

## SPECIAL MEETING of the ROSS TOWN COUNCIL TUESDAY, JANUARY 12, 2010

1. 6:30 P.M. Commencement.

Present: Mayor Strauss; Mayor Pro Tempore Hunter; Council Member Cahill, Council Member Martin; Council Member Skall; and Town Attorney Hadden Roth.

2. Posting of Agenda.

Town Manager Gary Broad reported that the agenda was posted according to government code.

3. Town Council consideration of whether to give, or not give, advance written notice to withdraw from the Marin Energy Authority as required under Section 7.1.1.1 of the Marin Energy Authority Joint Powers Agreement. The Town may withdraw its membership in the Authority by giving no less than 30 days advance written notice prior to the Authority's execution of Program Agreement I.

Project Planner Christine O'Rourke reported that at the December Council meeting, the Council discussed the Marin Energy Authority draft power purchase agreement and first considered whether or not to withdraw from MEA at this time. Tonight's special meeting was scheduled in order to receive more input from Ross residents and ratepayers. The Council must decide this evening whether or not to move forward with the Marin Clean Energy program and remain a member in MEA. If the Council decides to withdraw, it should direct the Town Manager to submit written notification to the MEA Board pursuant to the joint powers agreement.

When the Council voted in December 2008 to join MEA, it was done with the understanding that the Town could leave without penalty if significant risks or issues remained after the implementation plan had been developed or if unsatisfactory bids for power purchase had been received. The draft contract was released in November and the Implementation Plan was submitted to the CPUC in December. The staff report discusses the remaining issues and potential risks of MCE, which she briefly summarized as follows:

Two of the primary objectives of Marin Clean Energy (MCE) are to provide Ross residents with the opportunity to purchase electricity with a higher renewable energy content than currently available and to reduce greenhouse gas (GHG) emissions. In order to analyze the potential benefits of the MCE program, staff compared outcomes under two different scenarios – one in which the only energy provider remained PG&E, and the other in which MCE was also available to ratepayers. Currently, PG&E power contains 15% renewable energy, and that percentage is expected to rise to 20% by 2013 and to 33% by 2020 under state mandates. Staff estimates that community emissions should be reduced by 3% by 2015 and by 7% by 2020, even if the Town does not participate in the MCE program. Since the Town's goal is to reduce GHG emissions by 15% by 2020, PG&E alone will get Ross half way to their goal. Under the second scenario, there will be two energy options under the MCE program – a Deep Green product that contains 100% renewable energy, and a Light Green

product that contains 25% renewable energy. Staff estimates for GHG reductions under MCE are based on several assumptions as follows:

1. Actual subscription rates will be as projected in the implementation plan. That is, 80% of Ross ratepayers will be signed up for MCE at the conclusion of the opt-out period, and 20% of those ratepayers will elect the Deep Green option.
2. MEA purchases for renewable content will result in new renewable energy generation facilities despite the fact that the draft contract does not require the energy provider to build new facilities.
3. The estimate assumes the final contract will specify 15% large hydro content. This is important because if no large hydro is specified – a possibility under the draft contract – the final Light Green product would emit more greenhouse gasses than PG&E power currently does.
4. And finally, the estimate assumes MEA will increase the renewable content of the Light Green product to 50% by 2015. This is not guaranteed under the current contract.

Under these assumptions, staff estimates the MCE program will initially reduce Ross emissions by 4% and that reduction may increase to 9% by 2015. Another issue remains concerning MCE pricing. The draft contract does not contain actual prices, but the MEA board has stated that the contract will not be executed unless the final Light Green rates meet or beat PG&E projected rates, which MEA expects to escalate on average by 3.4% per year. Whether or not this will be the actual PG&E escalation rate is unknown, and there is a possibility that MEA rates could be higher than PG&E rates over the next five years.

There also remain questions about potential financial risks. The County of Marin has loaned MEA \$540,000 to date, and MEA will require another \$1.6 million for start-up funding and approximately \$10 million for working capital. If the County, member jurisdictions, or other public agencies such as MMWD guarantee these loans, they will be taking on financial risk. Ultimately, this risk is borne by the taxpayers and customers of these public agencies. MCE customers could also face higher rates and exit fees if MEA has insufficient revenue to pay its debt obligations or fully fund its annual operating budget. It is unclear how significantly higher costs or lower revenues than anticipated in the business plan would affect rates or exit fees under worst-case scenarios.

