

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

Date: July 3, 2019
To: M-S-R PPA Technical Committee
From: Martin R. Hopper, General Manager
Subject: Thursday, July 11, 2019, M-S-R PPA Technical Committee Meeting

Please find enclosed the agenda for the Thursday, July 11, 2019, 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
Kathleen Hughes – SVP
Yanmei Qiu – SVP
Steve Handy – Redding
Lowell Watros – Redding

M-S-R Public Power Agency

MEETING OF THE TECHNICAL COMMITTEE

Thursday, July 11, 10:00 AM

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

AGENDA

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

1. Call to Order
2. Roll Call
3. Approval of Minutes of May 9, 2019 Meeting (attached)
4. General Manager Reports (attached, Martin Hopper)
5. Big Horn Wind Energy Project Operating Statistics (To be distributed at meeting)
6. ***Discussion and Possible Action Regarding July 2019 Outside Services Budget Versus Actual Report and Mid-Year Budget and Goals Review*** (attached)
7. ***Discussion and Possible Action Regarding July 2019 WREGIS REC Status Report*** (attached, Martin Hopper)
8. ***Discussion and Possible Action Regarding Post-Divestiture Allocation of San Juan Generating Station Continuing Coverage Insurance Costs*** (attached, Martin Hopper)
9. ***Discussion and Possible Action Regarding 2019 Insurance Renewals*** (attached, Martin Hopper)
10. **Closed Session**
 - a. Existing Litigation: Government Code §54956.9 (d)(1) – 3 Cases (NM-PRC Case BP-16-BPA, BP-18-BPA, BP-20-BPA)

- b. Decision on Whether to Initiate Litigation: Gov't Code Section 54956.9(d)(4) – one case
- 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.

DRAFT MINUTES OF THE
M-S-R PUBLIC POWER AGENCY
TECHNICAL COMMITTEE
MAY 9, 2019

The M-S-R Public Power Agency (M-S-R PPA) Technical Committee held a regular meeting on May 9, 2019 at the offices of Modesto Irrigation District in Modesto, 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 – Toxie Burriss, City of Santa Clara – Basil Wong, City of Redding – Steve Handy. The meeting was called to order at 10:22 a.m.

Approval of Minutes

Upon a motion by Mr. Burriss, seconded by Mr. Handy, the minutes of the meeting held on February 7, 2019 were approved by unanimous vote.

Project Reports - Agency

The General Manager reported the Form 700 automation project was successfully implemented and that 80% of the filers utilized the electronic filing option. Manual filer's reports were scanned and entered into the electronic system.

Project Reports – San Juan

Detailed updates were provided on San Juan Decommissioning Committee activities and the General Manager noted that agreement by the San Juan Participants for a decommissioning study had been reached and preliminary results disseminated. San Juan Reclamation activities continue as planned and the transition of ownership of the San Juan Coal Company due to the Westmoreland Bankruptcy appears to have gone smoothly. Mr. Hopper indicated that discussions with PNM continue regarding the proper allocation of insurance costs and that a further \$3,808 refund on 2018 liability insurance costs has been received from PNM.

Project Reports – Pacific Northwest

Big Horn deliveries for February and March 2019 were at historic lows. It was reported that although the wind turbines had high availability, the storm track, and corresponding wind and wind power production capability, shifted through California for extended periods. Even though these periods had low Pacific Northwest wind production, curtailments were reported to still be relatively high due to line maintenance and high hydroelectric production in California. Mr. Hopper was asked to clarify the causes of the curtailments and whether conditions on the BPA system contributed to them. The Committee briefly discussed the questions previously raised by Santa Clara regarding the timing of delivery of Big Horn 2 variable energy and concurred with the General Manager's recommendation to first raise this issue informally with Avangrid.

Outside Services Budget versus Actual Reporting

Mr. Hopper stated there are no significant exceptions identified in the report. Mr. Hopper noted that at this stage it appears Legal, Consulting, and Legacy Liability expenditures will end the year at or below their respective budget amounts.

WREGIS REC Status Report

Mr. Hopper indicated with that all transfers are currently meeting their expected delivery schedules. Prior to the adjournment of the meeting, Mr. Hopper confirmed that those credits had been transferred to the Members earlier in the day.

Amendment to San Juan Reclamation Trust Agreement With US Bank

Mr. Hopper reported that with the completion of the Westmoreland Bankruptcy the ownership of the San Juan Mine has passed to a new Westmoreland entity. Although the Reclamation Agreement amongst the San Juan participants names the beneficiary as being San Juan Coal Company or its successors or assigns, the Agency's (and the other San Juan Participant's) Trust Agreement(s) with their respective Trustees – US Bank for M-S-R PPA, name San Juan Coal Company as beneficiary but do not include a provision for successors and assigns. Since the next regular meeting of the Commission is not until late-September the General Manager recommended that the Commission direct the General

Manager and General Counsel develop and execute an appropriate amendment to the Agency's Trust Agreement with US Bank to address this issue. It was moved by Mr. Handy and seconded by Mr. Burriss to recommend the Commission direct the General Manager and General Counsel to develop and execute an amendment to the Reclamation Trust Agreement with US Bank to correct the definition of beneficiary to include the proper Westmoreland entities and their successors and assigns. The motion carried unanimously.

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 11:10 a.m. to Conference with Legal Counsel – 3 cases of Existing Litigation (BP-16-BPA, BP-18-BPA, and BP-20-BPA) and pursuant to Government Code §54956.9(d)(4), decision on whether to initiate litigation – 1 case.

Announcement from Closed Session

Upon returning to open session at 12:39 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 regular meeting date will be held July 11, 2019, at 10:00 A.M at the offices of Navigant Consulting, Inc. in Folsom, CA. The meeting was adjourned at 12:41 p.m.

Respectfully submitted.

Martin R. Hopper
General Manager

Attachment 1

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

May 9, 2019
10:22 AM

<u>NAME</u>	<u>STATUS</u>	<u>ORGANIZATION</u>
Toxie Burriss	Member	Modesto
Martin Caballero	Guest	Modesto
Steve Hance	Guest	Santa Clara
Basil Wong	Member	Santa Clara
Steven Handy	Member	Redding
Steve Gross	Guest	General Counsel (by telephone)
Pete Scanlon	Guest	FERC and BPA Counsel (by telephone)
Martin Hopper	Chair	General Manager

DRAFT

M-S-R Public Power Agency Staff Report

Date: July 3, 2019
From: Martin R. Hopper, General Manager
To: M-S-R PPA Technical Committee
Subject: General Manager Reports

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

- May 2018 – Covering April 2019 Activities
- June 2018 – Covering May 2019 Activities
- July 2019 (Draft) – Covering June 2019 Activities

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M-S-R Public Power Agency Staff Report

Date: May 22, 2019
From: Martin R. Hopper, General Manager
To: M-S-R PPA Commission
Subject: May 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 – April 2019 (Approx. 49 hours)

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

Monitored completion of Form 700 Filing project and successful completion of annual filing process.

Reviewed and provided comments on draft M-S-R PPA and M-S-R EA financial statements, notes, discussion and analyses, and management representations regarding 2018 audit.

Reviewed Santa Clara and FERC Counsel comments and recommendations regarding SCE formula rate case and outrageous request for 600 bps wildfire ROE adder. Provided comments and direction thereon.

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 (Approx 52 hours):

Reached agreement with PNM and other SJGS participants regarding Decommissioning Study. Reviewed draft report by Burns and McDonnell and

presentation of findings and recommendations. Prepared initial comments and questions thereon and coordinated with other participants. Attended meeting of Decommissioning Committee to receive report and provide feedback.

Prepared annual continuing disclosure reports for Trustee regarding San Juan Project issues, operations, and financial statistics. Reviewed and provided comments on draft MID Preliminary Official Statement disclosure regarding M-S-R San Juan, Big Horn and BPA matters.

Coordination with General Counsel regarding new New Mexico Counsel and execution of engagement letter.

The General Manager reviewed extensive filings and teleconferences regarding PNM and San Juan Project abandonment matters.

Big Horn (Approx 14 hours):

Review documents regarding BPA rates and reserve accounting errors and impacts. Teleconfs w/ Scanlon re same and provide direction thereon.

Correspond w/ Avangrid re status of proposals and comments re BH negotiation settlements. Draft agreement amendments regarding Big Horn 2 and regarding Big Horn 1 power sales agreement and Big Horn 1 Firming and Shaping Agreement were reviewed with General Consultant.

Meetings – April 2019

Key Bank, Sacramento, CA. April 12, 2019. Key issues: review of San Juan and Natural Gas Project financings and future opportunities.

CEO Roundtable, Phoenix, AZ. April 14 – 16, 2019: Key Topics: Decarbonization of economy, emerging low-cost electric energy storage technologies, adoption of technological change and management excellence techniques. Note: April 3, 2019 report to Commission President re 2019 Meetings, Conferences, and Continuing Education attached and April 30, 2019 report regarding 2019 CEO Roundtable.

Decommissioning Committee, Albuquerque, NM. April 24 – 25, 2019: Key Issues: Presentation of Draft Decommissioning Study. Comparison of costs between Retire-In-Place and Demolition Scenarios. Discussion of process to agree upon Decommissioning Plan.

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 report is attached.

BPA Consultant:

Our BPA Consultant, Dr. David Arthur, has prepared a report summarizing his key activities and issues covered in April 2019. A copy of his report is attached.

Other Contractors and Counsel:

FERC Counsel, BPA Counsel, and Regulatory 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.

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M-S-R Public Power Agency Memorandum

Date: April 3, 2019

From: Martin R. Hopper, General Manager

To: John C. Roukema, M-S-R PPA Commission President

Subject: 2019 Meetings, Conferences, and Continuing Education

Industry meetings and conferences provide opportunities for continuing education and networking with industry peers to:

- Understand regulatory and legal (legislative) trends and changes impacting value of renewable energy generation and credits (Impacts on grandfathering of Big Horn Projects and RECs – running through 2031 BH1 and 2034 BH2)
- Understand regulatory and legal (legislative) trends and changes impacting future use of fossil-fuels including natural gas (Natural Gas Project prepay runs through 2039)
- Understanding regulatory and legal (legislative) trends regarding generation plant-site remediation, demolition, and decommissioning issues (San Juan mine reclamation and site decommissioning liabilities remain until all requirements are satisfied)

Although the M-S-R entities are not currently considering any new projects, whether to obtain additional renewable energy resources or technologies to enhance the use or value of existing resources such as distributed or centralized energy storage, knowledge of current trends and opportunities can be helpful in defending the value of existing projects. Recommendations regarding response to regulatory and legislative proposals must also be founded in strong understanding of all the moving parts and can not be well-made if management’s understanding is based on out-dated industry views. Similarly staff and management need to be aware of current trends and need to be prepared for technology updates and changes as they may affect the use or value of existing projects.

The status of, and recommendations regarding budgeted and non-budget industry meetings and conferences considered for (or previously attended by) General Manager attendance are:

Meeting	Location	Month	Theme/Comments	Disposition
APPA Joint Action Workshop	Florida	January	<ul style="list-style-type: none"> - Recent conferences more oriented to larger service-provider rather than project JPAs. - Conference alternates east/west coasts. 	<ul style="list-style-type: none"> - Budgeted - Did not attend in 2019 – will review program for 2020.

Meeting	Location	Month	Theme/Comments	Disposition
CMUA Capitol Day	Sacramento, CA	February	<ul style="list-style-type: none"> - Review of legislative priorities and lobbyist coordination. - Representative meetings to be scheduled. 	<ul style="list-style-type: none"> - Budgeted - Attended 2019.
APPA Legislative Rally	Washington, DC	February	<ul style="list-style-type: none"> - Federal issues related to BPA not currently ripe. 	<ul style="list-style-type: none"> - Budgeted - Did not attend in 2019.
CMUA Annual Meeting	San Diego, CA	March	<ul style="list-style-type: none"> - Relevant meeting topics recently covered in other meetings. - Member Staff and representatives covered Legislative & Regulatory Committee meeting. 	<ul style="list-style-type: none"> - Budgeted - Did not attend in 2019 – will review program for 2020.
APPA E&O Mtg	Colorado	March	<ul style="list-style-type: none"> - Previously attended and made presentation on San Juan divestiture. - Conference oriented towards operating utilities. 	<ul style="list-style-type: none"> - Not Budgeted - Concluded not beneficial to M-S-R to attend. - Member operations managers should prioritize.
APPA CEO Roundtable	Phoenix, AZ	April	<ul style="list-style-type: none"> - In-depth presentations on evolving energy issues and change management. - Networking opportunities with senior management of three fellow San Juan owners/exiters. 	<ul style="list-style-type: none"> - Budgeted - Recommend attend 2019

Meeting	Location	Month	Theme/Comments	Disposition
NWPPA Annual Meeting	Various	May	<ul style="list-style-type: none"> - Potential opportunity to coordinate PNW issues from CA perspective. - Further evaluation needed - Public Power Council may be alternate forum 	<ul style="list-style-type: none"> - Budgeted (on basis of Membership) - Consider joining and attending in 2020
APPA Annual Meeting	Austin, TX	June	<ul style="list-style-type: none"> - Wide-ranging presentations on relevant energy issues. Additional meetings re PMA (Bonneville), Joint Action Agencies, & L&R C'tee. - Significant networking opportunities with Counsel, Consultants, and other agency management. 	<ul style="list-style-type: none"> - Budgeted - Recommend attend 2019
UAMPS Annual Meeting	Various	August	<ul style="list-style-type: none"> - Have previously made presentations re California regulatory status and San Juan divestiture. 	<ul style="list-style-type: none"> - Not Budgeted in 2019 or 2020 - Attend in future only if invited to make relevant presentation
NCPA Annual Meeting	Olympic Valley, CA	September	<ul style="list-style-type: none"> - High quality presentations on California and national energy issues. - Opportunity to attend Legislative & Regulatory 	<ul style="list-style-type: none"> - Budgeted - Recommend attend 2019

Meeting	Location	Month	Theme/Comments	Disposition
			Committee meeting and status presentations. - Annual M-S-R BPA Day strategic planning meeting held in conjunction with conference due to availability of attendees & BPA Counsel w/o need for separate travel.	
APPA Legal & Regulatory Conference	Portland, OR	October	- Legal and Regulatory with a particular emphasis on FERC and Federal Issues. - Previously attended and found focus more apt to Counsel	- Not Budgeted - Concluded not beneficial to GM to attend.
APPA Public Power Forward Conference	Nashville, TN	November	- Examines future trends and technology impacts. - Previously attended and found issues covered in greater depth at CEO Roundtable and as broadly at Annual Conference.	- Budgeted - Will not attend in 2019 - Review program for 2020 and attend only if strongly relevant.

Although not previously provided, I propose to prepare reports on each conference attended to share with the Commissioners information gained and recommendations thereon.

As also requested by the Commission, I have not yet committed to future conferences pending your review of this document, but would like to firm up my calendar as soon as possible.

M-S-R Public Power Agency Staff Report

Date: April 30, 2019
From: Martin R. Hopper, General Manager
To: John C. Roukema, Commission President
Subject: 2019 APPA CEO Roundtable

Overview:

Phoenix, AZ. April 14 – 16, 2019: Key Topics: Decarbonization of economy, emerging low-cost electric energy storage technologies, adoption of technological change and management excellence techniques.

