

Local Choice Energy for New Mexico

**Water and Natural Resources
Committee**

August 25, 2022

**Prepared By:
Public Power NM**



About the Presenters



Erin Dayl, Public Power NM

Erin Dayl has been working on sustainable economic development in New Mexico for twenty years in different capacities. For the past five years, Ms. Dayl was the Business and Organization Development Manager at Kit Carson Electric Cooperative (KCEC). This was during the time that KCEC reached its 100% Daytime Solar Energy goal, advanced Kit Carson Internet to ensure the business capacity for smart grid technology, and established the collaborative leadership group during COVID - the Enchanted Circle Community Organizations Active in Disaster (EC-COAD). She is on the Governor's Climate Change Task Force Technical Advisory Group. Currently, she is working on energy policy with Public Power NM.



Jay Levine, Renewable Taos

Jay Levine has been a board member of Renewable Taos since the beginning, 2012. Most of his reading time is spent on renewable energy, electric vehicles, electric utilities, and climate change. Social justice, economic justice, and environmental justice are themes that run through all of his volunteering and activism. Jay currently serves as chair of the Democratic Party of New Mexico's State Platform and Resolutions Committee. He is also a long-time board member of the Taos Jewish Center, where he is a past president and current treasurer. He spends what free time he has hiking in Northern New Mexico and taking electric road trips near and far.



Jonathon Juarez-Alonzo, YUCCA (Youth United for Climate Crisis Action)

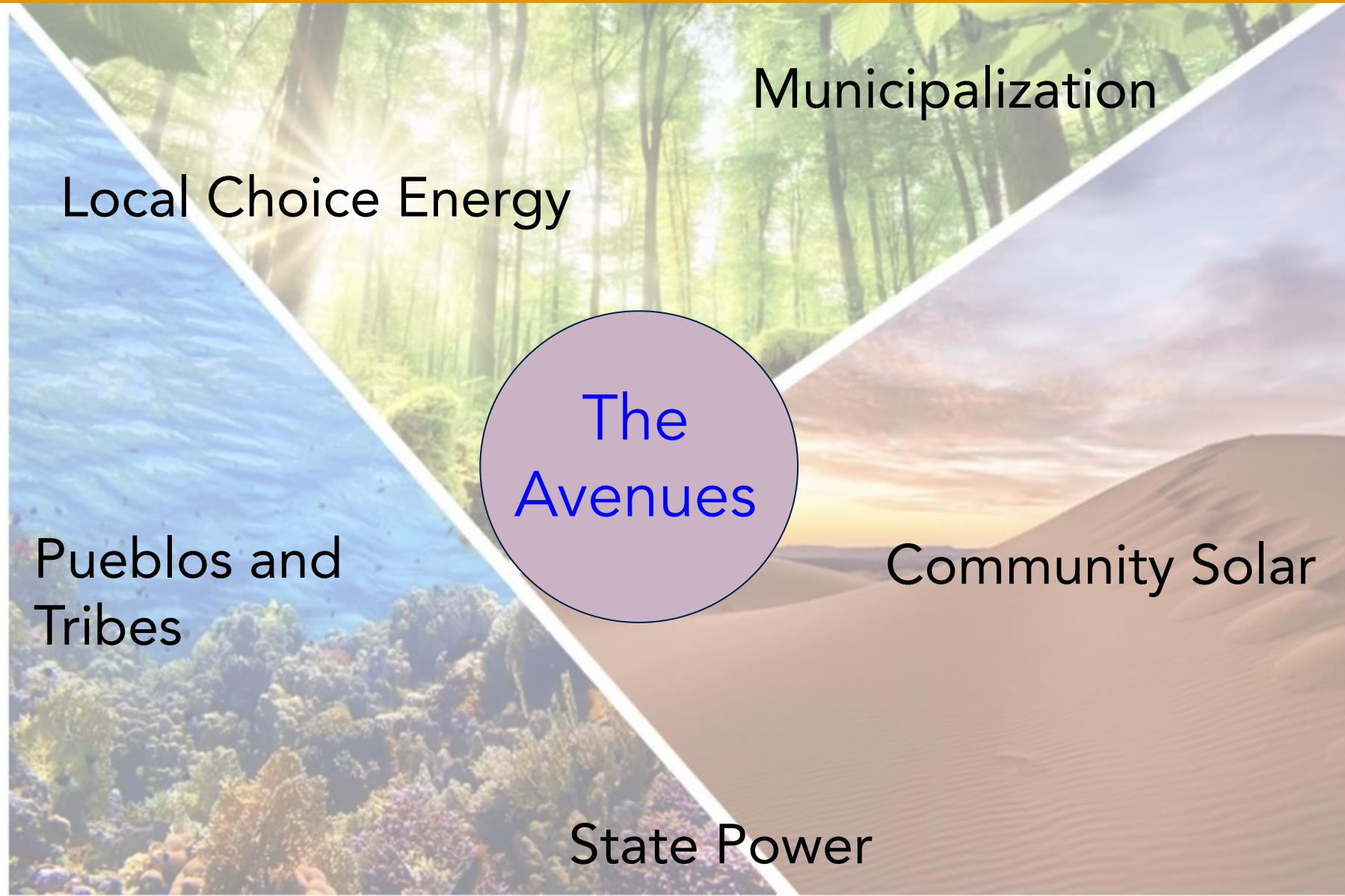
Jonathon Juarez-Alonzo is the Policy Lead for YUCCA (Youth United for Climate Crisis Action), Jonathan is a queer, two-spirit Indigenous climate activist and award-winning community organizer currently living in unceded Tiwa Territory (Albuquerque, NM). Coming from the frontline Indigenous communities of Laguna and Isleta Pueblos, Jonathan has always understood the important role that environmental stewardship has in the complex identity of Indigeneity. In October of 2016, Jonathan's family traveled to Standing Rock to deliver food and supplies to Water Protectors on the front lines against the Dakota Access Pipeline. Jonathon organized several school climate strikes across Albuquerque where thousands of students united to call for urgent action from local and state officials. In addition to his staff role with YUCCA, Jonathon serves as the Chairperson for Pueblo Action Alliance.

