

CHAPTER 4 – Startup Plan & Funding

This Chapter presents MBCP's plans for the start-up period, including necessary expenses and capital outlays. As described in the previous Chapter, MBCP may utilize a mix of staff and contractors in its CCA Program implementation.

Startup Activities

The initial program startup activities include the following:

- Hire staff and/or contractors to manage implementation
- Negotiate banking arrangement and establishing line of credit to support the early period of program implementation
- Conduct load forecasting
- Negotiate supply contracts with power suppliers, producers, marketers, etc.
- Contract for resource dispatch and scheduling coordination function
- Establish a services arrangement for data management and a customer call center
- Define and execute a communications plan, including engaging residents, businesses, stakeholders and media
- Post CCA bond and complete requisite registration requirements
- Pay utility service initiation, notification and switching fees
- Perform customer notifications, opt-outs and transfers
- Establish rates and coordinate with the distribution utility to ensure accurate customer billing
- Manage and report on MBCP's financial position

Other costs related to starting up the MBCP Program will be the responsibility of the MBCP Program's contractors and are assumed to be covered by any fees/charges imposed by such contractors. These may include capital requirements needed for collateral/credit support for electric supply expenses, customer information system costs, electronic data exchange system costs, call center costs, and billing administration/settlements systems costs.

Staffing and Contract Services

Personnel in the form of MBCP staff or contractors will be added incrementally to match workloads involved in forming the new organization, managing contracts, and initiating customer outreach/marketing during the pre-operations period. During the startup period, minimal personnel requirements would include interim CEO, a General Counsel, and other personnel needed to support regulatory, procurement, finance, and communications activities.

For budgetary purposes, it is assumed that eight full-time equivalents (staff or contracted professional services) supporting the above listed activities would be engaged during the initial start-up period. Following this period, additional staff and/or contractors will be retained, as

needed, to support the roll-out of additional value-added services (e.g., efficiency projects) and local generation projects and programs.

Capital Requirements

The Startup of the CCA Program will require capital for three major functions: (1) staffing and contractor costs; (2) deposits and reserves; and (3) working capital. Based on MBCP's anticipated startup activities and phase-in schedule, a total need of \$13 million has been identified to support these functions. The finance plan in Chapter 7 provides some additional detail regarding MBCP's expected capital requirements and general Program finances.

Related to MBCP's initial capital requirement, this amount is expected to cover staffing and contractor costs during startup and pre-startup activities, including direct costs related to public relations support, technical support, and customer communications. Requisite deposits and operating reserves are also reflected in the initial capital requirement, including the following items: 1) operating reserves to address anticipated cash flow variations as well as operating reserve deposits that will likely be required by MBCP's power supplier(s); 2) requisite deposit with the CAISO prior to commencing market operations; 3) CCA bond posted with the CPUC; and 4) PG&E service fee deposit.

Operating revenues from sales of electricity will be remitted to MBCP beginning approximately sixty days after the initial customer enrollments. This lag is due to the distribution utility's standard meter reading cycle of 30 days followed by 30 days payment/collections cycle. MBCP will need working capital to support electricity procurement and costs related to program management, which is included in MBCP's initial \$13 million capital requirement.

Financing Plan

MBCP's initial capital requirement will be provided via bank lines of credit, the terms of which are currently being negotiated. MBCP will recover the principal and interest costs associated with the start-up funding via retail generation rates charged to MBCP customers. It is anticipated that the startup costs will be fully recovered through customer generation rates within the first year of operations.