



Staff Report Item 15

To:	Ava Community Energy Authority
From:	Rusty Mills, Senior Vice President and Chief Financial Officer
Subject:	Approval of a Resolution of the Board of Directors of Ava Community Energy Authorizing the Execution and Delivery of a Power Supply Contract or Power Supply Contracts and/or a Clean Energy Purchase Contract or Clean Energy Purchase Contracts and Certain Other Documents in Connection with the Issuance by the California Community Choice Financing Authority of Two Separate Series of Clean Energy Project Revenue Bonds, Series 2026; and Certain Other Actions in Connection Therewith
Date:	June 17, 2026

Summary/Recommendation

Adopt a Resolution authorizing the execution and delivery of a Power Supply Contract or Power Supply Contracts and/or a Clean Energy Purchase Contract or Clean Energy Purchase Contracts and certain other documents in connection with the issuance by California Community Choice Financing Authority (“CCCFA”) of two separate series of Clean Energy Project Revenue Bonds, Series 2026; and certain other actions in connection therewith, to enable Ava to enter into its fourth and fifth energy prepayment transactions.

Background and Discussion

Energy prepayment financings are unique financing structures that provide a mechanism under which tax-exempt entities that sell power to end-use customers can reduce their cost of power by realizing energy savings on their long-term contracts. These are complex transactions with several entities. At a minimum, an energy project participant (e.g. Ava), a commodity supplier, a conduit bond issuer (e.g. CCCFA), and a third-party trustee and custodian are involved.

Ava has executed five prepay transactions in the past, including the first ever CCA prepay in 2021, and then subsequent transactions in 2022, 2023, and 2025. Many of the CCA's in California have utilized this structure to provide discounted power and further enable a value proposition for CCA customers. The bonds have been sold through the California Community Choice Financing Authority (CCCFA) as a conduit issuer, which was initially set up to enable these transactions. The benefits provided to Ava and its customers are derived from the lower cost of funding from tax-exempt financing that is provided to the energy supplier than what they would receive from taxable markets and their own internal cost of capital. The project participant (e.g. Ava) commits to buying a commodity over a 30-year period and receives a discount on its contracted price throughout the term, lowering current and future energy costs. The commodity supplier often enters a separate funding agreement with a creditworthy third-party funding recipient, who receives a lower cost of funding benefit from the issuance and commits to make fixed payments that ultimately support the debt service of the underlying bonds.

After receiving updated proposals in the early Spring, Staff selected Morgan Stanley and Goldman Sachs as prospective banks for Ava's 6th and 7th energy prepayment transactions. Within each deal, the underwriting bank also serves as commodity supplier to CCCFA. Both firms have substantial CCA prepay execution experience and competitive cost structures. Ava has 4 existing energy prepayment transactions with Morgan Stanley and 1 existing transaction with Goldman Sachs. Entering additional transactions with these banks will allow Ava to realize efficiencies in transaction execution, ongoing operational efficiencies with staff time on monthly and annual reporting and compliance obligations, as well as pooling benefits that enable Ava to apply volumes from its long-term energy contracts across multiple transactions entered with the same energy supplies. While the transaction structures used with each bank are substantially similar, the use of two separate banks provides diversification and risk management benefits to Ava.

Staff will work with the underlying banks to select a funding recipient that optimizes savings to Ava, and enables a desirable maturity date to mitigate refinancing risk based on the current energy prepayment market refinancing calendars.

Additional information was presented to the Finance Administrative and Procurement Committee in May and the Executive Committee in June. Assuming the Board of Directors supports staff's recommendation, the transaction will be presented to the CCCFA Board later in June for its approval before bond sales would occur.

The details of the requested Board approval are as follows: Adopt the Resolution which authorizes Ava to sign:

- Power Supply Contract with CCCFA (Issuer)
- Letter Agreement Regarding PPA Assignments with Morgan Stanley and Goldman Sachs (Prepay Suppliers) with Form of Limited Assignment Agreements with Morgan Stanley & Goldman Sachs and future PPA sellers
- Project Administration Agreement with CCCFA (Issuer)

- PPA Payment Custodial Agreements with Morgan Stanley and US Bank, & Goldman Sachs and US Bank
- Cost Share Memorandum of Understandings (MOUs), by and between Ava, CCCFA and the Prepaid Supplier; and
- Other related documents.

