



**Staff Report Item 6:  
Recommendation**

<b>To:</b>	Ava Community Energy Authority
<b>From:</b>	Kelly Brezovec, Sr. Director, Account Services
<b>Subject:</b>	Seeking feedback from the Finance, Administration and Procurement Subcommittee on fiscal year 2023-2024 surplus revenue customer bill credits.
<b>Date:</b>	November 13, 2024

**Summary/Recommendation**

Staff seeks feedback on proposed Fiscal Year 2023-2024 surplus revenue bill credit options based on the January 2024 Fiscal Year Budget Surplus Allocation resolution.

To review, the plan allocation is as follows:

1. \$50 million to be retained for working capital needs
2. \$100 million to be contributed to reserve funds
3. The remaining balance to be split 60/40 between:
  - a. One-time on-bill credits to customers, with some portion applied specifically to CARE/FERA customers
  - b. Incentives for an Ava Solar and Storage Program

Table 1 identifies the credits available for the on-bill credits and the Ava Solar and Storage Program, following the allocation approved in January 2024. A discussion of the budget and performance compared to forecast is available in the Budget to Actuals, Waterfall, and Reserves presentation at the November 13, 2024, Finance, Administration, and Procurement Subcommittee.

	<b>Allocation</b>	<b>Budget</b>	<b>Actuals</b>	<b>% Change</b>
Net Revenues		\$179,484,000	\$187,404,824	4.4%
Contributions				
Working Capital	\$50,000,000	\$129,484,000	\$137,404,824	6.1%

Reserve Funds Remaining	\$100,000,000	\$29,484,000	\$37,407,824	26.9%
On-Bill Credits	60%	\$17,690,400	\$22,444,694	26.9%
Ava Solar + Storage Program	40%	\$11,793,600	\$14,963,130	26.9%

Table 1: FY 2023-2024 Net Revenues and Fund Allocations

Staff recommends allocating the one-time on-bill credits to customers as follows:

- \$75 for CARE/FERA customers,
- \$11.68 for non-CARE/FERA residential customers, and
- \$0.0026 per kilowatt-hour used during fiscal year 2023-2024.

This credit allocation provides each customer class with a larger credit than they received from the FY2022-2023 surplus revenue credits. Later in this memo this series of credits is identified as “Option 3.”

**Financial Impact**

Allocation of surplus funds from the previous fiscal year has already been approved by the Ava Board and does not have an impact on ongoing operations. The financial impact on customer bills is discussed below in the Analysis section.

**Analysis and Context (with deadlines as applicable)**

*History*

In the January 2024 resolution, [Fiscal Year Budget Surplus Allocation](#), The Board agreed to move forward with the Finance, Administrative, and Procurement subcommittee’s recommendation where 60% of the unallocated budget surplus is to be dedicated to on-bill credits with some portion specifically applied to CARE and FERA customers.

Since the assignment of the unallocated budget surplus credit is by customer class, and exactly what portion is to be applied to CARE and FERA customers, the Board is expected to provide guidance at the November Board meeting in advance of customers seeing these credits in December - February.

Credits have been applied to customer bills in 2022 and 2023; staff recommend reviewing the proposed credits for 2023-2024 through the lens of previous customer experiences and potential expectations.

**Fiscal Year 2022-2023:**

The [2022-2023](#) budget included a \$50 credit for CARE customers, specifically to be applied in Q1/Q2. In August/September 2022, CARE/FERA customers received a \$50 “EBCE CARE Customer 2022” credit.

The 2022-2023 budget also allowed for a Budget Surplus Waterfall Allocation as follows:

1. Working Capital Needs: \$50MM

2. Reserve Account Funding: \$75MM
3. 50/50% split of any excess to:
  - a. Incremental Long-term Renewable Energy/Clean Energy Storage Investments
  - b. One-time On-Bill Credits to customers

Based on the 2022-2023 surplus, \$10,504,837 was allocated to “revenue share” customer credits. The credits were split pro-rata based on total load between the residential and non-residential segments. Approximately 40% of total usage was attributed to Residential customers. Every active residential customer received the same credit amount, \$7.27. Non-residential customers received a credit based on a volumetric calculation of \$0.002 per kWh of FY 2022-2023 usage. Table 1 identifies credits provided by customer class.

