

Report of Independent Auditors and
Financial Statements

**Central Valley Energy Authority
(a Component Unit of the
Turlock Irrigation District)**

December 31, 2025



Table of Contents

	Page
Report of Independent Auditors	1
Management's Discussion and Analysis (Unaudited)	5
Financial Statements	
Statement of Net Position	9
Statement of Revenues, Expenses, and Changes in Net Position	10
Statement of Cash Flows	11
Notes to Financial Statements	12

Report of Independent Auditors

The Board of Directors
Central Valley Energy Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Central Valley Energy Authority (the Authority), which comprise the statement of net position as of December 31, 2025, and the related statement of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Central Valley Energy Authority as of December 31, 2025, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the California Code of Regulations, Title 2, Section 1131.2, State Controller's *Minimum Audit Requirements* for California Special Districts. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Central Valley Energy Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the California Code of Regulations, Title 2, Section 1131.2, State Controller's *Minimum Audit Requirements* for California Special Districts will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and the California Code of Regulations, Title 2, Section 1131.2, State Controller's *Minimum Audit Requirements* for California Special Districts, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Central Valley Energy Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matter

Required Supplementary Information

The accompanying management's discussion and analysis on pages 5 through 7 is required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of making inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Baker Tilly US, LLP

Portland, Oregon
April 29, 2026

Management's Discussion and Analysis (Unaudited)

Central Valley Energy Authority

Management's Discussion and Analysis (Unaudited)

Using this financial report

The following management's discussion and analysis of the Central Valley Energy Authority (the Authority) and its financial performance provides an overview of the Authority's financial activities for the year ended December 31, 2025. This management's discussion and analysis should be read in conjunction with the Authority's financial statements and accompanying notes, which follow this section.

Background

The Authority is a joint powers authority (JPA) formed by the Turlock Irrigation District (TID) and the Walnut Energy Center Authority (WECA) in 2024. WECA is a JPA formed by TID and the Merced Irrigation District. The Authority was formed for the purpose of prepaying for a fixed quantity supply of natural gas and electricity to be delivered over a thirty-year period by Aron Energy Prepay 48 LLC. The Authority then sells the natural gas and electricity to TID. The Authority issued Commodity Supply Revenue bonds on January 22, 2025 for the purpose of funding the gas prepay and commenced gas sales in June 2025.

TID has contracted with Authority to purchase all the commodity delivered by Aron Energy Prepay 48 LLC, based on market prices. The Authority is obligated to pay principal and interest on the bonds. Neither TID nor WECA is obligated to make debt service payments on the bonds. The Authority can terminate the prepaid commodity under certain circumstances, including failure by Aron Energy Prepay 48 LLC to meet its commodity delivery obligation to the Authority. If this occurs, Aron Energy Prepay 48 LLC will be required to make a termination payment to the Authority based on the unamortized prepayment proceeds received by Aron Energy Prepay 48 LLC. The Authority's accounting records are maintained in accordance with Generally Accepted Accounting Principles for proprietary funds as prescribed by the Governmental Accounting Standards Board.

Financial reporting

The Authority maintains its accounts in accordance with accounting principles generally accepted in the United States of America for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB). The Authority is accounted for as an enterprise fund and is financed and operated in a manner similar to that of a private business enterprise. The Authority uses the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Authority's operating expenses are paid by TID and as such are excluded from the cash flow statements; as are the associated revenues. The Authority's commission is comprised of TID's Board of Directors. The Authority is a separate legal entity; however, due to the extent of its operational and financial relationship with TID, it is included in the consolidated financial statements of TID as a component unit.

Statements of net position, statements of revenues, expenses and changes in net position, and statements of cash flows

The statements of net position include all of the Authority's assets, liabilities, and deferred inflows of resources using the accrual basis of accounting, information about which assets can be utilized for general purposes, and which assets are restricted as a result of bond covenants and other commitments. The statements of revenues, expenses, and changes in net position report all of the revenues and expenses during the time periods indicated. The statements of cash flows report the cash provided and used by operating activities, cash payments for debt service and capital expenditures and cash purchases and proceeds from investing activities during the time periods indicated.

