



CITY OF CONCORD

REPORT TO MAYOR AND CITY COUNCIL

FROM: Beth Fenstermacher, Director of Special Projects and Strategic Initiatives, on behalf of the Energy and Environment Advisory Committee

DATE: January 26, 2024

SUBJECT: Community Power Aggregation Plan

Recommendation:

- 1) Accept this report and set the attached resolution for public hearing on March 11, 2024, which:
 - a) Adopts a Community Power Program for electricity supply;
 - b) Authorizes the City to join the Community Power Coalition of New Hampshire (the CPCNH), and grants the City Manager authority to enter into the required legal documents associated therewith;
 - c) Authorizes the Energy and Environment Advisory Committee (EEAC) to prepare and submit a Municipal Aggregation Plan to the Public Utilities Commission (PUC) for review and approval. In accordance with NH State Law RSA 53-E:7, the Plan will include provisions for an opt-out program. Additionally, the Plan will set the initial default rate for renewable energy supply at 33% renewable energy, with the option to change in the future; and,
 - d) Establishes two appointees to serve as the City's representatives to the Coalition to include the City Manager or his designee, and one alternate representative to be appointed by the City Manager.

Background:

On July 9, 2018, City Council adopted Resolution #9113 which established several non-binding aspirational goals for the entire Concord community regarding energy consumption, including that:

- 100% of electricity consumed in the City will come from renewable energy sources by 2030;
- 100% of thermal energy (heating and cooling) consumed in the City will come from renewable energy sources by 2050; and,

- 100% of transportation used in the City will be clean transportation by 2050.

Resolution #9113 also tasked the Energy and Environment Advisory Committee (EEAC) to work with City administration, a Stakeholder Committee, and the broader Concord community to draft a strategic plan for achieving these goals. One pathway identified in the Draft Strategic Plan to achieve the goals regarding electricity demand is the adoption of “Community Power”.

In 2021, the City of Concord received an invitation from the Community Power Coalition of New Hampshire (CPCNH) to join the organization. The mission of CPCNH is to support its member municipalities and counties in developing and implementing electric aggregation plans pursuant to RSA 53-E.

In March 2023, the Fiscal Policy Advisory Committee recommended that City Council direct the EEAC to create an Electric Aggregation Plan for the City of Concord in accordance with RSA 53-E:6, and that said draft plan be presented to City Council for review and approval.

A subcommittee of members from EEAC and advisory members from the Community researched and analyzed Community Power plans and alternatives over a 6-month period. The subcommittee reported findings and recommendations to the full EEAC committee for consideration and vote to move forward with recommendations to City Council for electrical aggregation.

Discussion:

1. *Introduction:* “Community Power” is enabled by New Hampshire State Law RSA 53-E.

Community Power programs (also known as “municipal aggregation” or “community choice aggregation”) allow local governments to procure the supply of electricity on behalf of their residents from an alternative supplier, thereby replacing the default utility (i.e. Unitil or Eversource) as the default supplier for the community. Although the default utility is would no longer be the supplier of energy, the default utility would continue to serve and charge customers for their transmission and delivery service.

Community Power programs are self-funded and provide electricity supply and customer services without using any taxpayer dollars. These programs are an attractive option for communities that want more local control over their electricity sources, more green power than is offered by the default utility and/or lower electricity prices. The overall intention behind electrical aggregation is for communities to procure energy at a lower rate, thereby reducing costs for ratepayers, and increasing the percentage of renewable energy within the energy portfolio.

The first Community Power programs in the State were launched in early summer 2023. As of the date of this report, at least 125 New Hampshire municipalities plus two counties (including Merrimack County) are either currently being serviced by or are pursuing or considering Community Power programs. This is over half of the municipalities in the State. Additional information on the state-wide status of Community Power is included under supplemental information.

2. ***Community Power Model Options:*** There are two options for facilitating a Community Power program that were thoroughly studied and considered by the EEAC and their subcommittee.

Option #1 is for the City to join a coalition of New Hampshire municipalities and counties through the Community Power Coalition of NH (CPCNH).

Option #2 is for the City to contract individually with a Consultant/Supplier. A comprehensive comparison of the two models is included under supplemental information for review.

Based on interviews with other New Hampshire municipalities participating in each model, the organizations that administer each model, and comparison of benefits and services offered, the EEAC determined that the CPCNH model was the most advantageous for the City to meet the goals of lowering costs and meeting established goals to combat climate change. Therefore, the EEAC recommends that the City proceed with Option #1 outlined above.

3. ***Community Power Coalition of NH (CPCNH) Overview:***

- A. Governance: The CPCNH is jointly controlled and governed by its members.

