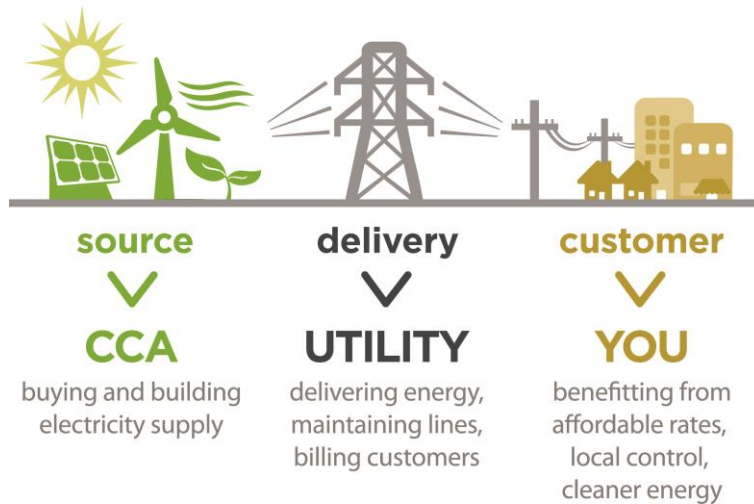


Community Choice Aggregation (CCA)

Frequently Asked Questions

What is Community Choice Aggregation? Community Choice Aggregation (CCA) is a program that enables city and county governments to pool (or aggregate) the electricity demand of their communities for the purpose of supplying electricity. A CCA buys and/or develops power on behalf of the residents, business, and government electricity users in its jurisdiction. The electricity continues to be distributed and delivered over existing electricity lines owned by the investor-owned utility - Pacific Gas & Electric, Southern CA Edison, or San Diego Gas & Electric. CCA is not permitted in areas where a municipal utility is already providing electric service.

How Local Energy Aggregation Works



How is a CCA administered? In the State of CA, there are currently three options under which a CCA program can be managed. The most common approach is through an inter-jurisdictional joint powers agency (JPA) that serves as a public, non-profit agency on behalf of the municipalities that choose to participate in the CCA program. This is the model under which Marin Clean Energy and Sonoma Clean Power operate. A second option is a single city or county CCA structured through an Enterprise Fund; this is the model under which Lancaster Energy Choice operates. In this option, the CCA is managed “in house” as a separate program/fund within existing municipal operations. A third option involves commercial, third party management where the CCA’s operations are delegated by contract to a private firm. This model is new in California so its risks and benefits are yet to be fully vetted or realized.

It is important to note that regardless of administrative structure, the assets and liabilities of the CCA program remain separate from those of the County or City general funds, and financial liability is mitigated by specific JPA ordinance and vendor contract language that protects municipal assets. In the JPA model, surplus funds generated by the CCA may be reinvested back into the community in the form of new energy projects and programs that serve the entire service area. In the enterprise fund and privately managed models, a portion of revenues may be allocated to the general fund consistent with sound fiscal management practices and laws governing use of ratepayer funds.

How are CCAs funded? All CCAs, once they are operational, are completely ratepayer funded and are not subsidized by taxpayer dollars. Ratepayer revenues for electrical generation that currently flow to the incumbent utility are re-directed to the CCA program, which becomes the

default provider of electrical generation services. Programmatic start-up funding can be provided by a municipal government, a local Agency, grant or private service provider. All start-up funding is recoverable through early program revenues.

Why are so many local governments considering CCA? CCAs provide consumer choice where none currently exists and have also resulted in competitive (so far lower) electrical generation rates.¹ In addition, CCAs provide communities with local control over their energy supply, allowing them to increase the amount of electricity procured from renewable sources, such as solar, wind, and geothermal. CCAs can also develop innovative energy programs tailored specifically to their communities and support the development of local renewable energy and clean tech projects. Finally, CCAs introduce competition into the energy market, which helps drive costs down, stimulate new energy investments, and diversify power choices. Customers in a CCA jurisdiction can choose to stay with the CCA program or return to the utility's generation service at any time; customers always have the power to choose.

