Ava Community Energy

Executive Committee Meeting
Wednesday, May 1, 2024
9:00 am

<u>In Person:</u>
Conference Room 5
Ava Community Energy
(formally East Bay Community Energy)
1999 Harrison St., Suite 2300
Oakland, CA 94612

<u>Or from the following remote location:</u>

- Member Marquez – 24301 Southland Drive, Suite 101 Hayward, CA 94545
- Member Hu – Dublin City Hall - 100 Civic Plaza, Dublin, CA 94568

<u>Via Zoom:</u>
https://us02web.zoom.us/j/88267670367

Or join by phone:
Dial(for higher quality, dial a number based on your current location):
US: +1 669 900 6833 or +1 253 215 8782 or +1 346 248 7799 or +1 301 715 8592 or +1 312 626 6799 or 877 853 5257 (Toll Free) or 888 475 4499 (Toll Free)
Webinar ID: 882 676 70367

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) 906-0491 or cob@avaenergy.org.

If you have anything that you wish to be distributed to the Executive Committee, 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 Executive Committee on any Ava Community Energy-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 Committee are customarily limited to three minutes per speaker and must complete an electronic speaker

slip. The Executive Committee Chair may increase or decrease the time allotted to each speaker.

3. **Approval of Minutes from March 6, 2024**

4. **Draft Budget Review (Informational Item)**
   Review the draft budget for the 2024/25 fiscal year

5. **Power Source Disclosure Program Annual Report (PSDR) Attestation vs. Audit Overview (Informational Item)**
   Overview of the attestation and audit options for the PSDR filing.

6. **Committee Member and Staff Announcements including requests to place items on future Executive Committee Agenda**

7. **Adjourn**

   The next Executive Committee meeting will be held on Wednesday, June 5, 2024.

Draft Minutes

Executive Committee Meeting
Wednesday, March 6, 2024
9:00 am

In Person:
Conference Room 5
Ava Community Energy
(formally East Bay Community Energy)
1999 Harrison St., Suite 2300
Oakland, CA 94612

Or from the following remote location:
- Member Hu - Dublin City Hall - 100 Civic Plaza, Dublin, CA 94568

Via Zoom:
https://us02web.zoom.us/j/88267670367

Or join by phone:
Dial(for higher quality, dial a number based on your current location):
US: +1 669 900 6833 or +1 253 215 8782 or +1 346 248 7799 or +1 301 715 8592
or +1 312 626 6799 or 877 853 5257 (Toll Free) or 888 475 4499 (Toll Free)
Webinar ID: 882 676 70367

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) 906-0491 or cob@avaenergy.org.

If you have anything that you wish to be distributed to the Executive Committee, please email it to the clerk by 5:00 pm the day prior to the meeting.

1. **Welcome & Roll Call**
Present: Members: Marquez (Alameda County), Hu (Dublin), Member Balch (Pleasanton) and Chair Tiedemann (Albany),
Not Present: Member Kalb (Oakland)

Member Hu joined the meeting at 9:04pm.

2. **(3:45) Selection of Executive Committee Chair (Action Item)**

Chair Balch motioned for Member Tiedemann to become Chair. Member Marquez seconded the motion which passed 3/0/2:
Yes: Members Marquez, Member Tiedemann and Chair Balch
Not Present: Members Hu and Kalb

Member Balch passed the gavel to Chair Tiedemann.

3. **Public Comment**

This item is reserved for persons wishing to address the Executive Committee on any Ava Community Energy-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 Committee are customarily limited to three minutes per speaker and must complete an electronic speaker slip. The Executive Committee Chair may increase or decrease the time allotted to each speaker.

(4:47) Public Comment – Jessica Tovar from the Local Clean Power Alliance (LCPA) spoke about a letter titled "Need for Community Driven Resilience Hubs for Environmental Justice Communities:"[1], submitted by LCPA to the Executive Committee in January 2024 and again in March 2024. This letter requested that Ava invest $15 million into community resilience hubs and to prioritize environmental justice, low-income and BIPOC communities for site selection.

Member Hu joined the meeting at 9:04am.

4. **(6:56) Approval of Minutes from February 7, 2024**

Member Balch motioned to approve the minutes. Member Marquez seconded the motion which passed 4/0/1:
Yes: Members Hu, Marquez, Balch and Chair Tiedemann
Not Present: Member Kalb

5. **(7:57) Recommendation for Timing of Customer Enrollment for Stockton and Lathrop (Informational Item)**

Present recommendation to board for when we should enroll new customers in 2025

Annie Henderson presented a recommendation for the enrollment timing of Stockton and Lathrop customers into Ava Community Energy. After evaluating financial impacts, customer considerations and operational complexities, she suggested April 2025 as the start date for both commercial and residential customers.

Member Marquez asked about the number of new customers affected by the enrollment plan**. Annie Henderson** responding that the total, encompassing both commercial and residential customers, is approximately 110,000.

---

[1] This letter is available on the March 6, 2024 Ava Executive Committee public meetings page at https://avaenergy.org/meetings/executive-committee-meeting-3-6-24/,

(10:18) Member Balch asked about the initial plans for Stockton's earlier enrollment and the perceived accelerated timing for Lathrop. **Annie Henderson** stated that Stockton's delay was due to additional information requested by the CPUC, whereas Lathrop followed the standard CPUC timeline and was approved for a January 2025 start alongside Stockton. **Alex DiGiorgio** added that the issues leading to Stockton's delay had been resolved and no further delays are anticipated for either community.

(12:11) Chair Tiedemann asked about the possible negative fiscal impact of starting enrollment in January. **Howard Chang** explained that winter months typically see higher power usage and prices, which tend to result in financial losses. Howard also said that starting in April would allow for costs to be covered more effectively as the year progresses.

(12:46) Public Comment - Jessica Tovar spoke in support of enrolling Stockton and Lathrop into Ava Community Energy.

(14:45) Member Hu suggested further research into different enrollment times.

