



MCE Clerk <clerk@mcecleanenergy.org>

MCE Board CST Letter request from Director Salter

1 message

MCE Clerk <clerk@mcecleanenergy.org>
Reply-To: boardgroup+managers@mcecleanenergy.org
Bcc: boardgroup@mcecleanenergy.org

Wed, Nov 19, 2025 at 11:07 AM

Dear MCE Board and Alternates,

Director Salter, MCE Board Member Alternate, has requested that the attached message be distributed to the Board.

Best,
Jessica

----- Forwarded message -----

From: **Mathew Salter** <salter4ross@gmail.com>
Date: Tue, Nov 18, 2025 at 2:23 PM
Subject: Fwd: Letter from CST re Agenda Item #6 MCE Nov 20 Board Meeting
To: <clerk@mcecleanenergy.org>, Jessica Brooks <jbrooks@mcecleanenergy.org>

FYI- please distribute to the Board. Thanks.

----- Forwarded message -----

From: **Mimi Willard** <coalitiontaxpayers@gmail.com>
Date: Tue, Nov 18, 2025 at 2:20 PM
Subject: Letter from CST re Agenda Item #6 MCE Nov 20 Board Meeting
To:

Dear MCE Director or Alternate -

Please read prior to MCE's Nov 20 board meeting the attached memo from The Coalition of Sensible Taxpayers regarding agenda item #6. We ask that when addressing agenda item #6 you consider and act upon our recommendations therein. We also request that our memo be entered into the public record.

Sincerely,

Mimi Willard, CFA
President
Coalition of Sensible Taxpayers
SensibleTaxpayers.org
415 798 7713

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Jesica Brooks (she/her)

Executive Assistant and Lead Board Clerk

(415) 464-6015

mceCleanEnergy.org



CST_MCE 2025 Comp Analysis_111825.pdf

306K

November 18, 2025

TO: MCE Board
FROM: Coalition of Sensible Taxpayers
RE: 11/20/25 Board Meeting Agenda Item #6

The Coalition of Sensible Taxpayers (CST) is a nonpartisan watchdog and advocacy organization focused on local government accountability, transparency, and fiscal responsibility. We work with county residents and businesses, as well as governments and agencies, to ensure necessary taxes and rates are fair, affordable, transparent, and used appropriately.

After a review of MCE's dismal recent financial performance, CST demands that MCE provide a clear and detailed explanation for its underperformance compared to other CCAs. Additionally, we urge MCE's Board to direct MCE staff – or engage a consultant with relevant expertise – to provide a far more detailed analysis and discussion of its recent and upcoming quarterly and annual financial results.

We are very concerned about MCE's financial trajectory. The agency is losing money at an alarming rate. MCE has swung from \$144MM in operating profit in fiscal 2024 to \$12MM in operating losses in fiscal 2025. The operating loss grew even larger in the first quarter (ended 6/30/25) when MCE lost \$27MM on an operating basis in just three months. On a cash flow basis, the first quarter was even worse. Q1's \$53MM cash outflow will consume three-quarters of MCE's \$70MM FY25 year-end operating reserve fund.

Management continues to cite “energy price volatility” as the reason for the agency's recent poor financial performance. We respectfully disagree. After analyzing the 2025 financial performance of nine other large California CCAs, MCE is a clear outlier. In almost every financial category, MCE is lagging compared to its peers. If the reason for MCE's underperformance were related to recent market conditions, we would see similar weakness within its peer group. This is not the case. The fact is, MCE's underperformance is due to mismanagement of energy costs, not the energy markets.

Analytical Methodology & Key Takeaway

Most of the CCAs report on a 6/30/25 financial fiscal year end, except for MCE and Silicon Valley Clean Energy. Adjusting MCE and Silicon Valley Clean Energy's reported financial statements to align those agencies with a 6/30/25 year-end permits an apples-to-apples financial comparison.

