

**M-S-R PUBLIC POWER AGENCY
MEMORANDUM**

Date: July 29, 2020
To: M-S-R PPA Technical Committee
From: Martin R. Hopper, General Manager
Subject: Thursday, August 6, 2020, M-S-R PPA Technical Committee Special Meeting

Please find enclosed the agenda for the Thursday, August 6, 2020, M-S-R PPA Technical Committee Special Meeting to be held remotely at 10:00 AM. Please post as required for Brown Act compliance.

Distribution:

Tameka Garnett – NCI
Steve Gross – General Counsel
Toxie Burriss – MID
Martin Caballero – MID
Amy Santos – MID
Cindy Worley – MID
Basil Wong – SVP
Steve Hance – SVP
Ann Hatcher – SVP
Basil Wong – SVP
Yanmei Qiu – SVP
Steve Handy – Redding
Kamryn Hutson – Redding

M-S-R Public Power Agency

SPECIAL MEETING OF THE TECHNICAL COMMITTEE

Thursday, August 6, 2020, 10:00 AM

WEBINAR DIGITAL PLATFORM OR PHONE MEETING

GoTo Meeting Information:

<https://global.gotomeeting.com/join/598243301>

Telephonic Meeting Information:

United States: +1 (872) 240-3212

Access Code: 598-243-301

AGENDA

M-S-R Public Power Agency meetings are currently being conducted via webinar for all representatives pursuant to Executive Orders signed by Governor Gavin Newsom related to the ongoing COVID-19 pandemic. Members of the public may join the Committee meeting by utilizing GoTo Meeting's webinar feature or through a phone line provided in the meeting agenda. Members of the public will continue to have the opportunity to provide public input via the webinar or phone features. Members of the public may also email their comments to the General Manager by 3 p.m. on the day prior to the Committee meeting. Public comment can be emailed to msr_general.manager@gmail.com. All public comments submitted by email on time will be read during the Committee meeting in the public input section of the agenda. Any member of the public who desires to address the Committee on any item considered by the Committee at this meeting before or during the Committee'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. *Approval of Minutes of May 7, 2020 Meeting* (attached)
4. General Manager Reports (attached, Martin Hopper)
5. Big Horn Wind Energy Project Operating Statistics (attached, Martin Hopper)
6. Status Report Regarding August 2020 WREGIS REC Transfers (attached, Martin Hopper)

7. San Juan Decommissioning Status Report (attached, Martin Hopper)
8. Status Report Regarding Amendment to San Juan Reclamation Trust Agreement with US Bank (attached, Martin Hopper)
9. Status Report Regarding 2020 Insurance Renewals (attached, Martin Hopper)
10. ***Discussion and Possible Action Regarding August 2020 Outside Services Budget Versus Actual Report*** (attached)
11. ***Discussion and Possible Action Regarding Extension of M-S-R Coordinator Contract*** (attached, Martin Hopper)
12. ***Discussion and Possible Action Regarding Schedule for Strategic Plan and Policy Manual Updates*** (attached, Martin Hopper)
13. ***Discussion and Possible Action Regarding Agency Working Capital Policies*** (attached, Martin Hopper)
14. **Closed Session**
 - a. Existing Litigation: Government Code §54956.9 (d)(1) – 3 Cases (NM-PRC Case 19-00018-UT, NM-PRC Case 19-00195-UT, BP-22-BPA)
 - b. Threat To Public Services Or Facilities: Government Code § 54957 (a)
15. Announcement from Closed Session
16. Member Reports
17. Public Comment
18. ***Confirm date and time of next meeting***
19. Adjourn

ALTERNATE FORMATS OF THIS AGENDA WILL BE MADE AVAILABLE UPON REQUEST TO QUALIFIED INDIVIDUALS WITH DISABILITIES.
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DRAFT MINUTES OF THE
M-S-R PUBLIC POWER AGENCY
TECHNICAL COMMITTEE
MAY 7, 2020

The M-S-R Public Power Agency (M-S-R PPA) Technical Committee held a regular meeting on May 7, 2020 via webinar. A list of the attendees is provided as Attachment 1. Mr. Hopper chaired the meeting.

Roll Call/Call to Order

The following M-S-R Members were represented: Modesto Irrigation District – Toxie Burriss, City of Santa Clara – Basil Wong, City of Redding – Kamryn Hutson. The meeting was called to order at 10:05 a.m.

Approval of Minutes

Upon a motion by Mr. Wong, seconded by Mr. Burriss, the minutes of the meeting held on February 6, 2020 were approved unanimously on the call of the roll.

General Manager Report

The General Manager briefly reviewed his February, March, and April 2020 reports included in the package covering January through March activities. He also reported that the Agency's annual audit was recently completed and that he wanted to acknowledge the outstanding efforts of MID Senior Accountant Cindy Worley in the preparation of the financial statements.

Big Horn Operating Statistics Report

Mr. Hopper reviewed information regarding expected and average production and curtailment statistics. He noted near record generation for the first three months of the year. The Committee noted and filed the report.

Decommissioning Status Report

Mr. Hopper reviewed the activities completed in the recent quarter. Key issues pertain to the proposed sale of the River and Lake Stations and allocations of costs and salvage

revenue and to the recent imposition of a bond requirement by the State of New Mexico pertaining to future removal of waste ponds and pits at the plant site. The Committee noted and filed the report.

Status Report Regarding Reclamation Trust Agreement Amendments

Mr. Hopper reported that the proposed amendments to the San Juan Reclamation Trusts to reflect the post-Bankruptcy restructuring of Westmoreland Coal Company into Westmoreland San Juan Mining Company are finally nearing completion and will be executed pursuant to prior authorizations provided by the M-S-R PPA Commission. The Committee noted and filed the report.

Outside Services Budget versus Actual Report

Mr. Hopper indicated that the majority of activities were tracking cost expectations. A discussion followed regarding opportunities for cost reductions in light of the COVID-19 pandemic and concomitant impacts on Member revenues. The Committee then noted and filed the report.

WREGIS REC Status Report

Mr. Hopper reported that all transfers are currently meeting their expected delivery schedules. The Committee then noted and filed the report.

Agency Working Capital Policies

Mr. Hopper reported that the M-S-R PPA Commission had directed that a detailed review be made of the Agency's Working Capital policies and appropriate recommendations be developed for consideration. Mr. Hopper reviewed the preliminary research performed by the Agency's Financial Advisor regarding best practices and standards of care for similarly-situated public entities. The Financial Advisor also identified criteria used by the three primary Bond Rating Agencies in evaluating credits. The Financial Advisor also suggested the Agency consider developing criteria for a Strategic Reserve with each of its three proposed tranches being individually tailored to potential risks. The Committee suggested adding a theoretical allocation of the Agency's existing reserves to the bands of such a reserve for the information of the Commission. Mr. Hopper indicated the draft

report would be revised accordingly for review and direction by the Commission at its upcoming meeting. He proposed that the final policy should be ready for adoption in the fall coincident with the biennial update to the Agency's Policies and Procedures Manual.

Closed Session Conference with Legal Counsel

M-S-R PPA Technical Committee retired to closed session at 11:12 a.m. pursuant to Government Code §54956.9(d)(1) – Conference with Legal Counsel – 3 cases of Existing Litigation (NM-PRC Case 19-00018-UT, NM-PRC Case 19-00195-UT, and BP-22-BPA) and pursuant to Government Code §54957(a) – Threat to Public Services or Facilities.

Announcement from Closed Session

Upon returning to open session at 1:09 p.m., Mr. Gross reported that there were no reportable actions.

Member Reports

Mr. Hopper solicited reports from the Members and received none.

Public Comment

Mr. Hopper solicited comment from the public and received none.

Next Meeting

The next meeting will be held July 2, 2020, at 10:00 A.M and although originally planned to be held in Folsom, CA, may be held virtually in light of the public health circumstances. The meeting was adjourned at 1:19 p.m.

Respectfully submitted.

Martin R. Hopper
General Manager

Attachment 1

ATTENDANCE LIST
M-S-R PUBLIC POWER AGENCY
TECHNICAL COMMITTEE
REGULAR MEETING

May 7, 2020
10:05 AM

<u>NAME</u>	<u>STATUS</u>	<u>ORGANIZATION</u>
Toxie Burriss	Member	Modesto
Basil Wong	Member	Santa Clara
Kamryn Hutson	Member	Redding
Steve Handy	Guest	Redding
Martin Hopper	Guest	General Manager
Steve Gross	Chair	General Counsel

DRAFT

M-S-R Public Power Agency Staff Report

Date: July 30, 2020
From: Martin R. Hopper, General Manager
To: M-S-R PPA Technical Committee
Subject: General Manager Reports

Please find attached General Manager reports as provided to the Commission or Commissioners as follows:

- May 2020 – Covering April 2020 Activities
- June 2020 – Covering May 2020 Activities
- July 2020 – Covering June 2020 Activities

Macintosh HD:Users:martinhopper:My Laptop Documents:M-S-R Public Power Agency:Administrative:Staff Reports:Staff Report re General Manager Reports.doc

M-S-R Public Power Agency Staff Report

Date: May 13, 2020
From: Martin R. Hopper, General Manager
To: M-S-R PPA Commission
Subject: May 2020 General Manager Report

Overview:

This report will provide an overview of the General Manager's major activities and those of specified Agency contractors and consultants. Based on feedback from Commissioners and interested parties, the format and content of these reports will evolve.

General Manager:

Administrative Activities – April 2020 (Approx. 57 hours)

The General Manager reviewed and approved Check Requests prepared by the Administrative Assistant and updated Budget v. Actuals Reports.

Prepared draft report regarding PPA Working Capital Review. Reviewed Financial Advisor draft report regarding best practices and standards of care documentation and recommendations. Incorporated concepts and modeled three tranche Strategic Reserve approach.

Prepared annual bond disclosure documents regarding San Juan project activities and statistics.

Reviewed PPA & EA draft Financial Statements, notes, MD&A drafts and reviewed and executed Management Representations.

Reviewed and responded to Fitch inquiries re Gas Project Series 2009 A, B, & C Bonds and Fitch Rating review. Coordinated for necessary disclosure updates and filings.

Coordinated with General Counsel regarding various Brown Act changes/waivers and new remote meeting procedures.

Prepared and posted agenda packages regarding PPA & EA May Technical Committee meetings.

Coordinated with FERC Counsel re wind-up of TO cases and settlements.

The General Manger also provided direction to consultants and counsel re emergent filings and regulatory matters. Reports on reclamation issues, decommissioning activities, and project status were requested and prepared.

Project Activities:

San Juan – April 2020 (Approx 48 hours):

Monitored NM-PRC filings regarding PNM's abandonment filing and coordinated with New Mexico Counsel. Reviewed final abandonment order regarding funding of PNM legacy liability obligations and impacts on M-S-R's corresponding liabilities.

Reviewed potential approach to SJGS audit and M-S-R participation regarding Reclamation and Decommissioning issues. Corresponded with De Jong re same.

Continued review of terms, conditions and economics of Westmoreland San Juan Mining Company proposal for buy-out of Mine Reclamation funding liabilities. Follow-up teleconference meetings w/ Gross, Hockenson & Shumaker re same. Reviewed workscope for Mining Consultant (Golder) update of reclamation studies. Attended (telephonic) Reclamation Oversight Committee re same and approval of Golder reclamation review contract.

Follow-up and review of PNM response regarding dispute regarding funding of certain Decommissioning costs and attended (telephonically) Decommissioning Committee meeting regarding same and allocation of costs of possible sale of River Station.

Big Horn – April 2020 (Approx 17 hours):

Attended (telephonically) BP-22 workshop regarding cost drivers, reserve requirements and EIM cost allocations. Coordinated with BPA Counsel re same.

Reviewed CARB materials regarding Cap and Trade accounting and CMUA response re same.

Reviewed Big Horn energy production records and trends and updated periodic status reports. Follow-up with Avangrid regarding annual ARB and CEC reporting. Reviewed and provided explanatory materials to REU regarding allocations of renewable project costs.

Key Meetings – April 2020

NM-PRC Open Meeting, Telephonic, April 1, 2020. Key Issues: Approval of PNM Abandonment of SJGS and recovery of mine reclamation and plant decommissioning costs.

BPA BP-22 Workshop, Telephonic, April 28, 2020. Key Issues: Allocation of costs of EIM participation and impacts on transmission rates and availability.

San Juan Reclamation Oversight Committee Meeting, Telephonic, April 30, 2020. Key Issues: Westmoreland Mine Reclamation Buy-Out Proposal and Golder Associates contract for Reclamation Survey 2A and cost review.

General Consultant:

The General Consultant regularly prepares a summary of his activities as part of his monthly billing process. A copy of General Consultant's May 2020 report is attached regarding 37 hours of support in April. Note that final update on Northern Grid and potential impacts on BPA transmission presented at May 7, 2020 Technical Committee meeting.

BPA Consultant:

Our BPA Consultant, Dr. David Arthur, was to resume his regular reports after April workshops – not yet available.

M-S-R Public Power Agency Staff Report

Date: May 1, 2020
From: Alan Hockenson
To: Martin Hopper
Subject: Specific Work Tasks for April 2020

During April, I spent time working on specific tasks on behalf of the M-S-R Public Power Agency (M-S-R PPA). These activities can be segregated into the categories of Generation, Renewable, and Administrative. There was no activity in the category of Transmission.

Generation (10 hours): – There were two specific lines of activity related to the decommissioning of the San Juan Generating Station (San Juan) and the reclamation of the San Juan mines.

The Public Service Company of New Mexico (PNM) temporarily withdrew two Retirement Orders (ROs) presented to the San Juan Decommissioning Committee (SJDC) at its meeting on March 25, 2020. This situation was monitored until PNM abruptly cancelled the SJDC meeting scheduled for April 23, 2020 without stating a cause. When pressed, it deferred the first RO because it would be the subject of a meeting of attorneys on April 30, 2020. On the second RO, PNM indicated it had nothing to report.

The Reclamation Oversight Committee held a meeting on April 30, 2020 which included a number of topics. Materials were reviewed before the meeting and comments were provided which were incorporated into the final documents.

A brief weekly monitoring of PNM's public activities was undertaken to assure PNM is still willing and capable of performing its duties as the San Juan Decommissioning Agent and living up to its obligations under the Trust Agreements for both Decommissioning and Reclamation. In addition, documentation supporting insurance coverage was secured from PNM.

Renewable (18 hours): – Monthly operating data was received from Avangrid Renewables, Inc. (AR), and was reviewed. Excessive curtailments were researched which eventually pointed to a combination of coincident events on March 15, 2020.

Meetings of the Northern Grid Planning Committee were held on April 14 and 29, 2020 and progress continues to be slow on their interregional transmission planning activities. Northern Grid has established a set of committees to be comprised of members from the predecessor regional transmission organizations to synthesize two schools of thought into one. In addition, Northern Grid received a presentation from WestConnect to understand how to back cast production cost models.

The WECC is the key forum for utility discussions and policy determinations in the Western Interconnection. Policies that emanate from the WECC can affect transmission providers and balancing authorities in how business is transacted. The weekly summaries of activities and meetings issued by the WECC were briefly reviewed. I researched the activities of the Federal Energy Regulatory Commission (FERC) to assure I am familiar with the issues of importance to M-S-R PPA.

Administrative (9 hours): – The Status Reports for Renewables and Decommissioning activities were updated for future meetings of the Technical Committee and Commission. The Annual Report to Trustees was updated to reflect progress achieved over the last twelve months.

All meetings were attended telephonically.

M-S-R Public Power Agency Staff Report

Date: June 19, 2020
From: Martin R. Hopper, General Manager
To: M-S-R PPA Commission
Subject: June 2020 General Manager Report

Overview:

This report will provide an overview of the General Manager's major activities and those of specified Agency contractors and consultants. Based on feedback from Commissioners and interested parties, the format and content of these reports will evolve.

General Manager:

Administrative Activities – May 2020 (Approx. 51 hours)

The General Manager reviewed and approved Check Requests prepared by the Administrative Assistant and updated Budget v. Actuals Reports.

Reviewed final report and coordinated EMMA posting re Fitch Outlook change re EA Series 2009 A, B, & C Bonds.

Revisions and further analysis on draft report regarding PPA Working Capital Review. Requested updates and further analysis in Financial Advisor draft report regarding best practices and standards of care documentation and recommendations based on Committee and Commission feedback. Incorporated concepts and modeled three-tranche Strategic Reserve approach and provided sample allocations.

Reviewed PPA & EA Financial Statements, notes, MD&A and Management Representations and coordinated auditor presentation.

Prepared and posted agenda packages regarding PPA & EA May Commission meetings. Prepared draft minutes and distributed approved minutes of prior Commission and Technical Committee meetings.

Follow-up with filers regarding Form 700 submissions and close-out of Form 700 process. All filings were completed within extended deadlines per Gov. Newsom Executive Order.

Coordinated with FERC Counsel re wind-up of TO cases and settlements.