The organization has a 20-member Board of Directors. Board members are elected by partner community representatives present at the annual meeting. There is no guarantee that the City's representative will be elected to the Board of Directors. However, there are several committees that any member can join, including Risk Management Committee, Finance Committee, and Regulatory and Legislative Affairs Committee.

If the City elects to proceed with Option #1 outlined in this report, the City will be asked to appoint two persons to represent the City (one representative and one alternate). Said appointees may be an elected official, City staff person, or volunteer.

Staff is recommending that one representative be the City Manager, or his designee, and one alternate representative to be appointed by the City Manager. This approach is consistent with the City's practice for other similar organizations, such as the City's representation in the Regional Solid Waste Cooperative

- B. Finances: Community Power programs through CPCNH are self-funded from the revenue received from participating customers. Program implementation and ongoing operating costs will be recovered post-launch through revenues from electricity sales. All costs are recovered in the customer rates set by each member.

Under the CPCNH model, there are three types of expenses incurred to provide services and facilitate project development for participating Community Power programs:

- Member Services Costs: Members may choose from a menu of services required to launch and operate their Community Power program, with the associated costs for each service recovered from participating rate payers in the Member community. (The Complete Service Bundle includes: program implementation, power supply procurement and risk management, data management and billing, and customer services.)
- Direct Project Costs: Members may choose to participate in a specific Project (e.g., a community solar project), and the associated costs for each Project will be recovered from participating Members.
- General and Administrative Costs: Overhead expenses that are not allocated to either Member Services or Direct Project Costs will be recovered from all Members, based on their pro rata share of annual electricity sales.

When establishing the rate for electric supply customers, CPCNH adds surcharges above the cost quoted by the Load Serving Entity to cover various overhead costs and to build up reserves. These reserves will be used to help stabilize costs in the future, and to fund community energy projects. The “initial” member communities are responsible for covering the start-up costs for CPCNH. It is anticipated that these costs will be recouped within 2-3 years from the April 2023 launch. Once said costs are recovered, revenues generated by said surcharge will be allocated to Discretionary Reserves for each member community to be used for local projects. Reserved funds are not directly managed by the City; rather said funds are managed and administered by the Coalition. The policy for the use and distribution of the reserves is not yet established.

- C. Additional Potential Benefits: In addition to the anticipated cost savings for rate payers, and rate stability, other benefits for joining the Coalition include the opportunity to partner with other communities for renewable energy projects, advocacy at the Legislative level, and shared renewable energy goals.

4. *Potential Disadvantages of Option #1 (CPCNH Model):* Proceeding with Option #1 (Community Power Coalition Model) may result in several benefits to the City and its residents. However, during the Energy and Environment Committee’s due diligence process, Beacon Integrated Solutions (the City’s energy consultant, identified some potential concerns, as follows:

- If the City joins CPCNH, there is no guarantee that the City will have representation on the Board of Directors; other communities will be making decisions for Concord.
- All power procurement, budgeting and rate-setting will be carried out in accordance with the Energy Risk Management Policy and Financial Reserve Policies, with the final decision made by the Coalition Board of Directors.
- The Joint Powers of Agreement and other policies can be amended, again, with no guaranteed City representation on this decision.

- Per the CPCNH organizational documents, only 25% attendance is required for a quorum to vote. If a member is not able to attend a meeting, there is no vote from that community.
- Under the Cost Sharing Agreement that the City is required to sign prior to launch, rate payers will be covering the CPCNH start-up costs. While this does not directly impact taxes, it does impact City residents through the electricity rates. And, currently, there is not decision by the CPCNH of how “discretionary reserve funds” will be administered and managed.
- Although the Energy and Environment Advisory Committee recommends only launching a Community Power program if it will immediately yield electric rates which are less expensive than default rates presently charged by Unitil and Eversource, there is no guarantee that the Coalition’s rates will continue to be less expensive than said utilities in the future.

5. ***Municipal/Electrical Aggregation Plan Considerations:*** After the City Council selects either Option 1 or Option 2 outlined in this report, the City will finalize the electrical aggregation plan, as well as make additional policy decisions that are allowed under RSA 53-E. Policy decisions include whether the Community Power program will be an “opt-out” or “opt-in” program, as well as determining how much of the power supply available to Concord customers will be renewable energy.

A. “Opt-In / Opt-Out”: A key factor in the success of a municipal aggregation program is whether it is “opt-in” or “opt-out”.

Participation rates are much higher in opt-out programs than in opt-in programs. Therefore, the City’s Energy and Environment Committee is recommending that the City structure its program to use an “opt-out” model.

Under this approach, customers currently on default energy service provided by Unitil or Eversource will be notified of the City’s transition to the Community Power Coalition model. Said customers will be provided the opportunity to decline participation (“opt-out”) in the Community Power Model. However, if customers do not expressly “opt-out” following notification, they will be automatically transferred to Concord’s Community Power program.

