

CHAPTER 3 – Organizational Structure

This section provides an overview of the organizational structure of MBCP and its proposed implementation of the CCA program. Specifically, the key agreements, governance, management, and organizational functions of MBCP are outlined and discussed below.

Organizational Overview

In April 2017, MBCP formed its Operations Board and Policy Board of Directors to serve as its Governing Boards. The Operations Board of Directors is responsible for approval of Authority contracts and agreements and approval of operating policies and other matters necessary to ensure successful program operations. The Policy Board of Directors is responsible for issuance of bonds, major capital expenditures, appointment and termination of the Chief Executive Officer, adoption of the annual budget, setting of rates for power sold by the Authority and adoption of the Implementation Plan. In July of 2017, the Policy Board appointed an Interim Chief Executive Officer (“CEO”) to manage the operation of MBCP in accordance with policies adopted by the Board. When MBCP receives CPUC certification of this Implementation Plan, the CEO will proceed to appoint staff and contractors to manage various activities associated with MBCP operation. These activities include support services (administration, finance and IT), marketing and public affairs (community outreach, key account management and customer advocacy), supply acquisition (energy trading, contract negotiation and system development) and legal and government affairs.

Governance

MBCP is a joint powers agency created in February 2017 and formed under California law. The Members of MBCP include the counties of Monterey, Santa Cruz and San Benito, as well as sixteen (16) of the municipalities located therein, all of which are listed in Chapter 1. The Members have elected to allow MBCP to provide electric generation service within their respective jurisdictions. MBCP is the CCA entity that will register with the CPUC, and it is responsible for implementing and managing the program pursuant to MBCP’s Joint Powers Agreement (“JPA Agreement”).

The MBCP Program will be governed by MBCP’s Operations and Policy Boards. Each Board is comprised of 11 primary members and alternates, which may participate in the absence of primary Board members. The Policy and Operations Board’s respective compositions are based on populations within the region. More specifically, each jurisdiction with a population of 50,000 or more is allocated one seat on each Board; a shared seat is allocated on a sub-regional basis to jurisdictions with populations below 50,000. Notwithstanding the above, the County of San Benito is allocated one seat.

The MBCP Program will be operated under the direction of its CEO, who was appointed by the Policy Board, with legal and regulatory support provided by a Board appointed General Counsel.

The Policy Board's primary duties are to establish program policies, approve rates and provide policy direction to the CEO, who has general responsibility, working with the Operations Board, for program operations, consistent with the policies established by the Policy Board. Each Board has elected a Chair and Vice Chair. In the future, the Policy Board may also establish other committees and sub-committees, as needed, to address issues that require greater expertise in particular areas. MBCP may also form various standing and ad hoc committees, as appropriate, which would have responsibility for evaluating various issues that may affect MBCP and its customers, providing analytical support and recommendations to the Boards in these regards.

Management

In July 2017, MBCP's Policy Board appointed an Interim CEO, who has management responsibilities over the functional areas of Administration & Finance, Marketing & Public Affairs, Power Resources & Energy Programs, and Government Affairs as well as MBCP's General Counsel. In serving MBCP, the Interim CEO may utilize a combination of internal staff and/or contractors. Certain specialized functions needed for program operations, namely the electric supply and customer account management functions described below, may be performed initially by third-party contractors.

Major functions of MBCP that will be managed by the CEO are summarized below.

Administration

MBCP's CEO will be responsible for managing the organization's human resources and administrative functions and will coordinate with the Board, as necessary, with regard to these functions. The functional area of administration will include oversight of employee hiring and termination, compensation and benefits management, identification and procurement of requisite office space and various other issues.

Finance

The CEO is also responsible for managing the financial affairs of MBCP, including the development of an annual budget, revenue requirement and rates; managing and maintaining cash flow requirements; arranging potential bridge loans as necessary; and other financial tools.

Revenues via rates and other funding sources (such as a rate stabilization fund, when necessary) must, at a minimum, meet the annual budgetary revenue requirement, including recovery of all expenses and any reserves or coverage requirements set forth in bond covenants or other agreements. MBCP will have the flexibility to consider rate adjustments within certain ranges,

administer a standardized set of electric rates, and may offer optional rates to encourage policy goals such as economic development or low income subsidy programs, provided that the overall revenue requirement is achieved.

MBCP may also offer customized pricing options, such as dynamic pricing or contract-based pricing, for energy intensive customers to help these customers gain greater control over their energy costs. This would provide such customers – mostly larger energy users within the commercial sector – with greater rate-related flexibility than is currently available.

MBCP's finance function will be responsible for arranging financing necessary for any capital projects, preparing financial reports, and ensuring sufficient cash flow for successful operation of the MBCP Program. The finance function will play an important role in risk management by monitoring the credit of energy suppliers so that credit risk is properly understood and mitigated. If a supplier's financial condition and/or credit rating are identified, MBCP will be able to take appropriate action, as would be provided for in the electric supply agreement(s).

