



Meeting of the Policy Board of Directors

Wednesday, August 16, 2017

9:00 am

City of Watsonville City Council Chambers

275 Main Street, 4th Floor

Watsonville, CA 95076

AGENDA

Meetings are accessible to people with disabilities. Individuals who need special assistance or a disability-related modification or accommodation to participate in this meeting, or who have a disability and wish to request an alternative format for the meeting materials, should contact Carol Johnson at 831-454-2740 or carol.johnson@santacruzcounty.us.

If you have anything that you wish to be distributed to the Board please hand it to a member of MBCP interim staff who will distribute the information to the Board members and other staff.

1. Welcome & Oath for New Board Members/Alternates
2. Roll Call
3. Introduction of Tom Habashi, Interim Chief Executive Officer
4. Oral Communications For Items Not on the Agenda

CONSENT AGENDA

5. Accept staff report regarding MBCP Administrative and Organizational Updates
 - Banking and Credit update
 - Agency Administrative and Organizational Issues
 - i. Agency Insurance
 - ii. Preparations for New CEO
 - iii. Form 700 reminder
 - iv. MBCP Staffing and Personnel Matters

REGULAR AGENDA

6. Adopt resolution to amend Monterey Bay Community Power fiscal year
7. Adopt resolution to adopt MBCP Implementation Plan as required by CPUC Section 366.2(c)(3)

8. Accept Staff Report Regarding Recommended Approach to Retail Rate Design

9. Adjournment to Next Policy Board Meeting on September 13, 2017

Public records that relate to any item on the open session agenda for a regular board meeting are available for public inspection. Those records that are distributed less than 72 hours prior to the meeting are available for public inspection at the same time they are distributed to all members, or a majority of the members of the Board. Until MBCP has offices, the Board has designated the County of Santa Cruz General Services Department, located at 701 Ocean Street, Room 330, Santa Cruz, CA 95060 for the purpose of making those public records available for inspection. The documents are also available on the MBCP website located at: MBCommunityPower.org.



Staff Report Item 5

TO: MBCP Operations Board of Directors

FROM: Carol Johnson, Administrative Services Manager, County of Santa Cruz
Peter Detlefs, County of Santa Cruz
Shawn Marshall, LEAN Energy US

SUBJECT: MBCP Administrative and Organizational Updates

DATE: August 16, 2017

Recommendation

Accept staff report regarding MBCP Administrative and Organizational Updates

Background

Staff will provide regular updates regarding on-going activities in the areas of Agency organizational development, administration and CCE program start-up.

Analysis and Discussion

A) Banking and Credit Update:

MBCP received loan approval from River City Bank (RCB) on June 16, 2017 for \$3 million in start-up funding. The RCB loan documents were received from RCB on June 27, 2017. The ad hoc finance committee from the three counties has reviewed the RCB loan documentation and submitted consolidated comments to RCB on July 21, 2017. At this time, negotiations continue with RCB on the final terms of the loan which now includes combining the initial seed capital of \$3M (via a revolving line of credit) plus the necessary working capital of \$10M (via a non-revolving line of credit) that will soon be needed to support MBCP's phase 1 power supply contracts. On August 9, 2017 River City Bank approved the \$10 million revolving line of credit. Loan negotiations for both credit lines are proceeding well, and the addition of the \$10M credit line into the existing loan agreement does not change the credit guarantee requirement or other loan terms to which MBCP and the three counties had previously agreed.

It is anticipated that the counties of Santa Cruz and Monterey will enter into a credit guarantee and San Benito County will provide cash collateral with RCB to provide the credit support required for the initial \$3M revolving line of credit as outlined below.

Table 1 below presents the allocation of the credit support required for the start-up funding.

Monterey Bay Community Power Credit Allocation by Jurisdiction			
		Credit Support	
	Seats on Board	Percentage	Amount
<u>Santa Cruz County</u>			
1 County of Santa Cruz	1.00	9.09%	\$ 272,727
2 City of Santa Cruz	1.00	9.09%	272,727
3 Watsonville	1.00	9.09%	272,727
Santa Cruz Cities Rotating			
4 Capitola	0.50	4.55%	136,364
5 Scotts Valley	<u>0.50</u>	<u>4.55%</u>	<u>136,364</u>
<i>Subtotal - Santa Cruz County</i>	<i>4.00</i>	<i>36.3637%</i>	<i>\$ 1,090,909</i>
<u>Monterey County</u>			
6 County of Monterey	1.00	9.09%	\$ 272,727
7 Salinas	1.00	9.09%	272,727
Monterey Coastal Cities Rotating			
8 Marina	0.33	3.03%	90,909
9 Seaside	0.33	3.03%	90,909
10 Sand City	0.33	3.03%	90,909
Monterey Peninsula Cities Rotating			
11 Pacific Grove	0.33	3.03%	90,909
12 Carmel	0.33	3.03%	90,909
13 City of Monterey	0.33	3.03%	90,909
Salinas Valley Rotating			
14 Greenfield	0.33	3.03%	90,909
15 Soledad	0.33	3.03%	90,909
16 Gonzales	<u>0.33</u>	<u>3.03%</u>	<u>90,909</u>
<i>Subtotal - Monterey County</i>	<i>5.00</i>	<i>45.4545%</i>	<i>\$ 1,363,636</i>
<u>San Benito County</u>			
17 County of San Benito	1.00	9.09%	\$ 272,727
San Benito Cities Rotating			
18 Hollister	0.50	4.55%	136,364
19 San Juan Bautista	<u>0.50</u>	<u>4.55%</u>	<u>136,364</u>
<i>Subtotal - San Benito County</i>	<i>2.00</i>	<i>18.1818%</i>	<i>\$ 545,455</i>
Total	11.00	100.0000%	\$ 3,000,000

Each county continues to complete their interagency/side agreements with their cities, although this is not a requirement of RCB. A draft interagency agreement is currently circulating between the counties and their respective cities and Council and Board approvals have either already occurred or are scheduled through the month of August.

The following are brief summaries from each of the three counties regarding their progress on the approval of related documents as we approach final approval of the RCB loan documentation by the MBCP Policy Board at its regular meeting scheduled on September 13.

Santa Cruz County and Cities

- County of Santa Cruz – Board approval received on 6/27 to negotiate and execute RCB Non-Revolving Credit Guaranty and agreements with cities.
- City of Scotts Valley – Approved 6/21
- City of Santa Cruz – Approved 6/27
- City of Watsonville – Approved 6/27
- City of Capitola – Approved 7/27

Monterey County and Cities

On July 25, the Monterey County Board of Supervisors took the following actions:

1. Approved the Memorandum of Agreement Between the County of Monterey and Monterey County Cities Regarding Credit Guaranty for Monterey Bay Community Power (“Cities Agreement”), contingent on approval by all member cities
2. Approved the Shared Financial Agreement by and Among the County Members of the Monterey Bay Community Power Authority of Monterey, Santa Cruz and San Benito, contingent on approval by all member cities of the Cities Agreement
3. Approved the Non-Revolving Credit Guaranty with River City Bank to provide approximately 45.45% percent of the credit guaranty, contingent on approval by all members of the Cities Agreement
4. Authorized the County Administrative Officer to make modifications to all agreements that do not change the material terms and to execute the agreements on behalf of the County

The following Monterey County cities have approved the Cities Agreement with their City Councils:

- City of Gonzales (July 17)
- City of Marina (July 18)
- City of Pacific Grove (July 19)
- City of Soledad (July 19)
- City of Greenfield (July 25)
- City of Sand City (August 1)
- City of Seaside (August 3)
- City of Carmel-by-the-Sea (August 8)

It is staff’s understanding that the following cities have put the Cities Agreement on their advanced agenda for approval:

- City of Monterey (August 15)
- City of Salinas (August 15)

San Benito County and Cities

San Benito County staff have met with the City Managers and attorneys in San Juan Bautista and Hollister. A draft interagency agreement is currently being circulated between the County and their two cities and both cities have agreed to agendaize the matter. At the time this agenda is being published, no dates have been set. Everything is proceeding with the

County collateral for the River City Bank loan and completion of the interagency agreements is not a contingency concern.

B) Agency Administrative and Organizational Update

a. Agency Insurance

Santa Cruz County Risk management staff is working to secure an Errors and Omissions policy as per MBCP's JPA Agreement in addition to workman's compensation insurance as needed for future employees of MBCP.

b. Preparations for Interim CEO

On July 12, 2017, the Policy Board approved the employment agreement for Tom Habashi, Interim Chief Executive Officer (CEO). Mr. Habashi brings a wealth of experience in start-up formation, public boards, and energy procurements to MBCP. Mr. Habashi has since signed an employment contract with a formal start date of September 1; however, he has made himself available on a limited basis to work on MBCP's implementation plan and participate in summer Board meetings. The next step is to finalize plans for temporary office space which the City of Pacific Grove has kindly offered to donate until MBCP secures permanent office space later this year. Other logistics necessary for Mr. Habashi to begin employment on September 1 are being coordinated through the Santa Cruz County Personnel Department.

c. Form 700 Filings

A reminder for all Policy Board members and their alternates to please submit updated FPPC Form 700s to Carol Johnson at the County of Santa Cruz by August 31, 2017.

d. MBCP Staffing and Personnel Matters

MBCP staff and consultants have begun work on a proposed organization chart and staffing plan for MBCP which will be presented to both Boards at their September meetings. In addition, work has begun on MBCP employee policies and job classifications and descriptions. An informational presentation on this topic, with recommendations from the Operations Board, will be provided at the September 13 Policy Board meeting.



Staff Report Item 6

TO: MBCP Policy Board of Directors

FROM: Carol Johnson, Administrative Services Manager

SUBJECT: Adopt Resolution to Change Fiscal Year

DATE: August 16, 2017

Recommendation

Adopt resolution amending the Authority's fiscal year.

Background

Section 5.1 of the MBCP Joint Powers Agreement provides that the Authority's fiscal year shall be 12 months commencing April 1. This section further provides that this fiscal year may be amended by a resolution of the Policy Board of Directors.