6. **(15:40) Default Rate Product Change Policy Amendments (Informational Item)**
Adjust policy to single annual deadline.

Alex DiGiorgio presented proposed amendments aiming to streamline the process for member jurisdictions to change the default rate product to Renewable 100 for their constituents. The amendments suggest reducing board approval and implementation opportunities to once a year with a proposed implementation in either January or March.

(19:23) Member Marquez asked about the scope of the policy, specifically whether it was designed for cities aiming to opt up to Renewable 100. She also asked about the number of cities already using Renewable 100 as the default. Member Marquez spoke in support of a March implementation date.

(20:11) Member Balch asked the implications of budget constraints on member cities and the importance of aligning Ava's operations with member jurisdictions' fiscal planning and climate action goals. He spoke in support of standardizing deadlines and for taking the fiscal years of member jurisdictions into consideration.

(31:15) Chair Tiedemann focused on the strategic aspect of when and how changes are implemented to ensure that they align with member jurisdictions' goals and Ava's operational capabilities. He noted the importance of making the switch to Renewable 100, regardless of the exact timing, and said that he was comfortable with a start date in March.

7. **(36:47) Resilience Hubs and Solar + Storage Incentive Update (Informational Item)**
Update about resilience hubs and solar + storage incentives.

JP Ross, Vice President of Local Development, spoke about strategies to support community resilience hubs and the associated Solar + Storage Incentive program. He outlined a strategy comprising of community investment grants, technical assistance, and an incentive program. A significant aspect of this strategy involves a $300,000 grant to collaborate with local community-based organizations to define resilience hubs, identify best practices, and facilitate community engagement. He also spoke about an associated Technical Assistance program that aims to guide initial design and site considerations for resilience hubs, and the Solar + Storage Incentive program. He also explained how the Solar + Storage Incentive program has specific allocations for low-income residential customers.

(47:52) Member Marquez asked about the number of $300,000 grants that will be awarded. She also questioned the rationale behind the 50% funding split for low-income and market rate sectors and asked about strategies to ensure the geographic equity of the Solar + Storage Incentive program**. JP Ross** responded that initially, one $300,000 grant is planned, with flexibility to award additional grants based on the value of the proposals. He stated that geographic equity considerations have not been fully addressed. He also stated that the current focus of the program is on budget allocation flexibility between low-income and market-rate incentives.

(50:19) Member Balch expressed concerns about the minimum grant amounts and asked how small-scale grants would be managed. He spoke about the need to partner with the solar industry to implement the program effectively, and he raised concerns about potential barriers to deploying resilience hubs and solar + storage systems.

JP Ross responded that the Community Innovation Grant program aims for larger, multi-year grants. He stated that partnerships with the solar industry are essential for educating contractors about the program, and he discussed addressing potential barriers to deployment through education, technical assistance, and partnerships with equipment manufacturers and installers.

(1:07:44) Member Hu spoke about the management challenges associated with grant programs. She said that there is a need for more discussions about program management and, perhaps, additional program managers to oversee its implementation.

(1:10:35) Public Comment – Bradley Cleveland suggested reallocating additional funds towards resilience hubs. He also spoke about the opportunity provided by the Federal Direct Pay program to significantly enhance initial investments through tax credits. He stated that the Federal Direct Pay program could lower costs by taking advantage of tax credits for green energy projects.

(1:13:10) Public Comment – Jessica Tovar spoke in support of an immediate increase in grant funding. She also criticized the centralization of funds into a single organization and stressed the need for a broader reach across communities. She called for more collaborative efforts and support in the planning stages of resilience projects.

(1:16:24) Member Balch asked for staff to determine the best way to split funding to create the most significant impact. He suggested that staff should make adjustments based on program effectiveness rather than fixed amounts. Member Balch also stressed the importance of ensuring that partners, such as solar installers, are well-informed and aligned with Ava's standards.

(1:19:15) Member Marquez stated that clear communication and educational efforts are needed for new board members to understand the complex issues that are addressed in this presentation.

Member Marquez also asked for staff to revisit public comments from this meeting in order to explore opportunities to leverage federal funding opportunities.

(1:22:35) Howard Chang noted the challenges of transitioning from NEM 2.0 to NEM 3.0 and the impact of the program on the economics of solar installations. He spoke about the need for a flexible approach to the incentive program to adapt to these challenges and to ensure that the program supports Ava's goals of enhancing resilience and reliability.

8. (1:28:30) Committee Member and Staff Announcements including requests to place items on future Executive Committee Agenda

- **Member Balch** requested information on Ava's budget timeline and process to facilitate discussions on allocations.

- **Member Balch** stated that as Ava transitions into its next phase, it might be beneficial to evaluate its governance structure to ensure that it is aligned with its operational and strategic goals. He proposed considering if the current subcommittees are appropriate for Ava's current needs.

- **Member Balch** asked about the possibility of board members periodically choosing or alternating their subcommittee assignments. He suggested this might be a topic for discussion at the full Board of Directors.

- **Member Marquez** requested an updated roster with new members and committee assignments.

9. Adjourned at 10:31am.

The next Executive Committee meeting will be held on Wednesday, April 3, 2024.