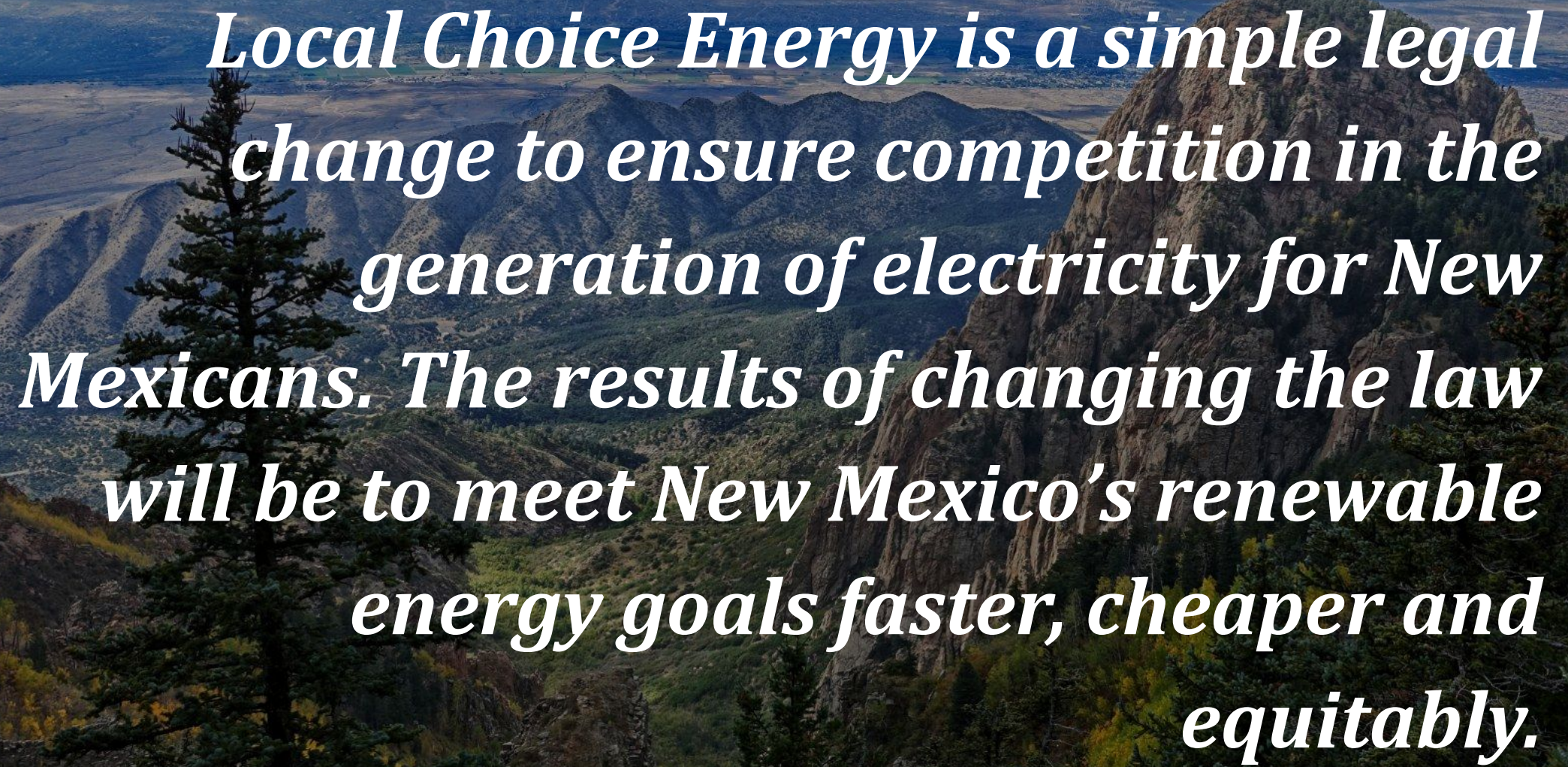
The Agenda



- Introduction
- What is Public Power
- Why the Local Choice Energy Option
- The Opportunity
- Benefits for New Mexico
- Urgency and Importance
- Social & Environmental Justice
- Conclusion

The Public Power Ecosystem



A scenic landscape of a mountain range with a prominent rocky peak and a valley below, overlaid with text. The text is in a white, italicized serif font, centered over the image. The background shows a vast mountain range under a cloudy sky, with a large, dark evergreen tree in the foreground on the left.

