



M-S-R Public Power Agency

SPECIAL MEETING
OF THE FINANCIAL MANAGEMENT COMMITTEE

Monday, August 5, 2019 2:45 PM

TELEPHONIC MEETING LOCATIONS:

Modesto Irrigation District
1231 Eleventh Street
Modesto, CA 95354

City of Santa Clara – Electric Department
881 Martin Avenue
Santa Clara, CA 95050

City of Redding – Electric Utility
3611 Avtech Parkway
Redding, CA 96002

Dial-In: 877-402-9757
Access Code: 3325500

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 Meeting of March 8, 2018* (attached, Martin Hopper)
4. Public Comment
5. *Confirm date and time of next meeting*
6. Adjourn

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



DRAFT
MINUTES OF THE
M-S-R PUBLIC POWER AGENCY
FINANCIAL MANAGEMENT COMMITTEE
MARCH 8, 2018

The M-S-R Public Power Agency (M-S-R PPA) Financial Management Committee held a special meeting on March 8, 2018 at the offices of Navigant, Inc., in Folsom, California. 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 – Scott Van Vuren, City of Santa Clara – Yanmei Qiu, City of Redding – Mark Haddad. The meeting was called to order at 1:05 p.m.

Approval of Minutes

Upon a motion by Mr. Haddad, seconded by Mr. Van Vuren, the minutes of the meeting held on May 24, 2017 were unanimously approved by roll call vote.

Possible Action Regarding Series 2008L, 2008M, and 2008N Bonds

Mr. Hopper indicated he has been working closely with the M-S-R PPA Financial Advisor (FA), Frank Purdue of Montague DeRose and Associates, LLC, on two related projects. The first is to develop recommendations for replacing the Series 2008L Bonds that are eligible for a current refunding in July 2018.

Mr. Purdue indicated that a similar review had been undertaken a year ago. At the time, M-S-R PPA chose not to refund any Bonds. The current review shows that a current refunding of the Series 2008L Bonds clearly meets the threshold savings benefit

established by M-S-R PPA of 5%. Current estimates of savings are at about 7% or approximately \$4.9 Million.

The second project is to develop a strategy regarding the renewal or replacement of the Direct Placement of the 2008M and 2008N Bonds with Wells Fargo Bank and to review the status of the swaps associated with that debt. Mr. Perdue indicated the renewal of the Direct Placement could be costly due to certain market changes, but an unwind of the swap agreement may require little current costs and would provide protection against future market risks.

Mr. Purdue explained the three alternative strategies the Agency may consider. First, the 2008M and 2008N Bonds could be placed directly with a financial institution such as Wells Fargo Bank. Second, the 2008M and 2008N Bonds could be replaced with Public Floating Rate Notes. Finally, the swap arrangement JP Morgan for the 2008M and 2008N Bonds could be terminated and the remaining debt refinanced with the proposed refunding of the 2008L Bonds.

Mr. Hopper indicated that the reserve funds associated with these bonds could be used in this process but indicated Commission Resolution 2016-4 contemplates that the reserve funds be dedicated in support of the Agency's Legacy Liabilities regarding the San Juan Generating Station. Mr. Hopper recommended those reserve funds continue to be held for Legacy Liability purposes and not be used in any current financing.

Mr. Purdue outlined the risks associated with the swap arrangement and described how counterparty risk and fluctuations in the London InterBank Offered Rate (LIBOR) would be eliminated if the swap arrangement were unwound.

When asked about next steps, Mr. Purdue indicated he would update his report into recommendations for action by the M-S-R PPA Commission. Mr. Hopper indicated that a sole manager arrangement with the Royal Bank of Canada (RBC) could be justified

because they performed analyses and updates when other competitors were unwilling to do so. Mr. Hopper asked that each of the Members provide their initial comments.