Coordinated with California Legislative Advocate regarding suspension of services for balance of contract year effective June 1, 2020.

Prepared for and conducted monthly status call with Commission President.

The General Manger also provided direction to consultants and counsel re emergent filings and regulatory matters. Reports on reclamation issues, decommissioning activities, and project status were requested and prepared.

Project Activities:

San Juan – May 2020 (Approx 54 hours):

Continued review of terms, conditions and economics of Westmoreland San Juan Mining Company proposal for buy-out of Mine Reclamation funding liabilities. Follow-up teleconference meetings w/ Gross, Hockenson & Shumaker re same. Reviewed and researched SJ Mine ownership chain. Reviewed workscope for legal reviews regarding liabilities and CERCLA issues. Attended (telephonic) Reclamation Oversight Committee re same.

Reviewed materials, prepared for and attended telephonically pre-meetings and meetings of SJGS participants and Farmington/Enchant team re extended SJGS operations.

Follow-up and review of PNM responses and updates regarding dispute regarding funding of certain Decommissioning costs and attended (telephonically) Decommissioning Committee meeting regarding same and allocation of costs of possible sale of River Station.

Big Horn – May 2020 (Approx 13 hours):

Attended (telephonically) BP-22 workshop regarding cost drivers, reserve requirements and EIM cost allocations. Coordinated with BPA Counsel re same.

Reviewed CARB materials regarding Cap and Trade accounting and CMUA response re same.

Reviewed Big Horn energy production records and trends and updated periodic status reports. Follow-up with Avangrid regarding annual ARB and CEC reporting and Member data issues.

Key Meetings – May 2020

General Consultant, Telephonic, May 1, 2020. Key Issues: Monthly workplan and activities.

Commission President, May 6, 2020. Key Issues: Working Capital Policy, Reclamation Liability Buyout, Farmington/Enchant status, Commission meeting preparation.

PPA & EA Technical Committee, May 7, 2020. Key Issues: Working Capital Policy, Reclamation Liability Buyout, Farmington/Enchant status, Big Horn operations status, Budget v. Actuals status.

Financial Advisor, Telephonic, May 11, 2020. Key Issues: Working Capital Policy – best practices and standards.

San Juan Reclamation Oversight Committee, Telephonic, May 14, 2020. Key Issues: Westmoreland Reclamation Liability Buy-Out proposal.

BPA BP-22 Workshop, Telephonic, May 19, 2020. Key Issues: Allocation of costs of EIM participation and impacts on transmission rates and availability. Overview of BP-22 processes.

PPA & EA Commission Meetings, Telephonic, May 20, 2020. Key Issues: Working Capital Policy, Presentation of Annual Audits.

SJGS Participants and Farmington/Enchant, Telephonic, May 21, 2020. Key Issues: Terms and conditions for possible sale and extended operation of San Juan Generating Station.

General Consultant:

The General Consultant regularly prepares a summary of his activities as part of his monthly billing process. A copy of General Consultant's June 2020 report is attached regarding 36 hours of support in May regarding San Juan, Renewable, and Administrative issues.

BPA Consultant:

Our BPA Consultant, Dr. David Arthur, has provided an update on his activities through May 2020 and 12 hours of support. Note his on-going concerns with systemic over-allocation of costs to BPA Transmission and subsequent pass-throughs directly effecting Big Horn 2 costs and indirectly effecting Big Horn 1 costs through indexing of Firming & Shaping services.

M-S-R Public Power Agency Staff Report

Date: June 1, 2020
From: Alan Hockenson
To: Martin Hopper
Subject: Specific Work Tasks for May 2020

During May, I spent time working on specific tasks on behalf of the M-S-R Public Power Agency (M-S-R PPA). These activities can be segregated into the categories of Generation, Renewable, and Administrative. There was no activity in the category of Transmission.

Generation (18 hours) – There were two specific lines of activity related to the decommissioning of the San Juan Generating Station (San Juan) and the reclamation of the San Juan mines.

The San Juan Generating Station Decommissioning Committee (SJDC) held a meeting on May 28, 2020 to discuss the Retirement Order (RO) for the disposition of the Lake and River Stations. I reviewed materials prepared by the Decommissioning Agent prior to the meeting and provided comments that were incorporated in the presentation to the SJDC. After this meeting, I coordinated with the General Manager to develop an additional communication to the Decommissioning Agent to incorporate understandings reached at the SJDC meeting.

The Reclamation Oversight Committee held meetings on May 13 and 27, 2020 which included a number of topics. The primary topic of interest is the offer by the coal miner to relieve the reclamation participants of financial obligation associated with reclamation.

A brief weekly monitoring of PNM's public activities was undertaken to assure PNM is still willing and capable of performing its duties as the San Juan Decommissioning Agent and living up to its obligations under the Trust Agreements for both Decommissioning and Reclamation.

Renewable (15 hours) – Monthly operating data was received from Avangrid Renewables, Inc. (AR), and was reviewed.

Columbia Grid has identified a potential transmission issue for investigation in a region near the Big Horn project site and thus I monitored meetings of the Northern Grid and Columbia Grid Planning Committees held on May 13 and 14, 2020. Generally, progress continues to be slow on their interregional transmission planning activities.

The WECC is the key forum for utility discussions and policy determinations in the Western Interconnection. Policies that emanate from the WECC can affect transmission providers and balancing authorities in how business is transacted. The weekly summaries of activities and

meetings issued by the WECC were briefly reviewed. I researched the activities of the Federal Energy Regulatory Commission (FERC) to assure I am familiar with the issues of importance to M-S-R PPA.

Administrative (3 hours) – The Status Reports for Renewables and Decommissioning activities were prepared/updated for meetings of the Technical Committee and Commission.

All meetings were attended telephonically.

M-S-R Public Power Agency Staff Report

Date: June 19, 2020
To: Martin R. Hopper, General Manager
From: David Arthur, BPA Consultant
Subject: May 2020 BPA Issues

BPA activity for May consisted of several meetings concerning BP-22, TC-22, EIM, and the 2nd quarter BPA financial results. Overall I committed 12 hours to M-S-R BPA related activities.

Regarding the BP-22, TC-22, and EIM meetings two themes continue to dominate customers concerns:

- Operational issues (redirects, ATC (Available transmission capacity) methodology
- EIM related allocation methodologies

With respect to 2nd quarter financial results the primary focus is on forecasting errors and their impact on customers.

Operational Issues

PTP customers rely heavily on redirects to manage market opportunities and forced outages. BPA's concerns regarding hourly firm and potential participation in the CAISO EIM along with the increasing congestion on certain BPA flow gates, has raised concerns regarding the future functionality of redirects. PTP customers are concerned that BPA will significantly limit redirects on hourly firm transmission that could be quite disruptive to the market.

Allocation Methodologies

BPA has indicated that it may receive significant (but as yet undisclosed charges) from the CAISO if/when BPA joins the EIM. BPA has indicated that it is thinking about how it will reallocate those charges to transmission customers. Transmission customers are quite concerned that the charges may not be allocated based on cost causation. They have pointed out that often one charge is offset by another charge in a different charge type. BPA's lack of specificity on how it will manage such issues is raising concerns.

Forecasting Errors

BPA's latest QBR indicates that actual capital expenditures for transmission are more than \$100 million lower than estimated in the rate case. With the leverage policy invoked this means that transmission customers may be billed in rates for millions of dollars (revenue financing) that are not actually required. This over collection results in higher reserves for risk for transmission. Currently transmission's reserves for risk exceed the upper limit but cannot be "repurposed" until the agency reserves reach a minimum threshold.

BPA's proposed special 7(i) regarding Power's surcharge will only exacerbate this issue.

M-S-R Public Power Agency Staff Report

Date: July 15, 2020
From: Martin R. Hopper, General Manager
To: M-S-R PPA Commission
Subject: July 2020 General Manager Report

Overview:

This report will provide an overview of the General Manager's major activities and those of specified Agency contractors and consultants. Based on feedback from Commissioners and interested parties, the format and content of these reports will evolve.

General Manager:

Administrative Activities – June 2020 (Approx. 54 hours)

The General Manager reviewed and approved Check Requests prepared by the Administrative Assistant and updated Budget v. Actuals Reports.

Revisions and further analysis on draft report regarding PPA Working Capital Review. Requested updates and further analysis in Financial Advisor draft report regarding best practices and standards of care documentation and recommendations based on Committee and Commission feedback. Incorporated concepts and modeled multi-tranche Strategic Reserve approach and provided sample allocations. Conducted Financial Management Committee (FMC) meeting and incorporated comments and Member policies into draft.

With M-S-R EA FMC reviewed Natural Gas Project status including debt service reserve investments (continue to invest in LAIF and revisit in another 6-months) and long-term ability to use natural gas as contemplated by agreement and possibility of use of substitute commodities to preserve benefits.

Issue Coordinated with MID and M-S-R Insurance Brokers re annual renewals and credit for dropping Wildfire coverage. Coordinated with CMUA and CPUC inquiry re M-S-R Wildfire Mitigation Plans (PPA & EA) and provided documentation to CPUC re Resolutions 2019-01 regarding exemption from need to prepare same.

Coordinated with FERC Counsel re wind-up of TO cases and settlements.

Prepared for and conducted monthly status call with Commission President.

The General Manger also provided direction to consultants and counsel re emergent filings and regulatory matters. Reports on reclamation issues, decommissioning activities, and project status were requested and prepared.

Project Activities:

San Juan – June 2020 (Approx 26 hours):

Continued review of terms, conditions and economics of Westmoreland San Juan Mining Company proposal for buy-out of Mine Reclamation funding liabilities. Follow-up teleconference meetings w/ Gross, Hockenson & Shumaker re same. Reviewed and researched SJ Mine ownership chain. Reviewed workscope for legal reviews regarding liabilities and CERCLA issues. Attended (telephonic) Reclamation Oversight Committee re same. Coordinated with Exiting Participants re negotiation representation and notified parties re election.

Reviewed materials regarding pollution liability insurance coverage regarding mine reclamation and prepared outline of issues for participant consideration.

Follow-up and review of PNM responses and updates regarding dispute regarding funding of certain Decommissioning costs and attended (telephonically) Decommissioning Committee meeting regarding same and approval of Retirement Order regarding allocation of costs and benefits of possible sale of Lake and River Stations.

Big Horn – May 2020 (Approx 16 hours):

Attended (telephonically) BP-22 workshops regarding cost drivers, reserve requirements and EIM cost allocations. Coordinated with BPA Counsel re same.

Reviewed CARB materials regarding Cap and Trade accounting and CMUA response re same. Coordinated with Members and Regulatory Counsel re PCC-0 and PCC-1 grandfathered resources issues.

Reviewed Big Horn energy production records and trends and updated periodic status reports. Follow-up with MID regarding Avangrid Credit Requirements and monitoring of same.

Key Meetings – June 2020

Commission President, June 3, 2020. Key Issues: Working Capital Policy, Reclamation Liability Buyout, Farmington/Enchant status, Commission meeting preparation.

BPA BP-20E Workshop, Telephonic, June 5, 2020. Key Issues: Waiver of reserve policy to relieve power costs and rates. Follow-up w/ Scanlon re same.

CEC Workshop re RPS Regulation, Telephonic, June 8, 2020. Key Issues: RPS and long-term procurement requirements.

San Juan Reclamation Oversight Committee, Telephonic, June 10, 2020. Key Issues: Westmoreland Reclamation Liability Buy-Out proposal and Negotiating Team composition.

PPA & EA Financial Management Committees, Telephonic, June 11, 2020. Key Issues: Working Capital Policy, Natural Gas Debt Service Reserve investments, Natural Gas usage and possible replacement commodities.

Regulatory Counsel and M-S-R Members, Telephonic, June 18, 2022. Key Issue: PCC-0 usage in PBR calculations.

BP-22 Workshops, Telephonic, June 22 & 23, 2020. Key Issues: Allocation of costs of EIM participation and impacts on transmission rates and availability. Real-time loss rate and measurement changes. Overview of BP-22 processes.

San Juan ROC & Decommissioning Committees, Telephonic, June 23, 2020. Key Issues: Westmoreland Buyout status and approval of Retirement Order re Lake & River Station potential sales.

General Consultant:

The General Consultant regularly prepares a summary of his activities as part of his monthly billing process. A copy of General Consultant's June 2020 report is attached regarding 33 hours of support in June regarding San Juan, Renewable, and Administrative issues.

BPA Consultant:

Our BPA Consultant, Dr. David Arthur, has provided an update on his activities through June 2020 and 42 hours of support. Note his on-going concerns with systemic over-allocation of costs to BPA Transmission and subsequent pass-throughs directly affecting Big Horn 2 costs and indirectly effecting Big Horn 1 costs through indexing of Firming & Shaping services. Note that if potential 5% transmission rate increases reduced to 0% power rate indication as identified by Dr. Arthur, I compute M-S-R avoids about \$200,000 annual cost or \$3.5 million over remaining term of Big Horn agreements.

M-S-R Public Power Agency Staff Report

Date: July 1, 2020
From: Alan Hockenson
To: Martin Hopper
Subject: Specific Work Tasks for June 2020

During June, I spent time working on specific tasks on behalf of the M-S-R Public Power Agency (M-S-R PPA). These activities can be segregated into the categories of Generation, Renewable, and Administrative. There was no activity in the category of Transmission.

Generation (18 hours) – There were two specific lines of activity related to the decommissioning of the San Juan Generating Station (San Juan) and the reclamation of the San Juan mines.

The San Juan Generating Station Decommissioning Committee (SJDC) held a meeting on June 23, 2020 to discuss the Retirement Order (RO) for the disposition of the Lake and River Stations. This item had been carried forward from the May meeting. During June there were several informational exchanges with the Decommissioning Agent that were coordinated with the General Manager. A number of issues/clarifications were ironed out prior to the meeting. As a result, the RO with supporting documentation and a supporting Resolution were approved allowing the project to move forward.

The Reclamation Oversight Committee held meetings on June 9 and 23, 2020 which included a number of topics. The primary topic of interest is the offer by the coal miner to relieve the reclamation participants of financial obligation associated with reclamation.

A brief weekly monitoring of PNM's public activities was undertaken to assure PNM is still willing and capable of performing its duties as the San Juan Decommissioning Agent and living up to its obligations under the Trust Agreements for both Decommissioning and Reclamation.

Renewable (12 hours) – Monthly operating data was received from Avangrid Renewables, Inc. (AR), and was reviewed.

Northern Grid has uncovered a transmission planning issue with the study of future Heavy Spring cases. The problem comes in determining when its transmission system actually experiences peak conditions. As its western portion peaks in a different month than the eastern portion, some modification has to be made. However, any modification generates inconsistencies with other planning regions. This issue is yet to be resolved.

The WECC is the key forum for utility discussions and policy determinations in the Western Interconnection. Policies that emanate from the WECC can affect transmission providers and

balancing authorities in how business is transacted. The weekly summaries of activities and meetings issued by the WECC were briefly reviewed. I researched the activities of the Federal Energy Regulatory Commission (FERC) to assure I am familiar with the issues of importance to M-S-R PPA.

Administrative (2 hours) – The Status Reports for Renewables and Decommissioning activities were prepared/updated for meetings of the Technical Committee and Commission.

All meetings were attended telephonically.

M-S-R Public Power Agency Staff Report

Date: July 2, 2020
From: David Arthur
To: Martin Hopper
Subject: June BPA Staff Report Regarding 42 Hours Support

June was a very active month for BPA and its customers. BPA conducted meetings on the following topics:

- 7i(e) Relief for Power customers on the Financial Reserve Surcharge
- BP-22 IPR (Integrated Program Review)
- BP-22, TC-22, EIM monthly customer lead and BPA lead meetings

The 7i(e) meeting(s) were brief and quite troubling for customers. The result is the suspension of the \$30 million per year surcharge intended to restore Power Business Line (PBL) Financial Reserves to the minimum target level. This defers any possibility for Transmission Business Line (TBL) customers to receive relief under the Reserve Distribution Clause since Agency target levels will remain below the minimum threshold.

Of related concern is the assessment the Fitch Rating Agency made regarding the suspension. They indicate that it further weakens BPA's liquidity and enhances the pressure for reduced leverage. Fitch concludes that the Leverage issue is more related to PBL than TBL but BPA has yet to acknowledge where the problem is.

TBL customers collectively agreed that it was not beneficial to oppose BPA's suspension, notwithstanding the concerns cited above.

BP-22 Integrated Program Review (IPR)

The BP-22 IPR was conducted over a three day period and covered both capital and expense related areas including TBL, PBL, Corporate, and Fish and Wildlife. BPA indicated the "controllable" power expenses would be held to BP 20 levels while "controllable" TBL expenses would be limited to "inflation". (A preliminary review indicates that TBL expenses will rise by 5% over the 2-year period while the Federal Reserve forecasts inflation to increase at around 3.5% over this same period. This may be an issue to mention in our comments.)

