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February 18, 2011

Supervisor Charles McGlashan  
Chair, Marin Energy Authority  
3501 Civic Center Drive, Suite 329  
San Rafael, CA 94903

Transmitted via email to: [CMcGlashan@co.marin.ca.us](mailto:CMcGlashan@co.marin.ca.us)

**Subject: MEA's Illusory 14% Rate Reduction / Elimination of Energy Credit**

Dear Mr. McGlashan:

***Chart shows 14% reduction is really a 20% increase***

The attached table and chart shows that residential ratepayers realize little, if any, savings from MEA's recently announced 14% rate reduction; this "reduction" is scheduled for implementation in April. For many Marin consumers, particularly average use ratepayers, **MEA's new rates represent an overall increase in costs of approximately 20% above existing MEA costs.** This analysis assumes 31 days per billing period, baseline territory XB, and application of your PCIA credit to your as-is present generation cost.

***Elimination of MEA "energy credit" spells net increase***

The lack of real reduction for consumers is due to MEA's planned elimination of its "energy credit" which offsets PG&E's exit fee. As you know, PG&E's **on-going monthly exit fee is triggered when a consumer's generation is switched from PG&E to MEA (MEA also levies its own exit fees on consumers departing from MEA).** **Eliminating MEA's "energy credit" puts ratepayers on the hook to pay for your original commitment to them.** **Eliminating the "energy credit" distorts the total cost of MEA for consumers, and skews representations that MEA's rates are competitive with PG&E's.** This is surely not your desired intent.

***CPUC submitted Implementation Plan said exit fees paid thru 2015. What's up?***

Dawn Weisz says she expects the California Public Utilities Commission to soon require a substantial reduction in the size of PG&E's exit fee (see attached Marin Independent Journal story). With respect to her forecast and to your original pledge, the MEA should be pleased to continue with its commitment to pay exit fees as was intended, and also as was stipulated in the Implementation Plan which MEA submitted to the CPUC last year. The Implementation Plan document shows MEA pays exit fees through at least 2015 (see attached).

Aside from regulatory filings, MEA also made several verbal representations about its payment of customer exit fees. In 2010 MEA's consultant, MRW, explained to the City of San Rafael that MEA would not execute power purchase agreements unless the following occurred:

MEA Power Supply Costs + Customer Exit Fees + MEA Overhead must be < than PG&E Generation Rate.<sup>1</sup>

***MEA knew it was entering changing pricing environment from start***

In further support of MEA's commitment to pay exit fees, you received a letter from PG&E, dated March 5, 2008, alerting you to changes in PG&E's tariff schedule that would result in lower PG&E generation prices. These changes followed the precedents of San Diego Gas & Electric and Southern California Edison. (MEA removed this March 5 document from its website two weeks ago). Pursuant to that letter, MEA executed its power purchase agreement with Shell Energy in March, filed an action at the CPUC in April against PG&E's implementation of lower generation prices, and launched into business in May. It is apparent that MEA was not only informed about the unsettled price environment into which it was aggressively entering, but did so expecting to pay customer exit fees ("energy credit"). Shifting exit fees onto MEA ratepayers for whatever reason appears disingenuous.

<sup>1</sup> [http://www.cityofsanrafael.org/MCEReport/CC07\\_report.pdf](http://www.cityofsanrafael.org/MCEReport/CC07_report.pdf) page 7, item 6.

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***How about across board 14% rate cut and keep exit fees?***

In combination with continued payment of all exit fees, the MEA could also implement a 14% rate reduction through all tiers in its many rate schedules. This would facilitate a real rather than illusory 14% savings for your ratepayers and constituents. This would help to move MEA rates to a closer approximate parity with PG&E. Isn't this what you want?

If you are unable to reconcile the numbers in the attached table, I would be pleased to review them with you. Please send an email to me to let me know.

Very truly yours,

Jim Phelps

attachments

cc: Mr. Paul Clanon/ CPUC  
Ms. Julie Fitch/ CPUC  
City of Belvedere  
City of Mill Valley  
Town of San Anselmo  
City of San Rafael  
City of Sausalito  
Town of Tiburon  
County of Marin  
Town of Corte Madera  
City of Larkspur  
City of Novato  
Town of Ross

**Marin Energy Authority**

**Net Cost of MEA Light Green (RES-1)  
Before and After Announced "14% Rate Reduction"**

Annual Projected Total Cost Relative to Monthly Consumption  
(Baseline Territory XB. Assumes 31 days per billing period)

	kWh/ Mo.	PG&E generation (E-1)	As-Is	14% Reduction	Net cost impact of "14% Reduction" on MEA customers	MEA "14% Reduction" premium compared to PG&E
			MEA Light Green <sup>1</sup> includes "Energy Credit" to offset PG&E exit fees that are triggered by MEA (current)	MEA Light Green <sup>1</sup> MEA pays no "Energy Credit" and customer pays ongoing exit fees that are triggered by MEA (effective April 7, 2011)		
	400	\$179	\$219	\$265	increase +21%	+48%
	500	\$238	\$290	\$347	increase +20%	+46%
Typical Residential use <sup>2</sup>	540	\$290	\$352	\$416	increase +18%	+43%
	600	\$372	\$451	\$525	increase +16%	+41%
	700	\$509	\$615	\$708	increase +15%	+39%
	800	\$667	\$811	\$911	increase +12%	+37%
	900	\$868	\$1,067	\$1,155	increase +8%	+33%
	1,000	\$1,069	\$1,323	\$1,398	increase +6%	+31%
	1,250	\$1,571	\$2,011	\$2,043	increase +2%	+30%
	1,381	\$1,834	\$2,409	\$2,409	0%	+31%
	1,500	\$2,073	\$2,771	\$2,742	-1%	+32%
	1,750	\$2,575	\$3,531	\$3,441	-3%	+34%
	2,000	\$3,078	\$4,291	\$4,139	-4%	+34%

