

## **M-S-R Public Power Agency**

SPECIAL MEETING OF THE COMMISSION  
Wednesday, July 22, 2020, 12:00 Noon

WEBINAR DIGITAL PLATFORM OR PHONE MEETING

GoTo Meeting Information:  
<https://global.gotomeeting.com/join/328494005>

Telephonic Meeting Information:

United States: +1 (872) 240-3311  
Access Code: 328-494-005

### **AGENDA**

M-S-R Public Power Agency meetings are currently being conducted via webinar for all representatives pursuant to Executive Orders signed by Governor Gavin Newsom related to the ongoing COVID-19 pandemic. Members of the public may join the Committee meeting by utilizing GoTo Meeting's webinar feature or through a phone line provided in the meeting agenda. Members of the public will continue to have the opportunity to provide public input via the webinar or phone features. Members of the public may also email their comments to the General Manager by 3 p.m. on the day prior to the Committee meeting. Public comment can be emailed to [msr.general.manager@gmail.com](mailto:msr.general.manager@gmail.com). All public comments submitted by email on time will be read during the Committee meeting in the public input section of the agenda. Any member of the public who desires to address the Committee on any item considered by the Committee at this meeting before or during the Committee's consideration of that item shall so advise the Chair and shall thereupon be given an opportunity to do so.

CALL TO ORDER

ROLL CALL

#### **ACTION ITEMS 1 - 3:**

1. General Manager's Report (attached, Martin Hopper)
2. July 2020 Outside Services Budget Versus Actual Report and Mid-Year Budget and Goals Review (attached, Martin Hopper)
3. Discussion and Possible Action Regarding Agency Working Capital Policies (attached, Martin Hopper)

MEMBER REPORTS

PUBLIC COMMENT

CONFIRM DATE AND TIME OF NEXT MEETING

ADJOURN

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

## **M-S-R Public Power Agency Staff Report**

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

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### **Overview:**

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

### **General Manager:**

#### Administrative Activities – June 2020 (Approx. 54 hours)

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

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

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

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

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

Prepared for and conducted monthly status call with Commission President.

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

Project Activities:

San Juan – June 2020 (Approx 26 hours):

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

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

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

Big Horn – May 2020 (Approx 16 hours):

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

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

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

Key Meetings – June 2020

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

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

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

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

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

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

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

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

**General Consultant:**

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

**BPA Consultant:**

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

## **M-S-R Public Power Agency Staff Report**

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

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

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

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

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

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

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

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

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

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

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

All meetings were attended telephonically.

## **M-S-R Public Power Agency Staff Report**

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

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

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

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

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

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

### BP-22 Integrated Program Review (IPR)

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

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

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

BP-22, TC-22, EIM

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

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

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

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

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

## **M-S-R Public Power Agency Staff Report**

**Date:** July 15, 2020  
**From:** Martin R. Hopper, General Manager  
**To:** M-S-R PPA Commission  
**Subject:** July 2020 Outside Services Budget versus Actual Report and Mid-Year Budget and Goals Review

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### **FISCAL YEAR 2020:**

#### Major Legal Providers Reporting Are:

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

#### Major Consulting Providers Reporting Are:

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

#### Legacy Liability Providers Reporting Are:

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

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

### **Mid-Year Budget Review:**

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 \$739,000. 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, 2020, or 50% of the year have expenditures estimated at \$305,400 or about 41% of their annual budgets and are estimated to complete the year at \$589,300 or about 80% of the annual budget of \$739,000 based on weighted projections of expected workloads.

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

<b>Categories</b>	<b>Total Original Legal &amp; Consulting 2020 Budget</b>	<b>Budget Reallocations</b>	<b>Total Reallocated Legal &amp; Consulting 2020 Budget</b>	<b>Expected Legal &amp; Consulting 2020 Year-End</b>
Generation	36,000	25,000	61,000	56,100
Generation - Other	15,000	-	15,000	14,900
Renewables	96,000	-	96,000	62,700
Renewables - Other	345,000	-	345,000	321,800
Regulatory & Compliance	195,000		195,000	109,200
Agency Admin & General	52,000	-25,000	27,000	24,600
<b>Total</b>	<b>739,000</b>	<b>-</b>	<b>739,000</b>	<b>589,300</b>

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

<b>Provider</b>	<b>Total Original 2020 Budget</b>	<b>Budget Reallocations</b>	<b>Total Reallocated 2020 Budget</b>	<b>Expected 2020 Year-End</b>
Duncan Weinberg	385,000	-7,000	378,000	322,400
C. Susie Berlin	92,000	5,000	97,000	54,000
Misc Counsel	15,000	-	15,000	14,900
Porter Simon	48,000	-8,000	40,000	31,900
Navigant Consulting	5,000	-3,000	3,000	2,400
KBT Energy	156,000	12,000	168,000	153,500
Misc Consultants	38,000	-	38,000	10,200
<b>Total</b>	<b>739,000</b>	<b>-</b>	<b>739,000</b>	<b>589,300</b>

The main factors driving the adjustments were as follows:

- Duncan Weinberg – Reduction in renewable support not directly allocable to BPA Rates cases.
- C. Susie Berlin – Substantial efforts in support of CARB reporting regulations.
- Porter Simon – Reduction in general administrative support and increase for review of San Juan Legacy Liability issues regarding decommissioning and mine reclamation clean break proposals.
- KBT Energy – Reduction in general administrative support and increase for support of San Juan Legacy Liability issues regarding decommissioning and mine reclamation clean break proposals.

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:

	<b>Reclamation Trust</b>	<b>Decommissioning Trust</b>
Beginning Balance	\$17,817,862	\$2,203,526
2020 Deposits	\$0	\$0
Expenditures Through June 30, 2020	\$340,625	\$21,601
Estimated Income Through June 30, 2020	\$87,826	\$16,995
Estimated Trust Balance June 30, 2020	\$17,565,063	\$2,198,920
Remaining Expected Expenditures Through Period	\$492,613	\$20,295
Expected Income Through Period	\$174,274	\$110,844
Expected Periodic Balance	\$17,246,724	\$2,289,469
Required Periodic Balance	\$17,723,745	\$2,280,000
Surplus/Deficit Balance	-\$477,020	\$9,469
Period Ending Date	December 31, 2020	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 \$42,000 or continuing coverage insurance costs of about \$85,000 in the current year and that are funded from the Agency's reserves.

