



MARIN ENERGY AUTHORITY
THURSDAY, JANUARY 7, 2010

MARIN COUNTY EMPLOYEE RETIREMENT ASSOCIATION,
BOARD ROOM
1 McInnis Parkway, San Rafael, California
7:00 PM

DAWN WEISZ
Interim Director

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1. Public Open Time (Discussion)
2. Interim Director's Report (Discussion)
3. Consent Calendar (Discussion/Action)
 - C-1. Approval of Minutes from Regular Meeting on 12-03-09
4. Presentations on Local Renewable Projects (Discussion)
5. Approval of Resolution No. 2010-01 Authorizing a Discount on the Deep Green Product for Entities Providing Security for the Implementation Financing of the Marin Clean Energy Program (Discussion/Action)
6. Final Response to Civil Grand Jury Report on Marin Clean Energy and "Summary Issues" Report (Discussion/Action)
7. MEA Sponsor Funds
8. Board Member & Staff Matters (Discussion)
9. Adjourn

TOM CROMWELL
City of Belvedere

LEW TREMAINE
Town of Fairfax

CHARLES MCGLASHAN
County of Marin

SHAWN MARSHALL
City of Mill Valley

CHRISTOPHER MARTIN
Town of Ross

BARBARA THORNTON
Town of San Anselmo

DAMON CONNOLLY
City of San Rafael

JONATHAN LEONE
City of Sausalito

RICHARD COLLINS
Town of Tiburon

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MEA Meeting Dates (October 2009 – January 2010)

October 5 – City of San Rafael
October 6 – City of Sausalito
October 7 – Town of Fairfax
October 8 – Town of Ross
October 12 – Town of Belvedere
October 13 – County of Marin
October 19 – City of Mill Valley
October 21 – Town of Tiburon
October 27 – Town of San Anselmo

November 10 – County of Marin
November 16 – City of Mill Valley
November 16 – Marin Peace and Justice Coalition
November 17 – General Workshop for Newly Elected Council Members
November 23 – Central Marin Workshop (San Rafael)

December 1 – Southern Marin Workshop (Mill Valley)
December 2 – Town of Fairfax
December 7 - City of Mill Valley
December 8 – Town of San Anselmo
December 10 – Town of Ross
December 14 – City of Belvedere
December 16 – Novato Forum

January 4, 6:30pm – City of San Rafael
January 4, 7:00pm – City of Mill Valley
January 6, 5:00pm – Town of San Anselmo
January 6, 7:00pm – Town of Tiburon (consent)
January 11, 7:30pm – City of Belvedere
January 12, 10:00am – County of Marin
January 12, 6:30pm – City of Sausalito
January 12, 6:30pm – Town of Ross

More information at www.marinenergyauthority.org

**MARIN ENERGY AUTHORITY
THURSDAY, DECEMBER 3, 2009
7:30 P.M.**

**MARIN COUNTY EMPLOYEE RETIREMENT ASSOCIATION,
BOARD ROOM
1 McInnis Parkway, San Rafael, California**

Roll Call

Present: Charles McGlashan, County of Marin, Chair
Shawn Marshall, City of Mill Valley, Vice-Chair
Richard Collins, Town of Tiburon
Damon Connolly, City of San Rafael
Tom Cromwell, City of Belvedere
Jonathan Leone, City of Sausalito
Christopher Martin, Town of Ross
Lew Tremaine, Town of Fairfax
Barbara Thornton, Town of San Anselmo

Absent: None

Staff: Dawn Weisz, MEA Interim Executive Director
Jamie Tuckey, MEA Project Coordinator
Greg Stepanicich, General Counsel
Beth Rasmussen, MEA Project Manager
Jessica Woods, Recording Secretary

1. Public Open Time

Local Power representative discussed the case regarding their submission substantiating their bid in response to having been excluded from the phase one list. He then clarified that Local Power wants to serve MEA, they support CCA and support what MEA is doing and appreciates the urgency and the path taken. They in no way wish to stop or discourage the course taken; they just wanted to be given full consideration.

Ed Mainland, Co-Chair, Sierra Club Energy & Climate Committee, believed that MEA would not lose and would instead benefit a great deal by qualifying the Local Power proposal. This particular proposal will protect MEA from the criticism with regard to the Shell Energy North America contract in addition to several other advantages. He then urged the Board to do whatever it needs to carefully consider and re-qualify Local Power's bid.

Juliette Anthony, representing California Renewable Energy, was very impressed with Local Power's presentation and urged the Board to consider Local Power. She also spoke to Macquarie-Cook Power and they would like to be considered as well. She believed to keep pushing Shell Energy North America is a major error.

2. Interim Director's Report

Interim Director Weisz reported on the following items:

- MEA meeting dates (October – December 2009)
- Third party peer review commissioned by the Marin City and Town Managers of the draft power supply contract for MEA as well as responses
 - Three primary risks associated with mitigation strategies and/or decision points as follows:
 - Basic Risk from Point of Supply to Point of Delivery
 - Uncertainty in Customer Loads
 - Uncertainty in PG&E Exit Fees
- New submittal from Local Power and reasons for not choosing to go forward with the proposed program now.
 - The need for upfront bond issuance; and
 - The issue of having CEQA review for any new projects that are not up and running.

General Counsel Stepanicich noted that the RFP has specific deadlines and timeline for decisions of this Board. The submittal was received after the decisions were made. At this point in time to take additional information the entire process must be reopened to keep that process fair, so it would not be appropriate to take additional information from a bidder at this time. In terms of CEQA, any new facilities constructed with MEA would require CEQA.

Vice-Chair Marshall believed it to be unfortunate that Local Power did not respond with a full requirements bid on July 20th and agreed that considering their proposal now would be inappropriate.

Women Energy Matters (WEM) representative believed there was a discussion during the contract before the RFP whether bidders could be married or combined. Since they have a strong local renewables and energy efficiency bid that came in from Local Power, she desired an effort to combine that with some full requirements bidders. She urged the Board to have some discussion on combining those bids.

- Developing Data Management Services for MEA

Items C-4 and C-5 were pulled from the Consent Calendar for further discussion.

3. Consent Calendar:

- C-1. Approval of Minutes from Regular Meeting on 11-05-09**
- C-2. Second Addendum to Contract Agreement with Navigant Consulting, Inc.**
- C-3. Second Addendum to Contract Agreement with Milbank, Tweed, Hadley, & McCloy**

The Board had a few corrections to the minutes, which were noted by staff.

Chair McGlashan asked for a motion.

M/s, Tremaine/Thornton (passed 9-0-0) to approve the Consent Calendar as amended.

C-4. Resolution approving changes to JPA Agreement

General Counsel Stepanicich discussed the changes to the JPA Agreement and explained that there is a mechanism to insulate members from being drawn into a financial obligation.

Chair McGlashan asked for a motion.

M/s, Connolly/Marshall (passed 9-0-0) to approve the Resolution approving changes to the JPA Agreement as outlined by staff.

C-5. Resolution approving changes to Operating Rules and Regulations

General Counsel Stepanicich discussed the changes to the Operating Rules and Regulations.

Director Leone suggested that references in the resolution referring to “*final PPA*” be revised to state “*proposed PPA or final draft PPA.*” General Counsel Stepanicich agreed to make the necessary modification during the Implementation Plan item.

Chair McGlashan asked for a motion.

M/s, Collins/Thornton (passed 9-0-0) to approve the Resolution approving changes to the Operating Rules and Regulations.

4. Consideration of MEA CCA Implementation Plan

Interim Director Weisz summarized the staff report and recommended that the Board approve the MEA Implementation Plan and direct staff to submit to the California Public Utility Commission (CPUC) for approval.

Navigant Consultant Dusel presented a powerpoint presentation on the MEA CCA Implementation Plan that included the following information:

- CCA Implementation Plan Overview
- CCA Statement of Intent Overview
- Comparison of Implementation Plan & Business Plan
- Procedural Overview & Timeline

Navigant Consultant Dusel noted that the document will be provided to PG&E and they will 90-day opportunity to provide comment. Additional comments may be incorporated in an amended plan, but MEA is not under any obligation to incorporate PG&E’s comments.

