

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

Date: January 30, 2020
To: M-S-R PPA Technical Committee
From: Martin R. Hopper, General Manager
Subject: Thursday, February 6, 2020, M-S-R PPA Technical Committee Meeting

Please find enclosed the agenda for the Thursday, February 6, 2020, M-S-R PPA Technical Committee Meeting to be held in Folsom, CA 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
Lowell Watros – Redding

M-S-R Public Power Agency

MEETING OF THE TECHNICAL COMMITTEE

Thursday, February 6, 2020, 10:00 AM

Navigant Consulting, Inc.
35 Iron Point Circle, Suite 225
Folsom, CA 95630

Remote Telephonic Location:

City of Redding – Electric Utility
3611 Avtech Parkway
Redding, CA 96049

GoTo Meeting Information:
<https://global.gotomeeting.com/join/899776421>
United States: +1 (224) 501-3412
Access Code: 899-776-421

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 November 7, 2019 Meeting (attached)
4. General Manager Reports (attached, Martin Hopper)
5. Big Horn Wind Energy Project Operating Statistics (attached, Martin Hopper)
6. San Juan Decommissioning Status Report (attached, Martin Hopper)
7. ***Discussion and Possible Action Regarding February 2020 Outside Services Budget Versus Actuals*** (attached)
8. ***Discussion and Possible Action Regarding February 2020 WREGIS REC Status Report*** (attached, Martin Hopper)

9. ***Discussion and Possible Action Regarding San Juan Ten-Year Forecast*** (attached, Martin Hopper)

10. 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)

11. Announcement from Closed Session

12. Member Reports

13. Public Comment

14. ***Confirm date and time of next meeting***

15. Adjourn

ALTERNATE FORMATS OF THIS AGENDA WILL BE MADE AVAILABLE UPON REQUEST TO QUALIFIED INDIVIDUALS WITH DISABILITIES.
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DRAFT MINUTES OF THE
M-S-R PUBLIC POWER AGENCY
TECHNICAL COMMITTEE
NOVEMBER 7, 2019

The M-S-R Public Power Agency (M-S-R PPA) Technical Committee held a regular meeting on November 7, 2019 at the offices of Navigant Consulting, Inc. in Folsom, CA. A list of the attendees is provided as Attachment 1. Mr. Gross 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 – Steve Handy. The meeting was called to order at 9:16 a.m., was called into recess at 9:38 a.m., and resumed at 10:44 a.m.

Approval of Minutes

Upon a motion by Mr. Burriss, seconded by Mr. Wong, the minutes of the meetings held on September 5 and September 24, 2019 were approved unanimously. Mr. Hopper then indicated that as previously discussed with the Committee, the primary distribution of the approved minutes will be electronic, with paper copies provided only to the Secretary for the Agency's official files.

Annual Budget

Mr. Hopper and Ms. Worley presented the draft 2020 M-S-R PPA Annual Budget. Mr. Hopper noted continued reductions in legal and consulting support reflecting the wind-down of activities related to the divestiture of the San Juan Generating Station interest and simplification of regulatory and project overview. A small number of edits and changes were made to the proposed budget. The Committee also requested the General Manager review and make recommendations regarding the cash reserves held by the Agency and review and make recommendations regarding opportunities to reduce costs of banking services provided to the Agency. Upon a motion by Mr. Burriss seconded by Mr. Handy,

the Committee recommended the Commission adopt the 2020 M-S-R PPA Annual Budget as revised, and was approved unanimously.

General Manager Report

The General Manager briefly reviewed his September and October 2019 reports included in the package covering August and September activities.

Big Horn Operating Statistics Report

Mr. Hopper noted that after historic low levels of Big Horn Project energy production for the first half of the year, energy production has continued to return to more typical levels for the balance of the year. Mr. Hopper also reviewed information regarding expected and average production and curtailment statistics. The Committee noted and filed the report.

Decommissioning Status Report

Mr. Hopper reviewed the activities completed in the recent quarter. 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 and no major exceptions were noted. 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.

2020 Meeting Schedule

Mr. Hopper introduced the proposed meeting schedule for Technical Committee meetings beginning at and the Members concurred as follows: 10:00 a.m. February 6, 10:00 a.m. May 7 in Redding, 10:00 a.m. July 2, 9:00 a.m. September 3 in Truckee, and 9:00 a.m. November 5. Mr. Hopper also provided a proposed schedule for Commission meetings all beginning at 12:00 Noon in Folsom, CA. on February 19, May 20, September 30, and

November 18. Upon a motion by Mr. Burriss, seconded by Mr. Wong, the 2020 meeting schedule for the Technical Committee was approved and a recommendation that the Commission the corresponding 2020 meeting schedule for Commission meetings be recommended to the Commission for approval was approved by unanimous vote.

Closed Session Conference with Legal Counsel

Pursuant to Government Code §54956.9(d)(1), the M-S-R PPA Technical Committee retired to closed session at 12:20 p.m. to Conference with Legal Counsel – 3 cases of Existing Litigation (NM-PRC Case 19-00018-UT, NM-PRC Case 19-00195-UT, and BP-20-BPA.)

Announcement from Closed Session

Upon returning to open session at 12:35 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 February 6, 2020, at 10:00 A.M at the offices of Navigant Consulting, Inc. in Folsom, CA. The meeting was adjourned at 12:36 p.m.

Respectfully submitted.

Martin R. Hopper
General Manager

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

November 7, 2019
9:16 AM

<u>NAME</u>	<u>STATUS</u>	<u>ORGANIZATION</u>
Toxie Burriss	Member	Modesto
Basil Wong	Member	Santa Clara
Steve Handy	Member	Redding
Cindy Worley	Guest	Redding
Holly Spaner	Guest	Redding
Martin Hopper	Guest	General Manager (Partial Meeting)
Steve Gross	Chair	General Counsel

DRAFT

M-S-R Public Power Agency Staff Report

Date: January 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:

- November 2019 – Covering October 2019 Activities
- December 2019 – Covering November 2019 Activities
- January 2020 – Covering December 2019 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: November 20, 2019
From: Martin R. Hopper, General Manager
To: M-S-R PPA Commission
Subject: November 2019 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 – October 2019 (Approx. 88 hours)

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

Assembled and bound PPA & EA Policy Manuals for distribution.

Coordinated with Assistant Treasurer re replacement of M-S-R EA Forward Delivery Agreements with US Bank sweeps and executed notices re same.

Coordinated with NCPA, BANC, TANC & CMUA re master 2020 Calendar and meeting dates.

Coordinated with Senior Account re preparation of draft PPA & EA Budgets. Prepared and reviewed recommended budget line items for all activities of legal and consulting support, and generation forecasts, costs and related assumptions.

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 – October 2019 (Approx 58 hours):

Monitored NM-PRC filings regarding PNM's abandonment filing and coordinated with New Mexico Counsel regarding intervention.

Reviewed correspondence and agreements regarding Farmington/Enchant SJGS Project. Met and coordinated with SJGS owners and Exiters re same.

Reviewed San Juan Reclamation status, costs and related assumptions with PNM. Discussions also included "Clean Break" concepts.

Big Horn – October 2019 (Approx 21 hours):

Coordinated and met with Avangrid and MID Staff re implementation of Settlement Agreements and future agreement updates.

Review Big Horn energy production records and trends and update periodic status reports.

Review and comments to FERC Counsel re draft BPA Priority Matrix update for review at November Tech C'tee mtg.

Key Meetings – October 2019

M-S-R Assistant Treasurer & Finance Secretary, Modesto, CA, October 9, 2019. Key Issues: EA Debt Service Fund Investments, Reclamation Trust Status and investments and revised Avangrid Invoice handling procedures.

Avangrid, Portland, OR, October 15 – 16, 2019. Key Issues: Implementation of Settlement Agreements re Big Horn Projects and future agreement updates.

San Juan Decommissioning Committee, and PNM Meetings, Albuquerque, NM, October 23 – 25, 2019. Key Issues: Presentation by Enchant/Farmington re CCS Project, Decommissioning C'tee regular meeting, PNM re Reclamation obligations, status of WSJM reclamation buyout proposal and updates to Reclamation Studies.

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 October 2019 report is attached regarding 31 hours of support.

BPA Consultant:

Our BPA Consultant, Dr. David Arthur, has prepared a summary of his key activities in October 2019 regarding 13 hours of support is attached.

California Regulatory Counsel:

Our California Regulatory Counsel, Susie Berlin, has prepared a summary of her activities in September (28.8 hours) and October 2019 (TBD hours) is attached.

Other Contractors and Counsel:

FERC Counsel, and BPA Counsel status reports will be prepared at a similar level of detail to the General Consultant's Monthly summary and are under development for initial content.

Macintosh HD:Users:martinhopper:My Laptop Documents:M-S-R Public Power Agency:Administrative:Status Reports:November 2019 MSR PPA General Manager's Report.doc

M-S-R Public Power Agency Staff Report

Date: November 1, 2019
From: Alan Hockenson
To: Martin Hopper
Subject: Specific Work Tasks for October 2019

During October, 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 – 14 Hours: – The San Juan Generating Station (San Juan) Decommissioning Committee (SJDC) held the annual budget meeting on October 23, 2019. The only outstanding projects yet to be completed in 2019 are the Precipitator T/R sets (11/30) and disconnecting the Unit 3 high voltage connection (early December). The big discussion item ahead of the SJDC is which (if any) decommissioning activities above the best industry case should be considered early. The next meeting of the SJDC is scheduled for December 12, 2019. The details of the Burns and McDonnell economic assessment were assessed and recommendations were provided to the General Manager. In addition, the Reclamation Oversight Committee meeting was held on October 30, 2019. The meeting was attended telephonically.

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 – 13 Hours: – Monthly operating data was received from Avangrid Renewables, Inc. (AR), was reviewed and August curtailment details were confirmed.

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.

The Regional Transmission Organizations (RTOs) activities were light. The Planning Committees for Columbia Grid and Northern Tier Transmission Group (NTTG) met on October 10th and 23rd, respectively. The functions of NTTG will be provided by Northern Grid beginning January 1, 2020 and NTTG will cease to exist. Columbia Grid will be taking the same actions effective January 1, 2021.

Administrative – 4 Hours: – The final Annual Strategic Plan was reviewed. Status Reports for San Juan Decommissioning activities and Renewable operations in the Pacific Northwest were prepared for meetings in November.

All meetings were attended telephonically.

M-S-R Public Power Agency Staff Report

Date: November 17, 2019
From: David Arthur
To: Martin Hopper, M-S-R General Manager
Subject: October Update to BPA Tasks (13 Hours)

During October I spent 13 hours on BPA related activities. Two items were of particular importance: 1. BPA's EIM ROD; 2. The launch of BP-22 and TC-22.

BPA's EIM ROD is a comprehensive assessment of the changing market structure in the west and BPA's potential involvement in it. It potentially represents a major change in BPA's interregional role and could have major implications for BPA transmission and power policies. The ROD represents a beginning - investigation into joining the CAISO EIM - not the conclusion - join or not join which will be determined over the next two years.

The meeting on TC-22 and BP-22 represents BPA's initiation of the next rate cycle. Over the next 8-10 months BPA will conduct additional workshops that will address the major issues to be litigated in the TC-22 and BP-22 rate cases that will formally begin in the fall 2020.

For TC-22 the major issue from the perspective of the customers will be the future of the hourly firm product. Will it be eliminated as initially proposed by BPA or will it be continued but limited in some form? Currently BPA is "running" an experiment to determine a preferred option.

For BP-22 the major issues will be: 1. The allocation of EIM costs/benefits to power and transmission customer groups; 2. Implementation of the various financial policies including leverage and reserves.

The precedents set in this rate cycle likely will be significant and have impacts on future rate cases.

LAW OFFICES OF SUSIE BERLIN

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Privileged, Attorney-Client Communication

November 18, 2019

MEMORANDUM

TO: Martin Hopper, M-S-R General Manager
FROM: Susie Berlin
SUBJECT: Activity Report – September and October 2019

This memorandum presents a summary of the legal services provided to M-S-R Public Power by the LAW OFFICES OF SUSIE BERLIN during September and October 2019.

CMUA Regulatory Committee and Legislative Committee: In September and October, I reviewed the agenda and materials for the monthly CMUA Regulatory Committee and Legislative Committee meetings; monitored regulatory discussions and provide summaries to General Manager; monitored legislative discussions relevant to regulatory cross-over issues.

Renewable Portfolio Standard Regulations: In September and October the CEC held workshops and meetings related to the ongoing efforts to amend the POU RPS Enforcement regulations. At the CEC, I worked with agency staff and other POU attorneys on proposed regulatory amendments that would implement Senate Bill 350 and other legislation that has been adopted over the last two years, but not yet implemented by the CEC. This included participating on a panel at the CEC workshop and participating in smaller group discussions with the POU and CEC staff. I also worked with other POU attorneys on comments to the CEC in response to their Staff Paper and drafted M-S-R comments. At CARB, I reviewed staff's implementation proposal for addressing POU RPS enforcement and penalties. I worked with the POU attorney working group on comments to the agency, and modified the scope of the representation in response to feedback from the General Manager.

