# Individual MCCEWG Members_Blockstein_FAV_SB0315

Uploaded by: Blockstein, David

Position: FAV

Committee: Finance
Testimony on: SB 315 - "Electric Industry – Community Choice Energy"
Position: Favorable
Hearing Date: February 25, 2020

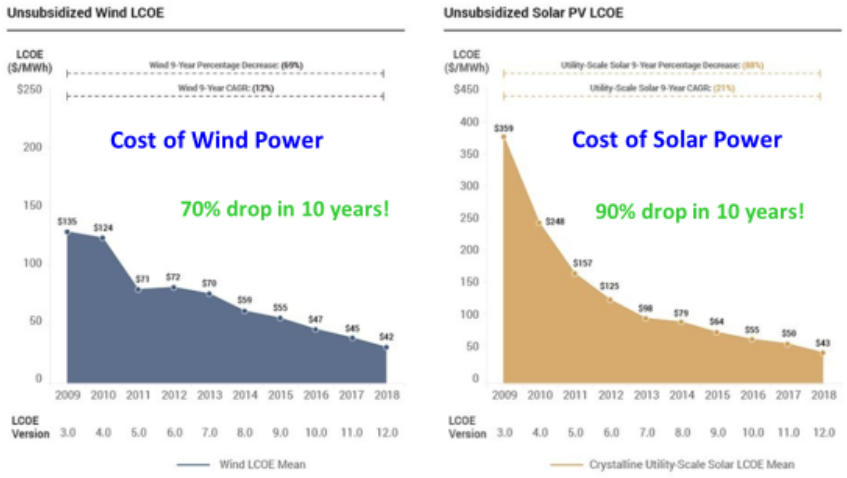
Thank you for allowing our testimony today. We are submitting this testimony as individuals who serve on Montgomery County's clean energy generation technical advisory group. We respectfully ask that you support the Community Choice Energy Act (HB 561 and SB 315) introduced by Delegate Lorig Charkoudian and Senator Pamela Beidle and Senator Brian Feldman. The Community Choice Energy Act will give Maryland communities the power to direct the purchase of their electricity to help us transition rapidly to clean energy while lowering consumer electricity costs.

CCE, also known as "community choice aggregation," allows local governments to pool their electricity load to purchase electricity on behalf of residents, businesses, and municipal accounts within their service area. It also can include communities developing their own electricity. CCE allows communities to control their electricity purchases and more rapidly transition to renewable sources, because customers are automatically enrolled. Local governments can negotiate competitive rates, the source of electricity generation (i.e. type of renewable energy), and other elements with energy utilities on behalf of consumers and businesses. Nationwide, electric rate savings for participating communities average between 2 - 20% depending on the market conditions and power resources. Nine states have passed CCE legislation, However, in Maryland, under current state law, local governments cannot purchase electricity as a group on behalf of residents, businesses, and municipal accounts.

The clean energy generation working group that we serve on has been created by Montgomery County Executive Marc Elrich, to advise the County on how to achieve its ambitious but necessary climate emergency resolution that was enacted unanimously in 2017 (80% reduction in greenhouse gas emissions by 2027; net zero by 2050). We are writing as individuals, not as an official statement from the working group, to inform you that the working group has identified Community Choice Energy as one of the most important tools to enable these greenhouse gas reduction goals to be achieved. We realize that it would be a "game changer" because it changes the default electricity option to clean renewable energy.

One of the barriers to use of renewable energy is that it is often very confusing and difficult for a consumer to figure out how to switch to renewable energy. It is hard to believe that given the choice to opt out of clean energy, consumers would choose more dirty energy. This is especially true because the changed economics of solar energy and battery storage, make it cheaper to have renewable energy. The price of solar energy generation has dropped by 90% in the past decade and the price of wind energy generation has dropped by 70% in the past decade, making these sources less expensive than any other source of energy. The costs of battery storage have also dropped rapidly and recent technological breakthroughs are being commercialized allowing cost effective back up storage for renewable energy.

## From the Lazard Study in November, 2018




THE AVERAGE COST OF ELECTRICITY FROM WIND AND SOLAR PLANTS ALL OVER THEIR LIFETIME -- THE LCOE -- HAS CONTINUED TO DROP SHARPLY IN RECENT YEARS. CREDIT: LAZARD.

https://www.lazard.com/perspective/levelized-cost-of-energy-and-levelized-cost-of-storage-2018/



There is no other policy or technology that would be as effective as CCE to respond to the climate emergency and to meet the County's greenhouse gas reduction goals and to save money for your constituents.

Because energy choice can help advance economic and environmental justice, the bill is also supported by the Maryland Climate Coalition, the NAACP, and the Maryland Consumers Rights Organization.

Thank you very much for your consideration.

David E. Blockstein. Ph.D.
7016 Sycamore Ave.
Takoma Park, MD 20192
Solveclimate2030@gmail.com

Joyce Bailey
Box 103
21730 Beallsville Rd.
Barnesville, MD 20838
Baileyjn52@comcast.net

Lee Bristol
20530 Beallsville Road
Beallsville, MD 20839
leebristol@gmail.com

Christine Pendzich
322 Boyd Avenue

Takoma Park, MD 20912
c.pendzich@gmail.com

Miaoru Guan
1410 N Scott St,
Arlington, VA 22209
miaoru.guan@gmail.com

Michael O'Hora
103 Hilltop Rd,
Silver Spring MD, 20910
ohora.mike@gmail.com

Wendy Howard
3601 Adams Drive
Silver Spring MD 20902
wendyh@onemontgomerygreen.org

Armando Gaetaniello
4213 Queensbury Road
Hyattsville MD 20781
armando@neighborhoodsun.solar

Robert Fox
10804 Drawbridge Ct, Silver Spring, MD 20902
rob.env.fox@gmail.com

**MACo_FAV_SB315**
Uploaded by: Butler, Alex
Position: FAV

MARYLAND Association of COUNTIES

# Senate Bill 315

*Electric Industry - Community Choice Energy*

MACo Position: **SUPPORT**

To: Finance Committee

Date: February 25, 2020

From: Alex Butler

The Maryland Association of Counties (MACo) SUPPORTS SB 315 as it provides counties with an enhanced means to coordinate energy purchasing for their communities in order to help foster competition, lower prices, or pursue cleaner supply.

Since the 1999 deregulation of the electricity generation market, the competitive residential market has grown only modestly. Deregulation promised greater consumer leverage, but many users have found the market to be opaque or confusing – limiting their ability to efficiently identify the most competitive pricing or the best fit source of clean energy alternatives. Community aggregation could be the missing piece toward desirable outcomes.

SB 315 provides counties and municipalities the freedom to form or to join community choice aggregators at their discretion. Under current law, this is only allowed if the Public Service Commission (PSC) finds there is insufficient choice of electrical competition within the boundaries of a jurisdiction and licenses the jurisdiction to do so. The bill specifies the requirements and process for forming or joining an aggregator and requires that the PSC regulate them.

The bill provides important benefits and consumer protections – most notably a clear "opt out" for anyone in the affected community who does not seek to join the cooperative effort. Notice and transparency requirements ensure the public is well informed prior to an aggregator forming and kept aware of the terms and conditions once one is formed. Community aggregators are also limited in their ability to assess any new charges as those must be limited to the costs of the electricity or its transmission.

SB 315 provides a balanced means for local governments to purchase or provide energy in the best interest of their communities. Accordingly, MACo urges a **FAVORABLE** report on SB 315.

**169 Conduit Street, Annapolis, MD 21401**
410.269.0043 BALT/ANNAP ◆ 301.261.1140 WASH DC ◆ 410.268.1775 FAX
www.mdcounties.org

**BaltimoreCounty_FAV_SB0315**
Uploaded by: Byrne, Julia
Position: FAV

JOHN A. OLSZEWSKI, JR.
*County Executive*

CHARLES R. CONNER III, ESQ.
*Chief Legislative Officer*

KIMBERLY S. ROUTSON
*Deputy Legislative Officer*

JOEL N. BELLER
*Assistant Legislative Officer*

BILL NO.: **SB 315**

TITLE: Electric Industry – Community Choice Energy

SPONSOR: Senator Beidle

COMMITTEE: Finance

POSITION: **SUPPORT**

DATE: February 25, 2020

Baltimore County **SUPPORTS** Senate Bill 315 – Electric Industry – Community Choice Energy. The proposed legislation authorizes a county, a municipality, or a group of either to form a "community choice aggregator" beginning in October 2021 and mandate that the Public Service Commission (PSC) adopt related regulations by July 2021.

Under this legislation, local governments are granted more agency over where and how they get their energy. Counties and municipalities would be provided with an enhanced mechanism to coordinate energy purchasing efforts, effectively providing these governing bodies broader negotiating abilities and consumer protections. Given the pressing need to move toward clean energy alternatives, SB 315 could also play a role in reducing the carbon footprint of local jurisdictions.

Accordingly, Baltimore County requests a **FAVORABLE** report on SB 351. For more information, please contact Chuck Conner, Chief Legislative Officer, at 443-900-6582.

**Takoma Park_FAV_SB 315**
Uploaded by: Dyballa, Cindy
Position: FAV

**CITY OF TAKOMA PARK, MARYLAND**

**SB 315**
**Support**

**Finance Committee**
**February 25, 2020**
**SB 315: Electric Industry—Community Choice Energy**
**City contact: Cindy Dyballa, Ward 2 City Council member**
**cindyd@takomaparkmd.gov, 240-476-7906**

The City of Takoma Park supports, and urges favorable consideration of, SB315.

Recent reports from the International Panel on Climate Change (IPCC) and the National Climate Assessment make clear that our climate is dramatically and rapidly changing, with devastating consequences, and that greenhouse gas emissions must be dramatically reduced in the very short term to address these consequences.

Maryland is highly vulnerable to the negative impacts of climate change. We have already begun to witness these, including more severe and frequent storms, greater rainfall, increased flooding, more frequent and extreme heat waves, sea level rise along its extensive coasts, and other detrimental impacts.

This bill gives Maryland's counties and municipalities an important and necessary tool to address these very real challenges. Community Choice Energy authorizes counties and municipalities to negotiate, on behalf of their residents, for purchase of electricity, allowing local governments to negotiate lower rates and purchase renewably sourced energy with less GHG emissions. It allows communities that have made significant commitments to reducing GHG emissions to move efficiently and effectively in that direction.

Takoma Park has been a leader among Maryland communities in responding to the challenges of climate change and in reducing greenhouse gas emissions

through our many local policies and actions. Our City is publicly committed to action on climate change through the Global Covenant of Mayors for Climate and Energy, the Paris Climate Agreement and the Sierra Club 100% renewable energy pledge.

In a recent analysis of options to meet our City's commitment to reduce GHG emissions by 2035, The Cadmus Group rated Community Choice Energy number one in cost-effectiveness.

In sum, the City of Takoma Park supports HB 561/ SB 315, and encourages a favorable vote.

**Sign on Letter from 34 groups_FAV_SB0315_**
Uploaded by: Eckel, Rianna
Position: FAV

**Sign on letter from 34 Organizations**
**Committee: Senate Finance**
**Testimony on: SB0315 - "Electric Industry – Community Choice Energy"**
**Position: Favorable**
**Hearing Date: February 25, 2020**

Dear Chairwoman Kelley and Members of the Finance Committee:

On behalf of our thousands of members and supporters across Maryland, we are writing to you today to urge you to support legislation authorizing Community Choice Energy (CCE).

With Community Choice Energy, a local government such as a county or municipality will be empowered to purchase electricity on behalf of all consumers and businesses within its jurisdiction. CCE will allow localities to negotiate electricity rates, the source of energy generation, and other key decisions with energy utilities on behalf of consumers and businesses. Community Choice Energy is entirely voluntary. Residents or businesses who do not wish not to participate can opt-out.

At present nine other states have authorized Community Choice energy. But Maryland does not yet allow this type of local control.

Community Choice Energy is an important tool to allow local governments to lower electricity rates and transition rapidly to clean renewable energy.

We urge you to support this important legislation.

Signed,

1199 SEIU
350 Montgomery County, MD
Audubon Maryland-DC
Allegany County Women's Action Coalition
Bay Hundred Citizens for a Just Society
Cedar Lane Unitarian Universalist Church Environmental Justice Ministry
Central Maryland Beekeepers Association
Chesapeake Climate Action Network
Chesapeake Physicians for Social Responsibility
Clean Water Action
Climate Law & Policy Project
Community Ecology Institute
Echotopia LLC
Environmental Justice Ministry Cedar Lane Unitarian Universalist Church
Food & Water Action

Frack Free Frostburg
Glen Echo Heights Mobilization
Greenbelt Climate Action Network
HoCo Climate Action
IndivisibleHoCoMD Climate Action Team
Interfaith Power & Light (DC.MD.NoVA)
Maryland League of Conversation Voters
Maryland Legislative Coalition
Maryland PIRG
MOM's Organic Market
North American Climate, Conservation, and Environment (NACCE)
Nuclear Information and Resource Service
Paint Branch Unitarian Universalist Church Green Team
Safe Skies Maryland
Sierra Club, MD Chapter
Sunrise Movement Towson
Takoma Park Mobilization Environment Committee
Unitarian Universalist Legislative Ministry of Maryland
Western Maryland Green New Deal

**HoCo Climate Action_FAV_SB0315**
Uploaded by: Feighner, Liz
Position: FAV

HoCoClimateAction.org
Howard County, Maryland

**HoCo Climate Action**
**Committee: Finance**
**Testimony on: SB 315 - "Electric Industry – Community Choice Energy"**
**Position: Favorable**
**Hearing Date: February 25, 2020**

HoCo Climate Action, a 350.org local chapter, is a grassroots organization representing more than 1,200 subscribers and a member of the Maryland Climate Coalition and the Howard County Climate Collaboration.

We support SB 315, Community Choice Energy, which would allow local governments to purchase electricity, negotiate rates and determine the source of the energy on behalf of their communities. This is enabling legislation only and does not mandate that local governments set up an electricity purchasing plan. It also would allow residents and businesses to opt out if a local government decides to aggregate electricity purchases. These residents and businesses would continue to purchase electricity with third-party suppliers or through the standard offering service (SOS).

Even though Maryland has a deregulated market, our electricity is expensive compared with 36 other states. In addition, few residents opt to purchase through a third-party supplier because switching is confusing, time consuming and often more expensive than the SOS. Under this legislation, local jurisdictions with marketing expertise could negotiate on ratepayers' behalf, lowering energy rates and protecting residents from aggressive and often misleading marketing tactics by some third-party suppliers.

CCEs have more bargaining power with competitive suppliers than do individual customers, sometimes by 15 to 20 percent, according to the EPA. By having the option to participate in these "bulk" energy purchases, all residents, including those with low and moderate incomes, would be able to lower their energy costs significantly. The local utility would remain responsible for transmission, distribution, and billing. The only changes for customers would be the sources and prices of electricity generation.

In addition, local governments could opt for greener energy, such as wind and solar, that are often still too costly for low- to moderate-income families. Although Community Solar offers access to all Maryland ratepayers, too many residents remain confused and skeptical of this new program in our state. (This is partly because utilities, the Office of People's Counsel and the Public Service Commission don't provide a list of approved subscribing solar farms in the local utility area.) Allowing local CCEs to negotiate rates and even subscribe to these

community solar farms would lower electricity rates, provide local jobs, help clean our environment and provide another tool for addressing our climate crisis.

For all these reasons, we urge a favorable report.

HoCo Climate Action
hococlimateaction@gmail.com
www.hococlimateaction.org

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Supporting documents/articles:
https://www.baltimoresun.com/business/bs-bz-energy-supplier-complaints-20191203-bghwu6ornbbyvioiiw6uh4g7jy-story.html
https://www.nrel.gov/docs/fy19osti/72195.pdf
https://www.epa.gov/greenpower/community-choice-aggregation
https://ieer.org/wp/wp-content/uploads/2018/12/Energy-Report-Executive-Summary.pdf
https://www.foodandwaterwatch.org/sites/default/files/fs_1910_commchoiceagg-web.pdf
Community Choice Energy Will Lower Energy Costs for Marylanders

**Food & Water Action_FAV_SB0315**
Uploaded by: Hawkins, Lily
Position: FAV

FOOD & WATER ACTION
Fight like you live here.

1616 P Street, NW
Suite 300
Washington, DC 20036
T +202.683.2500
F +202.683.2501
foodandwateraction.org

**Lily Hawkins**
**Food & Water Action Maryland Organizer**
**lhawkins@fwwatch.org**
**Committee:** **Senate Finance**
**Testimony on:** **SB0315 - "Electric Industry – Community Choice Energy"**
**Position:** **Favorable**
**Hearing Date:** **February 25, 2020**

The prospect of Community Choice Energy for MD is being met with strong public support from a broad coalition representing workers, women, people of faith, and environmental justice organizations. They all see Community Choice Energy as a win-win for their members. These organizations and the people they represent are asking you to support CCE because they want to make energy more affordable, breathe clean air, and stop climate change.

It was originally conceived of as a way to lower rates, and is now being used as a way to help communities transition more rapidly to clean energy. Both parts of that are important. We need to move quickly off of fossil fuels and onto clean renewable energy, we also need to ensure that the transition happens in a way that is fair and equitable and doesn't place an undue burden on folks who may already be struggling.

An important aspect of community choice aggregation is the ability of the program to increase access to clean energy for everyone, especially those living in low-income communities. Many households are unable to install rooftop solar due to building and community arrangements. Others face financial barriers  due to cost. Community choice energy clears the path to clean energy for everyone.

Despite all this, some are saying CCEs will hurt low income people, others question the ability of the grid to scale up renewable capacity as demand for clean energy increases with CCE. However, when we look at the 8 states where Community Choice aggregation is already

allowed we do not see these issues. What we see is CCE bringing affordable, reliable, and cleaner energy to communities.

I'd particularly like to bring your attention to New Jersey, where they have similar weather patterns, share the same PJM grid and have a deregulated electricity market. The City of New Brunswick, NJ just implemented a program and residents there are saving 10% on electricity bills with options to get 50% or 100% clean energy. New Brunswick incidentally is predominantly low-income community with a high rate of immigrants, who are all benefiting from clean renewable energy. Livingston New Jersey is 100% clean energy with 10% savings. A collaboration of municipalities in Northern New Jersey is getting 40% Clean energy with 10-15% savings. With these savings come jobs, cleaner air and steps toward a more stable climate.

CCE brings affordable renewable energy while providing local control and local choice - the legislation doesn't require any county or municipality to form a CCE aggregator. And it doesn't tell anyone what their aggregator should look like - the details of CCE are determined by the local democratically elected government that establishes it. This gives people local control over their electricity - that the generation portfolio reflects the values of the community. With CCE Energy contracts are researched and vetted by the local government - so customers won't need to negotiate the confusing and oftentimes unreliable retail electric market. And the officials that establish it are answerable to their constituents in a way that a large corporation is not.

# Community Choice Aggregation in New Jersey

**New Jersey towns can offer cleaner energy that's more affordable for everyone.**
Community choice aggregation (CCA) allows municipalities or counties to bulk purchase electricity on behalf of their residents, while the local utility continues to provide billing and maintaining power lines through the existing service network. Anyone can choose to opt out of a CCA program if they wish to continue receiving electricity from their current provider or a different third-party provider.

Originally, CCAs were developed to reduce and stabilize electricity rates through bulk purchasing. But recently, CCA has been used across the country as a tool to meet desire for renewable energy options and reducing reliance on climate-altering fossil fuels.[1]

Communities using CCA programs are giving their residents a real opportunity to receive cleaner energy and lower electricity bills. This innovative program is quickly increasing access to clean, renewable energy for residents all over the state.

## Examples of Renewable CCA in New Jersey

### *New Brunswick (Middlesex County)*

New Brunswick launched their CCA, called renewableNB, in 2019. This program offers residents two renewable energy options: a default of 50% renewable energy, at a rate of 11.386¢ per kWh, and a 100% renewable option for 11.956¢ per kWh. Both cost less than the average PSE&G rate of 12.1595¢ per kWh.[2] In accordance with the ordinance passed by New Brunswick City Council in 2018, the renewableNB program will be increasing the renewable content to bring all residents onto 100% renewable electricity by 2035.

### *Livingston (Essex County)*

Livingston began their CCA in March 2019. The program offers residents 100% renewable electricity, primarily from solar and wind power. Residents expect to see a 10% saving on electricity bills, which will total a projected $1.125 million in community-wide savings.[3]

**"I'm honored to serve as the Mayor of Livingston as we become a clean energy leader in New Jersey and the entire nation. I think we have shown it can be done: renewable energy at reasonable rates and even cost savings." —Mayor Al Anthony**

[1] O'Shaughnessy, Eric *et al*. National Renewable Energy Laboratory (NREL). "Community Choice Aggregation: Challenges, Opportunities, and Impacts of Renewable Energy Markets." February 2019.
[2] renewableNB. *Program Details*. Available at https://renewablenb.com. Accessed October 2019.
[3] Santola, Danielle. "Majority of Livingston residents to receive 100 percent renewable energy." *TAPinto Livingston.* March 18, 2019.

**"I am so proud to say that Livingston and its 30,000 residents are now treating climate change like the immediate and enormous threat that it is. Livingston is doing its part and we should all be so proud." —Councilman Shawn Klein**

## *Piscataway (Middlesex County)*

In November 2019, Piscataway residents voted in favor of a ballot question to create a township-wide 100% renewable CCA program. This was the first time in state history that voters had the chance to directly approve the creation of a CCA program.[4]

## *Maplewood, Montclair, Glen Ridge, Millburn, Verona, and South Orange (Essex County)*

After individually passing ordinances for CCA in 2018, these six towns formed the Sustainable Essex Alliance Renewable Government Energy Aggregation (SEA R-GEA). Between the six, the SEA R-GEA will transition 53,000 households onto cleaner energy. SEA R-GEA offers a renewable energy option to residents at 11.005¢ per kWh in the program – which is 10-15% cheaper than PSE&G rates, depending on the municipality.[5] In Maplewood, the 8,000 households enrolled will save a collective $1 million over the course of the initial contract. Montclair expects to see $1.8 million in savings for the community.[6]

## *Glen Rock (Bergen County)*

In 2019, Glen Rock began their Discounted Energy Aggregation Plan (DEAL) to offer residents 100% renewable energy at 12.19¢ per kWh, cheaper than the current PSE&G rate for the area.[7] The DEAL program is projected to reduce Glen Rock's carbon pollution by 15% in its first year. The borough aspires to go even further by exploring ways to bring new renewable energy projects to the area, so residents can use locally-generated renewable power directly.[8]

**"[Glen Rock] is being a leader, much like it has been in the recent ban on plastic bags, and other towns in NJ are already taking notice. This is truly a case of the Borough being a leader for change." —Statement from Borough of Glen Rock**

[4] Kudish, Brianna. "Residents pass town-wide clean energy deal in 1st of its kind NJ vote." *NJ.com.* November 6, 2019.
[5] Township of South Orange Village. *Renewable Energy Aggregation Program FAQs*. Available at https://www.southorange.org/660/Renewable-Energy-Aggregation-Program-201. Accessed October 2019.
[6] Kiefer, Eric. "Deal may mean cheaper electric bills for 5 Essex County towns." *Patch.* April 12, 2019.
[7] Borough of Glen Rock. *Glen Rock DEAL.* Available at https://glenrocknj.net/deal. Accessed October 2019.
[8] Borough of Glen Rock. "Technical Explanation of Renewable Energy Certificates." Available at https://glenrocknj.net/vertical/Sites/%7BB096DD7C-E007-4467-ABAD-D572BD7C982C%7D/uploads/Technical_how_RECs_work_2.pdf. October 2019.

| Name | CCA meeting min RPS | CCA additional % green | CCA 100% green | Default CCA | SOS Price to Compare | Ref. | Details |
|---|---|---|---|---|---|---|---|
| Hudson Valley Community Power (NY) | 6.08 | | 6.36 | 6.36 | 6.87 | 1 | At least 9 communities in Hudson Valley. CCA is 100% green (default). |
| Finger Lakes Community Choice (NY) | 5.01 | | 5.23 | 5.23 | 5.30 | 2 | Town of Geneva, NY. CCA is 100% green (default). |
| Wesley Hills Choice (NY) | 6.87 | | 7.38 | 6.87 | 6.92 | 3<br>8a | Town of Wesley Hills, NY. |
| Melrose, MA | 10.4 | 10.5 (5% more than min) | 12.8 | 10.5 | 11.67 | 4<br>8 | Default is 5% green over minimum mandated.<br><br>See ref. 8. The SOS price in MA is the average of two six month rates: July 1 through December 31, 2019 - 10.836 cents/kWh; and January 1 through June 30, 2020 - 12.517 cents/kWh. |
| Brookline, MA | 10.71 | 11.61 (30% more than min);<br>12.65 (65% more than min) | 13.71 | 11.61 | 11.67 | 5<br>8 | See ref. 8. The SOS price in MA is the average of two six month rates: July 1 through December 31, 2019 - 10.836 cents/kWh; and January 1 through June 30, 2020 - 12.517 cents/kWh. |
| Somerville, MA | 10.21 | 10.51 (10% more than min.) | 13.21 | 10.51 | 11.67 | 6<br><br>8 | See ref. 8. The SOS price in MA is the average of two six month rates: July 1 through December 31, 2019 - 10.836 cents/kWh; and January 1 through June 30, 2020 - 12.517 cents/kWh. |
| Cape Light Compact (MA) | NA | NA | 12.94 | 12.94 | 12.52 | 7<br>8 | 21 communities on Cape Cod and Martha's Vineyard. In existence for 20 yrs.<br><br>See ref. 8. The SOS price is the contract price for January 1 through June 30, 2020 - 12.517 cents/kWh which corresponds to the period of the stated CLC contract. From the Eversource website. |
| New Brunswick (NJ) | NA | 11.39 (50%) | 11.96 | 11.39 | 12.60 | 9 | The SOS rate is for period 10/19-5/20 |
| Glen Rock (NJ) | NA | NA | 12.19 | 12.19 | 12.13 | 10 | The SOS rate is from the pse&g website |
| West Orange (NJ) | NA | NA | 11.60 | 11.60 | 12.13 | 11 | |
| Sustainable Essex (NJ) | NA | 11.00 (41%) | NA | 11.00 | 12.13 | 12 | |

*prices are in cents/kWh

**I. References:**


1. Hudson Valley Community Power (website)
2. Finger Lakes Community Choice (website)
3. Wesley Hills Choice (website)
4. Melrose, MA (website)
5. Brookline, MA (website)
6. Somerville, MA (Somerville CCE website)
7. Cape Light Compact (MA).

8a. SOS information (Orange and Rockland)

8. Eversource Basic Service (select Fixed Rates)
9. City of New Brunswick (NJ) Renewable NB (website)
10. Glen Rock (NJ) Discounted Energy Aggregation Plan (DEAL)
11. West Orange Township Community Energy Aggregation Program Round 3 Update
12. Sustainable Essex Alliance Renewable Energy Aggregation (website)

# Community Choice Aggregation: Challenges, Opportunities, and Impacts on Renewable Energy Markets

Eric O'Shaughnessy,[1] Jenny Heeter,[1] Julien Gattaciecca,[2] Jenny Sauer,[1] Kelly Trumbull,[2] and Emily Chen[1]

*1 National Renewable Energy Laboratory*
*2 Luskin Center for Innovation, University of California, Los Angeles*

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**Technical Report**
NREL/TP-6A20-72195
February 2019

# Community Choice Aggregation: Challenges, Opportunities, and Impacts on Renewable Energy Markets

Eric O'Shaughnessy,[1] Jenny Heeter,[1] Julien Gattaciecca,[2] Jenny Sauer,[1] Kelly Trumbull,[2] and Emily Chen[1]

*1 National Renewable Energy Laboratory*
*2 Luskin Center for Innovation, University of California, Los Angeles*

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**Operated by the Alliance for Sustainable Energy, LLC**

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**Technical Report**
NREL/TP-6A20-72195
February 2019

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15013 Denver West Parkway
Golden, CO 80401
303-275-3000 • www.nrel.gov

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*Cover Photos by Dennis Schroeder: (clockwise, left to right) NREL 51934, NREL 45897, NREL 42160, NREL 45891, NREL 48097, NREL 46526.*

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# Executive Summary

Community choice aggregations (CCAs) are local governmental entities that procure electricity on behalf of retail electricity customers within a certain geographic area (Figure ES-1). CCAs may be run directly by a city or county government or by a third party through a contractual arrangement such as a joint powers agreement. Often called a hybrid utility model, a CCA partners with local investor-owned utilities that continue to provide consolidated billing, transmission, and distribution of electric power to their shared customers. CCAs first emerged in the late 1990s as a few states began to pass legislation enabling electric aggregation. A key feature of the enabling legislation in eight states is that it allows CCAs to form such that the CCA becomes the default electricity provider and customers may opt *out* in order to return to utility service. The opt-out structure increases program participation relative to a voluntary "opt in" structure, meaning CCAs can aggregate relatively large customer bases, providing economies of scale and buying power in wholesale markets. The "choice" component of the term CCA reflects a key feature of aggregation: CCAs can choose the electric resources that supply their community and may choose to offer more renewable energy than the incumbent utility.

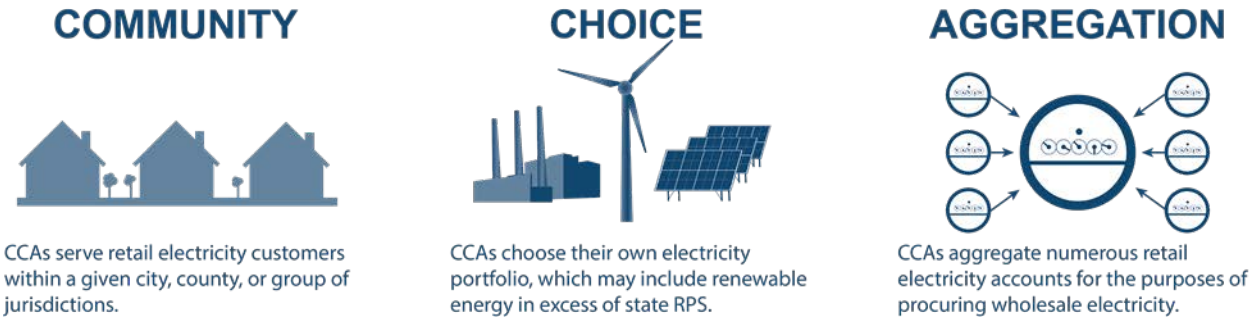


**Figure ES-1. Community choice aggregation**

In this report, we seek to summarize the status of CCAs in the United States. We quantify CCA sales and customer bases by aggregating publicly-available data and CCA survey data. We summarize trends in CCA electricity portfolios with a focus on renewable energy procurement. Based on 12 interviews with CCAs and other stakeholders, we identify key factors that could determine the impacts of CCAs on renewable energy markets. Lastly, we identify the challenges created and faced by the expansion of CCAs.

CCAs compose their electricity portfolios of numerous resources, including fossil fuel-based generators as well as generators of renewable energy. We estimate that about 750 CCAs procured about 42 million megawatt-hours (MWh) of electricity on behalf of about five million customers in 2017 in the eight states with CCA-enabling legislation: California, Illinois, Massachusetts, New Jersey, New York, Ohio, Rhode Island, and Virginia (though no CCAs are currently active in Virginia). All CCAs are required to procure enough renewable energy to comply with state renewable energy mandates, the same as other load-serving entities such as utilities. About 100 CCAs spread across California, Illinois, Massachusetts, New York, and Ohio procure more renewable energy than is required by these mandates. We refer to this "voluntary" portion of renewable energy as voluntary green power. We estimate that in 2017 CCAs procured about 8.9 million MWh of voluntary green power, representing about 21% of all CCA sales, on behalf of about 2.7 million customers. CCA-driven demand for voluntary green power could

affect grid-wide electricity portfolios by increasing the amount of renewable energy generators on the grid. The expansion of CCAs could affect electricity portfolios in other ways if CCAs prefer specific resources, such as low-cost natural gas. These additional electricity portfolio impacts are outside the scope of this study but are an area for future research.

About 13% of CCAs offer voluntary green power. Most CCAs formed primarily to reduce electricity costs on behalf of CCA customers. CCAs have emphasized voluntary green power to varying degrees in different states (Figure ES-2). In California, all active CCAs procure more renewable energy than required by state law. Furthermore, California CCAs have emphasized procurement of in-state renewable energy more than CCAs in other states, and some CCAs have signed long-term contracts for new renewable energy projects. In New York, about half of the sales of the only active CCA represent voluntary green power. Outside California and New York, with the exception of about 90 CCAs in Illinois, Massachusetts, and Ohio, most CCAs do not offer voluntary green power as their default electricity product. No CCAs in New Jersey or Rhode Island were procuring voluntary green power in 2017.

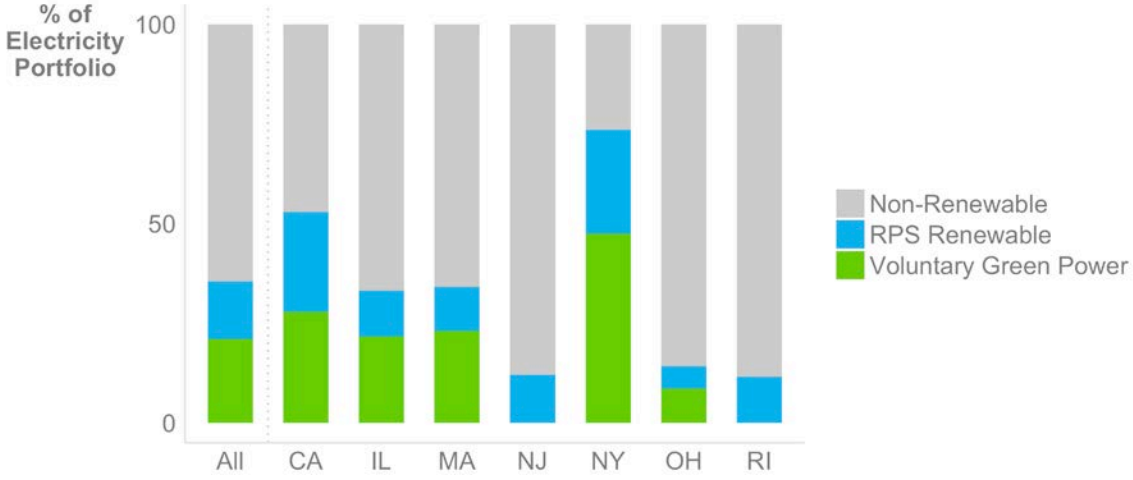


**Figure ES-2. Voluntary green power shares of CCA electricity portfolios by state**

CCAs accounted for about 9% of nationwide voluntary green power sales in 2016, but sales could increase if additional states enable CCAs. In addition to the eight states that already allow CCAs, at least seven other states have considered allowing CCAs (Colorado, Connecticut, New Hampshire, New Mexico, Nevada, Oregon, Utah), and other states with restructured electricity markets could pass enabling legislation. Based on current electricity use data and historic trends in CCA renewable energy procurement, we estimate that voluntary green power demand from CCAs could be as high as 62 million MWh if four of these states (CT, NH, NV, OR) and all restructured states were to enable CCAs. This could extend voluntary green power access via the CCA option to as many as 18 million customers.

However, CCAs may pose challenges to electric grids and electricity markets, and they also face challenges that could stymie their expansion. Through a literature review and interviews with 12 CCAs and other stakeholders, we identify at least 6 key challenges facing CCA expansion in general, as well as 3 challenges facing CCA expansion in regulated markets in particular:

- *Maintaining cost savings*: CCAs must find ways to offer competitive rates to their customers, otherwise customers may opt out in search of lower electricity prices. To date, most CCAs have met this challenge by offering rates lower than utility rates.
- *Balancing local autonomy and regional cooperation*: Communities face tradeoffs between aggregating customers within a single jurisdiction (e.g., town level) versus aggregating across multiple jurisdictions (e.g., county level). Aggregating a single jurisdiction ensure high levels of autonomy over electricity supply and rates, while aggregating across jurisdictions can yield economies of scale and allow CCAs to offer more services. CCAs have used contractual structures such as joint powers agreements to aggregate across multiple jurisdictions, particularly in California. Some state- and national-level organizations have emerged to facilitate cooperation among CCAs.
- *Local renewable energy procurement*: All CCA interviewees expressed interest in increased procurement of local renewable energy. For CCAs in restructured electricity markets, inability to sign long-term contracts poses a challenge to local renewable energy procurement. However CCAs in restructured markets are exploring and implementing innovative ways to procure local renewables, such as through community solar and trust funds for local projects. In regulated electricity markets, CCAs are increasingly signing long-term contracts for local renewable energy, especially as CCAs mature and improve financial standing with creditors.
- *Customer awareness*: CCA is a new and relatively unknown concept. Interviewees reported that most CCA customers are unaware that any change has occurred in their electricity service. Interviewees reported that many CCAs and CCA organizations have implemented informational campaigns to increase customer awareness about CCAs and, in some cases, about CCA renewable energy procurement in particular.
- *Customer enrollment*: State-level policies determine how CCAs enroll customers that move into a CCA's service territory after CCA implementation. In certain states, move-in customers automatically enrolled into utility basic service rather than into the CCA. In these states, CCAs have addressed this issue by enrolling move-in customers through periodic "sweeps," though these sweeps may increase program costs.
- *Policies for CCA suspension or dissolution*: Some communities have suspended or dissolved CCAs. The ability of communities to suspend CCAs may be beneficial in some cases, allowing communities to respond to changing market conditions in ways that benefit the community's residents. At the same time, CCA suspension or dissolution may undermine project developer and investor confidence in CCA investments.
- *Regulated market challenges*: California is the only regulated electricity market state with active CCAs. CCAs face challenges in California that are largely unique among the CCA states. California CCAs are required to pay fees designed to compensate utilities for sunk investments in long-term contracts signed on behalf of CCA customers, commonly known as exit fees. California CCAs are also subject to resource adequacy requirements that obligate CCAs to enter into long-term contracts. These and other issues are areas of ongoing discussion in California.