We used the California Energy Demand Update (CEDU) 2024 Forecast to approximate the electricity load for each CCA in 2024. The load data was used to create efficiency ratios across the CCAs for comparison purposes.

Figure I shows the dramatic \$186MM increase in energy costs MCE experienced in 2025 compared to its CCA peers. MCE's energy costs were 30% higher in 2025 compared to the peer average of 4%.

Please see the appendix which includes tables, charts, and graphs for supporting information.

Other Key Findings

- **Revenue:** As shown in Figure II, **MCE's electricity revenue at \$141 per MWh was 7.6% higher than the CCA average of \$131 per MWh. We assume this is due to MCE charging higher rates than most of its peers.**
- **Energy Cost:** As shown in Figure III, **MCE's energy cost at \$143 per MWh was the highest of its peers, 30% higher than the CCA average of \$110 per MWh.** This is a direct result of the timing, terms, and volume of short-term financial hedges and renewable energy credits (PCC1) that MCE procured. While all CCAs faced surging prices in the resource adequacy and renewable energy credits markets during the period, MCE was an outlier with energy costs 9.2% higher than the next peer, San Diego Community Power.
- **Net Energy Margin:** **Given its outsized energy cost, MCE produced a -1.9% net energy profit in 2025**, as shown in Figure IV. This is in stark contrast to its CCA peers, who on average generated a 16.1% margin in 2025. It is clear MCE did not manage its own energy costs, as almost every other CCA generated net energy profits.
- **Staff Costs:** MCE staff costs have been growing at an alarming rate. In fiscal 2025, staff costs accounted for 3.2% of revenue, as shown in Figure V. This is significantly higher than the CCA average of 2.5% of revenue. Staff costs at the larger CCAs, San Diego Community Power and Clean Power Alliance, are considerably lower at 1.4% and 1.6% respectively. As the agencies scale, overhead costs as a percentage should fall due to economies of scale. Unfortunately, MCE is not achieving the same level of efficiency as it scales, resulting in a lower profit margin than its peers.

Conclusion

MCE produced dismal fiscal 2025 results primarily due to agency-specific high energy costs and, to a lesser extent, rising staffing costs. Overhead costs have grown from roughly \$10MM per quarter in early FY 2023, to over \$15MM per quarter in late FY 2025. This overhead growth is driven by staff compensation costs, which are up by more than 50%. The 2025 financial results were in stark contrast to other CCAs, which generated healthy operating margins and strong financial results in 2025 (Figures VI and VII).

We call on management to provide a far more detailed explanation – with accompanying documentation – of its poor financial performance in 2025. It is unacceptable that the FY26 first quarter results were not accompanied by any written explanation and full-year forecast update.