***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.

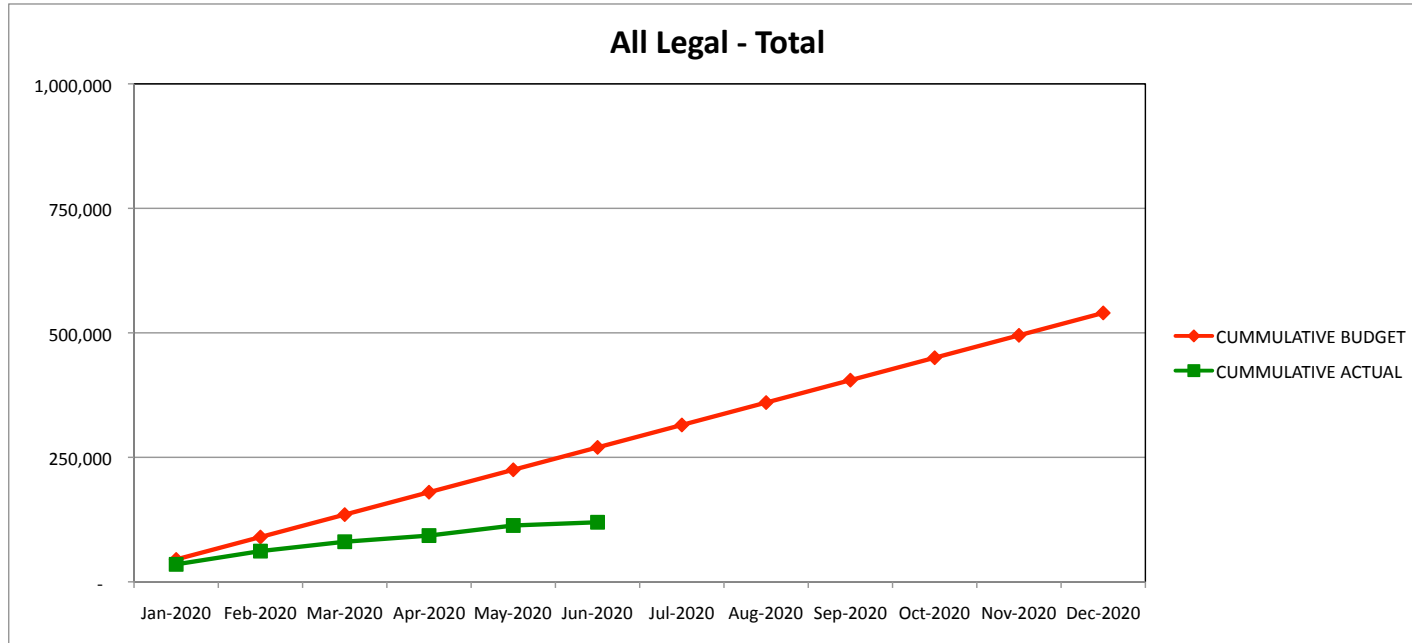


Consultant Costs - 2020	2020 Budget	Revised Budget	Task Orders	Jan-2020	Feb-2020	Mar-2020	Apr-2020	May-2020	Jun-2020	Jul-2020	Aug-2020	Sep-2020	Oct-2020	Nov-2020	Dec-2020	Total	Average	Year-End Projection	Notes	
				8.33%	16.67%	25.00%	33.33%	41.67%	50.00%	58.33%	66.67%	75.00%	83.33%	91.67%	100.00%					
<b>Navigant</b>																				
<b>Generation</b>																				
General	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Renewables</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Regulatory &amp; Comp</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Administrative</b>	5,000	3,000		412.14	-	-	-	-	-	500	-	500	-	1,000	-	2,412	201	2,412		
	5,000	3,000		412.14	-	-	-	-	-	500	-	500	-	1,000.00	-	2,412	201	2,412		
				13.74%	13.74%	13.74%	13.74%	13.74%	13.74%	30.40%	30.40%	47.07%	47.07%	80.40%	80.40%				80%	
<b>KBT</b>																				
<b>Generation</b>																				
General	21,000	36,000		2,120	3,180	3,392	2,120	3,816	3,816.00	2,800	2,800	2,800	2,800	2,800	2,800	35,244	2,937	35,244		
<b>Gen - Other</b>																				
SJGS Disposition				-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Renewables</b>																				
General	50,000	50,000		3,604	3,604	2,968	3,816	3,180	2,544.00	3,000	3,000	3,000	3,000	3,000	3,000	37,716	3,143	37,716		
<b>Rens - Other</b>																				
BP-20 Rate Case	70,000	70,000																	BP-20 Rate Case	
KBT 2020-01			2,912	728	1,638											2,366	1,183	2,366	Jan - Feb	
KBT 2020-02			2,912			637	910									1,547	774	1,547	Mar - Apr	
KBT 2020-03			12,740					2,184	7,644.00							9,828	4,914	9,828	May - Jun	
KBT 2020-04			21,840							10,920	10,920					21,840	10,920	21,840	Jul - Aug	
KBT 2020-0x												10,920	10,920			21,840	10,920	21,840	Sep - Oct	
KBT 2020-0x														6,000	6,000	12,000	6,000	12,000	Nov - Dec	
Sum			40,404													69,421		69,421		
<b>Regulatory &amp; Comp</b>																				
<b>Administrative</b>	15,000	12,000		848	848	848	1,908	636	424.00	1,000	1,000	900	900	900	900	11,112	926	11,112		
	156,000	168,000	40,404	7,300	9,270	7,845	8,754	9,816	14,428.00	17,720	17,720	17,620	17,620	12,700	12,700	153,493	41,717	153,493		
				4.35%	9.86%	14.53%	19.74%	25.59%	34.17%	44.72%	55.27%	65.76%	76.25%	83.81%	91.36%	153,493		153,493	91%	
<b>SUBTOTAL</b>	161,000	171,000		7,712	9,270	7,845	8,754	9,816	14,428	18,220	17,720	18,120	17,620	13,700	12,700	155,905	41,918	155,905		
				4.79%	10.55%	15.42%	20.86%	26.95%	35.92%	47.23%	58.24%	69.49%	80.44%	88.95%	96.84%					
<b>Outside Services</b>																				
<b>Generation</b>																				
<b>Renewables</b>																				
Ferguson Group	5,000	5,000																		
Politico Group	14,000	14,000		1,098	1,000	1,000	1,000	1,000	-	-	-	-	-	-	-	5,098	425	5,098		
<b>Rens - Other</b>																				
<b>Regulatory &amp; Comp</b>																				
Ferguson Group	5,000	5,000																		
Politico Group	14,000	14,000		1,098	1,000	1,000	1,000	1,000	-	-	-	-	-	-	-	5,098	425	5,098		
<b>Administrative</b>	38,000	38,000		2,195	2,000	2,000	2,000	2,000	-	-	-	-	-	-	-	10,195	850	10,195		
				5.78%	11.04%	16.30%	21.57%	26.83%	26.83%	26.83%	26.83%	26.83%	26.83%	26.83%	26.83%					27%
<b>GRAND TOTAL</b>	199,000	209,000		9,907	11,270	9,845	10,754	11,816	14,428	18,220	17,720	18,120	17,620	13,700	12,700	166,100	42,767	166,100		
				4.98%	10.64%	15.59%	20.99%	26.93%	34.18%	43.34%	52.24%	61.35%	70.20%	77.09%	83.47%					79%
	Original 2020 Budget	Revised 2020 Budget																		
G	21,000	36,000																	35,244	
G - Other	-	-																	-	
R	69,000	69,000																	42,814	
R - Other	70,000	70,000																	69,421	
R&C	19,000	19,000																	5,098	
A	20,000	15,000																	13,524	
	199,000	209,000																	166,100	
50/35/15	41,000	51,000																	48,768	
Renew	139,000	139,000																	112,235	

Legacy Liability Costs - 2020	M-S-R 2020 Budget	Revised or A.O.P	Jan-2020 8.33%	Feb-2020 16.67%	Mar-2020 25.00%	Apr-2020 33.33%	May-2020 41.67%	Jun-2020 50.00%	Jul-2020 58.33%	Aug-2020 66.67%	Sep-2020 75.00%	Oct-2020 83.33%	Nov-2020 91.67%	Dec-2020 100.00%	Total	Average	Year-End Projection	
<b>PNM - Reclamation - Budget</b>	42,000	42,000	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	42,000			
<b>Cummulative Budget</b>			3,500	7,000	10,500	14,000	17,500	21,000	24,500	28,000	31,500	35,000	38,500	42,000				
<b>Reclamation Trust Funds Operating Agent</b>			-	930	1,012	1,490	1,912	5,144.05	8,000	5,000	5,000	2,000	2,000	2,000	34,489	2,874	34,489	
<b>Cummulative Actual</b>	42,000	42,000	-	930	1,012	1,490	1,912	5,144.05	8,000	5,000	5,000	2,000	2,000.00	2,000	34,489	2,874	34,489	
			0.00%	2.22%	4.63%	8.17%	12.73%	24.97%	44.02%	55.93%	67.83%	72.59%	77.35%	82.12%			82%	
<b>SJCC - Reclamation - Budget</b>			88,000	80,000	76,000	74,000	130,000	120,000	102,000	76,000	74,000	81,000	58,000	74,000	1,033,000			
<b>Cummulative Budget</b>			88,000	168,000	244,000	318,000	448,000	568,000	670,000	746,000	820,000	901,000	959,000	1,033,000				
			88,000	168,000	244,000	318,000	448,000	568,000	670,000	746,000	820,000	901,000	959,000	1,033,000				
<b>San Juan - Surface</b>	1,033,000	1,033,000	84,228	50,500	68,861	22,783	61,560	92,612.80	80,000	80,000	80,000	80,000	80,000	80,000	860,544	71,712	860,544	
<b>San Juan - Underground</b>			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Cummulative Actual</b>	1,033,000	1,033,000	84,228	50,500	68,861	22,783	61,560	92,612.80	80,000	80,000	80,000	80,000	80,000.00	80,000	860,544	71,712	860,544	
			8.15%	13.04%	19.71%	21.91%	27.87%	36.84%	44.58%	52.33%	60.07%	67.82%	75.56%	83.31%			83%	
<b>PNM - Decommissioning</b>	-	3,812	-	-	-	-	-	-	-	-	-	-	1,906	1,906	3,812			
<b>Cummulative Budget</b>			-	-	-	-	-	-	-	-	-	-	-	1,906	3,812			
<b>Initial Decommissioning</b>			36,768	-	-	-	-	-	-	-	-	-	-	1,900	1,900	40,568	3,381	40,568
<b>Cummulative Actual</b>	-	3,812	36,768	-	-	-	-	-	-	-	-	-	-	1,900.00	1,900	40,568	3,381	40,568
			964.61%	964.61%	964.61%	964.61%	964.61%	964.61%	964.61%	964.61%	964.61%	964.61%	964.61%	1014.45%	1064.30%			1064.30%
<b>Total Legacy Liability</b>		1,078,812	120,996	51,430	69,873	24,272	63,472	97,757	88,000	85,000	85,000	82,000	83,900	83,900	935,600	77,967	935,600	
			120,996	172,426	242,299	266,572	330,044	427,800	515,800	600,800	685,800	767,800	851,700	935,600				
			11.22%	15.98%	22.46%	24.71%	30.59%	39.65%	47.81%	55.69%	63.57%	71.17%	78.95%	86.73%			87%	
<b>Cummulative Budget</b>			91,500	175,000	254,500	332,000	465,500	589,000	694,500	774,000	851,500	936,000	999,406	1,078,812				
<b>Cummulative Actual</b>			120,996	172,426	242,299	266,572	330,044	427,800	515,800	600,800	685,800	767,800	851,700	935,600				

# M-S-R PPA All Legal Summary

Month of: **Jun-2020**



#### CURRENT MONTH

By Function	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Generation	1,250	1,408	(158)	113%
Gen - Other	1,250	0	1,250	0%
Renewables	2,250	3,432	(1,182)	153%
Rens - Other	22,917	0	22,917	0%
Reg & Comp	14,667	1,521	13,146	10%
Administrative	2,667	110	2,557	4%
<b>Total</b>	<b>45,000</b>	<b>6,471</b>	<b>38,529</b>	<b>14%</b>

#### YEAR TO DATE

By Function	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Generation	7,500	11,836	(4,336)	158%
Gen - Other	7,500	13,917	(6,417)	186%
Renewables	13,500	11,349	2,151	84%
Rens - Other	137,500	32,373	105,127	24%
Reg & Comp	88,000	45,112	42,888	51%
Administrative	16,000	5,045	10,955	32%
<b>Total</b>	<b>270,000</b>	<b>119,632</b>	<b>150,368</b>	<b>44%</b>

By Provider	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Duncan	32,083	0	32,083	0%
Berlin	7,667	4,953	2,714	65%
Porter Simon	4,000	1,518	2,482	38%
Others	1,250	0	1,250	0%
<b>Total</b>	<b>45,000</b>	<b>6,471</b>	<b>38,529</b>	<b>14%</b>

By Provider	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Duncan	192,500	60,809	131,691	32%
Berlin	46,000	28,025	17,975	61%
Porter Simon	24,000	16,881	7,119	70%
Others	7,500	13,917	(6,417)	186%
<b>Total</b>	<b>270,000</b>	<b>119,632</b>	<b>150,368</b>	<b>44%</b>

