Financial, Administrative and Procurement Subcommittee Meeting

Wednesday, September 9, 2026
3:30 pm

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

Or from the following locations:

- 4917 Knowlson Terrace, Fremont, CA 94555
- 1110 Webster St Conference Room 2nd floor, Oakland, CA 94607
- City of Union City's Administrative Offices - Council Conference Room, 34009 Alvarado-Niles Road, Union City, CA 94587
- Commodore Lounge - 3 Commodore Drive, Emeryville, CA 94608

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 May 27, 2026 (Action Item)**

4. **FY 6/30/26 Audit Progress (Informational Item)**
   Provide an update on 6/30/26 FYE audit

5. **Working Capital Management Overview (Informational Item)**
   Overview of Working Capital and Liquidity Management

6. **REC Exchange Deal for Pre-Pay (Informational Item)**
   Summary of a transaction for exchanging Renewable Energy with another CCA to enable Pre-Pay savings

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, October 28, 2026 at 3:30pm.

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

Ava Community Energy

1999 Harrison Street, Suite 2300, Oakland, CA 94612

Board Meeting Access Instructions

If you need help finding or accessing the building, please call our Ava representative who is stationed in the building lobby: 510-393-0492.

Directions

Directions via BART

If you are taking BART: the 19th Street station is the closest stop to our office and is about a 5 minute walk away. Use the 20th St / Thomas L. Berkeley Way station exit.

Directions via Bike

Bike riders wanting to park their bike inside the parking garage can enter through the main building lobby. Bike parking is available on the parking garage first level right in front of the garage elevators.

Directions to Parking Garage via Car

The entrance to the building's attached garage is located on Harrison Street. If you're driving northbound on Harrison Street, as soon as you cross 19th St. the garage entrance is 3/4 down on your left-hand side. If you're heading east on Thomas L Berkeley Way/20th St. Continue East then make a right turn on Harrison Street, and the garage entrance is a quarter block up on your right-hand side.

When you arrive, enter via the gate labeled "Public Parkers". There are four floors of the parking garage, and you will need to take the elevator in the parking garage to the first floor. The parking attendant or an Ava representative will provide access into the building lobby.

The parking garage entry gate will be open until 8pm for CAC and BOD meetings. Attendees can exit the parking garage until 11pm.

Note that the garage's parking fee is $30 per use. Street parking is widely available near the building and free after 6pm.

Check-in at Security Desk

When you arrive at our building, please check in with the security desk in the lobby to get access to the elevators. If you have questions or need assistance, an Ava representative will be stationed and identifiable in the lobby. They can be reached at: 510-393-0492.

Draft Minutes

Financial, Administrative and Procurement Subcommittee Meeting

Wednesday, May 27, 2026
3:30 pm

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- 34009 Alvarado-Niles Road, Union City, CA 94587
- 35653 Scarborough Dr, Newark, CA 94560
- Dublin Civic Center, 100 Civic Plaza, Dublin, CA 94568

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

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1. **(0:54) Welcome & Roll Call**
   Present: Directors: Morada (Dublin), Del Catancio (Newark), Brown (Oakland), and Sakakihara (Union City).

Absent: Directors: Keng (Fremont) and Chair Kaur (Emeryville).

Director Morada served as the Chair for this meeting.

2. **(1:18) 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. **(1:47) Approval of Minutes from January 28, 2026 (Action Item)**

Director Sakakihara (Union City) motioned to approve the minutes. Director Del Catancio (Newark) seconded the motion, which passed 6/0/0/0/1.
Yes: Morada (Dublin), Del Catancio (Newark), Brown (Oakland), and Director Sakakihara (Union City).
No: None.
Abstain: None.
Recuse: None.
Not Present: Keng (Fremont) and Chair Kaur (Emeryville).

There were no speakers for public comment.

4. **(3:17) Quarterly Financial Statements (Informational Item)**
Deliver Q3 2025-26 Quarterly Financial Statements; Discuss YTD Budget to Actuals Performance.

Amy Vallandigham reviewed Q3 year-to-date 2026 financial results, highlighting a $97 million increase in cash balances, a $49 million increase in revenue, consistent gross margins, and a 22% increase in overhead expenses driven by new hires and incentives. She also provided updates on the transition to Ramp to streamline board expense reimbursements, and the recruitment for a Senior Associate, Accounting and Finance role.

