

Public Utilities Commission Study of Community Choice Energy (CCE)

Reps. Hooton and Boesenecker | Sen. Donovan

What is CCE and how does it work?

What does the bill say?

Why am I running this bill?

What would CCE mean for decarbonization and rates?

Community Choice Energy (CCE)*

- Allows one or more cities or counties to combine purchasing power and choose alternative wholesale electricity suppliers.
- Electricity is delivered by the utility, which continues to own and operate its distribution system, and manage customer service and billing.
- Individual customers can opt out and purchase their electricity from the utility if they wish (typical 5-10% opt-out rate).

How Community Choice Energy Works

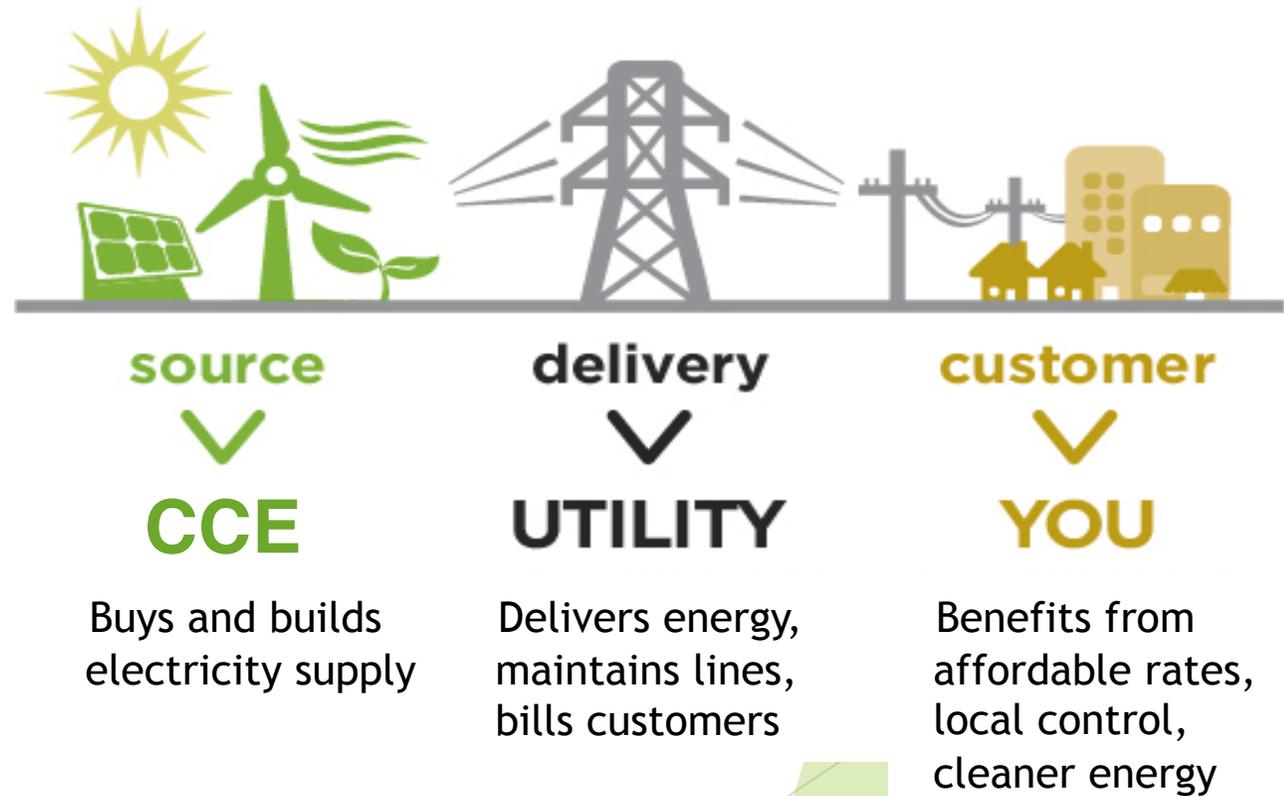
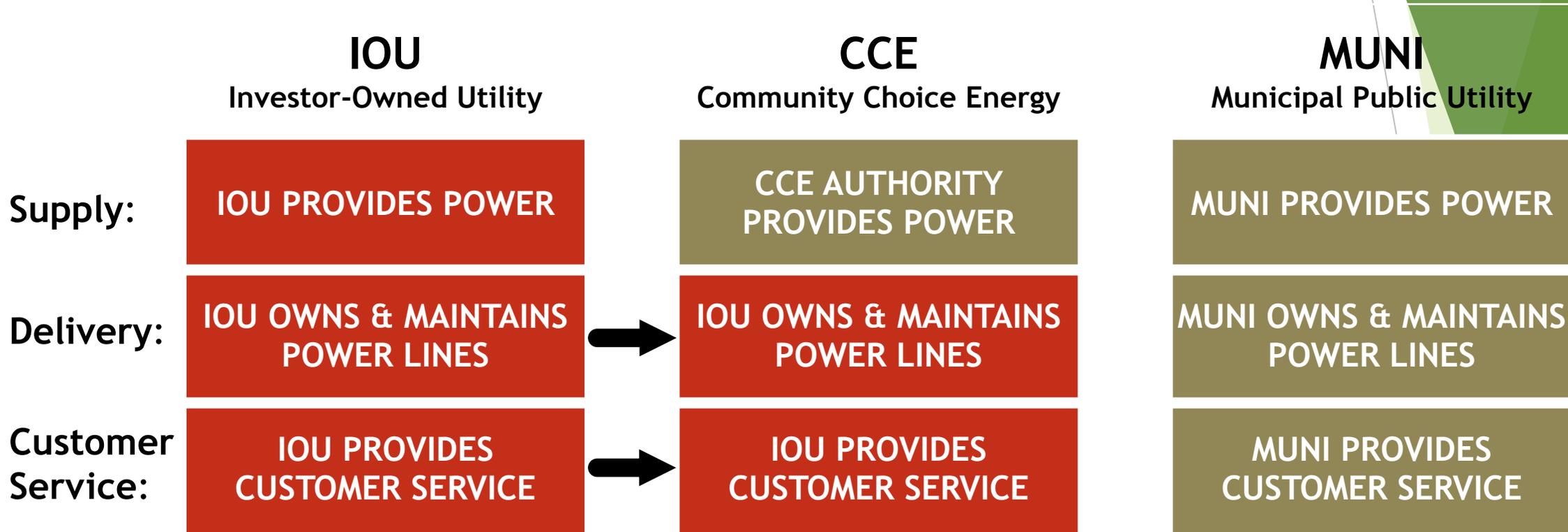


