



## Staff Report Item 22

**TO:** Ava Community Energy Authority Board of Directors

**FROM:** Howard Chang, Chief Operating Officer

**SUBJECT:** Renewable Surplus Allocation and GASB 62 Methodology

**DATE:** March 20, 2024

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### **Recommendation**

Approve the release of \$10,504,837, which is the board approved Fiscal Year 2022-23 budget surplus allocation to long-term renewable energy and clean storage investments. The amount should be released from the GASB62 retained revenues into the General Fund in 2027.

### **Background and Discussion**

With the approval of the Fiscal Year 2022-23 budget (the “Budget”), the Board of Directors (the “Board”) approved a portion of the surplus revenues to be allocated to long-term renewable energy and clean storage investments. Following the completion of the annual financial audit, this amount was determined to be \$10,504,837 (the “Allocation”). This amount was presented to the Board at the November 15, 2023 meeting as Item 11. The allocation has been held as retained earnings in the GASB 62 Rate Stabilization fund.

The GASB 62 fund is an accounting treatment that permits the reporting of revenues earned in one period to be diverted to a later period to balance against planned recognition of specific costs. This treatment stabilizes budgets, financial net positions, and rates against fluctuations of large, planned expenses. The application of GASB 62 is in accordance with GAAP standards and is used regularly with public utilities. The Board has full discretion on how and when to recognize deferred revenues.

Ava intends to procure incremental generation and storage capacity from the 2023 Request for Offers (RFO) and apply the Allocation to this additional procurement. Currently in the 2023 RFO Ava has received board approval and executed contracts for 475 MW of renewable generating capacity and 75MW of storage capacity. This is estimated to generate between 685-887GWh annually once projects are fully operational. Ava is in continued negotiations on additional renewable generation and storage projects in CA that are estimated to generate between 735-950GWh annually, starting as early as 2027. To the extent additional capacity is procured, Ava would apply the Allocation to the entire portfolio inclusive of incremental procurement. The surplus would be applied regardless of potential project fall-out due to project development risks, such as permitting, interconnection, and construction risks. Staff does anticipate some portion of project failure throughout the project portfolio. To the extent additional projects are not procured from this 2023 RFO, staff would recommend deferring the release of these surplus funds to a future RFO.

While the Board can recognize the Allocation in any manner it chooses, Staff is recommending a release of the surplus funds in its entirety in calendar year 2027, which will allow for a simple accounting procedure and administratively straight forward operating requirements.

#### **Fiscal Impact**

Release of GASB 62 retained revenues will increase Ava's net financial position in the fiscal year that it is released.

#### **Committee Recommendation**

This item was reviewed by the FAP subcommittee and received approval of this recommendation by a unanimous vote.

#### **Attachments**

- A. Resolution Approving Release of GASB 62 Long-Term Renewable Allocation into the General Fund in calendar year 2027.
- B. Presentation - 2022-23 Surplus Allocations to Long-Term Renewables

**RESOLUTION NO. R-2024-xx**  
**A RESOLUTION OF THE BOARD OF DIRECTORS**  
**OF AVA COMMUNITY ENERGY AUTHORITY TO RELEASE \$10,504,837 FROM THE**  
**FY2022-23 SURPLUS TOWARDS LONG-TERM RENEWABLE ENERGY AND**  
**CLEAN STORAGE INVESTMENTS IN 2027**

**WHEREAS** The Ava Community Energy Authority (“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.*, 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 JPA in March of 2020. The city of Stockton, located in San Joaquin County was added as a member of Ava and party to the JPA in September of 2022. The city of Lathrop, located in San Joaquin County, was added as a member to Ava and party to the JPA in October of 2023. On October 24, 2023, the Authority legally adopted the name Ava Community Energy Authority, where it had previously used the name East Bay Community Energy Authority since its inception.

**WHEREAS** with the approval of the 2022-23 fiscal year budget, the Board of Directors (the “Board”) approved a portion of surplus revenues to be allocated for long-term renewable energy and clean storage investments (the “Allocation”).

**WHEREAS** following the completion of the audit, the Allocation is \$10,504,837 and is held as retained earnings in the GASB 62 Rate Stabilization Fund.

**WHEREAS** Ava is seeking to procure local, incremental generation and capacity from the 2023 RFO and intends to apply the Allocation to this portfolio of projects as they start delivery in 2027.

**NOW, THEREFORE, THE BOARD OF DIRECTORS OF AVA COMMUNITY ENERGY AUTHORITY DOES HEREBY RESOLVE AS FOLLOWS:**

Section 1. Release the Allocation to the General Fund in 2027 at staff discretion of the exact date.

ADOPTED AND APPROVED this 20<sup>th</sup> day of March 2024.