The approval provided shall be subject to the following parameters:

- a) no more than two total prepayment transactions will be completed on behalf of Ava pursuant to the authorizations granted by the Resolution;
- b) the Bonds will not be obligations of Ava, but will be limited obligations of the Issuer payable solely from the revenues and other amounts pledged therefor under each Indenture, including amounts payable by Ava under the Power Supply Contract(s) and/or the Clean Energy Purchase Contract(s), respectively;
- c) the aggregate principal amount of each series of Bonds shall not exceed \$1,250,000,000 per series issued;
- d) the “Monthly Discount” and “Minimum Discount” as provided for in a Power Supply Contract for any MS Project shall be at least 8.0% of the fixed cashflows or equivalent \$ per MWh; and (e) the “Monthly Discount Percentage” as provided for in a Clean Energy Purchase Contract shall result in at least an average annual savings of 8.0% during the Initial Reset Period (as such term is defined in such Clean Energy Purchase Contract).

Financial Impact

The purpose of pursuing the prepay transaction is to achieve meaningful energy procurement cost savings. These transactions are targeting an 8-12% discount at the outset, which translates to approximately \$4-6MM of annual savings. Ava has saved \$34.3 million from 2022 through December 2025 on the energy purchased through the five prepays it has closed, and savings are now expected to average \$22.5M annually for the next 5 years. With the addition of prepays 6 and 7, savings will be expected to rise to approximately \$30-35 million annually on energy purchased over the next five years.

Most of the parties assisting Ava with the prepay will be paid from the proceeds of the prepay bonds. With that said, certain fees, such as rating agency fees and green bond designation fees, are not contingent on a successful prepay transaction closing. Ava negotiated to have the prepay supplier(s) split these costs with Ava if the deal does not close. To minimize this modest risk, Ava will only authorize these fees when necessary.

Additionally, it is important to note that the prepay transaction itself is non-recourse to Ava. The ultimate counterparty with the Prepay Supplier is the CCCFA JPA, so CCCFA is therefore the counterparty to all the underlying agreements. CCCFA is a public entity separate and apart from the parties to Ava’s JPA Agreement, and the debts, liabilities and obligations of CCCFA will not constitute debts, liabilities or obligations of Ava or any representative of Ava serving on the governing body of Ava.

Attachments

- A. Resolution

- B. Presentation
- C. Prepaid Agreement with Morgan Stanley
- D. Master Power Supply Agreement with Goldman Sachs
- E. Power Supply Contract with Morgan Stanley
- F. Clean Energy Purchase Contract with Goldman Sachs
- G. Letter Agreement Regarding PPA Assignments - Morgan Stanley
- H. Letter Agreement Regarding PPA Assignments - Goldman Sachs
- I. Project Administration Agreement with Morgan Stanley
- J. Operational Services Agreement with Goldman Sachs
- K. Trust Indenture
- L. Re-pricing Agreements with Morgan Stanley
- M. Re-pricing Agreements with Goldman Sachs
- N. Preliminary Offering Statement (POS) for Prepay with Morgan Stanley
- O. Preliminary Offering Statement (POS) for Prepay with Goldman Sachs
- P. Ava Appendix A for inclusion in POS
- Q. Form of Limited Assignment for Goldman Sachs
- R. MOU for Cost Share with CCCFA and Morgan Stanley
- S. MOU for Cost Share with CCCFA and Goldman Sachs

RESOLUTION 2026-[]**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE AVA COMMUNITY ENERGY AUTHORIZING THE EXECUTION AND DELIVERY OF A POWER SUPPLY CONTRACT OR POWER SUPPLY CONTRACTS AND/OR A CLEAN ENERGY PURCHASE CONTRACT OR CLEAN ENERGY PURCHASE CONTRACTS AND CERTAIN OTHER DOCUMENTS IN CONNECTION WITH THE ISSUANCE BY THE CALIFORNIA COMMUNITY CHOICE FINANCING AUTHORITY OF TWO SEPARATE SERIES OF CLEAN ENERGY PROJECT REVENUE BONDS, SERIES 2026; AND CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH**

WHEREAS, Ava Community Energy (formerly East Bay Community Energy) (“Ava”) was formed as a community choice aggregation agency (“CCA”) on December 1, 2016, under the Joint Exercise of Power Act, California Government Code sections 6500 *et seq.* (the “Act”), among the County of Alameda, and the Cities of Albany, Berkeley, Dublin, Emeryville, Fremont, Hayward, Livermore, Piedmont, Oakland, San Leandro, and Union City to study, promote, develop, conduct, operate, and manage energy-related climate change programs in all of the member jurisdictions. The cities of Newark and Pleasanton, located in Alameda County, along with the City of Tracy, located in San Joaquin County, were added as members of Ava and parties to the Joint Powers Agreement (as defined below) in March of 2020. The City of Stockton, located in San Joaquin County, was added as a member of Ava and party to the Joint Powers Agreement in 2022. The County of Alameda was added as a member of Ava and party to the Joint Powers Agreement in 2024;

WHEREAS, pursuant to the provisions of the Act, Ava and certain other California “community choice aggregators” entered into a joint powers agreement (the “*Joint Powers Agreement*”) pursuant to which the California Community Choice Financing Authority (the “*Issuer*”) was organized for the purpose, among other things, of entering into contracts and issuing bonds to assist Ava in financing the acquisition of supplies of clean energy;