Central Valley Energy Authority
Management's Discussion and Analysis (Unaudited)

**Summary of Financial Position and Changes in Net Position as of and for the year ended
December 31 (in thousands):**

	<u>2025</u>
ASSETS	
Current assets	\$ 97,099
Noncurrent assets	<u>931,658</u>
Total assets	<u><u>\$ 1,028,757</u></u>
LIABILITIES	
Long-term debt - net	\$ 1,041,191
Current liabilities	<u>20,503</u>
Total liabilities	<u>1,061,694</u>
NET POSITION	
Restricted	47,608
Unrestricted	<u>\$ (80,545)</u>
Total net position	<u>(32,937)</u>
Total liabilities and net position	<u><u>\$ 1,028,757</u></u>

TOTAL ASSETS

Current assets were \$97.1 million, primarily comprised of the debt service fund balance as a result of the issuance of \$984.1 million bonds in January 2025.

The Authority's noncurrent assets totaled \$931.7 million, which consisted entirely of its prepaid gas supply.

TOTAL LIABILITIES & NET POSITION

Total liabilities in 2025 were \$1.06 billion due to the issuance of \$984.1 million Commodity Supply Revenue Bonds in January 2025 and the related accrued interest.

Net position in 2025 was \$(32.9) million, based on results of operations.

Central Valley Energy Authority Management's Discussion and Analysis (Unaudited)

RESULTS OF OPERATIONS

The following table summarizes the operating results for the years ended December 31 (in thousands).

	<u>2025</u>
Operating revenues	\$ 30,325
Operating expenses	<u>(15,792)</u>
Operating income	14,533
Interest income - net	3,000
Interest on debt	<u>(50,470)</u>
Change in net position	(32,937)
Net position - beginning of year	<u>-</u>
Net position - end of year	<u><u>\$ (32,937)</u></u>

OPERATING REVENUES

Operating revenues represent proceeds from gas sales to TID (the Member), and gas swap settlements which started in June 2025.

OPERATING EXPENSES

Operating expenses were \$15.8 million, consisting entirely of amortization of the prepaid gas supply.

INTEREST INCOME – NET AND INTEREST ON DEBT

Interest on debt was \$50.5 million, consisting of interest expense and the amortization of related premiums. Interest income was \$3.0 million, earned on the debt service fund balance.

For more information about the Central Valley Energy Authority, visit our website at www.TID.org or contact us at customerservices@TID.org.

Financial Statements

Central Valley Energy Authority
Statement of Net Position
(dollars in thousands)
December 31, 2025

ASSETS

CURRENT ASSETS	
Restricted cash and cash equivalents	\$ 178
Restricted investments	67,933
Receivables	
Gas sales to Member	1,792
Accrued interest and other receivables	2,889
Current portion of prepaid gas supply	<u>24,307</u>
Total current assets	<u>97,099</u>
NONCURRENT ASSETS	
Prepaid gas supply, net of current portion	<u>931,658</u>
Total noncurrent assets	<u>931,658</u>
TOTAL ASSETS	<u><u>\$ 1,028,757</u></u>

LIABILITIES AND NET POSITION

LONG-TERM DEBT - net	<u>\$ 1,041,191</u>
CURRENT LIABILITIES	
Accrued interest	<u>20,503</u>
Total current liabilities	<u>20,503</u>
TOTAL LIABILITIES	<u>1,061,694</u>
NET POSITION	
Restricted	47,608
Unrestricted	<u>(80,545)</u>
TOTAL NET POSITION	<u>(32,937)</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 1,028,757</u></u>

See accompanying notes.

Central Valley Energy Authority
Statement of Revenues, Expenses, and Changes in Net Position
(dollars in thousands)
Year Ended December 31, 2025

OPERATING REVENUES	
Gas sales to Member	\$ 12,588
Gas swap settlement, net	<u>17,737</u>
Total operating revenues	<u>30,325</u>
OPERATING EXPENSES	
Prepaid gas amortization	<u>15,792</u>
Total operating expenses	<u>15,792</u>
OPERATING INCOME	<u>14,533</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest income - net	3,000
Interest on debt	<u>(50,470)</u>
Total non-operating expenses, net	<u>(47,470)</u>
CHANGE IN NET POSITION	(32,937)
NET POSITION - BEGINNING OF YEAR	<u>-</u>
NET POSITION - END OF YEAR	<u><u>\$ (32,937)</u></u>

See accompanying notes.