Marketing & Public Affairs

The marketing and public affairs functions include general program marketing and communications as well as direct customer interface ranging from management of key account relationships to call center and billing operations. MBCP will conduct program marketing to raise consumer awareness of the MBCP Program and to establish the MBCP "brand" in the minds of the public, with the goal of retaining and attracting as many customers as possible into the MBCP Program. Communications will also be directed at key policy-makers at the state and local level, community business and opinion leaders, and the media.

In addition to general program communications and marketing, a significant focus on customer service, particularly representation for key accounts, will enhance MBCP's ability to differentiate itself as a highly customer-focused organization that is responsive to the needs of the community. MBCP will also establish a customer call center designed to field customer inquiries and routine interaction with customer accounts.

The customer service function also encompasses management of customer data. Customer data management services include retail settlements/billing-related activities and management of a customer database. This function processes customer service requests and administers customer enrollments and departures from the MBCP Program, maintaining a current database of enrolled customers. This function coordinates the issuance of monthly bills through the distribution utility's billing process and tracks customer payments. Activities include the electronic exchange of usage, billing, and payments data with the distribution utility and MBCP, tracking of customer payments and accounts receivable, and administration of customer deposits in accordance with credit policies of MBCP.

The customer data management services function also manages billing-related communications with customers, customer call centers, and routine customer notices. MBCP may contract with a third party, who has demonstrated the necessary experience and administers an appropriate customer information system to perform the customer account and billing services functions.

Power Resources & Energy Programs

MBCP must plan for meeting the electricity needs of its customers utilizing resources consistent with its policy goals and objectives as well as applicable legislative and/or regulatory mandates. MBCP's long-term integrated resource plans (addressing the 10-20 year planning horizon) will comply with California Law and other pertinent requirements of jurisdictional regulatory agencies. MBCP may develop and administer complementary energy programs that may be offered to MBCP customers, including green pricing, energy efficiency, net energy metering and various other programs that may be identified to support the overarching goals and objectives of MBCP.

MBCP will develop integrated resource plans that meet program supply objectives and balance cost, risk and environmental considerations. Such integrated resource plans will also conform to applicable requirements defined by the State of California. Integrated resource planning efforts of MBCP will optimize use of demand side energy efficiency, distributed generation and demand response programs as well as traditional supply options, which rely on structured wholesale transactions to meet customer energy requirements. Integrated resource plans will be updated and adopted by MBCP on an annual basis.

Electric Supply Operations

Electric supply operations encompass the activities necessary for wholesale procurement of electricity to serve end use customers. These highly specialized activities include the following:

- *Electricity Procurement* – assemble a portfolio of electricity resources to supply the electric needs of Program customers.
- *Risk Management* – application of standard industry techniques to reduce exposure to the volatility of energy and credit markets and insulate customer rates from sudden changes in wholesale market prices.
- *Load Forecasting* – develop load forecasts, both long-term for resource planning and short-term for the electricity purchases and sales needed to maintain a balance between hourly resources and loads.
- *Scheduling Coordination* – scheduling and settling electric supply transactions with the CAISO.

MBCP will initially contract with one or more experienced and financially sound third party energy services providers to support the performance of most of the electric supply functions

that will be required to operate the MBCP Program. These requirements include the procurement of energy, capacity and ancillary services, scheduling coordinator services, short-term load forecasting and day-ahead and real-time electricity trading.

Local Energy Programs

A key focus of the MBCP Program will be the development and implementation of local energy programs, including energy efficiency programs, distributed generation programs and other energy programs responsive to community interests. These programs are likely to be phased in during the first several years of operations. The implementation of such programs will follow the identification of requisite funding sources.

MBCP will eventually administer energy efficiency, demand response and distributed generation programs that can be used as cost-effective alternatives to procurement of supply resources. MBCP will attempt to consolidate existing demand side programs into this organization and leverage the structure to expand energy efficiency offerings to customers throughout its service territory, including the CPUC application process for third-party administration of energy efficiency programs and use of funds collected through the existing public benefits surcharges paid by MBCP customers.

Governmental Affairs & General Counsel

The MBCP Program will require ongoing regulatory and legislative representation to manage various regulatory compliance filings related to resource plans, resource adequacy, compliance with California's Renewables Portfolio Standard ("RPS"), and overall representation on issues that will impact MBCP, its members and customers. MBCP will maintain an active role at the CPUC, the California Energy Commission, the California Independent System Operator ("CAISO"), the California legislature and, as necessary, the Federal Energy Regulatory Commission.

Under the direction of its General Counsel, MBCP may retain outside legal services, as necessary, to administer MBCP, review contracts, and provide overall legal support related to activities of the MBCP Program.