

M-S-R Public Power Agency

MEETING OF THE COMMISSION

Wednesday, January 18, 2012, 12:00 noon
Navigant Consulting, Inc.
3100 Zinfandel Drive, Suite 600, Sierra Room
Sacramento, California

AGENDA

Distribution:

<u>Commissioners & Alternate Commissioners</u>	<u>Others</u>
Modesto:	Lisa Gast
Allen Short	Steve Gross
Roger Van Hoy (Alt)	Lou Hampel
Greg Salyer (Alt)	Alan Hockenson
Santa Clara:	Martin Hopper ¹
Pat Kolstad	Ed Oborn
John Roukema ¹ (Alt)	Jan Pepper
Redding:	Pete Scanlon
Barry Tippin	Cindy Worley
Tim Nichols ¹ (Alt)	file/er/msr
	Rin Helzerman ¹

¹ Please post agenda.

M-S-R Public Power Agency

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AGENDA

Any member of the public who desires to address the Commission on any item considered by the Commission at this meeting before or during the Commission's consideration of that item shall so advise the Chair and shall thereupon be given an opportunity to do so.

1. Call to Order
2. Roll Call
3. ***Approve meeting minutes of November 30, 2011*** (attached)
4. Report on summary of invoices paid totaling \$19,153,739.18 (attached)
5. Finance (Lou Hampel/Ed Oborn)
 - a. Account Status Report (to be distributed at meeting)
 - b. Unaudited Preliminary Financial Statements (to be distributed at meeting)
 - c. December 2011 Treasurer's Report (attached)
6. Projects and Activities (Alan Hockenson)
 - a. San Juan Project Status Report (attached)
 - b. Southwest Transmission Projects Status Report (attached)
 - c. Pacific Northwest Projects Status Report (attached)
7. M-S-R Public Power Agency General Manager's Report (attached, Martin Hopper)
8. ***Annual Election of Officers***
9. ***Discussion and possible action regarding Investment Policy Guidelines.*** (attached, Lou Hampel)

10. ***Discussion and possible action regarding Annual Counter-Party Credit Report***
(attached, Martin Hopper)
11. Closed Session
 - a. Closed Session Pursuant to Government Code Section 54956.9(a) - Conference with Legal Counsel – Existing Litigation (ER11-3697, EL11-44, and 12-OIR-1-NRDC), Three cases
 - b. Closed Session Pursuant to Government Code Section 54956.9(b) - Conference with Legal Counsel - Anticipated Litigation, Significant Exposure to Litigation, Three cases
 - c. Closed Session Pursuant to Government Code Section 54956.9(c) - Conference with Legal Counsel - Anticipated Litigation, Decision on Whether to Initiate Litigation, One case
12. Announcement from Closed Session
13. Public Comment
14. ***Confirm date and time of next meeting***
15. Adjourn

ALTERNATE FORMATS OF THIS AGENDA WILL BE MADE AVAILABLE UPON REQUEST TO QUALIFIED INDIVIDUALS WITH DISABILITIES.

**M-S-R PUBLIC POWER AGENCY
DRAFT MINUTES
MEETING OF THE COMMISSION
NOVEMBER 30, 2011**

The Commission of the M-S-R Public Power Agency (M-S-R PPA) met November 30, 2011, at the offices of Navigant Consulting, Inc. (NCI), 3100 Zinfandel Drive, Sacramento, CA. Present from Modesto Irrigation District (MID) were Allen Short, Lou Hampel, and Greg Salyer; present from Santa Clara were Pat Kolstad and John Roukema; present from Redding were Tim Nichols and Steve Handy. Also present were General Counsel Steven C. Gross; General Manager Martin R. Hopper; and Consultant Alan Hockenson.

Chair Short called the meeting to order at 12:14 PM. A quorum was attained with the voting representatives being Mr. Short, Mr. Kolstad, and Mr. Nichols.

The Commission then reviewed the minutes of its September 28, 2011. It was moved by Commissioner Kolstad and seconded by Alternate Commissioner Nichols to approve the minutes. The motion carried unanimously.

The Commission then reviewed the invoices listed under Item No. 4 on the Agenda which have previously been paid pursuant to pre-existing delegations of authority.

Mr. Hampel, M-S-R PPA Treasurer, then presented the October 2011 Account Status Report, Unaudited Financial Statements, and Treasurer's Report to the Commission. He noted that due to changes in interest rates the Agency's derivative position has declined about \$7 million since the beginning of the year. Net Income for the year to date is about \$1.5 million lower than projected due to decreases in both operating revenues and expenses over those originally projected. He also stated that the value of the AGF Medium Term notes is currently about 94% of face value, with a coupon of 5.5%, and recommended continuing to hold these notes to maturity. It was moved by Commissioner Kolstad and seconded by Alternate Commissioner Nichols to note and file the financial reports. The motion carried unanimously.

Mr. Hockenson then addressed the Commission regarding the San Juan Project, Southwest Transmission Project and Big Horn Project Status Reports. Mr. Hockenson noted that at the San Juan Budget meetings held in October a number of Capital Budget Items were rejected or deferred to reduce cash demands. Mr. Hopper noted the San Juan Operating Agent, the Public Service Company of New Mexico (PNM) had engaged an independent expert to review the San Juan Coal Company's (SJCC) recovery plans for the San Juan Mine. The expert informed PNM that the mine recovery plan appeared sound, but very conservative with regard to schedule and he expected the mine to return to full production several weeks earlier than SJCC's median case. Mr. Hockenson also reported that Iberdrola and the Bonneville Power Administration continue to attempt to resolve metering issues between the two phases of the Big Horn Wind Energy Project.

Mr. Hopper then briefly reviewed the December 2011 General Manager's Report for the Commission and addressed questions thereon.

The Commission then considered the proposed 2012 meeting dates for its regular meetings. Mr. Hopper noted that although the proposed May 23 meeting has been coordinated with TANC and BANC, the potential conflict affecting two of the Commissioners regarding the NCPA L&R Committee meeting to be held later that day in Truckee has not been resolved. The TANC and M-S-R meetings may need to be rescheduled or relocated to Truckee to accommodate travel to the NCPA meetings. It was moved by Commissioner Kolstad and seconded by Alternate Commissioner Nichols to adopt January 18, February 22, March 21, April 18, May 23, June 20, July 18, August 22, September 26, October 17, November 28, and December 19, 2012, as the schedule for the Commission's 2012 Regular Meetings and January 5, March 7, May 9, July 11, September 12, and November 14, 2012, as the schedule for the Technical Committee's 2012 Regular Meetings. The motion carried unanimously.

Mr. Hopper then addressed the Commission regarding the proposed 2012 M-S-R PPA Budget. He noted that the Budget was prepared on a status quo basis and has not been adjusted to account for coal rationing or voluntary curtailments resulting from the San Juan

Mine fire. This is a conservative assumption as SJCC has informally indicated that the sum of base coal (minimum take obligations) plus mine recovery costs will be essentially equivalent to normal mining operations. However, neither this assumption nor the proposed M-S-R PPA 2012 Budget addresses member replacement power costs. The total expenditures under the budget will be \$148.0 million which represents an increase of 0.1% over the 2011 M-S-R PPA Budget. Mine recovery efforts will be closely monitored and recommended changes, if any, to the budget will be presented to the Commission for consideration as needed. It was moved by Alternate Commissioner Nichols and seconded by Commissioner Kolstad to approve the 2012 M-S-R PPA Budget. The motion carried unanimously.

Mr. Hopper then addressed the Commission regarding the proposed Coal Source Allocations Agreement that provides for the allocation and restricted use of inventory such that each Participant will be able to manage its allocated share of available coal sources during the mine disruption period. The M-S-R Members have voluntarily developed a coal rationing strategy to husband available coal to allow full operation of M-S-R PPA's share of SJGS during peak Summer 2012 months at a 75% confidence level. In the absence of this proposed Agreement there would be a risk that other San Juan Participants may consume coal husbanded by M-S-R PPA. It was moved by Alternate Commissioner Nichols and seconded by Commissioner Kolstad to approve the proposed Coal Source Allocations Agreement in substantially final form subject to final review by the General Manager and General Counsel. The motion carried unanimously.

Mr. Hopper then addressed the Commission regarding the proposed Resolution 2011 - 11 regarding Compliance With Greenhouse Gases Emission Performance Standards Related to 2012 San Juan Project Capital Budget Items. The resolution number was corrected to comply with the Agency's standard resolution numbering sequence. He noted that within the constraints of the regulations adopted by the California Energy Commission to implement its responsibilities pursuant to SB1368, "Routine Maintenance" is exempted from its definition of covered procurements. The proposed resolution makes the appropriate findings for M-S-R PPA to determine that those 2011 San Juan Capital Budget Items pertaining to San Juan Unit

4 Flyash Compressor, Furnace Exit Gas Temperature Probe, Furnace Waterwall Weld Overlay, New Boiler Outlet Reheater, Boiler Secondary Superheat, DCS Control Logic Modification, Field Instrumentation Replacement, Sample Panel Component Replacement, Digital Generator Protection, MCC, LC & Cubicle Buckets Replacement, Relay Protection, Synchronous Relay, Burner Line Orifice Boxes, Combustion Management System, Circulating Water Line Carbon Fiber, Cooling Tower Structure – 2012, Circulating Water Pump Motor Enclosure, Turbine Trip Block, Absorber Header, Absorber Sieve Tray Replacement, Absorber Area Nuclear Density Meters, Expansion Joint Replacement – 2013, Outage Emergent Work Projects – 2013, Roof Repairs, and Transformer Fire protection; and projects related jointly to San Juan Unit 3 and Unit 4: Lining of the Coal Pile Runoff Basin, 3A and 4C Soot Blowing Air Compressor Controls, Tripper Deck Fire Protection, and Reclaim Fire Protection; and projects related jointly to all San Juan Units: Plant Common 4 A&B Main Plant Conveyor Fire Protection, Arc Flash Mitigation, Asbestos Piping at North Side Wastewater – 2102, MCC, LC & Cubicle Buckets Replacement – 2102, Evaporation Remediation, NERC-CIP Change Management System, Foxboro I/A DCS 8.6 Secure Server, Rockwell Automation Asset Centre New Station Potable Water Line, PI Data Historian, Lake Station PLC & Instrumentation Replacement, Process Pond Decant Pit, Raw Water Reservoir Slurry Wall, River Station Switchgear, Roof Renovation for Administration Building, Sewer Line Replacement, Shumway Arroyo Slurry Wall and Containment, SJGS Data Center Fire Protection, Spare Limestone Conveyor Motor, Spare Limestone Grizzly Conveyor Motor, Tripper Deck Dust Suppression System, Tripper Deck Fire Protection Booster Pump, Underground Cables – 2102, Administration Building Renovation, and Sewer Line Rehabilitation are intended to address regulatory compliance, reliability or safety problems and reduce operating costs and are neither extend the life of the San Juan Project nor increase its capacity and are clearly permitted as “Routine Maintenance” under the regulations promulgated by the California Energy Commission in Docket 06-OIR-1 pursuant to SB 1368. It was moved by Alternate Commissioner Nichols and seconded by Commissioner Kolstad to adopt Resolution No. 2011 – 11 “Resolution Of The Commission Of The M S-R Public Power Agency Making Certain Findings With Respect To Compliance With Greenhouse

Gases Emission Performance Standards Related To 2011 San Juan Project Capital Budget Item Additions.” The motion carried unanimously.

Mr. Hampel then addressed the Commission regarding the proposed Contract for Independent Financial Audit Services with Virchow Krause, now Baker Tilly Virchow Krause (Baker Tilly). The Agency initially negotiated a three-year contract with Baker Tilly for financial audit services in 2007. The three-year contract was completed with the 2009 financial audit. An extension to the contract was negotiated within budgeted amounts for the 2010 audit. Baker Tilly has now proposed three options for future audit services and Mr. Hampel recommended the award of a five-year contract with costs frozen at 2010 levels through 2014 and with 2015 and 2016 offered at a 3% cost increase. It was moved by Commissioner Kolstad and seconded by Alternate Commissioner Nichols to award Baker Tilly a five-year contract for audit services. The motion carried unanimously.

The Commission then retired into Closed Session pursuant to Government Code Section 54956.9 (a) - Existing Litigation – Two Cases; Government Code Section 54956.9 (b) - Anticipated Litigation, Significant Exposure to Litigation - Three Cases; Government Code Section 54956.9 (c) - Anticipated Litigation, Decision on Whether to Initiate Litigation - Two Cases; and Government Code Section 54957 – Public Employee Performance Evaluation, General Manager at 12:45 P.M. Upon the conclusion of the Closed Session at 1:40 P.M., the Chair reported for the record, pursuant to the Government Code, that the Commission had taken no actions which require public disclosure.

The Commission then considered the proposed Amendment Number 2 to Amended and Restated Management Services Agreement Between Martin Hopper Energy Consulting and M-S-R Public Power Agency. It was moved by Alternate Commissioner Nichols and seconded by Commissioner Kolstad to approve Amendment Number 2 to Amended and Restated Management Services Agreement Between Martin Hopper Energy Consulting and M-S-R Public Power Agency subject to the execution of Mr. Hopper’s written performance evaluation by the President of the Commission. The motion carried unanimously.

The Chair then called for Public Comment and there being none, the Chair announced that the next meeting of the Commission will be Wednesday, January 18, 2012, at 12:00 Noon, at NCI's offices in Sacramento and that the meeting of December 21, 2011, will be cancelled. The meeting was then adjourned by the Chair at 1:42 P.M.

Martin R. Hopper
Assistant Secretary

M-S-R Public Power Agency
Invoices Paid Summary: November 2011 - January 2012

Payee	Description	Period Covered	Amount
AF Legal & Consulting Services	Legal Services	Nov 2011	12,060.00
AF Legal & Consulting Services	Legal Services	Dec 2011	14,782.50
APPA	Registration, Joint Action Workshop 2012		350.00
Baker Tilly Virchow Krause	Audit of 2011 Financials	Dec 2011	5,817.00
Big Horn Wind Project	Firm Energy from Big Horn facility	Nov 2011	2,527,449.39
Big Horn Wind Project	Firm Energy from Big Horn facility	Dec 2011	1,815,616.60
Dept of Water & Power	Mead-Adelanto Operations Costs	Oct 2011	22,681.17
Dept of Water & Power	Mead-Adelanto Operations Costs	Nov 2011	33,333.69
Dept of Water & Power	Transmission Service Adelanto-Victorville	Oct 2011	61,595.00
Dept of Water & Power	Transmission Service Adelanto-Victorville	Nov 2011	61,595.00
Duncan Weinberg et al	Legal Services	Oct 2011	85,868.41
Duncan Weinberg et al	Legal Services	Nov 2011	83,691.29
Government Affairs Consulting	Services rendered	Nov 2011	2,000.00
Government Affairs Consulting	Services rendered	Dec 2011	2,000.00
Iberdrola Renewables	Big Horn 2 Contract Power Delivery	Nov 2011	1,210,077.50
Iberdrola Renewables	Big Horn Shaping Fee	Nov 2011	483,249.00
Iberdrola Renewables	Big Horn Shaping Fee	Nov 2011	505,544.00
Jack B Mayson, Jr.	Consulting	Oct/Nov/Dec 2011	7,680.00
KBT, LLC	Consulting	Oct 2011	37,331.51
KBT, LLC	Consulting	Nov 2011	30,172.91
Martin Hopper Energy Consulting	General Manager services	Nov 2011	24,090.10
Martin Hopper Energy Consulting	General Manager services	Dec 2011	22,007.81
McCarthy & Berlin	Legal Services	Oct 2011	13,013.42
McCarthy & Berlin	Legal Services	Nov 2011	4,780.80
Modesto Irrigation District	Accounting and coordination services	Nov 2011	54,925.77
Modesto Irrigation District	Reimburse MID for MSR Expenses: Ferguson Group Invoice dtd 10/31/2011	Oct 2011	5,011.50
Modesto Irrigation District	Reimburse MID for MSR Expenses: Joy Mastache DC trip 11/14-17/11		6,207.75
Montague DeRose & Assoc.	Financial Advisory Services	Oct 2011	2,155.00
Navigant	Special assistance	Oct 2011	14,129.15
Navigant	Special assistance	Nov 2011	7,301.40
Nevada Dept of Taxation	2011-2012 Property Taxes	3 of 4 pmts	25,026.53
Orrick Herrington Sutcliffe	Legal Services	thru 12/22/11	9,578.25
PNM	Estimated Coal	Nov 2011	2,383,020.05
PNM	Monthly Net Due for San Juan Construction	Nov 2011	33,287.49
PNM	Weekly Advance	111611	137,000.00

M-S-R Public Power Agency
Invoices Paid Summary: November 2011 - January 2012

Payee	Description	Period Covered	Amount
PNM	Weekly Advance	112211	450,000.00
PNM	Weekly Advance	113011	18,000.00
PNM	Weekly Advance	120711	250,000.00
PNM	Weekly Advance	121411	122,000.00
PNM	Weekly Advance	122111	583,000.00
PNM	Weekly Advance	122711	18,000.00
PNM	Weekly Advance	010512	868,000.00
Porter Simon	Legal Services	Nov 2011	4,010.92
Porter Simon	Legal Services	Dec 2011	820.00
Salt River Project	Mead-Phoenix O&M Costs	Nov 11/Jan 12	15,523.04
Southern California Edison	Firm Transmission between Victorville-Lugo and Midway	Nov 2011	97,500.00
Southern California Edison	Firm Transmission between Victorville-Lugo and Midway	Dec 2011	97,500.00
US Bank	Administrative & Transaction Fees for Big Horn	Nov 2011-Oct 2012	3,150.00
US Bank	Debt Service for Series 1997D, F, K, 2008L, 2011O	Dec 2011	2,993,536.73
US Bank	Debt Service for Series 1997D, F, K, 2008L, 2011O	Jan 2012	2,993,536.73
US Bank	Debt Service for Series 2008M&N	Dec 2011	68,328.75
US Bank	Debt Service for Series 2008M&N	Jan 2012	71,887.28
US Bank	Swap Payment for 1998F & G	Dec 2011	305,463.19
US Bank	Swap Payment for 1998F & G	Jan 2012	324,054.34
US DOE	Mead-Phoenix Firm Energy Losses	Oct 2011	65,379.09
US DOE	Mead-Phoenix Firm Energy Losses	Nov 2011	58,859.87
WREGIS	Transfer Volume Fee	Dec 2011	759.25
TOTAL			\$ 19,153,739.18



ACCOUNT STATUS REPORT

(to be distributed at meeting)

Presented To Commission

January 18, 2012



UNAUDITED
FINANCIAL STATEMENTS
(to be distributed at meeting)

Presented To Commission

January 18, 2012

Treasurer's Report

December 2011



**M-S-R Public Power Agency
Treasurer's Report
Index**

Treasurer's Report for the Month of December 2011

Investment Activity, All Funds

General Fund Investment Portfolio Guideline Compliance

Investment Portfolio Pie Chart

General Fund Portfolio Average Maturity Report

MSR / LAIF / US Treasury 2-Year

Investment Portfolio Quarterly Comparison

General Fund:

 Portfolio Summary

 Portfolio Details – Investments

 Portfolio Details – Cash

 Investment Status Report – Investments

 Investment Status Report – Cash

 Investment Activity by Type

 Received Interest

 Activity Report – LAIF

Trust Funds:

 Portfolio Summary

 Portfolio Details – Investments

 Portfolio Details – Cash

 Investment Status Report – Investments

 Investment Status Report – Cash

 Investment Activity by Type

 Received Interest

 Realized Gains and Losses

 Investment Maturity Report

**MSR PUBLIC POWER AGENCY
TREASURER'S REPORT
FOR THE MONTH OF DECEMBER 2011**

FUND BALANCES

<u>UNRESTRICTED FUNDS</u>	11/30/11			12/31/11		Unrealized Gain/Loss
	Cost Value	Receipts	Disbursements	Cost Value	Mkt. Value	
General Fund	22,364,684	13,852,113	13,232,959	22,983,838	22,942,536	(41,302)
 <u>RESTRICTED FUNDS</u>						
MSR MASTER RESERVE	0	0	0	0	0	0
MSR Series F	2,028,313	2,027,067	1,621,646	2,433,734	2,433,734	0
MSR Series I	0	0	0	0	0	0
MSR 2004 Series J	0	0	0	0	0	0
MSR 2007 Series K	9,310,549	6,220,113	4,896,658	10,634,005	10,791,835	157,830
MSR 2008 Series L	9,741,860	2,737,125	2,189,524	10,289,461	10,276,709	(12,751)
MSR 2008 Series M	3,081,150	50,677	50,677	3,081,150	3,075,079	(6,071)
MSR 2008 Series N	1,116,807	17,651	17,651	1,116,807	1,114,607	(2,200)
MSR 2011 Series O	4,331,767	2,761,109	2,208,520	4,884,356	5,025,750	141,394
MSR Series 97D	1,336,900	1,104,828	883,808	1,557,921	1,557,921	0
MSR Big Horn Wind Collat Acct.	3,628,541	2,527,449	2,527,449	3,628,541	3,628,541	0
MSR Big Horn Shaping Acct.	1,042,482	483,249	483,249	1,042,482	1,042,482	0
	35,618,369	17,929,268	14,879,182	38,668,455	38,946,658	278,203
TOTAL FUNDS	57,983,053	31,781,381	28,112,141	61,652,293	61,889,193	236,901

CASH & INVESTMENTS

DEMAND ACCOUNTS

Union Bank - General Fund 416,542

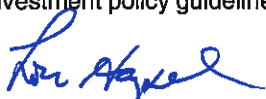
INVESTMENTS (See Attached)

	Standard per Gov't Code	Actual	
Bankers Acceptances	40%	0.0%	0
Certificates of Deposit(Coll./Ins.)	No Limit	0.0%	0
Commercial Paper(A1/P1)	25%	0.0%	0
Corporate Notes-Medium Term	30%	11.4%	7,016,832
Federal Agencies	No Limit	26.5%	16,245,049
Local Agency Investment Fund	\$50,000,000	20.6%	12,634,848
Money Market Accounts	No Limit	39.1%	23,943,490
Repurchase Agreements	No Limit	0.0%	0
U.S. Treasury Instruments	No Limit	2.4%	1,479,916
TOTAL INVESTMENTS		<u>100.0%</u>	<u>61,320,135</u>

Add: Deposits in transit 0
Less: Outstanding checks (84,384)

TOTAL CASH & INVESTMENTS 61,652,293

We certify that this statement is a true and correct record of transactions in the Treasury since the prior report. The agency has sufficient liquid assets on deposit to meet its obligations over the next 6 months. All investments are in compliance with the agency's investment policy guidelines.