Central Valley Energy Authority
Statement of Cash Flows
(dollars in thousands)
Year Ended December 31, 2025

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from gas sales to Member	\$ 10,796
Other receipts/payments - net	15,429
	26,225
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from bond issuance, net of premium	1,043,640
Payments for prepaid gas supply	(971,757)
Interest payments on long-term debt	(32,416)
	39,467
 CASH FLOWS FROM INVESTING ACTIVITIES	
Sales of investments	25,833
Purchases of investments	(93,766)
Interest received	111
	(67,822)
Net cash used in investing activities	(67,822)
Net increase in cash and cash equivalents	(2,130)
 RESTRICTED CASH AND CASH EQUIVALENTS	
Beginning of year	-
End of year	\$ (2,130)
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 14,533
Adjustments to reconcile operating income to net cash provided by operating activities	
Amortization of prepaid gas supply	15,792
Changes in operating assets and liabilities: Receivables	(4,100)
	(4,100)
Net cash provided by operating activities	\$ 26,225

See accompanying notes.

Central Valley Energy Authority
(dollars in thousands)
Notes to Financial Statements

Note 1 – Organization and Operations

The Central Valley Energy Authority (the Authority) is a joint powers authority (JPA) formed by the Turlock Irrigation District (TID) and the Walnut Energy Center Authority (WECA) pursuant to the California Government Code (collectively, the Members). WECA is a JPA formed by TID and the Merced Irrigation District. The purpose of the Authority is to prepay for a supply of a fixed quantity of natural gas and electricity (commodity) to be delivered over a thirty-year period (Commodity Project) by Aron Energy Prepay 48 LLC (J. Aron) under a Prepaid Commodity Sales Agreement (Prepaid Agreement) between the Authority and J. Aron. Under the Prepaid Agreement, which is scheduled to terminate in December 2055, J. Aron is obligated to make payments to the Authority for any shortfall of commodity not delivered or taken for any reason, including force majeure.

The Authority has entered into a Commodity Supply Contract (CSC) with TID that provides for the sale of all commodities delivered to the Authority over the term of the Prepaid Agreement. TID is obligated to pay the Authority for the quantities of commodity delivered under the CSC and to pay damages for commodity that TID fails to take pursuant to the terms of the CSC. TID has no obligation to pay for commodity that the Authority fails to deliver. The Authority anticipates that TID will be the only project participant with respect to the Commodity Project during the term of the Prepaid Agreement. However, in the event of a default by TID under the CSC, the Authority has agreed to terminate the CSC and may enter into a replacement CSC with one or more municipal utilities on substantially the same terms as the CSC.

The JPA agreement will remain in effect until terminated by a supplemental written agreement of the parties; provided that in no event shall the JPA agreement terminate while any contracts between the Authority and either of the parties or other parties are in effect, or while any bonds or notes of the Authority are outstanding. Commodity Project revenues and the subsequent payments of principal and interest related to the Authority's long-term debt are dependent upon the continued delivery of commodity to the Commodity Project under the Prepaid Agreement. Various termination events are specified in the Prepaid Agreement. Upon the occurrence of any such event, the Prepaid Agreement may be terminated by the Authority or J. Aron. If the Prepaid Agreement is terminated, J. Aron will be required to pay a scheduled termination payment to the Authority. Any termination of the Prepaid Agreement will result in the extraordinary mandatory redemption of the Authority's long-term debt. Neither WECA nor TID has any obligation or liability to the Authority beyond that specifically provided for in the JPA agreement or the Commodity Project agreement.

The Authority's Commission is comprised of TID's Board of Directors. The Authority is a separate legal entity; however, it is included in the consolidated financial statements of TID as a component unit because of the extent of its operational and financial relationships with TID.