# M-S-R PPA Duncan Summary

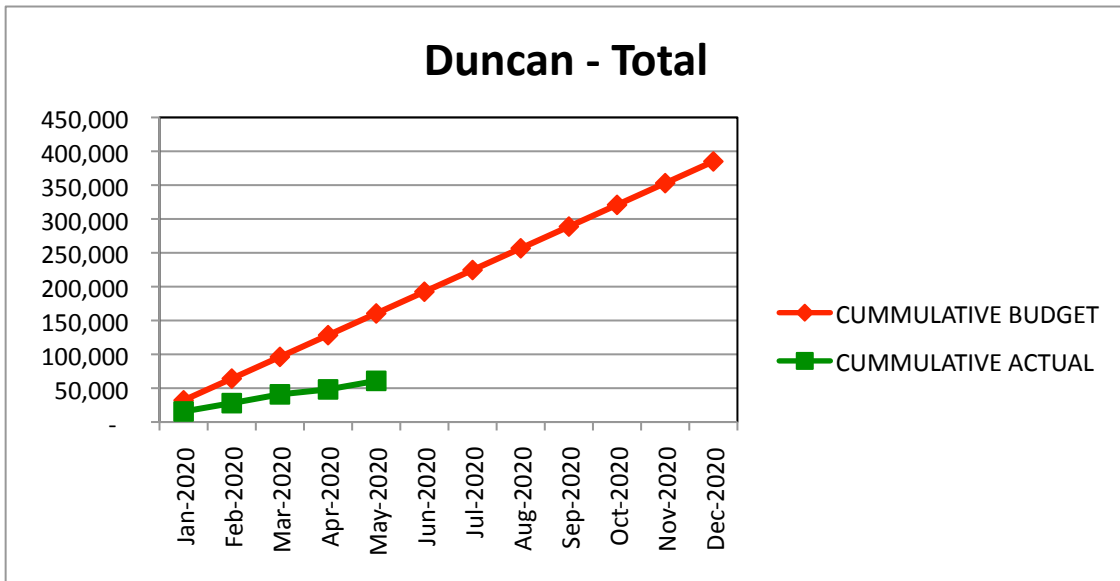
Month of: **Jun-2020**

## CURRENT MONTH

	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Generation	0	0	0	0%
Gen - Other	0	0	0	0%
Renewables	833	0	833	0%
Rens - Other	22,917	0	22,917	0%
Reg & Comp	8,333	0	8,333	0%
Administrative	0	0	0	0%
<b>Total</b>	<b>32,083</b>	<b>0</b>	<b>32,083</b>	<b>0%</b>

## 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	137,500	32,373	105,127	24%
Reg & Comp	50,000	28,436	21,564	57%
Administrative	0	0	0	0%
<b>Total</b>	<b>192,500</b>	<b>60,809</b>	<b>131,691</b>	<b>32%</b>



# M-S-R PPA Berlin Summary

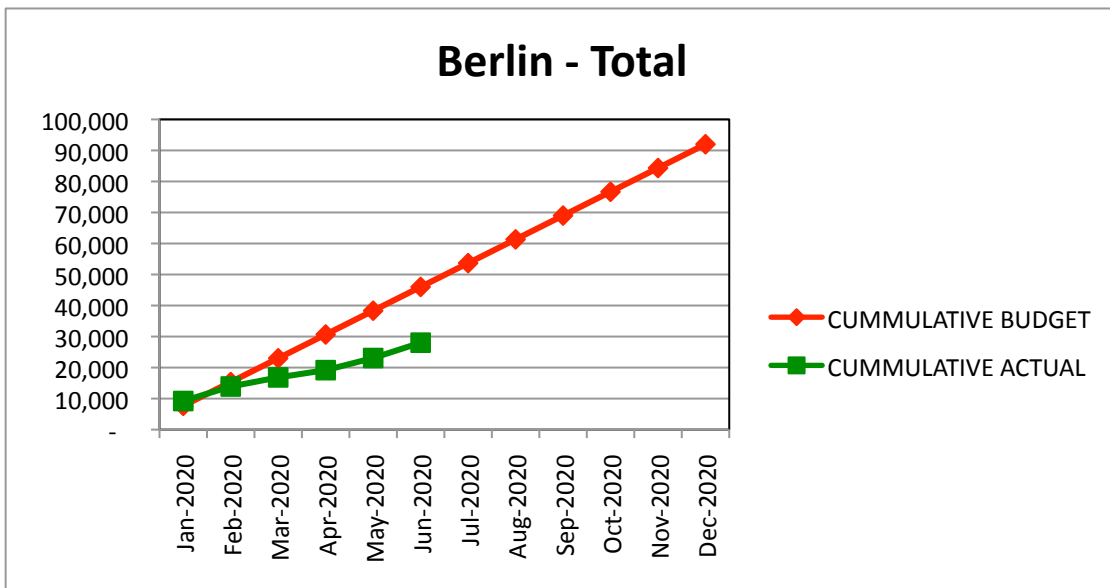
Month of: **Jun-2020**

## CURRENT MONTH

	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Generation	0	0	0	0%
Gen - Other	0	0	0	0%
Renewables	1,250	3,432	(2,182)	275%
Rens - Other	0	0	0	0%
Reg & Comp	6,250	1,521	4,729	24%
Administrative	167	0	167	0%
<b>Total</b>	<b>7,667</b>	<b>4,953</b>	<b>2,714</b>	<b>65%</b>

## 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	7,500	11,349	(3,849)	151%
Rens - Other	0	0	0	0%
Reg & Comp	37,500	16,676	20,824	44%
Administrative	1,000	0	1,000	0%
<b>Total</b>	<b>46,000</b>	<b>28,025</b>	<b>17,975</b>	<b>61%</b>



# M-S-R PPA Misc Legal Summary

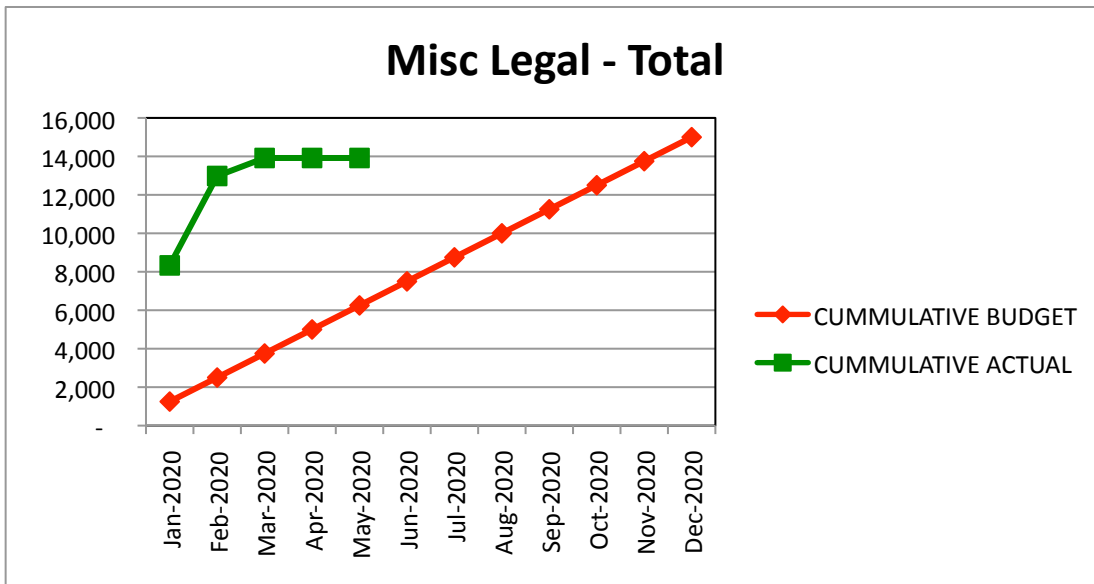
Month of: **Jun-2020**

## CURRENT MONTH

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

## YEAR TO DATE

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



# M-S-R PPA Porter Simon Summary

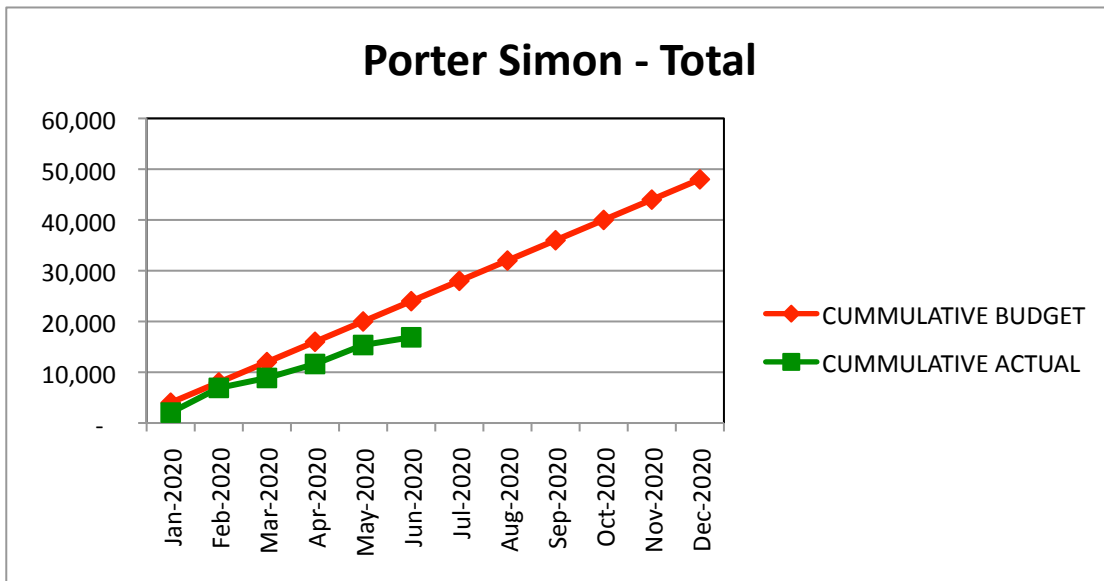
Month of: **Jun-2020**

## CURRENT MONTH

	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Generation	1,250	1,408	(158)	113%
Gen - Other	0	0	0	0%
Renewables	167	0	167	0%
Rens - Other	0	0	0	0%
Reg & Comp	83	0	83	0%
Administrative	2,500	110	2,390	4%
<b>Total</b>	<b>4,000</b>	<b>1,518</b>	<b>2,482</b>	<b>38%</b>