Lou Hampel -- Treasurer



Don Dermond -- Asst. Treasurer

**Investment Activity, All Funds
December 2011**

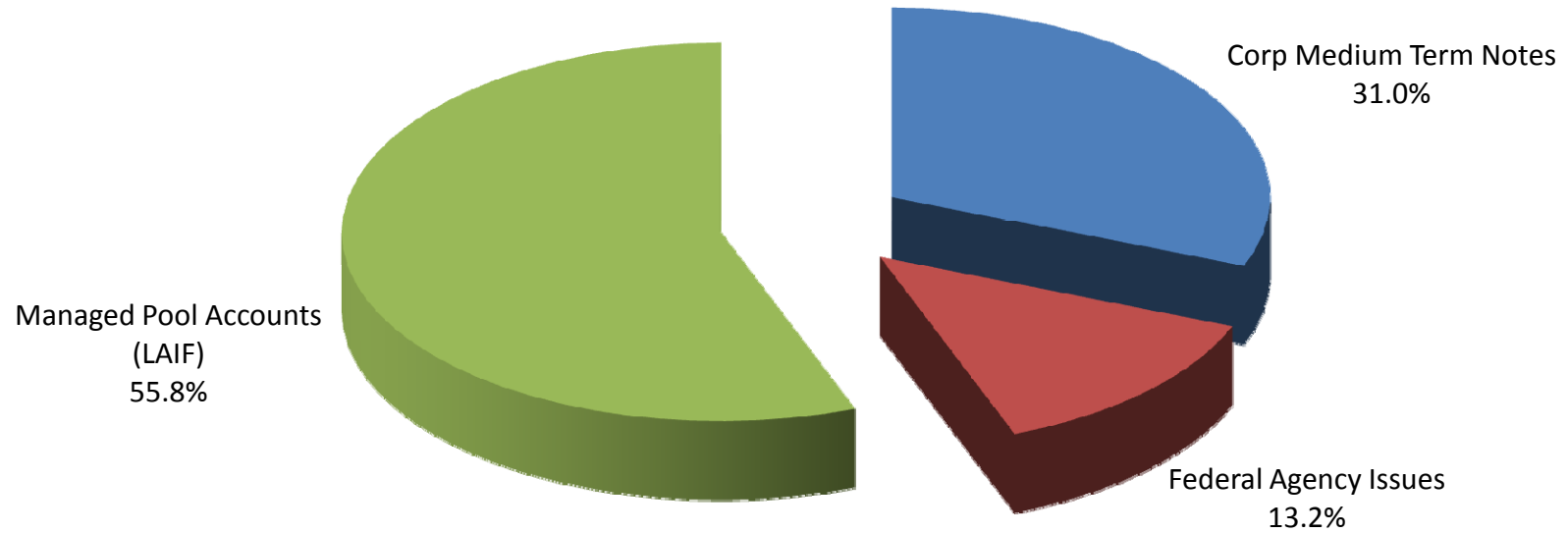
Portfolio	Beginning Balance (Cost)	Purchases or Deposits	Sales/Maturities or Withdrawals	Ending Balance (Cost)	Market Value*
MSR	\$22,364,684	\$5,219,154	\$4,600,000	\$22,983,838	\$22,942,536
MSR Trusts	<u>\$35,618,369</u>	<u>\$18,109,814</u>	<u>\$15,059,728</u>	<u>\$38,668,455</u>	<u>\$38,946,658</u>
	<u><u>\$57,983,053</u></u>	<u><u>\$23,328,968</u></u>	<u><u>\$19,659,728</u></u>	<u><u>\$61,652,293</u></u>	<u><u>\$61,889,193</u></u>

**General Fund Investment Portfolio Guideline Compliance
December 2011**

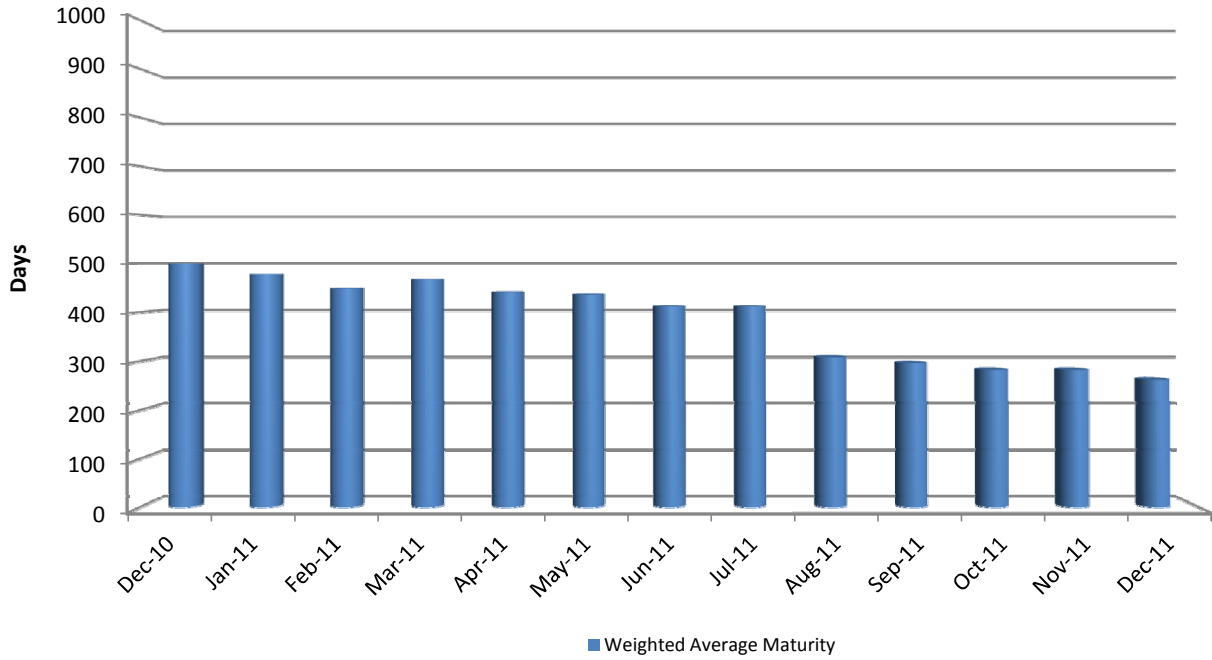
	Standard	Actual	Cost	Market Value*
Corp Medium Term Notes	30%	31.0%	\$7,016,832	\$6,968,450
Federal Agency Issues	No Limit	13.2%	\$3,000,000	\$3,007,080
Managed Pool Accounts (LAIF)	40M	55.8%	\$12,634,848	\$12,634,848
Treasury Securities	No Limit	0.0%	\$0	\$0
Municipal Bonds	No Limit	<u>0.0%</u>	<u>\$0</u>	<u>\$0</u>
		<u>100.0%</u>	<u>\$22,651,680</u>	<u>\$22,610,378</u>
Demand Account Balance	No Limit		<u>\$332,158</u>	<u>\$332,158</u>
Total			<u><u>\$22,983,838</u></u>	<u><u>\$22,942,536</u></u>

* Source of Market Value information is Union Bank and Bloomberg Financial Systems

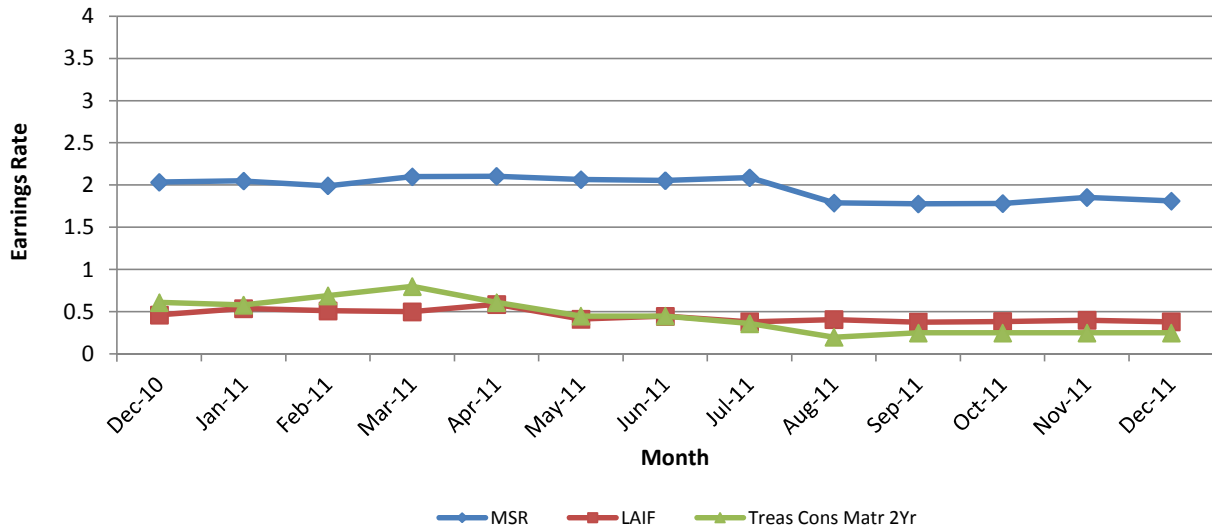
M-S-R Public Power Agency Investment Portfolio December 2011



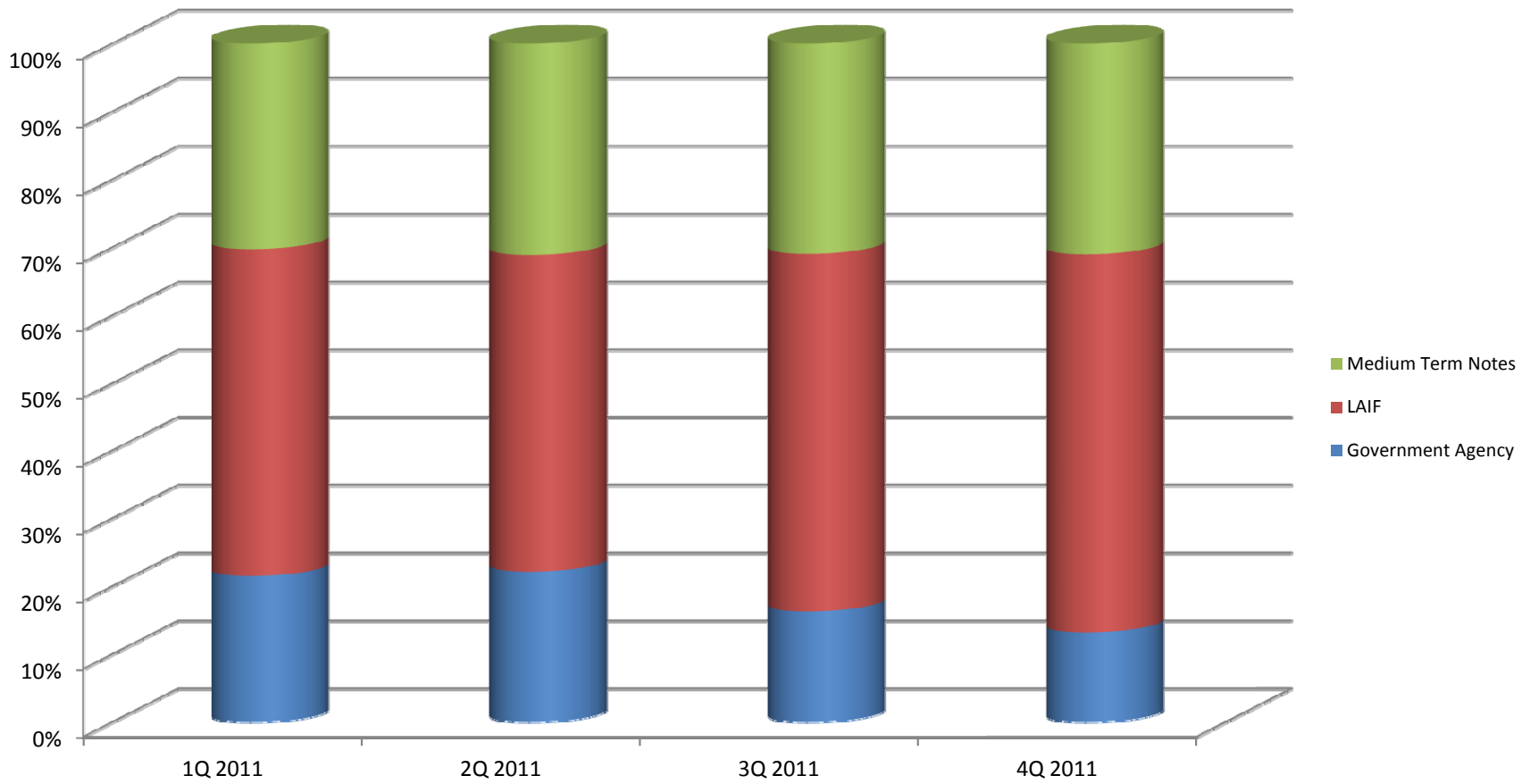
General Fund Portfolio Average Maturity Report



MSR / LAIF / US Treasury 2-Year



M-S-R Public Power Agency Investment Portfolio Quarterly Comparison Fourth Quarter 2011





**MSR Public Power Agency
Portfolio Management
Portfolio Summary
December 31, 2011**

Modesto Irrigation District
1231 - 11th St.
Modesto, CA 95352
(209)526-7308

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 365 Equiv.
Managed Pool Accounts	12,634,848.08	12,634,848.08	12,634,848.08	55.78	1	1	0.382
Corporate Medium Term Notes	7,000,000.00	6,968,450.00	7,016,832.08	30.98	1,665	250	4.517
Federal Agency Issues - Coupon	3,000,000.00	3,007,080.00	3,000,000.00	13.24	1,826	1,387	1.500
Investments	22,634,848.08	22,610,378.08	22,651,680.16	100.00%	758	262	1.811
Cash							
Passbook/Checking (not included in yield calculations)	332,157.56	332,157.56	332,157.56		1	1	0.000
Total Cash and Investments	22,967,005.64	22,942,535.64	22,983,837.72		758	262	1.811
Total Earnings	December 31 Month Ending	Fiscal Year To Date					
Current Year	33,981.10	16,608,563.75					
Average Daily Balance	21,220,140.59						

Lou Hampel, Treasurer

Portfolio MSRG
CP

**MSR Public Power Agency
Portfolio Management
Portfolio Details - Investments
December 31, 2011**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	YTM 365	Days to Maturity	Maturity Date
Managed Pool Accounts												
SYSLAIF	LAIF	Local Agency Investment Fund		01/01/1999	12,634,848.08	12,634,848.08	12,634,848.08	0.382		0.382	1	
Subtotal and Average			10,986,460.98		12,634,848.08	12,634,848.08	12,634,848.08			0.382	1	
Corporate Medium Term Notes												
02639ENF7	13575	American General Finance		12/06/2007	2,000,000.00	1,875,100.00	2,000,000.00	5.500		5.500	349	12/15/2012
06406HBJ7	13699	Bank of New York Mellon		04/08/2008	2,000,000.00	2,086,120.00	2,016,832.08	4.500		4.310	456	04/01/2013
36966RW44	13634	General Electric Capital Corp		02/28/2008	3,000,000.00	3,007,230.00	3,000,000.00	4.000		4.000	45	02/15/2012
Subtotal and Average			7,016,832.08		7,000,000.00	6,968,450.00	7,016,832.08			4.517	250	
Federal Agency Issues - Coupon												
31331JT45	15393	Federal Farm Credit Banks		10/19/2010	3,000,000.00	3,007,080.00	3,000,000.00	1.500		1.500	1,387	10/19/2015
Subtotal and Average			3,000,000.00		3,000,000.00	3,007,080.00	3,000,000.00			1.500	1,387	
Total Investments and Average			21,220,140.59		22,634,848.08	22,610,378.08	22,651,680.16			1.811	262	

**MSR Public Power Agency
Portfolio Management
Portfolio Details - Cash
December 31, 2011**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	YTM 365	Days to Maturity
Passbook/Checking Accounts											
SYSGENERAL FUND	GENERAL FUND	Union Bank of California		01/01/1999	332,157.56	332,157.56	332,157.56			0.000	1
		Average Balance	0.00								1
Total Cash and Investments			21,220,140.59		22,967,005.64	22,942,535.64	22,983,837.72			1.811	262

**MSR Public Power Agency
Portfolio Management
Investment Status Report - Investments
December 31, 2011**

CUSIP	Investment #	Issuer	Par Value	Stated Rate	Maturity Date	Purchase Date	YTM 360	YTM 365	Payment Dates	Accrued Interest At Purchase	Current Purchase Principal	Book Value
Managed Pool Accounts												
SYSLAIF	LAIF	LAIF	12,634,848.08	0.382		01/01/1999	0.377	0.382	01/15 - Quarterly		12,634,848.08	12,634,848.08
Managed Pool Accounts Totals			12,634,848.08				0.377	0.382		0.00	12,634,848.08	12,634,848.08
Corporate Medium Term Notes												
02639ENF7	13575	AMERIC	2,000,000.00	5.500	12/15/2012	12/06/2007	5.425	5.500	06/15 - 12/15		2,000,000.00	2,000,000.00
06406HBJ7	13699	BNYM	2,000,000.00	4.500	04/01/2013	04/08/2008	4.251	4.310	10/01 - 04/01	Received	2,016,832.08	2,016,832.08
36966RW44	13634	GEC	3,000,000.00	4.000	02/15/2012	02/28/2008	3.946	4.000	08/15 - 02/15		3,000,000.00	3,000,000.00
Corporate Medium Term Notes Totals			7,000,000.00				4.455	4.517		0.00	7,016,832.08	7,016,832.08
Federal Agency Issues - Coupon												
31331JT45	15393	FFCB	3,000,000.00	1.500	10/19/2015	10/19/2010	1.479	1.500	04/19 - 10/19		3,000,000.00	3,000,000.00
Federal Agency Issues - Coupon Totals			3,000,000.00				1.479	1.500		0.00	3,000,000.00	3,000,000.00
Investment Totals			22,634,848.08				1.786	1.811		0.00	22,651,680.16	22,651,680.16

**MSR Public Power Agency
Portfolio Management
Investment Status Report - Cash
December 31, 2011**

CUSIP	Investment #	Issuer	Par Value	Stated Rate	Maturity Date	Purchase Date	YTM 360	YTM 365	Payment Dates	Accrued Interest At Purchase	Current Purchase Principal	Book Value
Passbook/Checking Accounts												
SYSGENERAL FUND	GENERAL FUND	UBC	332,157.56			01/01/1999	0.000	0.000	/ - Monthly		332,157.56	332,157.56
Cash Totals			332,157.56							0.00	332,157.56	332,157.56
Totals for Cash and Investments			22,967,005.64				1.786	1.811		0.00	22,983,837.72	22,983,837.72

**MSR Public Power Agency
Portfolio Management
Investment Activity By Type
December 1, 2011 through December 31, 2011**

CUSIP	Investment #	Issuer	Beginning Balance	Stated Rate	Transaction Date	Purchases or Deposits	Sales/Maturities or Withdrawals	Ending Balance
Managed Pool Accounts (Monthly Summary)								
SYSLAIF	LAIF	Local Agency Investment Fund		0.382		5,100,000.00	4,600,000.00	
		Subtotal	12,134,848.08			5,100,000.00	4,600,000.00	12,634,848.08
Passbook/Checking Accounts (Monthly Summary)								
SYSGENERAL FUND	GENERAL FUND	Union Bank of California				119,153.70	0.00	
		Subtotal	213,003.86			119,153.70	0.00	332,157.56
Corporate Medium Term Notes								
		Subtotal	7,016,832.08					7,016,832.08
Federal Agency Issues - Coupon								
		Subtotal	3,000,000.00					3,000,000.00
		Total	22,364,684.02			5,219,153.70	4,600,000.00	22,983,837.72



MSR Public Power Agency
Received Interest
Sorted by Date Received
Received December 1, 2011 - December 31, 2011

Modesto Irrigation District
 1231 - 11th St.
 Modesto, CA 95352
 (209)526-7308

Date Received	CUSIP	Investment #	Investment Type	Par Value	Current Rate	Date Due	Received	Interest		Variance
								P & I Due	Amount Received	
December 2011	02639ENF7	13575	MTN	2,000,000.00	5.500	12/15/2011	12/15/2011	55,000.00	55,000.00	-
							Subtotal	55,000.00	55,000.00	
							Total	55,000.00	55,000.00	
							Total Cash Overpayment	0.00		
							Total Cash Shortfall	0.00		

Portfolio MSRG
 CP

RI (PRF_RI) SymRept V6.00f2
 Report Ver. 5.00



**MSR Public Power Agency
Activity Report
Issuer: Local Agency Investment Fund
December 1, 2011 - December 31, 2011**

Modesto Irrigation District
1231 - 11th St.
Modesto, CA 95352
(209)526-7308

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value		Transaction Date	Par Value		Ending Balance
				Beginning Balance	Current Rate		Purchases or Deposits	Sales/Calls/Maturities or Withdrawals	
Issuer: Local Agency Investment Fund									
Managed Pool Accounts									
SYSLAIF	LAIF	Local Agency Investment Fund			0.382		5,100,000.00	4,600,000.00	
		Subtotal and Balance		12,134,848.08			5,100,000.00	4,600,000.00	12,634,848.08
		Issuer Subtotal	55.013%	12,134,848.08			5,100,000.00	4,600,000.00	12,634,848.08
		Total		12,134,848.08			5,100,000.00	4,600,000.00	12,634,848.08

Portfolio MSRG
CP

DA (PRF_DA) SymRept V6.00f2
Report Ver. 5.00



**MSR Public Power Agency Trust
Portfolio Management
Portfolio Summary
December 31, 2011**

Modesto Irrigation District
1231 - 11th St.
Modesto, CA 95352
(209)526-7308

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 365 Equiv.
Federal Agency Issues - Coupon	13,217,000.00	13,381,857.92	13,245,049.47	89.95	1,254	956	1.351
Treasury Securities - Coupon	1,390,000.00	1,621,309.90	1,479,915.63	10.05	2,576	2,326	2.856
Investments	14,607,000.00	15,003,167.82	14,724,965.10	100.00%	1,387	1,093	1.502
Cash							
Passbook/Checking (not included in yield calculations)	23,943,489.68	23,943,489.68	23,943,489.68		1	1	0.010
Total Cash and Investments	38,550,489.68	38,946,657.50	38,668,454.78		1,387	1,093	1.502
Total Earnings	December 31 Month Ending	Fiscal Year To Date					
Current Year	20,782.97	8,791,543.16					
Average Daily Balance	36,616,774.22						

Lou Hampel, Treasurer

**MSR Public Power Agency Trust
Portfolio Management
Portfolio Details - Investments
December 31, 2011**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	YTM 365	Days to Maturity	Maturity Date
Federal Agency Issues - Coupon												
3133XRFL9	13816	Federal Home Loan Bank		06/11/2008	2,600,000.00	2,746,172.00	2,588,341.89	4.250		4.351	530	06/14/2013
3137EACY3	16188	Federal Home Loan Mortgage Corp		11/07/2011	6,440,000.00	6,451,334.40	6,464,085.60	0.750		0.616	1,059	11/25/2014
3137EACY3	16189	Federal Home Loan Mortgage Corp		11/07/2011	3,066,000.00	3,071,396.16	3,077,466.84	0.750		0.631	1,059	11/25/2014
3137EACY3	16190	Federal Home Loan Mortgage Corp		11/07/2011	1,111,000.00	1,112,955.36	1,115,155.14	0.750		0.631	1,059	11/25/2014
		Subtotal and Average	13,245,049.47		13,217,000.00	13,381,857.92	13,245,049.47			1.351	956	
Federal Agency Issues - Discount												
		Subtotal and Average	8,310,161.91									
Treasury Securities - Coupon												
912828HZ6	15842	U.S. Treasury		04/26/2011	1,390,000.00	1,621,309.90	1,479,915.63	3.875		2.856	2,326	05/15/2018
		Subtotal and Average	1,479,915.63		1,390,000.00	1,621,309.90	1,479,915.63			2.856	2,326	
Treasury Securities - Discount												
		Subtotal and Average	2,704,233.65									
		Total Investments and Average	36,616,774.22		14,607,000.00	15,003,167.82	14,724,965.10			1.502	1,093	