In response to a question raised by Director Collins, Navigant Consultant Dusel confirmed that the CPUC will be certifying the Implementation Plan. Navigant Consultant Dalessi stated that the Board will not be able to serve customers until the

Implementation Plan is certified. Chair McGlashan clarified that this Board will be able to approve the contract on February 4th without having the Implementation Plan certified.

Chair McGlashan declared the hearing open to receive public testimony.

Novato resident indicated that there is conflict between the business plan and implementation plan and asked which takes precedence. Interim Director Weisz confirmed that the Implementation Plan takes precedence.

Women's Energy Matters representative provided additional suggested language to consider including in the Implementation Plan in a written document and also explained the suggestions verbally.

Director Tremaine supported the additions and General Counsel Stepanicich and Interim Director Weisz agreed that they would be incorporated assuming there were no negative legal implications in the new language.

Marin resident expressed opposition to Shell Energy North America but believed that the Implementation Plan would be certified by the CPUC in a timely manner.

There being no further public testimony on this item, the Chair closed the hearing and brought the matter back to the Board for discussion and action.

Navigant Consultant Dusel provided the Board with a second PowerPoint presentation regarding MEA Comparative Organizational Analysis that included the following information:

- Organization of Publicly Owned Utilities
- Organizational Overview:
 - SMUD
 - Modesto Irrigation District
 - Turlock Irrigation District
 - Roseville Electric
 - Alameda Municipal Power
 - Northern California Power Agency (NCPA)
- MEA – Recommended Organization Structure
- Comparison of Senior Management Structures
- MEA – Initial Responsibilities
- Senior Management – Oversight Responsibilities

In response to a question raised by Director Collins, Navigant Consultant Dusel informed the Board that Turlock's utility, with 99,000 total accounts, would be most comparable in size to Marin Clean Energy.

Chair McGlashan asked for a motion.

M/s, Connolly/Tremaine, (passed 9-0-0) to approve the MEA Implementation Plan as amended and direct staff to submit to CPUC for approval as amended, including adding most, if not all, language submitted by Barbara George from WEM.

5. Resolution to Oppose the 2/3 Vote Constitutional Amendment

Interim Director Weisz summarized the staff report and recommended that the Board approve Resolution 2009-11 opposing the proposed California Constitutional Amendment ballot initiative entitled “*new two-thirds vote requirement for local public electricity providers.*”

Chair McGlashan declared the hearing open to receive public testimony, and seeing no one wishing to speak, the Chair closed the hearing and brought the matter back to the Board for action.

Chair McGlashan asked for a motion.

M/s, Tremaine/Marshall, (passed 9-0-0) to approve Resolution 2009-11 opposing the proposed California Constitutional Amendment ballot initiative entitled “*new two-thirds vote requirement for local public electricity providers.*”

6. Budget for MCE Implementation Period

Interim Director Weisz summarized the staff report and recommended that the Board approve the budget for the MCE Implementation Period as recommended by the MEA Executive Committee. Staff further noted that the total budget is \$1,685,581.

Chair McGlashan declared the hearing open to receive public testimony, and seeing no one wishing to speak, the Chair closed the hearing and brought the matter back to the Board for action.

Chair McGlashan asked for a motion.

M/s, Thornton/Tremaine, (passed 9-0-0) to approve the budget for the MCE Implementation Period as recommended by the MEA Executive Committee.

7. Board Member & Staff Matters

General Counsel Stepanicich suggested adding an urgency item in order to consider providing more flexibility as to when MEA member jurisdictions can inform the MEA Board of withdrawal from MEA. This matter came up after the agenda was publicly noticed and is in regard to a question from the City of Sausalito regarding withdrawal. There is urgency to take action before the next meeting in January in order to allow cities the ability to properly schedule their meetings.

M/s, Leone/Thornton, (9-0-0) to add an urgency item to consider this matter.

General Counsel Stepanicich requested that the Board take formal action on the flexibility in the noticing period.

M/s, Leone/Marshall, (9-0-0) to allow a 21-day notification period instead of the 30-day notification period to withdraw, which will accommodate later meetings occurring as late as January 12, 2010.

8. Adjourn

By order of the Chair, the meeting adjourned at 9:22 p.m.

ATTEST:

Charles McGlashan, Chair

Dawn Weisz, Interim Director



January 7, 2010

TO: Marin Energy Authority Board

FROM: Beth Rasmussen, Project Manager

RE: Approval of Resolution No. 2010-01 Authorizing a Discount on the Deep Green Product for Entities Providing Security for the Implementation Financing of the Marin Clean Energy Program (Agenda item #5)

ATTACHMENTS: Resolution No. 2010-01

Dear Board Members:

On May 7th your Board approved and released a Request for Proposal (RFP) for full requirements electricity supply to provide electricity for a Community Choice Program. This competitive solicitation process resulted in 12 bids for power with prices and energy products in the expected range described in the Marin Community Choice Aggregation business plan.

On September 3rd your Board selected three of the twelve bidders for initial contract negotiations on a full requirements energy power purchase agreement (PPA). On October 1st your Board approved a draft contract for review by the member agencies and the public.

On November 5th your Board approved a final PPA for full requirements power supply. This final PPA was distributed to all member agencies and all full requirements bidders on November 6th and has been posted on the MEA website. To prepare for contract approval and implementation of a CCA Program, financing documents are being developed for (i) the implementation loan covering the period between contract approval and electricity delivery under the MCE program (the "Implementation Loan") and (ii) the revolving working capital facility to cover the time lag between electricity delivery by the energy supplier and the receipt of payment from ratepayers (the "Working Capital Facility").

The lack of ratepayer revenue during early implementation creates a need for MEA to procure a guaranty for the Implementation Loan. Some key components of the Guaranty Term Sheet are as follows:

Guarantor Obligations Are Several

Among the guarantors, the guaranty for the Start-Up Loan will be several (but not joint). This means none of the guarantors will be responsible for the entire amount of the loan were an event of default to occur.

Guarantors Will Receive A Discounted Rate on the "Deep Green" Product

In consideration for the Guaranty provided by the guarantors, the MEA is offering its guarantors the MCE "Deep Green" product at the price of the MCE "Light Green" product. This Guaranty Term Sheet will be further negotiated by the MEA, the guarantors, the financial institution providing the loan, and the energy supplier.

Recommendation: Approve Resolution authorizing the discount to the Deep Green product for entities providing security for the implementation financing of the MCE program. Direct staff to negotiate final guaranty and intercreditor agreements.

RESOLUTION NO. 2010-01

**A RESOLUTION OF THE BOARD OF DIRECTORS OF
THE MARIN ENERGY AUTHORITY AUTHORIZING A DISCOUNT ON THE
DEEP GREEN PRODUCT FOR ENTITIES PROVIDING SECURITY FOR THE
IMPLEMENTATION FINANCING OF THE MARIN CLEAN ENERGY
PROGRAM.**

WHEREAS, the Marin Energy Authority (“MEA”) is a joint powers authority established on December 19, 2008, and organized under the Joint Exercise of Powers Act (Government Code Section 6500 et seq.); and

WHEREAS, MEA members include the following Marin communities: the County of Marin, the City of Belvedere, the Town of Fairfax, the City of Mill Valley, the Town of Ross, the Town of San Anselmo, the City of San Rafael, the City of Sausalito and the Town of Tiburon; and

WHEREAS, the MEA Board has conducted an RFP process and a contract negotiation process for power purchase; and

WHEREAS, the MEA Board has developed a draft Power Purchase Agreement also known as “Program Agreement 1” with potential energy suppliers for the Marin Clean Energy (MCE) program; and

WHEREAS, MEA will procure an implementation loan to cover MCE costs to be guaranteed by various entities (the Guarantors); and

WHEREAS, in consideration for the Guaranty provided by the guarantors, the MEA is offering its guarantors the MCE “Deep Green” product at the price of the MCE “Light Green” product.

NOW, THEREFORE, BE IT RESOLVED, by the Board of Directors of the Marin Energy Authority that the MEA complete a Guaranty Agreement whereby the Guarantors receive a discounted price for the “Deep Green” product in consideration for their guaranty.