Fiscal Year 2024-2025 Draft Budget

Executive Committee

May 1, 2024

Ava Community Energy

Background & Discussion

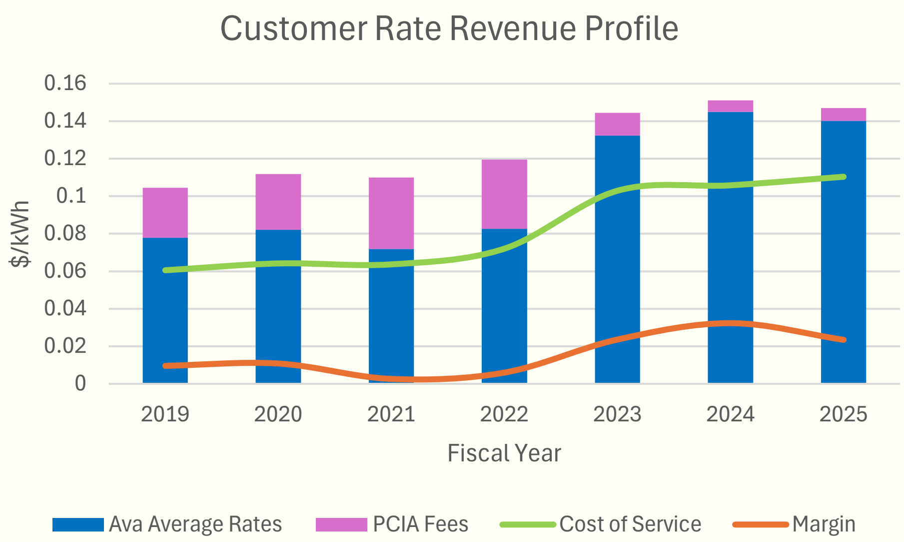
- Every year in June, Ava Board of Directors approves the following fiscal year budget
- The Budget covers the overall general categories of
  - Revenues from Operations
  - Energy Operating Expenses
  - Services to facilitate
  - Energy Operations Overhead
  - Non-Operating Revenues
  - Non-Operating Expenses
- The Budget typically goes through a few rounds of review prior to BOD approval in June, with a full review in the May meeting along with review from subcommittees—typically the Finance, Administrative, and Procurement Subcommittee and the Executive Committee
  - Staff is reviewing the draft budget with the Exec Comm (5/1), FAP (5/8), and board (5/15)
- Revenues are made from sales of energy to customers and rates are indexed to PG&E cost of service rates as approved by the CPUC
- Costs are typically 90% energy expenses with overhead and Local Development funding comprising nearly the remaining 10%

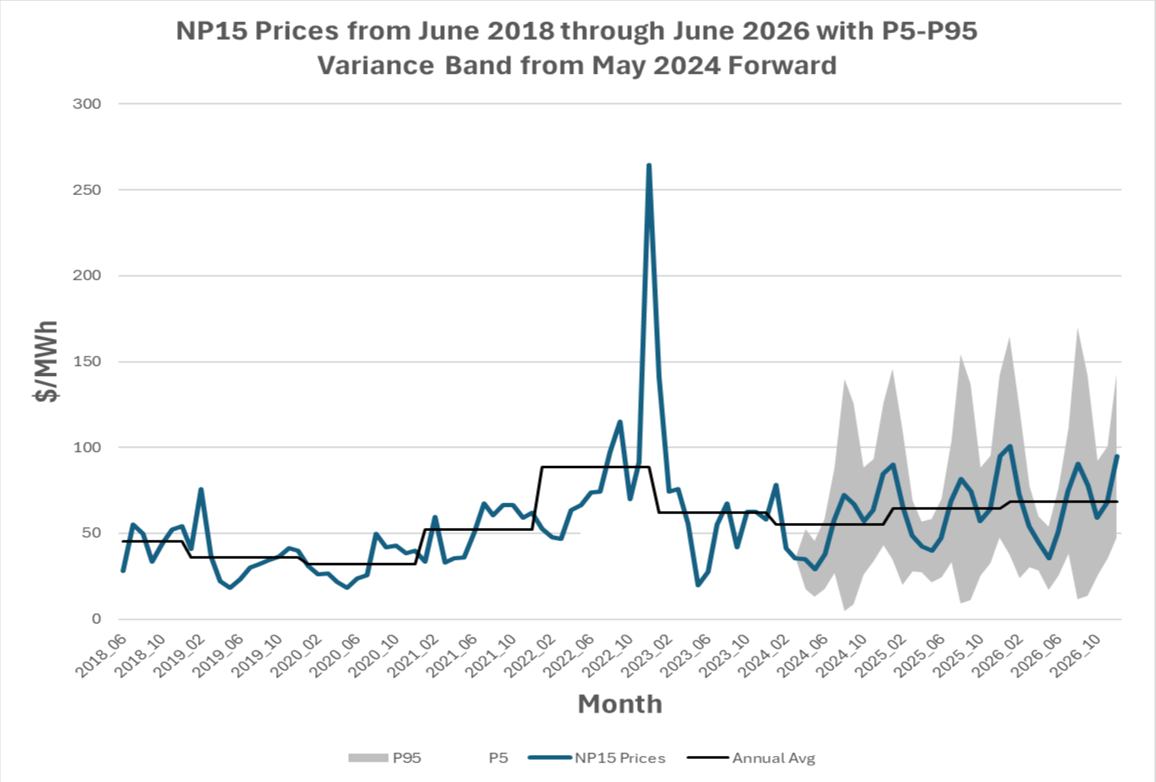
How Ava Works—Energy Delivery

- Ava sells energy directly to its customers by procuring energy through various market mechanisms and scheduling delivery into California Independent Service Operator (CAISO)
- Ava is not responsible for transmission or delivery of the commodity; this is a service retained by PG&E
- Per Ava's risk management policy, much of the expected load is procured and hedged in advance across energy, RECs, and Resource Adequacy
- Ava schedules it's forecasted load with CAISO on a day-ahead basis and real-time basis
    - This is done regardless of the amount of energy hedges that Ava has procured
    - The CAISO is California's regional market balancing authority whose primary purpose is to keep the energy being pulled off the grid balanced by energy being put on the grid to prevent grid damage or area shortages

How Ava Works—Revenues & Rates

- Ava's generation rates to customers are indexed to PG&E's
  - PG&E's rates are approved by the CPUC and are cost of service derived
- A portion of these approved rates are a pass-through charge to PG&E for the PCIA
  - The PCIA is PG&E recovery for long-term sunk costs for customers that have moved to Ava.
  - PCIA rates are based on an annual mark-to-market value of the costs, and are relative to the year of customer migration
    - Higher prices = lower PCIA





