**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO**

PROCEEDING 22I-0027

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IN THE MATTER OF THE COMMISSION’S IMPLEMENTATION OF §40-4-120, C.R.S., THE STUDY OF COMMUNITY CHOICE IN WHOLESALE ELECTRIC SUPPLY.

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IRESN INITIAL COMMENTS: CALIFORNIA EXPERIENCE IMPLEMENTING COMMUNITY CHOICE ENERGY (CCE)

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The Integrated Renewable Energy Systems Network (IRESN) is a 501.c.6 non-profit registered in the State of California. IRESN’s director, Gerald Braun, has been actively engaged in the creation of a robust California community choice energy industry since 2007. Mr. Braun is an energy utility and solar electricity industry veteran who has organized and directed renewable energy RD&D programs of the USDOE, California Energy Commission, California IOUs (SCE and PG&E) and UC Davis. He is a member of the Gas Technology Institute’s Public Interest Advisory Committee, the City of Davis Utilities Commission and the Valley Clean Energy Community Advisory Committee[[1]](#footnote-1). He holds degrees in Mechanical Engineering from the University of Michigan and in Nuclear Engineering from MIT.

Introduction.

1. CCE implementation in California reduces electricity costs for all California electricity ratepayers by accelerating investment in solar and wind power and energy efficiency. Colorado has solar resources comparable to California’s and can achieve accelerated investment, especially in community solar power.
2. California unintentionally limits CCE benefits to the extent that exit fees have escalated out of control and exceed those authorized in legislation. Colorado can look to avoid California’s exit fee explosion by setting boundaries on the scope and duration of electricity customer responsibilities for IOU electricity sourcing policies and decisions.
3. Collaboration between California’s IOUs and CCEs in local energy matters could significantly acclerate achievement of state goals, but collaboration is limited by the impacts of exit fees and rate competition between CCEs and IOUs. Colorado can create an expectation of collaboration among energy service providers and create a state energy eco-system that thrives on coordination and collaboration.
4. California’s least cost and most resilient energy future requires local action to target and achieve balance between centralized and decentralized supply. California and Colorado CCEs can undertake necessary local action that would otherwise be lacking.
5. Because each California CCE faces different opportunities and challenges, most need to innovate in order to thrive. Colorado can encourage innovation that results in cost-efficient electricity procurement and high impact, cost-efficient delivery of local programs.

Solar Power And Energy Efficiency. Each US state has the opportunity to exploit solar power and efficient electricity use to its greatest economic and environmental advantage. In California, economies of large scale solar generation are more than off-set by higher costs of electricity transport. Meanwhile, scale diseconomies of smaller scale solar generation are off-set by quantificable benefits of stronger local economies and more resilient local electricity supply. There is growing recognition that medium scale solar arrays on parking structures and larger buildings can deliver collateral benefits and purposes (shading and daytime zero carbon vehicle charging) that both larger and smaller systems may not. There is also growing recognition of community solar as means to equitably share economic and resilience benefits of solar electricity. California CCEs envision their future role as ensuring that the full economic, environmental and energy resilience potential of both solar power and energy efficiency will be captured in the areas they serve.

Exit Fees. California has long relied on its bulk energy service providers as implementers of state energy policy. California electricity rates are relatively high, in part because rate-payer funding of collateral programs and purposes avoids controversies associated with tax-payer funding. High electricity rates in California amplify concerns about customer defection from the state electricity grid. In this context, IOUs and state regulators may have come to view CCE as a real or latent threat to the IOU business model. Over time they have erected barriers to CCE implementation that put CCEs at risk of financial default. Perhaps the most consequential barrier at this time is an individual CCE’s inability to accurately forecast exit fees beyond the current year. Exit fees are adjusted by IOUs and their regulators annually; they have increased several-fold in recent years. They now exceed bulk electricity purchase costs. For most California CCEs, exit fees they collect and pay on behalf of their customers are much higher now than when the CCE launched.

California CCEs are also unable to accurately forecast IOU generation rates they must match in order to avoid customer defection to the incumbent IOU. Policies and actions that enable CCE formation and those that result in unreliable revenue and cost forecasts are clearly at cross purposes. CCE implementation in California demonstrates the need for state policies toward CCE that are internally consistent. Specifically, if exit fees are deemed necessary and appropriate, their purpose should be transitional, not to eliminate the need for monopoly energy service business models to evolve and adapt.

Year-to-year exit fee variations should be phased in so as to be non-disruptive to CCEs. Long term variations should be accurately forecastable based on publicly available information and data. Exit fees remain valid and publicly beneficial only during a transition period. Had the authors of California CCE legislation anticipated exit fees’ current disruptive consequences, they might have included a timeline in legislation to phase them out.

