



# COMMUNITY CHOICE ENERGY FREQUENTLY ASKED QUESTIONS



Peninsula Clean Energy purchases electricity from renewable energy sources.



Utility companies deliver energy, maintain lines and bill customers.



Customers benefit from affordable rates, local control, and clean energy!

## WHAT IS COMMUNITY CHOICE ENERGY?

Community Choice Energy (CCE), also known as Community Choice Aggregation (CCA), is a program that enables city and county governments to pool (or aggregate) the electricity demand of their communities for the purpose of supplying electricity. A CCE buys and/or develops power on behalf of the residents, business, and government electricity users in its jurisdiction. The electricity continues to be distributed and delivered over the existing electricity lines by the incumbent utility-which is Pacific Gas and Electric (PG&E) in San Mateo County. CCE is not permitted in areas where a municipal utility is already providing electric service.

### How will CCE be administered in San Mateo County?

The CCE program will be administered by a joint powers agency (JPA) that serves as a public, non-profit agency on behalf of the County and other San Mateo County municipalities that choose to participate in the CCE. It

is important to note that through the JPA structure, the assets and liabilities of the JPA remain separate from those of the County or City general funds. Thus, any surplus funds generated by the CCE will be reinvested back into the community in the form of new energy projects and programs and will not flow back into the general funds of the JPA's member jurisdictions.

### How are CCEs funded?

All CCEs, once they are operational, are completely ratepayer funded and are not subsidized by taxpayer dollars. Ratepayer revenues for electrical generation services that currently go to the incumbent utility (PG&E), are re-directed to the CCE program which becomes the County's default provider of electrical generation services. CCE start-up funding can be provided by a municipal government, a local agency, grant, or other source. All start-up funding is recoverable through early program revenues. In San Mateo County, the County will provide the majority of the start-up funding.

### Why are so many local governments considering CCE?

CCEs provide consumer choice where none currently exists and have also resulted in lower electrical generation rates.<sup>1</sup> In addition, CCEs provide communities with local control over their energy supply, allowing them to increase the

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

amount of electricity procured from renewable sources, such as solar, wind, and geothermal. CCEs can also develop innovative energy programs tailored specifically to their communities and support the development of local renewable energy projects. Finally, CCEs introduce competition into the energy market, which helps drive costs down, stimulate new energy investments, and diversify power choices. Customers in a CCE jurisdiction can choose to stay with the CCE program or return to PG&E's generation service at any time; customers always have the power to choose.

### **What are the economic advantages of CCE?**

In addition to the potential for customer rate savings and the economic value of ratepayer revenues serving our community rather than a utility territory ten times our size, CCEs can accelerate the development of local renewable energy projects and facilitate other energy innovations such as energy efficiency retrofits, home area networks, battery storage and EV charging stations to name a few. This translates into the potential for new local services and consumer benefits as well as significant regional and local jobs creation. It should be noted that renewable energy facilities provide many more jobs per unit of investment than traditional natural gas and coal plants.<sup>2</sup>

### **What are the environmental advantages of CCE?**

CCEs can choose to purchase from and develop electricity sources that are more heavily weighted towards renewable energy and carbon free power resources. The production and burning of traditional energy sources, such as coal and natural gas, generates large amounts of GHG emissions into the atmosphere. These GHG emissions are a leading cause of pollution, climate change and unhealthy air quality. By substantially changing what is put on the grid on behalf of its customers, CCEs are making a significant and rapid impact on lowering greenhouse gasses and improving environmental quality.

### **How does this relate to my city's Climate Action Plan?**

Many cities and counties now have "Climate Action Plans" that outline various measures a city or county can take to reduce its GHG emissions and conserve natural resources. In San Mateo County, electricity consumption is a main source of GHG emissions. Joining a CCE that has a substantially lower emissions rate than PG&E is the single most impactful step a municipality can take to meet its local climate goals.

### **Has this been done in other areas and what are the results?**

There are three CCE programs up and running in California: Marin Clean Energy (MCE) in Marin County, Sonoma Clean Power (SCP) in Sonoma County, and Lancaster Choice Energy (LCE) in the City of Lancaster. All three CCEs are offering their customers 20-50% more renewable energy than the incumbent utility at prices that are competitive and currently lower than the utility's rates. MCE and SCP are also procuring and co-developing in-state and local renewable

resources and offering specialized energy programs designed for their local service areas. There are many local governments in California currently investigating CCE's potential for their communities.

