

Clean Energy & Jobs Oakland



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For more information on the Clean Energy & Jobs Oakland campaign, see <http://www.localcleanenergy.org/policy-platform/campaign2012>.

1. What is a Community Choice energy program?

Community Choice energy, provided for by AB 117 (2002), enables cities and other jurisdictions to choose where the electricity provided to their residents and businesses will come from. This means that local communities can decide to procure their electricity from renewable energy sources: either by purchasing renewable electricity on the market, or more importantly, by developing local renewable energy resources in the community. These resources can be demand reduction assets (for example, energy efficiency) or new renewable electricity generation. Under a Community Choice energy program, the incumbent utility company (PG&E) continues to deliver electricity and service customers.

2. What are the main benefits of a Community Choice energy program?

Community Choice energy is a way to reduce greenhouse gas emissions and address the impact of climate change by cutting energy consumption, switching to renewable energy sources, and building local renewable electricity generation. By developing local clean energy resources, Community Choice programs can spur local economic development in the community, provide good local clean energy jobs, offer price stability and competitive electric utility bills, reduce pollution, and provide other community benefits. Community Choice can serve as a significant step towards a more sustainable community.

3. What other communities have established a Community Choice energy program?

The first Community Choice program in California, Marin Clean Energy, was established over two years ago. More than a dozen other cities or counties are establishing or investigating Community Choice energy. In the Bay Area, San Francisco is expecting to launch its program early in 2013 and Sonoma County plans to roll out its program in mid-2013. In addition to the East Bay, Community Choice is being investigated in San Jose, San Luis Obispo, Davis, Monterey County, and San Diego.

4. Why are local renewable energy resources preferable to market-purchased renewables?

Market-purchased renewables are generally sourced from remote industrial-scale solar power plants or wind farms. These large power plants are often destructive of sensitive ecosystems, take many years to come on line, require long, inefficient transmission lines, are prone to system failure, and most noteworthy, provide little or no local economic benefits to our communities. In fact, the centralized energy generation that these power plants represent results in a transfer of wealth out of our communities to large energy corporations. Market-purchased renewables are also subject to the price instability and volatility of the energy markets.

By contrast, development of local renewables is an investment in the community, creating wealth from local resources, providing local clean energy jobs, price stability for ratepayers, lower utility bills over the long term, and other community benefits. And local resource development includes building energy efficiency assets, which reduce electricity demand, and pave the way for more energy independent and resilient communities.

[Read More: See [Community Power: Decentralized Renewable Energy in California](#)]

5. Why couldn't PG&E develop local renewable energy resources?

PG&E actually *could* develop renewable resources in our communities; however, it is not likely it will. Local renewable energy development does not fit PG&E's business model, which is based on profits from investments in energy infrastructure.

Accordingly, PG&E promotes remote centralized energy generation, which requires the building of extensive transmission lines to bring electricity to load centers. As a regulated utility, PG&E gets a state-guaranteed rate of return of 10-11% on investments in this infrastructure; it is not supposed to profit from the sale of electricity. Investments in a decentralized network of local renewable resources in our communities would erode the company's control and not be as profitable as investments in large, remote power plants and long transmission lines.

[*Read More:* See Question # 19]

6. Under a Community Choice energy program do utility customers have the option of staying with their utility?

Yes. Before the launch of a Community Choice energy program, affected customers must be given ample opportunities to "opt out" of the Community Choice program and remain with their incumbent utility (such as PG&E). A Community Choice program must therefore be attractive to utility ratepayers to be successful: participants can opt out of the Community Choice program at any time they feel the incumbent utility is offering a better deal.

7. What does a Community Choice energy authority do?

Administration of a Community Choice program generally includes the following functions:

- Procuring electricity for participants in the program.
- Setting electricity rates for various classes of residential and commercial customers in the program.
- Designing a local build-out program of demand reduction (energy efficiency) and renewable electricity generation that meets community needs.
- Issuing requests for proposals for the local build-out program and any open market purchases needed, signing contracts, and assuring deliverables.
- Financing the build-out program with revenue bonds and other financial instruments.
- Interfacing with the incumbent utility for delivery of electricity and for billing and servicing.
- Marketing the Community Choice program to electricity customers.
- Reporting progress to government institutions and community stakeholders and involving them in setting policies, programs, and priorities.