Our study and analysis provide early insights into the potential market impacts of the expansion of CCAs. However, numerous unanswered questions remain for future research. Will other states enable CCAs and, if so, will communities adopt CCAs at a similar scale as has been observed in states such as California, Illinois, and Massachusetts? Will CCA demand for voluntary green power—which has primarily been met by procuring renewable energy from existing

generators—enable development of new renewable energy supply? How might CCAs compare with utilities and other load-serving entities in terms of shaping renewable energy deployment? These questions and the challenges created by CCAs are not insoluble, but they will require collaboration across a diverse set of stakeholders, including CCAs, utilities, public utility commissions, policymakers, customer advocates, and environmental groups. Our analysis is a first attempt to inform the discussion on the responsible and effective integration of CCAs into electricity and voluntary green power markets.

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# 1 Introduction

Community choice aggregations (CCAs)[1] are local governmental entities that procure electricity on behalf of retail electricity customers within some geographic area (Figure 1). CCAs may be run directly by a city or county government or by a third party through a contractual arrangement such as a joint powers agreement. CCAs are responsible for procuring wholesale electricity on behalf of retail electricity customers while investor-owned utilities remain responsible for local transmission and distribution networks. Residents of the CCA's service area are automatically enrolled into the CCA and must deliberately opt out of the program and return to utility service if choosing not to participate. The opt-out structure requires state-level legislation that allows local governmental entities, other than utilities, to be default electricity providers. To date, eight states have passed CCA-enabling legislation: California, Illinois, Massachusetts, New Jersey, New York, Ohio, Rhode Island, and Virginia.

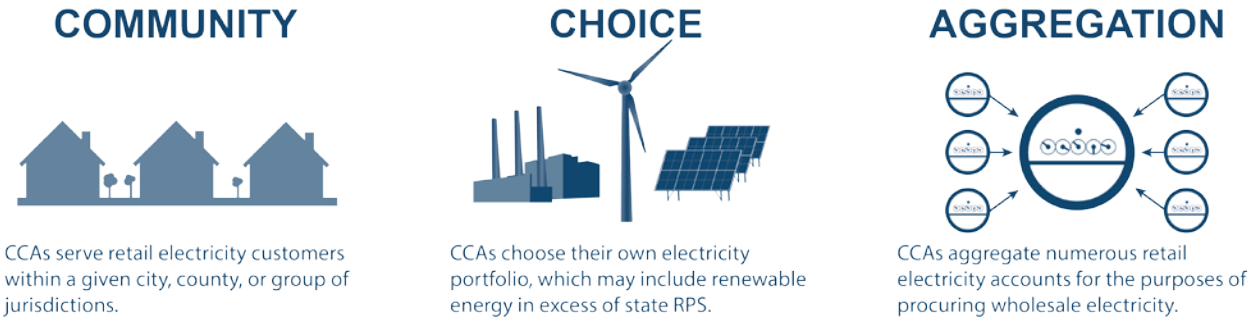


**Figure 1. Community choice aggregation**

The "choice" component of the term CCA reflects a key feature of aggregation: CCAs can choose the mix of resources used to supply their community's electricity, also known as an electricity portfolio (e.g., natural gas, coal, nuclear, renewable energy). In this report, we focus on how CCAs may be able to increase the amount of renewable energy in their electricity portfolios, and how CCA-driven demand for renewable energy could affect grid-wide electricity portfolios. However, CCAs could affect electricity portfolios in other ways, such as increased demand for low-cost natural gas. These additional impacts are outside the scope of this study by are an area for future research.

In this report, we seek to summarize the status of CCAs in the United States. We describe how CCAs fit into the broader context of electricity markets and load-serving entities (Section 2). We quantify CCA sales and customer bases in terms of both renewable and non-renewable energy by aggregating publicly-available data and CCA survey data (Section 3). Based on 12 interviews with CCAs and other stakeholders, we identify key factors that could determine the impacts of CCAs on renewable energy markets (Section 4). Lastly, based on the interviews and findings from the CCA literature, we identify the challenges created and faced by the expansion of CCAs (Section 5).

[1] CCAs have different names in different states, such as municipal energy aggregations and community choice energy. To avoid confusion, the term CCA is used throughout this report.

# 2 Background and Key Terms

A CCA is formed when a local governmental body convenes and votes to aggregate its retail electricity base or when a public referendum is passed. CCAs are then generally required to issue notices to residents that the local electricity service is being switched to the CCA. CCAs may be administered either directly by the jurisdiction or by a separate entity through a contractual arrangement such as a joint powers agreement (see Section 5.2.1). A key feature of CCAs is that customers must actively opt *out* of the program, meaning that if a customer takes no action after receiving the notices, she is automatically enrolled into the CCA. The CCA is then responsible for procuring electricity on behalf of its residential, commercial, and municipal residents while the local utility remains responsible for transmission and distribution.

## 2.1 CCAs in Restructured and Regulated Electricity Markets

How CCAs structure themselves and procure electricity is largely influenced by whether the state electricity market is regulated or restructured, (Figure 2) as well as by state and local policy goals. The terms *regulated* and *restructured* are commonly used to describe markets where utilities provide all electricity generation services (regulated markets) and markets where non-utility entities can compete with utilities to provide electricity generation services (restructured markets). Our discussion of electricity markets requires some technical terms; see the glossary for definitions of these terms.

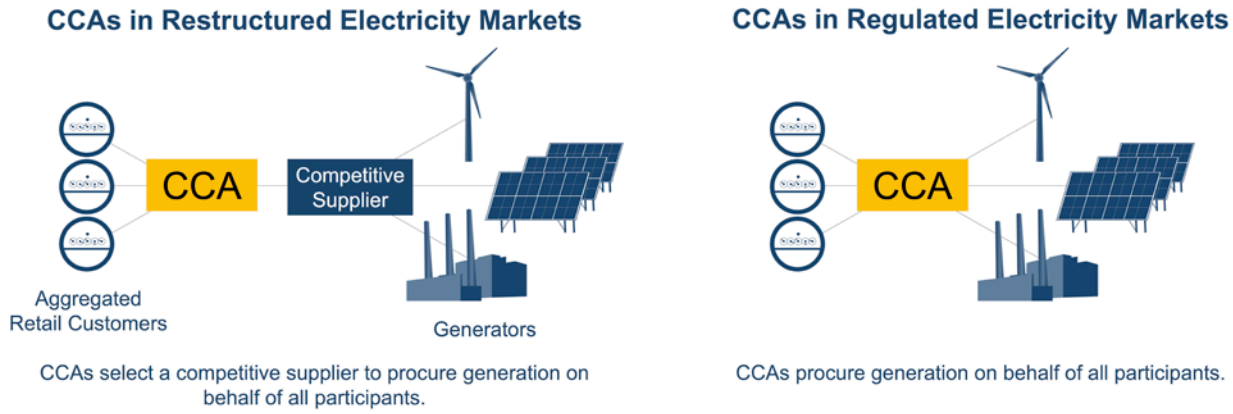


**Figure 2. General CCA structures in restructured and regulated electricity markets**

Six of the eight states that currently allow CCAs have restructured electricity markets, with California and Virginia being the exceptions with regulated electricity markets. In restructured markets, retail electricity customers can choose to procure electricity from the local distribution utility or a licensed entity known as a competitive supplier. For the purposes of this report, *basic service* refers to the generation provided by the local utility. Customers who do not select a competitive supplier are enrolled in basic service by default. In restructured markets, CCAs choose a competitive supplier on behalf of customers on basic service. The CCA enters into a short-term (e.g., 1–3 years) contract with a supplier to procure electricity for the CCA's customers over the contract term. CCAs generally select competitive suppliers through periodic competitive requests for proposals (RFP).

In regulated electricity markets like California, retail electricity customers do not have the option to procure electricity from competitive suppliers and must procure it from the local regulated utility. In other words, all retail customers in regulated markets are on basic service.[2] In these markets, CCAs effectively supplant the local utility to procure and sell energy to retail customers, while the utility remains responsible for consolidated customer billing, transmission and distribution, and grid maintenance. CCAs in regulated markets may be subject to various utility regulations that do not apply to CCAs in restructured markets. For instance, CCAs in regulated markets may be required to enter into long-term contracts (e.g., a minimum of 10 years) with electricity generators in order to ensure system reliability and to comply with clean power mandates.

Table 1 summarizes similarities and differences across the two market structures. In both cases, CCAs are only responsible for procurement of the generation portion of retail customer electricity service, while utilities remain responsible for transmission, distribution, and billing. The key difference is in terms of how CCAs procure that generation. In restructured markets, CCAs act like retail electricity customers; CCAs choose a competitive supplier and enter into a short-term (e.g., 1-3 years) contract for electricity service. Similar to customers in restructured markets, CCAs can switch suppliers between contract periods without penalty, or they may choose to dissolve the CCA and return customers to basic service depending on trends in electricity rates. In regulated markets, CCAs act more like utilities; they are responsible for system reliability and can contract directly with electricity generators. As we shall discuss throughout this report, both models entail unique opportunities and challenges

**Table 1. CCA Similarities and Differences by Electricity Market Structure**

| | Restructured Markets | Regulated Markets |
|---|---|---|
| CCA procurement responsibilities | Generation | Generation |
| Utility responsibilities | Transmission and distribution | Transmission and distribution |
| CCA power procurement | Short-term contracts with competitive suppliers | Short- and long-term contracts with generators and electricity service providers |

## 2.2 Similarities and Differences with Other Load-Serving Entities

CCAs are load-serving entities, meaning that they are responsible for procuring electricity generation on behalf of retail electricity customers. Other load-serving entities include municipal utilities, investor-owned utilities, competitive suppliers, and solar service providers. Table 2 defines the responsibilities of these electricity providers to clarify how CCAs differ from other load-serving entities. CCAs are unique among load-serving entities in that they are default providers of electricity generation but not responsible for transmission and distribution. CCAs are similar to municipal utilities, which are also local governmental entities that serve as the default providers of electricity. The key difference between CCAs and municipal utilities is that municipal utilities are responsible for transmission and distribution, whereas CCAs partner with

[2] Some states have exceptions for certain customer classes, however these exceptions do not apply to the residential and small commercial customers that generally compose CCA programs. For instance, some large commercial customers in California are allowed "direct access" to wholesale electricity supply.

investor-owned utilities to provide transmission and distribution services to their customers. Investor-owned utilities are for-profit entities that act as default providers of generation, transmission, and distribution, except in CCA service areas where generation is relinquished to the CCA. CCAs are similar to competitive suppliers in that competitive suppliers only procure and sell generation, except that competitive suppliers are not default providers of retail electricity. Solar service providers are companies that sell third-party owned solar photovoltaic (PV) output to retail electricity customers. These include community solar providers where shares of a "shared" solar array are sold to multiple customers. Unlike CCAs, solar service providers are not default providers of electricity.

**Table 2. Responsibilities of Load-Serving Entities**

| Load-Serving Entity | Default Provider | Generation | Transmission & Distribution |
|---|---|---|---|
| **CCA** | **YES** | **YES** | **NO** |
| Municipal utility | YES | YES | YES |
| Investor-owned utility | YES | YES | YES |
| Competitive supplier | NO | YES | NO |
| Solar service provider | NO | YES | NO |

## 2.3 CCA Electricity Portfolios

Like other load-serving entities, CCAs determine the mix of resources used to supply electricity to their customers, which we will refer to as an *electricity portfolio* (e.g., natural gas, coal, nuclear, renewable energy). In some cases, CCA electricity portfolios may not vary substantively from the portfolios of other load-serving entities. However, as we demonstrate in Section 3, the expansion of CCAs could affect grid-wide electricity portfolios if CCAs exhibit preferences for specific resources, such as renewable energy or low-cost natural gas.

All CCAs are required to comply with state renewable portfolio standards (RPS) requirements. An RPS is a policy mandating that load-serving entities procure a specified amount of their electricity portfolios from renewable energy generators. Throughout this report, the term *RPS-compliant power* refers to an electricity portfolio that meets but does not exceed state RPS requirements. Some CCAs choose to procure renewable energy beyond the amount specified by the state's RPS. Indeed, some communities may choose to form CCAs explicitly in order to increase the renewable energy content of their community's electricity portfolio. The term *voluntary green power* refers to the portion of an electricity portfolio that exceeds the state RPS. In general, utility basic service offers RPS-compliant power, though basic service in some service areas may exceed the RPS. Throughout this report, the term *voluntary green power* always refers to the incremental portion of renewable energy above the RPS procured by a CCA. For instance, if a CCA offers a 100% renewable energy product in a state with a 10% RPS, our estimate of voluntary green power sales is equal to 90% of the CCA's total sales.

Some state RPS require that load-serving entities procure renewable energy with specific characteristics. For instance, an RPS may require that the renewable energy be generated within

the state or within the region or that a specific percentage of the renewable energy come from a specific resource such as solar. We do not extend these requirements to our definition of voluntary green power. In other words, if a CCA offers 100% renewable energy, the voluntary green power portion of that renewable energy is not necessarily RPS-compliant. As a result, CCA voluntary green power portfolios are not necessarily the same as CCA RPS-compliant portfolios or utility renewable energy portfolios.

Renewable energy sales are tracked and validated by accounting mechanisms known as renewable energy certificates (RECs). One REC is equal to the clean energy attributes of one megawatt-hour of renewable electricity. RECs may be "bundled" and sold with electricity or "unbundled" and sold separately from the underlying electricity. For instance, a CCA may sign a power purchase agreement with a renewable energy generator that will deliver a specific amount of electricity and RECs from a particular renewable energy generator. In this scenario, the CCA would receive bundled RECs. Alternatively, a CCA may purchase electricity from the wholesale market or a non-renewable energy generator and buy unbundled RECs to match their electricity needs. Procuring bundled and unbundled RECs entail different benefits and challenges, as we discuss throughout the report.

CCA voluntary green power program structures can vary (Table 3). In the simplest structure, the CCA integrates voluntary green power content into its standard opt-out offering, such that all customers receive the same voluntary green power content. Some CCAs offer RPS-compliant service but allow their customers to opt in to a voluntary green power product. Some CCAs offer an "opt-up" voluntary green power product in addition to an opt-out voluntary green power product. For instance, a CCA may offer a standard 50% renewable energy portfolio by default (opt out) and offer their customers the option to opt up to a 100% renewable energy portfolio for an extra cost. A third approach would be to enroll customers in voluntary green power by default (opt out) but allow customers to opt down to a lower-cost RPS-compliant power product. This opt-down structure may allow CCAs to offer voluntary green power but still retain customers that are unwilling or unable to pay for a voluntary green power premium.

**Table 3. CCA Voluntary Green Power Product Structures**

| Structure | Description |
|---|---|
| Opt out | All customers receive voluntary green power by default. |
| Opt in | Customers can choose to switch from RPS-compliant to voluntary green power at an extra cost. |
| Opt up | Customers can choose to switch from a voluntary green power product to a product with higher renewable energy content or a specific type of renewable (e.g., local solar). |
| Opt down | All customers receive voluntary green power by default, but customers can choose to opt down to a lower-cost RPS-compliant product. |

Finally, throughout this report, we summarize CCA efforts to procure *local* renewable energy. However, there is no single criterion on which to judge whether a resource is local. For instance, CCAs in Massachusetts tend to cover relatively small geographic areas, often only encompassing a single town. For such CCAs, a "local" product may refer to generation from within the state or from nearby northeastern states. In contrast, California CCAs often cover large enough geographic areas that a "local" product may refer to a generator within the CCA's service area. We use the term *local* throughout this report to refer to in-state or regional resources, even though such resources may not satisfy the locality criteria of specific CCAs.

# 3 CCA Sales, Customers, and Voluntary Green Power

In this section, we summarize the key trends in sales and participation in the seven states that have active CCAs,[3] in terms of all power (Section 3.1) and voluntary green power specifically (Section 3.2).

## 3.1 CCA Sales and Customers

We estimate that in 2017 about 750 CCAs procured 42 million MWh of electricity on behalf of five million customers (Table 4). These figures equate to about 5% of retail sales and 12% of retail customers in the seven CCA states. At the national level, about 4% of U.S. retail electricity customers were served by a CCA in 2017, though CCA sales only represent about 1% of all retail electricity sales.[4] The discrepancy between participation and sales stems from the focus of CCAs on residential and small commercial customers with relatively small loads. CCA sales could increase significantly in the near future, with a projected increase of 10 million MWh in sales in California alone (CalCCA 2018a).

**Table 4. Estimated CCA Statistics by State (as of December 31, 2017)**

| | Number of CCAs | Sales (million MWh/year) | Number of Customers (x1,000) | Percentage of Total State Sales | Percentage of Total State Customers |
|---|---|---|---|---|---|
| California | 9 | 11.8 | 1,239 | 5% | 8% |
| Illinois | 490 | 16.2 | 1,960 | 11% | 34% |
| Massachusetts | 110 | 5.1 | 870 | 10% | 27% |
| New Jersey | 15 | 1.7 | 210 | 2% | 5% |
| New York | 1 | 0.7 | 93 | 0.4% | 1% |
| Ohio | 120 | 6.6 | 660 | 4% | 12% |
| Rhode Island | 1 | 0.2 | 2 | 3% | 0.4% |
| **Total** | **750** | **42** | **5,000** | **5%** | **12%** |

See the appendix for data sources, total state sales and customers, based on EIA (2018a).

CCAs have achieved the most market penetration in Illinois, which is followed closely by Massachusetts and California (Figure 3). In every state except Rhode Island, CCAs have achieved greater market penetration in terms of customers than in terms of megawatt-hours because CCAs primarily serve residential and small commercial customers. In Rhode Island, CCAs only serve governmental customers (e.g., municipal buildings) with relatively higher electricity demands per customer. New York—the most recent state to enable CCA—is poised to become the next major CCA market: at least 50 communities in New York have passed local laws to form CCAs (Binns 2018).

[3] CCAs are enabled in Virginia, but there is no current CCA activity there.
[4] This figure is based on 2017 retail electricity usage and customer account data from the U.S. Energy Information Administration (EIA).


**Figure 3. Estimated CCA market shares by state in 2017, in terms of number of customers and sales (MWh)**

See the appendix for data sources.

On average, an individual CCA procures about 61,000 MWh per year on behalf of about 7,600 customers. However, this national-level average masks broad variation in CCA program size. Just 9 CCAs in California accounted for about 12 million MWh of sales in 2017, or about 1.3 million MWh per CCA. Similarly, a single CCA in New York sold about 0.7 million MWh in 2017. In contrast, CCAs in the remaining states are generally far smaller, operating on the order of thousands rather than millions of megawatt-hours per year. These disparities stem from differences in CCA program structures. Communities may choose to implement a CCA in isolation at the level of a town or city. Alternatively, communities may cooperate to implement a CCA at the level of a county or region. Most CCAs in states like Illinois, Massachusetts, and Ohio have implemented the town- or city-level model, while CCAs in California have implemented the cooperative model, resulting in CCAs that serve entire counties or span multiple counties. We discuss the benefits and challenges of intercommunity cooperation in CCAs in Section 5.2.

According to survey data and interviews with CCAs, about 5%–15% of eligible customers opt out of CCAs, on average.[5] In other words, 85%–95% of CCA-eligible customers tend to remain with the CCA rather than revert to basic service. Low customer opt-out rates suggest that CCAs have been able to offer competitive rates with basic service in order to maintain high customer retention (see Section 4.2). As we discuss in Section 5.4, most CCA customers may be generally unaware of changes in their electricity supply and will not act to actively switch supply as long as rates are low. Alternatively, low customer opt outs may reflect some degree of self-selection: CCAs may tend to form in areas where communities feel that cost savings could be achieved over basic service, and CCAs may discontinue service when CCA rates are no longer competitive. For instance, more than 200 CCAs in Illinois discontinued service following a period of falling basic service rates (ICC 2018a). See Section 5.1 for a discussion of the challenges of CCA cost-competitiveness.

[5] The motivations behind customer opt outs are unclear, particularly when CCA rates are lower than basic service rates. Anecdotally, interviewees reported that some customers opt out on principle for being opposed to any program that automatically changes customer electricity service.

## 3.2 CCA Voluntary Green Power

In 2017, about 100 of the 750 active CCAs offered a voluntary green power product.[6] We estimate these CCAs procured about 8.9 million MWh of voluntary green power on behalf of 2.7 million customers. The voluntary green power share of total CCA sales varies geographically (Figure 4). Voluntary green power currently accounts for the greatest share of CCA electricity sales in New York, where a single CCA offers opt-out and opt-in voluntary green power products. Voluntary green power sales in Illinois and Massachusetts are led by numerous communities that offer opt-out voluntary green power products, often at 100% renewable energy. Voluntary green power CCA sales in Ohio are driven by 100% opt-out voluntary green power programs, though other CCAs offer opt-in voluntary green power. In California, most CCAs offer electricity portfolios that exceed the state RPS.[7] However, because most California CCAs do not offer opt-out 100% renewable energy products and because the California state RPS is relatively high, voluntary green power sales in California compose a small share of overall CCA sales. No CCAs in New Jersey or Rhode Island currently offer voluntary green power products.

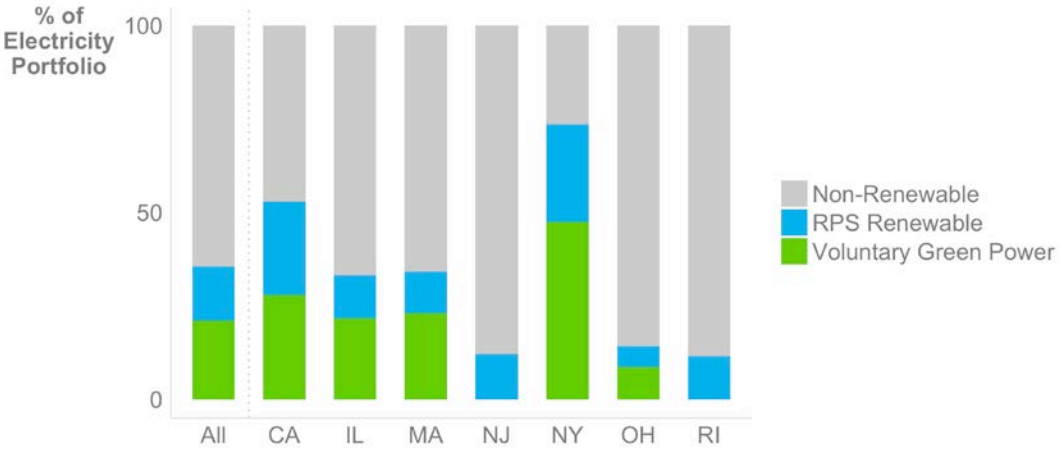


**Figure 4. CCA voluntary green power shares of total electricity portfolios by state**

Voluntary green power sales through CCAs fell from 2013 to 2015 before increasing from 2015 to 2017 (Figure 5). The initial decline was driven by falling voluntary green power sales in Illinois (see Section 5.1 for an explanation of this trend). The recent increase in voluntary green power sales is driven by increasing sales in California and Massachusetts, as well as the implementation of the first CCA in New York. In California, growth in voluntary green power sales is driven largely by the rapidly increasing number of programs, all of which offer voluntary green power products by default. In Massachusetts, growth in voluntary green power is similarly driven by an increasing number of programs, but also by the decision of a single large CCA to switch from a voluntary opt-in green power product to a default opt-out voluntary green power product in 2017 (see Section 4.1). That switch alone increased voluntary green power sales in Massachusetts by about 875,000 MWh from 2016 to 2017.

[6] These figures refer to the number of CCAs that offer voluntary green power by default. Additional CCAs offer optional opt-in voluntary green power products, however participation in these products is generally very low, typically with less than 1% of eligible customers choosing to opt in.

[7] It should be noted that the electricity portfolios of the state's investor-owned utilities, particularly San Diego Gas & Electric, also exceed RPS.

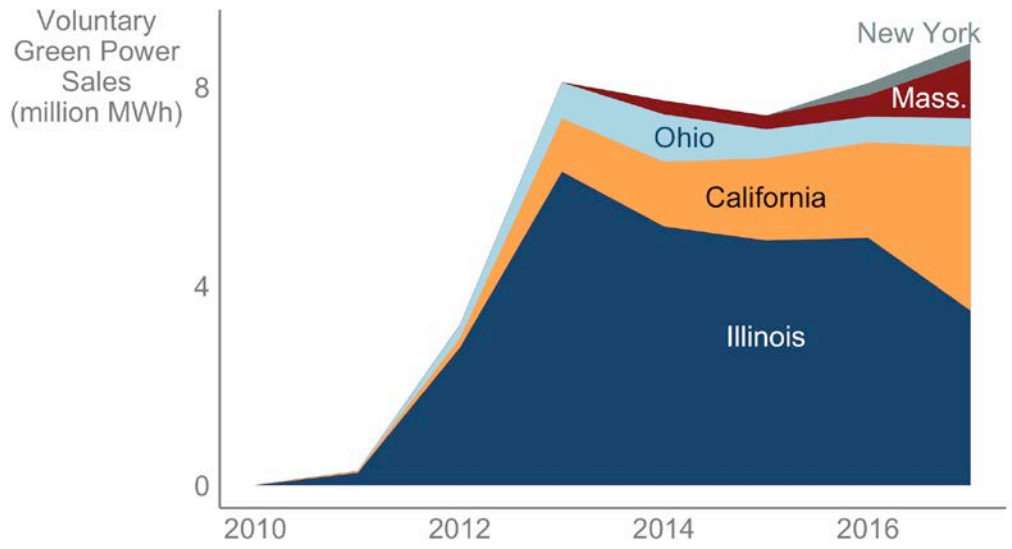


**Figure 5. CCA voluntary green power sales (million MWh), 2010–2017**

Wind energy accounts for about 78% of all CCA voluntary green power sales (Figure 6). The disproportionate use of wind in CCA voluntary green power portfolios is consistent with other voluntary green power products such as utility green pricing (O'Shaughnessy, Heeter, and Sauer 2018). Installed wind capacity is abundant relative to solar, and wind REC prices are generally lower than solar REC prices, though REC prices vary by region (O'Shaughnessy, Heeter, and Sauer 2018). By relying heavily on wind, CCAs may be able to reduce voluntary green power premiums and offer cost-competitive voluntary green power products. CCA voluntary green power resource portfolios are more diverse in California, where they are composed of about 52% wind, 18% solar, 12% geothermal, 9% hydro, and 8% biomass.

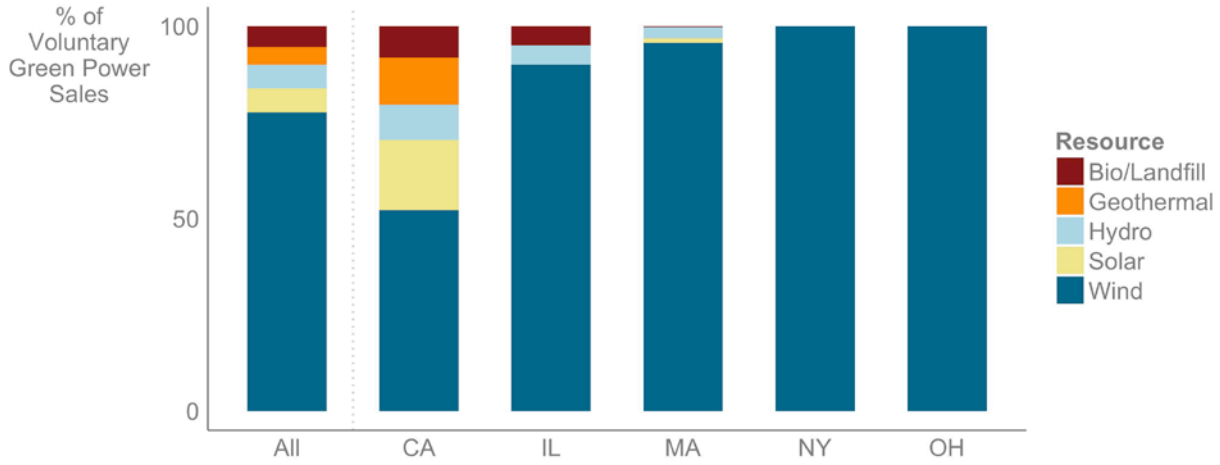


**Figure 6. CCA voluntary green power portfolios by state**

To analyze the geographic distribution of voluntary green power portfolios, we organize voluntary green power sales into three categories: in-state, regional, and national. Regional is defined as a resource from a state bordering the CCA's state or located within the CCA state's REC tracking

system.[8] Nationally sourced green power refers to all renewable energy sources outside the CCA's tracking system, which derives primarily from wind farms in Texas. In-state and regional renewable energy accounts for about 35% and 38% of all CCA voluntary green power respectively. California CCAs procure about half of their voluntary green power from within the state and the other half from regional generators. CCAs in Illinois have emphasized regional sourcing of wind power (Englum et al. 2014). Outside California and Illinois, most CCA voluntary green power is sourced from out-of-state resources (Figure 7). CCAs in Massachusetts, New York, and Ohio rely almost exclusively on nationally sourced wind RECs, mostly from Texas. At least nine CCAs in Massachusetts offer regional wind products, and some CCAs are exploring how to integrate in-state community solar offerings into their electricity portfolios.


**Figure 7. Geographic sources of voluntary green power supply, by CCA state**

The ability of California CCAs to source more in-state and regional renewable energy stems in part from their ability to sign long-term contracts.9 Long-term contracts provide more financial stability for renewable energy developers than do short-term contracts. Hence the ability to sign long-term projects improves the ability of CCAs to work with local renewable energy developers. While newly formed CCAs generally rely on short-term contracts, California CCAs are increasingly pivoting toward long-term (>10 years) contracts (Gattaciecca, DeShazo, and Trumbull 2018). California's two more-established CCAs have procured about 700 MW of new in-state solar, 300 MW of new in-state wind, and 10 MW of new in-state biogas (CalCCA 2018a). Long-term contracts provide enough financial certainty for suppliers and developers to implement new in-state or regional renewable energy projects. In contrast, CCAs outside California procure renewable energy through shorter-term (<3 years) contracts with competitive suppliers. Short-term contracts reduce CCA and customer risk, but also generally provide too little financial certainty to allow suppliers to develop new in-state renewable energy projects. We explore these issues in Section 5.3.

[8] For the five CCA states with voluntary green power programs, the regions are defined as follows:

- **CA**: AZ, CO, ID, MT, NM, NV, OR, UT, WA, WY, and British Columbia
- **IL**: IA, IN, KY, MN, MT, MO, ND, OH, SD, and WI
- **MA**: CT, ME, NH, NY, RI, and VT
- **OH**: DE, IN, KY, MD, NJ, PA, VA, and WV
- **NY**: CT, MA, NJ, PA, and VT.

[9] It should be noted that the large share of in-state and regional renewable energy in California CCA electricity portfolios also stems from the large geographic expanse of California and the western regional REC tracking system.

# 4 The Impact of CCAs on Voluntary Green Power Markets

CCAs are one option in a suite of methods for retail electricity customers to procure voluntary green power that includes utility green pricing programs and competitive supplier voluntary green power sales (O'Shaughnessy, Heeter, and Sauer 2018).[10] CCAs present an approach that is fundamentally different than these other voluntary green power products and which could both significantly increase customer access to voluntary green power and increase voluntary green power sales in the United States. In this section, we use findings from 12 interviews with CCA stakeholders and from the CCA literature to explore three key attributes of CCAs that could have significant implications for U.S. voluntary green power demand. Based on these attributes and historical trends in CCAs, we estimate the potential impacts of CCA expansion on U.S. voluntary green power demand.

## 4.1 Opt-Out Structures

All non-CCA voluntary green power products are opt-in products, meaning retail electricity customers must actively choose to switch from RPS-compliant power to voluntary green power. The opt-out structure used by CCAs is far more effective than opt-in structures in terms of voluntary green power customer acquisition and retention. The efficacy of opt out can be measured through program participation rates. According to interviews with CCAs, typical opt-out rates are on the order of 5%–15%, meaning about 85%–95% of eligible customers remain in CCAs. In contrast, top-performing utility green pricing programs achieve program participation rates on the order of 5%–20% (NREL 2018). Largely because of the opt-out structure, more customers procure voluntary green power through CCAs than through any other voluntary green power product (O'Shaughnessy, Heeter, and Sauer 2018). CCAs accounted for about half of all voluntary green power customers in 2017.

The experience of the Cape Light Compact CCA in the Cape Cod region of Massachusetts illustrates the power of the opt-out structure. Before 2017, Cape Light Compact offered customers the option to opt into a 50% or a 100% renewable energy product. In 2017, Cape Light Compact began offering 100% renewable energy by default (opt out). With the switch from opt in to opt out, Cape Light Compact increased voluntary green power sales from about 4,700 MWh in 2016 to about 880,000 MWh in 2017.

Findings from behavioral economics help explain why opt out is more effective than opt in in terms of renewable energy sales. Empirical data show that decision makers exhibit a bias toward the default option, meaning the option that will occur if the decisionmaker takes no action (Tversky and Kahneman 1991). The default bias has been observed in electricity markets; customers tend to procure default electricity products even if alternative voluntary green power products are available and even if those customers state a preference for voluntary green power (Pichert and Katsikopoulos 2008; Frederiks, Stenner, and Hobman 2015). Put another way, customers that have expressed willingness to buy voluntary green power tend not to make the active effort to switch away from their default electricity products, even if their electricity

[10] In a utility green pricing program, utilities procure and retire voluntary green power on behalf of customers that choose to opt in to the program. Some competitive suppliers offer their customers the option to choose an electricity portfolio with voluntary green power.

supplier offers a voluntary green power product. These customers may be unaware of their voluntary green power options or may simply be unwilling to incur the time and effort needed to switch their choice of electricity supply. Hence, by setting CCA service as the default option, default bias works to increase participation in CCAs relative to opt-in programs like utility green pricing.

## 4.2 Competitive Rate Advantages

While some CCA customers may be willing to pay a premium for voluntary green power (Farhar 1999; Aldy and Kotchen 2012; Ma et al. 2015), CCAs may be able to offer a voluntary green power product without increasing customer opt out if CCAs can offer voluntary green power at a lower price than basic service. All CCA interviewees reported offering lower rates than basic service, and publicly available data generally suggest that CCA rates are at least competitive with basic service (Gattaciecca, Trumbull, and DeShazo 2017; ICC 2018a; ICC 2018b). The bases for CCA competitive rate advantages differ in restructured and regulated markets.

In restructured markets, CCAs wield more bargaining power with competitive suppliers than do individual customers, such that CCAs may be able to negotiate lower contract prices with suppliers and offer competitive rates to their customers (The Solar Foundation 2013; Henderson 2017). To illustrate, consider the perspective of a competitive supplier bidding to an individual residential customer versus bidding to a CCA. In the case of the residential customer, the supplier stands to win or lose sales to a single customer. Furthermore, individual customers tend to be less informed about electricity markets, so that the supplier may be able to increase prices slightly without losing customers. Indeed, despite the theory that retail competition should yield lower electricity rates, empirical evidence generally shows that individual retail customers do not save, and even possibly lose, money by switching away from basic service (Defeuilley 2009; Borenstein and Bushnell 2015; Baldwin 2018). In contrast, when bidding to a CCA, the competitive supplier stands to win or lose sales to thousands or even hundreds of thousands of customers, incentivizing the supplier to offer a low competitive bid. Furthermore, the CCA may have more market expertise than individual customers, which could help them negotiate more competitive rates with suppliers.