Due to the timing of the Authority's initial loans, it is necessary to amend the Authority's fiscal year to run from October 1 to September 30 to facilitate the repayment of these loans. The attached resolution amends the Authority's fiscal year to run from October 1 to September 30. Upon adoption of this resolution, the new fiscal year will commence on October 1, 2017.

BEFORE THE OPERATIONS BOARD OF
MONTEREY BAY COMMUNITY POWER AUTHORITY

RESOLUTION NO. ____-2017

On the motion of
Duly seconded by
The following resolution is adopted

RESOLUTION TO AMEND THE AUTHORITY'S FISCAL YEAR

WHEREAS, Section 5.1 of the Joint Exercise of Powers Agreement creating the Monterey Bay Community Power Authority provides that the Authority's fiscal year shall be 12 months commencing April 1 or the date selected by the Authority, and that it may be changed by a resolution of the Policy Board of the Authority; and

WHEREAS, in order to facilitate the repayment of the Authority's loans, the Board desires to amend the fiscal year to commence on October 1 and end on September 30;

NOW, THEREFORE, the Policy Board of Directors of the Monterey Bay Community Power Authority does hereby resolve, determine, and order as follows:

The fiscal year shall commence on October 1 and end on September 30. The Authority's new fiscal year shall commence on October 1, 2017.

PASSED AND ADOPTED by the Policy Board of Monterey Bay Community Power this 16th day of August, 2017 by the following vote:

AYES: Member

NOES: Member

ABSENT: Member

Chair, Policy Board of MBCP



Staff Report Item 7

TO: MBCP Operations Board of Directors

FROM: Tom Habashi, Interim CEO, Monterey Bay Community Power
Kirby Dusel, Pacific Energy Advisors, Inc.

SUBJECT: Discussion and Adoption of Resolution Approving MBCP Implementation Plan

DATE: August 16, 2017

Recommendation

Adopt resolution approving MBCP Implementation Plan and authorize submission of same to California Public Utilities Commission.

Analysis and Discussion

Before providing community choice aggregation (CCA) services, MBCP must meet certain legal requirements set forth in the California Public Utilities Code (Code). In particular, Section 366.2(c)(3) of the Code requires that the governing body of each CCA adopt at a duly noticed public meeting an Implementation Plan and Statement of Intent (Plan), which must be certified by the California Public Utilities Commission (CPUC). With this requirement in mind, staff has prepared a statutorily responsive Plan for MBCP and is now providing this document for your review and discussion. Per Code, the Plan must include the following information:

- An organizational structure of the program, its operations, and its funding;
- Rate-setting and other costs to participants;
- Provisions for disclosure and due process in setting rates and allocating costs among participants;
- Methods for entering and terminating agreements with other entities;
- Rights and responsibilities of program participants;
- Provisions for termination of the program; and
- Description of third parties that will be supplying electricity under the program.

The CPUC has 90 days to complete its review and certify the Plan.

The Operation and Policy Boards received an introductory presentation regarding requirements of the Plan during their joint meeting on July 12, 2017 and at the August 2, 2017 Operations Board Meeting the members received a second presentation from Pacific Energy Advisors, Inc. MBCP contracted with Pacific Energy Advisors (PEA) to develop the Plan under the direction of the Interim CEO. The Draft MBCP Plan (Attachment 1) was developed based on a template used by numerous other California CCA programs. Consistent with previously submitted plans, the MBCP Plan incorporates considerable flexibility regarding the manner in which MBCP implements and administers various complementary energy programs and its general operations. This attribute is desirable to accommodate inevitable variations in wholesale energy markets, an evolving legislative and regulatory landscape and other dynamic factors that may impact MBCP implementation and operation.

BEFORE THE POLICY BOARD OF
MONTEREY BAY COMMUNITY POWER AUTHORITY

RESOLUTION NO. _____

On the motion of
Duly seconded by
The following resolution is adopted

RESOLUTION TO ADOPT THE IMPLEMENTATION PLAN AS REQUIRED BY THE PUBLIC UTILITIES
CODE SECTION 366.2 (c)(3)

WHEREAS, THE Monterey Bay Community Power Authority (“the Authority”) was formed on February 21, 2017 pursuant to a Joint Powers Agreement to study, promote, develop, conduct, operate, and manage energy and energy related climate change programs included but not limited to implementing a community choice aggregation program under Public Utilities Code Section 366.2; and

WHEREAS, the members of MBCP include the counties of Monterey, Santa Cruz and San Benito and the cities of Santa Cruz, Watsonville, Salinas, Monterey, Pacific Grove, Carmel, Seaside, Marina, Sand City, Soledad, Greenfield, Gonzales, Hollister, San Juan Bautista, Scotts Valley and Capitola; and

WHEREAS, Public Utilities Code Section 366.2 requires that before commencing a community choice aggregation program, the Authority first must prepare and adopt an Implementation Plan to be filed with the California Public Utilities Commission; and

WHEREAS, the draft MBCP Community Choice Aggregation Implementation Plan and Statement of Intent was presented to the Policy Board at a duly noticed public hearing for its consideration and adoption, and is attached hereto as Exhibit A;

NOW, THEREFORE, after conducting a duly noticed public hearing as required by the Public Utilities Code Section 366.2 (c)(3), the Policy Board hereby adopts the Monterey Bay Community Power Community Choice Aggregation Implementation Plan and Statement of Intent.

PASSED AND ADOPTED by the Policy Board of Monterey Bay Community Power this 16th day of August, 2017 by the following vote:

AYES: Member

NOES: Member

ABSENT: Member

Chair, Policy Board of MBCP



**COMMUNITY CHOICE AGGREGATION
IMPLEMENTATION PLAN AND
STATEMENT OF INTENT**

August 2017

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CHAPTER 1 – Introduction & Statement of Intent

The Monterey Bay Community Power Authority (“MBCP” or “Authority”) is a public agency serving the counties of Monterey, Santa Cruz and San Benito. The Authority was formed to implement a Community Choice Aggregation (“CCA”) program, also referred to by the Authority as Community Choice Energy (“CCE”) or the “Program.” Member Agencies of MBCP include the counties of Monterey, Santa Cruz and San Benito as well as the cities of Santa Cruz, Watsonville, Salinas, Monterey, Pacific Grove, Carmel, Seaside, Marina, Sand City, Soledad, Greenfield, Gonzales, Hollister, San Juan Bautista, Scotts Valley, Capitola (together, the “Members” or “Member Agencies”), which have elected to allow MBCP to provide electric generation service within their respective jurisdictions.

This Implementation Plan and Statement of Intent (“Implementation Plan”) describes MBCP’s plans to implement a voluntary CCA program for electric customers within the jurisdictional boundaries of its Member Agencies that currently take bundled electric service from Pacific Gas and Electric Company (PG&E). The MBCP Program will provide an opportunity to collectively procure electricity from competitive suppliers, with such electricity being delivered over PG&E’s transmission and distribution system. The planned start date for the Program is March 1, 2018. All current PG&E customers within MBCP’s service area will receive information describing the Program and will have multiple opportunities to choose to remain full requirement (bundled) customers of PG&E, in which case they will not be enrolled, or opted out. Thus, participation in the MBCP Program is completely voluntary; however, customers, as provided by law, will be automatically enrolled in accordance with the anticipated phase-in schedule, later described in Chapter 5, unless they affirmatively elect to opt-out.

Implementation of MBCP program will enable customers within MBCP’s service area to take advantage of the opportunities granted by Assembly Bill 117 (“AB 117”), the Community Choice Aggregation Law. MBCP’s primary objectives in implementing this Program are to reduce electric sector greenhouse gas emissions (“GHGs”) within the Counties; stimulate renewable energy development; promote energy efficiency and demand reduction programs; and sustain competitive electric rates for participating residents and businesses over the long-term. The prospective benefits to consumers include contributing to regional carbon neutrality, rate competitiveness, and public participation in determining which generating technologies and demand-side programs are utilized to meet local electricity needs.

To ensure successful operation of the Program, MBCP will solicit experienced energy suppliers and marketers through a competitive process and will negotiate with one or more qualified suppliers throughout the fall of 2017. Final selection of MBCP’s initial energy supplier(s) will be made by MBCP following administration of the aforementioned solicitation process and related

contract negotiations. Information regarding the anticipated solicitation process for MBCP's initial energy services provider(s) is contained in Chapter 10.

The California Public Utilities Commission Code (the "Code") provides relevant legal authority for MBCP to become a CCA and invests the California Public Utilities Commission ("CPUC" or "Commission") with the responsibility for establishing the cost recovery mechanism that must be in place before customers can begin receiving electrical service through the MBCP Program. The CPUC also has responsibility for registering MBCP as a CCA and ensuring compliance with basic consumer protection rules. The Code requires that an Implementation Plan be adopted at a duly noticed public hearing and that it be filed with the Commission in order for the Commission to determine the cost recovery mechanism to be paid by customers of the Program to prevent shifting of costs to bundled customers of the incumbent utility, PG&E.

On August 16, 2017, the MBCP Policy Board of Directors ("Board"), at a duly noticed public hearing, considered and adopted this Implementation Plan, through Resolution No. [REDACTED] (a copy of which is included as part of Appendix A). The Commission has established the methodology that will be used to determine the cost recovery mechanism, and PG&E has approved tariffs for imposition of the cost recovery mechanism. Finally, each of MBCP's Members has adopted an ordinance to implement a CCA program through its participation in MBCP, and each of the Members has adopted a resolution permitting MBCP to provide service within its jurisdiction.¹ With each of these milestones having been accomplished, MBCP submits this Implementation Plan to the CPUC. Following the CPUC's certification of its receipt of this Implementation Plan and resolution of any outstanding issues, MBCP will take the final steps needed to register as a CCA prior to initiating the customer notification and enrollment process.

