Ava Community Energy

Executive Committee Meeting
Wednesday, June 5, 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 Marquez – 24301 Southland Drive, Suite 101 Hayward, CA 94545
- 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**

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 May 1, 2024**

4. **Draft Budget 2024-2025 (Informational Item)**
Review changes to the budget due to the June 2024 Energy Resource Recovery Account filing by PG&E

5. **Renewable 100 Updates (Informational Item)**
Updates on Renewable 100

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

7. **Closed Session Public Comment**

8. **Closed Session**
   A. Public Employee Appointment pursuant to Code § 54957(b)(1)): Chief Executive Officer.

9. **General Report Out of Closed Session**

10. **Adjourn**

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

Ava Community Energy

Draft Minutes

Executive Committee Meeting
Wednesday, May 1, 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 Marquez – 24301 Southland Drive, Suite 101 Hayward, CA 94545
- 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), Kalb (Oakland) and Chair Tiedemann (Albany),
Not Present: Member Balch (Pleasanton)

Member Kalb joined the meeting at 9:15am.

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.

(0:48) Public Comment – Aya Peters Paz from the Local Clean Energy Alliance urged Ava to allocate $15 million from the 2023-2024 budget surplus towards community resilience hubs.

(3:41) Public Comment – Jenifer Lomeli from Emerald Cities Collaborative expressed appreciation for Ava's inclusion of community-based microgrids in the budget for resilience hubs and urged the allocation of at least $15 million from the 2023-2024 surplus for comprehensive community resilience efforts.

(5:13) Public Comment – Susan Silber, the Project Director for Collective Resilience based in Berkeley, expressed gratitude for Ava Energy's support and highlighted the need for a holistic approach to resilience hubs beyond just microgrids. She urged Ava to invest $15 million from the budget surplus into resilience hubs and suggested separate funding for smaller projects.

(8:04) Public Comment – Jessica Tovar echoed support for resilience hubs and stated that accepting PG&E's nuclear allocation contradicts Ava's commitment to investing in renewable resources.

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

(11:14) Member Marquez motioned to approve the minutes. Chair Tiedemann seconded the motion which was approved 3/0/0/0/2:
Yes: Members Hu, Member Marquez and Chair Tiedemann
No: none
Abstain: none
Recuse: none
Not Present: Member Kalb and Member Balch

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

(11:59) Howard Chang, joined by **CEO Chaset** and **Jason Bartlett,** presented Ava Community Energy's draft budget for the upcoming fiscal year. He detailed the budget process, historical trends in rate setting, and the proposed budget specifics, including a 7% discount to PG&E rates and increased carbon-free energy procurement. The presentation also covered operational enhancements, such as the addition of 15 full-time staff members and budget allocations for local development and resilience projects.

Member Kalb's questions:

(42:10) Member Kalb asked if critical municipal facilities program include school facilities or just city agencies? **Annie Henderson** responded that the current focus is on municipal facilities, with a potential future expansion to include schools in later phases. Currently, the program covers about 60 municipal buildings.

(42:44) Member Kalb then asked if non-public agency institutions are included in the critical municipal facilities programs. **Annie Henderson** and **Howard Chang** answered that the current programs primarily target government facilities. Non-public agencies are not included in this phase.

(44:48) Member Kalb asked about the specifics of the $7 million budget allocation. **CEO Chaset** and **Howard Chang** stated that the $7 million covers grid services costs for the critical municipal facilities and is intended to be largely cost-neutral.

(45:50) Finally, **Member Kalb** asked about the efforts that are being made to recruit more CARE/FERA customers. **Annie Henderson** responded that Ava is using targeted direct mail and email campaigns to reach likely eligible customers.

Member Marquez's questions:

(52:50) Member Marquez asked about the number of positions added in the last year's budget and how many of those have been filled. **Howard Chang** stated that 13 positions have been filled out of 15 added last year, with the remaining positions currently open and expected to be filled in the coming months.

(52:40) Member Marquez asked about the cost for the additional 15 positions being proposed for the new fiscal year. **Howard Chang** responded that the cost for these new positions is approximately $3 million, based on an assumption of four years of salary per position.

(53:05) Member Marquez asked if there was a plan to increase the purchase of carbon-free energy by up to 5% in the upcoming budget. **Howard Chang** stated that for the 2024 fiscal year, there is an increase of 10% to reach an 81% target, and for 2025, a 5% increase is proposed**.**

(53:43) Member Marquez asked about the phased approach to community resilience hubs and the potential for expansion based on the outcomes of the RFP and technical assistance work. **Annie Henderson** responded that the current work aims to develop a pipeline for potential resilience hubs with allocated incentive funding. Expansion depends on how quickly the current funds are utilized, and further funds could be added if necessary.

(54:55) Member Marquez asked if there are barriers preventing the community from accessing funds for resilience hubs. **Annie Henderson** and **Howard Chang** stated that the primary barrier is the high cost of solar and storage installations. The program is still in the operational phase, and further barriers may become apparent as it progresses.

(56:05) Finally, **Member Marquez** sought clarification on how Ava is handling uncollectibles. **Howard Chang** and **Jason Bartlett** responded that Ava has amended its collections policy and is in the process of issuing an RFP for recovery agents to manage uncollectibles more effectively.

Member Hu's questions:

(56:53) Member Hu asked about the rationale behind using a percentage discount for the Bright Choice plan and a volumetric premium for the Renewable 100 plan. She asked why not use a consistent pricing metric for both? **Howard Chang** explained that the initial pricing strategy was based on the market price of renewable energy credits at launch. A fixed penny amount was chosen for easier customer understanding and marketing. He acknowledged the logic in reassessing this approach to ensure consistency and clarity in pricing metrics.