The non-residential credits were provided based on annual consumption; Table 1 provides average credits for common commercial rates.

<b>Non-residential Customer Size</b>	<b>Average Annual Usage (kWh)</b>	<b>Average Credit</b>
Small (B1)	16,632	\$33
Medium (B10)	205,176	\$410
Large (B19)	2,676,288	\$5,353

Table 1: FY 2022-2023 Average Non-residential Surplus Revenue Credits

On the bill, these credits were identified as “Ava Customer Dividend.” Residential credits were applied to the bill in December and non-residential in January/February.

*Fiscal Year 2023-2024*

The [2023-2024](#) budget again included a special \$50 CARE or FERA credit. On the bill, these credits were the “Ava Customer Credit.” These were applied in November 2023.

To review, in January 2024, the Board approved a surplus [allocation plan](#):

1. \$50 million to be retained for working capital needs
2. \$100 million to be contributed to reserve funds
3. The remaining balance to be split 60/40 between:
  - a. One-time on-bill credits to customers, with some portion applied specifically to CARE/FERA customers
  - b. Incentives for an Ava Solar and Storage Program

Note: The 2024-2025 budget did NOT include a special Q1/Q2 CARE allocation. The 2023-2024 surplus will be the “fall” credit that CARE customers may be accustomed to receiving from Ava.

*2023-2024 Surplus and Credit Options*

Following the direction of the Board’s resolution from January 2024, for the credit assignments described in table 3, staff first assigned a value to credits for CARE/FERA customers. Then, using the same methodology applied to the FY 2022-2023 surplus, staff divided the remaining funds proportionally between residential and non-residential, based on 2022-2023 actual load

(annual usage). Also, based on the operational success of applying the FY 2022-2023 surplus, residential credits are divided equally among all customers. Non-residential, or commercial, credits are applied based on actual usage in the previous fiscal year. In options 1, 2, and 3, CARE/FERA customers receive only the CARE credit, so their load is not included in the proportional division. In options 4 and 5, CARE/FERA customers receive both their unique credit and the residential credit, so their load is included in the total residential load.

Staff used the following assumptions in developing Options 1, 2 and 3, shown in Table 4.

CARE/FERA Customer Count	108,415
Residential Customer Count, total	512,850
Non-residential load, 2023-2024	3,747,420,727 kWh
Residential load, total, 2023-2024	2,189,688,525 kWh
CARE/FERA load, 2023-2024	368,023,164 kWh
Total Surplus Available	\$22,444,694

Table 2: Assumptions for analysis

Option 1: \$125 for CARE/FERA Credit

Customer Class	% Funds	Total	Bill Credit	Note
Residential	13%	\$2,934,630	\$7.26	Similar to 2023 credit
CARE/FERA	60%	\$13,551,875	\$125.00	Does not receive Residential Credit
Non-residential	27%	\$5,958,189	\$0.0016	Same to 2023 credit

Option 2: \$100 for CARE/FERA Credit

Customer Class	% Funds	Total	Bill Credit	Note
Residential	17%	\$3,829,054	\$9.47	Nearly double 2023 credit
CARE/FERA	48%	\$10,841,500	\$100.00	Does not receive Residential Credit
Non-residential	35%	\$7,774,140	\$0.0021	Similar to 2023 credit

Option 3: \$75 for CARE/FERA Credit

Customer Class	% Funds	Total	Bill Credit	Note
Residential	21%	\$4,723,478	\$11.68	Nearly double 2023 credit
CARE/FERA	36%	\$8,131,125	\$75.00	Does not receive Residential Credit
Non-residential	43%	\$9,590,091	\$0.0026	1.5x 2023 credit

Option 4: \$50 for CARE/FERA Credit

Customer Class	% Funds	Total	Bill Credit	Note
Residential	28%	\$6,298,859	\$12.28	Nearly double 2023 credit

CARE/FERA	24%	\$5,420,750	\$50.00	Also receives Residential Credit
Non-residential	48%	\$10,725,085	\$0.0029	1.5x 2023 credit

