



Staff Report Item 16

To:	Ava Community Energy Authority
From:	Howard Chang, CEO
Subject:	Informing the Board of Historic Electricity Rates, Rate Components, and Ava Rate Setting
Date:	February 19, 2025

Summary

This memo serves to accompany an informational presentation to the Board regarding historic rates, rate components, and Ava rate setting.

Context

Staff requests the Board receive an informational presentation regarding electric rates.

The attached presentation provides an overview of historic rates, rate components, and the Ava Rate setting process.

Attachments

- A. Powerpoint

Rate Setting Methodology and Historic Rates

Board of Directors | February 19,
2025

Howard Chang, CEO



- Definitions
- Rate setting methodology
- Historic rates and value proposition
- Risk Management

Definitions

Term	Definition
Bundled Rate	PG&E's price for both generation and delivery charges. Bundled customers receive both generation and delivery from PG&E.
(Ava) Generation Rate	Price of <i>just</i> the energy, not the transportation. Ava provides generation services; this is the rate we charge customers.
(PG&E) Delivery Rate	Price of just the transportation, or "transmission and distribution." PG&E provides delivery services to both bundled and Ava customers. This also includes other costs associated with Public Purpose Funds and wildfire mitigation related costs.
Power Charge Indifference Adjustment (PCIA)	A volumetric fee paid by both bundled and Ava customers. This rate includes above (or below) market costs related to power supply commitments made many years ago. The PCIA is "vintaged;" bundled customers pay the current vintage and Ava customers pay the vintage assigned based on their jurisdiction's departure from PG&E. PCIA is included in the PG&E generation rate, but it is shown as a unique line item on an Ava bill. Customers pay this charge directly to PG&E, not Ava.
Franchise Fee Surcharge (FFS)	A volumetric fee, also paid by both bundled and Ava customers. Like the PCIA, this is a unique line-item for Ava customers. The FFS is levied by the CPUC on behalf of municipalities. FFS is also vintaged.
Value Proposition	Ava's value proposition is the rate difference between Ava and PG&E rates. Today, customers on Bright Choice save 5%; Renewable 100 is \$0.0025 per kWh above PG&E's rates.

What are rates?

- A rate is the price assessed per unit of electricity, listed in a "rate schedule"
 - Components of a rate schedule
 - Different rates based on
 - Time of day (peak and off-peak)
 - Season (winter or summer)
 - Non-residential rates may include different prices for demand charges (kW) and usage (kWh)

What are Ava's rates?

- Ava serves customers on 81 different rates with 427 unique rate components
 - Rate sheets are available at avaenergy.org/rates
- Example rates for E-TOUC (default residential rate)
 - Summer – Peak summer, Off-peak summer
 - Winter – Peak winter, Off-peak winter
- Example rates for B19S (large non-residential rate)
 - Summer – Peak summer, Off-peak summer, Part-peak summer
 - Winter – Peak winter, Off-peak winter, Super-off-peak winter
 - Demand charges – Max part-peak summer, Max peak demand summer, Max peak demand winter



This rate sheet is for 2018 vintage year rates. See "How to Find Your Vintage Year" at avaenergy.org/rates to verify your vintage year.