The presentations were long on the management policies BPA has adopted to improve their ability to “prioritize” spending and control the escalation in costs. Very little information was presented regarding their \$250-300 million shortfall in revenues. BPA frequently indicated that they were “top down driven” but never had a discussion on the changing markets and the associated business and financial implications for the Agency.

(More evaluation of the IPR material will be provided separately later this month)

BP-22, TC-22, EIM

BPA held a 2 day meeting regarding BP-22, TC-22, and EIM. The focus continues to be on how BPA’s potential (but currently quite likely) participation in the CAISO EIM beginning in March 22 will impact operations and costs. It appears that BPA likely will retain some level of hourly firm although details remain to be disclosed.

There was lively discussion regarding whether transmission losses will be both physical and financial (the current situation) or whether they will be financial only. TBL customers strongly indicated that if financial only is adopted BPA needs to address the CAISO’s complex set of accounts if cross-subsidization issues are to be avoided. This is a high profile issue that has been front and center for several months.

PBL customers were made aware that BPA may “reserve” capacity to manage losses and that could reduce their capacity margins as well. They requested more information on the potential impacts.

Currently it is uncertain how a number of the operating issues and the associated “charges” from the CAISO will flow to “wheeling customers”-AVANGRID. At some point it may be useful to discuss some of these issues with AVANGRID.

While BPA participation in the CAISO EIM may be “optional” and “voluntary”, it appears that it will result in significant changes and many opportunities for creative allocation of costs and benefits. BPA indicates that more substantive discussion of allocation specifics will be forth coming in future workshops.

M-S-R Public Power Agency Big Horn Operations

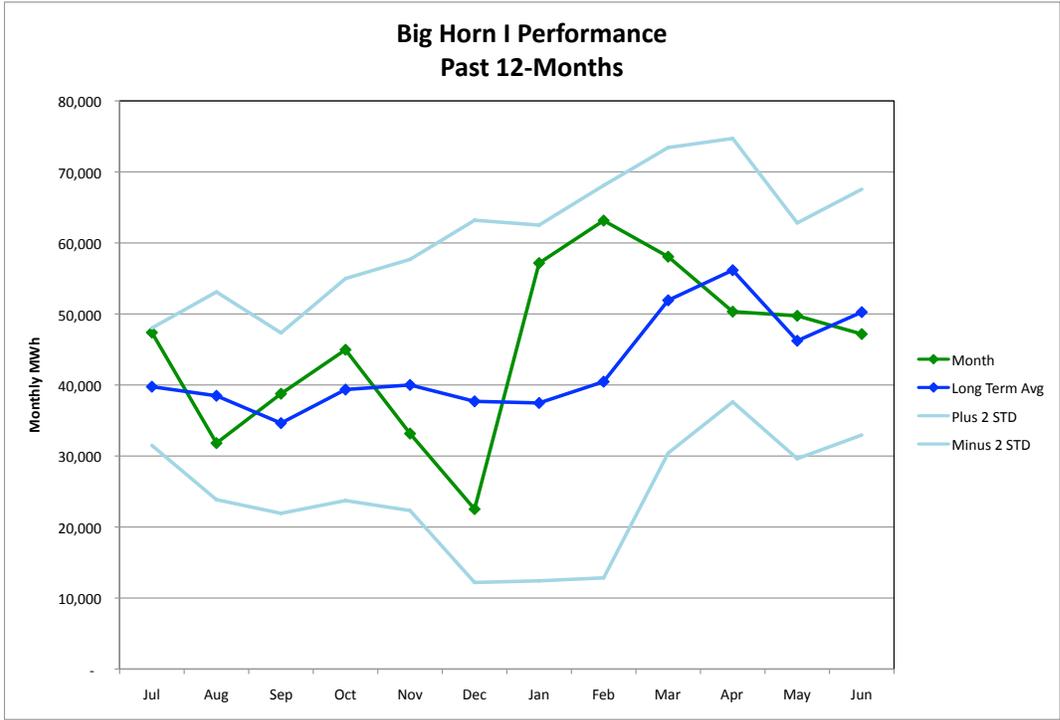
Date: July 30, 2020
From: Martin Hopper, General Manager
To: M-S-R PPA Technical Committee
Subject: Big Horn Operations Statistics

Energy Production Statistics for the Big Horn Wind Energy Project:

Big Horn I Operations	Production (MWh)	Monthly % of Forecast – Contract (5-Year)	Cumulative Wind Year Production (MWh)
April	50,327	97.2%	329,337
May	49,739	133.4%	379,076
June	47,170	100.2%	426,246
Annual Contract Forecast	N/A	N/A	478,779
Annual Budget Forecast	N/A	N/A	510,000
Life of Project Production	N/A	N/A	7,009,899

Big Horn II Operations	Production (MWh)	Monthly % of Forecast – Contract (5-Year)	Cumulative Wind Year Production (MWh)
April	11,067	93.8%	72,834
May	15,228	145.8%	84,781
June	11,664	123.0%	96,445
Annual Contract Forecast	N/A	N/A	116,651
Annual Budget Forecast	N/A	N/A	115,000
Life of Project Production	N/A	N/A	1,158,819

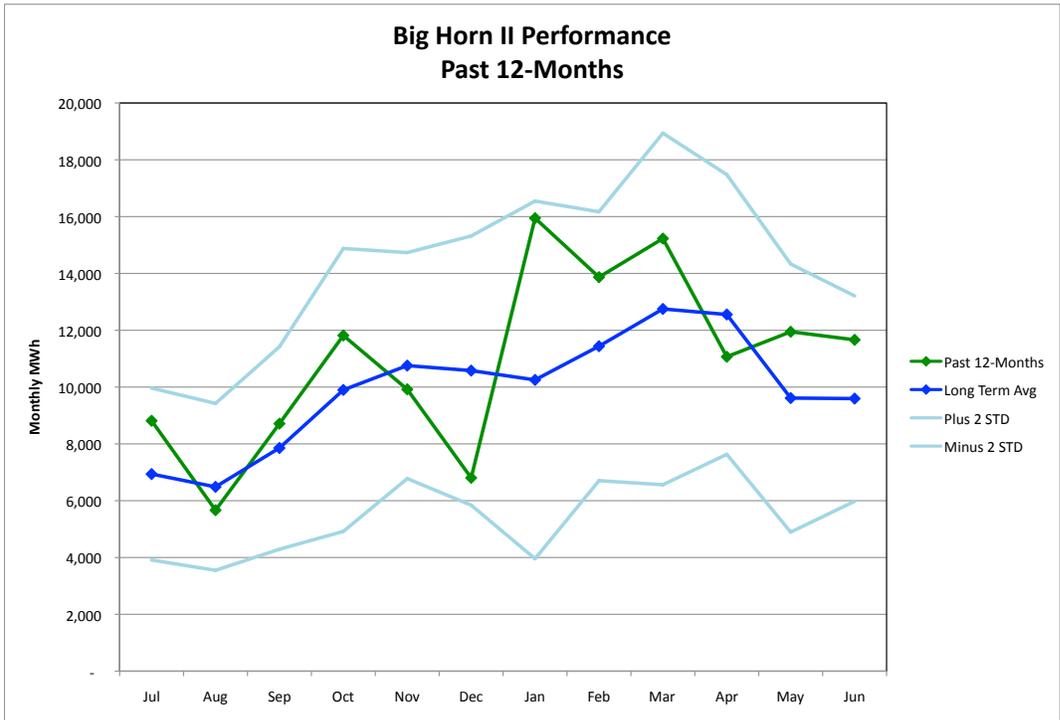
The story for the first half of Calendar Year 2020 is exceptional levels of energy productions for both projects, each almost 131% of expectation. All months have been over 100% of Contract Forecast, except for April for both projects that were only 90%+.



7/29/20

Past 12 Thru Jun 2020

Big Horn I Projections 2020.xlsx



7/29/20

Past 12 Thru Jun 2020

Big Horn II Projections 2020.xlsx

Transmission Curtailments:

Curtailments	On-Peak (MWh)	Off-Peak (MWh)	Total (MWh)
April	0	0	0
May	28	27	55
June	240	51	291
Year To Date	410	511	921
Historic Annual Average	1,335	833	2,168

The cluster of on-peak curtailments were between June 26th and 29th due to reduced COI capability. The predominance of the June off-peak curtailments occurred during light load hours on a pair of Saturdays, the 6th and 27th.

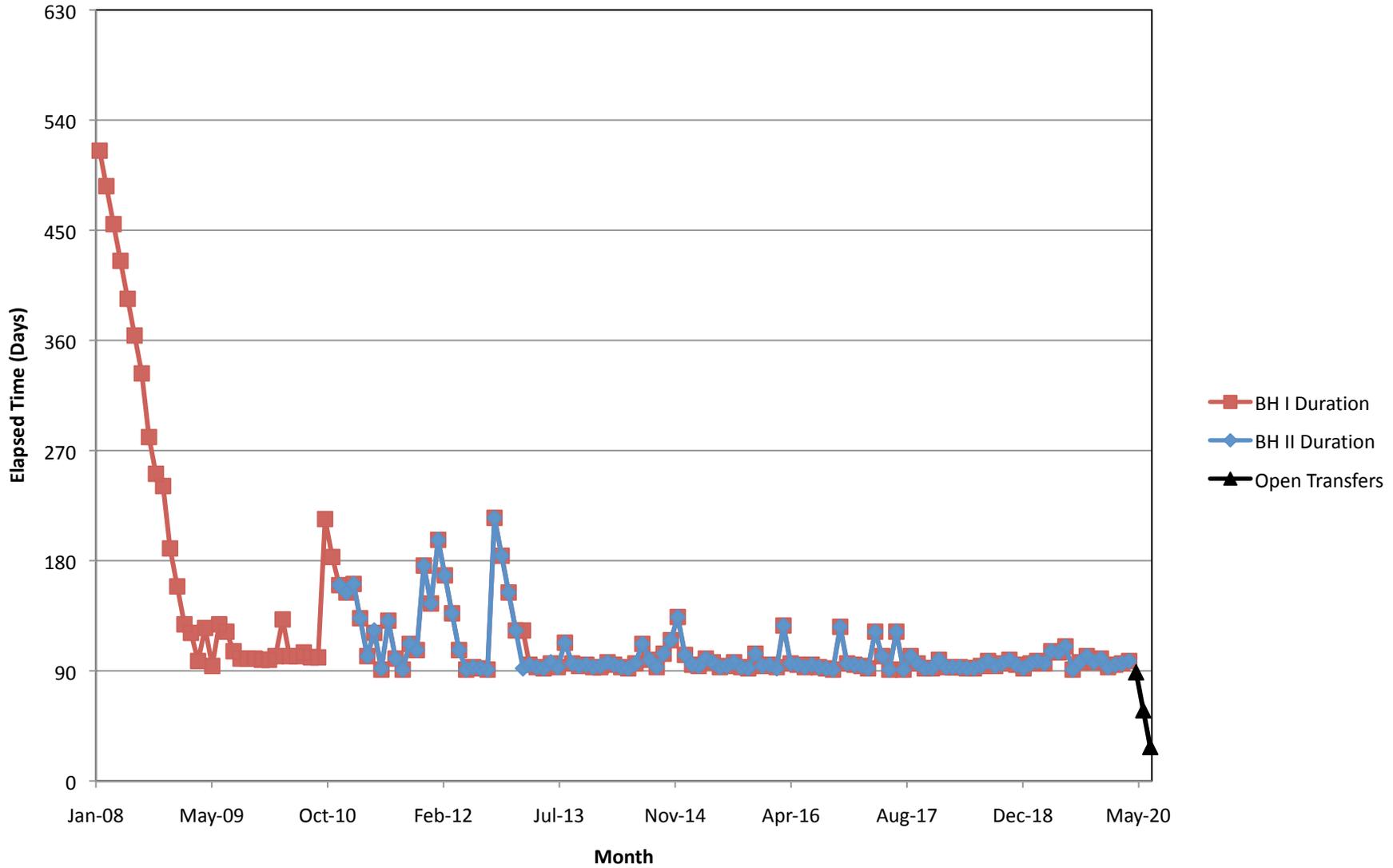
M-S-R Public Power Agency Staff Report

Date: July 30, 2020
From: Martin R. Hopper, General Manager
To: M-S-R PPA Commission
Subject: August 2020 WREGIS REC Transfers Status Report

In 2013, the General Manager met with Iberdrola Renewables, Inc (now Avangrid Renewables, Inc.) regarding the status of its transfers of Western Renewable Energy Generation Information System (WREGIS) Renewable Energy Credits (RECs) for the Big Horn I and Big Horn II Wind Energy Projects to M-S-R PPA. Ideally, the WREGIS timelines would allow transfers of RECs to M-S-R PPA about 90-days after the close of a reporting month. At the time of that meeting, some transfers were as many as 215-days outstanding. Avangrid subsequently reviewed its internal procedures and has generally completed Big Horn I and Big Horn II transfers in a timely manner. The attached chart illustrates current and historic status of REC transfers. As requested by the Commission, this report will be updated and presented at each regular meeting.

I recommend the Commission note and file the August 2020 WREGIS REC Transfers Status Report.

Big Horn I & II REC Transfers



REC Transfer Timeliness

Month Ending	Big Horn I		Big Horn II		Today's Date	Open Transfers
	Date Transferred to Members	BH I Duration	Date Transferred to Members	BH II Duration		
Jan-08	29-Jun-09	515				
Feb-08	29-Jun-09	486				
Mar-08	29-Jun-09	455				
Apr-08	29-Jun-09	425				
May-08	29-Jun-09	394				
Jun-08	29-Jun-09	364				
Jul-08	29-Jun-09	333				
Aug-08	8-Jun-09	281				
Sep-08	8-Jun-09	251				
Oct-08	29-Jun-09	241				
Nov-08	8-Jun-09	190				
Dec-08	8-Jun-09	159				
Jan-09	8-Jun-09	128				
Feb-09	29-Jun-09	121				
Mar-09	7-Jul-09	98				
Apr-09	2-Sep-09	125				
May-09	2-Sep-09	94				
Jun-09	5-Nov-09	128				
Jul-09	30-Nov-09	122				
Aug-09	15-Dec-09	106				
Sep-09	8-Jan-10	100				
Oct-09	8-Feb-10	100				
Nov-09	10-Mar-10	100				
Dec-09	9-Apr-10	99				
Jan-10	10-May-10	99				
Feb-10	10-Jun-10	102				
Mar-10	10-Aug-10	132				
Apr-10	10-Aug-10	102				
May-10	10-Sep-10	102				
Jun-10	13-Oct-10	105				
Jul-10	9-Nov-10	101				
Aug-10	10-Dec-10	101				
Sep-10	2-May-11	214				
Oct-10	2-May-11	183				
Nov-10	9-May-11	160	9-May-11	160		
Dec-10	3-Jun-11	154	3-Jun-11	154		
Jan-11	11-Jul-11	161	11-Jul-11	161		
Feb-11	11-Jul-11	133	11-Jul-11	133		
Mar-11	11-Jul-11	102	11-Jul-11	102		
Apr-11	29-Aug-11	121	31-Aug-11	123		
May-11	30-Aug-11	91	31-Aug-11	92		
Jun-11	8-Nov-11	131	8-Nov-11	131		
Jul-11	8-Nov-11	100	8-Nov-11	100		
Aug-11	30-Nov-11	91	30-Nov-11	91		
Sep-11	20-Jan-12	112	20-Jan-12	112		
Oct-11	15-Feb-12	107	15-Feb-12	107		
Nov-11	24-May-12	176	24-May-12	176		
Dec-11	24-May-12	145	24-May-12	145		
Jan-12	15-Aug-12	197	15-Aug-12	197		
Feb-12	15-Aug-12	168	15-Aug-12	168		
Mar-12	15-Aug-12	137	15-Aug-12	137		
Apr-12	15-Aug-12	107	15-Aug-12	107		
May-12	30-Aug-12	91	30-Aug-12	91		
Jun-12	1-Oct-12	93	1-Oct-12	93		
Jul-12	31-Oct-12	92	31-Oct-12	92		
Aug-12	30-Nov-12	91	30-Nov-12	91		
Sep-12	3-May-13	215	3-May-13	215		
Oct-12	3-May-13	184	3-May-13	184		
Nov-12	3-May-13	154	3-May-13	154		
Dec-12	3-May-13	123	3-May-13	123		
Jan-13	3-Jun-13	123	3-May-13	92		
Feb-13	3-Jun-13	95	3-Jun-13	95		
Mar-13	2-Jul-13	93	2-Jul-13	93		
Apr-13	31-Jul-13	92	31-Jul-13	92		
May-13	4-Sep-13	96	5-Sep-13	97		
Jun-13	1-Oct-13	93	1-Oct-13	93		
Jul-13	21-Nov-13	113	21-Nov-13	113		
Aug-13	5-Dec-13	96	5-Dec-13	96		
Sep-13	2-Jan-14	94	2-Jan-14	94		
Oct-13	3-Feb-14	95	3-Feb-14	95		
Nov-13	3-Mar-14	93	3-Mar-14	93		
Dec-13	3-Apr-14	93	4-Apr-14	94		
Jan-14	8-May-14	97	8-May-14	97		