All CCA interviewees from restructured markets reported offering retail rates that are lower than basic service, though in some cases CCA rates can exceed basic service rates during certain times of the year. As an illustrative example, about 76% of the 178 active CCAs in the ComEd service territory of Illinois currently offer a rate equal to or lower than basic service (Figure 8).[11]

[11] This figure is based on data from ICC (2018a; 2018b). The basic service rate is based on average ComEd "rate to compare" from July 2017 to August 2018.


**Figure 8. CCA rates compared to basic service rate in ComEd service territory, Illinois**

Based on data from ICC (2018a; 2018b)

Many CCAs have used the cost advantage to offer low-cost voluntary green power. All CCA interviewees reported offering voluntary green power at a discount to basic service.[12] The ability of CCAs to offer voluntary green power at a discount to or at rates competitive with basic service is a significant development. Traditional residential voluntary green power products such as utility green pricing and competitive supplier voluntary green power almost always entail premiums over basic service, generally on the order of $0.01/kWh, though they can be as high as $0.05/kWh depending on the voluntary green power resource procured (O'Shaughnessy, Heeter, and Sauer 2018).[13] The premiums reflect the cost of the RECs procured to back the voluntary green power product plus any administrative fees charged by the voluntary green power provider. CCAs may be able to use their competitive rate advantages to offer a blended rate with electricity plus RECs that still beats basic service rates. For instance, if a CCA negotiates a rate with a supplier that is $0.02/kWh less than basic service and then adds a $0.01/kWh voluntary green power premium, the rate is still $0.01/kWh less than basic service. Insofar as rate advantages allow CCAs to offer voluntary green power, the potential impacts of CCAs on voluntary green power demand may therefore depend on local electricity prices. In other words, CCAs may be able to more effectively absorb voluntary green power premiums in markets with higher basic service rates. Indeed, this may explain why many CCAs offer voluntary green power in Massachusetts—where average residential rates are $0.22/kWh—while only two CCAs offer voluntary green power in Ohio, where average residential rates are $0.13/kWh. Nonetheless, other non-economic factors may explain differences in voluntary green power offerings across states and across CCAs.

CCA rate advantages are likely to be different in regulated markets such as California than in restructured markets. Specifically, at least some of the currently observed CCA rate advantages in California may reflect temporary benefits from favorable contractual rates (Gattaciecca,

[12] Some CCAs offer optional regional or 100% renewable energy products that entail higher rates.

[13] Large non-residential customers can use various voluntary green power procurement methods to obtain voluntary green power at a discount relative to RPS-compliant power. See O'Shaughnessy, Heeter, and Sauer (2018) for a discussion of other voluntary green power procurement methods.

Trumbull, and DeShazo 2017). In California, new CCAs can sign long-term contracts for renewable energy at historically low prices. In contrast, over 97% of the investor-owned utility renewable energy supply is based on long-term contracts, the majority of which were signed when renewable energy prices were significantly higher (Gattaciecca, DeShazo, and Trumbull 2018). As a result, CCAs wield a temporary cost advantage over basic service until the utilities sign new renewable energy contracts. This cost advantage is at least partially offset by California regulations requiring CCA customers to continue to pay sunk utility costs through an "exit fee" (Gattaciecca, DeShazo, and Trumbull 2018). However, some utilities have argued that current exit fees are based on a "flawed" cost allocation mechanism (PG&E and SDG&E 2018). An exit fee that is set too low or too high grants a cost advantage to the CCA or the utility, respectively. These issues are explored in Section 5.7.1.

## 4.3 Community Control and Local Programs

Dozens of cities and counties have committed to procuring 100% renewable energy, and renewable energy goals figure prominently in city and county sustainability policies around the country. However, most jurisdictions have relatively little control over their retail electricity supply. One option is for jurisdictions to form municipal utilities. Municipalization transfers responsibilities for electricity generation as well as transmission and distribution to the local jurisdiction. CCA provides an alternative to municipalization that allows jurisdictions to control electricity supply without taking charge of local transmission and distribution. Several CCA interviewees noted that CCA offers a lower-cost and simpler alternative to municipalization that allows them to achieve many of the same goals. Major cities that have already integrated CCAs into 100% renewable energy plans include Berkeley, Cincinnati, San Diego, and San Francisco. CCAs could play a significant role in the renewable energy strategies of jurisdictions that choose not to or cannot municipalize.

Community control of electricity supply through CCAs could also affect where and how voluntary green power is generated. Trends in voluntary green power markets suggest that green power customers prefer local renewable resources, especially local solar (O'Shaughnessy, Heeter, and Sauer 2018). By shifting voluntary green power resource selection to the community rather than the utility or supplier level, CCAs may result in increased procurement of local renewable energy. For instance, some California CCAs incentivize rooftop solar through feed-in tariffs or other structures that are more generous than utility offerings (Gattaciecca, Trumbull, and DeShazo 2017). MCE[14] and Sonoma Clean Power, two California CCAs, have 3.2 MW and 5.99 MW of solar contracted via feed-in tariffs respectively.[15] MCE has developed a 100% local solar product with a fixed rate that is directly tied to their feed-in tariff program (Gattaciecca, DeShazo, and Trumbull 2018). However, it should be noted that most CCAs outside California and Illinois have not emphasized local renewable energy procurement (see Figure 7). We discuss various challenges to local renewable energy procurement in Section 5.3.

CCAs may be well-positioned to offer additional energy services beyond electricity procurement. Most CCA interviewees reported that their CCAs were exploring additional services such as demand response, energy efficiency, and electric vehicle charging programs. At least four CCAs

[14] MCE is a CCA that began in Marin County, California, and is formerly known as Marin Clean Energy. As MCE expanded to encompass multiple counties, the CCA switched its name to simply MCE.
[15] For context, the expected output of this capacity equates to less than 1% of the load of the two CCAs.

in California offer electric vehicle incentives. These additional potential CCA services and customer incentives are outside the scope of this report but are ripe areas for further research.

## 4.4 CCA Green Power Market Potential

As a result of opt-out structures, competitive rates, and local control, CCAs could increase demand for voluntary green power in the United States. In this section, we estimate the *potential* impact of CCA expansion on voluntary green power demand. We estimate the share of electricity load that could be served by CCAs in the near future based on which states are more likely to pass CCA-enabling legislation. Based on that share, we estimate potential voluntary green power sales through CCAs based on historic CCA uptake of voluntary green power. We perform this exercise to provide an estimate of the extent to which CCA expansion could affect future electricity portfolios.

Before proceeding to the analysis, it is important to make three clarifications. First, our estimates reflect a range of potential rather than projected outcomes. In other words, we estimate how CCAs could affect voluntary green power demand under a range of policy assumptions that could facilitate further CCA expansion. Second, we assume that not all communities choose to implement voluntary green power CCAs in states with enabling legislation. In other words, our final estimates do not reflect the full technical potential of CCA voluntary green power, but rather a potential impact assuming that communities implement voluntary green power CCAs at rates similar to those observed to date. Third, an increase in the *demand* for voluntary green power does not necessarily translate to a one-to-one increase in the *supply* of renewable energy, because some voluntary green power may be sourced from existing projects or projects that would have been built anyway. We briefly discuss the potential impacts of CCAs on renewable energy supply, but further modeling-based analyses would be necessary for a more robust estimate.

As a first step, we identify the states that are most likely to have CCA-enabling legislation in the near future. We refer to the eight states that already have CCA-enabling legislation as Tier 1. According to LEAN Energy U.S. (2018), seven additional states have considered implementing CCA-enabling legislation: Colorado, Connecticut, New Hampshire, New Mexico, Nevada, Oregon, and Utah. There is also emerging interest in Arizona. For the time being, CCA talks in Colorado, New Mexico, and Utah appear to have stalled as the states have proposed legislation allowing communities to collaborate with investor-owned utilities as an alternative to CCAs.[16] We therefore exclude Colorado, New Mexico, and Utah from our analysis, and we refer to the remaining four states (CT, NH, NV, OR) that have proposed or are considering CCA legislation as Tier 2. See the appendix for more information about related policy initiatives in these states.

The Tier 1 and Tier 2 states share some notable traits. Most of these states have restructured retail electricity markets (Connecticut, Illinois, Massachusetts, New Hampshire, New Jersey, New York, Ohio, and Rhode Island), and the remaining states (California, Nevada,[17] Oregon, and Virginia) allow retail competition for some large customers. This suggests that CCAs may

[16] In Colorado, see H.B. 1428 2018, "Authorize Utility Community Collaboration Contract." In New Mexico, see S.B. 352 (2015).

[17] As of the publication of this report, Nevada is poised to pass a public ballot initiative moving the state to a fully restructured electricity market.

be more feasible, at least in the near term, in states that already have some degree of retail electricity competition. We therefore assume other states with partially or fully restructured electricity markets are more likely to pass CCA-enabling legislation than states with regulated markets. The remaining states with restructured markets not included in Tier 1 or Tier 2 are Delaware, Michigan,[18] Maine, Maryland, Pennsylvania, and Texas. We refer to these states as Tier 3 (Figure 9).

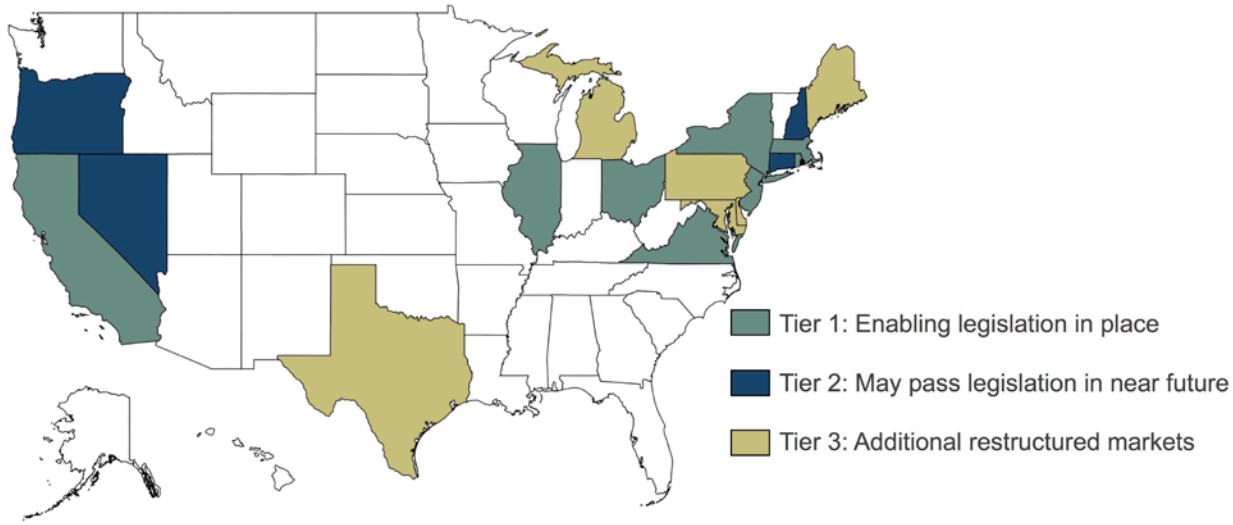


**Figure 9. States most likely to soon have CCA-enabling legislation**

Next, using EIA data (EIA 2016a), we estimate the total number of customers and sales (MWh) in each state served by investor-owned utilities or existing CCAs (i.e., excluding load served by municipal utilities and competitive suppliers). Table 5 reports the total "CCA-eligible" residential and commercial load in each of the tiers.

**Table 5. CCA-Eligible Load (Load Currently Served by Investor-Owned Utility or CCA), Based on 2016 Data**

| Tier | Sales (million MWh) | | Customers (millions) | |
|---|---|---|---|---|
| | Residential | Commercial | Residential | Commercial |
| 1 | 308 | 361 | 38 | 4.1 |
| 2 | 41 | 36 | 4 | 0.5 |
| 3 | 129 | 108 | 13 | 1.0 |

The CCA-eligible load represents an approximation of CCA sales if all communities within the tiers chose to aggregate. In other words, if all eligible communities in Tier 1, 2, and 3 states passed CCAs, CCAs could serve as much as 983 million MWh worth of residential and commercial load, or about 20% of all residential and commercial load in the United States. A expansion of that extent could affect grid-wide electricity portfolios, especially if CCAs pursue low-cost resources like natural gas or if some CCAs demand voluntary green power. However, there are numerous reasons some communities would not pursue CCAs and additional reasons

[18] Participation in competitive retail electricity markets in Michigan is capped and is at capacity in several service territories.

communities would not pursue voluntary green power CCAs specifically. Based on feedback from our interviews, we identify prevailing electricity rates and renewable energy targets as two key motivating factors in determining CCA voluntary green power formation. CCAs and voluntary green power may be more attractive to communities and customers in states with higher basic service rates (see Section 4.2). Furthermore, cities with renewable energy targets may be more likely to pursue voluntary green power CCAs as a way to achieve 100% renewable energy procurement. At least 70 cities have 100% renewable energy targets in the United States (Sierra Club 2018). Thirty-four of these jurisdictions are in one of the states in our analysis and are not currently served by a municipal utility.

We estimate the potential impacts of CCAs on voluntary green power demand under three scenarios based on which states enact CCA-enabling legislation (Table 6). We vary our assumptions about CCA implementation rates based on average state-level residential electricity rates, defining "high-cost" states as state with rates above $0.14/kWh and all other states as "low-cost" states.[19] For two of the three scenarios, we limit CCA implementation to residential customers given that CCAs to date have primarily served residential load.

**Table 6. CCA Green Power Demand Projection Assumptions**

| Scenario | States with Enabling Legislation | CCA Voluntary Green Power Market Share in Low-Cost States | CCA Voluntary Green Power Market Share in High-Cost States |
|---|---|---|---|
| Minimal Expansion | Tier 1 | • 10% of eligible residential sales<br>• 20% of eligible residential customers | • 20% of eligible residential sales<br>• 40% of eligible residential customers |
| Expansion | Tiers 1 and 2 | • 10% of eligible residential sales<br>• 20% of eligible residential customers | • 20% of eligible residential sales<br>• 40% of eligible residential customers |
| High Expansion | Tiers 1, 2, and 3 | • 10% of eligible residential sales<br>• 20% of eligible residential customers<br>• 85% of eligible residential/commercial sales and customers in cities with 100% renewable energy targets | • 10% of eligible residential sales<br>• 20% of eligible residential customers<br>• 85% of eligible residential/commercial sales and customers in cities with 100% renewable energy targets |

* For comparison, in 2017, voluntary green power accounted for about 21% of all CCA sales and 45% of CCA customers.

Figure 10 presents the results of our analysis. For reference the figure also displays current estimates of voluntary green power CCA demand. The estimated impacts of the expansion of CCAs on voluntary green power demand range from 25 million MWh and 11 million customers in the Minimal Expansion scenario to 62 million MWh and 18 million customers in the High Expansion scenario. For context, about three million customers procured about 87 million MWh

[19] State-level residential rates are based on data from EIA (2018b). $0.14/kWh represents roughly the median rate among the states in our analysis.

of voluntary green power in 2016 outside of CCAs. CCAs have already increased voluntary green power demand by about 10% in terms of sales and have roughly doubled voluntary green power demand in terms of customers. Under our estimates, CCAs could increase voluntary green power demand by up to 65% in terms of sales, and by up to a factor of six in terms of customers relative to 2016 levels.[20]

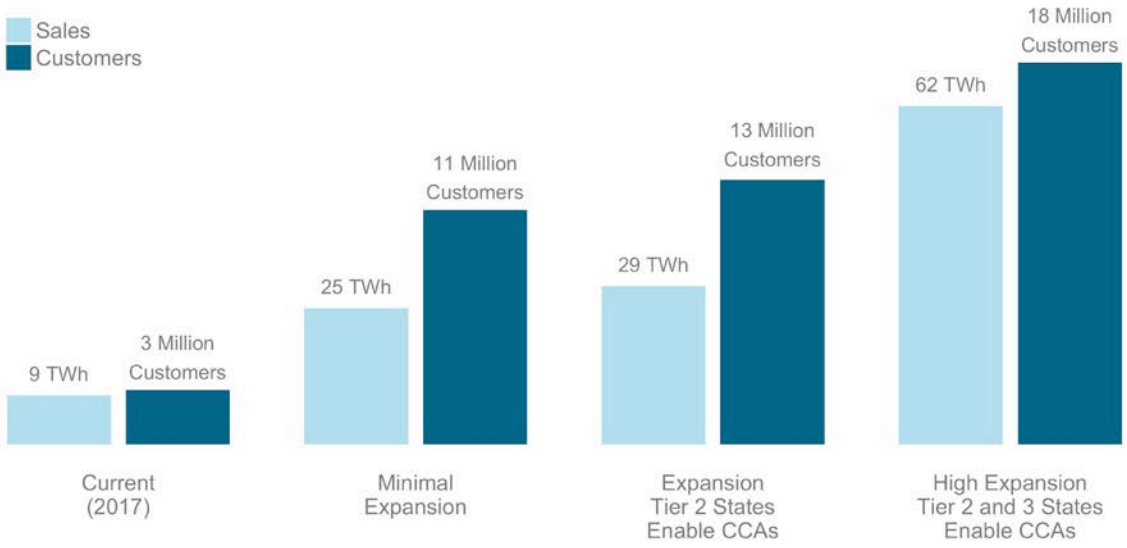


**Figure 10. Estimated voluntary green power sales and participation under three scenarios**

1 TWh = 1 million MWh.

A CCA expansion could have both direct and indirect effects that could increase renewable energy supply. CCAs that decide to procure local renewable energy from new projects could have direct impacts on renewable energy supply. Especially in regulated or partially restructured markets, CCAs may indeed be required to procure new renewable energy capacity, and California CCAs have already demonstrated an ability to increase renewable energy supply through long-term contracts with new local generators (see Section 5.3). Furthermore, an influx of up to 56 million MWh of new voluntary green power demand could increase REC prices and send market signals that could indirectly result in new installed renewable energy capacity. Analysis of the relationship between CCAs and new renewable energy supply is an area for future research.

[20] Two key limitations should be noted. (1) Our analysis does not account for potential interactions between CCAs and other voluntary green power programs, such as utility green pricing. For instance, some current utility green pricing customers may switch to a CCA voluntary green power program, which would have no net effect on voluntary green power sales. (2) State RPSs may increase, which could reduce the voluntary green power content of CCA electricity portfolios.

# 5 Challenges and Opportunities

In the preceding sections, we show that CCAs have grown considerably in the past decade (see Figure 5) and that future CCA expansion could drive significant increases in voluntary green power demand. However, the future expansion of CCAs could be stymied by various challenges. In this section, we identify and summarize six challenges facing the expansion of CCAs in general and three challenges facing the expansion of CCAs in regulated markets in particular. These challenges are based primarily on a series of 12 interviews with individuals involved with CCAs and CCA-focused organizations, and with other stakeholders. We also aim to identify opportunities to address these challenges.

## 5.1 Maintaining Cost Savings

All CCA interviewees stated that the ability to offer electricity cost savings to customers is critical for the ongoing viability of CCAs. Sustained periods of high CCA rates can lead to customer opt out and undermine CCA viability. Furthermore, sustained periods of high CCA rates can undermine the ability of CCAs to offer voluntary green power products. CCA rates may therefore need to be low enough to reduce or prevent opt out but high enough to recoup generation procurement and program administrative costs.[21]

The Illinois CCA market illustrates the importance of maintaining cost savings. From 2010 to 2013, relatively high basic service rates allowed Illinois CCAs to offer cost savings as high as $0.03/kWh (LEAN Energy U.S. 2018). As a result, CCA default and voluntary green power sales surged, peaking at about 25 million MWh in 2014 (Figure 11). CCAs lost their competitive edge as basic service rates fell from 2012 to 2014. Many communities chose to suspend CCAs and sales declined from 2014 through 2017. Beginning in 2013, several CCAs discontinued voluntary green power programs that could no longer be offered at a discount to basic service, and Illinois voluntary green power sales have since stagnated. Basic service rates have since increased and CCA participation may rebound in response, with 490 communities pending CCA implementation or reimplementation in 2018 (ICC 2018a), however it is still unclear whether voluntary green power sales will also rebound.

[21] Transmission and distribution remain the responsibility of the local utility. Utilities recoup these costs through separate transmission and distribution rates.

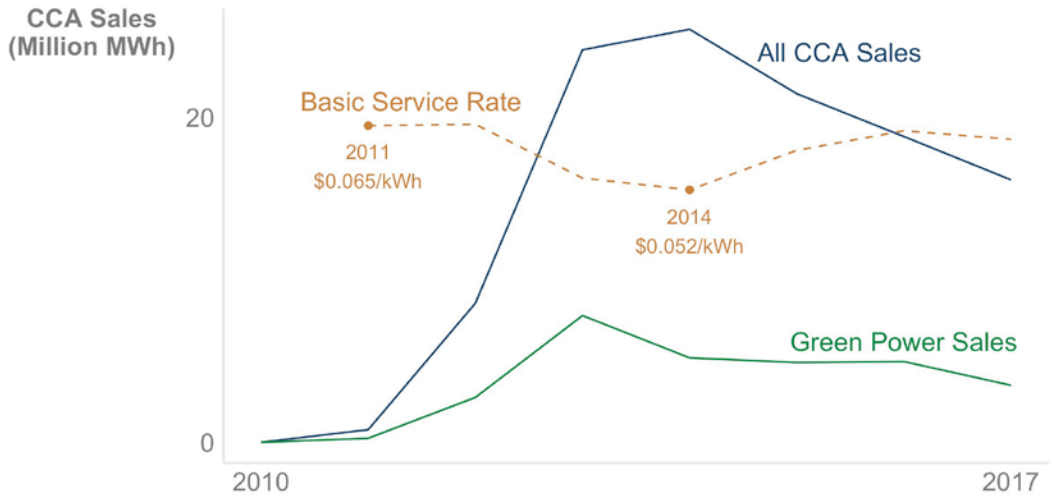


**Figure 11. Illinois CCA sales and basic service rates, 2010–2017**

CCA sales data were compiled from ICC (2018a); incumbent rate data were compiled from ICC (2018b).

Local electricity market and regulatory conditions can create challenges and opportunities for maintaining cost-competitiveness. Examples include:

- Energy price volatility poses risks to CCAs that lock into fixed-rate contracts. If local energy prices happen to fall, even temporarily, during a CCA contract term, some customers may opt out rather than remain in the program. For instance, energy prices have been gradually declining in Ohio. As a result of declining energy prices, a fixed price CCA rate becomes less cost-competitive over the course of the contract term. The City of Cincinnati CCA addressed this problem by negotiating three-year contract terms with rates that decline over time in line with projected energy price reductions. This challenge may be amplified in California, as legislation (SB 350) requires all load-serving entities—including CCAs—to procure 65% of their RPS-compliant renewable energy through contracts longer than 10 years, beginning in 2021. However, it is worth noting that most CCA interviewees reported that customers generally do not react to short-term price increases that temporarily cause CCA rates to exceed basic service rates.
- Volatile capacity markets can pose unique risks to CCAs. For instance, in Massachusetts, capacity costs are set in three separate load zones. Utilities that operate in multiple load zones can recoup capacity cost increases in one region through rate increases in all three regions, effectively hedging for their customers against capacity market volatility. In contrast, CCAs in a single region are fully exposed to the capacity market volatility in that region (Lichtenstein and Reid-Shaw n.d.). In 2017, the CCA in Melrose, Massachusetts, decided to suspend its program when capacity prices spiked in the region. The Cape Light Compact CCA in the Cape Cod region addresses capacity market volatility by negotiating new rates every three or six months, depending on customer class, to align with the timing of the utility rate changes. More frequent contract renegotiation prevents Cape Light Compact from locking into a long-term contract during a period of high capacity costs.
- In regulated markets, CCA rates may need to integrate "exit fees"—charges levied on customers that switch out of basic service. In theory, exit fees can be designed so that the

fee reflects the true costs of the sunk utility investments made on behalf of CCA customers. However, setting optimal exit fees could be a controversial and politically fraught process that could artificially inflate or diminish the cost-competitiveness of CCAs. We discuss the case of exit fees in California in depth in Section 5.7.1.

Several CCA interviewees reported a willingness to discontinue voluntary green power products if voluntary green power could no longer be offered at a discount relative to basic service. Developing a cost-competitive voluntary green power product can be challenging, particularly given customer interest in costlier local renewable energy and especially local solar. However, CCAs have found various ways to increase the cost-competitiveness of voluntary green power products:

- CCAs can offer a lower-cost default product that focuses on being less expensive than competitor's rates, and a voluntary opt-up product with higher voluntary green power content. For instance, in California, most CCAs offer electricity portfolios with around 50% renewable energy by default and offer opt-up 100% renewable energy products.
- CCAs can enroll customers in a default opt-out voluntary green power product but allow them to opt *down* to a lower-cost product. An opt-down structure may allow CCAs to achieve high rates of voluntary green power sales through the opt-out voluntary green power product while still allowing customers the option to opt down to a lower cost product without opting out. For instance, customers in the Town of Portola Valley, a member of the Peninsula Clean Energy CCA in California, are automatically enrolled into a 100% renewable energy product but have the option to opt down to a product with 50% renewable energy at a lower rate. As of 2017, about 4% of customers had elected to opt down and 5% had opted out of the program entirely (Gattaciecca, DeShazo, and Trumbull 2017).
- In Massachusetts, Cape Light Compact developed a novel structure to offer cost-competitive voluntary green power that also supports regional renewable energy projects. Cape Light Compact offers a voluntary green power product comprising 1% in-state renewables coupled with 99% unbundled RECs procured outside Massachusetts—a structure used by other CCAs. Through its supplier, the Compact puts all revenues from the premiums on the unbundled RECs into a third party-administered trust fund. The trust fund will be used to fund future renewable energy projects, with an emphasis on projects to be built in the Northeast (Lichtenstein and Reid-Shaw n.d.). The relatively low cost of the unbundled RECs allows the Compact to continue to offer electricity rates that beat basic service. At the same time, the trust fund allows the Compact to support regional renewable energy development. However, this arrangement poses challenges of its own. It is important for CCAs that offer mixed electricity portfolios of local or regional renewables and unbundled RECs to clearly explain these products to their customers and not market such products as strictly "local." We further discuss challenges associated with customer awareness in Section 5.4.

A final issue related to maintaining cost-competitiveness is how CCAs incorporate low-income customers on subsidized basic service rates. Additional policies may be necessary to ensure low-income customers continue to pay lower rates when switching to a CCA. One option is to simply exclude low-income customers from CCA enrollment if the CCA rate is higher than the low-income basic service rate. Another option is to tie the subsidy to the customer's transmission and

distribution fees, so that the subsidy travels with the customer. For instance, in California, certain low-income customers are eligible for subsidized rates under the California Alternate Rates for Energy (CARE) program. CARE benefits are tied to the transmission and distribution portion of a customer's bill, ensuring the customer does not lose the CARE benefits when switching to a CCA. CCAs can also design and set their own rates and may choose to offer special low-income rate products.

## 5.2 Balancing Local Autonomy and Regional Cooperation

The ability to exercise local choice and control over power procurement is a primary selling point of CCAs among policymakers. The benefits of autonomy have motivated many CCAs to aggregate at the city level, especially in Illinois, Massachusetts, and Ohio. However, individual communities may not have the resources or the legal, energy market, and regulatory expertise to successfully administer a CCA. Furthermore, there may be additional benefits to aggregating at larger geographic levels, such as the ability of large programs to offer additional services and leverage economies of scale. The benefits of having a larger CCA and serving more customers have motivated others to aggregate across multiple cities or counties, particularly in California. And, communities can increase regional cooperation in CCAs in at least two ways: through intergovernmental agreements and by working with nonprofits and trade organizations.

### *5.2.1 Intergovernmental Agreements*

An intergovernmental agreement (IGA) is a contractual arrangement between multiple jurisdictions to provide a particular service. All the jurisdictions under an IGA have some representation through a board with oversight of the IGA. In the context of CCAs, a joint powers agreement (JPA) is a common IGA in which jurisdictions grant powers to a designated entity to perform specific services on behalf of the jurisdictions. In California, most CCAs launch through JPAs. For example, Sonoma Clean Power is a CCA in Sonoma and Mendocino Counties that operates under a JPA. Under the terms of the JPA, Sonoma Clean Power is authorized to procure energy on behalf of numerous jurisdictions across these counties. Examples of CCAs operating under IGAs outside California include Cape Light Compact in Massachusetts, Sustainable Westchester in New York, the Northeast Ohio Public Energy Council, and the Rhode Island Energy Aggregation Program.

The IGA structure has several potentially beneficial traits. First, IGAs enable greater economies of scale, allowing CCAs to generate sufficient revenue to fund staff who can manage administrative, advocacy, and business tasks (Gattaciecca, DeShazo, and Trumbull 2017). CCAs with IGAs may leverage these economies of scale to offer complementary energy programs and economic development projects (e.g., community solar, energy efficiency, electric vehicle charging, and microgrids) that may be cost-prohibitive for individual consumers or communities on their own. Second, IGAs allow CCAs to more easily expand geographically over time. For instance, Sonoma Clean Power integrated neighboring Mendocino County into its CCA in 2017 through a simple amendment to its existing JPA. The ability for expansion may allow existing CCAs to enhance economies of scale by collaborating with neighboring communities. Finally, IGAs create a legal and financial "firewall" between the assets and expenditures of the CCA and those of its member agencies, creating an extra layer of risk mitigation between the city and the CCA. Thus, communities that have yet to aggregate may benefit from the ability to join existing CCAs under the terms of an IGA.

IGAs, however, present their own set of challenges. First, communities in an IGA lose some autonomy in energy procurement because they are procuring as a larger set of communities. However, interviewees did not identify this loss of autonomy as a significant challenge, as most of the time IGA members within a given county or region have similar goals (Gattaciecca, DeShazo, and Trumbull 2017). An interviewee at Redwood Coast Energy Authority reported that discord was rare in decision-making among the municipalities under the CCA, and that board decisions were frequently unanimous. Other CCAs opted for a hybrid version of JPA. An example of a hybrid JPA is the California Choice Energy Authority, led by the board members of Lancaster Choice Energy. In this hybrid JPA, any new joining city, such as Pico Rivera Innovative Municipal Energy becomes a new member of the Redwood Coast Energy Authority but does not obtain a seat at the board of the JPA. The Authority administers RFPs on other members' behalf. Though it does not control the RFP directly, Pico Rivera reported that the process for requesting specific outcomes from the RFP is straightforward and that the CCA typically can accommodate Pico Rivera's requests for specific electricity portfolios.

Second, the benefits of participating in a coordinated CCA may be imbalanced to favor certain jurisdictions depending on board representation and contract structures. According to several interviewees, while smaller communities that join an IGA may benefit from economies of scale, larger communities may not receive any price benefit and may end up subsidizing smaller jurisdictions. Furthermore, equitable board voting structures can be difficult to achieve in IGAs with communities of different sizes. Small communities will generally benefit from a one-vote-per-community structure, while large communities will benefit from a voting structure weighted according to population. Redwood Coast Energy Authority devised a compromise in which one-third of CCA governance is determined by each board member's vote, and two-thirds of governance is determined in proportion to the number of electricity customers represented by each member. Several other CCAs in California use this type of mixed-weight voting system to create desired balance.

Finally, establishing an IGA can be a time- and legal-intensive process that may prove cost-prohibitive or too complex for smaller CCAs with limited resources and staff. One approach to surmount establishment challenges is to leverage pre-existing organizations to organize IGAs, such as local energy nonprofits, energy efficiency initiatives, and Solarize programs.[22] For instance, the Cape Light Compact, Westchester Power, and Redwood Coast Energy Authority CCAs are all administered by organizations that predate the CCAs. These organizations offered existing expertise and relationships with local communities that allowed them to gain buy-in from municipalities to pursue CCA formation.

### 5.2.2 Working with Non-Profits and Trade Organizations

IGAs allow for joint procurement of electricity supply across multiple communities within a CCA. An additional model is to facilitate cooperation across multiple CCAs through a nonprofit or trade organization. To our knowledge, state-level CCA organizations only exist in California and Massachusetts, and LEAN Energy U.S. has emerged as a national-level CCA-focused organization.

[22] In a Solarize campaign, a community group negotiates with PV installers on behalf of the community's residents. Through bulk purchasing, Solarize campaigns can help customers obtain lower prices for rooftop PV systems.

In California, the trade organization California Community Choice Association (CalCCA) currently works on behalf of 18 member CCAs. It lobbies on key CCA policy issues in California, including CCA procurement autonomy, support of CCA growth, and exit fees (see Section 5.7). CalCCA member CCAs interact with each other through numerous thematic committees, including a regulatory committee, a marketing committee, and a procurement committee. Several interviewees stated that CalCCA played a key role in the growth of California CCAs. Small CCAs, in particular, benefit from the ability to draw on regulatory resources from CalCCA that may be cost-prohibitive to bring in house.

In Massachusetts, the Green Energy Consumers Alliance (formerly known as the Mass Energy Consumers Alliance) is a nonprofit organization administering multiple energy and sustainability programs. In 2017, the Alliance began assisting CCAs with renewable energy procurement. The Alliance facilitates REC sales between CCA suppliers and in-state renewable energy projects, primarily from wind. Because Green Energy Consumers Alliance is a nonprofit, the voluntary green power portion of CCA customer electricity bills is tax-deductible, effectively lowering voluntary green power premiums for CCAs that use the Alliance's services. The Alliance also provides various educational services to CCAs, and it plans to offer additional services such as electric vehicle charging programs and rooftop solar programs in the future.

At the national level, LEAN Energy U.S. provides a variety of services to CCAs and policymakers, including outreach, consulting during program development, and consulting on regulatory and legislative affairs. LEAN Energy U.S. also serves as a CCA information clearinghouse, providing educational materials about CCAs and tracking CCA policy developments in states with enabling legislation and states that are considering CCA policies.

## 5.3 Local Renewable Energy Procurement

All CCA interviewees reported high levels of CCA and customer interest in local renewable energy and local solar in particular. Meeting demands for local renewable energy poses particular challenges to CCAs that vary across restructured and regulated markets.

In restructured markets, CCAs procure electricity through competitive suppliers, and thus must work through their suppliers to procure local renewable energy. The ability of CCAs to procure local renewable energy can be restricted by state policies on contract lengths. For instance, CCAs in Ohio are restricted to signing supply contracts of no more than three years. CCA procurement of short-term contracts reduces the ability of competitive suppliers to procure long-term contracts for local renewables on behalf of CCAs in Ohio and other restructured market states. As a result, CCAs in these states have relied on short-term unbundled REC purchases to supply their voluntary green power portfolios. CCA interviewees from restructured markets did not identify clear pathways to increase local renewable energy procurement.

On the other hand, California CCAs can enter into long-term contracts with local renewable energy developers. Indeed, by 2021, CCAs and all other California load-serving entities are required by statute to procure at least 65% of their RPS-compliant renewable energy through either contracts of longer than 10 years or CCA-owned resources. Long-term contracts provide the opportunity for CCAs to (1) participate, either as a project sponsor or power offtaker, in the construction of new renewable energy facilities and (2) benefit from historically low renewable energy prices. However, the push for local renewable energy is creating pressure for CCAs to

find ways to finance these long-term contracts. Some California CCAs are seeking credit ratings in order to obtain low-cost financing. In 2018, MCE became the first CCA to obtain an investment grade credit rating, suggesting that other CCAs may be able to pursue a similar path. One California CCA interviewee suggested that financing did not present a major hurdle to CCAs as long as the CCA had a healthy financial standing and significant reserves. In fact, Sonoma Clean Power and Lancaster Choice Energy procured 32% and 14% of their RPS-compliant renewable energy in 2017 through long-term contracts, respectively, despite not having a credit rating (Gattaciecca, DeShazo, and Trumbull 2018).

Several CCA interviewees expressed interest in offering community solar as a means of procuring local solar. In the community solar model, a group of customers "subscribe" to the output of a single shared solar PV project. Community solar is growing rapidly around the country, due to strong customer interest and favorable incentives, among other factors (O'Shaughnessy, Heeter, and Sauer 2018). To our knowledge, MCE in California is the only CCA to have implemented a community solar project, to date. The MCE Local Sol program offers CCA customers the opportunity to subscribe to shares of a 1-MW PV array. Westchester Power in New York is also exploring how to integrate community solar into its electricity portfolio. But there are several models through which CCAs may use community solar to support local solar development:

- CCA-wide community solar: A CCA could develop a community solar project and automatically enroll all customers. Community solar bill credits and RECs could be evenly distributed to all CCA customers. An opt-out community solar model has not been tested, and it is unclear whether such a model could attract the project financing needed to support community solar deployment.
- Opt-in community solar: A CCA could develop a community solar project and allow CCA customers to opt into the project. Community solar bill credits and RECs could be distributed to the subscribers only. This is the model for MCE's Local Sol community solar program.
- Neighborhood community solar: For larger CCAs, the CCA could facilitate community solar development at the neighborhood level. This structure could partition the CCA into neighborhood blocks and automatically enroll residents within specific blocks into community solar projects.