**MSR Public Power Agency Trust
Portfolio Management
Portfolio Details - Cash
December 31, 2011**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	YTM 365	Days to Maturity
Passbook/Checking Accounts											
SYS0741MONEY	0741MONEY	U S BANK		09/26/2001	0.00	0.00	0.00	0.010		0.010	1
SYS0744 MONEY	0744 MONEY	U S BANK		09/26/2001	0.00	0.00	0.00	0.010		0.010	1
SYS1400 MONEY	1400 MONEY	U S BANK			0.00	0.00	0.00	0.500		0.500	1
SYS1401 MONEY	1401 MONEY	U S BANK			0.00	0.00	0.00	4.400		4.400	1
SYS1402 MONEY	1402 MONEY	U S BANK			0.00	0.00	0.00	4.400		4.400	1
SYS1403 MONEY	1403 MONEY	U S BANK			0.00	0.00	0.00	0.010		0.010	1
SYS1405 MONEY	1405 MONEY	U S BANK			0.00	0.00	0.00	5.030		5.030	1
SYS2400 MONEY	2400 MONEY	U S BANK		06/06/2003	0.00	0.00	0.00	1.510		1.510	1
SYS2401 MONEY	2401 MONEY	U S BANK		06/06/2003	0.00	0.00	0.00	1.510		1.510	1
SYS2402 MONEY	2402 MONEY	U S BANK		06/27/2003	0.00	0.00	0.00	0.570		0.570	1
SYS2404 MONEY	2404 MONEY	U S BANK		05/29/2003	0.00	0.00	0.00	0.510		0.510	1
SYS30000 MONEY	30000 MONEY	U S BANK		05/01/2009	532,494.57	532,494.57	532,494.57	0.010		0.010	1
SYS30001 MONEY	30001 MONEY	U S BANK		12/24/2008	2,912,860.53	2,912,860.53	2,912,860.53	0.010		0.010	1
SYS30002 MONEY	30002 MONEY	U S BANK		01/26/2009	372,700.57	372,700.57	372,700.57	0.010		0.010	1
SYS30003 MONEY	30003 MONEY	U S BANK		07/23/2008	7,319.39	7,319.39	7,319.39	0.010		0.010	1
SYS30004 MONEY	30004 MONEY	U S BANK		07/24/2008	0.00	0.00	0.00	0.010		0.010	1
SYS30005 MONEY	30005 MONEY	U S BANK		07/24/2008	0.00	0.00	0.00	0.010		0.010	1
SYS31000 MONEY	31000 MONEY	U S BANK		05/01/2009	0.00	0.00	0.00	0.010		0.010	1
SYS31003 MONEY	31003 MONEY	U S BANK		07/23/2008	3,682.86	3,682.86	3,682.86	0.010		0.010	1
SYS31006 MONEY	31006 MONEY	U S BANK		07/24/2008	0.00	0.00	0.00	0.010		0.010	1
SYS32000 MONEY	32000 MONEY	U S BANK		05/01/2009	0.00	0.00	0.00	0.010		0.010	1
SYS32003 MONEY	32003 MONEY	U S BANK		07/24/2008	1,651.49	1,651.49	1,651.49	0.010		0.010	1
SYS32006 MONEY	32006 MONEY	U S BANK		07/24/2008	0.00	0.00	0.00	0.010		0.010	1
SYS5570 MONEY	5570 MONEY	U S BANK			0.00	0.00	0.00	2.700		2.700	1
SYS5571 MONEY	5571 MONEY	U S BANK			0.00	0.00	0.00	2.700		2.700	1
SYS5572 MONEY	5572 MONEY	U S BANK			0.00	0.00	0.00	6.000		6.000	1
SYS5580 MONEY	5580 MONEY	U S BANK			0.00	0.00	0.00	0.035		0.035	1
SYS5581 MONEY	5581 MONEY	U S BANK			0.00	0.00	0.00	1.510		1.510	1
SYS5590 MONEY	5590 MONEY	U S BANK			1,325,970.81	1,325,970.81	1,325,970.81	0.010		0.010	1
SYS5591 MONEY	5591 MONEY	U S BANK			231,950.00	231,950.00	231,950.00	0.010		0.010	1
SYS5592 MONEY	5592 MONEY	U S BANK		04/30/2004	0.00	0.00	0.00	1.640		1.640	1
SYS5593 MONEY	5593 MONEY	U S BANK		05/03/2004	0.00	0.00	0.00	0.470		0.470	1
SYS5600 MONEY	5600 MONEY	U S BANK			0.00	0.00	0.00	0.520		0.520	1
SYS5601 MONEY	5601 MONEY	U S BANK			0.00	0.00	0.00	1.550		1.550	1
SYS5602 MONEY	5602 MONEY	U S BANK			0.00	0.00	0.00	5.100		5.100	1
SYS6680 MONEY	6680 MONEY	U S BANK			0.00	0.00	0.00	6.000		6.000	1
SYS6681 MONEY	6681 MONEY	U S BANK			0.00	0.00	0.00	5.020		5.020	1
SYS6810 MONEY	6810 MONEY	U S BANK			0.00	0.00	0.00	6.100		6.100	1
SYS6811 MONEY	6811 MONEY	U S BANK			0.00	0.00	0.00	4.400		4.400	1

**MSR Public Power Agency Trust
Portfolio Management
Portfolio Details - Cash
December 31, 2011**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	YTM 365	Days to Maturity
Passbook/Checking Accounts											
SYS6813 MONEY	6813 MONEY	U S BANK			0.00	0.00	0.00	4.400		4.400	1
SYS69000 MONEY	69000 MONEY	U S BANK		05/01/2009	371,641.03	371,641.03	371,641.03	0.010		0.010	1
SYS69001 MONEY	69001 MONEY	U S BANK		12/24/2007	826,934.72	826,934.72	826,934.72	0.010		0.010	1
SYS69002 MONEY	69002 MONEY	U S BANK		01/25/2008	6,786,157.07	6,786,157.07	6,786,157.07	0.010		0.010	1
SYS69003 MONEY	69003 MONEY	U S BANK		12/04/2007	60,930.00	60,930.00	60,930.00	0.010		0.010	1
SYS69004 MONEY	69004 MONEY	U S BANK		12/04/2007	0.00	0.00	0.00	0.035		0.035	1
SYS6990 MONEY	6990 MONEY	U S BANK			0.00	0.00	0.00	1.370		1.370	1
SYS6991 MONEY	6991 MONEY	U S BANK			0.00	0.00	0.00	1.370		1.370	1
SYS6992 MONEY	6992 MONEY	U S BANK			0.00	0.00	0.00	1.370		1.370	1
SYS6993 MONEY	6993 MONEY	U S BANK			0.00	0.00	0.00	1.370		1.370	1
SYS7000 MONEY	7000 MONEY	U S BANK		01/01/2011	3,628,541.21	3,628,541.21	3,628,541.21	0.010		0.010	1
SYS7260 MONEY	7260 MONEY	U S BANK			0.11	0.11	0.11	0.010		0.010	1
SYS7261 MONEY	7261 MONEY	U S BANK			272,582.02	272,582.02	272,582.02	0.010		0.010	1
SYS7262 MONEY	7262 MONEY	U S BANK			2,161,151.83	2,161,151.83	2,161,151.83	0.010		0.010	1
SYS7267 MONEY	7267 MONEY	U S BANK			0.00	0.00	0.00	5.060		5.060	1
SYS7510 MONEY	7510 MONEY	U S BANK			0.00	0.00	0.00	0.035		0.035	1
SYS7511 MONEY	7511 MONEY	U S BANK			0.00	0.00	0.00	1.400		1.400	1
SYS7512 MONEY	7512 MONEY	U S BANK		01/01/2001	0.00	0.00	0.00	5.000		5.000	1
SYS7514 MONEY	7514 MONEY	U S BANK			0.00	0.00	0.00	0.520		0.520	1
SYS785001 MONEY	785001 MONEY	U S BANK		05/25/2011	684,149.40	684,149.40	684,149.40	0.010		0.010	1
SYS785002 MONEY	785002 MONEY	U S BANK		07/25/2011	2,630,189.84	2,630,189.84	2,630,189.84	0.010		0.010	1
SYS785003 MONEY	785003 MONEY	U S BANK		04/26/2011	54,862.66	54,862.66	54,862.66	0.010		0.010	1
SYS785004 MONEY	785004 MONEY	U S BANK		04/26/2011	35,238.01	35,238.01	35,238.01	0.010		0.010	1
SYS8000 MONEY	8000 MONEY	U S BANK		01/01/2011	1,042,481.56	1,042,481.56	1,042,481.56	0.010		0.010	1
SYS8440 MONEY	8440 MONEY	U S BANK			0.00	0.00	0.00	1.500		1.500	1
SYS8441 MONEY	8441 MONEY	U S BANK			0.00	0.00	0.00	1.500		1.500	1
SYS8442 MONEY	8442 MONEY	U S BANK			0.00	0.00	0.00	4.350		4.350	1
SYS8443 MONEY	8443 MONEY	U S BANK			0.00	0.00	0.00	1.500		1.500	1
SYS8444 MONEY	8444 MONEY	U S BANK			0.00	0.00	0.00	0.970		0.970	1
SYS8940 MONEY	8940 MONEY	U S BANK		01/01/2001	0.00	0.00	0.00	0.035		0.035	1
SYS8942 MONEY	8942 MONEY	U S BANK			0.00	0.00	0.00	1.400		1.400	1
SYS8944 MONEY	8944 MONEY	U S BANK			0.00	0.00	0.00	5.500		5.500	1
SYS9000 MONEY	9000 MONEY	U S BANK		06/25/2004	0.00	0.00	0.00	0.010		0.010	1
SYS9001 MONEY	9001 MONEY	U S BANK		05/25/2004	0.00	0.00	0.00	0.010		0.010	1
SYS9002 MONEY	9002 MONEY	U S BANK		05/25/2004	0.00	0.00	0.00	0.010		0.010	1
SYS9004 MONEY	9004 MONEY	U S BANK		05/03/2004	0.00	0.00	0.00	0.510		0.510	1

**MSR Public Power Agency Trust
Portfolio Management
Portfolio Details - Cash
December 31, 2011**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	YTM 365	Days to Maturity
		Average Balance	0.00								1
		Total Cash and Investments	36,616,774.22		38,550,489.68	38,946,657.50	38,668,454.78			1.502	1,093

**MSR Public Power Agency Trust
Portfolio Management
Investment Status Report - Investments
December 31, 2011**

CUSIP	Investment #	Issuer	Par Value	Stated Rate	Maturity Date	Purchase Date	YTM 360	YTM 365	Payment Dates	Accrued Interest At Purchase	Current Purchase Principal	Book Value
Federal Agency Issues - Coupon												
3133XRFL9	13816	FHLB	2,600,000.00	4.250	06/14/2013	06/11/2008	4.291	4.351	12/14 - 06/14	Received	2,588,341.89	2,588,341.89
3137EACY3	16188	FHLMC	6,440,000.00	0.750	11/25/2014	11/07/2011	0.608	0.616	11/25 - 05/25	Received	6,464,085.60	6,464,085.60
3137EACY3	16189	FHLMC	3,066,000.00	0.750	11/25/2014	11/07/2011	0.622	0.631	11/25 - 05/25	Received	3,077,466.84	3,077,466.84
3137EACY3	16190	FHLMC	1,111,000.00	0.750	11/25/2014	11/07/2011	0.622	0.631	11/25 - 05/25	Received	1,115,155.14	1,115,155.14
Federal Agency Issues - Coupon Totals			13,217,000.00				1.332	1.351		0.00	13,245,049.47	13,245,049.47
Treasury Securities - Coupon												
912828HZ6	15842	US TRE	1,390,000.00	3.875	05/15/2018	04/26/2011	2.816	2.856	05/15 - 11/15	Received	1,479,915.63	1,479,915.63
Treasury Securities - Coupon Totals			1,390,000.00				2.816	2.856		0.00	1,479,915.63	1,479,915.63
Investment Totals			14,607,000.00				1.481	1.502		0.00	14,724,965.10	14,724,965.10

**MSR Public Power Agency Trust
Portfolio Management
Investment Status Report - Cash
December 31, 2011**

CUSIP	Investment #	Issuer	Par Value	Stated Rate	Maturity Date	Purchase Date	YTM 360	YTM 365	Payment Dates	Accrued Interest At Purchase	Current Purchase Principal	Book Value
Passbook/Checking Accounts												
SYS0741MONEY	0741MONEY	USBANK	0.00	0.010		09/26/2001	0.010	0.010	09/26 - Monthly		0.00	0.00
SYS0744 MONEY	0744 MONEY	USBANK	0.00	0.010		09/26/2001	0.010	0.010	09/26 - Monthly		0.00	0.00
SYS1400 MONEY	1400 MONEY	USBANK	0.00	0.500			0.493	0.500	01/02 - Monthly		0.00	0.00
SYS1401 MONEY	1401 MONEY	USBANK	0.00	4.400			4.340	4.400	01/02 - Monthly		0.00	0.00
SYS1402 MONEY	1402 MONEY	USBANK	0.00	4.400			4.340	4.400	01/02 - Monthly		0.00	0.00
SYS1403 MONEY	1403 MONEY	USBANK	0.00	0.010			0.010	0.010	01/02 - Monthly		0.00	0.00
SYS1405 MONEY	1405 MONEY	USBANK	0.00	5.030			4.961	5.030	01/02 - Monthly		0.00	0.00
SYS2400 MONEY	2400 MONEY	USBANK	0.00	1.510		06/06/2003	1.489	1.510	07/01 - Monthly		0.00	0.00
SYS2401 MONEY	2401 MONEY	USBANK	0.00	1.510		06/06/2003	1.489	1.510	07/01 - Monthly		0.00	0.00
SYS2402 MONEY	2402 MONEY	USBANK	0.00	0.570		06/27/2003	0.562	0.570	07/01 - Monthly		0.00	0.00
SYS2404 MONEY	2404 MONEY	USBANK	0.00	0.510		05/29/2003	0.503	0.510	06/01 - Monthly		0.00	0.00
SYS30000 MONEY	30000 MONEY	USBANK	532,494.57	0.010		05/01/2009	0.010	0.010	05/01 - Monthly		532,494.57	532,494.57
SYS30001 MONEY	30001 MONEY	USBANK	2,912,860.53	0.010		12/24/2008	0.010	0.010	01/01 - Monthly		2,912,860.53	2,912,860.53
SYS30002 MONEY	30002 MONEY	USBANK	372,700.57	0.010		01/26/2009	0.010	0.010	01/26 - Monthly		372,700.57	372,700.57
SYS30003 MONEY	30003 MONEY	USBANK	7,319.39	0.010		07/23/2008	0.010	0.010	08/01 - Monthly		7,319.39	7,319.39
SYS30004 MONEY	30004 MONEY	USBANK	0.00	0.010		07/24/2008	0.010	0.010	08/01 - Monthly		0.00	0.00
SYS30005 MONEY	30005 MONEY	USBANK	0.00	0.010		07/24/2008	0.010	0.010	08/01 - Monthly		0.00	0.00
SYS31000 MONEY	31000 MONEY	USBANK	0.00	0.010		05/01/2009	0.010	0.010	05/01 - Monthly		0.00	0.00
SYS31003 MONEY	31003 MONEY	USBANK	3,682.86	0.010		07/23/2008	0.010	0.010	08/01 - Monthly		3,682.86	3,682.86
SYS31006 MONEY	31006 MONEY	USBANK	0.00	0.010		07/24/2008	0.010	0.010	08/01 - Monthly		0.00	0.00
SYS32000 MONEY	32000 MONEY	USBANK	0.00	0.010		05/01/2009	0.010	0.010	05/01 - Monthly		0.00	0.00
SYS32003 MONEY	32003 MONEY	USBANK	1,651.49	0.010		07/24/2008	0.010	0.010	08/01 - Monthly		1,651.49	1,651.49
SYS32006 MONEY	32006 MONEY	USBANK	0.00	0.010		07/24/2008	0.010	0.010	08/01 - Monthly		0.00	0.00
SYS5570 MONEY	5570 MONEY	USBANK	0.00	2.700			2.663	2.700	01/01 - Monthly		0.00	0.00
SYS5571 MONEY	5571 MONEY	USBANK	0.00	2.700			2.663	2.700	01/01 - Monthly		0.00	0.00
SYS5572 MONEY	5572 MONEY	USBANK	0.00	6.000			5.918	6.000	01/01 - Monthly		0.00	0.00
SYS5580 MONEY	5580 MONEY	USBANK	0.00	0.035			0.035	0.035	01/01 - Monthly		0.00	0.00
SYS5581 MONEY	5581 MONEY	USBANK	0.00	1.510			1.489	1.510	01/01 - Monthly		0.00	0.00
SYS5590 MONEY	5590 MONEY	USBANK	1,325,970.81	0.010			0.010	0.010	01/01 - Monthly		1,325,970.81	1,325,970.81
SYS5591 MONEY	5591 MONEY	USBANK	231,950.00	0.010			0.010	0.010	01/01 - Monthly		231,950.00	231,950.00
SYS5592 MONEY	5592 MONEY	USBANK	0.00	1.640		04/30/2004	1.618	1.640	04/30 - Monthly		0.00	0.00
SYS5593 MONEY	5593 MONEY	USBANK	0.00	0.470		05/03/2004	0.464	0.470	05/03 - Monthly		0.00	0.00
SYS5600 MONEY	5600 MONEY	USBANK	0.00	0.520			0.513	0.520	01/01 - Monthly		0.00	0.00
SYS5601 MONEY	5601 MONEY	USBANK	0.00	1.550			1.529	1.550	01/01 - Monthly		0.00	0.00
SYS5602 MONEY	5602 MONEY	USBANK	0.00	5.100			5.030	5.100	01/01 - Monthly		0.00	0.00
SYS6680 MONEY	6680 MONEY	USBANK	0.00	6.000			5.918	6.000	01/02 - Monthly		0.00	0.00
SYS6681 MONEY	6681 MONEY	USBANK	0.00	5.020			4.951	5.020	01/02 - Monthly		0.00	0.00

**MSR Public Power Agency Trust
Portfolio Management
Investment Status Report - Cash
December 31, 2011**

CUSIP	Investment #	Issuer	Par Value	Stated Rate	Maturity Date	Purchase Date	YTM 360	YTM 365	Payment Dates	Accrued Interest At Purchase	Current Purchase Principal	Book Value
Passbook/Checking Accounts												
SYS6810 MONEY	6810 MONEY	USBANK	0.00	6.100			6.016	6.100	01/02 - Monthly		0.00	0.00
SYS6811 MONEY	6811 MONEY	USBANK	0.00	4.400			4.340	4.400	01/02 - Monthly		0.00	0.00
SYS6813 MONEY	6813 MONEY	USBANK	0.00	4.400			4.340	4.400	01/02 - Monthly		0.00	0.00
SYS69000 MONEY	69000 MONEY	USBANK	371,641.03	0.010		05/01/2009	0.010	0.010	05/01 - Monthly		371,641.03	371,641.03
SYS69001MONEY	69001 MONEY	USBANK	826,934.72	0.010		12/24/2007	0.010	0.010	01/01 - Monthly		826,934.72	826,934.72
SYS69002 MONEY	69002 MONEY	USBANK	6,786,157.07	0.010		01/25/2008	0.010	0.010	01/25 - Monthly		6,786,157.07	6,786,157.07
SYS69003MONEY	69003 MONEY	USBANK	60,930.00	0.010		12/04/2007	0.010	0.010	01/01 - Monthly		60,930.00	60,930.00
SYS69004 MONEY	69004 MONEY	USBANK	0.00	0.035		12/04/2007	0.035	0.035	01/01 - Monthly		0.00	0.00
SYS6990 MONEY	6990 MONEY	USBANK	0.00	1.370			1.351	1.370	01/02 - Monthly		0.00	0.00
SYS6991 MONEY	6991 MONEY	USBANK	0.00	1.370			1.351	1.370	01/02 - Monthly		0.00	0.00
SYS6992 MONEY	6992 MONEY	USBANK	0.00	1.370			1.351	1.370	01/02 - Monthly		0.00	0.00
SYS6993 MONEY	6993 MONEY	USBANK	0.00	1.370			1.351	1.370	/ - Monthly		0.00	0.00
SYS7000MONEY	7000MONEY	USBANK	3,628,541.21	0.010		01/01/2011	0.010	0.010	01/01 - Monthly		3,628,541.21	3,628,541.21
SYS7260 MONEY	7260 MONEY	USBANK	0.11	0.010			0.010	0.010	01/02 - Monthly		0.11	0.11
SYS7261 MONEY	7261 MONEY	USBANK	272,582.02	0.010			0.010	0.010	01/02 - Monthly		272,582.02	272,582.02
SYS7262 MONEY	7262 MONEY	USBANK	2,161,151.83	0.010			0.010	0.010	01/02 - Monthly		2,161,151.83	2,161,151.83
SYS7267 MONEY	7267 MONEY	USBANK	0.00	5.060			4.991	5.060	01/02 - Monthly		0.00	0.00
SYS7510 MONEY	7510 MONEY	USBANK	0.00	0.035			0.035	0.035	01/02 - Monthly		0.00	0.00
SYS7511 MONEY	7511 MONEY	USBANK	0.00	1.400			1.381	1.400	01/02 - Monthly		0.00	0.00
SYS7512 MONEY	7512 MONEY	USBANK	0.00	5.000		01/01/2001	4.932	5.000	01/02 - Monthly		0.00	0.00
SYS7514 MONEY	7514 MONEY	USBANK	0.00	0.520			0.513	0.520	01/01 - Monthly		0.00	0.00
SYS785001 MONEY	785001 MONEY	USBANK	684,149.40	0.010		05/25/2011	0.010	0.010	06/01 - Monthly		684,149.40	684,149.40
SYS785002 MONEY	785002 MONEY	USBANK	2,630,189.84	0.010		07/25/2011	0.010	0.010	08/01 - Monthly		2,630,189.84	2,630,189.84
SYS785003 MONEY	785003 MONEY	USBANK	54,862.66	0.010		04/26/2011	0.010	0.010	05/01 - Monthly		54,862.66	54,862.66
SYS785004 MONEY	785004 MONEY	USBANK	35,238.01	0.010		04/26/2011	0.010	0.010	05/01 - Monthly		35,238.01	35,238.01
SYS8000MONEY	8000MONEY	USBANK	1,042,481.56	0.010		01/01/2011	0.010	0.010	01/01 - Monthly		1,042,481.56	1,042,481.56
SYS8440 MONEY	8440 MONEY	USBANK	0.00	1.500			1.479	1.500	01/02 - Monthly		0.00	0.00
SYS8441 MONEY	8441 MONEY	USBANK	0.00	1.500			1.479	1.500	01/02 - Monthly		0.00	0.00
SYS8442 MONEY	8442 MONEY	USBANK	0.00	4.350			4.290	4.350	01/02 - Monthly		0.00	0.00
SYS8443 MONEY	8443 MONEY	USBANK	0.00	1.500			1.479	1.500	01/02 - Monthly		0.00	0.00
SYS8444 MONEY	8444 MONEY	USBANK	0.00	0.970			0.957	0.970	/ - Monthly		0.00	0.00
SYS8940 MONEY	8940 MONEY	USBANK	0.00	0.035		01/01/2001	0.035	0.035	07/01 - Monthly		0.00	0.00
SYS8942 MONEY	8942 MONEY	USBANK	0.00	1.400			1.381	1.400	07/01 - Monthly		0.00	0.00
SYS8944 MONEY	8944 MONEY	USBANK	0.00	5.500			5.425	5.500	/ - Monthly		0.00	0.00
SYS9000 MONEY	9000 MONEY	USBANK	0.00	0.010		06/25/2004	0.010	0.010	06/25 - Monthly		0.00	0.00
SYS9001 MONEY	9001 MONEY	USBANK	0.00	0.010		05/25/2004	0.010	0.010	05/25 - Monthly		0.00	0.00
SYS9002 MONEY	9002 MONEY	USBANK	0.00	0.010		05/25/2004	0.010	0.010	05/25 - Monthly		0.00	0.00

