

Community Choice Energy — Questions and Answers

Below are responses to questions that might be asked by a thoughtful individual who is concerned that implementing CCE in Colorado might negatively impact Colorado's decarbonization efforts by the investor-owned utilities (IOUs), or negatively impact the operations of the Public Utilities Commission (PUC).

o What is success defined as with CCE?

Quicker decarbonization at a lower cost. We are on a high-cost decarbonization pathway now, and the more expensive it is the slower the energy transition will go and the greater harm it will do to low-income customers. Many people can't afford the IOU approach to decarbonization.

But CCE is also about gaining local control over energy programs and the opportunity to make them more innovative and more locally-relevant (including low-income programs). IOUs don't pursue innovative things like Virtual Power Plants, local solar and storage, Distributed Energy Resources, and other Demand-Side measures any more than mandated by the PUC and legislature - they only pursue capital-intensive supply-side approaches like remote centralized power plants and transmission projects because they can put them in ratebase and earn a return. The incentives for a non-profit CCE are different. The bottom line is that authorizing CCE would benefit ratepayers and the system as a whole by shifting the IOU incentive structure with competition and choice.

o How does CCE fit overall into the big picture of decarbonization and what the state and utilities are already doing?

First, CCE legislation will require CCEs to meet the same state renewable energy and emissions reduction requirements that IOU must meet, so the FLOOR on the decarbonization rate is unchanged. CCE can only increase the rate of decarbonization, and all the evidence points to CCE accelerating decarbonization. CCEs in California have already signed long-term contracts for 11,258 MW of new-build renewables ([source](#)). Essentially all California CCEs offer much greater renewable content than their IOUs in their default rate plan, and most have a 100% renewable option.

See the summary in the CCE Brief on Rates and Renewables (also attached). The Brief also describes co-ops and municipal utilities that are leaving Xcel for better deals and faster decarbonization from alternative wholesale suppliers — communities in monopoly IOU territory deserve the same option.

Many supporters of the CCE Study Bill were supporters because they want to move faster on the energy transition and their IOU is holding them back. This includes the 40+ CC4CA communities, plus Denver, Boulder, Pueblo, and others. If CCE proves to be an attractive option in execution, then it seems pretty clear that either: 1) many communities will adopt CCE and get to 100% decarbonization much more quickly than with Xcel or Black Hills, or 2) the competition will drive Xcel/BH to give communities what they want so that the communities don't go with CCE.

o How would this affect the current grid capabilities / limitations related to transmission (resource adequacy / reliability issues)?

There would be very little impact of CCE on the transmission grid, nor on resource adequacy and reliability. Implementing CCE doesn't change overall electricity demand, just who supplies the same amount of power, so it doesn't increase overall utilization of transmission capacity.

Resource adequacy would be addressed in the enabling legislation. CCEs will be required to submit periodic Power Supply plans to the PUC for approval, including load projections and demonstration of resource adequacy including a reserve margin, similar to the IOUs (but simpler because the PUC doesn't need to oversee the acquisition of resources in order to protect ratepayers from overspending as it does with the IOUs).

The aspects of reliability that don't have to do with resource adequacy – like transmission system maintenance and expansion – remain the sole responsibility of the transmission owners, since CCE has nothing to do with the “poles and wires”.

o How would this affect the IOUs making the large capital investments that are required for large scale decarbonization?

The impact on IOU capital investment depends on the uptake of CCE and who the CCEs choose as their wholesale suppliers (which could include the IOUs, especially at first). The exact same question could be asked right now, because many co-ops and municipal utilities that Xcel has supplied are now leaving for better deals with other suppliers like Guzman Energy or Invenergy (e.g., [Town of Fountain](#), [Grand Valley co-op](#), [Yampa Valley co-op](#), [CORE](#)). Xcel will need less generation investment without these customers, and Guzman and Invenergy will need more. Xcel lost these customers because they were outcompeted. CCE would give other communities currently served by an IOU monopoly the same choice as those served by municipal utilities or co-ops like those just listed.

