



Consent Item 9

To:	Ava Community Energy Authority
From:	Allison Lopez, Energy Efficiency Associate
Subject:	Approving a resolution to allocate funds to Ava's Building Efficiency Accelerator program.
Date:	January 15, 2025

Summary/Recommendation

Approve a Resolution that allocates \$1 million of unused funds from the Fiscal Year 2023/2024 (FY 23/24) Local Development Building Electrification budget to the Building Efficiency Accelerator program to ensure Ava can pay incentives to participating customers and ensure a positive customer experience with Ava.

Financial Impact

- Shifting \$1 million of unused funds from the FY 23/24 Local Development Building Electrification budget into the Building Efficiency Accelerator program.

Analysis and Context

In September 2022, the California Public Utilities Commission (CPUC) approved Resolution E-5215 allowing Ava to administer a commercial energy efficiency program for \$13.4 million for three years, beginning May of 2023 through May of 2026.¹ With these funds, Ava launched a program called the Building Efficiency Accelerator program (hereafter referred to as the

¹ There are two pathways for CCAs to access Public Purpose Program (PPP) funds to administer energy efficiency programs: Elect-to-Administer (ETA) and Apply-to-Administer (ATA). Ava filed a program plan under the ETA pathway in 2021.

“Accelerator” program) in May 2023, with the support of our program implementer, Cascade Energy. The program is set to end in May 2026.

The Accelerator program is designed to save Ava’s largest commercial and industrial customers energy through low-to-no cost energy efficiency measures and provides generous incentives based on energy savings. Customers that enroll in the program benefit from services such as: 1) site assessment to identify energy savings opportunities, 2) 12-24 months of one-on-one support from an energy coach, and 3) costs savings from lower energy bills and incentives for saving energy. To date, 30 customers have enrolled in the Accelerator program. The types of customers include hospital, biotech, food production, and municipal sites among others. The energy savings projects scoped across these sites equal approximately 15 Giga Watt hours of energy savings potential.

In August of 2024, Peninsula Clean Energy (PCE) alerted Ava to an error in the budget determination process for CCA energy efficiency programs. The calculation used to determine CCA funding for energy efficiency programs is:

*“CCA funding = Total electricity **energy efficiency nonbypassable charge** collections from the CCA’s customers – (total electricity **energy efficiency nonbypassable charge** collections from the CCA’s customers * % of the applicable IOU portfolio budget”*

The error occurred from the use of an incorrect value for the energy efficiency Non-Bypassable Charge (NBC) in the budget calculation. Funding for energy efficiency programs comes from the Public Purpose Program surcharge (PPPC) NBC on all utility bills, which includes multiple components (wildfire mitigation, Energy Savings Assistance (ESA), Self Generation Incentive Program (SGIP), energy efficiency, etc.). In calculating our ETA budget, we used the entire PPPC flat rate, rather than isolating the portion associated specifically with energy efficiency:

*“CCA funding = **Total electricity nonbypassable charge** collections from the CCA’s customers – **total electricity nonbypassable charge** collections from the CCA’s customers * % of the applicable IOU EE budget”*

Based on the corrected input, Ava should have only received approximately \$5 million instead of \$13.4 million. This miscalculation was identified across all Elect-to-Administer (ETA) CCA budgets, yet all were approved by the CPUC through the resolution process. Ava and all other affected CCAs met with the CPUC Energy Division on August 30, 2024, to discuss the inconsistency and its effect on the current funding and how the CPUC can support CCAs to more precisely calculate the ETA budget in the future. On December 24, 2024, the CPUC issued draft resolution E-5366² proposing a corrected budget for Ava of \$5.56 million, thus reducing the overall budget by \$7.9 million.

