

# LOCAL CHOICE ENERGY - FACT OR FICTION?

FICTION	FACTS
<p>FICTION: Local Choice Energy (LCE) could actually raise rates for customers, not lower them.</p>	<p>FACTS: LCE providers are not subject to the same financial constraints that raise prices for investor owned utility customers: no ridiculous senior management pay (PNM's CEO makes \$9M a year) and no requirement to pay shareholders a guaranteed Return on Equity that benefits only Wall Street shareholders. Not only are LCE rates competitive, sometimes lower by 15-20%, but often Local Choice Providers enjoy price stability, which is particularly important for low-income customers and small businesses. LCE providers have access to low-cost financing through tax-exempt bond rates, and because they are not-for-profit entities they pay no federal income taxes. Local Choice Energy will allow local municipalities to design innovative programs to meet their communities needs, like senior rates, low-income rates, time-of-use rates, and more. Read more: <a href="https://www.epa.gov/green-power-markets/community-choice-aggregation">https://www.epa.gov/green-power-markets/community-choice-aggregation</a></p>
<p>FICTION: States with Local Choice Energy providers have no central authority accountable for capacity, making reliability an issue and increasing the possibility of blackouts or brownouts.</p>	<p>FACTS: The Local Choice Energy Act does not change the responsibility the investor-owned utilities have to transmit and distribute electricity and maintain the grid. In states that have this option there have been no brownouts, blackouts, or safety and reliability issues related to its adoption. In fact, investor-owned utilities in New Mexico regularly transmit and distribute electricity to and from different kinds of electricity providers. LCE providers will hire competent professionals to run a reliable and safe utility (the water utilities are probably the best run, most effective government entities in our state). The evidence demonstrates that nationally these not-for-profit local choice utilities are safer, more reliable, more agile, and more resilient. In fact, 100% renewable communities are served by community-owned electricity providers and not-for-profit local utilities have had faster and more resilient responses during climate-related emergency situations. Read more: <a href="https://www.publicpower.org/public-power/stats-and-facts">https://www.publicpower.org/public-power/stats-and-facts</a></p>
<p>FICTION: Local Choice Energy has been tried and failed. Look at Massachusetts, Illinois and San Diego.</p>	<p>FACTS: The Massachusetts and Illinois examples trotted out by PNM aren't Local Choice Energy or Community Choice Aggregation providers. They are examples of deregulated energy markets, an approach that opens the door to predatory for-profit providers that sell electricity door-to-door and raise rates significantly after six months. Local Choice Energy is not the same as deregulation. <a href="#">In San Diego CCA prices are competitive for standard products and much lower for 100% renewable products than the investor-owned utility.</a> No extra charges are added to their bills, but charges for generation and transmission are broken out separately. Read more: SDG&amp;E - SDCP Joint Rate Comparisons - <a href="https://www.sdge.com/sites/default/files/SDCP_SDG%26E%20JRC%2006.01.2022_Final_0.pdf">https://www.sdge.com/sites/default/files/SDCP_SDG%26E%20JRC%2006.01.2022_Final_0.pdf</a> <a href="https://voiceofsandiego.org/2023/01/24/san-diego-community-power-oks-electricity-rates-cheaper-than-sdge/">https://voiceofsandiego.org/2023/01/24/san-diego-community-power-oks-electricity-rates-cheaper-than-sdge/</a></p>