Thriving on Technology Disruption (Vivek Wadhwa – Visiting Fellow Harvard Law School/Carnegie Mellon School of Engineering)

Technology and uses of technology grow on an exponential basis (akin to Moore's Law) leading to rapid adoption and cost reduction. Examples were explored in medicine (genetics and microbiology), robotics and artificial intelligence, solar power and battery storage technologies (claiming we are only six-doublings in less than 14-years from 100% solar penetration!) Although on one hand he spoke of ever-lower barriers to entry for new technologies, he also acknowledged that early adopters subsidize later users.

The issue of the cost of early adoption is well illustrated at M-S-R. In response to regulatory mandates, the Big Horn I and Big Horn II contracts initially executed in 2005 and 2009 were then competitive with natural gas generation (Big Horn I) and other comparable wind generation (Big Horn II), but are now priced significantly higher than new market entrants. The goodwill generated by these early entries has long since been liquidated. Although the electrification of transportation and industrial sectors will significantly drive new electric demand, current acquisition of generating and storage resources will be at a cost penalty to later adoption of exponentially-enhanced future versions of such resources. While the third speaker Detwiler counseled against building or buying anything big, expensive or with a long lead-time, Wadhwa advocates anticipating change and leading the charge and not being the next Kodak to be annihilated by the digital camera it actually invented. The markets driven by M-S-R and other early adaptors led to the low-cost high-performance renewables now enjoyed by the Members in their later purchases.

Building a Culture of Learning and Inclusion (Crystal Kadakia)

The “Right Technology” is a fallacy – wise application (continuous learning) leads to successful outcomes. Learning and development need to be adequately supported. Immediate gratification (task completion) inhibits strategic thinking and adoption of long-term improvement. Expectations of instant responses (or a perceived need to give instant responses) lead to snap judgments rather than reasoned actions. Conversely, learning when to stop thinking and start acting avoids analysis paralysis. Although “inclusion” was initially used as a keyword by this speaker as a codeword for social respect, the core message was to understand and utilize the strengths of each and any possible contributor to one’s organization. Recognition is the ultimate motivator. For M-S-R in our negotiations with PNM and Avangrid in particular, where there may not be contractual rights and wrongs, the basis for mutual success will be collaborative (understanding) rather than confrontational.

Shaping Our Energy Future (Peter Kelly-Detwiller)

Specific examples of technology changes all have rapid adoption and massive price reduction in common – vehicle electrification, wind repowering (because you have obsolete machines at all the best sites), utility-scale solar, or batteries (production to be dominated by China). Phenomena driven by Swanson’s Law: Prices drop with cumulative shipped volume – cited that for Wind/Solar/Batteries, price reduces 25% per doubling of shipped volume. As with Wadhwa, identified the dilemma of early adoption – price penalty v. early use benefit. Skeptical of Blockchain being anything but a massive low-cost distributed ledger – a deterrent to fraud rather than a creator of new goods, markets or services. New goods, markets or services may use Blockchain as a tool.

Detwiler’s most interesting idea was to postulate that there currently is 12-times as much electric storage in-service in electric vehicles as in-service in entire utility sector and that when such electric vehicles are retired from service, 80% of cycling life of batteries remains. (Just a few short years ago we were told you would have to replace batteries in your Prius every four or five years at tremendous cost!) Detwiler sees transportation battery re-use in the utility sector as the solution to the currently expensive storage model. Again the adopter of now-expensive storage will suffer a cost penalty in the future.

Summary:

The technology futurists all saw significant new electrification adopted at ever-lower costs. Neither had an answer for the early adopters’ cost penalty. The management futurist emphasized the importance of valuing contributions and the benefits of life-long learning. As M-S-R is currently focused on the efficient management of its legacy liabilities and early-adopted and now expensive technologies, and the currently valuable natural gas project, these speakers confirmed our hands-off approach to new projects as prudent.

M-S-R Public Power Agency Staff Report

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

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

Generation – During April, the primary activity involved the cost estimate being prepared for the Public Service Company of New Mexico (PNM) to assess future options for the San Juan Generating Station (San Juan) after retirement. On the telephonic meeting of the San Juan Decommissioning Committee (SJDC) on March 28, 2019, PNM indicated that its contractor, Burns and McDonald (B&M), was close to finishing its work and had actually provided a draft for PNM review. PNM stressed that this work was not to create a Final Decommissioning Plan, but to lay out options for the SJDC to pick from in selecting a Final Decommissioning Plan. PNM indicated if it could have a retirement order (RO) approved by the SJDC to share in the cost of the B&M work, PNM would distribute the current draft for review and committed to scheduling a face-to-face meeting.

On April 17, 2019, PNM presented an RO for an amount was signed by SJDC members sequentially. This RO was assessed with internal discussions that led to a telephone conversation with the Decommissioning Agent to clarify the scope of the RO. PNM distributed the B&M work product on April 23, 2019 which was also reviewed. On April 25, 2019, a face-to-face meeting of the SJDC was held with some participants via teleconference. Representatives of B&M attended and provided a detail review of their work product. B&M provided two scenarios, (1) Retire in Place (RIP) and (2) Full Demolition (Full). For the RIP scenario, B&M presented three options: (1) Minimum Regulatory Requirements, (2) Industry Standard, and (3) Maximum Credible. For the Full scenario, two options were developed that expanded on the RIP Industry Standard and RIP Maximum Credible options. As the Full Industry Standard showed a cost of about 40% of the cost estimated of the most recent San Juan Decommissioning Study, the results are considered promising.

The May schedule includes providing comments on the B&M work to PNM, a conference call for participants to review the collective comments, review the final report to be prepared by B&M, and another conference call with the goal to select the future path for San Juan.

A conference call on March 4, 2019 between members of several San Juan committees was held to review the status of the Westmoreland bankruptcy. On March 18, 2019 the transfer of

ownership of Westmoreland was confirmed and there were no noticeable effects on the operations of the San Juan Mine.

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.

I received copies of documents from Special Counsel which were briefly reviewed to assure I am familiar with the issues of importance to M-S-R PPA. These documents pertain to the weekly issuances of the Federal Energy Regulatory Commission (FERC).

Renewable – Monthly operating data was received from Avangrid Renewables, Inc. (AR) and was reviewed. In addition proposed contract amendment language for the Power Sales Agreement (PSA) was reviewed and comments were provided to the General Manager. Proposed contract amendment language for the Shaping and Firming Agreement (SFA) was received and reviewed with comments being developed.

I received copies of documents from Special Counsel which were briefly reviewed to assure I am familiar with the issues of importance to M-S-R PPA. These documents pertain to the weekly issuances of the Federal Energy Regulatory Commission (FERC) and to the multiple Returns on Equity (ROE) for California investor owned utilities.

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. In addition, the Final Report from the Enhanced Curtailment Calculator (ECC) Task Force to Peak Reliability (before both entities dissolve) was briefly reviewed.

Administrative – A draft of the Annual Report to Trustee was drafted and provided to the General Manager. The project Status Reports was updated.

M-S-R Public Power Agency Staff Report

Date: May 27, 2019
From: David Arthur
To: Martin Hopper
Subject: April Update to BPA tasks

During April I continued to monitor and participate in BPA stakeholder processes related to: the contested portion of the BP-20 Rate Case, Evaluation and Options regarding the \$300 million plus accounting error, Potential BPA participation in the CAISO EIM, and follow-up discussions regarding the TC-20 Tariff settlement.

BP-20 Rate Case

On April 23, 2019, by phone, I attended the cross-examination of BPA and PPC witnesses by SMUD regarding the BP-20 Southern Intertie rate.

Most transmission issues in the BP-20 Rate Case were resolved by settlement. One issue, the Southern Intertie short-term firm rate, was contested by a consortium of northern California public utilities, SMUD, TID, and TANC (the consortium).

At issue is the decision by BPA to triple the short-term rate to reflect changes in California's energy markets. In April rebuttal testimony was filed by all parties and cross-examination was held in which SMUD attorneys cross examined witnesses from BPA, Powerex, and the Public Power Council (the northwest parties).

The position of the consortium is that the rate is not justified and in fact is harmful to both the consortium members and the northwest. The northwest parties argued that the rate was justified to maintain equity between the long-term firm holders and the short-term firm holders.

The testimony and subsequent cross-examinations focused on the appropriate or inappropriate application of econometric models as a tool to assess the impacts. Neither side convinced the other of the merits of their respective analytics. Briefs will be filed this month.

On the Power side the \$300 million accounting error has become a basis for the power customers to seek additional rate relief. This has created a temporal or

procedural concern since the resolution of the accounting error likely will occur subsequent to BPA's final rate proposal.

Transmission customers are not directly impacted but may be impacted indirectly if BPA imputes a bigger transfer of reserves from transmission to power than is warranted. In that instance transmission customers could be prevented from receiving the benefit of excess reserves in the form of rate relief, or retirement of debt, or exemption from revenue financing.

I reviewed the filings by the Preference customers and discussed our options with our FERC attorney. The issue and the resulting implications to the two business lines will be discussed further in upcoming workshops.

\$300 million Accounting Error

On April 30 2019, I participated by phone in BPA's Quarterly Business Review in which there was considerable discussion of the \$300 million accounting error. On the surface this continues to be represented by BPA as an unfortunate clerical error. In reality the issue may be more complex. First, it is not certain that the entries from 2002 were in error. They may have been intentional. The information presented to date is somewhat ambiguous or opaque.

Second, The account in question is one of several accounts that are under review. Until the review is completed, sometime in late May or early June, it is unclear what the final accounting error(s) will be and what transfers should be made.

Third, BPA has yet to fully discuss the potential implications of the error for other related financial policies, particularly the Leverage policy. The Leverage Policy has the potential to significantly increase future transmission rates and any adjustment that increases BPA's calculation of transmission's leverage could directly result in additional increases in transmission rates in 2022.

As mentioned above further stakeholder meetings are expected and as appropriate M-S-R will have the opportunity to comment. I continue to discuss our options with our FERC attorney regarding when and how to respond.

BPA Participation in the CAISO EIM:

On April 10, 2019 I attended BPA's monthly EIM meeting in person in conjunction with my attendance at the TC-20 customer meeting. I asked for further clarification of how the benefits and costs are allocated to Power and Transmission customers. Each month BPA has held a meeting to discuss certain aspects of its potential participation in the CAISO EIM. The tenor of the meetings is that BPA will participate in the EIM beginning in 2022 if it is of net benefit to its customers. By customers BPA tends to focus on its power customers, not its transmission customers.

There is a very real concern on the part of BPA's PTP customers that the costs of the EIM will be shifted to transmission and the benefits will flow to power. Any discussion of how the costs and benefits will be distributed between the 2 business lines or between groups within the business lines has been deferred until the BP-22 rate case.

What has been disclosed is that major changes will occur in how costs and benefits are determined for imbalance energy. Specifically, the cost and benefits will be determined by the CAISO and assigned to BPA. Subsequently BPA will allocate the costs and benefits to its customers. There has been no discussion of how or on what basis BPA will make these allocation-that is for BP-22.

TC-20 Follow-up workshops:

On April 10, 2019, I attended BPA's monthly TC-20 workshop in person in conjunction with my attendance at BPA's EIM meeting. The primary issue for these workshops is the future of Hourly Firm Transmission. Historically, BPA has offered hourly firm transmission in unlimited quantities. Until recently there has been adequate transmission in most hours. The primary use of hourly firm is for "redirects" by long-term firm customers. In effect transmission customers acquire the right to use the BPA transmission system by purchasing long-term firm PTP transmission and then take advantage of hourly market conditions thru redirects.

In the TC-20 settlement discussions BPA indicated that it could no longer offer unlimited hourly firm and proposed to eliminate the product and replace it with unlimited hourly non-firm.

The PTP customers all opposed the elimination of the hourly firm product and as a compromise BPA agreed to conduct a study to evaluate some alternatives, including retention of finite hourly firm based on several different indicators of capacity and based on several different scheduling timelines.

The current workshops are the initial discussions to shape and define the evaluation.

While M-S-R does not directly schedule its northwest wind it may be very much impacted by the results of this evaluation. Depending on the outcome it could significantly impact Avangrid's ability to shape and subsequently deliver the shaped product to COB. It could adversely impact both costs and delivery certainty.

I frequently discuss with Avangrid the potential impact of the possible changes. Since M-S-R is not directly a BPA transmission customer M-S-R has been careful to share its concerns with Avangrid and remain relatively silent with respect to direct comments to BPA.

M-S-R Public Power Agency Staff Report

Date: June 24, 2019
From: Martin R. Hopper, General Manager
To: M-S-R PPA Commission
Subject: June 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 – May 2019 (Approx. 58 hours)

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

Prepared Agenda packages for May Technical Committee and Commission meetings. Attended same in Modesto and Folsom, CA respectively. Prepared draft minutes re same and issued February Technical Committee minutes.

Reviewed CRs and updated Budget v. Actuals tracking and conferred with Worley re M-S-R EA 2017 & 2018 Budget true-ups.

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 (Approx 35 hours):

Reviewed draft Decommissioning report updates by Burns and McDonnell and presentation of findings and recommendations. Prepared analyses, comments and questions thereon and coordinated with other participants. Attended telephonic meeting of Decommissioning Committee to receive report and provide feedback.

Coordination with Treasurer regarding tracking account for Resolution 2016-04 fund set-asides and verification of balances and projections..

Coordination with General Counsel regarding new New Mexico Counsel and timing of filing regarding PNM Abandonment docket.

The General Manager reviewed extensive filings and teleconferences regarding PNM and San Juan Project abandonment matters.

Big Horn (Approx 28 hours):

Review documents regarding BPA rates and reserve accounting errors and impacts. Teleconfs w/ Scanlon re same and provide direction thereon.

Correspond w/ Avangrid re status of proposals and comments re BH negotiation settlements. Draft agreement amendments regarding Big Horn 2 and regarding Big Horn 1 power sales agreement and Big Horn 1 Firming and Shaping Agreement were reviewed with General Consultant.

Meetings – May 2019

Dave Arthur, Lincoln, CA. May 8, 2019. Key issues: review status of BPA rate case and workshops and status of Avangrid negotiations.

Technical Committees, Modesto, CA. May 9, 2019: Key Topics: PPA & EA Technical Committee Meetings including Closed Sessions re BPA and other matters.

Alan Hockenson, Sacramento, CA May 15, 2019. Key Topics: Detailed review of Avangrid proposal re Big Horn settlements and page-turn review of draft agreement amendments.

Commission Meetings, Folsom, CA. May 29, 2019: Key Topics: PPA & EA Commission Meetings including Closed Sessions re BPA and other matters.

General Consultant:

The General Consultant regularly prepares a summary of his activities as part of his monthly billing process. A copy of General Consultant's May 2019 report is attached regarding 55 hours of support.

BPA Consultant:

Our BPA Consultant, Dr. David Arthur, has prepared a report summarizing his key activities and issues covered in May 2019. A copy of his report regarding 17 hours of support is attached.

Other Contractors and Counsel:

FERC Counsel, BPA Counsel, and Regulatory 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.

