

# House Bill 20-1064

## Public Utilities Commission Study of Community Choice Energy (CCE)

REPRESENTATIVE EDIE HOOTON

1. Why I'm running the bill.
2. What is CCE and how does it work?
3. Two studies are authorized by the bill.
4. Why a Study Bill? (why not enable CCE now?)
5. Answers to a few key questions.

# Motivation to Study CCE

To evaluate a means of addressing community renewable energy goals and lowering electricity rates quickly and cost-effectively, by providing competition, choice, and local control over energy sources.

- **Community Choice Energy is a proven strategy** to expand consumer choice, lower electricity rates, introduce competition into the wholesale electricity sector, and meet state & local environmental goals.
- **A dozen "Ready for 100" cities in Colorado** have committed to 100% renewable energy by 2025 to 2035 but they have no practical way to reach their energy goals on their desired timelines.
- **29 "Colorado Communities for Climate Action" (CC4CA)** advocate for climate change solutions, and they support studying options for communities to reach ambitious energy goals.
- **These communities represent over one million Coloradans** that can't reach their energy goals or reduce their rates without more choice and control over their wholesale electricity supply.
- **The Governor's policy initiative**, the "Roadmap to 100% Renewable Energy by 2040", supports local commitments to 100% renewable energy.

**The proposed CCE studies will answer key questions** that are needed to determine whether the apparent promise of CCE for Colorado's energy and economic future does indeed have merit.

# Community Choice Energy (CCE)\*

- Allows one or more cities or counties to combine purchasing power and choose their wholesale electricity suppliers.
- Electricity is still delivered by the utility, which continues to own and operate its power lines, and manage customer service and billing.
- Individual customers can opt out and purchase their electricity from the utility if they wish.

