

M-S-R Public Power Agency

MEETING OF THE COMMISSION

Wednesday, September 30, 2020, 12:00 NOON

WEBINAR DIGITAL PLATFORM OR PHONE MEETING

GoTo Meeting Information:

<https://global.gotomeeting.com/join/204314085>

Telephonic Meeting Information:

United States: +1 (872) 240-3412

Access Code: 204-314-085

AGENDA

Distribution:

Commissioners &

Alternate Commissioners

Others

Modesto:

James McFall¹ (V.P.)
Martin Caballero (Alt)

Steve Gross
Alan Hockenson
Martin Hopper¹
Scott Van Vuren
Jill De Jong
Ana Vigil
Cindy Worley
Toxie Buriss
Tameka Garnett

Santa Clara:

Ann Hatcher²
Basil Wong (Alt)

Kevin Kolnowski (Alt)
Manual Pineda (Alt)

Redding:

Dan Beans³ (President)
Nick Zettel (Alt)

Valerie Ibarra³
Carmen Bahr

¹ Please post agenda

² Please post agenda

³ Please post agenda

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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 Commission meeting by utilizing GoTo Meeting's webinar feature or through a phone line provided in the meeting agenda. Members of the public will continue to have the opportunity to provide public input via the webinar or phone features. Members of the public may also email their comments to the General Manager by 3 p.m. on the day prior to the Committee meeting. Public comment can be emailed to msr.general.manager@gmail.com. All public comments submitted by email on time will be read during the Commission meeting in the public input section of the agenda. Any member of the public who desires to address the Commission on any item considered by the Commission at this meeting before or during the Commission'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

CONSENT ITEMS 1 – 10: (All items are approved by a single action)

There will be no separate discussion of those items unless an item is removed at the request of any Commissioner or member of the public. Those items removed will be separately considered at the end of the consent agenda.

1. Minutes of May 20, 2020 and July 22, 2020
2. Report of Summary invoices paid for May – August 2020 totaling \$31,813,331.48 (summary attached)
3. May, June, July and August 2020 Treasurer's Reports (attached, Scott VanVuren)
4. Big Horn Wind Energy Project Operations Statistics Report (attached, Martin Hopper)
5. September 2020 WREGIS REC Transfers Status Report (attached, Martin Hopper)
6. September 2020 Outside Services Budget Versus Actual Report (attached, Martin Hopper)
7. 2020 Insurance Renewals (attached, Martin Hopper)

8. Extension of M-S-R Coordinator Contract (attached, Martin Hopper)
9. Status Report Regarding Amendment to San Juan Reclamation Trust Agreement with US Bank (attached, Martin Hopper)
10. Designation of Real Property Negotiators (attached, Martin Hopper)

END OF CONSENT ITEMS

ACTION ITEMS 11 - 15:

11. Discussion and Possible Action Regarding General Manager's Report (attached, Martin Hopper)
12. Discussion and Possible Action Regarding Agency Conflict of Interest Code (attached, Martin Hopper)
13. Discussion and Possible Action Regarding Agency Annual Strategic Plan (attached, Martin Hopper)
14. Discussion and Possible Action Regarding Resolution 2020-01 Working Capital Policies (attached, Martin Hopper)
15. Discussion and Possible Action Regarding Resolution 2020-02 Biennial Policy and Procedures manual Update (attached, Martin Hopper)

CONVENE CLOSED SESSION:

- a. Existing Litigation: Government Code §54956.9 (d)(1) – 3 Cases (NM-PRC Case 19-00018-UT, NM-PRC Case 19-00195-UT, BPA BP-22-BPA)
- b. Threat to Public Services Or Facilities: Government Code §54957 (a)
- c. Conference with Real Property Negotiator Pursuant to Government Code Section 54956.8, Property: Lake and River Stations and connecting pipelines and rights-of-way, CR 6800 N, Waterflow, NM 87421. Negotiating Party (ies): Public Service Company of New Mexico and United States Bureau of Reclamation. Agency Negotiators: To be designated per Agenda Item No. 10 above Martin Hopper, General Manager and Steve Gross, General Counsel. Under Negotiation: Purchase/Sale/Exchange/Lease of Real Property (provisions, price and terms of payment)

RECONVENE OPEN SESSION

ANNOUNCEMENTS FOLLOWING CLOSED SESSION

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.