Option 5: \$40 for CARE/FERA Credit

Customer Class	%	Funds Total	Bill Credit	Note
Residential	30%	\$6,699,995	\$13.06	Nearly double 2023 credit
CARE/FERA	19%	\$4,336,600	\$40.00	Also receives Residential Credit
Non-residential	51%	\$11,408,099	\$0.0030	1.5x 2023 credit

Option 6: No special credit to CARE/FERA

Customer Class	%	Funds Total	Bill Credit	Note
Residential	37%	\$8,304,537	\$16.19	More than double 2023 credit
Non-residential	63%	\$14,140,157	\$0.0038	Almost double 2023 credit

Table(s) 3: Staff identified options for 2023-2024 bill credits

Staff recommends the middle option, Option 3. Table 4 provides an overview of all options provided with a comparison to the previous credits shared with customers.

	FY22/23	FY23/24 Budget	To be applied Dec-24 to Feb-25					
			Option 1	Option 2	Option 3	Option 4	Option 5	Option 6
Residential Credit	\$7.27 (Dec-23)		\$7.26	\$9.47	\$11.68	\$12.28	\$13.06	\$16.19
CARE Credit (Total)	\$50 (Aug-22) \$7.27 (Dec-23)	\$50 (Nov-23)	\$125	\$100	\$75	\$62.28	\$53.06	\$16.19
Non-Residential (per kWh)	\$0.002/kWh (Jan-24)		\$0.0016	\$0.0021	\$0.0026	\$0.0029	\$0.003	\$0.0038

Table 4: Summary of Options

*Customer Bill Impact*

The non-residential credits by option vary widely based on annual usage; table 6 provides context. Staff recommends option 3. For a small or medium commercial customer, this is an extra \$10 and \$120 credit, respectively, compared to 2023

Non-residential Customer Size	Average Annual Usage (kWh)	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6
Small (B1)	16,632	\$27	\$35	\$43	\$48	\$50	\$63
Medium (B10)	205,176	\$328	\$431	\$533	\$595	\$616	\$780
Large (B19)	2,676,288	\$4,282	\$5,620	\$6,958	\$7,761	\$8,029	\$10,170

Table 5: Example credits for average commercial customers

With significantly less usage variability, residential bills are more meaningful to compare year-to-year and for an “average” household. Tables 6 and 7 provide a snapshot of average annual electricity bills for residential CARE/FERA customers and residential customers respectively; annual bills are inclusive of generation and delivery charges. Staff used the default rate, which was E-1, a flat generation rate with tiered delivery charges, until 2021 when the new default was a time-of-use rate, TOU-C.

**Default CARE/FERA Rate**

Rate	Year	Average Monthly Usage (kWh)	PG&E Average Annual Bill (\$)	Ava Average Annual Bill (\$)	Ava Average Annual with Credits (\$)
E-1	2019	338	\$659	\$651	
E-1	2020	338	\$693	\$689	
E-1	2021	429	\$925	\$919	
E-TOUC	2022	339	\$889	\$871	\$821
E-TOUC	2023	343	\$934	\$904	\$846
E-TOUC	2024	341	\$1,080	\$1,050	\$975

Table 6: Average annual CARE/FERA residential bills, 2019-2024

In 2022, compared to 2021, CARE customers experienced lower annual bills due to a decrease in average monthly usage, annual electricity bills were lowered further through the Ava \$50 bill credit. In 2023, customers would have seen average monthly bills increase from \$871 to \$904, however the \$57 in bill credits from Ava effectively offset this increase. Should Ava apply a \$75 credit to customer bills in 2024, customers would again be shielded from the bulk of the nearly \$100 annual increase.

Standard residential customer bills, shown below in Table 7 do not experience this same benefit, as the credit has not been nearly as significant.

**Default Residential Rate**

Rate	Year	Average Monthly Usage (kWh)	PG&E Average Total Annual Bill (\$)	Ava Average Total Annual Bill (\$)	Ava Average Total Annual Bill with Credits (\$)
E-1	2019	359	\$1,070	\$1,063	
E-1	2020	359	\$1,165	\$1,160	
E-1	2021	402	\$1,358	\$1,353	
E-TOUC	2022	373	\$1,525	\$1,505	
E-TOUC	2023	365	\$1,549	\$1,516	\$1,502
E-TOUC	2024	360	\$1,776	\$1,744	\$1,732

Table 7: Average annual residential bills, 2019-2024

Another way to look at this information is shown in Figures 1 and 2, with the same information provided graphically.