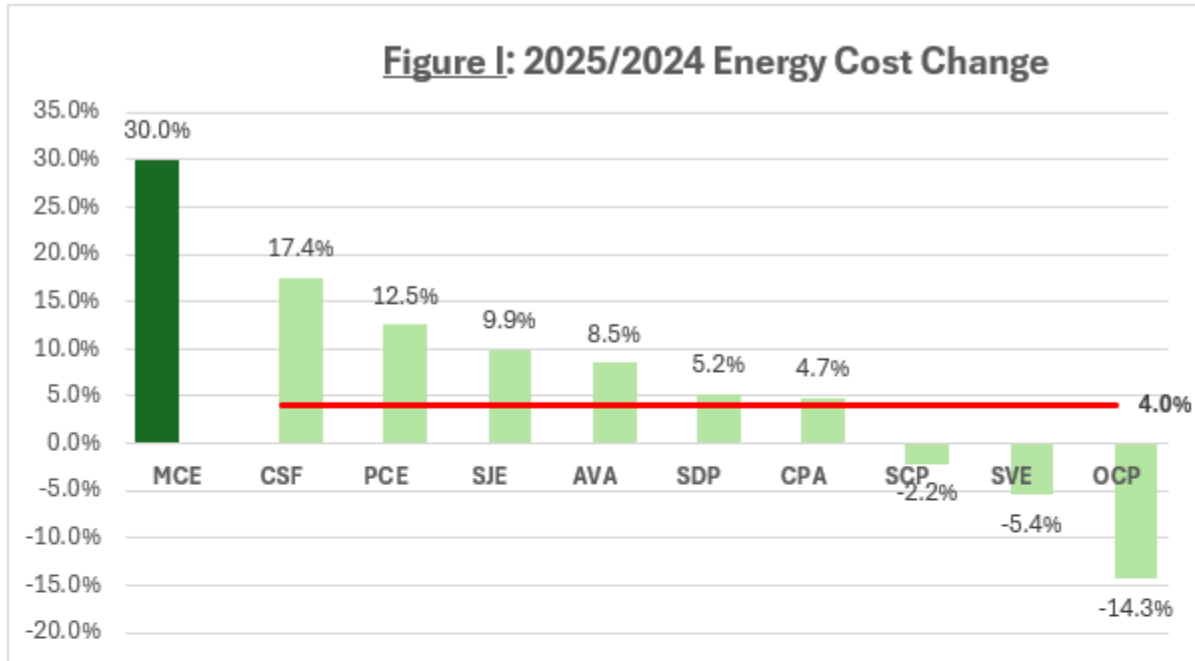
Ratepayers deserve accountability, transparency, predictability, and credibility – none of which is currently provided by MCE. CST calls on MCE's board to address this situation with the urgency it merits.

Sincerely,

CST Directors Kingston Cole, Lucy Dilworth, Charles Friede, Mary Stompe, Mimi Willard

Enclosures: Appendix

APPENDIX



Energy Costs as of 6/30/25 (\$000s)

CCA	Ticker	2025	2024	Change	%
MCE	MCE	\$ 805,617	\$ 619,564	\$ 186,053	30.0%
Clean Power Alliance	CPA	1,277,422	1,219,547	57,875	4.7%
San Diego Community Power	SDP	1,101,545	1,047,553	53,992	5.2%
Ava Community Energy	AVA	767,656	707,476	60,180	8.5%
San Jose Clean Energy	SJE	427,656	389,161	38,495	9.9%
Silicon Valley Clean Energy	SVE	357,942	378,559	(20,616)	-5.4%
Orange County Power Authority	OCP	275,724	321,916	(46,192)	-14.3%
Peninsula Clean Energy	PCE	365,972	325,171	40,801	12.5%
Clean Power SF	CSF	330,219	281,217	49,002	17.4%
Sonoma Clean Power	SCP	172,915	176,729	(3,814)	-2.2%
CCA Average		\$ 564,117	\$ 538,592	\$ 25,525	4.0%

Figure II: 2025 Energy Revenue (MWh)

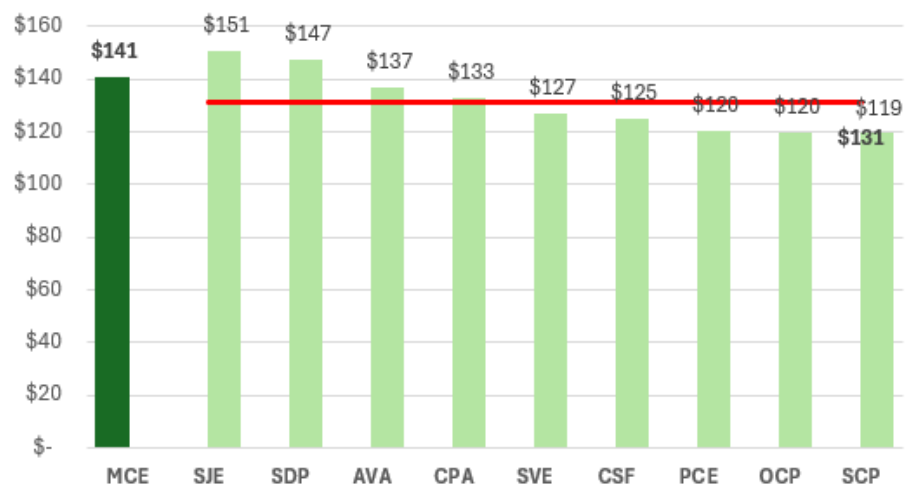


Figure III: 2025 Energy Cost (MWh)