Rate	Billing Determinant Name	Bright Choice Rate	Renewable 100 Rate	2018 Vintage System Fees	Total Bright Choice Rate	Total Renewable 100 Rate	July 2024 PG&E Generation Rate	Unit
EELEC	Off-Peak Winter	0.08220	0.08959	0.01064	0.09284	0.10023	0.09773	kWh
EELEC	Part-Peak Summer	0.17372	0.18592	0.01064	0.18436	0.19656	0.19406	kWh
EELEC	Part-Peak Winter	0.09489	0.10294	0.01064	0.10553	0.11358	0.11108	kWh
EELEC	Peak Summer	0.26787	0.28503	0.01064	0.27851	0.29567	0.29317	kWh
EELEC	Peak Winter	0.11386	0.12291	0.01064	0.12450	0.13355	0.13105	kWh
EMTOU	Off-Peak Summer	0.12286	0.13239	0.01064	0.13350	0.14303	0.14053	kWh
EMTOU	Off-Peak Winter	0.11931	0.12865	0.01064	0.12995	0.13929	0.13679	kWh
EMTOU	Peak Summer	0.20171	0.21539	0.01064	0.21235	0.22603	0.22353	kWh
EMTOU	Peak Winter	0.14466	0.15533	0.01064	0.15530	0.16597	0.16347	kWh
ETOUB	Off-Peak Summer	0.13061	0.14054	0.01064	0.14125	0.15118	0.14868	kWh
ETOUB	Off-Peak Winter	0.10995	0.11880	0.01064	0.12059	0.12944	0.12694	kWh
ETOUB	Peak Summer	0.24751	0.26360	0.01064	0.25815	0.27424	0.27174	kWh
ETOUB	Peak Winter	0.14681	0.15760	0.01064	0.15745	0.16824	0.16574	kWh
ETOUC	Off-Peak Summer	0.12286	0.13239	0.01064	0.13350	0.14303	0.14053	kWh
ETOUC	Off-Peak Winter	0.11931	0.12865	0.01064	0.12995	0.13929	0.13679	kWh
ETOUC	Peak Summer	0.20171	0.21539	0.01064	0.21235	0.22603	0.22353	kWh
ETOUC	Peak Winter	0.14466	0.15533	0.01064	0.15530	0.16597	0.16347	kWh
ETOUD	Off-Peak Summer	0.11265	0.12164	0.01064	0.12329	0.13228	0.12978	kWh
ETOUD	Off-Peak Winter	0.14021	0.15065	0.01064	0.15085	0.16129	0.15879	kWh
ETOUD	Peak Summer	0.21236	0.22660	0.01064	0.22300	0.23724	0.23474	kWh
ETOUD	Peak Winter	0.17354	0.18573	0.01064	0.18418	0.19637	0.19387	kWh
EV2	Off-Peak Summer	0.11542	0.12455	0.01064	0.12606	0.13519	0.13269	kWh

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Page 19 of 20 pages that detail each of Ava's rate components

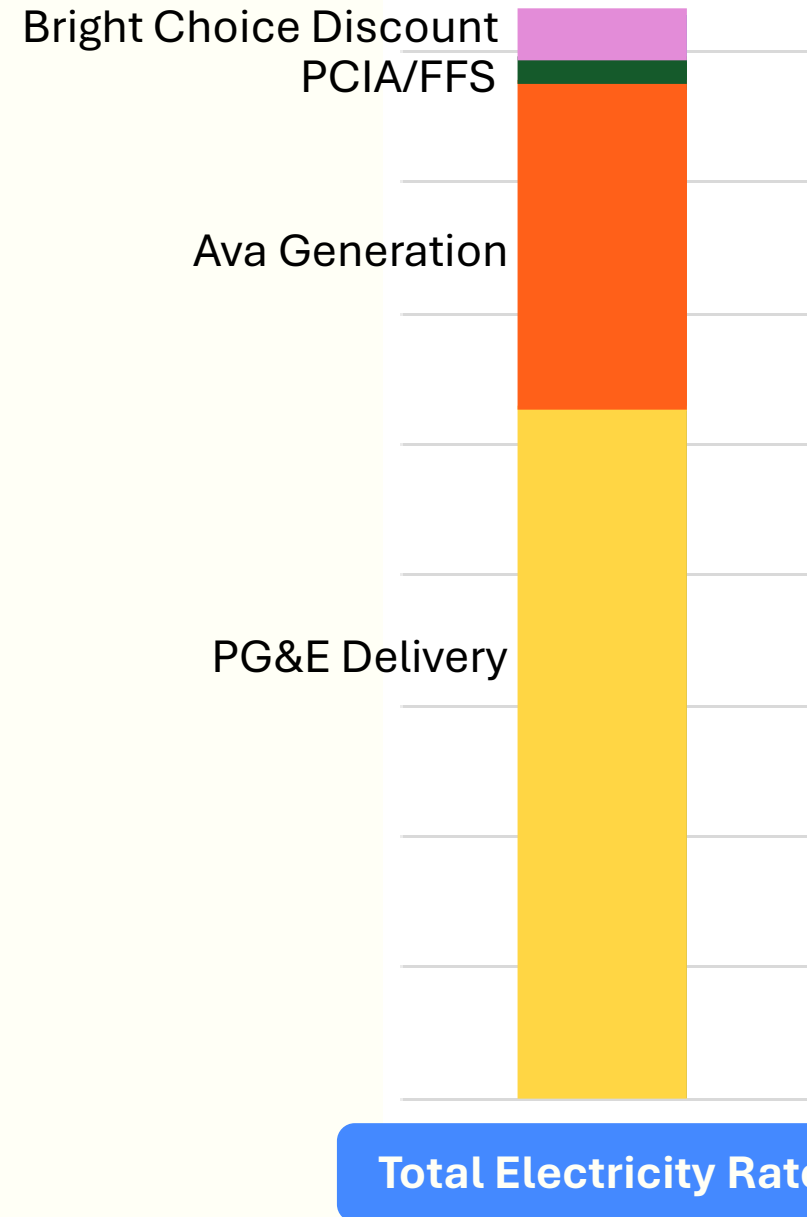
Example Rates for Common Customer Groups – October 2024