WHEREAS, the Issuer is authorized by its Joint Powers Agreement to acquire supplies of clean energy by any means and to issue revenue bonds to finance the cost of acquisition of such supplies, and is vested with all powers necessary to accomplish the purposes for which it was created;

WHEREAS, Ava has determined that it is desirable to acquire long-term supplies of clean energy from the Issuer;

WHEREAS, Ava is requesting that the Issuer agree to enter into one or two transactions to (i) purchase certain quantities of clean energy from a Delaware limited liability company (the “*Prepaid Supplier*”) the sole member of which is Morgan Stanley Capital Group Inc., a Delaware corporation (“*MSCG*”) on a prepaid basis and to sell such clean energy to Ava, as described herein (the “*MS Project*”) and/or (ii) purchase certain quantities of clean energy from a Delaware limited liability company, the sole equity member of which is J. Aron & Company LLC, a New York limited liability company (the “*Electricity Supplier*”) on a prepaid basis and to sell such clean energy to Ava, as described herein (the “*GS Project*” and together with the MS Project, the “*Projects*”);

WHEREAS, Ava has determined to authorize a total of two transactions, consisting of one MS Project and one GS Project or, in the alternative two MS Projects or two GS Projects;

WHEREAS, Ava is requesting that the Issuer finance the costs of the Projects with the proceeds of two separate series of its Clean Energy Project Revenue Bonds, Series 2026 (together, the “*Bonds*”);

WHEREAS, Ava has determined to authorize the officers of Ava to take all necessary action to accomplish the purchase of clean energy from the Issuer and to assist the Issuer in the issuance, sale and delivery of the Bonds; and

WHEREAS, there have been made available to the Board of Directors of Ava for approval forms of the following agreements to which Ava is a party:

The following “*MS Project documents*”:

1. Power Supply Contract between Ava and the Issuer;
2. Letter Agreement among Ava, the Prepaid Supplier and MSCG regarding matters relating to Assignment Agreements with form of Limited Assignment Agreement, by and among Ava, the counterparty to the power purchase agreement described therein, and MSCG; and
3. Prepaid Energy Project Administration Agreement, by and between Ava and the Issuer;
4. Cost Share Memorandum of Understanding (MOU), by and between Ava, Morgan Stanley & Co. LLC and CCCFA, if necessary; and

The following “*GS Project documents*”:

1. Clean Energy Purchase Contract between Ava and the Issuer;
2. Letter Agreement between Ava and J. Aron regarding matters relating to Limited Assignment Agreements;
3. A form of Limited Assignment Agreement, by and among Ava, the counterparty to the power purchase agreement to be described therein, and J. Aron;
4. Clean Energy Project Operational Services Agreement, by and between Ava and the Issuer;
5. Cost Share Memorandum of Understanding (MOU), by and between Ava and CCCFA, if necessary; and

The MS Project documents and the GS Project documents collectively referred to herein as the “*Ava Documents*”.

WHEREAS, there have also been made available to the Board of Directors of Ava forms of the following additional documents relating to the Projects:

1. Trust Indentures (the “*Indentures*”) each between the Issuer and the trustee to be named therein, providing for, among other things, the issuance of and security for the respective series of Bonds;
2. Prepaid Energy Sales Agreement (the “*Prepaid Agreement*”) between the Issuer and the Prepaid Supplier, providing for the delivery of the prepaid energy supply to the Issuer;
3. Master Power Supply Agreement (the “*Master Power Supply Agreement*”) between the Issuer and the Electricity Supplier, providing for the delivery of the energy supply to the Issuer;
4. Re-Pricing Agreements (the “*Re-Pricing Agreements*”) between the Issuer and the Prepaid Supplier and Electricity Supplier, respectively, providing for the remarketing or refunding of the Bonds from time to time and the establishment of the Monthly Discount available to Ava under the Power Supply Contract and the Clean Energy Purchase Contract, respectively, from time to time during the term of the transactions; and
5. Preliminary Official Statements (the “*Preliminary Official Statements*”), to be used in connection with the offering and sale of the respective series of Bonds, including the information relating to Ava included in each Appendix A thereto (the Indentures, the Prepaid Agreement, the Master Supply Agreement, the Re-Pricing Agreements and the Preliminary Official Statements, together with the Ava Documents, the “*Project Documents*”);

NOW THEREFORE, BE IT RESOLVED by the Ava Board of Directors, as follows:

Section 1. The proposed forms of the Ava Documents, as made available to the Board of Directors for this meeting, are hereby approved. The forms of Limited Assignment Agreements may be used, in substantially the same form, for the initial assignments of Ava power purchase agreements, and in a similar form for additional power purchase agreements as needed to maintain the transactions approved hereby, with such changes as may be necessary to conform to the requirements of such power purchase agreements or as may be necessary to effect such assignment, and any such Limited Assignment Agreements shall be included in the Ava Documents hereby approved. Subject to the parameters set forth in Section 4 of this Resolution, any of the Chief Executive Officer, Chief Financial Officer or Chair of the Board (each an “*Authorized Officer*”) is hereby authorized and directed, for and on behalf of Ava, to execute and deliver the Ava Documents in substantially said form, with such changes and insertions therein as the Authorized Officer executing the same may approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 2. The proposed forms of the Preliminary Official Statements, as made available to the Board of Directors for this meeting, are hereby approved. Any Authorized Officer

is hereby authorized and directed, for and on behalf of Ava, to execute and deliver a certificate as to the information regarding Ava contained therein and in the final versions of the Official Statements, with such changes and insertions therein as the Authorized Officer approving the same may deem necessary or appropriate. Subject to approval by the Issuer, Ava hereby authorizes the distribution of the Preliminary Official Statements to persons who may be interested in the purchase of the Bonds, and the delivery of the Official Statements in final form to the purchasers of the respective Bonds, in each case with such changes as may be approved as aforesaid.

Section 3. Each Authorized Officer is hereby authorized and directed, for and in the name and on behalf of Ava, to execute and deliver any and all documents, including, without limitation, any tax certificates relating to its expected use of the energy to be purchased by it from the respective Project, any continuing disclosure certificates or similar agreements required for the offering or sale of the Bonds, and any and all closing certificates to be executed in connection with the issuance of the Bonds and to take any and all actions which may be necessary or advisable, in the discretion of such Authorized Officers, to effectuate the actions which Ava has approved in this Resolution, for the issuance, sale and delivery of the Bonds, and to consummate by Ava the transactions contemplated by the Ava Documents approved hereby and the other Project Documents presented to the Board herewith, including any subsequent amendments, waivers or consents entered into or given under or in accordance with such documents.

Section 4. The approvals provided for herein shall be subject to the following parameters:

(a) no more than two total prepayment transactions will be completed on behalf of Ava pursuant to the authorizations granted by this Resolution;

(b) the Bonds will not be obligations of Ava, but will be limited obligations of the Issuer payable solely from the revenues and other amounts pledged therefor under each Indenture, including amounts payable by Ava under the Power Supply Contract(s) and/or the Clean Energy Purchase Contract(s), respectively;

(c) the aggregate principal amount of each series of Bonds shall not exceed \$1,250,000,000 per series issued;

(d) the “Monthly Discount” and “Minimum Discount” as provided for in a Power Supply Contract for any MS Project shall be at least 8.0% of the fixed cash flows or equivalent \$ per MWh; and

(e) the “Monthly Discount Percentage” as provided for in a Clean Energy Purchase Contract shall result in at least an average annual savings of 8.0% during the Initial Reset Period (as such term is defined in such Clean Energy Purchase Contract).

Section 5. Execution and delivery of the Ava Documents by an Authorized Officer or Officers shall be conclusive evidence that the parameters set forth in Section 4 have been met, and all actions heretofore taken by the Authorized Officers with respect to the issuance of the Bonds are hereby ratified, confirmed and approved.

Section 6. If the conditions set forth in Section 4 have been met, an Authorized Officer may direct the payment to professionals that provided services to Ava in connection with the Projects. These professional services include legal counsel, bond counsel, tax counsel, Municipal Financial Advisor, Swap Advisor, and any other consultant needed to complete the transactions contemplated herein for Ava. Payment to these professionals will be made from the proceeds of the sale of the Bonds respectively and pursuant to the terms of the applicable agreements executed with Ava.

Section 7. If the conditions set forth in Section 4 have been met, an Authorized Officer may direct the payment to additional vendors and/or parties to the Ava Documents or other Project Documents to complete the issuance of the Bonds. These vendors, if any, will be paid pursuant to an agreement for services rendered in completing the issuance of the Bonds and from the proceeds of the sale of the Bonds.

Section 8. This Resolution shall take effect immediately.

ADOPTED AND APPROVED at a regular meeting of the Ava Board of Directors on this 17th day of June, 2026.