Mr. Van Vuren agreed with the approach but noted that a finding of risk avoidance for the 2008M and 2008N Bonds was a different criterion than the saving criteria previously established by the Agency and that the M-S-R PPA Commission should make specific findings to adopt the new criteria being proposed. Mr. Van Vuren was concerned whether a sole source process would miss benefits from an open market process and requested that the Financial Advisor make findings on the competitiveness of RBC's proposals. He further asked Financial Advisor to update calculations on which future bonds would be tax-exempt and which would be taxable.

Ms. Qiu supported the positions stated by Mr. Van Vuren. Her concern was that the justification of not using the established 5% savings for the swap unwinds be sufficiently documented. Ms. Qui indicated she was never really comfortable with the swap arrangements and supports the unwind option.

Mr. Haddad expressed his agreement with Mr. Van Vuren and Ms. Qiu. He questioned if there would be an advantage to having relationship with JP Morgan retained and Mr. Purdue responded there was no such advantage.

Upon a motion by Mr. Haddad, seconded by Ms. Qui, a motion to move forward on a current refunding of the 2008L Bonds, including the 2008M and 2008N Bonds, provided the Commission adopt a finding that the 5% savings criteria should be waived in this circumstance due to the necessity to replace the Direct Placement and the reduction of risk, was approved unanimously by roll call vote.

Mr. Haddad indicated that Redding was working towards a bond financing which had just priced and should be closing in about a week. Mr. Haddad recommended the use of

Cecilia Dyba for disclosure documents as she had just performed that function for Redding.

Review of Energy Risk Management Policy and Risk Management Guidelines

Mr. Hopper indicated that a review of the Energy Risk Management Policy and Risk Management Guidelines was warranted as the M-S-R PPA Policies and Procedures Manual will be undergoing substantial revisions in the July 2018 timeframe. The question at hand is whether the Policy and Guidelines remain applicable or whether they should be terminated. Mr. Hopper noted that earlier in the day the M-S-R PPA Technical Committee had updated the M-S-R Operating Agreement by deleting five Service Schedules and reducing the scope of the sixth Service Schedule due to the divestiture of San Juan Unit No. 4. Mr. Hopper indicated the revised Service Schedule D still provides for the Agency's use of the Western Systems Power Pool (WSPP) if and when needed.

Mr. Van Vuren expressed his willingness to put these documents to bed, but raised the concern that they may still be necessary given the continuation of the WSPP relationship. Ms. Qiu indicated she had no perspective and would need to assess the limitations included in these documents. Mr. Haddad agreed with Mr. Van Vuren that the documents can be terminated unless they are needed to support the WSPP relationship. Mr. Hopper thanked the members for their input and indicated he should be ready to recommend termination or simplification the next time the Committee meets.

Public Comment

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

Next Meeting

The next regular meeting date will be at 1:00 p.m. on May 9, 2018 to be held at the offices of Navigant Inc., in Folsom, CA unless emergent business requires a meeting prior to that time. The meeting was adjourned at 1:42 p.m.

Respectfully submitted,

Martin R. Hopper
General Manager

DRAFT

Attachment 1

ATTENDANCE LIST
M-S-R PUBLIC POWER AGENCY
FINANCIAL MANAGEMENT COMMITTEE
SPECIAL MEETING

March 8, 2018
1:05 PM

<u>NAME</u>	<u>STATUS</u>	<u>ORGANIZATION</u>
Mark Haddad	Member	Redding (telephonic)
Steven Handy	Guest	Redding
Alan Hockenson	Guest	Consultant
Martin Hopper	Chair	General Manager
Kathleen Hughes	Guest	Santa Clara
Natalie Perkins	Guest	Montague DeRose and Assoc., LLC (telephonic)
Frank Purdue	FA*	Montague DeRose and Assoc., LLC (telephonic)
Yanmei Qiu	Member	Santa Clara (telephonic)
Scott Van Vuren	Member	Modesto (telephonic)

*M-S-R PPA Financial Advisor