Feb-14	3-Jun-14	95	3-Jun-14	95
Mar-14	2-Jul-14	93	2-Jul-14	93
Apr-14	31-Jul-14	92	31-Jul-14	92
May-14	4-Sep-14	96	4-Sep-14	96
Jun-14	20-Oct-14	112	20-Oct-14	112
Jul-14	7-Nov-14	99	7-Nov-14	99
Aug-14	2-Dec-14	93	2-Dec-14	93
Sep-14	12-Jan-15	104	12-Jan-15	104
Oct-14	23-Feb-15	115	23-Feb-15	115
Nov-14	13-Apr-15	134	13-Apr-15	134
Dec-14	13-Apr-15	103	13-Apr-15	103
Jan-15	6-May-15	95	6-May-15	95
Feb-15	2-Jun-15	94	2-Jun-15	94
Mar-15	9-Jul-15	100	9-Jul-15	100
Apr-15	5-Aug-15	97	5-Aug-15	97
May-15	1-Sep-15	93	1-Sep-15	93
Jun-15	2-Oct-15	94	2-Oct-15	94
Jul-15	5-Nov-15	97	5-Nov-15	97
Aug-15	2-Dec-15	93	2-Dec-15	93
Sep-15	31-Dec-15	92	31-Dec-15	92
Oct-15	12-Feb-16	104	12-Feb-16	104
Nov-15	3-Mar-16	94	3-Mar-16	94
Dec-15	4-Apr-16	95	4-Apr-16	95
Jan-16	3-May-16	93	2-May-16	92
Feb-16	5-Jul-16	127	5-Jul-16	127
Mar-16	5-Jul-16	96	5-Jul-16	96
Apr-16	3-Aug-16	95	3-Aug-16	95
May-16	1-Sep-16	93	1-Sep-16	93
Jun-16	3-Oct-16	95	3-Oct-16	95
Jul-16	1-Nov-16	93	1-Nov-16	93
Aug-16	1-Dec-16	92	1-Dec-16	92
Sep-16	30-Dec-16	91	30-Dec-16	91
Oct-16	6-Mar-17	126	6-Mar-17	126
Nov-16	6-Mar-17	96	6-Mar-17	96
Dec-16	5-Apr-17	95	5-Apr-17	95
Jan-17	5-May-17	94	5-May-17	94
Feb-17	31-May-17	92	31-May-17	92
Mar-17	31-Jul-17	122	31-Jul-17	122
Apr-17	10-Aug-17	102	10-Aug-17	102
May-17	30-Aug-17	91	30-Aug-17	91
Jun-17	30-Oct-17	122	30-Oct-17	122
Jul-17	30-Oct-17	91	30-Oct-17	91
Aug-17	11-Dec-17	102	11-Dec-17	102
Sep-17	4-Jan-18	96	4-Jan-18	96
Oct-17	31-Jan-18	92	31-Jan-18	92
Nov-17	2-Mar-18	92	2-Mar-18	92
Dec-17	9-Apr-18	99	9-Apr-18	99
Jan-18	4-May-18	93	4-May-18	93
Feb-18	1-Jun-18	93	1-Jun-18	93
Mar-18	2-Jul-18	93	2-Jul-18	93
Apr-18	31-Jul-18	92	31-Jul-18	92
May-18	31-Aug-18	92	31-Aug-18	92
Jun-18	2-Oct-18	94	2-Oct-18	94
Jul-18	6-Nov-18	98	6-Nov-18	98
Aug-18	3-Dec-18	94	3-Dec-18	94
Sep-18	4-Jan-19	96	4-Jan-19	96
Oct-18	7-Feb-19	99	7-Feb-19	99
Nov-18	5-Mar-19	95	5-Mar-19	95
Dec-18	2-Apr-19	92	2-Apr-19	92
Jan-19	7-May-19	96	7-May-19	96
Feb-19	6-Jun-19	98	6-Jun-19	98
Mar-19	5-Jul-19	96	5-Jul-19	96
Apr-19	14-Aug-19	106	14-Aug-19	106
May-19	13-Sep-19	105	13-Sep-19	105
Jun-19	18-Oct-19	110	18-Oct-19	110
Jul-19	30-Oct-19	91	30-Oct-19	91
Aug-19	6-Dec-19	97	6-Dec-19	97
Sep-19	10-Jan-20	102	10-Jan-20	102
Oct-19	5-Feb-20	97	5-Feb-20	97
Nov-19	9-Mar-20	100	9-Mar-20	100
Dec-19	2-Apr-20	93	2-Apr-20	93
Jan-20	5-May-20	95	5-May-20	95
Feb-20	4-Jun-20	96	4-Jun-20	96
Mar-20	7-Jul	98	7-Jul	98
Apr-20				
May-20				
Jun-20				

Note: Rec'd from IRI 3-Mar-15
Note: Rec'd from IRI 1-Apr-15

Note: Rec'd from IRI 1-Feb-19

27-Jul-20	89
27-Jul-20	58
27-Jul-20	28

M-S-R Public Power Agency Status Report: San Juan Decommissioning

Date: July 30, 2020
To: Martin Hopper, General Manager
From: Alan Hockenson, Consultant
Subject: San Juan Decommissioning, Quarterly Update

Decommissioning Committee Meetings:

May 28, 2020:

At this meeting PNM focused on a proposed a Retirement Order (RO) for the potential sale of the Lake and River Station to the United States Bureau of Reclamation (USBR). The proposed cost of \$965,726 was also spread over years 2020-2022; however, the majority of the cost would be scheduled between May 2020 and August 2021. The expense would be for the negotiation of the transaction agreements. The proposed allocation of cost to M-S-R was \$75,892. One outstanding issue that was resolved was whether the City of Farmington (Farmington) could cause the negotiations to fail if their parallel negotiations with USBR in support of a water supply for the Enchant Project failed. It was clarified that water rights were not the issue but the compensation to USBR for operating costs to supply the water at the times scheduled. It appears reasonable that the same cost components would apply to both arrangements so the Farmington issue appeared to dissipate.

June 25, 2020:

Between meetings, staff worked with PNM to develop a resolution that served to clarify the arrangements associated with the USBR negotiations and to acknowledge the mechanism developed didn't cleanly fit within the authorities of the Decommissioning Agreement. All documents were approved at this meeting and will be routed for signature. Progress updates will be provided at future meetings. PNM committed to provide documentation from USBR through a web portal regarding the details of the USBR appraisal.

July 23, 2020:

PNM provided an update on the status of the Surety Bonds regarding the pond closures as mandated by the New Mexico Environmental Department (NMED). PNM indicated that the cost associated with the 2020 Surety Bonds was a sunk cost and not recoverable. PNM indicated it is will be engaging NMED by providing written comments in the upcoming permit renewal process. PNM will attempt to find a proper means for the NMED to understand the assurances provided by decommissioning trust funds and that the requirement for Surety Bonds was

redundant. The timing of this effort is to achieve a resolution by January 2021 when the next posting of Surety Bonds would otherwise be due.

PNM had set up a portal to review the USBR documentation on the Lake and River Station appraisal. Technical difficulties arose that were potential solved by the use of a drop box approach. PNM will distribute protocols that should lead to proper document access and review.

A status of insurance coverage for decommissioning work will be included at the next meeting.

M-S-R Public Power Agency Staff Report

Date: July 30, 2020
From: Martin R. Hopper, General Manager
To: M-S-R PPA Commission
Subject: Status Report Regarding Amendment to San Juan Reclamation Trust Agreement with US Bank

Last year, the Chapter 11 restructuring of Westmoreland's San Juan Coal Company was concluded with the sale of the San Juan Mine and assumption of all San Juan-related agreements by the newly created Westmoreland San Juan Mining LLC (WSJM) effective March 2, 2019. A post-transactional review of related documents revealed that although the Amended and Restated San Juan Reclamation Trust Agreement (Reclamation Agreement) defined San Juan Coal Company to include its successors or assigns, the San Juan Generating Station Reclamation Trust Agreement (Trustee Agreement) did not. Therefore, WSJM requested M-S-R PPA and the other eight parties to the Reclamation Agreement amend their respective Trustee Agreements to avoid any confusion or ambiguity with WSJM being considered the intended beneficiary.

At its May 30, 2019 meeting, the M-S-R PPA Commission directed the Agency's General Manager to execute and deliver an amendment to the Trustee Agreement identifying WSJM, and its successors or assigns, as the beneficiary of the Reclamation Trust in such form as it may be required. The General Manager and General Counsel subsequently worked with other San Juan participants and WSJM to secure appropriate documentation of the beneficiary assignment by the Bankruptcy Court and to negotiate the required forms of the Trustee Agreement amendment. These documents have been completed and are being circulated for execution.

M-S-R PPA conformed the Trustee Agreement amendment to the form of our agreement with US Bank and submitted it to the Trustee for execution. US Bank has made a small number of mark-ups to the amendment, but we still anticipate the amendment will be in effect starting with our September 2020 reclamation payment.

I recommend the Commission note and file this report.

M-S-R Public Power Agency Staff Report

Date: July 16, 2020
From: Martin R. Hopper, General Manager
To: M-S-R PPA Commission
Subject: 2020 Insurance Renewals

The Agency has completed its annual Directors & Officers Liability, General Liability, and the Crime policy renewals. As previously discussed by the Commission, and given that the Agency no longer owns or operates any physical assets, Wildfire Coverage was removed from the Agency's Excess Liability Policy for a savings of \$20,000. There were no other significant changes made to the coverage levels for this renewal period. However, the net cost of the renewals will be \$13,088 lower than the prior premiums and fees for a total cost of \$127,091 as tabulated below:

Directors and Officers (D&O)

AEgis renewed coverage and limits per expiring and increased the rate by 22% in net, from \$37,661 to \$46,100.

General Liability

AEgis renewed coverage and limits per expiring, with the exception of the addition of the Wildfire exclusion and decreased the net rate by 21%, from \$101,258 to \$79,994.

Crime Policy

The Hartford renewed coverage and limits per expiring and the premium remained essentially flat at \$997.

The Agency's insurance brokers, Arthur J. Gallagher & Co. Insurance Brokers of California, Inc. and Modesto Irrigation District's General Service Manager recommended the policies be renewed as proposed. I concurred in this recommendation and directed the coverages bound. It was reported to us that California wildfire losses and exposures continue to affect all general and excess liability premiums, including by extension, Director's & Officers coverage. While we were able to exclude Wildfire Coverage from our Excess Liability policy, no carve-out is available from general market impacts of perceived California risk.

M-S-R PPA also remains a named insured on certain insurance policies maintained by PNM to address the Agency's retained liabilities pertaining to San Juan Generating Station decommissioning, reclamation and environmental claims. Costs and allocations of risk in such policies are affected by local conditions and the fact that M-S-R PPA is a California entity does not affect such costs and allocations at this time.

I recommend the Commission note and file this report.

M-S-R Public Power Agency Staff Report

Date: July 30, 2020
From: Martin R. Hopper, General Manager
To: M-S-R PPA Technical Committee
Subject: August 2020 Outside Services Budget versus Actual Report

FISCAL YEAR 2020:

Major Legal Providers Reporting Are:

Duncan, Weinberg, Genzer, and Pembroke:	Through:	May 31, 2020
Law Offices of Susie Berlin:	Through:	June 30, 2020
Porter Simon:	Through:	June 30, 2020

Major Consulting Providers Reporting Are:

Navigant Consulting:	Through:	January 31, 2020
KBT LLC:	Through:	June 30, 2020

Legacy Liability Providers Reporting Are:

PNM – Reclamation Management:	Through:	June 30, 2020
Reclamation:	Through:	June 30, 2020
Decommissioning:	Through:	June 30, 2020

Detailed charts of monthly budget versus actual cost comparisons for each provider are attached in their usual format.

Mid-Year Budget Review:

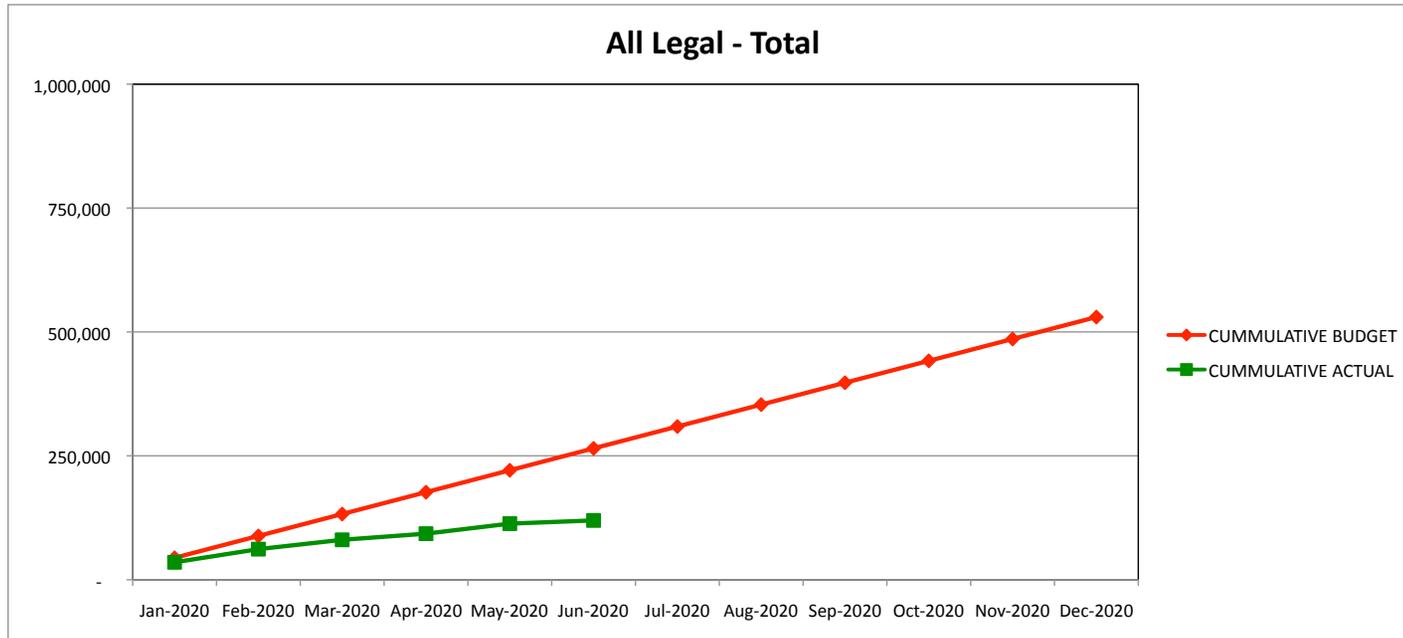
As noted in the mid-year budget review presented to the Commission July 22, 2020, the total of the consulting and legal budgets remained unchanged at \$739,000 and expenditures are estimated to complete the year at \$589,300 or about 80% of the annual budget.

Recommendation:

I recommend the Committee note and file this report.