Image: LEAN Energy US

* Also known as Community Choice Aggregation (CCA)

CCE is about only the wholesale power supply

(CCE is sometimes called “muni-lite”)



Red: IOU responsibility

Brown: CCE or MUNI responsibility

Status of CCE Across the Country

Authorized in 9 States:

- California
- Illinois
- Massachusetts
- New Hampshire
- New Jersey
- New York
- Ohio
- Rhode Island
- Virginia*

Legislation Introduced:

- Colorado
- Maryland

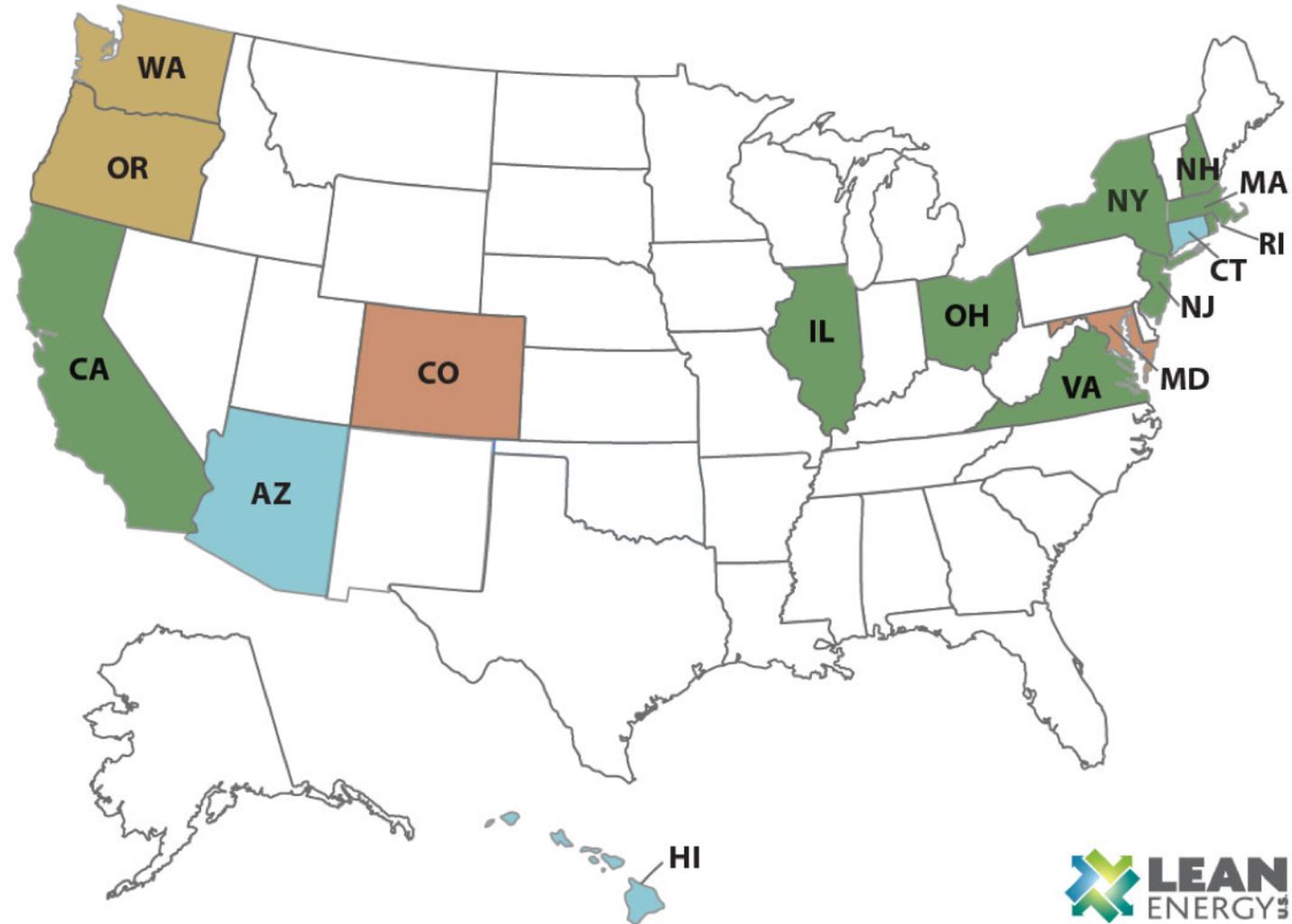
Investigating:

- Arizona
- Connecticut
- Hawaii

Watch List/Potential:

- Oregon
- Washington

* Not yet implemented



Source: LEAN Energy U.S.
January 2020

Why Consider CCE in Colorado?

- Consumer choice, local control, and accountability for electricity supply.
- Policy tool to help communities reach their climate and economic goals.
- Transition to a cleaner energy supply.
- Revenues reinvested in the community, not distributed to shareholders.
- Wholesale competition should reduce rates for everyone, including IOU customers.
- Tool for communities to establish local energy resources and programs such as solar+storage for resilience, low-income solar, EV vehicle and infrastructure incentives, net energy metering (NEM), energy efficiency, demand response, etc.
- Development of new renewable energy projects.

The Bill Authorizes a PUC Investigatory Docket

The docket will:

- Determine how CCE might work best in Colorado.
- Assess regulatory implications and legal aspects of CCE in Colorado.
- Receive input from diverse stakeholders in a transparent public process.
- Hear from expert witnesses in one or more workshops.
- Learn lessons and best practices from current CCE states.
- Address 22 specific questions and topics...

Topics to be Addressed in the PUC Docket

- Which aspects of IOU regulation should apply to CCE as well?
- Identify the principles for calculating the duration and amount of the “exit fee”*
- Assess the impact of CCE on Colorado’s energy and climate goals
- Assess the impact of CCE on low-income households
- Regulatory and legal issues arising in other CCE states, and possible solutions
- Potential challenges for CCE startups and operations, and possible solutions
- How CCE might facilitate or impede adoption of Distributed Energy Resources and beneficial electrification
- Positive and negative impacts on communities that have formed or joined a CCE

And many more...

* CCE customers pay an “exit fee” for a limited time to compensate the IOU for assets procured on their behalf. This prevents costs shifts to IOU customers and keeps the IOU financially whole.

Timeline

- PUC docket opened by Jan. 15, 2022.
- Final PUC report to the legislature by Dec. 15, 2022.

If conclusions indicate that CCE would be in the public interest...

