

A PRIMER ON LOCAL CHOICE ENERGY

Changing the law from monopoly energy generation to competitive, renewable generation at lower cost.

What is Local Choice Energy? Local Choice Energy (LCE) changes the law to allow municipalities the option to choose their electricity generation sources and expand energy options for tribal nations while saving up to 10% for ratepayers.

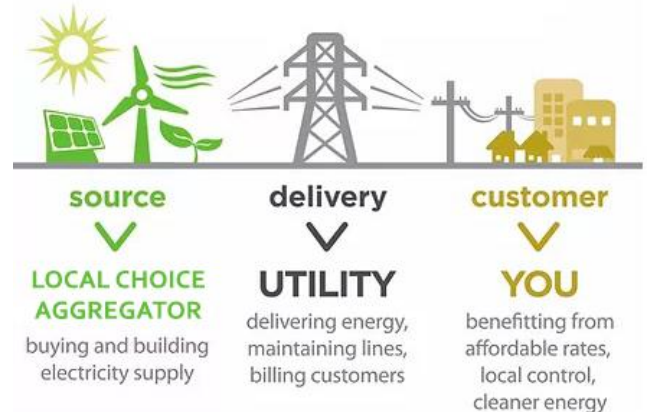
Right now there are three Investor Owned Utilities (IOU) in New Mexico that serve 73% of New Mexico households - PNM, SPS and EPE. They were granted monopoly rights to 1) generate energy 2) transmit that energy, and then 3) distribute it locally to homes in their service area. LCE gives local governments the option to compete - to build and/or purchase electricity while still utilizing transmission and distribution service from their existing utility provider. LCE legislation also allows a municipality or tribe to share excess energy from generating facilities they own with other communities.

Why do we need competition in energy choice? IOU's continue to slow-walk the energy transition, extract wealth from communities and charge a premium to ratepayers. Private investor owned utilities have monopoly control over their service areas and a fiduciary duty to put shareholder profit above all other concerns. They decide how and where our energy will be generated, they decide if they will invest in new technologies or upgrade infrastructure, and they transfer the profit from their energy sales to shareholders on Wall St. **Where has this led us? The three IOU's that serve more than 73% of New Mexico households continue to slow walk the energy transition (In 2021 PNM had 30% solar/wind, SPS had 36% and EPE just 5% in 2020),¹ charge 7% more than public utilities,² and extracted more than \$280M from the state in 2021.³**

Why is Local Choice Energy the solution we need now? Local Choice Energy gives New Mexicans the option to control the kind of energy we want, to decide whether to build locally, and to decide what to do with the profits from energy sales. Its benefits include:

- **Accelerated transition to Renewable Energy:** Science demands that we transition away from fossil fuels by 2030 to avoid catastrophic climate impacts - a timeline shorter than the RPS currently in place in NM. Science will not negotiate. New Mexicans are already feeling the impacts and absorbing the costs of heat waves, drought, fires and floods that will only continue to escalate. **LCE will help us reach 100% renewable energy by 2030. Of 72 US cities that reached their clean energy goals in early 2021, 67 were LCE members.⁴**
- **Local Wealth Creation:** Because LCE providers are locally managed not-for-profit entities, any excess revenue earned from the sale of energy is reinvested into the community through on-bill savings and innovative energy programs, often focusing on historically underserved and disadvantaged communities, including rebates, no-cost and low-cost energy programs, job training and employment programs and more. Rural communities can benefit from lower rates, local jobs, and construction of local generation.

HOW LOCAL CHOICE ENERGY WORKS



¹https://www.pnmforwardtogether.com/assets/uploads/IRP-Public-Mtg-Presentation-21_0105-final.pdf, https://s25.q4cdn.com/680186029/files/doc_presentations/2022/06/June-Investor-Presentation.pdf, <https://www.epelectric.com/files/2021-IRP-Public-Presentation-082020.pdf>

² [https://www.publicpower.org/system/files/documents/2022 Public Power Statistical Report.pdf](https://www.publicpower.org/system/files/documents/2022%20Public%20Power%20Statistical%20Report.pdf)

³ findenergy.com/nm

⁴ <https://www.utilitydive.com/news/as-utilities-match-ccas-on-price-aggregators-increase-climate-action-grow/598177/>

