

M-S-R Public Power Agency

MEETING OF THE COMMISSION

Wednesday, December 18, 2013, 12:00 PM
Navigant Consulting, Inc.
3100 Zinfandel Drive, Suite 600, Sierra Room
Sacramento, California

AGENDA

Distribution:

Commissioners &

Alternate Commissioners

Others

Modesto:

Roger Van Hoy
Greg Salyer (Alt)

Steve Gross
Alan Hockenson
Martin Hopper¹
Toxie Buriss
Ed Oborn
Cindy Worley
Ana Vigil
Scott Van Vuren

Santa Clara:

Pat Kolstad
John Roukema¹ (Alt)

Jan Pepper
Pete Scanlon
Margie Walker

Redding

Barry Tippin
Rick Bosetti (Alt)

RinHelzerman¹file/er/msr

¹ Please post agenda.

M-S-R Public Power Agency

SPECIAL MEETING OF THE COMMISSION

Wednesday, December 18, 2013, 12:00 Noon
Navigant Consulting, Inc.
3100 Zinfandel Drive, Suite 600, Sierra Room
Sacramento, California

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 20, 2013 (attached)***
4. Report of Summary of invoices paid totaling \$9,490,622.46 (summary attached)
5. Finance (Scott Van Vuren)
 - a. November 2013 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. December 2013 General Manager's Report (attached)
8. December 2013 WREGIS REC Transfer Status Report (attached, Martin Hoper)
9. December 2013 Outside Services Budget versus Actual Report (attached, Martin Hopper)
10. ***Discussion and Possible Action Regarding Adoption of Resolution 2013-12 GASB Accounting Procedures (attached, Martin Hopper)***
11. ***Discussion and Possible Action Regarding Adoption of Resolution 2013-13 M-S-R PPA Policies and Procedures Manual (attached, Martin Hopper)***

12. Closed Session
 - a. Existing Litigation: Government Code §54956.9 (d)(1) – 5 Cases (10th US Circuit Court of Appeals 11-9557 et al, EL11-44 – BPA, OS-14-E-BPA, EF13-7-000 et al, and BP-14-E-BPA)
13. Announcement from Closed Session
14. Public Comment
15. *Confirm date and time of next meeting*
16. 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 20, 2013**

The Commission of the M-S-R Public Power Agency (M-S-R PPA) met November 20, 2013, at the offices of Navigant Consulting, Inc. (NCI), 3100 Zinfandel Drive, Sacramento. Present from Modesto Irrigation District (MID) were Greg Salyer, Ed Oborn, and Scott van Vuren; present from Santa Clara was Pat Kolstad, and John Roukema; and present from Redding was Barry Tippin. Also present were General Counsel Steve Gross; General Manager Martin R. Hopper; and Consultant Alan Hockenson.

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

The Commission then reviewed the minutes of its October 16, 2013, meeting. It was moved by Alternate Commissioner Salyer and seconded by Commissioner Tippin 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. Oborn introduced Scott van Vuren as MID's new Assistant General Manager – Finance and Treasurer. Mr. van Vuren then reviewed the October 31, 2013, Treasurer's Report and noted the Agency has \$55.3 million cash on hand which includes \$21.6 million in unrestricted funds and \$33.7 million in restricted funds. The majority of the Agency's investments are in the Local Agency Investment Fund (LAIF) which has one-day liquidity. The overall trend of maturities in the portfolio is downward to prepare the Agency to act on future improvements in interest rates..

Mr. Hockenson then briefly addressed the Commission regarding the San Juan Project, Southwest Transmission Project and Big Horn Project Status Reports and entertained

questions thereon. He noted at the San Juan Project Unit 4 Participants rejected virtually the entire capital budget proposed by the San Juan Project Operating Agent, the Public Service Company of New Mexico. He also noted that the San Juan Project operating statistics were the worst reported in the past five years. He noted with regard to the Southwest Transmission Project that negotiations continue with Sempra regarding their prospective interconnection at Marketplace Substation and that the offers are trending towards the median. October generation at Big Horn I and Big Horn II Wind Energy Projects was subpar and offset the superior performance in September.