Betsy Andersen, Chair

Attest:

Adrian Bankhead, Clerk of the Board



2026 Energy Prepayment Transactions

Rusty Mills, CFO | June 17, 2026



Energy Prepayment Financing Overview

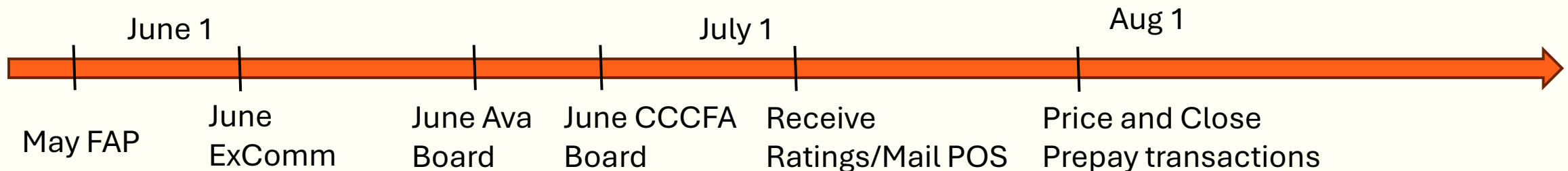
Goal: Reduce the cost of public power purchases by monetizing tax-exempt debt.

- IRS Regulations codified in 2005 allow for tax-exempt debt to be issued for the prepayment of electricity to serve load.
- Tax-exempt debt (issued by CCCFA) provides a lower cost of funding than energy prepay financing participants would be able to receive by issuing taxable debt or internal funding.
- Bond investor risk is tied to the energy prepay funding recipient (not Ava), and their ability to pay debt service and redeem bonds in event of default on the bonds.
- Ava enters 30-year energy supply agreements, commits to purchasing a fixed volume of energy during that period, and receive a fixed \$/MWh discount to the market energy price.
- **Objective: Prepay transactions enable Ava to lower its cost of energy on existing and future energy contracts through the discount and enable a customer value proposition into the future.**

2026 Prepay Financing Plans & Timeline

Staff is seeking approval for two prepayment transactions by the Board

- Each would be authorized for up to \$1.25 billion, but likely would be approximately \$1 billion, similar to prior Ava prepay deals
- We selected Morgan Stanley and Goldman Sachs as underwriter and supplier for one transaction each;
 - Further optimizes each related PPA pool of resources with the existing banks
- Staff will seek Green Bond designations for both transactions
- Transactions would occur after approvals by Ava and CCCFA boards in June, subject to market conditions
- Selection of funding recipient will occur closer to pricing; Ava will seek Bond Ratings shortly after in preparation for each bond sale