Finally, Town Attorney Hadden Roth was asked to opine on potential financial risk to the Town. His conclusion is that the Town's general fund will not be responsible for any financial obligations of MEA unless the Ross Town Council first specifically agrees in writing to assume the liability. This protection is provided under both the JPA agreement and State law. Nonetheless, it is a possibility that during a creditworthiness review, the CPUC could determine that MEA must require the member cities to be responsible for the debts and liabilities of the Authority. This determination will be made before the contract with the energy provider is executed on February 4.

Mayor Strauss opened the public hearing on this item.

Phil Paisley, Baywood resident, encouraged the Council to drop out of MEA. He is not in favor for a variety of reasons. He did not think government should be in the energy business. The object is to have an investor where the utility itself takes the risk, not the ratepayer. The investors are encouraged to invest and the PUC sets objectives, guidelines and regulations

for the utility and that is what they have with PG&E. If MEA is successful, they will essentially be watering down the ability of the utilities to perform. He further noted that PG&E and other utilities are using smart meters.

Karen Lang, Ross resident, stated that PG&E does not make any money on the procurement of the energy. They make money on infrastructure. In reading the staff report, she did not see that this clean energy option brings any significant new choices. Prices are to meet PG&E, so there are no incentives. She did not have a lot of trust in MCE. Also, an energy entity run by the County is not subject to the scrutiny of regulations or oversight of a PUC. She is worried with the plan of investing in generation resources and finds that a big risk and did not see the need or benefit.

David Peterson, Upper Toyon Road resident, submitted a letter to Council and emphasized that after reading the staff report it is somewhat questionable when discussing Ross's goal to reduce carbon emissions by 2020 and that being part of MEA initially will not make any difference at all. The goal of reducing carbon is to help with GHG emissions. With MEA, until they create some new source of renewable energy it will have no effect. Also, he is concerned about the MEA Board's ability to run a utility. He felt Ross has enough on its plate without creating another bureaucracy. He agrees with MEA's goal, but the return is not there and it comes with great risk. If this is a failure, County taxpayers and ratepayers of the Water District will be paying for this failure for years. He further recommended that the Council not move forward.

Dick Bobo, Redwood Drive resident, stated after going through the power point and business plan it became apparent that there are too many unknowns, so he recommended postponing a decision for six months. He is very concerned that not many residents in Ross are aware of this matter. It is the Council's obligation to make all residents aware that they have to opt-out if they do not want to participate in the program.

Tim Wilson, Morrison Road resident, felt the Town of Ross should opt-out.

Lynn Langford, Bolinas Avenue resident, supported MEA's program. She listened to the debate after the last meeting and investigated the program and noted her support. She believed competition is good. It makes good companies, great companies because they are going after business. Local control of ultimately local renewable resources is a better package and a better solution. They should not be afraid. There is a lot of conversation about fear. Much of the debate is that managing energy is too complicated and she sees people that have run businesses, raised families and done great work in Ross. The MEA Board are smart, thoughtful and successful human beings and a vote against MEA is a no confidence vote against Ross residents. She further encouraged the Council to support MEA.

Diane Rudden, Willow Avenue resident, recommended that the Council opt-out. She read the Grand Jury Report and the program remains undefined and the benefits are likely to be minimal. Legislation is changing and PG&E will have to buy back energy as well as do more renewable energy. There are other ways to accomplish this rather than MEA's program.