8. How can a Community Choice energy program have electricity bills competitive with or lower than PG&E's?

By developing local renewable resources a Community Choice energy program can become competitive with and have electricity bills lower than PG&E. For more than a decade PG&E rates have increased at a rate of 7% per year and are expected to continue rising at an even higher rate in the future. Renewable assets built by a Community Choice program, however, have a fixed cost basis. In addition, a Community Choice energy program can leverage the relatively low cost of energy efficiency to reduce consumption and lower electricity bills.

Similar to the way residential and commercial property owners can perform energy upgrades and solar energy installations to reduce utility bills, a Community Choice program can develop energy resources

that optimize local electricity generation and thereby lower system-wide electricity costs. (Note that energy efficiency upgrades also save on natural gas consumption and on gas bills.)

The savings in electricity costs possible with a Community Choice program can result in competitive electricity rates and overall lower utility bills compared to PG&E.

[*Read More:* See the document called [Lower Electricity Bills Possible With Community Choice.](#)]

9. What size revenue stream would an East Bay Community Choice energy program generate in Oakland?

The revenue stream from the sale of electricity by a Community Choice energy program to all Oakland ratepayers would be about \$200 million per year. (This estimate is based upon Oakland's rate of energy consumption of about 2 billion kWh per year at a retail price of about \$0.11 per kWh.) This revenue would be used to pay the expenses of the Community Choice program and to support development of new renewable energy assets. For purposes of comparison, Oakland's annual budget is just under \$1 billion. [See <http://www.scribd.com/doc/58042320/City-of-Oakland-Budget-Facts-2011>]

10. What startup costs would be required to get an East Bay Community Choice program established?

The main costs associated with starting a Community Choice program for cities in the East Bay would be:

- The organizational and legal costs of establishing a Joint Powers Authority among the participating cities (approximately \$500,000)
- The legal, business, and staffing costs of establishing an authority to administer the Community Choice program (approximately \$500,000)
- The costs of conducting necessary studies and creating an Energy Resource Development Plan (approximately \$500,000)

If an existing public utility or agency that already serves East Bay cities were to administer a Community Choice energy program, a good deal of the initial startup costs would be averted. Startup costs constitute a very small investment in a program that would generate hundreds of millions of dollars of revenues for the program per year, as well as provide economic development, jobs, and other benefits to the community.

11. Are there significant financial risks that a Community Choice energy program would pose for the City of Oakland?

Funds for administering a Community Choice program come from revenue generated by sale of electricity to customers, not from Oakland's general funds. In fact, the creation of a Community Choice energy authority shields the City of Oakland from any financial risk in the operations of the Community Choice energy program. If the Community Choice program for any reason were to go belly up, the City would be immune from the liabilities of such a failure.

However, there *are* startup costs associated with the establishment of a Community Choice program, depending on how it is structured. For example, having an existing agency serve as the administrator of a Community Choice program would reduce startup costs considerably. There are also costs associated with designing an energy resource development plan for the Community Choice program, some of which

might be borne initially by participating cities. While investments to establish the Community Choice program would be paid back through revenues generated from the sale of electricity, these investments could be lost should the Community Choice program fail, and therefore would represent a small risk to the City of Oakland.

12. How would development of local energy resources be financed under a Community Choice program?

There are a number of ways that a Community Choice energy program can finance investments in new local energy resources. The mechanisms for financing the development of energy efficiency and local renewable energy generation projects depend on the nature of the projects and who owns the resulting assets. For example, these projects can range from public development projects to projects undertaken by individual property owners, and the financing can range from public revenue bonds to private debt financing.

The renewable energy projects result in assets that will generate a predictable return on investment, based on the electricity rates established by the Community Choice program. The rates can be set to guarantee adequate returns on investment while keeping utility bills as low as possible. The Community Choice program itself does not need to generate any net profit.