What are the economic advantages of CCA? In addition to the potential for customer rate savings and the economic value of ratepayer revenues flowing into your community rather than diffused throughout the utility's service territory, CCAs can accelerate the development of local renewable energy projects and facilitate other energy innovations such as community solar, energy efficiency retrofits, battery storage and EV charging stations to name a few. This translates into the potential for new local services and community benefits as well as significant regional and local jobs creation. It should be noted that renewable energy facilities provide many more jobs per unit of investment than traditional natural gas and coal plants.²

What are the environmental advantages of CCA? CCAs can choose to purchase and develop electricity resources that are cleaner and carbon free. The production and burning of traditional energy sources, such as coal and natural gas, generates large amounts of greenhouse gas (GHG) emissions into the atmosphere. These GHG emissions are a leading cause of pollution, climate change and unhealthy air quality. By substantially changing what is put on the grid on behalf of its customers, CCAs are making a substantial and rapid impact on lowering greenhouse gas reductions and improving environmental quality.

How does this relate to our Climate Action Plan? Many cities and counties now have "Climate Action Plans" that outline various measures that the city or county can take to reduce its GHG emissions and conserve natural resources. In most communities, electricity consumption is the main source of GHG emissions after transportation which ranks slightly higher. Forming or joining a CCA that has a substantially lower emissions rate than the incumbent utility is the single most impactful step a municipality can take to rapidly achieve their climate action goals.

Has this been done in other areas and what are the results? There are three CCA programs up and running in California: MCE Clean Energy (MCE) in Marin and surrounding counties, Sonoma Clean Power (SCP) in Sonoma County, and Lancaster Choice Energy (LCE) in the City of Lancaster. All three CCAs are offering their customers 20-50% more renewable energy than the incumbent utility at prices that are competitive and currently lower than the utility rates. MCE and SCP are also procuring and co-developing in-State and local renewable resources and offering specialized energy programs designed for their local service areas. We expect Lancaster will follow suit as soon as its program is fully implemented; phase I roll-out is in process now.

¹ <http://www.mcecleanenergy.org/residential-rates>; <http://sonomacleanpower.org/for-my-home/rates/>

² Pollin, Robert. 2012. Economic prospects-getting real on jobs and the environment: pipelines, fracking or clean energy? *New Labor Forum* 21(3):84-87

What is the utility's role? The utility is a key partner in any community choice program. The CCA is responsible for buying and/or developing all the electricity required to meet the resource demands of its customers. Customers who choose to opt-out of the CCA continue to have the utility buy their electricity. All customers, whether they are a part of the CCA not, continue to pay the utility for transmission and distribution services and receive a single, consolidated bill as usual. The only difference between a CCA and utility customer's bill is the source of electricity and a line-item charge for energy generation. The utility retains ownership and management of the pole and wire infrastructure ("the grid") and continues to handle all line maintenance and power outage issues as is currently the case.

What about electric rates? To date, CCA electrical rates have been quite competitive, currently ranging from 3%-10% lower than utility rates. This is dependent on the customer class and the particular CCA option each customer chooses. Current CCAs offer a "default" option that is both cleaner and cheaper than the utility, as well as a voluntary, 100% renewable energy option offered at a rate premium. In addition, CCAs have the added advantage of price stability. While utility rates change several times a year, CCA rates generally adjust once per year, offering a measure of rate stability and certainty for CCA customers. While there is no guarantee that CCA generation rates will always be lower than utility rates, publicly managed CCAs do have the advantage of being non-profit agencies that pay no shareholder dividends, investor returns, high corporate salaries, or income taxes like commercial services or investor-owned utilities, which helps keep costs down.

Are there hidden or new costs? There are no hidden costs but there is a customer exit fee (called the Power Charge Indifference Adjustment or PCIA) paid to the incumbent utility for departing load. This fee is calculated on a vintaged, yearly basis and is included on a customer's bill. The PCIA is intended to diminish over time as the utilities no longer need to procure power on a CCA customer's behalf. To date, CCA default rates are lower than utility rates, inclusive of the PCIA exit fee.