Kiki La Porta, Ross business owner, believed in the right of communities to exercise self-determination over their affairs for the public good, rather than for profit. She strongly supports MCE, and believes its mechanism meets the standard of choice while protecting

consumers from the unfair advantage of sophisticated and deep-pocketed marketing efforts to defeat it. She discussed a petition by the City and County of San Francisco to strengthen CPUC regulations to prohibit electric utilities from engaging in marketing campaigns and other abuses of their monopoly position to undermine a CCA, a program intended to enable local governments to develop cleaner, renewable energy sources and ultimately stabilize consumer electricity cost. The move comes in reaction to efforts by PG&E to kill consumer choice. PG&E has failed to meet the standards of the State of California in providing green energy since the standards were instituted. Today, they have an opportunity for Ross to remain with the majority of citizens in this County in taking charge of such an important matter to begin to understand what they have been doing to date has not worked. They are owned by money. PG&E is in front of the PUC for violations of the spirit and letter of the law that established the ability of the cities to create CCA programs, specifically for their marketing efforts. She hoped the Council implements MCE in Ross, thereby giving residents the opportunity to choose between PG&E's energy generation sources, and those renewable sources and energy reduction programs selected and ultimately commissioned and owned by MEA for the people of Marin.

Wendy McPhee, Ross business owner, supports MCE. She expressed concern for the negative comments about MCE in the staff report. She felt having a choice makes a major difference. When there is choice, then competition is increased. She further agreed that those working for MCE and MEA have the intelligence to make this successful.

Paul Fenn, Local Power representative, urged the Council to continue supporting MEA and join the rest of the cities in Marin and keep moving forward with the program. They desire the choice and wanted Ross to have the choice to use MEA power for the facility in Ross to reduce GHG and have reliable and cost sustainable energy into the future. MEA provides that ability. There will be four choices to opt-out as they move forward with MEA. Citizens will be educated in regard to opting-out. He encouraged the Council to support MEA. Circumstances in which the PUC would consider any liability relate strictly to the ability of the authority to pay PG&E and has nothing to do with buying power. He further recommended that the Council remain in the program with MEA.

Jim Phelps, Novato resident, submitted comments to the Council for their consideration and noted that he has an issue with trust and misinformation. The problem has been such a flow of detailed information. He pointed out that the take or pay contracts are the same vehicle in place with Shell Energy North America that almost bankrupted the Los Angeles Water District. When paying an exit fee to PG&E several will be upset. He further noted that the energy traders are charged with making a profit as with Enron.

John Haley, San Anselmo resident, finds it fascinating how the story is getting better and better. This will bring jobs to the County. He questions whether the County can run their own agency correctly without being sued. For example, the Oakland Raiders are a poorly run franchise. Electing people that do not have knowledge about public power is not appropriate. They must be very careful about heading down this path. All are for green energy, but for their community as well. He asked the Council to think this through and be brave and decide what is best for the Town of Ross.

Rachel Gina, LEED AP Designer/Corte Madera resident, believed they have a unique opportunity to influence the actions of others to reduce GHG emissions. Answers lie in

localism. People are afraid of the cost of energy independence. Some criticized the purchasing agent and this is the interim step and self-reliance is the goal. She chooses local, clean and renewable and asked the Council to keep this important effort alive.

Don Davey, VP Sustainable Novato, stated that several are pointing out that the power business is a very complex business. They must review closely as they consider creating a public power agency. MEA has studied this very closely. Novato refused to listen to an update from MEA. Others have looked very closely and established a positive answer. He pointed out that several are happy with PG&E's service and delivery of reliable power. Billings are accurate and all will continue with the same great service just under MEA. It is only the power purchase portion that MEA is considering. It is a simple choice.

Merlin Edwards, East Bay resident, Board of African American Chamber of Commerce, stated that the City of Alameda was considering taking over a telecommunication company and they have been in the utility business for well over 100 years. They encouraged the City of Alameda not to move forward with the telecommunication business, but the City felt they were experts. A few years later, after spending millions of dollars, they got out of the business. He does not question the intelligence of the Town Council, but questions one's ability to run an energy company. It is extremely difficult. For the benefit of Ross, they must think very carefully before voting to form their own energy authority. He attended several Oakland City Council meetings, and this idea of choice will not come up in Oakland. Staff will make recommendations, but the City Council in the City of Oakland will not vote for this program due to money and that it will raise several eyebrows in the City. Oakland is not moving closer to this program. He recommended that the Council be very careful when making a decision and suggested not moving forward with this program.

