they may constitute a deliberate or de facto



division of a larger procurement and should be aggregated to determine whether the applicable threshold is met.

If the transactions serve distinct purposes, arise from separate and independently justified needs, and occur over a more extended timeframe, it may be appropriate to evaluate them individually. The goal is to prevent circumvention of procurement requirements while allowing legitimate, unrelated transactions to proceed without undue aggregation.

## Contracting requirements

Include in the Legal ticket the following information:

- A summary of the transaction that sets forth what you intend to purchase and why, even if it seems obvious.
- Any related deadline(s) and the source of the deadline.
- Any approvals, if applicable (e.g. confirming a [mission-critical](#) purchase or [exigent](#) purchase, or [sole source](#) purchase).
- Any related documentation, such as an order form.

The Relationship Manager must engage Ava's Legal team to execute a governing agreement. It is the responsibility of Ava's Legal team to execute the agreement in accordance with Ava's [Contracting Operations](#).

## Solicitation requirements

Solicitation requirements apply only to transactions that commit (or are conservatively estimated to commit) to an amount greater than \$10,000 during one fiscal year.

Illustrative scenarios:

- A two-year contract that commits Ava to \$6,000 in the first year and \$6,000 in the second year does not implicate this requirement.
- A two-year contract that commits Ava to \$6,000 in the first year and \$12,000 in the second year must meet solicitation requirements.
- A one-year contract for a time-and-materials transaction with an uncertain cost that reasonably could exceed \$10,000 in one year must meet solicitation requirements.

If the transaction will or reasonably may exceed the value below, the Relationship Manager must meet the associated requirements (unless a transaction satisfies one of the [solicitation exceptions](#) below).

Threshold	Requirement
>\$100,000	<ul style="list-style-type: none"><li>• Conduct an RFQ if the purchase is exclusively for goods (including</li></ul>

	<p>software products provided the transaction does not also include implementation or consulting services.)</p> <ul style="list-style-type: none"> <li>• Conduct an RFP if the purchase materially includes services.</li> </ul>
>\$50,000	Solicit three (3) written quotes.
>\$10,000	Solicit three (3) written or verbal quotes.

### Solicitation exception

A Relationship Manager does not need to meet solicitation requirements in situations where all of the following are true:

1. Ava has previously transacted with a vendor; and
2. Ava selected that vendor after meeting solicitation requirements; and
3. The date of the previous transaction was less than five (5) years ago; and
4. Ava intends to transact with the vendor for an amount that will not exceed \$35,000.

Illustrative scenario:

- In 2023, Ava solicited quotes for movers for a transaction of \$12,000. Based on the quotes, Ava selected Moving, Inc. In 2024, Ava reaches out to Moving, Inc. for a second engagement and receives a quote for \$10,500. Ava may transact with Moving, Inc. without soliciting additional quotes.

### Mid-negotiation changes

Where Ava has begun negotiations with a vendor in the good faith belief that a transaction would fall below a threshold set forth in the table above, and in the course of negotiations the price rises above a threshold, Ava may continue with the transaction provided that the price increase is less than or equal to fifteen percent (15%) of the original expectation. If the price increase exceeds that amount, the Relationship Manager must satisfy the requirements applicable to the new threshold.

### Compliance requirements

The Relationship Manager must meet and confer with Ava's Legal team to alert the team to the proposed transaction and develop a compliance plan.

## Board Approval

A contract for a committed spend of greater than \$250,000 in one fiscal year requires the approval of the Board of Directors in the form of a signed resolution or such other form as the Board may authorize from time to time.

### Board Approval: Amendments, Recurrences, and Multiple Transactions

- Where: (1) a transaction changes, amends, or otherwise alters a previous transaction; and (2) that previous transaction did not meet the threshold for Board approval; and (3) the new transaction in combination with the previous transaction exceeds \$250,000; and (4) the dollar value of the new transaction alone is less than or equal to fifteen percent (15%) of the previous transaction, then no additional Board approval is required - but any addition in excess of fifteen percent (15%) requires Board approval.
- Where: (1) a contract spans multiple contract years; and (2) the aggregate committed spend is greater than \$250,000; but (3) the spend does not exceed \$250,000 in any one fiscal year, Board approval is not required.
- Where: (1) Ava conducts one or more transactions with a vendor for the same or similar products or services in the same fiscal year, the total of which does not exceed \$250,000; and (2) Ava intends to conduct a subsequent transaction with the same vendor in the same fiscal year for the same or similar products or services; and (3) the total of the foregoing transactions will or is likely to exceed \$250,000, then the subsequent transaction requires the approval of the Board.
- Where: (1) Ava has conducted a transaction with a vendor for an amount in excess of \$250,000 with the approval of the Board; and (2) Ava intends to conduct a subsequent transaction with the same vendor for the same or similar services (or amend an existing agreement to increase spend) in the same fiscal year, no additional Board approval is required.

## III. Formal RFP/RFQ Procedures

Except for categories of purchases exempt from RFP/RFQ procedures or as otherwise specifically directed in writing by the CEO, agreements for the purchase of [General products and services](#) for a total amount that exceeds \$100,000 per fiscal year shall be procured as follows:

- Formal RFP/RFQ Invitations. Invitations to participate in the Request for Proposal/Request for Qualifications (RFP/RFQ) process shall include a general description of the supplies or services sought by Ava, and shall specify the time, place and date for opening responses.
- Evaluation. Proposals received through a competitive solicitation shall be subject to evaluation by relevant Ava Staff and such additional personnel as the CEO may direct at their discretion. Such evaluation shall take into consideration factors that Ava Staff determines are material to the prospective transaction as well as (a) whether the applicant maintains a principal place of business within Ava's service territory; (b)

whether and to what extent the applicant employs union labor; (c) whether the applicant is a Disabled Veteran Business Enterprise registered with the California Department of General Services; and (d) whether the applicant maintains a principal place of business in a Disadvantaged Community (DAC) as identified by the California Environmental Protection Agency's (CalEPA) CalEnviroScreen Tool. To the extent a project is materially related to energy offtake, Ava Staff shall take into consideration the priorities of the [Ava Community Energy Workforce and Environmental Justice Project Selection Criteria](#) or such successor criteria as it may develop.