M-S-R PPA All Legal Summary

Month of: **Jun-2020**



CURRENT MONTH

By Function	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Generation	2,083	1,408	675	68%
Gen - Other	1,250	0	1,250	0%
Renewables	2,250	3,432	(1,182)	153%
Rens - Other	22,917	0	22,917	0%
Reg & Comp	14,667	1,521	13,146	10%
Administrative	1,000	110	890	11%
Total	44,167	6,471	37,696	15%

YEAR TO DATE

By Function	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Generation	12,500	11,836	664	95%
Gen - Other	7,500	13,917	(6,417)	186%
Renewables	13,500	11,349	2,151	84%
Rens - Other	137,500	32,373	105,127	24%
Reg & Comp	88,000	45,112	42,888	51%
Administrative	6,000	5,045	955	84%
Total	265,000	119,632	145,368	45%

By Provider	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Duncan	31,500	0	31,500	0%
Berlin	8,083	4,953	3,130	61%
Porter Simon	3,333	1,518	1,815	46%
Others	1,250	0	1,250	0%
Total	44,167	6,471	37,696	15%

By Provider	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Duncan	189,000	60,809	128,191	32%
Berlin	48,500	28,025	20,475	58%
Porter Simon	20,000	16,881	3,119	84%
Others	7,500	13,917	(6,417)	186%
Total	265,000	119,632	145,368	45%

M-S-R PPA Duncan Summary

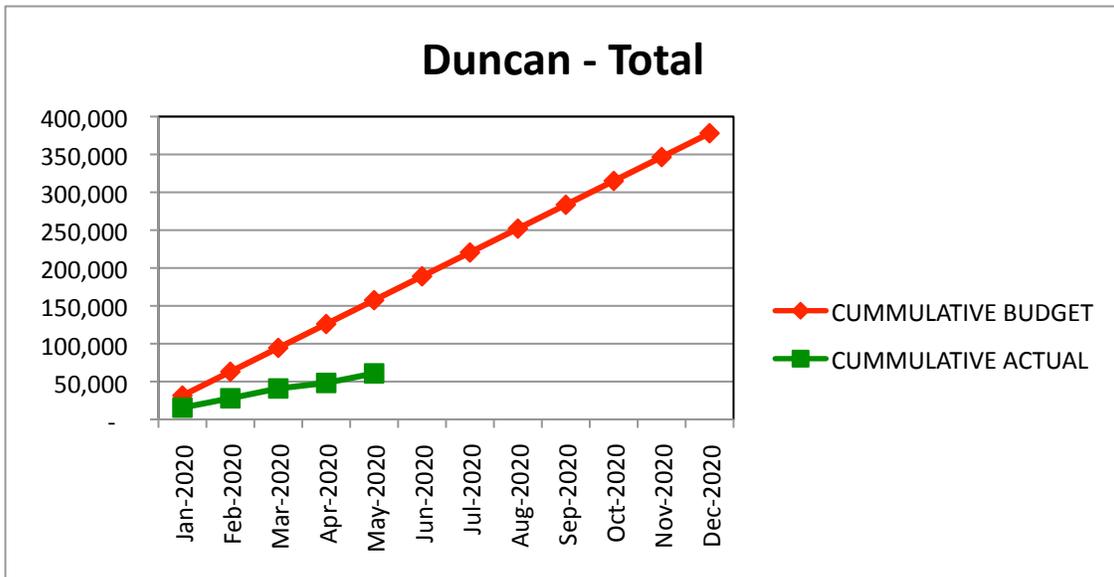
Month of: **Jun-2020**

CURRENT MONTH

	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Generation	0	0	0	0%
Gen - Other	0	0	0	0%
Renewables	250	0	250	0%
Rens - Other	22,917	0	22,917	0%
Reg & Comp	8,333	0	8,333	0%
Administrative	0	0	0	0%
Total	31,500	0	31,500	0%

YEAR TO DATE

	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Generation	0	0	0	0%
Gen - Other	0	0	0	0%
Renewables	1,500	0	1,500	0%
Rens - Other	137,500	32,373	105,127	24%
Reg & Comp	50,000	28,436	21,564	57%
Administrative	0	0	0	0%
Total	189,000	60,809	128,191	32%



M-S-R PPA Berlin Summary

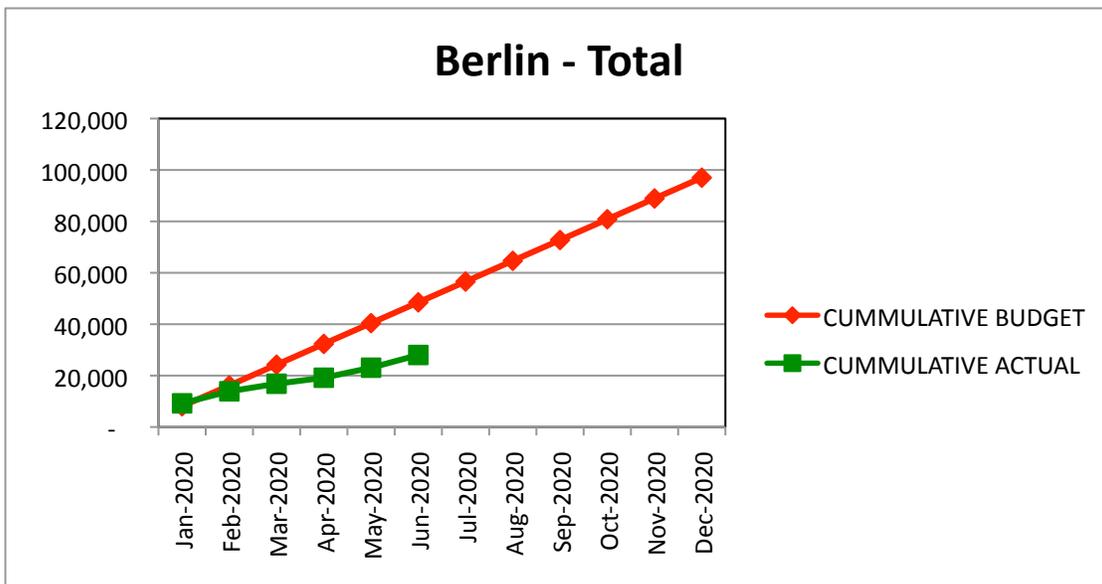
Month of: **Jun-2020**

CURRENT MONTH

	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Generation	0	0	0	0%
Gen - Other	0	0	0	0%
Renewables	1,833	3,432	(1,599)	187%
Rens - Other	0	0	0	0%
Reg & Comp	6,250	1,521	4,729	24%
Administrative	0	0	0	0%
Total	8,083	4,953	3,130	61%

YEAR TO DATE

	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Generation	0	0	0	0%
Gen - Other	0	0	0	0%
Renewables	11,000	11,349	(349)	103%
Rens - Other	0	0	0	0%
Reg & Comp	37,500	16,676	20,824	44%
Administrative	0	0	0	0%
Total	48,500	28,025	20,475	58%



M-S-R PPA Misc Legal Summary

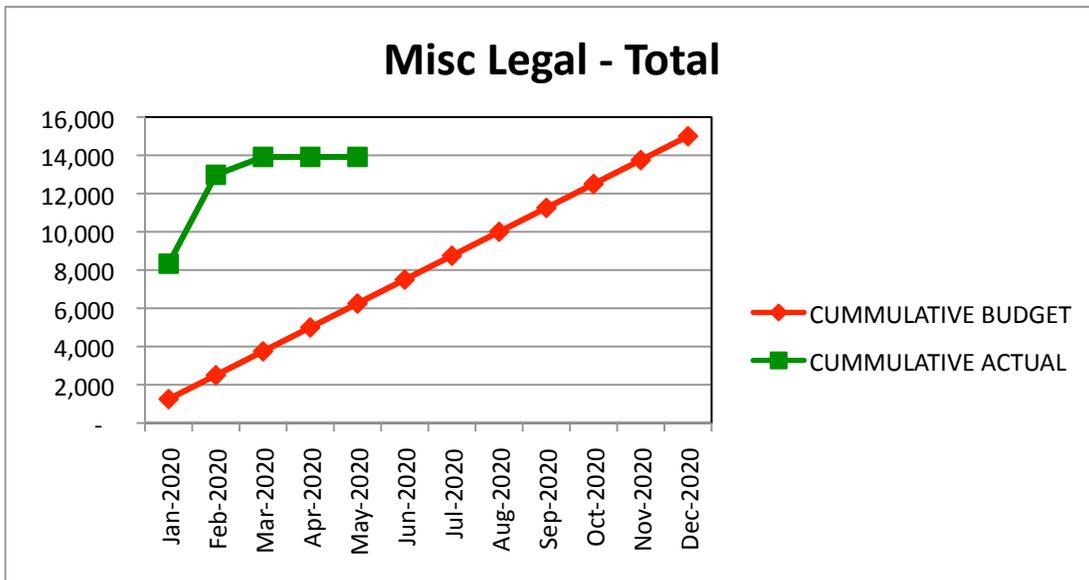
Month of: **Jun-2020**

CURRENT MONTH

	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Generation	0	0	0	0%
Gen - Other	1,250	0	1,250	0%
Renewables	0	0	0	0%
Rens - Other	0	0	0	0%
Reg & Comp	0	0	0	0%
Administrative	0	0	0	0%
Total	1,250	0	1,250	0%

YEAR TO DATE

	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Generation	0	0	0	0%
Gen - Other	7,500	13,917	(6,417)	186%
Renewables	0	0	0	0%
Rens - Other	0	0	0	0%
Reg & Comp	0	0	0	0%
Administrative	0	0	0	0%
Total	7,500	13,917	(6,417)	186%



M-S-R PPA Porter Simon Summary

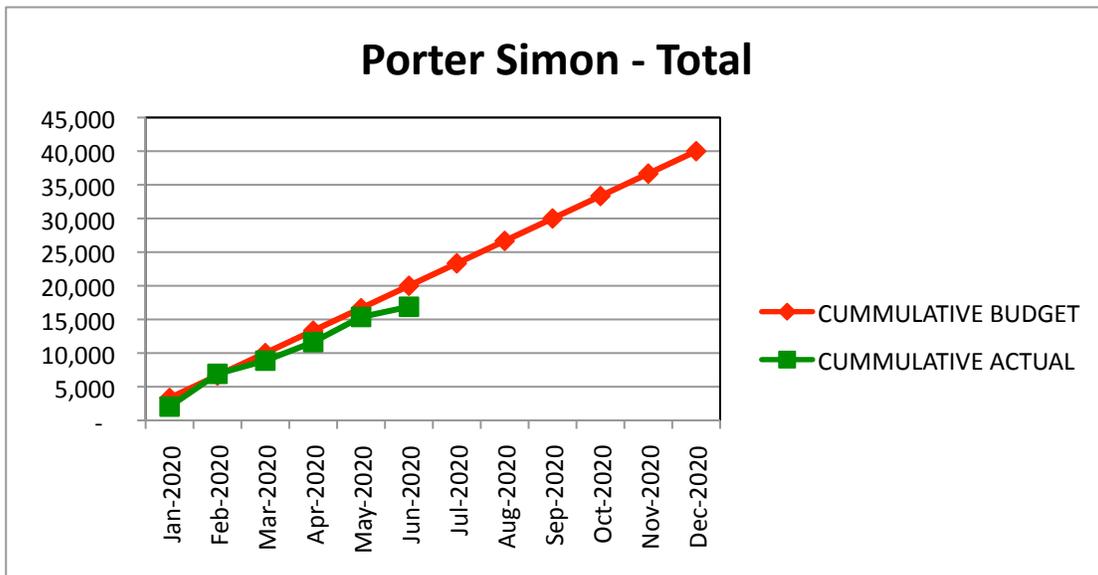
Month of: **Jun-2020**

CURRENT MONTH

	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Generation	2,083	1,408	675	68%
Gen - Other	0	0	0	0%
Renewables	167	0	167	0%
Rens - Other	0	0	0	0%
Reg & Comp	83	0	83	0%
Administrative	1,000	110	890	11%
Total	3,333	1,518	1,815	46%

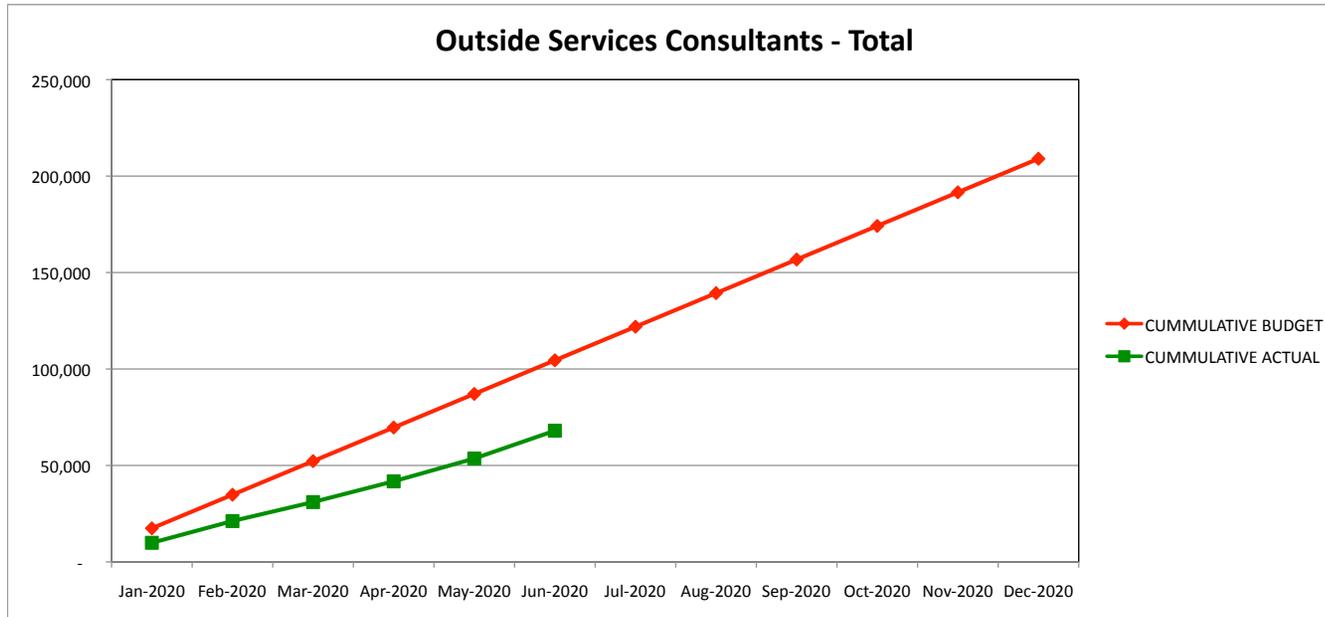
YEAR TO DATE

	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Generation	12,500	11,836	664	95%
Gen - Other	0	0	0	0%
Renewables	1,000	0	1,000	0%
Rens - Other	0	0	0	0%
Reg & Comp	500	0	500	0%
Administrative	6,000	5,045	955	84%
Total	20,000	16,881	3,119	84%



M-S-R PPA Total Outside Consult Summary

Month of: **Jun-2020**



CURRENT MONTH				
By Function	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Generation	3,000	3,816	(816)	127%
Gen - Other	0	0	0	0%
Renewables	5,750	2,544	3,206	44%
Rens - Other	5,833	7,644	(1,811)	131%
Reg & Comp	1,583	0	1,583	0%
Administrative	1,250	424	826	34%
Total	17,417	14,428	2,989	83%

YEAR TO DATE				
By Function	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Generation	18,000	18,444	(444)	102%
Gen - Other	0	0	0	0%
Renewables	34,500	24,814	9,687	72%
Rens - Other	35,000	13,741	21,259	39%
Reg & Comp	9,500	5,098	4,403	54%
Administrative	7,500	5,924	1,576	79%
Total	104,500	68,020	36,480	65%

By Provider	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Navigant	250	0	250	0%
KBT	14,000	14,428	(428)	103%
Others	3,167	0	3,167	0%
Total	17,417	14,428	2,989	83%

By Provider	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Navigant	1,500	412	1,088	27%
KBT	84,000	57,413	26,587	68%
Others	19,000	10,195	8,805	54%
Total	104,500	68,020	36,480	65%

M-S-R PPA Navigant Summary

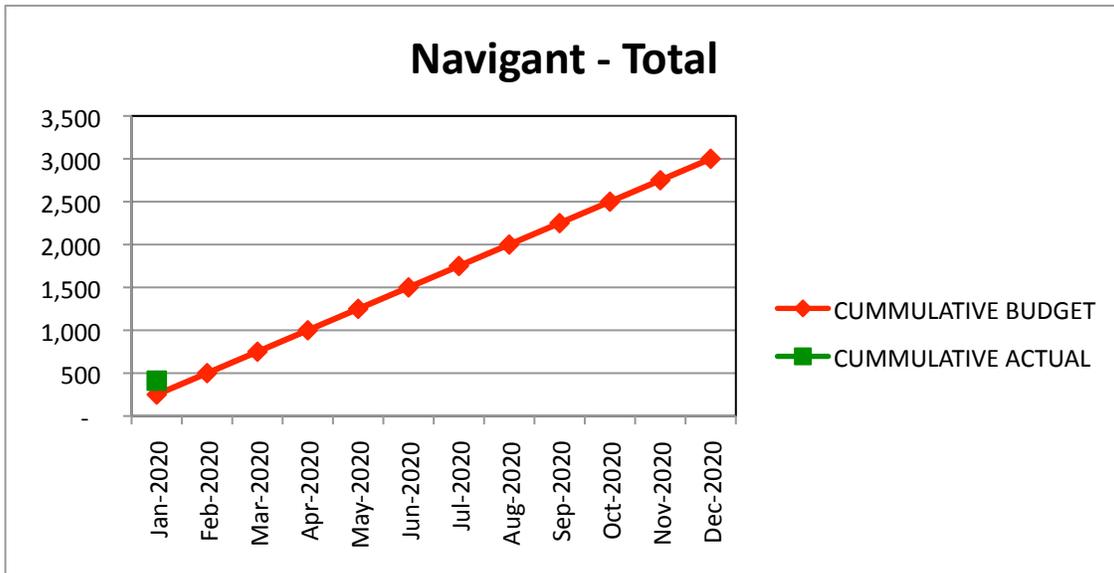
Month of: **Jun-2020**

CURRENT MONTH

	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Generation	0	0	0	0%
Gen - Other	0	0	0	0%
Renewables	0	0	0	0%
Rens - Other	0	0	0	0%
Reg & Comp	0	0	0	0%
Administrative	250	0	250	0%
Total	250	0	250	0%

YEAR TO DATE

	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Generation	0	0	0	0%
Gen - Other	0	0	0	0%
Renewables	0	0	0	0%
Rens - Other	0	0	0	0%
Reg & Comp	0	0	0	0%
Administrative	1,500	412	1,088	27%
Total	1,500	412	1,088	27%