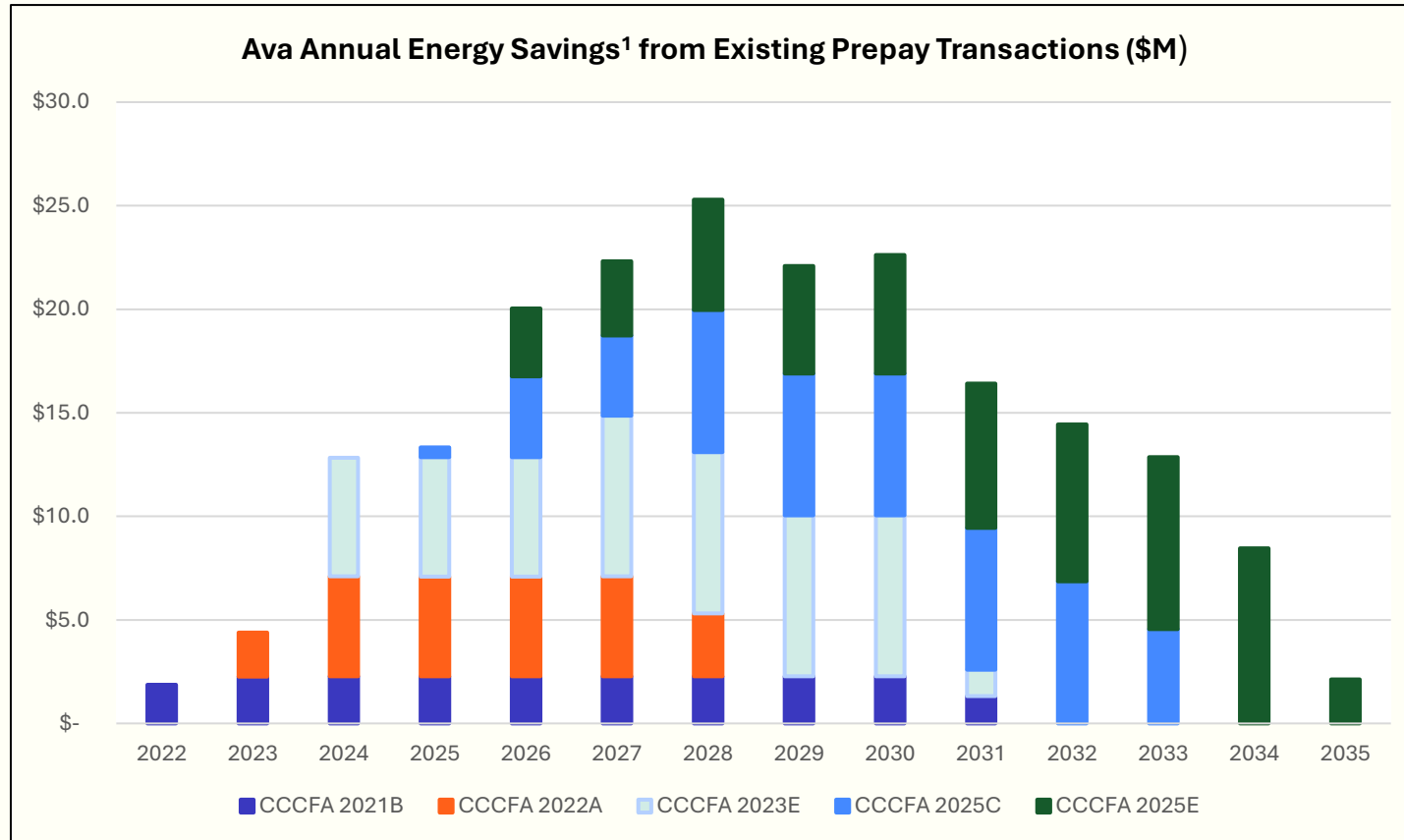
Summary Of Ava Prepay Transactions

Ava's transactions to date have resulted in over **\$5.1B** in CCCFA bond issuances, with **\$/MWh** discounts improving in more recent transactions driven largely by market conditions.

	CCCFA 2021B	CCCFA 2022A	CCCFA 2023E	CCCFA 2025C	CCCFA 2025E	Total
Project Participant(s)	Ava & SVCE	Ava	Ava	Ava	Ava	N/A
Initial Bond Principal Amount	\$1,234,720,000	\$931,120,000	\$997,895,000	\$1,004,395,000	\$960,730,000	\$5,128,860,000
Delivery Period Start Date	1/1/2022	4/1/2023	1/1/2024	11/1/2025	4/1/2026	N/A
Bond Refinancing Date	8/1/2031	8/1/2028	3/1/2031	10/1/2033	5/1/2035	N/A
Total Discount to Ava (\$/MWh)	\$4.28	\$7.46	\$12.66	\$10.85	\$13.30	\$9.55/MWh
Initial Period Nominal Energy Savings	\$21.4M	\$26.8M	\$49.6M	\$47.1M	\$56.5M	\$201.5M
Initial Period Energy Delivery (MWh)	5.0MM	3.59MM	3.92MM	4.34MM	4.25M	21.1M
# of Ava PPAs Currently Assigned²	2.5	2.5	2	1	2	10

²Where a decimal is present, certain Ava PPAs have energy volume allocated on a pro rata basis across multiple prepayment transactions.

Ava Energy Prepay Savings by Transaction



- Ava’s initial five prepay transactions are expected to provide \$201.5M in energy savings over the initial bond periods.
- Average savings discount: \$9.55/MWh across ~21.1 TWh of Ava energy procured through 2035.
- Annual savings of >\$20M per year from 2026-2030 from the five existing prepays

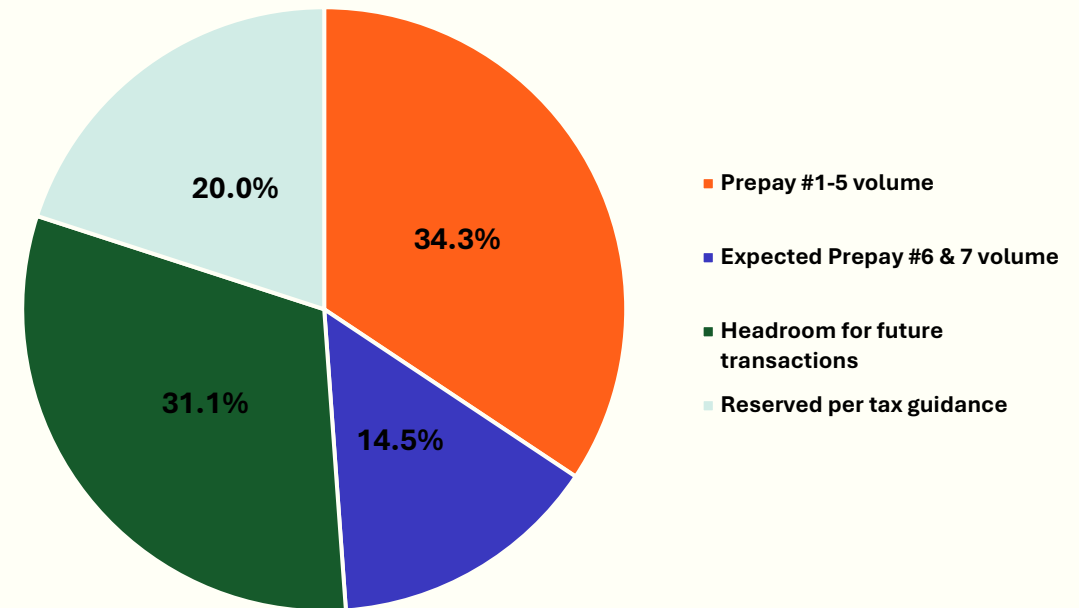
¹ Annual energy savings above reflect total nominal expected discount to be received by Ava through the respective bond refinancing date.