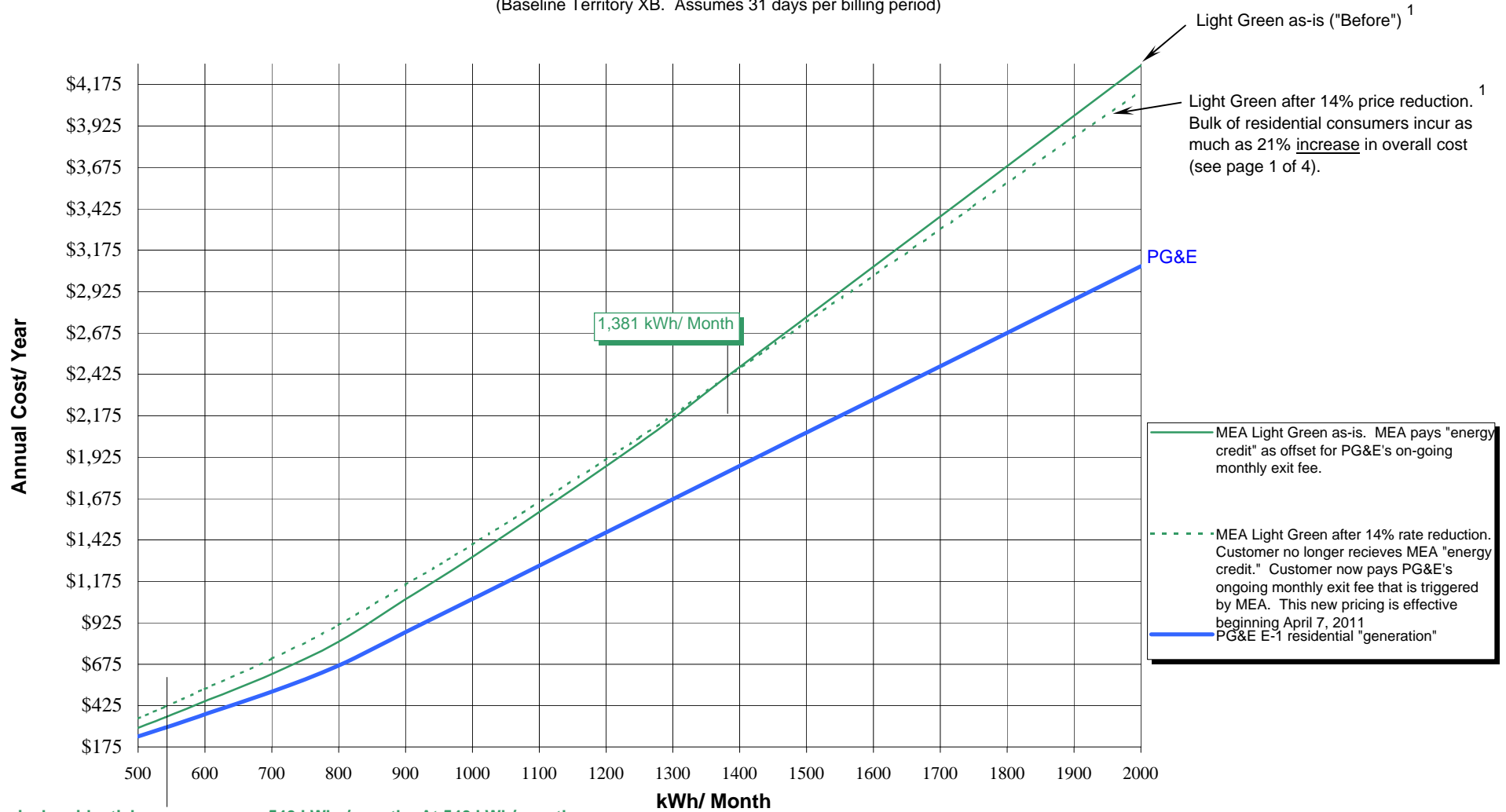
Prepared Feb 16, 2011

<sup>1</sup> Based upon MEA Agenda Item #9, dated February 3, 2011

<sup>2</sup> <http://www.pge.com/about/environment/calculator/assumptions.shtml>

### Marin Energy Authority Net Cost of MEA Light Green (RES-1) Before and After Announced "14% Rate Reduction" <sup>1</sup>

Annual Projected Total Cost Relative to Monthly Consumption  
(Baseline Territory XB. Assumes 31 days per billing period)



Typical residential consumer uses 540 kWh/ month. At 540 kWh/ month, this MEA customer's net cost increases 18% after "14% Rate Reduction."

— MEA Light Green as-is. MEA pays "energy credit" as offset for PG&E's on-going monthly exit fee.  
- - - MEA Light Green after 14% rate reduction. Customer no longer receives MEA "energy credit." Customer now pays PG&E's ongoing monthly exit fee that is triggered by MEA. This new pricing is effective beginning April 7, 2011  
— PG&E E-1 residential "generation"

Revised 2-17-2011

<sup>1</sup> Based upon MEA Agenda Item #9, dated 2-03-2011