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Upfront: County energized for choice

PG&E not lighting up over community choice aggregation...

by Peter Seidman

A peer review of the business plan for a renewable-energy power authority in Marin gave the proposal a green light to proceed to the next leg on the road to possible reality. The proposal now is making the rounds of city councils across the county, as backers look for support while critics already are using emotional attacks to flip the switch on the plan.

Marin Clean Energy, the name of the proposed power authority, needs at least two of the county's largest entities (Novato, San Rafael and the county itself) to become members in order to make the nascent agency viable. Participation of the Marin Municipal Water District—the single largest power customer in the county—would be a big boost.

Marin Clean Energy would be one of the state's first authorities to form under a law that took effect in 2002, in large part as the result of the energy meltdown of 2000 and 2001. AB117, sponsored by then Assemblywoman and current state Senator Carole Migden, cleared the legal way for cities and counties across the state to become "community choice aggregators." The CCA program gives the cities and counties the authority to purchase electricity and resell it to customers within their jurisdictions. These power authorities would be allowed to purchase energy from whatever source they choose at whatever price they can get. As the Marin Clean Energy business plan states, "Unlike traditional utility service, the source of the electric supply [generation] and the price paid by customers for the generation services procured by the CCA program would be determined by the CCA."

Some cities and counties looked at the CCA program with an eye toward lowering rates for local customers. Some CCA advocates, however, saw the possibility of jump-starting the move toward reducing greenhouse-gas emissions through the use of renewable energy. That's the main attraction in Marin.

With the strong backing of Supervisors Charles McGlashan and Hal Brown, Marin started down the CCA road. One of the first stops was in 2004-2005, when feasibility studies determined it's reasonable to assume that a Marin CCA can, according to the Marin Clean Energy business plan, "increase [the county's] use of renewable energy while providing electric-rate stability and potentially reduced electric rates over the long-term relative to PG&E." After a peer review of the initial findings, the county and the cities decided to proceed with a focused business plan for Marin Clean Energy.

The structure and operation of a local power authority is incredibly complex. Marin Clean Energy would enter that byzantine world of power generation and transmission world and compete with other power players—including PG&E. But first the business plan must make the rounds of cities across the county. In addition to hearings at the county level, each city will hold at least two hearings about whether to join the power authority, according to Dawn Weisz, the county's sustainability planner and the Marin CCA program manager. "Each city and town is to have at least two hearings, but it's more likely there will be four or five," says Weisz.

"There are lots and lots of opportunity for public input."

The hearings will allow interested residents to learn about the proposed CCA program, which will not kick PG&E out, but will drastically rearrange the relationship the power company has with customers in Marin Clean Energy. PG&E would still maintain poles and lines and transmit electricity. But under the CCA plan, Marin Clean Energy will choose the sources of the electricity it buys.

Marin Clean Energy would offer two service plans, a "light green" and a "dark green." Assuming enough entities join the power authority, and the authority succeeds in finding acceptable suppliers, light-green ratepayers would receive 25 percent of their power from renewable sources "with rates equivalent to those of the incumbent utility," according to the business plan. Marin Clean Energy would increase "this supply to more than 50 percent by 2014." Ratepayers who choose the dark-green alternative would receive 100 percent of their power from renewable sources "at a specified price premium reflective of renewable energy and related program operating costs." The business plan posits that the 100 percent green alternative could cost 5 to 10 percent more than current power in the first years. But as the CCA matures, those costs could decline to the point that all green energy is cheaper than nonrenewable. PG&E, not surprisingly, disputes that assumption.

Although the two alternatives would exist in the earlier years of the program, Marin Clean Energy would continue to work toward a goal of increasing its renewable portfolio with an aim of achieving "100 percent renewable energy supply for the entire program subject to economic and operational constraints."

The dark-green alternative in the beginning may be attractive to the most aggressive proponents of the fight against global warming, those willing to put their money where their philosophy is; but Paul Fenn thinks it's the light-green alternative that could prove to be the most important. Fenn, one of the founding fathers of community choice aggregation, also is the founder and CEO of Local Power, a San Francisco-based energy service consulting group that helps communities adopt, implement and manage CCA energy networks. He wrote AB117 and the solar bond proposition in San Francisco.

"The 100 percent option is a nice feature of the program. I don't think it's an important feature of the program, actually." That statement might seem surprising coming from such a strong advocate of community choice and renewable energy, but there's a good reason in there. During deregulation after the energy market fiasco, says Fenn, 100 percent green energy options existed. Proponents of community choice learned that 100 percent green isn't "a great way to achieve significant change in the market."

Last year, Marin conducted a survey to test the green energy pulse of county residents. Ninety percent of the respondents said reducing greenhouse-gas emissions is important to them; 74 percent said they would support a local-government power authority like Marin Clean Energy; 69 percent said they are willing to pay up to 5 percent more for green energy; and 58 percent said they are willing to pay 10 percent more.

But, as Fenn notes, the reality is that a relatively few number of consumers actually will pay a premium for green power. "Many consumers when polled whether they would pay more for green power will answer that they would. That's pretty different from the number who would actually do it. I'm pretty skeptical about the whole 100 percent green product. I think you would end up with a relatively slim margin of people who would sign up for it."