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M-S-R Public Power Agency Staff Report

Date: June 3, 2019
From: Alan Hockenson
To: Martin Hopper
Subject: Specific Work Tasks for May 2019

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

Generation (13 hours) – On April 25, 2019, the San Juan Decommissioning Committee (SJDC) met with Burns & McDonnell (B&M) to review their draft Cost Estimate for the alternatives to decommission the San Juan Generation Station (SJGS). In early May, comments on the draft Cost Estimate were drafted for M-S-R PPA presentation to the Public Service Company of New Mexico (PNM). Comments prepared by other SJDC participants were reviewed in advance of the May 7, 2019 SJDC conference call to discuss the collective comments. PNM compiled the written comments and verbal comments provided via the conference call which were then submitted to B&M. On May 22, 2019 PNM provided B&M's updated Cost Estimate in advance of the monthly meeting of the SJDC. On May 23, 2019 PNM withdrew its proposal to have the SJDC approve a resolution related to the B&M Cost Estimate. PNM welcomed further comments on the update provided by B&M.

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. I received copies of documents from Special Counsel which were briefly reviewed to assure I am familiar with the issues of importance to M-S-R PPA. These documents pertain to the weekly issuances of the Federal Energy Regulatory Commission (FERC).

Renewable (29 hours) – Monthly operating data was received from Avangrid Renewables, Inc. (AR) was reviewed and curtailment details were confirmed. In conjunction with the proposed contract amendment language to the Power Sales Agreement (PSA) and the Shaping and Firming Agreement (FSA), AR provided the third and final document to close out the longstanding dispute initiated by the M-S-R PPA regarding the triggering of rate increases. This document was reviewed and comments on the AR settlement document were prepared. A brief model was developed to analyze the pricing modifications as proposed by AR. This model as well as the three draft documents prepared by AR was discussed at a meeting with the General Manager in Sacramento, CA on May 15, 2019.

I received copies of documents from Special Counsel which were briefly reviewed to assure I am

familiar with the issues of importance to M-S-R PPA. These documents pertain to the weekly issuances of the Federal Energy Regulatory Commission (FERC), multiple updates to the Southern California Edison (SCE) Rate Formula, and Bonneville Power Administration (BPA) Update.

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.

Administrative (8 hours) – Meetings of the M-S-R PPA Technical Committee and Commission were to be held May 9 and 30, respectively and Quarterly Status Reports were prepared and subsequently updated for these meetings. In addition, meeting packages for these meetings were reviewed.

Other than the meeting with General Manager on May 15, 2019 in Sacramento, CA, all meetings were attended telephonically.

Date: June 19, 2019
From: David Arthur
To: Martin Hopper, M-S-R General Manger
Subject: May Update to BPA Tasks: Total 17 hours

During May BPA held meetings regarding Transmission issues, possible EIM participation, and Financial Reserves accounting errors. I participated in person in the Financial Reserves meeting and the second of the Transmission meetings. I intended to participate in person in the first Transmission meeting but it was changed to a web ex meeting at the last minute. I also coordinated with M-S-R's BPA attorney. As appropriate I reviewed e-mails, BPA materials, and responded when appropriate.

BPA Transmission Meetings

During May BPA held two transmission meetings: the first focused on the hourly firm multi-month study; the second focused on congestion and ATC methodology. The first phase of the hourly-firm study terminates June 30th. Stakeholders continue to seek clarification of how BPA intends to use the data it is collecting, what criteria will be used for evaluation, and what role statistical significance will play in the final recommendation. The customer discussion seems focused on the perception by many customers that the structure of the study as well as the criteria for evaluation are vague at best and possibly unlikely to provide a clear indication of whether hourly firm service is or is not a substantive threat to regional reliability.

As previously mentioned the hourly firm service historically was unlimited and provided PTP transmission customers with the scheduling flexibility they perceived necessary to participate in the emerging environment of increasing reliance on variable resources.

The next phase begins on July 1 and will limit firm hourly transmission to the calculated ATC on various flow gates. This was the subject for the second meeting held by BPA in May.

Second Meeting

The second transmission meeting BPA held in May was to discuss ATC calculations and congestion. As background, historically, BPA's transmission grid most often had sufficient capacity to accommodate voluminous redirects by PTP customers. As such ATC in a given hour was rarely a concern and minimal effort was placed on timely accurate forecasts of ATC by flow gate.

However, over the past several years as 3rd party generation increased (wind projects connected to BPA's BA) the frequency of redirects increased significantly as did the MWs scheduled. Additionally, BPA sells PTP service from point of receipt (POR) to point of delivery (POD) but real time flow occurs based on physics. As a result the discrepancy between PTP scheduling rights and actual power flows increasingly diverged as overall flows increased.

Over time this discrepancy reached a threshold point where firm PTP scheduling rights with the right of redirects exceeded the capacity (ATC) on certain flow gates on a more frequent basis.

The purpose of the current transmission meetings regarding hourly firm services, congestion, and ATC methodology are intended to resolve this discrepancy. The initial meetings have discussed the ATC calculation and the frequency that should be adopted for its calculation. The congestion discussions have focused on those flow gates most frequently congested and the potential indicators that could be used to anticipate an event. At this time the discussions are quite preliminary and the potential implications for M-S-R with respect to its contract(s) with Avangrid quite uncertain. It is clear that Avangrid relies heavily on both redirects and hourly firm services. Any material changes that restrict Avangrid's flexibility could have a material adverse impact on Avangrid and potentially M-S-R.

BPA's Potential EIM Participation

The May BPA meeting regarding possible participation in the CAISO EIM focused on the initial cost/benefit study. The meeting discussed the adopted methodology, the selection of E3 to conduct the study, and some preliminary results along with 2 alternative scenarios.

The preliminary study forecasts net benefits to BPA of approximately \$43 million per year. The benefits derive primarily from BPA's flexibility to purchase energy when intraday prices are weak and sell when intraday prices are higher.

The 2 alternate scenarios address the potential for reduced intraday volatility as a result of increased market participation in the region and the current restriction on BPA to directly participate in the CAISO market. The latter issue arises from the CAISO's carbon tax (a state tax) and the restriction on BPA where in it cannot pay a state tax unless authorized by Congress. Each of the alternative scenarios has a modest negative impact on BPA's forecasted net revenues.

Customers on several occasions asked how the benefits and costs would be allocated between PBL and TBL customers. In each instance BPA declined to answer and indicated such matters would be addressed in the BP-22 and TC-22 rate cases. In general customers indicated some concern that a decision by BPA to participate in the CAISO EIM absent some indication of how different customer groups would be impacted was disturbing.

Financial Reserves Accounting Error

The meeting was expected to focus on an update to the ongoing review of the \$300 million + accounting error. In reality it focused on several topics including the accounting error.

The meeting started with a review of the IPR (Integrated Program review) process. BPA indicated that as a result of rigorous reviews of projected spending significant reductions had been achieved with the result that there would be reduced pressure to raise PBL rates. The meeting then focused on reserves for risk and reserves for non-risk (committed or restricted reserves). The reserves available for risk were adjusted on a preliminary basis by \$330 million (\$330 million transferred from TBL to PBL). This \$330 million could be adjusted further depending on the final policy regarding interest rates and any additional disclosures arising from the external and internal reviews of the other intra agency accounts. (No information was provided on what the review efforts to date had concluded.)

The meeting then focused on the revised reserves available for risk as adjusted for the accounting error and the first 2 quarters of FY 2019. This discussion indicated that PBL was negative \$92 million from the rate case while TBL was on track to meet the rate case forecasts.

This deficit of \$92 million actual versus rate case continues the multi year trend wherein PBL actuals are less than the rate case forecast with the consequence of further erosion of PBL reserves available for risk. Absent the \$330 million transfer of funds from TBL to PBL, PBL would be forecast to have negative reserves of \$42 million at the end of FY 2019.

BPA staff did not acknowledge this issue and instead shifted the discussion to the probability of Cost Recovery Surcharge (CRS) and or a Revenue Distribution Clause (RDC). The CRS is designed to restore financial reserves to a business line that has inadequate reserves. The RDC is designed to reduce reserves to a business line that has reserves in excess of a threshold.

Currently PBL is forecast to have end of year reserves available for risk of \$288 million (after the transfer of \$330 million). This is at the threshold for triggering a CRS. BPA did not indicate if it would trigger the surcharge at the end of the year. Currently TBL is forecast to have end of year financial reserves available for risk of \$288 million. This is above the TBL's threshold for a RDC. BPA did not think that it was likely that TBL customers would be eligible for a RDC. The reasons for the lack of eligibility were not discussed.

In summary the financial reserves meeting seemed to endorse a continuation of excess reserves at TBL and ongoing annual net revenue shortages at PBL. Absent

the \$330 million transfer (which is subject to revision) PBL would be in violation of BPA's financial policy. The fact that there continues to be an erosion of PBL financial reserves has not yet become a topic for public stakeholder meetings. TBL and PBL customers continue to await the findings from the internal and external review of the intra agency accounts.

Summary

In summary BPA senior management seems to recognize that major structural changes are occurring in BPA's external environments. The focus on changes in transmission services and policies as well as the serious consideration of joining the CAISO EIM reflect this recognition.

What remains opaque is BPA's unwillingness to recognize that PBL rates appear insufficient to fully recover likely expenses. The primary cause seems to be a sustained material reduction in secondary revenues resulting from the decline in regional commodity energy prices. How BPA intends to address this decline is not yet a subject for public meetings.

The other persistent trend seems to be BPA's intent (conscious or otherwise) to make policy decisions that effectively shift revenue requirements from PBL to TBL at the margin.

M-S-R Public Power Agency Staff Report

Date: July 3, 2019
From: Martin R. Hopper, General Manager
To: M-S-R PPA Commission
Subject: July 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 – June 2019 (Approx. 36 hours)

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

Issued February Commission minutes.

Reviewed CRs and updated Budget v. Actuals tracking.

Reviewed annual Agency insurance renewal proposals and discuss same w/ General Counsel and Turner (MID.)

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.

The General Manager also attended one-week intensive Organization Development short-course – no charge or allocation to Agency.

Project Activities:

San Juan – June 2019 (Approx 34 hours):

Reviewed further draft Decommissioning report updates by Burns and McDonnell and presentation of findings and recommendations. Prepared analyses, comments and questions thereon and coordinated with other participants. Attended

telephonic meeting of Decommissioning Committee to receive report and provide feedback. Enquired re status of PNM's abandonment filing and status of new mine reclamation proposal.

Prepared White Paper regarding options for allocation of costs of SJGS Continuing Coverage liability and environmental liability insurance.

The General Manager reviewed extensive filings and teleconferences regarding PNM and San Juan Project abandonment matters.

Big Horn – June 2019 (Approx 32 hours):

Review documents regarding BPA rates and reserve accounting errors and impacts. Teleconfs w/ Scanlon re same and provide direction thereon.

Consolidate mark-ups of proposed amendments to Big Horn agreements and correspond with Avangrid re same. Attend negotiation mtg w/ Avangrid and reach agreement on majority of mark-ups.

Meetings – June 2019

Avangrid Renewables, Portland, OR. June 12 – 13, 2019. Key issues: review draft amendments to Big Horn I & II Agreements to implement settlement of F&S and VERBS rate issues and elimination of lock-boxes.

General Consultant:

The General Consultant regularly prepares a summary of his activities as part of his monthly billing process. A copy of General Consultant's June 2019 report is attached regarding 32 hours of support.

BPA Consultant:

Our BPA Consultant, Dr. David Arthur, [has prepared/will prepare a report summarizing his key activities and issues covered in June 2019. A copy of his report regarding xx hours of support is attached/will be attached to a subsequent report.]

Other Contractors and Counsel:

FERC Counsel, BPA Counsel, and Regulatory 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: July 1, 2019
From: Alan Hockenson
To: Martin Hopper
Subject: Specific Work Tasks for June 2019

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

Generation (13 hours) – In late 2018, PNM contracted with Burns & McDonnell (B&M) to prepare a Cost Estimate for the alternatives to decommission the San Juan Generation Station (SJGS). The most recent draft Cost Estimate was reviewed as well as the Final Draft which attempted to reflect comments from the San Juan Generating Station (San Juan) Decommissioning Committee (SJDC). Comments on these drafts were summarized and provided to the General Manager for review. In addition, the SJDC had its monthly telephonic meeting on June 27, 2019. Little decommissioning work was performed in June but work on multiple work items are scheduled for July.

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 and curtailment details were confirmed.

I received copies of documents from Special Counsel which were briefly reviewed to assure I am familiar with the issues of importance to M-S-R PPA. These documents pertain to the weekly issuances of the Federal Energy Regulatory Commission (FERC), including the April operational report by the California Independent System Operator (CAISO) regarding the compliance of the Balancing Authority of Northern California (BANC) to its participation in the Energy Imbalance Market (EIM).

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.

The final notice regarding the sunset of the Enhanced Curtailment Calculator Task Force (ECCTF) was received. Any similar future initiative will be led by Dede Subakti of the CAISO.

The Northern Tier Transmission Group (NTTG) issued its quarterly update which announced a new transmission request from “Joint Users” (including the Utah Association of Municipal Power Systems, UAMPS) to add transmission to support delivery of Wyoming wind energy to utilities reducing their reliance on coal power.

Administrative (1 hour) – The Quarterly Status Reports were updated to reflect May activities.

All meetings were attended telephonically.

M-S-R Public Power Agency Staff Report

Date: July 3, 2019
From: Martin R. Hopper, General Manager
To: M-S-R PPA Commission
Subject: July 2019 Outside Services Budget versus Actual Report and Mid-Year Budget and Goals Review

FISCAL YEAR 2019:

Major Legal Providers Reporting Are:

Duncan, Weinberg, Genzer, and Pembroke:	Through:	April 30, 2019
Law Offices of Susie Berlin:	Through:	May 31, 2019
Porter Simon:	Through:	June 30, 2019

Major Consulting Providers Reporting Are:

Navigant Consulting:	Through:	February 28, 2019
KBT LLC:	Through:	May 31, 2018

Legacy Liability Providers Reporting Are:

PNM – Reclamation Management:	Through:	May 31, 2018
Reclamation:	Through:	June 30, 2018
Decommissioning:	Through:	May 31, 2018

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

Mid-Year Budget Review:

Overall, the Agency's controllable expense categories are generally tracking the budget as discussed below. Historically, the Agency has not made budget transfers or changes

within the same account or budget category in the absence of major emergent cost changes and particularly when such transfers would not significantly affect Member billings or cost allocations. The total of the consulting and legal budgets will remain unchanged at \$883,000. Various minor rebalancings of line items are described below will be implemented administratively in accordance with the previously expressed consensus of the Commission.

Outside Services:

In aggregate, the outside services categories through June 30, 2019, or 50% of the year have expenditures estimated at \$375,000 or about 42% of their annual budgets and are estimated to complete the year at \$711,000 or about 81% of the annual budget of \$883,000 based on weighted projections of expected workloads.

