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Mr. Phelps,

Your December 2nd letter sent to our agency and other parties regarding greenhouse gas accounting is unfounded and intentionally deceptive. Crafting serious accusations from incomplete and misleading information is irresponsible and a disservice to our community.

In response, and as a backdrop to this discussion, it is important to note that the market for energy and environmental products is largely financial - not physical - which essentially means that such products are typically bought/sold across geographic areas and timelines that may not "match up" exactly with customer usage patterns and/or locations. This is an industry standard practice used by all utilities operating in California (including PG&E), that provides the necessary operating flexibility to effectively operate a utility system and serve customers on a cost effective basis. To toss accusations at our agency for following standard industry protocol is irresponsible and disingenuous.

In the simplest of terms, MCE made a commitment to deliver a lower emission factor than PG&E, and that commitment was honored. This commitment was made quite a while ago (in advance of 2011) and has not changed. Revisionist history, by contrast, implies that MCE altered its commitment as a marketing ploy, or gimmick, to gain some after-the-fact advantage... whatever that may be. This did not occur as the commitment was clear and did not change over time.

It is accurate that procurement activities were trued-up after the 2011 calendar year had passed, a practice that is common for certain voluntary programs, including the Center for Resource Solutions' Green-e Energy program. Truing up is necessary for utilities because 1) volumes for customer usage tracked through the California Independent System Operator (CAISO) is not final until many months after the date of use, and 2) large utilities require time to reconcile variations in energy deliveries within a calendar year with usage and to then create accurate reporting. Due to timing issues affecting informational availability (specifically, timelines affecting the availability of PG&E's "verified" portfolio emissions factor), this true-up was necessary for MCE to honor the commitment it made to its customers.

You omitted from your letter, however, that the significant majority of MCE's carbon-free energy procurement for 2011, which included a large proportion of renewable energy, was completed during the 2010 and 2011 calendar years. Contrary to your allegations, MCE didn't wait until 2013 to purchase all of its carbon free supply in an attempt to retroactively address this item, it simply performed a true up, as required by industry timing, when the final target was available.

You also have failed to note that the referenced carbon free purchases for 2011 were voluntary (and therefore not subject to any particular timing restrictions), and these carbon free certificates were actually produced during the 2011 calendar year (in November 2011; the same year in which MCE accounted for the environmental benefits). This approach ensured that the environmental benefits were accounted for during the same calendar year in which the emission impact was calculated.

Another deceitful representation you have included in your letter relates to your characterization of renewable energy credits (RECs). In your letter you include a list of 'problems' and 'problem #4' starts with a comment that, "RECs are not clean power." However, on September 15, 2011 you presented clear comments to the Ross City Council to the contrary, encouraging the councilmembers not to participate in the MCE program, and encouraging them to instead purchase RECs. As recorded in the minutes from that meeting (which are publicly available) your comments were as follows: *"If they* [the councilmembers] *all agree that the environment is the issue, Ross can purchase a Renewable Energy Certificate (REC). REC's allow everyone to be green for a fraction of the cost."* Thus, in your letter you are not only stating an opinion as if it were fact, but you are attempting to manipulate your audience by assertions that even you apparently do not believe.

Finally, we refute your characterization of compensation for our staff and consulting team as it is also inaccurate and misleading. All information about compensation for MCE staff and service providers is publicly available and reviewed by our Board of Directors.

In closing, we note that to the extent PG&E is interested in ratcheting up/true-ing up its procurement efforts to increase clean/renewable energy procurement voluntarily, MCE would welcome this practice. Unfortunately, the only PG&E true-up process of which MCE is aware entails selling off its "excess" renewables so that they don't exceed the 20% CA Renewable Portfolio Standard (by much, if at all).

By contrast, MCE has <u>voluntarily exceeded</u> the CA Renewable Portfolio Standard (RPS) every year since our launch, and also <u>voluntarily increased the quantity of RPS energy purchases</u> every year.

We encourage you to use more accurate and complete information going forward.

Regards,

Dawn Weisz

Dawn Weisz
Executive Director