

Updates on Renewable 100

June 5, 2024



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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

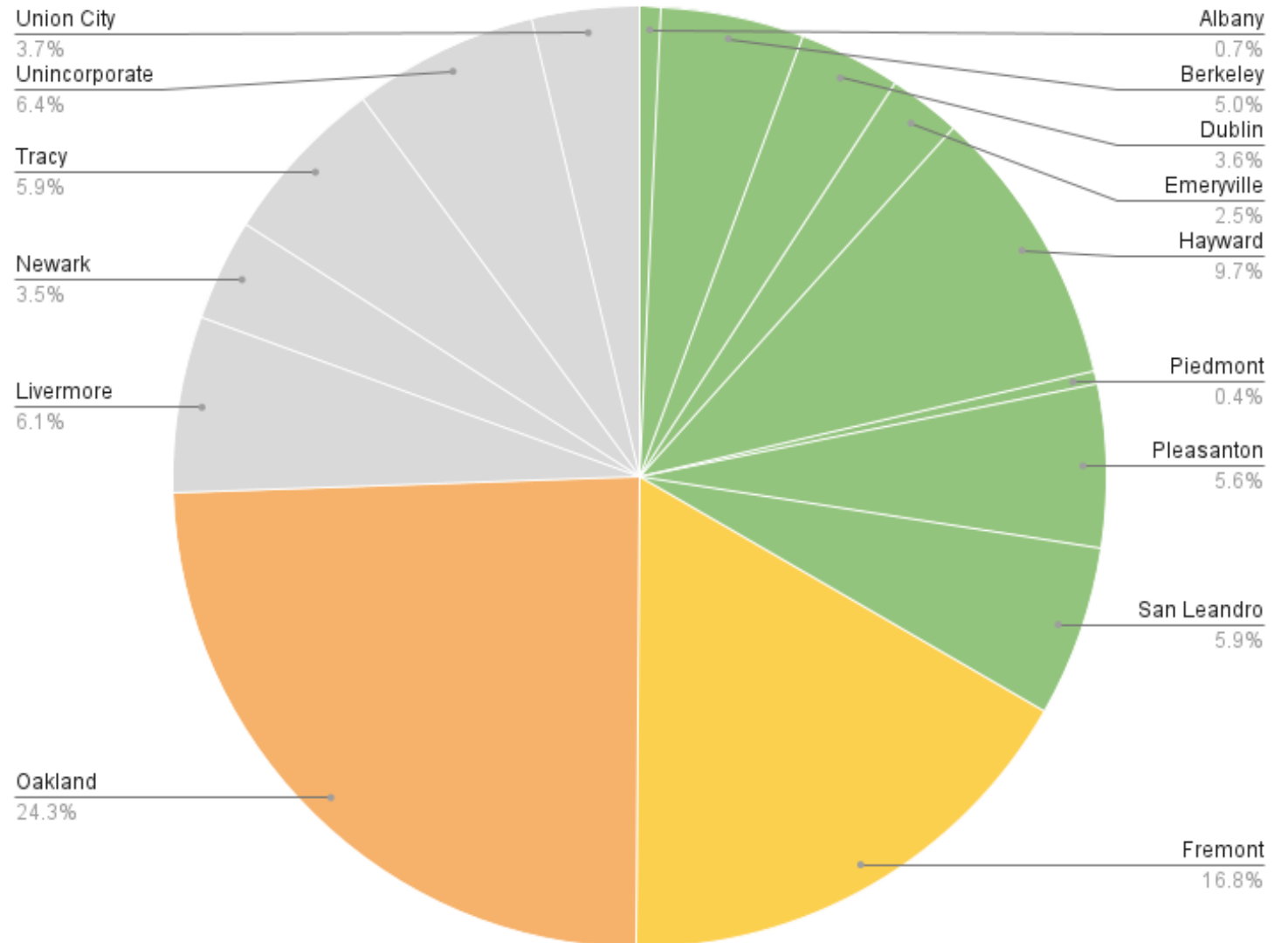
- The Cities of Fremont and Oakland are considering community-wide opt up to Renewable 100.
- The city-wide load of Fremont and Oakland represent considerable portions of Ava's load (17% and 25%).
- Fremont and Ava staff have been in discussions for approximately a year regarding the default product 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