The following table summarizes the budget status and allocations by function:

Categories	Total Original Legal & Consulting 2019 Budget	Budget Reallocations	Total Reallocated Legal & Consulting 2019 Budget	Expected Legal & Consulting 2019 Year-End
Generation	45,000	-3,000	42,000	40,756
Generation - Other	1,000	13,000	14,000	12,920
Renewables	151,000	-	151,000	111,946
Renewables - Other	370,000	-10,000	360,000	278,305
Regulatory & Compliance	256,000		256,000	236,875
Agency Admin & General	60,000	-	60,000	30,651
Total	883,000	-	883,000	711,453

The following table summarizes the budget status and allocations by provider:

Provider	Total Original 2019 Budget	Budget Reallocations	Total Reallocated 2019 Budget	Expected 2019 Year-End
Duncan Weinberg	480,000	-30,000	450,000	390,039
C. Susie Berlin	90,000	10,000	100,000	87,687
Misc Counsel	1,000	13,000	14,000	12,920
Porter Simon	54,000	-3,000	51,000	29,332
Navigant Consulting	40,000	-	40,000	3,601
KBT Energy	180,000	10,000	190,000	160,459
Misc Consultants	38,000	-	38,000	27,415
Total	883,000	-	883,000	711,453

The main factors driving the adjustments were as follows:

- Duncan Weinberg – Reduction in general FERC support related to phase out of participation in TRR rate dockets.
- C. Susie Berlin – Substantial efforts in support of CARB reporting regulations and CPUC wildfire safety reviews.
- Porter Simon – Reduction in level of San Juan activities and administrative and general support and increase for review of Big Horn agreement amendments.
- KBT Energy – Greater support required regarding review and analysis of San Juan Decommissioning Report drafts prepared by PNM.

As the budget total is unchanged, no budgetary revisions will be made and any necessary adjustments to invoices will be handled through the annual true-up. Monthly Budget v. Actual reporting will track the line item adjustments noted above.

Legacy Liabilities:

Legacy Liabilities are funded from reserves and trusts and as such, do not directly affect the Agency's Budget. However, this report provides an opportunity to report on the status of such.

The following table summarizes funding status, expected activity and period-ending balances required and attained:

	Reclamation Trust	Decommissioning Trust
Beginning Balance	\$17,959,949	\$2,234,516
2019 Deposits	\$0	\$0
Expenditures Through June 30, 2019	\$207,086	\$55,883
Estimated Income Through June 30, 2019	\$83,127	\$22,988
Estimated Trust Balance June 30, 2019	\$17,835,990	\$2,201,622
Remaining Expected Expenditures Through Period	\$236,819	\$12,882
Expected Income Through Period	\$151,119	\$143,764
Expected Periodic Balance	\$17,750,290	\$2,332,504
Required Periodic Balance	\$17,797,203	\$2,280,000
Surplus/Deficit Balance	-\$49,913	\$52,504
Period Ending Date	December 31, 2019	December 31, 2022

Although the above summary shows the Reclamation Trust having a deficit position and the Decommissioning Trust having a surplus position at the end of their periodic cycles, it does not show the effect of unrealized investment valuation adjustments or future reclamation or decommissioning re-evaluations which also may require additional deposits. This table also does not reflect the costs of the Reclamation Operating Agent (PNM) which are expected to total about \$49,000 or continuing coverage insurance costs of about \$74,000 in the current year and that are funded from the Agency's reserves.

This Mid-Year Budget review of 2019 M-S-R PPA Budget was reviewed by the Technical Committee at its July 11, 2019 meeting.

Mid-Year Goals Review:

Attached to this report is the General Manger's Mid-Year Goals review that also includes hourly work estimates for specific General Manager and General Consultant activities.

Recommendation:

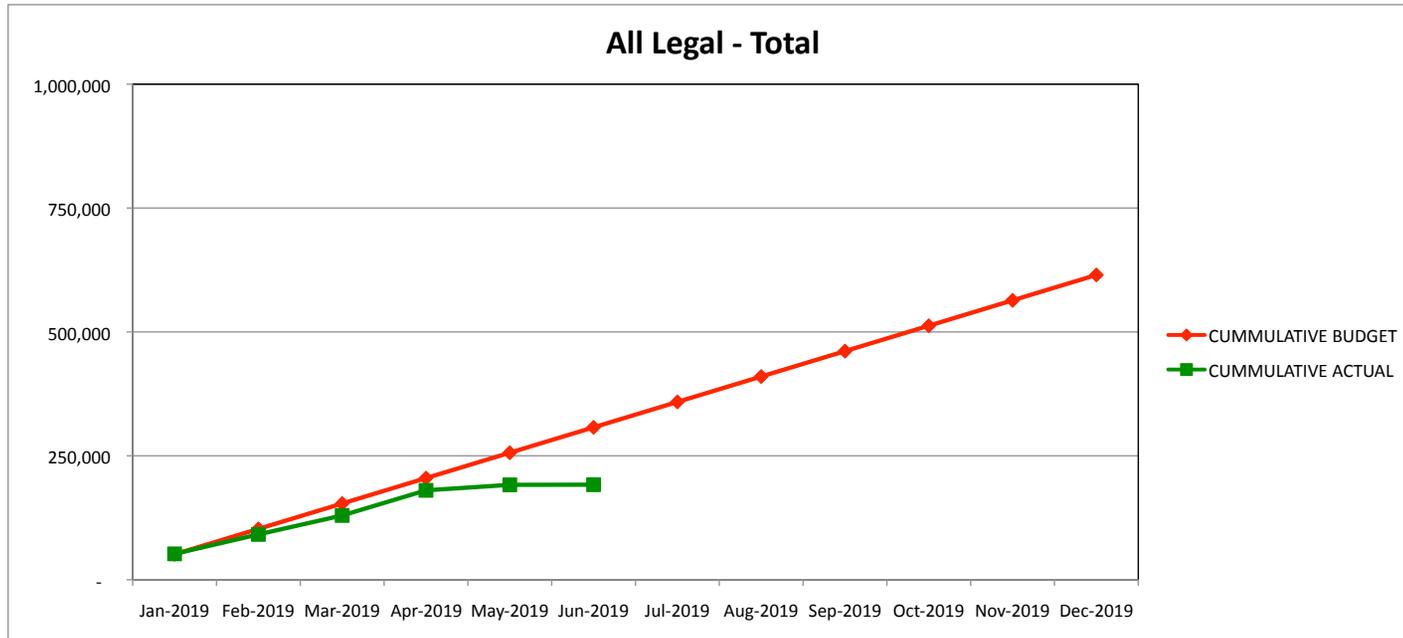
I recommend the Commission note and file this report.

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	-	900.90	-	-	-	450	-	900	-	450	-	900	-	3,601	300	3,601	
	40,000	40,000	-	900.90	-	-	-	450	-	900	-	450	-	900	-	3,601	300	3,601	9%
				0.00%	2.25%	2.25%	2.25%	3.38%	3.38%	5.63%	5.63%	6.75%	6.75%	9.00%	9.00%				
KBT																			
Generation																			
General	20,000	30,000		3,180	3,392	2,544	4,452.00	2,756.00	2,756	1,696	1,696	1,696	1,696	1,696	1,696	29,256	2,438	29,256	
Gen - Other																			
SJGS Disposition				-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Renewables																			
General	70,000	70,000		8,064	5,309	6,506	7,679.72	8,268.28	4,380	4,380	4,380	4,380	4,380	4,380	4,380	66,488	5,541	66,488	
Rens - Other																			
BP-20 Rate Case	70,000	70,000																	
KBT 2019-01			14,560	6,734	3,640											10,374	5,187	10,374	BP-18 Rate Case
KBT 2019-02			14,560			3,822	4,732.00									8,554	4,277	8,554	Jan - Feb
KBT 2019-03			14,560					3,094.00	4,000							7,094	3,547	7,094	Mar - Apr
KBT 2019-0x			14,560							4,000	4,000					8,000	4,000	8,000	May - Jun
KBT 2019-0x			14,560									4,000	4,000			8,000	4,000	8,000	Jul - Aug
KBT 2019-0x			14,560											4,000	4,000	8,000	4,000	8,000	Sep - Oct
Sum			87,360													8,000	4,000	8,000	Nov - Dec
																50,022		50,022	
Regulatory & Comp																			
Administrative	20,000	20,000		848	1,728	1,304	1,272.00	1,696.00	212	1,272	1,272	1,272	1,272	1,272	1,272	14,693	1,224	14,693	
	180,000	190,000	87,360	18,826	14,070	14,177	18,135.72	15,814.28	11,348	11,348	11,348	11,348.00	11,348.00	11,348	11,348	160,459	34,214	160,459	
				9.91%	17.31%	24.78%	34.32%	42.64%	48.62%	54.59%	60.56%	66.53%	72.51%	78.48%	84.45%	160,459		160,459	84%
SUBTOTAL	220,000	230,000		18,826	14,971	14,177	18,136	16,264	11,348	12,248	11,348	11,798	11,348	12,248	11,348	164,060	34,514	164,060	
				8.56%	15.36%	21.81%	30.05%	37.44%	42.60%	48.17%	53.33%	58.69%	63.85%	69.41%	74.57%				71%
Outside Services																			
Generation																			
Renewables																			
Ferguson Group	5,000	5,000																	
Politico Group	14,000	14,000		1,093	1,249	1,868	1,000	1,000.00	1,000	1,000	1,249	1,000	1,000	1,249	1,000	13,707	1,142	13,707	
Rens - Other																			
Ferguson Group	5,000	5,000																	
Politico Group	14,000	14,000		1,093	1,249	1,868	1,000	1,000.00	1,000	1,000	1,249	1,000	1,000	1,249	1,000	13,707	1,142	13,707	
Regulatory & Comp																			
Administrative																			
	38,000	38,000		2,185	2,498	3,737	2,000	2,000.00	2,000	2,000	2,498	2,000	2,000.00	2,498	2,000	27,415	2,285	27,415	
				5.75%	12.32%	22.16%	27.42%	32.68%	37.95%	43.21%	49.78%	55.04%	60.31%	66.88%	72.14%				72%
GRAND TOTAL	258,000	268,000		21,011	17,468	17,913	20,136	18,264	13,348	14,248	13,846	13,798	13,348	14,746	13,348	191,474	36,799	191,474	
				8.14%	14.91%	21.86%	29.66%	36.74%	41.92%	47.44%	52.80%	58.15%	63.33%	69.04%	74.21%				71%
	Original 2019 Budget	Revised 2019 Budget																	
G	20,000	30,000																	29,256
G - Other																			
R	114,000	114,000																	80,195
R - Other	70,000	70,000																	50,022
R&C	29,000	29,000																	13,707
A	25,000	25,000																	18,294
	258,000	268,000																	191,474
50/35/15	45,000	55,000																	47,550
Renew	184,000	184,000																	130,217

Legacy Liability Costs - 2019	M-S-R 2019 Budget	Revised or A.O.P	Jan-2019 8.33%	Feb-2019 16.67%	Mar-2019 25.00%	Apr-2019 33.33%	May-2019 41.67%	Jun-2019 50.00%	Jul-2019 58.33%	Aug-2019 66.67%	Sep-2019 75.00%	Oct-2019 83.33%	Nov-2019 91.67%	Dec-2019 100.00%	Total	Average	Year-End Projection
PNM - Reclamation - Budget	49,000	49,000	4,083	4,083	4,083	4,083	4,083	4,083	4,083	4,083	4,083	4,083	4,083	4,083	49,000		
Cummulative Budget			4,083	8,167	12,250	16,333	20,417	24,500	28,583	32,667	36,750	40,833	44,917	49,000			
Reclamation Trust																	
Funds Operating Agent			993	1,366	1,229.53	(132)	148								3,604	721	8,651
Cummulative Actual	49,000	49,000	993	1,366	1,229.53	(132)	148	-	-	-	-	-	-	-	3,604	721	8,651
			2.03%	4.82%	7.32%	7.05%	7.36%	7.36%	7.36%	7.36%	7.36%	7.36%	7.36%	7.36%			18%
SJCC - Reclamation - Budget			42,985	48,053	30,691	30,576	94,172	24,772	30,971	25,348	24,401	45,771	24,804	26,456	449,000		
Cummulative Budget			42,985	91,038	121,729	152,305	246,477	271,248	302,219	327,568	351,969	397,740	422,544	449,000			
			41,886	88,711	118,617	148,411	240,176	264,314	294,493	319,194	342,971	387,572	411,742	437,522			
LaPlata	51,687	51,687	4,047	4,389	5,316	4,577	4,739	4,515.48	4,307	4,307	4,307	4,307	4,307	4,307	53,428	4,452	53,428
San Juan - Surface	397,313	397,313	30,778	25,417	11,485	50,681	28,789	81,277.92	26,663	21,041	20,094	41,464	20,497	22,148	380,335	31,695	380,335
San Juan - Underground			15,887	-	-	-	-	-	-	-	-	-	-	-	15,887	2,648	31,773
Cummulative Actual	449,000	449,000	50,712	29,806	16,801	55,258	33,528	85,793.40	30,971	25,348	24,401	45,771	24,804.34	26,456	449,650	38,795	465,536
			50,712	80,518	97,319	152,577	186,105	271,898	302,869	328,217	352,619	398,390	423,194	449,650			104%
			11.29%	17.93%	21.67%	33.98%	41.45%	60.56%	67.45%	73.10%	78.53%	88.73%	94.25%	100.14%			
PNM - Decommissioning	6,347	38,327	529	529	529	529	38,856	529	529	529	529	529	529	529	44,673		
Cummulative Budget			529	1,058	1,587	2,116	40,971	41,500	42,029	42,558	43,087	43,616	44,144	44,673			
Initial Decommissioning			297	6,225	(30.58)	-	24,772	10,237	529	529	529	529	529	529	44,673	3,723	44,673
Cummulative Actual	6,347	38,327	297	6,225	(30.58)	-	24,772	10,237	529	529	529	529	528.89	529	44,673	3,723	44,673
			297	6,522	6,491	6,491	31,263	41,500	42,029	42,558	43,087	43,616	44,144	44,673			
			0.78%	17.02%	16.94%	16.94%	81.57%	108.28%	109.66%	111.04%	112.42%	113.80%	115.18%	116.56%			116.56%
Total Legacy Liability		536,326	52,002	37,397	18,000	55,125	58,447	96,031	31,500	25,877	24,930	46,300	25,333	26,985	497,927	43,238	518,860
			52,002	89,399	107,399	162,525	220,972	317,003	348,502	374,380	399,310	445,609	470,943	497,927			
			9.70%	16.67%	20.03%	30.30%	41.20%	59.11%	64.98%	69.80%	74.45%	83.09%	87.81%	92.84%			97%
Cummulative Budget			47,597	100,262	135,565	170,753	307,864	337,248	372,831	402,792	431,805	482,188	511,605	542,673			
Cummulative Actual			52,002	89,399	107,399	162,525	220,972	317,003	348,502	374,380	399,310	445,609	470,943	497,927			

M-S-R PPA All Legal Summary

Month of: **Jun-2019**



CURRENT MONTH

By Function	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Generation	1,000	242	758	24%
Gen - Other	1,167	0	1,167	0%
Renewables	3,083	22	3,061	1%
Rens - Other	24,167	0	24,167	0%
Reg & Comp	18,917	0	18,917	0%
Administrative	2,917	22	2,895	1%
Total	51,250	286	50,964	1%