Organization of this Implementation Plan

The content of this Implementation Plan complies with the statutory requirements of AB 117. As required by PU Code Section 366.2(c)(3), this Implementation Plan details the process and consequences of aggregation and provides MBCP's statement of intent for implementing a CCA program.

The Implementation Plan is organized as follows:

- Chapter 1: Introduction & Statement of Intent
- Chapter 2: Aggregation Process
- Chapter 3: Organizational Structure
- Chapter 4: Startup Plan & Funding
- Chapter 5: Program Phase-In
- Chapter 6: Load Forecast & Resource Plan
- Chapter 7: Financial Plan

¹ Copies of individual ordinances adopted by MBCP's Members are included within Appendix A.

Chapter 8: Rate setting

Chapter 9: Customer Rights and Responsibilities

Chapter 10: Procurement Process

Chapter 11: Contingency Plan for Program Termination

Appendix A: MBCPA Resolution No. XXXX-XX (Adopting Implementation Plan)

Appendix B: MBCPA Joint Powers Agreement

The requirements of AB 117 are cross-referenced to Chapters of this Implementation Plan in the following table.

AB 117 Cross References

AB 117 REQUIREMENT	IMPLEMENTATION PLAN CHAPTER
Statement of Intent	Chapter 1: Introduction & Statement of Intent
Process and consequences of aggregation	Chapter 2: Aggregation Process
Organizational structure of the program, its operations and funding	Chapter 3: Organizational Structure Chapter 4: Startup Plan & Funding Chapter 7: Financial Plan
Disclosure and due process in setting rates and allocating costs among participants	Chapter 8: Rate setting
Rate setting and other costs to participants	Chapter 8: Rate setting Chapter 9: Customer Rights and Responsibilities
Participant rights and responsibilities	Chapter 9: Customer Rights and Responsibilities
Methods for entering and terminating agreements with other entities	Chapter 10: Procurement Process
Description of third parties that will be supplying electricity under the program, including information about financial, technical and operational capabilities	Chapter 10: Procurement Process
Termination of the program	Chapter 11: Contingency Plan for Program Termination

CHAPTER 2 – Aggregation Process

Introduction

This chapter describes the background leading to the development of this Implementation Plan and describes the process and consequences of aggregation, consistent with the requirements of AB 117.

The effort to form Monterey Bay Community Power began in 2013 as a regional collaborative partnership comprised of all 21 local governments within the greater Monterey Bay area, including the Counties of Santa Cruz, Monterey, San Benito and all 18 cities located therein. During this process, each local government within the Monterey Bay area was given the option of appointing a representative to the Project Development Advisory Committee, which was responsible for evaluating the viability of forming a regional CCA program. Key objectives of the prospective CCA program included: 1) reducing greenhouse gas emissions related to the use of electricity in the Monterey Bay area and neighboring regions; 2) providing electric power and other forms of energy to customers at rates that would be competitive with the incumbent utility; 3) stimulating and sustaining the local economy by lowering electric rates and supporting local energy projects; and 4) promoting long-term electric rate stability and energy security, as well as system reliability, for program participants through local control of electric generation planning and procurement. A technical feasibility study was completed for the prospective CCA program in May 2016, and in February 2017 the Monterey Bay Community Power Joint Powers Authority was formed, the membership of which included the three noted counties and 16 of the cities located therein.

The Implementation Plan was shared and discussed with the MBCP Operations Board on August 2, 2017, and was duly adopted by the MBCP Policy Board during its meeting on August 16, 2017. Resolution XXXX-XX, which is attached hereto as Appendix A, addresses MBCP's adoption of this Implementation Plan and Statement of Intent.

The MBCP Program represents a culmination of planning efforts that are responsive to the expressed needs and priorities of MBCP's Members. MBCP plans to offer choices to eligible customers through creation of innovative programs for voluntary purchases of renewable energy, net energy metering to promote customer-owned renewable generation, demand response programs to promote reductions in peak demand, customized pricing options for large energy users, and support of local renewable energy projects through the administration of a standardized power purchasing agreement, also known as a Feed-In-Tariff ("FIT").

Process of Aggregation

Before they are enrolled in the Program, prospective MBCP customers will receive two written notices in the mail, from MBCP, that will provide information needed to understand the Program's terms and conditions of service and explain how customers can opt-out of the Program, if desired. All customers that do not follow the opt-out process specified in the

customer notices will be automatically enrolled, and service will begin at their next regularly scheduled meter read date no later than thirty days following the date of automatic enrollment, subject to the service phase-in plan described in Chapter 5. The initial enrollment notices will be provided to the first phase of prospective MBCP customers in December 2017. Initial enrollment notices will be provided to subsequent customer phases consistent with statutory requirements and based on schedule(s) determined by MBCP. These notices will be sent to customers in subsequent phases twice within 60 days of automatic enrollment.

Customers enrolled in the MBCP Program will continue to have their electric meters read and will continue to be billed for electric service by the distribution utility (PG&E). The electric bill for Program customers will show separate charges for generation procured by MBCP as well as charges related to electricity delivery and other utility charges assessed by PG&E.

After enrollment in MBCP, customers will have approximately 60 days (two billing cycles) to opt-out of the MBCP Program without penalty and return to the distribution utility (PG&E) – this period is known as the post-enrollment opt-out period. MBCP customers will be advised of these opportunities via the distribution of two additional enrollment notices provided within the first two months of service. Customers that opt-out between the initial enrollment date and the close of the post-enrollment opt-out period will be responsible for program charges for the time they were served by MBCP but will not otherwise be subject to any penalty for leaving the program. Customers that have not opted-out within thirty days of the fourth enrollment notice will be deemed to have elected to become a participant in the MBCP Program and to have agreed to the MBCP Program’s terms and conditions, including those pertaining to requests for termination of service, as further described in Chapter 8.

Consequences of Aggregation

Rate Impacts

MBCP Customers will pay the generation charges set by MBCP and will no longer pay the costs of PG&E generation. Customers enrolled in the Program will be subject to the Program’s terms and conditions, including responsibility for payment of all Program charges as described in Chapter 9.

MBCP’s rate setting policies described in Chapter 7 establish a goal of providing rates that are competitive, if not identical, to the projected generation rates offered by the incumbent utility (PG&E). MBCP will establish rates sufficient to recover all costs related to operation of the Program, and actual rates will be adopted by MBCP’s Policy Board.

Initial MBCP Program rates will be established following approval of MBCP’s inaugural program budget, reflecting final costs from the MBCP Program’s energy supplier(s). MBCP’s rate policies and procedures are detailed in Chapter 7. Information regarding final MBCP Program rates will be disclosed along with other terms and conditions of service in the pre-enrollment and post-enrollment notices sent to potential customers.

Once MBCP gives definitive notice to PG&E that it will commence service, MBCP customers will generally not be responsible for costs associated with PG&E' future electricity procurement contracts or power plant investments. Certain pre-existing generation costs and new generation costs that are deemed to provide system-wide benefits will continue to be charged by PG&E to CCA customers through separate rate components, called the Cost Responsibility Surcharge and the New System Generation Charge. These charges are shown in PG&E's electric service tariffs, which can be accessed from the utility's website, and the costs are included in charges paid by both PG&E bundled customers as well as CCA and Direct Access customers.²

Green House Gas Reduction

A second consequence of the Program will be an increase in the proportion of energy generated and supplied by eligible renewable and carbon-free resources. MBCP's resource plan includes procurement of eligible renewable energy sufficient to meet or exceed California's prevailing renewable energy procurement mandate for all enrolled customers. In addition, the plan calls for procurement of carbon-free resources sufficient to promote significant reductions in electric sector GHG emissions attributable to the electric energy usage of MBCP customers. MBCP customers may also voluntarily participate in a 100 percent California Carbon Free supply option. To the extent that customers choose MBCP's 100 percent California Carbon Free energy option, the local eligible renewable content of MBCP's aggregate supply portfolio will further increase. Initially, requisite renewable energy supply will be sourced through one or more power purchase agreements. Over time, however, MBCP may consider independent development of new renewable generation resources.

Energy Efficiency Impacts

A third consequence of the Program will be an anticipated increase in energy efficiency program investments and activities. The existing energy efficiency programs administered by the incumbent utility are not expected to change as a result of MBCP Program implementation. MBCP customers will continue to pay public goods surcharges to the distribution utility, which will fund energy efficiency programs for all customers, regardless of the generation supplier. The energy efficiency investments ultimately planned for the MBCP Program, as described in Chapter 6, will follow MBCP's successful application for and administration of requisite program funding to independently administer energy efficiency programs within its jurisdiction. Such programs will be in addition to the level of investment that would continue in the absence of MBCP-administered energy efficiency programs. Thus, the MBCP Program has the potential for increased energy savings and a further reduction in emissions due to expanded energy efficiency program administration.

² For PG&E bundled service customers, the Power Charge Indifference Adjustment element of the Cost Responsibility Surcharge is contained within the tariffed Generation rate. Other elements of the Cost Responsibility Surcharge are set forth in PG&E's tariffs as separate rates/charges paid by all customers (with limited exceptions).

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 Boards’ 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 Boards' 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 Chairman and Vice Chairman. 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.

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.

CHAPTER 5 – Program Phase-In

MBCP will roll out its service offering to customers over the course of two phases:

- Phase 1. All commercial, industrial, agriculture, street lighting and traffic control accounts; and
- Phase 2. All residential accounts and any remaining service accounts that may have been omitted from Phase 1.

This approach provides MBCP with the ability to initiate its program with sufficient economic scale before building to full program integration for an expected customer base of approximately 270,000 accounts, post customer opt-out. MBCP will offer service to all customers on a phased basis, which is expected to be completed within five months of initial service to Phase 1 customers.

Phase 1 of the Program is targeted to begin on or about March 1, 2018, subject to a decision to proceed by MBCP. During Phase 1, MBCP anticipates serving approximately 37,500 accounts, comprised of all commercial, industrial and agriculture customers, totaling approximately 2,312 GWh of annual energy sales. MBCP is currently refining the potential composition of Phase 1 accounts in consideration of cost of service and customer load characteristics as well as other operational considerations. Specific accounts to be included in Phase 1 are expected to approximate 65 percent of MBCP's total customer load and will be specifically defined after further analysis and consideration.