- I would likely run CCE-enabling legislation in 2023.
- If that legislation passed, there would be a PUC Rulemaking, perhaps 2023-2024.
- First communities may be able to explore and adopt CCE in about 2025.

Why am I running this bill?

To evaluate a promising energy policy that could help communities reach energy goals quickly and cost-effectively by increasing competition, choice, and local control over energy sources.

- **16 "Ready for 100" communities** (organized by Sierra Club) are committed to 100% renewable energy by 2025 to 2035 but have no practical way to reach their goals.
- **38 "Colorado Communities for Climate Action" (CC4CA)** advocate for climate change solutions and support studying options that would help communities reach ambitious energy goals.
- **Colorado Municipal League (CML)** supports the bill because it offers their diverse membership more options to address their individual priorities (whatever they may be).
- **Governor's "2040 Roadmap"** supports local commitments to 100% renewable energy.
- **Supporters include:** Conservation Colorado, Sierra Club, CC4CA, CML, CCLC, CRES, EOF, 350 Colorado, Together Colorado, CEA, WildEarth Guardians, LOGIC, Resilient Denver, CONORML, Good Business Colorado, Colorado Interfaith Alliance, and others.
- **Resolutions of support were passed by the City Council or County Board of:** Denver, Pueblo, Boulder, Golden, Lafayette, San Miguel County.