There were no speakers for public comment.

Selection of topics discussed by subcommittee members:
- Whether the 22% increase in overhead expenses remained within the range of peer CCAs

5. **(9:09) Prepay Financings (Informational Item)**
Review of 2026 Prepay Transaction Plans.

Rusty Mills discussed Ava's prepaid power transactions, highlighting the significant savings they provide through discounted long-term power costs. He also discussed plans for two to three additional prepaids, as well as market, refinancing, tax, and load-related risks.

There were no speakers for public comment.

Selection of topics discussed by subcommittee members:

- Clarification of how the prepaid financing structure limits Ava's exposure to investor repayment risk
- Impact of interest rates and inflation on the potential savings from future prepaid transactions
- Potential dependency and load risk associated with increasing the proportion of Ava's load covered by prepaids
- Options for mitigating load risk, including transferring prepaid power to another offtaker if Ava's load declines
- Budget planning considerations related to uncertainty in future savings after prepaid transactions are repriced

6. **(36:30) 2026-2027 Budget Preview (Informational Item)**
Review of draft budget for the next fiscal year.

Howard Chang presented an updated FY2026-27 draft budget, highlighting that revised PG&E/ERRA rate assumptions had shifted the projected $10M surplus to a $25M deficit. He reviewed the impact of lower rates and revenue assumptions, energy market price sensitivities, updates to local development funding, and a new five-year forecast showing potential surplus growth.

Selection of topics discussed by subcommittee members:

- Clarification of budget changes driven by further analysis and reconciliation of PG&E's ERRA filing and modeling assumptions
- Impact of updated RPS market price assumptions on cost of energy and overall budget projections
- Potential impact of PCIA transparency legislation on market price benchmark and revenue forecasting
- Confirmation that current budget changes do not materially affect strategic priorities or planned initiatives
- Staff effort and cadence for updating financial models in response to PG&E filings and changing market conditions

(1:07:03) Public Comment – Avi Wong asked for clarification on how long the funds identified as "earmarked" on Slide 27 are committed for, and whether those amounts are specifically allocated for FY2026-27 or extend beyond that period.

7. **(1:08:35) Committee Member and Staff Announcements including requests to place items on future Board Agendas**

There were no committee member or staff announcements.

8. **Adjourned at 4:44pm.**

The next Financial, Administrative and Procurement Subcommittee meeting will be held on Wednesday, September 9, 2026 at 3:30pm.

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Minutes written by Raïssa Ngoma.

FY 2025-2026 Annual Audit Progress Update

Finance, Administrative, and Procurement Subcommittee

September 9, 2026

Audit Timeline & Expected Deliverables

Audit is currently underway and expected to be completed by the November 18th Board meeting.

	6/30/2026 7/6/2026	July	August	9/7/2026 9/11/2026	9/14/2026 9/18/2026	9/21/2026 9/25/2026	9/28/2026 10/2/2026	10/5/2026 10/9/2026	10/12/2026 10/16/2026	10/19/2026 10/23/2026	10/26/2026 10/30/2026	11/2/2026 11/6/2026	November	
Transition of Fiscal Year														
Audit Kickoff		7/29/2026												
Delivery of Key Documents														
Delivery of Trial Balances				9/11/2026										
Testing & Review														
Bank Confirmations					Issue	Return								
Legal Confirmations							Issue		Return					
Draft Financial Statements								10/9/2026						
Audit Documents									Draft Opinion	Staff Review	Auditor Review	Final Opinion	Finalize BOD Items	Delivery to CPs
Ad-Hoc Committee			8/14/2026					TBD						
FAP/Board Meetings										**10/21/2026**	10/28/2026			**11/18/2026**

Completed | Current | Behind
On track/Scheduled | Delayed/Deferred/Unscheduled

Expected Deliverables at November Board Meeting

- Final Audited Financial Statements with notes and transmission letter
- Budget to Actuals for Fiscal Year 2025-2026
- Net Revenue Allocations
- State of Reserves & Rate Stabilization Fund

Ava Financial Audit Process

- Ava's annual financial audit starts at the end of each fiscal year and is typically completed within 180 days (December 27th), as per contractual obligations with certain energy counterparties and the credit facility, currently held with PNC Bank.
  - The financial audit confirms the financial accuracy of Ava's financial statements and accounting processes by reviewing transactions, controls, processes, contractual agreement compliance, and other relevant aspects in a manner according to the Generally Accepting Accounting Principles (GAAP) methodology.
- An ad-hoc committee is formed from current Board members to confer with the auditor independent of staff involvement to ensure adequate controls and diligence.
- The results of the audit will be presented to the Board as an informational item by the auditor. Staff is currently targeting the November meeting for presentation, ahead of deadline.
  - Based on the final results of the audit, information regarding actuals to budget and the revenue surplus will also be presented by staff.