YEAR TO DATE

By Function	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Generation	6,000	5,500	500	92%
Gen - Other	7,000	1,620	5,380	23%
Renewables	18,500	6,751	11,749	36%
Rens - Other	145,000	76,283	68,717	53%
Reg & Comp	113,500	96,968	16,532	85%
Administrative	17,500	4,607	12,893	26%
Total	307,500	191,729	115,771	62%

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	286	3,964	7%
Others	1,167	0	1,167	0%
Total	51,250	286	50,964	1%

By Provider	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Duncan	225,000	139,039	85,961	62%
Berlin	50,000	40,437	9,563	81%
Porter Simon	25,500	10,632	14,868	42%
Others	7,000	1,620	5,380	23%
Total	307,500	191,729	115,771	62%

M-S-R PPA Duncan Summary

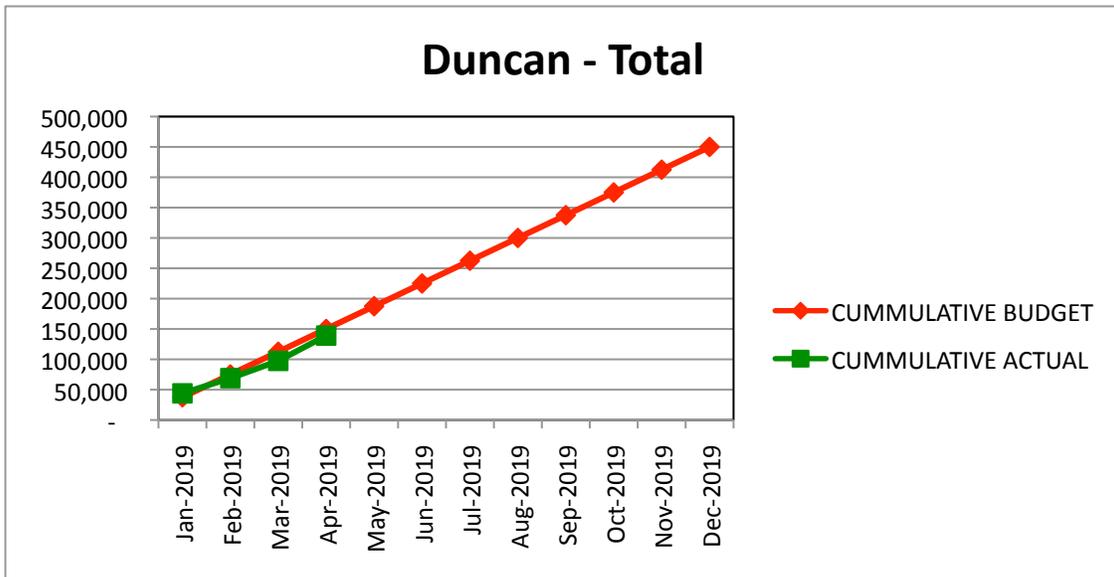
Month of: **Jun-2019**

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	5,000	0	5,000	0%
Rens - Other	145,000	76,283	68,717	53%
Reg & Comp	75,000	62,756	12,244	84%
Administrative	0	0	0	0%
Total	225,000	139,039	85,961	62%



M-S-R PPA Berlin Summary

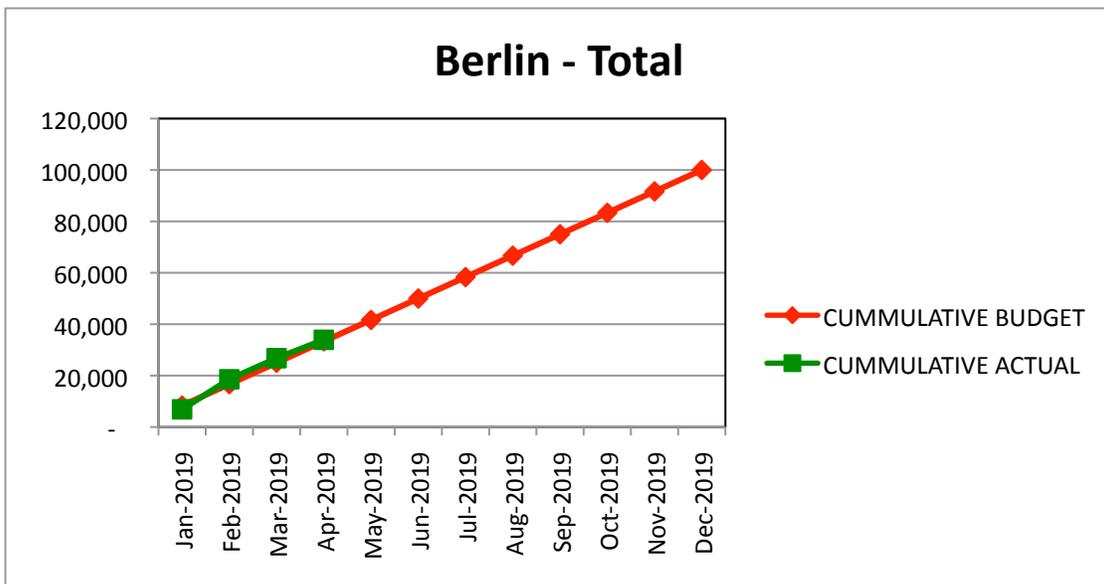
Month of: **Jun-2019**

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	10,000	6,179	3,821	62%
Rens - Other	0	0	0	0%
Reg & Comp	37,500	34,212	3,288	91%
Administrative	2,500	47	2,453	2%
Total	50,000	40,437	9,563	81%



M-S-R PPA Porter Simon Summary

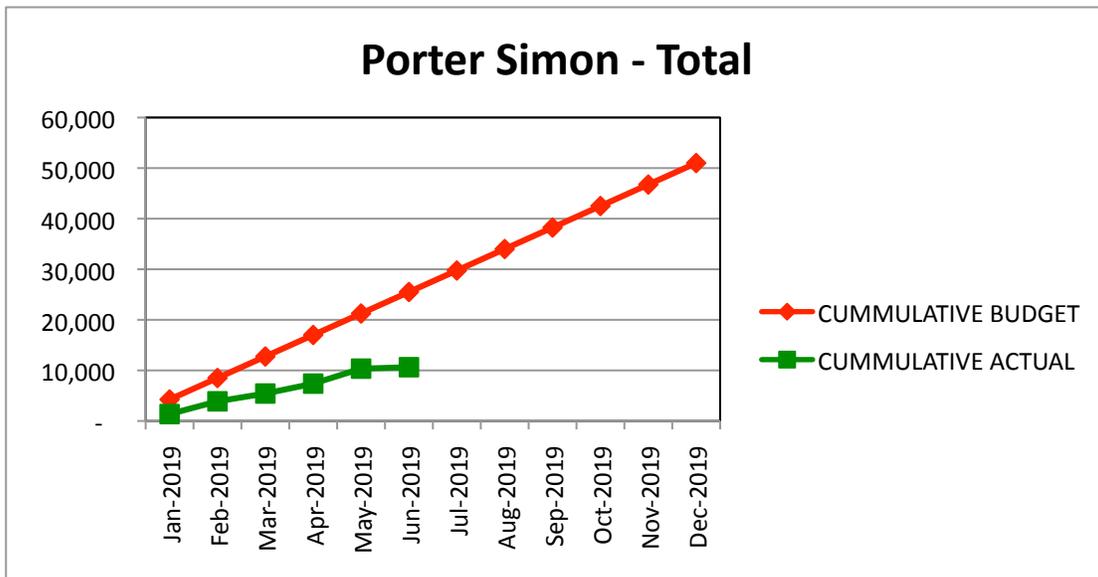
Month of: **Jun-2019**

CURRENT MONTH

	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Generation	1,000	242	758	24%
Gen - Other	0	0	0	0%
Renewables	583	22	561	4%
Rens - Other	0	0	0	0%
Reg & Comp	167	0	167	0%
Administrative	2,500	22	2,478	1%
Total	4,250	286	3,964	7%

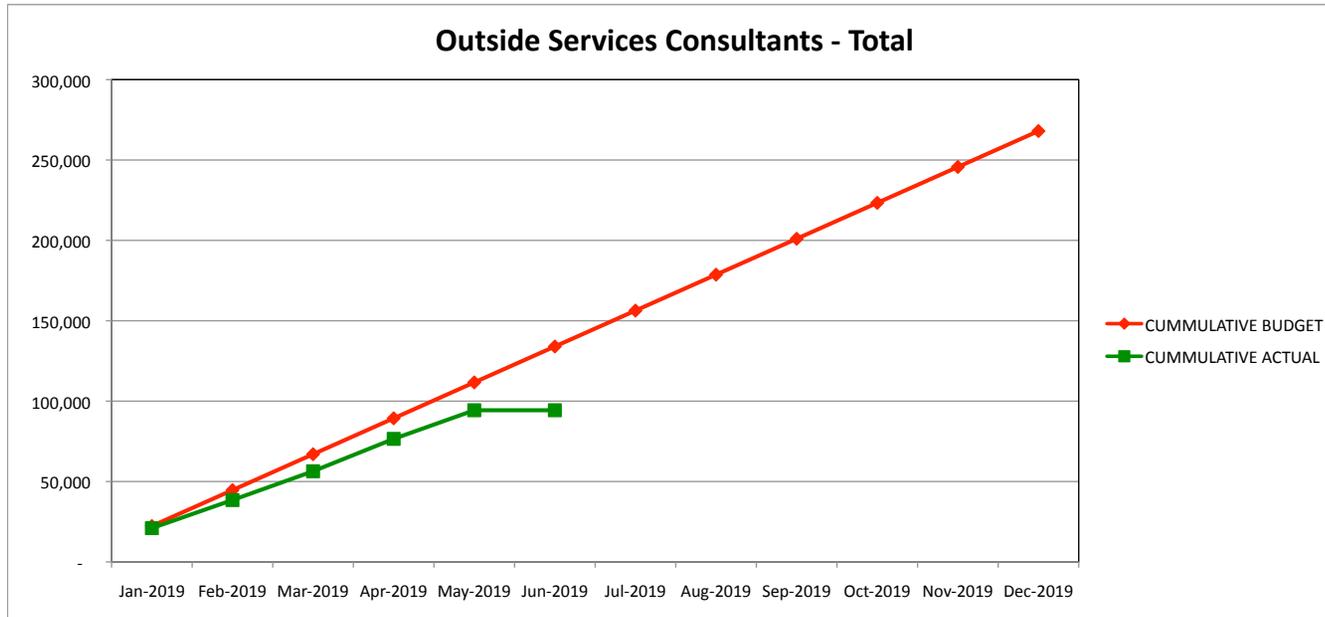
YEAR TO DATE

	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Generation	6,000	5,500	500	92%
Gen - Other	0	0	0	0%
Renewables	3,500	572	2,928	16%
Rens - Other	0	0	0	0%
Reg & Comp	1,000	0	1,000	0%
Administrative	15,000	4,560	10,440	30%
Total	25,500	10,632	14,868	42%



M-S-R PPA Total Outside Consult Summary

Month of: **Jun-2019**



By Function	CURRENT MONTH			
	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Generation	2,500	0	2,500	0%
Gen - Other	0	0	0	0%
Renewables	9,500	0	9,500	0%
Rens - Other	5,833	0	5,833	0%
Reg & Comp	2,417	0	2,417	0%
Administrative	2,083	0	2,083	0%
Total	22,333	0	22,333	0%

By Function	YEAR TO DATE			
	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Generation	15,000	16,324	(1,324)	109%
Gen - Other	0	0	0	0%
Renewables	57,000	42,038	14,962	74%
Rens - Other	35,000	22,022	12,978	63%
Reg & Comp	14,500	6,210	8,290	43%
Administrative	12,500	7,750	4,750	62%
Total	134,000	94,343	39,657	70%

By Provider	CURRENT MONTH			
	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Navigant	3,333	0	3,333	0%
KBT	15,833	0	15,833	0%
Others	3,167	0	3,167	0%
Total	22,333	0	22,333	0%

By Provider	YEAR TO DATE			
	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Navigant	20,000	901	19,099	5%
KBT	95,000	81,023	13,977	85%
Others	19,000	12,419	6,581	65%
Total	134,000	94,343	39,657	70%

M-S-R PPA Navigant Summary

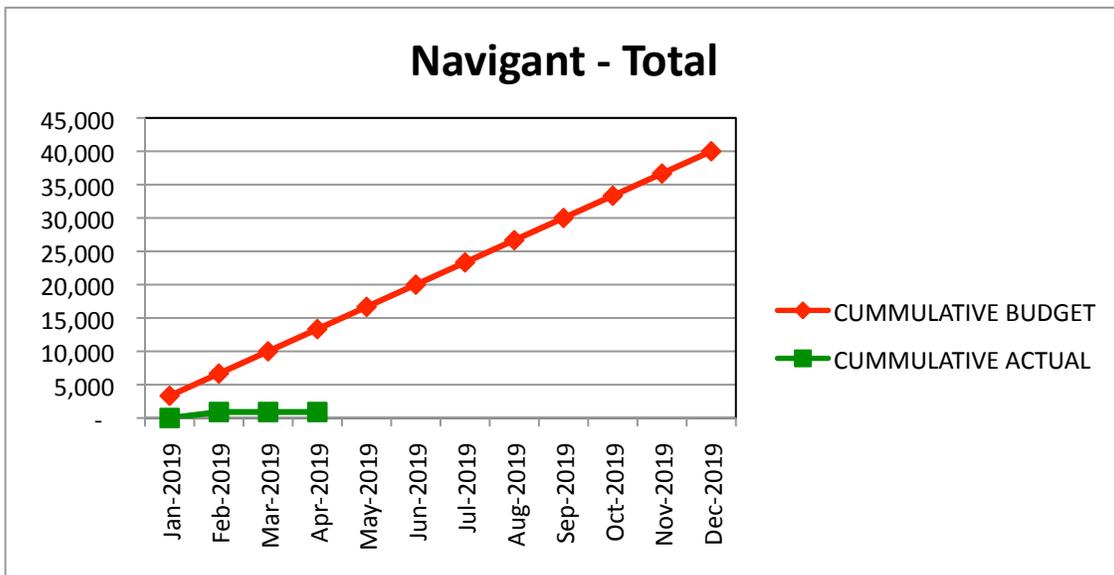
Month of: **Jun-2019**

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	12,500	0	12,500	0%
Rens - Other	0	0	0	0%
Reg & Comp	5,000	0	5,000	0%
Administrative	2,500	901	1,599	36%
Total	20,000	901	19,099	5%



