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Establish a municipal utility or community choice aggregation



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WHAT IS A MUNICIPAL UTILITY?

Local governments can own and operate municipal utilities as not-for-profit ventures. Investor-Owned Utilities (IOUs) on the other hand, which function as profit-driven private businesses, serve most customers in the U.S.. Electric Cooperatives fall somewhere in between the two. Like municipal utilities, they operate as not-for-profit enterprises, but governed by their customers rather than local governments.

[Community choice aggregation](#) (CCA) offers an alternative in which the city, rather than the utility, is responsible for purchasing power. However, the private utility still maintains the transmission lines and provides customer services. CCAs can offer more local control over a community's electricity sources as well as more renewable energy than some utilities provide. By aggregating demand through a CCA, communities can also negotiate better rates with suppliers. Not all states have authorized CCAs, but they can expedite the transition to clean energy where they are enabled.

THE PROS OF PUBLIC POWER

Cities served by investor-owned utilities that are not supportive of or responsive to renewable energy initiatives may want to consider forming a municipal utility or CCA. Public power can offer far-reaching benefits for communities of any size:

- Many municipally owned and cooperative utilities are leaders in promoting solar power, especially through community solar projects. As community-owned, not-for-profit organizations, public utilities tend to be more responsive to their customers' interests than private utilities, including regarding the growing demand for solar power.
- Since public power utilities are governed and regulated by local officials or an independent utility board, customers have more say in their operations. They can better hold their utility accountable through the election process, and can demand transparency around decisions.
- Communities have greater control over the priorities of public utilities than private ones. Decisions reflect the values and interests of the community, not the boardroom.
- Municipal utilities provide financial support for state and local government in the form of payments and contributions.
- On average, municipal utilities boast better customer service, greater reliability and lower rates than their investor-owned counterparts.

Through municipal utilities, cities can enact a number of programs and incentives to drive progress towards community solar goals, including rebates and low-interest loans to help fund new solar installations, net metering or other performance based

incentives to ensure that customers are compensated fairly for the solar power they provide to the grid, and community solar programs that expand access to clean energy.

THE MUNICIPALIZATION PROCESS

Forming a public power utility can be a long and challenging process, but most cities and towns that have done so successfully agree that it is well worth the effort. Municipalization campaigns involve several key steps:

- **Feasibility, legal and valuation studies:** Many cities and towns considering public power hire outside experts to assess the economic feasibility of municipalization, identify relevant state laws that might limit or prohibit the process and establish a reasonable price for the existing electric distribution system and facilities that the city would acquire. This information will inform future decisions as well as the process itself.
- **Community engagement:** Community support for going public is critical to success, and cities should ensure that the public is informed and involved throughout the process. A citizen advisory committee can help engage the public, as can consulting local businesses and other stakeholders. Regardless of the methods you chose, prioritize transparency and public outreach.
- **Public referendum:** In some states, the law requires a referendum to authorize a new public power utility or to establish an independent board to govern the new utility. In order to demonstrate strong community support, some cities may put the issue on the ballot even if not legally required to do so.
- **Price negotiation:** Once any studies and votes are complete, the city or town will need to make an offer to the existing utility to purchase the local electricity system. This offer should be based on what the third-party valuation study or studies found reasonable. In many cases, you will need to negotiate to agree on a price somewhere between the initial offer and the existing utility's asking price. If the utility refuses to sell or negotiate a reasonable price, the city may consider condemnation using its right of eminent domain.
- **Management:** Once the acquisition is under way, the city will need to make arrangements to manage the newly formed public utility. That may include construction, power supply and transmission arrangements, setting up a new governing body, hiring staff, and purchasing equipment. The city may need to contract out some of these functions to an experienced operator until it is ready to operate independently.

CASE STUDIES

- **The Los Angeles Department of Water and Power (LADWP)** is the nation's largest municipal utility, serving over four million residents. The public utility supplies the local grid with nearly 30 percent renewable energy sources, and the city consistently ranks at the top of the list in total installed solar capacity.
- **Greensburg, a small town in Kansas,** rebuilt the community-owned electric utility following a devastating tornado in 2007 with the town's goal of meeting all energy needs with renewable resources in mind. Today, the community runs on 100 percent renewable electricity supplied through its public utility.
- **The City of Cleveland's Municipal Electricity Aggregation Program** allows residential and small commercial consumers to purchase electricity as a group from the Cleveland Electric Illuminating Company at competitive prices. In addition to savings and rate stability, the program provides 100 percent clean energy through renewable energy credits (RECs).

RESOURCES

- The American Public Power Association's [Public Power for Your Community](#) report describes the benefits and process of establishing a public power utility in greater detail.
- [The Solar Foundation](#) reviews solar programs and case studies for municipal utilities.
- The EPA provides [case studies and additional resources](#) for communities interested in CCAs.