Phase 2 of the Program will commence following successful operation of the MBCP Program over an approximate 4-month term, which corresponds with an expected Phase 2 service commencement date occurring on or about July 1, 2018. It is anticipated that approximately 235,000 additional customers, comprised of residential accounts will be included in Phase 2, with annual energy consumption approximating 1,266 GWh, or 35 percent of MBCP's total prospective customer load.

To the extent that additional customers require enrollment after the completion of Phase 2, MBCP will evaluate a subsequent phase of CCA enrollment.

MBCP may also evaluate other phase-in options based on then-current market conditions, statutory requirements and regulatory considerations as well as other factors potentially affecting the integration of additional customer accounts.

CHAPTER 6 - Load Forecast & Resource Plan

Introduction

This Chapter describes the electric resource portfolio that may be acquired to meet the energy requirements of MBCP customers. The following overarching policies will govern power supply resource planning and acquisition.

- MBCP will seek to source nearly all of its electric energy requirements from carbon free and eligible renewable resources and will implement programs to reduce reliance on fossil fuel combustion within the electric utility and transportation sectors of its Members.
- MBCP will manage a diverse resource portfolio to increase control over energy costs and maintain competitive and stable electric rates.
- MBCP will diversify the use of generating technologies in an effort to positively influence grid reliability and electric system stability within California.
- MBCP may apply for the administration of energy efficiency program funding to help customers reduce energy costs through administration of enhanced customer energy efficiency, distributed generation, and other demand reducing programs.
- MBCP will benefit the area's economy through investment in local infrastructure, projects and energy programs.

MBCP's initial resource mix will include a proportion of eligible renewable energy that meet or exceed California's prevailing RPS procurement mandate. MBCP's carbon free resources will proportionately exceed the resource mix currently being provided by the incumbent utility. As the MBCP Program moves forward, incremental renewable supply additions will be made based on resource availability as well as economic goals of the MBCP Program to achieve increased carbon free content over time. MBCP's aggressive commitment to renewable generation adoption may involve both direct investment in new renewable generating resources, partnerships with experienced public power developers/operators and purchases of renewable energy from third party suppliers.

The plan described in this section would accomplish the following:

- Procure energy through one or more contracts with experienced, financially stable energy suppliers sufficient to offer two distinct generation rate tariffs: 1) 100 percent California carbon free energy, offered to MBCP customer on a voluntary basis; and 2) a default MBCP service option that includes a proportion of renewable energy exceeding California's prevailing renewable energy procurement mandate.
- Continue increasing eligible renewable and carbon free energy supplies over time, subject to resource availability, economic viability and applicable compliance mandates.

- To the extent that MBCP decides to apply for and is successful in securing public funding to support locally administered efficiency programs, it will attempt to reduce net electricity purchases within the region.
- Encourage distributed renewable generation in the local area through the offering of a net energy metering tariff; a standardized power purchase agreement or “Feed-In Tariff”; and other creative, customer-focused programs targeting increased access to local renewable energy sources.

MBCP will comply with regulatory rules applicable to California load serving entities. MBCP will arrange for the scheduling of sufficient electric supplies to meet the demands of its customers. MBCP will adhere to capacity reserve requirements established by the CPUC and the CAISO designed to address uncertainty in load forecasts and potential supply disruptions caused by generator outages and/or transmission contingencies. These rules also ensure that physical generation capacity is in place to serve MBCP’s customers, even if there were a need for the MBCP program to cease operations and return customers to PG&E. In addition, MBCP will be responsible for ensuring that its resource mix contains sufficient production from renewable energy resources needed to comply with the statewide RPS (33 percent renewable energy by 2020, increasing to 50 percent by 2030) as well as energy storage procurement mandates applicable to CCA entities.

Resource Plan Overview

To meet these objectives and satisfy the applicable regulatory requirements pertaining to MBCP’s status as a California load serving entity, MBCP’s resource plan will include a diverse mix of power purchases, renewable energy, new energy efficiency programs, demand response, and distributed generation. A diversified resource plan minimizes risk and volatility that can occur from over-reliance on a single resource type or fuel source, and thus increases the likelihood of rate stability. The key goal guiding MBCP’s resource plan is to reduce electric sector GHG emissions while offering competitive generation rates to participating customers. The planned power supply is initially comprised of power purchases from third party electric suppliers and, in the longer-term, may also include renewable generation assets owned and/or controlled by MBCP.

Once the MBCP program demonstrates it can operate successfully, MBCP may begin evaluating opportunities for investment in renewable generating assets, subject to then-current market conditions, statutory requirements and regulatory considerations. Any renewable generation owned by MBCP or controlled under long-term power purchase agreement with a proven public power developer, could provide a portion of MBCP’s electricity requirements on a cost-of-service basis. Depending upon market conditions and, importantly, the applicability of tax incentives for renewable energy development, electricity purchased under a cost-of service arrangement can be more cost-effective than purchasing renewable energy from third party

developers, which will allow the MBCP program to pass on cost savings to its customers through competitive generation rates.

As an alternative to direct investment, MBCP may consider partnering with experienced developers and may enter into long-term (10-to-30 year) power purchase agreements that would support the development of new renewable generating capacity. Such an arrangement could be structured to reduce the MBCP Program's operational risk associated with capacity ownership while providing its customers with all renewable energy generated by the facility under contract. This option may be preferable to MBCP as it works to achieve increasing levels of renewable energy supply to its customers.

MBCP's resource plan will integrate supply-side resources with programs that will help customers reduce their energy costs through improved energy efficiency and other demand side measures. As part of its integrated resource plan, MBCP will actively pursue, promote and ultimately administer a variety of customer energy efficiency programs that can, cost effectively displace supply-side resources.

MBCP's indicative resource plan for the years 2018 through 2027 is summarized in the following table. Note that MBCP's projections reflect a portfolio mix of sufficient eligible renewable resources to meet pertinent RPS mandates, which will be supplemented with carbon-free resources to achieve a near-100 percent carbon-free portfolio during the noted planning period.

Monterey Bay Community Power Proposed Resource Plan (GWh) 2018 to 2027										
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
MBCP Demand (GWh)										
Retail Demand	-2,422	-3,585	-3,603	-3,621	-3,639	-3,657	-3,676	-3,694	-3,712	-3,731
Distributed Generation	0	11	21	32	42	53	63	74	84	95
Energy Efficiency	0	0	0	4	7	11	15	18	22	26
Losses and UFE	-145	-214	-215	-215	-215	-216	-216	-216	-216	-217
Total Demand	-2,567	-3,789	-3,797	-3,801	-3,805	-3,809	-3,814	-3,818	-3,822	-3,827
MBCP Supply (GWh)										
<u>Renewable Resources</u>										
Total Renewable Resources	702	1,108	1,182	1,244	1,307	1,369	1,432	1,495	1,558	1,621
<u>Low-Carbon Resources</u>										
Total Low-Carbon Resources	1,865	2,681	2,615	2,557	2,498	2,440	2,382	2,323	2,265	2,206
Total Supply	2,567	3,789	3,797	3,801	3,805	3,809	3,814	3,818	3,822	3,827
Energy Open Position (GWh)	0	0	0	0	0	0	0	0	0	0

Supply Requirements

The starting point for MBCP's resource plan is a projection of participating customers and associated electric consumption. Projected electric consumption is evaluated on an hourly basis, and matched with resources best suited to serving the aggregate of hourly demands or the program's "load profile". The electric sales forecast and load profile will be affected by MBCP's

plan to introduce the MBCP Program to customers in phases and the degree to which customers choose to remain with PG&E during the customer enrollment and opt-out periods. MBCP's phased roll-out plan and assumptions regarding customer participation rates are discussed below.

Customer Participation Rates

Customers will be automatically enrolled in the MBCP Program unless they opt-out during the customer notification process conducted during the 60-day period prior to enrollment and continuing through the 60-day period following commencement of service. MBCP anticipates an overall customer participation rate of approximately 95 percent of PG&E bundled service customers, based on reported opt-out rates for the Peninsula and Silicon Valley Clean Energy CCA programs. It is assumed that customers taking direct access service from a competitive electricity provider will continue to remain with their current supplier.

The participation rate is not expected to vary significantly among customer classes considering that MBCP plans on offering rates that are very similar, if not identical, to that of the incumbent utility with 2 major distinctions that all customers regard favorably; 1) MBCP plans to source significantly more carbon-free supply than the incumbent utility; and 2) MBCP plans to return a portion of annual financial surpluses to participating customers. Participation rates will be refined as MBCP's public outreach and market research efforts continue to develop.

Customer Forecast

Once customers enroll in each phase, they will be switched over to service by MBCP on their regularly scheduled meter read date over an approximately thirty-day period. Approximately 1,250 service accounts per day will be switched over during the first month of service. For Phase 2, the number of accounts switched over to MBCP service will increase to about 7,580 accounts per day. The number of accounts served by MBCP at the end of each phase is shown in the table below.

