MCE Clerk <clerk@mcecleanenergy.org>

Clean Coalition Response Letter on MCE Rates & Financial Transparency (re September 18, 2025 MCE Board Meeting)

1 message

Ben Schwartz <ben@clean-coalition.org> Thu, Sep 25, 2025 at 3:25 PM
To: Ben Schwartz <ben@clean-coalition.org>
Cc: Craig Lewis <craig@clean-coalition.org>, Isabel Stice <isabel@clean-coalition.org>, Sam Andre <sam@clean-coalition.org>, board@mcecleanenergy.org

Hi MCE Board,

Attached is the Clean Coalition's follow-up comment letter regarding final fiscal year results and the unusual direct rebuttal from leadership to the Clean Coalition's initial letter and public comment. This response addresses both the public process issues and the substantive financial concerns raised at the September 18, 2025, Executive Board meeting.

We urge the Board to exercise its fiduciary duty by demanding transparency and accountability from MCE leadership. High renewable content cannot be used as a blanket justification for high and rising rates—especially when market evidence shows otherwise. Ratepayers deserve stable, competitive, and ideally, reduced green rates, rather than paying an unnecessary premium. And with a business-as-usual approach to decision making, operating losses are rising, to a concerning degree.

Thank you for your attention to these critical issues.

Best regards,

Ben Schwartz

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Clean Coalition Response Letter to MCE Board (06_bs, 25 Sep 2025).pdf
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September 25, 2025

MCE Community Choice Energy
1125 Tamalpais Ave
San Rafael, CA 94901

RE: Follow up from September 18, 2025, MCE Executive Board Meeting

Dear MCE Board of Directors,

The Clean Coalition appreciates the Board's willingness to hear the concerns and suggestions posed in our letter and public comment. This letter will reemphasize some of the critical points made, with some additional context based on the events that transpired at the board meeting that took place last Thursday (September 18, 2025).

In a highly unusual move for a public agency that is legally obligated to follow the Brown Act, the CEO chose to directly address and sought to discredit the Clean Coalition's letter and public comment, despite neither being formally agendized. Furthermore, the Clean Coalition representative who made the public comment was not afforded the opportunity to respond. *This clear departure from well-established public process procedures should be of concern to a Board that prides itself on transparency and accountability.*

Discrediting the Clean Coalition's comments selectively and without evidence is reason for pause. It represents a clear attempt to summarily dismiss the fundamental issues we raised without providing the Board with any countervailing data. However, setting aside what are readily apparent public process deficiencies, the refutation of our CCA comparative rate analysis by dismissing it as "an apples to oranges comparison," is a classic strawman argument—using unsupported assertions to rebut evidence rather than responding to the actual issue at hand. This is particularly true when neither the public nor the Board has been provided with any purported "apples to apples" comparison by staff.

We offer our response in hopes that it will better enable the Board to fulfill its fiduciary duty to the fullest extent on behalf of constituents and ratepayers. In that vein, we highlight three critical points in defense of our analysis and support for lower rates:

- The Clean Coalition used publicly available data for our CCA rate analysis. If staff believes there exists better data for the analysis, then staff should produce the analysis and share it with the Board and the public. If no counter evidence is presented, then the Clean Coalition's analysis stands and should not be dismissed by the Board.
- There is no statistical correlation between renewable energy content and electricity rates when reviewing CCA data. In other words, it is mathematically untrue that CCAs with

higher renewable content must charge the highest electricity rates. Renewable energy content should not be used as justification for high (and increasing) rates.

- Average wholesale energy prices have been falling for multiple years (even as MCE has consistently misforecasted market conditions).
- MCE's quarterly operating losses have increased over each of the last three quarters, demonstrating the start of a concerning trend.

