local power

4281 Piedmont Avenue, Oakland, California 94611 local.org

Community Choice vs. Deregulation, Regulation & Public Power

1. A Traditional State-Regulated System: The Governor appoints Public Utilities Commissioners who set rates and make portfolio decisions. If green products are offered, they are sold at a premium to a small minority of customers. Investor-owned corporate monopolies own the wires and power plants, read meters, do the billing, run state or federal-mandated programs and even "own" the customers. All the corporation¹s costs are automatically paid by customers. The utility receives a guaranteed rate of return based on a fixed percentage of their operating costs. The more power consumed, the greater its profits. If such a monopoly utility makes bad investments, the customers must pay.

2. A Deregulated System: There is little or no state regulation of rates nor environmental safeguards. Unregulated corporate power plant owners sell power to private power marketers, who resell it to predominantly large corporate customers. Unregulated power companies are not guaranteed a rate of return from their customers if they make bad decisions. But they have the ability to gouge ratepayers with sudden rate increases in a climate of weak federal wholesale regulation.

3. Public Power: The public ownership of wires and power plants, and power wholesaling**.** The federal government owns hydroelectric and nuclear power generation and sells the power to cities, states and the wholesale market. Some state governments own and operate regional power authorities that include generation, transmission, and/or all services to the customer. Many local governments all over the country own and operate gas and electric enterprises to serve their communities, while others own only wires. These purchase power and, as wholesalers, resell it to their customers. Rates are based on cost of operation, with no profit or return on investment. Some municipal utilities have chosen to invest in solar power and other public interest programs.

4. Community Choice Aggregation: Municipalities and regions aggregate their individual customers' demand into a unit and bid out the community's electricity service to competing electricity suppliers under state regulatory oversight. Rates are not regulated but are fixed under a contract. The city council has primary control over what kind of energy the community will purchase, deciding upon the community's desired mix of resources, and selecting the new service provider. Unlike Public Power cities, Community Choice cities do not own or operate power plants and wires systems, do not incur the risks associated with providing the service, and do not form power agencies. Instead, a local city council, with the help of consultants and existing city staff, prepares a plan and administers a competitive bidding process. Those companies who bid for the contract are called Electric Service Providers. The ESP that wins the contract commits to deliver power to the Aggregation, from stipulated kinds of sources, at the rate the community requires. Thus, Community Choice Aggregators play a brokering role with competitive suppliers on behalf of their constituents. Rates are insured by the Electric Service Provider, and consumers have the option to opt out. A typical Community Choice contract lasts five to ten years. Some Community Choice Aggregators have converted their communities to clean and renewable power sources, and have dramatically improved local energy efficiency programs.