**Monterey Bay Community Power
Enrolled Retail Service Accounts
Phase-In Period (End of Month)**

	<u>Mar-18</u>	<u>Jul-18</u>
MBCP Customers		
Residential	-	235,070
Small Commercial	27,442	27,442
Medium Commercial	2,258	2,258
Large Commercial	1,046	1,046
Industrial	40	40
Street Lighting & Traffic	1,957	1,957
Agricultural & Pumping	4,771	4,771
Total	37,514	272,584

MBCP assumes that customer growth will generally offset customer attrition (opt-outs) over time, resulting in a relatively stable customer base (0.5% annual growth) over the noted planning horizon. While the successful operating track record of California CCA programs continues to grow, there is a relatively short history with regard to CCA operations, which makes it fairly difficult to anticipate the actual levels of customer participation within the MBCP Program. MBCP believes that its assumptions regarding the offsetting effects of growth and attrition are reasonable in consideration of the historical customer growth within the founding member communities and the potential for continuing customer opt-outs following mandatory customer notification periods. The forecast of service accounts (customers) served by MBCP for each of the next ten years is shown in the following table:

**Monterey Bay Community Power
Retail Service Accounts (End of Year)
2018 to 2027**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
MBCP Customers										
Residential	235,070	236,245	237,427	238,614	239,807	241,006	242,211	243,422	244,639	245,862
Small Commercial	27,442	27,579	27,717	27,856	27,995	28,135	28,276	28,417	28,559	28,702
Medium Commercial	2,258	2,269	2,281	2,292	2,303	2,315	2,327	2,338	2,350	2,362
Large Commercial	1,046	1,051	1,056	1,062	1,067	1,072	1,078	1,083	1,089	1,094
Industrial	40	40	40	40	40	40	40	40	40	40
Street Lighting & Traffic	1,957	1,967	1,977	1,987	1,996	2,006	2,016	2,027	2,037	2,047
Agricultural & Pumping	4,771	4,795	4,819	4,843	4,867	4,891	4,916	4,941	4,965	4,990
Total	272,584	273,947	275,316	276,693	278,076	279,466	280,863	282,267	283,678	285,097

Sales Forecast

MBCP's forecasted electricity sales reflect the phase-in and customer enrollment schedules shown above. Annual energy requirements of the MBCP program are shown below.

Monterey Bay Community Power Energy Requirements (GWh) 2018 to 2027										
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
MBCP Energy Requirements (GWh)										
Retail Demand	2,422	3,585	3,603	3,621	3,639	3,657	3,676	3,694	3,712	3,731
Distributed Generation	0	-11	-21	-32	-42	-53	-63	-74	-84	-95
Energy Efficiency	0	0	0	-4	-7	-11	-15	-18	-22	-26
Losses and UFE	145	214	215	215	215	216	216	216	216	217
Total Load Requirement	2,567	3,789	3,797	3,801	3,805	3,809	3,814	3,818	3,822	3,827

Capacity Requirements

The CPUC's resource adequacy standards applicable to the MBCP Program require a demonstration one year in advance that MBCP has secured physical capacity for 90 percent of its projected peak loads for each of the five months April to August, plus a minimum 15 percent reserve margin. On a month-ahead basis, MBCP must demonstrate 100 percent of the peak load plus a minimum 15 percent reserve margin.

A portion of MBCP's capacity requirements must be procured locally, from the Greater Bay area as defined by the CAISO and another portion must be procured from local reliability areas outside the Greater Bay Area. MBCP would be required to demonstrate its local capacity requirement for each month of the following calendar year. The local capacity requirement is a percentage of the total (PG&E service area) local capacity requirements adopted by the CPUC based on MBCP's forecasted peak load. MBCP must demonstrate compliance or request a waiver from the CPUC requirement as provided for in cases where local capacity is not available.

MBCP is also required to demonstrate that a specified portion of its capacity meets certain operational flexibility requirements under the CPUC and CAISO's flexible resource adequacy framework.

The estimated forward resource adequacy requirements for 2018 through 2020 are shown in the following tables³:

³ The figures shown above are estimates. MBCP's resource adequacy requirements will be subject to modification due to application of certain coincidence adjustments and resource allocations relating to utility demand response and energy efficiency programs, as well as generation capacity allocated through the Cost Allocation Mechanism. These adjustments are addressed through the CPUC's resource adequacy compliance process.

Monterey Bay Community Power
Forward Capacity and Reserve Requirements
(MW)
2018 to 2020

Month	2018	2019	2020
January	-	581	584
February	-	607	611
March	367	522	525
April	427	608	611
May	442	611	614
June	459	675	678
July	693	693	697
August	695	695	698
September	713	713	716
October	615	615	618
November	597	597	600
December	578	578	581

MBCP's plan ensures that sufficient reserves will be procured to meet its peak load at all times. MBCP's projected annual capacity requirements are shown in the following table:

Monterey Bay Community Power Capacity Requirements (MW) 2018 to 2027										
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Demand (MW)										
Retail Demand	585	585	587	590	593	596	599	602	605	608
Distributed Generation	-	(6)	(12)	(18)	(24)	(30)	(36)	(42)	(48)	(54)
Energy Efficiency	-	-	-	(1)	(2)	(2)	(3)	(4)	(5)	(6)
Losses and UFE	35	35	35	34	34	34	34	33	33	33
Total Net Peak Demand	620	613	610	606	602	598	594	590	586	582
Reserve Requirement (%)	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Capacity Reserve Requirement	93	92	91	91	90	90	89	88	88	87
Capacity Requirement Including Reserve	713	705	701	697	692	688	683	678	674	669

Local capacity requirements are a function of the PG&E area resource adequacy requirements and MBCP's projected peak demand. MBCP will need to work with the CPUC's Energy Division and staff at the California Energy Commission to obtain the data necessary to calculate its monthly local capacity requirement. A preliminary estimate of MBCP's annual local capacity requirement for the ten-year planning period ranges from approximately 221 to 235 MW as shown in the following table:

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Monterey Bay Community Power Local Capacity Requirements (MW) 2018 to 2027										
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
MBCP Peak (MW)	620	613	610	606	602	598	594	590	586	582
Local Capacity Requirement (% of Peak)	38%	38%	38%	38%	38%	38%	38%	38%	38%	38%
Greater Bay Area Share of Local Capacity Requirement (%)	42%	42%	42%	42%	42%	42%	42%	42%	42%	42%
Other PG&E Areas Share of Local Capacity Requirement (%)	58%	58%	58%	58%	58%	58%	58%	58%	58%	58%
MBCP Local Capacity Requirement Greater Bay (MW)	99	98	97	97	96	95	95	94	93	93
MBCP Local Capacity Requirement Other PG&E (MW)	137	135	134	134	133	132	131	130	129	128
MBCP Local Capacity Requirement, Total (MW)	235	233	232	230	229	227	226	224	223	221

The CPUC assigns local capacity requirements during the year prior to the compliance period; thereafter, the CPUC provides local capacity requirement true-ups for the second half of each compliance year.

MBCP will coordinate with PG&E and appropriate state agencies to manage the transition of responsibility for resource adequacy from PG&E to MBCP during CCA program phase-in. For system resource adequacy requirements, MBCP will make month-ahead showings for each month that MBCP plans to serve load, and load migration issues would be addressed through the CPUC's approved procedures. MBCP will work with the California Energy Commission and CPUC prior to commencing service to customers to ensure it meets its local and system resource adequacy obligations through its agreement(s) with its chosen electric supplier(s).

Renewables Portfolio Standards Energy Requirements

Basic RPS Requirements

As a CCA, MBCP will be required by law and ensuing CPUC regulations to procure a certain minimum percentage of its retail electricity sales from eligible renewable energy resources. For purposes of determining MBCP's renewable energy requirements, the same standards for RPS compliance that are applicable to the distribution utilities are assumed to apply to MBCP.

California's RPS program is currently undergoing reform. On October 7, 2015, Governor Brown signed Senate Bill 350 ("SB 350"; De Leon and Leno), the Clean Energy and Pollution Reduction Act of 2015, which increased California's RPS procurement target from 33 percent by 2020 to 50 percent by 2030 amongst other clean-energy initiatives. Many details related to SB 350 implementation will be developed over time with oversight by designated regulatory agencies. CPUC Decision 16-12-040 established three additional compliance periods for calendar years 2021 through 2030 – these periods have been established in the following manner: 2021-2024; 2025-2027; and 2028-2030. With regard to these periods, retail sellers must procure no less than 40 percent of their retail sales from eligible renewable resources by December 31, 2024; retail sellers must procure no less than 45 percent of their retail sales from eligible renewable resources by December 31, 2027; and retail sellers must procure no less than 50 percent of their

retail sales from eligible renewable resources by December 31, 2030. During the intervening years between 2021 and 2030, a straight line methodology will be used to measure progress in achieving applicable RPS mandates, consistent with CPUC Decision 11-12-020. For the 2030 calendar year and beyond, current legislation requires that all retail sellers continue procuring a minimum 50 percent of all retail sales from eligible renewable energy resources.

MBCP will also adopt an integrated resource plan in compliance with SB 350 – MBCP understands that various details related to this planning requirement have yet to be developed, and MBCP intends to monitor and participate, as appropriate, in pertinent proceedings to promote the preparation and submittal of a responsive planning document. Furthermore, MBCP will ensure that all long-term renewable energy contracting requirements, as imposed by SB 350, will be satisfied through appropriate transactions with qualified suppliers and will also reflect this intent in ongoing resource planning and procurement efforts.

MBCP's Renewables Portfolio Standards Requirement

MBCP's annual RPS procurement requirements, as specified under California's RPS program, are shown in the table below. When reviewing this table, it is important to note that MBCP projects increases in energy efficiency savings as well as increases in locally situated distributed generation capacity, resulting in only a slight upward trend in projected retail electricity sales.

Monterey Bay Community Power RPS Requirements (MWH) 2018 to 2027										
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Net Retail Sales	2,421,935	3,574,542	3,581,955	3,585,837	3,589,773	3,593,763	3,597,807	3,601,905	3,606,058	3,610,266
Annual Procurement Target	702,361	1,108,108	1,182,045	1,244,285	1,306,677	1,369,224	1,431,927	1,494,791	1,557,817	1,621,009
% of Current Year Retail Sales*	29%	31%	33%	35%	36%	38%	40%	42%	43%	45%

*Note: Consistent with applicable CPUC Decisions, MBCP applied a straight-line increase from California's 33 percent RPS procurement mandate in 2020 to California's new, 50 percent RPS procurement mandate in 2030.