How does a CCA procure electricity? A CCA must submit a plan to the California Public Utilities Commission (CPUC) that specifies how it will meet and purchase estimated electricity demand for its service area. Once the plan is certified, CCAs negotiate the purchase of electricity on the open energy market by entering into power purchase agreements (PPAs) with one or more energy providers. These PPAs can be long or short term, with a single or multiple counterparties, depending on the needs of the CCA and type of energy being procured; however, it is recommended that CCAs take the long view in power planning and build diverse power portfolios to hedge supply and market risk over time. A CCA can also sponsor a bidding process whereby project developers can bid to build new electricity sources solely for CCA customers. Through a utility service agreement, the power a CCA procures is transmitted over the utility's power lines.

Do the electrons purchased or generated by the CCA actually go to my house or business? No, when we say that the CCA supplies power to customers, we mean that the CCA puts the same amount of electricity onto the grid that its customers use. When the individual electrons from all power resources go onto the grid no one can determine which electrons go where. Think of it as depositing \$100 into one ATM and withdrawing \$100 from another. It's not the same \$100 bill, but it's still your money. The electrical grid is analogous; if you consume 500 kilowatt-hours in a month, the CCA must supply 500 kWh to the grid on your behalf. The advantage of a CCA is that what is supplied to the grid can be both cleaner and less expensive than what the incumbent utility is putting on the grid.

How is a CCA program set up? Local governments must pass an ordinance to join a CCA program, and the CCA agency must draft an Implementation Plan that is certified by the CA Public Utilities Commission (CPUC). This is typically done after an initial technical study to determine the amount of electricity that will be required, how much clean power can be integrated, and the extent to which a CCA can be cost competitive over time. The Implementation Plan outlines how the CCA will function, how it will set rates, how it will procure electricity, and how it will carry out all other functions required under CPUC regulations.

By law, CCAs are “opt-out” programs. What does that mean? When a county or city decides to create or join a CCA, all customers within that jurisdiction are automatically enrolled in the CCA; in this way, the CCA becomes the community’s default provider of electrical supply. However, every customer can choose to opt-out and return to the incumbent utility for generation service at any time. State law requires that customers receive several customer enrollment notifications just before and just after a CCA program launches. And at any time after that initial launch period, a CCA customer may return to the incumbent utility’s generation service.

What is the governance structure of a CCA? There is no law regulating how the governing body of a CCA should be structured, so each CCA is a little different. Most CCAs are governed under a Joint Powers Agreement by a Board of Directors. The Board of Directors is usually comprised of a representative from each member jurisdiction within the CCA service territory. The Board sets the CCA’s policies and electricity rates. A CCA may also have an advisory committee made up of representatives from other stakeholder groups, such as local businesses and community organizations. CCAs also employ a small staff to run the day-to-day operations of the program and interface with CCA customers. As a public program, the CCA process is designed to be very transparent with all meetings and information open to the public.

If I installed solar panels on my home or business, would I need a Power Purchase Agreement to sell our excess energy to a CCA? No. This is called net metering, and the CCA is able to offer property owners fair market rates for their excess energy production without a Purchase Power Agreement, even if that solar installation took place before the CCA launched. CCAs have been able to offer better (retail) net metering rates and cash payments for customers who generate surplus electricity, and those customers would automatically be enrolled into a CCA’s net metering program unless they choose to opt-out. Larger solar projects that are “in front of the meter” can also be facilitated under a CCA’s feed-in-tariff program which uses a standard power contract with set prices to buy all the power generated from that facility on behalf of CCA customers.

What are the risks? As with any enterprise, there are some risks. The good news is that the key risk factors have been well mitigated and continue to receive close monitoring and management. Risks associated with CCA generally fall into four categories: energy market and price risk, customer opt-out risk, regulatory and legislative risk, and political risk.

For More Information...

For information about Marin’s CCA program, go to www.mcecleanenergy.com

For information Sonoma’s CCA program, go to www.sonomacleanpower.org.

For information about Lancaster’s program, go to www.lancasterchoiceenergy.org

For general information about CCA in California and nationally, go to www.leanenergyus.org.