Note: the savings decline in later years (2031-2035) above is a function of Ava’s existing transactions reaching their refinancing date on a rolling basis. At refinancing, Ava would issue a new bond and receive a new \$/MWh discount for the duration of the bond.

Potential for Future Prepay Transactions

- Under tax guidance, Ava's aggregate load committed to all energy prepayment transactions should be limited to no more than 80% of total expected load in any given year.
- Through 5 transactions: 34% of Ava's forecasted load is committed to energy prepayments in peak years.
- After Prepays #6 & 7, 49% of Ava's forecasted load will be committed across all transactions.
- Following Prepay #7, Ava expects to have load capacity headroom for 3-4 additional prepayment transactions.
 - This is subject to change based on actual volume commitments in forthcoming transaction and will be reviewed over time against Ava's long-term load forecast.

Energy prepayment load commitments as % of Ava's expected load⁴



⁴Percentages in chart reflect expected volumes for calendar year 2051, which is the peak aggregate volume commitment for Ava's existing energy prepayment transactions.

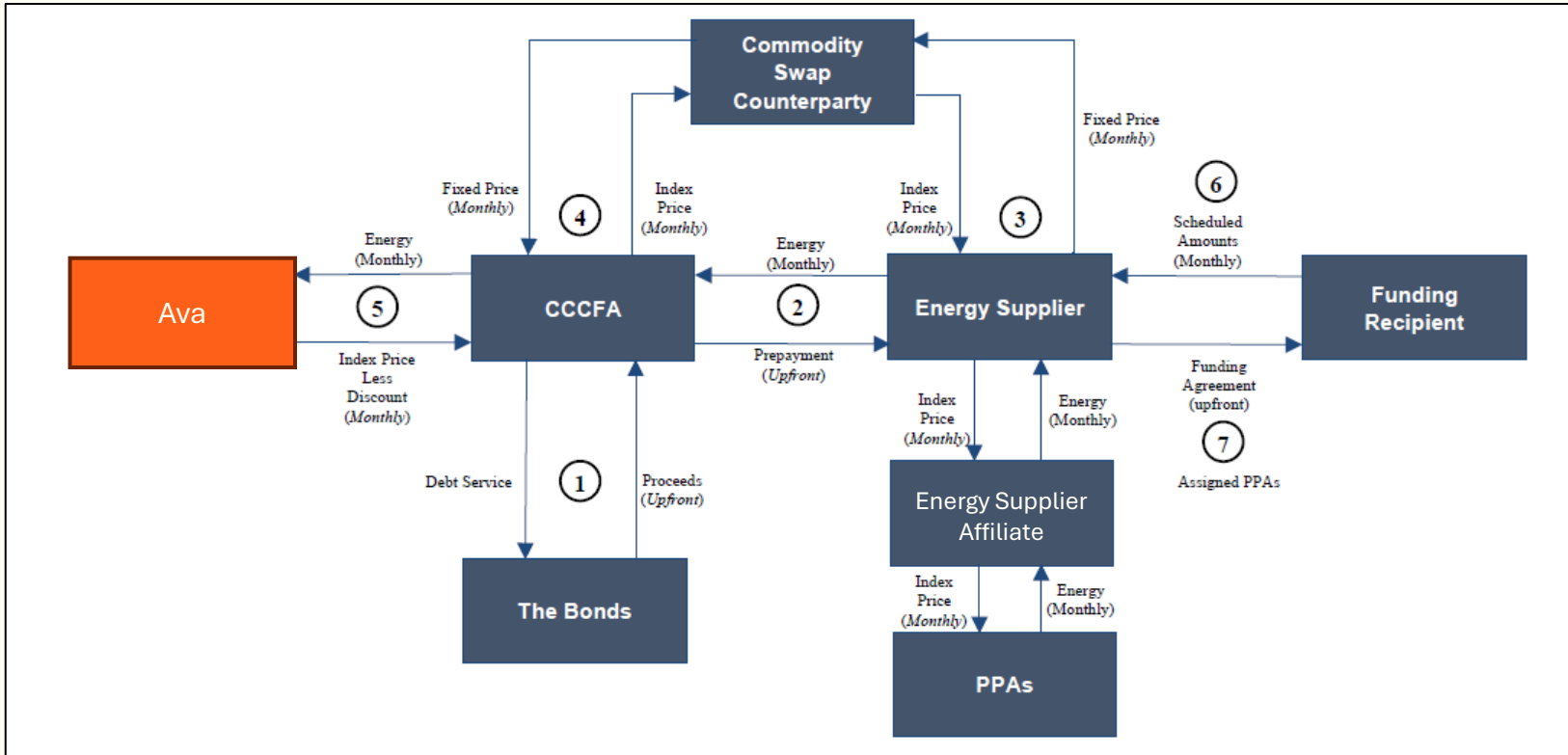
Summary & Request for Approval

- Prepays currently provide significant savings for Ava ~ \$22.5 million annually
 - Could approach \$40-50 million annually with more prepays
- Budget Planning Risk- Perpetual savings uncertain due to broad structural risks
- Staff recommends continuing to use prepays within legal guidance to maximize savings while monitoring budget risk over the mid-long-term

Staff requests authorization to enter into all financing agreements necessary to price and close two prepay transactions subject to the following parameters:

- No more than two total prepayment transactions will be completed
- The aggregate principal amount of each series of Bonds shall not exceed \$1,250,000,000 per series issued;
- The “Monthly Discount” and “Minimum Discount” shall be at least 8.0% of the fixed cashflows
- The Bonds will be non-recourse and not be obligations of Ava

Energy Prepayment Transaction Diagram



1. Bond Issuance: CCCFA issues the Bonds to fund the prepayment.
2. Prepayment: CCCFA applies bond proceeds to prepay Energy Supplier for 30 years of energy deliveries.
3. Commodity swap: Energy Supplier enters swap transaction at fixed price.
4. CCCFA commodity swap: CCCFA enters commodity swap at same fixed price to de-risk variability of debt service.
5. Ava: Ava enters energy supply contract to buy energy delivered by Energy Supplier at a fixed discount to Ava's energy contracts.
6. Funding Agreement: Energy Supplier finances bond proceeds with third-party funding recipient to enhance savings potential.