Power Source Disclosure Regulation: In September, the CEC issued proposed amendments to the Power Source Disclosure Regulation to implement the provisions of AB 1110. I reviewed the filings, monitored a workshop in October, worked with the members, and drafted comments on the proposed rulemaking.

Wildfire Mitigation Plans and De-energization: During the months of September and October there was a lot of activity at the CPUC and outside the agency related to wildfire mitigation plans and utility line de-energization. I have actively monitored these proceedings

and related filings on behalf of M-S-R and provided updates and summaries regarding the various rulings and activities. I also participate on the POU wildfire working group and provide feedback regarding relevant matters. In response to member feedback, I have modified my monitoring of the proceedings specific only to de-energization and PSPS events, but continue to provide high-level summaries of developments to the extent that they impact the broader regulatory discussions regarding POU wildfire mitigations plans and strategies.

Senate Bill 100 Joint Agency Report: In early September, the CEC officially launched a joint agency effort, along with the CPUC and CARB, to develop the SB 100 Report that must be provided to the legislature by January 1, 2021. To begin this process, the joint agencies held a number of scoping meetings and took comments on the critical issues that should be addressed in the report, including the eligible resources and measure of the impacts. I have monitored the workshops and filings by select stakeholders, and provided periodic updates on the developments.

Regulatory Agency Monitoring: In addition to the specific proceedings and matters addressed above, I continue to monitor developments at the state's regulatory agencies that have the potential to impact M-S-R and its member agencies, and provide updates regarding those matters as they arise. During September and October, this included notifications regarding CPUC proceedings related to PG&E's bankruptcy and matters related to determining utility liability for wildfire damages.

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M-S-R Public Power Agency Staff Report

Date: December 20, 2019 (Revised)
From: Martin R. Hopper, General Manager
To: M-S-R PPA Commission
Subject: December 2019 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 – November 2019 (Approx. 79 hours)

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

Prepared draft General Manager Succession Plan and annual General Manager Goals and Workplan for Commission Consideration.

Prepared Agendas and packages for Technical Committee and Commission quarterly meetings. Issued approved minutes of prior meetings.

Coordinated with Assistant Treasurer re replacement of M-S-R EA Forward Delivery Agreements with US Bank sweeps and executed notices re same.

Presented M-S-R 101 History, Goals and Objectives review to Santa Clara Staff and met with Santa Clara Alternate Commissioner re same.

Coordinated with Senior Account re preparation of draft PPA & EA Budgets. Prepared and reviewed recommended budget line items for all activities of legal and consulting support, and generation forecasts, costs and related assumptions.

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 – November 2019 (Approx 33 hours):

Monitored NM-PRC filings regarding PNM’s abandonment filing and coordinated with New Mexico Counsel regarding hearing process and possible cross-examination of witnesses, including review of filed testimony and drafting of summaries and suggested questions. Harmonized issues and questions with estimates of reclamation and demolition costs and requirements of related agreements towards “Clean-Break” goal. Coordinated positions with Los Alamos County.

Big Horn – November 2019 (Approx 28 hours):

Coordinated with Avangrid and MID Staff re implementation of Settlement Agreements and future agreement updates. Researched UCC filings issue and drafted proposed release letter for Avangrid consideration. Coordinated with US Bank regarding termination of Custodian Agreements.

Review Big Horn energy production records and trends and update periodic status reports.

Key Meetings – November 2019

SVP Staff and Management, Santa Clara, CA, November 5 & 6, 2019. Key Issues: M-S-R 101 presentation and annual reviews with Commissioner.

CMUA, Oakland, CA November 13, 2019. Key Issues: Annual Planning Meeting regarding legislative and regulatory issues and priorities.

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 November 2019 report is attached regarding 28 hours of support.

BPA Consultant:

Our BPA Consultant, Dr. David Arthur, has prepared a summary of his key activities in November 2019 and discussion of upcoming issues, all regarding 24 hours of support is attached.

California Regulatory Counsel:

Our California Regulatory Counsel, Susie Berlin's, summary of her activities in November 2019 to follow.

Other Contractors and Counsel:

FERC Counsel, and BPA Counsel status reports will be prepared at a similar level of detail to the General Consultant's Monthly summary and are under development for initial content.

Macintosh HD:Users:martinhopper:My Laptop Documents:M-S-R Public Power Agency:Administrative:Status Reports:December 2019 MSR PPA General Manager's Report.doc

M-S-R Public Power Agency Staff Report

Date: December 2, 2019
From: Alan Hockenson
To: Martin Hopper
Subject: Specific Work Tasks for November 2019

During November, 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 – 13 hours – The San Juan Generating Station (San Juan) Decommissioning Committee (SJDC) did not meet in November. The next meeting of the SJDC is scheduled for December 12, 2019. At the request of the General Manager, a spreadsheet related to the participant declining shares associated with an Appendix to the San Juan Decommissioning Agreement was reviewed and the projected future share of costs to M-S-R PPA was validated. This spreadsheet provided a projection of cost shares in the event the City of Farmington (Farmington) was successful in its attempt to extend the life of the remaining San Juan units beyond the current schedule. In addition, a copy of the agreement executed by the City of Farmington and Enchant Energy to extend the life of San Juan was obtained and reviewed. It is highly likely that an amendment to the San Juan Decommissioning Agreement will be necessary which would provide an opening for M-S-R PPA and similarly situated San Juan participants to improve on the existing arrangement.

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), was reviewed.

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.

No meetings of the Regional Transmission Organizations (RTOs) in the Northwest, Columbia Grid and Northern Tier Transmission Group (NTTG) were held in November.

Administrative – 3 hours – Activities were limited to reviewing meeting materials for the Technical Committee and Commission meetings.

M-S-R Public Power Agency Staff Report

Date: December 5, 2019
From: David Arthur
To: Martin Hopper, General Manager M-S-R
Subject: November BPA Staff Report

During November I participated in three significant BPA meetings which overall suggest that BPA is in the process of migrating its transmission system from a system based primarily on PTP contracts with bilateral commercial arrangements to one partially based on actual power flows and security constrained dispatch operated by the CAISO.

Two of the meetings directly addressed this transition while the third addressed the ongoing issue of financial reserves, capital expenditures, and the associated implications for future revenue financing of a portion of the associated capital program.

Transition meetings:

The two transition meetings addressed both the operating and commercial issues to be addressed in the coming workshops over the next 8-10 months. For M-S-R there are two areas that warrant attention and potential concern:

1. Changes in operating policies that could impact Avangrid's ability to deliver Big Horn energy;
2. Cost allocation issues that could further increase the transmission rates for which M-S-R has financial responsibility.

Operating Issues:

The overriding issue in TC-22 (and previously in TC-20) is the future of hourly firm transmission. Historically, PTP customers have relied on hourly firm to take advantage of changing market conditions in the hour and day-ahead. In simple terms, customers purchased long-term firm PTP rights and then "re-directed" them in the hourly markets to take advantage of changing conditions. Prior to the TC-20 Record of Decision (ROD) BPA offered unlimited hourly firm and then subsequently, as the operating hour approached, addressed any congestion issues with Pro Rata cuts in the firm schedules.

In the TC-20 rate case BPA took the position that unlimited hourly firm was equivalent to non-firm since transmission capacity was increasingly “constrained” not “unlimited.” The settlement required BPA to study the impacts of hourly firm and created interim limits on hourly firm, but deferred any final conclusion to TC-22, the current rate case.

PTP customers are very intense in their defense of an hourly firm product. If it is eliminated it is unclear what the commercial and operational consequences may be. Many contracts including M-S-R’s contract with Avangrid require firm transmission. If there is no hourly firm transmission service it is unclear what will be the contractual implications with Avangrid. If customers cannot frequently rely upon redirects it is unclear what the commercial and operational implications will be. On the other hand, NT customers are concerned that the availability of hourly firm creates congestion that results in their schedules being cut, or in BPA incurring costs for redispatch.

Because the operational issue is of such significance to many PTP customers, it is unclear what priority they will give to the equally important cost allocation issues. In the BP-20/TC-20 we saw that they were so concerned about hourly firm that they were not focused on the significant rate increase BPA was proposing. M-S-R’s persistence that the rate increase was excessive likely was a significant factor in the eventual reduction in the proposed rate.

A related issue is the actual calculation of the available ATC for a given operating hour. The limits on hourly firm created in TC-20 are keyed to ATC. Recent meetings have indicated that historically BPA has had some difficulty calculating ATC in an accurate and timely manner. As a result it is challenging to post the available ATC when there is uncertainty as to its actual value. This issue will continue to be addressed in the workshops in 2020.

Cost Allocation Issues:

BPA’s decision to move forward with the EIM option has potentially significant cost allocation issues. Specifically, BPA will incur several 10’s of millions dollars of costs to prepare the transmission system for participation in the EIM. These costs on an Agency (BPA) level are anticipated to be offset by a significant increase in power related revenues. What will be decided in BP-22 are how these costs and revenue benefits will be allocated between power and transmission customers. This includes costs of joining the EIM and costs in the form of CAISO charges.

Additionally, there will likely be discussion as to whether the transmission costs should be assigned to all transmission customers or only those participating in the EIM thru a new charge of some type.

Potential Contract (Avangrid) Issues:

M-S-R's contract with Avangrid is based on an hourly firm delivery. If a new charge is introduced it may not be explicitly addressed by M-S-R's contract with Avangrid. M-S-R and Avangrid likely will need to discuss the issue if and when it should arise.

Also an interregional EIM, particularly if it includes a day-ahead market may provide some opportunities for M-S-R to modify its delivery options to the advantage of one or more of its members.

Financial Issues Meeting:

The Financial Issues meeting initially reviewed the \$182 million adjustment in Financial Reserves (shifting \$182 million from transmission to Power to correct for long-running cost and revenue attribution errors). The discussion then reviewed the changes in the respective reserve levels for fy 2019. Continuing the trend of the past several years Power Reserves declined by \$40 million (excluding the \$182 million adjustment) and Transmission Reserves increased by \$100 million (excluding the \$182 million adjustment). There was no discussion of the implications or causes for the continuation of this trend.

The issue of forecast vs. actual capital expenditures also was discussed. This issue has become critical since BPA's adoption of revenue financing (higher rates) for a portion of transmission's capital expenditures. For the past several years BPA's forecast for capital expenditures has been appreciably higher than its annual actual expenditures – most recently the difference was approximately \$100 million. In the past that meant some additional depreciation expense and inflated interest costs – a relatively small percentage of the forecasted capital spend. With revenue financing forecast errors will cause transmission rates to include 100% of the unspent capital plus depreciation.

Given that Transmission reserves are captive to the lack of Agency Reserves (inadequate Power Reserves), any revenue financing of capital expenditures that are not actually spent will result in an additional accumulation of financial reserves that will remain captive indefinitely. Higher rates and increasingly higher transmission reserves are a real risk for transmission customers.

I requested that this issue be the subject of a future workshop.

M-S-R Public Power Agency Staff Report

Date: January 24, 2020
From: Martin R. Hopper, General Manager
To: M-S-R PPA Commission
Subject: January 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 – December 2019 (Approx. 19 hours)

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

Coordinated with Senior Accountant re preparation of 2019 financial statements and audits.

Coordinated with Senior Accountant and Assistant Treasurer re disbursement of Natural Gas Project annual surpluses and report re same.

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 – December 2019 (Approx 75 hours):

Monitored NM-PRC filings regarding PNM's abandonment filing and coordinated with New Mexico Counsel regarding hearing process and possible cross-examination of witnesses, including review of filed testimony and drafting of summaries and suggested questions. Harmonized issues and questions with

estimates of reclamation and demolition costs and requirements of related agreements towards “Clean-Break” goal. Attended portions of NM-PRC hearing re SJGS Abandonment. Coordinated positions with Los Alamos County and issued joint principles re Farmington/Enchant proposal.

Big Horn – December 2019 (Approx 10 hours):

Coordinated with Avangrid and MID Staff re implementation of Settlement Agreements and future agreement updates. Coordinated with US Bank regarding termination of Custodian Agreements and secured release of escrowed funds.

Review Big Horn energy production records and trends and update periodic status reports.

Key Meetings – December 2019

NM-PRC Hearing re San Juan Abandonment, Santa Fe, NM, December 17 – 20, 2019. Key Issues: Abandonment process, financing order, plant decommissioning and mine reclamation costs, and Farmington/Enchant proposal terms.

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 December 2019 report is attached regarding 35 hours of support.

BPA Consultant:

Our BPA Consultant, Dr. David Arthur, has prepared a summary of his key activities in December 2019 and discussion of upcoming issues, regarding 11 hours of support is attached.

California Regulatory Counsel:

Our California Regulatory Counsel, Susie Berlin’s, summary of her activities in December 2019 to follow.

Other Contractors and Counsel:

FERC Counsel, and BPA Counsel status reports will be prepared at a similar level of detail to the General Consultant’s Monthly summary and are under development for initial content.