Don't Confuse CCE with Retail Choice

“Retail choice” and “deregulation” are not related to my CCE Study Bill

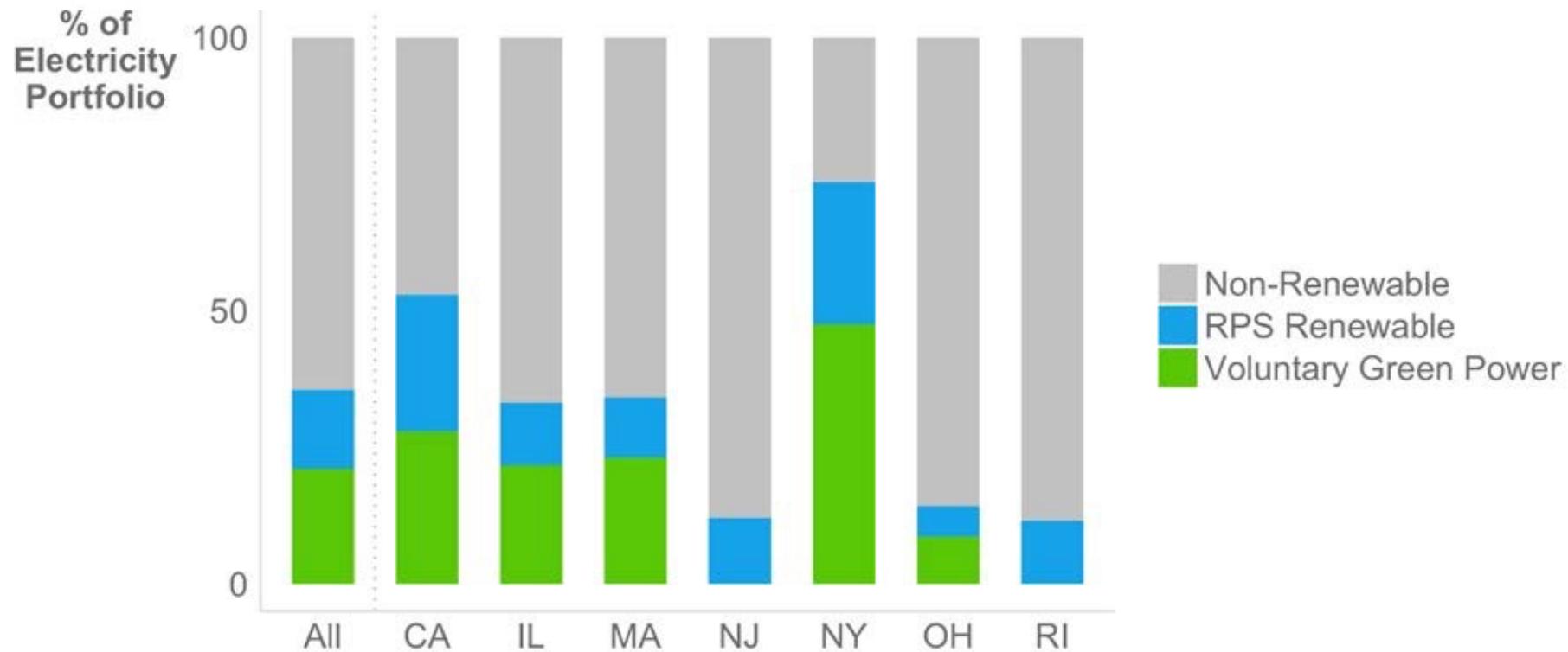
Retail Choice States

- ▶ Competition at the retail level -- every customer can choose a supplier
- ▶ Lots of customer “churn”
- ▶ Vulnerable to consumer abuses
- ▶ Exclusive focus on price & short-term contracts
- ▶ Inhospitable environment for investment in renewables, which require long-term contracts