Ava's Working Capital

Finance, Administrative, and Procurement Subcommittee

September 9, 2026

Contents

What do we mean by “Working Capital”?

- Working capital is the money Ava has free to run daily operations and can be measured in two different ways
  - GAAP measures working capital as short-term assets – short-term liabilities from the Balance Sheet financial statement
    - Good for corporations but doesn’t translate well to public enterprises
    - May not capture true cash available for operations, such as deferred revenues for RSF and special funds such as Local Development
  - Working capital can also be measured by operational cycles—**cash conversion cycle**
    - Usually tracked by counting days of liquidity instead of dollars
    - Measures time from when costs are incurred to when revenues are collected
    - Better for balance tracking and public enterprises
- Sound working capital management practices prevents liquidity crises and ensures smooth business operations
- Especially important in industries with significant swings in demand or long receivable cycles, such as those associated with cost recovery through the PCIA

GAAP	March 31, 2026
Current Assets	628,156,213
Current Liabilities	136,343,045
Working Capital	**491,813,168**
Cash in Accounts	**855,051,116**
GAAP does not include LT investments or deferred revenues	363,237,948

Ava’s Cash Buckets

Total cash balances are allocated to different buckets for treasury management

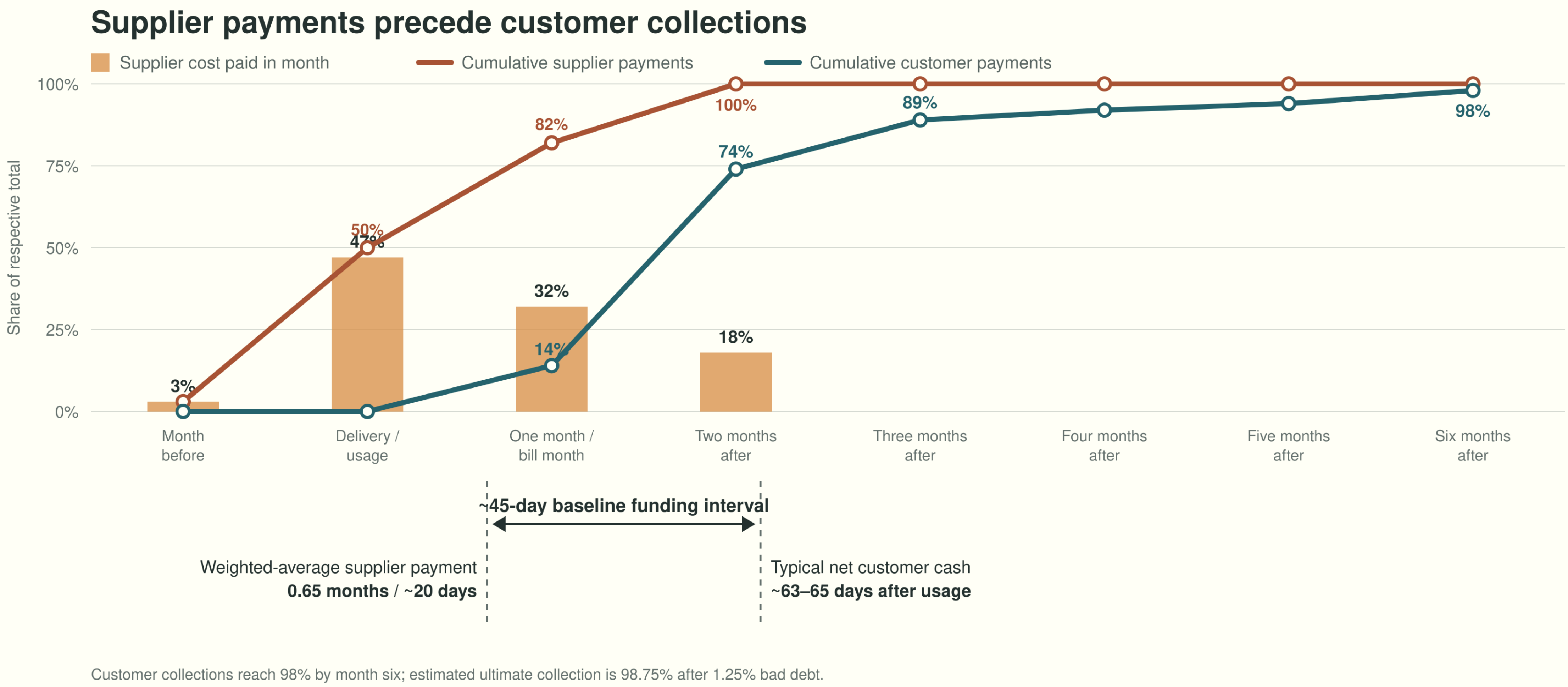
- **Reserve Funds**—Held in a custodial account at US Bank and invested in accordance to Ava’s Investment Policy as approved by the Board by resolution R-2024-31 in April, 2024
- **Rate Stabilization Fund**—Held in insured cash sweep (ICS) accounts and certificate of deposits and was established by the Board by resolution R-2025-41 in September, 2025
- **Local Development Fund Balance**—Held in interest bearing money market and operating accounts and tracked since inception
- **GASB 62 Deferred Revenue Items**—Held in interest bearing money market account and holds cash appropriated for local renewable energy expenses in 2027 per resolution R-2024-26 and solar/storage incentives per resolution R-2024-42
- **Cash Collateral & Other Restricted Funds**—Held in interest bearing money market account for cash postings from counterparties
- **Available Working Capital**—Held in operating accounts