## How Community Choice Energy Works

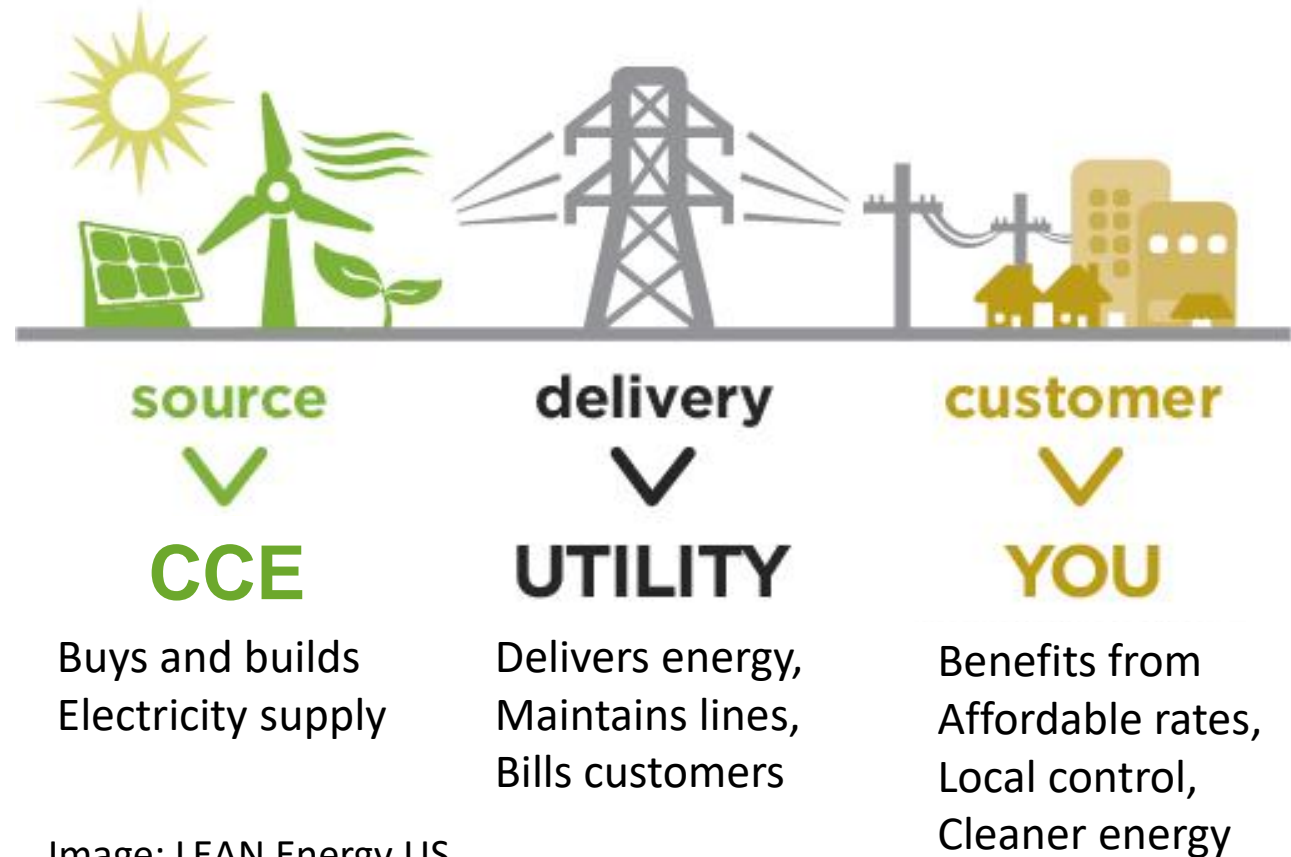
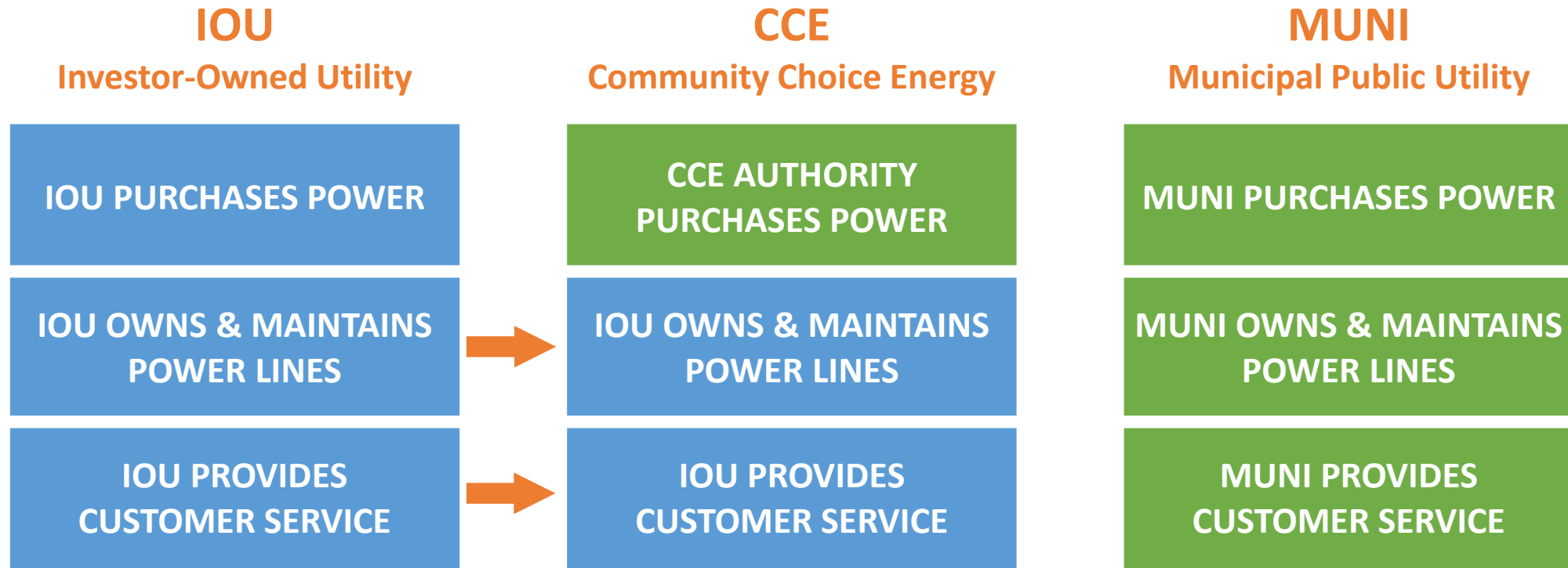