Local Choice Energy is a simple legal change to ensure competition in the generation of electricity for New Mexicans. The results of changing the law will be to meet New Mexico's renewable energy goals faster, cheaper and equitably.

The Historical Context & Legislative Action

In 1941, the New Mexico Legislature enacted the New Mexico Public Utilities Act (NMPUA). Under the regulatory regime established by the NMPUA and its federal counterparts in the 1930s and 1940s, electricity and the services required to deliver it were sold in a "bundled" package to retail customers by traditional, "vertically integrated" utilities that owned and operated all components of the electric power industry within a specific geographic area.

A utility that is granted exclusive control of all of these components within a specific geographic area under this regulatory regime has been described as a "regulated monopoly."

(1999 - Currently) Mindful of the nationwide trend toward deregulation of the electric power industry, it is only the New Mexico Legislature that is authorized to create competition in electric generation.

State ex rel. Sandel v. N.M. Pub. Util. Comm'n, 1999-NMSC-019, 127 N.M. 272 (https://scholar.google.com/scholar_case?case=10442866039001401445&q=State+ex+rel.+Sandel+v.+NMPUC,+980+P.+2d+55&hl=en&as_sdt=4,32)

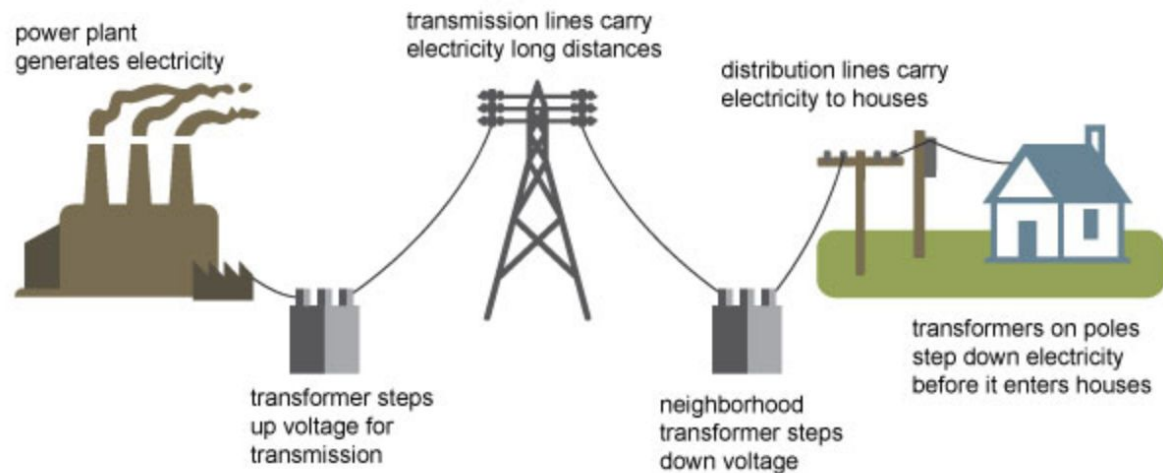
The New Mexico Supreme Court has held that implementation of competition in the electric generation market requires Legislative action.

Those who act boldly now will reap the benefits
for decades to come.