M-S-R Public Power Agency Staff Report

Date: January 20, 2020
From: Alan Hockenson
To: Martin Hopper
Subject: Specific Work Tasks for December 2019

During December, 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 – 15 hours – The San Juan Generating Station (San Juan) Decommissioning Committee (SJDC) held its final meeting of the year on December 12, 2019. At that meeting a Resolution was authorized for the Public Service Company of New Mexico (PNM) to execute and agreement with Westmoreland for decommissioning waste disposal indicative prices. All scheduled decommissioning activities were on track to be complete by the end of the year. The City of Farmington (Farmington) highlighted its activities with Enchant Energy to extend the life of the remaining San Juan generating units. Farmington intends to have a meeting in January 2020 to discuss how this effort will affect the SJDC participants under their preferred scenario.

In addition, M-S-R PPA has intervened in the abandonment filing for its interests in San Juan Units 1 and 4 and has filed its first set of interrogatories in this case. PNM issued a response to these interrogatories which was reviewed.

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

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.

Of the two Regional Transmission Organizations (RTOs) in the Northwest, only Northern Tier Transmission Group (NTTG) met in December. Theoretically, the Quarterly Stakeholder meeting (December 5th) and Steering Committee meeting (December 19th) were the last meetings

before NTTG ceases to exist. The timing for NTTG is dependent upon FERC approval of Northern Grid which did not happen at the last FERC Commission meeting in December 2019. When Northern Grid assumes the RTO activities of NTTG it will be governed by pairs of committees, one populated by Investor Owned Utilities and the other by state Regulatory Entities. Action items will require approval by both parallel committees. Publically owned utilities will not have voting standing in this governance structure. Columbia Grid will cease to be an RTO in 2020 with its RTO functions also passed on to Northern Grid. Instead, Columbia Grid will focus on regional transmission issues before it ceases to exist at the end of 2020. Northern Grid has already been approached by the California Independent System Operator (CAISO) to secure regional system data to assist its production modelling activities and has been frustrated with its attempts to secure the same information from the WECC.

Administrative – 2 hours – Activities were limited to updating the Status Reports for Decommissioning and Renewables for upcoming meetings of the Technical Committee and Commission.

M-S-R Public Power Agency Staff Report

Date: January 14, 2020
From: David Arthur
To: Martin Hopper, General Manager M-S-R
Subject: December BPA Staff Report

The primary activity for December (7 out of 11 hours) was the Dec 12th BPA meeting covering BP-22, TC-22, and EIM updates. This was an informative meeting that introduced the following topics each of which will be addressed in greater detail in future workshops:

- Methodology for transmission losses (currently and under EIM)
- BPA currently not compensated for reservation of capacity
- BPA likely to eliminate in-kind return of losses and go to financial only
- Need to establish policy for “wheel thrus”
- How to assign neutrality charges between customers
- How to assign CAISO charge codes to transmission customers will be a major issue in BP-22 and potentially in subsequent rate cases
 - Options include allocating directly to customers or building into transmission rates
- Seams issues will be addressed in TC-22

In summary BPA is identifying the major policy issues associated with its potential participation in the CAISO EIM but has yet to offer any proposals for how the impacts will be assigned to customers. M-S-R is exposed to the potential change in losses recovery as well as to potential EIM charge codes, either thru allocation to Avangrid or through inclusion of estimates in transmission rates.

Major allocation issues will be participating vs. non-participating transmission customers, transmission customers vs. power customers. Currently, Avangrid is a wheel thru customer and a non-participant in the EIM. It should be held harmless and therefore M-S-R should be held harmless. The primary financial benefits to BPA are increased power revenues. The primary costs are enhancements to the transmission system to accommodate the EIM, but EIM does not increase transmission revenues to offset those costs.

The Tariffs and cost issues associated with BPA participating in the EIM will be addressed in BP-22 and TC-22. In addition, it will involve implementation of the

Financial Policies (Reserves, Leverage, and access to Capital.) Combined with the normal cost issues, those significant policy issues will make BP-22 and TC-22 one of the most important and debated rate cases in recent times. The outcome may have significant operational and financial impact for the next several cases.

It might be expected that all transmission customers would prioritize their efforts to minimize the risk of inequitable allocation of the associated risks and costs. This may not occur for two reasons:

1. Power customers almost always seek to shift costs from Power to Transmission since it spreads costs over a wider base
2. PTP Transmission customers may focus their attention on certain operating issues, e.g. the proposed elimination of hourly firm service, and trade concessions in operating protocols for higher rates. (this occurred in BP-20 & TC-20 and only M-S-Rs insistence that the rate proposal be reduced from 7% to 4% prevented the imposition of a 7% transmission rate increase.)

M-S-R Public Power Agency Big Horn Operations

Date: January 30, 2020
From: Martin Hopper, General Manager
To: M-S-R Commission
Subject: Big Horn Operations Statistics – February 2020

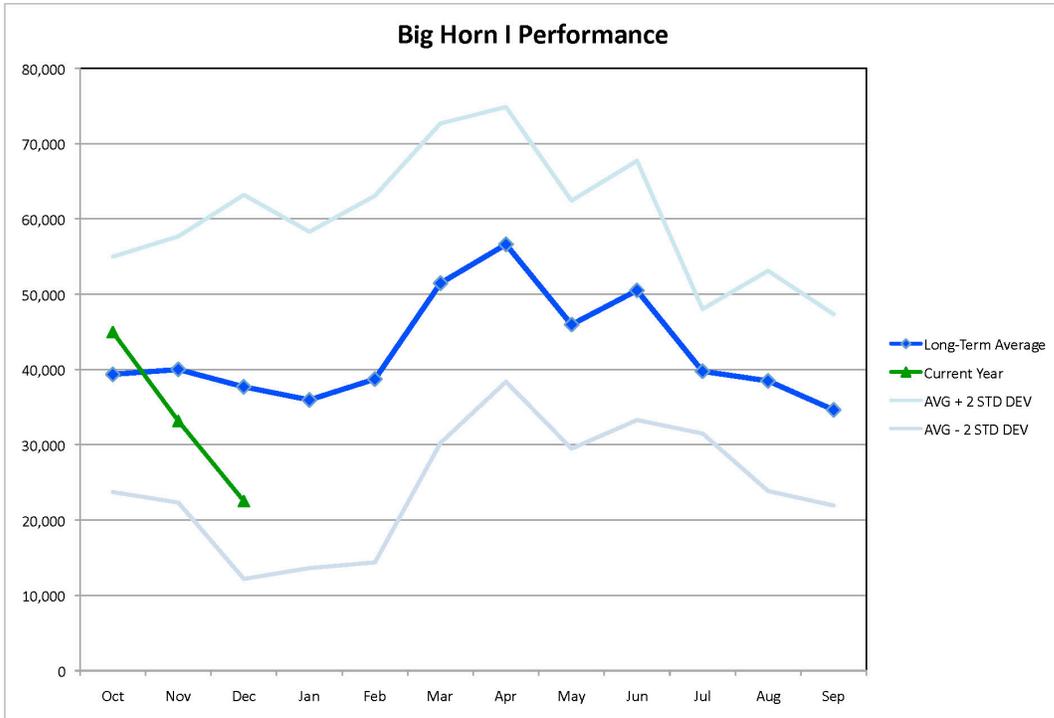
Energy Production Statistics for the Big Horn Wind Energy Project:

Big Horn I Operations	Production (MWh)	Monthly % of Forecast – Contract (5-Year)	Cumulative Wind Year Production (MWh)
November	33,157	77.6%	78,118
December	22,518	61.1%	100,636
January			
Annual Contract Forecast	N/A	N/A	477,986
Annual Budget Forecast	N/A	N/A	510,000
Life of Project Production	N/A	N/A	6,684,289

Big Horn II Operations	Production (MWh)	Monthly % of Forecast – Contract (5-Year)	Cumulative Wind Year Production (MWh)
November	9,920	84.4%	9,920
December	6,804	65.7%	16,724
January			
Annual Contract Forecast	N/A	N/A	117,447
Annual Budget Forecast	N/A	N/A	115,000
Life of Project Production	N/A	N/A	1,079,098

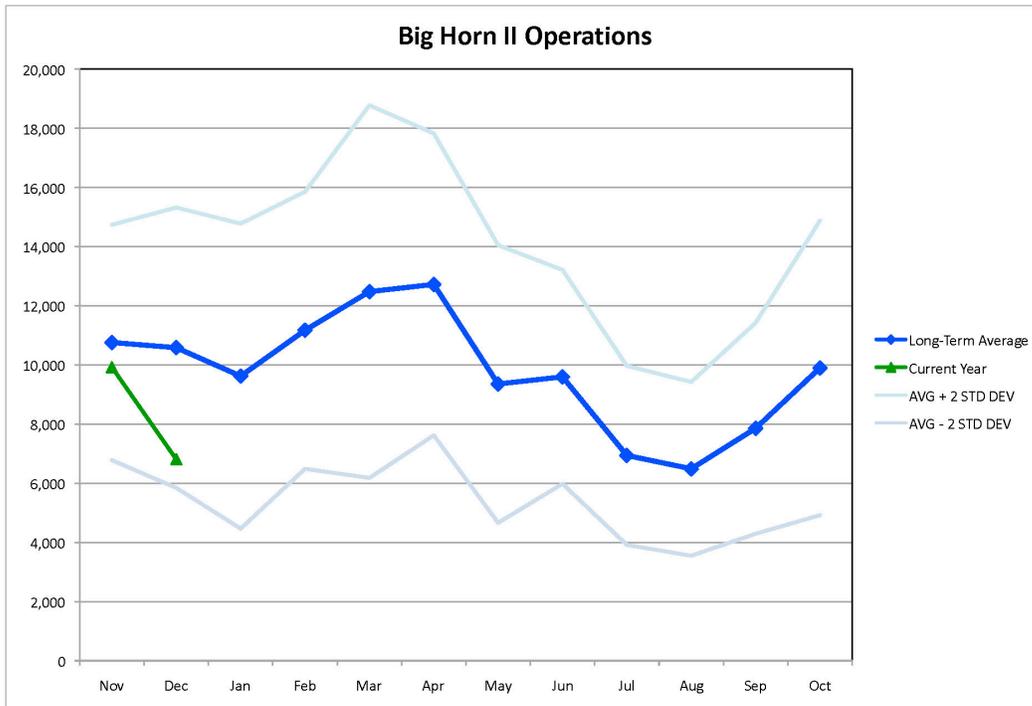
The contract year for Big Horn I runs from October through the following September. Contract Year 13 was just completed and produced 92.4% of the energy forecast by Avangrid. On a calendar basis, Big Horn I produced 87.3% of the budgeted energy for 2019. For the first three months of Contract Year 14, production has been at 85.5%.

The contract year for Big Horn II runs from November through the following October. Contract Year 9 was just completed and produced 96.5% of the energy forecast by Avangrid. On a calendar basis, Big Horn II produced 95.3% of the budgeted energy for 2019. Year 10 is starting out weakly with a production level of 75.7%.



1/30/20

Big Horn I Projections 2020.xlsx



1/30/20

Big Horn II Projections 2020.xlsx

Curtailments	On-Peak (MWh)	Off-Peak (MWh)	Total (MWh)
October	17	0	17
November	28	17	45
December	0	0	0
Contract Year To Date	45	17	62
Historic Annual Average	1,373	823	2,197

The total amount of curtailments for the contract year ending September 2019 was 4,572 MW which is the largest year on record. For the first quarter of the new contract year, curtailments have been very low and are on pace to be the least amount of curtailments for any contract year.

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

Date: January 31, 2020
To: Martin Hopper, General Manager
From: Alan Hockenson, Consultant
Subject: San Juan Decommissioning, Quarterly Update

Decommissioning Committee Meetings:

October 23, 2019:

PNM provided the SJDC with an update on the three active projects discussed in September.

1. Regarding Precipitator Transformer/Rectifier Sets, the estimated completion date is has been extended to November 30, 2019.
2. Regarding caps for the Unit 2 & 3 Stacks, the installation will be completed by the end of October 2019.
3. The high voltage electrical disconnect of Unit 3 has been rescheduled for the second week of December.

There are two projects scheduled to extend beyond 2019 involving the (1) inspection of stacks and (2) general safety inspections. Contingency budgets have been established in the event the results of the inspections mandate remedial actions.

PNM has been developing a contract under which Westmoreland would be providing certain services (fill material, etc.) to support decommissioning. PNM will distribute the proposed services agreement to the SJDC Participants within the next week for consideration. PNM may be asking for a Resolution to proceed shortly thereafter.

The City of Farmington continues to find ways to extend the life of San Juan.

There will be no meeting of the SJDC in November 2019. The next meeting of the SJDC will be a conference call on December 12, 2019.

December 12, 2019:

PNM indicated that all decommissioning projects scheduled for completion in 2019 were complete except the Precipitator Transformer/Rectifier Sets which will assuredly be completed in December. Other than the scheduled minor inspections, no decommissioning work is scheduled for 2020.