## 5.4 Customer Awareness

Most retail electricity customers, particularly residential customers, have a limited understanding of their electricity supply. According to CCA interviewees, most customers have a similarly basic understanding of aggregation and its implications for customers. Indeed, CCA interviewees report that most customers are largely unaware that any change has occurred after CCA implementation, even if the CCA mails multiple notices and engages in a robust community outreach campaign.

Lack of customer awareness can pose challenges to CCAs for several reasons. Lack of customer awareness creates opportunities for misunderstanding and misinformation. Particularly in California, where regulatory proceedings concerning exit fees and other policy decisions have made CCAs more publicly salient, stakeholder interviewees stated that misunderstandings and

misinformation could undermine future CCA growth. Lack of customer awareness can affect customer opt-out rates. Several CCA interviewees reported that some customers immediately opt out of the program, before realizing the CCA offered lower rates than basic service and opting back into the CCA. Trade organizations like CalCCA and other CCA-focused organizations can play a key role in increasing customer awareness of the accurate benefits and costs of CCA participation.

In restructured markets, lack of customer awareness could lead customers to equate CCAs with competitive suppliers. This association could burden CCAs with some of the reputational baggage of competitive suppliers. A 2018 report commissioned by the Massachusetts Attorney General's Office (Baldwin 2018) found that competitive supplier rates were generally higher than basic service rates. The report detailed unfair and deceptive practices reported by customers and notes that low-income customers may be particularly adversely affected by competitive supplier tactics. Similar issues have been identified with competitive suppliers in other states. CCA interviewees expressed concern that customers' and policymakers' perceptions of competitive suppliers could affect future prospects for CCAs. Declining public trust in competitive suppliers may also present an opportunity for CCAs; by negotiating with suppliers on behalf of retail customers, CCAs may offer increased customer protection in restructured electricity markets. However, it is important to note that some customers may prefer to work directly with competitive suppliers and continue to have the option to do so after CCA formation. Furthermore, like CCAs, competitive suppliers have been key actors in U.S. voluntary green power markets, selling around 18 million MWh of voluntary green power in 2017 (O'Shaughnessy, Heeter, and Sauer 2018).

Lack of customer awareness poses unique challenges to CCAs that offer voluntary green power products. CCAs that offer opt-out voluntary green power products may face challenges in describing the products in ways that customers can easily understand. Many CCAs use some mix of local, regional, and nationally sourced renewable energy in their voluntary green power products. These blended products create opportunities for customer confusion, especially given lack of customer familiarity with RECs. For instance, a common structure is a product composed of 1% local renewables and 99% nationally sourced renewables, typically through unbundled wind RECs. This type of product could be opaque and possibly deceiving. Such a product could be marketed as "local" when in fact the electricity portfolio primarily comprises out-of-state renewable energy content. To ensure ongoing consumer confidence in CCAs, it is important for CCAs to clearly explain their electricity portfolios and the rationale behind procurement decisions. Some states, such as California, require CCAs and incumbent utilities to report power content to their customers at least annually.

To increase customer awareness, some CCAs dedicate resources to customer education. For instance, several CCAs in California have formed (1) community advisory committees to gather input from CCA customers and (2) dedicated marketing teams committed to customer education and outreach. Some CCAs, such as CalCCA in California and the Green Energy Consumers Alliance in Massachusetts work with third parties to enhance customer awareness. In particular, interviewees from CCAs that offer local voluntary green power products reported active customer education efforts to inform customers about renewable energy resources and the benefits of voluntary green power procurement. For instance, the Green Energy Consumers Alliance offers tours of wind turbine sites to CCA customers. However, not all CCAs prioritize

customer education. Indeed, one CCA interviewee stated that excessive customer outreach can backfire if customers become weary of CCA correspondence and decide to opt out. A key challenge for CCAs is striking an optimal balance of customer awareness and acceptable levels of outreach.

## 5.5 Customer Opt Out

All active CCAs operate as opt-out programs. However, specific requirements for how customers are enrolled into CCAs and may opt out of CCAs vary according to state and CCA policies. Some of these policies pose challenges for CCAs to maintain a stable customer base.

State policies generally require a similar process for initial customer enrollment. During CCA implementation, new CCAs must provide multiple notices to customers that their electricity supply is being shifted to the CCA. CCAs are required to inform customers of their options and describe the process to opt out. CCAs are prohibited from charging customers any opt-out fees during the initial enrollment phase. In restructured markets, CCAs may be prohibited from enrolling customers that have already switched from basic service to a competitive supplier. In partially restructured markets, CCAs may similarly be prohibited from enrolling large non-residential customers with direct access exemptions or they or choose not to do so. Some CCAs also reported excluding customers on low-income rates during CCA enrollment.

Policies vary in terms of how to treat new customers that move into the CCA service area:

- In California, move-in customers are automatically enrolled into the CCA. CCAs are required to provide at least two opt-out notices to move-in customers.
- In Illinois and Ohio, move-in customers are automatically enrolled onto utility basic service. As a result, CCAs gradually lose load as customers move out and are replaced by move-in customers enrolled into basic service. This gradual customer turnover may be particularly common in urban areas with more transient populations. For instance, the City of Cincinnati CCA reports losing a few thousand customers per month due to customer move-outs.
- In Massachusetts, move-in customers are initially enrolled into basic service and provided notice about the CCA. Customers may be automatically enrolled into the CCA 30 days after receiving the notice.

CCAs address the issue of default enrollment of move-in customers into basic utility service by conducting periodic "sweeps" to enroll basic service customers into the CCA. During a sweep, move-in customers are automatically enrolled into a CCA and provided notices of opportunity to opt out. For instance, the City of Cincinnati conducts a sweep every six months to enroll new move-in customers (Figure 12, page 29). Sweeps introduce additional administrative and cost challenges that depend on who is responsible for conducting the sweeps. For CCAs that work directly with competitive suppliers, the supplier is responsible for the sweeps and may factor the cost of the sweeps into the electricity rate. In this case, the incentives of the competitive supplier align with those of the CCA; the supplier wants to enroll and serve as many customers as possible. For CCAs that contract with energy consultants, the consultant may conduct the sweeps and charge the CCA for the service. In this case, some interviewees reported that the incentives of the consultant do not necessarily align with those of the CCA; the consultant gets paid

regardless of how many customers are swept into the CCA. In both cases, the requirement to conduct periodic sweeps increases program costs. It is unclear why the restructured market states do not follow the California model and automatically enroll move-in and competitive supplier customers into the CCAs.

In restructured markets, CCA customers may opt out in order to switch to other competitive suppliers, particularly if an alternative supplier can offer a lower rate than the CCA. If a CCA customer switches to a competitive supplier with a short-term offer, it may be unclear what happens to the customer after the contract has expired. In Massachusetts, for example, such customers are automatically shifted back to utility basic service at the end of their competitive supplier contract. As with move-in customers, these customers must be enrolled back into the CCA through periodic sweeps.

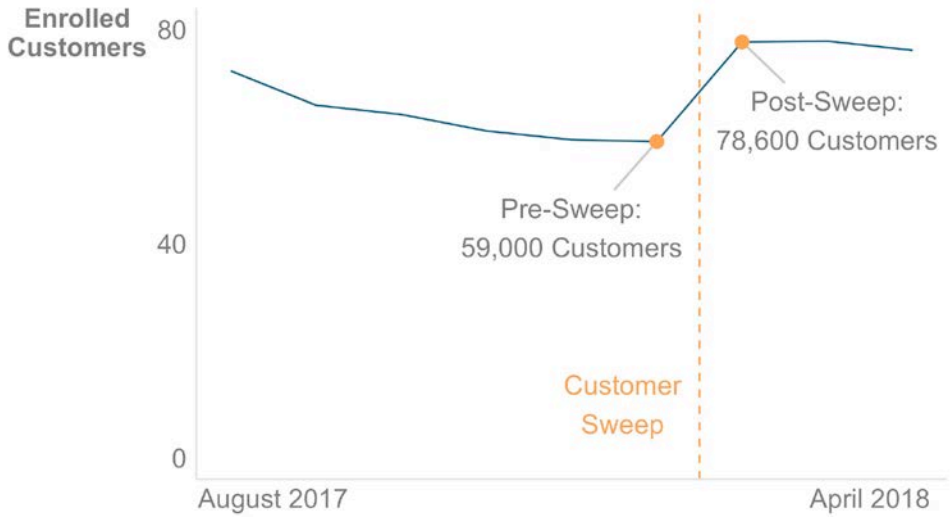


**Figure 12. Number of enrolled customers in Cincinnati CCA before and after a customer sweep**

Source: Based on data provided by the City of Cincinnati (2018)

## 5.6 Policies for CCA Suspension or Dissolution

CCAs can suspend power supply to their customers or can disband entirely. In restructured markets, this process is theoretically straightforward. Policies in restructured markets stipulate that local utilities are providers of last resort, meaning utilities are obligated to serve customers that leave competitive suppliers. When a CCA suspends service or dissolves in a restructured market, customers are reverted onto the basic service of the local utility. To prevent load and cost volatility, some states require customers to remain with the utility for at least 12 months after switching from a competitive supplier.

The ability to suspend CCA service may be a useful feature in restructured markets, as it allows CCAs to flexibly respond to changes in basic service rates. For instance, a CCA may choose to suspend service if an RFP does not yield a competitive rate, in which case the CCA's customers could save money by reverting to basic service. A suspended CCA could potentially monitor basic service rates and issue a new RFP once supplier rates have become competitive again. However, the ability of CCAs to suspend and restart operations may need to be clearly delineated in enabling legislation. For instance, in Massachusetts, CCAs that stop serving customers, even

temporarily, are currently required to dissolve the CCA entirely. Such requirements force CCAs to reincur start-up costs each time a CCA is dissolved and restarted. This type of policy may incentivize CCAs to remain active, even when a temporary suspension of the program could be more cost-effective for their customers.

The challenge of CCA suspension or dissolution is potentially more complicated in regulated markets such as California. Regulated markets may not have explicit policies stating that utilities are providers of last resort, as exist in restructured markets. In California, the California Public Utility Commission (CPUC) has opined that the state's utilities are the "presumed" providers of last resort (Colvin et al. 2018). However, the utilities have called on the CPUC to "re-examine" this assumption in light of declining utility load bases (PG&E and SDG&E 2018). These unresolved questions may create regulatory uncertainty for CCAs in regulated markets. Furthermore, CCAs in regulated markets may hold various long-term contracts for generation. In the event of a CCA bankruptcy or dissolution, additional policy mechanisms may need to be in place to ensure these contracts are transferable in a way that ensures ongoing grid reliability.

## 5.7 Challenges in Regulated Markets

California and Virginia are the only states with predominantly regulated retail electricity markets that currently allow CCAs, though several other regulated market states have considered enabling legislation (LEAN Energy U.S. 2018). The fact that no other regulated market states have implemented CCA-enabling legislation may indicate the considerable challenges facing CCAs in regulated markets, including but not limited to significant opposition from investor-owned utilities. CCAs have expanded rapidly in California but have not been implemented in Virginia.

California restructured its electricity markets in the 1990s but suspended restructuring efforts following the energy crisis of 2001. As a result, California is unique among electricity markets: its investor-owned utilities primarily procure energy through long-term contracts with independent power producers; wholesale electricity markets remain deregulated; and some large non-residential customers may procure supply directly from non-utility providers (CPUC 2018a). CCAs in other regulated markets may face unique sets of challenges. However, at least two salient challenges facing California CCAs may be universal in regulated markets: problems associated with cost allocation and issues associated with resource adequacy.

### *5.7.1 Legacy Cost Allocation*

In regulated markets, utilities have historically invested in generation and capacity on behalf of the customers in their service territories. Utilities recoup these investments through customer bill payments. When a CCA is formed, the utilities' ability to recover costs through customer electricity payments has diminished, but the sunk investments have not. As a result, CCA policies in regulated markets need to identify how utilities will be compensated for "legacy costs" when customers are enrolled into CCAs, similar to transition fees when electric markets have gone from regulated to restructured.

In California, legacy utility costs are recovered through a mechanism known as the power charge indifference adjustment (PCIA). The PCIA estimates the price difference between the average electricity portfolio cost of the investor-owned utility and the current market value of electricity, also called the market price benchmark (Gattaciecca, Trumbull, and DeShazo 2017). The PCIA

was established as an interim solution when the amount of load that could potentially leave the utilities was capped. The PCIA methodology has been discussed and criticized by many stakeholders (CPUC 2018b). CCAs argue the PCIA suffers from high volatility and lack of transparency, predictability, accuracy, and efficacy (Gattaciecca, Trumbull, and DeShazo 2017). California investor-owned utilities have argued the existing PCIA is too low (PG&E and SDG&E 2018). An excessively low PCIA can result in cross-subsidization, where CCA customer rates are lower at the expense of customers that remain on basic utility service. PG&E estimates that the current PCIA methodology results in an approximately $200 million CCA cross-subsidization in its service territory (PG&E and SDG&E 2018). This dynamic can generate a positive feedback loop: as more customers move to CCAs, basic service rates have to increase to compensate for the under-estimated cost adjustment factored into the PCIA, thus incentivizing more communities to form CCAs. This feedback loop could pose a challenge to utilities facing load loss to CCAs as well as to utility customers in areas not served by CCAs.

The CPUC has recently proposed to revise the inputs used to calculate the market price benchmark (CPUC 2018b). The CPUC proposes an annual true-up mechanism and a cap to provide rate stability and predictability. The CPUC also opened a second phase of this proceeding to consider alternative solutions to address excess resources in utility electricity portfolios. The solution is expected to be based on a voluntary market-based redistribution of these resources in which CCAs are allowed to buy long-term contracts from the utilities. Through this structure, investor-owned utilities could be unburdened of long-term contracts that are no longer economical, and CCAs could be able to buy long-term contracts along with their non-energy attributes, including RECs and resource adequacy attributes. The voluntary transfer of uneconomical renewable energy long-term contracts could help CCAs comply with the RPS, resource adequacy requirements, and SB 350, while reducing the price level of the PCIA.

At the time of publication, the CPUC had recently ruled to increase PCIA rates by 1% to 5% depending on the service area. The impacts of the PCIA adjustment on the expansion of CCAs in California is still uncertain. At a minimum, the PCIA increase may affect California CCA rates.

### 5.7.2 Resource Adequacy

Resource adequacy refers to the ability of the generation resources on a grid to supply electricity during peak events. In regulated markets, utilities are required to demonstrate resource adequacy and can rate base investments in system capacity. CCA-enabling legislation may need to define the resource adequacy obligations of utilities and CCAs in regulated markets.

In California, all load-serving entities are subject to the three types of resource adequacy requirements: system resource adequacy (115% of peak demand), local resource adequacy (in areas with transmission limitations), and flexible resource adequacy (ability to meet the largest three-hour continuous ramp) (CPUC 2017). These three types of resource adequacy requirements are in place to ensure all load-serving entities have the right amount and type of resources available to constantly meet demand, while addressing intermittency and ramping challenges resulting from higher penetrations of renewable energy, maintaining grid stability and reliability, and decreasing the need for long distance transmission lines (Gattaciecca, DeShazo, and Trumbull 2018). A recent CPUC report identified CCAs as one of several challenges to California resource adequacy (CPUC 2018a). Specifically, the CPUC found that new CCAs do not initially participate in the year-ahead resource adequacy process. The delayed entry of CCAs

into the year-ahead resource adequacy process temporarily shifts resource adequacy obligations to the utilities until new CCAs file their implementation plans. See Gattaciecca, DeShazo, and Trumbull (2018) for further information on and analysis of California resource adequacy requirements.

### 5.7.3 Public Utility Commission Jurisdiction and Fragmentation

Utilities are regulated by state-level regulatory entities generally known as public utility commissions. State policymakers can enact state-level energy policy initiatives such as PV rebates and energy efficiency programs, which then are implemented by the utility commission (Colvin et al. 2018). CCAs in California have argued that, like municipal utilities, certain elements of utility commission jurisdiction do not extend to "new market actors" such as CCAs (CalCCA 2018b).[23] If so, CCA formation reduces the jurisdictional reach of utility commissions over rate design, ratemaking, and some procurement decisions made by CCAs' board, which is composed of elected officials. The CPUC has referred to this phenomenon as "fragmentation" (Colvin et al. 2018). The potential implications of fragmentation remain uncertain in regulated electricity markets. At the very least, it is clear that fragmentation reduces state-level control over load-serving entities (Colvin et al. 2018; PG&E and SDG&E 2018).

Fragmentation could force utility commissions to reexamine regulations and the roles of investor-owned utilities and other load-serving entities, particularly with respect to resource procurement and resource adequacy (Colvin et al. 2018). However, it does not necessarily follow that fragmentation undermines state energy policy objectives. For instance, CalCCA (2018b) argues that California CCAs treat state renewable energy policies as "targets to meet or exceed." CCAs are required to comply with the state's resource adequacy and RPS requirements and submit integrated resource plans to the CPUC every two years for certification.

[23] In public comments, CalCCA states, "The [CPUC] is an agency of constitutional origin that is tasked with regulating the state's [investor-owned utilities]… It is critical that the CPUC continue to focus on this enormous task rather than seek expansion of its oversight function to new market actors in the absence of any clear need or consumer harm."

# 6 Conclusion

CCAs could reshape U.S. electricity markets and electricity portfolios. Already, CCAs procure around 42 million MWh per year on behalf of about 5 million customers. CCAs may have already begun to reshape electricity portfolios by demanding more renewable energy than is required by state mandates. In 2017, we estimate that CCAs procured about 8.9 million MWh of renewable energy above and beyond levels required by state mandates. We estimate that an expansion of CCAs into more states could result in CCAs being responsible for as much as 20% of U.S. residential and commercial load and could increase demand for renewable energy by as much as 53 million MWh per year.

However, CCAs face various challenges and regulatory constraints. We identify six challenges facing CCAs in general and several challenges facing CCAs in regulated markets in particular:

- *Maintaining cost savings*: CCAs must find ways to offer competitive rates to their customers, otherwise customers may opt out in search of lower electricity prices. To date, CCAs have largely met this challenge, with most CCAs offering rates lower than utility rates.
- *Balancing local autonomy and regional cooperation*: Communities face tradeoffs between aggregating customers within a single jurisdiction (e.g., town level) versus aggregating across multiple jurisdictions (e.g., county level). Aggregating a single jurisdiction ensure high levels of autonomy over electricity supply and rates, while aggregating across jurisdictions can yield economies of scale and allow CCAs to offer more services. CCAs have used contractual structures such as joint powers agreements to aggregate across multiple jurisdictions, particularly in California. Some state- and national-level organizations have emerged to facilitate cooperation among CCAs.
- *Local renewable energy procurement*: All CCA interviewees expressed interest in increased procurement of local renewable energy. For CCAs in restructured electricity markets, inability to sign long-term contracts poses a challenge to local renewable energy procurement. However CCAs in restructured markets are exploring and implementing innovative ways to procure local renewables, such as through trust funds for local projects and community solar. In regulated electricity markets, CCAs are increasingly signing long-term contracts for local renewable energy, especially as CCAs mature and improve financial standing with creditors.
- *Customer awareness*: CCA is a new and relatively unknown concept. Interviewees reported that most CCA customers are unaware that any change has occurred in their electricity service. Interviewees reported that many CCAs and CCA organizations have implemented informational campaigns to increase customer awareness about CCAs and, in some cases, about CCA renewable energy procurement in particular.
- *Customer enrollment*: State-level policies determine how CCAs enroll customers that move into a CCA's service territory after CCA implementation. In certain states, move-in customers automatically enrolled into utility basic service rather than into the CCA. In these states, CCAs have addressed this issue by enrolling move-in customers through periodic "sweeps," though these sweeps may increase program costs.

- *Policies for CCA suspension or dissolution*: Some communities have suspended or dissolved CCAs. The ability of communities to suspend CCAs may be beneficial in some cases, allowing communities to respond to changing market conditions in ways that benefit the community's residents. At the same time, CCA suspension or dissolution may undermine project developer and investor confidence in CCA investments.
- *Challenges specific to regulated markets*: California is the only regulated electricity market state with active CCAs. CCAs face challenges in California that are largely unique among the CCA states. California CCAs are required to pay fees designed to compensate utilities for sunk investments in long-term contracts signed on behalf of CCA customers, commonly known as exit fees. The determination of these fees can be contentious, as over- or under-estimation of the fees can favor utilities or CCAs, respectively. California CCAs are also subject to resource adequacy requirements that obligate CCAs to enter into long-term contracts. These and other issues are areas of ongoing discussion in California.

We have presented a rough initial estimate of the potential future expansion of CCAs and how that expansion could increase demand for voluntary green power. Ultimately, CCA adoption and voluntary green power procurement depends on numerous and often intangible local variables that preclude any accurate estimation of the potential impacts of CCAs. A more accurate assessment of the potential impacts of CCAs on electricity portfolios and renewable energy supply would require more complex modeling beyond the scope of our study. Future studies can build on our analysis to develop a broader set of characteristics that predict CCA expansion and voluntary green power adoption. We focused exclusively on impacts on renewable energy supply in electricity portfolios. Future research could analyze how CCAs may affect the prevalence of other non-renewable resources in electricity portfolios, such as natural gas, coal, and nuclear. Future work can explore the grid impacts of CCA expansion more generally, such as how CCA expansion could affect resource adequacy. Future work could further explore the changing roles of investor-owned utilities in areas with high levels of CCA penetration.

There remain unanswered questions concerning how CCAs may affect electricity markets and electricity portfolios in the United States. Regardless of the answers, CCAs are moving forward. The ongoing policy deliberations in California represent the early stages of stakeholders' attempts to address the challenges and opportunities created by CCAs. Integrating CCAs into electricity markets will require collaboration across a diverse set of stakeholders, including CCAs, utilities, public utility commissions, policymakers, customer advocates, and environmental groups. Our analysis is a first attempt to advance this collaboration and promote the responsible and effective integration of CCAs into electricity and voluntary green power markets across the United States.

# Glossary

**Basic service:** Electricity service provided by local utility. In the absence of a CCA, basic service is generally the customer's default service, so that customers are automatically enrolled into basic service if they do not choose otherwise.

**Community choice aggregation:** Local governmental entity that procures electricity on behalf of retail electricity customers within a certain geographic area.

**Competitive supplier:** Licensed load-serving entities that can compete with utilities to provide electricity generation services in restructured electricity markets.

**Direct access:** Provisions in regulated markets allowing certain customers to procure electricity generation from non-utility electricity service providers.

**Electricity portfolio:** The mix of resources used by a load-serving entity to generate and sell electricity to retail customers.

**Opt out:** Provision allowing CCAs to act as default providers of electricity. Customers may opt *out* of a CCA and return to basic service.

**Regulated electricity market:** Electricity market where regulated utilities are the only providers of transmission, distribution, and electricity generation services.

**RPS (renewable portfolio standard):** State policy requiring that utilities and other electricity generation service providers procure a minimum percentage of generation from renewable energy.

**Restructured electricity market:** Electricity market where non-utility entities (competitive suppliers) can compete with utilities to provide electricity generation services.

**Voluntary green power:** Renewable energy procurement in excess of an RPS.

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# Appendix. Summary of State CCA Policies, Data, and Key Trends

This appendix provides a state-by-state summary of policies, trends, and key issues in the eight states with CCA-enabling legislation, as well as an explanation of the data sources behind the statistics presented in the report.

## California

### Policy

In 2002, the California State Legislature passed Assembly Bill 117 allowing the creation of opt-out CCAs. It allows CCAs to form only in the service territories of the state's investor-owned utilities, covering roughly two-thirds of the state's grid. Customers are automatically enrolled after a minimum of four notifications spanning 120 days but may return to basic utility service at any time, sometimes with a small service fee. Customers opting out after the 120-day enrollment period must remain with the utility for a period of 12 months before they are able to return to CCA service. Gattaciecca, Trumbull, and DeShazo (2017a) provide a comprehensive summary of California CCA policy.

### Status

To date, 18 CCAs are operational in California, with more than half of them launching within the last two years. An additional five CCAs will launch in the coming years, while 8 counties and 11 cities are currently investigating the feasibility of forming a CCA (LEAN Energy U.S. 2018). CCAs, which are expanding rapidly in California, already serve roughly 10% of California customers and are expected to serve up to 16% of the state load in 2020 (Gattaciecca, DeShazo, and Trumbull 2018). Looking forward, the three main investor-owned utilities expect 85% of load departure by 2030 to be due to the launch of new CCAs, the reopening of direct access, energy efficiency, and behind-the-meter generation.

One fundamental characteristic of California CCAs is that they offer their customers multiple products to choose from: often, a default product that is greener than the incumbent utility's basic service and a 100% renewable energy product. CCAs offer electricity to their communities with renewable energy content ranging from 37% to 100%, and with a statewide average of 52% in 2017. In comparison, investor-owned utilities reported producing 32%–44% of their electricity from renewable energy in 2017.

### Key Issues

CCAs in California have indirectly increased the amount of voluntary green power in investor-owned utility electricity portfolios. Because investor-owned utilities have renewable energy in long-term contracts, the load departure to CCAs has increased de facto the utilities' renewable energy share over a smaller customer base. The California Public Utility Commission (CPUC) expects investor-owned utilities in California to have collectively over 50% renewable energy by 2020 (Gattaciecca, DeShazo, and Trumbull 2018).

A key ongoing issue in California is the determination of the Power Charge Indifference Adjustment fee, commonly referred to as an "exit" fee. The exit fee is designed to ensure that customers that leave utilities continue to pay for sunk utility costs, leaving the remaining

customers financially indifferent to load departure (Gattaciecca, Trumbull, and DeShazo 2017). CPUC is working with all stakeholders to improve the methodology behind the exit fee and to ways to reduce the number of uneconomical contracts in incumbent utility electricity portfolios. We discuss the exit fee in depth in Section 5.7.1.

Competition between CCAs and utilities in California led to the creation of a Code of Conduct in 2012. The code regulates utility interactions with CCAs, including the restriction of marketing and lobbying activities against CCAs. The competitive relationship between CCAs and investor-owned utilities also pushed CCAs in California to become more informed and proactive regarding energy procurement, and regulatory and legislative issues than other states (Gattaciecca, Trumbull, and DeShazo 2017a).

Finally, CCAs are required to comply with several pieces of legislation, similar to utilities, including but not limited to the RPS, Senate Bill 350, which sets renewable energy targets and long-term contracting mandates, and resource adequacy requirements. This has led most CCAs that launch with short-term power contracts to increase the proportion of long-term contracts in their electricity portfolio as they mature (Gattaciecca, DeShazo, and Trumbull 2018).

### Data

Default power sales, out-of-state power, and green power sales are calculated using data from the California Energy Commission's Power Source Disclosure[24] program for each operational CCA in 2017. Data on the number of customers for each CCA were obtained directly from each respective California CCA.

## Illinois

### Policy

Illinois passed legislation to allow the formation of CCAs in 2009 under House Bill 0722. Move-in customers are initially enrolled into basic service by default but can be automatically enrolled into CCAs through periodic sweeps. It is unclear whether CCAs are allowed to charge cancellation or reentry fees under the CCA policy. However, according to an interview with Vistra Energy (a competitive supplier), Illinois CCAs are not levying cancellation or reentry fees.

### Status

Illinois remains the largest CCA market in terms of sales, with about 16 million MWh in 2017, though the market shrunk between 2014 and 2016. About 490 CCAs were active in Illinois as of the end of 2017. The number of active CCAs is rebounding as utility basic service rates increase.

### Key Issues

Illinois CCAs were originally able to offer highly competitive rates with cost savings as high as $0.03/kWh (LEAN Energy U.S. 2018) in 2012 and 2013. As a result, CCA sales surged from 2011 to 2013, making Illinois the national CCA leader in terms of sales and customer base. Annual CCA sales peaked at about 25 million MWh in 2014. Annual voluntary green power CCA sales peaked at about 7.8 million MWh in 2013. CCA expansion stalled as the competitive

[24] See www.energy.ca.gov/pcl.

edge of CCA rates eroded over time (see Figure 11). Annual CCA sales fell from a peak of about 25 million MWh in 2014 to 16 million MWh in 2017. Voluntary green power sales have fallen even more significantly, from a peak of about 7.8 million MWh in 2013 to 3.5 million MWh in 2017. This shift is driven by changes in basic service rates. The basic service rate fell from an average of $0.065/kWh in 2011 to $0.052/kWh in 2014. Some communities chose to disaggregate as CCAs lost their competitive edge. Other communities chose to remain aggregated but dropped the voluntary green power portion of their electricity portfolio in order to reduce costs. The basic service rate has increased steadily since 2014 and Illinois is seeing a resurgence of CCAs, but it is unclear whether CCAs will rebound to 2013–2014 levels.

### Data

The number of projects as of December 2017 (490) is based on the number of CCAs in Municipal Aggregation List with a status of "Supplier Chosen" as of the end of 2017 (ICC 2018a). Default power sales and customers are based on data from ICC (2018a; 2018c). Voluntary green power data are based on data from ICC (2018a) and supply information from Homefield Energy (2018). Additional information on Illinois CCAs was gathered through an interview with Vistra Energy.

## Massachusetts

### Policy

Massachusetts passed CCA-enabling legislation in 1997 under the Utility Restructuring Act. CCAs are prohibited from charging cancellation or reentry fees during an initial 180-day opt-out period. Move-in customers are initially enrolled into basic service before being automatically enrolled into the CCA following an opt-out period. Massachusetts CCAs must be developed in consultation with the Department of Energy Resources and approved by the Department of Public Utilities.

### Status

About 190 CCAs are operational in Massachusetts. Most of them represent single townships; two exceptions are the Cape Light Compact (comprising 21 towns in the Cape Cod area) and Mass CEA (comprising 23 towns in eastern Massachusetts). Most CCAs emphasize customer bill savings rather than voluntary green power procurement (LEAN Energy U.S. 2018). About 35 CCAs in Massachusetts offer voluntary green power. The City of Boston has issued a request for qualifications as a first step toward implementing a CCA with a focus on clean energy integration (Lillian 2018).

### Key Issues

According to interviewees, a key issue facing Massachusetts CCAs is an ongoing debate about retail electricity competition in the state. In 2018, the Massachusetts Attorney General's Office issued a report concluding that retail electricity restructuring has been largely harmful for retail electricity customers (Baldwin 2018). The report concluded that retail electricity customers on competitive supplier service pay higher rates, on average, than customers on basic service, and it recommends the dissolution of the state's competitive retail electricity markets. The report explicitly excludes CCAs, however interviewees expressed concern that the fallout could affect the future of CCAs in the state.

A second key issue, largely unique to Massachusetts, stems from the fact that the state is split into three load zones: NEMA in northeastern Massachusetts, SEMA in southeastern Massachusetts, and WCMA in western/central Massachusetts. The state's investor-owned utilities serve customers in multiple load zones and are allowed to distribute costs across load zones. In contrast, a CCA situated entirely within a single load zone must recoup costs within that load zone. This situation grants a cost advantage to the utilities under certain conditions. For instance, if capacity costs increase in NEMA, a utility can spread the cost increase across its customers in all three load zones, such that customers in SEMA and WCMA effectively subsidize the customers in NEMA. However, a CCA in NEMA would need to pass the capacity costs through to its customers in NEMA, such that the CCA's customers bear the full capacity cost increase. This type of situation drove the City of Melrose to suspend its CCA in 2017, as rising capacity costs drove all competitive supplier rates above basic service rates.

### Data

Default power results are based on annual CCA filings with the Massachusetts Department of Public Utilities. Voluntary green power data are based on survey data obtained from Cape Light Compact and Colonial Power Group, a supplier for several CCAs in Massachusetts. Other Massachusetts results are based on interviews with Cape Light Compact and Colonial Power Group.

## New Jersey

### Policy

New Jersey passed CCA-enabling legislation in 2002 under the Government Energy Aggregation Act. Unlike other states' legislation, New Jersey's legislation initially called for an opt-in structure, where retail electricity customers would need to opt into rather than out of the CCA. The opt-in structure prevented the emergence of a New Jersey CCA market. Legislative reform removed the opt-in requirements in 2012, and the state's first CCA formed in the same year (LEAN Energy U.S. 2018).

### Status

There are currently about 15 CCAs serving 53 municipalities in New Jersey.

### Data

New Jersey estimates are based on data compiled from three aggregator client lists:

- BGS-Auction: "New Jersey Municipalities with Government Energy Aggregation Programs, July 2017," http://www.bgs-auction.com/documents/EDC_Municipal_Aggregation_Programs_July_2017.pdf
- Commercial Utility Consultants: "Client List," https://www.commercialutility.com/clients.html
- New Jersey Aggregation: "Client List," https://www.njaggregation.us/client_list.html.

Because data were not directly available from New Jersey, survey data and U.S. Census data for Massachusetts were used to estimate CCA participation rates in New Jersey. CCA customers and

sales were then estimated for New Jersey CCAs based on housing unit information from the U.S. Census and average household electricity use in New Jersey (EIA 2016b).

# New York

### Policy

New York is the most recent state to enact CCA-enabling legislation, passing the legislation in 2014 as part of the state's broader energy policy initiative known as the Reforming the Energy Vision. A subsequent New York Public Service Commission order delineates the state's opt-out provisions (NY PSC 2016a). CCAs must allow for a 30-day opt-out period and are prohibited from charging cancellation fees within the first three billing cycles following CCA implementation. CCAs are required to provide opt-out notices upon contract renewal.

### Status

To date, a single CCA has emerged serving about 855,000 people in Westchester County. The CCA, known as Sustainable Westchester, offers both RPS-compliant and 100% renewable energy packages. Communities in Oneonta and Onondaga Counties are exploring CCAs. Three additional CCAs were approved by the New York Public Service Commission and at least 50 other communities have passed local laws to form CCAs (Binns 2018). An initiative is underway to explore CCAs in New York City.

### Key Issues

In 2016, the New York Public Service Commission implemented an order allowing cities to gradually phase in a CCA (NY PSC 2016b). The phase-in policy may make CCAs more viable in large cities such as New York, by allowing individual communities within the city to aggregate over time (LEAN Energy U.S. 2018).

### Data

All results are based on data from Westchester Power (2018) and an interview with Sustainable Westchester.

# Ohio

### Policy

Ohio passed CCA-enabling legislation in 1999.

### Status

There are currently around 130 active CCAs in Ohio. The largest is the Northeast Ohio Public Energy Council, which comprises around 220 communities in northeast Ohio. Nearly all Ohio CCAs emphasize cost savings rather than voluntary green power content. The Cities of Cincinnati and Cleveland offer default voluntary green power products.

### Key Issues

CCAs are required to lock into three-year contracts. Due to falling energy prices in Ohio, CCA rates established in fixed-rate three-year contracts become less competitive over time. Some

CCAs, including the City of Cincinnati's, have responded by negotiating contracts that decline over time in line with projections for declining energy prices.

Customers that move into a CCA community are automatically enrolled into basic service. CCAs in Ohio must conduct periodic sweeps to maintain customer enrollment.

### Data

Data were obtained directly through survey from CCAs in Cincinnati and Cleveland. We estimated an Ohio CCA participation rate by comparing the survey data with housing unit data from the U.S. Census. The remaining communities with CCAs were identified through data from the Ohio Public Utilities Commission.[25] For these communities, CCA customers and sales were estimated based on the estimated Ohio CCA participation rate and average electricity use in the state of Ohio based on EIA data (EIA 2016b). Some Ohio results are also based on information gathered from an interview with the City of Cincinnati.

## Rhode Island

### Policy

CCAs were first enabled in Rhode Island under the Utility Restructuring Act of 1996. In 1998, the Rhode Island League of Cities and Towns formed the Rhode Island Energy Aggregation Program (REAP), which under RI General Law 45-55-13.2 (1999) was permitted to aggregate electricity and natural gas on behalf of municipalities.

### Status

REAP currently administers a CCA for 32 members, including 28 municipalities, two school districts, and two water supply boards. No CCAs have served residential or small business customers in Rhode Island to date, though doing so is explicitly allowed under the Restructuring Act of 2002 (H 7786). In 2017, H 5536 eliminated a provision requiring individual customers to opt in to aggregation programs and created pathways for opt-out aggregation. Several municipalities have expressed interest in integrating voluntary green power into their CCAs.