The Primary Change with Local Choice Energy

From

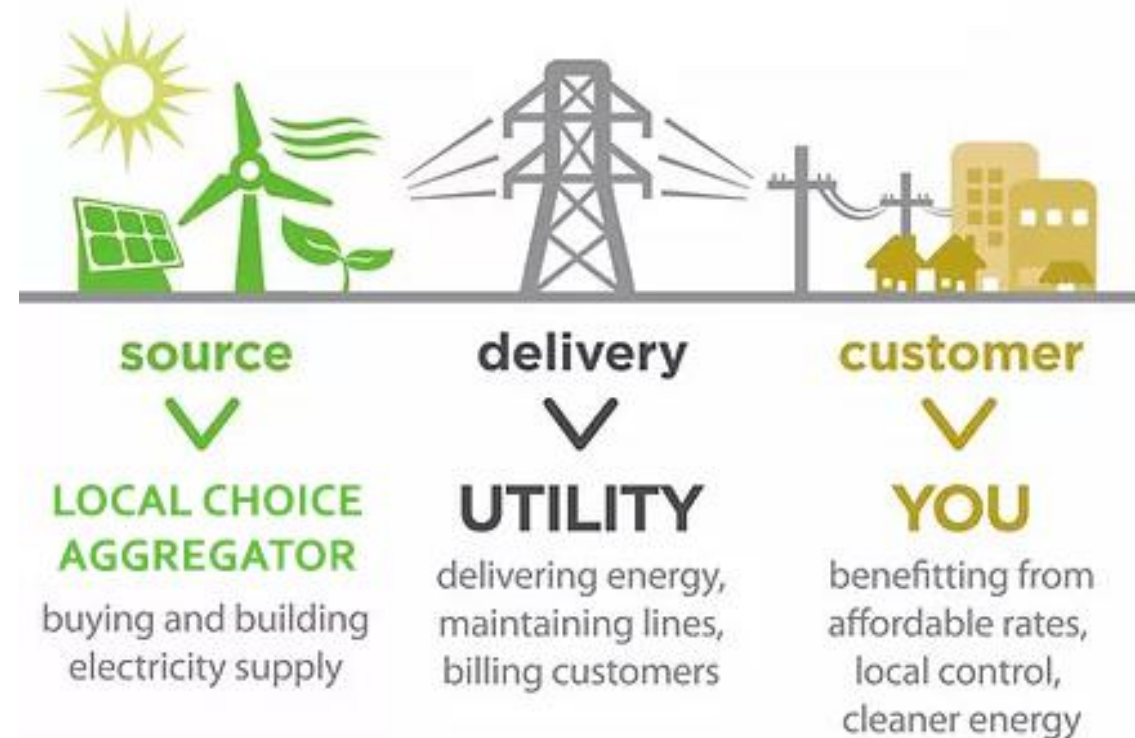
Electricity generation, transmission, and distribution



Source: Adapted from National Energy Education Development Project (public domain)

To

HOW LOCAL CHOICE ENERGY WORKS



LCE is ONLY a change in energy generation & business cooperation for transmission and distribution

Local Choice Energy Benefits & Commitment to Service

REVENUE AND ECONOMIC DEVELOPMENT - Local Choice Energy is based in public ownership and that allows energy profits to stay in the community - providing jobs, supporting local governments and businesses and reducing rates.

LOCAL CONTROL AND DEMOCRATIC GOVERNANCE - Local Choice Energy is responsive to community priorities and subject to open meeting laws, freedom of information, prevailing wage laws and more.

INNOVATION - Local Choice Energy drives innovation. Lower rates, efficiency, maximizing customer service and safety initiatives.

AFFORDABILITY - On average Local Choice Energy residential customers pay 11% - 14% less than the customers of investor owned utilities. Community owned utilities have ready access to lower cost financing through municipal bonds and waste less on executive compensation and pay no shareholder dividends (a 9.75% savings).

RELIABILITY - Customers of a Local Choice Energy utility are likely to be without power for less time - 62 minutes a year, compared to 150 minutes a year for customers of private utilities.

SUSTAINABILITY - Local Choice Energy power allows local values to inform utility decisions. Reliability, affordability, a rapid transition to 100% renewable energy, and service, displace shareholder profits.

Basic Details Local Choice Energy



- ❑ LCE is a simple request to allow market competition in the generation of energy resources.
- ❑ Local Choice Energy (LCE) will be built upon previous legislation. SB83 2021
- ❑ Members can Opt Out and buy from any provider they choose.
- ❑ Municipalities have the ability to buy solar, wind and storage. Be agile and move quickly.
- ❑ A city would put out an RFP to all vendors
- ❑ The RFP can create a scoring system with element for example: renewables, local hires, wages, unions, low cost energy, etc.
- ❑ Develop a Power Purchase Agreement
- ❑ Municipal utility pays for distribution (and transmission if applicable)

Cost Savings Would Come From...