Local Energy Collaboration[[2]](#footnote-2). California has an interest in putting its CCEs and IOUs on parallel, synergistic, and transformative paths that result in increased collaboration to achieve local decarbonization and energy resilience. But the playing field is not level. IOUs are state protected monopolies. In the current California framework, CCEs need to compete for customers and avoid opt-outs. California IOUs and CCEs, to varying degrees, have come to view one another more as competitors and adversaries than as potential collaborators. In part, this is the unfortunate fallout 1) from past IOU interventions to derail initial CCE formation efforts and 2) from subsequent regulatory decisions that have expanded the scope of exit fees well beyond their definition in state law.

Just as US states have served as laboratories of democracy, so some US communities will serve as laboratories of “energy democracy”. In this context, CCEs are a natural hub for greater collaborative engagement among grid owners (electric utilities and cooperatives), prosumers, counties and cities. In an energy democracy context, a state has an interest in giving CCEs greater responsibilities as its CCE industry matures.

Local sourcing of wholesale electricity is not the ultimate CCE prize from a state perspective. Though wholesale procurement is an essential CCE responsibility because it generates adequate revenues to support energy service obligations, there are other core responsibilities that can be appropriately and effectively undertaken by stable, credit worthy CCEs. California CCEs can already assist local government efforts to capture the decarbonization, economic and resilience benefits of local investment in renewable electricity supply and electricity storage. Longer term, California CCEs may emerge as primary implementers of energy related local climate action and adaptation in their service territories.

Achieving Balance. California has state-wide goals for decarbonization and renewable energy deployment. At the same time, its cities and counties generally lack energy supply planning and management capacity, without which local renewable resources remain under-developed and under-utilized. CCE offers California a way to exploit synergies and strike a balance between electricity supply that feeds in at transmission voltages and supply that feeds in at lower voltages closer to the point of use. Available synergies and the ideal centralized/decentralized energy balance differ from one community to the next. CCE provides local organizational capacity to expand decentralized and centralized renewable electricity supply and storage in locally targeted proportions.

Innovation. California CCEs are already adapting state policies to local conditions in innovative ways. One recent notable innovation was the creation of a voluntary wholesale electricity procurement consortium which secures the benefits of project scale and flexibility for individual member CCEs; they can adjust their project participation as “off-takers” to fit their individual supply portfolio requirements. On the local front, almost all California CCEs are evaluating, and piloting and implementing customer-facing programs of particular local importance.

California CCEs are learning from one another and copying and improving on one another’s successes. This is not surprising in light of the innovation that occurs when California cities and counties are guided and challenged by state goals and standards to improve delivery of essential non-energy services. State standards for services such as water distribution, waste-water treatment and waste disposal focus on metrics. Local jurisdictions have flexibility to meet standards in a way that works best in a local context.

As California CCEs fulfill initial core responsibilities, their individual visions and goals motivate them to learn from one another. The state is taking advantage of their initiative, vision and their expanding capabilities by requiring them to meet its standards for energy services, renewable supply portfolios, local program delivery, etc. Going forward, highly cost-efficient and locally effective program implementation may emerge as a CCE benefit to California that is unachievable by other means.

In summary, California’s implementation of CCE has already delivered significant benefits, including faster decarbonization of the California’s electricity sector at a lower cost to California electricity ratepayers than would otherwise have been possible. Future implementation may deliver even greater benefits as California CCEs address community level energy resilience needs.[[3]](#footnote-3) Colorado has the opportunity to adapt California’s proven model to its unique circumstances and to update the model for greater impact and efficiency based on California experience.

Follow up. IRESN will respond to questions in the PUC decision more directly after seeing all the initial comments filed on March 1, 2022.

Respectfully Submitted this 1st Day of March 2022.

1. Valley Clean Energy is a CCE that began serving Yolo County, California in 2018. Mr. Braun had a key role in its formation and launch. [↑](#footnote-ref-1)
2. Reference: [State Policies for Collaborative Renewable Integration](https://www.sciencedirect.com/science/article/pii/S1040619019302969) [↑](#footnote-ref-2)
3. References: [Inventory and Integration of California’s Local Energy Resilience Assets](https://static1.squarespace.com/static/5a68cb054c326de534999b1b/t/617879b423baeb78e4f0ba27/1635285429583/Inventory%2C%2BExpansion%2Band%2BIntegration%2Bof%2BCalifornia%27s%2BEnergy%2BResilience%2BAssets.pdf) and <https://www.iresn.org/news/2021/7/29/resilient-decarbonization-requires-state-and-local-leadership> [↑](#footnote-ref-3)