Arizonans for Community Choice

Community Choice Aggregation in Arizona – A New Model for Increasing Renewable EnergyWithout Raising Rates for Ratepayers

__Frequently Asked Questions__

What is Community Choice Aggregation?

Community Choice Aggregation (also called Community Choice Energy) allows communities, or groups of communities served by an investor-owned utility (such as Arizona Public Service, Tucson Electric Power, and Southwest Gas) to choose wholesale electricity suppliers on behalf of their residents and businesses. Electricity is still delivered by the investor-owned utility (IOU), which continues to own and operate its power lines (the polls and wires) and manage transmission, power outages, customer service and billing. This differs from a municipal electric utility that is responsible for all the functions of an IOU, not just electricity procurement or generation.

CCA has great promise for giving local communities 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 CCA program?

CCAs help to cut energy consumption and build 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 rates, reduce pollution, address energy equity, andother community benefits.

Under a CCA do utility customers have the option of staying with their utility?

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

What are the primary steps in implementing a CCA program in a city or county?

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

In addition to increasing renewable and clean energy at competitive rates, what are someother benefits of CCAs?
Once a CCA is underway, it can generate profits and rather than pass net revenues back to IOU shareholders, the CCA can invest in new programs or develop local energy resources, i.e., localsolar and wind farms, electrification of transportation, energy efficiency programs, etc. For example, Peninsula Clean Energy (PCE), a CCA in San Mateo County, California generated enough profits to invest in a newly constructed, 200 megawatt, utility-scale solar farm 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. PCE also used is surplus revenues to invest in 3500 EV charging stations around the County, and is paying customers incentives to switch from gas to electric vehicles.

A CCA allows a city or county to fill out the other services it provides, from libraries, to roads, to police and fire. Now cities and counties will be able to protect citizens with more energy services than they are getting from utilities, with more carbon-free sourced energy, like solar, wind, energyefficiency, energy storage, etc.

How are CCAs administered?
CCAs are administered in different ways. Some municipalities set up a department within city government to run a community choice program. Other CCAs 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 CCA. Through the JPA structure, any surplus funds generated by the CCA are shared and 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 CCA is operational and ratepayer revenues cover the costs. Some CCAs that wish to develop local energy resources can get private capital. For example, to build a larger grid-side solar installation, the CCA could utilize power purchase agreements (PPA) whereby a third party owns, constructs and maintains the energy generation facility. The CCA 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 Arizona Project signed a PPA with AZ Solar 1 at the lowest price per kWh available in the U.S. to date. CCAs would be granted the same opportunity to establish PPAs, similar to utilities, and lock in a discounted kwh rate for solar energy.

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For more information visit Arizonans for Community Choice and/or email info@az4cc.org.
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