(58:19) Also, **Member Hu** asked for details on the transportation electrification program, specifically the e-bike incentive program and the electric vehicle (EV) managed charging program, including how community members can apply. **Annie Henderson** described ongoing efforts to structure these programs to distribute incentives effectively. The e-bike program, not yet launched, aims to offer incentives for e-bike purchases by the end of the year. The EV managed charging program, also in development, will facilitate managed charging for residential customers through partnerships.

Chair Tiedemann's questions:

(1:02:20) Chair Tiedemann asked why Ava is continuing to decrease rates relative to PG&E rather than not pegging rates to PG&E at all. **Howard Chang** explained that Ava's rates are generally set on a cost-of-service basis similar to PG&E. He stated that Ava is maintaining a cost-of-service approach by indexing to PG&E's rates. He also mentioned the challenges and potential customer confusion that could arise from changing the rate structure significantly from PG&E's.

(1:06:50) Chair Tiedemann asked whether an RFP had been launched to find a service provider to help design and administer the resilience hub program. **Annie Henderson** clarified that the RFP process was not about designing the program but about assisting in administering it, particularly for incentives related to solar plus storage for resilience hubs. **JP Ross** added that they plan to bring the contract for the administration of the incentive program to the board soon, which would allow for the launch of the program later in the year.

(1:09:20) Member Marquez requested that the board receive quarterly updates on the progress of the incentive and programming roll outs to ensure close monitoring of their implementation.

(1:09:57) Public Comment – Jessica Tovar stated that there is need for continuous (rather than one-off) funding for community-based organizations to assist in CARE/FERA and AMP enrollment. She also noted that language access is a significant barrier to access for these programs. As well, Jessica Tovar asked for greater funding for community innovation grants, and for the adoption of smaller, multi-year grants to support small community organizations.

(1:13:10) Member Marquez asked about the utilization of the $1.2 million in community grants, specifically whether the funds are fully used each year or carry over. **JP Ross** responded that the funds are intended for multi-year programming with the goal of disbursing about $1.2 million annually, dependent on the volume of grant applications received.

(1:13:57) Member Marquez then asked about potentially lowering the grant thresholds to increase accessibility. **JP Ross** responded that the thresholds have not been adjusted from the board's original multi-year, $100,000 per year guideline.

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.

   (1:16:13) Izzy Carson, from the Power Resources team, discussed the Power Source Disclosure Report (PSDR) and Power Content Label. Izzy detailed the preparation and verification processes for the PSDR and asked for guidance about the two verification options available to public agencies – self-attestation or auditing.

   (1:25:15) Member Marquez expressed a preference for an audit to ensure transparency and thoroughness. **Chair Tiedemann** agreed that staff should proceed with an audit and said that there is no need to bring the matter to the full Board.

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

   - **(1:09:20) Member Marquez** requested that the board receive quarterly updates on the progress of the incentive and programming roll outs to ensure close monitoring of their implementation.

   - **(1:29:49) Annie Henderson** noted that Ava issued a press release[1] about two significant milestones:
     - Ava has surpassed $100 million in savings for rate-payers and customers; and has reached one gigawatt of contracted new renewable energy.

7. **Adjourned** at 10:30 am.

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

[1] "Ava Community Energy Surpasses $100 Million in Customer Savings and 1 Gigawatt of Contracted Renewable Energy Projects" available at https://avaenergy.org/news-and-events/ava-surpasses-usd100-million-in-customer-savings-and-1-gigawatt-of-contracted/

Fiscal Year 2024-2025 Draft Budget

Executive Committee

June 5, 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
  - Services to facilitate
  - Non-Operating Revenues

  Energy Operating Expenses
  Energy Operations Overhead
  Non-Operating Expenses

- The Budget typically goes through several 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 has reviewed the draft budget with the Exec Comm (5/1), FAP (5/8), and BOD (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%

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

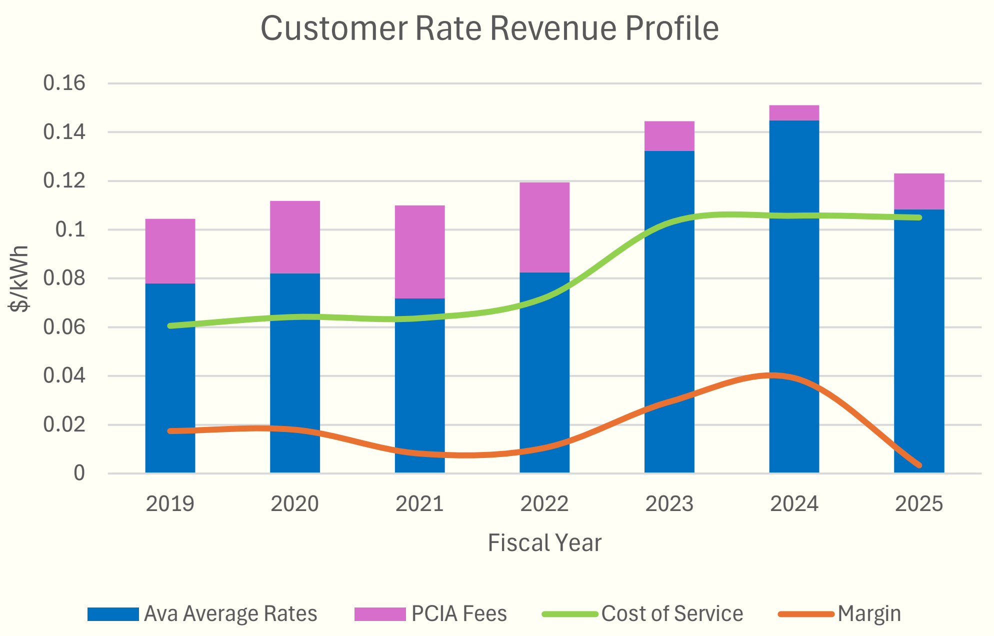
- Rates have increased and PCIA has decreased from 2021 to 2024, driven by historic increases in market energy prices starting in 2021. Comparatively, actual energy market prices have softened in the first half of 2024. This is lowering forecasted energy costs going into 2025 and the overcollection in 2024 will create a true-up to 2025 rates. These changes are driving forecasted decreases in rates and increases in PCIA in 2025.