Here are some of the kinds of financing mechanisms that a Community Choice program can implement without requiring any change in California law:

- **Municipal revenue bonds:** This financing is best used for public works projects like installation of a large solar or wind facility on public land or buildings, such as the airport, brownfields, public rights-of-way and so forth. The interest rates on the financing are generally low, and the facility, once built, is publicly owned.
- **Feed-in Tariff:** This is a standard offer contract offered by the Community Choice program to anyone who builds an electricity generating facility. The price paid for the electricity is set for twenty years at a rate that guarantees a return on investment to the developer. This kind of program has resulted in a phenomenal growth of local power generation facilities in Germany and other parts of Europe.
- **Solar Shares:** This is a program in which the Community Choice program lets electricity customers buy a share of the electricity generated by a facility, or a share of the facility itself, or both, and thereby get electricity at a fixed long-term price and/or possibly a share of the facility ownership.
- **Power Purchase Agreement:** This is a contract by which the Community Choice program buys electricity from a developer at a negotiated price and terms. The developer lines up the financing for building the facility.
- **Property Assessed Clean Energy (PACE) Financing:** This is a mechanism by which private property owners can finance energy upgrade or generation projects by paying off a loan through an assessment on their property taxes. This helps property owners who do not have the up-front cash needed for an energy upgrade. It also protects them against liability if the property is sold, because the loan payoff is tied to the property tax and not to the property owner.
- **Excess Net Metering Payments:** This a way the Community Choice program encourages property owners to maximize the size of their solar PV installations, the program buys the excess electricity generated at attractive rates.

Most of these mechanisms encourage private financing for energy resource development, though a Community Choice program can elect to emphasize public ownership of assets. Many of the above financing mechanisms have been blocked at the state level by large corporate interests opposed to local energy resource development, but a Community Choice program gives us the ability to implement them at a local level.

13. Who would create the energy resource development plan for a Community Choice energy program?

The Energy Resource Development Plan needed to establish a Community Choice energy program would probably be developed by consultants familiar with creating such plans. The goals of the plan would be set by participating cities and community stakeholders, in collaboration with the Community Choice energy authority, were it already established. The plan would specify the energy resource development program and the projects to be rolled out over time, including financing, environmental impacts, workforce development needs, and so forth.

The involvement of community stakeholders might be similar to the involvement of a 75-member stakeholder group that provided input to the Port of Oakland's Maritime Air Quality Improvement Plan in 2009. [See the [Maritime Stakeholder Group Outreach Report](#), pg 48.]

14. Where does the Oakland Community Choice 2020 Development Plan in the campaign slide presentation come from?

The 2020 development plan in the slide presentation is a suggested eight year integrated energy resource plan for Oakland. Its goal is to develop energy efficiency and local renewable generation assets by 2020 that could assure the initial economic viability and community benefits required of a successful Community Choice program. It also includes an estimate of jobs that would be created by the development program.

The Oakland Community Choice 2020 Development Plan was developed by the Clean Energy & Jobs Oakland campaign as a high-level projection based on the 2008 *Community Choice Business Plan* prepared by Navigant Consulting for the cities of Oakland, Berkeley and Emeryville, and modified to incorporate findings in the *Bay Area Smart Energy 2020* report written by Bill Powers, the energy efficiency study prepared by Oakland City Staff as part of Oakland's *Energy and Climate Action Plan*, and relatively conservative 2020 targets for local renewable development.

[*Read More:* For a full description, see the [Oakland Community Choice 2020 Development Plan](#).]

15. How would a Community Choice program be held accountable to the public?

A Community Choice program is governed by a public board. Our collective experience tells us, however, that a public board is not a guarantee in itself that all stakeholders in a community are equitably represented in a public program. A Community Choice energy program, to serve the needs of the community it serves, will need a governance structure that ensures that participating East Bay cities and their communities are truly represented. The Community Choice governance structure must therefore include mechanisms to hold the board accountable to community interests.

The Clean Energy & Jobs Oakland campaign calls for the building of a broad stakeholder alliance of organizations to participate in the development of a Community Choice program. That alliance must represent the social sectors whose interests lie in creating an equitable, sustainable economy. A governance structure, yet to be defined, is needed to enable those sectors to hold a Community Choice energy authority accountable.

A Community Choice program is just a starting point for democratizing energy decisions; continued public involvement and advocacy and organized public pressure are needed to see that community needs are met.

16. How does the Community Choice program promote good clean energy jobs?

Good clean energy jobs will depend in large measure upon which stakeholders are involved in shaping the Community Choice program: unions, minority businesses, social justice organizations, and so forth.