**MSR Public Power Agency Trust
Portfolio Management
Investment Status Report - Cash
December 31, 2011**

CUSIP	Investment #	Issuer	Par Value	Stated Rate	Maturity Date	Purchase Date	YTM 360	YTM 365	Payment Dates	Accrued Interest At Purchase	Current Purchase Principal	Book Value
Passbook/Checking Accounts												
SYS9004 MONEY	9004 MONEY	USBANK	0.00	0.510		05/03/2004	0.503	0.510	05/03 - Monthly		0.00	0.00
Cash Totals			23,943,489.68							0.00	23,943,489.68	23,943,489.68
Totals for Cash and Investments			38,550,489.68				1.481	1.502		0.00	38,668,454.78	38,668,454.78

**MSR Public Power Agency Trust
Portfolio Management
Investment Activity By Type
December 1, 2011 through December 31, 2011**

CUSIP	Investment #	Issuer	Beginning Balance	Stated Rate	Transaction Date	Purchases or Deposits	Sales/Maturities or Withdrawals	Ending Balance
Passbook/Checking Accounts (Monthly Summary)								
SYS30001	MONEY	30001 MONEY		0.010		2,427,309.01	0.00	
SYS30002	MONEY	30002 MONEY		0.010		310,054.40	0.00	
SYS31000	MONEY	31000 MONEY		0.010		50,677.08	50,677.08	
SYS32000	MONEY	32000 MONEY		0.010		17,651.67	17,651.67	
SYS5590	MONEY	5590 MONEY		0.010		1,104,924.60	0.00	
SYS69001	MONEY	69001 MONEY		0.010		688,765.17	0.00	
SYS69002	MONEY	69002 MONEY		0.010		5,655,889.08	0.00	
SYS69003	MONEY	69003 MONEY		0.010		55,250.00	0.00	
SYS7000	MONEY	7000MONEY		0.010		2,527,449.39	2,527,449.39	
SYS7261	MONEY	7261 MONEY		0.010		226,410.78	0.00	
SYS7262	MONEY	7262 MONEY		0.010		1,800,834.08	0.00	
SYS785001	MONEY	785001 MONEY		0.010		570,016.27	0.00	
SYS785002	MONEY	785002 MONEY		0.010		2,191,333.34	0.00	
SYS8000	MONEY	8000MONEY		0.010		483,249.00	483,249.00	
		Subtotal	8,912,702.95			18,109,813.87	3,079,027.14	23,943,489.68
Federal Agency Issues - Coupon								
		Subtotal	13,245,049.47					13,245,049.47
Federal Agency Issues - Discount								
313384RD3	16140	Federal Home Loan Bank			12/30/2011	0.00	220,997.08	
313384RD3	16141	Federal Home Loan Bank			12/30/2011	0.00	45,999.39	
313384RD3	16142	Federal Home Loan Bank			12/30/2011	0.00	359,995.25	
313384RD3	16143	Federal Home Loan Bank			12/30/2011	0.00	137,998.18	
313384RD3	16144	Federal Home Loan Bank			12/30/2011	0.00	1,129,985.09	
313384RD3	16145	Federal Home Loan Bank			12/30/2011	0.00	484,993.60	
313384RD3	16146	Federal Home Loan Bank			12/30/2011	0.00	61,999.18	
313384RD3	16147	Federal Home Loan Bank			12/30/2011	0.00	113,998.50	
313384RD3	16148	Federal Home Loan Bank			12/30/2011	0.00	438,994.21	
313396RD7	16094	Federal Home Loan Mortgage Corp			12/30/2011	0.00	220,976.60	
313396RD7	16095	Federal Home Loan Mortgage Corp			12/30/2011	0.00	44,995.24	
313396RD7	16096	Federal Home Loan Mortgage Corp			12/30/2011	0.00	359,961.90	
313396RD7	16097	Federal Home Loan Mortgage Corp			12/30/2011	0.00	136,985.50	
313396RD7	16098	Federal Home Loan Mortgage Corp			12/30/2011	0.00	1,129,880.41	
313396RD7	16099	Federal Home Loan Mortgage Corp			12/30/2011	0.00	484,948.67	
313396RD7	16100	Federal Home Loan Mortgage Corp			12/30/2011	0.00	61,993.44	
313396RD7	16101	Federal Home Loan Mortgage Corp			12/30/2011	0.00	113,987.94	
313396RD7	16102	Federal Home Loan Mortgage Corp			12/30/2011	0.00	437,953.65	
313588RC1	16078	Federal Nat'l Mtg. Assoc.			12/29/2011	0.00	220,932.55	

**MSR Public Power Agency Trust
Portfolio Management
Investment Activity By Type
December 1, 2011 through December 31, 2011**

CUSIP	Investment #	Issuer	Beginning Balance	Stated Rate	Transaction Date	Purchases or Deposits	Sales/Maturities or Withdrawals	Ending Balance
Federal Agency Issues - Discount								
313588RC1	16079	Federal Nat'l Mtg. Assoc.			12/29/2011	0.00	44,986.26	
313588RC1	16080	Federal Nat'l Mtg. Assoc.			12/29/2011	0.00	360,889.79	
313588RC1	16081	Federal Nat'l Mtg. Assoc.			12/29/2011	0.00	137,957.87	
313588RC1	16082	Federal Nat'l Mtg. Assoc.			12/29/2011	0.00	1,135,653.20	
313588RC1	16083	Federal Nat'l Mtg. Assoc.			12/29/2011	0.00	485,851.63	
313588RC1	16084	Federal Nat'l Mtg. Assoc.			12/29/2011	0.00	61,981.07	
313588RC1	16085	Federal Nat'l Mtg. Assoc.			12/29/2011	0.00	113,965.20	
313588RC1	16086	Federal Nat'l Mtg. Assoc.			12/29/2011	0.00	437,866.29	
		Subtotal	8,986,727.69			0.00	8,986,727.69	0.00
Treasury Securities - Coupon								
		Subtotal	1,479,915.63					1,479,915.63
Treasury Securities - Discount								
9127953Z2	16151	U.S. Treasury			12/29/2011	0.00	220,998.01	
9127953Z2	16152	U.S. Treasury			12/29/2011	0.00	44,999.59	
9127953Z2	16153	U.S. Treasury			12/29/2011	0.00	359,996.75	
9127953Z2	16154	U.S. Treasury			12/29/2011	0.00	137,998.75	
9127953Z2	16155	U.S. Treasury			12/29/2011	0.00	1,129,989.80	
9127953Z2	16156	U.S. Treasury			12/29/2011	0.00	485,995.61	
9127953Z2	16157	U.S. Treasury			12/29/2011	0.00	61,999.44	
9127953Z2	16158	U.S. Treasury			12/29/2011	0.00	113,998.97	
9127953Z2	16159	U.S. Treasury			12/29/2011	0.00	437,996.05	
		Subtotal	2,993,972.97			0.00	2,993,972.97	0.00
		Total	35,618,368.71			18,109,813.87	15,059,727.80	38,668,454.78



MSR Public Power Agency Trust
Received Interest
Sorted by Date Received
Received December 1, 2011 - December 31, 2011

Modesto Irrigation District
 1231 - 11th St.
 Modesto, CA 95352
 (209)526-7308

Date Received	CUSIP	Investment #	Investment Type	Par Value	Current Rate	Date Due	Received	Interest		
								P & I Due	Amount Received	Variance
December 2011	3133XRFL9	13816	FAC	2,600,000.00	4.250	12/14/2011	12/14/2011	55,250.00	55,250.00	-
	313588RC1	16078	FAD	0.00		12/29/2011	12/29/2011	67.45	67.45	-
	313588RC1	16079	FAD	0.00		12/29/2011	12/29/2011	13.74	13.74	-
	313588RC1	16080	FAD	0.00		12/29/2011	12/29/2011	110.21	110.21	-
	313588RC1	16081	FAD	0.00		12/29/2011	12/29/2011	42.13	42.13	-
	313588RC1	16082	FAD	0.00		12/29/2011	12/29/2011	346.80	346.80	-
	313588RC1	16083	FAD	0.00		12/29/2011	12/29/2011	148.37	148.37	-
	313588RC1	16084	FAD	0.00		12/29/2011	12/29/2011	18.93	18.93	-
	313588RC1	16085	FAD	0.00		12/29/2011	12/29/2011	34.80	34.80	-
	313588RC1	16086	FAD	0.00		12/29/2011	12/29/2011	133.71	133.71	-
	9127953Z2	16151	TRD	0.00		12/29/2011	12/29/2011	1.99	1.99	-
	9127953Z2	16152	TRD	0.00		12/29/2011	12/29/2011	0.41	0.41	-
	9127953Z2	16153	TRD	0.00		12/29/2011	12/29/2011	3.25	3.25	-
	9127953Z2	16154	TRD	0.00		12/29/2011	12/29/2011	1.25	1.25	-
	9127953Z2	16155	TRD	0.00		12/29/2011	12/29/2011	10.20	10.20	-
	9127953Z2	16156	TRD	0.00		12/29/2011	12/29/2011	4.39	4.39	-
	9127953Z2	16157	TRD	0.00		12/29/2011	12/29/2011	0.56	0.56	-
	9127953Z2	16158	TRD	0.00		12/29/2011	12/29/2011	1.03	1.03	-
	9127953Z2	16159	TRD	0.00		12/29/2011	12/29/2011	3.95	3.95	-
	313384RD3	16140	FAD	0.00		12/30/2011	12/30/2011	2.92	2.92	-
	313384RD3	16141	FAD	0.00		12/30/2011	12/30/2011	0.61	0.61	-
	313384RD3	16142	FAD	0.00		12/30/2011	12/30/2011	4.75	4.75	-
	313384RD3	16143	FAD	0.00		12/30/2011	12/30/2011	1.82	1.82	-
	313384RD3	16144	FAD	0.00		12/30/2011	12/30/2011	14.91	14.91	-
	313384RD3	16145	FAD	0.00		12/30/2011	12/30/2011	6.40	6.40	-
	313384RD3	16146	FAD	0.00		12/30/2011	12/30/2011	0.82	0.82	-
	313384RD3	16147	FAD	0.00		12/30/2011	12/30/2011	1.50	1.50	-
	313384RD3	16148	FAD	0.00		12/30/2011	12/30/2011	5.79	5.79	-
	313396RD7	16094	FAD	0.00		12/30/2011	12/30/2011	23.40	23.40	-
	313396RD7	16095	FAD	0.00		12/30/2011	12/30/2011	4.76	4.76	-
	313396RD7	16096	FAD	0.00		12/30/2011	12/30/2011	38.10	38.10	-
	313396RD7	16097	FAD	0.00		12/30/2011	12/30/2011	14.50	14.50	-
	313396RD7	16098	FAD	0.00		12/30/2011	12/30/2011	119.59	119.59	-
	313396RD7	16099	FAD	0.00		12/30/2011	12/30/2011	51.33	51.33	-
	313396RD7	16100	FAD	0.00		12/30/2011	12/30/2011	6.56	6.56	-
	313396RD7	16101	FAD	0.00		12/30/2011	12/30/2011	12.06	12.06	-
	313396RD7	16102	FAD	0.00		12/30/2011	12/30/2011	46.35	46.35	-
							Subtotal	56,549.34	56,549.34	

Portfolio MSRT
 CP

RI (PRF_RI) SymRept V6.00f2
 Report Ver. 5.00

MSR Public Power Agency Trust
Received Interest
Received December 1, 2011 - December 31, 2011

Date Received	CUSIP	Investment #	Investment Type	Par Value	Current Rate			Interest		Variance
						Date Due	Received	P & I Due	Amount Received	
						Total		56,549.34	56,549.34	
						Total Cash Overpayment		0.00		
						Total Cash Shortfall		0.00		



**MSR Public Power Agency Trust
Realized Gains and Losses
Sorted By Maturity/Sale/Call Date**

Modesto Irrigation District
1231 - 11th St.
Modesto, CA 95352
(209)526-7308

Sales/Calls/Maturities: December 1, 2011 - December 31, 2011

Investment #	Inv. Type	Purchase Date	Par Value	Sale Date	Days Held		Maturity/Sale	Realized	Total	Total	Total
Issuer			Current Rate	Maturity Date	Term	Book Value	Proceeds	Gain/Loss	Earnings	Net Earnings	Yield 365
16078	FAD	07/25/2011	221,000.00	12/29/2011	157	220,932.55	221,000.00	0.00	67.45	67.45	0.071
Federal Nat'l Mtg. Assoc.				12/29/2011	157						
16079	FAD	07/25/2011	45,000.00	12/29/2011	157	44,986.26	45,000.00	0.00	13.74	13.74	0.071
Federal Nat'l Mtg. Assoc.				12/29/2011	157						
16080	FAD	07/25/2011	361,000.00	12/29/2011	157	360,889.79	361,000.00	0.00	110.21	110.21	0.071
Federal Nat'l Mtg. Assoc.				12/29/2011	157						
16081	FAD	07/25/2011	138,000.00	12/29/2011	157	137,957.87	138,000.00	0.00	42.13	42.13	0.071
Federal Nat'l Mtg. Assoc.				12/29/2011	157						
16082	FAD	07/25/2011	1,136,000.00	12/29/2011	157	1,135,653.20	1,136,000.00	0.00	346.80	346.80	0.071
Federal Nat'l Mtg. Assoc.				12/29/2011	157						
16083	FAD	07/25/2011	486,000.00	12/29/2011	157	485,851.63	486,000.00	0.00	148.37	148.37	0.071
Federal Nat'l Mtg. Assoc.				12/29/2011	157						
16084	FAD	07/25/2011	62,000.00	12/29/2011	157	61,981.07	62,000.00	0.00	18.93	18.93	0.071
Federal Nat'l Mtg. Assoc.				12/29/2011	157						
16085	FAD	07/25/2011	114,000.00	12/29/2011	157	113,965.20	114,000.00	0.00	34.80	34.80	0.071
Federal Nat'l Mtg. Assoc.				12/29/2011	157						
16086	FAD	07/25/2011	438,000.00	12/29/2011	157	437,866.29	438,000.00	0.00	133.71	133.71	0.071
Federal Nat'l Mtg. Assoc.				12/29/2011	157						
16151	TRD	10/25/2011	221,000.00	12/29/2011	65	220,998.01	221,000.00	0.00	1.99	1.99	0.005
U.S. Treasury				12/29/2011	65						
16152	TRD	10/25/2011	45,000.00	12/29/2011	65	44,999.59	45,000.00	0.00	0.41	0.41	0.005
U.S. Treasury				12/29/2011	65						
16153	TRD	10/25/2011	360,000.00	12/29/2011	65	359,996.75	360,000.00	0.00	3.25	3.25	0.005
U.S. Treasury				12/29/2011	65						
16154	TRD	10/25/2011	138,000.00	12/29/2011	65	137,998.75	138,000.00	0.00	1.25	1.25	0.005
U.S. Treasury				12/29/2011	65						
16155	TRD	10/25/2011	1,130,000.00	12/29/2011	65	1,129,989.80	1,130,000.00	0.00	10.20	10.20	0.005
U.S. Treasury				12/29/2011	65						
16156	TRD	10/25/2011	486,000.00	12/29/2011	65	485,995.61	486,000.00	0.00	4.39	4.39	0.005
U.S. Treasury				12/29/2011	65						
16157	TRD	10/25/2011	62,000.00	12/29/2011	65	61,999.44	62,000.00	0.00	0.56	0.56	0.005
U.S. Treasury				12/29/2011	65						
16158	TRD	10/25/2011	114,000.00	12/29/2011	65	113,998.97	114,000.00	0.00	1.03	1.03	0.005
U.S. Treasury				12/29/2011	65						
16159	TRD	10/25/2011	438,000.00	12/29/2011	65	437,996.05	438,000.00	0.00	3.95	3.95	0.005
U.S. Treasury				12/29/2011	65						
16140	FAD	09/26/2011	221,000.00	12/30/2011	95	220,997.08	221,000.00	0.00	2.92	2.92	0.005
Federal Home Loan Bank				12/30/2011	95						

Portfolio MSRT

CP

CG (PRF_CGR1) SymRept V6.00f2
Report Ver. 5.00

MSR Public Power Agency Trust
Realized Gains and Losses
Sales/Calls/Maturities: December 1, 2011 - December 31, 2011

Investment #	Inv. Type	Purchase Date	Par Value	Sale Date	Days Held	Maturity/Sale Proceeds	Realized Gain/Loss	Total Earnings	Total Net Earnings	Total Yield 365	
Issuer			Current Rate	Maturity Date	Term	Book Value					
16141	FAD	09/26/2011	46,000.00	12/30/2011	95	45,999.39	46,000.00	0.00	0.61	0.61	0.005
Federal Home Loan Bank				12/30/2011	95						
16142	FAD	09/26/2011	360,000.00	12/30/2011	95	359,995.25	360,000.00	0.00	4.75	4.75	0.005
Federal Home Loan Bank				12/30/2011	95						
16143	FAD	09/26/2011	138,000.00	12/30/2011	95	137,998.18	138,000.00	0.00	1.82	1.82	0.005
Federal Home Loan Bank				12/30/2011	95						
16144	FAD	09/26/2011	1,130,000.00	12/30/2011	95	1,129,985.09	1,130,000.00	0.00	14.91	14.91	0.005
Federal Home Loan Bank				12/30/2011	95						
16145	FAD	09/26/2011	485,000.00	12/30/2011	95	484,993.60	485,000.00	0.00	6.40	6.40	0.005
Federal Home Loan Bank				12/30/2011	95						
16146	FAD	09/26/2011	62,000.00	12/30/2011	95	61,999.18	62,000.00	0.00	0.82	0.82	0.005
Federal Home Loan Bank				12/30/2011	95						
16147	FAD	09/26/2011	114,000.00	12/30/2011	95	113,998.50	114,000.00	0.00	1.50	1.50	0.005
Federal Home Loan Bank				12/30/2011	95						
16148	FAD	09/26/2011	439,000.00	12/30/2011	95	438,994.21	439,000.00	0.00	5.79	5.79	0.005
Federal Home Loan Bank				12/30/2011	95						
16094	FAD	08/25/2011	221,000.00	12/30/2011	127	220,976.60	221,000.00	0.00	23.40	23.40	0.030
Federal Home Loan Mortgage Corp				12/30/2011	127						
16095	FAD	08/25/2011	45,000.00	12/30/2011	127	44,995.24	45,000.00	0.00	4.76	4.76	0.030
Federal Home Loan Mortgage Corp				12/30/2011	127						
16096	FAD	08/25/2011	360,000.00	12/30/2011	127	359,961.90	360,000.00	0.00	38.10	38.10	0.030
Federal Home Loan Mortgage Corp				12/30/2011	127						
16097	FAD	08/25/2011	137,000.00	12/30/2011	127	136,985.50	137,000.00	0.00	14.50	14.50	0.030
Federal Home Loan Mortgage Corp				12/30/2011	127						
16098	FAD	08/25/2011	1,130,000.00	12/30/2011	127	1,129,880.41	1,130,000.00	0.00	119.59	119.59	0.030
Federal Home Loan Mortgage Corp				12/30/2011	127						
16099	FAD	08/25/2011	485,000.00	12/30/2011	127	484,948.67	485,000.00	0.00	51.33	51.33	0.030
Federal Home Loan Mortgage Corp				12/30/2011	127						
16100	FAD	08/25/2011	62,000.00	12/30/2011	127	61,993.44	62,000.00	0.00	6.56	6.56	0.030
Federal Home Loan Mortgage Corp				12/30/2011	127						
16101	FAD	08/25/2011	114,000.00	12/30/2011	127	113,987.94	114,000.00	0.00	12.06	12.06	0.030
Federal Home Loan Mortgage Corp				12/30/2011	127						
16102	FAD	08/25/2011	438,000.00	12/30/2011	127	437,953.65	438,000.00	0.00	46.35	46.35	0.030
Federal Home Loan Mortgage Corp				12/30/2011	127						
Total Realized Gains/Losses						11,980,700.66	11,982,000.00	0.00	1,299.34	1,299.34	0.028



**MSR Public Power Agency Trust
Investment Maturity Report
Sorted by Maturity Date**

Modesto Irrigation District
1231 - 11th St.
Modesto, CA 95352
(209)526-7308

Amounts due during December 1, 2011 - December 31, 2011

CUSIP	Investment #	Fund	Inv. Type	Issuer	Par Value	Maturity Date	Purchase Date	Rate at Maturity	Book Value at Maturity	Maturity Interest	Maturity Proceeds	Net Income
313588RC1	16078	5590	FAD	FNMA	221,000.00	12/29/2011	07/25/2011		220,932.55	67.45	221,000.00	67.45
313588RC1	16079	7261	FAD	FNMA	45,000.00	12/29/2011	07/25/2011		44,986.26	13.74	45,000.00	13.74
313588RC1	16080	7262	FAD	FNMA	361,000.00	12/29/2011	07/25/2011		360,889.79	110.21	361,000.00	110.21
313588RC1	16081	69001	FAD	FNMA	138,000.00	12/29/2011	07/25/2011		137,957.87	42.13	138,000.00	42.13
313588RC1	16082	69002	FAD	FNMA	1,136,000.00	12/29/2011	07/25/2011		1,135,653.20	346.80	1,136,000.00	346.80
313588RC1	16083	30001	FAD	FNMA	486,000.00	12/29/2011	07/25/2011		485,851.63	148.37	486,000.00	148.37
313588RC1	16084	30002	FAD	FNMA	62,000.00	12/29/2011	07/25/2011		61,981.07	18.93	62,000.00	18.93
313588RC1	16085	5001	FAD	FNMA	114,000.00	12/29/2011	07/25/2011		113,965.20	34.80	114,000.00	34.80
313588RC1	16086	5002	FAD	FNMA	438,000.00	12/29/2011	07/25/2011		437,866.29	133.71	438,000.00	133.71
9127953Z2	16151	5590	TRD	US TRE	221,000.00	12/29/2011	10/25/2011		220,998.01	1.99	221,000.00	1.99
9127953Z2	16152	7261	TRD	US TRE	45,000.00	12/29/2011	10/25/2011		44,999.59	0.41	45,000.00	0.41
9127953Z2	16153	7262	TRD	US TRE	360,000.00	12/29/2011	10/25/2011		359,996.75	3.25	360,000.00	3.25
9127953Z2	16154	69001	TRD	US TRE	138,000.00	12/29/2011	10/25/2011		137,998.75	1.25	138,000.00	1.25
9127953Z2	16155	69002	TRD	US TRE	1,130,000.00	12/29/2011	10/25/2011		1,129,989.80	10.20	1,130,000.00	10.20
9127953Z2	16156	30001	TRD	US TRE	486,000.00	12/29/2011	10/25/2011		485,995.61	4.39	486,000.00	4.39
9127953Z2	16157	30002	TRD	US TRE	62,000.00	12/29/2011	10/25/2011		61,999.44	0.56	62,000.00	0.56
9127953Z2	16158	5001	TRD	US TRE	114,000.00	12/29/2011	10/25/2011		113,998.97	1.03	114,000.00	1.03
9127953Z2	16159	5002	TRD	US TRE	438,000.00	12/29/2011	10/25/2011		437,996.05	3.95	438,000.00	3.95
313384RD3	16140	5590	FAD	FHLB	221,000.00	12/30/2011	09/26/2011		220,997.08	2.92	221,000.00	2.92
313384RD3	16141	7261	FAD	FHLB	46,000.00	12/30/2011	09/26/2011		45,999.39	0.61	46,000.00	0.61
313384RD3	16142	7262	FAD	FHLB	360,000.00	12/30/2011	09/26/2011		359,995.25	4.75	360,000.00	4.75
313384RD3	16143	69001	FAD	FHLB	138,000.00	12/30/2011	09/26/2011		137,998.18	1.82	138,000.00	1.82
313384RD3	16144	69002	FAD	FHLB	1,130,000.00	12/30/2011	09/26/2011		1,129,985.09	14.91	1,130,000.00	14.91
313384RD3	16145	30001	FAD	FHLB	485,000.00	12/30/2011	09/26/2011		484,993.60	6.40	485,000.00	6.40
313384RD3	16146	30002	FAD	FHLB	62,000.00	12/30/2011	09/26/2011		61,999.18	0.82	62,000.00	0.82
313384RD3	16147	5001	FAD	FHLB	114,000.00	12/30/2011	09/26/2011		113,998.50	1.50	114,000.00	1.50
313384RD3	16148	5002	FAD	FHLB	439,000.00	12/30/2011	09/26/2011		438,994.21	5.79	439,000.00	5.79
313396RD7	16094	5590	FAD	FHLMC	221,000.00	12/30/2011	08/25/2011		220,976.60	23.40	221,000.00	23.40
313396RD7	16095	7261	FAD	FHLMC	45,000.00	12/30/2011	08/25/2011		44,995.24	4.76	45,000.00	4.76
313396RD7	16096	7262	FAD	FHLMC	360,000.00	12/30/2011	08/25/2011		359,961.90	38.10	360,000.00	38.10
313396RD7	16097	69001	FAD	FHLMC	137,000.00	12/30/2011	08/25/2011		136,985.50	14.50	137,000.00	14.50
313396RD7	16098	69002	FAD	FHLMC	1,130,000.00	12/30/2011	08/25/2011		1,129,880.41	119.59	1,130,000.00	119.59
313396RD7	16099	30001	FAD	FHLMC	485,000.00	12/30/2011	08/25/2011		484,948.67	51.33	485,000.00	51.33
313396RD7	16100	30002	FAD	FHLMC	62,000.00	12/30/2011	08/25/2011		61,993.44	6.56	62,000.00	6.56
313396RD7	16101	5001	FAD	FHLMC	114,000.00	12/30/2011	08/25/2011		113,987.94	12.06	114,000.00	12.06
313396RD7	16102	5002	FAD	FHLMC	438,000.00	12/30/2011	08/25/2011		437,953.65	46.35	438,000.00	46.35
Total Maturities					11,982,000.00				11,980,700.66	1,299.34	11,982,000.00	1,299.34

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PROJECTS AND ACTIVITIES
STATUS REPORTS

Presented To Commission

January 18, 2012

**M-S-R PUBLIC POWER AGENCY
SAN JUAN PROJECT
STATUS REPORT
JANUARY 2012**

SAN JUAN UNIT 4 OPERATIONS

November 2011

Net Generation (MWh) 286,031.5

Net Capacity Factor (%) 78.4

San Juan Generation Station (San Juan) Unit 4 experienced only one forced outages in the months August through November. On November 2, 2011, the unit tripped due to a vibration alarm. Counting the brief startup trip, the unit was off-line for 20.4 hours.

