

# Fiscal Year Budget Surplus

Finance, Administrative, &  
Procurement Subcommittee

January 10, 2024



# Background & Discussion

- In June of 2023, the Fiscal Year 2023-2024 budget was approved by the Board of Directors on the condition to revisit the discussion of the projected surplus revenues in the Waterfall
  - Specifically, the 50/50 split between renewables and on-bill credits
- The Waterfall in the budget presentation was predicated on an estimated increase in net revenues of approximately \$179.5MM
- Changes in PG&E filed rates, and market price volatility, since the June approval has increased the estimated net increase to approximately \$260.7MM (an increase of about \$81.2MM)
  - Final actual Net Position will be determined following the annual audit Process completed ~Oct 2024
- Options evaluated
  - Retain On-Bill Credit option
  - Fully allocate to new Renewables
  - Incentives solutions for NEM changes

<b>WATER FALL DISTRIBUTION</b>	<b>BUDGET</b>	<b>UPDATED</b>	<b>Difference</b>
Net Revenues	179,484,000	260,728,000	81,244,000
Working Captial	50,000,000	50,000,000	0
Reserve Contribution	100,000,000	100,000,000	0
Available for Allocations	29,484,000	110,728,000	81,244,000
Renewables	50% 14,742,000	55,364,000	40,622,000
On-Bill Credits	50% 14,742,000	55,364,000	40,622,000

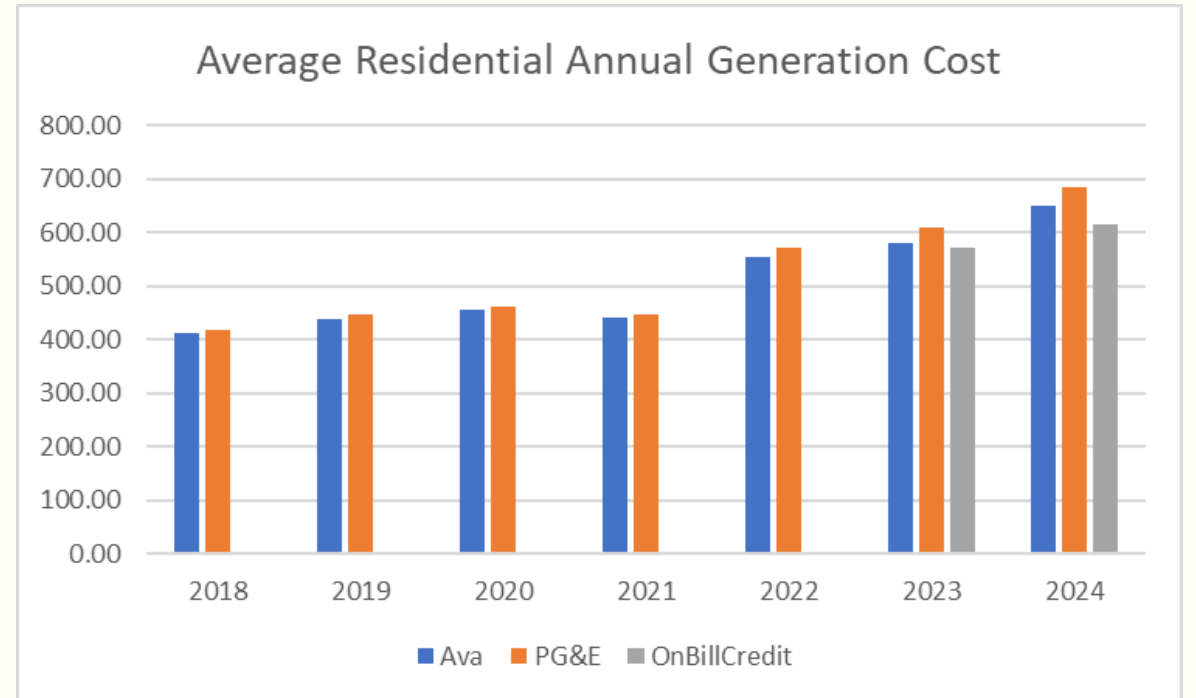
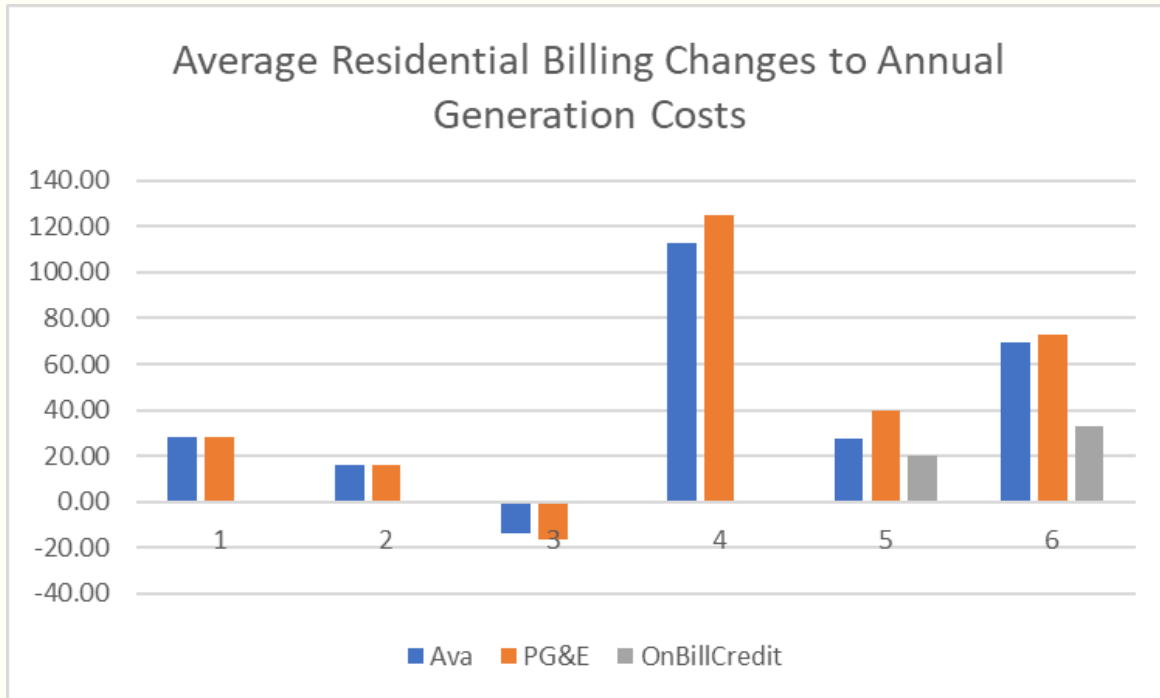