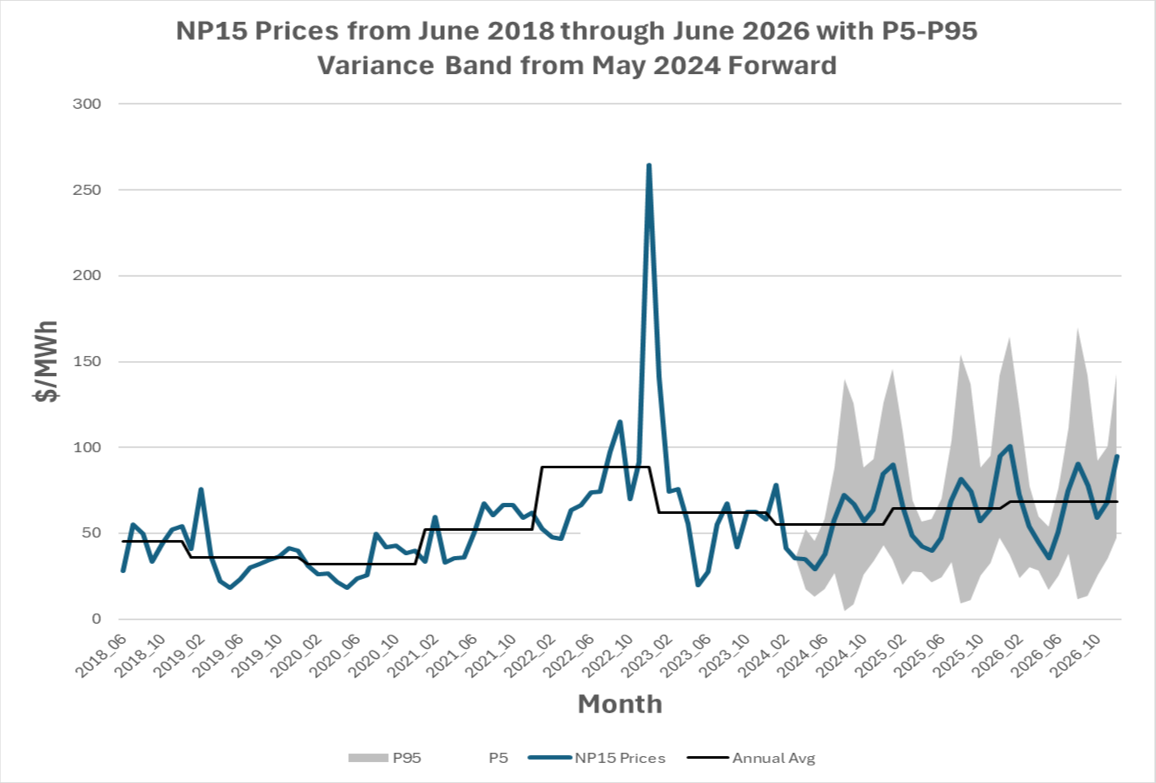
- Renewable and carbon free energy has seen a marked increased due to higher demand and these higher prices are also expected to persist through 2030 as more and more renewable energy is demanded from carbon reduction target mandates across CCAs

- With Ava rates indexed to PG&E rates, this Draft Budget is materially different from May's presentation due to fundamental changes in PG&E's rates for 2025. The next slide gives more details into these changes.