PASSED AND ADOPTED at a regular meeting of the Marin Energy Authority Board of Directors on this 7th day of January 2010, by the following vote:

AYES NOES ABSTAIN ABSENT

City of Belvedere

Town of Fairfax

County of Marin

City of Mill Valley

Town of Ross

Town of San Anselmo

City of San Rafael

City of Sausalito

Town of Tiburon

CHAIR, MARIN ENERGY AUTHORITY BOARD



January 7, 2010

TO: Marin Energy Authority Board

FROM: Dawn Weisz, Interim Director

RE: Final Response to Civil Grand Jury Report on Marin Clean Energy and "Summary Issues" Report (Agenda item #6)

ATTACHMENTS:

1. Preliminary Response to Grand Jury Report
2. "Summary Issues" Report
3. Responses to Frequently Asked Questions

Dear Board Members:

The Grand Jury released a report on Marin Clean Energy on December 7th and the Board held a special meeting on December 7th to discuss and approve a preliminary response to the report. The response has been under review and is now ready for final consideration by the Board. This final response will be submitted to the Civil Grand Jury after final approval by the MEA Board.

In addition, members of the MEA Board have prepared a "Summary Issues" report that provides more detailed responses to some of the issues raised in the Grand Jury report and also addresses some of the current frequently asked questions related to the Marin Clean Energy Program. A separate document including responses to other frequently asked questions is available on the MEA website.

Recommendation: Approve final response to Civil Grand Jury Report on Marin Clean Energy.



**PRELIMINARY RESPONSE TO
GRAND JURY REPORT
Dated December 2, 2009**

**Prepared by the Board of Directors of the Marin Energy Authority
As Noticed In Special Session
December 7, 2009**

DAWN WEISZ
Interim Director

[At the January 7, 2010 regular meeting of the Marin Energy Authority Board of Directors, the Board will finalize this Preliminary Response as its formal response to the Grand Jury report.]

TOM CROMWELL
City of Belvedere

F1: Partially Disagree.

LEW TREMAINE
Town of Fairfax

The Marin Energy Authority (MEA) is a new government agency, but is not a 'new level of government', and is to be financed with ratepayer revenues that do not cost the member agencies or MEA any general funds. The implied argument that general funds are at risk is patently false.

CHARLES MCGLASHAN
County of Marin

F2: Disagree.

SHAWN MARSHALL
City of Mill Valley

MEA, per the enabling legislative statute (AB117), does not submit its Marin Clean Energy (MCE) program to a direct vote of the public on the program itself in advance of the program's implementation. The representative vote is through the publicly elected representatives who serve on the MEA Board. Furthermore, the MCE program has been submitted to a vote of the public's elected representatives in their constituent cities, towns and in the county.

CHRISTOPHER MARTIN
Town of Ross

BARBARA THORNTON
Town of San Anselmo

Via the extensive hearing process used to evaluate risks and opportunities from the Marin Clean Energy Program, the standards of transparency and consumer protection have and will be honored and preserved. In addition, information about the MCE program will be provided to every ratepayer (homes and/or businesses with an electricity bill), using 4 notices of their individual right to vote themselves out of the program. Extensive information on MEA, MCE, energy products, and ratepayer rights will be provided to each residence and business in the service area during this period of time. All documentation has been available to the public on a 24 hour basis on the agency's website, www.marinenergyauthority.org.

DAMON CONNOLLY
City of San Rafael

JONATHAN LEONE
City of Sausalito

RICHARD COLLINS
Town of Tiburon

The voting public has been participating in the process through dozens of public meetings, and ratepayers have the additional opt-out opportunities provided during the official opt-out period. This process will occur over the first 90 days of the program launch, so there are 4 opportunities to vote for each ratepayer. Once enrolled in the MCE program the ratepayer can still opt out at any time, but there is a possibility they will pay a nominal exit fee to the agency to cover any stranded costs of prior energy procurement made on their behalf.

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F3: Agree.

Only the cities that did not join MEA have denied their ratepayers the opportunity to vote on whether to participate in the program (via the opt-out procedure).

Marin
Clean
Energy

This is a preliminary response by the MEA Board to the Grand Jury report dated December 2, 2009. The purpose of this response is to immediately address the findings and recommendations in the report and clarify some misperception and rectify some of the misinformation contained in that report. A final and Formal Response will be approved by the MEA Board at their next regularly scheduled meeting on January 7, 2010.

With respect to cities that do not opt-out, their residential and commercial customers will be transferred to the MCE program, at which point they will have 4 ballots to vote themselves out if they choose. Only cities that remain in the agency allow their ratepayers this choice.

F4: Agree.

See item F2 and F3 above.

F5: Disagree.

The Board of Supervisors as well as the staff and Chair of MEA have held numerous meetings with PG&E over the last four years to explore and determine whether PG&E could or would offer programs to 1. decrease greenhouse gas emissions on a level comparable to that offered by the MCE program, 2. increase focus on energy efficiency programs in Marin County, and 3. offer special partnership programs to help Marin meet its AB 32 obligations and internally, locally established goals. No substantive proposal was ever submitted to the Marin County Board of Supervisors or to the staff, Chair or Board of Directors of MEA.

PG&E stated that they would only partner with the County and other jurisdictions if the jurisdictions left the MCE program, and if there was no Request for Proposals (RFP) process. PG&E refused to participate if they were required to compete with other bidders. Discussions with MEA were terminated by PG&E in April, 2009.

F6: Disagree.

The Business Plan is an extremely detailed document, prepared in cooperation with energy industry experts. The Business Plan underwent two independent peer reviews. Both peer reviews found the plan to be comprehensive and containing no fatal flaws. In addition, the draft Implementation Plan, dated November 18, 2009, was made available to the Grand Jury as requested and provides an even higher level of specificity and detail, as it is more current. The Grand Jury's Report does not make reference to the detailed information contained in the draft Implementation Plan, approved by the MEA Board on December 3, and submitted to the CPUC on December 4. The Implementation Plan is, in effect, an update to the Business Plan.

F7: Disagree.

The MCE Business Plan does not state that the construction of owned assets is a requirement for the success of the Marin Clean Energy program. While potentially advantageous, it is neither necessary for "owned" facilities to be used for program success, nor is it "highly unlikely" that MEA will be able to successfully locate and support projects within Marin County to meet its local generation goals. Distributed generation, for example, has tremendous potential in Marin County, and is a stated goal of the program.

Future energy sources could be developed by private companies which sell to MEA, by joint projects between MEA, other governments and private companies, or via public financings by MEA. Each specific project proposal will be analyzed for economic feasibility, land use issues, and environmental impacts at the appropriate time in the future. With a potential renewable energy source capability over five times the size of maximum electricity demand within the borders of Marin County, MEA is confident that some projects will be located in Marin over time. Others will benefit our entire North Bay economy.

F8: Partially Disagree.

While neighboring communities have launched successful programs, the quantity of greenhouse gas reduction projected by MEA is over 50 times greater with MCE than by using all other programs combined, including the implementation of a Solar and Energy Efficiency District (SEED) Program in Marin (using AB 811 property-based financing mechanism), and all other locally based energy efficiency and renewable energy initiatives.

The major obstacle with all the other possible greenhouse gas reduction initiatives is that they require General Fund monies. Only the MCE program offers non-General Fund revenue to support efficiency and renewable energy programs at no cost increase to the ratepayer. The costs to all jurisdictions to address AB32 goals are projected to be \$394 million (California Air Resources Board data), and the establishment of MCE avoids 2/3 of that cost.

F9: Disagree.

There has been no slowdown in implementation of County energy efficiency programs (quite the opposite), nor has there been a slowdown of CREBs and other energy programs within the Marin communities; and MEA staff has applied for multiple federal, state, and local grants for renewable energy and energy efficiency projects, all while exploring the feasibility of the MCE program. MEA is not a distraction but the most significant tool for local agencies to employ as the costs and challenges of meeting AB 32 requirements are considered. In fact, the investigation and analysis of CCA within Marin has been a complimentary process in developing these other energy programs that may reduce greenhouse gas emissions. A significant portion of the analysis completed throughout CCA investigation has informed discussion and analysis focused on other complimentary energy programs and has heightened Marin's overall analysis to climate mitigation, greenhouse gas emissions reductions and renewable energy promotion.