SAN JUAN MINE

The San Juan Coal Company (SJCC) re-entered the mine on November 3, 2011 and the Continuous Miner (CM) was restarted on November 19, 2011. Through the end of November, the CM produced approximately 21,000 tons of coal - roughly equal to what San Juan can burn in a day. The CM produces about 15% of the coal produces at the mine. SJCC continues to project the 50% case that the Longwall Miner (LW) will be operational on April 1, 2012. The Public Service Company of New Mexico (PNM) has hired an independent expert that projects the LW will be available one month earlier than projected. He further projects that the SJCC has a 75% chance of meeting the April 1, 2012 operational date. Efforts are continuing between the San Juan Owners to coordinate the burn rate of coal to assure suitable supplies through the summer 2012 peak load period.

PNM is planning to withdraw 50,000 tons of coal from the force majeure coal pile to blend with coal from the mine in January 2012. PNM has asked the SJCC to provide equipment to move the coal but they have refused. PNM is considering its options.

SAN JUAN DESIGNATED REPRESENTATIVE AGREEMENT

PNM has indicated that the signature pages have been received and complete packages of the amended agreement will be sent to the San Juan Owners shortly.

SCHEDULING ACCOMODATIONS

One of the options available to the San Juan Owners is to shut down one or more of the San Juan Units for an extended period of time to save coal. The San Juan Project Participation Agreement (SJPPA) requires an owner to schedule their minimum operating level of output (approximately 40% of full load) if any of the other joint owners wants to schedule power. The burden of coordinating an effort to take a unit off-line for an extended period of time would be the responsibility on an individual San Juan Owner interested in doing so.

**M-S-R PUBLIC POWER AGENCY
SOUTHWEST TRANSMISSION PROJECTS
STATUS REPORT
JANUARY 2012**

FERC ORDER 1000

In the Inland Southwest efforts have been slow. WestConnect has hired a facilitator and has sponsored workshops. Everyone down there is struggling with identification of region and how far and to what depth they need to go. Some of the discussions get lost and confused with other initiatives that are in the mix. No clarity is expected until the second quarter of 2012.

Columbia Grid is leading the FERC Order 1000 charge in the Pacific Northwest. They are holding regular teleconferences and are providing updates as to the process they are following. The complaint is the effort is all process and no substance. Their schedule calls for meaningful information and solid positions by March 2012.

In Northern California, the discussion is centered on whether utilities need to form their own region or join a region in the Pacific Northwest, Southern California, or Inland Southwest.

EFFICIENT DISPATCH TOOLKIT (EDT)

The Efficient Dispatch Toolkit (EDT) can be broken into two distinct pieces. First there is the Enhanced Curtailment Calculator (ECC) which is an independent stand-alone tool to assess the flows in the West and help the Western Electricity Coordinating Council (WECC) Reliability Coordinators (RCs) in managing transmission overloading situations. This effort is proceeding and specifications for this tool are proceeding.

The second tool is the Energy Imbalance Market (EIM) which is an open market for energy based on little to no cost for supporting transmission services. The EIM is dependent on the ECC and can not operate independently. At its meeting in December 2011, the WECC stopped its efforts to develop the EIM. Since then, WSPP Inc., has taken it upon itself to continue the development of the EIM. However, in open meetings WSPP Inc. representatives have indicated they only desire to “manage the contractual relationships” of the market rather than providing the staff to operate the market. It remains to be seen whether this effort will collapse without WECC support or whether there is enough momentum to keep it alive.

**M-S-R PUBLIC POWER AGENCY
PACIFIC NORTHWEST PROJECT
STATUS REPORT
JANUARY 2012**

BIG HORN I OPERATION

	<u>MWH</u>	<u>% of Expectation</u>
December 2011	31,843	78.1
Entire 2011	562,280	102.4
Project Life (since October 2006)	2,772,576	91.9

BIG HORN II OPERATION

	<u>MWH</u>	<u>% of Expectation</u>
November 2011	11,419	90.1
2011 (through November)	111,789	91.6
Project Life (since November 2010)	131,231	89.8

Curtailments of Big Horn I energy deliveries for October-December, 2011 were 1, 3 and 0 MWH, respectively.

BIG HORN METERING ISSUES

In late 2010, there was discovered a metering issue once the Big Horn II project became operational. The problem was a combination of calibration and Bonneville Power Administration (Bonneville) revising its loss coefficients. The error lasted for two months and took a bit of recalculation to get the issue corrected. In late 2011, another error was discovered. This time the cause was faulty maintenance. After the maintenance was completed, the circuits were crossed when they were reconnected. The error was discovered quickly and only a few days of data were adjusted.

ENVIRONMENTAL REDISPATCH

Bonneville has taken an aggressive position in marketing their energy available in the second quarter of 2012. This action is being taken in spite of low production of rain and snow in the Pacific Northwest.

SCHEDULING TIMELINES/ESCROW ACCOUNT

Iberdrola Renewables, Inc. (IBR) has indicated that it is not willing to relieve M-S-R PPA of the escrow requirements currently associated with payments associated with the Big Horn 1 project. IBR, however, indicated it may be willing to accommodate a relaxation of the payment dates under which the current arrangements are based.

DRAFT
M-S-R Public Power Agency
Staff Report

Date: January 12, 2012
From: Martin R. Hopper, General Manager
To: M-S-R PPA Commission
Subject: January 2012 General Manager's Report

BIG HORN WIND ENERGY PROJECT:

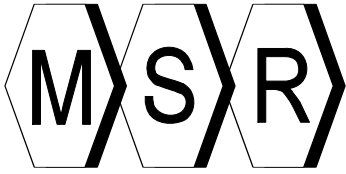
Biennial Big Horn Tour

The biennial Big Horn Wind Energy Project tour will be scheduled for the second quarter of 2012. The intended audience includes member policy-makers, managers and key personnel involved in renewable project operations. At this time we need to select a window for the tour and issue invitations to possible attendees. The overnight itinerary will include travel by commercial airline to Portland, Oregon, travel by van or minibus to the Big Horn Wind Energy Project and Big Horn II Wind Energy Project near Bickleton, WA and the Star Point Wind Energy Project near, Moro, OR.

GENERAL ISSUES:

Appointment of Controller

On January 9, 2012, the appointment of Mr. Ed Oborn as MID Controller became effective. Pursuant to the provisions of the M-S-R PPA Joint Powers Agreement, the MID Controller acts as the M-S-R PPA Controller.



Public Power Agency

1231 Eleventh Street
P.O. Box 4060
Modesto, California 95352
(209) 526-7436 ✕ (209) 526-7574

Memorandum

To: Commissioners
From: Lou Hampel
Date: January 9, 2012
Subject: Investment Policy Guidelines of the MSR Public Power Agency - 2012

The California Government Code requires that the Agency Treasurer submit a statement of investment policy to the Commissioners annually. The purpose of the Investment Guidelines is to provide a statement to the Commissioners relative to the Agency's portfolio management practices. The Investment Guidelines control all aspects of the investment activity including allowable investments, collateral requirements, maximum maturity, and internal controls for safekeeping cash and investments, performance standards and reporting requirements.

The 2012 Investment Policy Guidelines are identical to those for 2011. There are no legislatively mandated changes that need to be made.

The Guidelines have been reviewed by legal and I recommend that you approve the 2012 MSR Public Power Agency Investment Policy Guidelines.

c: D. Dermond

**Investment Policy Guidelines
of the
M-S-R Public Power Agency**

2012~~1~~



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A. Policy

It is the policy of the M-S-R Public Power Agency to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Agency and conforming to all state and local statutes governing the investment of public funds.

B. Scope

This investment policy applies to all moneys (surplus financial assets) of the Agency. These moneys are accounted in the monthly financial reports and the comprehensive annual financial report of Agency financial activities.

C. Funds

The guidelines outlined in this document shall apply to the general fund portfolio and other moneys under the Treasurer's span of control unless specifically exempted by statute or resolution. The investment of bond proceeds in the custody of a Trustee shall be governed in accordance with the investment guidelines contained in the bond indenture. This Policy is applicable to:

- General Fund

D. Prudence

The standard of prudence to be used by investment officials in the management of Agency moneys shall be the "prudent investor" standard which shall be applied in the context of managing all aspects of the overall portfolio. Investments shall be made with the care, skill, prudence and diligence, under circumstances then prevailing, including the general economic conditions and the anticipated needs of the Agency, which persons of prudence, discretion and intelligence acting in a like capacity and familiarity with those matters would use in the conduct of moneys of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the Agency.

It is the Agency's intent, at the time of purchase, to hold all investments until maturity. However, investments may be sold prior to maturity for cash flow purposes or to take advantage of principal appreciation.

E. Objective

The primary objectives, in priority order, of M-S-R's investment activities shall be:

1. **Safety:** Safety of principal is the foremost objective of the investment program. Investments of the Agency shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.
2. **Liquidity:** The Agency's investment portfolio will remain sufficiently liquid to enable the Agency to meet all operating requirements which might be reasonably anticipated.
3. **Return on Investments:** The Agency's investment portfolio shall be designed with the objective of attaining a rate of return commensurate with the Agency's investment risk constraints and the cash flow characteristics of the portfolio.

F. Delegation of Authority

Authority to manage the Agency's investment program is derived from Title 5, Division 2, Part 1, Chapter 4 of the California Government Code, commencing with Section 53600. Management responsibility for the investment program is hereby delegated, pursuant to Section 53607 of the Government Code, to the Agency Treasurer, who shall establish written procedures for the operation of the investment program consistent with this investment policy. This responsibility includes authority to select Brokers, establish safekeeping accounts, enter into wire transfer agreements, banking service contracts, and collateral/depository agreement. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. This delegation shall be for no greater than one year and may be revoked at any time, or, upon review, renewed each year.

G. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that conflicts with proper execution of the investment program, or impairs their ability to make impartial investment decisions. Additionally, the Treasurer and the Assistant Treasurer are required to annually file applicable financial disclosures as required by the Fair Political Practices Commission (FPPC) and/or the Agency's Conflict of Interest Code.

H. Authorized Financial Dealers and Institutions

The Agency shall transact business only with banks, associations, and with broker/dealers licensed by the State of California. The broker/dealers should be primary government dealers regularly reporting to the New York Federal Reserve Bank. Exceptions will be made only upon written authorization by the Treasurer. Investment staff shall investigate dealers who wish to do business with the Agency to determine if they are adequately capitalized, have pending legal action against the firm or the individual broker and make markets in the securities appropriate to the Agency's needs.

The Agency Treasurer shall annually send a copy of the current investment policy to all broker/dealers approved to do business with the Agency. Confirmation of receipt of this policy shall be considered evidence that the dealer understands the Agency's investment policies and intends to sell the Agency only appropriate investments authorized by this investment policy.

I. Authorized and Suitable Investments

All investment vehicles allowed by Sections 53601 and 53635 of the California Government Code may be used by the M-S-R Public Power Agency.

GOVERNMENT AGENCY ISSUES: As authorized in Government Code Sections 53601 (a) through (f), this category includes a wide variety of government securities. There are no special portfolio limitations on the amount or maturity period for these investment vehicles, which include the following:

1. California local government agency bonds, notes, warrants or other indebtedness;
2. California State warrants, notes, bonds or other indebtedness;
3. Bonds issued by the Agency;
4. U.S. Treasury notes, bonds, bills or other certificates of indebtedness secured by the full faith and credit of the federal government;

5. Federal agency or U.S. government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or U.S. government-sponsored enterprises.

BANKERS ACCEPTANCES: As provided in Government Code Section 53601 (g), up to 40% of the Agency's moneys may be invested in Bankers Acceptances [that are eligible for purchase by the Federal Reserve System], although no more than 30% of the moneys may be invested in Bankers Acceptances of any one commercial bank. Additionally, the maturity period of any Bankers Acceptance shall not exceed 180 days.

COMMERCIAL PAPER: As authorized in Government Code Section 53601 (h), up to 25% of the Agency's moneys may be invested in "prime" commercial paper of quality of the highest ranking or of the highest letter and number rating provided by a nationally recognized statistical-rating organization (NRSRO). However, the Agency will only recognize the rankings or ratings provided by Moody's Investors Service, Inc. and Standard and Poor's or Fitch Financial Services, Inc. Issuing corporation must meet all of the following conditions in either paragraph (1) or paragraph (2):

- (1) The entity meets the following criteria:
 - (A) Is organized and operating in the United States as a general corporation.
 - (B) Has total assets in excess of five hundred million dollars (\$500,000,000).
 - (C) Has debt other than commercial paper, if any, that is rated "A" or higher by a nationally recognized statistical-rating organization (NRSRO).
- (2) The entity meets the following criteria:
 - (A) Is organized within the United States as a special purpose corporation, trust, or limited liability company.
 - (B) Has programwide credit enhancements including, but not limited to, overcollateralization, letters of credit, or surety bond.
 - (C) Has commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized statistical-rating organization (NRSRO).

Agency shall not purchase more than 10% of the outstanding commercial paper of any one issuer. Maturities may not exceed 270 days.

NEGOTIABLE CERTIFICATES OF DEPOSIT: As authorized in Government Code Section 53601 (i), up to 30% of Agency's moneys may be invested in negotiable certificates of deposit issued by nationally or state-chartered commercial banks, federally insured credit unions, or the state licensed branch of a foreign bank. There is no limitation on the maturity period for this investment vehicle except for the overall investment constraints.

REPURCHASE AGREEMENTS, REVERSE REPURCHASE AGREEMENTS, OR SECURITIES LENDING AGREEMENTS: As authorized in Government Code Section 53601 (j), Agency may invest in repurchase agreements, reverse repurchase agreements, or securities lending agreements of any securities authorized in the Government Code Section 53601 (a) to (j) or (m) or (n) provided that a master repurchase agreement that complies with the TBMA Model has been executed with the contra-party. These investment vehicles are agreements between the Agency and the seller for the purchase of government securities to be resold on or before a specified date and for a specified amount. The market value of the securities that

underlie the repurchase agreement shall be valued at 102% or greater of the moneys borrowed against those securities, adjusted no less than quarterly. As provided in Government Code Section 53601(j)(4)(A), investing in reverse repurchase agreements or securities lending agreements may only be made upon prior approval of the Commission. The proceeds from a reverse repurchase agreement shall solely supplement the income normally received from the underlying securities.

Also:

1. The maturity of the reverse repurchase agreement must match the maturity of the securities purchased with the proceeds from the sale of the securities on the reverse repurchase agreement, and shall not exceed a term of 92 days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement and the final maturity date of the same security.
2. The total amount invested in reverse repurchase agreements shall not exceed 20% of the base value of the portfolio.
3. The securities to be sold on the reverse repurchase agreement or securities lending agreement must be owned and fully paid for by the Agency for a minimum of 30 days prior to the settlement of the reverse repurchase agreement.
4. Repurchase agreements, reverse repurchase agreements, or securities lending agreements may only be made with primary dealers of the Federal Reserve Bank of New York.

The Commission must specifically authorize the Treasurer to enter into reverse repurchase agreements or securities lending agreements pursuant to the limitations described herein.

MEDIUM-TERM CORPORATE NOTES OR BONDS: As authorized in Government Code Section 53601 (k), up to 30% of Agency's moneys may be invested in medium term corporate notes. Maturities may not exceed five years. The issuing corporation must be organized and operating within the U.S. and must be rated "A" or better by a nationally recognized rating service.

SHARES OF BENEFICIAL INTEREST: As authorized by Government Code Section 53601 (l), up to 20% of Agency's moneys may be invested in shares of beneficial interest issued by diversified management companies investing in securities authorized by Government Code Section 53601 (a) to (k), inclusive, and (m) to (o), inclusive, and shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940.

If the investment is in shares by a company that invests in securities and obligations authorized by subdivisions (a) to (k), inclusive, and subdivisions (m) to (o), inclusive, the company must have attained the highest ranking or the highest letter and numerical rating provided by two nationally recognized statistical rating organizations or retain an investment advisor registered or exempt from registration with the Securities and Exchange Commission with at least five (5) years investing the securities authorized by subdivisions (a) to (k), inclusive, and (m) to (o), inclusive, or experience managing money market mutual funds and with assets under management in excess of five hundred million dollars (\$500,000,000.00).

The purchase price of shares shall not include any commission and no more than 10% of the moneys may be invested in shares of any one mutual fund.

MORTGAGE PASS-THROUGH SECURITIES: As authorized in Government Code Section 53601 (o) up to 20% of the Agency's moneys may be invested in mortgage pass-through securities, collateralized mortgage obligations, mortgage-backed or other pay-through bonds, equipment lease-backed certificates, consumer receivable pass-through certificates, or consumer receivable-backed bonds of a maximum of five years maturity.

Securities eligible for investment under this provision shall be issued by an issuer having an "A" or higher rating for the issuer's debt as provided by a nationally recognized rating service and rated in a rating category of "AA" or its equivalent or better by a nationally recognized rating service.

FINANCIAL FUTURES AND FINANCIAL OPTION CONTRACTS: As permitted in Government Code Section 53601.1, Agency may invest in financial futures or financial option contracts in any of the above investment categories, subject to the same overall portfolio limitations.

TIME CERTIFICATES OF DEPOSIT: As authorized in Government Code Section 53630 and following, Agency may invest moneys in non-negotiable, fixed-term Certificates of Deposit collateralized in accordance with the Government Code requirements. In order to secure such deposits, an institution shall maintain in the collateral pool securities having a market value of at least 10% in excess of the total amount deposited (50% in excess of the total amount of deposits secured by promissory notes secured by first mortgages and first trust deeds). Agency is permitted to waive the first \$100,000 of collateral security for such deposits if the institution is insured pursuant to federal law. There are no special portfolio limits on the amount or maturity for this investment vehicle. TCD's may be purchased from banks, associations, federally insured credit unions, and federally insured industrial loan companies which meet the requirements set forth in the Government Code.

LAIF: Deposits with the Local Agency Investment Fund, which is managed by the California State Treasurer's Office, are also permitted. This investing is authorized by Government Code Section 16429.1. The Agency is a current participant in this fund.

J. Prohibited Investments

The Agency shall not invest any moneys pursuant to Government Code 53601.6 or pursuant to Article 2 (commencing with Section 53630) in inverse floaters, range notes, or mortgage-derived, interest-only strips that are derived from a pool of mortgages, or reverse repurchase agreements. Nor shall the Agency invest in any security that could result in zero interest accrual if held to maturity.

K. Investment Pools

The Treasurer shall have a thorough understanding of the operational areas listed below for each pool and/or fund prior to investing, and on a continual basis.

- A description of eligible investment securities, and a written statement of investment policy and objectives.
- A description of interest calculations and how interest is distributed, and how gains and losses are treated.
- A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program is audited.
- A description of who may invest in the program, how often, and the permissible size of deposit and withdrawal.

- A schedule for receiving statements and portfolio listings.
- Whether reserves, retained earnings, etc. are utilized by the pool/fund.
- A fee schedule, and when and how it is assessed.
- Whether the pool/fund is eligible for bond proceeds and/or whether it will accept such proceeds.

L. Collateral Requirements

Collateral is required for investments in certificates of deposit, repurchase agreements and reverse repurchase agreements. In order to reduce market risk, the collateral level will be at least 102% of market value of principal and accrued interest.

The only securities acceptable as collateral shall be direct obligations which are fully guaranteed as to principal and interest by the United States Government or any agency or government-sponsored enterprise of the United States.

M. Safekeeping and Custody

To protect against fraud or embezzlement or losses caused by collapse of an individual securities dealer, all securities owned by the Agency shall be held in safekeeping by a third party custodian, acting as agent for the Agency under the terms of a custody agreement or TBMA agreement executed by the Treasurer. All security transactions will settle delivery vs payment (DVP) through the Agency's safekeeping agent. Securities purchased from brokers/dealers shall be held in third party safekeeping by the trust department of the Agency's main bank, or by another third party trustee designated by the Treasurer.

Securities held in custody for the Agency shall be independently audited annually to verify investment holdings.

N. Delivery

The purchase of an eligible security shall require delivery of the securities to the Agency, including those purchased for the Agency by financial advisors, consultants, or managers using the Agency's moneys, by book entry, physical delivery, or by third party custodial agreement. The transfer of securities to the counter party bank's customer book entry account may be used for book entry delivery. A counter party bank's trust department or separate safekeeping department may be used for the physical delivery of the security if it is held in the Agency's name.

O. Diversification

The Agency will diversify its investments by security type, issuer and maturity. With the exception of U.S. Treasury Securities, U.S. Agency and U.S. Government-sponsored enterprises, no more than 40% of the total investment portfolio will be invested in a single security type or with a single financial institution and no more than 15% of the total investment portfolio will be placed with any one issuer.

P. Maximum Maturity

Pursuant to Government Code Section 53601 where the Government Code does not specify a limitation on the maturity term of a security, the Treasurer is authorized, as part of the Agency's

investment program set forth herein, to invest in individual instruments in the portfolio to a maximum maturity of five (5) years.

Q. Internal Control

Separation of functions between the Treasurer's Office and the Controller's Office is designed to provide an ongoing internal review to prevent the potential for converting assets or concealing transactions.