M-S-R PPA KBT Summary

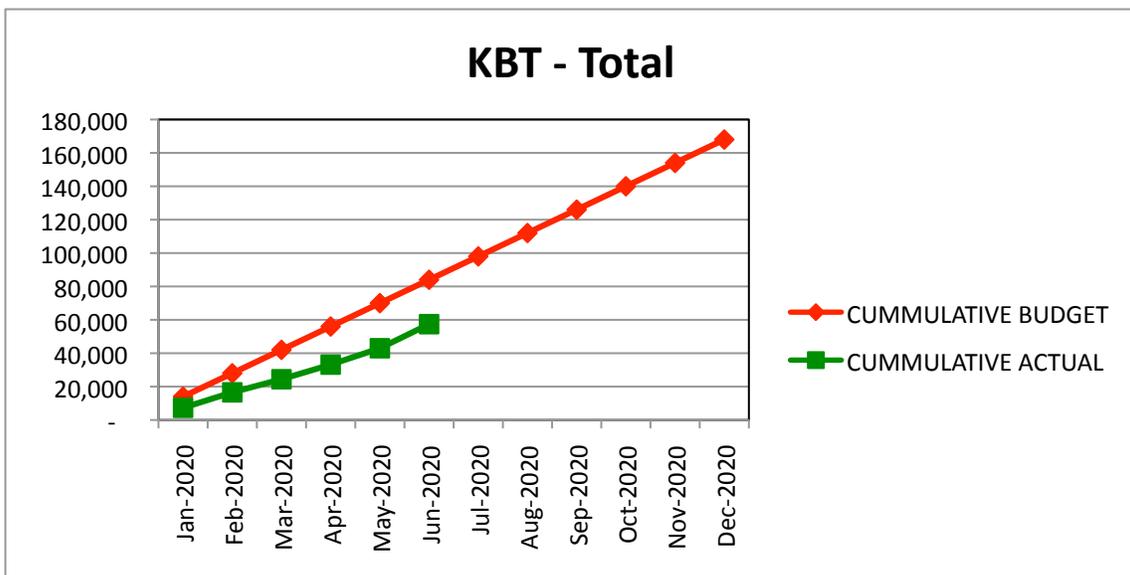
Month of: **Jun-2020**

CURRENT MONTH

	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Generation	3,000	3,816	(816)	127%
Gen - Other	0	0	0	0%
Renewables	4,167	2,544	1,623	61%
Rens - Other	5,833	7,644	(1,811)	131%
Reg & Comp	0	0	0	0%
Administrative	1,000	424	576	42%
Total	14,000	14,428	(428)	103%

YEAR TO DATE

	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Generation	18,000	18,444	(444)	102%
Gen - Other	0	0	0	0%
Renewables	25,000	19,716	5,284	79%
Rens - Other	35,000	13,741	21,259	39%
Reg & Comp	0	0	0	0%
Administrative	6,000	5,512	488	92%
Total	84,000	57,413	26,587	68%



M-S-R PPA

Misc Outside Services Summary

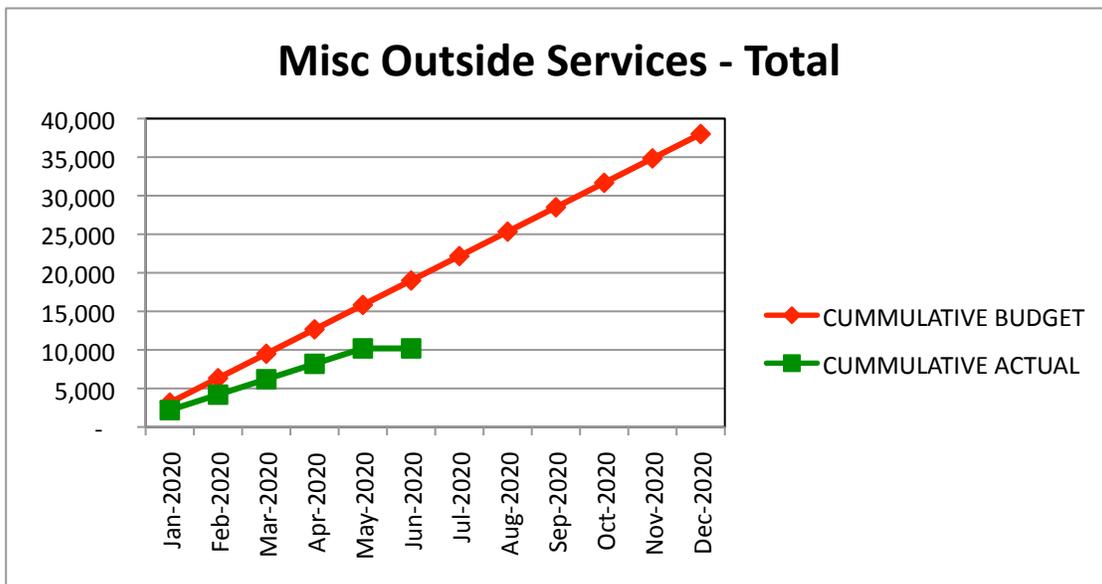
Month of: **Jun-2020**

CURRENT MONTH

	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Generation	0	0	0	0%
Gen - Other	0	0	0	0%
Renewables	1,583	0	1,583	0%
Rens - Other	0	0	0	0%
Reg & Comp	1,583	0	1,583	0%
Administrative	0	0	0	0%
Total	3,167	0	3,167	0%

YEAR TO DATE

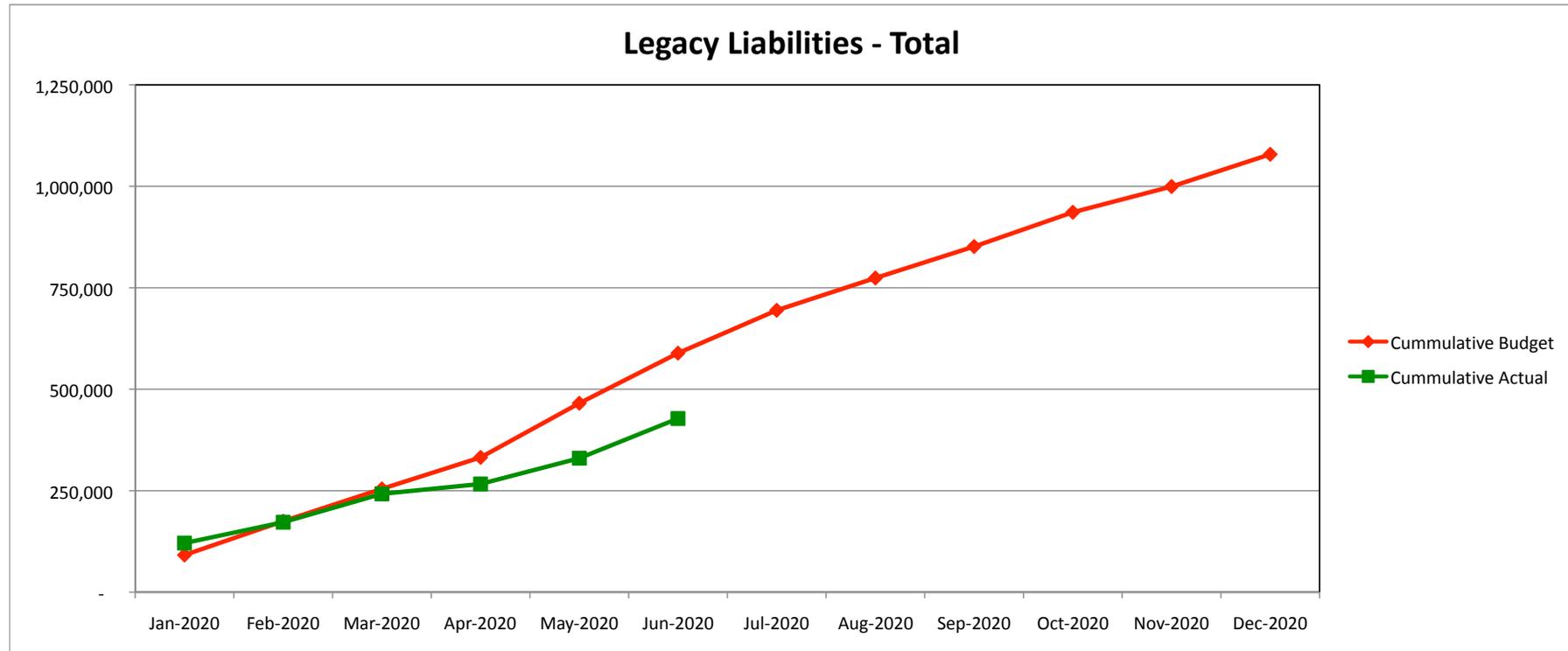
	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Generation	0	0	0	0%
Gen - Other	0	0	0	0%
Renewables	9,500	5,098	4,403	54%
Rens - Other	0	0	0	0%
Reg & Comp	9,500	5,098	4,403	54%
Administrative	0	0	0	0%
Total	19,000	10,195	8,805	54%



Consultant Costs - 2020	2020 Budget	Revised Budget	Task Orders	Jan-2020	Feb-2020	Mar-2020	Apr-2020	May-2020	Jun-2020	Jul-2020	Aug-2020	Sep-2020	Oct-2020	Nov-2020	Dec-2020	Total	Average	Year-End Projection	Notes
				8.33%	16.67%	25.00%	33.33%	41.67%	50.00%	58.33%	66.67%	75.00%	83.33%	91.67%	100.00%				
Navigant																			
Generation																			
General	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Renewables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Regulatory & Comp	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Administrative	5,000	3,000		412.14												412	412	4,946	
	5,000	3,000		412.14												412	412	4,946	
				13.74%	13.74%	13.74%	13.74%	13.74%	13.74%	13.74%	13.74%	13.74%	13.74%	13.74%	13.74%			165%	
KBT																			
Generation																			
General	21,000	36,000		2,120	3,180	3,392	2,120	3,816	3,816.00							18,444	3,074	36,888	
Gen - Other																			
SJGS Disposition				-												-	-	-	
Renewables																			
General	50,000	50,000		3,604	3,604	2,968	3,816	3,180	2,544.00							19,716	3,286	39,432	
Rens - Other																			
BP-20 Rate Case	70,000	70,000																	BP-20 Rate Case
KBT 2020-01			2,912	728	1,638											2,366	1,183	2,366	Jan - Feb
KBT 2020-02			2,912			637	910									1,547	774	1,547	Mar - Apr
KBT 2020-03			12,740					2,184	7,644.00							9,828	4,914	9,828	May - Jun
KBT 2020-04			21,840													-	-	-	Jul - Aug
KBT 2020-0x																-	-	-	Sep - Oct
KBT 2020-0x																-	-	-	Nov - Dec
Sum			40,404													13,741		13,741	
Regulatory & Comp																			
Administrative	15,000	12,000		848	848	848	1,908	636	424.00							5,512	919	11,024	
	156,000	168,000	40,404	7,300	9,270	7,845	8,754	9,816	14,428.00							57,413	14,149	101,085	
				4.35%	9.86%	14.53%	19.74%	25.59%	34.17%	34.17%	34.17%	34.17%	34.17%	34.17%	34.17%	34.17%	57,413		60%
SUBTOTAL	161,000	171,000		7,712	9,270	7,845	8,754	9,816	14,428							57,825	14,561	106,031	
				4.79%	10.55%	15.42%	20.86%	26.95%	35.92%	35.92%	35.92%	35.92%	35.92%	35.92%	35.92%			62%	
Outside Services																			
Generation																			
Renewables																			
Ferguson Group	5,000	5,000																	
Politico Group	14,000	14,000		1,098	1,000	1,000	1,000	1,000	-	-	-	-	-	-	-	5,098	425	5,098	
Rens - Other																			
Regulatory & Comp																			
Ferguson Group	5,000	5,000																	
Politico Group	14,000	14,000		1,098	1,000	1,000	1,000	1,000	-	-	-	-	-	-	-	5,098	425	5,098	
Administrative	38,000	38,000		2,195	2,000	2,000	2,000	2,000	-	-	-	-	-	-	-	10,195	850	10,195	
				5.78%	11.04%	16.30%	21.57%	26.83%	26.83%	26.83%	26.83%	26.83%	26.83%	26.83%	26.83%			27%	
GRAND TOTAL	199,000	209,000		9,907	11,270	9,845	10,754	11,816	14,428							68,020	15,411	116,226	
				4.98%	10.64%	15.59%	20.99%	26.93%	34.18%	34.18%	34.18%	34.18%	34.18%	34.18%	34.18%			56%	
	Original 2020 Budget	Revised 2020 Budget																	
G	21,000	36,000																	36,888
G - Other																			
R	69,000	69,000																	44,530
R - Other	70,000	70,000																	13,741
R&C	19,000	19,000																	5,098
A	20,000	15,000																	15,970
	199,000	209,000																	116,226
50/35/15	41,000	51,000																	52,858
Renew	139,000	139,000																	58,271

Legacy Liability - Total

Month of: Jun-2020



CURRENT MONTH

By Function	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
PNM - Reclamation	3,500	5,144	(1,644)	147%
SJCC - Reclamation	120,000	92,613	27,387	77%
PNM - Decommission	0	0	0	0%
Total	123,500	97,757	25,743	79%

YEAR TO DATE

By Function	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
PNM - Reclamation	21,000	10,489	10,511	50%
SJCC - Reclamation	568,000	380,544	187,456	67%
PNM - Decommission	0	36,768	(36,768)	#DIV/0!
Total	589,000	427,800	161,200	73%

PNM - Reclamation

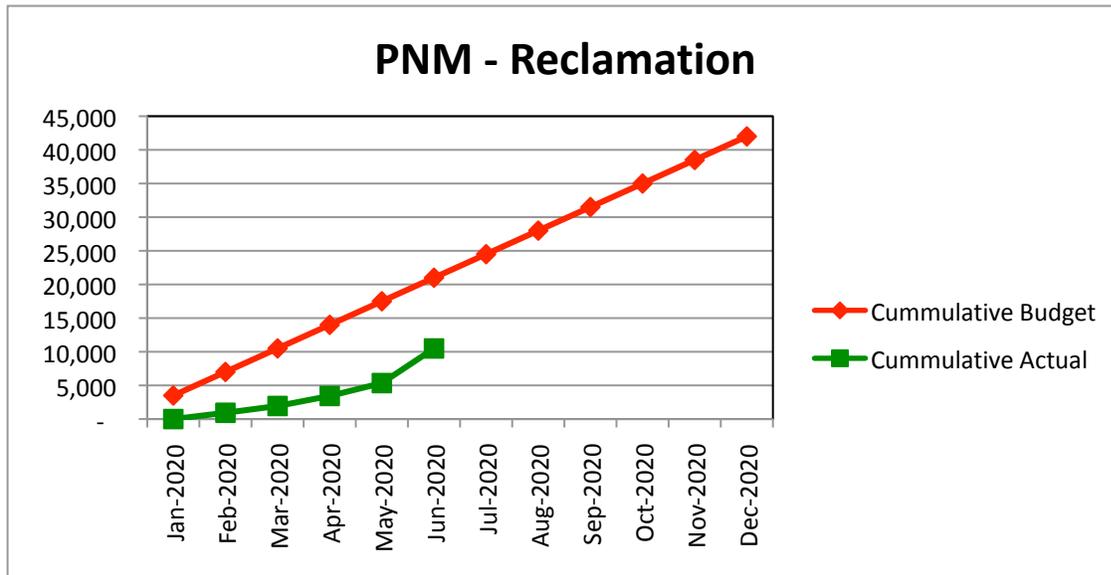
Month of: **Jun-2020**

CURRENT MONTH

	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Generation	3,500	5,144	(1,644)	147%
Total	3,500	5,144	(1,644)	147%

YEAR TO DATE

	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Generation	21,000	10,489	10,511	50%
Total	21,000	10,489	10,511	50%