### Key Issues

When REAP first began, all participating cities and towns were treated as one unit. REAP administered a single RFP and established a uniform rate for all members. A result of this was that larger municipalities, which would have been able to use economies of scale to procure at lower rates than the uniform rate, were essentially subsidizing rates for smaller municipalities. Over time, REAP allowed more flexibility in member-specific rates and contract terms. Now, cities are able to choose contract lengths of one to three years that are specific to the utilization of each municipality.

While additional flexibility in contract terms helped address the concerns among some participating REAP municipalities, it added complexity that exposed some municipalities to price risk. Some communities locked into relatively high rates by signing contracts in the winter, possibly because of inexperience with electricity markets. Brokers actively promoted their

[25] "Regulated Company List," Public Utilities Commission of Ohio, https://www.puco.ohio.gov/puco/index.cfm/docketing/regulated-company-list/?IndId=29

services to municipalities with high locked-in rates, and some municipalities switched to these services without understanding broker fee structures. Moving forward, REAP plans to hire consultants to help cities and towns lock in rates at optimal times.

Passage of HB 5536 in late 2017 removed several procedural hurdles that previously prevented CCAs from serving residential load in Rhode Island. REAP continues to serve municipal and school district aggregations, but cities and counties are beginning to consider CCAs for their residential and business loads.

### Data

Sales and customers estimates are based on data provided by REAP. Some Rhode Island information is based on an interview with REAP.

## Virginia

### Policy

CCAs are allowed under the Virginia Electric Utility Regulation Act § 56-589 on an opt-in or an opt-out basis. CCAs require authorization through a majority vote by the local jurisdiction.

No CCAs have been implemented in Virginia, to date.

## Policy Trends in Other Prospective CCA States

In Section 4.4, we project the potential impacts of CCAs on voluntary green power demand, assuming four additional states pass CCA-enabling legislation: Connecticut, Nevada, New Hampshire, and Oregon. None of these states has taken concrete legislative steps to enable CCAs, to our knowledge; however, their electricity market structures and recent related legislative activity suggest that CCAs could form part of future state policymaking.

**Connecticut** is a restructured market state, where legislation has been introduced to allow government entities to aggregate their own demand in the past legislative session (S.B. 334, 2018).[26] In addition, the state has higher-than-average electricity prices for its region, below-average customer satisfaction with the primary investor-owned utility (J.D. Power 2017), and high interest in renewables, given the sweeping increase in renewable production standard passed in 2018 (Public Act 18-50).[27]

**Nevada** currently has energy choice for commercial entities. The state is poised to pass a public ballot initiative requiring the state to restructure its energy market. In addition, customer satisfaction with Nevada Energy is below average (J.D. Power 2017).

**New Hampshire** is a restructured market state. It has passed legislation to study the feasibility and technical considerations for statewide 100% renewable energy supply (H.B. 1544, 2018).

[26] An Act Concerning Municipal and State Competitive Procurement of Electricity, Natural Gas, Renewable Energy and other Energy-Related Products by Nonprofit Energy Buying Consortia, S.B. 334, Connecticut General Assembly (2018)
[27] An Act Concerning Connecticut's Future, P.A. No. 18-50, Connecticut General Statute (2018)

**Oregon** is a partially restructured market state allowing choice for commercial entities. In 2017, the state legislative assembly passed S.B. 978,[28] which requires the Oregon Public Utility Commission to investigate emerging industry trends, technologies, and policy drivers. Both this study and further market restructuring could enable the regulatory considerations regarding enabling CCAs. At the same time, there is above-average customer satisfaction with the state's primary investor-owned utilities (J.D. Power 2017), which may dampen community motivation to pursue CCAs. Several cities, however, have expressed interest in customer choice, local control over power supply, and CCAs' economic development potential. CCA legislation is proposed for the 2019 session.

[28] S.B. 978, Oregon Rev. Statute Ch. 741 (2018).

**CCAN Action Fund_FAV_SB315**
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Position: FAV

**Testimony in Support of Senate Bill 315: Electric Industry - Community Choice Energy**
**Senate Finance Committee | February 25, 2020**

**Steven Hershkowitz, CCAN Action Fund Maryland Director**

The Chesapeake Climate Action Network (CCAN) Action Fund supports Senate Bill 315, legislation to empower counties and municipalities across Maryland to make decisions about energy generation that work best for their local ratepayers. We thank Sen. Pamela Beidle for sponsoring this legislation to reduce electricity bills, create clean energy jobs, and reduce our climate pollution.

CCAN Action Fund and our grassroots network throughout Maryland is dedicated to achieving a net zero greenhouse gas emission economy by 2045, as is recommended by the United Nations Intergovernmental Panel on Climate Change (IPCC). To create this future, we must invest in frontline and historically disadvantaged communities, protect workers, create good-paying union jobs, and result in greater wealth and income equality.

Not only does our electricity sector make up about 30% of the state's climate pollution, but it is the key to reducing emissions in the other two large sources of greenhouse gases: transportation and buildings. Climate scientists have championed the concept of "electrify everything" as a way to eliminate the use of fossil fuels to power our cars and heat our buildings. But "electrify everything" is dependent on a zero emissions electricity grid.

The General Assembly took a huge step forward when it passed the Clean Energy Jobs Act last year, requiring 50% clean electricity by 2030. Community Choice Energy (CCE) will give our local governments the ability to build on that success while the state legislature awaits a 2023 study on achieving 100% clean electricity by 2040. According to the U.S. Department of Energy's National Renewable Energy Laboratory, "about 100 CCEs spread across California, Illinois, Massachusetts, New York, and Ohio procure more renewable energy than is required by [state] mandates." They do so while offering lower electricity bills for consumers through bulk purchasing power and economies of scale.

It is a myth that we have to choose between affordability today and a healthy climate tomorrow. CCE demonstrates how we can accomplish both simultaneously, providing an equitable path to a net zero emissions economy.

We urge the Committee to give Senate Bill 315 a favorable report.

**CONTACT**
Steven Hershkowitz, Maryland Director
steven@chesapeakeclimate.org or (310) 941-7886

**CCE_fav_SB315**
Uploaded by: Hodges, Rosemary
Position: FAV

Rosemary Hodges, LCSW-C
103 Hilltop Road
Silver Spring MD 20910
rmhodges103@gmail.com

Committee: Finance
Testimony on: SB 315 - "Community Choice Energy"
Position: Favorable
Hearing Date: February 25, 2020

Thank you for allowing my testimony today. As a Licensed Clinical Social Worker (LCSW-C) for over 20 years with Montgomery County, MD, Department of Health and Human Services (DHHS) in Special Needs Housing, I feel I am particularly knowledgeable about this bill being considered in a way that offers a unique perspective that I would like to bring to the Committee's attention. Community Choice Energy will help to lower energy burdens for low-income households in Maryland and prevent homelessness.

First of all, I would like to strongly urge you to support the proposed Community Choice Energy Act (CCE), also known as Community Choice Aggregation (CCA) Act. It is a program that allows local governments to procure power on behalf of their residents, businesses, and municipal accounts from an alternative supplier while still receiving transmission and distribution service from their existing utility provider. CCEs are an attractive option for communities that want more local control over their electricity sources, more green power than is offered by the default utility, and/or lower electricity prices. By aggregating demand, communities gain leverage to negotiate better rates with competitive suppliers and choose greener power sources.

CCEs are currently authorized in California, Illinois, Ohio, Massachusetts, New Jersey, New York, and Rhode Island. In 2016, community choice aggregations sold about 8.7 billion kilowatt-hours of green power to about 3.3 million customers. A number of other states are also exploring CCEs. To learn more about the status of states' efforts to enact CCE-enabling legislation, visit: http://www.leanenergyus.org/cca-by-state/.

**WILL LOWER ENERGY BURDENS FOR LOW-INCOME HOUSEHOLDS AND PREVENT HOMELESSNESS**

By aggregating a large number of consumers, local governments can purchase electricity at prices significantly below the Standard Offer Service rate, which is the default rate charged by Maryland's utilities.

Based on available evidence, low-income households using third-party supply are being disproportionately harmed. (Maryland's deregulated energy market allows consumers to purchase their energy from third-party suppliers who act as middlemen between the utilities and consumers. Third-party suppliers purchase energy from the utilities at a bulk rate and then sell that energy back to consumers.) A report by the Abell Foundation, based on a limited sample in Baltimore (no official agency collects statewide data) found that low-income households on third-party supply applying for assistance with energy costs paid an average of 51 percent over the Standard Offer Service price. (And when their energy comes from natural gas, they pay 78 percent over the Standard Offer Service price.) This is actively and disproportionately harming low-income and fixed-income Marylanders. Further, about a third of energy assistance dollars went to pay for these higher costs rather than reducing energy burdens as they are intended to do. At the present time, just over a quarter

of households eligible for assistance actually get it. Statewide, in 2016 assisted households had an average income of $14,700 and average annual energy bills of $2,180 --15% of income. Even for them, post-assistance energy burdens remain high – more than 10 percent of household income. The already severe economic stresses faced by low-income households are intensified by high energy bills. Community Choice Energy will allow Baltimore and other cities as well as counties with high percentages of low-income residents, such as those in Western Maryland and the Eastern Shore, to lower electricity costs and reduce "heat or eat" conflicts. They would also have the salutary effect of making assistance dollars go farther, ultimately providing financial help to more households.

In my work with the Department of Health and Human Services, Special Needs Housing in Montgomery County, my job was to prevent homelessness of vulnerable families. To accomplish this, Montgomery County, as do most other municipalities in Maryland, uses State (Emergency Assistance to Families with Children) (or EAFC) grants to assist residents (who met eligibility requirements) coming to our agency to pay their utility bills that are threatened to be turned off or have been turned off for non-payment. Turn off of essential utilities can be the first step in losing one's housing, as those services are necessary to continue functioning in one's home. What I would like to bring to the committee's attention, is the fact that, as stated above, low income families often pay more than the average resident for energy services. This is because in Maryland, customers are allowed to select third party suppliers. Unfortunately, some of these suppliers are predatory lenders who target low income customers who end up paying more than they might otherwise pay with a more reputable third party supplier.

The Community Choice Energy Act would prevent any kind of over-charging from happening because, as stated above, the municipality will negotiate for rates and terms on behalf of their residents. The difficult and confusing task of trying to select a third party supplier, which ordinarily falls on the consumer, will be taken on by the municipality. This will prevent any type of predatory lenders entering the picture and will ensure the best rates and terms. And as stated above, from my personal knowledge of working with low income residents at DHHS, it will help to increase the numbers of residents having the lowest possible energy costs. And also increase their ability to pay their utility bills--thereby decreasing their dependence on State grants. Even more importantly, CCE could help prevent homelessness, by decreasing low-income families utility costs.. In addition to being a very upsetting, costly and distressing time for families affected by homelessness, it can also be costly for state and local municipalities to house these families until they are able to find rental housing again.

In addition, this will allow more residents of all income levels to have the cheapest rates. Currently, in addition to the problem of predatory lenders, the vast majority of consumers in Maryland don't even engage a cheaper or cleaner provider as the process is so complicated and rife with unknowns that it discourages consumers from switching to a preferable company altogether.

For these reasons, I urge you to support the Community Choice Energy Act. The outcome will be good, cheaper and cleaner energy rates for consumers of all income levels--but in particular it will help lower income residents to remain housed.

**Prince George's County Council_FAV_SB0315**
Uploaded by: Ivey, Jolene
Position: FAV

**Jolene Ivey**
**Prince George's County Council Member**
**District 5**
**Committee: Senate Finance**
**Testimony on: SB0315 - "Electric Industry – Community Choice Energy"**
**Position: Favorable**
**Hearing Date: February 25, 2020**

Dear Chair Davis, Vice Chair Dumais, and members of the Economic Matters Committee,

Most of us have immediately tossed into the recycling bin those mailers from companies that claim to offer lower electrical rates and the option to have your home powered through renewable sources, if you just sign here.

Oftentimes, customers are overwhelmed by retail energy options, and can find themselves locked into a contract that is far more expensive than they were led to expect. Community Choice Energy (CCE) would allow Maryland communities to break free of this flawed model. Ensuring energy supply contracts are vetted, clean energy increases, and consumer well-being is always at the top of the list of priorities by empowering municipalities and counties to negotiate energy purchasing on behalf of their residents.

CCW would help us switch to cleaner energy and pay less while we do so. If the Community Choice Energy Act becomes law it will allow Maryland communities to take control of their own power and move towards affordable, locally-produced renewable energy sources that will save the planet and residents' hard earned money.

CCE allows communities to choose renewable energy sources such as wind and solar at fixed rates, protecting consumers from unpredictable rate hikes. Since local governments will have a large number of customers, they can also bargain for lower rates. In fact, New Jersey CCA members are seeing savings as high as 10% while increasing clean renewable energy. Residents who don't want to use the local CCE program would be able to opt-out.

CCE will increase access to clean renewable energy. Communities that adopt CCE programs will be able to offer residents affordable options for locally sourced 100% clean renewable energy, reducing our dependence on fossil fuels, which are driving global warming. Community Choice Energy would give many communities access to clean renewable energy for the first time, while helping to reduce the pollution from fossil fuels that disproportionately impacts low-income communities.

The bill is a win in terms of consumer protection, garnering support from consumer rights advocates such as Maryland PIRG and the Maryland Consumer Rights Coalition. And it's also a huge win for clean energy, which makes it a win for our economy in Maryland. The solar industry has already invested billions in our state, and last year employed nearly 5000 people.

Increasing local clean energy will help drive more investment and job growth, creating opportunities for even greater benefits to a clean energy economy.

We have an amazing opportunity this legislative session to support a clean energy initiative while providing greater equity to Maryland communities by passing the The Community Choice Energy Act. I urge you to vote yes for consumers, the environment and public health, and to help Maryland join the other eight states that already allow communities to take advantage of this innovative policy.

Todd M. Turner
Chair
District 4

PRINCE GEORGE'S COUNTY COUNCIL
*Service. Community. Progress.*

The Hon. Joanne C. Benson, Chair
Prince George's County Senate Delegation
James Senate Office Building, Room 214
Annapolis, Maryland 21401-1991

The Hon. Erek L. Barron, Chair
Prince George's County House Delegation
Lowe House Office Building, Room 207E
Annapolis, Maryland 21401-1991

Re: **Prince George's County Council's Position on General Assembly Legislation**

Dear Senator Benson & Delegate Barron:

It is my pleasure, on behalf of the Prince George's County Council, to transmit our position on pending proposed State legislation for the 2020 General Assembly Session. The Council met on February 18, 2020. The enclosed report reflects our positions on General Assembly bills as they are currently drafted.

The Council appreciates the opportunity to work together with you and your colleagues to address issues important to our citizens and the operation of Prince George's County. Should you have any questions or need additional information please do not hesitate to contact me. For your convenience my office phone number is (301) 952-3094.

Thanks again, for favorable consideration of the Council's position.

Sincerely,

Todd M. Turner
Council Chair

Enclosures

cc: Hon. Angela D. Alsobrooks, Prince George's County Executive

Website: pgccouncil.us/District 4
Telephone: (301) 952-3094
Fax: (301) 952-4910
County Administration Building
14741 Governor Oden Bowie Drive, 2nd Floor
Upper Marlboro, Maryland 20772

# COMMITTEE OF THE WHOLE REPORT

The Prince George's County Council met on February 18, 2020 with the following Members present:

Council Member, Todd M. Turner, Chair
Council Member, Calvin S. Hawkins, II, Vice Chair
Council Member, Monique Anderson-Walker
Council Member, Derrick L. Davis
Council Member, Thomas E. Dernoga
Council Member, Mel Franklin
Council Member, Dannielle M. Glaros
Council Member, Sydney J. Harrison
Council Member, Jolene Ivey
Council Member, Rodney C. Streeter
Council Member, Deni L. Taveras

The Council voted for the following positions on the respective bills:

| | |
|---|---|
| **PG 408-20** | (County Executive) Prince George's County – Payment in Lieu of Taxes Agreements – Multiphase Economic Development Projects and Sunset Repeal - **SUPPORT** |
| **PG 411-20** | (Washington) Prince George's County – Marriage License Fees – Distribution of Proceeds- **SUPPORT** |
| **PG 412-20** | (County Executive) Prince George's County – Public Safety Surcharge- **SUPPORT** |
| **PG 413-20** | (Harrison) Prince George's County – School Facilities Surcharge – Foundation for Applied Construction Technology for Students- **SUPPORT** |
| **PG 310-20** | (Charles) Prince George's County – Speed Monitoring Systems – Intersection of Suitland Road and Skyline Drive- **SUPPORT** |
| **PG 311-20** | (Rosapepe) Maryland Emergency Management Assistance Compact – City of Laurel- **SUPPORT** |
| **PG 312-20** | (Charles) Prince George's County – Alcoholic Beverages – Cigar Lounge License- **SUPPORT** |
| **PG 313-20** | (Harrison) Prince George's County – Speed Monitoring Systems – Residential Districts and School Zones- **SUPPORT** |
| **PG 314-20** | (Fisher) Prince George's County – Alcoholic Beverages – Sunday Off-Sale Permits- **SUPPORT** |

PRINCE GEORGE'S | COUNTY COUNCIL
*Service. Community. Progress.*

Todd M.
Turner
Chair
District 4

| | |
|---|---|
| **PG 315-20** | (Lewis, Barron, Harrison) Prince George's County – Alcoholic Beverages – Carillon Development- **SUPPORT** |
| **PG/MC 108-20** | (Valentino-Smith) Maryland–National Capital Park and Planning Commission Summer Math, Reading, and Science Pilot Program-**OPPOSE** |
| **HB 569** | (Walker) Gaming – Distribution of Video Lottery Terminal Proceeds – Local Impact Grants- **SUPPORT** |
| **HB 1260** | (Speaker) Historically Black Colleges and Universities - Funding- **SUPPORT** |
| **HB 561/SB 315** | Electric Industry - Community Choice Energy- **SUPPORT** |
| **HB 540/SB 645** | State Income and Property Tax Credits - Purple Line Construction Zone- **SUPPORT** |
| **HB 403/SB 903** | Immigration Enforcement - Public Schools, Hospitals, and Courthouses – Policies- **SUPPORT** |
| **HB 1522/SB 756** | General Provisions - Public General Law - Preemption of Local Laws- **SUPPORT** |

Website: pgccouncil.us/District 4
Telephone: (301) 952-3094
Fax: (301) 952-4910
County Administration Building
14741 Governor Oden Bowie Drive, 2nd Floor
Upper Marlboro, Maryland 20772

**MML_FAV_SB315**
Uploaded by: Jorch, Bill
Position: FAV

Maryland Municipal League

*The Association of Maryland's Cities and Towns*

# TESTIMONY

February 25, 2020

**Committee:** Senate Finance

**Bill:** SB 315 – Electric Industry - Community Choice Energy

**Position:** Support

**Reason for Position:**
The Maryland Municipal League supports SB 315 which repeals a provision that prohibits a county or municipal corporation from acting as an electric aggregator. This legislation establishes a process by which a county or municipal corporation or group of counties and municipal corporations may become a community choice aggregator.

Aggregation allows customers to benefit from electric competition by pooling together to negotiate electric service. If allowed to pool their residents, a municipal aggregator would have a large enough customer base as leverage to negotiate a reasonable price or renewable portfolio for their electric service. Under the electric deregulation legislation passed in 1999, a county or municipal corporation may not act as an aggregator unless the Public Service Commission (PSC) determines there is not sufficient competition within the boundaries of the county or municipal corporation. This serves essentially as a prohibition against local government aggregation.

SB 315 would allow municipalities to serve as aggregators for their residents. The League believes that a local government aggregation provision may enable residential customers to share in the benefits of a additional options in the electric industry.

We therefore respectfully request that this committee report SB 315 favorably.

**FOR MORE INFORMATION CONTACT:**


| | |
|---|---|
| Scott A. Hancock | Executive Director |
| Candace L. Donoho | Government Relations Specialist |
| Bill Jorch | Manager, Government Relations & Research |
| Justin Fiore | Manager, Government Relations |

1212 West Street, Annapolis, Maryland 21401

410-268-5514 | 800-492-7121 | FAX: 410-268-7004 | www.mdmunicipal.org

**Direct Energy_FAV_SB315**
Uploaded by: Kallaher, Chris
Position: FAV

**COMMENTS OF DIRECT ENERGY SERVICES LLC ON SENATE BILL 315**

**AN ACT CONCERNING ELECTRIC INDUSTRY – COMMUNITY CHOICE ENERGY**

Chairman Kelley and Finance Committee members, Direct Energy Services, LLC is pleased to present these comments in support of Senate Bill 315, An Act Concerning Electric Industry – Community Choice Energy and thanks the Committee for hearing testimony on this important legislation. Direct Energy is one of the largest retail suppliers of electricity and natural gas in North America, where we have about 4 million customer relationships and more than 4,000 employees. Direct Energy has a large and longstanding presence in Maryland. We have more than 50,000 residential, 7,000 small business, and 3,500 commercial and industrial customer relationships. Direct Energy also has three offices in Maryland with a total of more than 100 employees.

Direct Energy has considerable experience in serving municipal aggregations and community choice energy programs. We currently serve a total of 49 communities in Massachusetts, New York and New Jersey, comprising more than 300,000 customers. These customers are all served at retail, meaning that Direct Energy is listed as the retail supplier of record for each of these customers in the systems of the distribution utilities serving those communities. We also provide wholesale power to several community choice aggregations, or CCAs, in California. However, the community choice program set forth in Senate Bill 315 is modeled similarly to the programs in Massachusetts, New York, and New Jersey so my remarks will focus more on that approach.

In our experience, community choice energy programs accomplish several important energy goals. First and foremost, they allow local communities to exert an enhanced level of control over the type of energy choices available to their citizens, allowing those choices to better reflect the collective wishes of the citizenry. For example, in a community choice program Direct Energy is serving in New York's Hudson Valley, the participating communities chose to have 100 percent renewable power as their default option for electricity supply. Currently, the New York state renewable energy standard

requires electric suppliers to provide renewable content of less than one percent, meaning that members of the Hudson Valley Community Power aggregation are getting an additional 99 percent renewable content above and beyond what is required by the state. They are achieving that goal in part by having Direct Energy, as the winner of the RFP to serve the aggregation, contract with a local hydropower facility for renewable energy credits. In this manner, community choice programs can allow citizens to choose electricity supply options that meet their interests where those options may not be available at scale from other sources.

Community choice programs serve other important energy goals as well, among them the following:

- **Community Choice programs establish a non-utility default provider of electricity.** This goal is usually very important to competitive retailers, who see having the monopoly distribution utility serve as the default provider of electricity (as is currently the case in Maryland) as an inherent conflict that destabilizes and distorts the competitive market. As called for in Senate Bill 315, and as is the case in community choice programs in Massachusetts, New York, and New Jersey, a competitive entity takes on the role of default provider, eliminating the conflict that attends having the utility serve that function.
- **Prices paid within a Community Choice program reflect the full cost to serve the customers in the program.** A longstanding concern competitive retailers have regarding the structure of various default utility services in restructured states (including standard offer service in Maryland) is that a material level of costs to provide that retail service remain embedded in delivery rates and are, thus, paid both by customers who remain on default service and those who switch to a competitive retailer. A community choice program addresses that issue. Because a competitive retailer provides service through the community choice program, the price for that service by definition includes all of the costs

to provide it. Competitive retailers who will be bidding for the right to serve a community choice program do not have a regulated rate base to shift costs to in order to keep their costs to serve the community choice program lower than they would otherwise be. Thus, other retailers who might be competing for customers already participating in the community choice program are competing on a level playing field in terms of the costs that are included in the aggregation program's "price to compare."

- **Community Choice program supply contracts do not involve a move from fixed price to variable.** One risk of competitive supply that is frequently mentioned by those with concerns about retail competition is that customers may move from a fixed price term to month-to-month variable service, which might involve price increases. Direct Energy believes these concerns are frequently over-stated. Nonetheless, to the extent a member of the Committee is concerned about this issue, community choice programs address it. Community choice programs go out for new bids when the existing term concludes; they do not move to month-to-month variable pricing.

Direct Energy acknowledges that not all stakeholders support the community choice approach to allow customers to take advantage of competitive supply. Some stakeholders have concerns that are fairly related to their position in the market and we would be happy to work with those parties and the bill's sponsors to address those concerns. One criticism we would like to address directly in these comments is the possibility that the migration caused by a community choice program could have a negative impact on standard offer prices for those in communities within a utility service territory that are not served by a community choice program. Direct Energy believes this concern is over-stated. In Massachusetts we have seen a high level of migration due to municipal aggregation programs yet little evidence that basic service rates have been negatively affected.

We understand that the market dynamics may be different in Maryland, where Senate Bill 315 would allow a county-wide community energy program that would migrate a material percentage of standard offer customers in a service territory to competitive supply at one time. There are ways to manage this risk effectively. For example, in Massachusetts, the City of Boston is moving forward with a municipal aggregation program, which is likely to go out for bids yet this quarter, with service beginning on January 1, 2021. The City of Boston aggregation represents about 80 percent of the residential load remaining on basic service in the Eversource east service territory, which would be an impact at least as great as the departure of any single county in Maryland to a community choice program. The City worked with the Department of Public Utilities and other stakeholders to address the migration risk associated with the aggregation program by delaying the start date so that wholesale bidders who may bid to serve basic service load in 2021 and beyond will know with far greater certainty the amount of load that will remain on basic service for the term of the wholesale contract they will be bidding on. This will reduce or eliminate any risk premium associated the implementation of the community choice program that wholesale suppliers might include in their bids.

Moreover, migration away from standard offer service to competitive supply has always been a risk associated with providing wholesale supply to standard offer service, and one that wholesale bidders are well aware of. In Direct Energy's view, giving undue deference to the interests of wholesale standard offer bidders reflects a generally unhealthy tendency to view standard offer service as a service not of last resort but first. Maryland residents have a right to choose a competitive option for their electric supply. No one should object if those residents decide to exercise that right, whether individually or collectively through a community choice program.

Finally, it is possible that the distribution utilities will express concerns about community choice programs. Direct Energy would be pleased to address any of those specific concerns in collaboration with the bill sponsors and other stakeholders. We would urge the Committee to take those concerns

with a grain of salt given that the utilities have a strong financial interest in maintaining low levels of migration to competitive supply because they are allowed a return on standard offer service. In fact, that return is quite lucrative for them. In the recent BGE rate case, which considered the appropriate level of administrative adjustment for standard offer service, BGE was ordered to allocate $13,569,649 to the SOS Administrative Adjustment and to normalize the fee across all rate classes at 1.09 mills per kWh ($0.00109 per kWh). BGE will collect $8,281,680 in return per year in total from all customers (assuming the same level of migration as was assumed in the rate case). From the residential customers, they will collect .72 mills per kWh ($0.00072 per kWh) for a total of $6,963,543. If one assumes that all of the allocation to standard offer service is equity (a generous assumption), then the Return on Equity for delivering SOS is 61 percent ($8,281,680/$13,569,649 = .6103, or 61 percent). About 84 percent of that return is attributable to the residential customers who would make up the great majority of the customers in a community choice program. This is not meant to dismiss out of hand any concerns raised by a utility. It is only meant to point out the clear financial interest utilities have in maintaining the current level of standard offer load, which might be materially reduced by the implementation of an effective community choice program.

Direct Energy appreciates the opportunity to provide comments on this important matter. We urge the members of the Committee to vote in favor of Senate Bill 315. Thank you.

**LATE - OAG_FAV_SB315**
Uploaded by: Kemerer, Hannibal
Position: FAV

**BRIAN E. FROSH**
*Attorney General*

**ELIZABETH HARRIS**
*Chief Deputy Attorney General*

**CAROLYN QUATTROCKI**
*Deputy Attorney General*

# STATE OF MARYLAND
# OFFICE OF THE ATTORNEY GENERAL

FACSIMILE NO.

WRITER'S DIRECT DIAL NO.
410-576-6584

February 25, 2020

To: The Honorable Delores G. Kelley
Chair, Finance Committee

From: Hannibal G. Williams II Kemerer, Legislative Director, Office of the Attorney General

Re: SB 315 Electric Industry – Community Choice Energy (**Support**)

The Office of Attorney General urges a favorable report on Senate Bill 315. The legislation permits a county or municipal corporation, or a group thereof, to serve as an electricity aggregator for the purpose of negotiating the purchase price of electric generation services from a Public Service Commission licensed electricity supplier. Beginning on October 1, 2021, a county or municipal corporation—or group of counties or municipal corporations—would be able to form or join a community choice aggregator and utilize its market power to obtain the best electricity prices for residential and small commercial customers.

We believe that Senate Bill 315 is a thoughtful and pro-consumer bill. If enacted, the bill would require any community choice aggregator electricity supplier to provide written notice to all residential and small commercial electric customers of (1) the identity of the electricity supplier; (2) the terms and conditions of service; (3) the rates, charges, and fees for service under the community choice aggregator; (4) a comparison of the new rates and the rates under the current standard offer of service; (5) how to access the standard offer service available from an electric company; and (6) the total renewable component to be supplied through the community choice aggregator. *See* proposed Public Utilities Article § 7-510.3(E)(2)(I)-(IV). The bill would allow a consumer to opt out if, after receiving the written notice, they determine that they do not want to participate. These and other aspects of the bill commend its passage and enactment into law.

For all the foregoing reasons, the Office of Attorney General urges a favorable report on Senate Bill 315.

cc: Members of the Finance Committee

**SB0315_FAV_Kurtz**
Uploaded by: Kurtz, Michelle
Position: FAV

**Michele Kurtz**
**Committee: Finance**
**Testimony on: SB315 - "Electric Industry – Community Choice Energy"**
**Position: Favorable**
**Hearing Date: February 25, 2020**

Thank you for considering my written testimony in support of the proposed Community Choice Energy Act, also known as CCE.

I have never considered myself an environmental activist. But like so many of us, in recent years I have become increasingly concerned about climate change and wondering what I can do to address it. In September I helped organize Montgomery County's Climate Emergency town hall, focused on the county's commitment to reduce greenhouse gas emissions by 80 percent by 2027. It was standing room only, and a lot of the people there were just like me –- new to this, and wanting to do something locally to reverse the path the world is on.

Here in Maryland, and especially in Montgomery County, there is strong and growing support for moving to clean energy. CCE would allow communities that choose to, to rapidly make the shift away from fossil fuels and toward renewables. CCE is the linchpin to local communities' efforts to reduce greenhouse gas emissions in a meaningful way. In my neighborhood, both Takoma Park and Montgomery County are counting on CCE to help them meet their climate change goals.

There are other compelling reasons to support it as well. When the concept began in a handful of states in the late 1990s, the goal was to pool large groups of consumers in order to save money on electricity bills. Communities can still make that a priority and I'm sure they will. And with the sharp drop in prices for solar and wind energy, a renewable alternative is *now also a cheaper one*.

This legislation empowers communities to make choices based on their residents' values, priorities and needs. And individuals who don't like it can opt out. CCE puts the power in the hands of the people. Quite literally.

I am the mother of two teenagers. This month one of them said he thinks it's too late for the world to prevent widespread climate catastrophe. I was floored, and sick. He assumes he and his sister will inherit a scorched landscape with myriad problems we can only imagine. But I think there's still time to take actions that will help avert a disaster. I told him so.

Please help prove me right and support this very important proposed legislation. Let us in Maryland get quickly on the road toward a more sustainable future.

Thank you,
Michele Kurtz

7128 Willow Ave.
Takoma Park, MD 20912
617-803-9293
michelekurtz1@gmail.com

Feb. 6, 2020

**NAACP_FAV_SB315**
Uploaded by: Little, Kobi
Position: FAV

NATIONAL ASSOCIATION FOR THE ADVANCEMENT OF COLORED PEOPLE

# Maryland State Conference



**BILL:** SB 315
**TITLE:** Electric Industry – Community Choice Energy
**NAACP POSITION:** Support
**HEARING DATE:** 2/25/2020 1:00 P. M.
**COMMITTEE:** Senate Finance Committee
**SPONSOR:** Senator Pam Biedle

We support SB315, this bill is a manifestation of energy democracy and will create an energy equity dynamic. Community Choice Energy provides cities and counties the ability to combine the electric loads of residents, businesses and public facilities to buy and sell electrical energy in a more competitive market. Electric supply bulk purchasing power will be given to cities and counties so they can negotiate on behalf of their residents and small businesses. This means companies that have had a monopoly over the energy policy conversation and the delivery of energy to our communities will no longer have that exclusive power.

This control goes from investor-owned utilities to the people. Democratically elected local governments will be able to decide how their energy is supplied. Community Choice Energy programs can create more energy independence, increase smart energy programs, encourage price stability, and create favorable circumstances for communities to introduce solar, wind, and other various types of clean energy programs; resulting in the creation of good green jobs.

Communities can utilize CCE to achieve other local objectives, such as economic development, community health, environmental issues, and address local employment. Local workers can be trained and contracted to do work that helps their economy and environment. This would also lead to less air pollution and lessen the negative impacts on the environment that are from dirty energy sources

This is a pathway to responsible energy policy and decision making. If we start here, not only will we expand responsible energy decision making in Maryland, we will light the path and lead the way to the rest of this country to get on board with clean and just energy policies.

We ask for a favorable report.

Jacqueline Boone Allsup, President Anne Arundel County Branch NAACP
2nd Vice President MSC

P. O. Box 6210 Annapolis, Maryland 21401
(443) 883-5151
www.annearundelcountynaacp.org

# IEER_ FAV_SB315

Uploaded by: Makhijani, Arjun

Position: FAV

**INSITUTE FOR ENERGY AND ENVIRONMENTAL RESEARCH**
P.O. BOX 5324, TAKOMA PARK, MARYLAND 20913
PHONE: 301-509-6843
Website: www.ieer.org

# SB 315 -- ELECTRIC INDUSTRY – COMMUNITY CHOICE ENERGY SUPPORT TESTIMONY

Arjun Makhijani, Ph.D.

Before the Senate Finance Committee, February 25, 2020

Madam Chair Kelley and Vice-Chair Senator Feldman, my name is Arjun Makhijani. I am president of the Institute for Energy and Environmental Research. Thank you for this opportunity to testify before you on Community Choice Energy, SB 315.

I am the principal author of a report entitled *Energy Justice in Maryland's Residential and Renewable Energy Sectors*, which examined, among other things, the severe consequences of unaffordable energy bills both for low-income families and for society at large. As my co-authors and I showed in detail, low-income families often face impossible choices between paying for rent, food, utility bills, and medicine. The frequent result is terrible suffering for tens of thousands of low-income families. Not infrequently that suffering includes evictions and homelessness. Admittedly, energy affordability is a large and complex topic. Community Choice Energy would provide cities and counties with a way to increase affordability for their residents in significant measure at essentially no cost to the State's Treasury. The savings would stay in the state, improving the well-being of its people and its economy as a whole.

Specifically, the Community Choice Energy bill will enable city and county governments to take advantage of the competition in the wholesale energy marketplace to lower the cost energy for their residents and small businesses. They could also combine lower costs with renewable energy procurement at levels greater than required under current law.

While I am a vigorous advocate of renewable energy, today I am testifying in strong support of HB 561 principally because it would enable cities and counties to significantly alleviate the burden of energy costs for households and make the deregulated market place function equitably for everyone. So far, choice of energy suppliers has benefited mainly large energy consumers (using more than about 100 megawatt-hours per year) who choose third-party supply. They are typically able to save several dollars per megawatt-hour and sometimes as much as $10 per megawatt-hour or more. Their combined savings amount to tens of millions of dollars a year compared to Standard Offer Service. Such savings help those businesses; they also stimulate state's economy, creating more jobs and prosperity.

In contrast, in 2017, over 95 percent of the 400,000 households who chose third-party supply paid a combined total of almost $60 million more for their electricity compared to Standard Offer Service. Small businesses on third-party supply also often pay more. The main reason is not far to seek. While larger businesses can issue requests for proposals and devote the resources and expertise needed to sort through bids, households, and often small businesses, typically do not have such resources. Low-income households are especially vulnerable. A 2018 Abell Foundation study I co-authored, with Laurel

Peltier, indicated that overpayments by low-income households on third-party supply were considerably greater than the 2017 average of $147 per year for all households on third-party supply.

Community Choice Energy would empower city and county governments to remedy this problem by giving households and small businesses the same advantages as larger businesses have today – the ability to get lower prices by increased scale of and greater competition in procurement. In other words, it would make the competitive deregulated wholesale supply work for households and small businesses, and especially for low-income households.

Some argue that Community Choice Energy would take choice away from people. I do not agree. It provides the same opt-out choice that is provided by Standard Offer Service today. When you buy or rent a house or start a business in a new location, you are automatically on Standard Offer Service, unless you opt out. Households and businesses could choose to opt out of CCE the same way they can opt out of Standard Offer Service. Once they opt-out of CCE, they could get Standard Offer Service or contract for supply from another licensed third-party supplier. The opt-out provision preserves consumer choice; indeed, compared to the present, choice will be increased. Households have so far not have had effective choice as evidenced by the adverse price outcomes for the vast majority of them on third-party supply. CCE will give households not just choice in theory but an effective, practical choice.