Central Valley Energy Authority
(dollars in thousands)
Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies

Method of accounting – The Authority maintains its accounts in accordance with accounting principles generally accepted in the United States of America for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB). The Authority is accounted for as an enterprise fund and is financed and operated in a manner similar to that of a private business enterprise. The Authority uses the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Authority's operating expenses are paid by TID and, as such, are excluded from the cash flow statements, as are the associated revenues. Commodity sale revenues, gas swap payments and purchase costs that are directly related to delivery of the commodity are reported as operating revenues and expenses. All other revenues and expenses are reported as non-operating revenues and expenses.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Restricted assets – The Authority's restricted assets are comprised of U.S. government securities and guaranteed investment contracts which use is limited for specific purposes pursuant to the Indenture of Trust (Indenture) requirements. The Indenture specifies the flow of cash into the various Authority funds and dictates when they may become unrestricted.

Credit and market risk – The Authority has entered into guaranteed investment contracts and is exposed to credit risk related to nonperformance by its investment provider (see note 3).

Cash and cash equivalents – Cash and cash equivalents include all debt instruments purchased with an original maturity of 90 days or less, obligations which are unconditionally guaranteed by the U.S. Government or its agencies or instrumentalities; direct and general obligations of the State or any local agency within the State; bankers' acceptances; commercial paper; certificates of deposit; repurchase and reverse repurchase agreements; medium term corporate notes; Local Agency Investment Fund; and money market funds.

Investments – The Authority's investments consist of guaranteed investment contracts and are measured at cost.

Receivable from Member – The Authority records as a Receivable from Member the amounts due from TID for the purchase of the commodity from the Commodity Project.

Debt obligations – Long-term debt and short-term borrowings are recorded at the principal amount of the obligations, adjusted for original issuance premium. The premium on bonds issued and short-term borrowings are amortized over the terms of the bonds using the effective interest method. The premium amortized during the year ended December 31, 2025 totaled \$2,449 and are included within interest on debt on the statement of revenues, expenses, and changes in net position.

Central Valley Energy Authority
(dollars in thousands)
Notes to Financial Statements

The Authority has issued tax-exempt long-term bonds. Tax-exempt debt obligations are used for investments in the Prepaid Commodity Project and are classified as noncapital financing activities in the statements of cash flows.

Debt issuance costs – Costs incurred in connection with the issuance of debt obligations, principally underwriters' and legal fees, are expensed as incurred.

Prepaid gas supply – The Authority has prepaid for delivery of a natural gas supply with the proceeds from revenue bonds. The Authority provides for amortization on the historical cost of the Prepaid gas supply on a net present value (NPV) basis in which the change in the NPV of the Prepaid Agreement for the remaining term of its contract life from the beginning of the period to the end of the period is the amortization charged for the period. When the Authority amortizes its Prepaid gas supply, the amortization is recorded against the current portion of Prepaid gas supply.

Derivative instruments – The Authority enters into a forward contract (commodity price swap agreement) to manage its exposure to market volatility of commodity prices. The Authority does not enter into these agreements for trading purposes. Due to the termination provisions of these agreements, they have no fair value, and therefore, there is no mark-to-market, and the Authority does not record these derivative instruments on its statement of net position. The Authority is exposed to the risk of early termination of the Prepaid Agreement if the counterparties default or if the swap agreements are terminated. Net swap payments received or paid are reported as a component of operating revenues in the statement of revenues, expenses and changes in net position.

Amortization of bond premiums – Bond premiums are amortized over the life of the bonds using the effective interest method. Unamortized premiums are netted with long-term debt – net on the statement of net position.

Net position – The Authority classifies its net position into two components as follows:

- *Restricted* – This component of net position consists of assets with constraints placed on their use, either externally or internally. Constraints include those imposed by debt indentures, grants or laws and regulations of other governments, by law through constitutional provisions or enabling legislation, or by the Commission. These restricted assets are reduced by liabilities related to those assets.
- *Unrestricted* – This component of net position consists of net amount of the assets and liabilities that do not meet the definition of "Restricted."

Gas sales to Member – Gas sales to Member are recorded as revenues when the natural gas is delivered.

Operating expenses – Operating expenses includes the amortization on prepaid gas supply assets and are recorded when incurred.