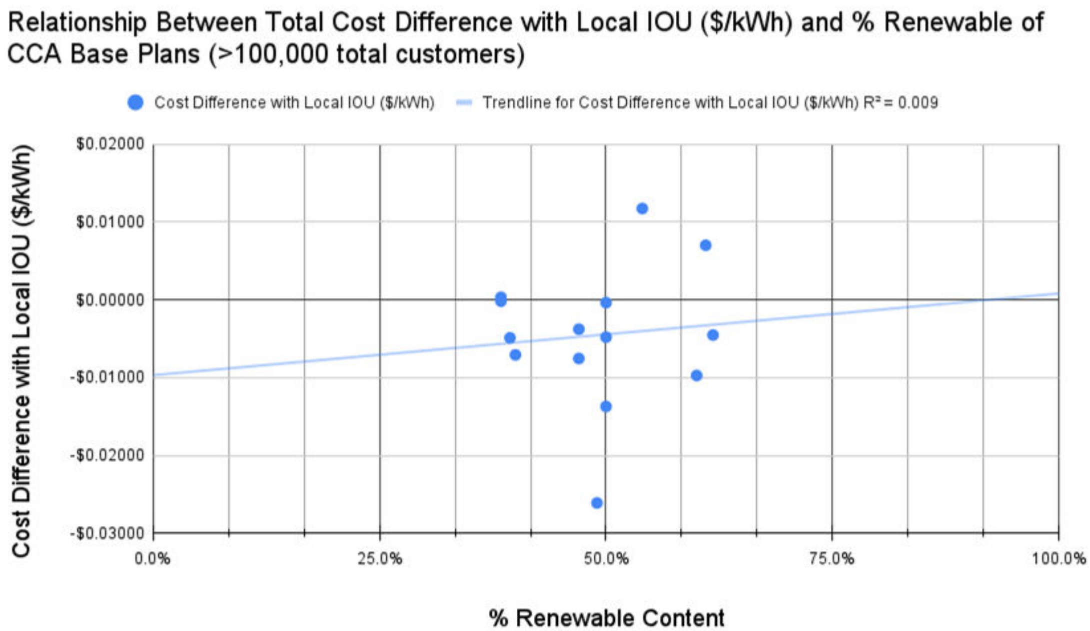
The Clean Coalition used publicly available data for our analysis. If staff believes there exists better data for the analysis, then staff should produce the analysis and share it with the Board and public. If no counter evidence is presented, then the Clean Coalition's analysis stands and should not be dismissed by the Board.

The Clean Coalition presented a data-driven analysis, using publicly available information from CCAs, to the Board in good faith. The CEO's use of a public platform to superficially dismiss the analysis presented in the Clean Coalition letter—without providing any countervailing evidence—is an attempt to muddle the facts. Our analysis shows that MCE's customers are paying some of the highest premiums above the host utility.

There is no statistical correlation between renewable energy content and electricity rates amongst CCAs. Renewable energy content should not be used as justification for high (and increasing) rates.

One unfounded claim that should concern the Board is the concept that a high renewable energy content necessitates high (and increasing) rates. This claim is not supported by public data that the Clean Coalition has access to.

The following graph, from the Clean Coalition's comparative rate analysis, shows the regression analysis of the renewable content of major CCA base plans and the accompanying rate differential with the local IOU. The graph shows the R^2 value, also known as the coefficient of determination. A regression analysis asks how much of an impact does variable X (percentage renewable energy) have on variable Y (the CCA's rate difference with its local IOU)? The closer the R^2 value is to 1.0, the more of a statistically significant correlation exists. **In this case, the R^2 value of 0.009 clearly demonstrates that there is no correlation between renewable energy content and customer electricity rates.** Having a high renewable energy content does not inherently necessitate a rate that is as high or higher than the IOU's rate, and therefore, should not be used as the sole justification to raise rates.



Graph: Demonstrates no statistically significant correlation between a base plan with a high renewable energy content and more expensive rates (without outlier).