Purchased Power

Power purchased from power marketers, public agencies, generators, and/or utilities will be a significant source of supply during the first several years of MBCP Program operation. MBCP will initially contract to obtain all of its electricity from one or more third party electric providers under one or more power supply agreements, and the supplier(s) will be responsible for procuring the specified resource mix, including MBCP's desired quantities of renewable energy, to provide a stable and cost-effective resource portfolio for the Program.

Renewable Resources

MBCP will initially secure necessary renewable power supply from its third party electric supplier(s). MBCP may supplement the renewable energy provided under the initial power supply contract(s) with direct purchases of renewable energy from renewable energy facilities or from renewable generation developed and owned by MBCP. At this point in time, it is not possible to predict what projects might be proposed in response to future renewable energy solicitations administered by MBCP, unsolicited proposals or discussions with other agencies. Renewable projects that are located virtually anywhere in the Western Interconnection may be considered as long as electricity is deliverable to the CAISO control area, as required to meet the Commission's RPS rules and any additional guidelines ultimately adopted by MBCP. The costs of transmission access and the risk of transmission congestion costs will be considered when evaluating offers made by suppliers and developers.

Energy Efficiency

MBCP's energy efficiency goals will reflect a strong commitment to increasing energy efficiency within the County, expanding beyond the savings achieved by PG&E's programs. To promote the achievement of this goal, MBCP plans to complete 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. To the extent that MBCP is successful in this application process, receiving funding to administer additional energy efficiency programs within the region, it will seek to maximize end-use customer energy efficiency by facilitating customer participation in existing utility programs as well as by forming new programs that will displace MBCP's need for traditional electric procurement activities. Additional details related to MBCP's energy efficiency plan will be developed once MBCP Program phase-in is concluded.

MBCP forecasts that energy efficiency savings related to the demand-side portion of the MBCP resource plan will be 0.5 percent of MBCP's projected energy sales by 2024. These savings would be in addition to the savings achieved by PG&E administered programs. Achieving this goal would mean at least a doubling of energy savings relative to the status quo. It is assumed that energy efficiency programs of MBCP will focus on closing the gap between the vast economic potential of energy efficiency within the member communities and what is typically achieved.

Demand Response

Demand response programs provide incentives to customers to reduce demand upon request by the load serving entity (i.e., MBCP), reducing the amount of generation capacity that must be maintained as infrequently used reserves. Demand response programs can be cost effective alternatives to procured capacity that would otherwise be needed to comply with California's resource adequacy requirements. The programs also provide rate benefits to customers who have the flexibility to reduce or shift consumption for relatively short periods of time when

generation capacity is most scarce. Like energy efficiency, demand response can be a win/win proposition, providing economic benefits to the electric supplier as well as customer service benefits.

In its ruling on local resource adequacy, the CPUC found that dispatchable demand response resources as well as distributed generation resources should be counted for local capacity requirements. This resource plan anticipates that MBCP's demand response programs would partially offset its local capacity requirements beginning in 2021.

PG&E offers several demand response programs to its customers, and MBCP intends to recruit those customers that have shown a willingness to participate in utility programs into similar programs offered by MBCP. MBCP may also adopt a demand response program that enables it to request customer demand reductions during times when capacity is in short supply or spot market energy costs are exceptionally high.

Appropriate limits on number and duration of power curtailments that can be called will be included in MBCP's demand response program design. Measurement protocols for customer performance of its curtailment obligations shall be established. Performance measurement should include establishing a customer specific baseline of usage prior to the curtailment request from which demand reductions can be measured. MBCP may utilize experienced third party contractors to design, implement and administer its demand response programs.

Distributed Generation

MBCP will work to promote deployment of photovoltaic distributed generation systems within its service territory, with the goal of optimizing the use of the available incentives that are funded through current utility distribution rates and public benefits surcharges. MBCP also plans to implement a net energy metering program and a feed-in-tariff and other programs similar to those being offered by the incumbent utility to promote local investment in distributed generation.

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.

CHAPTER 8 – Rate Setting, Program Terms and Conditions

Introduction

This Chapter describes the initial policies proposed for MBCP retail generation rates, including policies guiding rate design, rate objectives, and provision for due process in setting Program rates. Program rates are ultimately approved by MBCP's Board. MBCP would retain authority to modify program policies from time to time at its discretion.

Rate Policies

MBCP will establish rates sufficient to recover all costs related to operation of the MBCP Program, including any reserves that may be required as a condition of financing and other discretionary reserve funds that may be approved by MBCP. As a general policy, rates will be uniform for all similarly situated customers enrolled in the MBCP Program throughout the service area of MBCP.

The primary objectives of the rate setting plan are to set rates that achieve the following:

- MBCP will offer default service rate that will be the same or less than that provided by the incumbent utility.
- MBCP will set rates to support the acquisition of resource portfolio that will meet the State's RPS standard and maximize the carbon free resources in the portfolio mix (near or at 100%).
- MBCP will offer voluntary rate programs to enhance the local development of renewable energy and storage capacity supply option.
- MBCP will offer stable rates through hedging strategies and long-term contracts.

Each of these objectives is described below.

Rate Competitiveness

The primary goal is to offer competitive rates for electric services that MBCP would provide to participating customers. For participants in MBCP's standard Tariff, the goal would be for MBCP Program rates to be initially at or lower, subject to actual energy product pricing and decisions of MBCP Board, than similar generation rates offered by PG&E. For voluntary participants in the MBCP Program's 100 California carbon free tariff, the goal would be to offer the lowest possible customer rates with an incremental monthly cost premium reflective of the actual cost of additional California carbon free resources required to serve such customers – based on current estimates, the anticipated cost premium for the MBCP Program's 100 percent California carbon free supply option would be 5 to 10 percent relative to the default MBCP tariff.

Competitive rates will be critical to attracting and retaining key customers. For MBCP to be successful, the combination of price and value must be perceived as superior when compared to the bundled utility service alternative. As planned, the value provided by the MBCP Program will include a higher proportion of carbon free energy relative to the incumbent utility, enhanced energy efficiency and customer programs, community focus, and local investment and control.

Participating qualified low- or fixed-income households, such as those currently enrolled in the California Alternate Rates for Energy (“CARE”) program, will be automatically enrolled in the standard Tariff and will continue to receive related discounts on monthly electricity bills through the incumbent utility.

Rate Stability

MBCP will offer stable rates by hedging its supply costs over multiple time horizons and by including carbon free supplies that exhibit stable costs. Rate stability considerations may prevent MBCP Program rates from directly tracking similar rates offered by the distribution utility, PG&E, and may result in differences from the general rate-related targets initially established for the MBCP Program. MBCP will attempt to maintain general rate parity with PG&E to ensure that MBCP Program rates are not drastically different from the competitive alternative.

Customer Understanding

The goal of customer understanding involves rate designs that are relatively straightforward so that customers can readily understand how their bills are calculated. This not only minimizes customer confusion and dissatisfaction but will also result in fewer billing inquiries to the MBCP Program’s customer service call center. Customer understanding also requires rate structures to reflect rational rate design principles.

Revenue Sufficiency

MBCP Program rates must collect sufficient revenue from participating customers to fully fund MBCP’s annual budget. Rates will be set to collect the adopted budget based on a forecast of electric sales for the budget year. Rates will be adjusted as necessary to maintain the ability to fully recover costs of the MBCP Program, subject to the disclosure and due process policies described later in this chapter. To ensure rate stability, funds available in MBCP’s rate stabilization fund may be used from time to time to augment operating revenues.

Rate Design

MBCP will generally match the rate structures from the utilities’ standard rates to avoid the possibility that customers would see significantly different bill impacts as a result of changes in rate structures that would take effect following enrollment in the MBCP Program.

Custom Pricing Options

MBCP may work to develop specially-tailored rate and electric service products that meet the specific load characteristics or power market risk profiles of larger commercial and industrial customers. This will allow such customers to have access to a wider range of products than is currently available from the incumbent utility and potentially reduce the cost of power for these customers. MBCP may provide large energy users with custom pricing options to help these customers gain greater control over their energy costs. Some examples of potential custom pricing options are rates that are based on an observable market index (e.g., CAISO prices) or fixed priced contracts of various terms.

Net Energy Metering

As planned, customers with on-site generation eligible for net metering from PG&E will be offered a net energy metering rate from MBCP. Net energy metering allows for customers with certain qualified solar or wind distributed generation to be billed for their net energy consumption. The objective is that MBCP's net energy metering tariff will apply to the generation component of the bill, and the PG&E net energy metering tariff will apply to the utility's portion of the bill. MBCP plans to pay customers for excess power produced from net energy metered generation systems in accordance with the rate designs adopted by MBCP.

Disclosure and Due Process in rate setting

Initial program rates will be adopted by MBCP following the establishment of the first year's operating budget prior to initiating the customer notification process. Subsequently, MBCP will prepare an annual budget and corresponding customer rates. Any proposed rate adjustment will be made to the Board of Directors and ample time will be given to affected customers to provide comment on the proposed rate changes.

After proposing a rate adjustment, MBCP will furnish affected customers with a notice of its intent to adjust rates, either by mailing such notices postage prepaid to affected customers, by including such notices as an insert to the regular bill for charges transmitted to affected customers, or by including a related message directly on the customer's monthly electricity bill. The notice will provide a summary of the proposed rate adjustment and will include a link to the MBCP Program website where information will be posted regarding the amount of the proposed adjustment, a brief statement of the reasons for the adjustment, and the mailing address of MBCP to which any customer inquiries relative to the proposed adjustment.

CHAPTER 9 – Customer Rights and Responsibilities

This chapter discusses customer rights, including the right to opt-out of the MBCP Program and the right to privacy of customer usage information, as well as obligations customers undertake upon agreement to enroll in the MBCP Program. All customers that do not opt out within 30 days of the fourth enrollment notice will have implicitly agreed to become full status program participants and must adhere to the obligations set forth below, as may be modified and expanded by the MBCP Board from time to time.

By adopting this Implementation Plan, MBCP will have approved the customer rights and responsibilities policies contained herein to be effective at Program initiation. MBCP retains authority to modify program policies from time to time at its discretion.