Historical Rates & Energy Costs

- 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

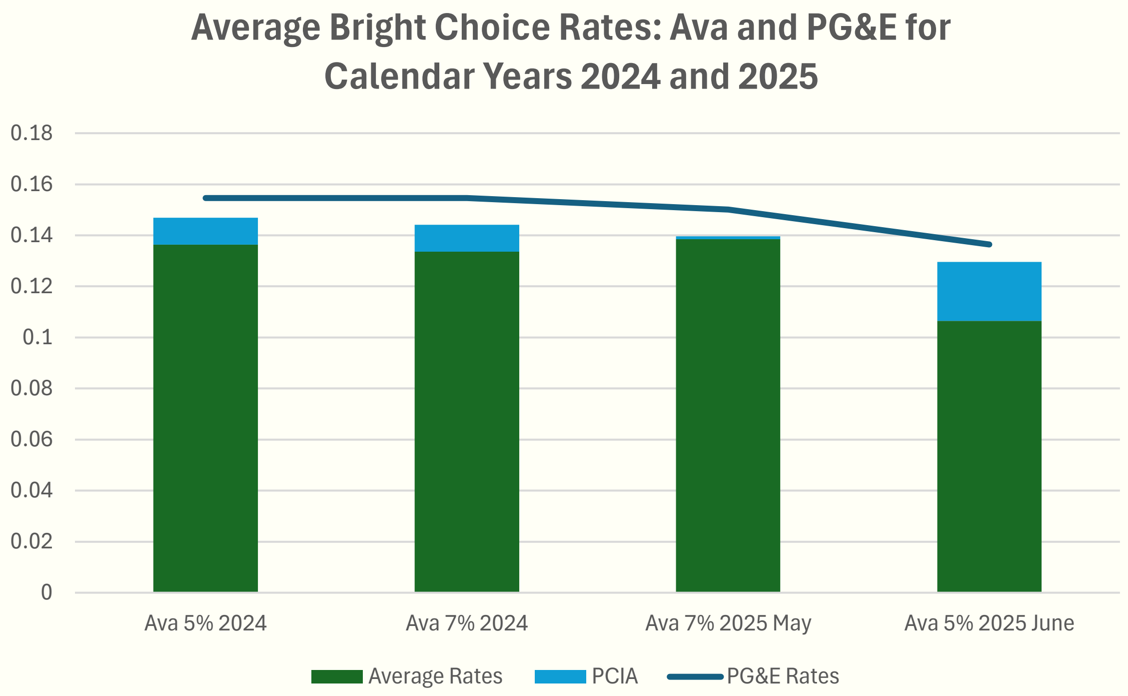
Summary of Budget Changes

- This June Budget update incorporates material changes from May's draft budget presentation:

  The May Energy Resource Recovery Account (ERRA) filing with the CPUC has created a material adjustment to the estimated Power Charge Indifference Adjustment (PCIA) for Ava customers for the 2025 calendar year.

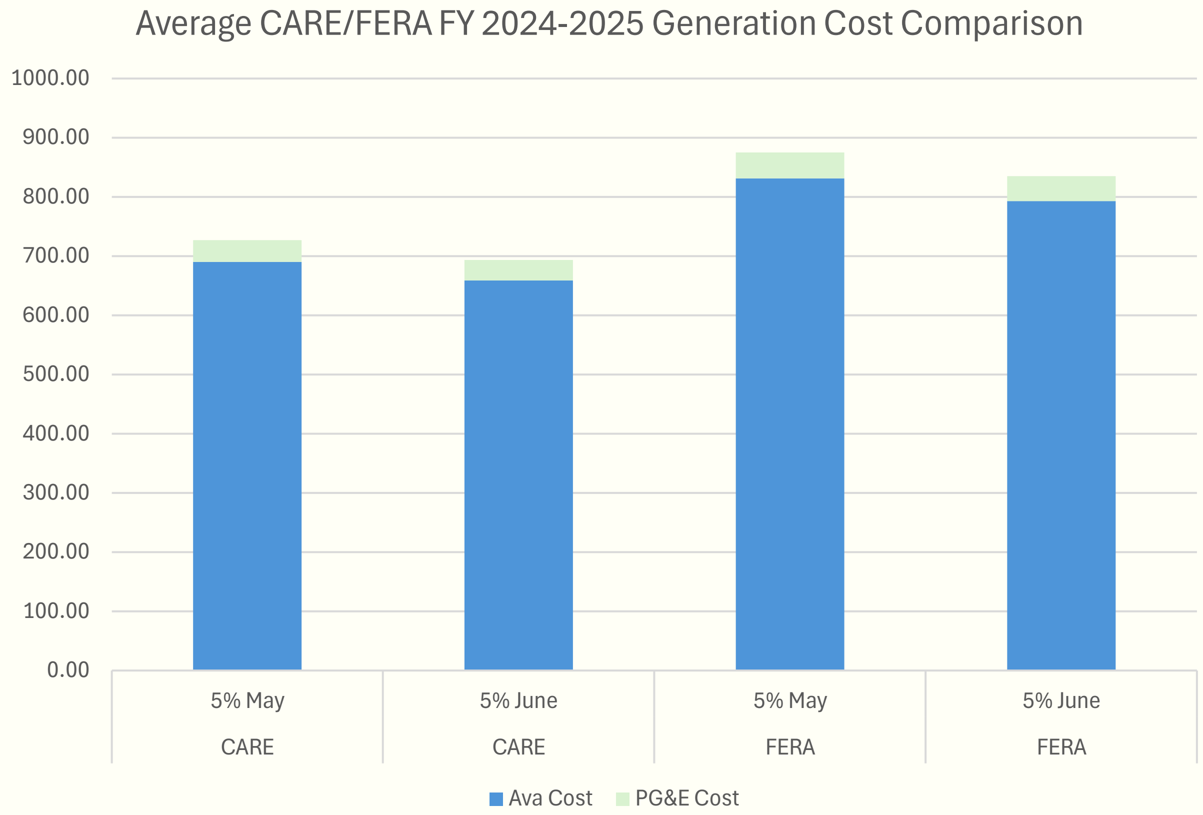
  - Please note, there will be a final filing in October/November and these estimates may change further
  - The ERRA filing proposes decreased rates and increased PCIA for 2025

- Value proposition for Bright Choice is recommended to be maintained at 5% discount to PG&E
- $50 CARE/FERA credit is not recommended for 2024-25 as reducing rates and 2023-24 anticipated in-bill credits keep these customers on par to this benefit
- Anticipated net revenues are recommended to be contributed to financial reserves, and a waterfall scenario is presented to address possible surplus above expectations
- Increased carbon free energy procurement targets are maintained
- Meaningful contribution to local development programs is maintained
- Expansion of staff, operations, and overhead is maintained