That doesn't mean Fenn is pessimistic about the possibilities for Marin Clean Energy and CCA programs like it. "For me, it's the baseline that's important." That light-green alternative, which starts at 25 percent renewable and increases to 50 percent renewable by 2014—at or below the costs PG&E charges—is the key toward reaching a greener goal. "To me, that's very significant," says Fenn. "That rate of acceleration of greenness, so to speak," goes far beyond what PG&E can or will match as it strives to meet state standards to reduce greenhouse emissions, Fenn says of the targets Marin Clean Energy sets. "It's so far beyond what PG&E

would even consider doing. There's no comparison. That's what people need to focus on."

The state has set a goal of requiring energy companies to have 20 percent of their energy portfolio come from renewable sources by 2010. If Marin Clean Energy gets the go-ahead from local governments—and enough customers—it would start in 2010 by supplying 25 percent renewable in the light-green alternative, already ahead of the state mandate. And that mandate is misleading because energy suppliers, including PG&E, are not exactly racing to the green energy future, despite a definite green tinge to their advertising. As a matter of fact, PG&E asked the state Public Utilities Commission to grant the power company a waiver because it appears that the company cannot meet that 20 percent target by 2010. The company says it can meet the goal shortly after the deadline, but critics remain skeptical. The state is requiring the power companies to increase their renewable energy percentage by at least 1 percent a year until they reach the 2010 20 percent target. But, according to the PUC, based on compliance filings in August 2007, PG&E had just 11.9 percent renewable in its portfolio, Southern California Edison had 16.1 percent and San Diego Gas & Electric had 5.3 percent. And the outlook for achieving the target, even out to 2013, is uncertain.

Proponents of CCA programs say the problems associated with global warming are just too dire to dither around waiting for state mandates the power companies may or may not achieve.

PG&E counters that the pitfalls are greater with CCA programs. "We support customer choice," says Darlene Chiu, PG&E spokeswoman. "We just want to make sure they know about what choices they are making." PG&E reviewed the Marin Clean Energy business plan, and Chiu says the company "found questions regarding the pricing and whether or not the power authority will be able to deliver on the promised rates, especially considering that the cost of renewable energy is not cheap."

The business plan, and the peer review of it, both show that Marin Clean Energy should be able to meet or beat PG&E rates. What accounts for the variation in the projections? Weisz says PG&E is using a model for projected rates that assumes a 14 percent reduction in the price of natural gas in 2020. "It's possible, but very unlikely." Even if PG&E is right in its projections for natural gas (Fenn calls PG&E basically a gas supplier), the environmental cost of burning natural gas cannot be discounted from the equation. Although natural gas has less of a negative impact than coal or oil, it's still a fuel of the past and still contributes to the production of carbon dioxide emissions, a major contributor to global warming. According to the Energy Information Administration, in 2006, petroleum spewed 2,581 million metric tons of carbon dioxide into the atmosphere; coal spewed 2,134 million tons; natural gas accounted for 1,163 million tons. Energy from renewable sources, however, accounted for just 11.9 million tons.

The implications are obvious: If reducing carbon emissions is a goal, burning natural gas is not the solution. Some critics of the Marin CCA plan say the county would be better served to support statewide efforts to prod the utility companies into further increasing their renewable portfolios. Creating a CCA and entering the cutthroat world of energy supply and demand and transmission is just too much for a county like Marin. It's the sheep in the wolves' den argument.

PG&E used that kind of reasoning when it mounted an aggressive campaign that resulted in Tulare County and the city of Fresno halting their pursuit of local control and bailing from a CCA program. Last month, PG&E settled a dispute with the San Joaquin Valley Power Authority over what critics called unfair and misleading marketing tactics that led Tulare County and Fresno to opt out. (San Joaquin is the first CCA in the state to form. It has not begun operating.)

Although PG&E representatives say they just want customers in Marin to understand the choices they have, CCA proponents are ready for a tough-as-nails adversarial approach as the Marin Clean Energy proposal makes the rounds.

Another wedge critics are using to pry apart Marin Clean Energy is the call for an advisory vote. Throwing the CCA proposal open to the kind of election campaigning sure to be rife with innuendo and false claims is just not the right way to go, say CCA proponents. Each city, and the county, will have ample opportunity to decide through its deliberative body, with public participation, whether to join Marin Clean Energy. Then if the proposal gets that far, cities and the county can still withdraw before the plan begins operating. Residents will have four opportunities to opt out of Marin Clean Energy and stay with PG&E. And if residents decide to go with the CCA and then decide to bail and go back to PG&E, they will have the opportunity to leave, perhaps with a relatively small exit payment. No one would be coerced or trapped in a CCA.

Weisz points out that a nonbinding advisory vote would cost $250 per voting resident. That would amount to a $50,000 price tag for just the county, a steep price for a nonbinding vote in tight budget times.

"Right now, there's no choice [with PG&E]," says Fenn. "This is the government [through AB117] offering you a second choice. There's not even an opt-out option for PG&E today. The county is trying to offer another option that could be far greener. It's not some kind of new captivity." And it would put into practice the ostensible goals of many Marin residents who claim that they believe fighting global warming is a worthwhile endeavor.

Fenn also has something to say about critics who assert a CCA future is just too uncertain. CCA programs already are running successfully in Massachusetts (where Fenn worked to create community choice) and Ohio. Fenn says CCA activity is kicking up in Texas. When asked whether any CCA has exhibited a significant downside, Fenn says, "Let's put it this way: No CCA has ever disbanded."

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