

Thoughts on a Strategic Road Map for Ava Community Energy

Jim Lutz (jlutz@lmi.net) , July 15, 2025

The following are some issues regarding a strategic road map for Ava Community Energy I thought would be important to bring to the attention of the Board and CAC.

First I want to acknowledge all the good work Ava has done and is doing. Ava is providing reliable, reasonably priced and reasonably clean energy to ~650k customers. Ava has a solid financial reputation and a \$1 billion/year revenue stream. Also, I would like to appreciate the local development road map process presented tonight.

Unfortunately I fear these strengths may not be enough. As I see it, there two major long term forces that are going to rip Ava apart if it continues on its current path.

The first trend is the amazing decline over the past couple decades in prices of solar, wind, and batteries.

See Bill McKibben's recent article in the *New Yorker* magazine, subtitled "In the past two years, without much notice, solar power has begun to truly transform the world's energy system". This is good news regarding climate change and should be good news for everyone.¹

Worldwide solar photovoltaic costs have fallen by 90% in the last decade, onshore wind by 70%, and batteries by more than 90%.² Note, I'm citing worldwide costs here, not just because two deep water ports are in Ava's territory, but also because solar prices in California and the US are currently so distorted.

Even though this decline in solar, wind, and battery prices is a good thing, ironically it is bad for Ava for two reasons.

As costs of procuring energy continue to decline Ava's long term energy contracts will look more and more like a bad idea. At some point they will become an economically dangerous burden.

The other longer term reason this is bad for Ava is because at some point, the costs for solar and storage will have dropped so much customers will start to defect from the grid. It will be cheaper for them to install solar and storage than to keep paying rising electricity costs. And unlike in PG&E's case, no one's going to impose Power Charge Indifference Adjustments (PCIA's) on those departing customers to protect CCAs.

The other major force is PG&E itself.

PG&E delivers Ava's product to its customers and passes the money paid for that product back to Ava. Although many good people work and have worked there, PG&E is not a friend of CCAs.

PG&E (and the other IOUs in CA) have a history of opposing CCAs going back to before they even existed. In 2007 when Central Valley cities worked to form what would have been the first CCA, PG&E was there to foment obstruction. This was repeated in San Francisco and Marin County.

1 Bill McKibben, 4.6 Billion Years On, the Sun Is Having a Moment: In the past two years, without much notice, solar power has begun to truly transform the world's energy system. July 9, 2025, The New Yorker. <https://www.newyorker.com/news/annals-of-a-warming-planet/46-billion-years-on-the-sun-is-having-a-moment>

2 Hannah Ritchie, Solar panel prices have fallen by around 20% every time global capacity doubled. June 12, 2024 <https://ourworldindata.org/data-insights/solar-panel-prices-have-fallen-by-around-20-every-time-global-capacity-doubled>

They have sponsored petition campaigns and legislation to cripple CCAs.³ Before this current attempt they've already had the PCIA rates changed a couple times.^{4 5} They centralized Resource Adequacy (RA) purchasing decisions away from CCAs. Other related and harmful decisions not directly attacking the CCAs have been the requirements for complete IOU control of microgrids and tariff changes against rooftop solar. There is no reason to expect this pattern to change.

PG&E is a convicted felon that has caused the death of over a hundred people since 2010.⁶ It has gone bankrupt twice. In 2001 following the Enron debacle and after the Paradise fire in 2021. If PG&E doesn't like a law or regulation, it can usually arrange to have that law or regulation changed. It, along with the two other large IOUs in California have completely captured the PUC, the agency that is supposed to regulate utilities. They also have undue influence over governor Newsom. Just one example is how he played fast and loose with the legislative process the last time PG&E was bailed out of bankruptcy. PG&E came out of that with no meaningful liability to the victims of the Paradise fire and were even given a contingent future license to burn.

Historically PG&E's profits, which are 10-12% on all projects such as new transmission lines, have exceeded stock market returns and for the past several years their electricity rates have been three times higher than inflation.⁷ A majority PG&E's stockholders are now private equity firms.

The price gouging is only going to continue. There is no indication that PG&E intends to stop raising rates. This hurts Ava's customers directly. And the rising electricity rates also damage Ava's reputation among its customers.

These two trends are why I say that unless something changes, sooner or later, Ava will be destroyed.

However I don't think this has to happen.

My partner has a black-belt in Aikido. The guiding philosophy of that martial art is to use one's opponent's strength against them. PG&E's greatest strength is its ability to raise regulated electricity prices. Using that strength has caused it to be one of the most reviled corporations in California. That revulsion has created a diffuse but strong political force that could be tapped for the benefit of CCA's.

And there's another force that could potentially be tapped to expand Ava's opportunities and impact. Here I'm referring to the amazing people and organizations that came together in the twenty teens to get Ava started. Broadly stated the goal was for EBCE, now Ava, to bring the benefits of cheap, clean, local energy to its customers.

3 Steven Weissman and Harry Moren, California's Proposition 16 June 2010 Primary: An Analysis, May 2010, Center for Law, Energy & the Environment, School of Law, University of California, Berkeley, <https://www.localcleanenergy.org/files/CLEEsProp16WhitePaper.pdf>

4 Power Charge Indifference Adjustment (PCIA) <https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/electric-power-procurement/power-charge-indifference-adjustment>

5 Roy L Hales, California's "Monopoly Protection Act," AB 2145, Is Dead, 2014, <https://cleantechnica.com/2014/09/04/californias-monopoly-protection-bill-ab-2145-dead/>

6 Brandon Rittiman, PG&E disasters killed 117 people last decade, January 2, 2020, <https://www.abc10.com/article/news/local/wildfire/pg-e-disasters-killed-117-people-last-decade/103-3ca212b6-c502-4b7f-948e-ad6e73bf55a3>

7 , It's not you, it's them - PG&E rates rising three times faster than inflation, June 18, 2024, <https://www.publicpowersf.org/en/blogposts/its-not-you-its-them-pgampe-rates-rising-three-times-faster-than-inflation>

The reason I say this is only a potential force, is because those people and organizations are not overly enthusiastic about what Ava has been doing. In addition to providing cheap, clean, local energy, they expected to see Ava upgrading and electrifying all the buildings and transportation in its territory while bringing benefits to its customers starting with the most disadvantaged ones first. Oh, and those with the well know trends in solar, wind and batteries I mentioned earlier, they're expecting next year's electricity rates to be lower than this year's and the following year's rates even lower.

I don't know how Ava could take advantage of those potential forces, although I do have some ideas.

First, although it will be difficult, to survive Ava must become bold and audacious. Given the trends I mentioned at the beginning of my talk I really don't see other option. That means starting with the community Ava serves. Those people and organizations are the reason Ava exists. Please involve them early and deeply in all strategic plan development processes.

Another thing is to become an energy provider that does more than just push electricity through PG&E's wires. I have not sure what the best way is to do this is. Maybe it involves using Ava's good credit rating to leverage financing for its customers so that they can get solar and storage, possibly up to the level they could defect from the grid. Maybe it involves changing the regulatory barriers and restrictions that PG&E and its CPUC have managed to put in place. Providing resources to the type of community organizations that got Ava started could be an effective way to start that process. Convincing and leading the other CCAs around the state to be more assertive about defending their customer interests is certainly something Ava should be doing. The same goes for collaborating with Ava's member cities and counties.

A road map process is very good way to start conceptualizing and developing the types of change that Ava needs to survive and possibly even thrive. Because of these forces, now is not the time to focus solely on core programmatic initiatives.