CARE/FERA

- This Draft Budget does not recommend the $50 CARE/FERA credit because with the reduced rates, and the increase in forecasted 2023-24 on-bill credit, the average CARE/FERA customer is at least as well off as having received the credit.
  - Annual average CARE customer savings from rate reduction: $31.50
  - Annual average FERA customer savings from rate reduction: $37.90
  - In Jan 2024 the board approved (per resolution R-2024-2) after the reserve allocation 60% of the remaining budget surplus to be allocated to on-bill credits with a meaningful contribution to CARE/FERA customers
    - This 60% surplus allocation to on-bill credits is currently estimated at ~$34MM
    - A $25 bill credit to all CARE/FERA customers equates to ~$3.3MM
    - Staff will propose actual on-bill credit amounts per customer segment with final surplus figures



Excludes T&D Charges

Recommended Budget Base Case Assumptions

Revenues

- No changes to 2023-24 Value Proposition
  - Bright Choice held at 5% discount to PG&E
  - No change to Renewable 100
- No initial bill credit applied to CARE & FERA customers
- Assumes 2024 rates and PCIA forecasts are unchanged
- Assumes Rates and PCIA for 2025 are enacted as stated in May ERRA filing and are based on non-stressed, or mean-forecasted, energy rates
- 1.0% uncollectable rate for full fiscal year
- No recognition of GASB 62 revenue ($42.5MM)
- 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 $22.4MM

Budget Comparison Fiscal Year 2024-2025

- Recommended Budget revenue estimates are maintained at 5% discount to PG&E for Bright Choice and a 0.25 cent premium for Renewable 100 customers
- Recommended Budget has no $50 CARE/FERA credit in Other Operating Revenue
- Increases in Cost of Energy are driven by market price volatility with renewable attributes
- All other cost items are unchanged including Local Development contribution
- Recommended Budget yields net result of 4.8% margin, which is a 66.5% reduction from May's estimates

	June Updated BUDGET	May Draft BUDGET	FY 2024 BUDGET
OPERATING ACTIVITY			
REVENUE & OTHER SOURCES			
Electricity Sales	881,671,000	979,017,000	957,028,000
Uncollectables	(8,817,000)	(9,790,000)	(12,095,000)
Other Operating Revenue	0	(6,487,000)	(6,642,000)
TOTAL OPERATING REVENUE	**872,854,000**	**962,740,000**	**938,291,000**
EXPENSES & OTHER USES			
Cost of Energy	760,248,000	753,523,000	682,367,000
Cost of Energy Services	11,608,000	11,608,000	11,219,000
Total Energy Operating Expenses	771,856,000	765,131,000	693,586,000
Total Overhead Operating Expenses	45,267,000	45,267,000	39,299,000
TOTAL OPERATING EXPENSES	817,123,000	810,398,000	732,885,000
NON-OPERATING ACTIVITY			
TOTAL NON-OPERATING REVENUE	11,799,000	11,799,000	1,728,000
TOTAL NON-OPERATING EXPENSES	25,296,000	25,296,000	27,650,000
NET NON-OPERATING POSITION	**(13,497,000)**	**(13,497,000)**	**(25,922,000)**
TOTAL REVENUES	**884,653,000**	**974,539,000**	**940,019,000**
TOTAL EXPENSES	**842,419,000**	**835,694,000**	**760,535,000**
TOTAL NET REVENUES	**42,234,000**	**138,845,000**	**179,484,000**

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 increase 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	810,350,000	40.8%
*2024-2025**	*42,234,000*	-	373,107,400	*1,045,192,000*	*35.7%*

*Proposed contribution with projected operating expenses to cover as of 5/28/2024

- Based on the updated May ERRA filing, staff recommends the following waterfall with surplus budget revenues
  - No allocation to working capital
  - Up to the first $50MM to be allocated to reserve funds
  - Any additional remaining budget surplus above the first $50MM will first be allocated to a $25 CARE/FERA on-bill credit (estimated ~$3.3MM)
  - Additional budget surplus above the previous allocations and up to a total of $25MM will be allocated 60% to one-time on-bill credits for customers and 40% to NBT incentives. This gives $10MM to NBT and $15MM to customers
  - Any additional remaining budget surplus above the previous allocations will be added to reserve funds

Draft Budget: Operating Revenues

	June Updated BUDGET	May Draft BUDGET	FY 2024 BUDGET
OPERATING ACTIVITY			
REVENUE & OTHER SOURCES			
Electricity Sales	881,671,000	979,017,000	957,028,000
Uncollectables	(8,817,000)	(9,790,000)	(12,095,000)
Other Operating Revenue	0	(6,487,000)	(6,642,000)
TOTAL OPERATING REVENUE	**872,854,000**	**962,740,000**	**938,291,000**

- Revenues are based on the following assumptions:
  - Bright Choice product maintained at 5% discount to PG&E
    - Every 1% change in Bright Choice results in ~$6.9MM change in revenues
  - Renewable 100 product maintained at a 0.25 cent premium to PG&E
    - Every 0.25 cent change in Renewable 100 results in ~$5.0MM change in revenues
  - Rates and PCIA for 2025 are non-stressed, or as expected, energy rates from May ERRA filing
- Uncollectables are estimated at 1.0% of sales through the fiscal year
- No planned recognition of GASB 62 existing revenue balance ($42.5MM)
- Other Operating Revenue
  - Current fiscal year CARE/FERA credit is netted in Electricity Sales