Existing procedures require all wire transfers to be approved by the Treasurer and Controller. Proper documentation obtained from confirmation and cash disbursement wire transfers is required for each investment transaction. Timely bank reconciliation is conducted to ensure proper handling of all transactions.

The investment portfolio and all related transactions are reviewed and balanced to appropriate general ledger accounts by the Controller's office on a monthly basis.

All employees involved in the investment of Agency moneys are properly bonded.

Confirmation letters are mailed to the financial institution with the details of the investment transaction. The letters are signed by the Treasurer with copies to the Accounting Division and the Assistant Treasurer. In the absence of the Treasurer, the Assistant Treasurer may sign the confirmation letter for investments previously authorized. The Treasurer will review the letter signed during his absence by the Assistant Treasurer.

Agency receives confirmations from the financial institutions. All investment confirmations received from financial institutions are reviewed for accuracy and filed with the Agency's letter of confirmation in the Treasurer's office. These files are available for review by the Controller's staff.

The Agency investment accounting software package meets all legal reporting requirements. It has the capability of generating a variety of reports for monitoring and controlling investment activity. The Month-End Investment Inventory Report is reconciled with the Controller's office.

An independent confirmation by an external auditor is conducted annually to review internal control, account activity and compliance with policies and procedures.

R. Other Guidelines

1. **Pooled Cash:** Cash for all M-S-R Public Power Agency moneys are consolidated into one general bank account (except bond proceeds) and invested on a pooled concept basis.
2. **Liquidity:** Liquidity refers to the ability to convert investment holdings to cash immediately with minimal loss of principal or accrued interest. This quality is important when the need for unexpected moneys suddenly occurs. The secondary duty of the Treasurer is to insure that the liquidity needs of the Agency are met.
3. **Competitive Bids:** Purchase and sale of securities are made on the basis of competitive offers and bids.
4. **Selling Securities Prior to Maturity:** Generally, losses are acceptable on a sale before maturity if the earnings from the reinvested proceeds will exceed the income that would have been generated by the old investment considering any capital loss or foregone interest on the original investment.

5. **Sale of Investments Before Maturity:** Investments may be sold prior to maturity for cash flow or appreciation purposes; however, no investment shall be made solely for the purpose of trading.
6. **NCD Evaluation:** Negotiable Certificates of Deposit (NCD) are evaluated in terms of the credit worthiness of the issuer, as these deposits are unsecured, and uncollateralized promissory notes.
7. **Time Deposit Placement:** Time deposits (insured and collateralized certificates of deposit) are not placed with banks, credit unions and/or associations unless an office is maintained in the State of California.
8. **TCD Evaluation:** Time Certificates of Deposit (TCD) are evaluated in terms of FDIC coverage. For deposits in excess of the insured maximum of \$100,000 approved levels of collateral at full market value are required, as prescribed in the California Government Code.
9. **Security Marketability:** The marketability (salability) of a security is considered at the time of purchase, as the security may have to be sold prior to maturity in order to meet unanticipated cash demands.
10. **Cash Flow Requirements Used to Establish Maturity:** Projected cash flow requirements and the overall weighted average maturity of the Agency's investment portfolio are the primary factors to be used in determining investment maturity terms.

S. Strategy

Strategy refers to the ability to manage the Agency's financial resources in the most advantageous manner.

1. **Economic Forecasts:** The Treasurer obtains economic forecasts periodically from economists and financial experts through bankers and brokers to assist with the formulation of an investment strategy for the Agency.
2. **Developing the Investment Plan:** The Treasurer should anticipate changes in interest rates, inflation, monetary and/or fiscal policy, and other economic indicators and evaluate their impact on the Agency's portfolio.
 - a. Consider the phase of the business cycle and its effect on future interest rates;
 - b. Consider the nature of the yield curve, i.e., normal versus inverted;
 - c. Evaluate the spread between U.S. Treasury and other securities daily in order to be informed regarding the particular issue that is "cheap to the Market";
 - d. Evaluate the effect of interest compounding on portfolio yields;
 - e. Utilize the following investment techniques to increase yield and maintain a fully invested position;
 - (i) Use of daily and weekend repurchase agreement investments.
 - (ii) Evaluate portfolio for potential swaps and trades.

- (iii) Use of reverse repurchase agreement investments and securities lending agreements.
- f. A good swap or trade will have two important characteristics:
 - (i) Increase the yield on holdings
 - (ii) Generate takeout cash which can be reinvested.

T. Performance Standards

Investment performance is continually monitored and evaluated by the Treasurer. Investment performance statistics and activity reports are generated monthly for presentation to the General Manager and the Commission.

The performance of the investment portfolio shall be measured against a market-average rate of return of the U.S. Constant Maturity Treasury (CMT) which is the closest to the weighted average maturity of the Agency's portfolio and to the earnings on the LAIF Pooled Investment Fund.

U. Reporting

1. **Monthly Report:** Government Code Section 53067 requires the Treasurer to make a monthly report to the Commission of transactions made pursuant to the Investment Policy.
2. **Quarterly Report:** Government Code Section 53646 requires the Treasurer to issue a quarterly report within 30 days following the end of the quarter, to the General Manager, the Agency's internal auditor, and the Commissioners, showing the type of investment, issuer and/or institution, date of maturity, amount of investment, current market value for all securities, rate of interest, and other relevant data that may be required. The quarterly report shall state compliance of the investment portfolio with the Investment Policy and shall include a statement denoting the ability of the Agency to meet its pool expenditure requirements for the next six months. The Treasurer shall also submit the investment policy annually to the Commission, disclose the source of market value information, confirm compliance with the guidelines or explain the differences, and affirm the agency's ability to meet its obligations over the next six months.

V. Investment Policy Adoption

The Agency's investment policy guidelines shall be adopted annually. However, changing economic conditions may make it advisable to review the guidelines during the year. Legislative changes affecting public agency investment practices may also need to be incorporated into the policy statement prior to year-end. It is anticipated that most changes will be processed at the end of the calendar year. However, if it appears that the Agency could incur a loss in earnings, a modification will be processed promptly.

Glossary

Accrued Interest	Interest that has accumulated between the most recent payment and the sale of a bond or other fixed income security. At the time of sale, the buyer pays the seller the bond's price plus accrued interest.
Agencies	Securities issued by government-sponsored corporations or agencies of the U.S. Government such as the Federal Home Loan Banks, the Federal Farm Credit Banks Small Business Administration, Department of Housing and Urban Development.
Amortize	Accounting method whereby the cost of acquisition of an asset gradually is reduced to reflect the theoretical resale value of the asset.
Asked Price	The price at which securities are offered for sale. Also called the Ask Price, Asking Price, or Ask.
Bankers' Acceptance	A draft or bill of exchange accepted by a bank or trust company. It is the customary means of effecting payment for merchandise sold in import-export transactions and a source of financing used extensively in international trade.
Basis Point	.01% of yield (1/100 of 1%) on a fixed-income security.
Bear Market	Prolonged period of falling prices. A bear market in stocks is usually brought on by the anticipation of declining economic activity, and a bear market in bonds is caused by rising interest rates.
Bearish	Having the opinion that securities will fall in market value.
Bid	The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer.
Bond	Any interest-bearing or discounted government or corporate security that obligates the issuer to pay the bondholder a specified sum of money, usually at specific intervals, and to repay the principal amount of the loan at maturity.
Book Entry	Holdings of the securities are recorded on the books of the Federal Reserve Bank of New York for the issuer. Interest and principal payments are sent to the investor when due. No physical certificates are issued or delivered to the investor. Bonds issued in book entry form are transferred via the Federal Reserve wire or book entry system to member financial institutions. Book entry securities are said to be wireable.
Book Value	Value at which an asset is carried on the balance sheet.
Broker	A person who acts as an intermediary between a buyer and seller.
Bull Market	Prolonged rise in the prices of stocks, bonds, or commodities. Bull markets usually last at least a few months and are characterized by high trading volume.
Bullish	The belief that prices will rise or will continue to rise.

Call	The action whereby a company elects to redeem a security prior to its maturity date.
Callable Bond	Bond that may be called (redeemed) by the issuer on or after a specified date before maturity.
Certificate of Deposit (CD)	A time deposit with a specific maturity evidenced by a certificate.
Collateral	Securities, evidenced of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.
Commercial Paper	Short-term obligations with maturities ranging from 2 to 270 days issued by banks, corporations, and other borrowers to investors with temporarily idle cash. Such instruments are unsecured and usually discounted, although some are interest bearing.
Confirmation	Formal memorandum from a broker to a client giving details of a securities transaction.
Consumer Price Index (CPI)	Measure of change in consumer prices, as determined by a monthly survey of the U.S. Bureau of Labor Statistics.
Coupon	(a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.
Current Yield	The annual interest received on a bond in relation to the amount paid for the bond expressed as a percentage.
Debenture	A bond secured only by the general credit of the issuer.
Delivery Versus Payment (DVP)	There are two methods of delivering securities: delivery versus payment (DVP) and delivery versus receipt. DVP is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.
Depository Trust Company (DTC)	A central securities certificate depository, and member of the Federal Reserve System, through which members may arrange deliveries of securities between each other through computerized debit and credit entries without physical delivery of the certificates.
Derivatives	(1) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).
Discount	The difference between the cost price of a security and its maturity amount when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

Discount Rates	Interest rate that the Federal Reserve charges member banks for loans, using government securities or eligible paper as collateral.
Discount Securities	Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value, e.g., U.S. Treasury Bills.
Diversification	Dividing investment funds among a variety of securities offering independent returns.
Face Value	Value of a bond stated on the bond certificate.
Fed Wire	Computerized network linking the Fed with its district banks, member banks, and primary dealers in government securities.
Federal Deposit Insurance Corporation (FDIC)	A federal agency that insures bank deposits, currently up to \$100,000 per deposit.
Federal Funds Rate	Interest rate charged by banks with excess reserves at a Federal Reserve district bank to banks needing overnight loans to meet reserve requirements.
Federal Home Loan Banks (FHLB)	Government sponsored wholesale banks (currently 12 regional banks) which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank.
Federal National Mortgage Association (FNMA)	FNMA, like GNMA, was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.
Federal Open Market Committee (FOMC)	Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.
Federal Reserve System	The central bank of the United States created by Congress to regulate the U.S. monetary and banking system.
Flat	A bond that is sold without accrued interest.

Government National Mortgage Association (GNMA or Ginnie Mae)	A government-owned corporation, nicknamed Ginnie Mae, which is an agency of the U.S. Department of Housing and Urban Development. GNMA guarantees, with the full faith and credit of the U.S. Government, full and timely payment of all monthly principal and interest payments on the mortgage-backed pass-through securities of registered holders.
Illiquid	Used when a security that does not enjoy an active secondary market; thus, the holder may find it difficult to sell the security and thereby go back to cash.
Know Your Customer	Industry obligation that requires a brokerage firm and its registered representatives to know the important facts about the customer with whom they do business.
Liquidity	A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.
Local Government Investment Pool (LGIP)	The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment. In California it is called the Local Agency Investment Fund (LAIF).
Market Value	The price at which a security is trading and could presumably be purchased or sold.
Master Repurchase Agreement	A written contract covering all future transactions between the parties to repurchase -- reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.
Maturity Date	The specified day on which the issuer of a debt security is obligated to repay the principal amount, or face value, of a security.
Money Market	The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.
New Issue	Popular term for any new security offered for sale by the issuer.
Odd Lot	Transactions that are for less than the typical unit of trading.
Offer	The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.
Open Market Operations	Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.
Paper Loss	An unrealized loss on a security position. Paper losses become realized losses only if the security is sold.

Par	Any security whose market or offering price is the same as its face value at the time of redemption.
Portfolio	Collection of securities held by an investor.
Premium	The dollar amount by which the market price of a bond exceeds its par value.
Primary Dealer	A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.
Prime Rate	Interest rate banks charge to their most creditworthy customers.
Prudent Person Rule	An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state -- the so-called legal list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.
Quote	A statement of the highest bid and lowest offer for the security.
Rally	Industry term for a sharp rise in the price of the security.
Rate Of Return	The yield obtainable on a security based on its purchase price or its current market price.
Rating	Judgment of creditworthiness of an issuer made by an accepted rating service.
Registered Bond	A bond that is recorded in the name of the holder on the books of the issuer or the issuer's Registrar and can be transferred to another owner only when endorsed by the registered owner.
Repurchase Agreement (RP or Repo)	A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this.
Reverse Repurchase Agreements	Whereby dealers agree to buy the securities and the investor agrees to repurchase them at a later date.
Safekeeping	A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.
Secondary Market	A market made for the purchase and sale of outstanding issues following the initial distribution.

Securities Lending Agreement	An agreement under which a local agency agrees to transfer securities to a borrower who, in turn, agrees to provide collateral to the local agency. During the term of the agreement, both the securities and the collateral are held by a third party. At the conclusion of the agreement, the securities are transferred back to the local agency in return for the collateral.
Settlement Date	The date on which a securities contract, by prearranged agreement, must be cleared or settled.
Spread	The difference between yields on various fixed-income securities.
Subject	Term used of a quote made by a dealer, whether a bid or an offer or both, that must be reviewed before a final decision to buy or sell is made.
Swap	Industry jargon for the sale of one security and the purchase of another.
The Bond Marketing Association (TBMA)	A trade association representing banks, dealers, and brokers who underwrite and trade municipals, governments, and federal agency securities.
Treasury Bills	A non-interest bearing discount security issued by the U.S. Treasury. Most bills are issued to mature in three months, six months, or one year, in minimum denominations of \$10,000.
Treasury Bonds	Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities 10 years or longer issued in minimum denominations of \$1,000.
Treasury Notes	Intermediate securities with maturities of 1 to 10 years.
Yield	The rate of annual income return on an investment, expressed as a percentage. (a) INCOME YIELD is obtained by dividing the current dollar income by the current market price for the security. (b) NET YIELD or YIELD TO MATURITY is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.
Yield to Maturity	A measurement of the compound rate of return that an investor in a bond with a maturity of more than one year will receive if: (1) the investor holds the security to maturity and (2) reinvests all cash flows at the same market rate of interest.

Sources

1. *Dictionary of Finance and Investment Terms, Second Edition*, John Downes and Jordan Elliot Goodman.
2. *Debt Securities, A Handbook for State and Local Government Portfolio Managers*, Keith Williams.
3. Municipal Treasurers' Association of the United States and Canada, Investment Policy Guidelines.

M-S-R Public Power Agency Staff Report

Date: January 12, 2012
From: Martin R. Hopper, General Manager
To: M-S-R Commission
Subject: 2011 Annual Counter Party Credit Report

Each quarter M-S-R PPA's Financial Advisor, Montague DeRose and Associates, LLC reviews the credit profile and notable activities of the Agency's primary counter-parties. The attached report addresses counter-parties to both M-S-R PPA and M-S-R EA. The parties applicable to M-S-R PPA are: American International Group, Inc, Iberdrola, and JP Morgan Chase.

I recommend the M-S-R PPA Commission note and file the 2011 Counter Party Credit Report.

M-S-R CREDIT UPDATES

The following credit updates represent brief summaries of recent information published by Moody's Investors Service, Standard & Poor's Corporation, The Wall Street Journal and Bloomberg Information Services, as well as press releases, financial reports, company profiles and similar information made public by the respective companies. The information contained in the summaries is not intended to provide a complete or in-depth analysis of the financial condition of each institution. In addition, the current high degree of market instability and limited liquidity could have sudden, unexpected and sustained effects on the financial condition of each institution that are not contemplated or predicted by these brief credit updates.

The information included in this report, such as descriptions, credit ratings, and exposure amounts is current as of September 30, 2011.



SUMMARY TABLE OF COUNTERPARTIES

Counterparty	Swap	Gas	Insurance Policy	Power	Note Issuer	Page
American International Group, Inc.					X	3
Assured Guaranty Corp.			X			6
Citibank, N.A.		X				9
Iberdrola Renewable Holdings, Inc.				X		11
J.P Morgan Chase Bank, N.A.	X					15

SUMMARY TABLE OF RATING CHANGES

Counterparty	S&P			Moody's		
	Long Term	Short Term	Outlook	Long Term	Short Term	Outlook
American International Group, Inc.	A-	A-2	Stable	Baa1	P-2	Stable
Assured Guaranty Corp.	AA+	-	CreditWatch Negative	Aa3	-	Negative
Citibank, N.A.	A+	A-1	Negative	A1	P-1	Negative
Iberdrola Renewable Holdings, Inc.	A-	-	Stable	A3	-	stable
J.P Morgan Chase Bank, N.A.	AA-	A-1+	Stable	Aa1	P-1	Negative

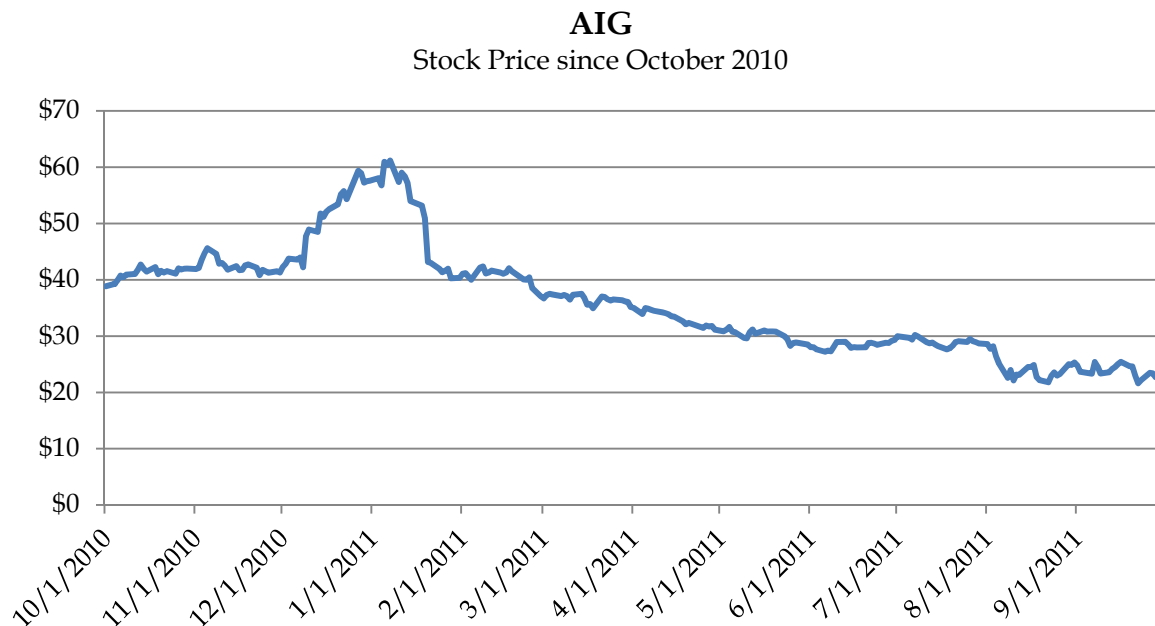
Items in green indicate positive rating changes and items in red indicate negative rating changes during or around the quarter when this report is prepared.

AMERICAN INTERNATIONAL GROUP, INC.

Legal Entity	S&P	Moody's
American International Group, Inc.	A-/stable/A-2*	Baa1/stable/P-2**

*Downgrade occurred on February 28, 2011.

**Downgrade occurred on January 12, 2011.



Background Information

M-S-R has invested approximately \$2 million in medium term notes of American General Finance (AGF). AGF is a consumer financing wholly owned subsidiary of American International Group, Inc. ("AIG"). A failure of AIG would result in AGF being unable to fulfill its debt obligations to pay interest and principal.

September Updates

October 12, 2011 - American International Group, Inc. announced that it has entered into two new Bank Credit Facilities totaling \$4.5 billion, including a 4-Year \$3 billion Bank Credit Facility and a 364-Day \$1.5 billion Bank Credit Facility. The new facilities replace the existing \$3.2 billion AIG facilities (evenly divided between a 3-Year facility and a 364-Day facility) and the \$1.3 billion 364-Day Letter of Credit facility for Chartis, each announced in December 2010. The new 4-Year facility includes a \$1.5 billion Letter of Credit sub-limit for AIG subsidiaries, including Chartis, to obtain Letters of Credit.

September 2, 2011 - The International Lease Finance Corporation, the aircraft leasing subsidiary of the American International Group, filed for an initial public offering on Friday, giving the insurance company a way to spin off the business and raise money to pay off its government bailout. ILFC Holdings, a newly formed holding company, said in a regulatory filing that it would own 100 percent of International Lease Finance and that A.I.G. would receive all of the proceeds from the stock offering of ILFC. In its filing with the Securities and Exchange Commission, ILFC gave no details of the timing of the offering or how many shares would be offered. A.I.G. would continue to own a majority stake in ILFC after the offering, according to the filing, but it would sell off its remaining holdings over the next few years.

August Updates

August 18, 2011 - American International Group, Inc. announced that it has reduced the remaining liquidation preference of preferred interests that the U.S. Department of the Treasury ("Treasury") holds in AIA Aurora LLC ("the AIA SPV") to approximately \$9.3 billion by applying the proceeds of approximately \$2 billion from the sale of Nan Shan Life Insurance Company, Ltd. ("Nan Shan").

AIG closed the sale of Nan Shan, its Taiwan-based life insurance company, to Ruen Chen Investment Holding Co., Ltd. ("Ruen Chen"), a company owned 80 percent by the Ruentex Group and 20 percent by Pou Chen Corporation, for \$2.2 billion in cash.

"We continue to make progress in helping the Treasury and taxpayers recoup their investment in AIG," said AIG President and Chief Executive Officer Robert H. Benmosche. "We are pleased to have completed the sale of Nan Shan to Ruen Chen - a great result for American taxpayers, for AIG and for Nan Shan's policyholders, employees and agents."

August 8, 2011 - AIG is suing Bank of America for more than \$10 billion, saying the bank cheated it by selling residential mortgage-backed securities that were overvalued. Bank of America has denied the allegations, saying AIG "recklessly" chased investments with high returns, and was big and sophisticated enough to know the risks. AIG said Bank of America and two companies that were later gobbled up by the bank, Countrywide and Merrill Lynch, sold the insurance company \$28 billion in securities backed by home mortgages between 2005 and 2007, at the height of the housing boom. It said it looked at more than 260,000 of the underlying mortgages, and found that the bank's "stated metrics" for 40 percent of the securities were false.

August 4, 2011 - AIG reported net income attributable to AIG of \$1.8 billion and after-tax operating income of \$1.3 billion for the quarter ended June 30, 2011, compared with a net loss of \$2.7 billion and after-tax operating income of \$793 million for the second quarter of 2010. The second quarter 2010 loss was primarily due to a \$3.3 billion non-cash goodwill impairment charge included in discontinued operations. The diluted earnings per share were \$1.00 for the second quarter of 2011, representing a return on equity of 8.3 percent, compared with a loss per share of \$19.57 for the second quarter of 2010. The 2011 second quarter after-tax operating income per share was \$0.69, a 6.3 percent return on equity, compared with after-tax operating income per share of \$1.18 for the second quarter last year. Earnings per share for the current period reflect the 1.655 billion shares issued to the United States Treasury Department on January 14, 2011.

AIG also reported an \$8.7 billion common stock offering, consisting of the issuance and sale of 100 million shares by AIG and the sale of 200 million shares at a profit by the U.S. Treasury. Robert H.

Benmosche, AIG President and Chief Executive Officer stated during the earnings announcement "now that we have fully repaid our debt to the Federal Reserve, we are on the right path to demonstrate AIG's long-term value as an investment-grade company independent of government support."