<p>FICTION: LCE will lead to dangerous accidents at transformers and substations due to hiring of unqualified workers.</p>	<p>FACTS: Current investor-owned utilities that operate the grid (PNM, EPE, and SPS) will continue to provide transmission and distribution services. In the 10 states that have energy choice, the IOU's continue to manage the grid and there is no evidence of an increase in dangerous accidents due to the inclusion of Local Choice Energy providers.</p>
<p>FICTION: The adoption of Local Choice Energy will derail PNM's progress towards Renewable Portfolio Standards.</p>	<p>FACTS: A <a href="#">report published in 2020</a> demonstrated that Local Choice (aka Community Choice Aggregation or CCA) led to an <b>accelerated</b> transition to renewable energy. The great thing about Local Choice and competition is that it incentivizes everyone to do better and secure more renewable development. LCE won't kill PNM's solar development momentum, it will bolster renewable development in New Mexico. It will also give PNM more local options to procure renewable energy to meet RPS goals.</p> <p>Read more: Community Choice Aggregation: Challenges, Opportunities, and Impacts on Renewable Energy Markets - <a href="https://www.nrel.gov/docs/fy19osti/72195.pdf">https://www.nrel.gov/docs/fy19osti/72195.pdf</a></p>
<p>FICTION: Local Choice Energy providers lack consumer protections and regulatory oversight, leaving the door open for issues of safety, reliability and unfair business practices.</p>	<p>FACTS: Local Choice Energy providers are required to have exhaustive plans approved by the PRC before commencing operations. Transmission and distribution of energy continues to be run by the existing utility and regulated by the PRC. Grid operations maintain continuity because the balancing authority ensures adequate supply, existing utilities can make up for lost retail business by selling electricity wholesale and they are compensated for their transmission and distribution services by the Local Choice Providers. Local Choice Energy providers are subject to oversight by governing boards and required to hold open meetings and publish rates a year in advance, including comparisons with other consumer options. Importantly, customers have the choice where to buy their energy.</p> <p>Read more: U.S. electric system is made up of interconnections and balancing authorities - <a href="https://www.eia.gov/todayinenergy/detail.php?id=27152">https://www.eia.gov/todayinenergy/detail.php?id=27152</a></p>
<p>FICTION: Utilities are leading innovation in the industry, have employees dedicated to creating energy efficiency programs, and are investing in research and development for technologies that will transform the electric grid. For example, PNM's recent Grid Modernization filing.</p>	<p>FACTS: The regulated monopoly utility model is notorious for its obstruction of innovation, resistance to change, and slow adoption of renewable energy. Numerous reports document the efforts by utilities and their lobbying front groups (Edison Electric Institute) to prevent competition, obstruct energy efficiency and renewable energy efforts, and reluctance to adopt new technologies that could lower their profits. PNM's recent Grid Modernization Filing came as a result of a legislative mandate, not some altruistic sentiment or innovation on the part of the company. The fact remains that in a state with the 2nd highest solar energy potential in the country, New Mexico's utilities had just 6.4% solar in their energy mix as of 2022. Results speak much louder than words.</p> <p>Read More: The Dirty Truth About Utility Climate Pledges - <a href="https://www.sierraclub.org/sites/www.sierraclub.org/files/2022-09/sierra_club_the_dirty_truth_report_v2_2022_0.pdf">https://www.sierraclub.org/sites/www.sierraclub.org/files/2022-09/sierra_club_the_dirty_truth_report_v2_2022_0.pdf</a>, <a href="https://www.energyandpolicy.org/utility-front-groups-spending-on-disinformation-advertising/">https://www.energyandpolicy.org/utility-front-groups-spending-on-disinformation-advertising/</a>, The American electric utility industry's role in promoting climate denial, doubt, and delay - <a href="https://iopscience.iop.org/article/10.1088/1748-9326/ac8ab">https://iopscience.iop.org/article/10.1088/1748-9326/ac8ab</a></p>