Image: LEAN Energy US

\* Also known as Community Choice Aggregation (CCA)

# CCE is only about the wholesale power supply

*CCE is sometimes called “muni-lite”*



**Blue:** IOU responsibility

**Green:** CCE or MUNI responsibility

# Don't Confuse CCE with Retail Choice

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

## **Retail Choice States**

- Competition at retail level—every customer can choose supplier
- Lots of customer “churn”
- Vulnerable to consumer abuse
- 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”
- Much less opportunity for consumer abuse
- Focus on long-term community values
- Supports long-term contracts and/or community-owned resources

# Retail Choice vs. Wholesale CCE



# 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

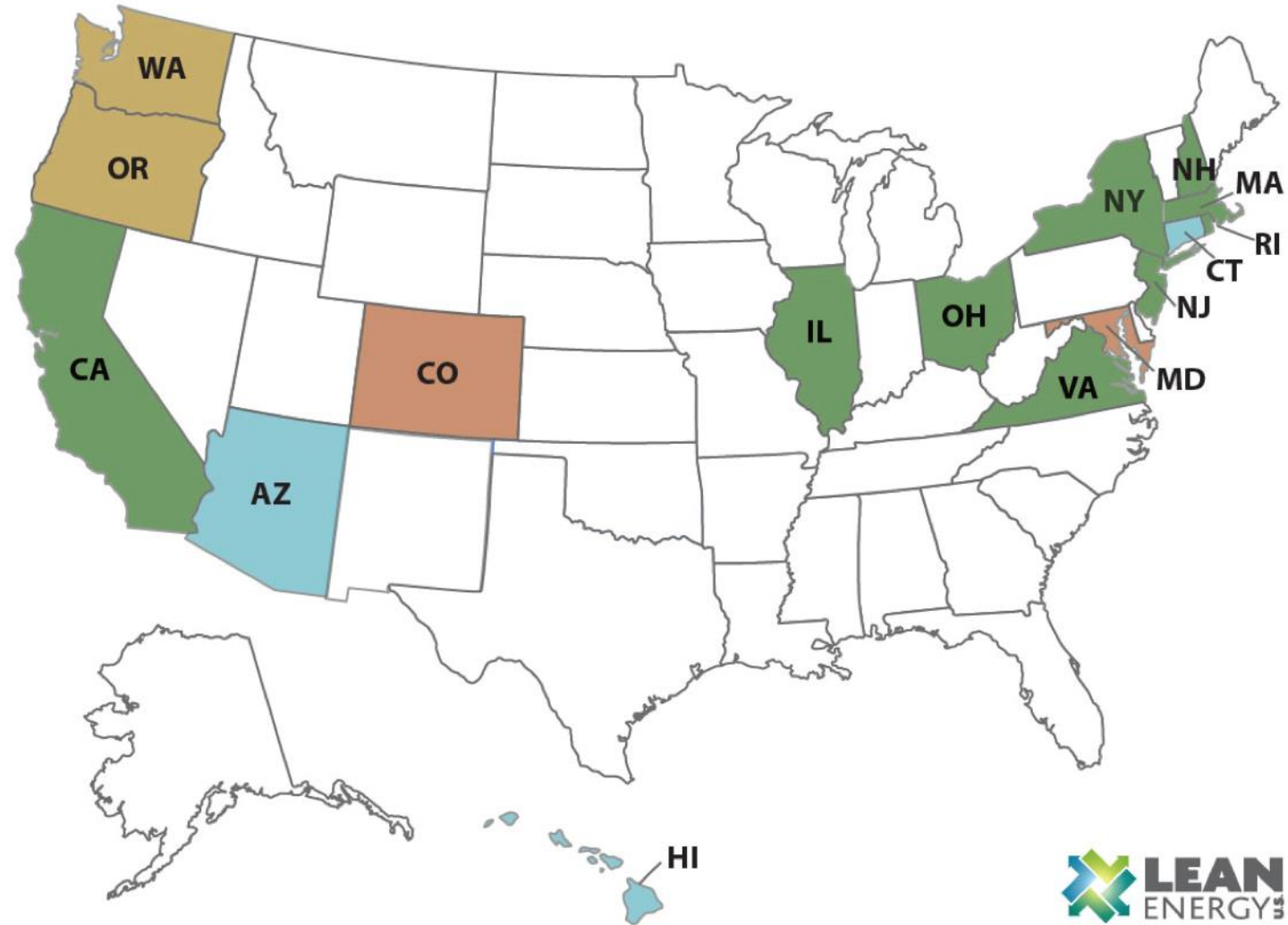
## Investigating:

- Arizona
- Connecticut
- Hawaii

## Watch List/Potential:

- Oregon
- Washington

\* Not yet implemented



Source: LEAN Energy U.S.  
January 2020

# The Bill Authorizes Two Studies

## **1. Financial and Technical Feasibility Study conducted by a consultant.**

- Assess impact of CCE on rate competitiveness and grid reliability.
- Estimate “exit fee” that prevents costs shifts and keeps the utility financially whole.

## **2. PUC informational docket with a final report to the legislature.**

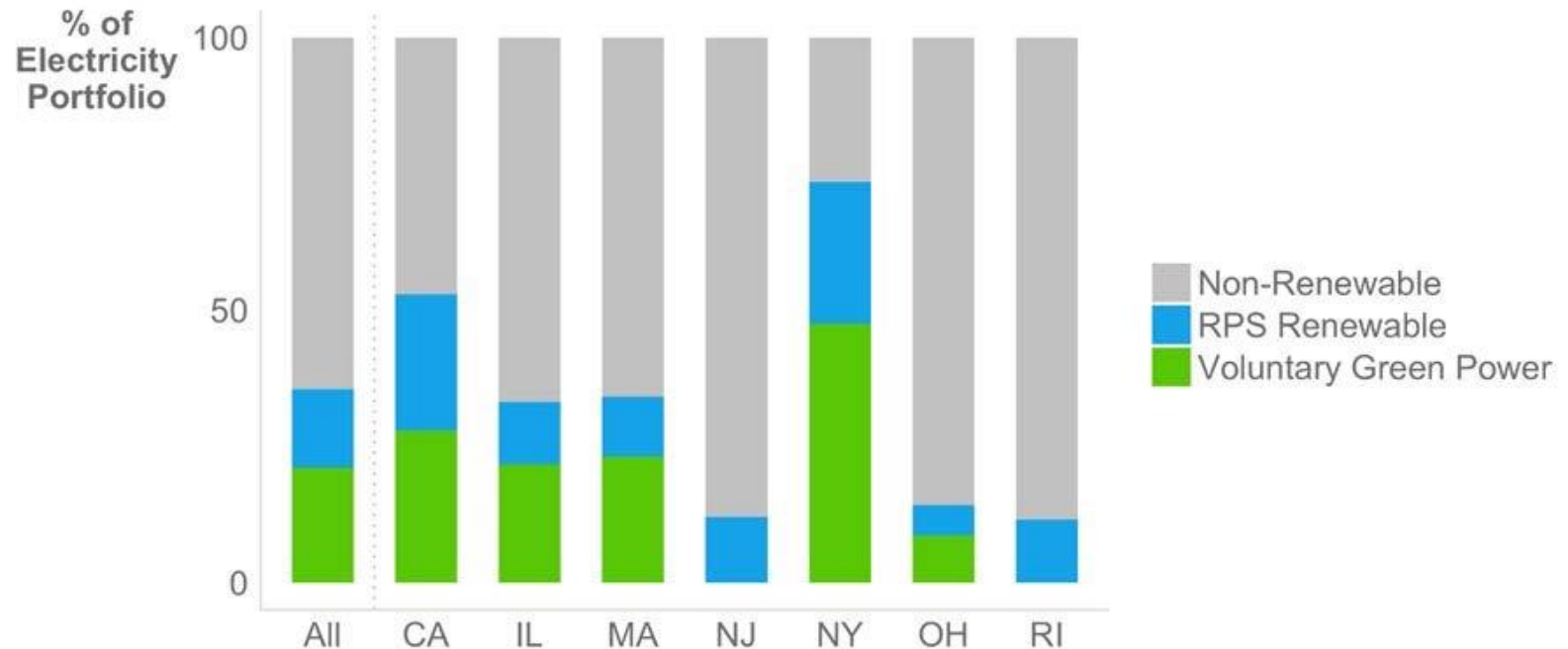
- Assess regulatory implications and legal aspects of CCE in Colorado.
- Receive expert testimony, and input from diverse stakeholders.
- Address 17 well-considered topics, including:
  - appropriate regulatory oversight by the PUC.
  - impact of CCE on state energy and climate goals.
  - appropriate consumer protections.
  - lessons and best practices from current CCE states.
  - many others.