Customer Notices

At the initiation of the customer enrollment process, a total of four notices will be provided to customers describing the Program, informing them of their right to opt-out of the program and to remain with incumbent utility bundled generation service, and containing a simple mechanism for exercising their right to opt-out. The first notice will be mailed to customers approximately sixty days prior to the date of automatic enrollment. A second notice will be sent approximately thirty days later. MBCP will likely use its own mailing service for requisite enrollment notices rather than including the notices in PG&E's monthly bills. This is intended to increase the likelihood that customers will read the enrollment notices, which may otherwise be ignored if included as a bill insert. Customers may opt out by notifying MBCP using the MBCP Program's designated telephone based or internet opt-out processing service. Should customers choose to initiate an opt-out request by contacting PG&E, they would be transferred to the MBCP Program's call center to complete the opt-out request. Consistent with CPUC regulations, notices returned as undelivered mail would be treated as a failure to opt out, and the customer would be automatically enrolled.

Following automatic enrollment, at least two notices will be mailed to customers within the first two billing cycles (approximately sixty days) after MBCP service commences. Opt-out requests made on or before the sixtieth day following start of MBCP Program service will result in customer transfer to bundled utility service with no penalty. Such customers will be obligated to pay charges associated with the electric services provided by MBCP during the time the customer took service from the MBCP Program, but will otherwise not be subject to any penalty or transfer fee from MBCP.

Customers who establish new electric service accounts within the Program's service area will be automatically enrolled in the MBCP Program and will have sixty days from the start of service to opt out if they so desire. Such customers will be provided with two enrollment notices within this sixty-day post enrollment period. Such customers will also receive a notice detailing MBCP's privacy policy regarding customer usage information. MBCP will have the authority to

implement entry fees for customers that initially opt out of the Program, but later decide to participate. Entry fees, if deemed necessary, would aid in resource planning by providing additional control over the MBCP Program's customer base.

Termination Fee

Customers that are automatically enrolled in the MBCP Program can elect to transfer back to the incumbent utility without penalty within the first two months of service. After this free opt-out period, customers will be allowed to terminate their participation but may be subject to payment of a Termination Fee, which MBCP reserves the right to impose, if deemed necessary. Customers that relocate within MBCP's service territory would have MBCP service continued at their new address. If a customer relocating to an address within MBCP's service territory elected to cancel service, the Termination Fee could be applied. Customers that move out of MBCP's service territory would not be subject to the Termination Fee. If deemed applicable by MBCP, PG&E would collect the Termination Fee from returning customers as part of MBCP's final bill to the customer.

For illustrative purposes, MBCP Termination Fee could vary by customer class as set forth in the table below, subject to a final determination by MBCP.

MBCP Program: Illustrative Schedule of Fees for Service Termination*

Customer Class	Fee
Residential	\$5
Non-Residential	\$25

*Note that MBCP has yet to adopt a Schedule of Fees for Service Termination. The fees reflected in this table are representative of similar charges adopted by California's operating CCA programs.

If adopted, the Termination Fee would be clearly disclosed in the four enrollment notices sent to customers during the sixty-day period before automatic enrollment and following commencement of service. The fee could also be changed prospectively by MBCP subject to applicable customer noticing requirements.

Customers electing to terminate service after the initial notification period would be transferred to PG&E on their next regularly scheduled meter read date if the termination notice is received a minimum of fifteen days prior to that date. Such customers would also be liable for the nominal reentry fees imposed by PG&E and would be required to remain on bundled utility service for a period of one year, as described in the utility CCA tariffs.

Customer Confidentiality

MBCP will establish policies covering confidentiality of customer data that are fully compliant with the required privacy protection rules for CCA customer energy usage information, as detailed within Decision 12-08-045. MBCP will maintain the confidentiality of individual customers' names, service addresses, billing addresses, telephone numbers, account numbers,

and electricity consumption, except where reasonably necessary to conduct business of MBCP or to provide services to customers, including but not limited to where such disclosure is necessary to (a) comply with the law or regulations; (b) enable MBCP to provide service to its customers; (c) collect unpaid bills; (d) obtain and provide credit reporting information; or (e) resolve customer disputes or inquiries. MBCP will not disclose customer information for telemarketing, e-mail, or direct mail solicitation. Aggregate data may be released at MBCP's discretion.

Responsibility for Payment

Customers will be obligated to pay MBCP Program charges for service provided through the date of transfer including any applicable Termination Fees. Pursuant to current CPUC regulations, MBCP will not be able to direct that electricity service be shut off for failure to pay MBCP bills. However, PG&E has the right to shut off electricity to customers for failure to pay electricity bills, and PG&E Electric Rule 23 mandates that partial payments are to be allocated pro rata between PG&E and the MBCP. In most circumstances, customers would be returned to utility service for failure to pay bills in full and customer deposits (if any) would be withheld in the case of unpaid bills. PG&E would attempt to collect any outstanding balance from customers in accordance with Rule 23 and the related MBCP Service Agreement. The proposed process is for two late payment notices to be provided to the customer within 30 days of the original bill due date. If payment is not received within 45 days from the original due date, service would be transferred to the utility on the next regular meter read date, unless alternative payment arrangements have been made. Consistent with Rule 23, service cannot be discontinued to a residential customer for a disputed amount if that customer has filed a complaint with the CPUC, and that customer has paid the disputed amount into an escrow account.

Customer Deposits

Under certain circumstances, MBCP customers may be required to post a deposit equal to the estimated charges for two months of service prior to obtaining service from the MBCP Program. A deposit would be required for an applicant who previously had been a customer of PG&E or MBCP and whose electric service has been discontinued by PG&E or MBCP during the last twelve months of that prior service arrangement as a result of bill nonpayment. Such customers may be required to reestablish credit by depositing the prescribed amount. Additionally, a customer who fails to pay bills before they become past due as defined in PG&E Electric Rule 11 (Discontinuance and Restoration of Service), and who further fails to pay such bills within five days after presentation of a discontinuance of service notice for nonpayment of bills, may be required to pay said bills and reestablish credit by depositing the prescribed amount. This rule will apply regardless of whether service has been discontinued for such nonpayment⁴. Failure to post deposit as required would cause the account service transfer request to be rejected, and the account would remain with PG&E.

⁴ A customer whose service is discontinued by MBCP is returned to PG&E generation service.

CHAPTER 10 - Procurement Process

Introduction

This Chapter describes MBCP's initial approach to power supply procurement, while it retains authority to modify this initial approach from time to time at its discretion.

Procurement Methods

MBCP may enter into agreements for variety of services needed to support program development, operation and management. MBCP will generally utilize competitive procurement methods for services but may also utilize direct procurement or sole Source Procurement, depending on the nature of the services to be procured. Direct Procurement is the purchase of goods or services without competition when multiple sources of supply are available. Sole Source Procurement is generally to be performed only in the case of emergency or when a competitive process would be an idle act.

Key Contracts

Electric Supply Contracts

MBCP will initiate service using supply contracts with one or more qualified providers to supply sufficient electric energy resources to meet MBCP customer demand as well as applicable resource adequacy requirements, ancillary and other necessary services. MBCP may complete additional solicitations to supplement its energy supply and/or to replace contract volumes provided under the original contract. MBCP would begin such procurement sufficiently in advance of contract expiration so that the transition from the initial supply contract occurs smoothly, avoiding dependence on market conditions existing at any single point in time.

MBCP will solicit the services of a certified Scheduling Coordinator to schedule loads and resources to meet MBCP customer demand. MBCP may designate the primary supplier to be responsible for day-to-day energy supply operations of the MBCP Program and for managing the predominant supply risks for the term of the contract. The primary supplier may also contribute to meeting the Program's renewable energy supply goals. However, additional suppliers may be identified to supplement requisite renewable energy supplier of the MBCP program. Finally, the primary supplier may be responsible for ensuring MBCP's compliance with all applicable resource adequacy and regulatory requirements imposed by the CPUC or FERC.

In August 2017, MBCP intends to commence the requisite competitive solicitation process to identify its initial energy supplier(s) and anticipates to execute the electric supply contract for Phase 1 loads in late-2017. The contract for Phase 2 loads will be executed contemporaneously or shortly thereafter.

Data Management Contract

A data manager will provide the retail customer services of billing and other customer account services (electronic data interchange or EDI with PG&E, billing, remittance processing, and account management). Recognizing that some qualified wholesale energy suppliers do not typically conduct retail customer services whereas others (i.e., direct access providers) do, the data management contract may be separate from the electric supply contract. It is anticipated that a single contractor will be selected to perform the data management functions.⁵ If feasible and practical, MBCP may utilize the incumbent utility to perform that service

The data manager is responsible for the following services:

- Data exchange with PG&E;
- Technical testing;
- Customer information system;
- Customer call center;
- Billing administration/retail settlements;
- Settlement quality meter data reporting; and
- Reporting and audits of utility billing.

Utilizing the incumbent utility or a third party for account services eliminates a significant expense associated with implementing a customer information system. Such systems can impose significant information technology costs and take significant time to deploy. Separating the data management contract from the energy supply contract gives MBCP greater flexibility to change energy suppliers, if desired, without facing an expensive data migration issue. The data management contract will also require that services be provided consistent with MBCP's customer confidentiality policies as described earlier in this Chapter, and the contractor will be required to provide, prior to contract award, adequate assurances to MBCP that appropriate data security measures are employed.

As this point in time, MBCP has not yet commenced the requisite competitive solicitation process to identify its data management services provider. However, it is anticipated that MBCP will execute a contract for data management services in September or October, 2017.

⁵ The contractor providing data management may also be the same entity as the contractor supplying electricity for the program.

