. ELECTRICITY: Community bids to bypass utilities facing hurdles in Calif. *(Greenwire, 01/07/2010)*

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SAN FRANCISCO -- Efforts by California municipalities to end-run electric utilities for greener electricity and lower rates have yet to succeed and might soon face longer odds if investor-owned power companies have their way.

The appeal of so-called Community Choice Aggregations, or CCAs, comes from their low rates -- as government entities, they do not need to make profits -- and their high proportion of renewable energy. Their backers say CCAs are simpler to run than full utilities, which own distribution, metering and billing infrastructure.

But while the state has had a law since 2002 that allows and governs the formation of CCAs, none have come into existence, despite a dozen or so attempts. San Francisco is in the home stretch for a CCA, but the effort could be torpedoed in June by a utility-sponsored state ballot initiative.

The initiative, backed by Pacific Gas & Electric Co., would force communities to reach a two-thirds consensus in order to form a CCA and would require the same support for expanding municipal utilities (*Greenwire*, Aug. 24, 2009).

San Francisco's Public Utilities Commission has been working on a CCA since 2004 and just last week closed the bidding by companies hoping to supply electricity. If the effort succeeds, 750,000 residents would be able to buy electricity directly from the city, rather than from PG&E, the state's largest utility, which has 15 million customers.

The commission's assistant general manager, Barbara Hale, said she was heartened to get five bids from electricity suppliers, which she says shows confidence in the program despite PG&E's statewide initiative. If the initiative succeeds, city officials say, the CCA movement here would likely die.

"What PG&E is doing is completely contrarian to what the current theme of thinking is in California," said City Supervisor Ross Mirkarimi, who introduced the 2007 legislation authorizing the city to buy power for its residents. "People are talking about instituting a constitutional convention, because we can't get a budget passed because of the two-thirds requirement in Sacramento. PG&E's doing just the opposite."

Mirkarimi added, "PG&E knows they have unlimited funds of ratepayer and shareholder money to subsidize their fight to maintain their monopoly and their profit motive. Who wants to move forward always looking over your shoulder? We shouldn't have to do that. We shouldn't have to fear this."

For its part, PG&E -- which supported passage of A.B. 117, the law allowing CCAs in 2002 -- says the law was poorly written and that its initiative would protect taxpayers.

"We have determined that A.B. 117 has serious flaws in that it does not require a vote by taxpayers before a local government incurs debt and spends public funds to enter the electricity business, and CCA promoters are relying on the automatic enrollment part of the statute to obtain large numbers of customers without the customers' affirmative consent," PG&E spokesman Andrew Souvall said.

"Being an energy provider is complex and risky. We believe that local residents should have a say in determining whether or not their local government takes on this risk."

Green power, lower rates

California CCA advocates say the push for community choice on electricity is part of a bid for expanded green power.

San Francisco intends to procure at least 51 percent renewable energy by 2017 -- far above California's target of 33 percent renewables by 2020 for all utilities. PG&E is currently at 14 percent and plans to reach 20 percent by 2012.

Here is how San Francisco officials see the program working: By aggregating, San Francisco would receive the funds for energy efficiency programs that PG&E currently collects. It would use the money -- and its ability to generate revenue through tax-exempt bonds -- to reduce the need for peak-use-only plants by increasing local generation. Of the 360 megawatts that it has issued a request for, 150 MW would be from a local wind farm and 107 MW would be from local, renewable distributed generation.

Paul Fenn, a former staffer for the Massachusetts Senate Energy Committee, is the founder of Local Power, a Bay Area company that primarily does research for governments looking to form CCAs, including the San Francisco government. He said CCAs are a unique blend of government thrift and private innovation, which has the potential to produce both low-cost and green energy.

"CCAs are uniquely positioned integrators," Fenn said. "They don't own power plants, so they don't have liability on the old system. It's hard to buy an electric car when you've already bought the gas car. But in this case, it's not a car bought two years ago, but an infrastructure system built 100 years ago that has been used to leverage utilities' growth many times. ... The ideal provider would be a local government that doesn't have conflicts like old power plants and transmission lines."

Ratepayers, city officials say, would benefit financially.

"PG&E's rates continue to climb and are pretty unpredictable," said Mike Campbell, director of San Francisco's CCA program. "We think we can put together a contract that would be more stable over time -- maybe not lower right away, because you don't have long-term contracts in place with polluting, relic power plants like PG&E does."