Wholesale Opt-Out CCE

- ▶ Wholesale competition only - community procures energy for all residents (with opt-out right)
- ▶ Very little “churn”
- ▶ Little opportunity for consumer abuses
- ▶ Focus on long-term community values
- ▶ Supports long-term contracts and/or community-owned resources

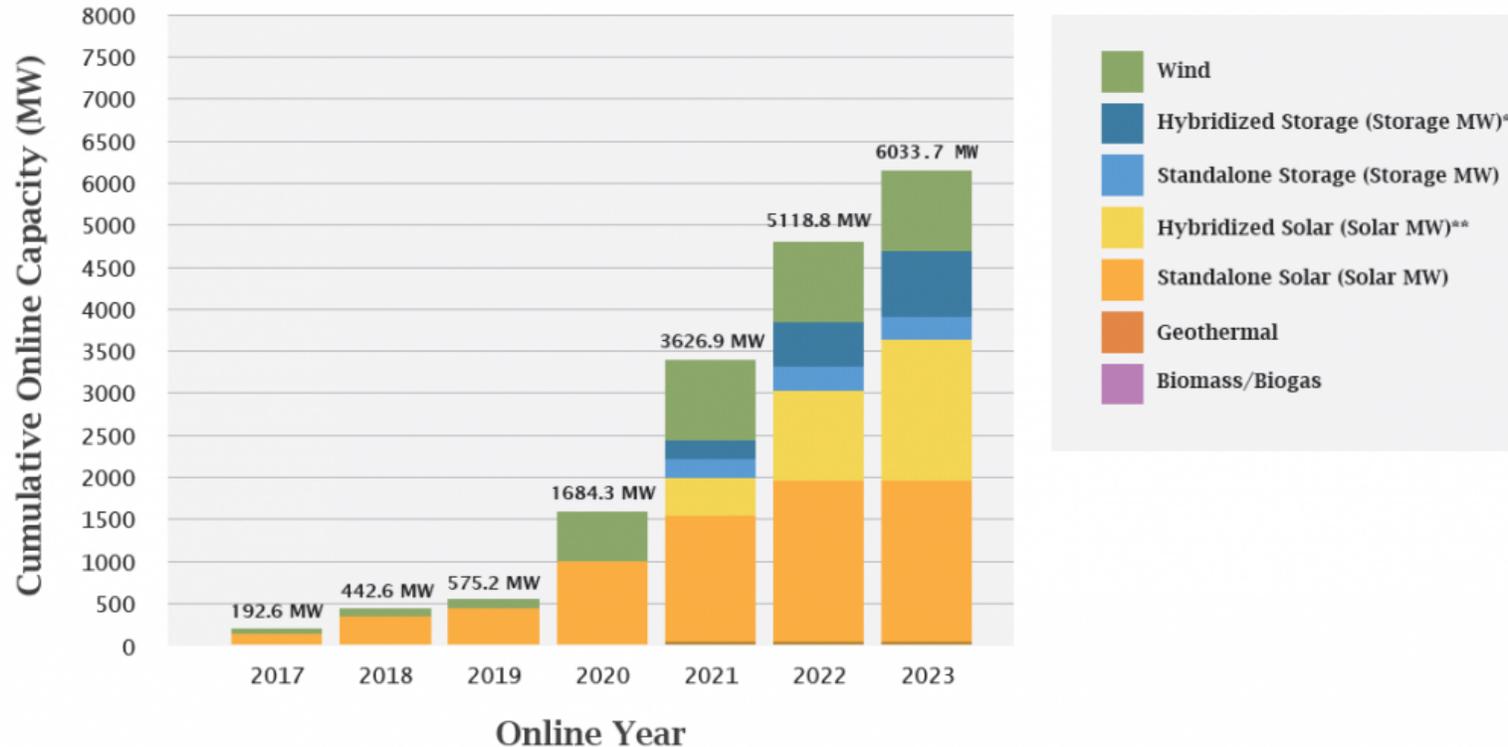
CCE could help achieve state renewable energy and climate goals