	Cents (¢) per kilowatt-hour				Average Monthly Electric Bill
	Ava Bright Choice Generation	PG&E Delivery	PCIA + FFS	Total ¢ per kWh	
Small Commercial	13.3	28.2	0.9	42.4	\$215
Medium Commercial	14.0	21.2	0.9	36.1	\$6,180
Large Commercial	12.8	16.4	0.9	30.1	\$67,150
Residential	13.3	27.7	0.9	41.9	\$150
Residential - CARE	13.3	12.5	0.9	26.6	\$90

Ava's Rate Setting Methodology

Rate setting happens in three parts:

- PG&E has an General Rate Case (GRC) and annual Energy Resource Recovery Account (ERRA) filings where they seek approval from CPUC to set rates based on a cost-of-service methodology
- Ava indexes to PG&E rates and its board approves an annual value proposition
 - The value proposition is the discount or premium relative to PG&E's total generation rate (not including delivery)
 - Inclusive of the Power Charge Indifference Adjustment (PCIA) and Franchise Fee Surcharge (FFS)
 - Bright Choice is currently set with a discount to PG&E's generation rate at 5%
 - Renewable 100 is currently set at with a cost premium relative to PG&E at a ¼ cent/kWh premium



Rate Setting Process and Timeline

May: Finance, Administrative, & Procurement Subcommittee, Executive Committee Meeting, and/or Board of Directors Meeting

- Staff provides preliminary recommendations for setting the value proposition as part of the draft budget discussion

May – June: Community Workshops

- If Staff proposes a change to the value proposition, Ava hosts community meetings to review changes and accept comments

June: Board of Directors Meeting

- Staff will present an analysis, findings, and recommendation from all previous parties' feedback (including the public, CAC and Board)
- Board votes to adopt a new, or the same, value proposition, as part of the budget approval
- Value proposition is effective July 1 – June 30



Joint Powers Agreement

- The setting of rates for power sold by the Authority and the setting of charges for any other category of service provided by the Authority.
- The Parties seek to:
 - (a) Provide electricity rates that are lower or competitive with those offered by PG&E for similar products;
 - (j) Provide and manage lower-cost energy supplies in a manner that provides cost savings to low-income households and promotes public health in areas impacted by energy production.

Amended & Restated Rate Setting Policy

- Staff must receive Board approval to revise the service level value propositions (e.g., offering a greater or lesser discount on Bright Choice)

Ava Rate Setting: Rate Changes

- When the Board adopts a new value proposition, Ava updates our rates accordingly at the start of the new fiscal year, on July 1
- Additionally, Ava will update rates when PG&E updates their generation or PCIA rates throughout the year
 - Ava's rates change accordingly to maintain the value proposition at all times
 - Ava does not update rates if PG&E changes only delivery rates
- PG&E almost always updates rates on January 1 and it is common for rates to be updated 3-5 times throughout the year
 - PG&E modifies rates to meet updated revenue requirements or tariff changes

How do other CCAs set their rates?

- Common methodologies seen across California CCAs
 - Set value proposition regularly, index to Investor Owned Utility (IOU, or PG&E, SCE, SDG&E) rate, update rates with each IOU generation rate change
 - Set rates annually, potentially indexed to the IOU rate, but do not update with each IOU generation rate change within the year
 - Set rates independently of the IOU