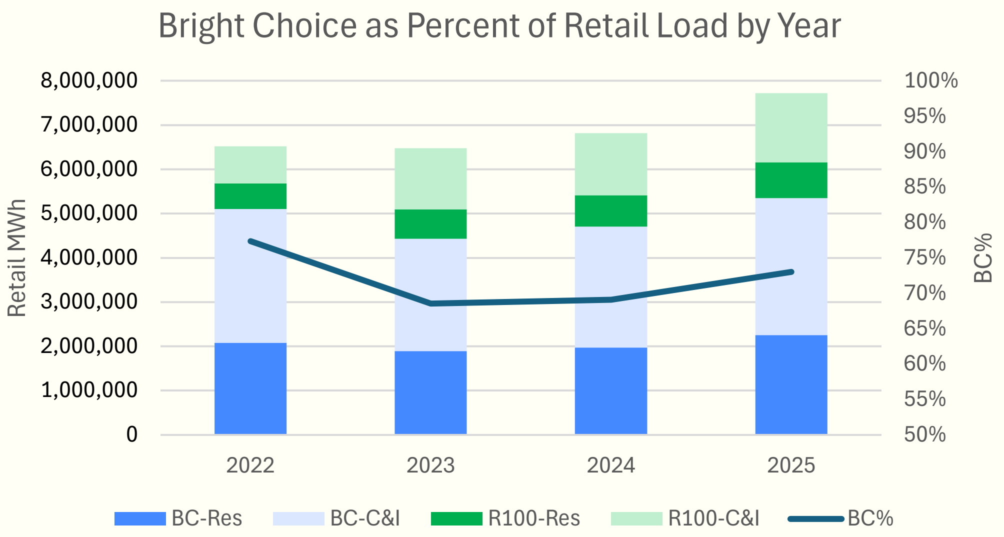
Hourly average day ahead prices

How Ava Works—Billing Cycle

- Revenues are made from sales of energy to customers based on generation rates that are indexed to PG&E cost of service rates as approved by the CPUC
- PG&E will read Ava customer meters to monitor consumption. These reads are then reported to Ava and its Billing data manager
- The consumption data is processed to generate billing amounts based on Ava's rates and then sent back to PG&E, who then issues the bills and collects payments on Ava's behalf
- PG&E's bundled customers and unbundled (Ava) customers also pay a power charge indifference adjustment (PCIA) and minor system fees. These are collected by PG&E from customer revenues and retained prior to payment distribution to Ava.
  - Additionally, all PG&E bundled and unbundled customers are charged a Transmission & Distribution cost
- A billing cycle is typically about three months, meaning it takes about three months for Ava to receive payment from a customer's consumption
  - Consumption occurs in the first month
  - A bill is issued in the second month
  - Payment is due in the third month

How Ava Works—Revenues & Rates

- Ava provides two energy products to customers and each product has a specific value proposition to Ava's customers:
  - Renewable 100: 100% of the energy is from renewable resources
    - Originally set at $0.01/kWh above PG&E and has migrated down as Ava financials improved
    - Currently priced at $0.0025/kWh above PG&E rates
  - Bright Choice: Ava's basic product and is currently 81% from carbon free resources
    - Originally set at 1.5% discount to PG&E, reduced to a 1% discount in 2021, and increased to a 3% discount in 2022
    - The latest adjustment was to a 5% discount to PG&E rates in 2023
  - The current percent load of Bright Choice customers is ~70%



2025 distribution does not include opt-ups in discussion

At the current 2024 load distribution:

- 1% change in the Bright Choice value proposition results in a change of $7.2MM
- 0.25 cent change in the Renewable 100 value proposition results in a change of $5.3MM

Executive Budget Summary

- In the face of rising energy costs, Ava is able to continue to serve our local community and customers with cost competitive & cleaner energy while providing local jobs and equitable programs
- Rates have increased and PCIA has decreased since 2021, driven by historic increases in market energy prices starting in 2021. Calendar year 2025 is forecasted at a very modest reduction in energy market prices and rates relative to 2024.
- Renewable and carbon free energy has seen a marked increased due to higher demand and these higher prices are also expected to persist through 2030 as more and more renewable energy is demanded from carbon reduction target mandates across CCAs
- With Ava rates indexed to PG&E rates, we are forecasting significant headroom to operate and a strong financial surplus for the upcoming fiscal year
- This Draft Budget includes the following:
    - Value proposition for Bright Choice is increased from a 5% to a 7% discount to PG&E
    - Significant contribution to reserves with waterfall distribution to customers and programs
    - Increased carbon free energy procurement targets
    - Meaningful contribution to local development programs
    - Expand on staff expertise, build more depth, and scale operations further

Summary Draft Budget Fiscal Year 2024-2025

- Revenue estimates are with a 7% discount to PG&E for Bright Choice and a 0.25 cent premium for Renewable 100 customers
- Increases in Cost of Energy are driven by market price volatility with renewable attributes
- Fifteen new staff members are required for expanding operations
- Increases in Non-Operating Revenues are expected from managing treasury funds in higher rate environment
- Local Development estimates lower expenses required this year
- Net result is a 30% reduction in expected net revenues compared to last year