F10: Partially Disagree.

There are risks associated with any new venture, but MEA staff and board members have identified and worked to mitigate all major rate payer risks and all risks to member jurisdictions. The remaining risk is that at sometime during MCE program operation, a ratepayer may identify an opportunity to purchase cheaper electricity (with less renewable energy content) by transferring generation service back to the incumbent utility. While this circumstance is not anticipated, Marin residents will be afforded a choice with respect to electric generation service and may base their service preference on any factor (such as price and/or renewable energy content), they so choose. If ratepayers so desire, they may, at any time, opt out of MCE (but may have to pay a nominal exit fee in the event of certain market conditions, similar to that charged by PG&E).

F11: Disagree.

The Contract elements are complete for both Phase I and Phase II ratepayers. Pricing methodology is stated and understood, based on indicative bids submitted in July, and will be finalized prior to contract execution by the Executive Director and Chair of MEA in the Spring of 2010 and again in early 2011 for Phase II. It is not possible for anyone, including PG&E, to know in advance of the execution of any power supply contract, what the price of energy will be on any given day because of the nature of the business of energy supply.

MEA's default position is that its costs of its energy in Phase I and Phase II must be "at or below PG&E's projected costs", or there will be no executed contract. The MEA Board passed a resolution at its November 4th meeting assuring that MEA will NOT execute the contract unless

Light Green Customers' (who will enjoy a minimum of 25% qualifying renewable energy content as compared to the 15% provided by PG&E) costs are at or below PG&E's projected costs. It is worth noting that California's current Renewables Portfolio Standard requires all electric utilities to provide a minimum of 20% of energy deliveries from qualifying renewable generating resources by 2010, and PG&E will not meet this target until at least 2012.

F12: Agree.

Most residential customers will not be enrolled into MCE until Phase II which is scheduled to occur in early to mid- 2011. The pricing for Phase II customers will be known prior to execution of the Phase II confirmation agreement.

F13: Agree.

F14: Disagree.

Taxpayers have no risk associated with the MCE program. Elected representatives manage the policy formation for numerous complex issues in their respective cities and in the County, including land use, public works projects, transportation, and energy. Furthermore, 1 in 4 Californians receive their electricity from public utilities, which generally charge their ratepayers 20% less than the investor-owned utilities and are governed by elected boards. MEA and the MCE program is only 'new' in the sense that it is a hybrid model between the public utilities and investor owned utilities that supply all energy, that is gas and electricity both. MCE will only be responsible for the procurement of electricity, and PG&E will remain responsible for transmission, distribution, and maintenance. Taxpayers will actually have less risk because MCE will provide rate stability and rate-setting control at the local level. There is considerable risk to the taxpayers of each jurisdiction of not doing MCE, as the costs associated with implementing AB32 mitigations will constitute a considerable drain on every jurisdiction's general fund.

Recommendations

R1: This recommendation will not be implemented.

The risks of implementing MCE are understood and manageable, and the opportunity to reduce green house gas emissions, pursue energy independence and long term price stability, and reap the local economic benefits of this program should not be abandoned out of fear, political opposition or lack of understanding. In fact, the MEA board believes that it may be significantly more risky to forego consideration of MCE program implementation in consideration of projected AB32 compliance costs burden on general funds and highly volatile natural gas markets (which are currently favorable for the CCA program). Furthermore, the MEA Business Plan anticipates, in addition to the on-going use of the expert technical advisory committee, the formation of an Energy Commission comprised of local citizens with technical expertise in rate-setting, generation, procurement, energy efficiency, renewable energy generation, etc.

R2: This recommendation will not be implemented.

As described in response to F5 above, cooperative approaches have been tried and, in some cases, are continuing. For example, PG&E has worked with local Marin governments, including MEA representatives, to implement an Energy Efficiency Partnership program detailed in a previous Grand Jury report (2008) on the County Sustainability Team. PG&E is unable to provide additional service and funding in Marin County without violating CPUC requirements for fairness across the PG&E territory.

The so-called bureaucracy of MEA is not expensive, and costs nothing to member jurisdictions' general funds, unlike all other energy programs suggested by the Grand Jury. MEA estimates that the fully-loaded staff cost will comprise only 3% of the annual budget.

No other possible programs that reduce greenhouse gas emissions, such as SEED, Energy Efficiency, solar panels on public buildings, etc., approach the projected level of greenhouse gas emissions reductions that can be obtained by MCE.

R3: This recommendation will not be implemented.

The Councils and BOS are following proper analytical, public notice and public hearing procedures for the County and the other governmental member agencies of MEA to approve or reject membership of their respective agencies in the MEA. As previously stated, the final decision on participation rests with the individual ratepayers, who will have four opportunities to opt out in the 120 day opt-out period.

R4: This recommendation will not be implemented.

To avoid compromising the negotiation process, to avoid abrogating the confidential nature of the bidding process, or of the information submitted by the bidders, and/or MEA's pricing strategy, the final contract will only be released publicly after execution. As stated previously, pricing will be refreshed and will be known with certainty prior to the execution of the contract for both Phase I and Phase II.

12/17 DRAFT

**Marin Energy Authority
Summary Issues Report
1-7-09**

1. Issue: Rate payer risk and bond repayment

Response: Ratepayers are not obligated to pay for energy they do not use. Revenue bonds are secured by the sale of the power from the asset.

The bonds that would be issued for building a new project would be covered by ratepayers in the normal course of business, just as is now the case with the incumbent utility. But to take it a step further, it is actually the revenue from the newly created asset that will secure payback on the bonds. So, for example, if a solar field is built using a bond issuance, the energy being created from that asset is sold to repay the bond over time. In the normal course of business the ratepayers would be covering that debt by paying for the energy generated each month. If MEA failed, however, or ratepayers were not available to cover the cost, then the power would be sold elsewhere and revenue from that sale would cover the bond repayment. Rate payers are only obligated to pay for the electricity they purchase from MEA, and rates will include debt service on any bond issuances as is now the case with the current utility. Under no scenario would ratepayers be obligated to help pay for energy they do not use or to “bail out” MEA in the unlikely event of an organizational default.

2. Issue: MEA Member General Fund Exposure

Response: Cities and Towns do not have any financial liability for MEA debts and liabilities or MCE costs.

There is a legal firewall between MEA and its member agency general funds that is codified by State law and further codified in the JPA Agreement and the Marin Clean Energy Power Supply Contract. Although cities and towns are members of MEA, it will function as a governmental, non-profit agency whose operations and financial obligations are completely separate from that of its local government members.

In fact, there are multiple layers of protection for member agencies against the debts, liabilities and obligations of the MEA. Under Government Code Section 6507, the MEA is a legal entity separate from its members. Government Code Section 6508.1 authorizes a Joint Powers Agreement to provide that the debts, liabilities and obligations of the Joint Powers Authority shall not be the debts,

liabilities or obligations of the individual members of the JPA. The MEA Joint Powers Authority Agreement provides that the debts, liabilities and obligations of the MEA shall not be the debts, liabilities and obligations of the members of the MEA.

The final layer of protection is that under the contract with our proposed energy services provider, Shell Energy North America, Shell agrees that its only legal recourse is against the MEA and that will have no legal rights or remedies against the individual JPA members.

3. Issue: Contract Pricing and Execution

Response: Prices for the contract will be refreshed and known prior to contract execution.

Indicative pricing will be refreshed in late January and early February 2010, just before the MEA Board approves the final contract. Actual prices will be known at the time the contract is executed. Market pricing is the key factor in determining costs for electricity. As stipulated in an MEA Board resolution passed on November 4, 2009, the contract will not be executed until the pricing refresh allows costs to be at or below PG&E's projected costs for the light green option. This is true for both Phase I and Phase II customers.

4. Issue: Consumer Awareness and Notification

Response: MEA's ratepayers will be notified about the shift in energy provider and their cost of electricity 60 days before service begins.

Customers in member jurisdictions will be notified 60 days before service begins through four opt-out notices and other marketing material. For phase I customers, opt-out notification will begin in March to prepare for service beginning in June.

5. Issue: Energy Market Volatility

Response: The cost of power will be locked in for the term of the five year contract.