## YEAR TO DATE

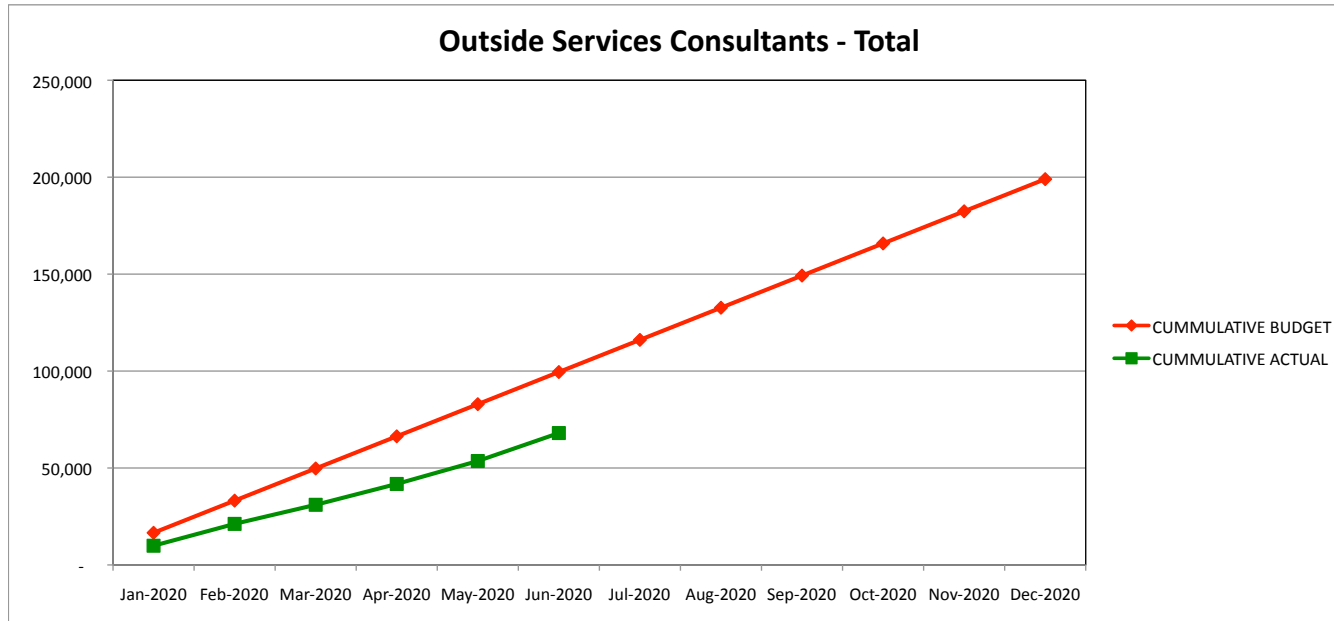
	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Generation	7,500	11,836	(4,336)	158%
Gen - Other	0	0	0	0%
Renewables	1,000	0	1,000	0%
Rens - Other	0	0	0	0%
Reg & Comp	500	0	500	0%
Administrative	15,000	5,045	9,955	34%
<b>Total</b>	<b>24,000</b>	<b>16,881</b>	<b>7,119</b>	<b>70%</b>





## M-S-R PPA Total Outside Consult Summary

Month of: **Jun-2020**



By Function	CURRENT MONTH			
	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Generation	1,750	3,816	(2,066)	218%
Gen - Other	0	0	0	0%
Renewables	5,750	2,544	3,206	44%
Rens - Other	5,833	7,644	(1,811)	131%
Reg & Comp	1,583	0	1,583	0%
Administrative	1,667	424	1,243	25%
<b>Total</b>	<b>16,583</b>	<b>14,428</b>	<b>2,155</b>	<b>87%</b>

By Function	YEAR TO DATE			
	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Generation	10,500	18,444	(7,944)	176%
Gen - Other	0	0	0	0%
Renewables	34,500	24,814	9,687	72%
Rens - Other	35,000	13,741	21,259	39%
Reg & Comp	9,500	5,098	4,403	54%
Administrative	10,000	5,924	4,076	59%
<b>Total</b>	<b>99,500</b>	<b>68,020</b>	<b>31,480</b>	<b>68%</b>

By Provider	CURRENT MONTH			
	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Navigant	417	0	417	0%
KBT	13,000	14,428	(1,428)	111%
Others	3,167	0	3,167	0%
<b>Total</b>	<b>16,583</b>	<b>14,428</b>	<b>2,155</b>	<b>87%</b>

By Provider	YEAR TO DATE			
	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Navigant	2,500	412	2,088	16%
KBT	78,000	57,413	20,587	74%
Others	19,000	10,195	8,805	54%
<b>Total</b>	<b>99,500</b>	<b>68,020</b>	<b>31,480</b>	<b>68%</b>

# M-S-R PPA Navigant Summary

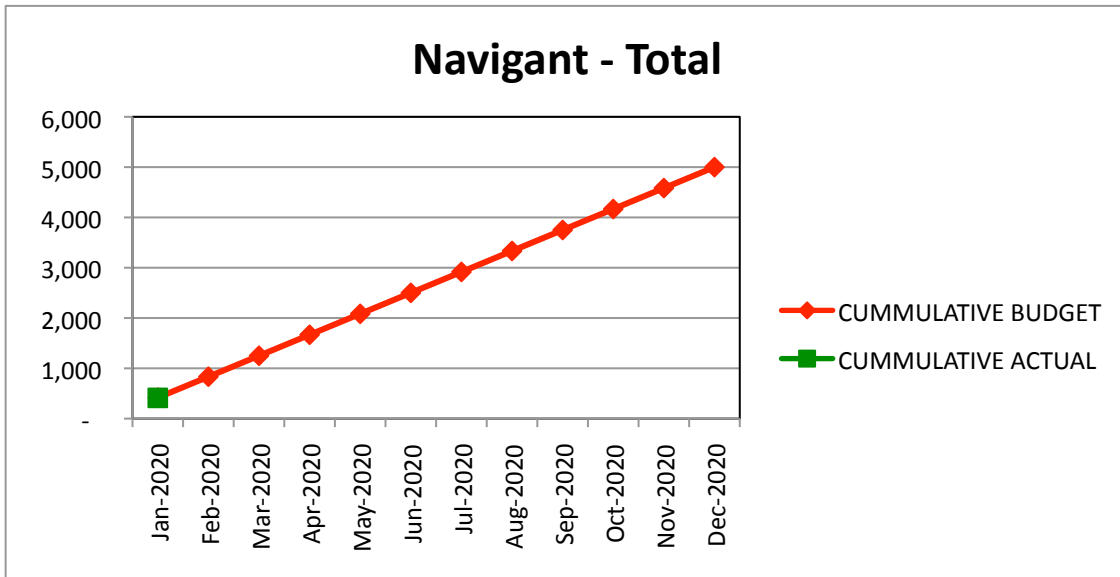
Month of: **Jun-2020**

## CURRENT MONTH

	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Generation	0	0	0	0%
Gen - Other	0	0	0	0%
Renewables	0	0	0	0%
Rens - Other	0	0	0	0%
Reg & Comp	0	0	0	0%
Administrative	417	0	417	0%
<b>Total</b>	<b>417</b>	<b>0</b>	<b>417</b>	<b>0%</b>

## YEAR TO DATE

	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Generation	0	0	0	0%
Gen - Other	0	0	0	0%
Renewables	0	0	0	0%
Rens - Other	0	0	0	0%
Reg & Comp	0	0	0	0%
Administrative	2,500	412	2,088	16%
<b>Total</b>	<b>2,500</b>	<b>412</b>	<b>2,088</b>	<b>16%</b>



# M-S-R PPA KBT Summary

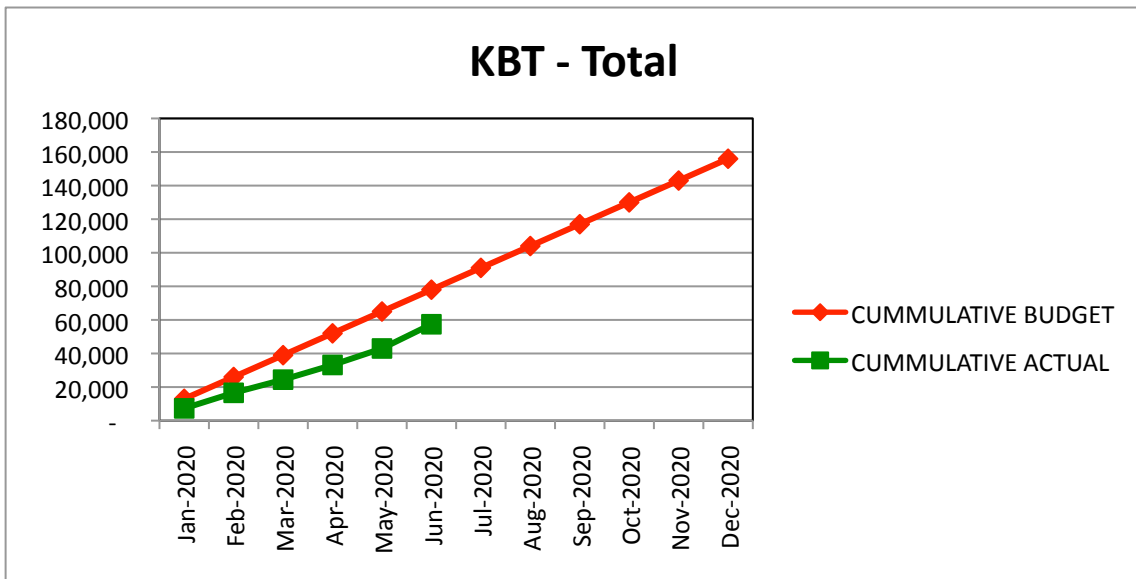
Month of: **Jun-2020**

## CURRENT MONTH

	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Generation	1,750	3,816	(2,066)	218%
Gen - Other	0	0	0	0%
Renewables	4,167	2,544	1,623	61%
Rens - Other	5,833	7,644	(1,811)	131%
Reg & Comp	0	0	0	0%
Administrative	1,250	424	826	34%
<b>Total</b>	<b>13,000</b>	<b>14,428</b>	<b>(1,428)</b>	<b>111%</b>