	FY 2025 BUDGET	FY 2024 BUDGET	*FY Delta*	*FY %D*	FY 2024 ACTUALS
OPERATING ACTIVITY					
REVENUE & OTHER SOURCES					
Electricity Sales	979,017,000	957,028,000	*21,989,000*	*2.2%*	927,102,000
Uncollectables	(9,790,000)	(12,095,000)	*2,305,000*	*-23.5%*	(11,675,000)
Other Operating Revenue	(6,487,000)	(6,642,000)	*155,000*	*-2.4%*	8,446,000
TOTAL OPERATING REVENUE	**962,740,000**	**938,291,000**	***24,449,000***	***2.5%***	**923,873,000**
EXPENSES & OTHER USES					
Cost of Energy	753,523,000	682,367,000	*71,156,000*	*9.4%*	658,262,000
Cost of Energy Services	11,608,000	11,219,000	*389,000*	*3.4%*	11,213,000
Total Energy Operating Expenses	765,131,000	693,586,000	*71,545,000*	*9.4%*	669,475,000
Total Overhead Operating Expenses	45,015,000	39,299,000	*5,716,000*	*12.7%*	29,727,000
TOTAL OPERATING EXPENSES	810,146,000	732,885,000	*77,261,000*	*9.5%*	699,202,000
NET OPERATING POSITION	**152,594,000**	**205,406,000**	*(52,812,000)*	*-34.6%*	224,671,000
NON-OPERATING ACTIVITY					
TOTAL NON-OPERATING REVENUE	11,449,000	1,728,000	*9,721,000*	*84.9%*	8,488,000
TOTAL NON-OPERATING EXPENSES	25,196,000	27,650,000	*(2,454,000)*	*-9.7%*	26,450,000
NET NON-OPERATING POSITION	**(13,747,000)**	**(25,922,000)**	*12,175,000*	*-88.6%*	**(17,962,000)**
TOTAL REVENUES	**974,189,000**	**940,019,000**	*34,170,000*	*3.5%*	**932,361,000**
TOTAL EXPENSES	**835,342,000**	**760,535,000**	*74,807,000*	*9.0%*	**725,652,000**
TOTAL NET REVENUES	**138,847,000**	**179,484,000**	*(40,637,000)*	*-29.3%*	**206,709,000**

Draft Budget Base Case Assumptions

Revenues

- Changes to Value Proposition
  - Bright Choice from 5% to 7% discount to PG&E
  - No change to Renewable 100
- $50 bill credit applied to all CARE & FERA customers in first half, totaling about $6.5MM in bill savings
- Assumes current rates and PCIA are unchanged through 2024
- Rates and PCIA for 2025 are based on non-stressed, or as mean-forecasted, energy rates
- 1.0% uncollectable rate for full fiscal year
- No recognition of GASB 62 revenue ($34.4MM)
- Non-operating revenue assumes average 4.0% interest rate earned through the fiscal year

Energy Costs

- Costs are derived from a blend of contracted and open positions for all energy and renewable attributes
  - Open prices are non-stressed, mean forecasted
- Carbon free energy (which can include either RE or CO2-free) is above recent Board approved targets by 5%
  - 2024: CF 81% (71% + 10% approved adder)
  - 2025: CF 81% (76% + 5% proposed adder)

Other Costs

- Adding incremental staff of 15 FTE for expanding operations
- Marketing includes new community required mailings and an increase in advertising
- Program funding budgeted at $23.7MM + forecasted $19,423,500 for solar/storage incentives derived from budget surplus

Carbon Free Procurement Schedule

Year	Bright Choice				CA-RPS %
	Renewable %	Carbon Free %	TCR*-Emission Factor	PSDR-Emission Factor	Renewable %
2018	41%	87%	101	n/a	29%
2019	60%	85%	135	n/a	31%
2020	40%	54%	n/a	580	33%
2021	41%	55%	n/a	577	36%
2022	45%	63%	n/a	566	39%
2023	49%	66%	n/a	521	41%
2024	52%	71%	n/a	455	44%
2025	56%	76%	n/a	387	47%
2026	60%	81%	n/a	315	49%
2027	64%	85%	n/a	241	52%
2028	67%	90%	n/a	163	55%
2029	71%	95%	n/a	83	57%
2030	75%	100%	n/a	-	60%

		2022		2023		2024	
Year	Path Target	Increase	Updated Target	Increase	Updated Target	Increase	Updated Target
2022	63%	5%	**68%**	--	--	--	--
2023	66%	5%	71%	5%	**76%**	--	--
2024	71%	0%	71%	10%	81%	0%	**81%**
2025	76%	0%	76%	0%	76%	5%	**81%**
2026	81%	0%	81%	0%	81%	0%	**81%**

- April 2022, the Board approved the "Path to Zero by 2030" for the Bright Choice product as shown in the table to the left
  - Carbon Free percentages reflect renewable energy and large hydro energy
- June 2022, the Board approved 5% increases to the CF targets for calendar years 2022 and 2023 to 68% and 71%, respectively
- June 2023, the Board approved an additional 5% to CF targets for calendar year 2023 and a 10% increase for calendar year 2024 to 76% and 81% respectively
- This year, staff is proposing a 5% increase to CF targets for 2025 to 81%

Reserve Amounts & Proposed Surplus Allocations

- Current Reserve Balance of $230,873,400 covers 31.5% of FY23/24 operating expenses (OpEx)
- Expected November contribution to raise balance to $330,873,400 covers 40.8% of FY24/25 OpEx
- Preliminary estimate of FY25/26 OpEx requires similar contribution in November 2025 to maintain parity, largely due to an increase in OpEx from Stockton and Lathrop expansion

Contribution Year	Contribution	Withdraws	Balance	OpEx to Cover	PctOps
2018-2019	40,513,687	-	40,513,687	410,686,000	9.9%
2019-2020	49,704,640	-	90,218,327	383,045,000	23.6%
2020-2021	-	-	90,218,327	471,897,000	19.1%
2021-2022	65,655,073	-	155,873,400	562,667,000	27.7%
2022-2023	75,000,000	-	230,873,400	732,885,000	31.5%
2023-2024	100,000,000	-	330,873,400	810,146,000	40.8%
*2024-2025**	*100,000,000*	-	430,873,400	*1,003,221,000*	*42.9%*

*Proposed contribution with projected operating expenses to cover as of 4/25/2024

- Given the anticipated increase in costs reserves are expected to cover, the recommendation is to allocate the surplus reserves as follows:
  - No working capital is expected to be retained
  - Up to the first $100MM to be allocated to reserve funds
  - Any remaining budget surplus to be allocated as 50% to one-time on-bill credits for customers and 50% to NBT incentives

