

CHAPTER 7 – Financial Plan

This Chapter examines both the monthly cash flows expected during the 9 to 15 months of startup and customer phase-in periods and describes the requirements for working capital and long-term financing for the potential investment in renewable generation, consistent with the resource plan contained in Chapter 6. Startup expenses and sources of capital will be identified on monthly basis while the long term pro forma is forecasted annually.

Elements of Estimating Program Operational Cost

To estimate the overall costs associated with MBCP's program, the following services and associated costs were taken into consideration:

- Electricity Procurement;
- Transmission, grid management and other CAISO charges;
- Portfolio Charge Indifference Adjustment;
- Staffing, administrative and Professional Services;
- Billing and Data Management;
- Balancing and Scheduling Coordination;
- Bond and Security Deposit;
- Debt Service obligations.

Program Operational Revenue

The cash flow analysis also provides estimates of revenues generated from MBCP operations, primarily from electricity sales to customers. In determining these revenues, the analysis assumes the customer phase-in schedule described herein, and assumes that MBCP charges a standard, default electricity rates similar, if not identical, to the generation rates charged by PG&E for each customer class. MBCP may offer other rate options that will promote the acquisition of local and regional renewable resources. More detail on MBCP Program rates can be found in Chapter 8.

Cash Flow Analysis Results

The results cash flow analysis in the first 9-15 months provide an estimate of the capital required for startup and phase-in periods. This estimated level of capital is determined by examining the monthly cumulative net cash flows of deposits less payment obligations. This identifies, monthly, the surplus (deficit) during the startup period.

The cash flow analysis identifies funding requirements in recognition of the potential lag between revenues received and payments made during the phase-in period. The estimated

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financing requirements for the startup and phase-in period, including working capital needs associated with the two phases customer enrollments, is estimated at \$13 million.

Program Implementation Pro Forma

The ten years financial forecast is shown below. While the pro forma incorporates the startup cost, it doesn't include the lag associated with receipts and payment streams. In effect, revenues and payment are reflected in the month in which service is provided. All other items, such as costs associated with program operations remain the same. A summary of Program reserves, which are expected to accrue over this same period of time, is also included below.

**Monterey Bay Community Power
Summary of CCA Program Startup and Phase-In
(January 2017 through December 2026)**

CATEGORY	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	TOTAL
I. REVENUES FROM OPERATIONS (\$)											
ELECTRIC SALES REVENUE	-	173,955,068	242,013,502	243,223,570	250,532,575	258,061,673	265,817,494	273,806,869	282,036,831	290,514,628	2,279,962,210
LESS UNCOLLECTIBLE ACCOUNTS	-	(869,775)	(1,210,068)	(1,216,118)	(1,252,663)	(1,290,308)	(1,329,087)	(1,369,034)	(1,410,184)	(1,452,573)	(11,399,811)
TOTAL REVENUES	-	173,085,293	240,803,435	242,007,452	249,279,912	256,771,365	264,488,407	272,437,834	280,626,647	289,062,055	2,268,562,399
II. COST OF OPERATIONS (\$)											
(A) OPERATIONS AND ADMINISTRATIVE (O&A)											
STAFFING & PROFESSIONAL SERVICES	1,447,700	3,063,879	4,130,508	4,254,423	4,382,056	4,513,518	4,648,923	4,788,391	4,932,043	5,080,004	41,241,445
MARKETING	266,368	1,968,208	2,351,962	2,425,990	2,502,360	2,581,148	2,662,430	2,746,285	2,832,796	2,922,048	23,259,594
DATA MANAGEMENT SERVICES	-	2,053,381	3,780,455	3,799,357	3,818,354	3,837,446	3,856,633	3,875,916	3,895,296	3,914,772	32,831,610
IOU FEES (INCLUDING BILLING)	-	873,162	1,627,975	1,685,199	1,744,433	1,805,750	1,869,222	1,934,925	2,002,938	2,073,341	15,616,946
OTHER ADMINISTRATIVE & GENERAL	164,800	967,541	1,153,920	1,188,537	1,224,193	1,260,919	1,298,747	1,337,709	1,377,840	1,419,176	11,393,383
SUBTOTAL O&A	1,878,868	8,926,171	13,044,820	13,353,506	13,671,397	13,998,780	14,335,955	14,683,227	15,040,913	15,409,341	124,342,978
(B) COST OF ENERGY	-	116,187,760	172,568,521	184,334,082	194,376,312	201,293,444	208,481,101	215,949,879	223,710,784	231,775,251	1,748,677,133
(C) OPERATING RESERVE	-	8,697,753	12,100,675	12,161,178	12,526,629	10,322,467	10,632,700	10,952,275	11,281,473	11,620,585	100,295,736
TOTAL COST AND OPERATING RESERVE	1,878,868	133,811,684	197,714,016	209,848,767	220,574,337	225,614,691	233,449,756	241,585,381	250,033,171	258,805,177	1,973,315,846
CCA PROGRAM SURPLUS/(DEFICIT)	(1,878,868)	39,273,609	43,089,419	32,158,685	28,705,575	31,156,674	31,038,651	30,852,454	30,593,476	30,256,878	295,246,552