### **If a CCE is formed in San Mateo County, what would be PG&E's role?**

If a CCE forms in San Mateo County, the CCE would be responsible for buying and/or developing all the electricity required to meet the demands of its customers. Customers who choose to opt-out of the CCE would continue to have PG&E buy their electricity. All customers, whether they are a part of the CCE not, continue to pay PG&E for transmission and distribution services and receive a single, consolidated bill from PG&E. The only difference between a CCE and PG&E customer's bill is the source of electricity and line-item charge for energy generation. The utility retains ownership and management of the pole and wire infrastructure ("the grid") and continues to handle all grid related issues.

### **If the power goes out, will PG&E still fix a CCE customer's outage problem?**

Yes, PG&E continues to provide the same delivery, line maintenance, and customer services regardless of whether that home or business is part of the CCE program.

### **If I joined a CCE, would my electricity rates go up?**

A technical study will examine the impacts of a CCE on rates, but so far CCE electrical rates have generally been 3%-10% lower than PG&E's rates. This is dependent on the customer class and the particular CCE option each customer chooses. Current CCEs offer a "default" option that is both cleaner and cheaper than PG&E, as well as a 100% renewable energy option that is slightly more expensive than PG&E's default product. In addition, CCEs have the added advantage of price stability. While PG&E rates change several times a year, CCE rates generally adjust once per year, offering a measure of rate stability and certainty for CCE customers. While there is no guarantee that CCE generation rates will always be lower than PG&E's generation rates, CCEs do have the advantage of being small, non-profit agencies that pay no shareholder dividends, high corporate salaries, investor returns or income taxes like investor-owned utilities do. This helps keep costs down.

### **Are there hidden or new costs?**

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

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

### How does a CCE procure electricity?

A CCE must submit a plan to the California Public Utilities Commission (CPUC) that specifies how it will meet and purchase estimated electricity demand for its service area. Once the plan is approved, CCEs negotiate the purchase of electricity on the open energy market by entering in power purchase agreements (PPAs) with energy providers. These PPAs can be long or short term, depending on the needs of the CCE and type of energy being provided. A CCE can also sponsor a bidding process whereby project developers can bid to build new electricity sources solely for CCE customers. Through a utility service agreement, the power a CCE procures is transmitted over PG&E's power lines.

### Do the electrons purchased or generated by the CCE actually go to my house?

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

### How is a CCE program set up?

Local governments must pass an ordinance to join a CCE program, and the CCE agency must draft an Implementation Plan that is certified by the CPUC. This is typically done after an initial technical study to determine the amount of electricity that will be required and to examine a CCE's ability to be cost competitive with PG&E. The Implementation Plan outlines how the CCE will function, how it will set rates, how it will procure electricity, and how it will carry out all other functions required under CPUC regulations.

### I have heard that CCEs are "opt-out" programs. What does that mean?

When a county or city decides to create or join a CCE, all customers within that jurisdiction are automatically enrolled in the CCE; the CCE becomes the County's default provider of electrical supply. However, every customer can choose to opt-out and return to the incumbent utility (which is PG&E in San Mateo County) for generation service at any

time (remember: gas service, electric power delivery and customer billing is always provided by PG&E). State law requires that customers receive several notifications to opt-out just before and just after a CCE program launches. At any time after that initial launch period, a CCE customer can return to the incumbent utility's service for a small administration fee.

### What is the governance structure of a CCE?

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

### If I installed solar panels on my home or business, would I need a Power Purchase Agreement to sell our excess energy to a CCE?

No. This is called net metering, and the CCE is able to offer property owners fair market rates for their excess energy production without a Purchase Power Agreement, even if that solar installation took place before the CCE launched. CCEs have been able to offer better net metering rates for customers who generate surplus electricity, and those customers would automatically be enrolled into a CCE's net metering program, unless they choose to opt-out and remain with PG&E. Larger solar projects that are "in front of the meter" can also be facilitated under a CCE's feed-in-tariff program which uses a standard power contract with set prices to buy all the power generated from that facility on behalf of CCE customers.

### What are the risks?

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

### Are there other websites/resources I can check out? Yes.

For information about Marin's CCE program:  
[www.mcecleanenergy.com](http://www.mcecleanenergy.com)

For information Sonoma's CCE program:  
[www.sonomacleanpower.org](http://www.sonomacleanpower.org)

For general information about CCE:  
[www.leanenergyus.org](http://www.leanenergyus.org)

### I want to learn more about San Mateo County's plans. Who can I contact?

For more information, please contact the Kirsten Pringle—Office of Sustainability—at [kpringle@smcgov.org](mailto:kpringle@smcgov.org) or (650) 363-4088.