August 4, 2011 - MarketWatch commented regarding American International Group Inc.'s \$1.84 billion in earnings in the second quarter that the insurer reported a quarter largely free from the restructuring costs and other extraordinary charges that have bogged down its results since its 2008 bailout. Still, the company's operating income of \$1.28 billion, or 69 cents per share, missed analysts' consensus estimate of 92 cents. The company's two main insurance units, Chartis and SunAmerica, saw their combined operating income fall 15% to \$1.53 billion before taxes. Return on equity on AIG's after-tax operating income was 6.3%, still lagging behind its peers and far from a 10% target the company wants to hit by 2015.

The second quarter also saw AIG raise \$2.9 billion from selling new shares to the public, and complete the active wind-down of its Financial Products division, whose pre-crisis derivative trades nearly caused the whole company's collapse. The unit's derivatives portfolio now consists of about 1,700 trades with a notional value of \$341 billion, down sharply from roughly 44,000 trades with a notional value of over \$1 trillion in 2008.

In last year's second quarter, AIG had a net loss of \$2.66 billion, largely because of an impairment charge tied to the sale of a major international life insurance unit. In this year's first quarter, it incurred a \$2.4 billion after-tax charge tied to wiping out its debt with the Federal Reserve Bank of New York.

July Updates

July 19, 2011 - The Wall Street Journal reported that American International Group Inc. is seeking to list its aircraft-leasing business via an initial public offering, with plans to sell about a quarter stake in a deal that could raise between \$1.5 billion to \$2.0 billion depending on market conditions citing people familiar with the matter. The insurance group has been assessing options for the aircraft-leasing unit, known as International Lease Finance Corp., which had a book value of \$8.2 billion at the end of March, and is not considered core to AIG's business, the report said. AIG has considered selling all or part of the leasing business.

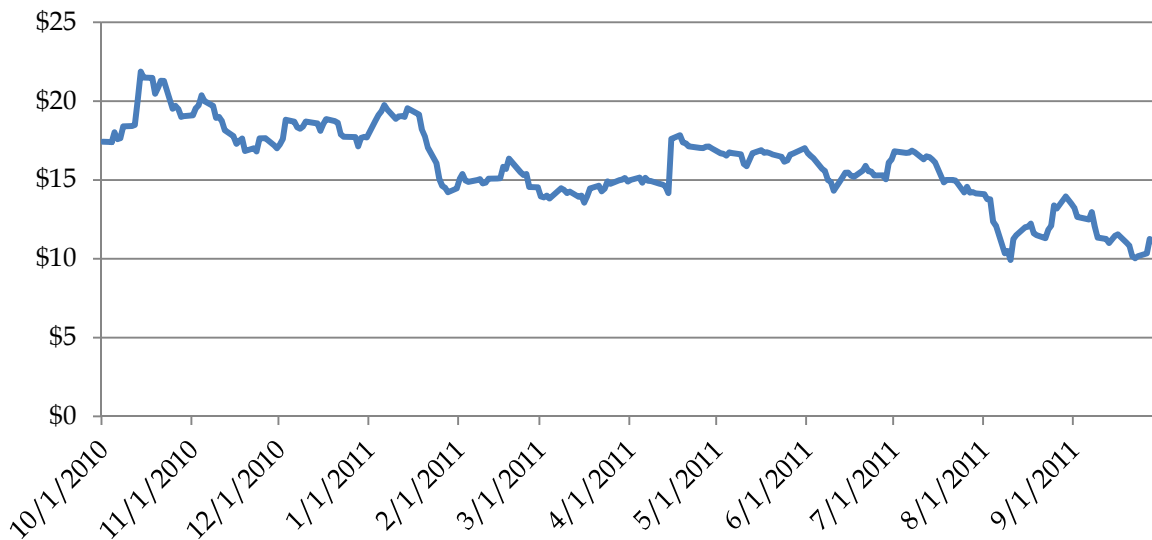
July 15, 2011 - MarketWatch reported that Taiwanese regulators approved the planned sale of American International Group Inc.'s Taiwan life-insurance unit to Ruenchen Investment Holdings Ltd., according to reports. The \$2.16 billion acquisition of Nan Shan Life Insurance Co. comes after a 20-month effort to find a buyer for the AIG unit.

ASSURED GUARANTY CORP.

Legal Entity	S&P	Moody's
Assured Guaranty Corp.	AA+/CreditWatch negative*	Aa3/negative

*S&P placed on CreditWatch negative on September 27, 2011.

Assured Guaranty Ltd.
 Stock Price since October 2010



Background Information

Assured Guaranty Corp. provides the financial guaranty insurance policies for M-S-R EA's 2009A-C gas pre-pay transaction. These policies insure certain payments to M-S-R EA from each Participant under the Supply Agreement. If Assured Guaranty was unable to fulfill its obligations under the insurance policies and the Participants failed to make a payment, it would be a termination event at the option of the gas supplier. If the gas pre-pay was terminated, the members of M-S-R EA would lose their discounted pricing on the pre-purchased gas and would need to buy gas on the open market.

September Updates

September 27, 2011 - Standard & Poor's Ratings Services placed its 'AA+' long-term counterparty credit and financial strength ratings on Assured Guaranty Municipal Corp. (AGM) and Assured Guaranty Corp. (AGC) and the 'AA' long-term counterparty credit and financial strength ratings on Assured Guaranty Re Ltd. on CreditWatch with negative implications.

The CreditWatch placement is due to significant concentration risk in Assured's consolidated insured portfolio. The existing legacy insured portfolio of exposures that Assured maintains contains many exposures that breach the largest-obligors test and are not consistent with the current

ratings under S&P's updated criteria. The concentrations are in Assured's structured finance and public finance insured portfolios. However, S&P understands from statements by Assured's management team that the company will take steps such as creating capital or utilizing additional forms of reinsurance to mitigate these concentration risks. S&P believes it is likely that such actions would support ratings in the 'AA' category. S&P is placing the ratings on CreditWatch due to uncertainty regarding the ultimate outcome of management's actions to address the concentrations.

The ratings on the consolidated Assured group of companies are based on a strong competitive position and a very strong capital position. The company also has a strong market presence and consistent track record of profitably underwriting U.S. public-finance transactions. S&P views Assured's operating performance as a marginal weakness, partly because of a decline in the U.S. public finance risk-adjusted pricing ratio to 8% in 2010 from 9.7% in 2009, and S&P's expectations that this trend may continue.

S&P expect to resolve this CreditWatch by November 30, 2011, or potentially sooner as they review management's financial flexibility and capital-management plans, and its overall risk-management approach.

September 27, 2011 - Assured Guaranty published a statement in response to the change by Standard & Poor's Ratings Services (S&P) regarding the financial strength ratings of bond insurers Assured Guaranty Corp. and Assured Guaranty Municipal Corp. from AA+ Negative Outlook to AA+ CreditWatch Negative, and the AA Negative Outlook rating of Assured Guaranty Re Ltd. to AA CreditWatch Negative, Dominic Frederico, President and Chief Executive Officer of Assured Guaranty Ltd. , made the following statement:

"This action is a result of S&P's new criteria for determining the financial strength ratings of financial guaranty companies. Despite our continued objections to the new criteria, we will continue to implement our strategies to create additional rating agency capital and reduce leverage to satisfy S&P's new requirements. These include our residential mortgage-backed securities representation and warranty putback program and negotiated comprehensive agreements; our capital-accretive reinsurance commutations; our agreements to terminate existing insurance contracts; and our wrapped bond purchase program. We believe, and S&P has confirmed in today's announcement, that these programs, supplemented by reinsurance or other risk-sharing vehicles, should satisfy the requirements of S&P's new criteria to retain our rating in the AA ratings category. We have no current plans to raise equity capital to satisfy the new S&P rating criteria."

August Updates

August 8, 2011 - Assured Guaranty Ltd. and, together with its subsidiaries, announced their financial results for the quarter ended June 30, 2011 ("second quarter 2011"). The Company's second quarter 2011 operating income, a non-GAAP financial measure, was \$136.3 million, or \$0.73 per diluted share, bringing year-to-date operating income for the six months ended June 30, 2011 ("six months 2011") to \$385.2 million, or \$2.06 per diluted share. This compares with operating income of \$172.0 million, or \$0.91 per diluted share for the three months ended June 30, 2010 ("second quarter 2010") and \$284.6 million, or \$1.50 per diluted share, for the six months ended June 30, 2010 ("six months 2010"). Operating income for six months 2011 increased 35.3% compared with six months 2010 due primarily to higher recoveries for breaches of representations and warranties ("R&W"). Second quarter 2011 operating income was lower than in second quarter 2010 due primarily to lower

net earned premiums and the effect of changes in risk-free rates used to discount expected losses, offset in part by higher net investment income and a lower effective tax rate.

Second quarter 2011 net loss of \$57.7 million, or \$0.31 per diluted share, was primarily driven by fair value losses on consolidated financial guaranty variable interest entities ("FG VIEs") and credit derivatives, including \$195.4 million that are expected to reverse to zero as the assets and liabilities of each FG VIE and credit derivative contracts approach maturity. Second quarter 2010 net income was \$203.5 million, or \$1.08 per diluted share, and included fair value gains on credit derivatives and FG VIEs of \$46.6 million that are also expected to reverse to zero. Operating income removes the effects of changes in fair value that are not expected to result in economic loss, as well as certain other adjustments.

July Updates

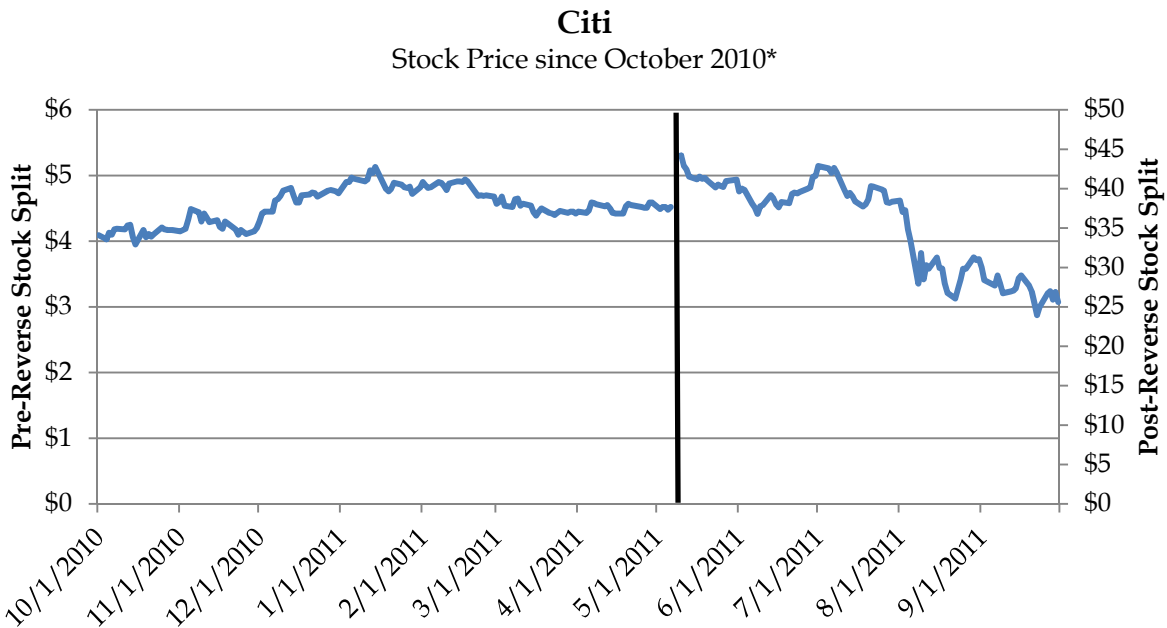
July 14, 2011 - Bond insurance companies CIFG Assurance North America, Inc. ("CIFG") and Assured Guaranty Corp. ("AGC") jointly announced that they are extending the expiration date of all outstanding offers to novate those primary market bond insurance policies insuring U.S. municipal and infrastructure bonds that are currently guaranteed by CIFG and reinsured by AGC to September 15, 2011. The September 15, 2011 expiration date may be further extended at the sole discretion of CIFG and AGC. Requests for consent to novate primary market policies in certain states have not yet been sent because the required regulatory approvals are pending.

CITIBANK

Legal Entity	S&P	Moody's
Citibank, N.A.	A+/negative/A-1	A1/negative/P-1**
Citigroup Inc.	A/negative/A-1	A3/negative/P-2*
Citigroup Global Markets Inc.	A+/negative/A-1*	N.R./no outlook/P-1

*S&P upgraded the long-term rating from A to A+ on April 26, 2011.

** On September 21, 2011, Moody's assigned negative outlooks to both Citibank, N.A. and Citigroup Inc., downgraded Citigroup Inc.'s short-term rating from P-1 to P-2, and removed Citibank N.A. and Citigroup Inc.'s long-term ratings from being under review for possible downgrade.



*Note: May 6, 2011 a 1:10 Reverse Stock Split took place.

Background Information

Citibank Energy Inc. is the gas supplier for M-S-R EA's 2009A-C gas prepay transaction. If Citibank Energy Inc. could not supply gas, the members of M-S-R EA would lose their discounted pricing on the pre-purchased gas and would need to buy gas on the open market.

Citi is a leading global financial services company. Through Citicorp and Citi Holdings, Citi provides consumers, corporations, governments and institutions with a broad range of financial products and services, including consumer banking and credit, corporate and investment banking, securities brokerage, and wealth management.

September Updates

October 17, 2011 - Citigroup Inc. reported net income of \$3.8 billion, or \$1.23 per diluted share, for the third quarter of 2011, which was 74% higher than the prior year period and 13% above the second quarter 2011. Third quarter revenues of \$20.8 billion increased slightly from the prior year period and the second quarter 2011.

Third quarter revenues included \$1.9 billion of credit valuation adjustment (CVA) reflecting the widening of Citi's credit spreads during the third quarter. Excluding CVA, third quarter 2011 revenues were \$18.9 billion, 8% below the prior year period and 8% below the second quarter 2011. CVA increased reported third quarter earnings by \$0.39 per share.

September 21, 2011 - Moody's took Citibank, N.A.'s ratings off of watch for downgrade and assigned the bank a negative outlook. Moody's downgraded Citigroup Inc. to P-2 and assigned a negative outlook.

September 21, 2011 - Citi published the following statement in response to Moody's ratings actions: "Although we are pleased that Moody's affirmed both the long-term and short-term ratings of Citibank, N.A. and the long-term rating of Citigroup, we completely disagree with Moody's change to Citigroup's short-term rating. It does not accurately reflect the significant progress Citi has made since Moody's last rated Citi more than two-and-a-half years ago. Regardless, we believe that less than 1% of Citi's funding will be affected by the Moody's decision and the downgrade will not affect the short-term and long-term funding of our bank vehicles.

"At the end of the second quarter, Citi had \$462 billion in cash and available for-sale securities, representing approximately 25% of our balance sheet. We have ample liquidity based on a variety of stress tests and liquidity models, including the Basel III Liquidity Coverage Ratio, which we are already in compliance with, even though those requirements are not scheduled to come into effect until 2015.

"With a Tier 1 Common ratio of 11.6% and a Tier 1 Capital ratio of 13.6% as of the end of the second quarter, Citi is one of the best-capitalized financial institutions in the world. We have made enormous progress refocusing our business strategy to take advantage of our global network and reducing Citi Holdings assets by more than \$500 billion from peak levels. With a strong capital base, robust structural liquidity and ample reserves, Citi is well-positioned for sustained future earnings."

August Updates

No significant news reported.

July Updates

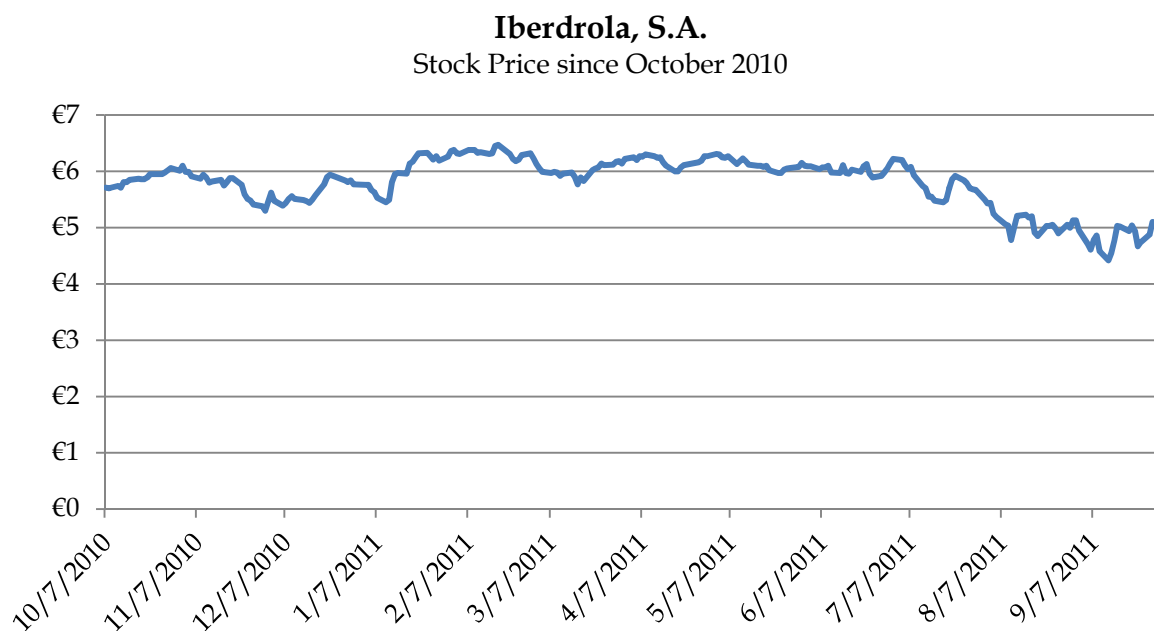
July 15, 2011 - Citigroup Inc. reported second quarter 2011 net income of \$3.3 billion, or \$1.09 per diluted share, on revenues of \$20.6 billion. Second quarter net income grew 24% from the prior year period and 11% from the first quarter 2011, while net revenues were 7% lower versus the prior year period and 5% higher than the first quarter 2011.

IBERDROLA RENEWABLES

Legal Entity	S&P	Moody's
Iberdrola, S.A.	A-/stable/A-2*	A3/stable/ P-2**
Iberdrola Renewables Holdings, Inc.	A-/stable*	A3/stable**

*S&P revised outlook from negative to stable on on October 7, 2011.

**Moody's revised outlooks from negative to stable on May 26, 2011.



Background Information

Iberdrola Renewables, an 80%-owned subsidiary of Iberdrola, S.A., was created in 2001. In late 2007, 20% of Iberdrola Renewables was sold to the public via an international stock offering. Its main business is the promotion, construction, management and operation of power-generating farms or stations using renewable energy sources, as well as the sale of electrical power produced in them. Iberdrola Renewable’s activity is currently focused on land-based wind energy and micro-hydraulic energy, and to a lesser extent, photovoltaic solar energy. In addition, the company is beginning to develop other technologies such as sea-based wind energy, thermal solar energy, biomass energy and sea wave energy. In the United States of America, the company is also developing the storage and sale of energy and other sources of energy, as well as the generation of thermal energy. The parent company, Iberdrola, S.A., is one of the five biggest electricity companies in the world, operating gas and electricity businesses in 28 countries.

M-S-R PPA has long-term electricity purchase contracts with Iberdrola Renewables. If Iberdrola Renewables defaults on its obligations to sell power to M-S-R PPA, M-S-R PPA could incur an economic loss, depending on the market prices of electricity.

September Updates

October 14, 2011 - The European Investment Bank (EIB) has granted Iberdrola a EUR 200 million loan to fund its R&D and innovation program. The EIB will finance several projects in Iberdrola's investment program (2011-2014) relating to R&D and innovation in new technologies in: i) conventional power generation; ii) power transmission and distribution; and iii) renewable energies. The investments aim to diversify the company's product and service range and adapt its existing products to new markets.

These R&D and innovation initiatives seek to improve the well-being of European consumers mainly by lowering energy production and distribution costs—even power generated using renewable sources— and through technological advances. At the same time, the company wants to minimise the environmental impacts of its generation and distribution activities.

October 13, 2011 - Iberdrola placed a EUR 600 million issue of 4-year eurobonds maturing in January 2016, thereby reopening the Spanish market for private debt as conditions improve following the summer volatility.

This latest bond issue comes after Standard & Poor's improved Iberdrola's outlook to stable from negative, based on the positive trend in the Company's credit metrics with additional room for improvement over the medium term, despite adverse market conditions and the negative impact of Spain's tariff deficit.

S&P attributes the improvement in Iberdrola's financial fundamentals to strong results, revenue from low-risk regulated businesses, lower investments and introduction of a scrip dividend.

This new bond issue, in addition to more than EUR 2.5 billion previously raised in the capital markets this year, as well as a EUR 3 billion bank refinancing in June, will enable IBERDROLA to meet its financing requirements for the foreseeable future.

With this operation, the Group also strengthens liquidity, which at June 2011 amounted to EUR 10.3 billion, enough to cover its requirements for the next 24 months.

September 30, 2011 - Iberdrola, through its Iberdrola US subsidiary, plans to invest around \$250 million in new infrastructure to enhance its distribution network in the city of Rochester and west of Monroe County. It will be the company's largest investment in this area. This plan, which Iberdrola submitted to the New York State Department of Public Service, includes the construction of a new, 1.9 mile-long 345 kilovolt (kV) line; the construction of a new substation; the replacement of 2.5 miles of power lines adjacent to the railroad line; the development of two 115 kV power lines; and the enlargement and upgrade of three substations.

This project forms part of the investment plans of the Iberdrola US subsidiaries Rochester Gas & Electricity (RG&E) and New York State Electric & Gas Corporation (NYSEG), and entails a total outlay of \$1.3 billion to enhance the infrastructure of the state of New York in the 2010-2013 period in order to meet increasing demand and to improve the quality of the service. The Company expects to start construction of these facilities in the spring of 2013 and to finish in the winter of 2014, once the Public Service Commission approves the project.

August Updates

August 26, 2011 – Iberdrola has begun the process to install its first offshore wind farm in Germany, the Wikinger, which will be located off the German coast of the Baltic Sea. It will have 400 megawatts (MW) of installed capacity and wind turbines of around 5 MW.

The company has begun applying for the permits from Bundesamt für Seeschifffahrt und Hydrographie, the German Federal Maritime and Hydrographic Agency. This phase includes a detailed presentation of the planned design and a comprehensive environmental impact report, based on numerous studies carried out over the last 12 months.

In March 2010, Iberdrola acquired 100% of the construction rights to this offshore complex from the joint venture between DEE Deutsche Erneuerbare Energien GmbH (Deutsche Bank Group) and Ventotec GmbH (GHF-Group). At the time, the plant had already obtained permits from the German government to install floating wind turbines.

July Updates

July 29, 2011 – Iberdrola published its 2009-2010 R&D report. The company has invested over EUR 220 million in R&D + Innovation over the last two years. The Group has executed over 150 projects focused on sustainable development, promotion of renewable energies and promotion of emerging technologies

July 21, 2011 – Iberdrola’s first half earnings rose 6.6% from the same period last year to EUR 1,563.6 million, with recurring profit up 9.4% at EUR 1,448.4 million. The strong performance resulted in Ebitda exceeding EUR 4 billion for the first time in a six month period. Operating cash flow rose 6.4% to EUR 2,944 million and balance sheet strengthened with debt reduced to EUR 25,779 million and liquidity increased to EUR10.35 billion.

Overwhelming shareholder support at the recent AGM for Iberdrola’s sustainable growth model, which has been built on with the acquisition of Elektro and the merger with Iberdrola Renewables. In the light of these results, the Company reaffirms positive prospects for 2011 and 2012.

