

scroll down



CHAPTER 7 – Financial Plan

This Chapter examines the monthly cash flows expected during the phase-in period of the CCA Program and identifies the anticipated financing requirements for the overall CCA Program by MEA. It includes estimates of program startup costs, including the necessary staffing and capital outlays which will commence once the CPUC accepts the Implementation Plan submitted by MEA. It also 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.

Description of Cash Flow Analysis

This cash flow analysis estimates the level of working capital that will be required during the phase-in period. In general, the components of the cash flow analysis can be summarized into two distinct categories: (1) Cost of CCA Program Operations, and (2) Revenues from CCA Program Operations. The cash flow analysis identifies and provides monthly estimates for each of these two categories. A key aspect of the cash flow analysis is to focus primarily on the monthly costs and revenues associated with the CCA Program phase-in period, and specifically account for the transition or “Phase-In” of CCA Customers from PG&E’s service territory described in Chapter 5.

Cost of CCA Program Operations

The first category of the cash flow analysis is the Cost of CCA Program Operations. To estimate the overall costs associated with CCA Program Operations, the following components were taken into consideration:

- Electricity Procurement;
- Ancillary Service Requirements;
- Exit Fees;
- Staffing Requirements;
- Contractor Costs;
- Infrastructure Requirements;
- Billing Costs;
- Scheduling Coordination;
- Grid Management Charges;
- CCA Bond Premiums;
- Interest Expense; and
- Franchise Fees.

The focus of this cash flow analysis is during the phase-in period.

The results of the feasibility analysis are shown in the following table. Under these assumptions, over the entire phase-in period the CCA program is projected to accrue a reserve account balance of approximately \$10 million.

**Marin Clean Energy
Summary of CCA Program Phase-In
(January 2010 through December 2015)**

CATEGORY	2010	2011	2012	2013	2014	2015	TOTAL
I. REVENUES FROM OPERATIONS (\$):							
(A) ELECTRICITY SALES:							
RESIDENTIAL	\$10,345,313	\$18,237,976	\$44,803,557	\$47,363,888	\$49,739,734	\$50,581,455	\$221,071,923
GENERAL SERVICE (A-1)	\$195,562	\$323,134	\$9,560,233	\$10,106,559	\$10,613,520	\$10,793,127	\$41,592,134
SMALL TIME-OF-USE (A-6)	\$548,920	\$847,436	\$3,506,281	\$3,706,650	\$3,892,581	\$3,958,453	\$16,460,321
ALTERN. RATE FOR MEDIUM USE (A-10)	\$332,197	\$550,463	\$12,914,056	\$13,652,039	\$14,336,846	\$14,579,462	\$56,365,062
500 - 900kW DEMAND (E-19)	\$213,292	\$344,629	\$5,253,601	\$5,553,822	\$5,832,410	\$5,931,109	\$23,128,863
1000 + kW DEMAND (E-20)	\$588,553	\$951,828	\$4,056,909	\$4,288,744	\$4,503,874	\$4,580,091	\$18,969,999
STREET LIGHTING & TRAFFIC CONTROL	\$179,032	\$307,510	\$486,184	\$513,967	\$539,748	\$548,882	\$2,575,323
AGRICULTURAL PUMPING	\$0	\$0	\$435,038	\$459,898	\$482,968	\$491,141	\$1,869,045
TOTAL REVENUES	\$12,402,869	\$21,562,977	\$81,015,857	\$85,645,566	\$89,941,680	\$91,463,721	\$382,032,670
II. COST OF OPERATIONS (\$):							
(A) ADMINISTRATIVE & GENERAL (A&G):							
STAFFING	\$940,582	\$1,112,400	\$2,595,600	\$2,673,468	\$2,753,672	\$2,836,282	\$12,912,004
CONTRACTOR COSTS	\$1,555,000	\$1,545,000	\$2,163,000	\$2,227,890	\$2,294,727	\$2,363,569	\$12,149,185
IOU FEES (INLCUDING BILLING)	\$265,000	\$123,600	\$1,050,600	\$1,082,118	\$1,114,582	\$1,148,019	\$4,783,919
CONTRACT STAFF	\$165,000	\$185,400	\$222,480	\$229,154	\$236,029	\$243,110	\$1,281,173
SUBTOTAL - A&G	\$2,925,582	\$2,966,400	\$6,031,680	\$6,212,630	\$6,399,009	\$6,590,980	\$31,126,281
(B) CCA PROGRAM OPERATIONS:							
ELECTRICITY PROCUREMENT	\$8,011,877	\$14,514,684	\$68,623,916	\$70,433,949	\$72,178,465	\$71,633,923	\$305,396,814
EXIT FEES	\$1,948,481	\$2,300,242	\$7,843,729	\$5,674,199	\$4,401,313	\$5,231,056	\$27,399,020
RENEWABLE PORTFOLIO ADJUSTMENT	\$184,705	\$313,717	\$1,591,481	\$1,599,439	\$1,607,436	\$3,295,565	\$8,592,343
SUBTOTAL - CCA PROGRAM OPERATIONS	\$10,145,064	\$17,128,642	\$78,059,126	\$77,707,587	\$78,187,213	\$80,160,543	\$341,388,176
TOTAL COST OF OPERATION	\$13,070,646	\$20,095,042	\$84,090,806	\$83,920,217	\$84,586,222	\$86,751,523	\$372,514,458
CCA PROGRAM SURPLUS / (DEFICIT)	(\$667,777)	\$1,467,934	(\$3,074,949)	\$1,725,349	\$5,355,458	\$4,712,198	\$9,518,212

The surpluses achieved during the phase-in period serve as operating reserves for MEA in the event that operating costs (such as power purchase costs) exceed collected revenues for short periods of time.

Marin Clean Energy Financings

It is anticipated that three financings may be necessary in support of the CCA Program. The anticipated financings are listed below and discussed in greater detail.

CCA Program Start-up and Working Capital (Phase 1)

As previously discussed, the anticipated start-up and working capital requirements for the CCA Program are \$2 million. Once the CCA Program is up and running, these costs would be recovered from the retail customers through retail rates. Actual recovery of these costs will be dependent on third-party electricity purchase prices and decisions regarding rates, and negotiations between the electric supplier and MEA's Board of Directors regarding initial rates for Phase 1 customers.