<p>FICTION: Customers will have to pay two separate bills.</p>	<p>FACTS: Customers will receive one bill from the utility provider they select (either the Local Choice Provider or the existing utility), and any transmission and distribution fees being paid to the utility for that service will be included in that single bill.</p>
<p>FICTION: Local Choice Energy providers do not guarantee locally generated electricity, instead it will likely rely on out-of-state energy brokers who have no commitment to New Mexicans' best interests. These energy brokers will take money and new solar generation away from New Mexico.</p>	<p>FACTS: Local Choice Energy does not guarantee locally generated electricity, but it does make local generation much more likely. While some Local Choice providers do opt to hire energy brokers, many of them are local and able to deliver low cost renewable energy, and the local governance structure and economic benefits of local ownership make it much more likely that a Local Choice Energy provider will opt to build local generation facilities. Local ownership provides local jobs, increases revenue for the community, reduces transmission costs and improves climate resiliency. Bernalillo County and Santa Fe County Commissioners passed resolutions in support of Local Choice Energy precisely because of the significant potential for community investment from the development of local power generation.</p> <p>There are many examples of Local Choice community reinvestment and development of renewables. <a href="#">Marin Clean Energy has reinvested \$180 million into its community over the course of 10 years</a>. You can see a list of local renewable energy projects generated by CA Local Choice Providers <a href="#">here</a>. Some examples of local renewable energy development from New York Local Choice Providers are as follows:</p> <ul style="list-style-type: none"> <li>• Town of Southampton to construct a 4 MW solar farm on a closed municipally-owned landfill; the project will provide solar bill credits to low- to moderate-income households</li> <li>• Town of Rochester's Open Door Mission selected for federal Energy Storage for Social Equity program; the project aims to develop community energy storage and create local jobs</li> <li>• 2 communities in the Fingerlakes Community Choice program have partnered with six local community solar farms, expected to generate a combined 28 million kilowatt-hours annually.</li> </ul> <p>Read more: <a href="https://cal-cca.org/cca-renewable-energy-map-and-list-of-ppas/">https://cal-cca.org/cca-renewable-energy-map-and-list-of-ppas/</a>, <a href="https://www.mcecleanenergy.org/wp-content/uploads/2021/11/MCE-Impact-Report_2021.pdf.pdf">https://www.mcecleanenergy.org/wp-content/uploads/2021/11/MCE-Impact-Report_2021.pdf.pdf</a></p>
<p>FICTION: Local Choice Energy providers are not subject to Renewable Portfolio Standards</p>	<p>FACTS: The Local Choice Energy Act includes the <b>exact</b> same renewable portfolio standards that are set out for investor-owned utilities in the Energy Transition Act. They are subject to the exact same standards. In other states with this policy, local choice providers have demonstrated that they can quickly outpace state renewable requirements, and we anticipate that will happen in New Mexico as well, especially with the vast untapped renewable potential available to us.</p> <p>Read more: <a href="https://law.justia.com/codes/new-mexico/2019/chapter-62/article-16/section-62-16-4/">https://law.justia.com/codes/new-mexico/2019/chapter-62/article-16/section-62-16-4/</a>, <a href="https://www.nmlegis.gov/Legislation/Legislation?chamber=S&amp;legtype=B&amp;legno=165&amp;year=23">https://www.nmlegis.gov/Legislation/Legislation?chamber=S&amp;legtype=B&amp;legno=165&amp;year=23</a></p>

FICTION: PNM currently has a 5% quarterly cap on our fuel costs, but energy brokers don't. If they see a 30% cost increase on natural gas, for example, they will pass that entire "cost" on to customers immediately.

FACT: They say that there will be runaway costs because there is no 5% quarterly cap on fuel costs. 1) Last year PNM raised rates via the fuel clause repeatedly hitting and then hitting the 5% fuel cost cap quarter after quarter. You've seen the dramatic increases in PNM rates. 2) Because the local choice providers must first present an implementation plan to the PRC, including a rate design and resource adequacy proposal, if a 5% fuel clause cap was omitted the PRC could include that. 3) Because the local choice energy providers won't be relying on fossil fuels to generate energy it is unlikely that they will bump up against the 5% cap. 4) In reality, the evidence demonstrates that this is nothing more than a fear-mongering tactic because local choice energy providers rely on renewable generation, have lower rates than investor-owned utilities, and implement consumer protections (like senior discounts, etc.). Local choice energy providers offer stable rates – it's hard to imagine, but those are the facts.

For example, view this rate comparison between the private utility rates and Rochester NY's Community choice provider rates:

