

Lancaster Choice Energy, Lancaster, CA

When did the city of Lancaster, CA form its Community Choice Energy program?

Lancaster Choice Energy (LCE) began providing power to municipal accounts in May 2015 with broad public enrollment that started in October.

What were the startup costs to fund Lancaster Choice Energy?

Lancaster formed a special Community Choice Energy department through the city manager's office. Startup costs were \$1.8 million -- a loan from the City's general fund and approved by the City Council, which was paid back with interest in less than 2 years. The startup fund paid for a feasibility study of ratepayer costs during peak and off peak hours, with data provided by SoCal Edison (SCE), the default utility in Southern California. The loan also paid for figuring out load aggregation purchasing power based on the potential number of participating customers. LCE looked at different pricing models, created a proforma showing operating expenses, projected costs of power, staffing allocation, etc. It took 6 months to launch LCE.

How many accounts does LCE have?

Today LCE has approximately 50,000 accounts. The population of Lancaster is 160,316 (2017).

How does LCE procure energy?

Initially LCE put out a request for proposal for energy procurement and awarded the bid to Pacific Energy Advisors (PEA), which used Lancaster's aggregated load profile to negotiate contracts with various energy producers. For its first energy contract, LCE was able to negotiate deferred payment until payments started rolling in from new customers.

How does LCE work with SoCal Edison (SCE)?

LCE finds sources of clean energy at the most affordable price and procures it for customers. Instead of building its own infrastructure, LCE partners with SCE to transmit the energy through SCE's grid. SCE still maintains the grid, provides customer service and repair, and handles outages and billing. There are no duplicate charges because there is no overlap in services between LCE and SCE. In essence, LCE procures and generates electricity while SCE delivers that energy to customers.

What rate plans does LCE provide customers?

Clear Choice is the name of LCE's default electricity service. All customers are automatically enrolled into *Clear Choice*, which furnishes customers with 35% renewable energy – substantially higher than SCE – at a more affordable rate. *Smart Choice* gives customers an opportunity to upgrade to 100% renewable energy at a competitive price.

Why do customers have to opt out of LCE if they want to stay with SCE?

For decades, SCE has been the default power provider in the region, with little or no alternative for most customers. In an effort to even the playing field and enable CCEs to launch and provide consumers with other choices, part of California's CCE law requires LCE to operate as an opt-out program and become the default provider of electric supply for customers within its service area. All California CCEs operate under this structure. And customers do opt out to stay with their existing provider, SCE. LCE's opt out rate is between 6 and 7%. Average opt out rate for California CCEs is under 10%.

How are LCE rates set and how do they compare to SCE rates?

LCE is governed by the Lancaster City Council. Every year, the City Council goes through a rate-setting process based on the projected energy costs for that year. This process is held at public hearings during the City Council's regularly scheduled meetings. These meetings are open to the public.

LCE's standard 35% renewable *Clear Choice* product is competitive in price for residential customers. However SCE charges LCE customers an exit fee, called a Purchase Choice Indifference Amount (PCIA). As of January 2019 that fee adds approximately 2.5% to ratepayers' monthly bills. Residential customers that participate in SCE's special discount programs for households in need are not subject to PCIA charges. *Smart Choice* customers that utilize 100% renewable energy pay an additional \$10 more per month, plus the PCIA fee.

Regardless of PCIA charges, LCE customers' bills have gone down. Lancaster residents pay 2% less than they would for SCE power. Some communities in CA want 100% renewable energy and are willing to pay higher rates.

Interesting point: SCE's percentage of renewable energy is actually increasing because of renewable energy load that has shifted to CCEs in the Southern California region.

Is LCE profitable?

This year LCE is estimating a \$4.5 million profit. Profits are used to pay for energy efficiency programs, sponsorship of city events, building up of a healthy reserve for years when there is a shortfall in power due to unforeseen events, i.e., floods, fires, etc. The revenue generated by LCE stays in the community and contributes to local concerns.