The cost of power will be locked in on the date of contract execution and will include a capped escalation rate that keeps costs at or below PG&E's projected costs.

6. Issue: MEA and PG&E Costs

Response: MEA's costs will be lower than PG&E's projected costs.

The difference between MEA and PG&E is the difference between a locked in cost and a fluctuating cost. MEA will be locking in costs that start-out at or

below PG&E in year one and will remain below PG&E's projected costs in future years. The MEA Board will review its pricing structure annually (and more often as necessary) to remain competitive with PG&E rates. It should be noted that in the unlikely event that PG&E's costs drop below their historic threshold, their cost could drop below MEA costs. Conversely, if what market analysis suggests is true and the costs of fossil-based energy and natural gas continue to rise, then PG&E's prices will continue to climb above MEA's projected costs. The good news here is that with MEA, customers will have a choice of energy providers and can choose the lower cost of two options (subject to nominal exit fees) at any time.

7. Issue: Staff Expertise and Expense

MEA has and will hire additional highly qualified professional staff whose costs account for only 3% of the MEA budget.

MEA has and will continue to draw on the same market expertise that has served many utilities and municipal utilities for several decades. MEA will combine that expertise with reliable technical and legal support under a governmental, not-for profit structure, which has significant economic benefits over that of a private utility, helping keep costs down. Currently, MEA has three staff, three legal firms, multiple technical consultants, and is making full use of expert consultants in the areas of energy modeling and implementation support, transactional and municipal law, infrastructure finance and planning. In the future, MEA's plans call for a staff of 20.5 professionals, which is quite small compared to other municipal utilities and also the incumbent utility.

8. Issue: Exit Fees and Customer Choice

Response: Most PG&E exit fees for customers will be covered by MEA; Customers have the option of switching suppliers at any time

MEA will cover the projected PG&E "exit fee" for customers that choose to stay with MEA as their energy supplier during the 120-day opt-out period. During that opt out period consumers can make a decision with no exit fee either way. After the opt-out period, both suppliers (i.e. MEA and PG&E) will charge a nominal exit fee for customers that choose to switch between companies. This fee covers the cost of unused power purchased on their behalf and amounts to a few dollars per month on the monthly bill.

9. Issue: Contract Support and Review

Response: The Contract, or Power Supply Agreement (PPA), has been subject to extensive review from industry experts, member agencies and the public.

The PPA has been reviewed by City and Town Councils, City and Town Attorneys, City Managers, and an extensive cadre of Legal and Technical support for MEA including Navigant Consulting, Nixon-Peabody LLP, Milbank, Tweed, Hadley & McCloy LLP, and Richards, Watson & Gershon LLP and members of the public. Also, a peer review of the PPA was conducted on behalf of the City Managers by MRW & Associates, an independent energy consulting firm with years of expertise in this area. The Final Draft PPA was approved by the MEA Board on November 5, 2009 and is now undergoing a 90-day review period. It is then scheduled to be approved by the MEA Board on February 4, 2010. The current draft of the PPA can be found on the MEA website: www.marinenergyauthority.org



MARIN CLEAN ENERGY FREQUENTLY ASKED QUESTIONS

I. THE BASICS

1.1 What is Community Choice Aggregation (CCA)?

Community Choice Aggregation was established by the 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, PG&E would deliver the electricity to end use customers and PG&E would continue 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 services procured by the CCA program would be determined locally. Customers would have the choice of being automatically enrolled in the program called Marin Clean Energy (MCE) or remaining with the current utility, PG&E.

1.2 Am I in the Marin Clean Energy service territory?

The members of the Marin Energy Authority are City of Belvedere, Town of Fairfax, County of Marin, City of Mill Valley, Town of Ross, Town of San Anselmo, City of San Rafael, City of Sausalito, and Town of Tiburon. If you live in one of these cities and towns or in an unincorporated area of the County of Marin, you are in the MCE service territory.

1.3 Why could MCE be better for the community than the status quo?

The CCA law offers potential advantages to our community over the status quo:

Affordable Renewable Energy – Under MCE, Marin County homes and businesses may be able to enjoy the benefits of non-polluting renewable energy resources at the most affordable price. We could determine how our electricity is generated – from clean and renewable resources rather than polluting and finite fossil fuels. Marin could meet over half of its electricity demand with renewable energy resources (such as wind, geothermal, biomass and solar) within 5 years and achieve a modest savings over current utility rates.

Greater Price Stability – California's growing demand for electricity is expected to be met by an increasing dependence upon natural gas-fired power plants. California already imports about 84% of its natural gas from other regions. California's growing appetite for more electricity will require even more imported fossil fuels, including Liquefied Natural Gas (LNG) from other countries. Renewable energy has no fuel cost and is not subject to the shortages and price volatility we have seen in natural gas prices. Under the status quo, generators and utilities are allowed to pass those price risks through to ratepayers. Investment in renewable energy generation can help achieve a higher level of price stability for homes and businesses, and help protect the local economy. The initial studies show that Marin ratepayers could save about \$240 million over the next twenty years.

Promote Local Clean Distributed Generation – With MCE, Marin County can establish rates and incentives to promote local clean distributed generation facilities including solar, biomass, cogeneration and small-scale wind. If and when new technologies capable of harnessing tidal power resource become commercially viable, MCE would be able to develop that resource as well. Incorporating local distributed electricity generation sources as well as remote renewable energy power plants helps to diversify risks and increase reliability of service for all of Marin County.

Local Accountability – Local governments are accountable to their community through locally elected officials whose tenure is predicated on serving the public good. The decisions of a local power authority would have the ability to be more transparent and responsive to the desires of the community than the current electricity suppliers regulated by the California Public Utilities Commission. In an early example of this, the Marin CCA Local Government Task Force has convened a group of residential, commercial, industrial, agricultural and institutional ratepayers to advise on their issues and priorities for electricity supply, and assure that MCE would serve local needs.

Public Financing of Generation – Local governments have a substantial financial advantage over investor-owned utilities when investing in new power supply. MCE can access lower cost tax-exempt financing to build generation and doesn't pay shareholder profits or income tax. Offering both lower cost financing and the retail customer base, MCE can partner with experienced public and private power producers and energy service providers.

Additional Advantages – There are potential advantages that have not been quantified including greater rate stability to attract and retain employers, increase in economic development and jobs, and helping build markets for new, cleaner, and cheaper power technologies.

1.4 How much renewable energy can MCE obtain compared to the current utility?

PG&E'S POWER MIX

	2007	2008
<u>Eligible Renewable</u>	10%	14%
Biomass & Waste	<1%	4%
Geothermal	2%	5%
Small Hydroelectric	6%	3%
Solar	0%	<1%
Wind	2%	2%
<u>Non-Renewable</u>		
Coal	32%	8%
Large Hydroelectric	24%	16%
Nuclear	3%	22%
Natural Gas	31%	39%
Other	0%	1%

The chart above sums up the current utility's supply portfolio. Eligible renewable power includes biomass, geothermal, solar, wind and small hydroelectric power. (See Section 5 for more information on renewable energy.) State law (the Renewable Portfolio Standard or "RPS") requires all utilities to increase their percentage of "eligible renewable" energy to 20% by 2010.

Based on indicative pricing from power suppliers and current projections of generation rates², MCE could procure at 25% to 50% of its power from renewable sources at start-up in 2009 and achieve over 50% renewable energy supply within five years while keeping rates at or below the current utility. MCE could achieve this goal by entering into a full requirements contract for energy supply and operational services with an experienced, financially stable energy supplier in the short term, and using lower-cost public financing to invest in renewable power ownership in the long-term.

1.5 Is renewable energy the only reason communities are investigating the CCA option?

Many of the cities investigating CCA are looking to increase the use of renewable energy generation beyond what the State currently requires of the investor-owned utilities. However, this is not true for all local governments. For some communities, reliability of power and price stability are the primary drivers of the CCA effort, though cleaner energy is also a concern.