Larger businesses and major institutions in Concord - e.g., the City, the State, Concord School District, Merrimack Valley School District, Concord Hospital, St. Paul’s School – currently procure their own energy through competitive electric supply arrangements. These customers that are already served by competitive electric power suppliers will be notified and may request to “opt in” to the program.

B. Renewable Energy in Portfolio: In accordance with State Law RSA 3620F, electric suppliers are required to obtain a certain amount of renewable energy as part of their portfolio. Currently, the minimum standard is 24.3% renewable energy.

Any customers in the Community Power program may choose from product choices for percent renewable energy. The Granite Basic is 24.3%, Granite Plus is 33%, Clean 50 is 50%, and Clean 100 is 100%. A surcharge is added for each increase.

In order to work towards the City's renewable energy goals, the City's Energy and Environment Committee recommending that the Granite Plus option of 33% be the default renewable energy option. Customers can individually choose to opt-down, or opt-up to any of the other options at any time.

Next Steps:

1. ***Finalizing Documents and Community Outreach:*** If the Council votes to move forward with the Energy and Environment Committee's (EEAC) recommendations as outlined at the beginning of this report, the path moving forward to implement the Community Power program is clearly defined by the Community Power Coalition of New Hampshire (CPCNH), as well as State Law RSA 53-E.

Specifically, the City will be required to:

- Adopt the Joint Powers of Agreement with CPCNH;
- Draft the Electric Aggregation Plan for submission to the Public Utilities Commission for review and approval;
- Appoint representatives (1 full member, 1 alternate) to CPCNH; and,
- Hold public hearings on, and adopt the Electric Aggregation Plan after it is approved by the Public Utilities Commission.

Public information and education are critical for the success of this program. As such, two public information sessions were held in October and November 2023. A third session is scheduled for Thursday, February 15, 2024.

If Council approves the program, additional sessions will be held prior to the launch, along with informational mailers to current electrical customers. A Frequently Asked Questions (FAQs) informational flyer about Community Power, as well as ConcordTV's recording of the November 2023 community meeting, have been posted to the City's website (www.concordnh.gov/sustainability). Information will also be going out in water and sewer utility bills in February.

Additionally, EEAC members plan to meet with individual community groups, including the Greater Concord Chamber of Commerce, to help inform the public about the transition to Community Power. Recognizing that several communities have already launched Community Power programs, the Energy and Environment Committee, working with the City's Public Information Officer, plans to study how these communities publicized the transition to Community Power, as well as prepare and implement a public notification campaign to assist the Concord community with its transition.

After the Plan is approved by the PUC, the EEAC will return with the final document for City Council approval.

2. **Program Launch:** The City will work with CPCNH to adopt the final documents in preparation of the launch, including the Cost Sharing Agreement, Energy Risk Management and Financial Reserve Policies.

Electric rates will be set by Community Power Coalition prior to launch. The Energy and Environment Committee (EEAC) only expects to launch the Community Power Program in Concord if the Coalition can offer a default energy service rates which are lower than what Unitil and Eversource are currently offering. While the EEAC and CPCNH believes implementation of Community Power in Concord will likely yield continuing energy price savings over time, and less volatile rates in general, there is no guarantee that the Community Power program will offer a more competitive price that Unitil or Eversource at all times.

If implemented, customers will continue to receive one electric bill from Unitil or Eversource. Only the price under “Supplier” section of the bill will change.

At least thirty (30) days before program launch all electric customers will be mailed notifications that will include the initial fixed rate for Community Power service compared with Unitil and Eversource. Customers currently on default energy service provided by Unitil or Eversource will be able to decline participation or “opt-out” of Community Power through a dedicated website or phone number. If a customer is already getting their power from a competitive supplier, nothing will change unless they choose to switch and “opt-in” to Community Power. All Community Power default service customers will always be able to know the fixed rate at least thirty (30) days in advance and be able to switch supplier at next meter read upon request with no penalty or exit fee.

Summary:

The City has adopted ambitious renewable energy goals. Community Power has been identified as a tool for communities that want more local control over their electricity sources, more renewable/green power options than is offered by the default utility and/or lower electricity prices. The Community Power Coalition of New Hampshire (CPCNH) offers many benefits for stability, opportunities for partnership, and a mechanism for raising funds for renewable energy or energy efficiency projects, while working to lower overall energy costs for rate payers. There are some concerns with the governance and financial policies of CPCNH; however, the Energy and Environment Committee believes that the benefits to the community are substantial and recommend that City Council approve the attached Resolution to authorize implementation of a Community Power Plan for the City.