PNM has also been working with Westmoreland to secure indicative pricing for certain services related to decommissioning once the Final Decommissioning Plan is approved. These services include providing fill material and disposal of certain materials in the mine. This effort resulted in a Resolution for consideration with an attached spreadsheet containing indicative pricing (with price escalation). If there is a plant life extension beyond the 2022 planned retirement date, the Westmoreland arrangement would likely expire and need to be replaced. The SJDC approved the Resolution and it was routed electronically for consecutive signatures.

The schedule for SJDC meetings in 2020 was discussed. It was decided that SJDC monthly calls would continue in conjunction with the ongoing San Juan Engineering and Operating Committee. It was noted that if there were no new issues that come up, meetings will likely be cancelled.

January 23, 2020:

PNM cancelled the SJDC meeting as there were no new items to discussion.

M-S-R Public Power Agency Staff Report

Date: January 30, 2020
From: Martin R. Hopper, General Manager
To: M-S-R PPA Commission
Subject: February 2020 Outside Services Budget versus Actual Report

FISCAL YEAR 2019:

Major Legal Providers Reporting Are:

Duncan, Weinberg, Genzer, and Pembroke:	Through:	November 30, 2019
Law Offices of Susie Berlin:	Through:	November 30, 2019
Porter Simon:	Through:	December 31, 2019

Major Consulting Providers Reporting Are:

Navigant Consulting:	Through:	December 30, 2019
KBT LLC:	Through:	December 31, 2019

Legacy Liability Providers Reporting Are:

PNM – Reclamation Management:	Through:	December 31, 2019
Reclamation:	Through:	December 31, 2019
Decommissioning:	Through:	December 31, 2019

FISCAL YEAR 2020:

Major Legal Providers Reporting Are:

Duncan, Weinberg, Genzer, and Pembroke:	Through:	N/A
Law Offices of Susie Berlin:	Through:	N/A
Porter Simon:	Through:	N/A

Major Consulting Providers Reporting Are:

Navigant Consulting:	Through:	N/A
KBT LLC:	Through:	N/A

Legacy Liability Providers Reporting Are:

PNM – Reclamation Management:	Through:	N/A
Reclamation:	Through:	N/A
Decommissioning:	Through:	N/A

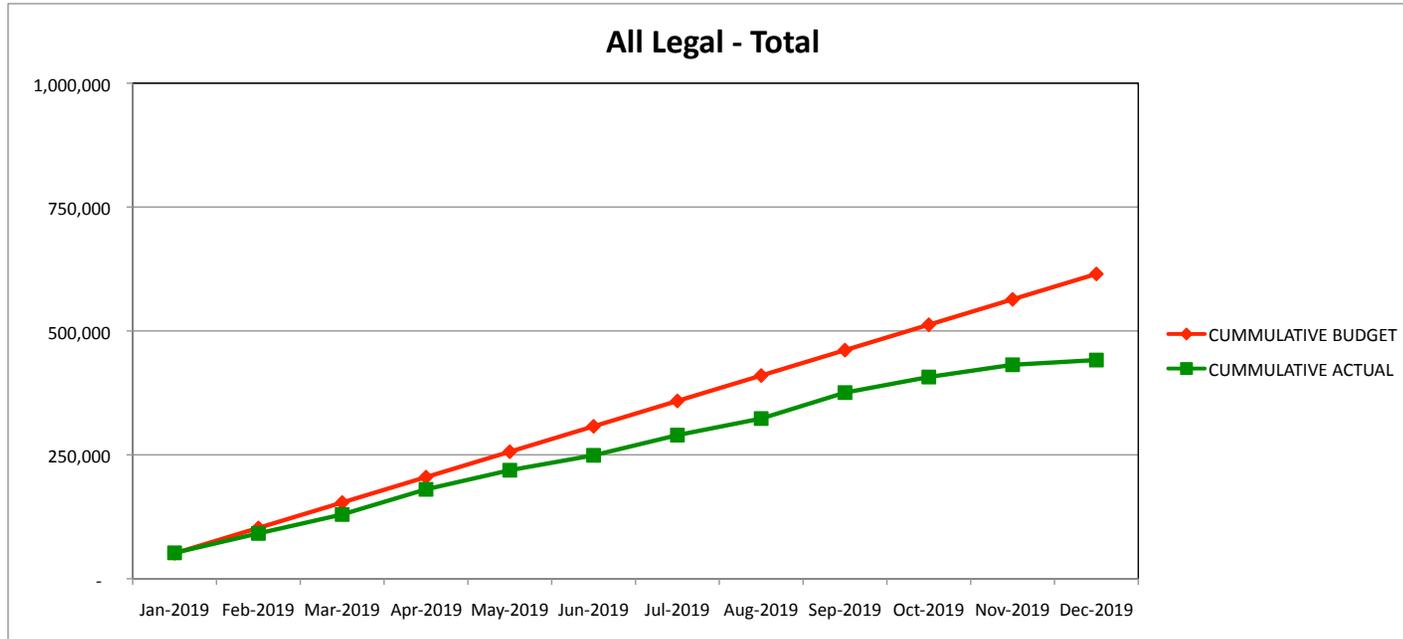
Detailed charts of monthly budget versus actual cost comparisons for each provider are attached in their usual format.

Recommendation:

I recommend the Commission note and file this report.

M-S-R PPA All Legal Summary

Month of: **Dec-2019**



CURRENT MONTH

By Function	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Generation	1,000	1,034	(34)	103%
Gen - Other	1,167	8,502	(7,335)	729%
Renewables	3,083	0	3,083	0%
Rens - Other	24,167	0	24,167	0%
Reg & Comp	18,917	0	18,917	0%
Administrative	2,917	0	2,917	0%
Total	51,250	9,536	41,715	19%

YEAR TO DATE

By Function	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Generation	12,000	12,989	(989)	108%
Gen - Other	14,000	23,469	(9,469)	168%
Renewables	37,000	16,446	20,554	44%
Rens - Other	290,000	155,366	134,634	54%
Reg & Comp	227,000	218,345	8,655	96%
Administrative	35,000	14,642	20,358	42%
Total	615,000	441,257	173,743	72%

By Provider	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Duncan	37,500	0	37,500	0%
Berlin	8,333	0	8,333	0%
Porter Simon	4,250	1,034	3,216	24%
Others	1,167	8,502	(7,335)	729%
Total	51,250	9,536	41,715	19%

By Provider	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Duncan	450,000	301,959	148,041	67%
Berlin	100,000	85,235	14,765	85%
Porter Simon	51,000	30,594	20,406	60%
Others	14,000	23,469	(9,469)	168%
Total	615,000	441,257	173,743	72%

M-S-R PPA Duncan Summary

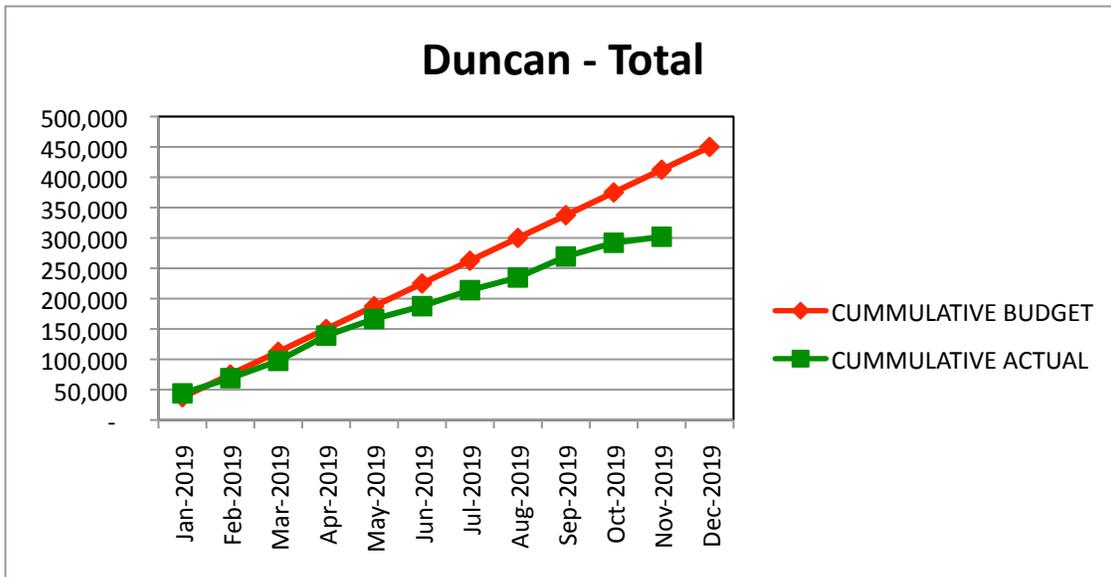
Month of: **Dec-2019**

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	833	0	833	0%
Rens - Other	24,167	0	24,167	0%
Reg & Comp	12,500	0	12,500	0%
Administrative	0	0	0	0%
Total	37,500	0	37,500	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	10,000	205	9,795	2%
Rens - Other	290,000	155,366	134,634	54%
Reg & Comp	150,000	146,388	3,612	98%
Administrative	0	0	0	0%
Total	450,000	301,959	148,041	67%



M-S-R PPA Berlin Summary

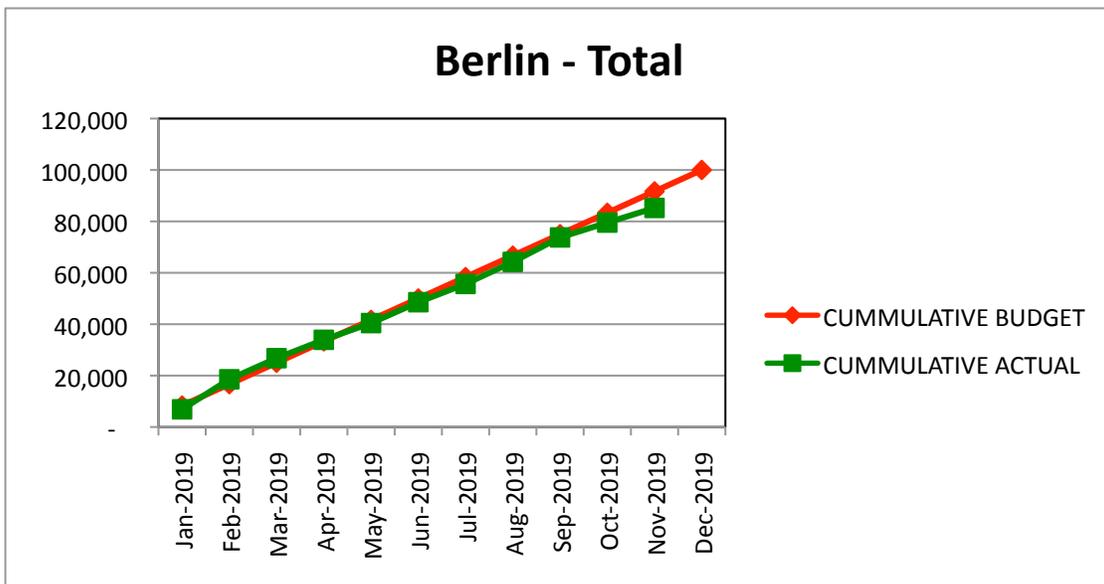
Month of: **Dec-2019**

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	1,667	0	1,667	0%
Rens - Other	0	0	0	0%
Reg & Comp	6,250	0	6,250	0%
Administrative	417	0	417	0%
Total	8,333	0	8,333	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	20,000	13,218	6,782	66%
Rens - Other	0	0	0	0%
Reg & Comp	75,000	71,957	3,043	96%
Administrative	5,000	60	4,940	1%
Total	100,000	85,235	14,765	85%



M-S-R PPA Misc Legal Summary

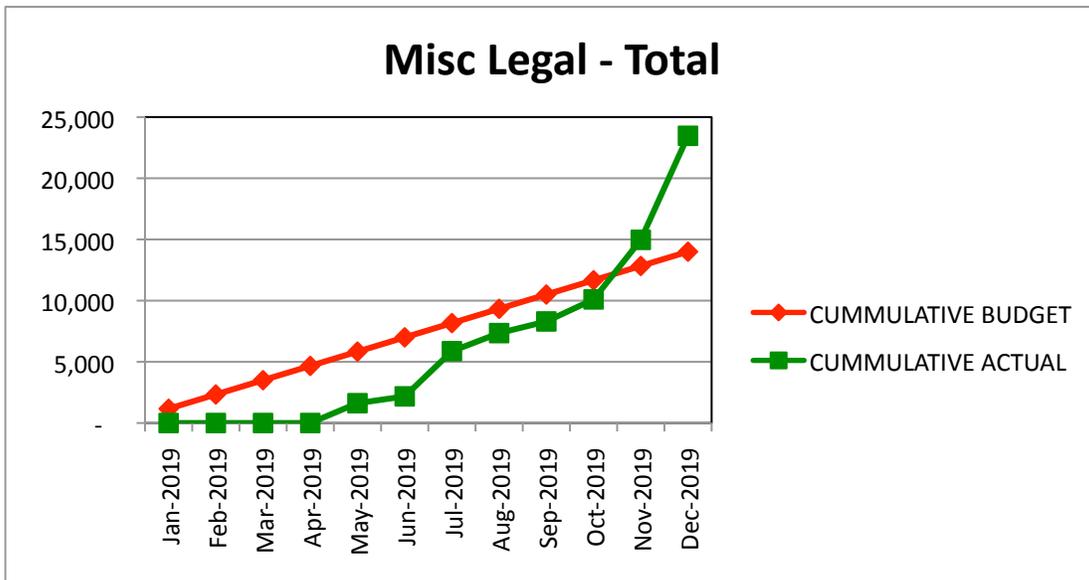
Month of: **Dec-2019**

CURRENT MONTH

	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Generation	0	0	0	0%
Gen - Other	1,167	8,502	(7,335)	729%
Renewables	0	0	0	0%
Rens - Other	0	0	0	0%
Reg & Comp	0	0	0	0%
Administrative	0	0	0	0%
Total	1,167	8,502	(7,335)	729%