WATERFALL DISTRIBUTION		
Net Revenues		138,847,000
Working Capital		0
Reserve Contribution		100,000,000
Available for Allocation		38,847,000
On-Bill Credit	*50%*	19,423,500
Solar/Storage NBT Incentives	*50%*	19,423,500

Draft Budget: Operating Revenues

	FY 2025 BUDGET	FY 2024 BUDGET	*FY Delta*	*FY %D*	FY 2024 ACTUALS
OPERATING ACTIVITY					
REVENUE & OTHER SOURCES					
Electricity Sales	979,017,000	957,028,000	*21,989,000*	*2.2%*	927,102,000
Uncollectables	(9,790,000)	(12,095,000)	*2,305,000*	*-23.5%*	(11,675,000)
Other Operating Revenue	(6,487,000)	(6,642,000)	*155,000*	*-2.4%*	8,446,000
TOTAL OPERATING REVENUE	**962,740,000**	**938,291,000**	***24,449,000***	***2.5%***	**923,873,000**

- Revenues are based on the following assumptions:
  - Bright Choice product increased from a 5% to a 7% discount to PG&E
  - Assumes current rates and PCIA are unchanged through 2024
  - Rates and PCIA for 2025 are non-stressed, or as expected, energy rates from March ERRA filing
- Uncollectables are estimated at 1.0% of sales through the fiscal year
- No planned recognition of GASB 62 existing revenue balance ($34.4MM)
- Other Operating Revenue
  - 2025 Budget shows a reduction from the distribution of the $50 CARE/FERA credits expected to be distributed in the first half of the year
  - Current fiscal year CARE/FERA credit is netted in Electricity Sales
  - 2024 Other Operating Revenue Actuals are damages received from defaults from counterparties

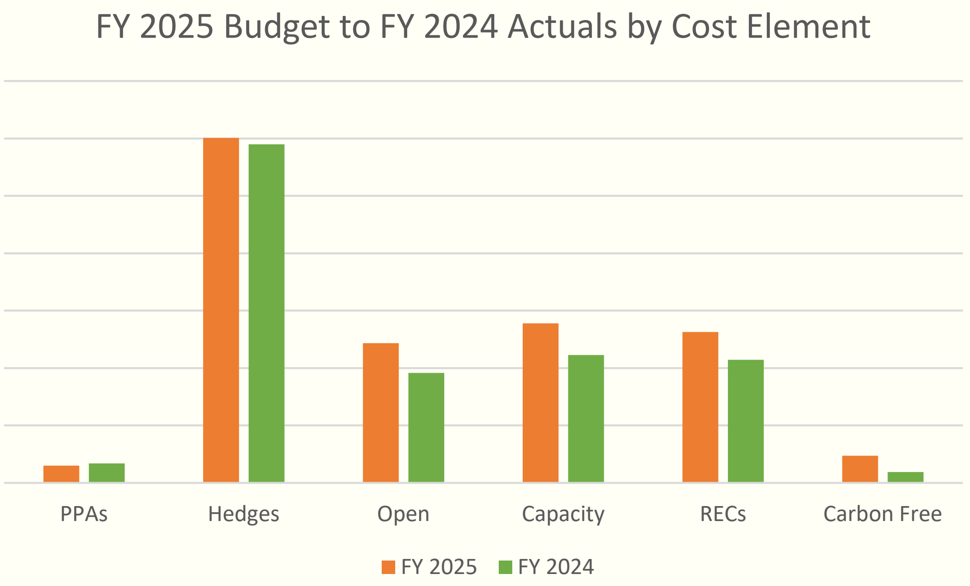
Draft Budget: Overview of Operating Expenses

	FY 2025 BUDGET	% Cost
EXPENSES & OTHER USES		
Cost of Energy	753,523,000	90.2%
Cost of Energy Services	11,608,000	1.4%
Total Energy Operating Expenses	765,131,000	91.6%
Overhead Operating Expenses		
Personnel	26,592,000	3.2%
Marketing & Communications	6,168,000	0.7%
Legal, Policy, & Regulatory Affairs	4,104,000	0.5%
Other Professional Services	2,088,000	0.2%
General & Administrative	5,664,000	0.7%
Depreciation	399,000	0.0%
Total Overhead Operating Expenses	45,015,000	5.4%
TOTAL OPERATING EXPENSES	810,146,000	
NON-OPERATING EXPENSES		
Borrowing Interest	2,796,000	0.3%
Local Development Funding	22,400,000	2.7%
TOTAL NON-OPERATING EXPENSES	25,196,000	3.0%
TOTAL EXPENSES	**835,342,000**	

- Expenses are divided into three overall cost center categories:
- **Energy Operations** which includes all energy, energy attributes, and ancillary related costs and the services required to managing energy and attributes, such as scheduling, data management, and customer billing
  - This category comprises more than 90% of Ava's total expenses
- **Overhead Operations** which includes all personnel and staffing needs as well as work function cost centers required to manage the organization at large, and is about 5% of total expenses
- **Non-Operating Expenses** which are all capital and capital transfer related costs

Draft Budget: Energy Expenses

EXPENSES & OTHER USES	FY 2025 BUDGET	FY 2024 BUDGET	FY 2024 ACTUALS
Cost of Energy	753,523,000	682,367,000	658,262,000
Cost of Energy Services	11,608,000	11,219,000	11,213,000
Total Energy Operating Expenses	765,131,000	693,586,000	669,475,000



Energy Costs

- Costs are derived from a blend of contracted and open positions for all energy, attributes, and RA
  - Open prices are non-stressed, or mean forecasted
  - FY 2025 overall price projections are about 10% higher than FY 2024 actuals on average
  - Material increases in RA, RECs, Carbon Free Energy, and market prices
- Carbon Free targets are above baseline targets by 10% in calendar year 2024 and 5% in 2025 to maintain 81% coverage
  - 2024: CF 71% → 81% (Board approved)
  - 2025: CF 76% → 81% (proposed)
  - Adds up to $5.5MM in costs for FY 2025
- Note: We are still in a period of historically high prices with forecasted market energy ~2x the historical 10-year average and is expected to persist into future years