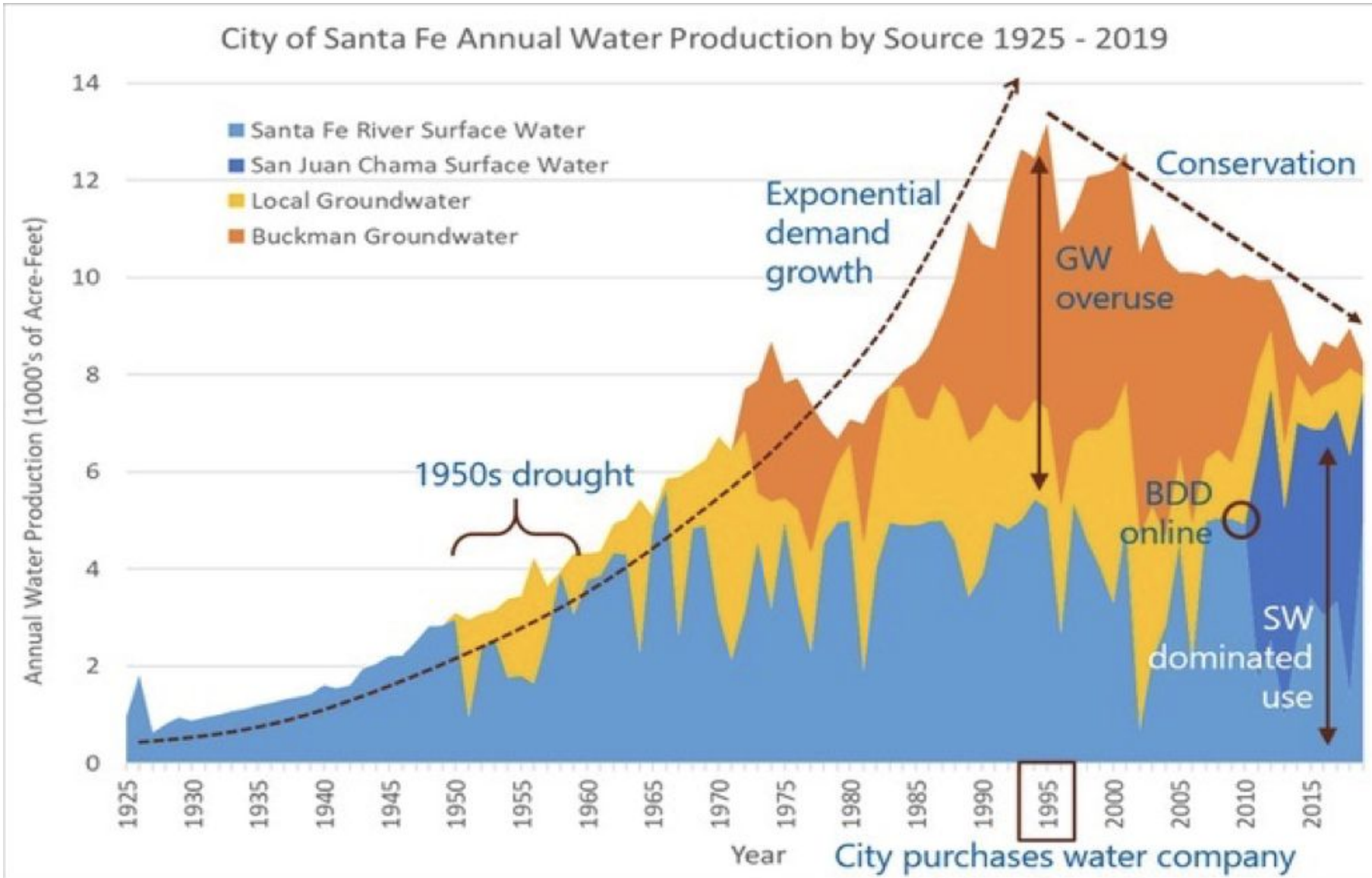
- ❑ Lower costs in key areas such as executive salaries (PNM \$8.9M compensation for CEO serving 530,000 customers vs CPS Energy (city of San Antonio) CEO earned \$930,000 for a city serving 840,750 electric customers and 352,585 gas customers) \$208,000 is average CEO salary for city of 20,000 to 40,000.
- ❑ Costs of 9.75% above costs to pay shareholders would be eliminated. No 9.75% return for corporate shareholders who are not part of the local community.
- ❑ Taxes - NONE because a Local Choice Energy option would be a nonprofit. Income taxes are typically about 21% and included in IOU rates.
- ❑ Lower cost of financing at tax exempt bond rates from 2-5% vs PNM weighted cost of capital of 7.2%. Low Cost Loans given that cities with AAA bond ratings can borrow cheaply if needed.
- ❑ Affordability – Local Choice Energy rates are on average 11% lower than Investor-Owned Utilities and prices are based on budget set by governing board.
- ❑ There is a “local multiplier effect” with Local Choice Energy - keeping money local.

Imagine If...

- Five New Mexican cities were 90% renewable by 2030 - within five years!
- NM True tracked a three-fold increase in visitors because they wanted to learn about the amazing achievements by local municipalities and Tribes. New Mexico is a showcase.
- Energy costs consistently went lower due to competition year after year until they stabilized
- Economic development revenue in perpetuity
- If NM supplied only 10% of the energy demand for transportation in CA, we would have over a billion dollars of revenues in perpetuity for the state.