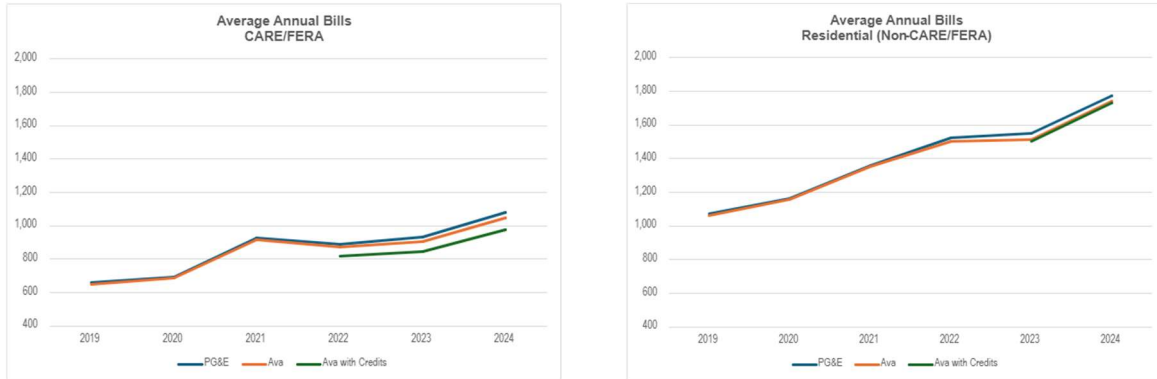


Figure 1: Average annual CARE/FERA residential bills, 2019-2024

Figure 2: Average annual residential bills, 2019-2024

**Review of Option 3**

Staff recommends Option 3, as this provides a larger credit than all three customer groups received last year. These bill credits would be applied to customer bills one to three months after Board approval.

Customer Group	Proposed Credit from FY23-24 Surplus
Residential	\$11.68
CARE/FERA	\$75
Non-Residential	\$0.0026 per kWh
Small (B1)	\$43
Medium (B10)	\$533
Large (B19)	\$6,958

Table 8: Option 3, review

**Attachments (if applicable)**

- A. PowerPoint



# Fiscal Year 2023-2024 Customer Bill Credits

Finance, Administration, and Procurement  
Subcommittee

November 13, 2024





## Summary

The January 2024 Budget Surplus Allocation resolution identified the following allocation:

1. \$50 million to be retained for working capital needs
2. \$100 million to be contributed to reserve funds
3. The remaining balance to be split 60/40 between:
  - One-time on-bill credits to customers, with some portion applied specifically to CARE/FERA customers
  - Incentives for an Ava Solar and Storage Program

Staff seeks feedback on proposed FY2023-2024 bill credit options. Based on the 23-24 financial audit ~ \$22M is available for on-bill credits.



# History

- Previous budgets have provided for on-bill customer credits as follows:

	<b>FY 22/23</b>	<b>FY23/24</b>
Residential Credit	\$7.27, Dec 2023	TBD
CARE Customer Credit	\$50, Aug 2022 \$7.27 Dec 2023	\$50, Nov 2023
Commercial Credit	\$0.002/kWh, Jan 2024	TBD

- The CARE customer credits provided in 2022 and 2023 were authorized by the board at \$50 each
- Credits that were funded by surplus revenue were calculated by staff, splitting the total amount available into residential and commercial based on percentage of total load.
  - Commercial customers were provided a custom credit based on actual usage
  - Residential customers all received the same amount