Central Valley Energy Authority
(dollars in thousands)
Notes to Financial Statements

Recent accounting pronouncements, adopted – In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures* (GASB No. 102), to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. A concentration is defined as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. This Statement requires a government to assess whether a concentration or constraint could cause a substantial impact if the event occurred or has begun to occur prior to the issuance of financial statements. If a government determines that the criteria for disclosure have been met, it should disclose information in notes to financial statements in sufficient detail to enable financial statements users to understand the nature of the circumstances and the government's vulnerability to the risk of a substantial impact. This Statement is effective for the Authority in 2025. The Authority adopted GASB No. 102 during the year ended December 31, 2025, which did not have an impact on the Authority's financial reporting.

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements* (GASB No. 103), to improve key components of the financial reporting model. The purposes of the improvements are to (a) enhance the effectiveness of the financial reporting model in providing information that is essential for decision making and assessing a government's accountability, and (b) address certain application issues. This Statement is effective for the Authority in 2026. The Authority is currently assessing the impact of adopting this statement.

In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets* (GASB No. 104), to require certain types of capital assets to be disclosed separately in the capital assets note disclosures. Lease assets and intangible right-to-use assets should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets should also be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class and requires additional disclosures for capital assets held for sale. This Statement is effective for the Authority in 2026. The Authority is currently assessing the impact of adopting this statement.

In December 2025, GASB issued Statement No. 105, *Subsequent Events* (GASB No. 105), to enhance the consistency and quality of financial reporting related to subsequent events. Subsequent events are transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. The Statement defines the "date the financial statements are available to be issued" as the date when the financial statements are complete in accordance with GAAP and all necessary approvals for issuance have been obtained. It also clarifies the distinction between recognized and nonrecognized events and requires disclosure of the date through which subsequent events were evaluated. The requirements of this Statement are effective for the Authority in 2027. The Authority is currently assessing the disclosure impact of adopting this statement.

Central Valley Energy Authority
(dollars in thousands)
Notes to Financial Statements

Note 3 – Cash, Cash Equivalents, and Investments

The Authority's investment policy is governed by the California State and Municipal Codes and its Indenture, which allow Authority investments to include: obligations which are unconditionally guaranteed by the U.S. Government or its agencies or instrumentalities; direct and general obligations of the State or any local agency within the State; bankers' acceptances; commercial paper; certificates of deposit; repurchase and reverse repurchase agreements; medium term corporate notes; Local Agency Investment Fund; and money market funds. The Authority's investment policy also includes restrictions for investments relating to maximum amounts invested as a percentage of total portfolio and with a single issuer, maximum maturities, and minimum credit ratings. For purposes of its minimum rating criteria, the Authority uses the credit rating of U.S. Bank.

Credit risk – This is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. To mitigate the risk, the Authority limits investments to those rated at least at the credit rating of the commodity supplier or, if the commodity supplier is not rated, the guarantor of the commodity supplier which is currently U.S. Bank.

Custodial credit risk – This is the risk that in the event of the failure of a depository financial institution or counterparty to a transaction, the Authority's deposits may not be returned or the Authority will not be able to recover the value of its deposits, investments or securities that are in the possession of another party. The Authority does not have a deposit or investment policy for custodial credit risk. At December 31, 2025, the Authority had money market funds of \$178.

Concentration of credit risk – This is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The Authority places no limit on the amounts invested in any one issuer for federal agency securities. The Authority has concentrations of risk greater than five percent invested in Natixis Funding Corp. of 74% and MassMutual of 26% at December 31, 2025.

Interest rate risk – This is the risk that investments are exposed to fair value losses arising from increasing interest rates. Though the Authority has restrictions as to the maturities of some of the investments, it does not have a formal policy for interest rate risk. The Authority had no investments subject to this risk at December 31, 2025. At December 31, 2025, all investment funds were in guaranteed investment contracts that will terminate on August 1, 2035.

Investment agreement – The Authority has entered into guaranteed investment contracts in which it has agreed to invest the debt service fund for a fixed rate of return of 4.75% with Natixis Funding Corp., and the debt service reserve and the swap reserve funds for a guaranteed fixed rate of return of 5.15% with MassMutual. These agreements terminate on August 1, 2035.