If CCE electricity were procured for just a penny a kilowatt-hour below standard offer service – as many large businesses are able to do – households would on average save on the order of $10 per month; this is money that low-income families could spend on medicines or food.

Thank you for your time. I would be happy to answer questions.

**Democratic Munipal Officials_FAV_SB315**
Uploaded by: Mitchell, Denise
Position: FAV

**Democratic Municipal Officials**
**Committee: Senate Finance**
**Testimony on: SB0315 - "Electric Industry – Community Choice Energy"**
**Position: Favorable**
**Hearing Date: February 25, 2020**

I am submitting this testimony in support of HB 561, a bill that would enable local governments to implement a "community choice energy plan," and thereby combine the electricity purchasing power of their residents to reduce ratepayer costs and select an electricity source favored by those residents.

As the President of the Maryland Chapter of the Democractic Municipal Officials (DMO) I understand the importance of empowering local governments (counties, cities, or groups of these entities) the choice to pool ("aggregate") their residents to purchase electricity on their residents' behalf from a source considered most favorable for and by the community. The democratization of energy purchase would keep residents engaged in the process either through direct engagement or through the ballot box.

Municipalities establishing a CCE plan would have the discretion to decide upon the criteria for selecting the electricity provider – e.g., cost, type of source (especially clean/renewable), etc. There are no mandates in this regard. As elected officials, we are directly answerable to our residents and as such can make sure that we are selecting a plan that would meet the needs of our community.

This bill provides a new option for county and local governments to serve our constituents as well as move Maryland as a whole closer to our green energy and green development goals. It is a win-win-win for Maryland. I urge a favorable report by this Committee.

Denise Mitchell, Chair, Maryland Democractic Municipal Officials
Council Member
College Park

**DoTheMostGood_FAV_SB315**
Uploaded by: Noveau, Barbara
Position: FAV

**Barbara Noveau, Executive Director, DoTheMostGood—Montgomery Country**

**Hearing Date**: February 25, 2020

**Committee**: Senate Finance

**Testimony on**: SB315 - Electric Industry – Community Choice Energy

**Position:** Favorable

**Bill Contact:** Senator Pamela Beidle

To: The Honorable Delores G. Kelley, Chair, Senate Finance Committee, and Committee Members,

DoTheMostGood—Montgomery Country (DTMG) is a progressive grass-roots organization with more than 1600 members who live in a wide range of communities from Bethesda near the DC line north to Germantown and beyond, and from Potomac east to Silver Spring and Olney. DTMG supports legislation and activities that keep its members healthy and safe in a clean environment. DTMG strongly supports SB315 because it will create a mechanism for communities to decrease energy costs for Maryland consumers. SB315 will enable local governments in Maryland to choose to aggregate electricity purchases on behalf of all residents in the jurisdiction in order to negotiate more favorable rates with electricity suppliers. SB315 will also allow communities to negotiate for a greater mix of renewable energy than the renewable portfolio standard currently set by the Maryland Public Service Commission. This will authorize communities to move more quickly to 100% renewable energy.

SB315 is merely enabling legislation; no Maryland jurisdiction will be mandated to aggregate electricity purchases. Furthermore, no consumer will be required to participate in their jurisdiction's CCE organization. Residents will be able to opt out and continue purchasing electricity from other available providers in the same manner as they have been doing.

Maryland will not break new ground with the passage of the SB315. Eight states already have similar enabling legislation: California, Illinois, Massachusetts, New Jersey, New York, Ohio, Rhode Island, and Virginia. The CCE organizations in these states served approximately five million customers as of 2017. Illinois enacted CCE enabling legislation ten years ago and by 2017 had 490 community choice energy organizations in place. Ohio enacted enabling legislation in 1999, and by 2017 had 130 active CCE organizations. Massachusetts enacted enabling legislation in 1997 and had 190 CCE organizations in place by 2017.

SB315 will be good for Maryland consumers. In 1999, when Maryland deregulated the electricity market by passing the Electric Customer Choice and Maryland Competition Act, the intent was to

lower rates for all customers. However, the opposite has happened, because residential customers were denied the ability to leverage their market power to negotiate for lower rates. SB315 would help remedy that. The opt-out provision in SB315 is important to ensure that there are options for those who do not want to participate. In other states with community choice aggregation, only about 15 % of ratepayers typically opt-out.

Despite having a deregulated electricity market that allows consumers to choose their electricity supplier, Maryland has the 15th highest electricity rates in the nation. (In Maryland, the residential rate for electricity averages 12.84 cents per Kwh, commercial rates average 10.43 cents per Kwh, and industrial rates average 8.09 cents per Kwh.) SB315 will allow local governments to act as aggregators for their constituents and, through the power of bulk purchasing, negotiate significantly lower rates than the default Standard Offer Service (SOS) rate charged by Maryland's utilities. The Environmental Protection Agency has found that, in the other states that adopted CCE, electric rate savings for participating communities dropped as much as 15 to 20% (https//www.epa.gov/greenpower/community-choice-aggregation). This would be a win for all Marylanders, particularly for low-income and fixed-income households.

In addition, by choosing to implement their aggregation authority under SB315, communities will be able to protect their residents from being targeted by unscrupulous third-party suppliers who target low-income and elderly ratepayers and charge rates higher than SOS rates. Maryland's deregulated energy market allows consumers to purchase their energy from third-party suppliers who act as middlemen between the utilities and consumers. Third-party suppliers purchase energy from the utilities at a bulk rate and then sell that energy back to consumers. However, a limited study in Baltimore found that low-income households on third-party supply applying for assistance with energy costs actually paid an average of 51 percent more than the Standard Offer Service price. Other studies showed that in 2017, about 97 percent of households on third-party supply paid more than the utility-offered Standard Offer Service rate and that between 2014 and 2017, Maryland households on third-party supply actually paid about $255 million more than they would have on Standard Offer Service. SB315 will allow Baltimore and other cities as well as counties with a high percentage of low-income residents, such as those in Western Maryland and the Eastern Shore, to lower electricity costs and reduce "heat or eat" conflicts for their residents. Such savings would also allow energy assistance dollars go farther, ultimately providing financial help to more households.

Finally, and importantly, SB315 will allow local communities to address climate change. SB315 will build on both the Greenhouse Gas Reduction Act and the 2019 Clean Energy Jobs Act by enabling communities to transition more quickly to renewable energy sources if they choose, by allowing local governments to negotiate to have all or most of their energy needs met through clean energy sources. The biggest barrier consumers currently face in changing to clean energy is that it is difficult, confusing, and time-consuming to make the switch. Montgomery County has identified CCE as an essential tool in reaching its goal of reducing greenhouse gas emissions by 80% by 2027 and 100% by 2035.

In summary, Maryland consumers and the environment will benefit from passage of SB315. SB315 is sponsored by eight Senators and supported by the Maryland Climate Coalition, the

NAACP, and the Maryland Consumers Rights Organization. For all of the reasons mentioned above, DTMG strongly supports SB315 and urges a **FAVORABLE** report on this bill.

Respectfully submitted,

Barbara Noveau
Executive Director, DoTheMostGood
Barbara@dtmg.org
240-338-3048

**Anne Arundel County_FAV_SB 315**
Uploaded by: Pittman, Steuart
Position: FAV

ANNE ARUNDEL COUNTY
MARYLAND
County Executive Steuart Pittman

February 25, 2020

**Senate Bill 315**

**Electric Industry - Community Choice Energy**

**Senate Finance Committee**

**Position: FAVORABLE**

Senate Bill 315 enables local governments to create and benefit from Community Choice Energy (CCE). With CCE, consumers will be able to negotiate contracts that protect themselves and the environment while getting lower electricity rates. A local government can choose to form a corporation which allows the county, municipality, or group of counties/municipalities to purchase electricity on behalf of all consumers and businesses within its jurisdiction.

Through Community Choice, local governments can negotiate electricity rates, the source of energy generation, and other key decisions with energy utilities on behalf of consumers and businesses. Simple economics dictates that large buyers of electricity will get the best rates. Anne Arundel County would like the ability to take advantage of this to benefit our constituents. Community Choice is entirely voluntary. Counties and municipalities will get to decide if they want to form a corporation and if one is created, residents or businesses who do not wish to participate can opt-out.

At present, nine other states have authorized local governments to utilize Community Choice Energy, including Virginia which passed a bill in 2018 and New Hampshire which passed a bill last year. Five more states, including Maryland, have legislation pending. Maryland does not yet provide the choice for this type of local control - but we believe they should.

By authorizing localities to utilize Community Choice Energy, Maryland will be giving its citizens the power to direct the purchase of their electricity to achieve both lower rates and a more rapid transition to renewable electricity.

**I urge a FAVORABLE report on Senate Bill 315.**

Steuart Pittman
County Executive

Peter Baron, Government Affairs Officer Phone: 443.685.5198 Email: exbaro99@aacounty.org

**SB0315_MD Legislative Coalition_FAV_Plante**
Uploaded by: Plante, Cecilia
Position: FAV

# TESTIMONY FOR SB0315

## ELECTRIC INDUSTRY – COMMUNITY CHOICE ENERGY

**Bill Sponsor:** Senator Beidle
**Committee:** Finance
**Organization Submitting:** Maryland Legislative Coalition
**Person Submitting:** Cecilia Plante, co-chair
**Position: FAVORABLE**

I am submitting this testimony in favor of SB0315 on behalf of the Maryland Legislative Coalition. The Maryland Legislative Coalition is an association of individuals and grassroots groups with members in every district in the state. We have over 30,000 members across the state.

Our Coalition members are very conscious of the effects of climate change, and how it impacts our lives and our future. However, many of the solutions that have been contemplated to solve this crisis involve spending more for the energy we currently receive, or having the state government subsidize the transition to clean energy. This bill will create a path towards clean energy WITHOUT costing more.

Under this bill, local jurisdictions can pool their rate payers to negotiate with energy providers for 1) lower rates and 2) a greater mix of clean energy. This will force energy providers to seek partners to help provide the increased demand for clean energy, as well as encourage residents to ask for more clean energy. It is a win for the residents of Maryland and a win for the environment.

Who loses? Energy company profits will take a hit, at least in the immediate future. We ask, should that stop us from moving to clean energy and aggressively working to solve the climate crisis? The energy companies will always stand in the way. They've made it clear in the past that their goal is status quo. They have had record profits for years and have shown NO interest in making the transition to cleaner fuels. Let's think of our future and make the smart decisions that will help ensure it.

This bill just makes good sense. We all want cleaner energy and there are many in the state who would benefit from paying lower rates. The Maryland Legislative Coalition supports this bill and we recommend a **FAVORABLE** report in committee.

**LowerShoreProgressiveCaucus_FAV_SB315**
Uploaded by: Progressive Caucus, Lower Shore
Position: FAV

# TESTIMONY FOR SB0315

## ELECTRIC INDUSTRY – COMMUNITY CHOICE ENERGY

**Bill Sponsor:** Senators Beidle, Augustine, Elfreth, Feldman, Kagan, Lam, Lee, and Rosapepe

**Committee:** Finance

**Organization Submitting:** Lower Shore Progressive Caucus

**Person Submitting:**

**Position: FAVORABLE**

I am submitting this testimony in favor of SB0315 on behalf of the Lower Shore Progressive Caucus. The Caucus is a political and activist organization on the Eastern Shore, unaffiliated with any political party, committed to empowering working people by building a Progressive Movement.

Caucus members consistently support legislation designed to protect, and improve, air and water quality, and legislation that recognizes the status quo for energy production no longer meets our needs – climate change is upon us. Inasmuch as SB0315 promotes renewable energy, it satisfies these environmental priorities. The bill also shows potential for lowering energy costs for many customers, by giving county and local governments the ability to aggregate larger pools, and concomitantly negotiate for the same savings high demand (bulk) customers enjoy.

Evidence shows low-income households pursuing lower energy costs have taken a huge hit from bad actors in the third-party supply industry. SB0315 can reverse that damage, and in doing so not only encourage but enable those same households to participate in supporting renewable energy sources. It may be there is an as yet unrecognized, deep, reservoir of interest in renewable energy whose light the practicalities of life have hitherto kept hidden under a bushel.

SB0315 requires no subsidy, although it is certainly arguable that aggregation would be worthy of subsidy for its economic justice benefits alone, not to mention its potential environmental benefits. However, the bill leaves these judgments entirely up to customers, with an opt-out provision. The caucus anticipates that a majority of customers will find county and local aggregation plans a good fit, both economically and with an eye toward stewardship of the Earth.

The Lower Shore Progressive Caucus supports this bill and recommends a **FAVORABLE** report in committee.

**SB 315_MoCo_Samman_SUPPORT**
Uploaded by: Samman, Amy
Position: FAV

# Montgomery County
## Office of Intergovernmental Relations

**ROCKVILLE: 240-777-6550** **ANNAPOLIS: 240-777-8270**

**SB 315** **DATE: February 25, 2020**

**SPONSOR: Senator Beidle, *et al.***

**ASSIGNED TO: Finance**

**CONTACT PERSON: Amy Samman (amy.samman@montgomerycountymd.gov)**

**POSITION: SUPPORT**

### Electric Industry – Community Choice Energy

Senate Bill 315 is an enabling law that authorizes a local government to create an "opt-out" Community Choice Energy (CCE) program under which the government purchases or generates electricity for its residents and businesses. The CCE model provides communities with additional control over their energy provider choices. It allows local governments to amass demand to negotiate better rates and choose cleaner energy sources.

CCEs are a hybrid between municipal utilities and standard investor-owned utilities. Typically, utilities are responsible for purchasing and distributing power, grid maintenance, and customer service. While customers currently have the ability purchase power from other energy providers, most purchase from standard utilities often because they are unaware of their other options. Under a CCE program, the local government purchases the power, while the incumbent investor-owned utility maintains the grid and provides customer service. CCEs are currently authorized in California, Illinois, Ohio, Massachusetts, New Jersey, New York, Rhode Island, and Virginia. According to the National Renewable Energy Laboratory, in 2016, CCEs sold about 8.7 billion kilowatt-hours of green power to about 3.3 million customers.

Under Senate Bill 315, a county or municipality must enact a local law to authorize the creation of a CCE program. The bill sets out numerous requirements for a CCE plan, including rules governing community outreach and education, rights and responsibilities of both aggregators and customers, the types of notice that must be provided to customers, the manner in which a customer may choose to opt-out of the program, the types of charges that may be imposed on customers, and the role of the Public Service Commission.

In 2017, the Montgomery County Council declared a climate emergency calling on all levels of government to "initiate a massive global mobilization to restore a safe climate and build a sustainable economy" and "transform the climate by reducing greenhouse gas emissions by

80% by 2027 and reaching 100% elimination by 2035, and initiate large-scale efforts to remove excess carbon from the atmosphere." This bill will provide the County with another option to consider as it seeks to achieve its target of eliminating greenhouse gas emissions entirely.

CCE programs are intended to enhance local control over energy sources and help local governments achieve their clean energy goals by giving them the opportunity to purchase or generate green and renewable energy services at rates that would not have been obtained otherwise.

Although the County has identified several technical implementation issues with the bill and is working with the House sponsor to address these, Montgomery County strongly supports the CCE model and local enabling authority established in this bill.

**IndivisibleHoCoMD_FAV_SB0315**
Uploaded by: Sanders, David
Position: FAV

**TESTIMONY OF DAVID SANDERS**
**ON BEHALF OF INDIVISIBLE HOWARD COUNTY**
**SENATE FINANCE COMMITTEE**
**SB315, COMMUNITY CHOICE ENERGY**
**FEBRUARY 25, 2020**
**POSITION: FAVORABLE**

My name is David Sanders. I am a resident of Howard County. I am appearing today on behalf of Indivisible Howard County We are a citizen's action group, with one of our main focuses being energy and transportation related climate change. Indivisible Howard County was founded in 2017 and now has more than 700 actively engaged supporters. We are a member of the Maryland Legislative Coalition.

Indivisible Howard County supports Senate Bill 315, the Community Choice Energy (or, CCE) bill. This bill will enable local governments in Maryland to elect to aggregate electricity purchases on behalf of all residents of the jurisdiction in an effort to negotiate more favorable rates with electricity suppliers on behalf of consumers and to potentially introduce a greater mix of renewable energy than the renewable portfolio standard currently set by the Maryland Public Service Commission.

No Maryland jurisdiction will be mandated to aggregate electricity purchases. Senate Bill 315 is structured as enabling legislation. Furthermore, no consumer will be mandated to participate in their jurisdiction's CCE organization. Residents will be able to opt out and continue purchasing electricity in the same manner as they have been doing.

Indivisible Howard County supports Senate Bill 315 because it offers a real opportunity to appreciably expand the market for sources of renewable energy while keeping electricity rates at a competitive level for consumers. How does this happen? Through the power of bulk purchasing. A jurisdiction will be able to go to the electricity suppliers with a strong negotiating position having aggregated thousands of its residents into a single purchasing cooperative. In fact, the ability of a CCE organization to drive down electricity rates as a result of increased bargaining power is particularly effective in a restructured energy market, such as exists in Maryland.[1]

[1] National Renewable Energy Laboratory, **Community Choice Aggregation: Challenges, Opportunities and Impacts on Renewable Energy Markets**, February 2019, p. 13.

It is also worth noting that Maryland will not be breaking new ground with the passage of the Community Choice Energy bill. Rather, it will be joining eight states that have passed similar enabling legislation: California, Illinois, Massachusetts, New Jersey, New York, Ohio, Rhode Island and Virginia. The CCE organizations within these states were estimated to serve approximately five million customers in 2017, representing about four percent of retail electricity customers nationwide.[2]

By way of example, Illinois enacted CCE enabling legislation ten years ago and by 2017 had 490 community choice energy organizations in place.[3] Ohio enacted enabling legislation in 1999 and by 2017 had 130 active CCE organizations.[4] And, Massachusetts enacted enabling legislation in 1997 and had 190 CCE organizations in place by 2017.[5]

Some have expressed concern about the potential impact on electricity grid reliability that the advent of CCE organizations might have. The key to understanding CCE's impact on electricity grid reliability is to recognize the differences among CCE organizations that operate in a regulated electricity market versus those that operate in a restructured electricity market, such as Maryland's. The National Renewable Energy Laboratory has addressed this issue by pointing out that "In both cases, CCAs [community choice aggregators] are only responsible for procurement of the generation portion of retail customer electricity service, while utilities remain responsible for transmission, distribution, and billing. The key difference is in terms of how CCAs procure that generation. In restructured markets, CCAs act like retail electricity customers; CCAs choose a combination of competitive suppliers and enter into . . . . . contracts for electricity service to suit their particular needs.. . . . . In regulated markets, CCAs act more like utilities; they are responsible for system reliability and can contract directly with electricity generators."[6] [underlining added]

In conclusion, Indivisible Howard County urges this Committee to lend its support to the enactment of CCE enabling legislation in the form of Senate Bill 315. Marylanders will benefit from this legislation and the environment will benefit from this legislation. Everyone wins.

We urge a favorable report.

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[2] National Renewable Energy Laboratory, **Community Choice Aggregation: Challenges, Opportunities and Impacts on Renewable Energy Markets**, February 2019, p. 7.
[3] National Renewable Energy Laboratory, **Community Choice Aggregation: Challenges, Opportunities and Impacts on Renewable Energy Markets**, February 2019, Appendix, p. 40.
[4] National Renewable Energy Laboratory, **Community Choice Aggregation: Challenges, Opportunities and Impacts on Renewable Energy Markets**, February 2019, Appendix, p. 43.
[5] National Renewable Energy Laboratory, **Community Choice Aggregation: Challenges, Opportunities and Impacts on Renewable Energy Markets**, February 2019, Appendix, p. 41.
[6] National Renewable Energy Laboratory, **Community Choice Aggregation: Challenges, Opportunities and Impacts on Renewable Energy Markets**, February 2019, p. 3.

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O'Shaughnessy, Eric, Jenny Heeter, Julien Gattaciecca, Jenny Sauer, Kelly Trumbull, and Emily Chen. 2019. *Community Choice Aggregation: Challenges, Opportunities, and Impacts on Renewable Energy Markets*. Golden, CO: National Renewable Energy Laboratory. NREL/TP-6A20-72195. https://www.nrel.gov/docs/fy19osti/72195.pdf.

**MDPIRG_SB0315_FAV_**
Uploaded by: Scarr, Emily
Position: FAV

**Emily Scarr, Maryland PIRG Director**
**Finance Committee**
**SB0315 - "Electric Industry – Community Choice Energy"**
**February 25, 2020**

## FAVORABLE

*Maryland PIRG is a statewide, non-partisan, non-profit, citizen-funded public interest advocacy organization with grassroots members across the state. For forty years we've stood up to powerful interests whenever they threaten our health and safety, our financial security, or our right to fully participate in our democratic society.*

More than a decade ago, powerful energy companies rewrote the rules that dictate how energy is bought and sold in Maryland. That decision continues to haunt us today.

This bill enables municipalities to set up alternatives to the investor-owned energy supply system. Community Choice Energy, as enabled by SB0315, allows residents in a community to control the type of electricity purchased by their local utility. CCE's can enable communities to negotiate lower rates and use more renewable energy.

Marylanders pay high electric bills, suffer from unfair pricing mechanisms that gouge consumers without offering benefits, and our electric grid is strained to the point where we could be facing brown-outs in the coming years.

There is a better way. By adopting consumer oriented rules to govern our electric system, making smart investments in energy efficiency and clean local sources of energy, decision-makers can lower bills, create local clean energy jobs, reduce our dependence on expensive and unsafe sources of energy, and improve the reliability of our electric grid.

**We thank Senator Beidle for introducing this bill and urge a favorable report.**

Emily Scarr, Maryland PIRG Director, emily@marylandpirg.org
Twitter: @emilyscarr @marylandpirg

**Hyattsville City Councilmember_FAV_SB0315**
Uploaded by: Schaible, Danny
Position: FAV

Candace B. Hollingsworth
Mayor

Tracey E. Douglas
City Administrator

**Name: Danny Schaible**
**Email: dschaible@hyattsville.org**
**Organization or Office: Hyattsville City Councilmember, Ward 2**
**Committee: Senate Finance**
**Testimony on: SB 315 - "Electric Industry – Community Choice Energy"**
**Position: Favorable**
**Hearing Date: February 25, 2020**

January 7, 2020

Delegate Diana M. Fennell
House Office Building, Room 404
6 Bladen Street
Annapolis, MD 21401

Dear Delegate Fenell,

The City of Hyattsville fully supports State legislation adopting a Community Choice Aggregation (CCA) Act. We urge you to co-sponsor legislation in support of a CCA and vote in favor of a bill that reflects our residents' interest as described herein.

Adoption of a Community Choice Aggregation Act would empower Hyattsville to significantly increase the proportion of City residents using clean, renewable, power while reducing the cost of electricity. Although specific statistics are not available at the City level, Potomac Electric Power Company (PEPCO) has estimated that just 5.42% of Maryland electricity is generated from renewable sources in 2018, a figure that could dramatically increase if CCA legislation is implemented.

Hyattsville residents can currently meet their electricity demands with PEPCO, the default provider, or by selecting an electricity retail provider of their choice. However, the process of shopping for an electricity provider can prove to be complicated and many predatory providers offering misleading contracts are abound, resulting in an overwhelming majority of consumers who do not entertain any choice outside of the default provider. Furthermore, without the ability to form a CCA and negotiate rates with a large block of consumers, individual residents have limited negotiating power to lower costs.

If passed, a Community Choice Aggregation Act would allow local governments like Hyattsville the opportunity to negotiate with electricity providers on behalf of its residents creating a great deal more flexibility in negotiating the purchase of renewable energy at competitive rates.

Sincerely,

Candace B. Hollingsworth
Mayor

CC: Hyattsville City Council
Tracey E. Douglas, City Administrator
Jim Chandler, Assistant City Administrator

**Baltimore City Council_FAV_SB315**
Uploaded by: Scott, Brandon
Position: FAV

Baltimore City Council President Brandon Scott
CouncilPresident@baltimorecity.gov
410-396-4804

**SB315 – "Electricity Industry – Community Choice Energy"**
**Senate Finance Committee**
**February 25th, 2020**

**Position: Favorable**

| | | | |
|---|---|---|---|
| **File #:** | 20-0197R **Version:** 0 | **Name:** | In Support of Senate Bill 315/House Bill 561 - Community Choice Energy |
| **Type:** | City Council Resolution | **Status:** | Adopted |
| **File created:** | 2/10/2020 | **In control:** | City Council |
| **On agenda:** | | **Final action:** | 2/10/2020 |
| **Enactment date:** | | **Enactment #:** | |

**Title:** In Support of Senate Bill 315/House Bill 561 - Community Choice Energy
For the purpose of requesting that the Honorable Chair and Members of the Finance Committee and the Economic Matters Committee take this show of support under consideration during their deliberations on Senate Bill 315 and House Bill 561, respectively, both of which authorize a county or municipal organization or a group of counties or municipal corporations to form or join a community choice aggregator.

**Sponsors:** President Brandon M. Scott, Ryan Dorsey, John T. Bullock, Kristerfer Burnett, Bill Henry, Zeke Cohen, Shannon Sneed, Sharon Green Middleton, Eric T. Costello, Leon F. Pinkett, III, Robert Stokes, Sr., Mary Pat Clarke, Edward Reisinger

**Indexes:** Community, Energy

**Code sections:**

**Attachments:**

| Date | Ver. | Action By | Action | Result |
|---|---|---|---|---|
| 2/10/2020 | 0 | City Council | Introduced | |
| 2/10/2020 | 0 | City Council | Adopted | |

**City of Baltimore**
**Council Bill #: 20-0197R**
**R (Resolution)**

Introduced by: President Scott

A Resolution Entitled

A Council Resolution concerning
**In Support of Senate Bill 315/House Bill 561 - Community Choice Energy**

For the purpose of requesting that the Honorable Chair and Members of the Finance Committee and the Economic Matters Committee take this show of support under consideration during their deliberations on Senate Bill 315 and House Bill 561, respectively, both of which authorize a county or municipal organization or a group of counties or municipal corporations to form or join a community choice aggregator.

**Recitals**

Passage of this legislation, introduced by Senator Beidle and Delegate Charkoudian into the 2020 Maryland General Assembly, would authorize a county or municipal organization or a group of counties or municipal corporations to form or join a community choice aggregator. A community choice aggregator negotiates with producers of a utility service on behalf of groups of consumers.

The Community Choice Aggregation model, also known as Community Choice Energy, is a proven strategy to expand consumer choice, lower electric rates, and achieve state and local environmental goals. The Community Choice Energy model exists in eight states - California, Illinois, Ohio, Virginia, Rhode Island, New Jersey, New York, and Massachusetts. The model allows local governments to aggregate their buying power to procure electricity for municipal, residential, and commercial customers in their jurisdictions. Under the model, the aggregator works in partnership with the incumbent investor-owned utility, which continues to provide power delivery, grid maintenance, certain customer programs, and consolidated customer billing.

The City of Baltimore values the health of our communities and our environment, and seeks to prevent the impacts of climate change. The City of Baltimore is committed to moving to 100% clean, renewable energy in a timely fashion, while also providing affordable rates to residents. Community Choice Energy currently serves millions of customers around the country and consistently provides for more choice than the dominant utility provider, has better rates than the dominant utility provider, provides more renewable energy options, and reduces greenhouse gas emissions more than the dominant utility provider. The Community Choice

Energy model can provide significant local and regional economic development benefits including the opportunity to develop local power resources and implement a wide variety of local energy programs tailored to the needs of a community. The model also encourages transparency, which mitigates the harmful practices of some individual retail electric suppliers.

Senate Bill 315 and House Bill 561, two Community Choice Energy bills, have been introduced in the Economic Matters Committee and Finance Committee during the 2020 session of the Maryland General Assembly. The Community Choice Energy model is self-funding, and enabling legislation would have no significant negative fiscal impacts on the State of Maryland or the municipalities that adopt it. The model, if determined to be technically and financially feasible for Maryland cities and towns, could provide substantial environmental and economic benefits to the residents and businesses of Baltimore.

**Now, therefore, be it resolved by the City Council of Baltimore**, That the Baltimore City Council requests that the Honorable Chair and Members of the Finance Committee and the Economic Matters Committee take this show of support under consideration during their deliberations on Senate Bill 315 and House Bill 561, respectively, both of which authorize a county or municipal organization or a group of counties or municipal corporations to form or join a community choice aggregator.

**And be it further resolved**, That the Baltimore City Council further supports state enabling legislation that, at a minimum, allows a Community Choice Energy municipality or group of municipalities to:

- Procure electricity on behalf of the Community Choice Energy municipality's residents, businesses, and municipal accounts;
- Automatically enroll residents and businesses that have not already chosen a third-party supplier, while providing the residents and businesses ample opportunity to opt-out of Community Choice Energy;
- Administer all energy efficiency funds paid by customers located within their jurisdictional boundaries for purposes of promoting and funding local energy efficiency programs; and
- Obtain funding for the development of local, small-scale renewable energy projects.

**And be it further resolved**, That a copy of this Resolution be sent to the Governor, the Mayor, the Honorable Chairs and Members of the Senate Finance Committee, the Honorable Chairs and Members of the House Economic Matters Committee, the Baltimore City Senate and House Delegations to the 2020 Maryland General Assembly, and the Mayor's Legislative Liaison to the City Council.

**Beidle_FAV_SB315**
Uploaded by: Senator Beidle, Senator Beidle
Position: FAV

PAMELA G. BEIDLE
*Legislative District 32*
Anne Arundel County

Finance Committee

*Vice Chair*
Executive Nominations Committee

James Senate Office Building
11 Bladen Street, Room 202
Annapolis, Maryland 21401
410-841-3593 · 301-858-3593
800-492-7122 *Ext.* 3593
Pamela.Beidle@senate.state.md.us

THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

FEBRUARY 25, 2020

SB 315
ELECTRICITY - COMMUNITY CHOICE ENERGY

Chairman Kelley and Members of the Finance Committee;

Senate Bill 315 – Electricity – Community Choice Energy, empowers local governments to aggregate electricity loads of residents, small businesses, and government, with the goal of reducing greenhouse gas emissions, reducing prices, or both. SB 315 would authorize local governments, in Maryland, to form community choice aggregators. At present nine states - California, Illinois, Massachusetts, New Hampshire, New Jersey, New York, Ohio, Rhode Island and Virginia - have authorized localities to create locally run aggregators.

While the original focus of CCEs was providing lower and more stable rates, they have evolved to focus on two main policy objectives: lower rates for consumers and a higher level of renewable electricity generation. Creation of a local electricity aggregator allows residents in a community to take control of the electricity purchased by their local utility, while leaving ownership of the grid in the hands of utilities. In essence an aggregator is a sort of hybrid between an investor-owned utility and a municipal utility.

The first aggregator was created in Massachusetts in 1997. The Cape Light Compact was formed by a dozen towns that came together to form an aggregator. The Compact expanded a year later and made its first purchase of electricity in 2000. Since then it has expanded further, helping to create the Cape and Vineyard Electric Cooperative, which has focused on the build out of renewable electricity generation.

SB 315 supports the concept of energy democracy, in which community participation in local government processes, ensures that the energy mix reflects the values of the community. The legislation authorizes localities to create CCEs and establishes the procedure by which they would do so. It does not dictate that a locality must establish a CCE and it is agnostic on the question of what the energy mix procured by the CCE would be, as long as the CCE complies with the State's Renewable Portfolio Standard.
SB 315 directs the Public Service Commission (PSC) to establish regulations to ensure a smooth transition from Standard Offer Service (SOS) to a CCE, such that there is no

disruption in the remaining SOS market. The PSC is also directed to establish regulations related to consumer protection, privacy, and the tariff structure. The PSC also approves of the detailed CCE plan before it can be launched.

The legislation establishes that the CCE will become the default purchaser of electricity for all electric customers in the jurisdiction unless the customer is already the client of a third-party supplier or if the customer opts out of the aggregator plan. The legislation establishes a detailed process through which the local government would communicate about the establishment of the CCE and options for residents to opt out. The opt-out feature ensures that the CCE has the ability to negotiate prices on behalf of nearly all members of the community it represents, thus ensuring competitive prices. The legislation also exempts any publicly owned electric utility or electric cooperative, with an understanding that residents served in these areas have a vote in the decision-making around their electricity supply.

I respectfully request a favorable report on SB 315.

| Name | CCA meeting min RPS | CCA additional % green | CCA 100% green | Default CCA | SOS Price to Compare | Ref. | Details |
|---|---|---|---|---|---|---|---|
| Hudson Valley Community Power (NY) | 6.08 | | 6.36 | 6.36 | 6.87 | 1 | At least 9 communities in Hudson Valley. CCA is 100% green (default). |
| Finger Lakes Community Choice (NY) | 5.01 | | 5.23 | 5.23 | 5.30 | 2 | Town of Geneva, NY. CCA is 100% green (default). |
| Wesley Hills Choice (NY) | 6.87 | | 7.38 | 6.87 | 6.92 | 3<br>8a | Town of Wesley Hills, NY. |
| Melrose, MA | 10.4 | 10.5 (5% more than min) | 12.8 | 10.5 | 11.67 | 4<br>8 | Default is 5% green over minimum mandated.<br><br>See ref. 8. The SOS price in MA is the average of two six month rates: July 1 through December 31, 2019 - 10.836 cents/kWh; and January 1 through June 30, 2020 - 12.517 cents/kWh. |
| Brookline, MA | 10.71 | 11.61 (30% more than min);<br>12.65 (65% more than min) | 13.71 | 11.61 | 11.67 | 5<br>8 | See ref. 8. The SOS price in MA is the average of two six month rates: July 1 through December 31, 2019 - 10.836 cents/kWh; and January 1 through June 30, 2020 - 12.517 cents/kWh. |
| Somerville, MA | 10.21 | 10.51 (10% more than min.) | 13.21 | 10.51 | 11.67 | 6<br><br>8 | See ref. 8. The SOS price in MA is the average of two six month rates: July 1 through December 31, 2019 - 10.836 cents/kWh; and January 1 through June 30, 2020 - 12.517 cents/kWh. |
| Cape Light Compact (MA) | NA | NA | 12.94 | 12.94 | 12.52 | 7<br>8 | 21 communities on Cape Cod and Martha's Vineyard. In existence for 20 yrs.<br><br>See ref. 8. The SOS price is the contract price for January 1 through June 30, 2020 - 12.517 cents/kWh which corresponds to the period of the stated CLC contract. From the Eversource website. |
| New Brunswick (NJ) | NA | 11.39 (50%) | 11.96 | 11.39 | 12.60 | 9 | The SOS rate is for period 10/19-5/20 |
| Glen Rock (NJ) | NA | NA | 12.19 | 12.19 | 12.13 | 10 | The SOS rate is from the pse&g website |
| West Orange (NJ) | NA | NA | 11.60 | 11.60 | 12.13 | 11 | |
| Sustainable Essex (NJ) | NA | 11.00 (41%) | NA | 11.00 | 12.13 | 12 | |

*prices are in cents/kWh

**I. References:**


1. Hudson Valley Community Power (website)
2. Finger Lakes Community Choice (website)
3. Wesley Hills Choice (website)
4. Melrose, MA (website)
5. Brookline, MA (website)
6. Somerville, MA (Somerville CCE website)
7. Cape Light Compact (MA).

8a. SOS information (Orange and Rockland)

8. Eversource Basic Service (select Fixed Rates)
9. City of New Brunswick (NJ) Renewable NB (website)
10. Glen Rock (NJ) Discounted Energy Aggregation Plan (DEAL)
11. West Orange Township Community Energy Aggregation Program Round 3 Update
12. Sustainable Essex Alliance Renewable Energy Aggregation (website)

**MD Sierra Club_FAV_SB315**
Uploaded by: Tulkin, Josh
Position: FAV

SIERRA CLUB

Maryland Chapter
7338 Baltimore Avenue, Suite 102
College Park, MD 20740-3211

**Committee: Senate Finance**
**Testimony on: SB315 - "Electric Industry – Community Choice Energy"**
**Position: Favorable**
**Hearing Date: February 25, 2020**

The Maryland Sierra Club submits this testimony in support of SB315, a bill to enable local governments to implement a "community choice energy plan," and thereby combine the electricity purchasing power of their residents to reduce ratepayer costs and select an electricity source favored by those residents.