California is in the midst of an energy affordability crisis, and with MCE's high and increasing rates, the ratepayers are feeling the cost burden. The risk of losing customers to PG&E is not an unrealistic outcome if MCE's rates do not remain competitive. PG&E's purported rate decreases continue to be well publicized.[1] ***Is MCE operating effectively if its customers are not receiving rates cheaper than PG&E, like other peer CCAs? Is MCE exacerbating the affordability crisis rather than taking concrete efforts to mitigate it?***

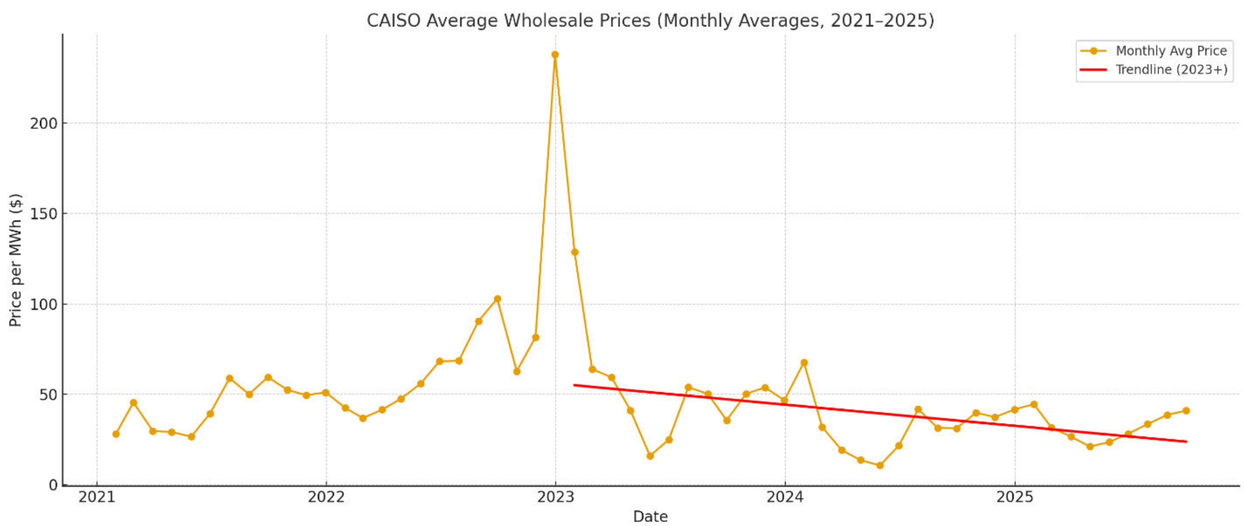
<u>The bottom line is clear: a high renewable energy content should not be used as the rationale for high and increasing rates.</u>

Average wholesale energy prices have been falling for multiple years (even as MCE has consistently misforecasted market conditions).

One of the questionable assertions made in regard to the unexpected $200 million swing in Energy Costs experienced by MCE is that the increased costs can be attributed to short-term contracts, hedging, and normal volatility. While the Clean Coalition is not questioning this particular data that was provided by MCE staff, the most important questions were left completely unanswered. **What specific underlying market dynamics left MCE on the hook for these high prices, and was it foreseeable?**

[1] See page 7, containing an image of PG&E's recent rate decrease email announcement, dated September 24, 2025.

<u>On average, the price of wholesale energy in the CAISO market has decreased in each of the last three years since the end of MCE's Fiscal Year 2023, which ended in March 2023.</u> See the graph below of average monthly prices, with a clear downward trend line.[2] Market fluctuations are traditionally dictated by natural gas prices, with higher prices during the annual system peak in the summer and extending through the winter as demand increases due to reliance on natural gas for heating purposes. **<u>This is a predictable trend.</u>**



Graph: Average monthly CAISO prices from 2021-present day (2025) with a trendline starting in MCE's FY 2023

The Board deserves a detailed line-by-line explanation of why MCE's Energy Costs have risen **significantly** at a time when market energy prices have declined. An energy cost swing as substantial as $200 million in a fiscal year raises numerous questions, none of which were addressed at the September 18, 2025, Board meeting.

- Why is the $200 million swing in energy costs being attributed to volatility when market data clearly demonstrates a predictable year-over-year downward trend and a consistent intra-year swing for wholesale energy prices?
- Why did it take until 6 months after the end of the fiscal year for MCE to, proverbially, "hit the panic button"?
- Is MCE's share of short-term contracts too high? If so, why?
- Have last-minute hedge contracts resulted in MCE accepting what would normally be unacceptable prices? If so, how many contracts, and during what times of the year?
- What guardrails are in place to prevent a similar issue from occurring again, if the risk management framework has not shifted due to any events over the past three years?
- ***<u>If MCE's Board does not have any granular data or clear explanations for such critical missteps, who at MCE is addressing these issues?</u>***

[2] Graph is based on CAISO 5-minute interval data from years 2021-2025.