II. HOW THE CREATION OF MCE WILL AFFECT RATEPAYERS

2.1 Does the customer's relationship with Pacific Gas & Electric (PG&E) change?

MCE customers remain retail distribution customers of PG&E. PG&E would still own and maintain the power lines, and provide customer service and billing. The charge for electricity generation, which currently accounts for about half of the electric portion of the bill (and which is a current line item on the PG&E bill), would still be there. If a jurisdiction elects to participate in the MCE joint powers authority, customers in the community would become an MCE customer for the generation component unless they choose to opt out and stay with PG&E. The only difference between an MCE and non-MCE customer would be the sources of and rates for the generation component of electricity.

2.2 Do I have to participate in MCE if my jurisdiction chooses to join?

No. The law allows any customer to "opt out" of MCE if they choose not to participate. Every customer will be given a choice to join MCE or stay with PG&E's power supply portfolio. Customers will also be able to switch back and forth between MCE and PG&E, but there may be restrictions on how often customers can switch and may be an administrative cost for doing so.

2.3 Can I participate in MCE if my jurisdiction does not join?

No. Customers can only participate in MCE if their city or town council elects to do so. If the County joins MCE customers in the unincorporated areas of the county can participate. This is also true for businesses that may have more than one location. Only those locations within a MCE jurisdiction can be served by MCE.

2.4 Why is only a customer "opt-out" option proposed?

The CCA law (AB117) requires the customer opt-out approach. The opt-out approach is a way to ensure a critical mass of customer load to make the CCA viable without mandating that any customer be part of the CCA. The law also defines a clear process and time period for customer notification to ensure customers are aware of, and have a simple method to opt out. Customers would be provided with four notices and opportunities to opt-out of the program without penalty of any kind, twice within the 60 days prior to enrollment, and twice within the first two months of service. After this time, a customer would still have the right to choose between MCE and PG&E

2.5 Is there a cost to opt out of MCE if a customer chooses to at a later time?

Following the free opt-out period, customers would still be able to opt for PG&E. However, the CCA has the right to set a termination fee. The fee might include a small administrative fee (\$5 for residential customers suggested in the business plan) and, if necessary, a cost recovery charge to prevent shifting of costs for long-term power commitments to remaining program customers. MCE would only have to impose a cost recovery charge (also called an "exit fee") in the event that its average cost to procure power is higher than the market price for power at that time. Since the market price is very much linked to the cost of natural gas-fueled generation, only a significant decline in the price of natural gas in future years would cause MCE to impose an exit fee. For the majority of customers, such fees would likely be

small because most Marin County residents and businesses are relatively small consumers of electricity.

2.6 How will remaining MCE customers be affected by major users if they chose to opt out?

In general, Marin has a smaller concentration of large commercial and industrial customers than most Bay Area counties making this less of an issue. Beyond the initial opt-out period, CCAs are permitted to establish exit fees to ensure that customers opting out don't saddle remaining customers with an unfair financial burden for long-term power commitments made on behalf of the exiting customers.

2.7 Would MCE have to pay an exit fee to the current utility for financial commitments to power suppliers made on behalf of the MCE customers?

The exit fee imposed by the CPUC on MCE customers—called the “Cost Responsibility Surcharge” (CRS)—is designed to shield the utility's remaining generation customers from any financial losses or cost increases that might result from customers switching to the MCE supply. The CRS is determined by a formula that includes both fixed and variable components including:

- Department of Water Resources (DWR) Bond Charge, a charge leftover from the energy crises of 2000-2001;
- A “regulatory asset” charge to help PG&E emerge from bankruptcy from this same time period;
- A charge covering the “above market” rates portion of the utility's current supply portfolio. This charge is based on the net of the total portfolio.

Since the DWR and regulatory asset charges are paid by existing PG&E customers, they don't represent an added cost for a MCE customer. The net above-market rates portion of the CRS could be a significant variable affecting the economics of a MCE in the short term. However, based on current market prices, the current CRS is effectively zero.

2.9 Will MCE customers still be able to obtain rebates from PG&E for energy efficiency and solar electric systems?

Yes. The California Public Utilities Commission authorizes PG&E and the other investor-owned utilities to collect from all ratepayers fees known as “public good charges” to fund energy efficiency and renewable energy incentive programs. Under MCE, PG&E will still collect these fees and MCE customers will remain eligible for these incentives and services.

2.10 Will MCE customers still be able to obtain net metering for qualified solar electric and other distributed generation systems?

Yes. Net metering allows a customer to turn their meter backwards and receive a credit at times when their solar system generates more power than is used on site, and is taken back at times when more power is used than the system produces. The credits and use are netted out after 12 months. The CPUC requires PG&E to treat MCE generation customers the same as PG&E generation customers. MCE would provide any generation credits and PG&E would continue to provide credits for transmission, distribution and all other charges.

III. HOW MCE WILL BE IMPLEMENTED

3.1 How is the MEA implementing MCE?

The County of Marin and eight participating cities and towns have formed a Joint Powers Authority for purposes of offering CCA services to customers beginning in 2010. The Authority is negotiating the initial energy supply contract with a third-party electric supplier to provide electricity to customers and provide

other technical services required for the program under a public/private partnership model. Under the contract, two distinct renewable energy supply options will be offered to program customers:

- **“Deep Green” Option:** 100% renewable energy supply from resources such as wind, solar, geothermal and biomass, at a specified price premium reflective of renewable energy and related program operating costs; and
- **“Light Green” Option:** Under this option, the Authority would initially supply 25% renewable power, increasing this supply to more than 50% by 2014. MEA will execute this initial contract only if the Light Green Option has a cost at or below the incumbent utility’s projected costs.

Over time, MCE would continue to increase its renewable energy procurement/deliveries within the Light Green Option to achieve the long-term goal of 100% renewable energy supply in year 6 for the entire program subject to economic and operational constraints.

3.2 How will MCE procure power to meet Marin’s electricity demand?

MCE will commence operations under a turnkey contract with an experienced, financially stable energy supplier for a five to seven year period. This approach minimizes risks by placing the operational responsibility and obligation to deliver energy at stable prices on a third party supplier. The power purchase agreement currently being negotiated specifies power content requirements and includes provisions for integrating renewable resources procured independently by the MCE. The bidders to supply this energy responded to an RFP issued by the MEA and were vetted by a range of technical, legal and finance experts.

MCE will also identify experienced public and private power developers that are capable of facilitating longer-term renewable power development goals. MCE will be able to take advantage of the lower cost of public financing by investing in renewable power generation with public and private development partners. Tax-exempt financing, lack of shareholder profits and taxes provide MCE with a cost advantage relative to investor-owned utility. In general, a public agency can build the same generation as a private utility at a financing cost of about 5.5% compared to about 12% for the private utility. The business plan also calls for investing in renewable energy-based generation. Unlike fossil fuel-based generation, renewable generation costs are stable and known because there is no fuel price risk.

MCE can also develop and fund local initiatives to reduce energy use through increased energy efficiency, and promote the installation of distributed generation including solar, biomass, small wind and cogeneration.

3.3 How much renewable energy could be supplied at rates at or below current utility?

Indicative pricing provided by the energy supply bidders indicates that MCE’s beginning operation in 2010 could procure 25% to 50% renewable content from day one with no increase in rates over the current utility. Through investment in renewable generation, MCE could achieve over 100% renewable content in about 6 years also with no increase in price over PG&E.

3.4 Is there sufficient renewable power available for Marin since all utilities are required to meet the state mandated requirements for 20% renewable energy by 2010?

There are recent studies examining the potential for renewable energy generation within and outside the state that demonstrate significant potential for renewables. A study conducted by the Center for Resource Solutions released in November 2005 documents substantial and abundant renewable resources in California and throughout the West. The CPUC sponsored study determined that there are sufficient developable renewable energy resources of commercial quality within California to serve a 33%

Renewable Portfolio Standard by 2020 proposed by Gov. Schwarzenegger. If out-of-state resources are included in the equation, the picture looks even brighter. The report documents 11,810 MW of wind power not located in California available by 2010. Even more solar power supply (14,800 MW both in-state and out-of-state) is available by the same date. Current law only requires utilities power supply portfolios to contain 20% renewable energy by 2010.

While prices for wind all generation projects have gone up recently and the demand for renewable generation is increasing, manufacturing capacity is expected to expand and additional resource areas for wind, geothermal, central solar thermal and other technologies are being opened up as transmission capacity is developed. The general cost trends don't always reflect significant variation in costs for individual projects, which are very specific to each project, the timing of projects, and other terms and conditions of contracts.

