



February 3, 2011

TO: Marin Energy Authority Board

FROM: John Dalessi, Staff Consultant

RE: Proposed Marin Clean Energy Rates for Fiscal Year 2012
(Agenda item #9)

ATTACHMENT: A. MEA Proposed FY 2012 Rates
B. Draft MEA Proposed Budget for FY 2012

Dear Board Members:

The Marin Energy Authority Community Choice Aggregation Implementation Plan and Statement of Intent ("Implementation Plan"), adopted by your Board on December 3, 2009, describes the policies and procedures for setting and **modifying electric rates for the Marin Clean Energy (MCE) program**. Initial program rates were set in May, 2010, and these rates remain in effect until changed by your Board. As described in the Implementation Plan, the MCE annual ratesetting process is coordinated with the establishment of fiscal year program budgets. MCE rates will be typically reviewed on an annual basis during the month of January to consider whether rate changes are warranted in consideration of the next fiscal year's proposed budget and in consideration of other ratesetting objectives such as rate competitiveness, rate stability, customer understanding and equity among customers.

Staff and technical consultants have worked closely with the Ad Hoc Rates Committee to develop proposed rates for the 2012 fiscal year, commencing in April, 2011. On average, the proposed rates represent a decrease of approximately fourteen percent from current program rates. All energy and demand charges for MEA's twenty-seven rate schedules would be reduced, as detailed in Attachment A. The rate reduction is consistent with the proposed reductions in the MCE program budget, and largely made possible by the conservative fiscal management practiced by MEA since its operations began and the recently completed consolidation and refinancing of MEA's startup loans. The proposed rates are projected to yield net revenues to MEA sufficient to meet or exceed the minimum debt service coverage ratios required by MEA's loan agreement with River City Bank and to contribute to reserves in accordance with the associated program budget.

In addition to the proposed reduction in rates, other rate design changes are recommended to enhance customer understanding of MEA's rates. The proposed rates have been simplified in a number of ways in order to make it easier for customers to understand their energy bills:

1. All energy charges (\$/kWh) have been rounded to three decimal places (tenth of a cent per kWh) from the current five decimal places (thousandth of a cent per kWh), and all demand charges (\$/kW) have been rounded to one decimal place from the current two decimal places. The result is a more customer-oriented rate design, helping to further differentiate MEA service from other electric service options available to customers;
2. The separate energy credits for each rate schedule have been eliminated, both in the interest of rate simplification and in anticipation of the reduction in PG&E's Power Charge Indifference Adjustment (PCIA) surcharge during the fiscal year that will likely result from the ongoing PCIA reform process in R.07-05-025. Customers will no longer need to combine the MEA rates with the separate energy credits to understand the actual charges from MEA;
3. The proposed rates would eliminate the ten dollars per month early Deep Green participation fee applicable to customers that have elected to participate in the MCE program through the Deep Green service option ahead of their planned Phase 2 enrollment. The proposed elimination of this monthly charge is intended to respond to customer feedback and to encourage additional participation in MCE's Deep Green program, which furthers MEA's objective of expanding use of renewable energy and reducing greenhouse gas emissions.

MEA's ratesetting policies establish a sixty-day public review period for proposed rate changes before their adoption by the Board. Accordingly, the proposed rates would be considered for adoption at the April, 2011 Board meeting.

Recommendation: Accept the recommendation of the Ad Hoc Rates Committee to modify program rates per Attachment A, subject to final approval of the proposed rates following a minimum sixty-day review period.