Santa Fe Water Utility Example

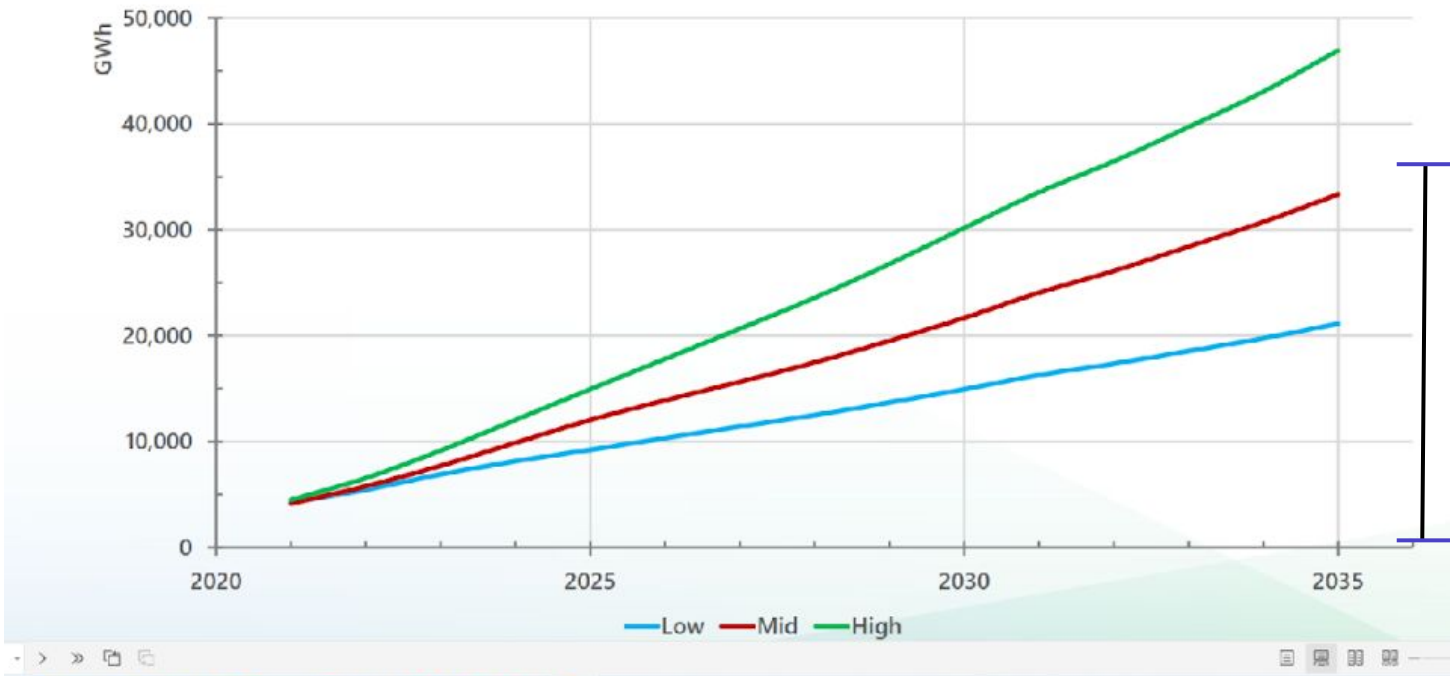


While the population grew 40%, water usage decreased due to good management, public relations and commitment to water conservation.

Electrification of Transportation Sector is a Major Driver of RE Demand Growth



Transportation Electricity Demand Forecast



To provide
Perspective

NM
generated a
total of
34,705 GWh
in
2020 (EIA)

Source: California Energy Commission 21-IEPR-03 14 Dec 2021

This graph illustrates the projected electrification demand growth resulting from Executive Order N-79-20, requiring all new passenger vehicle sales to be emissions free by 2035.

The California Energy Commission (CEC) approved a three-year \$1.4 billion plan to help California achieve its 2025 electric vehicle charging goals.

A Moment of Opportunity

New Mexico's energy sector will see millions of dollars of investment in renewable energy to facilitate the transition to clean energy sources

The transition to renewable energy sources will necessitate a massive restructuring of not only the power grid and generation sources, but energy markets, ownership and control.

Changes are being driven by external forces - climate change, the dramatic decline of renewable energy and storage costs, economic opportunity, innovative new services, and the need to electrify the transportation and housing sectors.

Competition is needed now to spur a more rapid transition to renewables and local wealth creation.

Local Choice Energy is Being Implemented Throughout the Country

Local Choice Energy or Community Choice Aggregation

Authorized in 10 States:

- California
- Illinois
- Maryland (Montgomery Co. Pilot)
- Massachusetts
- New Hampshire*
- New Jersey
- New York
- Ohio
- Rhode Island
- Virginia*

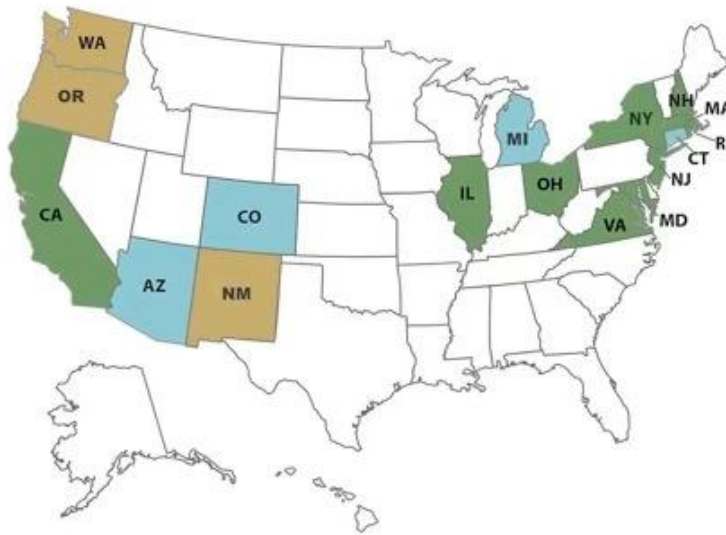
Actively Investigating:

- Arizona
- Colorado
- Connecticut
- Michigan

Watch List/Potential:

- Oregon
- Washington
- New Mexico

* Not yet implemented



Updated 8.27.21

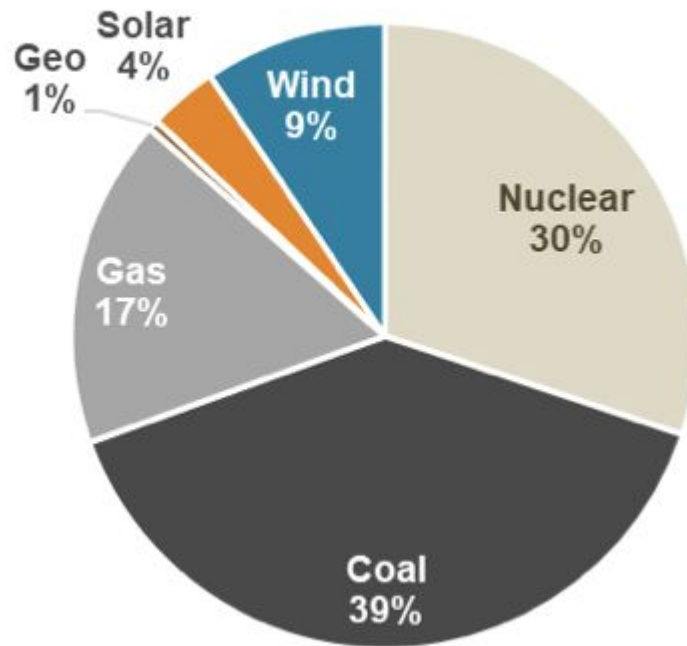
Local Choice Energy accelerates the transition to a clean energy future.

New Mexico can develop a shared-service model with the investor-owned utilities that enable municipalities and tribes to aggregate their electric load for the purpose of lowering electric rates and greenhouse gas emissions.

Local Choice Energy Accelerates Transition to Renewables

IOU's have a fiduciary duty to maximize shareholder profits regardless of the consequences for others, while publicly owned utilities are accountable to community priorities.

PNM Generation Mix, 2019
(% of annual GWh)



Source: PNM's 2020 Integrated Resource Plan

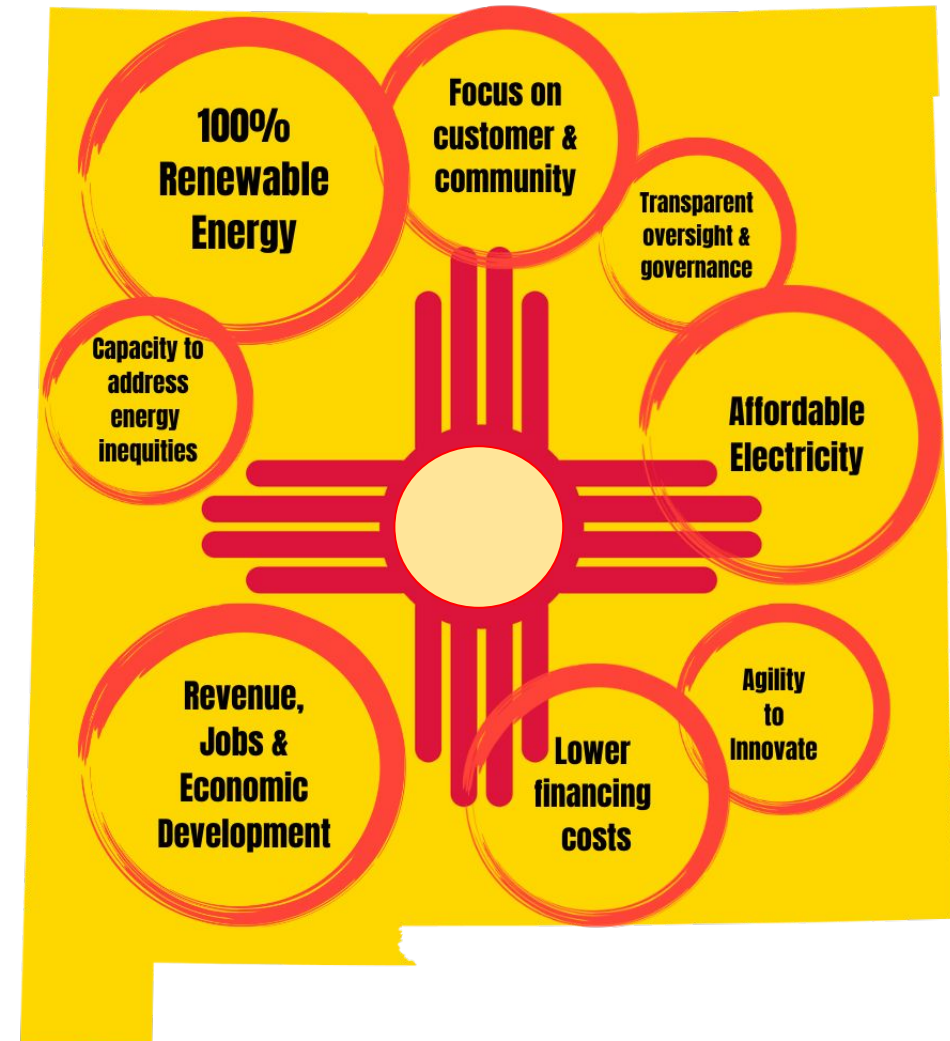
Five of the six communities in the United States that have reached 100% renewable energy are served by public power utilities that are community owned, community governed, and empowered to make their own decisions.