**What the Community Choice Energy ("CCE") bill does:**

- This bill allows local governments (counties, cities, or groups of these entities) the choice to pool ("aggregate") their residents to purchase electricity on their residents' behalf from a source considered most favorable for and by the community.
- The county or city establishing a CCE plan would have the discretion to decide upon the criteria for selecting the electricity provider – e.g., cost, type of source (especially clean/renewable), etc. There are no mandates in this regard.
- Within an "aggregated" electricity-purchasing community, individual households would retain the right to choose a different electricity provider than the one selected by the local government, i.e,, they could opt out of the CCE plan and choose instead to use their local utility's standard service or get their electricity from a different third-party provider. In other words, this bill continues in full force the supplier-choice model in use in Maryland today.[1]
- This is simply enabling legislation; that is, it just allows a CCE plan to happen in Maryland if any local governments choose to create one. No local government would be required to use CCE.
- The bill includes numerous safeguards. These include that any locality interested in using CCE would be required to draft a detailed implementation plan, share it widely with the public, and then obtain approval for the plan from the Public Service Commission. The Commission also would be required to adopt consumer protection regulations.
- Importantly, the bill makes virtually no demand on the state budget.

**The following facts are the basis for our support of this legislation:**

- **Communities in other states are saving money and supporting clean energy by combining the buying power of their residents –** Other states have already shown that when community residents combine their purchasing power through community choice aggregation, they can get their electricity below the utility standard offer service cost.
- **CCE is a ratepayer-favorable extension of our deregulated electricity market** – This approach combines the core deregulation concept of consumer choice with the kind of savings you get when

[1] Maryland is a "deregulated" electricity market, meaning that individual households can choose to get their electricity from either their utility ("standard offer service") or a different ("third party") energy supplier.

you shop at Costco or get your health insurance through your employer instead of a more expensive individual plan, i.e., pooled purchasing power.

- **CCE can reduce energy costs for low-income community members** – Local jurisdictions can save money for low-income residents by either aggregating their whole population or specifically developing aggregated service for low income portions of their communities. For low-income families receiving energy assistance, CCE can mean getting more electricity for the value of that energy assistance.
- **Electricity in Maryland is expensive –** Latest data from the U.S. Energy Information Agency found the residential cost of electricity per kilowatt hour in Maryland to be higher than in 36 other states.[2] And the total average bill for a Maryland household is more than in 43 other states.[3] A recent study found that almost 95% of the third-party suppliers in Maryland cost more than standard offer service.[3]
- **Energy bills are a major burden on struggling households in our state –** While middle- and upper-income households in Maryland spend on average about 4% of their income on energy, low income households pay 15% on average.[4] At very low levels of income, energy may cost as much as 20% or more of what a family has to spend. High energy bills often cause poor families to choose between keeping the lights on and paying for other essentials like school supplies or health care.[3]
- **CCE can help Maryland meet its clean renewable energy goals –** The 2019 Clean Energy Jobs Act (CEJA) commits Maryland to important increases in the amount of our electricity coming from renewable energy sources, especially wind and solar. But we have a long way to go to reach those targets. Right now, almost all our electricity comes from coal, fracked gas, and nuclear. CCE has no mandate regarding the source of a community's electricity; but through their local governments, residents can contract for the kind of source they prefer, which is often clean renewable energy. In this way, communities can have access to the low cost clean renewable energy that large corporations like Amazon and Google, and other large organizations like sports arenas, are already getting.
- **Communities that choose clean renewable energy through CCE can support new green jobs and businesses for Maryland –** If communities choose to purchase energy from clean renewable sources – solar, wind, perhaps with energy storage – the contracts that they enter will provide secure financing that supports the expansion of those energy sources, including here in our state. So, beyond helping to meet CEJA's clean renewable energy targets, CCE will also help develop the new green jobs and businesses that CEJA promises.

**Conclusion**

This bill provides multiple benefits to Maryland and to our ratepayers. It amplifies the consumer choice that electricity market deregulation is intended to provide, supports local governments' role in serving their residents, promises lower costs for ratepayers – especially for households burdened by energy costs – and offers an important mechanism to move Maryland toward its green energy and green development goals. It is a win-win-win for Maryland. We urge a favorable report by this Committee.

Alfred Bartlett, M.D., Volunteer Lead
alfredbartlett@msn.com

Josh Tulkin, Chapter Director
josh.tulkin@mdsierra.org

[2] U.S. EIA – Electric Power Monthly (Release of December, 2019)
[3] U.S. EIA – 2018 Average Monthly Bill (by State) - Residential
[4] Peltier L and Makhijani A: Maryland's Dysfunctional Residential Third-Party Energy Supply Market; Abell Foundation, Dec 2018

**MCRC_FAV_SB315**
Uploaded by: White, Marceline
Position: FAV

Maryland Consumer Rights Coalition

**Testimony to the Senate Finance Committee**
**SB315: Electric Industry-Community Choice Energy**
**Position: Favorable**

February 25, 2020

The Honorable Delores Kelley, Chair
Senate Finance Committee
3 East, Miller Senate Office Building
Annapolis, Maryland 21401
cc: Members, Senate Finance Committee

Honorable Chair Kelley and Members of the Committee:

The Maryland Consumer Rights Coalition (MCRC) is a statewide coalition of individuals and organizations that advances financial inclusion and economic justice for Maryland consumers through research, education, direct service, and advocacy. Our 8,500 supporters include consumer advocates, practitioners, and low-income and working families throughout Maryland.

MCRC is in strong support of SB315.

High utility costs drain working families savings and constrain families' budgets. For low-income families, this is especially true. Low-income households spend 13% of their budgets on energy costs; while very low-income households spend up to 42% of their income on energy[1]. Contrast this with non-low-income households that spend 2% of their income on energy.

Community Choice Aggregation creates energy equity. Community Choice allows local governments to purchase energy on behalf of its residents and businesses. Using the collective power of communities, CCA's are often able to negotiate rates that are 15-20 percent lower than retail price.

In addition, CCA's provide local control which will better reflect the needs and priorities of the community. CCA's lead to lower prices for energy which will benefit low-income households as well as empower communities to make and control their power.

[1] ssets.ctfassets.net/ntcn17ss1ow9/4YFXt2RD3KNTx6ulRDxQYR/6395a67ebc6952ca108fad1046948465/APPRISE_Maryland_Low-Income_Market_Characterization_Report_-_September_2018.pdf

SB315 provides for the opportunity for local communities to collectively choose what kind of energy is most appropriate for residents and to negotiate prices that benefit cost-burdened households. SB315 is good for low-income households, for the environment, and for local governments.

For all these reasons MCRC is proud to support the Community Choice Energy Act. We support SB315 and urge a favorable report.

Best,

Marceline White
Executive Director

**MCFACS_FAV_SB0315**
Uploaded by: Wilkinson, Nanci
Position: FAV

**Nanci Wilkinson**
**Montgomery County Faith Alliance for Climate Solutions**
**Cedar Lane Unitarian Universalist Church**
**Committee: Senate Finance**
**Testimony on: SB0315 - "Electric Industry – Community Choice Energy"**
**Position: Favorable**
**Hearing Date: February 25, 2020**

**Thank you for the opportunity to show our support for the Community Choice Energy legislation that has been presented by Delegate Lorig Charkoudian in the 2020 Maryland State legislature. I am representing the Montgomery County Faith Alliance for Climate Solutions (MCFACS) in strong support of CCE as the highest priority for the coming year. Maryland seeks to be a leader in fast delivery of clean energy & in rapid reduction of carbon emissions. CCE will give all Maryland communities the power to pursue cleaner cheaper electricity for their residents and businesses.**

**Why does the Faith Community support clean energy and CCE? We believe as a diverse group of over 40 congregations, synagogues, and temples of all faiths, that taking care of our earth is a moral and ethical issue. Humans have created the climate crisis we are currently in and it is up to humans to solve the climate emergency. The interdependence of humans to nature is dramatically illustrated in our terrifying climate changes - unstoppable fires, 1,000 year floods - and is calling for our solutions everyday. Our failure to act in this time of emergency is a failure of morality.**

**We support CCE in for the following 3 reasons:**

First, is the dangerous effects of Climate Change. In December 2017 the Montgomery County Council passed a climate emergency resolution stating Montgomery County would reduce its greenhouse gas emission by 80% by the year 2027 and 100% by the year 2035. To accomplish these goals, statewide community actions like CCE will be necessary to enable communities-not only Montgomery County-to negotiate their energy rates and the type of energy they want, such as solar and wind, as fast as possible.

The Second reason we support CCE is its statewide application. It will enable all sizes and types of communities, including towns, cities, villages, counties to individually set their own criteria and plan for public review, detail the process and consequences of aggregation, negotiate for more renewables and potentially lower rates. Traditional programs run by utilities typically have a low penetration rate (about 2 percent) whereas an aggregate can have penetration rates of 80 percent or more. Among the states who have done CCE, plans by their locally controlled aggregators are to move to 100% renewable energy more rapidly than is possible with their state's renewable portfolio standards.

**Thirdly, the state of Maryland must place the public health of its citizens foremost. In the nine states that have chosen to do CCE, also known as Community Choice Aggregation, the results have been encouraging. Aggressive state legislation of this type is necessary to meet the obligations the county has to dramatically reduce green house gasses. Participation of residents and businesses is entirely voluntary and "opting out" is possible for all. Ownership of the powerplants and grid will remain in is the hands of the utitilities and all of the details of each community plan must be filed with the Public Services Commission for final review and approval.**
**Please make sure this legislation is a top priority for the legislature's support.**

**Nanci Wilkinson**
**nanciwilkinson@gmail.com**
**Montgomery County Faith Alliance for Climate Solutions**
**Cedar Lane Unitarian Universalist Church**

**Kelley_Delores_SB315_021120**
Uploaded by: Wojahn, Patrick
Position: FAV

CITY OF
COLLEGE PARK
OFFICE OF THE MAYOR & CITY COUNCIL
8400 BALTIMORE AVENUE SUITE 375 COLLEGE PARK MD 20740 | COLLEGEPARKMD.GOV

**MAYOR**
Patrick L. Wojahn
pwojahn@collegeparkmd.gov
240.988.7763

**DISTRICT 1**
Fazlul Kabir
fkabir@collegeparkmd.gov
301.659.6295

Kate Kennedy
kkennedy@collegeparkmd.gov
202.400.1501

**DISTRICT 2**
P.J. Brennan
pbrennan@collegeparkmd.gov
202.288.5569

Monroe S. Dennis
mdennis@collegeparkmd.gov
301.474.6270

**DISTRICT 3**
Robert W. Day
rday@collegeparkmd.gov
301.741.1962

John B. Rigg
jrigg@collegeparkmd.gov
443.646.3503

**DISTRICT 4**
Maria E. Mackie
mmackie@collegeparkmd.gov
240.472.0681

Denise Mitchell
dmitchell@collegeparkmd.gov
301.852.8126

February 10, 2020

Senator Delores G. Kelley, Chair
Senate Finance Committee
3 East
Miller Senate Office Building
Annapolis, MD 21401

**Re: SB 315 Electric Industry – Community Choice Energy**

Dear Chair Kelley and Committee Members:

On February 4, 2020 the City Council voted to support SB 315 which would allow local governments to aggregate and procure electric power on behalf of residents and businesses. This process is often referred to as "Community Choice Aggregation (CCA) and it has been implemented in a number of states and localities. CCAs can increase consumer choice and lower the retail price of electricity for consumers. Additionally, it can enable communities to more quickly shift their electricity power sources to green power.

SB 315 protects consumers by requiring local government aggregators to develop and publish a detailed aggregation plan and to provide notice to participants. The Public Service Commission must approve the plan, as well as establish additional standards and procedures to protect consumer rights.

On behalf of the City Council and our residents, I respectfully request your support for this legislation.

Sincerely,

Patrick L. Wojahn
Mayor

cc: Maryland 21st District Delegation

**TPMEC_FAV_SB0315**
Uploaded by: Younts, Diane
Position: FAV

# Takoma Park Mobilization Environment Committee (TPMEC)

environment@takomaparkmobilization.org (email)

**Committee:** Finance
**Testimony on:** SB 315 - "Electric Industry – Community Choice Energy"
**Position:** Favorable
**Hearing Date:** February 25, 2020

Thank you for allowing our testimony today. The Takoma Park Mobilization Environment Committee (TPMEC) is a grassroots organization of over 200 members, and a member of two statewide coalitions (Maryland Climate Coalition and the Earth Coalition) as well as the Montgomery County 80 x 27 Coalition (a countywide group focused on helping the county achieve its goal to reduce its greenhouse gas emissions by 80 percent by 2027).

TPMEC strongly urges you to support the Community Choice Energy Act. That Act will build on last year's Clean Energy Jobs Act and also on the Greenhouse Gas Reduction Act by creating a mechanism for communities to both rapidly transition to renewable energy and to decrease energy costs for Maryland consumers, particularly Maryland's most vulnerable communities. It does this by allowing local governments to act as aggregators for their communities and to negotiate on behalf of their communities to set rates and determine the source of the energy. CCE enables communities to transition quickly to renewable energy sources, but does not mandate that they do so, because customers are automatically enrolled (with an option to opt out of what the local government has negotiated). It also allows communities to negotiate significantly lower rates for electricity than are currently available to Maryland consumers.

CCE is thus one of the most important tools enabling communities to rapidly and effectively address climate change. It is a "game changer" because it can change the default electricity option to clean renewable energy and it can do so affordably for Maryland communities. The biggest barrier consumers currently face in changing to clean energy is that it is difficult, confusing, and time-consuming to make the switch. Further, by choosing to implement the aggregation authority of CCE, communities can help protect their residents from being targeted by unscrupulous third-party suppliers who target low-income and elderly ratepayers and charge rates higher than the standard offer service (SOS) rates.

There is no other policy or technology that would be as effective as CCE to respond quickly to the climate emergency.

**LOWER RATES/EQUITABLE JUSTICE**

By aggregating a large number of consumers, local governments can purchase electricity at prices significantly below the Standard Offer Service rate, which is the default rate charged by Maryland's utilities. Among other things, lower energy costs would reduce "heat or eat" conflicts that routinely face hundreds of thousands of Maryland low-income and fixed-income households. According to the EPA, in other states that have already adopted Community Choice Aggregation, electric rate savings for participating communities are as much as 15 to 20%. See, https//www.epa.gov/greenpower/community-choice-aggregation. Maryland has the 15th highest electricity rates in the nation, despite having a deregulated market that allows consumers to choose their electricity supplier. Under the legislation, local governments could also negotiate to have all or most of their energy needs met through clean energy sources. Because the costs of solar and wind have dropped by 70 and 90 per cent respectively over the past 10 years and they continue to drop in price, allowing counties the authority to negotiate for such energy on behalf of their communities, they will be allowed to realize significant savings for their communities. See, https://www.forbes.com/sites/brianmurray1/2019/06/17/the-paradox-of-declining-renewable-costs-and-rising-electricity-prices/#7054881961d5. The cost of solar storage is also dropping. Plus, consumers still retain their individual choice--if they do not want the plan negotiated on their behalf by their local government, they can opt out of that plan and choose an alternate plan.

**Lower Energy Burdens for Low-Income Households**

Based on available evidence, low-income households using third-party supply are being disproportionately harmed. (Maryland's deregulated energy market allows consumers to purchase their energy from third-party suppliers who act as middlemen between the utilities and consumers. Third-party suppliers purchase energy from the utilities at a bulk rate and then sell that energy back to consumers.) A report by the Abell Foundation, based on a limited sample in Baltimore (no official agency collects statewide data) found that low-income households on third-party supply applying for assistance with energy costs paid an average of 51 percent over the Standard Offer Service price. (And when their energy comes from natural gas, they pay 78 percent over the Standard Offer Service price.) This is actively and disproportionately harming low-income and fixed-income Marylanders. Further, about a third of energy assistance dollars went to pay for these higher costs rather than reducing energy burdens as they are intended to do. At the present time, just over a quarter of households eligible for assistance actually get it. Statewide, in 2016 assisted households had an average income of $14,700 and average annual energy bills of $2,180 --15% of income. Even for them, post-assistance energy burdens remain high – more than 10 percent of household income. The already severe economic stresses faced by low-income households are intensified by high energy bills.

Community Choice Energy will allow Baltimore and other cities as well as counties with high percentages of low-income residents, such as those in Western Maryland and the Eastern Shore, to lower electricity costs and reduce "heat or eat" conflicts. They would also have the salutary effect of making assistance dollars go farther, ultimately providing financial help to more households.

**Community Choice Energy Will Create a More Functional Energy Market Place**

Maryland's deregulated electricity market place is dysfunctional for the residential sector as two recent studies -- one by the Office of People's Counsel (November 2018) and one by the Abell Foundation -- have shown. Between 2014 and 2017, Maryland households on third-party supply paid about $255 million more in all than they would have on Standard Offer Service. The evidence clearly shows that the individual residential marketplace typically results in higher costs and sometimes much higher costs. In 2017, about 97 percent of households on third-party supply paid more than the utility-offered Standard Offer Service rate. At the same time, the lower costs obtained by large commercial customers who procure third-party supply makes it clear that when parties have the resources to secure and sort through bids, competition works to lower costs.[1] Community Choice Energy can also save Maryland households large sums of money. It is an excellent vehicle to open up the benefits of electricity competition to Maryland households by lowering electricity costs and increasing choice in a meaningful fashion, as other states like Virginia, New Jersey, Ohio, Illinois, and Massachusetts have done. In 1999, when Maryland deregulated the electricity market by passing the Electric Customer Choice and Maryland Competition Act, the intent was to lower rates for all customers. But the opposite happened, because residential customers were denied the ability to leverage their market power to negotiate for lower rates. Community Choice Energy would help remedy that.

**Opt-Out Provision Provides Choice**

The opt-out provision in the Community Choice Energy Bill is important to ensure that there are options for those who do not want to participate. As we found in Takoma Park, when the community made a significant effort to help residents op-in to renewable power, 15 % of residents did so. In states with community choice aggregation, the reverse is true in that typically about 15 % of ratepayers opt-out.

Community Choice Energy is good for the climate and good for consumers. For these reasons, we urge you to support Community Choice Energy.

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[1] In Maryland, the average residential rate for electricity is 12.84 cents per Kwh; commercial rates in Maryland are on average 10.43 cents per Kwh; and industrial rates are on average 8.09 cents per Kwh.

**AOBA__UNF__SB315**
Uploaded by: Caldwell, Excetral
Position: UNF

**Bill No:** **SB 315 – Electric Industry – Community Choice Energy**

**Committee:** **Finance**

**Date:** **2/25/2020**

**Position:** **Oppose Unless Clarified and Amended**

The Apartment and Office Building Association of Metropolitan Washington ("AOBA") represents members that own or manage more than 23 million square feet of commercial office space and 133,000 rental units in Montgomery and Prince George's counties. The majority of AOBA members purchase electric supply in a competitive market. As such, AOBA opposes Senate Bill 315 – "Electric Industry – Community Choice Energy" ("SB 315"), unless clarified and amended.

SB 315 allows local governments to form a Community Choice Aggregator for purposes of negotiating the purchase of electric generation services for electric customers in their jurisdiction or providing electric power from Community Choice Aggregator owned generation. SB 315 purportedly applies to "Residential Electric Customers," including "Mastered Metered Multiple Occupancy Residences" and "Small Commercial Electric Customers. AOBA's testimony does not address the legislation's application to Residential customers and we take no position on this bill regarding Residential customers.

AOBA does, however, oppose SB 315 unless clarified and amended for the following reasons:

**1. <u>The Bill's Application and Customer Enrollment is Unclear</u>**

As proposed, Section 1-101 (F) of SB 315, beginning at page 3, line 33 would apply to "RESIDENTIAL ELECTRIC CUSTOMERS, INCLUDING MASTER METERED MULTIPLE OCCUPANCY RESIDENCES AND SMALL COMMERCIAL ELECTRIC CUSTOMERS, AS DEFINED IN SECTION 7-510.3." While the substance of SB 315 appears to apply to "Residential Electric Customers and Small Commercial Electric Customers," AOBA notes that subpart (F), page 3, line 34 also references "master metered multiple occupancy residences." Master metered multiple occupancy residences, however, are typically not Small Commercial electric customers as defined in Section 7-510.3. Master metered multiple occupancy buildings rather are Medium and Large Commercial electric customers. An individually metered apartment within a multiple occupancy building is a Residential customer.

SB 315, thus, is inconsistent. Specifically, if SB 315 is intended to apply to **individually metered apartments** within an apartment house or multiple occupancy building, then the reference to master metered multiple occupancy residences is superfluous and should be deleted.

**AOBA, accordingly, respectfully requests that SB 315 be amended to clarify that the legislation applies to "individually metered apartments" within a multiple occupancy building, and that all references to "MASTER METERED" be deleted.**

2. **The Bill Compromises the Privacy and Protection of Customer Data**

Absent affirmative steps by the customer (including written customer consent), SB 315 would allow local government aggregators to obtain a Residential and Small Commercial customer's private confidential electric data and other "pre-enrollment usage data and other appropriate billing and electrical load data." Section 7-510.3 (L), (1) and (2), pages 12-13.

Customers, however, have an expectation that their account information is private and not for sale. Utility companies have historically refused to disclose customer account information without the prior written consent of the customer.

Further, and importantly, Section 7-510.3 (L) (3), pages 12-13, of SB 315 provides that "An Electric Company shall provide" to a County or Municipal Choice Aggregator "Any customer-specific data after the aggregation plan is approved" Section 7-510.3 (L), (II), pages 13. While AOBA notes that Section 7-510.3, (D) requires 60 days notice to opt-out of the aggregation, the customer's data is provided to the municipal aggregator immediately after the aggregation plan is approved by the Commission. There is no provision in Section 7-510.3 (L), for customers to prevent their "customer-specific data" from being provided to a community choice aggregator. Additionally, there is nothing in this bill that prevents the County or Municipal Choice Aggregator from selling the "customer-specific data" to any third party.

SB 315 also contradicts current Maryland law. Specifically, Section 7-505(b)(6) of the Public Utilities Article provides:

> "The Commission shall issue orders or regulations to prevent an electric company and an electricity supplier from disclosing a retail electric customer's billing, payment, and credit information without the retail electric customer's consent, except as allowed by the Commission for bill collection or credit rating reporting purposes."

**AOBA, accordingly, respectfully requests that SB 315 be amended to require written customer consent prior to the disclosure of any specific customer account information or alternatively eliminate Small Commercial customers and master metered apartment buildings from SB 315.**

## 3. The Bill Does Not Accurately Reflect the Type of Accounts Maintained by Owners/ Managers of Master Metered Apartments and Commercial Buildings

SB 315 would also affect – literally – thousands of Small Commercial electric accounts within master metered apartment buildings and office buildings. These buildings also contain Medium and Large Commercial accounts. Specifically, many AOBA members either own and/or operate large apartment communities, which often contain small, medium or large size commercial electric accounts or a combination of such accounts. These Small Commercial accounts may be for laundry rooms, lobbies, party rooms, hallway lights and other common areas. Likewise, an office building that is classified as a Large Commercial electric account may also contain several Small Commercial electric accounts, for uses such as hallway lighting, exercise facilities, lobbies and/or garage fans.

**AOBA respectfully recommends, therefore, that SB 315 be amended to remove Small Commercial electric customers that are contained within a property that also contains a Medium and/or Large Commercial account.**

## 4. The Bill Is in Conflict with Automatic Name Change Programs for Apartment House Communities with Individually Metered Residential Customers

There is another issue that specifically pertains to apartment house communities with individually metered apartments, (i.e., Residential customers), that participate in Automatic Name Change Programs. Many AOBA members that own/operate apartment buildings containing individually metered apartments participate in Pepco's automatic name change program.

That program allows an automatic switch of an individually metered apartment, (i.e., a Residential customer) into the management companies name each time a tenant moves out so that the management company can keep 'the lights and heat' on. AOBA members have thousands of electric accounts that utilize this program and are switched into the management companies name automatically each time a resident moves out and then switched into the new resident's name when they move in.

**This has not been addressed in the legislation. AOBA respectfully recommends that SB 315 be amended to provide that any building that participates in an automatic name change program be exempt from SB 315.**

## 5. The Bill Is Unfair to Customers and Competitors

Since the enactment of legislation to promote a competitive electricity market, electricity suppliers have competed for customers in Maryland and customers have selected suppliers that best meet their energy needs. Large customers, including many of AOBA's members, have actively exercised customer choice, with over 83% of Large Commercial and Industrial accounts, over 53% of Medium Commercial accounts and approximately 33% of Small Commercial accounts electing a competitive electricity supplier. Within AOBA's membership, the percentage of Small Commercial accounts currently using a

competitive supplier is higher, because most are associated with Medium and Large Commercial accounts at the same location.

If enacted, SB 315 would unwind two decades of market competition and customer choice. Specifically, under SB 315 and, importantly, by the opt-out mechanism set out in the legislation, local governments would now be permitted to: (i) effectively eliminate customer choice for Small Commercial customers and (ii) effectively eliminate the data privacy protections currently accorded Small Commercial customers.

The "opt out" mechanism included in SB 315 is unfair and would place significant additional burdens on building owners and managers who would be forced to regularly protect their accounts from unwanted capture by the Community Choice Aggregator. AOBA members who have thousands of Small Commercial accounts already using competitive electricity supply services, will have to commit unproductive time and energy to "opt out" each of those accounts each time their competitive supply contracts expire or approach expiration or risk having those accounts captured by a local government's Community Choice Aggregation.

The inclusion of provisions in SB 315 that would automatically capture accounts into a Community Choice Aggregation without the customer's prior affirmative consent represents an admission by local governments who intend to operate Community Choice Aggregations that they are unwilling or unable to compete against existing electricity suppliers in the marketplace.

**AOBA respectfully recommends that SB 315 be amended to provide, as is the case in New Jersey, that Small Commercial customers must opt-in to the Community Choice Aggregation or that they be eliminated from SB 315 entirely.**

**For all of these reasons set forth above, AOBA urges an unfavorable report on SB 315, unless the above amendments and clarifications are adopted**.

For further information contact Erin Bradley, AOBA Vice President of Government Affairs, at 301-261-1460 or ebradley@aoba-metro.org, or Frann G. Francis, Senior Vice President and General Counsel, at 202 296-3390 Ext 766 of ffrancis@aoba-metro.org

**Exelon_UNF_SB315**
Uploaded by: Campbell, Lael
Position: UNF

# EXELON GENERATION COMPANY, LLC POSITION STATEMENT

**HB 561/SB 315** **Electric Industry - Community Choice Energy**
**(Charkoudian/Beidle)**

**POSITION:** **OPPOSE**

As Maryland's largest supplier of power, Exelon Generation Company, LLC. ("ExGen") and its affiliated retail energy sales entity Constellation New Energy, LLC, appreciates the opportunity to provide written comment on **HB 561/SB 315 – Electric Industry - Community Choice Energy,** which authorizes a county, a municipality, or a group of counties and/or municipalities to form or join a "community choice aggregator," for the purpose of negotiating the purchase of electric generation services from an electricity supplier or providing electricity from an electric generating facility owned by the aggregator for electric customers.

Much of the support for a Community Choice Energy (CCE) program appears centered on achieving cheaper, cleaner energy solutions. While those are laudable goals – goals that Marylanders and ExGen support – this bill will have a detrimental effect on Maryland energy consumers, and the ability for Maryland as a state to decarbonize the economy in the most cost-effective way. Following the restructuring of Maryland energy markets, customers have benefited from having choices in their electricity decisions. Maryland residential customers have saved $4.4 billion dollars since 2008 through the ability to access competitive retail markets compared to the price performance of the monopoly states.[1] As drafted, this CCE program holds customers captive and limits choice. This is a step in the wrong direction. Maryland customers are already empowered to choose green, renewable, and carbon-free supply options. Unleashing the power of competitive retail markets to the benefit of consumers, combined with aggressive state level policies to further clean the generation stack (e.g. the Clean Energy Jobs Act) is the most cost effective and efficient way for Maryland to achieve its environmental goals.

Moreover, the Federal Energy Regulatory Commission's (FERC) new Minimum Offer Price Rule (MOPR) requires clean generators to offer into the PJM capacity market as if they are not receiving revenues under any state environmental program. Consequently, state-supported generation resources (specifically those that may be developed as part of a CCE program under this proposed legislation) will be priced out of the market, likely making CCE supply costs *and* compliance with Maryland's clean energy programs more expensive overall for customers. From a practical standpoint, an already existing CCE that includes capacity related costs could prove challenging for Maryland to accommodate along with any future response to the MOPR.

Moreover, generation ownership puts enormous financial risk squarely on the backs of individual, captive customers and, perhaps more acutely, the participating municipalities, increasing costs for local communities and their residents. To the extent customers continue to opt-out of any CCE, the remaining members - who made no active election to join the aggregation - would shoulder an increasing proportion of these generation costs. In this context, the most important part of competitive choice is that neither the individual customer nor their local municipality/county assumes any financial risk associated with the development of generation projects that supply their power.

Just as important, this proposed CCE construct virtually negates all current customer safeguards, including the "anti-slamming" protections the Maryland legislature and the Maryland Public

[1] Source: U.S. Energy Information Administration (EIA)

Service Commission have deployed to ensure customers enter the right electric supply product and contract for their individual needs.

Lastly, CCE's may have an impact on the Standard Offer Service (SOS) load auctions and the customers served by SOS. ExGen has been a regular participant in SOS load auctions both in Maryland and elsewhere. While we would anticipate to continue to participate in upcoming auctions, the CCE market may have the effect of depressing interest and, as a result, participation from other wholesale suppliers. In short, a sizeable Maryland CCE program (i.e. Montgomery County, Baltimore County, etc.) will dramatically shrink the load served by SOS and therefore have the effect of reducing the overall opportunity for wholesale suppliers. At some point, SOS may be too small to drive interest within the wholesale supplier community and the competitiveness of the auctions and the resulting SOS price may be diluted.

In addition, any uncertainty that wholesale suppliers of Maryland's SOS, like ExGen, face because of CCE's may have the effect of increasing risk premiums associated with SOS load auction bids. Hedging large scale migration risks for two-year wholesale supply contracts can add significant cost to suppliers. This is especially true given the CCE construct proposed here, which includes generation related costs. While Maryland Public Service Commission (PSC) review and oversight provide some predictability, the ultimate level of participation of in a given CCE simply cannot be predicted accurately.

These very same concerns regarding the SOS recently surfaced in Massachusetts, where CCEs (municipal aggregations) are allowed and the City of Boston has been contemplating the development of a program covering its 250,000 SOS customers. The local Boston utility performed an analysis of estimated cost impacts to customers resulting from increased bids from wholesale suppliers associated with the uncertainty with the City of Boston's municipal aggregation program. The local utility estimated that for the period of January to June, 2020, supply cost increases for SOS customers due to CCE uncertainty were in the range of about $3 million. And further, because some retail suppliers and other suppliers of municipal aggregations benchmark their pricing to a certain extent on the SOS price, the local utility estimated that the inflated SOS price resulted in a $4 million impact over the same period for customers *not* on SOS (i.e. being served by another retailer or municipal aggregation program).

In conclusion, embracing competition not only helps customers avoid risk but also helps to keep prices low. In Maryland from 2008 to 2017, **electricity prices for residential customers *increased* by just 1.1%.** Over that same period, electricity prices in monopoly states (i.e. where generation is funded by captive customers) for residential customers *increased* by 22.3%.

For the forgoing reasons, ExGen **OPPOSES** HB 561/SB 315. We respectfully request your favorable consideration of our position.

**Southern_UNF_SB 315**
Uploaded by: Culham, Nancy
Position: UNF

SOUTHERN MANAGEMENT CORPORATION

*Leaders In Quality Apartment Home Living And Service Since 1965.*

February 25, 2020

Senator Delores Kelley
Senate Office Building
Annapolis, Maryland 21401

RE: Senate Bill 315– Electric Industry – Community Choice Energy

Dear Chairwoman Kelley:

Southern Management Corporation owns and operates over 23,000 apartment units (which represents over 55,000 residents) and over 1.5 million square feet of office space in Montgomery, Prince George's, Anne Arundel, Howard, Baltimore County and Baltimore City. These properties contain many small, medium and large non-residential accounts and we strongly urge an unfavorable vote on SB315 unless amended as recommended by AOBA. All of our accounts currently purchase competitive electric supply and have for many years. Southern Management welcomes the opportunity to provide testimony on SB315

SB315 states that at the end of a contract term with an electricity supplier that the account will AUTOMATICALLY be enrolled with the Community Choice Aggregator unless Southern Management gives written notice to the community choice aggregator at the end of each energy supply contract declining to participate in the aggregation activities. Again, this requires an onerous effort on the part of Southern Management to "opt-out" of a service that it has no interest in participating in the first place. Southern Management has thousands of accounts!

At times, Southern Management purchases energy in shorter term contracts of one year, and at other times we enter into longer term contracts. All of our properties do not necessarily have one start and end date. SB315 would require an enormous amount of effort to keep on top of opting out of thousands of accounts on a continual basis.

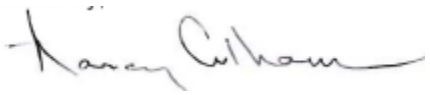
Southern Management would be forced under SB315 to notify the community choice aggregator that it was "opting-out" of its program for all accounts that are currently with third party suppliers when the contract term ends. This is overly burdensome for Southern Management in that we have thousands of accounts that are either small Commercial or master-metered apartments contained in apartment communities, office buildings and hotels!

Southern Management is also concerned that energy customers, who do not participate in community aggregation, bear no financial responsibility for the costs of that operation, including potential stranded costs, maintenance and the return of customers to Standard Offer Service, and that these costs are not socialized among ratepayers.

Southern Management Corporation strongly urges an unfavorable vote on SB315 as written.

For more information or any questions, please contact Nancy Culham, Utilities Specialist at 703.902.9415 or nculham@smcmail.com.

Sincerely,



Nancy Culham
Utilities Specialist
Southern Management Corporation

**Grady__UNF__SB315**
Uploaded by: Farmer, David
Position: UNF

February 25, 2020

Senator Delores Kelley
Senate Office Building
Annapolis, Maryland 21401

RE: Senate Bill 315– Electric Industry – Community Choice Energy

Dear Chairwoman Kelley:

Grady Management manages approximately 8,233 number of apartment units and 252,761 square feet of office space in Montgomery, Prince George's, Anne Arundel, Howard, Charles and Baltimore Counties. These properties contain many small, medium and large non-residential accounts, including small commercial and we strongly urge an unfavorable vote on SB 315 unless amended as recommended by AOBA. All our accounts currently purchase competitive electric supply and have for many years.

Grady Management supports efforts to ensure that electricity is affordable for all ratepayers, residential and non-residential and derived from renewable energy sources in efforts to protect the environment, in response to climate change, by reducing carbon and GHG emissions, and ensuring customer choice. Grady Management offers the following observations and supports the proposed amendments and comments to SB 315 by the Apartment and Office Building Association of Metropolitan Washington ("AOBA") in furtherance of these public policy objectives. Currently, Grady Management has the ability to purchase renewable energy from our competitive supplier up to 100% of our load.

Additionally, all electric supply in Maryland is subject to the Maryland Renewable Energy Portfolio Standard (RPS). This requires all electricity suppliers (utilities and 3rd party suppliers) to procure a minimum of 28% of the electric load from eligible renewable energy sources in 2020. Electric customers are already supporting cleaner energy supply in Maryland through the application of RPS.

Further, Grady participates in Pepco's automatic name change program. Every year, we have approximately 3,000 electric accounts that are switched into our name when a resident moves out and then switched into the new resident's name when they move in. This practice has not been addressed or considered in SB 315. It is an important business practice utilized by our company as well as by many other apartment communities.

Grady Management Company strongly urges an unfavorable report on SB 315 as written.

For more information or any questions, please contact David Farmer, Energy Conservation Specialist at 301-495-1923 or at DavidF@Gradymgt.com

Sincerely,

David Farmer
Utility Conservation Specialist
Grady Management

**FirstEnergy_UNF_SB315**
Uploaded by: Grealy, Anne
Position: UNF

Anne M. Grealy
Senior Advisor, Government &
Regulatory Affairs
68 State Circle
Annapolis, MD 21401
410.310.2544
agrealy@firstenergycorp.com

## SB 315 - Electric Industry – Community Choice Energy

## Unfavorable

Potomac Edison, a subsidiary of FirstEnergy Corp., serves about 270,000 customers in all or parts of seven Maryland counties (Allegany, Carroll, Frederick, Garrett, Howard, Montgomery and Washington Counties). FirstEnergy is dedicated to safety, reliability and operational excellence. Its ten electric distribution companies form one of the nation's largest investor-owned electric systems, serving customers in Ohio, Pennsylvania, New Jersey, West Virginia, Maryland and New York.