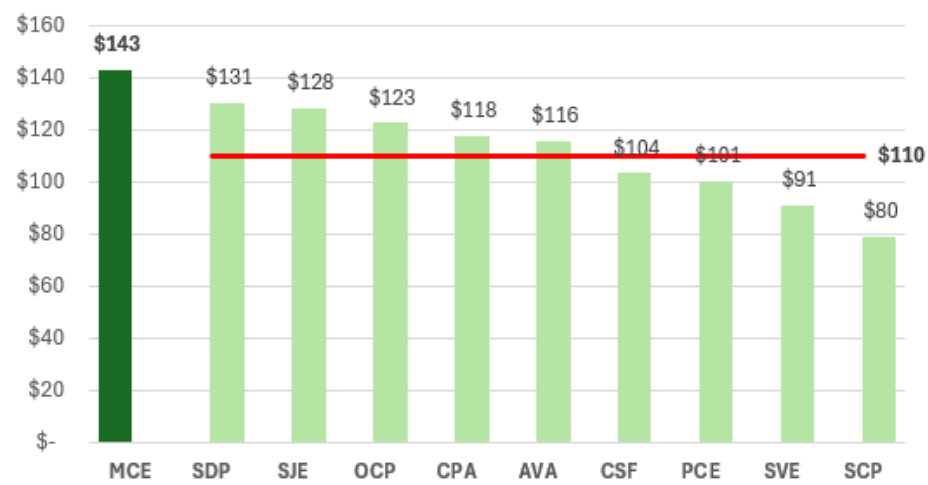


Figure IV: 2025 Net Energy Margin

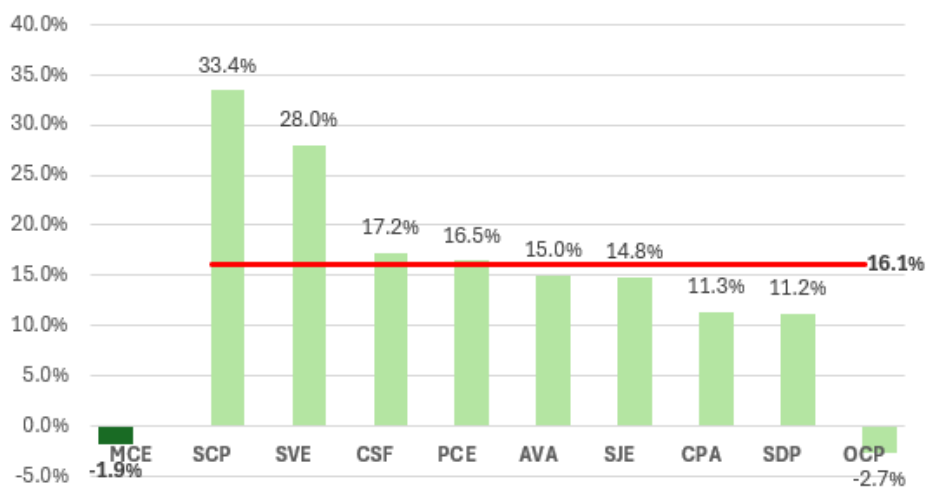


Figure V: 2025 Staff Cost / Revenue

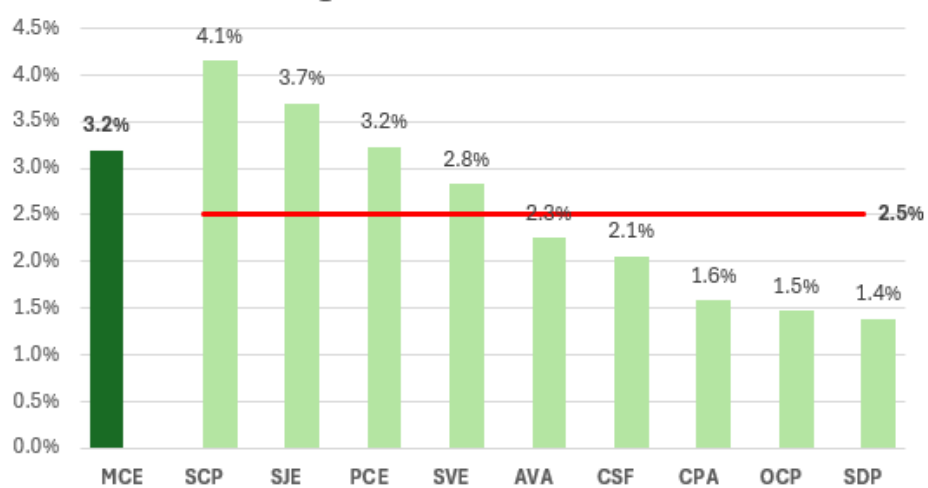


Figure VI: 2025 Operating Margin

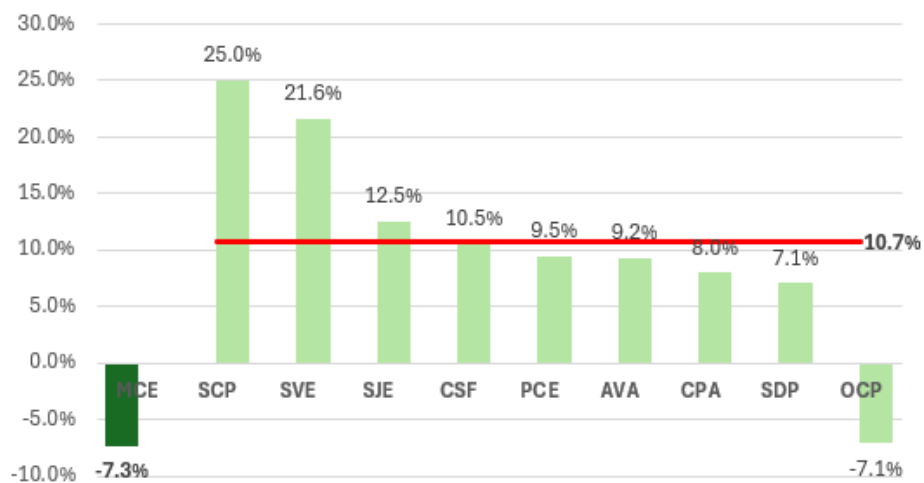


Figure VII: Return on Equity

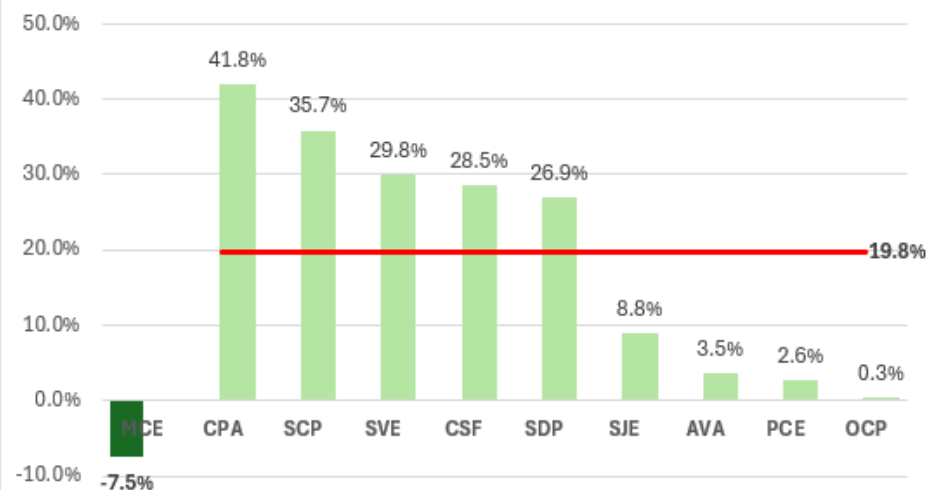


Figure VIII: 2025 CCA Financial Data

2025 CCA Financial Data			6/30/25 Financial Metrics (\$000s)										Efficiency Ratios					
CCA	Note	Ticker	Energy Load (GWh)(1)	Gross Revenue	Energy Sales	Energy Costs	Net Energy Revenue	Staff Cost	Total Expenses	Operating Income	Change in Net Position	Beginning Net Position	Revenue (MWh)	Energy Cost (MWh)	Net Energy Margin	Operating Margin	Staff Cost/Revenue	Return on Equity
			A	B	C	D	E=C-D	F	G	H=B-G	I	J	=C/A	=D/A	=D/B	=H/B	=F/B	=H/I