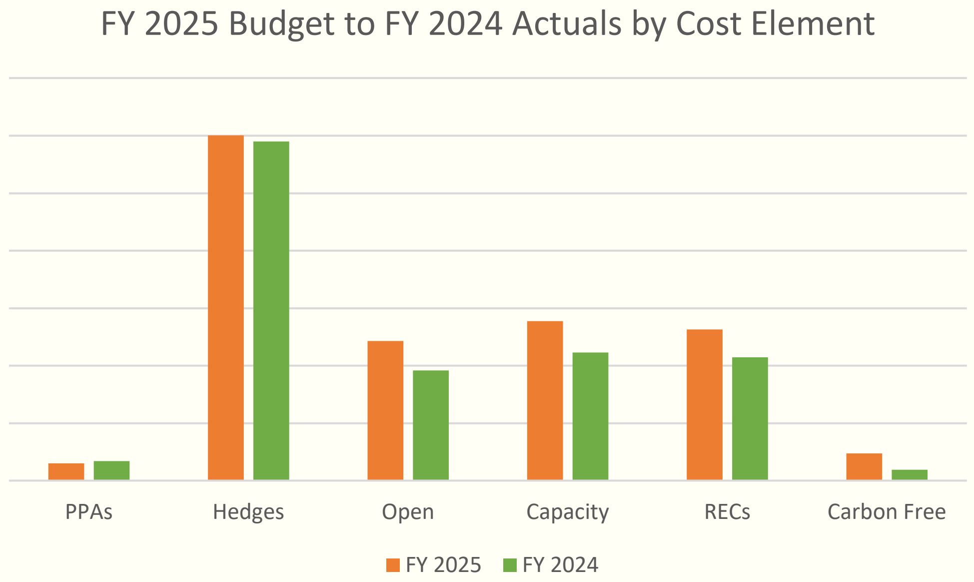
Draft Budget: Overview of Operating Expenses

	June Updated BUDGET	% Cost
EXPENSES & OTHER USES		
Cost of Energy	760,248,000	90.2%
Cost of Energy Services	11,608,000	1.4%
Total Energy Operating Expenses	771,856,000	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	2,136,000	0.3%
General & Administrative	5,868,000	0.7%
Depreciation	399,000	0.0%
Total Overhead Operating Expenses	45,267,000	5.4%
TOTAL OPERATING EXPENSES	817,123,000	
NON-OPERATING EXPENSES		
Borrowing Interest	2,796,000	0.3%
Local Development Funding	22,400,000	2.7%
Total Capital Expenditures	100,000	0.0%
TOTAL NON-OPERATING EXPENSES	25,296,000	3.0%
TOTAL EXPENSES	**842,419,000**	

- 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

	June Updated BUDGET	May Draft BUDGET	FY 2024 BUDGET
EXPENSES & OTHER USES			
Cost of Energy	760,248,000	753,523,000	682,367,000
Cost of Energy Services	11,608,000	11,608,000	11,219,000
Total Energy Operating Expenses	771,856,000	765,131,000	693,586,000



We are seeing upward pressure on renewable energy costs that is estimated could increase 2024 REC costs by ~$20MM, which would be partially offset by PCIA reductions in 2025

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 $8.5MM 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

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%

Draft Budget: Overhead Expenses

	June Updated BUDGET	FY 2024 BUDGET
EXPENSES & OTHER USES		
Overhead Operating Expenses		
Personnel	26,592,000	21,911,000
Marketing & Communications	6,168,000	5,303,000
Legal, Policy, & Regulatory Affairs	4,104,000	3,509,000
Other Professional Services	2,136,000	2,505,000
General & Administrative	5,868,000	5,711,000
Depreciation	399,000	360,000
Total Overhead Operating Expenses	45,267,000	39,299,000

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 components

Draft Budget: Personnel

	June Updated BUDGET	FY 2024 BUDGET
PERSONNEL		
Salaries & Wages	19,765,000	16,587,000
Retirement	2,450,000	2,058,000
Health Care/Benefits	3,961,000	2,913,000
Payroll Expenses	416,000	353,000
Total	26,592,000	21,911,000

- 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: New Personnel Assignments

- Finance is looking to fill two additional positions to facilitate additional accounting controls and keep up with structuring financing needs
- Human Resources needs additional support to facilitate the higher staffing needs
- Local Development is hiring staff to assist with the development of key programs scheduled for launch and growth this next fiscal year
- Marketing needs additional support for expanding outreach and advertising
- Power Resources is hiring to keep up with contracting and portfolio management as more longer-term contracts are established
- Public Policy & Legal are looking to provide more Board and committee support and stay informed on rapidly changing relevant policies

	Title	Functional Area
1	Controller	Finance
2	Structured Finance Manager	Finance
3	HR Operations Manager	Human Resources
4	Contracts Manager	Local Development
5	DCFC Product Manager	Local Development
6	Project Manager	Local Development
7	Strategic Accounts and Product Designer	Local Development
8	Marketing Associate	Marketing
9	Outreach Coordinator	Marketing
10	Contract Manager	Power Resources
11	Contracts Analyst	Power Resources
12	RA Portfolio Analyst	Power Resources
13	Settlements Analyst	Power Resources
14	Assistant Board Clerk	Public Policy & Legal
15	Regulatory Analyst	Public Policy & Legal

Draft Budget: Non-Operating Activity

	June Updated BUDGET	FY 2024 BUDGET
NON-OPERATING ACTIVITY		
NON-OPERATING REVENUE		
Interest Income	11,400,000	1,680,000
Grants	350,000	0
Other Non-Operating Revenue	49,000	48,000
TOTAL NON-OPERATING REVENUE	11,799,000	1,728,000
NON-OPERATING EXPENSES		
Borrowing Interest	2,796,000	1,650,000
Local Development Funding	22,400,000	25,500,000
Total Capital Expenditures	100,000	500,000
TOTAL NON-OPERATING EXPENSES	25,296,000	27,650,000
NET NON-OPERATING POSITION	**(13,497,000)**	**(25,922,000)**

- **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
  - Contributions from PPA's for workforce development grants are estimated $350,000
- **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
  - Minor capital expenditures for office related items such as furniture

