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Committee: House Economic Matters

Testimony on: HB0768 - "Electric Industry – Community Choice Energy"

Position: Favorable

Hearing Date: February 18, 2020

Thank you, Chairman Davis and members of the Economic Matters Committee. Food & Water Watch is a national nonprofit advocacy organization with thousands of supporters in Maryland. We are pleased to support Delegate Charkoudian's bill allowing a Community Choice Energy pilot program in Montgomery County.

The prospect of CCE in Maryland is being met with strong public support from a broad coalition of groups and local governments. And what these groups have in common is that they want to make energy more affordable while also moving towards clean, safe energy options that will allow residents to breathe clean air, and help stave off the worst impacts of climate change.

An important aspect of community choice energy is the ability of the program to increase access to clean energy for everyone, especially those living in low-income communities, because pooling the buying power of the community allows the negotiation of lower rates.

When we look at the 9 states where Community Choice aggregation is already allowed - we see affordable, reliable, and cleaner energy to communities.

The Montgomery County Council and Executive have prioritized Community Choice Energy as a way to meet the ambitious climate goals they have set for their county and that is why they want to use the CCE tool that is enabled by this legislation. Additionally, a successful CCE pilot in Montgomery County will pave the way for other local governments to implement their own

programs in the future, when CCE is proven to be successful. Please vote yes to HB 0768 and allow Montgomery County to establish a pilot CCE program here in Maryland.

Community Choice Aggregation: Cleaner, Cheaper Electricity

Community Choice Aggregation (CCA) programs are alternatives to the investor-owned energy supply system and can help the spread of renewable energy. CCAs allow residents in a community to take control of the electricity purchased by their local utility, while leaving ownership of power plants and the grid in the hands of utilities.¹ Originally CCAs were developed to reduce and stabilize electricity rates for their members.² Because the CCA negotiates a bulk purchase on behalf of its members, CCAs tend to receive lower rates.³ But now the driving force behind CCA expansion has shifted to a desire for renewable electricity.⁴ Implementing a CCA is empowering to the community it serves and can help reduce reliance on climate-altering fossil fuels.

Community Choice Aggregation 101

The National Renewable Energy Laboratory describes CCAs as “local governmental entities that procure electricity on behalf of retail electricity customers.”⁵ They are considered a sort of hybrid between an investor-owned utility and a municipal utility.⁶ The investor-owned utility remains responsible for providing the electricity through its transmission and distribution lines and for billing the customers, but it is not in charge of supplying the electricity anymore; the CCA is charged with procuring electricity.⁷ CCAs are operated by either a third party or a city or county government through contractual provisions.⁸ If adopted nationally, they would provide a powerful impetus for the installation of more renewable electricity generation.

Implementing a CCA

How CCA works varies from state to state, but the basic concept is the same. A local community, an entire municipality or county, or a group of local governments



decides to form a CCA. The CCA then acts on behalf of its members to negotiate the purchase of electricity from a provider. To achieve this, a state must have CCA-enabling legislation (see Table 1), and a local jurisdiction needs to hold public hearings and pass legislation approving the CCA.⁹

Take, for example, Massachusetts, the first state to establish a CCA. The first step requires the city council or board of selectman to authorize and vote on the development of a CCA plan at a meeting. An optional second step is to issue a request for proposal (RFP) to hire a broker to help design, implement and monitor the aggregation plan. Then, in coordination with the state's Department of Energy Resources, a plan is drafted; it must meet the Department of Public Utilities' (DPU) requirements and outline the community's goals.¹⁰

The plan is made available to the public for review, and it must be authorized by a board of selectman or city council. The town, and the energy broker (if working with one) then petitions the DPU to officially approve the CCA. Following the initial filing there will be public participation opportunities, with comment periods and opportunities for parties to intervene. If authorized, a formal order will be issued. An RFP is issued to then solicit bids for the CCA contract, and the municipality chooses a supplier and executes a contract.

At this point customers of the CCA are informed by mail at least 30 days prior to the switch that their electricity supply will be transferred to the new supplier with the new rate, and that they have 180 days to opt out of the CCA without any charge. The automatic enrollment begins for customers that do not opt out. Municipalities can also administer energy efficiency programs and adopt an energy plan.¹¹

CCAs in the United States

Currently there are eight states with approved CCA legislation: California, Illinois, Massachusetts, New Jersey, New York, Ohio, Rhode Island and Virginia; five more have introduced legislation: Connecticut, Maryland, New Hampshire, New Mexico and Oregon.¹² Most CCAs, like those in Illinois and Ohio, have been implemented at the town or city level. But communities may decide to implement a CCA at the county or regional level. In California, for example, CCAs operate through intergovernmental agreements that serve larger geographies that can extend to multiple counties.¹³