"But," Campbell added, "you can stick with the status quo, not meeting the RPS, or you can participate in the CleanPowerSF program, enjoy rates that are more stable, and help curb the effects of electricity consumption."

Ohio's experience

In Massachusetts and Ohio, the only states that have CCAs (New Jersey and Rhode Island have CCA laws, but no CCAs), the attraction is economic rather than environmental.

The largest aggregation program in Ohio, the Northeast Ohio Public Energy Council, or NOPEC, just signed a nine-year contract with supplier NextEnergy Solutions that beats local utility rates by 6 percent.

Ohio faced little opposition from utilities after its Legislature passed a law in 1999 permitting CCAs, although there were attempts to impose extra charges on aggregation customers' bills. The state now has 67 individual aggregators that buy their own electricity, including NOPEC's collective of 126 municipalities and the Northwest Ohio Aggregation Coalition of nine communities.

"I think what's happened here is that Ohio became a great experiment that's worked out so well that utilities in other states, particularly California, are doing everything they can to keep people from having the same benefits as people in Ohio," said Leigh Herington, executive director of NOPEC. "We only have about 5 percent of people that opt out, so it's not like people are saying they don't want these kind of savings."

"If there's any problem," Herington added, "it's with the utilities."

According to Campbell, the San Francisco CCA director, the problem for utilities is that they depend on transmission lines, power plants and other infrastructure to guarantee a set rate of return on investment by the state. There is no money in energy efficiency, he said.

"It's part of a general 'scorched earth' policy that they have," Campbell said of PG&E's approach to CCAs. Losing customers, he said, "makes it harder to argue to the CPUC that they need a billion dollars to build a generation facility."

By contrast, Ohio requires utilities to separate their distribution and generation operations under a 1999 law.

For example, FirstEnergy Solutions -- which has contracts to supply NOPEC, NOAC and dozens of other communities in Ohio with aggregated power -- is an unregulated, competitive subsidiary of FirstEnergy, which also owns distribution companies like Toledo Edison and Ohio Edison.

Since the parent company has no incentive to lobby against itself, CCA has thrived -- to the point where CCAs now account for about 800,000 residential, commercial and industrial electricity customers in Ohio.

"It's like when phones were deregulated," FirstEnergy spokeswoman Diane Francis said. "Someone still has to maintain the lines and send you your bills. The customer can basically shop for whatever generation supplier they want, based on price, green power source, etc."

Matt Butler, a spokesman for the Public Utilities Commission of Ohio, said that while aggregation has been more popular on the natural gas side, in part because of already low electricity prices, utilities are friendly to the practice. "I think that in general, the companies have grown to be open to aggregation," he said.

Calif. trailblazers drop out

The Kings River Conservation District in the San Joaquin Valley has been working on forming a CCA since 2002. Dave Orth, district general manager, said Kings River's 12 communities had considered "municipalization," in which the government owns the distribution infrastructure as well as the generation, but was discouraged by PG&E's past opposition to it in Northern California. They decided instead to pursue bonds to build their own power plants, including biomass, solar and small hydropower.

"One of the big drivers for us was recognizing how PG&E felt about municipalization," Orth said. "It was very clear to us that if we tried municipalization, we were going to have a big fight with PG&E."

Although Kings River is in both PG&E and Southern California Edison territory, PG&E has been the primary antagonist, Orth said. Through its seven-year campaign, Kings River went to the California Public Utilities Commission several times to protest PG&E's practices, including a mailer that offered customers the option to opt out of the CCA before it got off the ground. The current initiative would take advantage of public agencies' limitations on political campaigning, Orth said.

"We've just experienced how difficult a two-thirds vote is in the Legislature. PG&E knows that," Orth said. "It's very hard for a public agency to spend several hundred to several million dollars trying to win a campaign. It would really have a killing effect on local agency participation in energy development."

Kings River put its CCA plans on hold last June due to poor market conditions, but it plans to restart when it feels it can offer rates at least 5 percent lower than PG&E's.

"We've blazed the trail; hopefully, it's helping Marin [County] and San Francisco advance their efforts," Orth said.

Marin County is working on a CCA with 25 percent renewable energy and is on track to sign a contract with an energy provider next month.