Draft Budget: Overhead Expenses

	FY 2025 BUDGET	FY 2024 BUDGET	FY 2024 ACTUALS
EXPENSES & OTHER USES			
Overhead Operating Expenses			
Personnel	26,592,000	21,911,000	18,015,000
Marketing & Communications	6,168,000	5,303,000	3,046,000
Legal, Policy, & Regulatory Affairs	4,104,000	3,509,000	2,175,000
Other Professional Services	2,088,000	2,505,000	1,790,000
General & Administrative	5,664,000	5,711,000	4,488,000
Depreciation	399,000	360,000	213,000
Total Overhead Operating Expenses	45,015,000	39,299,000	29,727,000

Material Overhead Items for FY 24-25:

- Personnel costs are increasing due to adding 15 new positions to accommodate expanding operational needs
- Increase in Marketing costs are due to increases in advertising and required mailings for the inclusion of Stockton and Lathrop
  - Includes approx. $1.6MM of programs related marketing costs
- Increases in Legal costs are due to additional volume of consulting/vendor agreements and new power contracts
- Additional staffing efforts have reduced consulting services costs
- G&A has no marked change
- Depreciation increases slightly with procurement of equipment and office componentsc

Draft Budget: Personnel

	FY 2025 DRAFT BUDGET	FY 2024 BUDGET	FY 2023 BUDGET
PERSONNEL			
Salaries & Wages	19,765,000	16,587,000	11,598,000
Retirement	2,450,000	2,058,000	1,544,000
Health Care/Benefits	3,955,000	2,913,000	2,292,000
Payroll Expenses	416,000	353,000	277,000
Total	26,586,000	21,911,000	15,711,000

- FY 2023 Budget was set for 68 FTE to accommodate additional workflow in all areas.
- FY 2024 Budget was set for 15 additional FTE (83 total) to accommodate additional workflow in all areas with scaling operations
- FY 2025 Budget seeks to add an additional 15 FTE (98 total) to accommodate additional workflow in all areas. Additional headcount will expand on internal expertise, build more depth, and help scale operations further
  - **FTE Count: 4 Local Development, 4 Power Resources, 2 Legal/Policy, 2 Marketing, 2 Finance, 1 HR**
  - COLA: 3%
  - Promotions/Wage Adjustments: 2%
  - Merit-based Compensation: 13%
  - Note: In 2023-2024, Ava adjusted compensation structure to standardize pay scales and create merit-based compensation as a way to reduce pay bias in salaries as a DEI initiative

Draft Budget: Non-Operating Activity

	FY 2025 BUDGET	FY 2024 BUDGET	FY 2024 ACTUALS
NON-OPERATING ACTIVITY			
NON-OPERATING REVENUE			
Interest Income	11,400,000	1,680,000	7,762,000
Grants	0	0	677,000
Other Non-Operating Revenue	49,000	48,000	49,000
TOTAL NON-OPERATING REVENUE	11,449,000	1,728,000	8,488,000
NON-OPERATING EXPENSES			
Borrowing Interest	2,796,000	1,650,000	950,000
Local Development Funding	22,400,000	25,500,000	25,500,000
TOTAL NON-OPERATING EXPENSES	25,196,000	27,650,000	26,450,000
NET NON-OPERATING POSITION	**(13,747,000)**	**(25,922,000)**	**(17,962,000)**

- **Non-Operational Revenue:**
  - Interest earned is based on expected returns for the managed treasury accounts for reserve funds, currently estimated at 4.0% annual returns average through the fiscal year and interest earned on the BlocPower loan (5.5% on $500k)
  - Other revenue is rent from AT&T tower on new building
- **Non-Operational Expenses:**
  - Borrowing Interest are costs associated with Ava's credit facility held with US Bank
  - Local Development Funding is a capital transfer to the Local Development Fund
  - No capital expenditures are expected for this fiscal year

Draft Budget: Local Development

	FY 2025 DRAFT BUDGET	FY 2024 BUDGET
LOCAL DEVELOPMENT		
Critical Municipal Facilities	7,000,000	-
Health-e-Communities	5,000,000	5,000,000
DCFC Network	3,000,000	3,600,000
Ava e-Bike	2,000,000	2,000,000
Building Electrification	2,000,000	3,500,000
Community Grants	1,200,000	1,400,000
Vehicle Electrification	1,000,000	6,000,000
Legal Expense	500,000	-
Solar + Storage	500,000	2,000,000
Subscription	200,000	-
Demand Response	-	2,000,000
Total	22,400,000	25,500,000
Potential to S+S*	19,423,000	22,683,000
Estimated with Surplus	41,823,000	48,183,000

**Estimated amounts from surplus net revenues waterfall allocations*

Local Development

- Resilience:
  - $7M - Resilient Critical Municipal Facility Microgrids
  - $0.5M - Performance payments for Solar & Storage incentive Program
- Building Electrification
  - $5M – Health-e Communities induction stove direct installation program
  - $2M – Electrification incentive program
- Transportation Electrification
  - $3M - Ongoing development of Public DC Fast charging network
  - $2M - Ave e-Bike incentive Program
  - $1M - EV managed charging Program
- Community Grants
  - $1.2M - Community Grants
- Legal Expenses / Subscriptions - $0.7M

Thank you!

Ava Community Energy

Online	AvaEnergy.org
Phone	+1 833.699.3223
Email	customer-support@AvaEnergy.org
Social	PoweredWithAva

Ava Community Energy

Power Source Disclosure Report: Self-Attestation and Audit Overview

Agenda

1. Regulatory Background
2. What is the Power Source Disclosure (PSDR) Program
3. How is the PSDR Filing Prepared
4. Auditing and Verification
5. Options for Compliance

Regulatory Background

- The California State Legislature passed Senate Bill (SB) 1305 in 1997, establishing the Power Source Disclosure Program in order to provide retail electricity consumers "accurate, reliable, and simple to understand information on the sources of energy that are used to provide electric services."