- Many CCEs procure renewable energy well beyond their state RPS requirements (green). Notably, CA and NY have models similar to the “wholesale model” of CCE explored by this bill.
- CCEs in Colorado would need to meet state renewable energy requirements just like utilities.

California CCAs Procure 6,000 MW in Long-Term Contracts for New-Build Clean Energy Resources

CCA Cumulative New-Build Resources



- California has minimum requirements for long-term PPAs, which is important to attract financing for new renewables projects. Also important: No unbundled RECs!

CCE has good potential for rate reduction

- **CCEs are nonprofits** (like munis and co-ops), with no shareholders to serve. Revenues remain local.
 - **Boulder's RFIP:** Boulder could have 89% RE in 2024 at 2/3 the projected cost of power from Xcel, if Boulder could access the wholesale power market.
 - **Market forces and pressure.** Competition would impose market discipline on IOUs to prove that they could give customers what they want better than CCE, be it lower rates or cleaner energy.
 - **California CCAs** usually offer one rate plan that is similar in price to the IOU's offer but with a higher renewable energy content, and a second 100% renewable energy plan at a slight premium (inclusive of the "exit fee"*).
- * Exit fee will decrease over time, eventually giving a substantial rate advantage to CCE.

Rate plan of Marin Clean Energy

compared to PG&E (29% renewable energy)

Provider Product (RE %)	MCE Light Green (60% RE)	PG&E (29% RE)	MCE Deep Green (100% RE)	MCE Local Sol (100% local solar)
Total bill	\$137.05	\$136.60	\$142.05	\$164.55
Delivery charge	\$80.55	\$80.55	\$80.55	\$80.55
Energy charge	\$43.50	\$56.05	\$48.50	\$71.00
PG&E fees*	\$13.00	-	\$13.00	\$13.00

* "PG&E fees" includes the "exit fee", and the franchise fee that is collected by PG&E.

Light Green: 60% RE at a 0.3% premium (default CCE service)

Deep Green: 100% RE at a 4% premium

CCE implications for equity and environmental justice

A GridLab/NRDC/Sierra Club study showed that 98-99% renewable electricity by 2030 is the lowest-cost way to meet the emissions reduction obligations of HB19-1261. They note that:

"The overwhelming majority of fossil fuel power plants in Colorado are located in communities with higher poverty rates, high percentages of the population that are people of color, or both. If the state instead chooses a more expensive pathway with a slower transition to clean power, then significant power plant air pollution will remain in these communities."

CCE holds much promise to accelerate the transition to renewable energy, which would contribute to addressing environmental inequities arising from the continued use of fossil fuels.

Is CCE Too Complicated for Communities to Manage?

Energy procurement is well within the capability of communities

- **29 Colorado communities already operate municipal electric utilities**, which procure energy like CCEs but also own and operate the power lines and manage billing.
- **CCEs are governed locally and managed professionally.** They can hire experts to conduct solicitations and assist with bid selection and other aspects of CCE operation.
- **Groups of cities and counties can form a “Joint Powers Authority”** to pool load and share administration. This is the norm in CA. CCE is for small communities too!
- **A CCE-focused trade association could provide procurement support** for its members, as occurs in several CCE states.
- **New CCE Authorities would not be starting from zero.** There is a wealth of experience in the current CCE states to draw upon.

Colorado is at least as capable as other CCE states!

Conclusion

Community Choice Energy is worth studying because:

- Dozens of Colorado communities want more renewable energy and action on climate change, and they deserve serious consideration of this proven approach.
- Wholesale competition and consumer choice would drive innovation and cost containment in accelerating decarbonization of our electricity system.
- This bill does not change the status quo. It simply gathers information about how CCE might work best in Colorado, and produces an objective report for consideration by the legislature.

What's not to like!

Want to help? Testify in Committee hearings and contact your legislators! Get on the mailing list for news and information about the CCE Study Bill (contact larry.miloshevich@gmail.com).

Questions?