SJCC - Reclamation

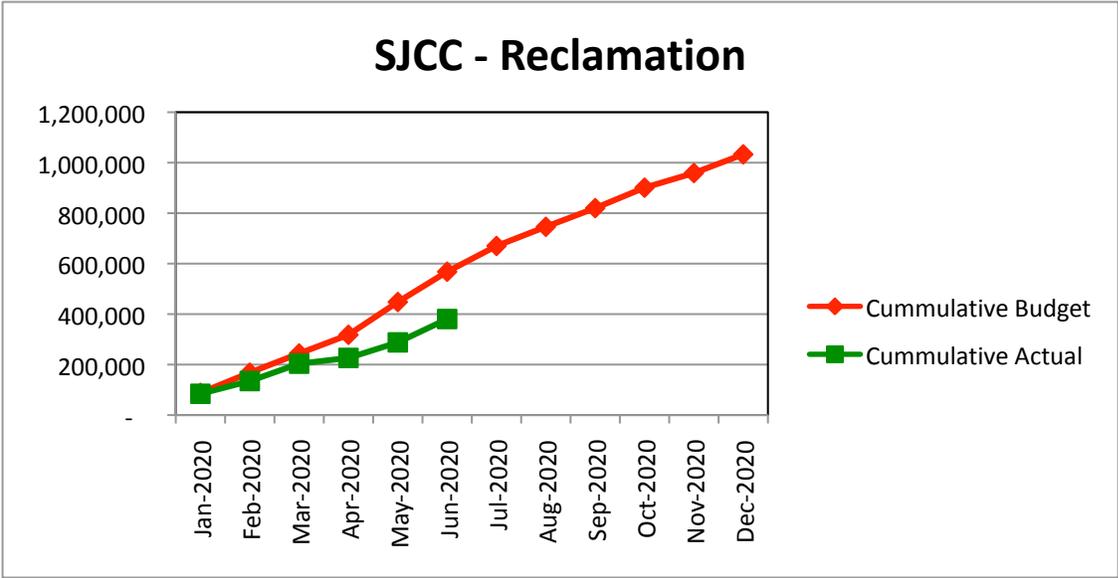
Month of: **Jun-2020**

CURRENT MONTH

	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Generation	120,000	92,613	27,387	77%
Total	120,000	92,613	27,387	77%

YEAR TO DATE

	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Generation	568,000	380,544	187,456	67%
Total	568,000	380,544	187,456	67%



PNM - Decommissioning

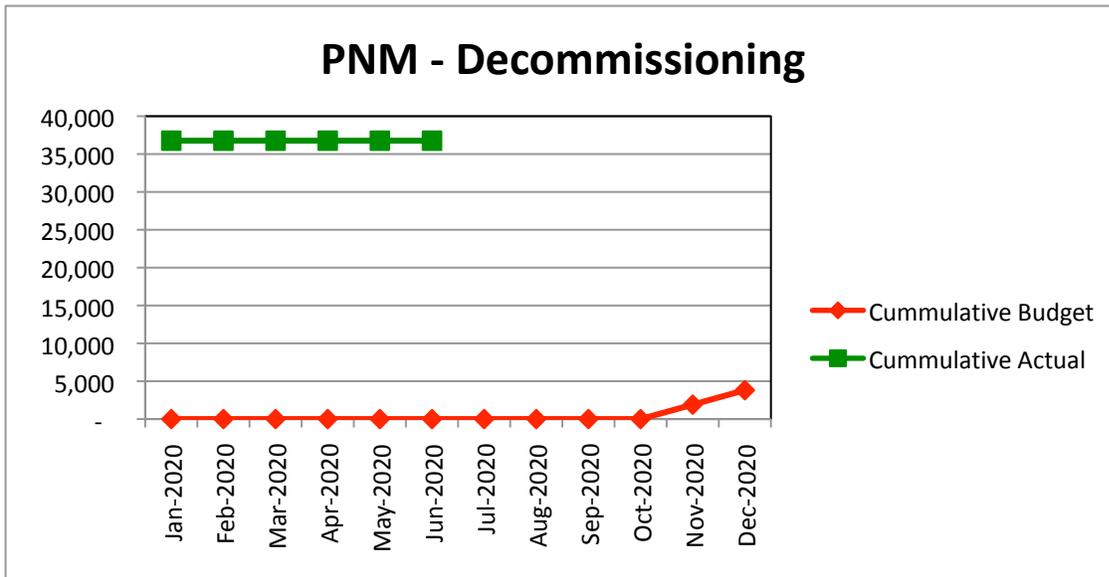
Month of: **Jun-2020**

CURRENT MONTH

	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Generation	0	0	0	0%
Total	0	0	0	0%

YEAR TO DATE

	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Generation	0	36,768	(36,768)	#DIV/0!
Total	0	36,768	(36,768)	#DIV/0!



Legacy Liability Costs - 2020	M-S-R 2020 Budget	Revised or A.O.P	Jan-2020 8.33%	Feb-2020 16.67%	Mar-2020 25.00%	Apr-2020 33.33%	May-2020 41.67%	Jun-2020 50.00%	Jul-2020 58.33%	Aug-2020 66.67%	Sep-2020 75.00%	Oct-2020 83.33%	Nov-2020 91.67%	Dec-2020 100.00%	Total	Average	Year-End Projection
PNM - Reclamation - Budget	42,000	42,000	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	42,000		
Cummulative Budget			3,500	7,000	10,500	14,000	17,500	21,000	24,500	28,000	31,500	35,000	38,500	42,000			
Reclamation Trust Funds Operating Agent			-	930	1,012	1,490	1,912	5,144.05							10,489	1,748	20,978
Cummulative Actual	42,000	42,000	-	930	1,012	1,490	1,912	5,144.05	-	-	-	-	-	-	10,489	1,748	20,978
			0.00%	2.22%	4.63%	8.17%	12.73%	24.97%	24.97%	24.97%	24.97%	24.97%	24.97%	24.97%			50%
SJCC - Reclamation - Budget			88,000	80,000	76,000	74,000	130,000	120,000	102,000	76,000	74,000	81,000	58,000	74,000	1,033,000		
Cummulative Budget			88,000	168,000	244,000	318,000	448,000	568,000	670,000	746,000	820,000	901,000	959,000	1,033,000			
			88,000	168,000	244,000	318,000	448,000	568,000	670,000	746,000	820,000	901,000	959,000	1,033,000			
San Juan - Surface	1,033,000	1,033,000	84,228	50,500	68,861	22,783	61,560	92,612.80							380,544	63,424	761,087
San Juan - Underground			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cummulative Actual	1,033,000	1,033,000	84,228	50,500	68,861	22,783	61,560	92,612.80	-	-	-	-	-	-	380,544	63,424	761,087
			8.15%	13.04%	19.71%	21.91%	27.87%	36.84%	36.84%	36.84%	36.84%	36.84%	36.84%	36.84%			74%
PNM - Decommissioning	-	3,812	-	-	-	-	-	-	-	-	-	-	1,906	1,906	3,812		
Cummulative Budget			-	-	-	-	-	-	-	-	-	-	1,906	3,812			
Initial Decommissioning			36,768	-	-	-	-	-	-	-	-	-	-	-	36,768	6,128	73,536
Cummulative Actual	-	3,812	36,768	-	-	-	-	-	-	-	-	-	-	-	36,768	6,128	73,536
			964.61%	964.61%	964.61%	964.61%	964.61%	964.61%	964.61%	964.61%	964.61%	964.61%	964.61%	964.61%			1929.22%
Total Legacy Liability		1,078,812	120,996	51,430	69,873	24,272	63,472	97,757	-	-	-	-	-	-	427,800	71,300	855,601
			120,996	172,426	242,299	266,572	330,044	427,800	427,800	427,800	427,800	427,800	427,800	427,800			
			11.22%	15.98%	22.46%	24.71%	30.59%	39.65%	39.65%	39.65%	39.65%	39.65%	39.65%	39.65%			79%
Cummulative Budget			91,500	175,000	254,500	332,000	465,500	589,000	694,500	774,000	851,500	936,000	999,406	1,078,812			
Cummulative Actual			120,996	172,426	242,299	266,572	330,044	427,800	427,800	427,800	427,800	427,800	427,800	427,800			

M-S-R Public Power Agency Staff Report

Date: July 30, 2020
From: Martin R. Hopper, General Manager
To: M-S-R PPA Commission
Subject: 2021 M-S-R Coordinator Agreement Extension

The base term of the current M-S-R Coordinator agreement with MID expires February 28, 2021 and the agreement specifies that if M-S-R PPA is to extend the agreement for the first (of three) optional one-year extensions, we are to provide notice to MID no later than December 31, 2020.

The 2020 M-S-R PPA Strategic Plan addresses this issue as follows:

"Cost Containment – M-S-R Coordinator:

M-S-R PPA awarded a contract to Modesto in 1999 to provide Coordinator services. This agreement was for a three-year term with three optional one-year extensions and expired April 1, 2005. The M-S-R PPA Commission awarded similarly structured successor contracts to Modesto in 2004, 2011 and 2018. The M-S-R Coordinator currently provides pre-scheduling, scheduling, real-time dispatch and settlements services for the Big Horn Wind Energy Projects.

Potential Actions:

1. Review cost efficacy of continued Modesto provision of M-S-R Coordinator services prior to the December 31, 2020 deadline to notify Modesto of the first one-year extension of the current agreement."

MID Staff has completed a preliminary review of the scope of services outlined in Exhibits A-1 and A-2 and to check whether they remain complete and applicable to their duties regarding the Big Horn Wind Energy Projects and have begun to review the payment provisions and amounts in Exhibit B to ascertain whether they remain fair and reasonable to MID and the Members.

Confirm at September 3 Tech Mtg: [I recommend the Commission approve a one-year extension of the M-S-R Coordinator Services Agreement for the period March 1, 2021 through February 28, 2021.]

M-S-R Public Power Agency Staff Report

Date: July 30, 2020
From: Martin R. Hopper, General Manager
To: M-S-R PPA Technical Committee
Subject: 2020 Strategic Plan and Policies and Procedures Manual Updates

Strategic Plan Update:

Each year the Agency reviews and updates its Strategic Plan for the ensuing five-year period. The highest level goals of the Agency relate to achieving “clean-breaks” from San Juan Legacy Liabilities, and to streamlining the management of the Big Horn Wind Energy Projects.

The General Manager will provide an initial mark-up for Member review. Member comments on the General Manager’s initial draft are then consolidated and reviewed in a workshop format by the Technical Committee at its regular September meeting and are subsequently provided to the Commission for its consideration at its regular September meeting. As in recent years, an additional special workshop will held to further refine the priorities and workplans regarding Pacific Northwest/Bonneville Power Administration issues and rate cases.

The adopted Strategic Plan is then used in the preparation of the Agency’s annual budget to be adopted at its November meeting. The Strategic Plan also provides guidance to the General Manager in the preparation of his workplan and goals and objectives for the ensuing year.

The General Manager has set the following schedule for this year’s review:

- General Manager/General Consultant Initial Review – July 30, 2020
- Technical Committee Input re High Level Goals – August 5, 2020
- General Manager’s Markups - August 19, 2020
- Member Mark-Ups and Commentary – August 26, 2020
- Technical Committee Workshop – September 3, 2020
- BPA Day Technical Committee Workshop – September
- Commission Review – September 30, 2020

Key Issues for update identified in General Manager/General Consultant Initial Review:

- San Juan Mine Reclamation “Clean-Break”:
 - Completion of negotiations with WSJM for buyout of liabilities.
- San Juan Decommissioning “Clean-Break”:
 - Completion of negotiations for sale of Lake & River Station to USBR.
 - Approval of Demolition Plan or Sale to Farmington/Enchant for balance of facilities.

- Big Horn Wind Energy Projects:
 - Negotiation of conformed agreements and establishment/update of indices for Extension Period Operations.
 - Complete BPA Rate Case BP-22 processes and mitigate transmission rate impacts.
- Working Capital Policy
 - Implement new policies.
- Agency Web-Site
 - Update at reasonable cost (including e-mail and document-sharing portals).

Policies and Procedures Manual Update:

The Agency’s Policies and Procedures Manual was last revised September 19, 2018. At that time the Commission directed that the reviews and update of the Policies and Procedures Manual would be performed biennially.

A similar schedule as contemplated for the annual update of the Strategic Plan will be applied to the review of the Policies and Procedures Manual:

- General Manager/General Consultant Initial Review – July 30, 2020
- Technical Committee Input regarding Gap Analyses – August 5, 2020
- General Manager’s Markups - August 19, 2020
- Member Mark-Ups and Commentary – August 26, 2020
- Technical C’tee Workshop – September 3, 2020
- Commission Review – September 30, 2020

Key Issues for update identified in General Manager/General Consultant Initial Review:

- General Manager Succession Plan
- Wildfire Mitigation Plans
- Working Capital Policy
- Counterparty Credit Reporting/Alerts
- Enterprise System Catalog (SB 272)

M-S-R Public Power Agency Staff Report

Date: July ~~30~~, 2020 (Revised)
From: Martin R. Hopper, General Manager
To: M-S-R PPA Commission
Subject: Discussion and Possible Action Regarding Agency Working Capital Policies

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Commission Assignment:

The Commission has requested the General Manager review the Agency's working capital policies and present recommended updates for consideration. This report (as revised pursuant to discussions at the May 7, 2020 M-S-R PPA Technical Committee, May 20, 2020 Commission, and June 11, 2020 M-S-R PPA Financial Management Committee (FMC) meetings) provides an overview of existing policies and available funds, surveys best practices, and provides proposed new policies.

Commission and Committee Review and Input to Date:

At its May 20, 2020 meeting, the Commission reviewed the revised initial draft report and provided the following feedback:

- Supported the concept of a strategic reserve with appropriate tranches dedicated to particular functions;
- Reserve policy should be sufficiently flexible to address changing circumstances and not be overly prescriptive;
- Initial reserve levels should be sufficient to support an expectation that the Agency will not need future member cash calls to build reserves or fund legacy liability expenses; and
- Existing reserves will not, unless required to address emergency needs, be rebated to members until legacy liabilities are satisfied.

At its June 11, 2020 meeting, the FMC provided an overview of the Member's individual reserve policies and funding status and noted the following:

- The Members maintain substantial reserves supporting long-term credit ratings of Fitch AA- or greater.
- The Members treat their Joint Powers Agency obligations as operating expenses that are subject to their own internal reserve requirements.

- The Members’ Joint Powers Agency obligations and payment requirements are specified by contract and indentures as high priority and non-discretionary expenditures.
- The Committee suggested that the Agency should consider these forms of payment certainty in setting operating reserve requirements for Member-invoiced services.

At its July 22, 2020 meeting, the Commission reviewed a revised draft report incorporating the above suggestions and provided the following feedback:

- As Member credits and reserves are strong, the policy should identify minimum funding levels for each tranche in addition to suggested targets and rely on those strengths to cover any shortfalls between targets and minimums provided overall reserve levels are satisfactory.
- Cash calls to raise reserve levels are to be avoided if at all possible.
- Disbursements of reserves greater than target levels should only be made as directed by future Commissions.

Financial Advisor Survey of Best Practices and Rating Agency Criteria:

In summary, the Agency’s Financial Advisor found a wide range of reserves held specifically by public power entities in California and as reported by the three major rating agencies on “days of cash on hand” basis as follows:

- Rating Agency liquidity credit metric for “A” rating: Minimum 90-days
- S&P A+ Rated Retail Electric & Gas Utilities Median: Minimum 220-days
- Moody’s A Rated Joint Action Agencies Median: Minimum 157-days
- Fitch A+ Rated Public Power Median: Minimum 157-days.

General Operating Reserves Policies:

- Surveyed California Entities: 7
- Minimum Reserve (Median): 116-days
- Target – Where Specified (Median): 130-days

Purchased Power/Rate Stabilization Reserve Policies separate from General Operating Reserves and re-calculated on a “days of cash on hand” basis:

- Surveyed Entities: 6
- Minimum Reserve (Median): 57-days
- Target – Where Specified (Median): 63-days

Legacy Liabilities – Environmental/Regulatory and Decommissioning Reserves:

- Surveyed Entities: 3
- Trusts or Restricted Reserves equal to current nominal estimates of remaining liabilities.
- Targets – Full independently estimated liability.

Member Reported Reserves:

Modesto Irrigation District:

- Minimum: 120-days
- Informal Target: 200-days

City of Santa Clara/Silicon Valley Power:

- All reserves¹ 349-days

City of Redding/Redding Electric Utility:

- Unrestricted reserves - Minimum 75-days
- Unrestricted reserves – Target 150-days
- Unrestricted reserves – Upper Bound² 180-days

Qualitative Factors:

As enumerated above, M-S-R’s Members are highly rated and maintain significant working capital reserves. Although all Member’s have been affected by COVID-19 related operation restrictions and customer demand reductions, none have reported a need to draw on reserves at this time. By covenant and contract, payments of M-S-R expenses are highly prioritized. Therefore, it is reasonable to rely on the strength of Member credits and cash-flows and set M-S-R’s working capital requirements at the lower-end of ranges suggested by best practices and rating agency criteria.

Existing Reserve Policies:

The Agency’s existing policies are described in Section III (B) Working Capital and Member Payments, of the Policies and Procedures Manual adopted by the M-S-R PPA Commission September 19, 2018, as follows:

“To allow the Agency to invoice the Members monthly for actual generation and variable costs incurred in the prior month and not utilize estimated invoices billed in advance of expenditures, the Agency maintains a nominal 60-day working capital reserve in its Operating Fund.³ The Agency also has created a Member Cash Call Reserve Account (MCCRA) whereby funds may be accumulated at the direction of the Commission for

¹ Operating cash (minimum \$65 million) and wholesale revenue reserves, general reserve, strategic reserve, rate stabilization fund (minimum \$120 million), construction cash, and DVR power plant reserves as stated by Fitch.

² Current balance as computed by Rating Agencies is 240-days including customer deposits and construction cash, which Redding excludes from its internal calculations.