Kris Brown/Julie Barlett, representing Main Street Moms, supported MEA moving forward. They have been looking at this for several years. She submitted, "*Marin Energy, Let it be Our Choice*" and noted that several groups are in support including several businesses throughout Marin County and beyond. They thanked Ross for whatever they can do to keep this moving forward.

Basia Crane, President of MUTA (Marin United Taxpayers Association), submitted a detailed letter to the Council objecting to MEA's program and is opposed to using taxpayer funds for MEA's start-up costs.

Mr. Bobo discussed local renewable resources in regard to wind, bio fuels and hydro and wanted to know where the wind farms and facilities will be located.

Barbara George, WEM, discussed PG&E's coalition that was sent to Fairfax and noted that PG&E is funding several anti CCA pieces in San Francisco and in Marin. Just yesterday afternoon a protest was filed at the PUC in the community choice proceeding that began in 2003. San Francisco filed this extensive petition to modify decisions. They are asking the CPUC to clamp down on the utility due to its marketing efforts. The company agreed not to market against community choice and PG&E's comments recommended a finding of fact and agreed not to affirmatively contact and target CCA customers to opt-out of the CCA program. Very happy this was filed since there have been issues discussed in the energy efficiency proceedings about how the utility has been illegally offering energy efficiency funding in return to cities that reject MEA. Novato has been lost in negotiations for 11

months. Offering energy efficiency money to combat community choice is not a proper use of funds. She further urged the Council to approve MCE.

MEA Director Dick Collins/Tiburon Mayor, supports the Council moving forward with MEA. He respects those not in favor and they should opt-out. He could not deny residents their right to make their own decisions. It seems if they will ultimately get there and be independent in this County, then they must take the long view. There is risk and cost, but asked the Council to see where they want to go in regard to making a difference.

Elaine McCarty, Ross resident, supported MCE. Her primary concern is that anytime a corporation launches campaigns she is very skeptical. PG&E spent millions challenging ballot measures in Marin County and she wanted to continue to have choice. More choice is best. Town Council and citizens of Ross must plan for their future and their children. They must consider the cost of meeting the requirements of AB32. MCE is a viable option to meet those requirements otherwise there will be costly consequences. She recommended moving forward with MCE.

Katherine Mahoney, Ross resident, opposed MCE and opposed Ross's participation. Creation of another government bureaucracy is not necessary since there is a perfectly viable solution with PG&E. It has a clean energy component. The government should not compete with private enterprises when there is a viable solution. The money that has already been spent on MCE coming from taxpayer money going to the County is more than she would want to be funding at this point. She opposed the additional \$1.6 million to get this off the ground. She believed there are more pressing needs in this County than this particular need in her view.

John Schlag, VP of Sustainable Marin, discussed Apollo 13 and the huge argument about carbon monoxide. He cannot wrap his arms around the earth, but it is all about the carbon and MEA stands above every other combined effort to reduce GHG emissions. Ross will take a leadership position by moving forward as well as a leadership position for the US.

Megan Matson, representing Main Street Moms, stated that MCE is a concept that has been worked on for seven years and she has been involved for three years. It is hard work. She cares about this deeply. She hopes when they are fielding this information they are not dumb and do not need to be scared. JPA's have been used all across the country. They are talking simply about the procurement piece of this. Expertise has been impressive. The not so Grand Jury Report has been answered and rebutted. MRW's peer review of the actual contract found no fatal flaws. These are independently commissioned peer reviews. The San Rafael City Manager's Report looked at risk and cost and stated there is no financial risk to stay this course. Also, no MCE program cost will be borne by the cities' general funds. A major point in standing behind this is that it is the only program on the table with its own revenue stream. June 1<sup>st</sup> it goes live and July 1<sup>st</sup> there is a ratepayer revenue coming in. No other efficiency or renewables program has a revenue stream. The AB32 mandate must be considered. Included in the MEA's response to the Grand Jury Report was the fact that MCE projected GHG emissions reductions are 50 times greater than all others on the table. She further noted that the country looks to California for innovative causes.