There are many factors that can cause the availability and cost of renewable generation (or any generation) to increase or decrease. MCE would not go into business without the contractual obligations in place to ensure the source and price of the energy supply. The business plan assumes that renewable energy goals will be met within technical and economic constraints and does not suggest that these goals would be met at any cost.

While the business plan has identified a mix of purchased and owned resources, with the owned resources modeled as wind and biomass, MCE has the ability for relatively flexible renewable procurement. First, because the whole MCE peak demand is 170 MW, MCE has the ability to procure (either by purchasing or owning) smaller projects that may be of little interest to a larger utility. MCE can also work on developing local resources from within the county (e.g., landfill gas, wind). Once MCE exceeds the 20% California renewable standard, it could procure renewables flexibly (i.e., by buying from out-of-state, using contracts of varying lengths, buying RECs, or by buying or contracting for projects that use renewable resources but otherwise may not qualify under the California RPS).

MCE also has the ability to enter into agreements with other CCAs that might be formed or with municipal utilities (such as the Sacramento Municipal Utility District or the Northern California Power Agency) to buy smaller pieces of larger renewable projects. Such arrangements diversify operational risk across a number of projects.

3.5 Where and what kinds of power plants are expected to be developed in Marin?

The proposed supply plan proposed by Navigant assumes no power plants will be built in Marin County initially for either conventional or renewable power. Marin County lacks wind resources of sufficient scope to support commercial wind farms, though there may be limited applications for small wind turbines. Marin also has no known geothermal resources. Central solar thermal-electric plants require significant land area and are only viable in areas with a very low incidence of cloudy days. This generally limits this technology to desert areas. While solar thermal technology produces electricity at roughly half of the cost of a solar PV system, it is still more expensive than most wind, geothermal or biomass power.

The County has identified substantial potential for solar PV on businesses and homes in Marin and increasing use is expected. However, PV is currently too expensive to be sold at wholesale power prices. It is cost-effective only for end-users today because the systems offset the retail price of electricity including the cost of transmission, distribution and other service charges. California regulations restrict rebates for solar and small wind electric systems to systems sized to meet the customer's on-site electricity needs. Under current law, a customer wanting to oversize a system for sale of power back to a CCA would not be eligible for state rebates.

There may be other opportunities for local power generation from landfill gas, biomass and small or micro hydro. Co-generation may be possible at some industrial and commercial sites as well. However, it is impractical to plan to exploit these opportunities until they have been adequately identified and assessed. MCE would provide the financial means to undertake a thorough assessment of local resources once it is in operation.

3.6 Would MCE have difficulty participating in the development of renewable energy projects in other counties because of environmental justice issues?

Generally, renewable energy development has been embraced by counties because it provides jobs and economic development without the adverse impacts associated with many other kinds of development. Renewable energy can also solve other environmental problems such as use of agricultural waste products that are otherwise burned, and be compatible with existing land uses such as wind power on agricultural land.

Renewable resources are, by definition, far more environmentally friendly than fossil fuel-based generation. The environmental justice issues generally concern air quality and health impacts from fossil-fuel power plants, and the impacts from extraction, processing and transport of fossil fuels. Environmental issues related to renewable energy are more limited and localized, such as the potential for bird kills from wind turbines, location of geothermal plants in sensitive wildlife habitat, and air quality issues with certain types of older biomass power generation.

3.7 How would MCE be financed?

MCE would be financed from the revenues received for electricity delivered to participating customers. The initial start-up costs and reserves for MCE can be funded by loans secured by future revenues. In the long term, tax-exempt revenue bonds can be issued to build and own generation. California law provides CCAs with both ratemaking authority and the ability to impose exit fees, both of which are necessary to ensure repayment of bonds. Please refer to the business plan for greater detail on the costs and financial options.

3.8 What financial or other obligation does a city or county incur by establishing MCE?

The participating cities and county have created MCE through a joint powers authority that assumes various powers and responsibilities such as assuming ratemaking authority for retail customers and the responsibility to procure power for customers in its jurisdiction. The authority and responsibilities of MCE versus the individual cities will be determined by the participating cities. Under state law governing joint powers authorities, a city or county assumes no liability for any financial obligations of the authority unless it specifically chooses to do so.

3.9 How many customers make MCE economically viable in Marin County?

There is no absolute rule as to the scale of customers or the amount of electricity demand size necessary to implement a CCA. Electricity use varies greatly among different customer types. Consumption patterns and levels of demand differ in each jurisdiction. Rather than assuming which jurisdictions might participate, the business plan assumes percentages of participants from each customer rate class without regard to jurisdictions. The ultimate feasibility will be determined once the participating jurisdictions are known.

3.10 Will creating MCE require setting up a new bureaucracy? Isn't the private sector better at managing the complexity of today's electricity markets than the public sector?

While setting up MCE will require a new Joint Powers Authority, it does not require hiring a large staff to

administer the program. Many of the principal tasks and functions of MCE can be handled through contracts with existing private and public sector organizations with significant expertise and experience.

The private sector will be employed to carry out many of the functions associated with a MCE program. MCE allows for public control over resources to sustain our communities and a way to take advantage of unique and cost-effective financial opportunities available only to the public sector. MCE would be a public-private partnership that takes advantage of the opportunities offered by both the private and public sectors.

Public utilities have a long track record of providing these services at less cost than their private-sector counterparts. See the draft business plan for more detail on staffing, contracting and related costs.

3.11 Why aren't Marin communities working to create a CCA with jurisdictions outside of Marin County?

There is no reason why Marin communities can't join with other jurisdictions in the future. Logistically, however, it would be difficult to involve more than the communities within Marin County in the investigation and business planning. The initial and ongoing analysis has been conducted for Marin's jurisdictions using customer data specifically for Marin's communities. Other communities in the state investigating CCAs also are in different phases of work. Marin has collaborated with other local governments at the CPUC and through Navigant on initial phases of the analysis. The joint powers agreement can permit other jurisdictions to join MCE and can allow collaboration with other CCAs on power supply and operations.

IV. OTHER RISK AND LIABILITY QUESTIONS

4.1 Can cities and counties be legally shielded from the actions of MCE?

Yes. Cities and the County have firewalled their general funds through the formation of a joint powers authority (JPA). The debts and liabilities of the JPA do not extend to the member cities and county. This firewall is protected by state law. The key elements for repayment are ratesetting authority and the ability to recover costs from customers leaving the system, both of which MCE has authority to do.

4.2 Would a default on MCE bonds cast a long shadow for local governments in the bond market?

Such events tend to have a negative psychological impact on financial markets, even if unwarranted. However, the conditions necessary for, and likelihood of such a default, need to be understood. As explained in the answer above, a CCA has the two critical elements required by investors to ensure repayment of bonds – rate-setting authority and the ability to impose exit fees on departing customers, if necessary. In addition, the bonds supporting a CCA will also have tangible steel-in-the-ground generation assets backing them up.

4.3 A recent Supreme Court decision implies raising rates for local government services is subject to Prop 218. How does this ruling affect MCE?

The federal Supreme Court ruled that utility water rate increases were impacted by Prop 218, which was passed by voters in 1996 and requires voter approval of local tax increases. It appears the primary issue with Prop. 218 in this specific ruling is the use of funds for purposes other than intended. One example would be collecting revenue through the electricity rates to contribute to a city's general fund. The MCE business plan does not include any plans for the CCA to be used to raise revenue for unrelated municipal

activities.

4.4 Is the CCA subject to the same energy price fluctuations that undermined investor-owned utility financial stability in 2000?

Due to the restructuring law passed in 1996, the CPUC prevented utilities from entering into long-term purchase contracts because it was assumed that market competition would lower prices. At the time of California's energy crises, PG&E was caught in a unique situation of having to purchase power from the spot (very short term) market, where prices went very high due to market manipulations, escalating natural gas prices, and other factors. Since the energy crisis of 2000-2001, the CPUC has changed power purchase rules that eliminate many of the risks exposed by California's experimentation with market restructuring. The CCA legislation was approved in California in 2003 in response to this energy crisis.