7. Assigned PPA's: Ava assigns its existing and future PPA's to Energy Supplier through a custodial account. Energy Supplier contributes pays and take title to underlying PPA energy.

Involved Prepay Parties

- **Prepay Supplier/Bond Underwriter:** Morgan Stanley/ Goldman Sachs, among others
- **Municipal Financial Advisor:** PFM Financial Advisors LLC & PFM Swap Advisors LLC
- **Counsel:** Orrick, Herrington & Sutcliffe (CCCFA Bond & Tax Counsel) | Chapman & Cutler LLP (Ava Bond Counsel); Sheppard Mullin (Supplier Counsel)
- **Bond Issuer:** California Community Choice Financing Authority
- **Trustee/Custodial Bank:** US Bank
- **Commodity Swap Counterparty:** Natixis, RBC, BP among others
- **Credit Rating Agency:** Moody's Investor Service Inc
- **Ava Prepay Funding Recipients:** Morgan Stanley, Bank of Nova Scotia and American General Life

Prepay Structure Risks

Risk	Description	Mitigation
Market risks	Macro factors (Iran, inflation, Fed rate decisions, etc.) may impact bond pricing and Ava savings potential of energy prepayment transactions.	Ava and PFM to coordinate closely with underwriters on market timing to optimize execution.
Refinancing risk	<ul style="list-style-type: none"> • Initial prepay bond savings periods are typically 5-10 years. • Each transaction must be re-financed at that time • Future savings are subject to decrease/increased based on market conditions at refinancing. • Energy prepayment transaction volume has meaningfully increased in past few years, so the refinancing market will have a higher supply in the coming years. 	<p>Ava to assess opportunities to stagger Ava transaction refinancing dates to de-risk market and interest rate conditions at re-financing.</p> <p>Issuing transactions in 2026 may result in higher savings than future years when new issuances may compete with refinancings for the same bond purchaser pool.</p>
Load loss risk	Material inability by Ava to deliver contracted MWh in future years may lead to loss of energy discount.	Ava limits its prepay-committed power relative to its long-term load forecast. After Prepays #6 & 7, approximately 49 % of Ava's future load will be committed to prepays.
Out of pocket costs	Requires staff time to execute & manage; ratings agency and green bond fees are paid regardless of transaction's success.	Fees are greatly outweighed by the savings potential.
Tax / regulatory risk	Changes in tax law or RPS standards may impact energy prepayment transactions in the future and potentially cause existing deals to unwind.	Limited ability to mitigate.

Ava Planning Risk - Loss of discounted power would place some future budgetary pressure on Ava

Prepaid Energy Refinancing Risk

Over \$95.6B of prepaid energy financings are coming due for refinancing by 2036, which may result in pressure on future bond pricing, energy discounts, and market access.