Interim Director Dawn Weisz provided the Council with a power point presentation on Marin Clean Energy "*Renewable by Choice*" that included the following:

- MEA Meeting Dates
- Average Marin PG&E Bill
- What is the impact to MEA Customers? The Generation piece will change
- Renewable Energy Content PG&E Compared to MCE Light Green
  - 2020 100% and going forward 100% renewable energy content
- GHG Reduction – Sample Measures for Marin
  - GHG Reduction Goal: 797,130 tons Co2e
  - Redirecting existing ratepayer funds
- Projected GHG emissions using PG&E methodology for 2010
  - 20% Deep Green
  - 25% Light Green
  - 15% Hydro
  - 40% Co2
- Projected GHG emissions using PG&E methodology for 2015:
  - 25% Deep Green
  - 25% Light Green
  - 15% Hydro
  - 20% Renewable Projects
  - 15% Co2
- MCE Objectives:
  - High Renewable Content
    - Light Green Option: 25-50% renewable content
    - Deep Green option: 100% renewable content
  - Low Cost:
    - Cost at or below PG&E projections for initial contract
    - Improved economics after Year 5 through ownership of renewable generation assets
  - Result: Customer Choice
    - Light Green, Deep Green or PG&E
- Benefits:
  - Cost stability
  - Competition in Business
  - Bringing jobs and revenue to the local economy
- Other Benefits: Local Focus
  - Local Responsiveness
  - Local Rate Setting
  - Local Renewable Development
  - Local Programs
- Benefits For Marin County
  - Energy Efficiency and Distributed Generation
  - Huge Strides toward AB32 Mandate
- Estimated AB32 Compliance Cost by Community
- Power Purchase Agreement Development Process
  - May 2009: RFP Released
  - July 2009: 12 proposals
  - August 2009: 3 finalist selected
  - September 2009: Negotiations with finalist

- October 2009: Draft contract approved and released by MEA Board, presented to member agencies, peer review conducted
  - November 5, 2009: Final draft contract approved and released by MEA Board
- Draft Contract Under Extensive Review
  - Ad Hoc Contract Committee
  - City Managers sub group and City Manager group
  - City and Town Attorneys
  - Ad Hoc Technical Committee
  - Third Party peer review by MRW & Associates
- Professional Services Support
  - Navigant Consulting, Inc.
  - Milbank, Tweed, Hadley & McCloy LLP
  - Richards, Waters and Gershon
  - Nixon Peabody
- Power Supply Contract
  - Contract is based on EEI, Master Power Purchase and Sale Agreement
  - Five year delivery period, beginning on June 1, 2010 and ending on May 31, 2015
  - Contract prices set at the beginning of five-year term
- Contract Overview
  - Supplier will deliver all of the energy MEA needs with guaranteed energy supply 24/7
  - Contract insulates municipal funds/budgets before, during and after the delivery period
  - MEA credit exposure is limited to customer receipts/revenues
  - All MEA customers will receive at least 25-50% of energy deliveries from California Energy Commission eligible renewables resources
  - Coal and nuclear generated power will not be purchased for either product
  - MEA can substitute renewable energy generated by newly developed and/or purchased resources for contracted energy volumes; MEA will work with supplier to unwind unnecessary contracts power
- Long Term Objective: Owned Renewable Assets
  - MEA will negotiate future contracts prior to initial contract expiration and substitute in new assets, ensuring seamless energy delivery
  - 150-200 MW CA certified renewables projects to be on line by 2014
  - MEA will invest in local and regional renewable projects targeting 100% renewable content by 2016
- PG&E Generation Rate History Authorized Systems Average Generation Costs 2005-2009
- Contract Pricing – Assuming a 3.4% rate increase for PG&E
- MEA Uses of Funds Years 1-5
- Risk Mitigation
  - Extensive Technical
  - Legal challenges evaluated
  - Investor-owned utility opposition addressed
- Project Schedule- October 2009-June 2010

Interim Director Weisz noted that MEA will higher 20.5 staff members. They are looking for executives and CEO's that have run such programs before either in the private or public sector. Legal and technical support will continue. One out of every four energy customers in California receives power from a municipal utility. They have been in operation for decades and decades. They provide power at a lower price to customers due to lower overhead and other benefits to draw upon. She clarified that all risk taken on by the utility are passed on by customers. Those charges are absorbed by ratepayers, not shareholders. This is allowing customers a choice. With the MEA program, people can decide. Providing the choice is a good option for those who want to stay with PG&E and those who do not.