## Summary of Options: FY23-24 Surplus Revenue On-bill Credits

One-time Bill Credit						
Customer Class	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6
Residential	\$7.26	\$9.47	\$11.68	\$12.28	\$13.06	\$16.19
CARE/FERA	\$125.00	\$100.00	\$75.00	\$62.28	\$53.06	\$16.19
Non-Residential Credit (per kWh)	\$0.0016	\$0.0021	\$0.0026	\$0.0029	\$0.0030	\$0.0038
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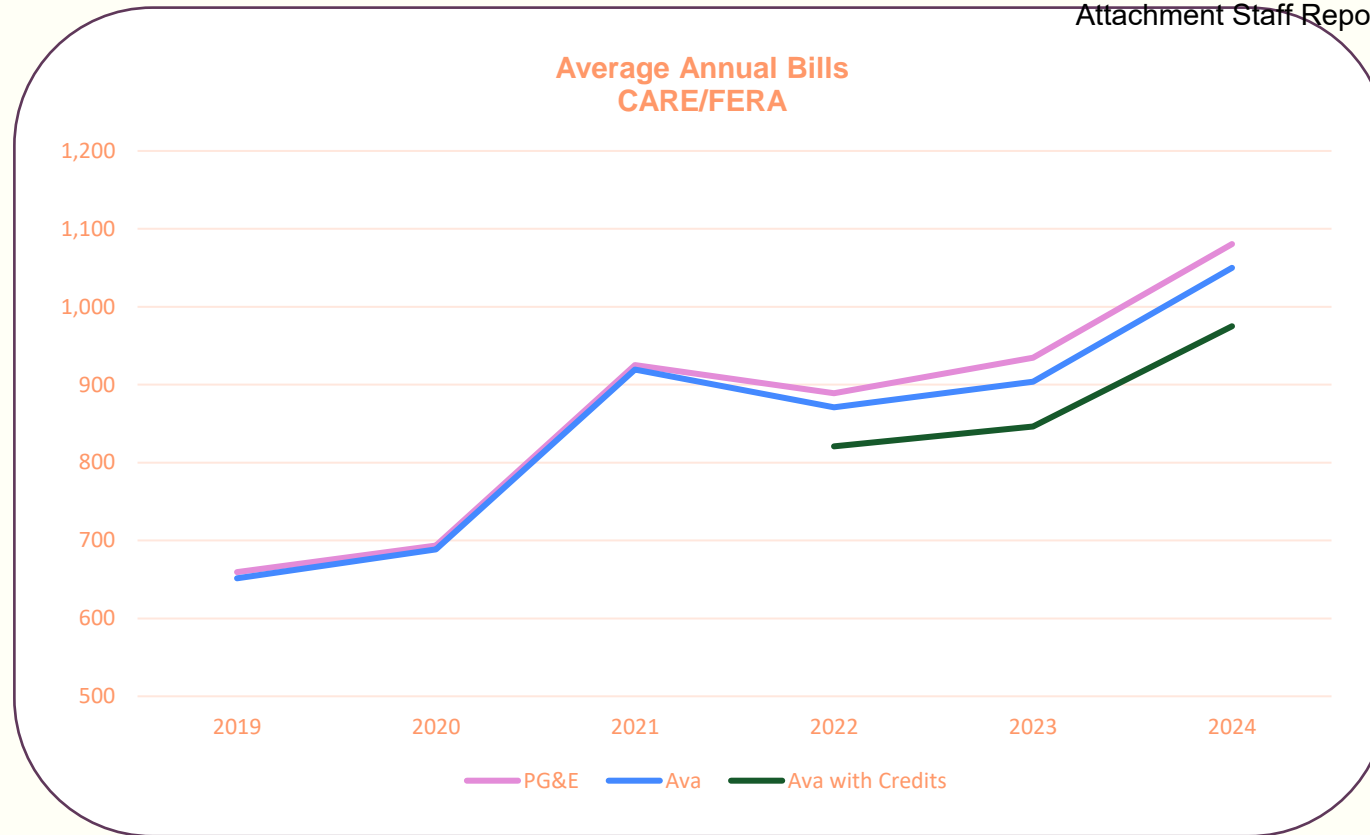


## Recommendation (Option 3)

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# Effect on Customer Bills: CARE/FERA Customers with Option 3



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E-TOUC	2024	341	\$1,080	\$1,050	\$975



## Next Step

- Staff will bring the recommendation and feedback from the Finance, Administration, and Procurement Subcommittee to the Board of Directors on Wednesday, November 20.



# Thank you!



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# Appendix: Options

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