- ***Why is this level of transparency and accountability (or the lack thereof) acceptable given the CCA's obligation to operate in a manner that serves the best interests of the ratepayers?***

Until these questions are answered comprehensively, the Board does not have sufficient information to implement the meaningful reforms needed to prevent anything similar from happening again.

MCE's quarterly operating losses have increased over each of the last three quarters, demonstrating the start of a concerning trend.

When MCE staff presented the end of fiscal year numbers at the September 18, 2025, Board Meeting, the number that stood out was the $200 million in additional Energy Costs. However, the quarterly numbers should also be scrutinized, especially with the results for Q1 Fiscal Year 2026 revealing an operating loss of more than $26 million.

Chart of Increasing Operating Losses (in each of the last three quarters)

Quarter (Q)and Fiscal Year (FY)	***Dates***	***Operating Loss***
Q1 FY 2026[3]	Mar 30, 2025 – June 30, 2025	**$26,855,718**
Q4 FY 2025[4]	Jan 1, 2025 – March 31, 2025	**$12,167,515**
Q3 FY 2025[5]	Oct 1, 2024 – Dec 31, 2024	**$8,045,394**

As shown by chart, MCE's data shows a trend of increasingly large operating losses over the last three quarters. The percentage increase is significant, and unsustainable! From Q3 FY 2025 to Q4 2025 there was an increase of 50% and then from Q4 FY 2025 to the end of Q1 FY 2026, the operating loss increased by slightly more than 100%. If not addressed immediately, MCE will face steeper quarterly losses, creating a threat to financial security before the start of the next fiscal year.

Conclusion

In closing, the Clean Coalition urges the Executive Board to insist on transparency, accountability, and data-driven decision-making from MCE leadership. High renewable energy content cannot be used as a blanket justification for high and rising rates, especially when market

[3] See page 3(operating income loss) https://mcecleanenergy.org/wp-content/uploads/2025/09/MCE-2025-06-Financial-Statements.pdf
[4] See page 9 (operating income loss) https://mcecleanenergy.org/wp-content/uploads/2025/09/Final-Audited-Financial-Statements-FY_-2024.25.pdf
[5] See page 3 (operating income loss) https://mcecleanenergy.org/wp-content/uploads/2025/04/MCE-Q3-FY-2024-25-Financial-Report_04182025.pdf

evidence shows otherwise. Ratepayers deserve clear answers on the $200 million spike in energy costs, a credible risk management framework, and a comparative analysis that the Board and the public can scrutinize. Until such evidence is provided, the Board should not be persuaded by unsupported assertions from staff, including the CEO, all of whom must be answerable to the Board. The Clean Coalition stands ready to continue providing good-faith analysis to ensure that MCE fulfills its mission of delivering affordable clean energy and upholding the public trust.

Sincerely,

/s/ BEN SCHWARTZ
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Dated: September 25, 2025

Clean Coalition
Making Clean Local Energy Accessible Now

PG&E Email Announcement of Rate Decrease on September 24, 2025

(cropped to protect customer privacy)

We have some good news related to your bill— **starting September 1, your residential electric rates decreased by 2.1%**. Over the past 15 months, residential electric rates have dropped three times, helping to offset increases during that period. PG&E is working hard to stabilize electric prices, and electric rates are expected to go down again in 2026.

Learn more about this rate decrease and other ways to save

Learn more »

In addition to the September electric rate decrease, residential electric customers will also receive a **$58.23 California Climate Credit** in their October billing cycle. We remain committed to making our system safer and more reliable for customers everyday, while managing our costs to keep bills as low as possible.

To learn more about what we're doing and how we can support you, please visit:

- pge.com/lowerprices for information on our progress to stabilize prices
- pge.com/billhelp for various ways to get help with your bill

Thank you for being a PG&E customer.

We're committed to providing you with reliable service at the best possible price.

PG&E