Benefits of Ava's methodology

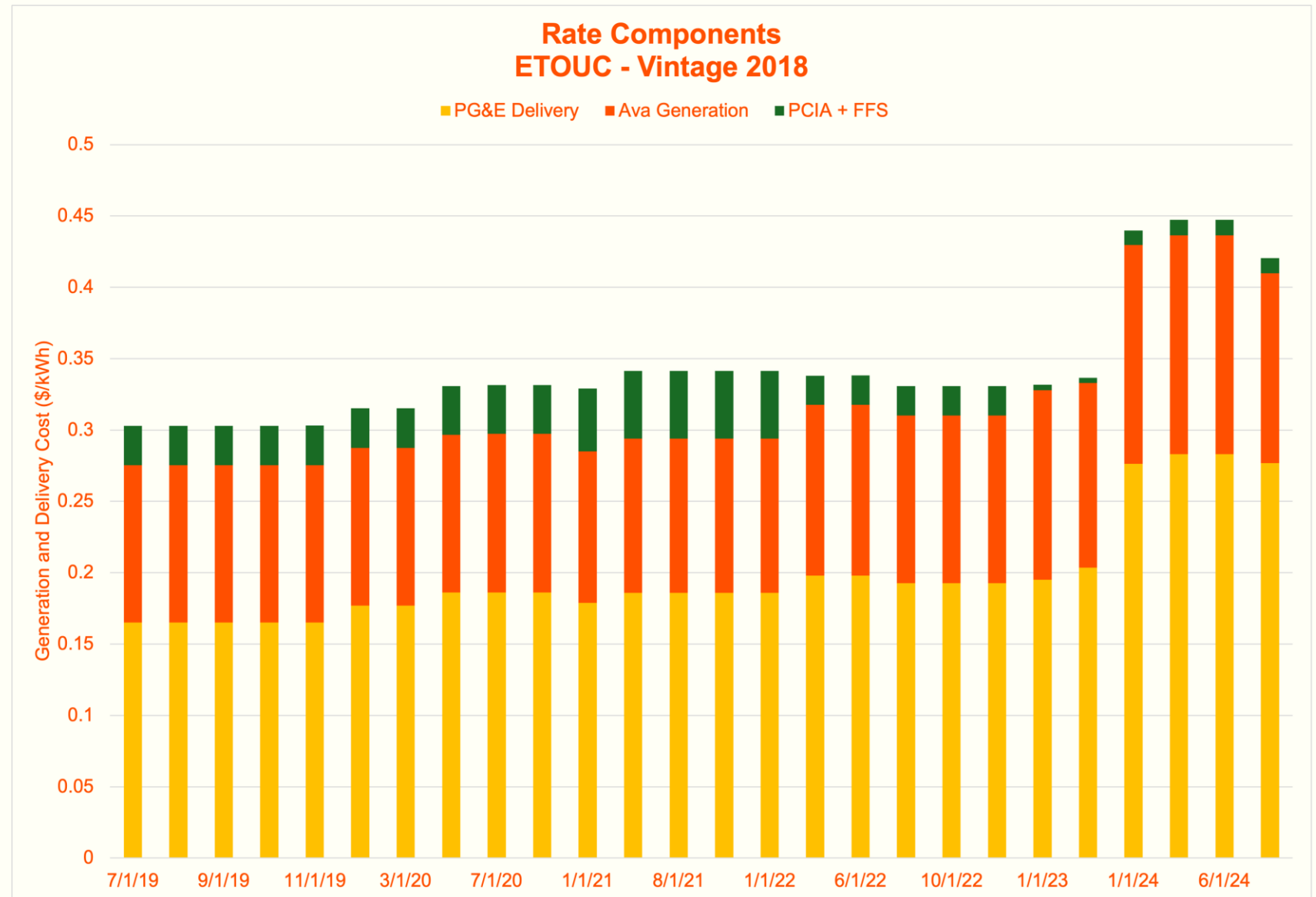
1. Presents a clear and consistent value proposition to our customers with a commitment to serving a rate that is competitive to PG&E
2. Provides customers increased stability on overall generation rates, as PCIA rate is inversely related to energy costs
3. Allows Ava to manage energy procurement costs more effectively