The following schedules present credit risk by type of security held at December 31, 2025. The credit ratings listed are from Standard & Poor's as of December 31, 2025.

Central Valley Energy Authority
(dollars in thousands)
Notes to Financial Statements

The Authority's cash, cash equivalents, and investments consist of the following:

	Credit Rating	2025
Restricted cash and cash equivalents		
Money market funds	AAAm	\$ 178
Total cash and cash equivalents		178
Restricted investments		
Guaranteed investment contracts	A+/AA+	67,933
Total investments		67,933
Total restricted cash, cash equivalents, and investments		\$ 68,111

The Authority's cash, cash equivalents, and investments are classified in the Statement of Net Position as follows:

	2025
Restricted cash, cash equivalents, and investments	
Debt service funds	\$ 50,133
Total debt service funds	50,133
Other restricted funds	
Debt Reserve	12,800
Commodity Swap Reserve	5,000
Revenue fund	178
Total other restricted funds	17,978
Total restricted cash, cash equivalents, and investments	\$ 68,111

Note 4 – Prepaid Gas Supply

The Authority's prepaid gas supply is presented below as of December 31, 2025:

Prepaid gas supply	\$ 955,965
Less amounts to be recognized within one year	(24,307)
Total prepaid gas supply - noncurrent portion	\$ 931,658

Central Valley Energy Authority
(dollars in thousands)
Notes to Financial Statements

The following summarizes prepaid gas supply activity for the year ended December 31, 2025:

	January 1, 2025	Additions	Terminations/ Amortization	December 31, 2025
Prepaid gas supply	\$ -	\$ 971,757	\$ (15,792)	\$ 955,965

The prepaid gas supply is the discounted NPV of the fixed monthly natural gas prices per million British Thermal Units (MMBtu) as specified in, and over the remaining term of, the Prepaid Agreement.

Note 5 – Long-Term Debt

The Authority's long-term debt is presented below:

	2025
Commodity supply revenue bonds, fixed rate 5.0%, 2025-2055	\$ 984,120
Unamortized premiums	57,071
Total long-term debt	\$ 1,041,191

The following summarizes long-term debt activity for the year ended December 31, 2025:

	January 1, 2025	Additions	Defeasance, Payments or Amortization	December 31, 2025
Commodity supply revenue bonds	\$ -	\$ 984,120	\$ -	\$ 984,120
Unamortized premiums	-	59,520	(2,449)	57,071
Total long-term debt	\$ -	\$ 1,043,640	\$ (2,449)	\$ 1,041,191

At December 31, 2025, scheduled annual principal maturities and interest are as follows:

	Principal	Interest	Total
2026	\$ -	\$ 49,206	\$ 49,206
2027	-	49,206	49,206
2028	-	49,206	49,206
2029	-	49,206	49,206
2030	-	49,206	49,206
2031–2035	13,090	246,030	259,120
2036-2040	161,655	227,359	389,014
2041-2045	206,550	182,708	389,258
2046-2050	264,390	125,571	389,961
2051-2055	338,435	52,436	390,871
	\$ 984,120	\$ 1,080,134	\$ 2,064,254

Central Valley Energy Authority
(dollars in thousands)
Notes to Financial Statements

Interest in the preceding table includes interest requirements at the current fixed coupon rate of 5.0 percent through the maturity date of December 1, 2055. Principal in the preceding table reflects scheduled principal payments over the full term of the debt through maturity, consistent with the expected life of the obligation.

2025 bond issuance – On January 22, 2025, the Authority issued \$984,120 of 2025 Commodity Supply Revenue bonds (2025 Bonds). The 2025 Bonds mature in December 2055 and come with a mandatory tender purchase in August 2035.