# Retaining On-Bill Credits

- Increases in net revenues may make retaining on-bill credits a desirable option
- PG&E's most recent rate filings are expected to increase the average annual generation cost for residential customers by \$70.44
- On-bill credits with previous revenue expectations were averaged at \$9.94 per residential customers
- On-bill credits with updated revenue expectations are averaged at \$36.53 per residential customer
- The updated credit could offset over 50% of the annual increase in generation cost for the average residential customer
- Most notable conditions with this option:
  - It is a one-time payout in Nov/Dec timeframe
  - It serves as a means to offset the significant increases in energy costs faced by customers
  - Application of benefit most directly applies to current rate-payers than other options



- The charts below show historical average impact from rate changes to generation costs to residential customers and the resulting total cost.



# Fully Allocate to Renewables

- Increases in net revenues may make fully allocating to new renewable projects more desirable.
- From last fiscal year, approximately \$10.5MM has been ear-marked for marginal renewable projects (per November Board Meeting Item 11—Budget Surplus & Reserve Allocation)
- If the On-Bill Credit option is retained, this balance would increase to ~\$60.9MM
- If fully allocated to new renewables, this balance would increase to ~\$121.2MM
- This would allow new incremental renewable resources to be developed that are otherwise not under Ava's current procurement plan, likely to be selected from the current or next RFO process



# Incentives Solutions for Net Billing Tariff

- Recent changes to net energy metering (NEM) are reducing solar installation rates across CA
- PG&E adoption of the new NEM 3.0 Policy called net billing tariff (NBT) has been delayed from December 2023 and now may occur before the end of the fiscal year
- Ava is developing an incentive program for solar and paired storage to encourage solar + storage adoption that benefits all Ava customers in conjunction with adopting NBT
- Ava is gathering feedback from solar industry to develop this program and will bring back to the Board for review by March
- Allocating a portion of the net revenues to planned funding could increase Solar + Storage program funding and deployment
- Most notable considerations with this option:
  - Delivering these incentives will occur over time as Solar + Storage installations occur
  - Benefit existing customers diminishes over time



# Thank you!



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