Mr. Hopper briefly addressed the Commission regarding his General Manager Report and entertained questions thereon. He reported on the recent meeting with Iberdrola Renewables to discuss settlement concepts regarding the Big Horn II Wind Energy Project wheels issue. He also noted that SCE has agreed in principle with the Agency's requested reduction in transmission service and is preparing implementing documents.

Mr. Hopper then addressed the Commission regarding the November 2013 Outside Services Budget versus Actual Report and noted that expenditures in all categories are consistent with the projections contained in the Mid-Year Budget Review presented in July. It was moved by Alternate Commission Salyer and seconded by Commissioner Tippin to note and file the report. The motion carried unanimously.

Mr. Hopper then addressed the Commission regarding the purposed 2014 meeting schedule and noted that the dates follow the Agency's regular schedule except where prospectively adjusted to avoid conflicts with other meetings regularly attended by Commissioners and Staff. It was moved by Commissioner Tippin and seconded by Alternate Commissioner Salyer to approve the 2014 Meeting Schedule. The motion carried unanimously.

Mr. Hopper then addressed the Commission regarding the proposed M-S-R PPA 2014 Budget. The proposed budget was prepared in accordance with the priorities enumerated

in the Agency's 2014 Strategic Plan as approved by the Commission September 18, 2014 and was reviewed in a workshop held with Member Staff on November 13, 2013. process. The total proposed 2014 Budget of \$152.1 million is about 3.7% lower than the adopted 2013 Budget. He then reviewed a supplemental memorandum regarding the budget which indicates the proposed budget satisfies the Agency's Working capital Policy calling for the maintenance of a minimum of 60-days cash in the Operating fund, but that if the application of the Allowable Credit in the Agency's master bond resolution (Resolution 83-10) is not continued, the Agency will require additional revenue in both 2014 and 2015 to meet the Agency's Debt Service Coverage requirements. He also noted the proposed 2014 Budget does not include any allowance for litigation of arbitration costs associated with a potential disposition of the San Juan Project and which would need to be funded separately as they may arise. At the request of the Members, funding for the proposed 2014 Big Horn Wind Energy Project and 2015 San Juan Project tours will be removed from the budget and the trips will be cancelled. It was moved by Commissioner Tippin and seconded by Alternate Commissioner Salyer to approve the 2014 Budget as adjusted. The motion carried unanimously.

The Mr. Hopper then addressed the Commission regarding the proposed Resolution 2013 - 11 regarding Compliance With Greenhouse Gases Emission Performance Standards Related to 2014 San Juan Project Capital Budget Items. 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 2014 San Juan Capital Budget Items pertaining to Unit 4 Foxboro I/A Version 8.8 NERC; Unit 4 Arc Flash Mitigation – 2014; and Unit 4 Fire Protection Alarm Check Valve, Unit 3&4 Auxiliary Cooling Tower Plenum; Unit 3&4 Demineralizer Controls Replacement; Unit 3&4 Roof Refurbishment; Plant Common RS View Hardware/Licensing (Virtualization) NERC; Plant Common Limestone Area Instrumentation; Plant Common C&D Reclaim Coal Dust Suppression; Plant Common Controls Automation Group Test Lab Equipment

NERC; Plant Common Fiber Optic Cable Between PSPS NERC; Plant Common Foxboro I/A Version 8.8 Limestone/Coal NERC; Plant Common IDS/IPA Installation & Tuning; Plant Common Laboratory Roof; Plant Common Lake Outlet Line Coatings; Plant Common North Side Wastewater Line Replacement; Plant Common Physical Security NERC; Plant Common Replace Piping Containing Asbestos – NSWW – 2014; and Plant Common Secondary Crusher Building Dust Suppression 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 Salyer and seconded by Commissioner Tippin to adopt Resolution No. 2013 – 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 2014 San Juan Project Capital Budget Items. The motion carried unanimously.