- Assembly Bill (AB) 162, adopted in 2009, modified the reporting requirements of SB 1305. AB 162 requires all retail suppliers of electricity in California (CA) to disclose the sources of the electricity they sell to customers using reporting formats developed by the California Energy Commission (CEC).

- In 2016, AB 1110 was passed which further modified the PSDR reporting requirements, including among other things, changes to reporting for unbundled Renewable Energy Credits (RECs) and requiring retail sellers to disclose the greenhouse gas (GHG) emissions factor associated with each electricity portfolio.

- The CEC updated the regulations implementing SB 1305, AB 162, and AB 1100 effective May 2020.
  - One of the updates made to the PSD regulations in 2020 was a change to the verification requirement.

What is the PSDR Program?

All electricity providers in CA are required to :

- Submit an annual report to the California Energy Commission (CEC)
    - The annual report discloses all electricity purchases for the previous calendar year
    - Reported as MWh by generation source as a percent of total retail sales

- Provide an annual Power Content Label (PCL) to customers and the CEC
    - PCL shows the power mix as a percentage breakdown of energy sources for each retail plan
    - Allows customers to compare their power content to the total CA mix and to other electricity providers

How the PSDR Filing is Prepared

Review Calendar Year Data	• RECs • Carbon Free • Retail sales by plan
Data Verification	• WREGIS • Meter Data, E-Tags • Invoices and contracts
Populate PSDR Templates	• Input by generation source • Purchased MWh as a percent of sales • Individual templates for each plan
Internal Review	• Content check • Executive and Marketing review
Submission	• Submit to the CEC • CEC review

Auditing and Verification

Prior to 2020, all LSEs were required to submit an audit, but in May of 2020 the CEC made updates to the PSDR Regulations implementing SB 1305, AB 162, and AB 1100; with that, a change was made allowing public agencies the *option* of submitting an audit or self-attestation to satisfy the verification requirement.

Current California Code Regulations for the PSDR program[1] state:

(a) By October of each year, all retail suppliers shall provide a report prepared by an auditor who has conducted the procedures identified in subdivision

(1) The retail supplier shall engage an auditor to verify the accuracy and completeness of data reported in the annual report submitted to the Energy Commission.

(2) A retail supplier that is a public agency providing electric services is not required to comply with the provisions of subdivision (a)(1) if the board of directors of the public agency submits to the Energy Commission an attestation of the veracity of each annual report and power content label for the previous year

1. Modification of Regulations Governing the Power Source Disclosure Program, California Code of Regulations, Title 20 § 1394.2, https://www.energy.ca.gov/programs-and-topics/programs/power-source-disclosure-program/power-source-disclosure-resources

Options for Compliance

1. Self-Attestation
   - Following submission and CEC review of the PSDR filing, present an action item in which the Board attests to the best of their knowledge that the filing was complete and prepared according to the regulations of the program

2. Engage with an auditor
   - Following submission and CEC review of the PSDR filing, engage a third-party auditor to review underlying data used to prepare the PSDR filing and attest to the best of their knowledge that the filing was complete and prepared according to the regulations of the program
   - Separate report must be prepared by product at a cost of $4500-$6000/product

Questions?

Gmail

Adrian Bankhead <abankhead@avaenergy.org>

Public Comment for Executive Board Meeting, May 1, 2024

Audrey Ichinose <aichinose@gmail.com> Wed, May 1, 2024 at 10:35 AM
To: Adrian Bankhead <abankhead@ebce.org>
Cc: Jessica Tovar <jessica@localcleanenergy.org>, Barbara Stebbins <bstebbins14@gmail.com>

Hi, Adrian.
I could not connect via Zoom with the information provided in the meeting announcement sent via email or at the Ava website.

So could you please circulate the following comment I had hoped to make to the members of the Board, CAC and staff?
Thank you very much!
Audrey Ichinose

To: Executive Board, Ava Community Energy
From: Audrey Ichinose, East Bay Clean Power Alliance (EBCPA)
California Alliance for Community Energy (CACE)

Re: Increasing Ava's investment in community-based **Resilience Hubs**

Thank you for the chance to comment.

A significant event will soon take place that has significant implications for Ava's support of community **Resilience Hubs** in its service area.

On May 13 workers will begin taking down the Iron Gate Dam on the Klamath River in northeast CA, the largest and southernmost of the four hydroelectric dams slated for removal from the river. As many of you know, the dam was owned by Pacificorp, an entity controlled by Berkshire Hathaway. Two factors brought about the dam's removal, according to SFChronicle reporting:

- Pacificorp decided that the dam was too costly to operate.
- And a large coalition of Indigenous tribes, farmers, fishermen and environmentalists strongly supported it. The dam greatly harmed the salmon population and did not provide water for drinking or farming for communities along the river.

It seems remote from us, but the dam's removal has relevance for the **Resilience Hubs** we have proposed for our underserved and disadvantaged communities:

- Like the dam removal, Resilience Hubs cannot be just a temporary response to climate change. We know that climate change is here to stay and that long-lasting changes are needed.
- Like the coalition that supported dam removal, Resilience Hubs are a meaningful way to restore and rebuild our fragmented, disadvantaged communities.

The second significance of the Iron Gate Dam removal for us is that **Resilience Hubs won't be cheap**. It will require substantial investment over a number of years. Ava Community Energy thus needs to be thinking in terms of millions of dollars. Given the agency's continued budgetary success, the suggestion of $15mil from the current surplus seems appropriate.

Thank you very much.

(For SF Chronicle reporting: https://www.sfchronicle.com/california/article/klamath-dam-removal-19431558.php)