Note: Ava’s Credit Facility with PNC bank grants an additional liquidity resource but is not listed as cash available working capital

Major Factors Affecting Ava Working Capital Planning

- Revenue collection cycle
- PCIA variability
- Commodity Market Volatility
- Cyclical economic activity
- Interest rate markets
- Global conflict and other unplanned events

Ava’s Cash Conversion Cycle



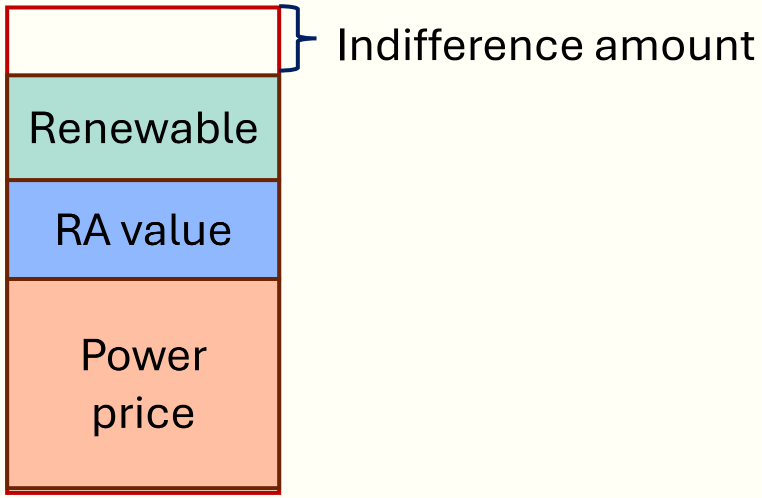
Supplier payments average ~ 20 days after delivery, while net customer cash typically reaches Ava around 65 days after usage. This creates ~45-day baseline funding interval

Impact of PCIA on Working Capital

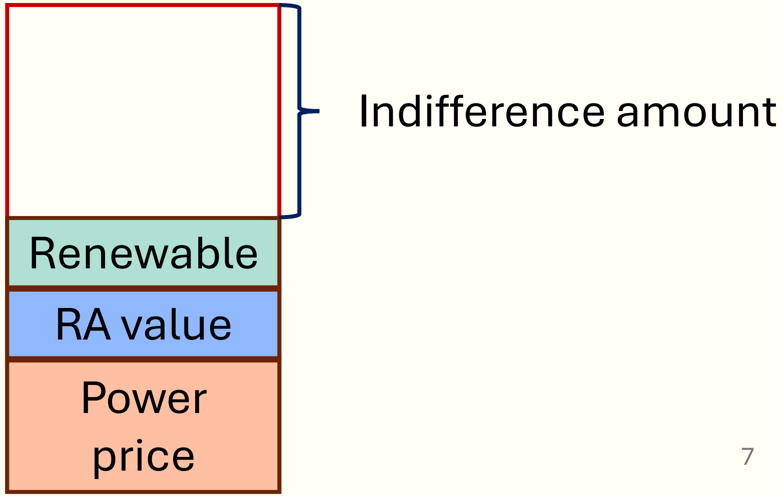
What is PCIA and how Ava factors it in to hedging decisions?

- The short story: PG&E legacy energy resources are the basis for the PCIA calculation. Functionally, PG&E resources serve as an energy hedge for Ava's customers.
- PCIA is based on a calculation of the indifference amount for Cost Responsibility Surcharge (CRS) resources
- Total cost of the CRS resource portfolio minus the market value of portfolio output
- **Market value is determined by brown power price, renewable adder, and RA values (system, local, and flex)**
- Because the indifference will vary with changes in the market price, the PCIA acts as a hedge for Ava's energy purchases
- When energy prices increase, cost of energy supply increases, as does value of CRS portfolio output
- Thus, high energy prices in one year will lead to a lower PCIA charge in the following year due to the Portfolio Allocation Balancing Account (PABA) true-up