² Draft Resolution E-5366

<https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M550/K985/550985987.PDF>

Based on the 30 sites Ava has enrolled in the Accelerator program, we have forecasted program expenditures of approximately \$6.5 million³. With the adjusted budget, Ava's financial exposure is approximately \$1 million. Given this exposure, Ava has temporarily paused new recruitment for the Accelerator program. Our priority is ensuring that all enrolled customers can fully pursue their energy efficiency projects and receive incentives. As one of the few programs for Ava's commercial and industrial customers, the Accelerator has often served as the first touchpoint between these customers and Ava. For this reason, it is critical that Ava maintains a positive customer experience by upholding all Accelerator program commitments and delivering on expectations.

Staff recommends shifting \$1 million of unused funds from the Local Development Building Electrification budget to the Building Efficiency Accelerator program.⁴ This reallocation will allow Ava to continue to support our program implementer, Cascade Energy, and ensure payments to participating customers are fulfilled. Additionally, this funding will be used to support energy efficiency and electrification projects that may arise during the duration of the Accelerator program.

Committee Review

On January 8, 2025, the Executive Committee reviewed this item with a recommendation for the Board to review in light of forthcoming budget discussions.

Attachments

- A. Resolution Allocating Funds to Ava's Building Efficiency Accelerator Program
- B. PowerPoint presented to Executive Committee on January 8, 2025

³ The total forecasted spend for the program includes program administration fees and customers incentives. This is inclusive of the \$1M spend to date on the program.

⁴ Ava has identified ~\$4 million of unspent funds from previously allocated Building Electrification budgets. Ava will return to the Board with a full reconciliation of Local Development funding in the coming months.

RESOLUTION NO. R-2025-xx

A RESOLUTION OF THE BOARD OF DIRECTORS

**OF AVA COMMUNITY ENERGY AUTHORITY ALLOCATING FUNDS TO
AVA'S BUILDING EFFICIENCY ACCELERATOR PROGRAM**

WHEREAS Ava Community Energy Authority ("Ava") was formed as a community choice aggregation agency ("CCA") on December 1, 2016, under the Joint Exercise of Powers Act, California Government Code sections 6500 *et seq.*, among the County of Alameda, and the Cities of Albany, Berkeley, Dublin, Emeryville, Fremont, Hayward, Livermore, Piedmont, Oakland, San Leandro, and Union City to study, promote, develop, conduct, operate, and manage energy-related climate change programs in all of the member jurisdictions. The Cities of Newark and Pleasanton, located in Alameda County, along with the City of Tracy, located in San Joaquin County, were added as members of Ava and parties to the Joint Powers Agreement ("JPA") in March of 2020. The City of Stockton was added as a member to Ava in September of 2022. The City of Lathrop was added as a member to Ava in October of 2023. San Joaquin County was added as a member to Ava in July 2024. On October 24, 2023, Ava legally adopted the name Ava Community Energy Authority, where it had previously used the name East Bay Community Energy Authority since its inception.

WHEREAS in September 2022 Ava was approved through Resolution E-5215 for a \$13.4 million ratepayer funded commercial energy efficiency program administered under the auspices of the California Public Utilities Commission (CPUC);

WHEREAS In May of 2023, Ava launched its commercial energy efficiency program called the Building Efficiency Accelerator in partnership with our program implementer, Cascade Energy;

WHEREAS Ava has enrolled 30 large commercial and industrial customers in the program, totaling 15 GWh of potential energy savings;

WHEREAS In August 2024, Ava learned of an error in the funding determination calculation for elect-to-administer (ETA) CCAs, with Ava being over allocated approximately \$8 million;

WHEREAS This miscalculation was identified across all ETA CCA budgets, yet all were approved by the CPUC through the resolution process;

WHEREAS all affected CCAs discussed the issue with the CPUC in August 2024;

WHEREAS the CPUC issued draft resolution E-5366 proposing a corrected budget for Ava of \$5.56 million, thus reducing Ava's overall budget by \$7.9 million;

WHEREAS Ava's maximum forecasted program spend for the enrolled customers is \$6.5 million, exceeding the corrected budget by \$1 million; and

WHEREAS Ava’s priority is to ensure there is enough funding for participating customers to pursue their energy efficiency and electrification projects and wishes to reallocate \$1 million of unused funds from the Fiscal Year 2023/2024 Local Development Building Electrification budget to the Building Efficiency Accelerator program.