Revenues rose 1.5% to EUR 15,550.1 million, driving a 3% rise in gross margin to EUR 6,113.6 million, while net operating costs fell 3.2%. This enabled a 6% improvement in operating efficiency deriving from a new organizational model that has brought synergies and economies of scale.

As a result of increased business activity and higher efficiency, EBITDA rose 4.4% to EUR 4,004.8 million.

Gross operating profit was supported by improved results from more stable businesses – regulated (+18%) and renewable energy (+11%) – which offset more volatile businesses such as liberalized (-15%) which were affected by a lower contribution from the UK and higher taxation, mainly in Spain. Regulated businesses provided 47% of EBITDA, liberalized business 32%, renewables 20%, and other areas 1%.

This record high EBITDA level in the first half, with a rise of 5.7% in like for like terms to EUR 4,054 million – is the fruit of the Company's low-risk growth model. EBIT rose 5.1% to EUR 2,626.7 million. The model is based on core business (more than 45,300 MW of operating capacity and 30.7 million customers), a focus on clean energy with 13,000 MW of installed wind capacity and efficiency based on synergies and economies of scale in expenses and purchasing, as well as competitive financial management.

The Group achieved production of 74,591 million kWh in the period, above the average for the past three years for this period, of which more than half was CO2 emission free. Hydroelectricity reserves in Spain came to more than 72% at June 30.

The first half was key to the process of optimizing group businesses, with the objective of enhancing the business portfolio, making it more international and consolidating its financial strength. In this context falls the acquisition of Brazilian distribution company Elektro for \$2.4 billion, overwhelmingly approved by the AGM and completed on July 8, and the share investment of a new strategic partner, Qatar Holding with 6.16% via a capital increase.

Progress continued to be made in the first half towards strengthening the balance sheet, with a reduction in net adjusted debt (excluding the tariff deficit) to EUR 25,779 million from EUR 27,209 million at the end of the first half of 2010. Equity stands now at EUR 32,312 million, against EUR 31,489 million at the end of June last year. As a result, leverage was reduced to 44%.

Results from financial operations rose 23.6% to EUR 524.2 million, largely due to geographical diversification which enabled the Company to obtain better conditions than those of the Kingdom of Spain. Transactions in Spain, the U.S., the UK and Brazil have lengthened average maturity of the debt from 6 to 6.4 years. Iberdrola has also increased liquidity to EUR 10.35 billion, enough to meet financial requirements for the next 24 months.

With the program of tariff deficit bonds under way in Spain, Iberdrola has recovered EUR 2.1 billion this year which leaves the outstanding balance 33% lower at EUR 3,505 million against EUR 5,249 million at the end of 2010.

These results underline the success of strategy followed in recent years by Iberdrola. The international expansion has led the Group to be present in more than 40 countries and to diversify its businesses to the more deregulated markets and best placed to take advantage of economic recovery. The Company is now the leading energy group in Spain, one of the top listed companies on the IBEX35, world leader in wind power and the fifth largest electricity company worldwide by market capitalization.

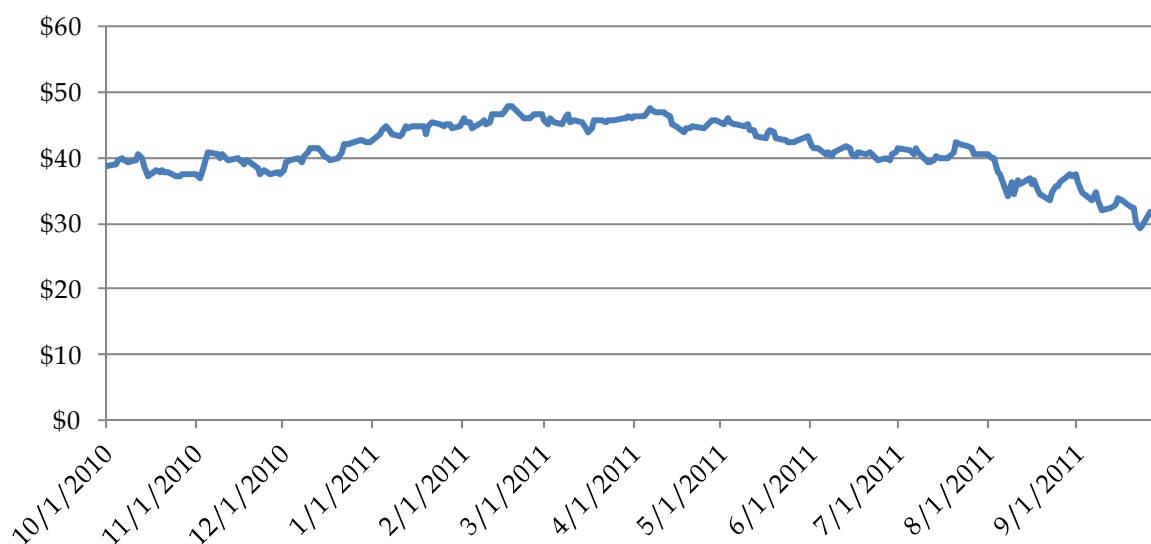
JP MORGAN CHASE

Legal Entity	S&P	Moody's
JP Morgan Chase Bank, N.A.	AA-/stable/A-1+	Aa1/negative/P-1*
JP Morgan Chase & Co.	A+/stable/A-1	Aa3/negative/P-1*

*Moody's assigned a negative outlook on August 3, 2011.

Exposure	Net Amount	Max Maturity	Related Bonds	Legal Entity
Swap	(\$23,562,602)	7/1/2022	2008M/N	JP Morgan Chase Bank, N.A.

JP Morgan Chase
 Stock Price since October 2010



Background Information

JP Morgan Chase Bank, N.A. serves as counterparty for M-S-R PPA's LIBOR based swaps associated with the \$62.5 million Series 2008M tax-exempt and \$17.0 million Series 2008N taxable variable rate bond issues. Depending on the market value of the swaps, M-S-R PPA could incur an economic loss if JP Morgan defaulted on its obligations under the swap. JP Morgan Chase Bank, N.A. also serves as counterparty for M-S-R EA's commodity swaps associated with its 2009A-C gas prepay transaction. If JP Morgan defaulted on its obligations under the swap, it would be an automatic termination event of the Prepaid Gas Agreement and the members of M-S-R EA would lose their discounted pricing on the pre-purchased gas and would need to buy gas on the open market.

September Updates

October 13, 2011 - JPMorgan Chase & Co. reported third-quarter 2011 net income of \$4.3 billion, compared with net income of \$4.4 billion in the third quarter of 2010. Earnings per share were \$1.02, compared with \$1.01 in the third quarter of 2010.

Jamie Dimon, Chairman and Chief Executive Officer, commented: "The Firm reported third-quarter net income of \$4.3 billion, representing a 13% return on tangible common equity¹. It is notable that these results included several significant items(*), including a \$542 million pretax loss in Private Equity, \$1.0 billion pretax of additional litigation expense in Corporate and a \$1.9 billion pretax DVA gain. The DVA gain reflects an adjustment for the widening of the Firm's credit spreads which could reverse in future periods and does not relate to the underlying operations of the company."

October 13, 2011 - Reuters reported that JPMorgan Chase & Co's quarterly earnings fell 25 percent, excluding an accounting gain, as European financial turmoil reduced demand for securities underwriting and acquisition advice.

The results are the first for the third quarter from a major U.S. bank and underscore how market turmoil has clobbered underwriting and merger advisory fees. JPMorgan shares closed down 4.8 percent on Thursday, pulling down other big bank stocks and weighing on the wider market.

JPMorgan Chief Executive Jamie Dimon said the company will cut 1,000 jobs in its investment bank over the next 18 months. Dimon said JPMorgan's cuts are mainly due to increased use of automation.

September 30, 2011 - Reuters reported that JPMorgan Chase & Co and Bank of America Corp were hit with new lawsuits by investors claiming losses on \$4.5 billion of soured mortgage debt, adding to litigation targeting the two largest U.S. banks. The plaintiff Sealink Funding Ltd said it lost money after buying nearly \$2.4 billion of residential mortgage-backed securities (RMBS) from JPMorgan and \$1.6 billion from Bank of America from 2005 to 2007, relying on offering materials that were misleading about the quality of the underlying loans. Another plaintiff, Germany's Landesbank Baden-Wuerttemberg, raised similar claims in a separate lawsuit against JPMorgan over \$500 million of RMBS that it said it bought.

September 16, 2011 - JPMorgan forecast that Q3 2011 markets revenue would be down about 30% from Q2 2011 levels. It also stated that it expected lower revenues in Asset Management, a modest loss in Private Equity and that it would recognize additional litigation expense in the third quarter.

September 9, 2011 - Moody's Analytics published a report stating that it had identified seven financial services franchises as safe haven investments based on their strong financial performance and well administered management governance and controls. JPMorgan Chase was listed as one of the seven financial institutions. The companies cited have small gaps between their market-implied ratings and their senior unsecured debt ratings from Moody's Investors Service. And they have Bank Financial Strength Ratings that rank among the best globally. We view their credit spreads in both the CDS market and the bond market as less susceptible to spread widening in the current climate.

September 2, 2011 - The Associated Press reported that the government on Friday sued 17 financial firms, for selling Fannie Mae and Freddie Mac billions of dollars worth of mortgage-backed securities that turned toxic when the housing market collapsed. Among those targeted by the lawsuits were Bank of America Corporation, Citigroup Inc., JPMorgan Chase & Co., and Goldman Sachs Group Inc. Large European banks including The Royal Bank of Scotland, Barclays Bank and Credit Suisse were also sued. The lawsuits were filed by the Federal Housing Finance Agency. It oversees Fannie and Freddie, the two agencies that buy mortgages loans and mortgage securities issued by the lenders. The total price tag for the mortgage-backed securities sold to Fannie and Freddie by the firms named in the lawsuits is \$196 billion. The government didn't say how much it is seeking in damages. It said it wants to have the securities sales canceled and wants to be compensated for lost principal, interest payments as well as for attorney fees.

August Updates

August 25, 2011 - Dow Jones reported that JPMorgan Chase & Co. agreed to pay \$88.3 million to settle potential civil charges for violating multiple sanctions programs, according to the U.S. Treasury Department. Treasury said that JPMorgan Chase & Co. apparently violated several sanctions orders related to transactions with Cuba, Iran, Sudan and Liberia as well as broader restrictions against supporting terrorism and the proliferation of weapons of mass destruction between Dec. 15, 2005 and March 1, 2011. Treasury alleged that JPMorgan Chase & Co. processed 1,711 wire transfers totaling about \$178.5 million that involved sanctioned persons in Cuba. Treasury also alleged that the bank made a \$2.9 million loan to facilitate a transaction for the Islamic Republic of Iran Shipping Lines on December 22, 2009.

August 25, 2011 - Dow Jones reported that The Charles Schwab Corporation has sued several major banks, accusing them of a conspiracy to depress a key bank-to-bank lending rate on trillions of dollars worth of financial instruments since 2007, according to Courthouse News Service. The Charles Schwab Corporation claims in its lawsuit that the banks sought to understate the true cost of borrowing by depressing the London interbank offered rate. The suit was filed in U.S. District Court in San Francisco. Banks listed as defendants in the suit include Bank of Bank of America Corporation, Credit Suisse Group AG, JPMorgan Chase & Co., HSBC Holdings plc, Barclays Bank PLC, Citigroup Inc. and Deutsche Bank AG.

August 23, 2011 - JPMorgan announced that the credit ratings agencies Fitch Ratings and Standard & Poor's recently assigned ratings for J.P. Morgan Clearing Corp., one of the firm's broker-dealer subsidiaries, at AA-/F1+ and AA-/A-1+ respectively. This rating reflects the unconditional guarantee of J.P. Morgan Securities LLC (JPMS), the firm's primary trading U.S. Broker-Dealer and Futures Commission Merchant. JPMS was also recently assigned the AA-/F1+ and AA-/A-1+ ratings from the two agencies.

August 8, 2011 - Dow Jones reported that American International Group, Inc. is planning to sue JPMorgan Chase along with a host of prominent financial institutions as the insurer seeks to recover losses on mortgage-backed securities, the New York Times reported on Monday. The lawsuit was expected to be filed in New York State Supreme Court.

August 3, 2011 - Moody's Investors Service announced that it had confirmed the supported ratings of Bank of New York Mellon and JPMorgan Chase and their subsidiaries and assigned a negative outlook to those ratings. The rating confirmations were directly related to Moody's confirmation of

the Aaa rating assigned to the US government. More specifically, Moody's confirmed the deposit, senior debt, and subordinated debt ratings of The Bank of New York Mellon Corporation (Aa2 senior) and its subsidiaries (bank at Aaa for deposits) and JPMorgan Chase & Co (Aa3 senior) and its subsidiaries (bank at Aa1 for deposits).

The firms' supported ratings were confirmed at their current levels because the US government's rating was confirmed at Aaa and Moody's continues to believe that there is a very high probability that these institutions would be supported by the US government to avoid a default. The supported ratings have a negative outlook not only due to the US government's negative outlook, but also due to Moody's view that over time the likelihood that systemically important banks will be supported by the US government support could decline over time as the Dodd-Frank Act and other changes to the US banking system are implemented. Moody's last rating action on Bank of New York Mellon and JPMorgan Chase & Co was on July 18, 2011, when the supported ratings were placed on review for possible downgrade.

August 3, 2011 - J.P. Morgan announced that credit rating agency Fitch Ratings has rated J.P. Morgan Securities LLC (JPMS), the firm's primary trading U.S. Broker-Dealer and Futures Commission Merchant, as AA-/F1+. The decision follows on Standard & Poor's earlier AA-/A-1+ rating for the business. JPMS converted from a Delaware corporation to a limited liability corporation as part of a routine internal restructuring in September 2010. The conversion was unrelated to any changes in J.P. Morgan's business or to financial regulatory reform. J.P. Morgan Futures, Inc. then merged with the broker-dealer on June 1, 2011, creating a combined Broker-Dealer/Futures Commission Merchant.

July Updates

July 18, 2011 - Moody's Investors Service placed the supported ratings of JPMorgan Chase and its subsidiaries under review for possible downgrade. The action was directly related to Moody's placing the US government's Aaa rating on review for possible downgrade on July 13, 2011; the action does not reflect a change to Moody's opinion of the entities' standalone financial strength. More specifically, Moody's placed the deposit, senior debt, and subordinated debt ratings of JPMorgan Chase & Co (Aa3 senior) and its subsidiaries (bank at Aa1 for deposits) on review for possible downgrade. The ratings under review currently benefit from "lift" above the banks' standalone financial strength due to Moody's assessment of the likelihood of US government support. All short-term ratings for both entities were affirmed at Prime-1 and are unaffected by this action. JPMorgan Chase's deposit-, senior- and subordinated debt ratings receive a lift from Moody's opinion that there is a very high probability that these institutions would be supported by the US government to avoid a default. The ratings lift is equivalent to two notches, from an unsupported level of Aa3 to Aa1 at the senior debt and deposit level. If the US government were downgraded, even to Aa1, the level of lift for JPMorgan Chase would fall as well.

If JPMorgan Chase were downgraded by one notch, its respective holding company ratings would no longer incorporate any lift from Moody's systemic support assumptions. Under such circumstances, JPMorgan Chase's junior subordinated debt ratings would be downgraded by one notch, consistent with Moody's notching practices; as a result, these securities also were placed on review for possible downgrade. Moody's said that JPMorgan Chase is one of eight US banks that currently receive ratings lift due to Moody's assessment of the likelihood of systemic support. Of these eight, three banking groups' supported ratings are already under review for possible

downgrade. These are: Bank of America (senior debt at the holding company A2, bank at Aa3 for deposits, BFSR at C-/Baa1), Citigroup (senior debt at the holding company A3, bank at A1 for deposits, BFSR at C-/Baa1), and Wells Fargo (senior debt at A1, bank at Aa2 for deposits, BFSR at C+/A2). As a part of this review, the rating agency will also consider the potential impact of any downgrade of the US government's rating. However, Moody's said it is unlikely that a downgrade of the US government's rating into the Aa range would have any incremental effect on these three entities' supported ratings beyond that already being considered in their existing reviews.

Moody's last rating action on JPMorgan Chase & Co was on December 22, 2009, when Moody's lowered its ratings on certain JPMorgan Chase & Co. (JPM or the holding company) hybrid securities as part of the implementation of Moody's updated guidelines for rating bank hybrid securities.

July 14, 2011 - J.P. Morgan announced that credit rating agency Standard & Poor's had rated J.P. Morgan Securities LLC (JPMS), the firm's primary trading U.S. Broker-Dealer and Futures Commission Merchant, as AA-/A-1+. JPMS converted from a Delaware corporation to a limited liability corporation as part of a routine internal restructuring in September 2010. The conversion was unrelated to any changes in J.P. Morgan's business or to financial regulatory reform.

July 14, 2011 - Moody's Analytics reported that JP Morgan Chase & Co. (JPM) has maintained market implied ratings at the top end of its large US bank peer group for several quarters. Currently no large US bank has a higher CDS-implied rating than JPM's Baa1 and a bond-implied rating higher than JPM's A3. Second-quarter results included a continuation of the trend of strengthening balance sheet quality and recovering profitability, which Moody's believes will sustain JPM's relatively high level of market-implied ratings. JPM has a peer group leading 5-year CDS mid-spread of 91 bps, having moved out from 83 bps a week ago. Like all other banks the spread has widened somewhat over concerns about European peripherals and euro bank exposures. In JPM's case the wider CDS spread resulted in a one-notch decline in the CDS-implied rating from A3 to Baa1 and a widening in the CDS-implied ratings gap from -3 notches to -4 notches. The bond-implied rating recently rose by one notch from Baa1 to A3, which is consistent with the average level it has maintained most of the time year to date. We view JPM's euro sovereign and bank counterparty exposures as conservatively managed. The drivers of JPM's relatively good market signals include better financial metrics than its large bank peers, credibility of management in addressing legacy concerns, lower exposures to hot button current issues (such as reps and warranties and the foreclosure mess in the US as well as very limited exposures directly to the sovereign peripheral issues for European banks), and a strong and diverse franchise. Given JPM's multiple intrinsic strengths, we think it likely to continue to maintain a CDS spread, a CDS-implied rating, and a bond-implied rating that lead its peers.

July 14, 2011 - Standard & Poor's Ratings Services said that its ratings on JPMorgan Chase & Co. (JPM; A+/Stable/A-1) are not affected by the company's relatively good second-quarter results, which were slightly better than S&P expected given the current operating environment. JPM generated \$8.0 billion of Standard & Poor's-adjusted pretax earnings, up from \$7.4 billion of adjusted pretax earnings in the prior-year period. Results include a \$1.2 billion reserve release (largely credit card) offset by a \$1.0 billion expense for foreclosure matters. JPM added \$1.3 billion to litigation reserves, predominantly for mortgage-related matters. JPM's revenue increased by roughly 7.0% on an annual basis, due mostly to stronger investment banking revenue, particularly advisory fees. Its net interest margin (NIM) declined 17 basis points (bps) sequentially, to 2.72%, largely because of a

lower interest rate environment, portfolio run-off, and a build-up of liquidity. The NIM will likely decline moderately from current levels assuming the yield curve remains stable. Positively, middle-market and wholesale lending picked up in the quarter. Credit trends continue to improve as net charge-offs declined 16.6% sequentially. Reserves (excluding purchase impaired) relative to nonperforming loans of 201% are slightly higher than in the first quarter despite the reserve release. S&P expects net charge-offs to continue to improve sequentially but reserve releases to moderate as credit card charge-offs approach a normalized rate. JPM's Tier 1 common ratio was 10.1% in the second quarter, up 10 bps sequentially (versus 20 bps the previous quarter). The capital build will likely continue to slow materially because JPM is apt to use all of its \$8 billion authorized share repurchase in 2011 (\$3.6 billion used year-to-date). S&P continues to evaluate possible adverse conditions in the housing market, rule making from new legislation, and possible non-agency representation and warranty costs and litigation concerns. At present, S&P sees these items as potentially pressuring earnings, but not affecting ratings. S&P believes JPM has built a significant litigation reserve, considerably higher than its peers'. S&P will also monitor the size of future share buy-backs and their effect on capital, particularly on JPM's risk-adjusted capital ratio.

July 14, 2011 - JPMorgan Chase & Co reported second-quarter 2011 net income of \$5.4 billion, compared with net income of \$4.8 billion in the second quarter of 2010. Earnings per share were \$1.27, compared with \$1.09 in the second quarter of 2010. JP Morgan also reported a Basel I Tier 1 Common of \$121 billion for a ratio of 10.1%; an estimated Basel III Tier 1 Common ratio of 7.6%; and credit reserves of \$29.1 billion, providing a coverage ratio at 3.83% of total loans. Significant items included a \$1.0 billion pretax (\$0.15 per share after-tax) benefit from reduced loan loss reserves in Card Services; a \$837 million pretax (\$0.12 per share after-tax) benefit from securities gains in Corporate; a \$1.0 billion pretax (\$0.15 per share after-tax) expense for estimated costs of foreclosure-related matters in Retail Financial Services; and \$1.3 billion pretax (\$0.19 per share after-tax) of additional litigation reserves, predominantly for mortgage-related matters.

July 7, 2011 - JPMorgan Chase & Co. announced that it reached a settlement with the Securities and Exchange Commission (SEC), the U.S. Internal Revenue Service (IRS), the Antitrust Division of the U.S. Department of Justice (DOJ), the Office of the Comptroller of the Currency (OCC), the Federal Reserve Bank of New York, and a group of State Attorneys General to resolve their investigations of the conduct of certain former employees on the municipal derivatives desk, which was discontinued in September 2008. Under the terms of the settlements, JPMorgan Chase will pay a net amount of \$211.2 million as follows: \$50.0 million to the IRS; \$51.2 million to the SEC; \$35.0 million to the OCC; and \$75.0 million to the State Attorneys General. Of those funds, \$129.7 million will be eligible for distribution to municipalities and other tax-exempt issuers. The settlements are not expected to have any material impact on the firm's earnings. JPMorgan Chase also announced that it had agreed to a settlement with the Internal Revenue Service under which JPMorgan Chase will pay \$50 million for certain regulatory violations of the Internal Revenue Code committed in connection with JPMorgan Chase's role in providing or bidding on guaranteed investment contracts, swaps and other contracts with the issuers of municipal bonds or with entities which borrowed the proceeds of such bonds from the issuer thereof or otherwise were the beneficiaries of such bonds. Such issuers and beneficiaries are primarily state and local governments but also include school districts, universities, hospitals and charitable organizations.

July 7, 2011 - Dow Jones reported that some financial institutions are in advanced talks to settle charges of faulty foreclosure procedures, with a tentative settlement target date of July 13 and a potential payout of more than \$20 billion, according to Bloomberg News. The lenders, including

JPMorgan Chase & Co., are briefing their respective boards on terms of the potential settlement, which would create funds to resolve claims and provide relief to borrowers.

July 7, 2011 - Reuters reported that a federal appeals court threw out a lawsuit accusing JPMorgan Chase & Co. of violating U.S. racketeering law by conspiring with Bernard Madoff to further his Ponzi scheme. The decision, in a case brought by a Florida partnership that invested with Madoff, came less than two weeks after the trustee seeking money for Madoff victims separately filed an amended \$19.9 billion lawsuit against JPMorgan, accusing it of enabling Madoff's fraud and ignoring red flags. The trustee, Irving Picard, is trying to use the same racketeering law to recover as much as \$58.8 billion from dozens of European defendants in his Madoff lawsuit. In the decision, the second U.S. Circuit Court of Appeals of New York rejected an allegation by MLSMK Investment Co that JPMorgan violated the Racketeer Influenced and Corrupt Organizations Act (RICO) by conspiring with Madoff to "fleece" customers, and failing to freeze his accounts.