Community Choice Energy – A New Model for Increasing Renewable Energy Without Raising Rates for Ratepayers

Frequently Asked Questions

What is Community Choice energy?
Community Choice Energy (also called Community Choice Aggregation) allows communities, or groups of communities served by an investor-owned utility (APS and TEP) to choose wholesale electricity suppliers on behalf of their residents and businesses. Electricity is still delivered by the IOU, which continues to own and operate its power lines and to manage customer service and billing. This differs from a municipal electric utility that is responsible for all the functions of an investor-owned utility, not just electricity procurement.

CCE has great promise for giving local governments more choice and control over their energy sources, energy costs, local energy programs, and local jobs and economic development.

What are the main benefits of a CCE program?
CCEs help to reduce greenhouse gas emissions and address the impact of climate change by switching to renewable energy sources, cutting energy consumption, and building local renewable energy resources, while maintaining competitive rates for ratepayers. Community Choice programs have the potential to spur local economic development in the communities they serve, provide good local clean energy jobs, offer competitive electric utility bills, reduce pollution, and other community benefits.

Under a CCE do utility customers have the option of staying with their utility?
Yes. Before the launch of a CCE program, affected customers must be given ample opportunities to "opt out" and remain with their incumbent utility. A CCE must therefore be attractive to utility ratepayers to be successful; participants can opt out of the CCE at any time they feel the incumbent utility is offering a better option.

What are the primary steps in implementing a CCE program?
- Deciding on what goals the program is being established to achieve
- Sourcing renewable and other alternative energy that meets community needs
- Issuing requests for proposals for remotely generated energy, signing contracts, and assuring deliverables
- Implementing locally developed renewable energy using private and public capital and various financial instruments and incentive programs
- Setting electricity rates for all classes of residential and commercial customers in the program
- Interfacing with the incumbent utility for delivery of electricity, and for billing and servicing
- Marketing and education outreach on the benefits of the Community Choice program to electricity customers

- Reporting progress to local government and community stakeholders, and involving them in setting policies, programs, and priorities

In addition to increasing renewable and clean energy at competitive rates, what are some other benefits of CCEs?
After several years, once a CCE is underway, it can generate profits and rather than pass net revenues back to shareholders, for example, the CCE can invest in new programs or develop local energy resources, i.e., local solar and wind farms. Peninsula Clean Energy (PCE) of San Mateo County generated enough profit to invest in a newly constructed, 200 megawatt, utility-scale solar farm that is being built in the California Central Valley. This project has created hundreds of jobs and makes it possible for PCE to provide 100% renewable energy to customers by 2025, without increasing rates.

How are CCEs administered?
CCEs are administered in different ways. Some municipalities like Lancaster, which formed Lancaster Choice Energy (see case study) have set up a department within the city manager's office to run its community choice program. Other CCEs operate under a joint powers agency (JPA) that serves as a public, non-profit agency on behalf of a County or multiple municipalities joining together to form a CCE. Through the JPA structure, any surplus funds generated by the CCE are reinvested back into the community in the form of new energy projects and programs.

How would development of local energy resources be financed? Can the state of Arizona use these financing mechanisms?
Both municipalities and counties can provide loans from general funds to cover startup costs, until the CCE is operational and ratepayer revenues cover the costs. Some CCEs that wish to develop local energy resources can get private capital. For example, to build a larger grid-side solar installation, the CCE could utilize power purchase agreements (PPA) whereby a third party owns, constructs and maintains the energy generation facility. The CCE would buy the power generated from the solar project and the private investor of the project would receive a tax credit.

On a larger scale, the Central AZ Project signed a PPA with AZ Solar 1 at the lowest price per kWh available in the U.S. to date. According to our initial conversations with the Arizona Corporation Commission, CCE, similar to a property owner or rate payer, a CCE would be granted the same opportunity to establish a PPA and lock in a discounted kwh rate for solar energy.

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Sample cities in California that have Community Choice Energy programs include:

Apple Valley, CA, population of 73,000 www.avchoiceenergy.com
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Lancaster, CA, population of 160,318	www.lancasterchoiceenergy.com
Peninsula Clean Energy (serving San Mateo County) (population of 727,209)	www.peninsulacleanenergy.com
East Bay Community Choice (serving the San Francisco East Bay Area) (population of 2.5 million)	www.ebce.org