Joe Nation, representing Common Sense Coalition of Marin County, appreciated this extra session to inform people of their choices. He focused on a few comments discussed tonight and highlighted the risk and dangers and very uncertain and poor outcomes associated with MCE. In terms of price, MEA might guarantee lower rates in Year 1, but not Years 2, 3, 4 or 5. PUC is not able to impose joint and several liabilities, but requires as part of the ongoing operations of the MEA. They could get to a point of moving full speed, but due to credit worthiness issues it is unlikely that someone will loan money to the MEA without any collateral. Also, this issue of GHG reductions, they must desperately reduce GHG in California. Every scenario considered shows MEA bringing a worst result than the baseline case if remain with PG&E. Why expose and create bureaucracy if it is not going to reduce GHG emissions. PG&E is already 51% GHG free, so why go to 25% GHG free. Shell has large hydro assets, but their right and power to that expires mid 2011. 20% of people will choose the deep green option based on surveys. Palo Alto has a similar program and it led to a 21% enrollment of all the customers. MEA did not say that the 21% only draws 5.8% of the load and it took seven years to get to that point. This is still worse off than PG&E. At the end of this initial five-year period, the net result is that MEA will increase GHG emissions. He did not see how MEA could beat PG&E on those GHG emissions. No one suggested that any entity in Marin County would be regulated. No direct regulation. There will be indirect cost. He wished MEA would do what has been done in Portland. Dense development and transportation improvements is what worked for Portland. Put as much effort into transportation solutions in order to win this battle of GHG. If electricity were shut off in Marin County, GHG emissions would be reduce by 13%. They are ignoring the other 87%. There are several other solutions in terms of building renewable energy. Transportation side must be considered such as hybrids. Again, he appreciated the opportunity. Everyone must understand the options. This is more than a choice. It is an affirmative action being taken. This is not a free choice, in the end someone will be on the hook for those investment dollars, for all the cost. GHG emissions do not justify this program. He asked the Council to support a public vote, review the Grand Jury Report and County Treasurer Report suggesting that the Grand Jury Report was on target and this posed a significant financial risk to the County.

Ontario Smith, PG&E representative, supports the goal of reducing GHG emissions. Energy supply is extremely clean. They support AB32, but MEA is not the appropriate vehicle. The plan, contracts and performance will result in increased GHG emissions and likely increase cost without any local renewables, which is the point. MEA fails to do any items set forth in their charter. No local renewables and no price savings. A letter was provided to Town Council and MEA Board that showed that under every scenario MEA's rates would be significantly higher. To have customers put into a program that will increase rates and GHG emissions without a say seems wrong. He encouraged the Town to think about a less risky

way to reduce GHG emissions.

Supervisor of Energy Division of PUC explained that they do not regulate a CCA. Under law there are provisions where they are responsible for setting rules between business relations. They are in the process of implementing that. They do not directly regulate a CCA. In terms of credit worthiness review, it has to do with commercial rules being established between PG&E and CCA, such as billing and metering. The CCA is required to pay monthly fees to PG&E for performing services and must demonstrate they are credit worthy. Marin will make an upfront deposit that will take care of that requirement, so he did not see an ongoing issue.

Council Member Martin stated that if MEA defaulted on a payment then that would be an issue. PUC Supervisor responded in the affirmative.

There being no further public testimony on this item, the Mayor closed the public portion and brought the matter back to the Council for discussion and action.

Council Member Martin is very pleased with all the testimony heard tonight, from residents of Ross and those outside of town as well as representatives from PG&E and the MEA. It has been a long process with strong opinions. For the past year, he has served as the Town's representative on the MEA Board. He has attended several meetings, visited a wind farm in the hills near Fairfield where hundreds of wind turbines standing taller than the Statue of Liberty, each with the capacity to provide electrical power to 1,200 homes, and he toured the Independent System Operator Facility in Folsom. He read and studied volumes of documents, including the original business plan, JPA, Operating Rules and Regulations, PPA, the Implementation Plan, and the Grand Jury Report, as well as other documents. He also participated in writing the response to the Civil Grand Jury Report. Before forming an opinion on the MCE proposal, he asked himself the following three questions:

1. Does it pose an immediate or future financial risk to the Town's General Fund?
2. Is the MCE proposal beneficial to the Town of Ross?
3. Does it benefit the residents of Ross?

