



**Pacific Gas and
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The Honorable Board of Supervisors
County of Marin
3501 Civic Center Drive, Room 329
San Rafael, CA 94903

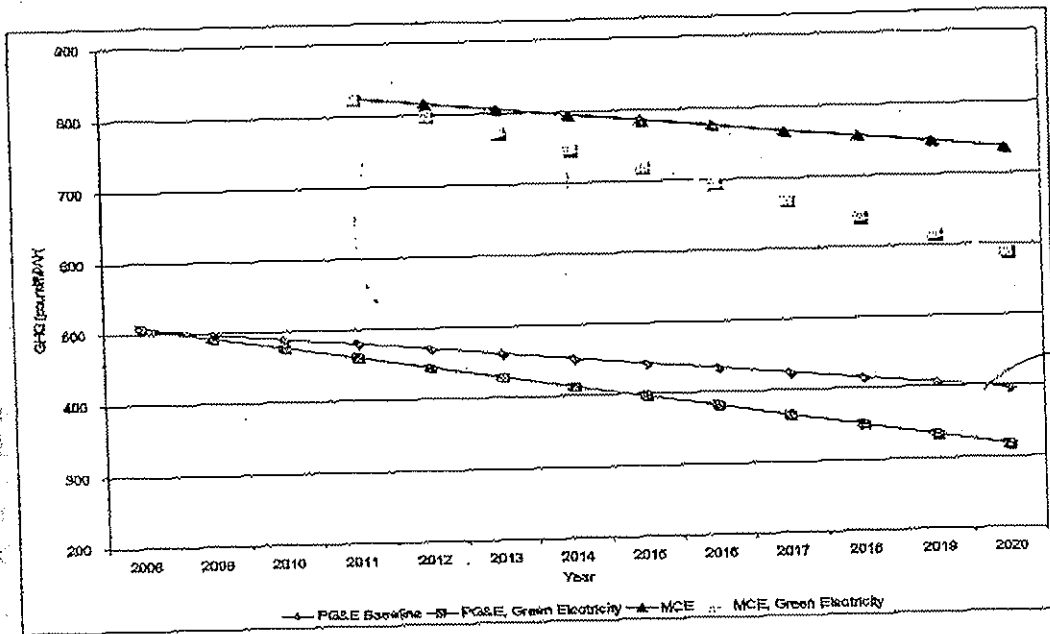
Dear President McGlashan and Members of the Board:

Thank you very much for the opportunity to present a proposal for a greenhouse gas reduction and renewable energy partnership between the governments and communities of Marin County and PG&E. We look forward to discussing this partnership proposal with representatives of the County, the cities and the community, and sincerely hope that you and other elected officials in Marin will take the lead and establish a process for immediate follow-up.

This letter will summarize the PG&E- Marin Partnership Proposal that we will discuss with you in more detail this coming Tuesday at the meeting of the Board of Supervisors. We are very excited about this opportunity for you and our customers in Marin, because our partnership proposal would reduce the rate of greenhouse gas emissions from electricity in the County by nearly 40 percent by 2020 relative to their already low starting point. In fact, as the following chart shows, our partnership proposal would start in 2010 with lower greenhouse gas emissions than the Marin Clean Energy plan and continue to reduce greenhouse gas emissions even lower than Marin Clean Energy every year through 2020.

The Honorable Board of Supervisors
Page 2

Figure 1 – Greenhouse Gas Emissions Intensity of Electric Supply, Marin County, 2010 – 2020 (lbs/MWh). Source: Marin County-PG&E Partnership estimates based on CPUC-Energy Commission AB 32 CEE Reference Case, Renewables Aggressive Case. Subject to removal of obstacles to renewables development. MCE based on 25% renewables in 2011, growing at same rate as PG&E by 2020.



To accomplish this ambitious and innovative greenhouse gas reduction goal in Marin, our Partnership Proposal would include the following key programs and initiatives to be mutually considered by PG&E and Marin:

- Community renewable energy projects and additional renewable energy procured by PG&E for participating Marin customers under a "Marin green electricity" program.
- Energy efficiency projects and programs in Marin.
- Joint marketing and job training with local solar vendors and installers in Marin.
- PG&E technical support for "sustainable communities" initiatives in Marin under SB 375 and AB 32.