Regarding utility PPAs and assets already owned, if large numbers of customers switch to CCE, which may occur over time, IOUs will be expected to right-size their portfolios. If IOUs have excess unused generation or PPAs, then they have options. They can sell excess generation into the market (including to CCEs), or sell generation assets to any willing off-taker at market rates (including to CCEs). If the market prices don't cover the utility's sunk costs, then the CCE will owe the IOU the difference, which is the purpose of the exit fee. The intent of the exit fee is to ensure that IOU ratepayers do not experience increased rates and remain indifferent to the existence of CCE.

So, IOU ratepayers cannot be harmed by CCE. It is possible that IOU shareholders will make less money, but the role of the State is not to guarantee a continued high level of return for shareholders of a private company.

o How does this fit in with Clean Firm technologies?

Presumably this question is about the deployment of new technologies like geothermal and hydrogen that would generate electricity. Consistent with some of the answers above, CCE is about communities choosing which company will provide generated power. Should geothermal and hydrogen ultimately provide the benefits CCE ratepayers want, those technologies would thrive.

o Equity implications – could some sophisticated / wealthier first-mover communities quickly jump at the chance, leaving just the poorer communities behind?

This question could be contemplating two scenarios: 1) that CCE would be bad for poor communities (presumably because they couldn't afford to adopt it), or 2) that CCE would be bad for poorer IOU customers who are left holding the bag for stranded IOU investments when wealthier communities leave the IOU. Neither of those would occur.

Regarding the first scenario: The norm in California is for multiple communities and counties to join together when forming a CCE, to increase their purchasing power and share administration. A Boulder CCE would likely expand to include neighboring cities and then all of Boulder County and then parts of neighboring counties. Pueblo is another likely CCE candidate, as it has high rates with Black Hills, and ambitious decarbonization goals, and having tried municipalization. It's likely that all of Pueblo County and then extending out into rural areas in the eastern plains would join that CCE. Small and/or poor communities are not left out of CCE because the norm is for a CCE to include large geographic areas.

Regarding the second scenario: Low-income IOU customers will not see higher rates with CCE than without CCE because the exit fee is intended to keep all IOU customers "whole" by compensating the IOU for excess costs caused by the departing CCE customer load, as explained above.

Regarding individual low-income CCE customers, they always retain the right to "opt out" and purchase their electricity from the IOU as traditional "bundled service" if they wish.

Finally, as mentioned earlier, not implementing CCE keeps us on the high-cost decarbonization path that we're currently on, which is already causing great harm to low-income customers, as demonstrated by the need for the recent Joint Select Committee on Rising Utility Rates. CCE has great promise to reduce rates and benefit low-income customers by putting us on a lower-cost decarbonization path. CCE also has the possibility of putting downward pressure on IOU rates for all customers, including IOU customers, because the utility would have to prove to communities that they don't need CCE by giving them lower rates and/or faster decarbonization so they communities can meet their energy goals without CCE.

o PUC is already overtaxed and this could add to the burden.

It's true that implementing CCE will take some work at the PUC. Presumably the enabling legislation will provide the FTE necessary for implementation. The PUC report from the study bill did not indicate the PUC would be unable to take on this work.

o IOUs are joining the wholesale market by 2030, what does this mean for their efforts with that?

IOUs will and should join a wholesale market regardless of the existence or non-existence of CCE, and CCE shouldn't have any impact on their decision or motivations about joining a market.

CCE doesn't require a wholesale market to function, as evidenced by Colorado's 29 municipal utilities that successfully procure their wholesale power using our current bilateral market structure and federally-guaranteed open-access transmission. CCEs would do the same. That said, a wholesale market would be more vibrant and prices would likely be lower with the increased competition that CCE would bring. All market players would likely benefit from more competition, including IOU ratepayers.

o Regulatory uncertainty – how does that affect the wider issue of decarbonization?

This concern may need some further clarification. CCE can't slow decarbonization because CCEs must meet the same state renewable and emissions requirements as IOUs, and CCE would likely accelerate decarbonization because most of the communities that are interested in CCE are interested because they are frustrated with the IOUs slow pace of decarbonization relative to what is possible. At the very least, if CCEs are not viable or adopted by any communities, decarbonization will continue at the same pace that it has been, albeit much more expensive than it should be.

Further Information

- [CCE Fact Sheet](#) – good introduction to CCE and the CCE bill.
- [CCE Brief on Rates and Renewables](#) – evidence of cheaper and cleaner electricity with CCE and competition.