MCE	(2)	MCE	5,624	807,539	\$ 790,699	\$ 805,617	\$ (14,918)	\$ 25,757	\$ 866,658	\$ (59,119)	\$ (32,189)	\$ 428,874	\$ 140.59	\$ 143.24	-1.9%	-7.3%	3.2%	-7.5%
Clean Power Alliance		CPA	10,819	1,443,469	1,440,563	1,277,422	163,141	22,779	1,328,256	115,213	136,901	327,654	133.15	118.07	11.3%	8.0%	1.6%	41.8%
San Diego Community Power		SDP	8,422	1,243,032	1,239,973	1,101,545	138,428	17,159	1,155,213	87,819	100,850	375,382	147.23	130.80	11.2%	7.1%	1.4%	26.9%
Ava Community Energy	(3)	AVA	6,610	905,544	903,223	767,656	135,567	20,387	821,860	83,684	18,564	535,334	136.65	116.14	15.0%	9.2%	2.3%	3.5%
San Jose Clean Energy	(3,4)	SJE	3,330	523,506	501,949	427,656	74,293	18,316	458,279	65,227	22,913	259,461	150.72	128.41	14.8%	12.5%	3.5%	8.8%
Silicon Valley Clean Energy	(2)	SVE	3,920	504,895	497,307	357,942	139,365	14,278	395,761	109,135	133,710	447,995	126.85	91.30	28.0%	21.6%	2.8%	29.8%