**Monterey Bay Community Power
Reserves Summary
(January 2017 through December 2026)**

CATEGORY	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	TOTAL
I. RESERVE ADDITIONS											
(A) OPERATING RESERVE CONTRIBUTION	-	8,697,753	12,100,675	12,161,178	12,526,629	10,322,467	10,632,700	10,952,275	11,281,473	11,620,585	100,295,736
(B) CASH FROM FINANCING	3,000,000	10,000,000	-	-	-	-	-	-	-	-	13,000,000
SUBTOTAL RESERVE ADDITIONS	3,000,000	18,697,753	12,100,675	12,161,178	12,526,629	10,322,467	10,632,700	10,952,275	11,281,473	11,620,585	113,295,736
II. RESERVE SUBTRACTIONS											
(A) STARTUP FUNDING REPAYMENT	-	3,000,000	-	-	-	-	-	-	-	-	3,000,000
(B) WORKING CAPITAL REPAYMENT	-	-	10,000,000	-	-	-	-	-	-	-	10,000,000
(C) INTEREST PAYMENTS	67,500	322,500	-	-	-	-	-	-	-	-	390,000
SUBTOTAL RESERVE SUBTRACTIONS	67,500	3,322,500	10,000,000	-	-	-	-	-	-	-	13,390,000
III. RATE STABILIZATION RESERVE BALANCE	2,932,500	18,307,753	20,408,429	32,569,607	45,096,236	55,418,703	66,051,402	77,003,677	88,285,150	99,905,736	

Net revenues in the first few years of operation will provide for

- Operating and rate stabilization reserves
- Rebates for local programs promoting carbon free resources
- Cash rebates

MBCP Program Start-up and Working Capital

As previously discussed, the anticipated start-up and working capital requirements for the MBCP Program are \$13 million. This amount is dependent upon the electric load served by MBCP, actual energy prices, payment terms established with the third-party supplier, and program rates. This figure would be refined during the startup period as these variables become known. Once the MBCP Program is up and running, these costs would be recovered from customers through retail rates.

This financing will be primarily secured via Line of credit with an established commercial bank, which would allow MBCP to draw cash as required. Requisite financing would need to be arranged no later than the fourth quarter of 2017.

Renewable Resource Project Financing

MBCP may consider project financings for renewable resource such as wind and solar. These financings would only occur after a sustained period of successful MBCP Program operation and after appropriate project opportunities are identified and subjected to appropriate environmental review. MBCP's ability to directly finance projects will likely require a track record of three to five years of successful program operations demonstrating strong underlying credit to support the financing; direct financing undertaken by MBCP would not be expected to occur sooner than 2021.

When such financing occurs, funds would include any short-term financing for the renewable resource project development costs, and would likely extend over a 20- to 30-year term. The security for such bonds would be the revenue from sales to the retail customers of MBCP.