Value Proposition 2018 to Current

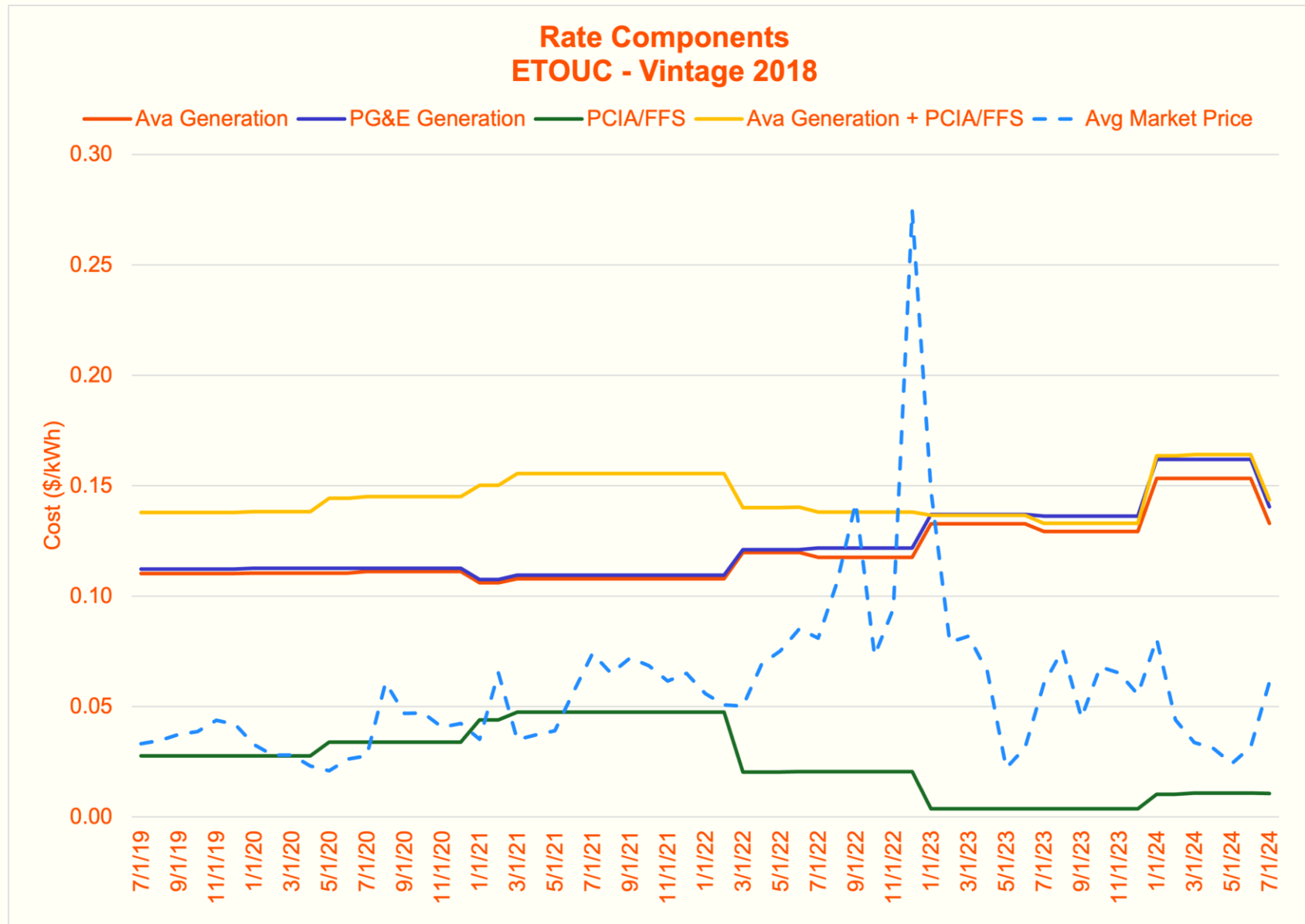
	June 2018	July 2020	July 2022	July 2023 (Current)
Bright Choice	1.5% below PG&E	1% below PG&E	3% below PG&E	5% below PG&E
Renewable 100	1¢ per kWh above PG&E		3/4¢ per kWh above PG&E	1/4¢ per kWh above PG&E

Historic Rates – Most Common Residential Rate

- Currently Ava generation rates are ~50% of delivery
- Overall energy bills have increased about 40% in 2024 driven primarily by increased wildfire mitigation related costs
- Energy generation rates have been relatively stable