Mr. Hopper reviewed his report on the status of the draft M-S-R PPA Policies and Procedures Manual and stated the complete draft should be ready for Commission consideration in at its next meeting.

The Commission then retired into Closed Session pursuant to Government Code Section 54956.9(d)(1) – Conference with Legal Counsel – Existing Litigation (Existing Litigation; Government Code §54956.9(d)(1) – 5 Cases (10th US Circuit Court of Appeals 11-9557 et al, EL11-44 - BPA, OS-14-E-BPA, EF13-7-000 et al, and BP-14-E-BPA) and pursuant to Government Code §54957 – Public Employee Performance Evaluation: General Manager at 12:56 P.M. Upon the conclusion of the Closed Session at 1:49 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 4 To Amended And Restated Management Services Agreement Between Martin Hopper Energy Consulting And M-S-R Public Power Agency which extended the termination date of the agreement to December 31, 2014. It was moved by Alternate Commissioner Salyer and seconded by Commissioner Tippin to approve Amendment Number 4 To Amended And Restated Management Services Agreement Between Martin Hopper Energy Consulting And M-S-R Public Power Agency. The motion carried unanimously.

The Chair then called for Public Comment and there being none, the Chair announced that next meeting of the Commission will be held Wednesday, December 18, 2013, at 12:00 Noon, at NCI's offices in Sacramento. The meeting was then adjourned by the Chair at 1:51 P.M.

Martin R. Hopper
Assistant Secretary

M-S-R Public Power Agency
Invoices Paid November 2013

Payee	Description	Period Covered	Amount
US Bank	Swap Payment	October-13	\$ 308,510.39
US Bank	Debt Service	October-13	\$ 64,945.84
SoCaEd	Firm Transmission service FERC	November-13	\$ 240,000.00
LADWP	Transmission service Adelanto to Victorville	September-13	\$ 61,595.00
USDOE	Mead-Phoenix Firm Energy Losses	September-13	\$ 50,377.67
PNM	Weekly Request for funds	October-13	\$ 211,000.00
LADWP	O&M costs of Mead-Adelanto	September-13	\$ 18,825.35
MID	WSPP Services	October-13	\$ 405.00
Duncan, Weinberg	Legal Services	September-13	\$ 55,469.32
Porter Simon	Legal Services	October-13	\$ 14,720.07
Bloomberg	BGOV License	November-13	\$ 1,425.00
Law Offices of Susie Berlin	Legal Services	October-13	\$ 14,174.35
US Bank	MSR Series M&N	October-13	\$ 66,504.47
Big Horn Wind Project	Firm Energy	October-13	\$ 1,523,513.18
Iberdrola Renewables	Shaping Fee	September-13	\$ 376,324.00
PNM	Monthly Construction Cost	October-13	\$ 904,735.92
US Bank	Swap Payment	December-13	\$ 319,716.78
Iberdrola Renewables	BigHorn2 Contract Power	October-13	\$ 912,229.00
LADWP	O&M costs of Mead-Adelanto	July-13	\$ 15,470.25
Iberdrola Renewables	Big Horn 2 Power	October-13	\$ 912,229.00
US Bank	Debt Service	November-13	\$ 2,919,226.37
BayTech Web Design	Website design	November-13	\$ 495.00
Politico Group	Legislative Services	October-13	\$ 2,000.00
Silicon Valley Power	Sale of Energy	October-13	\$ 630.00
WREGIS	Certificate of Transfer	November-13	\$ 208.43
San Juan County Treasurer	1st half property taxes	November-13	\$ 364,488.19
MID	Accounting & Coordination Services	October-13	\$ 60,753.04
Montgomery & Andrews	Professional services	October-13	\$ 908.78
U.S. DOE	Mead-Phoenix Firm Energy Losses	October-13	\$ 43,283.26
Navigant Consulting	Consulting Services	October-13	\$ 3,702.68
Martin Hopper Energy Consulting	General Manager Services	November-13	\$ 22,756.12
		Total	\$ 9,490,622.46