## IV. Contracting Operations

- Except as otherwise noted here, any transaction for an amount in excess of \$35,000 shall require approval as to form, as evidenced by a contract signature or equivalent indicator, by an authorized Ava attorney. The General Counsel shall always qualify as an authorized attorney, and may designate other attorneys at their discretion.
  - Where such a signature or indicator is not practicable (for instance, in an electronic form contract), Ava may execute the agreement without approval as to form upon written approval by Level 14 (SVP) personnel or above.
  - For transactions governed by standard form agreements where negotiation is generally unavailable in the market (e.g. credit card agreements, software license agreements, utilities agreements), Ava may execute the agreement without approval as to form upon approval by the CEO or CCO.
  - Any agreement executed on an Ava template with no changes to legal terms and no additional legal terms, as verified by Ava's legal team, does not require a signature for approval as to form.
- Ava shall report on all new contracts, regardless of scope or contract value, at each Board meeting, except non-disclosure agreements, personnel contracts, and Power Purchase Agreements.
- Ava's legal team shall not execute, extend, or renew any agreement for a term in excess of five (5) years without the approval of the General Counsel.
- Ava's Legal team is responsible for maintaining compliance with applicable law and regulation, including but not limited to the Uniform Public Construction Cost Accounting Act and the California Labor Code.
- Ava's Legal team shall provide continuing instruction to Relationship Managers regarding best practices for statements of work and other purchasing documents to develop clear, functional, and minimally ambiguous purchase requirements.
- Ava's Legal team shall maintain and refine procedures for tracking compliance with this Policy, such as capturing necessary approvals. Such processes shall be available to Staff, and the Legal team shall provide periodic training sessions to all of Staff.

## Signing Authority for Expenditures

Dollar threshold	Authorized signatory
Up to \$10,000	Job Level 11 (Director) or above.

Up to \$35,000	Job Level 12 (Senior Director) or above.
Up to \$100,000	Job Level 13 (Vice President) or above, or the General Counsel.
Up to \$150,000	Job Level 14 (Senior Vice President or Chief Officer) or above, or the General Counsel.
Up to \$250,000	CEO or their delegate.
Greater than \$250,000	CEO or their delegate or the General Counsel following the approval of the Board of Directors.

## Signing Authority for incremental additional purchases or amendments

Where: (1) a transaction changes, amends, or otherwise alters a previous transaction; and (2) the new transaction in combination with the previous transaction exceeds the signing authority of the original signatory; and (3) the dollar value of the new transaction is less than or equal to fifteen percent (15%) of the previous transaction, the original signatory may sign - but any addition in excess of fifteen percent (15%) requires the next level of signature authority.

Where an amendment makes a non-monetary change to an existing agreement (e.g. extending the term without changing the price), the amendment must be signed by a member of Staff with the same or greater signing authority as the original signatory.

## Signing Authority for non-purchase documents

The following signing authorities shall apply, after review and approval of the agreements by the General Counsel or their designee, except where in conflict with the Joint Powers Agreement or applicable law:

- Non-Disclosure Agreements – Job Level 11 (Director) and above.
- Banking and Treasury Administration – CEO; CFO; or Treasurer.
- All other documents - Job Level 13 (Vice President) and above.

## Signing Authority delegation

Any manager at Ava who has signing authority may delegate their signing authority to a direct report, a peer, or the General Counsel by providing notice via email to [legal@avaenergy.org](mailto:legal@avaenergy.org) or by completing a Legal ticket with this information and by providing an expiration date not later than thirty (30) days following the date of delegation.

## V. Implementation of Policy Updates

Ava Staff may update this policy upon the approval of the CEO and General Counsel, with the exception of changes to dollar-value thresholds. Any such updates shall be reported to the Board within forty-five (45) days.

Any changes to dollar value thresholds herein require the approval of the Board of Directors.

## VI. Definitions and Topics

1. Functional Lead - at Ava, a Functional Lead is a department head responsible for a dedicated function.
2. PO - See "Purchase Order," below.
3. Purchase Order - A purchase order (PO) is a formal document issued by a buyer to a vendor to authorize a purchase. It originates from the buyer's procurement system and specifies items, quantities, and prices. POs serve as a binding agreement and help track and control spending within approved budgets. A PO is always issued by the buyer to formally request goods or services from a seller. In response, the seller may issue an invoice, sales order, or order confirmation. As of the publication of this policy, Ava only leverages purchase orders in the rare event that they are required by a vendor. For the most part, a purchase order is not a contract, does not supersede a contract, and may not be used in place of a contract.
4. Relationship Manager - at Ava, the Relationship Manager is the member of Staff principally responsible for managing the business engagement related to a contract with a vendor.
5. Request for Proposal - A Request for Proposals (RFP) is a formal solicitation issued by a buyer to seek competitive proposals for goods or services. It outlines needs and evaluation criteria. Vendors respond with detailed proposals, enabling the buyer to assess qualifications and select the best-value offer.
6. Request for Quotation - A Request for Quotation (RFQ) is a procurement document issued by a buyer to solicit price quotes for specific goods or simple services. Originating from the buyer's purchasing department, RFQs are used when specifications are clear and selection is based primarily on price rather than qualitative factors.
7. RFP - see "Request for Proposal," above.
8. RFQ - see "Request for Quote," above.