## YEAR TO DATE

	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Generation	10,500	18,444	(7,944)	176%
Gen - Other	0	0	0	0%
Renewables	25,000	19,716	5,284	79%
Rens - Other	35,000	13,741	21,259	39%
Reg & Comp	0	0	0	0%
Administrative	7,500	5,512	1,988	73%
<b>Total</b>	<b>78,000</b>	<b>57,413</b>	<b>20,587</b>	<b>74%</b>



# M-S-R PPA

## Misc Outside Services Summary

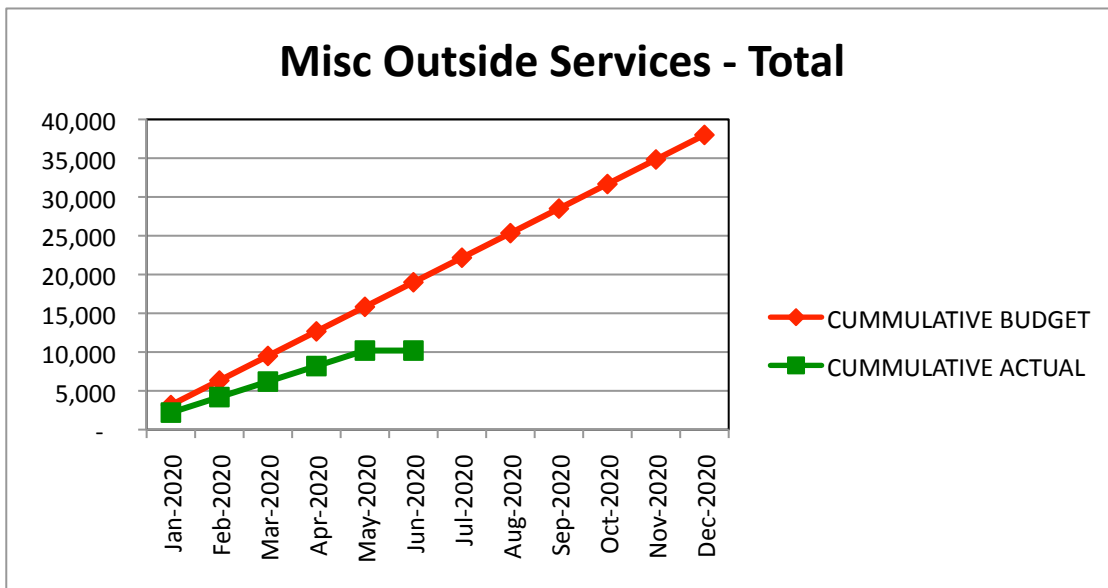
Month of: **Jun-2020**

### CURRENT MONTH

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

### YEAR TO DATE

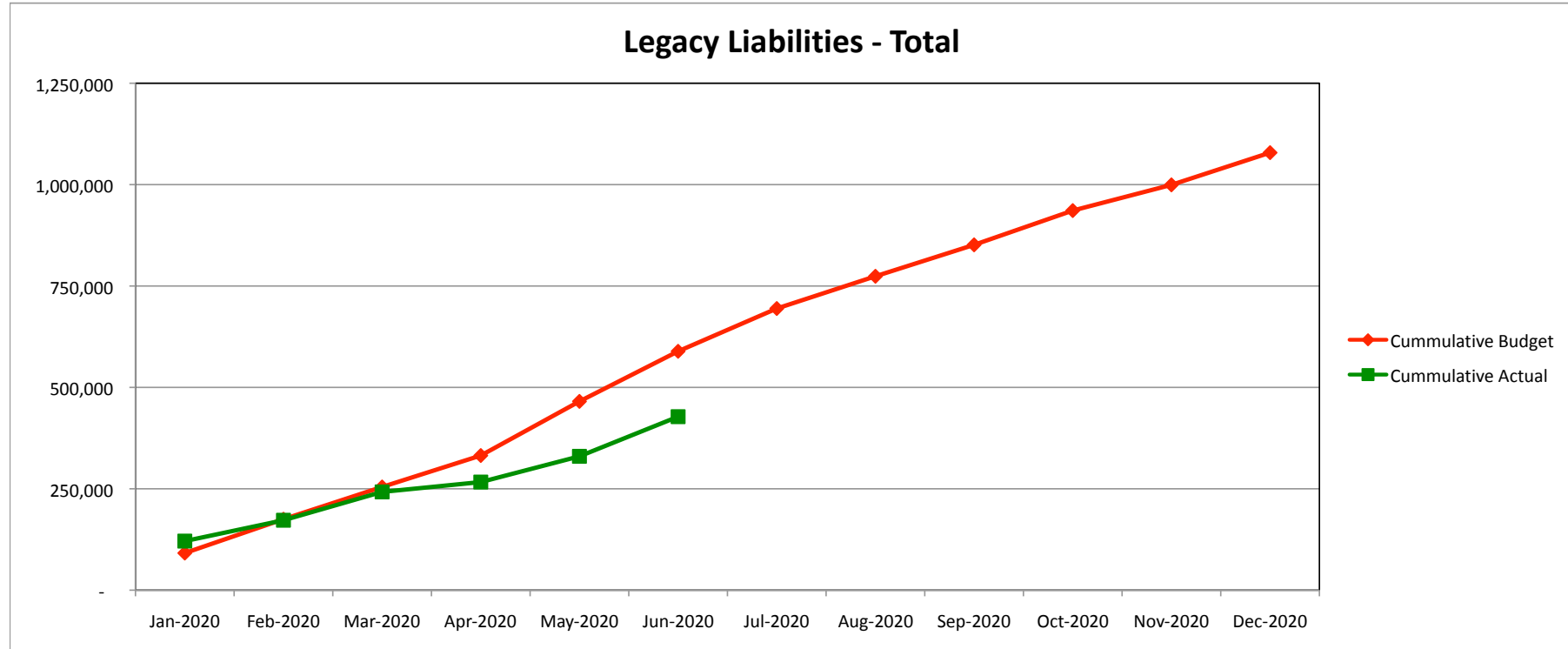
	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Generation	0	0	0	0%
Gen - Other	0	0	0	0%
Renewables	9,500	5,098	4,403	54%
Rens - Other	0	0	0	0%
Reg & Comp	9,500	5,098	4,403	54%
Administrative	0	0	0	0%
<b>Total</b>	<b>19,000</b>	<b>10,195</b>	<b>8,805</b>	<b>54%</b>



Consultant Costs - 2020	2020 Budget	Revised Budget	Task Orders	Jan-2020	Feb-2020	Mar-2020	Apr-2020	May-2020	Jun-2020	Jul-2020	Aug-2020	Sep-2020	Oct-2020	Nov-2020	Dec-2020	Total	Average	Year-End Projection	Notes
				8.33%	16.67%	25.00%	33.33%	41.67%	50.00%	58.33%	66.67%	75.00%	83.33%	91.67%	100.00%				
<b>Navigant</b>																			
<b>Generation</b>																			
General	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Renewables</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Regulatory &amp; Comp</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Administrative</b>	5,000	5,000		412.14												412	412	4,946	
	5,000	5,000		412.14												412	412	4,946	99%
				8.24%	8.24%	8.24%	8.24%	8.24%	8.24%	8.24%	8.24%	8.24%	8.24%	8.24%	8.24%				
<b>KBT</b>																			
<b>Generation</b>																			
General	21,000	21,000		2,120	3,180	3,392	2,120	3,816	3,816.00							18,444	3,074	36,888	
<b>Gen - Other</b>																			
SJGS Disposition				-												-	-	-	
<b>Renewables</b>																			
General	50,000	50,000		3,604	3,604	2,968	3,816	3,180	2,544.00							19,716	3,286	39,432	
<b>Rens - Other</b>																			
BP-20 Rate Case	70,000	70,000																	BP-20 Rate Case
KBT 2020-01			2,912	728	1,638											2,366	1,183	2,366	Jan - Feb
KBT 2020-02			2,912			637	910									1,547	774	1,547	Mar - Apr
KBT 2020-03			12,740					2,184	7,644.00							9,828	4,914	9,828	May - Jun
KBT 2020-04			21,840													-	-	-	Jul - Aug
KBT 2020-0x																-	-	-	Sep - Oct
KBT 2020-0x																-	-	-	Nov - Dec
Sum			40,404													13,741		13,741	
<b>Regulatory &amp; Comp</b>																			
<b>Administrative</b>	15,000	15,000		848	848	848	1,908	636	424.00							5,512	919	11,024	
	156,000	156,000	40,404	7,300	9,270	7,845	8,754	9,816	14,428.00							57,413	14,149	101,085	
				4.68%	10.62%	15.65%	21.26%	27.55%	36.80%	36.80%	36.80%	36.80%	36.80%	36.80%	36.80%	57,413		65%	
<b>SUBTOTAL</b>	161,000	161,000		7,712	9,270	7,845	8,754	9,816	14,428							57,825	14,561	106,031	
				4.79%	10.55%	15.42%	20.86%	26.95%	35.92%	35.92%	35.92%	35.92%	35.92%	35.92%	35.92%			66%	
<b>Outside Services</b>																			
<b>Generation</b>																			
Renewables																			
Ferguson Group	5,000	5,000																	
Politico Group	14,000	14,000		1,098	1,000	1,000	1,000	1,000	-	-	-	-	-	-	-	5,098	425	5,098	
<b>Rens - Other</b>																			
Regulatory & Comp																			
Ferguson Group	5,000	5,000																	
Politico Group	14,000	14,000		1,098	1,000	1,000	1,000	1,000	-	-	-	-	-	-	-	5,098	425	5,098	
<b>Administrative</b>	38,000	38,000		2,195	2,000	2,000	2,000	2,000	-	-	-	-	-	-	-	10,195	850	10,195	
				5.78%	11.04%	16.30%	21.57%	26.83%	26.83%	26.83%	26.83%	26.83%	26.83%	26.83%	26.83%			27%	
<b>GRAND TOTAL</b>	199,000	199,000		9,907	11,270	9,845	10,754	11,816	14,428							68,020	15,411	116,226	
				4.98%	10.64%	15.59%	20.99%	26.93%	34.18%	34.18%	34.18%	34.18%	34.18%	34.18%	34.18%			58%	
	Original 2020 Budget	Revised 2020 Budget																	
G	21,000	21,000																	36,888
G - Other	-	-																	-
R	69,000	69,000																	44,530
R - Other	70,000	70,000																	13,741
R&C	19,000	19,000																	5,098
A	20,000	20,000																	15,970
	199,000	199,000																	116,226
50/35/15	41,000	41,000																	52,858
Renew	139,000	139,000																	58,271