The Navigant study assumes that MCE would purchase no more than 15% of the total energy demand on the spot market, an accepted industry standard for meeting variable peak demand needs, thereby limiting exposure to the volatility of day-to-day price swings. In the near term, MCE would contract for fixed prices that would substantially reduce the risk of near term price volatility that customers now have under the current utility. In the long term, MCE would own renewable energy-based generation providing long term price security not available with the current utility. This is a much more conservative approach than what we are subjected to today under state regulation and utility decision making over which we have little control.

4.5 Can the current utility raise transmission rates on MCE customers above those of its own customers?

Transmission and distribution systems and costs fall under a complicated set of rules controlled by the CPUC, California Independent System Operator (which manages the state's transmission grid), and the Federal Energy Regulatory Commission. Due to these regulations, MCE would have no direct control over transmission rate costs, nor does PG&E. However, MCE would have the ability to plan and fund participation in the regulatory proceedings and be at the table—like PG&E—to advocate for ratepayer interests.

V. RENEWABLE 101

5.1 What is renewable energy?

Renewable Energy is defined as energy derived from resources that cannot be depleted. Types of renewable energy resources include moving water (hydro, tidal and wave power), thermal gradients in ocean water, biomass, geothermal energy, solar energy, and wind energy. Neither fossil fuels (oil, coal, natural gas) nor nuclear power are considered to be renewable. State law defines Eligible Renewables more narrowly. For example, only small hydroelectric facilities under 30 megawatts in size are considered Eligible Renewable.

Types of Renewable Energy

Biomass and waste-to-energy— Biomass fuels are residues produced from logging, mill operations and the manufacture of wood, pulp, paper, and fiberboard, agricultural field and orchard crops, livestock and poultry growing operations, food processing, and demolition (urban wood waste). Waste fuels include combustible residues from industrial processes, municipal liquid wastes and municipal solid waste. For example, "garbage," includes household solid waste, and tires but not garden trimmings because these are considered "biomass" fuels. In general, solid biomass fuels are converted to electricity by burning the

fuel in a boiler, which generates the steam used to turn a turbine generator. These fuels may also be gasified and burned to produce electricity. Liquid biomass fuels are converted to electricity by capturing and burning the gases they give off.

Geothermal—Geothermal electricity is produced using heat from deep within the earth (often evidenced by the presence of hot springs or geysers). This heat is captured and used to turn an electric turbine.

Solar—Solar electricity can be generated in two ways. One way involves focusing the heat of the sun on a central point that heats up. This heat is then used to produce steam, which turns an electric turbine. Another way to harness solar power for electricity is using photovoltaic (PV) cells such as those seen on rooftops. PV cells convert energy from the sun to electricity.

Small hydroelectric (30 megawatts capacity or smaller)—Hydroelectric power plants convert the energy in falling water into electrical energy. Small hydroelectric facilities may either use a small dam or river flows to harness the energy of the moving water. Federal law defines small hydroelectric as having a capacity of 30 megawatts or less, and California uses this definition for purposes of the power content label as well as other programs.

Tidal Power— Tidal power is a variation of hydroelectric power and comes in two main forms. The first uses kinetic energy in flowing water, rivers, tides and open currents and the second uses potential energy, similarly to hydroelectric power, but using the differing heights of low and high tides.

Wind— Wind energy is derived from the movement of air caused by the uneven heating of the earth's surface by the sun. Power from the wind is captured using wind turbines—blades that turn as the wind blows—to generate electricity.

5.2 What is the Renewable Portfolio Standard (RPS)?

Senate Bill 1078, signed into law in 2002, created a Renewable Portfolio Standard (RPS) for the state of California, calling for the state to double its renewable supply capacity from 10 to 20 percent between 2003 and 2017. California utilities were required to increase their renewable energy supply by 1 percent annually over a 14 year period. The CPUC moved the date for compliance from 2017 to 2010. This was reaffirmed by new state legislation that also allowed the utilities to avoid meeting the deadline for extenuating circumstances.

An RPS ensures that a minimum amount of renewable energy is included in the supply portfolio of electricity resources serving a country, state or other jurisdiction. An overall renewable energy target is set by government policy makers, but the market then determines which fuels and specific projects will be built to meet the target.

The RPS is a flexible, market-based public policy that has been the most effective in developing lowest cost new renewable resources both here and abroad. Some states include set-asides for specific technologies (e.g., Colorado), most often solar photovoltaics, a technology geared to retail not wholesale transactions. Because it is a market standard, the RPS relies almost entirely on private capital to develop new state-of-the-art renewable energy projects.

Fuels and technologies eligible for the California RPS include: solar photovoltaics; solar thermal electric; wind, geothermal electric; biomass; landfill gas; digester gas; municipal solid waste; hydroelectric; tidal energy; wave energy; ocean thermal energy; and fuel cells powered by any of these renewable fuels.

VI. ACRONYMS AND DEFINITIONS

AB117: California legislation passed in 2002 that established community choice aggregation, authored by then Assemblywoman Carole Migden

CCA: Community Choice Aggregation

CEC: California Energy Commission

CPUC: California Public Utilities Commission

CRS: Cost Responsibility Surcharge, also referred to as an “exit fee”

CTC: Competition Transition Charge: a usage-based charge imposed by the utility on customers to provide for full recovery of stranded costs resulting from deregulation

DA or Direct Access: A customer is allowed to choose an alternative supplier than that of its host distribution utility. In essence, the end-use customer has “direct access” to a power plant not controlled or owned by the company providing his distribution and billing services.

DG or Distributed Generation: Small, modular power sources sited at the point of power consumption. These systems can operate as a stand-alone system or can be connected to the electricity grid. Residential homeowners might install a solar photo voltaic system on their rooftop. For commercial customers, distributed generation may come in the form of on-site gas-fired cogeneration, a fuel cell or an array of diesel generators.

DSM or Demand-Side Management: Methods used to manage and shift demand for energy, most often to times of the day when the cost of energy is less. DSM activities include energy efficiency programs, electricity load shifting activities and devices, and fuel substitutions.

ESP or Energy Service Provider: a person or entity other than the retail distribution utility, which provides electric energy to an electric utility customer

IOU or Investor-Owned Utility: A private company providing electricity or water to a monopoly service area and governed by the California Public Utilities Commission (e.g. Pacific Gas Electric.)

kW: kilowatt: a common unit measurement for electricity capacity or demand. (1 kW=1000 watts)

kWh: kilowatt hour: a common unit measurement for electricity use (1kWh=1 kW demand for one hour)

MW or megawatts: 1 megawatt=1000 kilowatts

PPA: Power Purchase Agreement

Power Charge Indifference Adjustment (PCIA): This adjustment (either a charge or credit) is intended to ensure that customers who purchase electricity from non-utility suppliers pay their share of cost for generation acquired prior to 2003.

PV: Photo-voltaic: Solar electric generation by conversion of light into electrons. The most commonly known form of solar electric power is roof panels on homes.

RFI: Request for Information

RFP: Request for Proposals



January 7, 2010

TO: Marin Energy Authority Board
FROM: Jamie Tuckey, Project Coordinator
RE: MEA Sponsor Funds (Agenda item #7)
ATTACHMENTS: 2009 Report of Sponsor Funds Received

Dear Board Members:

The Marin Energy Authority has conducted and organized several local public workshops and meetings regarding its activities and programs such as Marin Clean Energy. In the past, local organizations and businesses have donated funds to MEA to sponsor these types of events.

It is likely that MEA will assemble more of these meetings in the future and may also receive additional sponsorship funds. A report will be submitted annually to the Board detailing organizations and donation amounts.

Recommendation: Authorize MEA to budget an estimated amount of \$5,000 of sponsor funds in the 2009-10 Fiscal Year. Authorize budget of \$5,000 in Fund 31050, Revenue GL 4719642 Misc. Revenue – Other and Expense GL 5211500 Misc Services. Should contributions exceed \$5,000 in the 2009-10 Fiscal Year staff will return to the Board to request additional budget authority.

2009 Report of Sponsor Funds Received

Organization	Event Sponsored	Amount
1. The City of Sausalito	11.23 and 12.1 Public Workshops	\$500
2. Real Goods Solar	11.23 Public Workshop	\$200

Total Amount Received \$700