M-S-R PPA KBT Summary

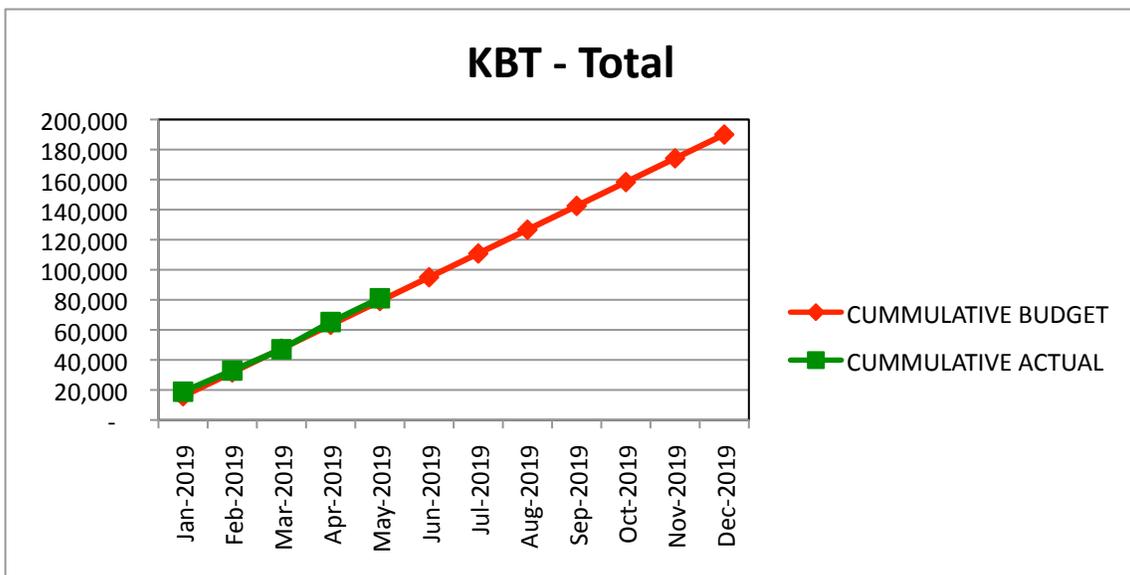
Month of: **Jun-2019**

CURRENT MONTH

	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Generation	2,500	0	2,500	0%
Gen - Other	0	0	0	0%
Renewables	5,833	0	5,833	0%
Rens - Other	5,833	0	5,833	0%
Reg & Comp	0	0	0	0%
Administrative	1,667	0	1,667	0%
Total	15,833	0	15,833	0%

YEAR TO DATE

	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Generation	15,000	16,324	(1,324)	109%
Gen - Other	0	0	0	0%
Renewables	35,000	35,828	(828)	102%
Rens - Other	35,000	22,022	12,978	63%
Reg & Comp	0	0	0	0%
Administrative	10,000	6,849	3,151	68%
Total	95,000	81,023	13,977	85%



M-S-R PPA

Misc Outside Services Summary

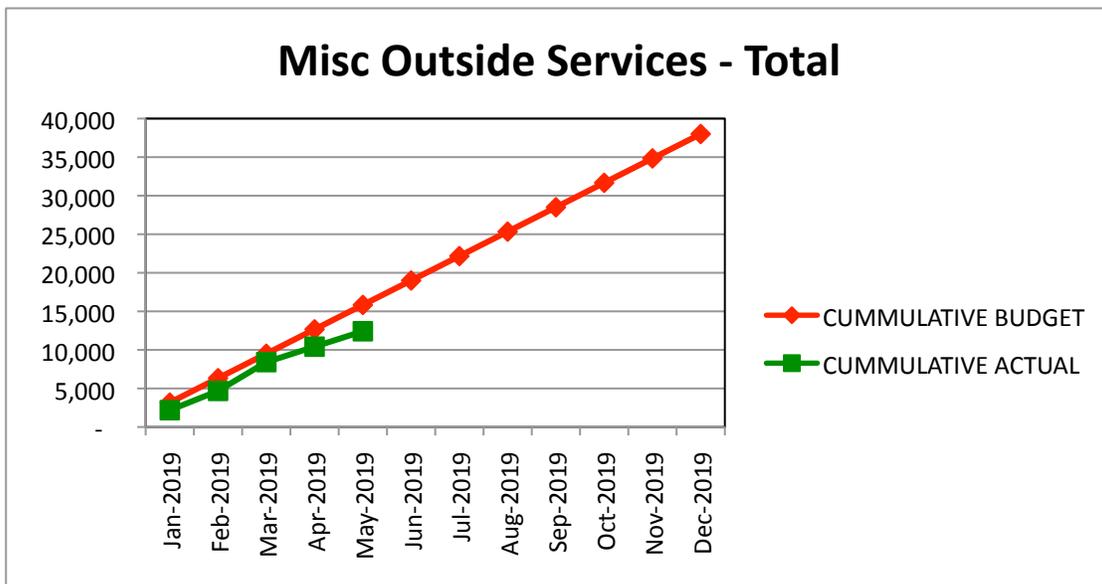
Month of: **Jun-2019**

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

YEAR TO DATE

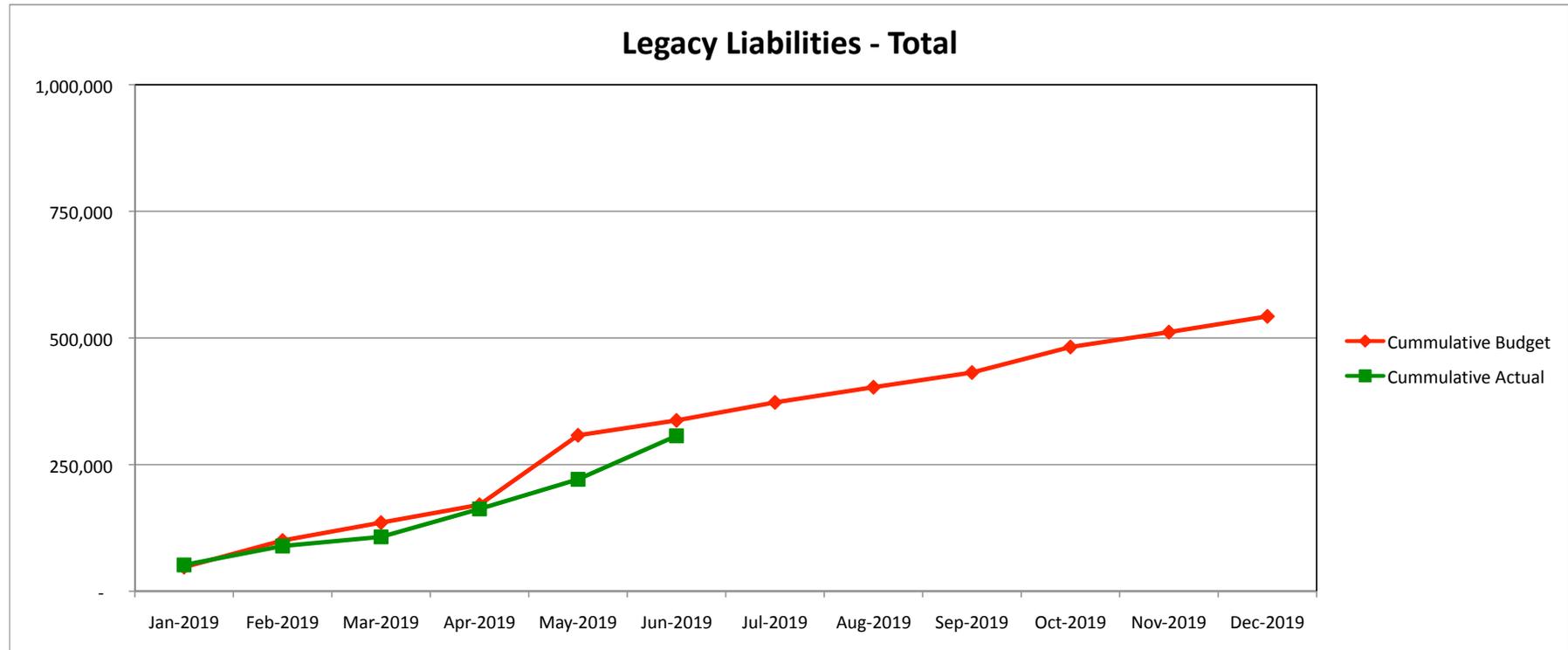
	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Generation	0	0	0	0%
Gen - Other	0	0	0	0%
Renewables	9,500	6,210	3,290	65%
Rens - Other	0	0	0	0%
Reg & Comp	9,500	6,210	3,290	65%
Administrative	0	0	0	0%
Total	19,000	12,419	6,581	65%



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	-	900.90	-	-	-	-	-	-	-	-	-	-	-	901	150	1,802	
	40,000	40,000	-	900.90	-	-	-	-	-	-	-	-	-	-	-	901	150	1,802	5%
				0.00%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%				
KBT																			
Generation																			
General	20,000	30,000		3,180	3,392	2,544	4,452.00	2,756.00								16,324	3,265	39,178	
Gen - Other																			
SJGS Disposition				-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Renewables																			
General	70,000	70,000		8,064	5,309	6,506	7,679.72	8,268.28								35,828	7,166	85,987	
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	4,732.00									8,554	4,277	8,554	Mar - Apr
KBT 2019-03			14,560					3,094.00								3,094	1,547	3,094	May - Jun
KBT 2019-0x																-	-	-	Jul - Aug
KBT 2019-0x																-	-	-	Sep - Oct
KBT 2019-0x																-	-	-	Nov - Dec
Sum			43,680													22,022		22,022	
Regulatory & Comp																			
Administrative	20,000	20,000		848	1,728	1,304	1,272.00	1,696.00								6,849	1,370	16,437	
	180,000	190,000	43,680	18,826	14,070	14,177	18,135.72	15,814.28								81,023	22,811	163,624	
				9.91%	17.31%	24.78%	34.32%	42.64%	42.64%	42.64%	42.64%	42.64%	42.64%	42.64%	42.64%	81,023		86%	
SUBTOTAL	220,000	230,000		18,826	14,971	14,177	18,136	15,814								81,924	22,961	165,426	
				8.56%	15.36%	21.81%	30.05%	37.24%	37.24%	37.24%	37.24%	37.24%	37.24%	37.24%	37.24%			72%	
Outside Services																			
Generation																			
Renewables																			
Ferguson Group	5,000	5,000																	
Politico Group	14,000	14,000		1,093	1,249	1,868	1,000	1,000.00								6,210	1,242	14,903	
Rens - Other																			
Ferguson Group	5,000	5,000																	
Politico Group	14,000	14,000		1,093	1,249	1,868	1,000	1,000.00								6,210	1,242	14,903	
Regulatory & Comp																			
Administrative																			
	38,000	38,000		2,185	2,498	3,737	2,000	2,000.00								12,419	2,484	29,806	
				5.75%	12.32%	22.16%	27.42%	32.68%	32.68%	32.68%	32.68%	32.68%	32.68%	32.68%	32.68%			78%	
GRAND TOTAL	258,000	268,000		21,011	17,468	17,913	20,136	17,814								94,343	25,445	195,232	
				8.14%	14.91%	21.86%	29.66%	36.57%	36.57%	36.57%	36.57%	36.57%	36.57%	36.57%	36.57%			73%	
	Original 2019 Budget	Revised 2019 Budget																	
G	20,000	30,000																	39,178
G - Other	-	-																	-
R	114,000	114,000																	100,890
R - Other	70,000	70,000																	22,022
R&C	29,000	29,000																	14,903
A	25,000	25,000																	18,239
	258,000	268,000																	195,232
50/35/15	45,000	55,000																	57,417
Renew	184,000	184,000																	122,912

Legacy Liability - Total

Month of: Jun-2019



By Function	CURRENT MONTH			
	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
PNM - Reclamation	4,083	0	4,083	0%
SJCC - Reclamation	24,772	85,793	(61,022)	346%
PNM - Decommission	529	0	529	0%
Total	29,384	85,793	(56,409)	292%

By Function	YEAR TO DATE			
	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
PNM - Reclamation	24,500	3,604	20,896	15%
SJCC - Reclamation	271,248	271,898	(650)	100%
PNM - Decommission	41,500	31,263	10,237	75%
Total	337,248	306,766	30,483	91%

PNM - Reclamation

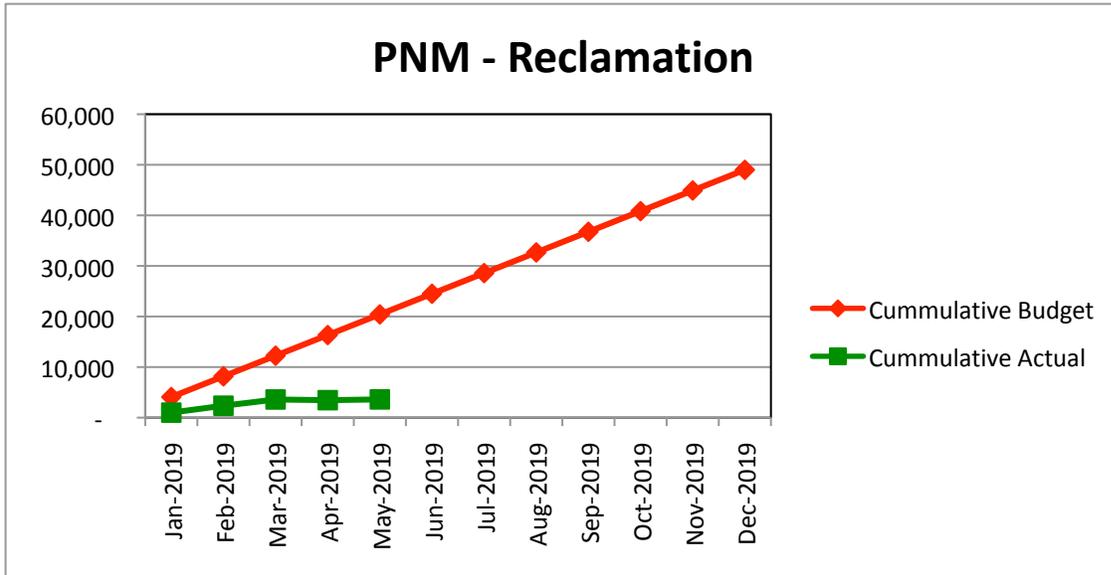
Month of: **Jun-2019**

CURRENT MONTH

	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Generation	4,083	0	4,083	0%
Total	4,083	0	4,083	0%

YEAR TO DATE

	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Generation	24,500	3,604	20,896	15%
Total	24,500	3,604	20,896	15%