Now, Town Attorney Hadden Roth has formally weighed in and advised that the Town's General Fund will not be responsible for any financial obligations, unless the Ross Town Council specifically agrees in writing to assume such liability. There is a legal firewall between the MEA and the Town's General fund. Further, the contract with the energy provider insulates municipal funds completely and limits MEA's financial exposure to revenue collected from ratepayers. He concluded that continued participating in the MEA would not endanger the Town of Ross municipal funds. As heard, participation may actually mitigate Town and taxpayer exposure to future costs associated with the State mandated AB32. He then asked, how does participation in the MCE program benefit the residents and the Town of Ross. Teddy Roosevelt said, "*Competition is not only the basis of protection to the consumer, but is the incentive to progress.*"

Council Member Martin added that establishment of MCE would shatter the current monopoly situation that tends to stagnate innovation and lock in higher rates. The residents of Ross would be able to have a choice. Competition should lead to the purchase of more environmentally responsible sourced electricity, as well as competitive prices. One out of four Californians receive their electricity from municipal owned utility (such as SMUD) and pay 20% less for electricity than investor owned utility companies. As required by State law,

PG&E will continue to provide transmission and distribution services, as well as meter-reading, maintaining the lines, customer billing, and will continue to be paid an ample amount for those services. Another benefit of the program is local control. Rather than deal with politicians and lobbyist in Sacramento, decisions such as pricing, sourcing of electricity, energy efficiency policies and rebates, and other programs will be determined locally, with greater transparency, responsiveness and accountability. Those who participate will have full access to financial records, rate structure methodology, and even be able to know the lobbyist and how much they are paid. Local governments are accountable to their community through locally elected officials whose tenure is predicted on serving the public good. MCE can offer lower cost tax-exempt financing to build generation. This will also lead to opportunities for local, merging solar, wind, geothermal and biomass companies with an ability to generate sustainable power in innovative ways and generate local jobs. It is encouraging that the MEA has received numerous presentations from local entrepreneurs who would like to provide some of the 180 megawatts of power that MCE will need. The Town of Ross, and residents, even those who opt-out and stay with PG&E, stands to benefit from choice and competition.

Council Member Martin then discussed the Civil Grand Jury Report, in its report, the Grand Jury identified near-term and long-term risks. The MEA provided thorough answers to each of the Grand Jury's 14 findings and four recommendations. One aspect of the Civil Grand Jury Report that has gone unnoticed are the benefits of the MCE program the Grand Jury identified. He then quickly read that section of the Report starting on Page 9: "*Benefits of Marin Clean Energy May include:*

- *Consumer Choice: The cities and County will have the ability to choose different renewable energy levels and benefit from long-term cost competition.*
- *Cost Stability: Costs may be locked in through power purchase agreements and owned generation assets.*
- *Local Control: Policy direction and rate setting will be the responsibility of the MEA Board.*
- *Greenhouse Gas Reduction: The MCE program will aid in reducing GHG levels and help reduce potential compliance costs of AB32. MCE can help by increasing local consumption of renewable energy."*

Consumer Choice, Cost Stability, Local Control and GHG Reductions, these are worthy benefits for the Town of Ross that cannot be provided by PG&E. Like many, he has made adjustments to conserve more and waste less. But this may not be enough to address the interests of future generations Days ago the White House issued a very grim report about climate change. It said urgent action is needed, because "*serious consequences*" are already emerging. They include rapidly retreating glaciers in the American West and Alaska, altered stream flows, trouble with the water supply, rising sea levels, health problems, and changes in agriculture. Winters in parts of the Midwest have warmed by seven degrees in just 30 years. In light of this, he is confused why PG&E is opposed to two pieces of State legislation that would encourage consumers to invest in solar energy. One of these bills, California Assembly Bill 560 would increase the amount of "*net metering*," or the amount of credit given to customers who own solar panels and who transfer their surplus power back to the utility. The bill would require PG&E and other utility companies to accept net metering until it hit 10% of its peak electricity demand up from the current cap of only 2.5%. Why is PG&E opposed to a program that would attract more solar installations? It is apparent that PG&E's primary interest is to preserve its Northern California monopoly and protect the interest of its shareholders. He believes that the mission of the MEA is clear and not

conflicted, which is providing clean and affordable electricity to ratepayers.