# Legacy Liability - Total

Month of: Jun-2020



## CURRENT MONTH

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

## YEAR TO DATE

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

# PNM - Reclamation

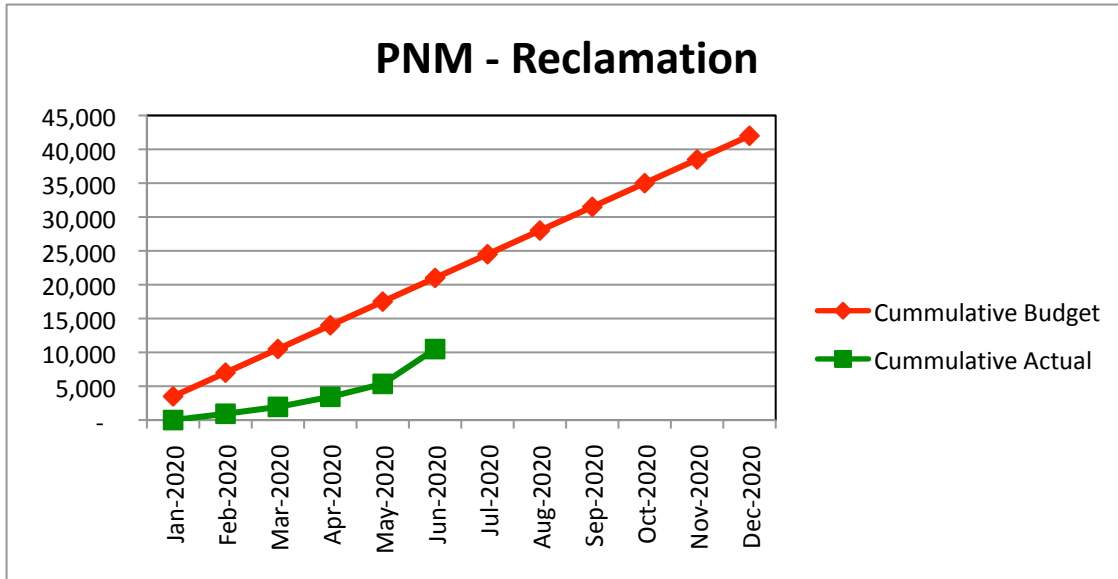
Month of: **Jun-2020**

## CURRENT MONTH

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

## YEAR TO DATE

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



# SJCC - Reclamation

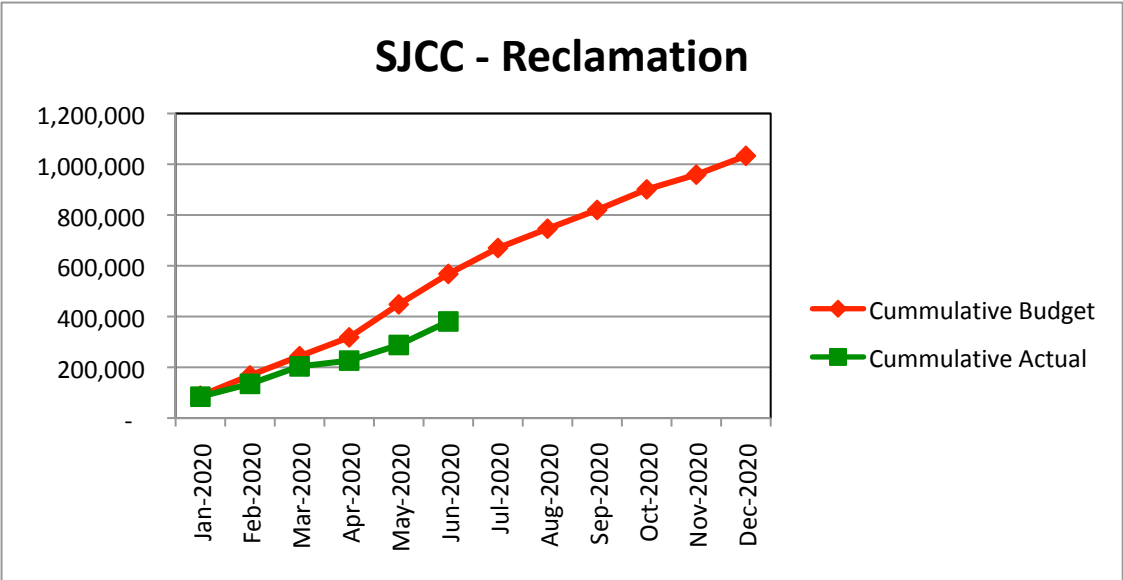
Month of: **Jun-2020**

### CURRENT MONTH

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

### YEAR TO DATE

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



# PNM - Decommissioning

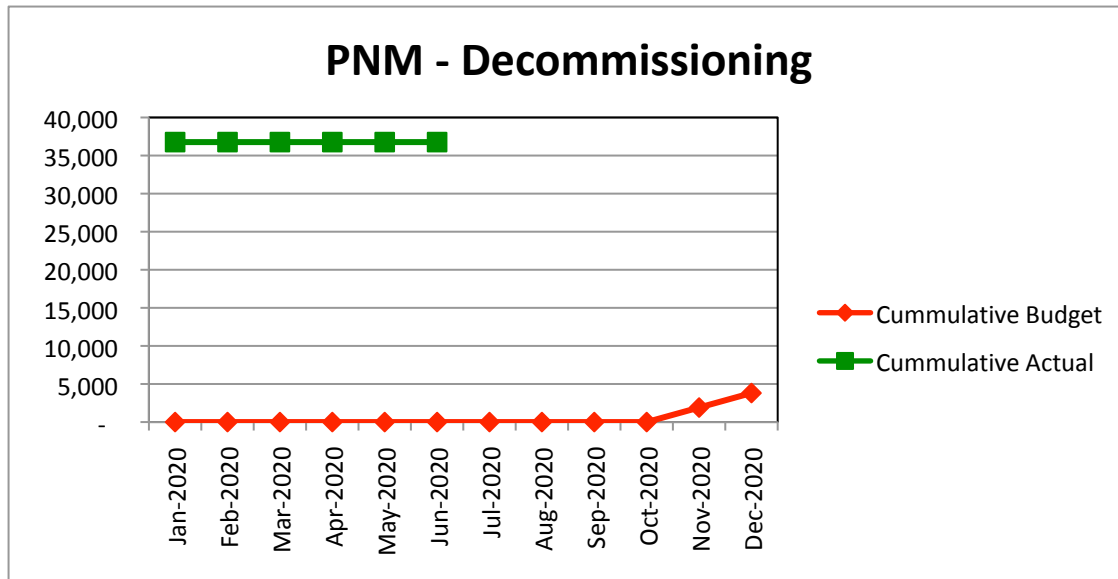
Month of: **Jun-2020**

## CURRENT MONTH

	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Generation	0	0	0	0%
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0%</b>

## YEAR TO DATE

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



# PNM - Decommissioning

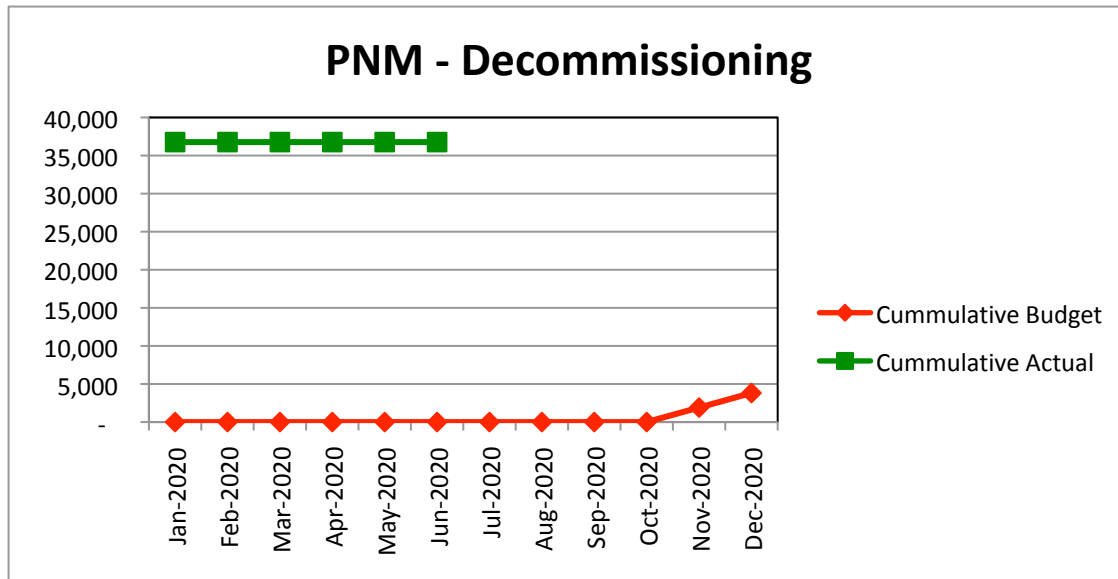
Month of: **Jun-2020**

## CURRENT MONTH

	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Generation	0	0	0	0%
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0%</b>