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

Section 1. The Board approves a reallocation of \$1 million from the Fiscal Year 2023/2024 Local Development Building Electrification budget to the Building Efficiency Accelerator program.

ADOPTED AND APPROVED this 15th day of January, 2025

Jack Balch, Chair

ATTEST:

Adrian Bankhead, Clerk of the Board

Energy Efficiency Program Funding

Executive Committee Meeting 1/8/2025



Background

Program Inception

- Ava filed a program plan with the CPUC to access Public Purpose Program (PPP) funds under the Elect to Administer (ETA) pathway in 2021.
- In September 2022, the CPUC approved Resolution E-5215 allowing Ava to administer a commercial energy efficiency (EE) program with a budget of \$13.4 M over three years
- In May 2023, Ava launched a program called the Building Efficiency Accelerator in partnership with our program implementer, Cascade Energy, to operate until May 2026.

Program Performance

To date, the Building Efficiency Accelerator Program has:

- enrolled 30 buildings belonging to our largest C&I and public sector customers, providing free technical assistance on opportunities for energy savings and incentives, and
- identified ~15 GWh of potential savings from energy efficiency.



CPUC Budget Allocation

Funding Issue

In August 2024, Peninsula Clean Energy (PCE) alerted Ava to an error in the budget calculation. This miscalculation was identified across all ETA CCAs budgets, yet all were reviewed and approved by CPUC through the resolution process.

*Erroneous Calculation = Total electricity NBC collections from the CCA's customers – total electricity NBC collections from the CCA's customers * % of the applicable IOU EE budget*

*Corrected Calculation = Total electricity energy efficiency NBC collections from the CCA's customers – total electricity energy efficiency NBC collections from the CCA's customers * % of the applicable IOU EE budget*

- Energy efficiency program costs are not shown as a standalone nonbypassable charge (NBC) on customers' bills, but are rolled into Public Purpose Program (PPP) NBCs.
- The total PPP rate on bills includes multiple rate components for programs, not just energy efficiency.
- The error occurred from the use of the **total PPP NBC** in the CPUC's budget calculation equation, instead of a percentage that only applied to the energy efficiency rate component.

 Based on the corrected input, Ava should have only received ~\$5.5 M instead of \$13.4 M

CPUC Budget Reduction Risk to Ava

Ava and all affected CCAs identified the issue for the CPUC. On 12/24/24 the CPUC issued a draft resolution E-5366 proposing a corrected budget for Ava of \$5.56M. If the Resolution is approved, Ava will face an overall program budget reduction of \$7.9M.

Ava has paused enrollment in the program to minimize financial risk based on a reduction in CPUC funding and identified a revised maximum program spend given the existing level of enrollment.

Based on the existing 30 buildings enrolled in the program, Ava's forecasted maximum fees over the program term to 2026 are ~\$6.5M, split between administration and participant incentive costs.



Recommendation

Ava recommends shifting \$1M of unused funds from the Local Development Building Electrification budget into the Building Efficiency Accelerator, making the new budget \$6.5 M.

The rationale for this proposal is:

- Ava has identified ~\$4M of unspent funding from previously allocated Building Electrification budgets. Ava will return to the Board with a full reconciliation of Local Development funding in the coming months
- Ava needs to confirm the available budget now in order to continue delivering program offerings to customers
- Ensure the enrolled customers maintain access to the resources and incentives offered
- Contribute to a **positive program experience** for commercial and industrial customers.
- Support the implementation of energy efficiency measures – such as equipment replacements, controls optimization, electrification projects – while providing incentives that help customers reduce energy usage and achieve up to 10% savings on their bills.

Ava will prioritize ensuring enrolled customers have the necessary funding to complete their projects and will continue to monitor enrollment and new project costs to ensure they remain within the adjusted amount.