Cheaper and Cleaner Electricity

CCAs help deliver cheaper and more accessible renewable energy that benefits the environment.¹⁵ One CCA in California, for example, costs 2 to 5 percent less than the investor-owned utility that serves the same location.¹⁶

Table 1: States with CCA Enabling Legislation¹⁴

State	Year Enabling Legislation First Passed	Numbers of CCAs	Notes About CCAs in Respective State
California	2002	18	CCAs in California serve 10% of the state's customers currently, and are projected to serve up to 16% by 2020.
Illinois	2009	490	CCAs are increasing because utility rates are going up in the state.
Massachusetts	1997	190	Most CCAs in the state serve a single town, with two exceptions: the Cape Light Compact covers 21 communities in the Cape Cod area, and Mass CEA comprises 23 eastern Massachusetts towns.
New Jersey	2003	15	These CCAs serve 53 municipalities, but the CCA does not offer any renewable energy options.
New York	2014	1	The only CCA in New York is in Westchester County and it serves about 855,000 people.
Ohio	1999	130	The biggest CCA is the Northeast Ohio Public Energy Council, comprising about 220 communities.
Rhode Island	1996	1	The CCA in Rhode Island services 28 municipalities, two school districts and two water supply boards.
Virginia	2018	0	No CCAs have been implemented.



In states with deregulated electricity markets, individual ratepayers can arrange to buy renewable electricity from a provider or a green purchasing program operated by utilities.¹⁷ These “opt-in” programs have somewhat low penetration rates, with about 2 percent participation from ratepayers. A CCA, on the other hand, is generally an “opt-out” program and it tends to have larger penetration rates of more than 80 percent. This means that renewable electricity can be supplied to a majority of a jurisdiction’s citizens.¹⁸

CCAs Can Drive Renewable Expansion

Given the variability that exists between state laws authorizing CCAs and between CCAs themselves, the expansion of CCAs to other states can help to drive renewable expansion if the laws governing them make doing so a priority.

CCAs can help states meet electricity goals set out in their Renewable Portfolio Standard (RPS) programs, which can create power incentives to shift to renewable energy. Unfortunately, most RPS programs have not been robust enough to foster a rapid transition to clean, renewable energy. And almost all states with them have allowed combustion-based energy sources including

wood burning and the burning of waste methane (so-called biogas) to meet RPS goals.¹⁹ States must expel dirty energy sources from their RPSs to shift to genuinely clean, renewable energy production.

Some CCAs that offer renewable energy options utilize existing renewable sources, often using the market for Renewable Energy Credits (RECs).²⁰ Unfortunately, RECs are a pay-to-pollute structure that allows states to purchase credits instead of producing actual renewable energy. Almost all states allow utilities to purchase renewable “credits,” while continuing to generate the same amount of fossil-fueled electricity.²¹ For example, the Cape Light Compact CCA in Massachusetts purchases RECs from a dirty landfill gas facility in Vermont.²² The reliance on RECs to provide “green” electricity for members who demand it undermines a CCA’s potential to expand renewable generation and speed the transition to a 100 percent clean energy future. New CCA laws should limit the allowance of RECs outside of existing RPS programs.

Instead of relying on offsetting dirty electricity through the purchase of RECs, CCAs can foster the growth of new, local renewable electricity production. A CCA could either contract with a company that is looking for a buyer

for a proposed wind or solar installation, or in states that allow CCAs to own their own generation, they could build local wind and solar installations. Either option brings new renewable electricity onto the grid instead of relying on RECs from either existing solar and wind or dirty “renewables” like trash incineration.

Conclusion

In addition to focusing on rate reduction and stabilization, new CCA laws should focus on the expansion of renewable wind and solar electricity generation. CCAs can be required to procure renewable power from new sources, whether these are wind farms, utility-scale solar projects or distributed renewables such as rooftop solar. By crafting the laws allowing CCAs in the right way, states can push the development of renewable energy and make that energy available to all citizens, not just those that can afford to install distributed renewables.

In refocusing the goal of CCAs to push the development of renewable electricity, it is not necessary for the CCAs to give up their earlier focus on reduced and stabilized rates as an additional benefit. For example, Oak Park, Illinois, a suburb of Chicago, established a CCA in 2012 that purchased all of its power from wind farms in the state. At the time, the only option it offered to its roughly 20,000 members was 100 percent wind energy, and it did so at rates 25 percent below what members would be paying for electricity from the utility.²³

Continued investments sunk into fossil fuels and dirty “renewable” energy sources like biogas lock us into an energy future that is in defiance of climate science. The way out must be a dramatic shift to zero-emission wind and solar power, accompanied by widespread deployment of energy efficiency. CCAs can play a significant role in the transition off of fossil fuels, while simultaneously benefiting ratepayers.

Endnotes

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- 22 Local Power, Inc. (2009) at 30.
- 23 Heeter and McLaren (2012) at 10 to 12.