Draft Budget: Local Development

	June Updated BUDGET	FY 2024 BUDGET
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*	-	22,683,000
Estimated with Surplus	22,400,000	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

Appendix

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

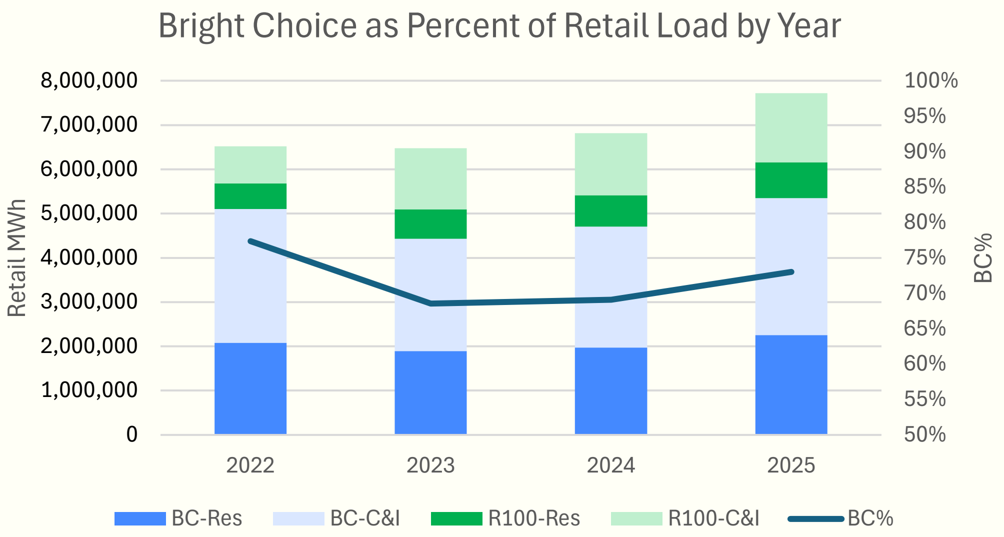
- Ava schedules it's forecasted load with CAISO on a day-ahead basis and real-time basis
  - This is done regardless of the amount of energy hedges that Ava has procured
  - The CAISO is California's regional market balancing authority whose primary purpose is to keep the energy being pulled off the grid balanced by energy being put on the grid to prevent grid damage or area shortages

How Ava Works—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—Product 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 $6.9MM
- 0.25 cent change in the Renewable 100 value proposition results in a change of $5.0MM

Thank you!

Ava Community Energy

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

Ava Community Energy

Updates on Renewable 100

June 5, 2024

1. Background
2. Fremont (and Oakland)
3. Cost Allocation Methodology
4. Next Steps

Background

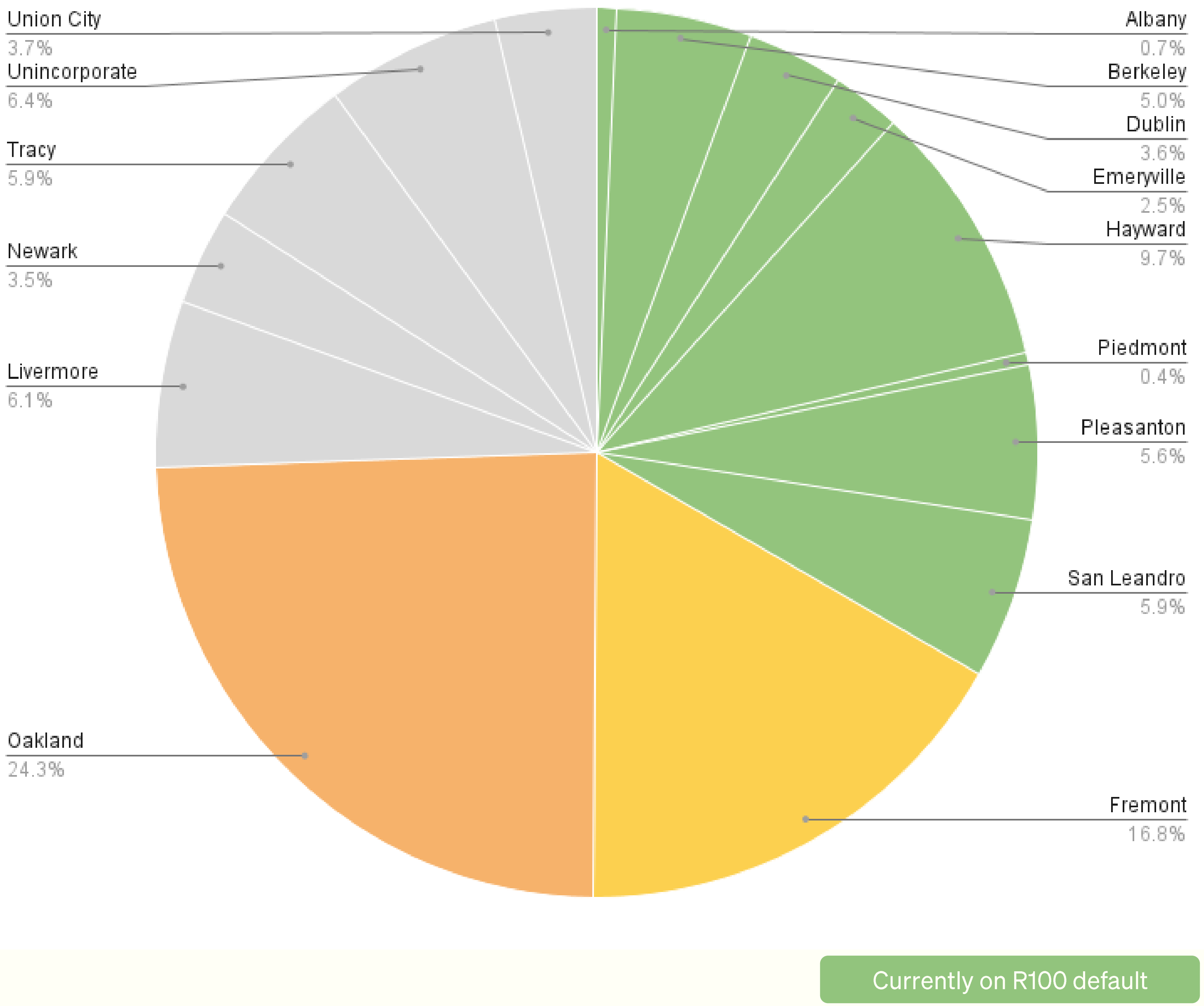
- 8 cities currently default most customers to Renewable 100, per a board approved policy on community-wide default product changes
  - 1 city since 2018; 7 additional cities since 2022
  - ~1/3 of Ava 2024 load is on R100
- Fremont and Oakland are considering community-wide default product changes to Renewable 100 as early as 2025 with consideration of a multi-year phasing.
- Historically Renewable 100 pricing is set at a premium to PG&E rates. This premium is set based on the differential cost to serve R100 customers relative to Bright Choice Customers.
- The current market cost of renewable energy is at an all-time high.
- Staff is introducing this topic at this time and anticipates bringing additional information and action items in July and Sept timeframe

