



Staff Report Item 10

TO: Ava Community Energy Authority

FROM: Lori Bilella, Director, Clean Energy Services

SUBJECT: **Consulting Services Agreement with Energy Mission Control dba FuSE Carbon Technologies for Low Carbon Fuel Standard Credit Brokerage**

DATE: April 17, 2024

Recommendation

Approve a Resolution authorizing the CEO to negotiate and execute a Consulting Services Agreement (“Agreement”) with Energy Mission Control dba FuSE Carbon Technologies (“FuSE”) to provide advisory and commercial brokerage services for Low Carbon Fuel Standard (LCFS) credits generated through Ava transportation electrification initiatives. The term of the Agreement will be through June 30, 2027, with compensation provided in the form of transaction-based broker commissions as well as up to \$50,000 for advisory services.

Background and Discussion

The Low Carbon Fuel Standard (LCFS) program came about through AB32, and is managed by the California Air Resources Board (CARB). It operates in a similar way to a cap-and-trade program in that some entities generate credits and some generate deficits based on the carbon intensity of their activities. LCFS is exclusive to transportation fuel emissions.

Entities that produce low - or no - carbon transportation fuels generate credits. Entities that produce transportation fuel emissions generate a deficit. These credits have a floating value based on the program market dynamics. Entities with credits can sell them to realize the monetary value associated with the credits. In 2019, Ava registered

its Renewable 100 electricity product as a Zero Carbon Intensity (0 CI) fuel pathway with CARB. This enables the use of Renewable 100 as a transportation fuel to be eligible to generate the maximum amount of LCFS credits through the use of electricity as a transportation fuel. Initiatives such as, but not limited to, Ava's DC Fast Charging Network and residential managed charging program are two examples of Ava initiatives that will generate LCFS credits. Numerous sites in Ava's DC Fast Charging Network will also be eligible to generate LCFS credits through the Fast Charging Infrastructure (FCI) capacity crediting pathway. The revenues associated with the monetization of Ava's LCFS credits will fund continued investment in transportation electrification initiatives.

In anticipation of the launch of the DCFC network and managed charging program, staff wants to be prepared with a contracted partner that can advise Ava on how best to access and optimize the monetization of LCFS credits, and to execute on transactions to deliver those revenues. On February 23, 2024 Ava issued a Request for Proposals for Low Carbon Fuel Standard Program Strategy Development and Credit Management Services. Five firms responded with proposals, which were reviewed and scored by a team of Ava Local Development staff. Three respondents were interviewed. Ultimately, FuSE was selected for their dedicated business model focus the electricity provisions within the LCFS program, depth of LCFS experience, and competitive fee proposal.

Fiscal Impact

Advisory services provided under this contract are not to exceed \$50,000 over the term. In addition to any direct advisory fee costs, FuSE will also be compensated in the form of transaction-based broker commission fees. Commission fees will be negotiated by the CEO prior to execution of the Consulting Services Agreement, though the volume of LCFS credits Ava generates and the market-based credit price at which credits trade will ultimately determine the specific value the broker receives. Commission fees will follow the schedule negotiated in the Consulting Services Agreement and will represent a portion of the revenues realized from credit sales which will always ultimately generate a net positive impact to Ava. The contract will provide that if LCFS credit prices ever drop to a price at which market participation is not economically justifiable, Ava can opt not to participate in that quarter's trading.

Attachments

- A. Resolution

RESOLUTION NO. R-2024-xx
A RESOLUTION OF THE BOARD OF DIRECTORS
OF AVA COMMUNITY ENERGY AUTHORITY TO NEGOTIATE A CONSULTING
SERVICES AGREEMENT WITH ENERGY MISSION CONTROL DBA FuSE CARBON
TECHNOLOGIES

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, on February 23, 2024, Ava Community Energy issued a Request for Proposals for Low Carbon Fuel Standard Program Strategy Development and Credit Management Services; and

WHEREAS, five firms responded with proposals, and after evaluating each proposal Ava selected Energy Mission Control dba FuSE Carbon Technologies (“FuSE”) to negotiate an agreement with; and

WHEREAS the Low Carbon Fuel Standard (LCFS) program, administered by the California Air Resources Board (CARB), incentivizes the production and sale of low carbon intensity transportation fuels by rewarding the displacement of each metric ton of carbon dioxide equivalent (CO_{2e}) with one credit based upon formulas detailed in the regulation; and

WHEREAS LCFS credits can be purchased by obligated parties with credit sale revenues funding continued investment in transportation electrification initiatives; and

WHEREAS Ava Community Energy will generate LCFS credits through initiatives including but not limited to its network of 24/7 publicly accessible electric vehicle fast charging stations and its residential managed charging program; and

WHEREAS Ava staff seek timely support in developing and implementing an LCFS credit monetization strategy; and

WHEREAS LCFS credit sales realized by a broker generate a net revenue to Ava inclusive of the cost of a transaction-based commission fee.

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

Section 1. Authorize the CEO to negotiate and execute a Consulting Services Agreement with FuSE, to provide advisory and commercial brokerage services for LCFS credits generated through Ava transportation electrification initiatives consistent with the terms described in the staff report accompanying this resolution. The term of the Agreement will be through June 30, 2027. Compensation will be in the form of transaction-based broker commission fees, at a rate to be negotiated by the CEO, with additional advisory service compensation not-to-exceed an amount of \$50,000. The Agreement shall be subject to review and approval by General Counsel.

ADOPTED AND APPROVED this 17th day of April, 2024.

Jack Balch, Chair

ATTEST:

Adrian Bankhead, Clerk of the Board