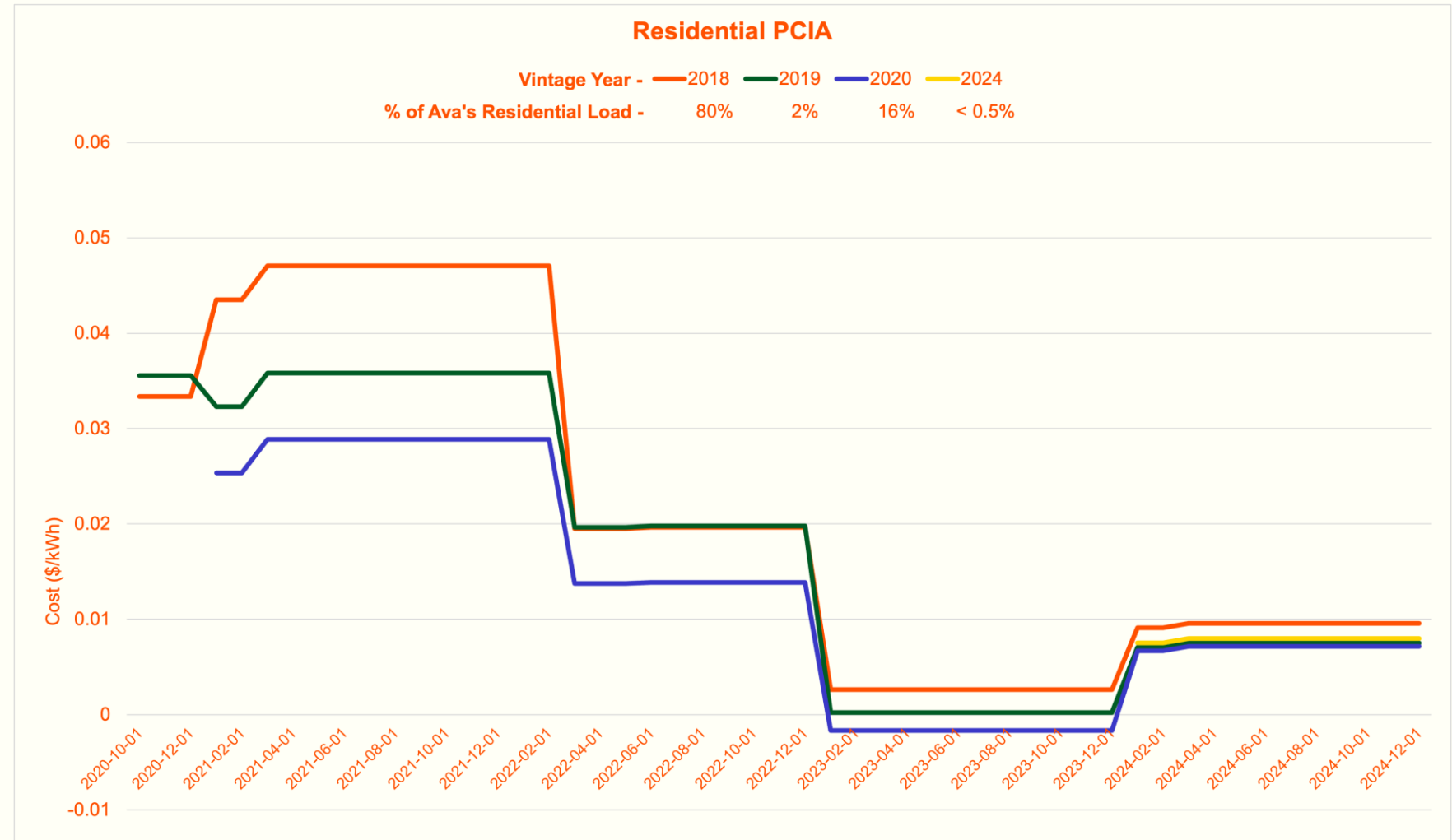


Historic Rate Components, Including Market Prices



Power Charge Indifference Adjustment

- Depending on the year that a customer departs from PG&E service, they are assigned a vintage for PCIA
- PCIA rates by vintages generally follow similar trends, though they typically vary
- Ava offers the same value proposition, or same *effective* rate, regardless of the vintage



Risk Management

- Ava energy costs are generally broken down into 3 main components and these drive how PCIA is set.
 - Brown Power energy
 - Renewable Energy Certificates
 - Resource Adequacy
- Ava utilizes the PCIA portfolio of resources as a portion of its portfolio of energy hedges
 - As market energy prices increase, PCIA goes down, which increases Ava's financial operating headroom to serve our customers. This is necessary as Ava's energy prices are rising with the market.
 - As market energy prices decrease, PCIA goes up, which decreases Ava's financial operating headroom to serve our customers. This is necessary as Ava's energy prices are rising with the market.
- Ava's strong balance sheet and \$200MM credit facility allow it to manage working capital needs through volatile energy prices year to year
- If Ava were to hedge 100% of its energy needs directly to stabilize Ava generation rates, customers would face greater volatility with the addition of PCIA

Overview of Future Topics

- February
 - Rate Setting Methodology
 - Mid-year Budget Review
- March
 - Reserve Policy
- April
 - Accelerating Renewables
- May
 - Draft Budget Review