At December 31, 2025, the Authority had pledged future net revenues to repay \$984,120 for bonds issued in January 2025. Proceeds from the Bonds were used to purchase the Commodity Project from J. Aron with the remaining amounts used to fund the appropriate accounts for the Authority. The Bonds, payable through 2055, are secured solely by a pledge of and lien on the trust estate under the Indenture which includes bond proceeds, rights under the CSC, revenues, any termination payment and any investment income. Annual principal and interest payments on the Bonds are expected to require approximately 100% of the Authority's net revenues. The total principal and interest remaining to be paid on the Bonds is \$2,064,254 at December 31, 2025. Debt service payments on the 2025 Bonds are made semi-annually on February 1 and August 1. Interest paid was \$50,470 for 2025. Total gross operating revenues were \$30,325 for 2025.

The ability of the Authority to pay related principal and interest payments associated with the Bonds is contingent upon the continued successful operation of the Commodity Project. If the Prepaid Agreement were to terminate, a termination payment would be received from J. Aron into the trust estate. The amount of the termination payment, together with the amounts required to be on deposit in certain funds and accounts held by the trustee, has been calculated to provide a sum sufficient to pay the redemption price of the Bonds upon early termination of the Prepaid Agreement. The termination payment amount declines over time as J. Aron performs its commodity delivery obligations under the Prepaid Agreement. The Members are not obligated to pay debt service costs if the Commodity Project is unable to operate pursuant to the Prepaid Agreement or if revenues generated by the Commodity Project are insufficient to meet debt service obligations.

Terms of debt indenture – The debt indenture contains a provision that in an event of default, the holders of the majority of the debt outstanding are entitled to declare the outstanding amounts due immediately.

Central Valley Energy Authority
(dollars in thousands)
Notes to Financial Statements

Note 6 – Commitments

Commodity price swap agreement – The Authority has entered into a floating-to-fixed natural gas and electricity commodity price swap agreement (Commodity Swap Agreement) with a counterparty for the purpose of fixing the variable price on the Authority's commodity sales to TID under the CSC. The Authority pays an index-based commodity price over the thirty-year period and receives a fixed commodity price as specified in the Commodity Swap Agreement, for notional quantities of the commodity at a pricing point corresponding to the daily contract quantity and the delivery point under the Prepaid Agreement. The Commodity Swap Agreement terminates on October 31, 2055. The total notional amount of the Commodity Swap Agreement remaining at December 31, 2025 through October 31, 2055, was 66.5 million MMBtu for gas and 16.0 million MWh for electricity. Presently, the Commodity Swap Agreement is an average of 19,167 MMBtu per calendar day through June 30, 2035, and 2,148 MWh per day starting July 1, 2035. Actual daily commodity deliveries will vary from month to month, changing on the first day of the month. Early termination of the Commodity Swap Agreement would occur upon termination of the Prepaid Agreement for any reason whatsoever. Upon early termination, the Commodity Swap Agreement would have no value to either party.

Note 7 – Contingencies

General contingencies – The Authority's ability to make principal and interest payments on its Bonds is contingent upon the continued delivery of commodity to the Commodity Project under the Prepaid Agreement. The Members are not obligated to make principal and interest debt service payments in the event the Commodity Project does not operate and there are insufficient funds to pay the bondholders. The Authority expects that the commodity will continue to be delivered as planned.

In the normal operation of business, the Authority is party to various claims, legal actions and complaints. Management and the Authority's legal counsel believe that there are no material loss contingencies that would have a material adverse impact on the financial position of the Authority.

Note 8 – Subsequent Event

Gas Prepay – In February 2026, CVEA entered into a prepaid natural gas and electricity (commodity) contract with Aron Energy Prepay 68 LLC expiring in 2057, which was financed with \$736,375 of CVEA commodity supply revenue bonds. TID has contracted with CVEA to purchase all the commodity delivered by Aron Energy Prepay 68 LLC, based on market prices. CVEA is obligated to pay principal and interest on the bonds. Neither TID nor WECA is obligated to make debt service payments on the bonds. CVEA can terminate the prepaid commodity under certain circumstances, including failure by Aron Energy Prepay 68 LLC to meet its commodity delivery obligation to CVEA. If this occurs Aron Energy Prepay 68 LLC will be required to make a termination payment to CVEA based on the unamortized prepayment proceeds received by Aron Energy Prepay 68 LLC.

Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms.