



# STAFF REPORT

## SAUSALITO CITY COUNCIL

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### 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 Light Green or Opt-in to Marin Clean Energy Deep Green, or to Opt-out of Marin Clean Energy to PG&E as the City's electric generation provider.

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### 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 Sausalito service area ratepayers:

1. Opt-out to PG&E
2. Remain with Marin Clean Energy Light Green Program, or
3. Remain with Marin Clean Energy and Opt-in to the Deep Green Program

Staff recommends that the City Council provide direction on whether to opt-out to PG&E or stay in the Marin Clean Energy (MCE) program; and if the direction is to stay in the MCE program, whether to become a Light Green or Dark Green customer.

#### Background

Marin Clean Energy is a Community Choice Aggregation (CCA) program designed to serve Marin's priorities. It allows electric consumers to choose a different percentage of 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<sup>1</sup> alternative to PG&E's electric supply that will soon be available to Marin customers. MCE would be 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:

1. The **Light Green** product is initially proposed to be as follows:

<b>Renewable Energy<sup>2</sup></b>	<b>25%</b>
<b>Natural Gas and/or Other</b>	<b>75%</b>
<ul style="list-style-type: none"> <li>• <i>MCE expects to increase Renewable Energy to 50% in the future;</i></li> <li>• <i>Other sources of energy could include large hydroelectric, but will definitely not include coal or nuclear.</i></li> </ul>	

2. The **Deep Green** product is proposed as 100% renewable energy.

For reference, PG&E's 2009 projected supply of energy, according to the published power content label is as follows:

<b>Renewable Energy<sup>3</sup></b>	<b>15%</b>
<b>Large Hydroelectric</b>	<b>16%</b>
<b>Nuclear</b>	<b>20%</b>
<b>Natural Gas</b>	<b>47%</b>
<b>Other</b>	<b>2%</b>
<i>Unlike small hydroelectric (see Footnote 1), large hydroelectric generated power does not qualify as an eligible renewable resource under California law.</i>	

<sup>1</sup> Renewable Energy is comprised of the following: Biomass and Waste; Geothermal; Small Hydroelectric; Solar and Wind

<sup>2</sup> Same as Footnote 1

<sup>3</sup> Same as Footnote 1

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 approved (on February 5, 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 billed electric generation tariffs by PG&E for its energy use pursuant to 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. The current annual cost for approximately one million kilowatt hours of generated electric energy to all City of Sausalito facilities (including street lighting) is approximately \$72,000 per year.

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.

As explained above, 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. 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 nearly identical to PG&E's existing Tariffs. For ratepayers, the switchover from PG&E to MCE Light Green occurs at no cost and no change to their existing energy tariff. If customers choose to opt-in to MCE Deep Green, the added cost would be one cent (\$0.01) per kilowatt hour. *In other words, the cost to the City will remain the same for PG&E energy or MCE Light Green – approximately \$72,000 annually. Should the City opt-in to MCE's Deep Green program, the City's costs would increase by approximately \$10,000.*

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. Changes to PG&E tariffs are subject to California Public Utility Commission public hearing regulations and procedures.

Both MCE and PG&E have made differing statements about each-others projected future rates, and because the real governing factor for future rates will be market reaction to supply, demand and customer base, assumptions about the future rates are not scrutinized in this staff report. However, the city will have options as future prices fluctuate between the two energy providers:

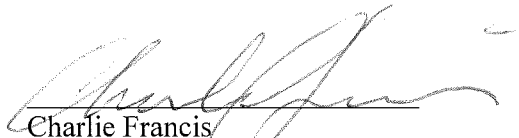
1. If the City continued with energy provided by MCE, and should MCE's future energy costs become a fiscal concern such that returning to PG&E would provide a significant cost savings to the City, MCE provides the ability to exit and return to PG&E at any time if the City should so choose. After the initial free 60 day 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.
2. Should the City decide to opt-out to energy provided by PG&E in order to wait until a later date-in-time when the MCE program is successfully achieving its targeted goals and objectives, then the City could later exit PG&E and opt-in to MCE with similar exit fees and cost recovery charges as above.

## STAFF RECOMMENDATIONS

That the City Council of the City of Sausalito provide to staff specific direction on whether to:

1. Opt-out to PG&E
2. Remain with Marin Clean Energy Light Green Program, or
3. Remain with Marin Clean Energy and Opt-in to the Deep Green Program

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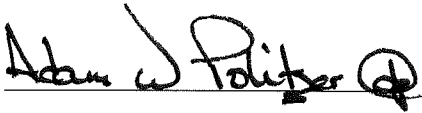
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