# Would CCE help achieve state renewable energy and climate goals?

**(c) THE TOPICS AND QUESTIONS TO BE EXPLORED IN THE DOCKET MAY INCLUDE:** (pg 9 line 25)

(XVII) THE IMPACT OF CCE ON THE ABILITY OF COLORADO TO REACH ITS CLEAN ENERGY AND GREENHOUSE GAS REDUCTION GOALS, AND WHAT LEGISLATIVE AND REGULATORY REQUIREMENTS FOR CCE WOULD BE NEEDED TO FACILITATE REACHING THOSE GOALS.

- Many CCEs procure renewable energy well beyond their state RPS requirements, as in CA and NY which are similar to the “wholesale model” of CCE explored by this bill.
- In Colorado, many communities want 100% RE and are likely to accelerate state RE adoption.



Source: *Community Choice Aggregation: Challenges, Opportunities, and Impacts on Renewable Energy Markets*, National Renewable Energy Laboratory.  
<https://www.nrel.gov/docs/fy19osti/72195.pdf>

# 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 communities can form a “Joint Powers Authority”**, pooling load and hiring expertise for the group. 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 already exists in several of the 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 these other CCE states!**

# What would CCE Mean for Rates?

**IOU customers**: CCEs pay an “exit fee” over a limited period of time to compensate the IOU for assets procured on their behalf, to prevent costs shifts onto IOU customers and keep the IOU financially whole.

**CCE customers**: Communities could very well reach their energy goals more quickly and cost-effectively by introducing competition, choice and local control, driving down wholesale costs FOR ALL.

- **Boulder’s Request for Indicative Pricing: 12 wholesale suppliers responded.** Boulder could have 89% renewable energy in 2024 at 2/3 the cost of electricity from Xcel. CCE opportunities should be similar.
- **Marin Clean Energy** (California's most mature CCE) has two rate plans:
  - “light green”: 61% RE at same price as PG&E’s 39% RE product. (including the exit fee)
  - “deep green”: 100% RE at a 4% premium over PG&E. (many CO communities want 100% RE)
- **CCE is non-profit**, so rates don’t need to cover shareholder profits and executive salaries.
- **CCE allows customers to opt out, so they can CHOOSE the lowest rate at any time.** Furthermore, CCEs can offer low-income programs and other programs tailored to their community needs.

**The CCE Study Bill will answer this question more definitively**

# Conclusion

*There are solid reasons that span the political spectrum to pass this bill, and little downside.*

## **Community Choice Energy is worthy of studying because:**

- Dozens of Colorado communities want more renewable energy and action on climate change, and they deserve serious consideration of this proven approach.
- Competition and consumer choice inspire innovation and efficiency in our monopoly system.
- CCE is a promising energy policy that merits study to see if it is indeed worth pursuing.

**At the end of the day, this is a Study Bill, not Enabling legislation.**

There is no commitment and it does not change the status quo. But it does gather information from experts and all interested stakeholders in a public process that hears all sides and will produce an objective report for consideration by the legislature.

## Questions?

# Closing Remarks

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