## YEAR TO DATE

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



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

**M-S-R PPA General Manager**

**Mid-Year Review of General Manager 2020 Projects**

<b>GOAL</b>	<b>PPA Status</b>	<b>EA Corollaries</b>
<p><b>1. San Juan Divestiture:</b></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><b>1. San Juan Divestiture: GM YTD: 315 hours – YE est 600 hours Cnslt YTD: 80 hours – YE est 160 hours)</b></p> <p>a. General Manager lead representative to Decommissioning and Reclamation Committees with support by General Consultant.</p> <p>Decommissioning and Reclamation Trusts funded to current target levels and Resolution 2016-04 funds tracking system established.</p> <p>Working Capital review (see Item 4 (b) below) recommends establishment of Strategic Reserve tranches to address Legacy Liability contingencies – funded from existing Operating Fund and projected earnings without cash calls to Members.</p> <p>b. PNM completed revisions of Decommissioning Study June 7, 2019. Scenarios reviewed and NPV of most likely case (Retire-In-Place with Demolition after 25-years) adopted for GASB-83 Financial Statement purposes and highest nominal cost case (Retire-In-Place with</p>	<p><b>1. N/A</b></p>

GOAL	PPA Status	EA Corollaries
<p>c. Negotiate proposed “clean break” satisfactions of Legacy Liabilities for Commission consideration.</p> <p>d. Resolve dispute with PNM regarding insurance cost allocations.</p>	<p>Demolition after 10-years) is recommended for Working Capital policy update.</p> <p>c. Proposal received from WSJM to allow buyout of Mine Reclamation liabilities. Economics appear favorable and General Manager has been appointed to negotiating team. PNM proposed time-line targets Q4 2021 closing of transaction to be effective Q2 2022.</p> <p>Proposed Retirement Order regarding sale of SJGS Lake &amp; River Stations approved June 25, 2020 would reduce decommissioning liability and net proceeds could offset other decommissioning expense.</p> <p>d. PNM has made some reduction of allocations in response to M-S-R concerns.</p>	
<p><b>2. Big Horn Projects and BPA Rates:</b></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><b>3. Big Horn Projects and BPA Rates:</b></p> <p><b>GM YTD: 110 hours – YE est 290 hours</b></p> <p><b>Cnslt ALH YTD: 90 hours – YE est 180 hours</b></p> <p><b>Cnslt DLA YTD: 75 hours – YE est 300 hours:</b></p> <p>a. Implemented workplans and priorities for BPA activities re Rate Case Issues and outreach to PNW peers as set at 2019 BPA Day. Preliminary indications for BP-22 show power rates held at 0%, but</p>	<p>N/A</p>

GOAL	PPA Status	EA Corollaries
<p>b. Begin negotiation of clarifying amendments to Big Horn I Agreements regarding definitions and indices applicable to Big Horn I extension period and preparation of conformed agreements to ease administration of contracts.</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>d. Evaluate annual cost to monitor and participate in BPA proceedings relative to the expected cost impacts to the Big Horn Wind Energy Projects and present evaluation results to the Commission.</p> <p>e. Continue effort to seek administrative cost savings in monitoring Northwest Project activities.</p> <p>f. Work with the Commission to determine the need and value of a group trip to the</p>	<p>transmission rate increases may be set as high as 5% rather than being held no higher than general inflation (or flat like power.)</p> <p>b. Key issues identified. Discussions with Avangrid on-hold pending termination of COVID-19 travel restrictions.</p> <p>c. Participated in CARB processes re Cap &amp; Trade accounting and reporting regulations. Revisited PCC-0 v. PCC-1 designations of grandfathered resources re Long-Term Procurement requirements.</p> <p>d. Report prepared and presented to Commission in Closed Session on February 19, 2020. Evaluation showed substantial benefit and recommended participation through BP-28, at which time remaining expected benefits may begin to be exceeded by expected costs.</p> <p>e. Remote meeting attendance imposed by COVID-19 restrictions will continue to be applied when possible after travel restrictions are lifted.</p> <p>f. To be considered with annual Strategic Plan and Budget Preparation. Placeholder cost</p>	

GOAL	PPA Status	EA Corollaries
Big Horn project in 2021.	allocation included in Projected 2021 Budget.	
<p><b>3. M-S-R Budget and Expense Management Processes</b></p> <p>a. Review, implement, and update as necessary, 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. Continue to 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><b>3. M-S-R Budget and Expense Management Processes: (Note: Other than Item 3(c), hours tracked under Administrative Matters):</b></p> <p>a. Task Order System for Outside Services Consultants remains effective in controlling costs.</p> <ul style="list-style-type: none"> <li>▪ Legal assignments reviewed docket by docket. Phase-out of FERC TRR dockets essentially complete.</li> <li>▪ Periodic Budget v. Actual Reports presented to Technical C’tee &amp; Commission.</li> </ul> <p>b. Monthly reports on General Manager and General Consultant hours and activities provided to Commissioners.</p> <p><b>c. Regulatory and Compliance Program Cost Tracking GM YTD: 60 hours – YE est 120 hours.</b>  Year-over-year annualized legal and consulting cost comparisons (2020 v. 2019):</p> <ul style="list-style-type: none"> <li>- Generation: +10%</li> <li>- Renewables: - 15%</li> <li>- Administrative: - 22%</li> <li>- Total: -16%</li> </ul>	<p><b>3. M-S-R Budget and Expense Management Processes:</b></p> <p>a. Task Order System implemented for Outside Services Consultant.</p> <ul style="list-style-type: none"> <li>▪ No legal assignments in 2020.</li> <li>▪ Periodic Budget v. Actual Reports presented to Technical C’tee &amp; Commission.</li> </ul> <p>b. Included in M-S-R PPA monthly reports.</p>

GOAL	PPA Status	EA Corollaries
<p><b>4. Administrative Matters:</b></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. Prepare 2020 update to M-S-R PPA Policies And Procedures Manual.</p> <p>b. Review and recommend updates to “Cash on Hand” Policy (Resolution 2013-07 - Working Capital Policy), last reviewed in 2013</p> <p>c. Rebuild and rehost Agency website to address the following priorities:</p> <ul style="list-style-type: none"> <li>i. Reflect current Agency operations,</li> <li>ii. Meet requirements of State Law (and document same),</li> <li>iii. Provide straightforward access to agenda packages,</li> <li>iv. Provide for (and maintain)</li> </ul>	<p><b>4. Administrative Matters:</b>  <b>GM YTD: 180 hours – YE est 400 hours</b>  <b>Cnslt YTD: 25 hours – YE est 50 hours</b></p> <p>a. The following schedule has been set for the 2020 updates to Strategic Plan and Policies and Procedures Manuals (for both PPA &amp; EA):</p> <ul style="list-style-type: none"> <li>i. General Manager Initial Review by July 30, 2020</li> <li>ii. Technical Committee Input re High Level Goals/Gap Analyses – August 5, 2020</li> <li>iii. General Manager’s Markups - August 19, 2020</li> <li>iv. Member Mark-Ups and Commentary August 26, 2020</li> <li>v. Technical C’tee Workshop September 3, 2020</li> <li>vi. Commission Review September 30, 2020</li> </ul> <p>b. Detailed recommendations regarding Strategic Reserve prepared and under consideration by Commission. Approval targeted for September 2020 meetings.</p> <p>c. Interim patches made to website.</p> <p>Initial vendor quote rejected due to high cost.</p>	<p><b>4. Administrative Matters:</b>  <b>GM YTD: 60 hours – YE est 120 hours)</b></p> <p>a. See M-S-R PPA</p> <p>b. Corollary policy to be prepared for EA on basis of semi-annual cash calls.</p> <p>c. To be addressed concurrently with M-S-R PPA update.</p>

GOAL	PPA Status	EA Corollaries
<p>regular updates, and</p> <p>v. Address compatibility issues between current e-mail system and Outlook users.</p> <p>d. Continue to report on General Manager activities and annual efforts for same in conjunction with semi-annual reviews of General Manager goals.</p> <p>e. Increase communication and consultation with Commission President on agency issues and General Manager activities of heightened interest.</p> <p>f. Strive to inform Commissioners of key news as it happens between regularly scheduled meetings and maintain regular contact with the Commission President.</p> <p>g. Implement General Manager Succession Plan as needed.</p>	<p>d. See this report.</p> <p>e. Monthly reports provided to Commissioners and standing monthly briefing calls with President implemented.</p> <p>f. Communications of major news provided consistent with Brown Act restrictions. Monthly briefings provided to President per 4. (c) above.</p> <p>g. General Manager Succession Plan prepared and accepted by Commission February 19, 2020 and to be incorporated in next revision of policies and procedures manual.</p>	<p>d. Included in M-S-R PPA monthly reports.</p> <p>e. Included in M-S-R PPA monthly reports.</p> <p>f. Communications of major news provided consistent with Brown Act restrictions. Monthly briefings provided to President per 4. (c) above.</p> <p>g. See M-S-R PPA.</p>
<p><b>EA Natural Gas Prepay:</b></p> <p>a. Review proposals for further enhancements or additions to transaction and recommend appropriate actions, if any, to Commission.</p>	<p>N/A</p>	<p><b>EA Mgmt:</b> <b>GM YTD: 60 hours – YE est 150 hours)</b></p> <p>a. Began review of Member future utilization of natural gas (or commodity substitution) and impacts of SB 100 and briefed Financial Management Committee re same.</p>

<b>GOAL</b>	<b>PPA Status</b>	<b>EA Corollaries</b>
<p>b. Monitor US Bank Sweep Program and semi-annually re-evaluate economics of replacement by long-term Forward Delivery Agreement(s).</p>	<p>N/A</p>	<p>b. Continued monitoring of program and interest rates. Next semi-annual report due September 2020.</p>

## **M-S-R Public Power Agency Staff Report**

**Date:** July 14, 2020 (Revised)

**From:** Martin R. Hopper, General Manager

**To:** M-S-R PPA Commission

**Subject:** Discussion and Possible Action Regarding Agency Working Capital Policies

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### **Commission Assignment:**

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

### **Commission and Committee Review and Input to Date:**

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

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

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

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

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

**Financial Advisor Survey of Best Practices and Rating Agency Criteria:**

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

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

General Operating Reserves Policies:

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

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

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

Legacy Liabilities – Environmental/Regulatory and Decommissioning Reserves:

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

**Member Reported Reserves:**

Modesto Irrigation District:

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

City of Santa Clara/Silicon Valley Power:

- All reserves<sup>1</sup> 349-days

City of Redding/Redding Electric Utility:

- Unrestricted reserves - Minimum 75-days
- Unrestricted reserves – Target 150-days
- Unrestricted reserves – Upper Bound<sup>2</sup> 180-days

### **Qualitative Factors:**

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

### **Existing Reserve Policies:**

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

“To allow the Agency to invoice the Members monthly for actual generation and variable costs incurred in the prior month and not utilize estimated invoices billed in advance of expenditures, the Agency maintains a nominal 60-day working capital reserve in its Operating Fund.<sup>3</sup> The Agency also has created a Member Cash Call Reserve Account (MCCRA) whereby funds may be accumulated at the direction of the Commission for unexpected operation and maintenance expenses, repair costs, capital improvements, replacements, or betterments related to M-S-R Projects, and to reduce debt or make debt service payments.<sup>4</sup> The Agency's fixed costs, including Debt Service payments are invoiced monthly at one-twelfth of the total amounts adopted in the Annual Budget and trued-up after the close of the fiscal year. Working capital requirements are reviewed on an annual basis as part of the preparation of the Annual Budget. Member payments are made by wire transfer or electronic equivalent pursuant to a policy previously implemented for M-S-R PPA on the basis of administrative efficiency.<sup>5</sup> In 2016, the Commission adopted a policy designating

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<sup>1</sup> Operating and wholesale revenue reserves, general reserve, strategic reserve, rate stabilization fund, construction cash, and generation plant reserves.

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

<sup>3</sup> Resolution No. 2013-07, Adopted October 16, 2013, Regarding Working Capital Policy.

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

<sup>5</sup> M-S-R PPA Director's administrative directive dated June 8, 2007.

various uses and transfers of reserves and working capital related to the payment of existing and potential San Juan Project Legacy Liabilities.<sup>6</sup>

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

Reconciliation of Operating Fund:

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

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

**Specific Working Capital Recommendations:**

The Strategic Reserve should be composed of five tranches, Operating Reserves pertaining to Administrative and General Budgets, Purchase Power, and San Juan Fixed Expenses; and Legacy Liabilities Reserves pertaining to Mine Reclamation, and San Juan Decommissioning. Although these five individual elements are computed separately to establish the total Strategic Reserve, they should be managed as a collective sum and not as individual reservations. Additionally, the Agency’s Bond Indenture mandates a Reserve and Contingency Fund or “R&C Fund” (Bond Indenture §4.03(f)), which is to be maintained at all times the indenture is in effect (through July 1, 2022.) For the purposes of these recommended working capital allocations the R&C Fund of about \$2.8 million is assumed to be subsumed within the San Juan Fixed expenses component of the Strategic Reserve as discussed below.

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

### **Operating Reserves – Administrative and Operations Budgets:**

This category includes Agency Administration & General, Generation Administration & General, Renewable Administrative, Coordinating Services, and Regulatory & Compliance. Recommended working capital is 90-days on basis of Rating Agency liquidity metrics supported by Member reserve strength, otherwise 120-days would be recommended based on California peers.

### **Operating Reserves – Purchase Power:**

This category includes the Big Horn I and Big Horn II Wind Energy Projects. Peer group comparisons would allow this category to be set as low as 60-days rather than the higher 90 or 120-day metrics applied to general operating reserves. Given Member reserve strength and high payment priority, a 60-day standard would be appropriate here. Also given the wide monthly variances in expected power production by these renewable resources, the calculation basis for the reserves should be based on highest monthly average production plus two standard deviations as was done to meet the former Big Horn I lock-box requirements.

### **Operating Reserves – San Juan Fixed:**

This category includes Agency Debt Administrative, Generation Plan Costs (excluding those associated with Legacy Liability administration), Interest Expense – Generation, and Principal Payments – Generation. Peer group comparisons would allow this category to be set as low as 60-days rather than the higher 90 or 120-day metrics applied to general operating reserves. It should be noted that the Bond Indenture R&C Fund requirement equates to an additional 37-day reserve requirement on the Interest Expense – Generation, and Principal Payments – Generation line items that constitute the majority of cost in this category. However, one could argue that the Debt Service Coverage Revolving Fund payment is essentially duplicative of the R&C Fund and could be considered an offset for reserve-level setting purposes. Therefore, given Member reserve strength and high payment priority, a 60-day standard should be used and the Debt Service Coverage Revolving Fund payment excluded from the calculation.

### **Legacy Liabilities – Mine Reclamation Contingency and Administration:**

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

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

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

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

Peer practice indicates holding only identified and expected obligations in reserve for legacy liabilities. The statement of liabilities in the Agency's Financial Statements pursuant to GASB-83 for Legacy Liabilities is made the basis of a net present value computation and not on a nominal or cash-flow basis. Furthermore, the present value expression of decommissioning costs does not address discount and earnings rate risk and does not address the underlying uncertainty in the decommissioning costs estimate.

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

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

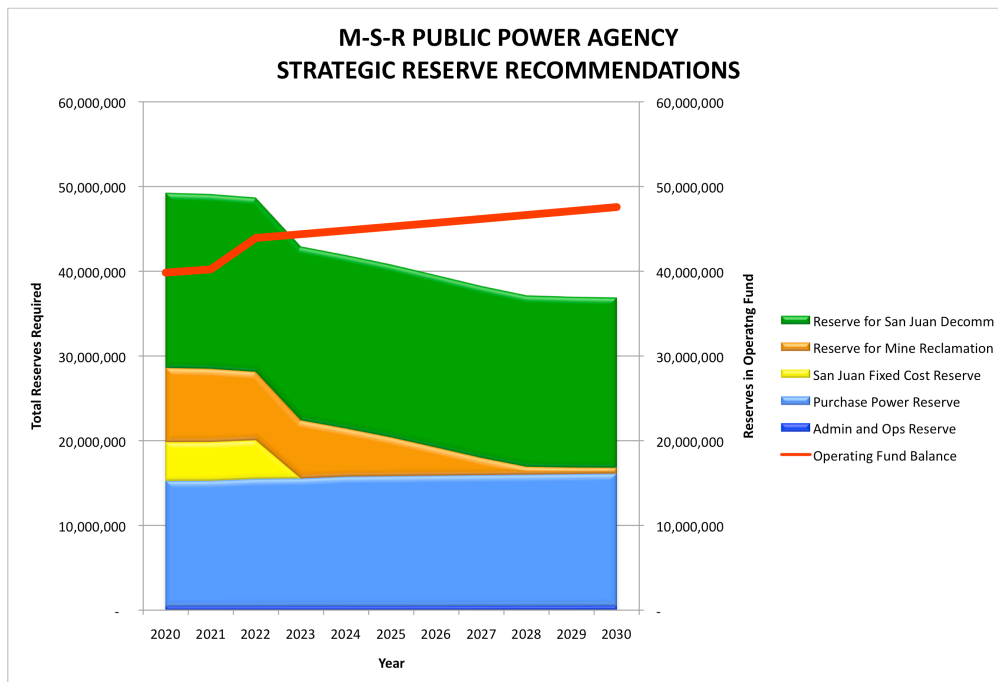
For this category, the Strategic Reserve should be set at 30% of the total nominal decommissioning cost estimate plus the nominal sum of remaining annual insurance costs (without further contingency) less any amounts on deposit in the Decommissioning Trust.

### **Total Strategic Reserve:**

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

<b>M-S-R PPA STRATEGIC RESERVE</b>			
<b>Category</b>	<b>2020 Budget</b>	<b>2023 Projection</b>	<b>2030 Projection</b>
Administrative & Operations Reserve	461,000	478,000	527,000
Purchase Power Reserve	14,769,000	15,045,000	15,570,000
San Juan Fixed Cost Reserve	4,570,000	0	0
Reserve for Mine Reclamation	8,775,000	6,880,000	709,000
Reserve for San Juan Decommissioning	20,656,000	20,494,000	20,076,000
<b>Total Strategic Reserve</b>	<b>48,460,000</b>	<b>42,897,000</b>	<b>36,882,000</b>
Annual Budget	82,333,000	52,217,000	54,104,000
Total Working Capital In Days	218	300	249
Operating Fund Available	39,836,000	44,375,000	47,576,000
Potential Surplus	-9,395,000	1,478,000	10,694,000

Represented Graphically:



### **Operating Fund Assumptions:**

The above summaries assume that all Agency revenues in excess of expenses continue to be retained in the Operating Fund and that the fund continues to be invested in LAIF garnering 1% per annum returns. The Operating Fund currently contains as sub-divisions the Member Cash Call Reserve Account and the Debt Service Coverage Revolving Fund. Pursuant to Resolutions 2016-01 and 2016-02, upon retirement of the last of the San Juan Project Bonds (Series 2018R maturing July 1, 2022), the \$3,300,000 balance in the Debt Service Coverage Revolving Fund is to be placed in the MCCRA. For the purposes of this analysis we have assumed the Strategic Reserve would be a designated portion of the Operating Fund and would be held by the Agency until otherwise directed by the Commission. As graphically illustrated above, the expected balance in the Operating Fund is less than the recommended Strategic Reserve until the San Juan Project Bonds are retired. Subsequent to the retirement of the San Juan Project Bonds, the balance in the Operating Fund would continue to grow at the rate of LAIF earnings less expenditures for certain San Juan Legacy Liability management costs (Continuing Coverage Insurance and Reclamation Agent expenses). Strategic Reserve requirements also decline in proportion to the completion of Mine Reclamation and San Juan Decommissioning activities. Given the relatively short horizon before this projected balancing of funds and needs occurs, we do not recommend any new funding mechanisms for the Operating Fund other than the organic growth described above.

### **Disbursement of Surplus Strategic Reserve Funds:**

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

### **Recommendation:**

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