Aspen, Colorado - Community Owned
Burlington, Vermont - Community Owned
Georgetown, Texas - Community Owned
Greensburg, Kansas - Community Owned
Kodiak Island, Alaska - Co-op
Rockport, Missouri - Community Owned

Source: <https://www.sierraclub.org/ready-for-100/map>

The Urgency & Importance of Local Choice Energy

- Climate Emergency
- Meeting NM's energy goals years ahead of schedule
- Resiliency with fires, floods and temperatures rising
- Ensuring survivability



NM Price of electricity compared to other states

Customer Class	Residential	Commercial	Industrial
Average price of electricity cents/kWh in NM	14.64	11.46	6.66
NM Ranking compared to other states from highest to lowest avg price	14th highest residential average price in US	17 th highest commercial average price in US	42 nd highest industrial average price in US

Source: EIA Sept. 2021

Revenue per kWh Comparison

Comparing Revenue per kWh by utility type in NM

A	Residential	Commercial	Industrial	Total*
	<u>Rev/kWh</u>	<u>Rev/kWh</u>	<u>Rev/kWh</u>	<u>Rev/kWh</u>
<u>New Mexico</u>				
Publicly Owned	11.7	10.5	6.1	8.8
Investor-Owned	12.6	10.0	4.8	9.3
Cooperative	14.2	12.0	7.3	10.1
New Mexico				
<u>Publicly Owned</u>				
Farmington, City of	11.1	9.7	6.4	9.1
Los Alamos County Utilities	12.6	12.5	5.8	7.2
Navajo Tribal Utility Authority	13.6	12.9	25.1	13.4
New Mexico				
<u>Investor-Owned</u>				
El Paso Electric Co	10.7	9.2	6.3	9.8
Public Service Co of NM	14.0	11.4	5.7	11.2
Southwestern Public Service Co	9.9	7.7	4.4	6.2

lowest total over revenue per kWh.

By class revenue per kWh shows residential customers benefit

The New Energy Model

New Mexico has the 2nd highest solar capacity and 11th highest wind capacity of any state in the nation.

The new model is a decentralized, competitive model for energy generation.

This is more reliable, resilient and addresses the climate emergency.

Local Choice Energy models an active way to address social, equity and environmental justice.

Local Choice Energy builds local wealth.



Our Generation Wants SYSTEM CHANGE

The current system is failing us:

- Climate change poses an existential threat to our future
- We are seeing increased utility rates
- Electricity profits go to Wall Street instead of our communities
- Monopoly utilities use their influence to advance shareholder interests and disregard ratepayer rights
- Monopoly utilities have fossil fuel and nuclear dominated portfolios and fight against things like community solar and rooftop solar
- We are captive. Right now we have no CHOICE. We deserve CHOICE.



How We Transition Matters!

- We want 100% renewables plus storage and we CAN and SHOULD be able to have them. The technology and cost-benefits exist TODAY!
- We are saying NO to the continued practice of sacrifice zones - we do not consent to corporations being allowed to profit from polluting and exploiting our communities.
- Communities across New Mexico share this vision and want to be able to CHOOSE and BENEFIT from energy investments.
- Public power creates the opportunity for us to OWN, CONTROL, and BENEFIT from electricity provision. It allows communities to CHOOSE energy aligned with our values in a business model that aligns with our commitment to community wealth creation, climate justice, and equity.
- Please give us the opportunity to create the energy solutions for ourselves - tribal communities, municipalities, regions – by supporting this legislation that would grant us the CHOICE & OPPORTUNITY


Local Choice Energy is Social and Environmental Justice

Local Choice Energy has proven to be one of the most powerful ways to accelerate the transition from fossil fuels to clean energy sources in the electricity sector.

Local Choice Energy increases energy democracy, centers equity, and maximizes health, economic, and energy benefits for environmental justice communities.

Best practices are:

- *Coordination with local, community-based organizations (CBOs);*
- *Accessible information and outreach;*
- *Community-driven, local program design;*
- *Transparent decision-making; and*
- *Local and state accountability.*



Visionary means dreaming beyond the horizon:
When we dream beyond the confines of our current realities and "constraints" and stoke the imagination and the flame of hope in others' hearts.

Please consider supporting and passing Local Choice Energy in the next legislative session

Give New Mexicans a CHOICE!

Local Choice Energy



Appendix