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Jack Balch, Chair

ATTEST:

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Adrian Bankhead, Clerk of the Board



# 2022-23 Surplus Allocation to Long-Term Renewables

March, 2024



# Background: Total Surplus Available

- The Board approved in the budgeting process an allocation to long-term renewable energy and clean storage investments within the budget surplus waterfall from fiscal year 22-23 budget surplus revenues
- Following the completion of the financial audit this amount was determined to be of \$10,504,837 and presented to the board at the November 15, 2023 meeting
- This allocation is accounted for within retained earnings in the GASB 62 fund
  - The GASB 62 fund is an accounting treatment that permits the reporting of revenues to be diverted to a later period to account for planned recognition of specific costs to stabilize utility rates and budgets across periods
- This presentation will discuss the options available to recognize these revenues and allocate the

# 2023 RFO Procurement Update

## Initial RFO Target Procurement

- Generation: up to 1000 MW of nameplate capacity
- Storage (paired &/or stand-alone): up to 500 MW of nameplate capacity

## Executed/Board Approved Procurement

	As of March 13, 2024
Generation nameplate	475 MW
Storage nameplate	75 MW
Estimated annual generation	685 – 887 GWh

# Surplus Allocation Recommendation

- Ava intends to procure incremental generating and storage capacity from the 2023 RFO and apply the budget surplus to this incremental procurement
- Dependent on contract terms and pricing, Ava is seeking to procure renewable energy from one to two additional CA based projects with forecasted annual generation of 735 to 950 GWh
- To the extent contract terms are not suitable Ava may recommend deferring this surplus allocation to a future RFO
- To the extent that additional capacity is procured, Ava would apply the surplus to this incremental generating capacity
- The surplus would be applied regardless of potential project fall-out due to project development risks, such as permitting, interconnection, construction risks. Staff does anticipate some portion of project failure throughout the portfolio



# Portfolio Summary

Attachment Staff Report Item 22B

Project	Project CO.	Developer	Location	Current Status	Agreement Type	Actual COD	Duration (yr)
Rosamond Central	Golden Fields Solar III, LLC	Clearway	Kern County, CA	Online	PPA	12/21/2020	15
Altamont Tecolote	Altamonts Winds, LLC	Greenbacker Pattern	Alameda County, CA New Mexico	Online	PPA	7/2/2021	20
Henrietta D	Tecolote Wind LLC	Convergent	Kings County, CA	Online	PPA	12/20/2021	10
Luciana	Henrietta D Energy Storage LLC	Idemitsu	Tulare County, CA	Online	ESA	12/28/2021	15
Daggett	Tulare Solar Center, LLC	Clearway	San Bernardino County, CA	Online	PPA	4/29/2022	15
Oberon	Daggett Solar Power 3 LLC	Intersect	Riverside County, CA	Online	PPA	9/5/2023	15
Scarlet I	IP Oberon II, LLC	EDP Renewables	Fresno County, CA	Development	PPA	1/1/2024	15 - Energy & RECs 10 - RA
Corsac Station	EDPR Scarlet I LLC	Fervo	Churchill County, NV	Pre-Construction	PPA	Delayed	20
Tumbleweed_4hr	FEC Nevada 1 LLC	REV Renewables	Kern County, CA	Pre-Construction	PPA	Delayed	15
Tumbleweed_8hr	Tumbleweed Energy, LLC	REV Renewables	Kern County, CA	Pre-Construction	ESA	6/1/2024	2
Kola	Tumbleweed Energy, LLC	Next Era	San Joaquin County, CA	Pre-Construction	ESA	6/1/2026	13
SunZia	Kola Energy Storage, LLC	Pattern	Lincoln County, NM	Development	ESA	1/1/2025	20
Sun Pond	Sunzia Wind PowerCO LLC	Longroad Energy	Maricopa County, AZ	Pre-Construction	PPA	6/1/2024	15
Zeta Solar	Sun Pond, LLC	Longroad Energy	Merced County, CA	Pre-Construction	PPA	6/1/2024	20
	Zeta Solar, LLC			Pre-Construction	PPA	3/31/2027	20

# GASB62 Accounting Treatment

- Once contracts are signed, for accounting purposes we would set the accounting treatment regardless of project development outcomes.
- Staff recommends the release of \$10,504,837, which is the board approved Fiscal Year 2022-23 budget surplus allocation to long-term renewable energy and clean storage investments. The amount should be released from the GASB62 retained revenues into the General Fund in 2027 based on the forecasted project online dates
- Other alternatives were considered in terms of timing and amounts for this GASB62 release
- The FAP Subcommittee voted in approval of this staff recommendation in the March 13, 2024 FAP meeting