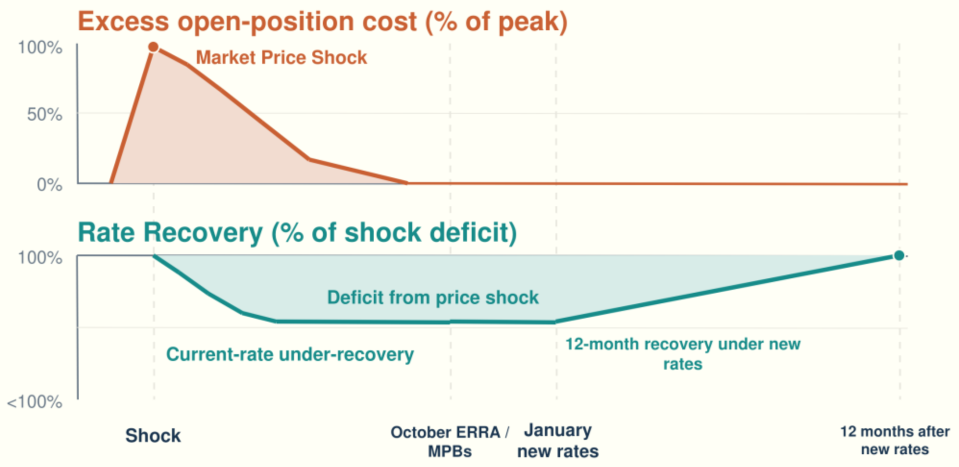
PCIA in High Cost Environment

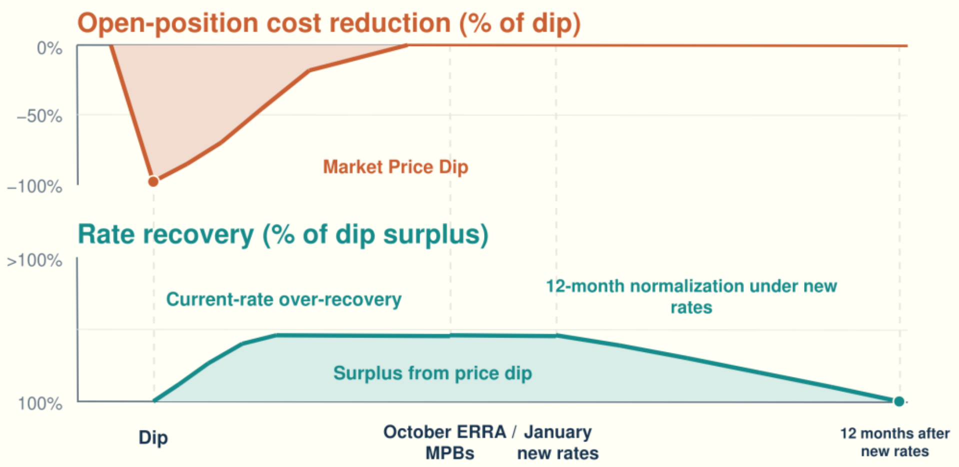


PCIA in Low Cost Environment



PCIA as an Equalizing Mechanism





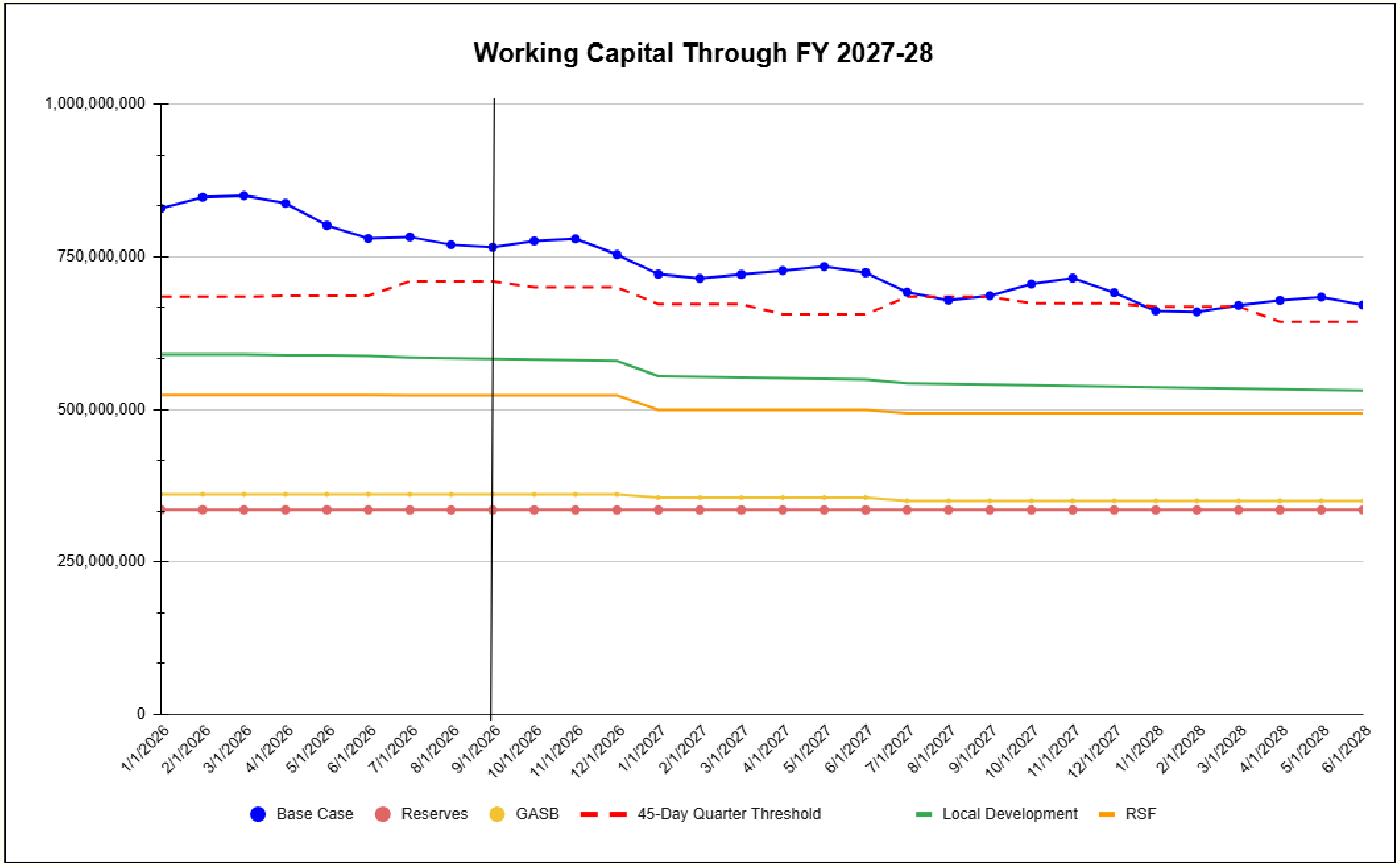
- Changes in market prices are eventually balanced through PCIA and rate setting processes
- A price shock or dip creates an immediate cash gap and two-stages for recovery

