

THE COUNTY

Marin Energy to cut rates by 14%

Move will put bills in line with PG&E

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A plan by the Marin Energy Authority to cut average electricity rates by 14 percent effective April 7 will return the local agency's rates to approximate parity with those of Pacific Gas and Electric Co., authority officials say.

Addressing authority board members at their monthly meeting last week, **John Dalessi, the authority's chief consultant**, said many of the Marin Energy Authority's rates would be "nearly identical" to PG&E's after the 14 percent rate cut, while a few would be slightly higher.

Dawn Weisz, the authority's executive officer, said, "MEA's rates remain competitive with PG&E's while providing a **superior product**."

Currently, 26.5 percent of the electricity that the Marin Energy Authority supplies to its 9,000 customers comes from renewable sources. PG&E estimates its renewable percentage topped 16 percent in 2010.

In addition to the rate cut, the authority is eliminating a \$10 monthly fee that was being charged to customers who wanted to buy electricity from 100 percent renewable sources prior to the time of automatic enrollment.

In its initial marketing, the authority pledged to "meet or beat" PG&E's prices, while providing customers with electricity that comes from a minimum of 25 percent renewable sources. But in June, when PG&E raised rates for customers in its bottom three tiers and cut rates for high-usage customers in the top two tiers, the authority chose not to adjust its rates.

As a result, the authority's larger residential users have been paying more for electricity than they would have if they had stayed with PG&E, while customers who use more modest amounts of electricity have paid less.

Then, at the beginning of 2011, PG&E cut its average electricity generation rates by about 17 percent. PG&E said the rate cut resulted due to lower energy costs. The cost of natural gas, which is used to generate a large percentage of PG&E's electricity, declined steadily throughout 2010. PG&E has, however, announced it plans to raise its rates an unspecified amount in March.

"PG&E's rates tend to fluctuate frequently," Weisz said.

Weisz noted that the authority adjusts its rates just once a year. The authority signed a five-year agreement in March 2010 with its electricity wholesaler, Shell Energy North America, so it is shielded, at least temporarily, from energy market gyrations.

Gene Dyer of San Rafael, one of the few members of the public to speak at Thursday's board meeting, urged the board to proceed cautiously with rate cuts.

"You lucked out and got a contract with Shell when prices were down," Dyer said. He added that the authority may have to spend considerably more for electricity in the future, particularly if it intends to further boost its use of renewable energy, which often costs more to produce.

Part of the authority's 14 percent rate cut will be paid for by discontinuing a credit that the authority was granting to customers to offset a special fee that PG&E levies on authority customers. The California Public Utilities Commission allows PG&E to collect a surcharge from customers who switch from PG&E to the Marin Energy Authority to ensure that remaining PG&E customers aren't stuck paying for maintenance of the electrical distribution system, which remains PG&E's responsibility. Weisz said the surcharge is larger than it needs to be. She expects the utilities commission to soon require a substantial reduction in its size.

Dalessi said other factors contributing to the rate cut were the recent consolidation and refinancing of the authority's startup loans and the authority's conservative fiscal management.

PG&E is still waiting for the utilities commission to respond to its request to eliminate its tiered pricing for electricity. Instead, the investor-owned utility wants to charge a flat fee for electricity, while shifting the tiered structure to the section of the bill having to do with transmission and distribution.

The authority and PG&E compete strictly on generation costs. Authority and PG&E customers currently pay the same amount for transmission and distribution.

If PG&E begins charging all customers the same amount for electricity while charging large energy users more for transmission and distribution, Marin Energy Authority customers who use large amounts of electricity would face both higher generation and higher transmission and distribution costs. And, if the authority cuts its rates to compensate, it would have to either absorb the loss or shift the cost to customers who use smaller amounts of electricity.

Weisz said that if the utilities commission approves the request it is likely to phase in the change over several years to preserve competition.

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