- **Local Jobs:** Local Choice providers hire local administrators and can prioritize construction of local energy infrastructure that both improves grid resiliency and employs members of the community.
- **Lower Rates:** By aggregating demand, municipalities and tribes gain leverage for better rates either by owning the resources or purchasing from competitive suppliers, or a combination of both. Renewable energy results in cheaper rates and creates more jobs than oil and gas.
- **Community Resilience & Reliability:** The development of local and distributed energy resources makes both urban and rural communities more resilient, protecting from the threat of brownouts and blackouts as temperatures become more extreme and disasters more common.
- **Innovation & Competition:** IOU's have a fiduciary duty to shareholders and thus are slow to take advantage of innovation, promote efficiency or spend money on new technologies such as time of use load management and orchestration software. Local Choice providers are responsive to community values and priorities, including promotion of cleaner energy, efficiency and reliability. Further, LCE diversifies the energy market, providing opportunities for a wider range of companies to participate in the energy sector, lower costs and increase profits for our business community and attract interest from companies that are seeking clean, low cost energy.

Importantly, direct pay provisions for Investment and Production tax credits in the recently enacted Inflation Reduction Act make this the opportune time for enacting Local Choice Energy, unleashing billions of dollars for government entities and non-profits that want to generate renewable energy.

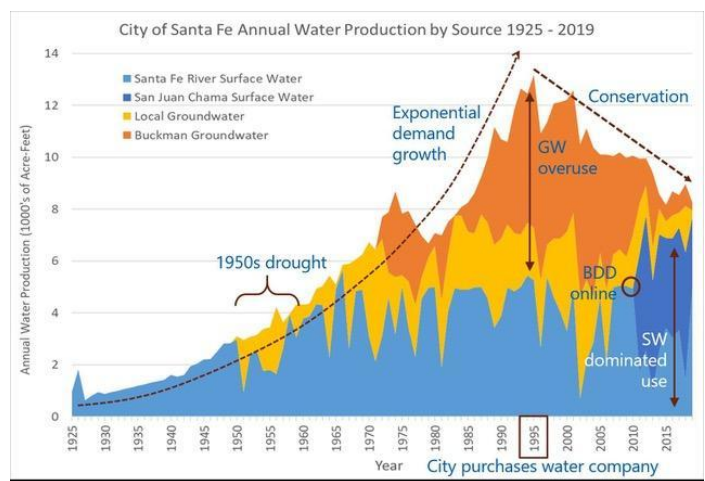
Didn't we just pass Community Solar? How is LCE different? The financial benefits of Community Solar go to the private developer and subscribers of the project, whereas with LCE revenues benefit the municipality or tribe and are reinvested back into their respective budgets for community needs. Additionally, Community Solar is limited in its reach - a maximum of 200MW statewide and 5MW per project. Local Choice providers cover the aggregated needs for all community members (for example, the City of Santa Fe needs 100MW).

Is Local Choice Energy a proven concept? LCE, also known as "Community Choice Aggregation," has been adopted in 9 states,⁵ and almost 1300 US communities are served by Local Choice aggregators, including 560 in Illinois, 250 in Ohio, 100 in New York, 176 in Massachusetts, and 201 in California, where aggregators serve more than 11 million customers.⁶ Studies show that where LCE has been adopted, rates are up to 15-20% lower⁷ and renewable energy adoption is accelerated.

Can Local Choice Energy work in New Mexico? Yes. LCE allows for choice, innovation and competition in the energy sector, leveraging millions of public and private dollars to diversify our energy sources. It does not mandate change, but it makes change possible.

Look at the great job Santa Fe has done since acquiring the water utility. This graph shows water usage from four sources, highlighting the rapid demand growth until 1995 when the City bought the Sangre de Cristo Water Company from PNM and began to focus on conservation, shifting away from reliance on groundwater. Keep in mind that Santa Fe's population was growing substantially.

Imagine if we had the same success in the energy sector. Las Cruces sends \$12.5 million from energy sales out of the state every year. Santa Fe sends \$26 million. With Local Choice Energy those funds can stay in our communities and we can reach 100% renewable electricity generation by 2030.



⁵ New York, Massachusetts, New Jersey, Rhode Island, Virginia, California, Ohio, Colorado, and Illinois.

⁶ <https://www.utilitydive.com/news/as-utilities-match-ccas-on-price-aggregators-increase-climate-action-grow/598177/>

⁷ <https://www.epa.gov/green-power-markets/community-choice-aggregation>