YEAR TO DATE

	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Generation	0	0	0	0%
Gen - Other	14,000	23,469	(9,469)	168%
Renewables	0	0	0	0%
Rens - Other	0	0	0	0%
Reg & Comp	0	0	0	0%
Administrative	0	0	0	0%
Total	14,000	23,469	(9,469)	168%



M-S-R PPA Porter Simon Summary

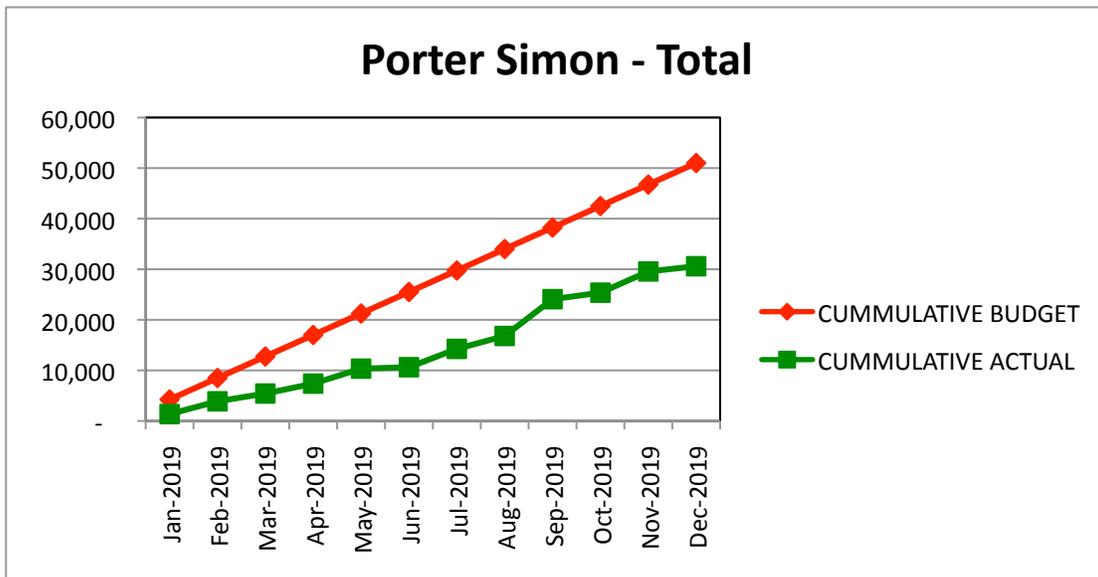
Month of: **Dec-2019**

CURRENT MONTH

	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Generation	1,000	1,034	(34)	103%
Gen - Other	0	0	0	0%
Renewables	583	0	583	0%
Rens - Other	0	0	0	0%
Reg & Comp	167	0	167	0%
Administrative	2,500	0	2,500	0%
Total	4,250	1,034	3,216	24%

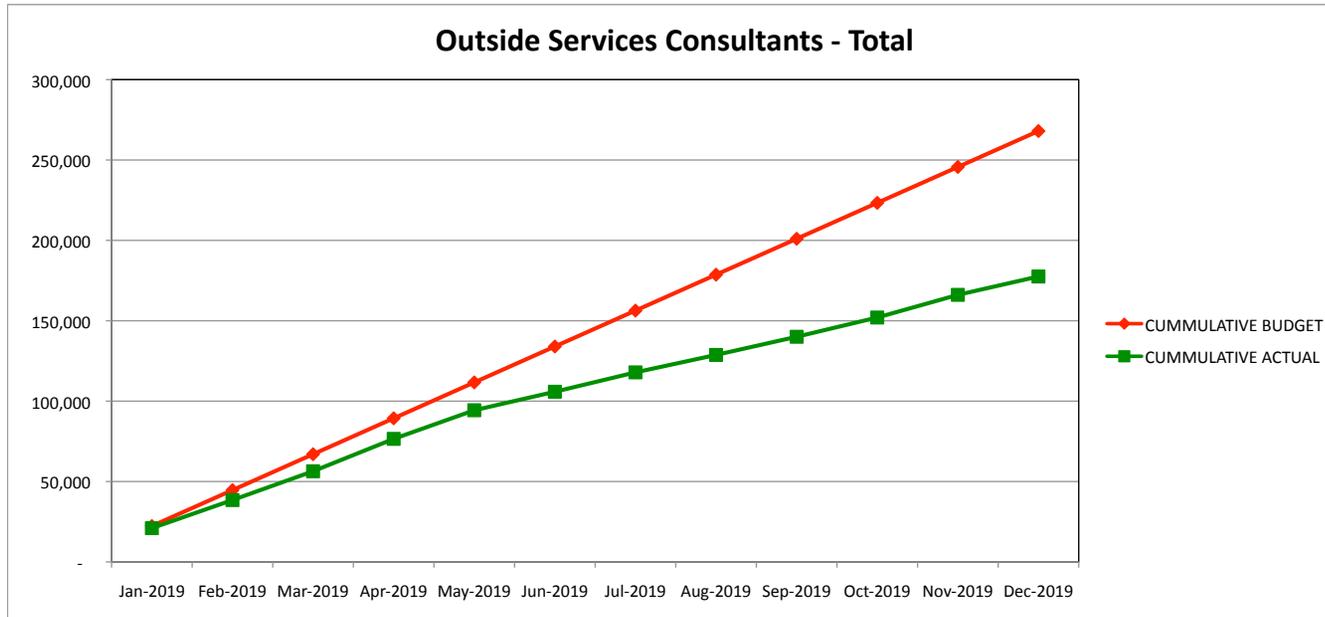
YEAR TO DATE

	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Generation	12,000	12,989	(989)	108%
Gen - Other	0	0	0	0%
Renewables	7,000	3,023	3,977	43%
Rens - Other	0	0	0	0%
Reg & Comp	2,000	0	2,000	0%
Administrative	30,000	14,582	15,418	49%
Total	51,000	30,594	20,406	60%



M-S-R PPA Total Outside Consult Summary

Month of: **Dec-2019**



CURRENT MONTH				
By Function	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Generation	2,500	3,180	(680)	127%
Gen - Other	0	0	0	0%
Renewables	9,500	4,816	4,684	51%
Rens - Other	5,833	2,002	3,831	34%
Reg & Comp	2,417	1,000	1,417	41%
Administrative	2,083	424	1,659	20%
Total	22,333	11,422	10,911	51%

YEAR TO DATE				
By Function	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Generation	30,000	33,072	(3,072)	110%
Gen - Other	0	0	0	0%
Renewables	114,000	78,403	35,597	69%
Rens - Other	70,000	37,947	32,053	54%
Reg & Comp	29,000	13,524	15,476	47%
Administrative	25,000	14,588	10,412	58%
Total	268,000	177,534	90,466	66%

CURRENT MONTH				
By Provider	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Navigant	3,333	0	3,333	0%
KBT	15,833	9,422	6,411	60%
Others	3,167	2,000	1,167	63%
Total	22,333	11,422	10,911	51%

YEAR TO DATE				
By Provider	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Navigant	40,000	3,288	36,712	8%
KBT	190,000	147,199	42,801	77%
Others	38,000	27,047	10,953	71%
Total	268,000	177,534	90,466	66%

M-S-R PPA Navigant Summary

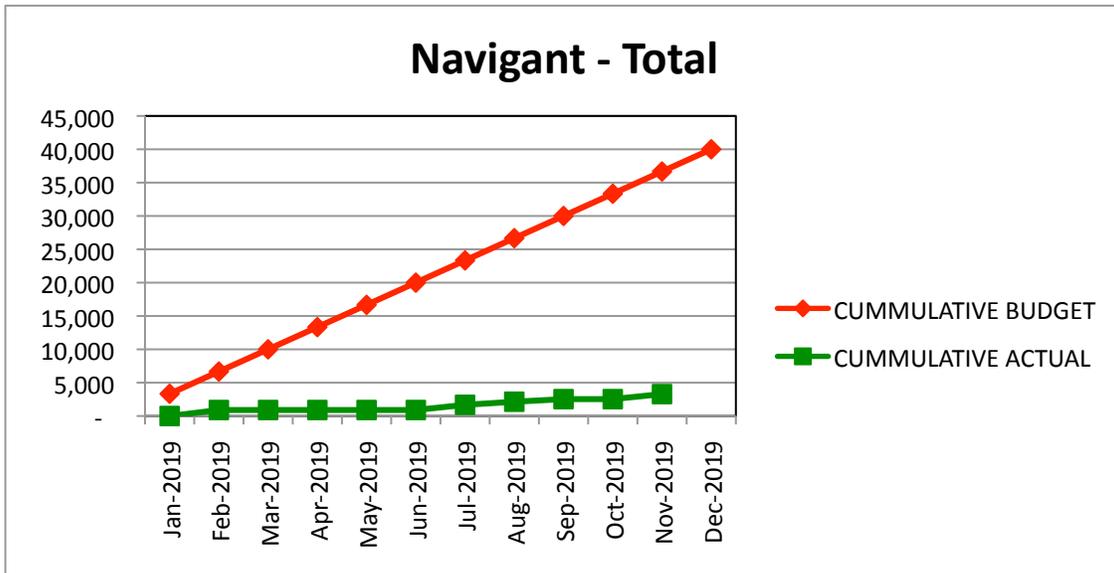
Month of: **Dec-2019**

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	2,083	0	2,083	0%
Rens - Other	0	0	0	0%
Reg & Comp	833	0	833	0%
Administrative	417	0	417	0%
Total	3,333	0	3,333	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	25,000	0	25,000	0%
Rens - Other	0	0	0	0%
Reg & Comp	10,000	0	10,000	0%
Administrative	5,000	3,288	1,712	66%
Total	40,000	3,288	36,712	8%



M-S-R PPA KBT Summary

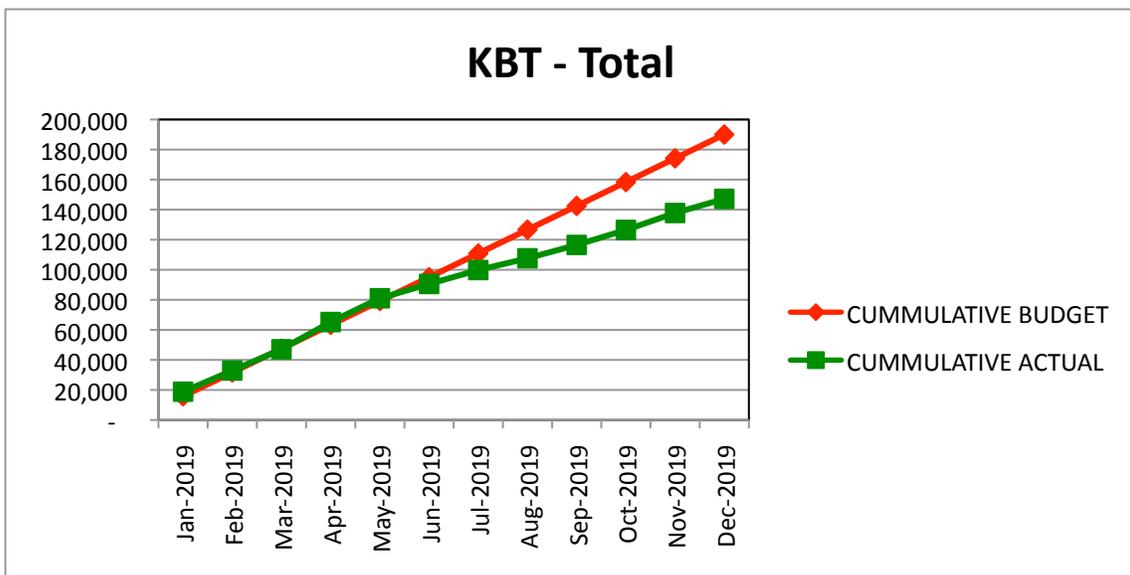
Month of: **Dec-2019**

CURRENT MONTH

	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Generation	2,500	3,180	(680)	127%
Gen - Other	0	0	0	0%
Renewables	5,833	3,816	2,017	65%
Rens - Other	5,833	2,002	3,831	34%
Reg & Comp	0	0	0	0%
Administrative	1,667	424	1,243	25%
Total	15,833	9,422	6,411	60%

YEAR TO DATE

	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Generation	30,000	33,072	(3,072)	110%
Gen - Other	0	0	0	0%
Renewables	70,000	64,879	5,121	93%
Rens - Other	70,000	37,947	32,053	54%
Reg & Comp	0	0	0	0%
Administrative	20,000	11,301	8,699	57%
Total	190,000	147,199	42,801	77%



M-S-R PPA

Misc Outside Services Summary

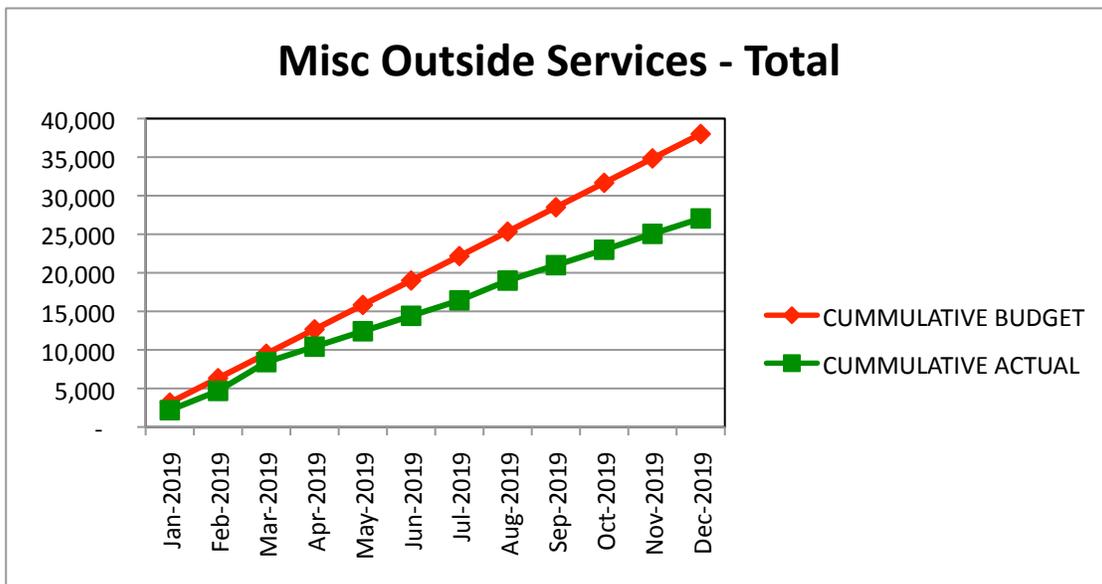
Month of: **Dec-2019**

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	1,000	583	63%
Rens - Other	0	0	0	0%
Reg & Comp	1,583	1,000	583	63%
Administrative	0	0	0	0%
Total	3,167	2,000	1,167	63%

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	19,000	13,524	5,476	71%
Rens - Other	0	0	0	0%
Reg & Comp	19,000	13,524	5,476	71%
Administrative	0	0	0	0%
Total	38,000	27,047	10,953	71%

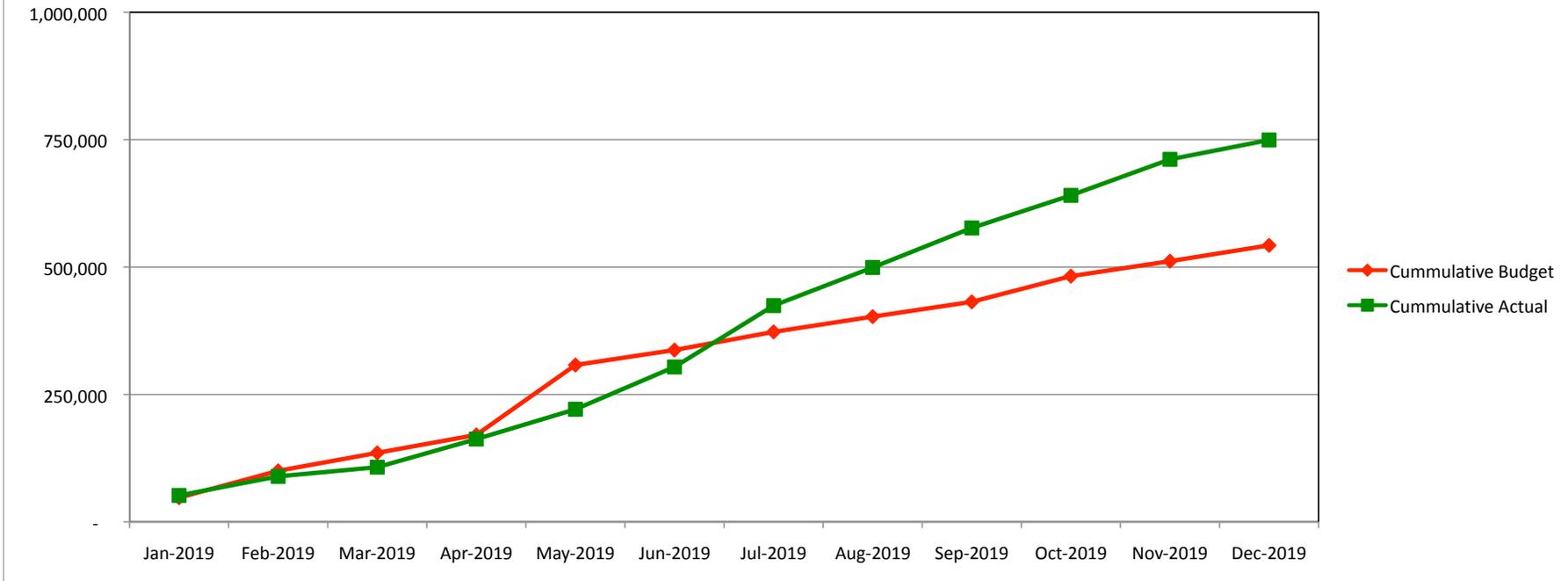


Consultant Costs - 2019	2019 Budget	Revised Budget	Task Orders	Jan-2019	Feb-2019	Mar-2019	Apr-2019	May-2019	Jun-2019	Jul-2019	Aug-2019	Sep-2019	Oct-2019	Nov-2019	Dec-2019	Total	Average	Year-End Projection	Notes
				8.33%	16.67%	25.00%	33.33%	41.67%	50.00%	58.33%	66.67%	75.00%	83.33%	91.67%	100.00%				
Navigant																			
Generation																			
General	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Renewables	25,000	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Regulatory & Comp	10,000	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Administrative	5,000	5,000	-	901	-	-	-	-	-	776	464.51	392.75	-	753.70	-	3,288	274	3,288	
	40,000	40,000	-	901	-	-	-	-	-	776	465	393	-	753.70	-	3,288	274	3,288	8%
				0.00%	2.25%	2.25%	2.25%	2.25%	2.25%	4.19%	5.35%	6.33%	6.33%	8.22%	8.22%				
KBT																			
Generation																			
General	20,000	30,000	3,180	3,392	2,544	4,452	2,756	2,756	1,696	2,120	1,272	2,968	2,756.00	3,180.00	33,072	2,756	33,072		
Gen - Other																			
SJGS Disposition			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Renewables																			
General	70,000	70,000	8,064	5,309	6,506	7,680	8,268	3,816	3,604	3,816	5,413	3,791	4,794.76	3,816.00	64,879	5,407	64,879		
Rens - Other																			
BP-20 Rate Case	70,000	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	BP-18 Rate Case
KBT 2019-01			14,560	6,734	3,640	-	-	-	-	-	-	-	-	-	-	10,374	5,187	10,374	Jan - Feb
KBT 2019-02			14,560	-	-	3,822	4,732	-	-	-	-	-	-	-	-	8,554	4,277	8,554	Mar - Apr
KBT 2019-03			14,560	-	-	-	-	3,094	2,730	-	-	-	-	-	-	5,824	2,912	5,824	May - Jun
KBT 2019-04			14,560	-	-	-	-	-	-	2,912	1,456	-	-	-	-	4,368	2,184	4,368	Jul - Aug
KBT 2019-05			12,740	-	-	-	-	-	-	-	-	1,365	2,366	-	3,731	1,866	3,731	Sep - Oct	
KBT 2019-06			10,920	-	-	-	-	-	-	-	-	-	-	3,094.00	2,002.00	5,096	2,548	5,096	Nov - Dec
Sum			81,900	-	-	-	-	-	-	-	-	-	-	-	-	37,947	-	37,947	
Regulatory & Comp																			
Administrative	20,000	20,000	848	1,728	1,304	1,272	1,696	212	1,060	424	848	848	636.00	424.00	11,301	942	11,301		
	180,000	190,000	81,900	18,826	14,070	14,177	18,136	15,814	9,514	9,272	7,816	8,898	9,973	11,280.76	9,422.00	147,199	28,078	147,199	77%
				9.91%	17.31%	24.78%	34.32%	42.64%	47.65%	52.53%	56.64%	61.33%	66.58%	72.51%	77.47%	147,199			
SUBTOTAL	220,000	230,000	18,826	14,971	14,177	18,136	15,814	9,514	10,048	8,281	9,291	9,973	12,034	9,422	150,487	28,352	150,487	65%	
				8.56%	15.36%	21.81%	30.05%	37.24%	41.56%	46.13%	49.89%	54.12%	58.65%	64.12%	68.40%				
Outside Services																			
Generation																			
Renewables																			
Ferguson Group	5,000	5,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Politico Group	14,000	14,000	1,093	1,249	1,868	1,000	1,000	1,000	1,000	1,285	1,000	1,000	1,029	1,000.00	13,524	1,127	13,524		
Rens - Other																			
Ferguson Group	5,000	5,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Politico Group	14,000	14,000	1,093	1,249	1,868	1,000	1,000	1,000	1,000	1,285	1,000	1,000	1,029	1,000.00	13,524	1,127	13,524		
Regulatory & Comp																			
Administrative	38,000	38,000	2,185	2,498	3,737	2,000	2,000	2,000	2,000	2,570	2,000	2,000	2,058	2,000	27,047	2,254	27,047	71%	
				5.75%	12.32%	22.16%	27.42%	32.68%	37.95%	43.21%	49.97%	55.23%	60.50%	65.91%	71.18%				
GRAND TOTAL	258,000	268,000	21,011	17,468	17,913	20,136	17,814	11,514	12,048	10,850	11,291	11,973	14,092	11,422	177,534	30,606	177,534	66%	
				8.14%	14.91%	21.86%	29.66%	36.57%	41.03%	45.70%	49.91%	54.28%	58.92%	64.38%	68.81%				
	Original 2019 Budget	Revised 2019 Budget																	
G	20,000	30,000																	33,072
G - Other	-	-																	-
R	114,000	114,000																	78,403
R - Other	70,000	70,000																	37,947
R&C	29,000	29,000																	13,524
A	25,000	25,000																	14,588
	258,000	268,000																	177,534
50/35/15	45,000	55,000																	47,660
Renew	184,000	184,000																	116,350

Legacy Liability - Total

Month of: Dec-2019

Legacy Liabilities - Total



CURRENT MONTH

By Function	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
PNM - Reclamation	4,083	447	3,636	11%
SJCC - Reclamation	26,456	52,694	(26,238)	199%
PNM - Decommission	529	(15,167)	15,696	-2868%
Total	31,068	37,974	(6,906)	122%

YEAR TO DATE

By Function	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
PNM - Reclamation	49,000	10,375	38,625	21%
SJCC - Reclamation	449,000	700,785	(251,785)	156%
PNM - Decommission	44,673	38,155	6,519	85%
Total	542,673	749,315	(206,642)	138%

PNM - Reclamation

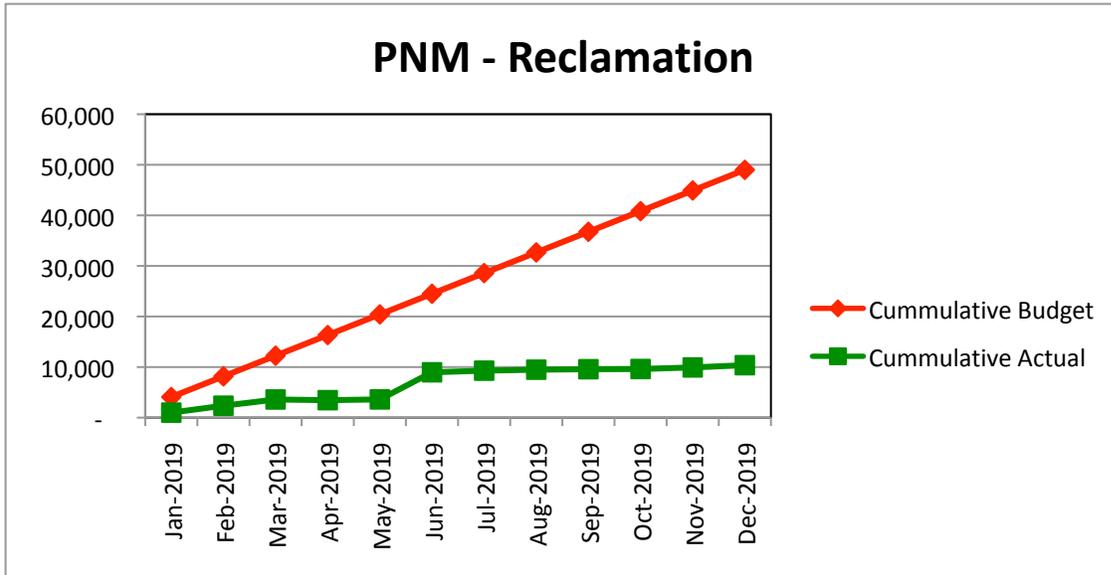
Month of: **Dec-2019**

CURRENT MONTH

	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Generation	4,083	447	3,636	11%
Total	4,083	447	3,636	11%

YEAR TO DATE

	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Generation	49,000	10,375	38,625	21%
Total	49,000	10,375	38,625	21%



PNM - Decommissioning

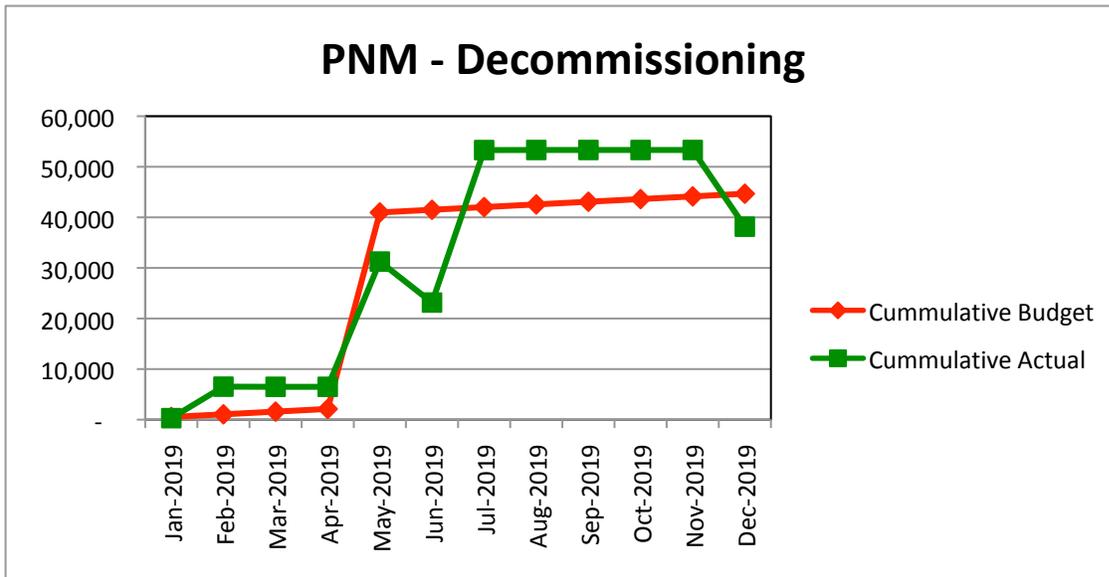
Month of: **Dec-2019**

CURRENT MONTH

	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Generation	529	(15,167)	15,696	-2868%
Total	529	(15,167)	15,696	-2868%

YEAR TO DATE

	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Generation	44,673	38,155	6,519	85%
Total	44,673	38,155	6,519	85%



SJCC - Reclamation

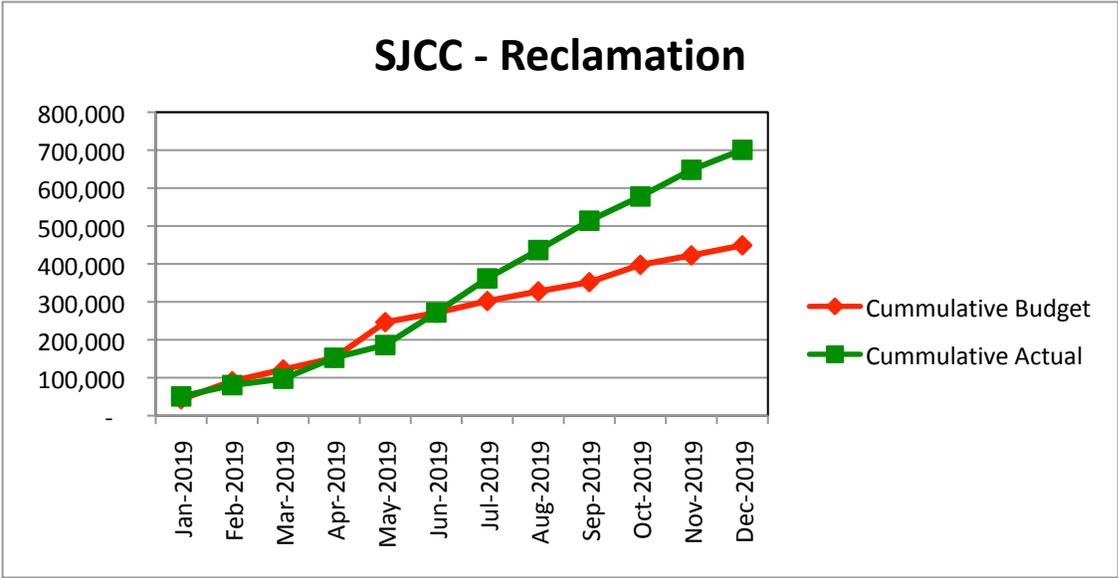
Month of: **Dec-2019**

CURRENT MONTH

	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Generation	26,456	52,694	(26,238)	199%
Total	26,456	52,694	(26,238)	199%

YEAR TO DATE

	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Generation	449,000	700,785	(251,785)	156%
Total	449,000	700,785	(251,785)	156%



PNM - Decommissioning

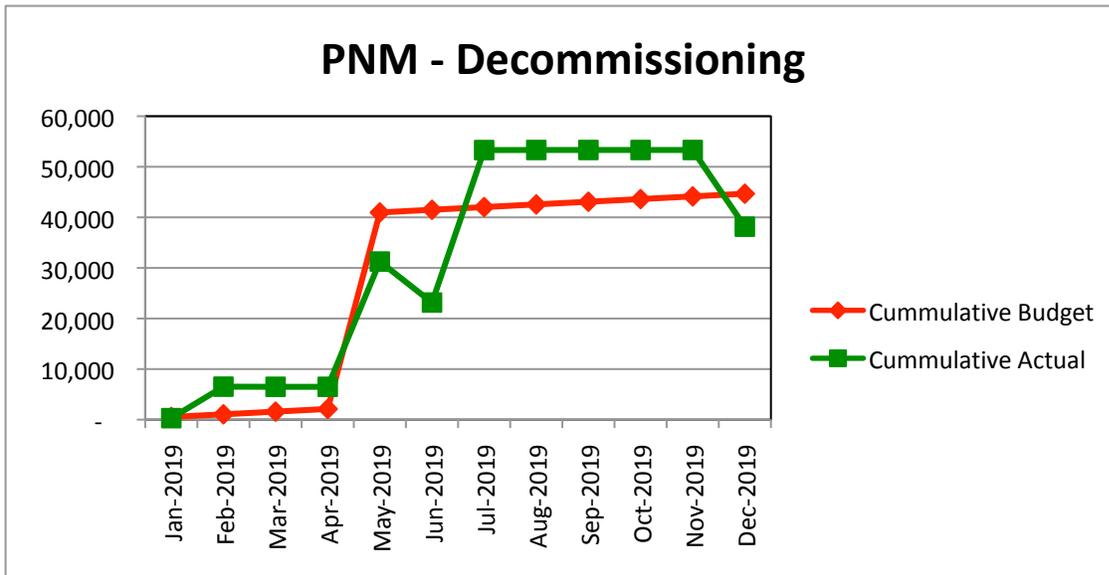
Month of: **Dec-2019**

CURRENT MONTH

	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Generation	529	(15,167)	15,696	-2868%
Total	529	(15,167)	15,696	-2868%

YEAR TO DATE

	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Generation	44,673	38,155	6,519	85%
Total	44,673	38,155	6,519	85%



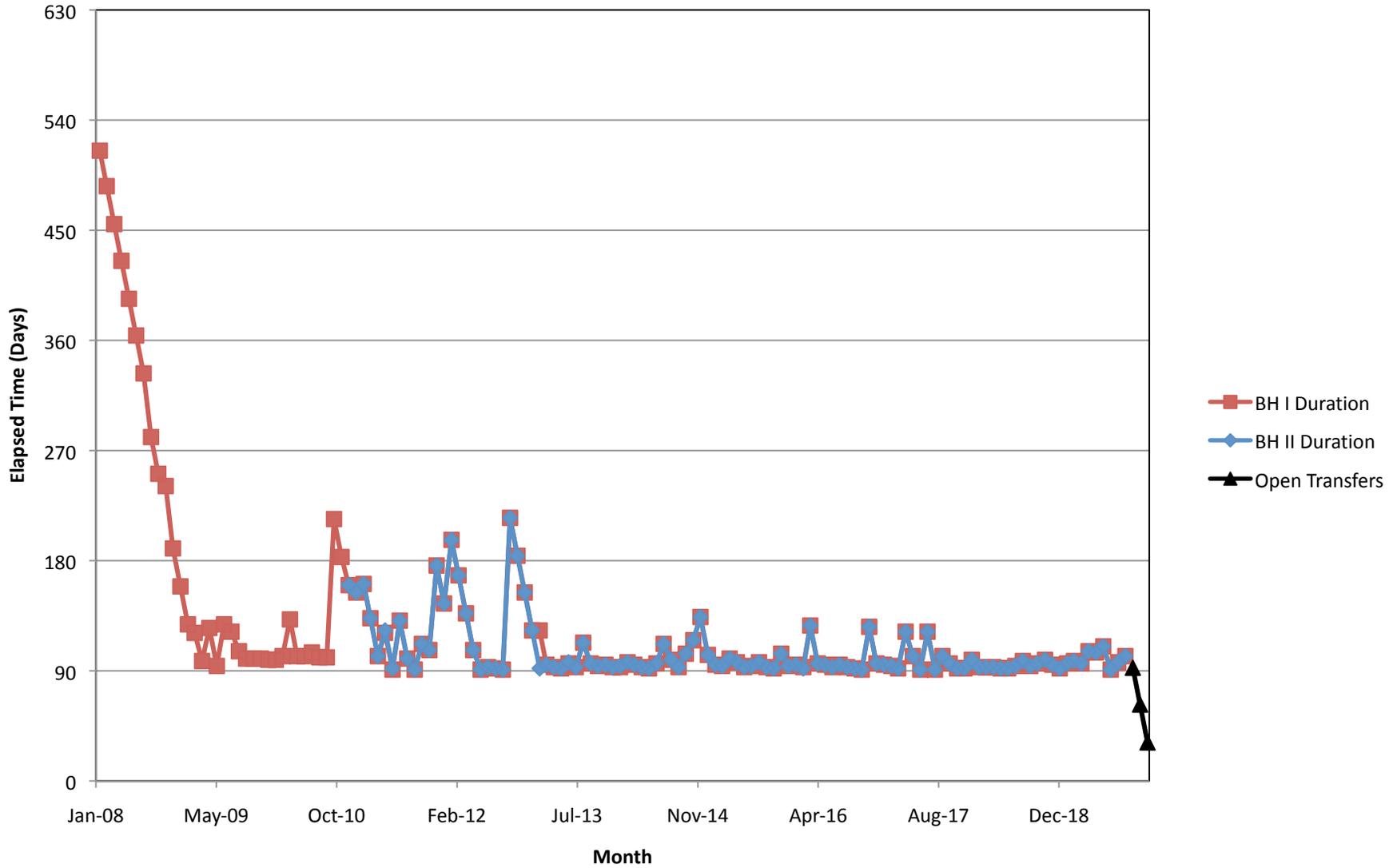
M-S-R Public Power Agency Staff Report

Date: January 31, 2020
From: Martin R. Hopper, General Manager
To: M-S-R PPA Commission
Subject: February 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 February 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			31-Jan-20	92
Nov-19			31-Jan-20	62
Dec-19			31-Jan-20	31

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

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

M-S-R Public Power Agency Staff Report

Date: January 31, 2020
From: Martin R. Hopper, General Manager
To: M-S-R PPA Commission
Subject: 2020 M-S-R Public Power Agency Ten-Year San Juan Cost Forecast and Legacy Liability Funding Status Report

Background:

M-S-R PPA's former interests in Unit No. 4 of the coal-fired San Juan Generating Station (SJGS) located in New Mexico and certain Legacy Liabilities pertaining to Mine Reclamation and Plant Decommissioning are referred to as the San Juan Project. The Restructuring Agreements allowing M-S-R PPA's divestiture of its interests in the SJGS became effective January 31, 2016, and the divestiture was made December 31, 2017 ("Exit Date"). This forecast has been made on the basis of those agreements. As of July 1, 2020, there will be about \$52 million of outstanding bonded indebtedness associated with the San Juan Project. As of December 31, 2019, there are between \$20 and \$40 million of outstanding Legacy Liabilities associated with Mine Reclamation and Plant Decommissioning.