Today, the Marin County Board of Supervisors, without any dissent, is committed to the MEA. To date, all town members of the MEA, San Anselmo, Fairfax, San Rafael, Tiburon, Belvedere, Mill Valley and the County of Marin have reaffirmed their commitment to the program. Tonight, Sausalito, along with Ross weighs in. He believed it is in the best interest of the Town to pursue efforts of mutual interest with neighboring towns and the County. Reducing the frequency of flooding, improving transportation, preserving the environment, fighting fires, and ensuring public safety, all require cooperation with neighboring jurisdictions. For this and other reasons, he strongly supports the Town of Ross staying in the MEA.

Council Member Cahill agreed with Council Member Martin's comments. He read the Grand Jury Report carefully and found MEA's response more compelling than the criticism. There are a number of risks associated, but the benefits outweigh those risks. They must decide as a Council what is best for the residents of the Town of Ross. MEA will happen regardless. His feeling is that Ross should offer residents the opportunity to participate. There area number of residents that will opt-out and they have that option at no cost. It is an important program and he is in favor of staying with the program.

Mayor Strauss received feedback from the Town that several are not aware of the program. This is a feasibility study, and if such a great idea, why not put it to a vote. Maybe it is better to slow down. They are on the right track, but PG&E is supplying 51%. He would rather slow down the process and let it take its course. Council Member Cahill stated that to the extent that MCE takes customers from PG&E, PG&E would have to cut back on their generation. They will cut out carbon-based fuels. The amount of reduction in GHG will be entirely in favor of MCE. All energy renewables produced will be in addition to the overall supply.

Mayor Pro Tempore Hunter stated that one year ago he voted in favor of the program because he felt Ross should be at the table during this formative year, but now does not believe the Town should remain in the program. The budget was \$540,000 and now that number is over \$800,000. They are over budget. If that is any indication of MEA's ability to control cost, then he is worried. They would be forming another bureaucracy and that is not needed. He cannot help but wonder if they took that \$850,000 and dedicated it to transportation initiatives, and put toward AB811 programs or any number of other items such as lobby CPUC on renewables, more results would have been seen. The initial goal is to reduce GHG. The numbers, if they include nuclear and large hydro, PG&E is delivering 51% and MEA is only delivering 25%.

Council Member Martin noted that it is a numbers game. There are different measures of those standard. They must go by the standard set by the State of California. Mayor Pro Tempore Hunter noted that whether they have problems with nuclear waste or hydroelectric is beside the point. He felt they are going backwards. He also stated that there is no harm to opting out now, and in two or three years down the road, if the organization is well run, then they can consider opting in. It is a noble goal, but the wrong plan. The Grand Jury Report was a non-prejudicial report. He read both rebuttals from MEA and the conclusion of the Grand Jury Report is correct in his view.

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Council Member Skall expressed concern for the opt-out provision. Many will not understand what is going on. Those that created this legislation are actually taking away their vote. He is very concerned with any issue from the State. While they talked about choice, it is their job to have an individual vote rather than unsolicited. He is also against creating another bureaucracy.

Mayor Strauss is also troubled by the opt-out provision. He agreed to review again at a later date as well as work with PG&E to continue the course. Also, putting MMWD ratepayers at risk does not make sense.

Mayor Strauss asked for a motion.

Mayor Pro Tempore Hunter moved and Council Member Skall seconded, to withdraw the Town of Ross from the Marin Energy Authority and instruct the Town Manager to write a letter to that fact. Motion carried 3-2. Martin/Cahill opposed.

**4. Adjournment.**

By order of Mayor Strauss, the meeting adjourned at 8:46 p.m.

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Richard Strauss, Mayor

ATTEST:

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Gary Broad, Town Manager