Once the proposal is approved, we believe that these programs and initiatives can be implemented beginning as early as January 1, 2010. In order to meet this schedule, we propose a process that will do three things:

- Produce a joint framework between the County, cities and other Marin stakeholders and PG&E on a specific target for greenhouse gas reductions that will result from our partnership.

- Identify clear timelines and milestones for measuring the progress of the partnership so that the Marin community can periodically assess the viability of the relationship.
- Identify the specific programs that will meet the target and milestones and define mutual responsibilities for carrying them out.

We believe that our Partnership Proposal provides a pathway for Marin County to meet its climate change objectives faster, cheaper and with better results without exposing itself, the cities, our customers and taxpayers to the uncertainty and risk of a Community Choice Aggregation plan.

The following table summarizes what we believe to be the significant advantages of our proposal compared to the Marin Clean Energy Community Choice Aggregation plan:

Table 1 -- Advantages of Marin-PG&E Partnership

Element	Marin-PG&E Partnership	Marin Clean Energy
GHG changes (metric tons/yr)	102,000 metric ton/yr decrease by 2020	51,000 metric ton/yr increase by 2020
GHG/MWh by 2020	318 pounds/MWh	590 pounds/MWh
Renewables in pipeline	2,536 MW	0 MW
County debt and liability exposure	None	\$475mm long-term debt plus \$22 million short-term debt
County guarantee for debt and liability	No	Likely
Customer choice	Yes	No; automatic enrollment unless affirmatively "opt out"
Customer base	Stable	Uncertain

I would also like to take this opportunity to provide some comments for the record on the ordinance you have before you for final adoption this Tuesday. Section 13 of the ordinance "approves the Joint Powers Agreement ... and elects to implement a Community Choice Aggregation program..." Further, Recital 5 of the Joint Powers Agreement states: "... The first priority of the Authority will be the consideration of those actions necessary to implement the CCA Program..." This creates a playing field that appears intended to severely limit and prejudice what we understood was the County's intent – the intent to give PG&E, the County and participating cities the opportunity to work jointly on a constructive and successful partnership that avoids the risks and costs associated with the establishment of a CCA.

The Honorable Board of Supervisors
Page 4

As you are aware, we previously have provided County staff, County Counsel and Members of the Board with draft language that we believe would mitigate these concerns. We hope that the Board will favorably consider this language.

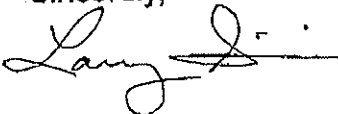
Moreover, Section 13 of the ordinance adopts a "Business Plan" for the Community Choice Aggregation program. Based upon our experience in electricity markets and our analysis, the "Business Plan" significantly overestimates the availability of renewable resources and significantly underestimates their cost. More importantly, the "Business Plan" calls for the issuance of \$475 million in revenue bonds to fund the CCA program. With all due respect to your Honorable Board and these uncertain financial times, we question a public policy decision endorsing a "Business Plan" for issuance of \$475 million in revenue bonds without a prior vote of the people.

Finally, by separate letter from our counsel, we are calling the Board's attention to a very recent decision of the California Supreme Court. *Save Tara v. City of West Hollywood*, (California Supreme Court, Case No. S151402, October 30, 2008, 08 C.D.O.S. 13695), may affect the County's decision to adopt the ordinance and Joint Powers Agreement for a Community Choice Aggregation Program without prior preparation of an environmental impact report under the California Environmental Policy Act (CEQA).

We sincerely hope you will take us up on our Partnership Proposal. Our proposal includes what we believe to be realistic estimates as to potential green house gas reductions that can be achieved if the entire package is adopted and implemented. We also understand that each potential program should be put forward for exploration and discussion by you and all interested stakeholders and members of the public. You and we may agree that some of these programs are perfect fits for Marin; others you may decide do not work for you. Others may be modified to meet specific needs of the County or one or more of the cities. Still other potential programs may surface through the creative process and synergies of PG&E and the County as committed partners identifying mutual needs and finding mutual solutions.

Once again, thank you for the opportunity to address the Board and we look forward to a productive discussion of PG&E's proposal for a greenhouse gas reduction and renewable energy partnership between the governments and communities of Marin County and PG&E.

Sincerely,



Lawrence J. Simi

CC: Matthew Hymel, County Administrator
Patrick Faulkner, County Counsel
Greg Stepanicich, Esq.
Brian Crawford, Director, Community Development Agency
Dawn Weisz, Principal Planner