Purpose and Use of Forecast:

During the operating period for the San Juan Project, the annual Ten-Year San Juan Cost Forecast was prepared to allow the Members to project and budget for long-term San Juan cost trends. The Member's obligations to pay for San Juan Project costs flow from the underlying Project Agreements and this forecast is for information and budgeting purposes and is not a binding commitment or guarantee by M-S-R PPA. The forecast is designed to provide a reasonable estimate of the likely costs to be incurred to satisfy known legacy obligations and the status of the funds held in Trust and in the Agency's reserves for payment of those costs.

Issues and Assumptions:

1. SJGS Operating Period:
 - a. As discussed above, this forecast is based upon M-S-R PPA's exit from the ownership and operation of the San Juan Project effective December 31, 2017. The Remaining participants in the SJGS are assumed to terminate power generation activities and the Coal Supply Agreement with San Juan Coal Company on June 30, 2022, as proposed in PNM's 2017 Integrated Resource Plan (IRP) adopted by the New Mexico Public Regulation Commission and in PNM's San Juan Abandonment Case. Although final approval of the Abandonment Case is still pending, we do not expect any change to the assumed termination date for SJGS operations. We have also conservatively assumed for the purposes of this forecast that the Farmington/Enchant proposal to extend the life of the San Juan Project for an additional 13-years is not consummated.

2. Legacy Costs
 - a. Legacy costs pertaining to Mine Reclamation liabilities as enumerated in the Amended and Restated Mine Reclamation And Trust Funds Agreement have been computed on the basis of the funding curves adopted by the Reclamation Investment Committee on November 13, 2018. Pursuant to M-S-R PPA Resolution 2016-04 Use And Transfers Of Reserves And Working Capital, all such expenses are funded through the Trust and/or paid from Agency reserves. PNM's administrative costs of about \$50,000 per year to M-S-R PPA are assumed to also be paid from Agency reserves and are shown in this forecast for information purposes only. Additional annual insurance costs, in amounts currently estimated at \$60,000 are to also be paid from Agency reserves.
 - b. Legacy costs pertaining to Plant Decommissioning liabilities have been estimated on the basis of the Decommissioning And Trust Funds Agreement (Decommissioning Agreement) shares and an assumed full station shut-down in 2022. Generally only mandatory ARO activities are assumed to be performed in the near future. Any costs associated with brown/green-fielding activities were assumed to be incurred subsequent to the period of this forecast. In 2019 a study was completed by prepared by Burns & McDonnell Engineering Company Inc.,

dated June 7, 2019, which provided updated estimates of various decommissioning scenarios. For purposes of GASB-83 Asset Retirement Obligation (ARO) estimates for the Agency's Financial Statements, San Juan Decommissioning Legacy Liabilities need to be estimated on a current year (rather than nominal) basis and an assuming initial retirement-in-place followed by demolition after 25-years will be shown at \$9.7 million (\$2019.) Pursuant to M-S-R PPA Resolution 2016-04 Use And Transfers Of Reserves And Working Capital, all expenses pertaining to decommissioning activities are funded through the Trust and/or paid from Agency Reserves and are shown in this forecast for information purposes only.

The above assumptions were presented to the Technical Committee at its February 6, 2020, meeting. The attached forecasts incorporate these assumptions and are suitable for the Member's analysis of long-term San Juan Project economics.

Recommendation:

I recommend the M-S-R PPA Commission note and file the 2020 M-S-R Public Power Agency San Juan Ten-Year Legacy Liability Cost Forecast and Legacy Liability Funding Status Report.

SAN JUAN 10-YEAR LEGACY LIABILITY COST FORECAST:

	Reclamation Trust Funds Operating Agent Costs 1_ /	Legacy Liabilities: Mine Reclamation 2_ /	Legacy Liabilities: Plant Decomm 3_ /	Insurance Cost 4_ /	Total Legacy Liability Cost
Year	\$	\$	\$	\$	\$
2020	50,000	640,000	0	60,000	750,000
2021	50,000	720,000	0	60,000	850,000
2022	50,000	1,680,000	140,000	60,000	1,930,000
2023	50,000	2,950,000	1,520,000	60,000	4,580,000
2024	60,000	2,850,000	1,620,000	60,000	4,590,000
2025	60,000	2,590,000	460,000	60,000	3,170,000
2026	60,000	2,830,000	130,000	60,000	3,080,000
2027	60,000	2,800,000	130,000	60,000	3,050,000
2028	60,000	2,340,000	130,000	60,000	2,590,000
2029	60,000	250,000	130,000	60,000	500,000

1_ / PNM cost per SJGS 2020 Budget escalated at 2.5%/yr - paid from reserves.

2_ / Based on 2022 Four Unit shutdown - Expenses paid from Trusts - all years.

3_ / Based on 2022 Four-Unit shutdown - Expenses paid from Trusts - all years.

ARO Costs only per Burns & McDonnell Table D-7 - does not include site brownfielding costs. M-S-R share post-2022 costs at 7.6%.

4_ / Allocations of insurance costs are currently under dispute with PNM, but are expected to be approximately \$60,000 per year.

SAN JUAN LEGACY LIABILITY FUNDING STATUS:

	Balance Required	Balance Held December 31, 2019	Notes
Mine Reclamation Trust	\$17,797,203	\$17,841,940	Balance Required as of December 31, 2019. – No additional funding required at this time.
Plant Decommissioning Trust	\$2,280,000	\$2,203,525	Balance Required no later than December 31, 2022. – Expected interest earnings will exceed requirement.
Potential SJGS Site Brown/Green-fielding	\$21,500,000		Escalated 2019 ARO Estimate. Burns & Mac Table D-7 @ 7.6%
		\$2,203,525	Held in Decommissioning Trust
		\$6,047,121	Resolution 2016-04 Operating Fund Reservation
		\$3,300,000	Held in Debt/Service Coverage Revolving Fund
		\$14,900,000	Held in Agency Reserves/Operating Fund – Note: Needs Update to 2019 YE
			\$26,450,646

M-S-R Public Power Agency Staff Report

Date: January 31, 2020

From: Martin R. Hopper, General Manager

To: M-S-R PPA Commission

Subject: 2020 M-S-R Public Power Agency Ten-Year San Juan Cost Forecast and Legacy Liability Funding Status Report

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Background:

M-S-R PPA's former interests in Unit No. 4 of the coal-fired San Juan Generating Station (SJGS) located in New Mexico and certain Legacy Liabilities pertaining to Mine Reclamation and Plant Decommissioning are referred to as the San Juan Project. The Restructuring Agreements allowing M-S-R PPA's divestiture of its interests in the SJGS became effective January 31, 2016, and the divestiture was made December 31, 2017, ("Exit Date"). This forecast has been made on the basis of those agreements. As of July 1, 2020, there will be about \$52 million of outstanding bonded indebtedness associated with the San Juan Project. As of December 31, 2019, there are between \$20 and \$40 million of outstanding Legacy Liabilities associated with Mine Reclamation and Plant Decommissioning.

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Purpose and Use of Forecast:

During the operating period for the San Juan Project, the annual Ten-Year San Juan Cost Forecast was prepared to allow the Members to project and budget for long-term San Juan cost trends. The Member's obligations to pay for San Juan Project costs flow from the underlying Project Agreements and this forecast is for information and budgeting purposes and is not a binding commitment or guarantee by M-S-R PPA. The forecast is designed to provide a reasonable estimate of the likely costs to be incurred to satisfy known legacy obligations and the status of the funds held in Trust and in the Agency's reserves for payment of those costs.

Issues and Assumptions:

1. SJGS Operating Period:

a. As discussed above, this forecast is based upon M-S-R PPA's exit from the ownership and operation of the San Juan Project effective December 31, 2017. The Remaining participants in the SJGS are assumed to terminate power generation activities and the Coal Supply Agreement with San Juan Coal Company on June 30, 2022, as proposed in PNM's 2017 Integrated Resource Plan (IRP) adopted by the New Mexico Public Regulation Commission and in PNM's San Juan Abandonment Case. Although final approval of the Abandonment Case is still pending, we do not expect any change to the assumed termination date for SJGS operations. We have also conservatively assumed for the purposes of this forecast that the Farmington/Enchant proposal to extend the life of the San Juan Project for an additional 13-years is not consummated.

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2. Legacy Costs

a. Legacy costs pertaining to Mine Reclamation liabilities as enumerated in the Amended and Restated Mine Reclamation And Trust Funds Agreement have been computed on the basis of the funding curves adopted by the Reclamation Investment Committee on November 13, 2018. Pursuant to M-S-R PPA Resolution 2016-04 Use And Transfers Of Reserves And Working Capital, all such expenses are funded through the Trust and/or paid from Agency reserves. PNM's administrative costs of about \$50,000 per year to M-S-R PPA are assumed to also be paid from Agency reserves and are shown in this forecast for information purposes only. Additional annual insurance costs, in amounts currently estimated at \$60,000 are to also be paid from Agency reserves.

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b. Legacy costs pertaining to Plant Decommissioning liabilities have been estimated on the basis of the Decommissioning And Trust Funds Agreement (Decommissioning Agreement) shares and an assumed full station shut-down in 2022. Generally only mandatory ARO activities are assumed to be performed in the near future. Any costs associated with brown/green-fielding activities were assumed to be incurred subsequent to the period of this forecast. In 2019 a study was completed by prepared by Burns & McDonnell Engineering Company Inc.,

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dated June 7, 2019, which provided updated estimates of various decommissioning scenarios. For purposes of GASB-83 Asset Retirement Obligation (ARO) estimates for the Agency's Financial Statements, San Juan Decommissioning Legacy Liabilities need to be estimated on a current year (rather than nominal) basis and an assuming initial retirement-in-place followed by demolition after 25-years will be shown at \$9.7 million (\$2019.) Pursuant to M-S-R PPA Resolution 2016-04 Use And Transfers Of Reserves And Working Capital, all expenses pertaining to decommissioning activities are funded through the Trust and/or paid from Agency Reserves and are shown in this forecast for information purposes only.

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The above assumptions were presented to the Technical Committee at its February 6, 2020, meeting. The attached forecasts incorporate these assumptions and are suitable for the Member's analysis of long-term San Juan Project economics.

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Recommendation:

I recommend the M-S-R PPA Commission note and file the 2020 M-S-R Public Power Agency San Juan Ten-Year Legacy Liability Cost Forecast and Legacy Liability Funding Status Report.

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SAN JUAN 10-YEAR LEGACY LIABILITY COST FORECAST:

Year	Reclamation Trust Funds Operating Agent Costs 1_ /	Legacy Liabilities: Mine Reclamation 2_ /	Legacy Liabilities: Plant Decomm 3_ /	Insurance Cost 4_ /	Total Legacy Liability Cost
	\$	\$	\$	\$	\$
2020	50,000	640,000	0	60,000	750,000
2021	50,000	720,000	0	60,000	850,000
2022	50,000	1,680,000	140,000	60,000	1,930,000
2023	50,000	2,950,000	1,520,000	60,000	4,580,000
2024	60,000	2,850,000	1,620,000	60,000	4,590,000
2025	60,000	2,590,000	460,000	60,000	3,170,000
2026	60,000	2,830,000	130,000	60,000	3,080,000
2027	60,000	2,800,000	130,000	60,000	3,050,000
2028	60,000	2,340,000	130,000	60,000	2,590,000
2029	60,000	250,000	130,000	60,000	500,000

- 1_ / PNM cost per SJGS 2020 Budget escalated at 2.5%/yr - paid from reserves.
- 2_ / Based on 2022 Four Unit shutdown - Expenses paid from Trusts - all years.
- 3_ / Based on 2022 Four-Unit shutdown - Expenses paid from Trusts - all years.
 ARO Costs only per Burns & McDonnell Table D-7 - does not include site brownfielding costs. M-S-R share post-2022 costs at 7.6%.
- 4_ / Allocations of insurance costs are currently under dispute with PNM, but are expected to be approximately \$60,000 per year.

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SAN JUAN LEGACY LIABILITY FUNDING STATUS:

	Balance Required	Balance Held December 31, 2019	Notes
Mine Reclamation Trust	\$17,797,203	\$17,841,940	Balance Required as of December 31, 2019. – No additional funding required at this time.
Plant Decommissioning Trust	\$2,280,000	\$2,203,525	Balance Required no later than December 31, 2022. – Expected interest earnings will exceed requirement.
Potential SJGS Site Brown/Green-fielding	\$21,500,000		Escalated 2019 ARO Estimate, Burns & Mac Table D-7 @ 7.6%
		\$2,203,525	Held in Decommissioning Trust
		\$6,047,121	Resolution 2016-04 Operating Fund Reservation
		\$3,300,000	Held in Debt/Service Coverage Revolving Fund
		\$14,900,000	Held in Agency Reserves/Operating Fund – Note: Needs Update to 2019 YE
		\$26,450,646	Total Available Funds – No additional funding required at this time.

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– Note: New Decommissioning Study expected to be performed in 2019.

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