SJCC - Reclamation

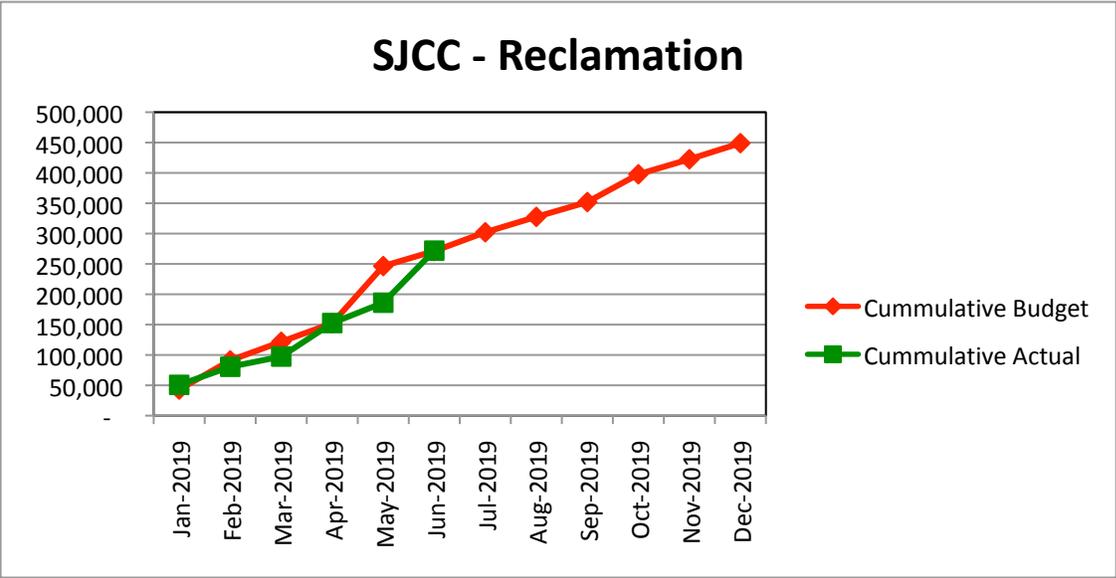
Month of: **Jun-2019**

CURRENT MONTH

	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Generation	24,772	85,793	(61,022)	346%
Total	24,772	85,793	(61,022)	346%

YEAR TO DATE

	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Generation	271,248	271,898	(650)	100%
Total	271,248	271,898	(650)	100%



PNM - Decommissioning

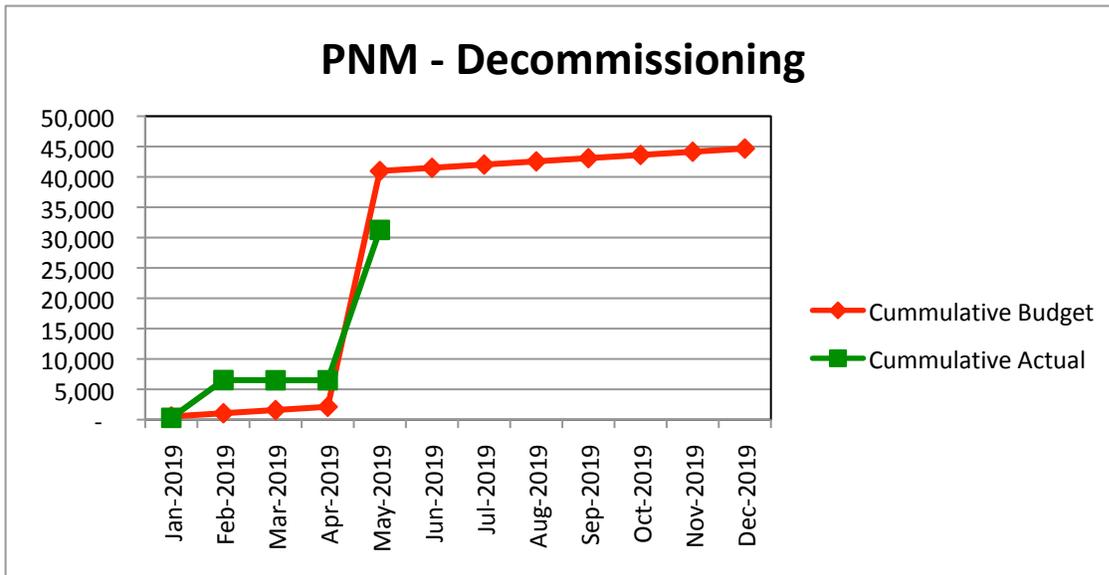
Month of: **Jun-2019**

CURRENT MONTH

	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Generation	529	0	529	0%
Total	529	0	529	0%

YEAR TO DATE

	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Generation	41,500	31,263	10,237	75%
Total	41,500	31,263	10,237	75%



Legacy Liability Costs - 2019	M-S-R 2019 Budget	Revised or A.O.P	Jan-2019 8.33%	Feb-2019 16.67%	Mar-2019 25.00%	Apr-2019 33.33%	May-2019 41.67%	Jun-2019 50.00%	Jul-2019 58.33%	Aug-2019 66.67%	Sep-2019 75.00%	Oct-2019 83.33%	Nov-2019 91.67%	Dec-2019 100.00%	Total	Average	Year-End Projection
PNM - Reclamation - Budget	49,000	49,000	4,083	4,083	4,083	4,083	4,083	4,083	4,083	4,083	4,083	4,083	4,083	4,083	49,000		
Cummulative Budget			4,083	8,167	12,250	16,333	20,417	24,500	28,583	32,667	36,750	40,833	44,917	49,000			
Reclamation Trust																	
Funds Operating Agent			993	1,366	1,229.53	(132)	148								3,604	721	8,651
Cummulative Actual	49,000	49,000	993	1,366	1,229.53	(132)	148	-	-	-	-	-	-	-	3,604	721	8,651
			2.03%	4.82%	7.32%	7.05%	7.36%	7.36%	7.36%	7.36%	7.36%	7.36%	7.36%	7.36%			18%
SJCC - Reclamation - Budget			42,985	48,053	30,691	30,576	94,172	24,772	30,971	25,348	24,401	45,771	24,804	26,456	449,000		
Cummulative Budget			42,985	91,038	121,729	152,305	246,477	271,248	302,219	327,568	351,969	397,740	422,544	449,000			
			41,886	88,711	118,617	148,411	240,176	264,314	294,493	319,194	342,971	387,572	411,742	437,522			
LaPlata	51,687	51,687	4,047	4,389	5,316	4,577	4,739	4,515.48							27,584	4,597	55,169
San Juan - Surface	397,313	397,313	30,778	25,417	11,485	50,681	28,789	81,277.92							228,427	38,071	456,855
San Juan - Underground			15,887	-	-	-	-	-							15,887	2,648	31,773
Cummulative Actual	449,000	449,000	50,712	29,806	16,801	55,258	33,528	85,793.40	-	-	-	-	-	-	271,898	45,316	543,797
			50,712	80,518	97,319	152,577	186,105	271,898	271,898	271,898	271,898	271,898	271,898	271,898			121%
			11.29%	17.93%	21.67%	33.98%	41.45%	60.56%	60.56%	60.56%	60.56%	60.56%	60.56%	60.56%			
PNM - Decommissioning	6,347	38,327	529	529	529	529	38,856	529	529	529	529	529	529	529	44,673		
Cummulative Budget			529	1,058	1,587	2,116	40,971	41,500	42,029	42,558	43,087	43,616	44,144	44,673			
Initial Decommissioning			297	6,225	(30.58)	-	24,772								31,263	6,253	75,031
Cummulative Actual	6,347	38,327	297	6,225	(30.58)	-	24,772	-	-	-	-	-	-	-	31,263	6,253	75,031
			0.78%	17.02%	16.94%	16.94%	81.57%	81.57%	81.57%	81.57%	81.57%	81.57%	81.57%	81.57%			195.77%
Total Legacy Liability		536,326	52,002	37,397	18,000	55,125	58,447	85,793	-	-	-	-	-	-	306,766	52,290	627,478
			52,002	89,399	107,399	162,525	220,972	306,766	306,766	306,766	306,766	306,766	306,766	306,766			
			9.70%	16.67%	20.03%	30.30%	41.20%	57.20%	57.20%	57.20%	57.20%	57.20%	57.20%	57.20%			117%
Cummulative Budget			47,597	100,262	135,565	170,753	307,864	337,248	372,831	402,792	431,805	482,188	511,605	542,673			
Cummulative Actual			52,002	89,399	107,399	162,525	220,972	306,766	306,766	306,766	306,766	306,766	306,766	306,766			

M-S-R PPA General Manager

Mid-Year Review of General Manager 2019 Projects

GOAL	PPA Status	EA Corollaries
<p>1. San Juan Divestiture:</p> <p>a. Manage transition activities regarding wind-up of San Juan generation activities and establish systems necessary to manage Legacy Liabilities within the funding plan adopted in Resolution 2016-04.</p> <p>b. Manage performance of Decommissioning Study by Decommissioning Agent, adoption of Decommissioning Plan under Decommissioning Agreement, and recommend needed adjustments, if any, to Legacy Liability funding plan.</p>	<p>1. San Juan Divestiture: GM YTD: 240 hours – YE est 500 hours Cnslt YTD: 90 hours – YE est 140 hours)</p> <p>a. General Manager lead representative to Decommissioning and Reclamation Committees with support by General Consultant with respect to monitoring Initial Decommissioning Work (as defined in Decommissioning Agreement.)</p> <p>Decommissioning and Reclamation Trusts funded to current target levels and Resolution 2016-04 funds tracking system established.</p> <p>b. Agreement reached w/ PNM re scope of Decommissioning Study. Third revised draft study received June 7, 2019. Given propensity of SJGS major projects to exceed expected scopes and costs, I recommend decisions to be made based on upper bound estimates. NPV costs of retire in place and full demolition scenarios are equivalent – all far less costly than retire in place followed by inevitable future demolition. M-S-R should support immediate full</p>	<p>1. N/A</p>

GOAL	PPA Status	EA Corollaries
<p>c. Resolve dispute with PNM regarding insurance cost allocations.</p> <p>d. Evaluate and present potential agency succession options for continued monitoring and administration of San Juan legacy liabilities and activities.</p>	<p>demolition as least cost and lowest risk option. Sufficient funds are on hand per Resolution 2016-04 funding plan. Note: PNM Abandonment filing proffers Retire-In-Place as preferred option – dispute per Item (d) below.</p> <p>c. PNM has made some reduction of allocations in response to M-S-R concerns.</p> <p>White Paper regarding further actions considered by Technical Committee July 11, 2019.</p> <p>d. New New Mexico Counsel retained for monitoring & participation as needed in NM-PRC proceedings.</p> <p>White Paper to be prepared Fall 2019 to evaluate post-General Manager retirement scenarios.</p>	
<p>2. Big Horn Projects and BPA Rates:</p> <p>a. Monitor and participate in BPA rate proceedings and workshops to mitigate cost and operational impacts on the Big Horn Wind Energy Projects.</p>	<p>3. Big Horn Projects and BPA Rates: GM YTD: 120 hours – YE est 250 hours Cnslt ALH YTD: 150 hours – YE est 270 hours Cnslt DLA YTD: 140 hours – YE est 240 hours:</p> <p>a. Implemented workplans and priorities for BPA activities re Rate Case Issues and outreach to PNW peers as set at 2018 BPA Day. Participated in BP-20 Rate Case and settlement</p>	<p>N/A</p>

GOAL	PPA Status	EA Corollaries
<p>b. Based on table agreement reached in 2018, negotiate clarifying amendments to Big Horn I Agreements to implement transmission event adjustments to Firming and Shaping rates, to fix rates related to Wind Integration/VERBS services, settle past rate adjustments, and to eliminate payment lock-boxes to allow direct payments for energy, environmental attributes, and firming and shaping/delivery services.</p> <p>c. Monitor and participate in ARB and CEC processes to ensure continued benefit from M-S-R PPA's early action in renewable energy projects.</p>	<p>re transmission issues and set 4.2%/4.4% increases in PTP/SI rates. Workshops re BPA \$331 million TBL accounting error, TBL reserves, and EIM and SC implementation.</p> <p>b. Draft amendments to Big Horn I PSA & F&S Agreements, Big Horn II PSA & RDA Agreements, and BHI Security & Custodian Agreements substantially complete. Interim-pricing side agreements to allow VERBS savings to be immediately passed through in-place.</p> <p>c. Continued lobbying for preservation of RPS Adjustment with ARB to maintain benefits of all Big Horn deliveries. Participated in CARB processes re Cap & Trade accounting and reporting regulations.</p>	
<p>3. M-S-R Budget and Expense Management Processes</p> <p>a. Review, implement, and update as necessary,</p>	<p>4. M-S-R Budget and Expense Management Processes: (Note: Other than Item 3(c), hours tracked under Administrative Matters):</p> <p>a. Task Order System for Outside Services Consultants</p>	<p>4. M-S-R Budget and Expense Management Processes:</p> <p>a. Task Order System implemented for Outside</p>

GOAL	PPA Status	EA Corollaries
<p>processes including budget and expense controls and reporting mechanisms including task result reports and cost tracking referenced to original work authorizations or delegations of authority, for reconciliation of the Agency's controllable costs with the Annual Budget.</p> <p>b. Implement monthly reporting as identified by the Commission President.</p> <p>c. Review and recommend actions related to further reductions of Agency Consultant utilization post-San Juan Exit and replace when possible with General Manager representation of Agency where necessary to preserve the Agency's interests or where Agency representation brings unique insight to Member interests.</p>	<p>remains effective in controlling costs.</p> <ul style="list-style-type: none"> ▪ Legal assignments reviewed docket by docket. Phase-out of FERC TRR dockets. ▪ Periodic Budget v. Actual Reports presented to Technical C'tee & Commission. <p>b. Monthly reports on General Manager and General Consultant activities provided to Commissioners.</p> <p>c. Regulatory and Compliance Program Cost Tracking GM YTD: 90 hours – YE est 200 hours.</p> <p>Year-over-year annualized consulting cost reductions (2019 v. 2018):</p> <ul style="list-style-type: none"> - Generation: 57% - Renewables: 11% - Administrative: 67% <p>Monitoring of CPUC and Leg proposals re Wildfire Safety and Liability Reform – direct impacts to M-S-R Liability Insurance renewals (59% annual premium increase) and indirect to Member insurance and transmission costs.</p> <p>GM Conference and Continuing Education report and workplan reviewed by Commission President and Commissioners.</p>	<p>Services Consultant.</p> <ul style="list-style-type: none"> ▪ No legal assignments in 2018. ▪ Periodic Budget v. Actual Reports presented to Technical C'tee & Commission. <p>b. Included in M-S-R PPA monthly reports.</p>

GOAL	PPA Status	EA Corollaries
<p>5. Administrative Matters:</p> <p>a. Review, implement, and update as necessary the M-S-R PPA Policies And Procedures Manual to assure the efficient administration of the Agency in compliance with its organic agreements and Commission directives. Corrective policies and procedures, if identified and needed, will be prepared for Commission consideration. Implement new policies as needed and accumulate reports for 2020 update to M S R PPA Policies And Procedures Manual</p> <p>b. Rebuild and rehost Agency website to reflect current Agency operations and requirements of State Law, increase utility and address compatibility issues between current e-mail system and Outlook users.</p> <p>c. Provide an outline of General Manager activities and estimate the annual effort for each.</p> <p>d. Increase communication and consultation with Commission President on agency issues and General Manager activities of heightened interest.</p>	<p>5. Administrative Matters: GM YTD: 200 hours – YE est 400 hours Cnslt YTD: 33 hours – YE est 70 hours</p> <p>a. No needed policy changes identified to date</p> <p>b. Interim patches made to website.</p> <p>c. See this report.</p> <p>d. Monthly reports provided to Commissioners and increased informal communication with President.</p>	<p>Administrative Matters: GM YTD: 60 hours – YE est 150 hours)</p> <p>a. Reviewed requirements re Member to Member gas transactions and provided guidance re same as clarification to existing adopted procedures.</p> <p>b. Interim patches made to website.</p>

