



STAFF REPORT

SAUSALITO CITY COUNCIL

AGENDA TITLE:

Direction to City Staff regarding the opting-out of Marin Clean Energy program to PG&E as the City's electric energy generation provider.

RECOMMENDATION:

That the City Council of the City of Sausalito provide specific staff direction on whether to remain with Marin Clean Energy, or to opt-out of MCE to PG&E as the City's electric generation provider.

DISCUSSION

Summary

The City presently receives its electric service through Pacific Gas & Electric (PG&E).

Marin Clean Energy (MCE), a Community Choice Aggregation (CCA) program established by California legislature in 2002 (AB 117), is a renewable energy alternative to PG&E's electric supply. Marin Energy Authority (MEA) is the not-for-profit public agency that administers and provides the renewable energy alternative through the Marin Clean Energy program.

As the Council is aware, with the creation of the Marin Energy Authority (MEA) and the City's continued membership in the Authority, the City has the benefit of the same alternatives provided to service area ratepayers – opt-out to PG&E or remain with Marin Clean Energy (MCE), an alternative offering a higher percentage of renewably-generated energy when compared to PG&E's existing electric supply.

Staff recommends that the City Council provide direction on whether to stay in the Marin Clean Energy (MCE) program; or opt-out to PG&E

Background

Marin Clean Energy is a Community Choice Aggregation (CCA) program designed to serve Marin's priorities. It allows electric consumers to choose a higher percentage of non-polluting renewably-generated energy when compared with PG&E's existing generation sources. .

Community Choice Aggregation was established by California legislature in 2002 (AB 117) to give cities and counties the authority to procure electricity on behalf of customers within their jurisdictions. Under a CCA program, the investor-owned utility delivers the electricity to customers and continues to read the electric meters and issue monthly bills to customers. Unlike

traditional utility service, the source of the electric supply (generation) and the price paid by customers for the generation service procured by the CCA program are determined locally.

Marin Clean Energy (MCE) is a renewable energy alternative to PG&E's electric supply that will soon be available to Marin customers. MCE is responsible for sourcing the power and purchases the energy supply while PG&E continues to deliver the energy, maintain and repair transmission lines, and provide customer service and billing.

MCE will provide two unique energy supply options which its customers may choose from. The Light Green product is 25% renewable energy and expects to increase to 50% renewable energy within five years. MCE's short-term Light Green rates parallel PG&E's rates, which only provide 13% renewable energy. The Deep Green product is 100% renewable energy and rates will come at a premium of approximately 7% above PG&E's existing rates.

The Marin Energy Authority (MEA) is the not-for-profit public agency that administers and provides the renewable energy alternative through the Marin Clean Energy program. MEA was created in December 2008 to address climate change by reducing energy related greenhouse gas emissions and securing energy supply, price stability, energy efficiencies and local economic and workforce benefits. It is the intent of MEA to promote the development of a wide range of renewable energy sources and energy efficiency programs including, but not limited to, solar and wind energy production at competitive rates for customers.

MEA is governed by an eight-member Board of Directors representing each of the participating Marin jurisdictions which include the City of Belvedere, Town of Fairfax, County of Marin, City of Mill Valley, Town of San Anselmo, City of San Rafael, City of Sausalito, and Town of Tiburon. In accordance with CCA law, customers who reside in any of these member cities or towns or unincorporated Marin will automatically be enrolled into Marin Clean Energy and will receive the Light Green product unless they choose to purchase Deep Green or remain with PG&E.

On February 4, 2010 MEA signed a five year power purchase agreement with Shell Energy North America to supply the Marin Clean Energy program. MEA will phase-in customers of Marin Clean Energy over the course of two phases. This approach provides MEA with the ability to start slowly and address any problems or unforeseen challenges on a small manageable program before gradually building to full program integration for MCE's expected customer base of approximately 71,000 accounts.

FISCAL IMPACT

The City is charged by PG&E for electric generation for energy use pursuant to the various Tiered Electricity Tariffs under PG&E's rate structure as regulated by the California Public Utilities Commission (PUC). The City pays energy use charges for its City building facilities, such as City Hall, MLK, the Corporation Yard, and other facilities and equipment such as City-owned lights, irrigation stations, pump stations, and similar small equipment.

With the creation of the MEA established under Assembly Bill 117, and without any further action, the City will begin receiving its generation portion from MCE as the energy service provider. Enrollment in MCE will be for electric energy only, gas energy is not offered and will continue to be provided by PG&E. MCE will be responsible for generation portion while PG&E will continue to be responsible for the transmission and distribution, i.e. delivery, maintenance and repair of transmission lines, and customer service and billing.

MCE offers two distinct energy products from which customers may choose - Light Green and Deep Green. Energy purchased under the MCE agreement affects only the generation portion of the monthly PG&E statement received. The Light Green product provides 25% minimum renewable energy content. The voluntary move up to the Deep Green product provides energy at a 100% renewable energy content. As reported by the PUC, 15% of electric energy currently provided by PG&E qualifies as renewable energy.

All customers are automatically enrolled in the minimum MCE product option, Light Green, unless a customer opts out and returns to PG&E or opts in at the Deep Green product. On February 4, 2010, the MEA adopted Tiered Electricity Tariffs identical to PG&E's existing Tariffs. For ratepayers, the switchover from PG&E with a 15% renewable energy product to MCE with a 25% renewable energy product occurs at no cost and no change to their existing energy tariff.

Any change to MCE Tiered Electricity Tariffs must be adopted at duly-noticed public meetings of the MEA Board with a 60-day review period and opportunity for public input.

The current annual PG&E cost for generated electric energy to all City of Sausalito facilities (including street lighting) is approximately \$72,000 per year, *(Total City of Sausalito generation, transmission and distribution energy costs are approximately \$155,000 per year as a result of use of more than one million kilowatt hours of electricity.)*

The rate structure adopted by the MEA for its Light Green Energy product is nearly identical to the existing PG&E rates, therefore the energy costs for the electric generation portion of the City of Sausalito's bills would be marginal. However, a switch to the Deep Green product would come at a premium in the generation cost portion of the billing.

If the City continued with energy provided by MCE, and should energy costs become a fiscal concern such that returning to PG&E would provide a significant cost savings to the City, MCE provides the ability to exit and return to PG&E at any time if the City should so choose. After the initial free opt-out period, MCE will charge a \$25 exit fee to return to PG&E. If necessary, a cost recovery charge to prevent shifting of costs for long-term power commitments to remaining program customers may also be added. This cost would only be added if the average cost to procure power is higher than the market price for power at that time. As is the case with longer term generation costs, these recovery charges cannot reliably be predicted. If the City were to return to PG&E, returning back to MCE would be prohibited for a period of three years under PG&E rules and PG&E would also impose its own equivalent exit fee and cost recovery fee.


STAFF RECOMMENDATIONS

That the City Council of the City of Sausalito provide specific staff direction on whether to remain with Marin Clean Energy, or to opt-out of MCS to PG&E as the City's electric generation provider.


PREPARED BY:


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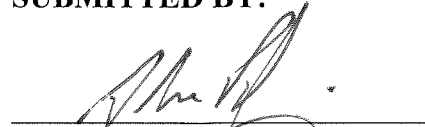
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