Orange County Power Authority	(3)	OCP	2,243	268,584	268,451	275,724	(7,273)	4,388	287,767	(19,183)	149	44,866	119.69	122.93	-2.7%	-7.1%	1.6%	0.3%
Peninsula Clean Energy	(3)	PCE	3,639	451,936	438,041	365,972	72,069	14,611	409,065	42,871	9,094	349,200	120.36	100.56	16.5%	9.5%	3.2%	2.6%
Clean Power SF		CSF	3,185	398,816	398,816	330,219	68,597	8,186	357,002	41,814	50,824	178,490	125.21	103.67	17.2%	10.5%	2.1%	28.5%
Sonoma Clean Power		SCP	2,175	266,722	259,803	172,915	86,888	11,060	200,060	66,662	81,977	229,519	119.45	79.50	33.4%	25.0%	4.1%	35.7%
CCA Average			4,927	667,389	660,903	564,117	96,786	14,574	601,474	65,916	61,665	305,322	131.03	110.15	16.1%	10.7%	2.5%	19.8%

Notes:

- (1) California Energy Demand Update (CEDU) 2024 Forecast
- (2) Financial statements have been adjusted to reflect a 6/30/25 year-end
- (3) Financial statements have been adjusted for rate stabilization charges
- (4) Used Total G&A expense as a proxy for Staff costs