**Potomac Edison requests an Unfavorable report on SB 315 for the following reasons.** Senate Bill (SB) 315 establishes community choice aggregation, with a generation-owning aspect. The bill defines a community choice aggregator as a county or municipality, or a group of counties, municipal corporation, or both that serve as an electric aggregator for the purpose of negotiating the purchase of electric generation services from an electricity supplier or from an electric generating or storage facility owned by the aggregator for residential electric customers located in the respective limits of the county or municipal corporation that have not selected an electricity supplier or refused to participate in aggregation activities, and are not located in a municipal electric utility's or electric cooperative's service territory. The bill also notes that "aggregation services" includes the provisions of electricity service from a generating station owned by a community choice aggregator (community aggregator). The bill excludes community aggregators from having to be licensed by the Public Service Commission (PSC) to engage "in the business of an electricity supplier." This may inhibit customers' ability to dispute service issues and charges, because community aggregators are not subject to the same requirements and regulations as other suppliers. Regarding the opt-out provision, within only 30 days of being notified by the community aggregator, customers that do not want to participate must mail their opt-out request to the community aggregator. Thirty days is a grossly inadequate period of time for customers to evaluate terms and conditions of service, new rates for service, comparison of the rates to the current standard offer service, and total renewable component of the portfolio of the selected electricity supplier that exceeds the requirement under current law, if any. This type of opt-out provision essentially forces customers into the program and then permits the community aggregator to charge early termination fees to customers who subsequently choose to opt-out.

In order to avoid these negatives, Potomac Edison respectfully requests an **unfavorable report** on SB 315.

**MDChamber_Griffin_Unfav_SB315**
Uploaded by: Griffin, Andrew
Position: UNF

MARYLAND
Chamber of Commerce

**LEGISLATIVE POSITION:**
**Unfavorable**
**Senate Bill 315**
**Electric Industry-Community Choice Energy**
**Senate Finance Committee**

**Tuesday, February 25, 2020**

Dear Chairwoman Kelley and Members of the Committee:

Founded in 1968, the Maryland Chamber of Commerce is the leading voice for business in Maryland. We are a statewide coalition of more than 4,500 members and federated partners, and we work to develop and promote strong public policy that ensures sustained economic growth for Maryland businesses, employees and families.

Senate Bill 315 would allow counties and municipalities to individually or jointly pass local ordinances to form a Community Choice Aggregator (CCA) for the purposes of procuring electricity for its members. As outlined by the legislation, local governments seeking to create a CCA would be required to send a single notice to residential and small commercial electricity customers. If the residential or small business customer fails to respond or "opt out" within 30 days, the CCA may automatically enroll that consumer into the program. Further, if an auto-enrolled consumer seeks to opt out after 180 days, the customer must pay an exit fee to be determined later by the Maryland Public Service Commission.

The Chamber has many concerns with the legislation, as presented. First, it would allow local governments to switch small business customers to the electricity supplier of the CCA's choice, without that customer's direct consent. Customers cannot be reasonably expected to "opt-out" by return mail within 30 days, as is required by the legislation. This creates the potential for confusion and alarm as it relates to why a small business customer has been switched to a new electricity supplier.

What is more, a local government may make this switch even if the electricity rates of the CCA are higher than what is presently incurred under the customers' default service. The result will undoubtedly be higher prices for consumers, including small businesses who consistently contend with financial pressure due to any number of other challenges.

For these reasons, the Chamber respectfully requests an **unfavorable report** on Senate Bill 315.

**GreaterBethesdaChamber_UNF_sb315**
Uploaded by: Italiano, Ginanne
Position: UNF

THE GREATER BETHESDA
CHAMBER of COMMERCE
Smart Business, Bright Future

Ginanne M. Italiano, IOM, President & CEO
The Greater Bethesda Chamber of Commerce
7910 Woodmont Avenue, Suite 1204
Bethesda, MD 20814
T (301) 652-4900 F (301) 657-1973
gitaliano@greaterbethesdachamber.org
www.greaterbethesdachamber.org

**VIA EMAIL**

February 25, 2020

The Honorable Delores G. Kelly, Chair
and Members of the Senate Finance Committee
Maryland General Assembly
3 East – Miller Senate Office Building
Annapolis, Maryland 21401
Re: SB315-Electric Industry – Community Choice Energy - Oppose

Dear Chairwoman Kelly and Members of the Senate Finance Committee:

On behalf of our 550-member businesses and more than 45,000 employees in Montgomery County, this statement is in **Opposition to SB315 – Electric Industry – Community Choice Energy.**

This Community Choice Energy legislation authorizes Maryland counties and municipalities to individually or jointly pass local ordinances to form a Community Choice Aggregator (CCA), beginning on October 1, 2021. A CCA would be allowed to procure electricity as well as own generation and storage. Senate Bill 315 requires a local government that seeks to create a CCA to send a single notice to residential and small commercial electricity customers. If a residential consumer or business fails to respond to that notice within 30 days, the Community Choice Aggregator automatically enrolls that customer into its program. If an auto-enrolled customer wishes to leave the program after 180 days, the customer must pay an exit fee of an indeterminate amount.

The bill also allows the Community Choice Aggregator access to our members' data without receiving affirmative consent from the member. This concept is inconsistent with consumer protections being implemented in jurisdictions like California and discussed in others like Maryland, following the Equifax and Facebook data breaches.

The Public Service Commission does not regulate rates charged by electricity suppliers or Community Choice Aggregators. SB315 allows counties and municipalities to mandate customers to utilize the electricity supplier chosen by the county or municipality, even if the rates are higher than the Standard Offer Service by the Public Service Commission. This fundamentally limits the ability of our members to have an affirmative voice in whether they participate in the aggregation or buy their energy needs from a different supplier. And finally, to the extent the legislation increases the costs of energy supply, it will have a negative impact on the economic competitiveness of Maryland's small businesses. Instead of enabling county and local governments to go into the energy supply business, we would support "community choice" by enabling customers to have a choice of their energy supplier when they first sign up for their electricity.

THE GREATER BETHESDA
CHAMBER of COMMERCE
Smart Business, Bright Future

Ginanne M. Italiano, IOM, President & CEO
The Greater Bethesda Chamber of Commerce
7910 Woodmont Avenue, Suite 1204
Bethesda, MD 20814
T (301) 652-4900 F (301) 657-1973
gitaliano@greaterbethesdachamber.org
www.greaterbethesdachamber.org



Maryland Counties and municipalities need to focus on the business of governing – not become utility suppliers and compete with small business.

For these reasons, The Greater Bethesda Chamber of Commerce respectfully requests that you give Senate Bill 315 an **Unfavorable Report.** Thank you for your consideration of our comments.

Sincerely,

Andy Stern
Chairman

Ginanne M. Italiano, IOM
President & CEO

cc: Members of the Senate Finance Committee
Senators Beidle, Augustine, Elfreth, Feldman, Kagan, Lam, Lee, and Rosapepe

**PHI_UNF_SB315**
Uploaded by: Lanier, Ivan
Position: UNF

An Exelon Company

An Exelon Company

February 25, 2020

112 West Street
Annapolis, MD 21401
410-269-7115

**OPPOSED - Senate Bill 315**
**Electric Industry—Community Choice Energy**

Potomac Electric Power Company (Pepco) and Delmarva Power & Light Company (Delmarva Power) oppose **Senate Bill 315 Electric Industry—Community Choice Energy**. Pepco and Delmarva appreciate the opportunity provided to engage with the bill sponsor during the period between the 2019 and 2020 sessions to discuss concerns related to the bill. However, Pepco and Delmarva continue to have several areas of concern from a customer and climate change perspective. Senate Bill 315 authorizes opt-out aggregation for counties or municipalities, authorizes ownership of generation or energy storage for counties or municipalities, and appears to authorize counties and municipalities to implement energy efficiency programs as part of the Community Choice Energy (CCE). Taken together, these provisions are a significant shift in energy policy in Maryland and have the potential to overturn existing customer protections and deprive customers of their right to choose who supplies their energy.

Current Maryland law encourages customer choice by providing that a county or municipal corporation may not act as an aggregator unless the Public Service Commission (PSC) determines there is insufficient competition within the boundaries of the county or municipal corporation. To date, competition has been successful in most parts of the State and the PSC has not made this determination.

The customer protections included in Senate Bill 315 are undefined and do not retain or maintain existing customer protections that have been established previously in Maryland law. For example, the bill's provisions to allow the CCE to *automatically* enroll a customer as a participant in aggregation at the expiration of a contract term with a third-party supplier violate that customer's right to choose his or her own supplier. Indeed, Pepco or Delmarva may find itself in a position of receiving an enrollment request for a particular customer that conflicts with the provisions of this legislation.

Senate Bill 315 also states that a Community Choice Aggregator is "deemed to have obtained electric customer authorization to retrieve pre-enrollment usage data," apparently without any requirement that a customer in fact authorize retrieval of this data, potentially raising customer privacy and data security issues.

Finally, it is unclear as to whether or not the bill could create additional greenhouse gas challenges for the state. As written, the bill appears to require the CCE to meet the state's Renewable Portfolio Standard requirements but allows for a CCE to procure the remainder of its electricity from fossil

fuel sources. If this is the correct interpretation of the bill's provision, then a CCE could deliver to its customers electricity that has a higher greenhouse gas intensity than the current PJM system mix.

Pepco and Delmarva Power are available to engage with interested counties and municipalities further regarding the related unintended consequences of Senate Bill 315. However, because this bill obviates the customer protections and rights that have been developed by thoughtful policies and careful implementation, Pepco and Delmarva respectfully oppose Senate Bill 315.

Contact:
Anne Lindner
Vice President, Government and External Affairs
410-269-7105
Anne.Lindner@pepcoholdings.com

Ivan K. Lanier
State Affairs Manager
410-269-7115
Ivan.Lanier@pepco.com

**NRG_Lininger_UNF_SB315**
Uploaded by: Lininger, Brett
Position: UNF

**SENATE BILL 315 – ELECTRIC INDUSTRY – COMMUNITY CHOICE ENERGY**

**UNFAVORABLE**

**SENATE FINANCE COMMITTEE**
**February 25, 2020**

NRG Energy, Inc. ("NRG") submits these comments in **opposition** to **SB 315 – Electric Industry – Community Choice Energy.**

NRG is a Fortune 500 company, delivering customer focused solutions for managing electricity, while enhancing energy choice and working towards a sustainable energy future. We put customers at the center of everything we do. We create value by generating electricity and serving more than 3 million residential and commercial customers through our portfolio of retail electricity brands – including here in Maryland, where NRG owns four companies that are licensed by the Public Service Commission to serve retail customers. These companies offer customers a range of products ranging from cash back rewards and loyalty points, to charitable giving and 100% renewable electricity.

The competitive market has driven the development of renewable resources and enabled consumers to choose to go green with their energy supply – and many customers are making that choice. As one example, one of NRG's retail companies, Green Mountain Energy Company, pioneered renewable energy for mass market customers. Green Mountain was the first retail supplier in the country to offer green power products to residential customers and has offered renewable options to mass market customers longer than any other retail supplier. In fact, demand for renewable energy by Green Mountain customers led to the first utility scale wind power project in the Eastern U.S. – right here in PJM – the Green Mountain Energy Wind Farm in Garrett PA in 2000. We like to think we started the renewables revolution and we are certainly committed to seeing the adoption of renewable resources grow.

NRG opposes SB 315 because rather than facilitating customer choice, it reduces the choices available to Maryland's residential and small commercial customers by enabling local governments to: 1) establish new monopolies whereby counties and municipalities become the default supplier of electricity to all residential and small commercial customers in their jurisdictions, 2) make the electricity shopping decisions, including choosing the electricity supplier and generation resources on behalf of all customers in their jurisdictions, and 3) make it potentially cost prohibitive for customers to leave and exercise their right to choose their own electricity supplier or the electricity products or services they desire.

More specifically, SB 315:

- Replaces individual customer choice with *government* choice. Enabling county or municipal governments to make decisions that today every Maryland customer is empowered to make is not real competition or a true retail market.
- Puts local government officials and their consultants in the position to choose the supplier and/or the generation sources, determine the costs and rates to be passed on to aggregated customers, and decide on the rights and responsibilities of aggregated customers.
- Results in fewer options for customers, as one monopoly (the local distribution company) is substituted by another (the winning aggregation supplier), with new shopping restrictions that do not exist in today's market.
- Masks the identity of the electricity supplier selected to serve the aggregated customers by requiring the utility bill to reflect the local government aggregator as the supplier.
    - Local government aggregators will not be required to obtain a license to supply electricity in Maryland.
    - The retail supplier selected to serve these aggregated customers are prohibited from billing them.
- Allows local governments to impose potentially significant fees on customers who want to leave the aggregation program and exercise their right to choose another supplier. This is particularly problematic because customers will not be required to affirmatively choose to join the aggregation in the first place – they will be put on this service by default.
    - Because these local government aggregators will be empowered to own generation or contract directly with generation resources, they will have strong incentives to prevent customers from leaving the aggregation – as they will need the revenues from the sale of electricity to pay for those commitments.
    - Customers in the aggregation will be forced to take on the financial risk associated with the generation contracted by the local government – a situation the legislature eliminated when it restructured the electricity market in 1999 and required generation resource shareholders to take on this risk.
- Requires customers to opt-*out* of being included in the aggregation, which means that these customers could be locked into receiving service they did not choose and prevented from leaving that service for another supplier that offers products and pricing that better meet their needs and desires.
    - In fact, the only way to avoid being placed in the aggregation by default is for the Customers to take affirmative action to choose another supplier or to specifically choose SOS – which is currently the default service supply option available to all consumers who take no action to choose a supplier. Local government aggregators effectively become the new default service provider.
    - Even shopping customers whose contracts end and are not automatically renewed will default to the aggregation unless they 1) provide *written notice* to the county or municipality to opt-out, 2) contract with another supplier, or 3)

affirmatively choose SOS. In other words, customers must act to *avoid* the aggregation.

- Requires utility standard offer service customers to pick up the bill for delinquent accounts served by the local government aggregations.

In short, SB 315 is a bad deal for Maryland consumers.

Thank you for the opportunity to share our perspective on SB 315 and for the above reasons NRG urges the Committee give the bill an **unfavorable** report.

**NRG Energy, Inc. Contact Information**

**Sarah Battisti**, Director Government Affairs, NRG Energy, Inc., 804 Carnegie Center, Princeton, NJ 08540, 717-418-7290, sarah.battisti@nrg.com

**Leah Gibbons,** Director Regulatory Affairs, NRG Energy, Inc., 3711 Market Street, Suite 1000 Philadelphia, PA 19104, 301-509-1508, lgibbons@nrg.com

**John Fiastro**, Fiastro Consulting, 1500 Dellsway Road, Towson, MD 21286, 443-416-3842, john@fiastroconsulting.com

**Brett Lininger**, Old Line Government Affairs, 10 West Pennsylvania Ave., Suite 200, Baltimore, MD 21204, 443-527-4837, blininger@nemphosbraue.com

**Joe Miedusiewski**, Old Line Government Affairs, 10 West Pennsylvania Ave., Suite 200, Baltimore, MD 21204, 410-321-4580, americanjoe@oldlinelobbying.com

**Kay__UNF__SB315**
Uploaded by: Lovecchio, Steve
Position: UNF

Kay apartment communities

February 25, 2020

Senator Delores Kelley
Senate Office Building
Annapolis, Maryland 21401

RE: Kay Management Testimony on Community Choice Energy Bill- SB315

Dear Chairwoman Kelley:

Kay Management owns and/or operates 9,446 apartment homes in Anne Arundel, Montgomery, and Prince Georges Counties in Maryland. This bill, if passed, will be harmful to third party suppliers of electricity, our customers, and our own Company. Kay Management Company strongly opposes SB315 as written. Kay Management opposes this legislation on the four following points:

1. With respect to customer account data, the release of individual utility account data to third parties has been long recognized as a fundamental right of the individual or business utility account holder to control. (Other examples of protected and confidential information include, but are not limited to, financial data, healthcare records, employment history, academic records, tax records, military service information, driving records, etc.) The confidentiality of proprietary utility customer account information has always been recognized by the State's utilities and is relied upon by utility customers. Businesses and individuals have always viewed this information as proprietary and confidential, to be accessed and used only by third parties for specified and limited purposes under protection of law only ***after prior affirmative written consent is provided.***

2. As proprietary and confidential **utility account data** is stored electronically, it is imperative that cyber security measures ensure that such data is protected and only released to third parties upon ***the prior affirmative written consent*** of the utility account holder. The utility account holder must retain control of the dissemination of their proprietary information on terms and conditions that are acceptable to them and thereby maximizing the protection of the data.

8720 Georgia Avenue, Suite 410 · Silver Spring, MD 20910 · Phone: 301/589-8045 · Fax: 301/565-9662 · www.KayApartments.com

Kay apartment communities

3. Kay Management is concerned that forcing customers into a county or municipal aggregation pool, SB315 would allow the supplier of energy for the community energy program access to a customer's private electric account usage data which has been protected by the Maryland Public Service Commission, as well as the State's utilities up to now. We consider the unauthorized release of our customer data on an opt-out basis to be overly burdensome and dangerous. We must continue to have complete control over our account information.

4. An individual or business utility account holder must affirmatively choose in writing to release its information to any alternative competitive energy provider. Kay Management has always supported the right of an electric utility customer to participate in customer choice by prior written affirmative consent, i.e. "opt-in", and not requiring the customer to "opt-out". Kay Management, therefore, continues to conclude that non-residential energy customers, many of whom derive their energy supply from competitive energy suppliers under negotiated agreements, should be exempt from mandatory participation in county/municipality aggregation unless they choose to "opt-in." This is true customer choice.

For further information regarding my testimony, feel free to contact me at (301) 562-4408 or Clark Melillo, President of Kay Apartment Communities at (301) 562-4453.

Sincerely,

Steve LoVecchio
Vice President of Engineering and Energy

**GWHCC_UNF_SB315**
Uploaded by: Quiroga, Nicole
Position: UNF

greaterwashington
hispanic chamber of commerce

**UNFAVORABLE SB 315-**Community Choice Energy Bill
February 25, 2020

Dear Senator Delores G. Kelley, Ranking Member Miller and Members of the Senate Finance Committee,

My name is Nicole Quiroga and I am the President and CEO of the Greater Washington Hispanic Chamber of Commerce. Our Chamber (GWHCC) supports the economic development of the Washington, D.C. metropolitan region by facilitating the success of Latino and other minority-owned businesses and the communities we serve.

**Founded in 1976,** the GWHCC is a membership driven organization that has more than 700 members throughout Montgomery and Prince George's counties, the District of Columbia and parts of Northern Virginia. We represent one of the fastest growing demographics, which is the Latino small business owner, and provide our members with technical assistance, **networking opportunities, advocacy and educational support.**

Today we are speaking in opposition to Senate Bill 315 (SB315) Electric Industry – Community Choice Energy. While we recognize that a similar bill was introduced last legislative session, we did not take a position. However, given the bill being debated this session includes small commercial customers, we felt compelled to provide input on behalf of our members.

The underlying tenants of the bill are laudable, however, there are several concerning aspects that we believe warrant additional consideration and study, prior to making such a fundamental change to Maryland's energy policy. At its core, this bill could alter significantly the current structure of energy pricing in the state and do so in a way that limits choice and competition, as a direct result of the form of Community Choice Energy (CCE) enabled by this bill.

The GWHCC understands that SB315 authorizes Maryland counties and municipalities to individually or jointly pass local ordinances to form a CCE, which would then be allowed to procure electricity as well as own generation and energy storage, without additional requirements for approval by the residents and businesses encompassed by the proposed CCE. GWHCC believes that, given the impact on those customers swept into a CCE, residents should first vote to authorize a CCE prior to local officials moving forward with creating one. This is a significant change in authority and purview for local governments and should not occur without direct input from its citizens.

While SB315 does require a local government that seeks to create a CCE to send a notice to residential and small commercial electricity customers, the bill only appears to require that one direct notice be sent and, if a residential consumer or business does not respond to that notice within 30 days, the customer is automatically enrolled into the CCE program.

The bill also appears to impose an exit fee on those customers that choose to leave the CCE after 180 days.

We do not support this "**opt-out**" approach, which is just "slamming" by another name. Our members tend to be *small businesses that are run and managed by individuals that not only pay energy bills, but also order goods, manage inventory, make payroll, hire and manage employees, market their businesses, tend the register, etc.* They are very busy people trying to make a profit to support local jobs and the economy, as well as their families. Many are satisfied with their energy service, and those that want to make an affirmative choice about their energy provider have the option of doing so today under Maryland's retail electric competition program. We believe that this bill is unnecessary for our members and could result in some being unknowingly moved to an energy supplier they did not select.

SB315 allows counties and municipalities to mandate customers utilize the electricity supplier chosen by the county or municipality, even if the rates are higher than the Standard Offer Service regulated by the Public Service Commission. The opt-out approach, coupled with the potential for exit fees, has the potential to limit the ability of our members to affirmatively choose their energy supplier and, therefore, *manage their own energy costs*.

We are also concerned about the access to sensitive customer information that this bill provides to the CCE and whichever third-party it may select. Again, since the bill does not require an affirmative response by a customer to be included in the CCE, we do not believe that it should allow for the CCE, and supporting third-party provider, to receive sensitive customer energy usage information. At a minimum, an additional sign off should be required for this customer information to be shared, since many customers will essentially be "slammed" into this program, as it is currently contemplated.

Finally, the customer protections that will be established as part of these CCEs are unclear. As Maryland developed and implemented its retail competition program, it put in place extensive consumer protection protocols. It would seem prudent that any CCE established under this bill should have to abide by the same consumer protection protocols in place for third-party, retail suppliers, including the requirement to obtain affirmative written consent from a customer before switching that customer to another supplier. As we stated initially, GWHCC believes that this bill makes a fundamental change to energy policy in the state and should be considered as such.

We greatly appreciate the thought and effort that went into this bill, and also believe that more needs to be considered and assessed in order to ensure that there are not unintended consequences for those that are unknowingly swept into a CCE, as well as those that are not, and remain on Standard Offer Service.

For these reasons, GWHCC respectfully requests that you give Senate Bill 315 an Unfavorable Report. Thank you for your time today.

Nicole Quiroga/GWHCC

**FINAL_MD HB561 - Community Choice Energy**
Uploaded by: Smith, Brian
Position: UNF

WGL Energy
A WGL Entity

8614 Westwood Center Drive
Suite 1200
Vienna, VA 22182-2260
703.333.3900
WGLEnergy.com

Economic Matters Committee
02/13/2020

**House Bill 561 –** Electric Industry - Community Choice Energy

**POSITION: OPPOSE**

Thank you, Chairman Davis and members of the House Economic Matters Committee, for the opportunity to comment on HB561.

When looking at the list of bills that would impact the retail supply market this year, there's a common thread through their motivations: confusion.

Customers can't tell you what SOS is or what exactly is the "cost-to-compare".

Customers don't fully understand contract terms or variable pricing.

Customers don't open their mail when a renewal notice arrives let alone proactively reply.

So the question is…should the legislature enact an opt-out only community choice aggregation program on top all of this? It's tough to think that's the best path forward.

HB 561 is set up as an "opt-out" program where SOS customers are automatically enrolled unless they respond in writing that they don't want to participate. This means on date certain, the name and numbers on an electricity bill shifts from a PSC-regulated entity and price, to a brand-new aggregator. Are those prices going to be lower?

Supporters of CCAs will tout the ability to procure clean energy as a benefit of the construct. The current retail marketplace already allows customers to shop for renewables and choose products that align with their clean energy goals. Additionally, the Clean Energy Jobs Act passed last year provides a rapidly ascending RPS schedule for SOS putting the state at the forefront of the country when it comes to clean energy policy.

But with all this progress, comes higher prices. At this time, renewables on average, still cost more than a default service product. If a CCA chooses a majority renewable product, this will drive up costs to all customers.

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8614 Westwood Center Drive
Suite 1200
Vienna, VA 22182-2260
703.333.3900
**WGLEnergy.com**

Another alarming provision of HB 561 is that it would authorize aggregators to own generation. Aside from running counter to a competitive electricity market, how would this work? Would the aggregator be authorized to own and operate a modest solar project, or would they be permitted to construct and own a larger generation asset? If those generating assets get rolled into the local government's aggregator program, taxpayers would ultimately be exposed to risk should subscribers opt out. Additionally, power plants require capital to maintain and operate—therefore the costs would be passed along to subscribers in addition to the price of the electricity.

The retail supply community is working with both the PSC and the General Assembly on developing ideas to reduce customer confusion by increasing education efforts. HB 561 would run counter to these efforts so we respectfully ask the Committee for an unfavorable report.

We would be happy to answer any additional questions and thank you for your consideration.

Brian Smith, State Government Relations and Public Policy Manager
**P** 202.624.6031 | **M** 202.945.7140 | Brian.Smith@wglenergy.com

**MCCD_UNF_SB315**
Uploaded by: Swanson, Tricia
Position: UNF

*To Lead, Advocate and Connect as the Voice of Business*

**Senate Bill 315: Electric Industry – Community Choice Energy**

Finance Committee

February 25, 2020

**OPPOSE**

The Montgomery County Chamber of Commerce ("MCCC"), as the voice of Montgomery County business, opposes Senate Bill 315. This legislation allows counties and municipalities to form Community Choice Aggregators that purchase or generate electricity for the residential and small commercial electricity customers within their jurisdiction. After sending only one written message, the bill allows local governments to automatically enroll customers – including small businesses – if the customer fails to opt-out within 30 days. Further, if a customer attempts to opt-out after 180 days, the legislation authorizes a Community Choice Aggregator to charge the customer an exit fee.

For decades, Maryland has championed policies that celebrate an electricity customer's right to choose a power supplier. This legislation erodes the state's support for customer choice by allowing Community Choice Aggregators to enroll customers without their affirmative consent.

In stripping customers of their choice, Senate Bill 315 advances no policy priorities for cleaner nor more affordable electricity. The bill sets no renewable energy standards and allows local governments to auto-enroll customers for aggregation, even if the Community Choice Aggregator's service is more expensive than the utility default service.

This legislation compromises customer choice and is inconsistent with the interests of Montgomery County businesses. For these reasons, **we request an unfavorable report on Senate Bill 315.**

Tricia Swanson, Vice President, Government Relations
Montgomery County Chamber of Commerce
301-738-0015 www.mcccmd.com

**SB 315_BGE_CCA Oppose**
Uploaded by: Washington, Charles
Position: UNF

An Exelon Company

# Position Statement

**Oppose**
Finance Committee
2/25/2020

## SB 315: Electric Industry - Community Choice Energy

Baltimore Gas and Electric Company (BGE) opposes *Senate Bill 315: Community Choice Energy*, which allows for opt-out aggregation for counties or municipalities to provide electricity supply to their residents either through purchased power or from an electric generating facility owned by the county or municipality. Since the enactment of retail choice in Maryland, BGE has consistently opposed opt-out aggregation because it compromises consumer protections and potentially increases in the price of the default service, or Standard Offer Service (SOS).

House Bill 561 effectively thwarts the purpose of the 1999 Electric Customer Choice and Competition Act, that landmark piece of legislation allowed Maryland customers to select their retail energy supplier. Instead, this proposed legislation would authorize local governments to auto-enroll residential and small commercial customers in a local aggregation program after the customer fails to respond to a single written notice within 30 days.

This legislation's single notice, opt-out provision will undoubtedly result in a large percentage of targeted customers being enrolled in an aggregation program without the customer's knowledge or affirmative and informed consent. Further, if this legislation is enacted, a customer would be charged an exit fee if they later discover that they were enrolled in an aggregation program and seek to opt-out. This construct will result in confusion among customers who did not affirmatively choose to be part of the aggregation plan who end up with energy charges that are different than what they were expecting. This concern – the protection of consumer interests—underpins much of the legislation on competitive supply that you are considering during this session.

This legislation also poses risks to customers who do not enroll in an aggregation program. Senate Bill 315 exposes customers who remain on a utility's default service to the potential risk of increased electricity costs — even if the customers reside in a jurisdiction that does not pursue aggregation. Utilities currently purchase energy on behalf of their customers, through a series of auctions whereby the lowest cost bids are selected. This is called default service or standard offer service (SOS). The energy market risk and uncertainty with customers moving from aggregation plans to SOS load and vice versa may result in higher prices to SOS customers. Importantly, if prices increase, all customers who remain on the default service get this same price, regardless of which county they inhabit. In addition, this bill creates the potential that a failed aggregation plan or a high volume of opt-out requests may drive load back to a utility's default service, which in certain instances may require the utility to procure electricity on the Real-Time Energy Market. These prices are subject to fluctuations in the real-time electricity market which could be higher or lower. Any additional costs related to real-time market prices would be spread across all default service customers throughout the utility's Maryland service territory and across municipal and county jurisdictional lines.

Senate Bill 315 raises several other consumer protection concerns. For example, the legislation requires that local governments be provided customer-specific usage, billing, and load data without the customer's consent to share such sensitive information. In addition, the legislation authorizes a local government to charge enrollees a fee for energy efficiency programs. Such a fee would be

Sandy Grace | Charles Washington | Allyson Black | 410.269.5281

duplicative, because all Maryland electricity customers already fund energy efficiency programs through the EmPower Maryland surcharge.

Senate Bill 315 will not benefit Maryland electric consumers, as it would unfairly auto-enroll customers without their consent, drive uncertainty in SOS prices, and raise various consumer protection concerns. For the above reasons, BGE opposes Senate Bill 315 and respectfully requests an unfavorable committee report.

**OPC_Informational_SB315**
Uploaded by: Fields, William
Position: INFO

# STATE OF MARYLAND
# OFFICE OF PEOPLE'S COUNSEL
**Paula M. Carmody, People's Counsel**
6 St. Paul Street, Suite 2102
Baltimore, Maryland 21202
410-767-8150; 800-207-4055
www.opc.maryland.gov


| | |
|---|---|
| **BILL NO.:** | **Senate Bill 315**<br>**Electric Industry – Community Choice Energy** |
| **COMMITTEE:** | **Finance** |
| **HEARING DATE:** | **February 25, 2020** |
| **SPONSORS:** | **Senators Beidle, et al.** |
| **POSITION:** | **Informational** |

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Senate Bill 315 would allow a county or municipal corporation, individually or as a group, to create a community choice aggregation program that would procure electricity for residential and certain commercial customers within the county or municipality except those served by an energy supplier or those who affirmatively opt out of the group. The governing body of the county or municipality is required to give 60 days notice to customers of the plan to aggregate. If a customer does not opt out of the aggregation, the customer is deemed to have given permission to the county or municipal corporation to act on the customer's behalf for electricity supply. A county or municipal corporation that becomes an aggregator is not an electricity supplier under PUA §7-507A. (Page 12, §7-510.3(J)). The bill would also give the county or municipal corporation the ability to access data on the usage of all customers in the county or municipal corporation once it decides to become a community choice aggregator. (Page 13, §7-510.3(L)).

Some retail competition states have community choice aggregation programs, including California, Illinois, Ohio, Massachusetts, New Jersey, New York, and Rhode Island. Maryland does not have such a program. Instead, Maryland has a strong utility-provided Standard Offer Service (SOS) program that serves about 80% of residential customers and the majority of small business customers. In effect, SOS acts as a large aggregation pool for the small customers in a service territory. From a price perspective, the Office of People's Counsel (OPC) is not persuaded that community choice aggregation, which will likely aggregate fewer customers than SOS, will consistently produce lower price electricity supply than SOS. However, as in other states, a Maryland county or municipality may have other reasons for an aggregation program, particularly a local governmental in support of renewable energy.

Today, electricity customers buy electricity supply either from their local electric utility, a service that is called standard offer service (SOS), or from an electricity supplier. For SOS customers, the electric utilities conduct a bid solicitation process twice a year to buy electricity supply. During each process, the utility buys about 25% of the power needed by these customers. The Commission oversees each solicitation process, and bids are obtained from multiple suppliers. The least cost supply is selected in the process. These procurements result in a laddered portfolio of supply contracts, so that at any one time, the price for SOS is a blend of the price for power procured in four bid solicitations over two years. The Commission approved this system to achieve electricity supply at least cost, while protecting customers from excessive price volatility, as required by PUA §7-510((c)(4)(ii). Currently, approximately 80% of residential customers of the electric utilities are on SOS. The other 20% have entered into

contracts with retail energy suppliers. Customers have experienced declining SOS prices over the past several years, as prices have declined in the wholesale electricity markets.

OPC filed informational comments on a similar bill during the 2019 General Assembly session that raised a number of concerns. Senate Bill 315 addresses the concerns raised by OPC regarding several of the definitions in the bill as well as the lack of clarity over whether a customer would be able to return to SOS or switch to a retail supplier during the aggregation.

OPC also raised concerns over the types of notice and customer understanding of the nature of these programs. Almost 20 years after deregulation, we know that many residential customers do not fully understand retail competition, and there is an abundance of confusion in the marketplace. The introduction of an aggregation program can increase the confusion unless the notices are clear, easy to understand, and available through a variety of avenues. This is especially critical because the bill proposes an opt-out program. OPC has generally not supported opt-out programs because customers may be switched to a new supplier, perhaps at a higher price, with no actual knowledge of the switch occurring, and without giving affirmative consent. If the opt-out model is adopted, it is critical that the advance notice and information be provided to local residents in a fully transparent and understandable manner, and that they have multiple ways to opt-out,if they choose to do so.

OPC also raised questions about the impact of the program on SOS prices, given that a community choice aggregation could be a sizeable portion of a utility's load. The potential for a significant change in the number of customers in SOS, whether it is a potential increase or a potential decrease, can raise the supply costs for customers remaining on the local utility's SOS. Senate Bill 315 has provisions designed to mitigate these risks by directing the Commission to

adopt regulations to address these concerns. (Pages 14 and 15, §7-510.3(R)(4) and (8)). Because the State has not authorized municipal aggregation to date,[1] the Commission has not had to address the issue of how to mitigate the costs of large changes in the number of customers on SOS and the effectiveness of mitigation measures.

Senate Bill 315 also has a provision that allows the Community Choice Aggregator to include in rates a fee associated with "PROMOTING THE USE OF RENEWABLE ENERGY" or "PROVIDING AND PROMOTING ENERGY EFFICIENCY MEASURES THAT ARE COMPLEMENTARY TO THOSE OFFERRED IN ACCORDANCE WITH §7-211 OF THIS TITLE." (Page 11, §7-510.3(I)). These charges would be in addition to the charges for electricity supply costs. OPC is concerned that this provision would allow fees to be charged as part of the aggregation rates for promotional programs or energy efficiency programs that have not been vetted before the Public Service Commission to review the cost-effectiveness of the programs. Given the opt-out nature of the bill's aggregation program, this concern is heightened since these fees could affect the cost of the aggregation program.

[1] Maryland's retail competition law does permit municipal aggregation, with the approval of the Commission, if there is insufficient retail competition. Public Utilities Article §7-510(f).

**PSC_Info_SB0315.PDF**
Uploaded by: Stanek, Jason
Position: INFO

STATE OF MARYLAND

# PUBLIC SERVICE COMMISSION

February 25, 2020

Chair Delores G. Kelley
Finance Committee
3 East Miller Senate Building
Annapolis, MD 21401

**RE: INFORMATION – SB 315 – Electric Industry – Community Choice Energy**

Dear Chair Kelley and Committee Members:

Senate Bill 315 would allow municipal and county governments, individually or jointly, to become Community Choice Aggregators (CCAs) and serve as default electricity suppliers for customers within their jurisdictions. Various technical concerns with last year's version of the legislation, as identified by the Maryland Public Service Commission (PSC), have been addressed in SB 315.

The PSC would determine a schedule, not to exceed two years, for each CCA to transfer load from Standard Offer Service (SOS) to the CCA. In order to implement this law, the Commission would be required to establish numerous procedures via regulation to satisfy its requirements. The Commission has communicated with the sponsor regarding the need for additional time beyond the bill's deadline of July 1, 2021 to adopt regulations.

The Commission would need to promulgate regulations on the following topics and others:

- provision of bill assistance (§7-510.3(n))
- customer services including billing and payment (§7-510.3(p)(3))
- consumer protections (§7-510.3(q)(1))
- authorization for a CCA to access pre-enrollment usage data of customers within its jurisdiction (§7-510.3(l)(2))

Each of these tasks would require a rulemaking before the Commission. In light of the complex and technical nature of the Commission's regulations, it is usually most effective to use a stakeholder working group to allow various constituencies to work towards a complete set of regulations for Commission consideration. While effective, this collaborative process can take several months or longer. Once completed regulations are presented to the Commission, the notice and comment period required under Maryland law takes several additional months.

Thank you for your consideration of this information. Please contact Lisa Smith, Director of Legislative Affairs, at 410-336-6288 if you have any questions.

Sincerely,

Jason M. Stanek
Chairman