³ Resolution No. 2013-07, Adopted October 16, 2013, Regarding Working Capital Policy.

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unexpected operation and maintenance expenses, repair costs, capital improvements, replacements, or betterments related to M-S-R Projects, and to reduce debt or make debt service payments.⁴ The Agency’s fixed costs, including Debt Service payments are invoiced monthly at one-twelfth of the total amounts adopted in the Annual Budget and trued-up after the close of the fiscal year. Working capital requirements are reviewed on an annual basis as part of the preparation of the Annual Budget. Member payments are made by wire transfer or electronic equivalent pursuant to a policy previously implemented for M-S-R PPA on the basis of administrative efficiency.⁵ In 2016, the Commission adopted a policy designating various uses and transfers of reserves and working capital related to the payment of existing and potential San Juan Project Legacy Liabilities.⁶

The Agency also maintains a Debt Service Coverage Revolving Fund as established pursuant to Resolutions 2016-01 and 2016-02 with a Funding Requirement of \$3,300,000 and is specified to be a sub-account of the Operating Fund.

Reconciliation of Operating Fund:

The following tabulation is based on funds reported in the March 31, 2020, M-S-R PPA Treasurer’s Report:

Description	Balance	Notes
General Fund (Gross)	\$41,200,000	Market Value
Member Cash Call Reserve Account (MCCRA)	\$200,000	
Debt Service Coverage Revolving Fund	\$2,200,000	Annual Funding Requirement of \$3,300,000 collected \$275,000 per month – Disbursed July 1 each year
San Juan Legacy Liability Designation per Resolution 2016-04 – Remaining Balance	\$6,000,000	Original Amount \$14,300,000 less disbursements of \$8,251,015 to Trusts and on-going Legacy Liability expenses to date
Reserve & Contingency Fund (Per Indenture)	\$2,800,000	10% of Expected Annual Debt Service Payments
Net Working Capital Available	\$30,000,000	
Budgeted Expenses	\$82,300,000	
Days On-Hand	133	

Specific Working Capital Recommendations:

The Strategic Reserve should be composed of five tranches, Operating Reserves pertaining to Administrative and General Budgets, Purchase Power, and San Juan Fixed Expenses; and Legacy Liabilities Reserves pertaining to Mine Reclamation, and San Juan Decommissioning. Although these five individual elements are computed separately to

⁴ Resolution No. 99-01, Adopted November 17, 1999 Establishing a Member Cash Call Reserve Account Policy and a Member Cash Call Reserve Account.

⁵ M-S-R PPA Director’s administrative directive dated June 8, 2007.

⁶ Resolution No. 2016-04, Adopted November 16, 2016, Regarding Use and Transfers of Reserves and Working Capital.

establish the total Strategic Reserve, they should be managed as a collective sum and not as individual reservations. Additionally, the Agency's Bond Indenture mandates a Reserve and Contingency Fund or "R&C Fund" (Bond Indenture §4.03(f)), which is to be maintained at all times the indenture is in effect (through July 1, 2022.) For the purposes of these recommended working capital allocations the R&C Fund of about \$2.8 million is assumed to be subsumed within the San Juan Fixed expenses component of the Strategic Reserve as discussed below. Where possible, minimum reserve levels as well as target reserve levels are recommended for each tranche.

Operating Reserves – Administrative and Operations Budgets:

This category includes Agency Administration & General, Generation Administration & General, Renewable Administrative, Coordinating Services, and Regulatory & Compliance.

Target: Recommended working capital target is 90-days on basis of Rating Agency liquidity metrics supported by Member reserve strength, otherwise 120-days would be recommended based on California peers.

Minimum: As invoicing is based on budgeted annual averages recommend minimum same as target.

Operating Reserves – Purchase Power:

This category includes the Big Horn I and Big Horn II Wind Energy Projects. Peer group comparisons would allow this category to be set as low as 60-days rather than the higher 90 or 120-day metrics applied to general operating reserves.

Target: Given Member reserve strength and high payment priority, a 60-day target would be appropriate here. Also given the wide monthly variances in expected power production by these renewable resources, the calculation basis for the reserves should be based on highest monthly average production plus two standard deviations as was done to meet the former Big Horn I lock-box requirements.

Minimum: Relying on Member credit strength, and because billings are based on actual expenses, a minimum of 30-days computed as above could be set. Based in historic experience, maximum Member delinquency has been 7-days.

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Operating Reserves – San Juan Fixed:

This category includes Agency Debt Administrative, Generation Plan Costs (excluding those associated with Legacy Liability administration), Interest Expense – Generation,

and Principal Payments – Generation. Peer group comparisons would allow this category to be set as low as 60-days rather than the higher 90 or 120-day metrics applied to general operating reserves. It should be noted that the Bond Indenture R&C Fund requirement equates to an additional 37-day reserve requirement on the Interest Expense – Generation, and Principal Payments – Generation line items that constitute the majority of cost in this category. However, one could argue that the Debt Service Coverage Revolving Fund payment is essentially duplicative of the R&C Fund and could be considered an offset for reserve-level setting purposes.

Target: ~~Given~~ Member reserve strength and high payment priority, a 60-day standard ~~can~~ be used ~~with~~ Debt Service Coverage Revolving Fund payment excluded from the calculation ~~and Agency will still meet Indenture requirements.~~

Minimum: ~~To meet Indenture requirements, 60-days as computed for Target will be required.~~

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Legacy Liabilities – Mine Reclamation Contingency and Administration:

Peer practice indicates holding only identified and expected obligations in reserve for legacy liabilities. The statement of liabilities in the Agency’s Financial Statements pursuant to GASB-83 for Legacy Liabilities is made the basis of a net present value computation and not on a nominal or cash-flow basis. Furthermore, although the Agency’s share of projected nominal San Juan Mine Reclamation costs is held in Trust, the Agency has been required to make substantial additional Trust Deposits to address changes in reclamation cost estimates (ranging from 16% reductions to 70% increases) and to address earnings shortfalls and annual expenditure variations (ranging from 2% to 4% of current Trust values.)

Reclamation administrative costs related to the duties of the Reclamation Agent (PNM) are funded by the Agency from reserves and are not invoiced to the Members. As of January 1, 2020, the present value of these administrative costs has been computed to be \$574,000 and the nominal value was computed to be \$799,000 through the year 2038.

Target: For this category, the Strategic Reserve should be set at the sum of the mid-points (45%) of historic variances of the reclamation cost estimates and of the annual Trust Balance shortfalls ~~applied to annual year-end Trust Balance requirement~~ plus the nominal sum of remaining annual administrative costs without further contingency.

Minimum: ~~Because the annual Trust Balance requirements would be the same as in the Target case, the minimum case only reduces administrative costs to a present value rather than nominal basis.~~

Legacy Liabilities – San Juan Decommissioning and Continuing Coverage Insurance Expense:

Peer practice indicates holding only identified and expected obligations in reserve for legacy liabilities. The statement of liabilities in the Agency's Financial Statements pursuant to GASB-83 for Legacy Liabilities is made the basis of a net present value computation and not on a nominal or cash-flow basis.

The latest study of decommission costs prepared by Burns and McDonnell was prepared on a Class 3 (accuracy of +/- 30%) basis in accordance with the Association for the Advancement of Cost Engineering (AACE) recommended guidance 18R-97. Within these estimates Burns and McDonnell assumed 20% contingencies on direct costs and 10% contingencies on in-direct (owner) costs. Therefore, there should not be a need to add additional contingency to the upper accuracy bound of the Class 3 estimate.

Continuing Coverage Insurance costs are funded by the Agency from reserves and are not invoiced to the Members. As of January 1, 2020, the present value of these insurance costs has been computed to be \$1,170,000 and the nominal value was computed to be \$2,250,000 through the year 2049.

Target: For this category, the Strategic Reserve Target should be set at 30% of the total nominal decommissioning cost estimate plus the nominal sum of remaining annual insurance costs (without further contingency) less any amounts on deposit in the Decommissioning Trust. Target is set on a nominal basis rather than present value as a present value expression of decommissioning costs does not address discount and earnings rate risk.

Minimum: Same as Target except computed on Net Present Value Basis.

Total Strategic Reserve:

A tabulation of these Strategic Reserve element recommendations as applied to the Agency's 2020 Budget and a 2023 budget projection follows:

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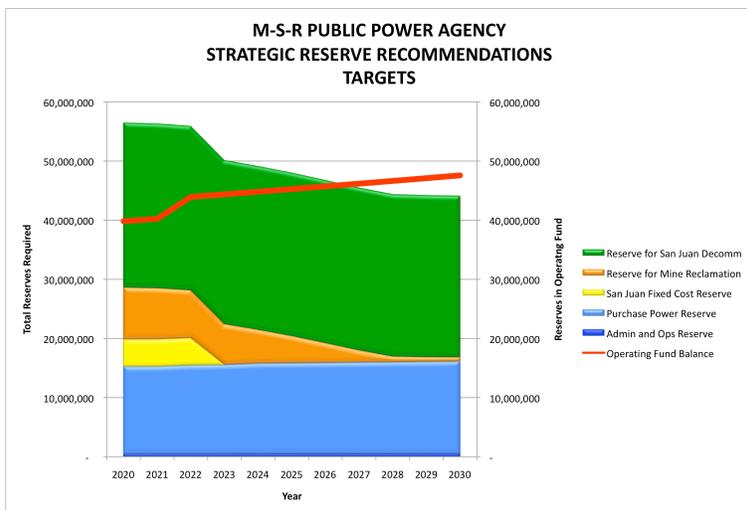
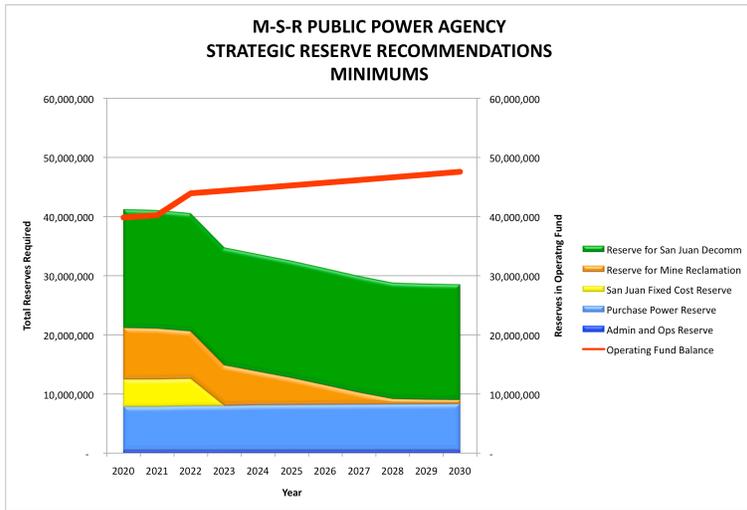
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M-S-R PPA STRATEGIC RESERVE - TARGET			
Category	2020 Budget	2023 Projection	2030 Projection
Administrative & Operations Reserve	461,000	478,000	527,000
Purchase Power Reserve	14,769,000	15,045,000	15,570,000
San Juan Fixed Cost Reserve	4,570,000	0	0
Reserve for Mine Reclamation	8,775,000	6,880,000	709,000
Reserve for San Juan Decommissioning	27,875,000	27,713,000	27,295,000
Total Strategic Reserve Target	56,450,000	50,116,000	44,101,000
Annual Budget	82,333,000	52,217,000	54,104,000
Total Working Capital In Days	250	350	298
Operating Fund Available	39,836,000	44,375,000	47,576,000
Potential Surplus	-16,614,000	-5,741,000	3,475,000

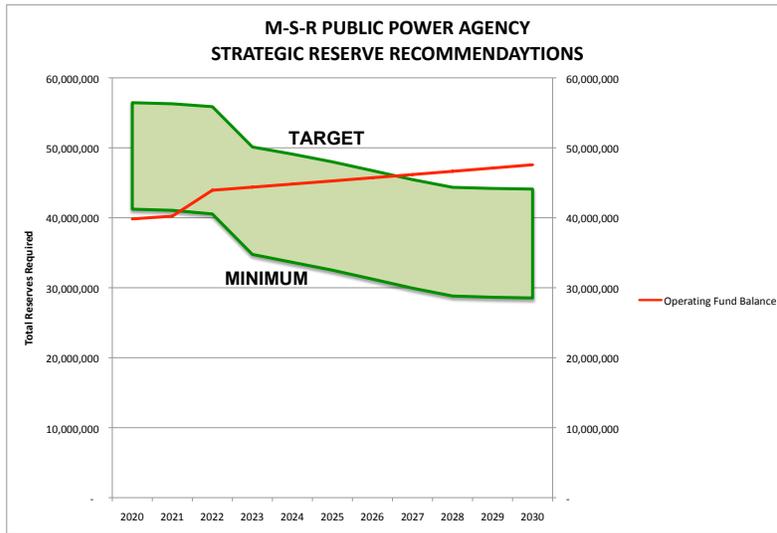
M-S-R PPA STRATEGIC RESERVE - MINIMUM			
Category	2020 Budget	2023 Projection	2030 Projection
<u>Administrative & Operations Reserve</u>	<u>461,000</u>	<u>478,000</u>	<u>527,000</u>
<u>Purchase Power Reserve</u>	<u>7,384,000</u>	<u>7,523,000</u>	<u>7,785,000</u>
<u>San Juan Fixed Cost Reserve</u>	<u>4,570,000</u>	<u>0</u>	<u>0</u>
<u>Reserve for Mine Reclamation</u>	<u>8,760,000</u>	<u>7,523,000</u>	<u>704,000</u>
<u>Reserve for San Juan Decommissioning</u>	<u>20,053,000</u>	<u>19,894,000</u>	<u>19,523,000</u>
Total Strategic Reserve Target	<u>41,228,000</u>	<u>34,762,000</u>	<u>28,539,000</u>
<u>Annual Budget</u>	<u>82,333,000</u>	<u>52,217,000</u>	<u>54,104,000</u>
<u>Total Working Capital In Days</u>	<u>183</u>	<u>243</u>	<u>193</u>
<u>Operating Fund Available</u>	<u>39,836,000</u>	<u>44,375,000</u>	<u>47,576,000</u>
<u>Potential Surplus</u>	<u>-1,392,000</u>	<u>9,613,000</u>	<u>19,037,000</u>

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Represented Graphically:



Band Between Minimum and Target:



Operating Fund Assumptions:

The above summaries assume that all Agency revenues in excess of expenses continue to be retained in the Operating Fund and that the fund continues to be invested in LAIF garnering 1% per annum returns. The Operating Fund currently contains as sub-divisions the Member Cash Call Reserve Account and the Debt Service Coverage Revolving Fund. Pursuant to Resolutions 2016-01 and 2016-02, upon retirement of the last of the San Juan Project Bonds (Series 2018R maturing July 1, 2022), the \$3,300,000 balance in the Debt Service Coverage Revolving Fund is to be placed in the MCCRA. For the purposes of this analysis we have assumed the Strategic Reserve would be a designated portion of the Operating Fund and would be held by the Agency until otherwise directed by the Commission. As graphically illustrated above, the expected balance in the Operating Fund is less than the recommended Strategic Reserve until the San Juan Project Bonds are retired. Subsequent to the retirement of the San Juan Project Bonds, the balance in the Operating Fund would continue to grow at the rate of LAIF earnings less expenditures for certain San Juan Legacy Liability management costs (Continuing Coverage Insurance and Reclamation Agent expenses). Strategic Reserve requirements also decline in proportion to the completion of Mine Reclamation and San Juan Decommissioning activities. As shown above, the Operating Fund generally tracks between the Minimum and Target levels. Furthermore, even through the period during which the Operating

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Fund Balance is less than the Target recommendation, the total Operating Fund Balance exceeds the minimum thresholds recommended by the Agency's Financial Advisor and implied by peer group Rating Agency evaluations. For the Strategic Reserve Minimum case, the total Operating Fund Balance satisfies the minimums for the majority of years.

Disbursement of Surplus Strategic Reserve Funds:

Subsequent to the retirement of the last of the San Juan Project bonds in 2022 and the expected substantial completion of Mine Reclamation activities in 2028, the Operating Fund will grow significantly larger than the required Strategic Reserve Amounts. Although final Legacy Liabilities are not yet extinguished at that time, the Commission may then wish to consider disbursement of such excess funds to the Members or making any other permitted beneficial use. For example, the Commission could direct the use of such funds to offset out-of-market power costs associated with legacy renewable energy projects on an equitable basis to be determined in the future. To provide appropriate flexibility to future decision makers, we recommend any such determination be deferred at this time and the general policy of the Agency remain that Strategic Reserve funds are held until final retirement of Legacy Liabilities.

Recommendation:

I recommend the Commission accept the structure for a Strategic Reserve comprised of five individual sub-reserves for Administration and Operations, Purchase Power, San Juan Fixed Costs, Reclamation, and Decommissioning and direct the General Manager to prepare an authorizing Resolution and implementing procedures for the Commission's consideration at its September 2020 meeting.

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