Local hire, prevailing wage, workforce development, union apprenticeship, and career pathways are key aspects of assuring good clean energy jobs. The Community Choice program's energy resource development plan would need to include conscious efforts and appropriate policies to achieve good jobs objectives.

For example, efforts can be made to reach project scales that facilitate high labor standards. This might include aggregating projects of individual property owners and small businesses, encouraging public projects financed through the Community Choice program itself, and creating financing mechanisms that have living-wage and local hire policies attached to them.

Project labor agreements are currently a popular approach to balancing the needs of various constituencies in the community. For example, the Port of Oakland's [Marine Aviation Project Labor Agreement](#) (MAPLA) is an example of such an approach, as is the recent agreement for development of the Oakland Army Base.

17. Is East Bay MUD a potential Community Choice energy authority?

A number of cities, including Oakland, had expressed interest in exploring such a possibility. However, East Bay MUD's Board of Directors voted on December 11, 2012 to expend no funds and exercise no leadership in the establishment of an East Bay Community Choice energy program.

Nevertheless, East Bay MUD has some of the characteristics desired in an administrative agency:

- It has technical expertise. It already has experience with energy projects—producing, selling, and procuring electrical power.
- It has experience and a good track record as a public utility. It is well-respected for its conservation programs and its environmental programs.
- It has a service territory that already encompasses the East Bay corridor.

18. Why shouldn't Oakland wait to see if other cities establish an East Bay Community Choice energy program and join once it is working?

Oakland is critical to establishing a Community Choice program in the East Bay. A strong expression of support by Oakland, which represents about a quarter of the electricity consumption in the East Bay, is essential to ensuring the scale and breadth of resources needed to make such a program viable.

More importantly, if Oakland is to realize the potential benefits of a Community Choice program, then Oakland communities must be involved in shaping that program right from the start to meet their needs: this requires advocacy for economic development, good clean energy jobs, and other community benefits.

19. Why does PG&E oppose Community Choice energy programs?

PG&E has been a strong opponent of Community Choice energy programs, opposing them in every community where they have been proposed, and spending \$50 million on Prop 16 in June 2010 to squash Community Choice on a state-wide level. One can conclude that the company sees the development of Community Choice programs as contrary to its long-term interests and profitability.

PG&E is one of the largest investor-owned utility corporations in the U.S. It has a state-mandated monopoly over electricity in its service territory. Community Choice energy, by putting procurement of electricity in public hands, erodes PG&E's monopoly control over the energy system. By so doing, Community Choice threatens PG&E shareholder profits and the company's power to dominate state regulatory agencies.

PG&E makes money through infrastructure investments like the building of long-distance transmission lines, for which it gets a state-guaranteed rate of return of 10-11%. Accordingly, the company promotes remote centralized energy generation, which requires the building of new transmission lines and other infrastructure needed to bring electricity to customers in urban areas.

Even though PG&E, as a regulated utility, is not supposed to profit from the purchase and sale of electricity—only from the delivery of that electricity—its business model hinges on continually growing electricity demand. That's how it can justify massive investments in transmission and distribution infrastructure. Community Choice energy threatens this model: it is a vehicle for reducing energy demand and for local generation of electricity.

20. Why not establish a municipal utility company like Alameda Municipal Power instead of a Community Choice program?

It would be a very difficult, uphill battle to establish a municipal utility in Oakland. In order to do so, the existing, aging electricity distribution network would have to be purchased from PG&E or a new one built from scratch. Either option would be very costly. One of the greatest advantages of a Community Choice program is enabling public control of energy procurement while letting PG&E worry about the electricity distribution system.

The same issues arise in joining an existing municipal utility; that utility would have to purchase the existing electricity distribution network from PG&E or build a new one.

21. Under a Community Choice program, to whom would I sell excess electricity generated by solar panels on my home or business?

Electricity being placed on the grid by a producer is sold to whoever is the electric service provider, which in the case of a Community Choice program participant would be the Community Choice energy authority. The Community Choice program, in order to encourage residential solar development, would want to make it economically advantageous for its customers to provide electricity to the grid. For example, Marin Energy Authority buys excess electricity from net metering customers at retail rates that are more than double the 4-5 cents/kWh paid by PG&E. Again, these programs and rates are determined by the Community Choice energy authority as part of its overall program.