CHAPTER 11 – Contingency Plan for Program Termination

Introduction

This Chapter describes the process to be followed in the case of MBCP Program termination. By adopting the original Implementation Plan, MBCP will have approved the general termination process contained herein to be effective at Program initiation. In the unexpected event that MBCP terminates the program and return its customers to PG&E service, the proposed process is designed to minimize the impacts on its customers and on PG&E. The proposed termination plan follows the requirements set forth in PG&E's tariff Rule 23 governing service to CCAs. MBCP retains authority to modify program policies from time to time at its discretion.

Termination by MBCP

MBCP will offer services for the long term with no planned Program termination date. In the unanticipated event that MBCP decides to terminate the Program, each of its Member Agencies would be required to adopt a termination ordinance or resolution and provide adequate notice to MBCP consistent with the terms set forth in the JPA Agreement. Following such notice, MBCP's Policy Board would vote on Program termination subject to voting provisions as described in the JPA Agreement. In case MBCP affirmatively votes to proceed with JPA termination, MBCP would disband under the provisions identified in its JPA Agreement.

After any applicable restrictions on such termination have been satisfied, notice would be provided to customers six months in advance that they will be transferred back to PG&E. A second notice would be provided during the final sixty-days in advance of the transfer. The notice would describe the applicable distribution utility bundled service requirements for returning customers then in effect, such as any transitional or bundled portfolio service rules.

At least one year in advance, notice would be provided to PG&E and the CPUC before transferring customers, and MBCP would coordinate the customer transfer process to minimize impacts on customers and ensure no disruption in service. Once the customer notice period is complete, customers would be transferred *en masse* on the date of their regularly scheduled meter read date.

MBCP will post a bond or maintain funds held in reserve to pay for potential transaction fees charged to the Program for switching customers back to distribution utility service. Reserves would be maintained against the fees imposed for processing customer transfers (CCASRs). The Public Utilities Code requires demonstration of insurance or posting of a bond sufficient to cover reentry fees imposed on customers that are involuntarily returned to distribution utility service under certain circumstances. The cost of reentry fees is the responsibility of the energy services provider or the community choice aggregator, except in the case of a customer returned for default or because its contract has expired. MBCP will post financial security in the

appropriate amount as part of its registration materials and will maintain the financial security in the required amount, as necessary.

Termination by Members

The JPA Agreement defines the terms and conditions under which Members may terminate their participation in the program.

CHAPTER 12 – Appendices

Appendix A: MBCP Resolution No. XXXX-XX (Adopting Implementation Plan)

Appendix B: Monterey Bay Community Power Authority Joint Powers Agreement



Staff Report Item 8

TO: MBCP Policy Board of Directors
FROM: Tom Habashi, Interim CEO
SUBJECT: Approach to Retail Rate Design and Disposition of Net Revenue
DATE: August 16, 2017

Background

The process that PG&E uses to develop retail rates was established over decades. It generally begins with forecasting the cost to serve all customers, allocate the cost to various customer classes such as residential and commercial customers, then develop rate schedule to recover these costs. Throughout the year, PG&E makes a few adjustments to the generation rates to reflect actual, rather than forecasted, operating expenses.

In the past several years, Community Choice Energy Agencies (CCEs) have generally adopted the same rate schedules as PG&E. Some, like MCE initiated service with identical rates, while others, such as Sonoma Clean Power, Peninsula Clean Energy, and Silicon Valley Clean Energy adopted the same exact rate schedules as PG&E, slightly discounted (5% at SCP, 5% at PCE and 1% at SVCE). Each of these programs set their rates so as to absorb the additional fees (PCIA) that PG&E imposes on CCE customer bills, and the rate comparison described above account for these fees.

Analysis and Discussion

A direct correlation between rate structure and opt out rates is uncertain. The opt out rate in Marin and Sonoma is relatively high (15% and 12% respectively), while the more recently formed programs for PCE and SVCE have opt out rates of less than 2%. It appears likely that non-rate factors are the major drive of customer opt-outs.

Another conclusion that one may reach, given the comparison of the opt out rate for PCE and SVCE is that the discount from PG&E's rates has little effect on the customer's decision to opt out. Both Peninsula and Silicon Valley have comparable opt out rates despite the wide gap of discounts being offered by both agencies (5% and 1% respectively). This notion was confirmed by the responses customers who chose to opt out of SVCE gave to explain their choice when asked by a SVCE representative. The super majority cited dissatisfaction with being

automatically switched from PG&E without their consent and neither the lower price, nor sourcing of cleaner energy seemed to affect that decision.

By setting identical rates to that of PG&E, MBCP can save time and money otherwise required to develop rate schedules. In addition, by not offering a small discount from PG&E's rates, MBCP would counter the skepticism that some customers often express, which is that the small discount is nothing but a "bait and switch" marketing tactic.

Instead, we recommend that MBCP shift the focus from rate comparisons and rate design to the goals that define the reasons MBCP was established in the first place. Namely, cleaner resources, local control, custom tailored programs responsive to community needs, and improving the local economy by investing in clean power resources and returning some of the annual savings back to the customers.

Disposition of net revenue

As shown in the MBCP Implementation Plan, and provided that the Board approves to have identical rates to that of PG&E, MBCP will have a steady stream of net revenue that could be allocated as follows;

Reserve Fund

Long-term financial stability and investing in generating resources requires cash reserves. These reserves also provide for rate stability and operating and capital reserves. It's important that these reserves be accumulated in the early years of MBCP operation.

Cleaner Resources

In 2017, MBCP is obligated to purchase 27% of its energy from renewable resources. This ratio will increase steadily over the years to reach 50% by 2030. By adding a small premium, MBCP can reach a nearly 100% carbon free resource mix. This is likely to contribute a great deal to meeting the member agencies' climate action goals. By some estimates, the cities that currently participate in a CCE achieve a 15% to 25% GHG reduction and thus save a great deal of expense associated with programs that they otherwise would have had to spend.

Custom Tailored Programs

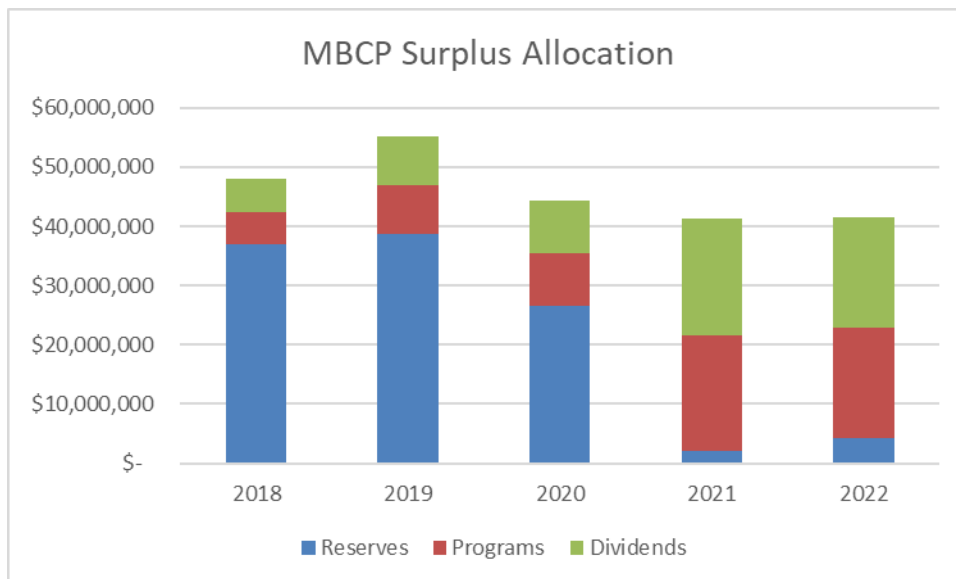
PG&E offers programs to help reduce system peak and potentially reduce customer expense. These programs are offered on a first-come first-served basis, and are generally designed to satisfy the majority of PG&E's customer base in San Francisco and the Central Valley. MBCP should establish its own portfolio of programs that will be designed specifically for local customers to help further reduce GHGs associated with transportation and other sectors of the local economy.

Dividends Program

Investor owned utilities provide a return on investment to their shareholders. As a result, the shareholder, as a show of satisfaction and loyalty, continue to hold or increase their shares. CCE programs are community owned, managed and directed by a local Board representing its customers. It's therefore reasonable to provide a return/dividend to MBCP customers at the end of each year as a bill credit. This dividend could be announced annually at the beginning of the operating year, once staff has established a budget that will consider operational and program expenditures and reserve requirements. By allocating the dividend or credit at the end of the fiscal year, MBCP is able to pay out on a "performance basis," and build customer satisfaction and loyalty as well.

The following table and graphs shows one example of how the net revenue could be allocated. In that example, the power supply portfolio is assumed to be near carbon free.

CATEGORY	2018	2019	2020	2021	2022
I. ANNUAL SURPLUS	\$ 47,971,362	\$ 55,190,094	\$ 44,319,864	\$ 41,232,203	\$ 41,479,141
II. SURPLUS ALLOCATION					
(A) CONTRIBUTION TO RESERVES	\$ 36,873,995	\$ 38,633,066	\$ 26,591,918	\$ 2,061,610	\$ 4,147,914
(B) FUNDING FOR PROGRAMS	\$ 5,548,683	\$ 8,278,514	\$ 8,863,973	\$ 19,585,297	\$ 18,665,613
(C) CUSTOMER DIVIDENDS	\$ 5,548,683	\$ 8,278,514	\$ 8,863,973	\$ 19,585,297	\$ 18,665,613
TOTAL SURPLUS ALLOCATION	\$ 47,971,362	\$ 55,190,094	\$ 44,319,864	\$ 41,232,203	\$ 41,479,141
CUMULATIVE RESERVES	\$ 36,873,995	\$ 75,507,061	\$ 102,098,979	\$ 104,160,590	\$ 108,308,504
PERCENTAGE OF ANNUAL OPERATING EXPENSES	29%	41%	52%	50%	50%



Conclusion

By adopting rates that are identical to PG&E, MBCP can focus on its primary goals: a cleaner environment, meeting the members' climate action goals, building agency reserves, offering custom tailored programs, and awarding customers for their loyalty and trust.