Fremont and Oakland Renewable 100 defaults

- The Cities of Fremont and Oakland are considering community-wide opt up to Renewable 100.
- The city-wide load of Fremont and Oakland represent considerable portions of Ava's load (17% and 25%).
- Fremont and Ava staff have been in discussions for approximately a year regarding the default product change and its impact on the Fremont Climate Action Plan. A community wide opt up would address more than half of their GHG emission reduction goal.
- Oakland has more recently brought this discussion to its Public Works Committee, the outcome of which was a focus on its municipal accounts.
- Steps to a community wide transition to Renewable 100:
    - City councils approve a community-wide opt up (likely mid-June for Fremont & Oakland)
        - Staff from Ava and cities have discussed a phased opt up,
        - It is possible the Fremont City Council may request all customers opt up in a single phase in 2025.
        - Oakland is currently taking a phased approach, beginning with municipal accounts
        - Ava board votes on changing the default product for the jurisdiction (likely September)
    - Current policy requires a board vote by end of May and a transition of customers the following March. Staff proposes an exception to this timeline given the size of proposed load transitioning to R100 from either or both cities regardless of phasing.

Fremont and Oakland : Load Size & Market Timing

- A prospective Renewable 100 rate increase is driven by two factors:
  - **1)** The **size** of Fremont and/or Oakland's load (either nearly doubles the load on R100); and
  - **2)** The **timing** of Fremont and/or Oakland's proposed default transition (exposure to high market costs).



Existing Cost Allocation Methodology

- Historically the blended average of PCC1 renewable energy costs is the same for R100 and Bright Choice
- This is because PCC1 renewable energy pricing has been relatively stable for years and because supply and demand has been stable and reasonably predictable for California
- Additionally, Ava's renewable energy demand based on cities on Bright Choice vs. R100 and the 2030 procurement schedule has been generally predictable without material/sudden city-wide opt-ups
- In today's energy market environment, renewable energy prices have increased significantly due to increased demand from $10-15/MWh to $70-80/MWh on a spot market basis
- While there are opportunities to reduce this cost with new build and longer-term contracts, the incremental renewable energy procurement is anticipated to be at elevated prices for the near term

Considerations on Cost Allocation Methodology

- This spurs a needs to consider a renewable energy cost allocation methodology that applies the marginal cost, which is at higher prices, to be allocated specifically to R100
  - This has the potential impact of increasing the cost differential between R100 and Bright Choice rates
  - For example the current value proposition of 5% discount to PG&E for Bright Choice and 0.25 cent ($0.0025) premium for R100 could become 5% discount for BC and 0.75 cent ($0.0075) premium
  - If non-renewable energy costs continue to soften as they have over the last 4-5 months, hypothetically we could further see a future scenario where the BC value proposition lowers to 3% while R100 increases to 1.25 cent ($0.0125) premium
- Staff are looking at various methods on cost allocation between Bright Choice and Renewable 100 products in light of market dynamics and the potential significant increase in R100 load and will bring a proposed methodology to the board in the coming months
- If a marginal cost allocation method is adopted, we will need to consider implementing a complex system for contract cost allocations across rate products and may consider varying allocations for enrollment timing

Example Potential Impacts on Renewable 100 Pricing – Fremont Only

R100 Premium/kWh	2025	% of Baseline	Ave Resi Monthly Premium	2026	% of Baseline	Ave Resi Monthly Premium
Baseline (no change)	$0.0025	-	$0.90	$0.0025	-	$0.90
All Fremont	$0.0055	220%	$1.98	$0.0046	184%	$1.66
Resi 2025/Comm 2026	$0.0034	136%	$1.22	$0.0044	176%	$1.58
Comm 2025/Resi 2026	$0.0048	192%	$1.73	$0.0045	180%	$1.62

Next Steps

Bring to full Board of Directors

- More details on the cost allocation scenarios and proposed methodology for approval
- Additional analysis on impacts on kWh cost of Renewable 100 for all customers under different scenarios of community opt up
- Likely in September - request for change in the default product to Renewable 100 for Fremont customers