GOAL	PPA Status	EA Corollaries
<p>EA Natural Gas Prepay:</p> <p>a. Renew or replace expiring Forward Delivery Agreement for investment of Debt Service Funds</p>		<p>EA Mgmt: GM YTD: 60 hours – YE est 150 hours)</p> <p>a. Workplan prepared for Financial Advisor implementation.</p>

DRAFT

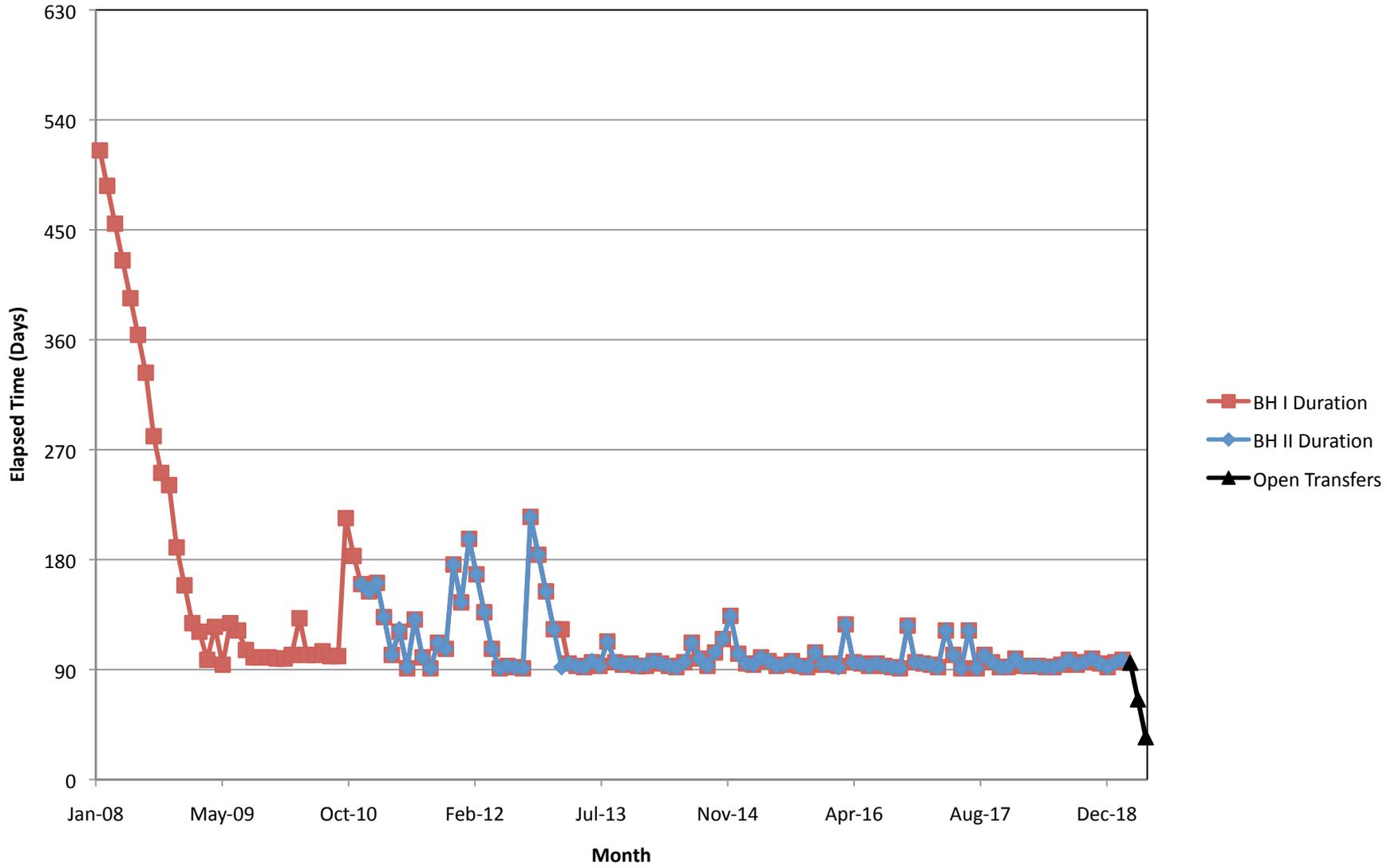
M-S-R Public Power Agency Staff Report

Date: July 3, 2019
From: Martin R. Hopper, General Manager
To: M-S-R PPA Commission
Subject: July 2019 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 July 2019 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				
Apr-19				
May-19				
			4-Jul-19	96
			4-Jul-19	66
			4-Jul-19	35

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: June 24, 2019
To: M-S-R PPA Commission
From: Martin Hopper, General Manager
Subject: Post-Divestiture Allocation of San Juan Generating Station Continuing Coverage Insurance Costs

Summary:

The M-S-R Public Power Agency elected to maintain Continuing Coverage insurance regarding San Juan Generating Station (SJGS) general and environmental liabilities pursuant to Restructuring Agreement §21.2.3.3, Decommissioning Agreement §3.2.2.23, and an Insurance Letter dated August 24, 2017 (Insurance Letter) and would pay a proportionate cost of same.

Analysis performed at that time indicated the potential cost of maintaining Continuing Coverage insurance through continued participation in PNM's insurance program would be significantly less costly than independently procuring such insurance (then estimated at about \$140,000 per annum.)

For 2018/2019 renewals the total annual cost allocated by PNM to M-S-R PPA is currently \$73,515¹ or roughly half the cost of independently procured coverage. Nonetheless, M-S-R PPA believes that the allocations used by PNM assign costs to the Agency greater than required by the agreements and Insurance Letter.

¹ On July 12, 2018 M-S-R PPA was invoiced for its share of the 2018/2019 San Juan Liability Insurance renewal in an amount of \$87,137.92 (subsequently reduced by credits of \$21,784.48 (January 9, 2019), \$3,807.54 (April 15, 2019), and \$2,332.61 (May 21, 2019) for a net amount of \$59,213.29) allocated on the basis of M-S-R PPA's former San Juan Plant Common percentage share. On March 13, 2019 M-S-R PPA was invoiced for its share of the 2018/2019 San Juan Environmental Insurance renewal in an amount of \$14,301.76, also allocated on the basis of M-S-R PPA's former San Juan Plant Common percentage share.

Pursuant to the requirements of Restructuring Agreement §21.2.3.3 and Decommissioning Agreement §9.1 M-S-R PPA notified PNM (both formally and informally) that:

1. Allocation of Continuing Coverage insurance costs did not meet the requirement of the Restructuring Agreement to be “based on factors customarily employed, including the property affected, exposures, loss experience and severity and frequency of loss” because the allocation did not distinguish between costs of insurance attributable to Operating Work (paid by Remaining Participants only) and attributable to Decommissioning Work (paid by both Exiting Participants and Remaining Participants),
2. Continuing Coverage insurance costs payable by M-S-R PPA were not being allocated pursuant to the schedule provided in Exhibit “A” to the Decommissioning Agreement, and
3. No protocols or procedures for making insurance cost allocations had been recommended by PNM pursuant to Restructuring Agreement §21.2.3.2 or adopted by either the Engineering and Operating Committee or the Decommissioning Committee.

Representatives of PNM and M-S-R PPA (including M-S-R PPA’s insurance broker) have met with PNM numerous times and determined that PNM is allocating insurance cost both internally to PNM and externally to the San Juan Participants using algorithms that assign corporate insurance cost to San Juan on the basis of a trailing allocation based on a ratio of prior coverage-year generation (which appears to be July through June for Liability and October through September for Environmental) by SJGS to PNM fleet-wide generation for the same period and that within SJGS costs were allocated to Participants by pre-divestiture Plant Common shares.

As a result of this review and discussion process, PNM reduced general liability allocations to San Juan from 25.80% as used for 2017 – 2018 renewals to 19.35% for 2018 – 2019 renewals. However, the environmental allocation for San Juan was not reduced from 27.81% as used previously for 2017 – 2018 for renewals and PNM has continued to allocate costs within San Juan on pre-divestiture Plant Common shares

Liability Allocation to SJGS (Station-wide):

As noted above, the allocation of liability insurance cost by PNM to SJGS as a whole is a trailing allocation based on a ratio of prior coverage-year generation (July through June for General Liability and October through September for Environmental Liability) by SJGS to PNM fleet-wide generation for the same period.

On the basis of a generation allocation we would expect to see a reduction to the 2019 renewal of a similar magnitude to that of the 2018 renewal compared with the 2017 renewal. Although this generation allocation model may be rational for the period while the station is still operating, it breaks down when the last Unit is retired in June 2022.

Post SJGS Shut-down, it would appear that for the first year after station retirement (July 2022 and October 2022 renewals) PNM would allocate costs based on the final year's generation. For the subsequent renewals in 2023, this model would allocate no cost to SJGS for the decommissioning or deconstruction phases² of the station's life.

If we accept PNM's generation-based model for allocation to the station to be rational while there are ongoing operations, a new model is still required for the post-generation period for the station. I would recommend a new allocation method for allocation of liability insurance cost to SJGS be agreed upon and documented prior to the 2023 renewals.

² PNM has alleged/conceded that risk exposure during demolition may be higher than during generation operations. Paradoxically under the current generation model, Units do not currently earn any premium during maintenance and other outages, when the exposures are likely highest due to the nature of activities performed and numbers of personnel present.

Liability Allocation to M-S-R (Within Station):

The allocation of all insurance cost (Liability, Environmental, and Boiler and Machinery³) has been made on a capacity basis using defined “Plant Common” percentage shares. Allocations of the 2018 liability and environmental renewals for SJGS were sub-allocated to M-S-R based on our former 8.7% Plant Common share.

We agreed in the Insurance Letter and Restructuring Section 21.2.3.2 to pay an allocated share of the premium on the basis “The determination of the allocated share will be based on factors customarily employed, including the property affected, exposures, loss experience and severity and frequency of loss.”

A former 8.7% Plant Common share allocation does not reflect the fact that the addition of a named-insured does not increase the exposure to PNM and the Remaining Participants. PNM orally acknowledged during our January 24, 2019 meeting that the exposure does not increase. PNM also acknowledged that with the passage of time, any tail-exposures on this claims-made policy diminish with time and some kind of reduction in allocation may be appropriate.

While PNM has continued to make a capacity-based allocation to M-S-R PPA, we no longer have any rights to SJGS capacity. If we apply a trailing allocation model as done for the station as a whole, M-S-R’s capacity allocation for the 2018 renewal should have been cut in half if based on kW-months of capacity (or not reduced at all if based on kW-years) and would be zero for 2019 and subsequent renewals. As noted above, an energy production-based allocation would also lead to elimination of allocations to M-S-R as our historic generation drops out of the trailing allocation periods.

³ Effective with 2018 renewals, M-S-R was not allocated any Boiler and Machinery policy cost and we believe we are no longer a named-insured. We have no information as to whether we were removed as a named-insured effective with our December 31, 2017 divestiture or at renewal.

However, the intent of the Insurance Letter is that some allocation of cost is appropriate as long as some Decommissioning Work is being performed or environmental liability exposure applies and that said allocation has to be based on some rational basis.

If we were to accept PNM's premise that Operating Work and Decommissioning Work are indistinguishable (notwithstanding that the 2018 Operating Budget, excluding fuel, may be as much as \$100 million and the 2018 Decommissioning Budget was about \$4 million) an allocation based on megawatt-years of ownership (see Decommissioning Agreement §5.3) might be rational.

Although accepting trailing energy and/or capacity allocations for both station and participant allocations may be rational for the time-being, they do not solve the issue of allocating liability and environmental insurance costs to the station and participants after the Units have been retired.

Allocation of Coverage:

Our insurance broker raised an additional issue for our consideration. If there is a catastrophic claim whereby the insurance proceeds are inadequate (General Liability above \$185 million or Environmental Liability above \$35 million), then in that event all insureds on the PNM program may have to agree on an allocation of the available insurance to the extent not previously defined in either the Restructuring or Decommissioning Agreements. If we argue for a very low premium contribution now, and insurance is inadequate at the time of the loss, the same allocation that determined premium allocation could arguably be used to share available coverage. Mitigating this risk is the fact that liabilities of M-S-R PPA under the Decommissioning Agreement are limited by its express terms to be several and not joint and allocated as specified in Exhibit "A" to the Decommissioning Agreement, and are further limited by application of California Government Claims Act (Government Code §§ 810 – 998.3) as set forth in §23.1 of the Decommissioning Agreement.

Next Steps:

1. Review 2018/2019 corporate Environmental Liability Insurance allocations to SJGS with PNM.
2. Meet with M-S-R PPA Insurance Broker to:
 - a. Examine risk-based allocation factors for multi-location environmental liability insurance policies;
 - b. Examine risk-based allocation factors for multi-location general liability insurance policies; and
 - c. Develop recommendations for potential allocation factors for assigning PNM corporate insurance program costs to SJGS before and after final unit retirement.
3. Meet with other San Juan Exiters to reach agreement on unified positions regarding:
 - a. Recommended allocation factors regarding assignment of PNM corporate insurance costs to SJGS before and after final unit retirement; and
 - b. Consensus that allocation of insurance costs within SJGS can be made pursuant to Exhibit "A" to the Decommissioning Agreement.
4. Meet with PNM to reach agreement on recommended allocation factors regarding allocation of PNM corporate insurance costs to SJGS before and after final unit retirement and agree on a process to adopt appropriate protocols or procedures for making such allocations pursuant to Restructuring Agreement §21.2.3.2 by either the Engineering and Operating Committee or the Decommissioning Committee.

M-S-R Public Power Agency Staff Report

Date: July 3, 2019
From: Martin R. Hopper, General Manager
To: M-S-R PPA Commission
Subject: 2019 Insurance Renewals

The Agency has completed its annual Directors & Officers Liability, General Liability, and the Crime policy renewals. There were no significant changes made to the coverage levels for this renewal period. However, the net cost of the renewals will be \$38,426 higher than the prior premiums and fees for a total cost of \$143,984 as tabulated below:

Directors and Officers (D&O)

AEGIS renewed coverage and limits per expiring and decreased the rate by 0.25% in net, from \$38,869 to \$38,771.

General Liability

AEGIS renewed coverage and limits per expiring and increased the rate by 59% in net, from \$64,799 to \$103,322.

Crime Policy

The Hartford renewed coverage and limits per expiring and the premium remained flat at \$990.

The Agency's insurance brokers, Arthur J. Gallagher & Co. Insurance Brokers of California, Inc. and Modesto Irrigation District's General Service Manager recommended the policies be renewed as proposed. After review with the Agency's General Counsel, I concurred in this recommendation and directed the coverages bound. It was reported to us that AEGIS has reset general and excess liability premiums in response to California

wildfire losses and exposures. Although the Agency does not directly operate electric transmission infrastructure, we are seen as part of the same risk pool. Therefore, it will take reform of wildfire liability and pooling of wildfire risks before we may see normalization of future liability insurance cost.

M-S-R PPA also remains a named insured on certain insurance policies maintained by PNM to address the Agency's retained liabilities pertaining to San Juan Generating Station decommissioning, reclamation and environmental claims. A separate White Paper addressing the allocation of costs of such coverages has been prepared for the Commission's consideration.

I recommend the Commission note and file this report.

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