- In the event of a price spike,
  - Ava's current rates collect a portion of the cost incurred in the short term
  - Next year's rates are higher and recover the remaining shortfall over 12 months

- In the event of a price dip.
  - Ava's current rates over collect revenues in the short term
  - Next year's rates are lower and surplus is returned to the customer over 12 months

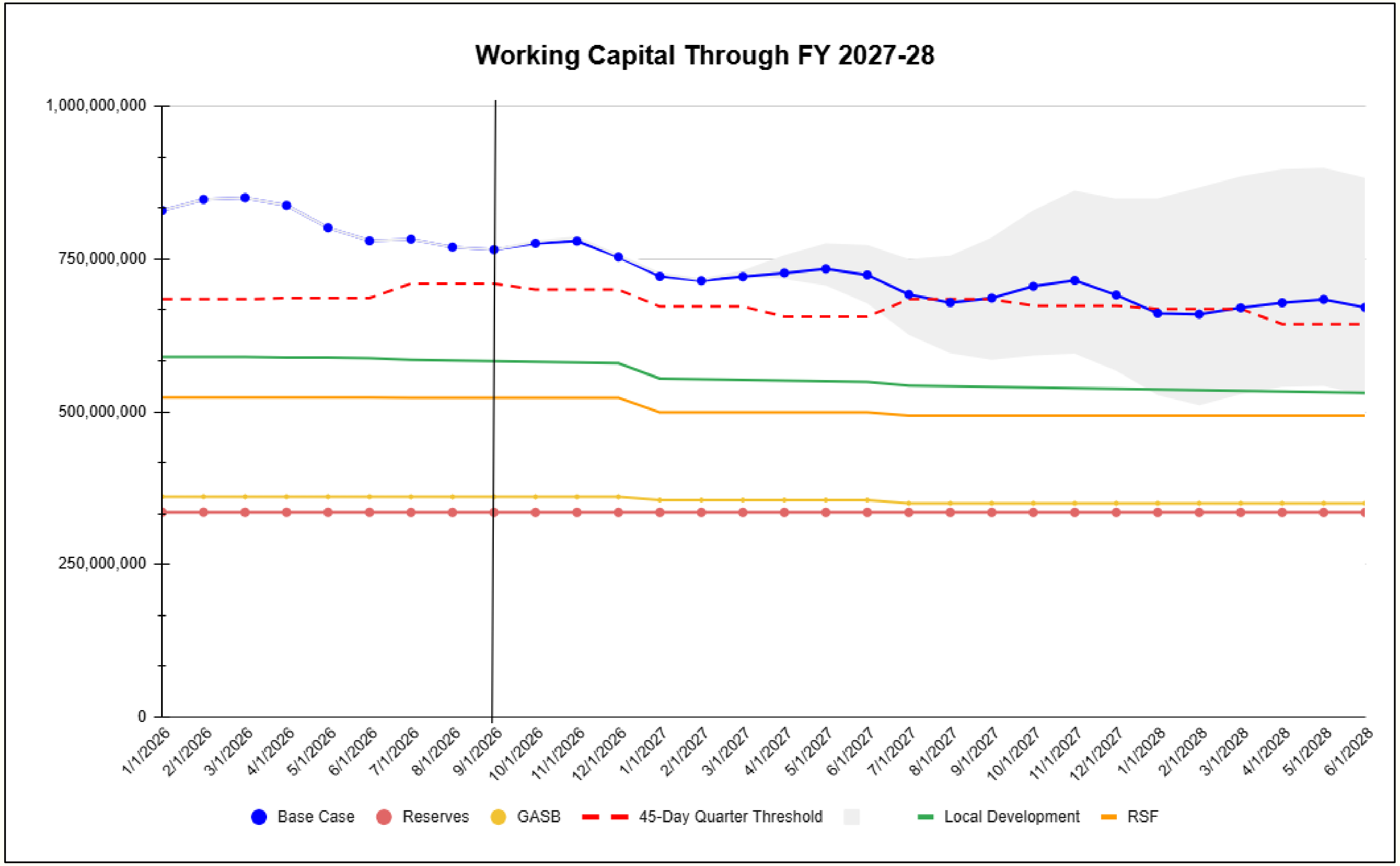
- This creates a 15-24 month long-term cycle for cash balancing (up to 9 months from market shock to ERRA, 3 months from ERRA to rates, 12 months for rates to balance)

Base Case Working Capital Projections



- Revenues align with current MPB and rate expectations
- No new PCIA reform included
- Energy costs occur at expected market prices (no price shocks)
- Recognition of $10.5MM of GASB set-aside for local renewable generation in 2027 per R-2024-26
- Recognition of $18.9MM of RSF in Jan 2027 as approved by Budget
- Narrow margins in Q3 CY 2027 and Q1 CY 2028
- Forecasted drawdown is $180MM from highest balance (3/26) to lowest balance (2/28)

Range of Working Capital Projections



- Revenues are stressed under two scenarios
  - **Bottom Case**: September prices dip then spike in October and run high through CY 2027
  - **Upper Case**: September prices spike then remain elevated through CY 2027
- No new PCIA reform included
- GASB and RSF recognitions same as base case
- Potential breach of balances in Feb 2028

Minimum Working Capital Levels – Planning

- Ava manages to a minimum of 45 days of Working Capital
  - Translates to approx. $110 million on average
  - Gap in Cash Conversion Cycle approximately aligns
  - Balance at 45 days would trigger decision on using other available funds (i.e. RSF)
- **If RSF balances are available, Ava may begin utilizing those funds in periods of cash burn without affecting rates or placing stress on liquidity levels**
- PNC credit facility requires 120 days of Days Liquidity on Hand (DLOH),
  - This measure excludes invested amounts
  - This measure includes the facility itself and does not preclude RSF and other cash balances from applying to the calculation
  - The base case does not dip below 249 DLOH in the timeframe presented
- S&P uses Total Liquidity on Hand (TLOH) which includes all cash balances and credit facility balance
  - The base case does not dip below 377 TLOH in the timeframe presented
- <u>**Working Capital minimum gives staff and the Board adequate time to adjust revenues by considering Board action**</u>

Questions & Next Steps

- Questions??
- Staff continues to update forecasted cash flows at least monthly as part of active liquidity management
- Working Capital forecasts may inform staff recommendations for board action to maintain balance sheet strength

Long-Term Renewable Energy Deal for Pre-Pay

FAP | Jim Dorrance | September 9th, 2026

Proposed Renewable Energy Deal - Overview

- **RPS renewable transaction**: Ava is seeking Board approval to enter into a renewable energy transaction with another CCA using a standard deal form
- **Purpose**: The parties will swap renewable energy to enable each CCA to assign the power into its respective Energy Pre-pay transaction
- **Customer savings**: Ava currently has seven Energy Pre-pay transactions that provide customer savings by leveraging Ava's ability as a tax-exempt entity to access tax-exempt bond financing
- **Term & Approval:** The transaction has a term greater than 10 years and will be presented to the Board as a Consent Item at the October meeting for approval

Proposed Renewable Energy Deal – Deal Structure

- **Contract Type/Structure**: The transaction will be structured as two contracts using the standard WSPP Agreement form for renewable energy purchases and sales
  - **WSPP Agreement**: WSPP (Western Systems Power Pool) provides a standardized contract form commonly used for wholesale power transactions
  - **Two Contracts**: (1) Ava sells renewable energy to another CCA and (2) Ava purchases an equivalent quantity of renewable energy from the same CCA at the same price, creating an exchange or swap
  - **Cost**: No incremental cost to Ava beyond the underlying transaction supporting the swap
  - **Quantity and Term**: Approximately 175,000 MWh of renewable energy annually, with a term beginning in 2027 or 2028 and ending concurrently with the supporting transaction, which will have a term greater than 10 years
- **Risk Assessment:** Limited risk with administrative efficiencies from working directly with another CCA rather than multiple suppliers and financing parties

Proposed Renewable Energy Deal - Summary

- **Purpose:** Swap renewable energy with another CCA to facilitate assignment into Ava's Energy Pre-pay transaction and support customer savings
- **Structure:** Two WSPP contracts for equivalent renewable energy purchases and sales, with approximately 175,000 MWh annually and no incremental cost to Ava
- **Risk & Approval:** Limited risk and administrative complexity with Board approval required as a Consent Item due to the transaction's term of greater than 10 years

Questions?