Note: It is the policy of M-S-R Energy Authority to not discriminate in admissions, provisions of services, hiring, training and employment practices on the basis of color, national origin, sex, religion, age or disability including AIDS and related conditions. MSR Energy Authority is an Equal Opportunity Employer.

The meeting location is accessible to people with disabilities. Every reasonable effort will be made to accommodate participation of the disabled in all of the Authority's public meetings. If accommodations for the disabled are needed (i.e., disability-related aids or other services), please contact the General Manager at least 24 hours in advance of the meeting.

**M-S-R PUBLIC POWER AGENCY
DRAFT MINUTES
MEETING OF THE COMMISSION
MAY 20, 2020**

The Commission of the M-S-R Public Power Agency (M-S-R PPA) met for a regular meeting on May 20, 2020 via webinar for all representatives pursuant to Executive Orders signed by Governor Gavin Newsom related to the ongoing COVID-19 pandemic. Present from Modesto Irrigation District were James McFall and Martin Caballero; present from Santa Clara was Ann Hatcher; and present from Redding was Dan Beans. Also present were General Manager Martin Hopper, General Counsel Steve Gross, and Gwen Zech of Baker Tilly Virchow Krause LLP.

Mr. Beans called the meeting to order at 12:00 Noon. A quorum was attained with the voting representatives being Mr. McFall, Ms. Hatcher, and Mr. Beans.

The Commission then considered approval of the Consent Calendar Items. It was moved by Commissioner McFall and seconded by Alternate Commissioner Hatcher to approve the Consent Calendar consisting of Items 1, 2, 3, 4, 5, 6, and 7 as listed below. Upon the call of the roll, the motion carried unanimously.

1. Minutes of February 19, 2020 – approved.
2. Report of Summary invoices paid for February – April 2020 totaling \$23,643,319.93 – noted and filed.
3. February, March, and April 2020 Treasurer’s Reports – accepted.
4. Big Horn Wind Energy Project Operations Statistics Report – noted and filed.
5. May 2020 WREGIS REC transfers Status Report – noted and filed.
6. May 2020 Outside Services Budget Versus Actual Report – noted and filed.
7. BPA Counsel 2020 Fee Adjustments – ratified.

The General Manager provided a report on his activities and those of the General Consultant for the past month. Mr. Hopper also reported that he has been reviewing a number of areas where costs can be reduced or deferred in addition to previously planned

or budgeted cost reduction activities given the current COVID-19 pandemic and its impacts on Member revenues. Firstly, given the shelving of most legislative proposals until the next session, the Agency's California Lobbyist's retainer will be suspended for the balance of the year. The Agency's subscription to Bloomberg Government, which provides Federal legislative and regulatory monitoring, will be terminated upon its next renewal cycle. The Agency's liability insurance renewal will remove wildfire coverage to reflect the fact that the Agency no longer has physical assets at risk. Mr. Hopper noted that although the sums involved here aren't individually large, cumulatively every cost saving is important.

Mr. Hopper introduced Gwen Zech of Baker Tilly Virchow Krause, LLP (Baker Tilly) who presented the Report on M-S-R Public Power Agency Financial Audit – December 31, 2019. Ms. Zech indicated field work on the annual audit was mainly completed remotely and that a fee adjustment would be made to reflect that fact. She reported M-S-R PPA financial statements received an Unmodified Opinion which is the highest level of assurance an auditor can provide. Ms. Zech noted the Agency adopted GASB – 83 related to asset retirement obligations this year and consequently restated the year-ending December 31, 2018 balances. For the first time the Agency prepared all underlying financial statements which previously were prepared by Baker Tilly and consequently the auditor was able to remove the formerly identified the weakness of Internal Control over Financial Reporting related to financial reporting. Mr. Hopper specifically acknowledged the efforts of Senior Accountant Cindy Worley in the preparation of financial statements and thanked her on behalf of the Agency. It was moved by Alternate Commissioner Hatcher and seconded by Commissioner McFall to accept the M-S-R Public Power Agency Financial Statements for years ending December 31, 2018 and December 31, 2019. Upon the call of the roll, the motion carried unanimously.

Mr. Hopper then presented the initial draft of the report on Agency Working Capital. The Agency's current policies, existing cash reserves and investments were reviewed. Initial findings regarding public agency best practices and bond rating agency expectations were

reviewed. Mr. Hopper reported that the Agency's Financial Advisor had suggested the creation of a master Strategic Reserve composed of tranches dedicated to Agency operations, purchase power, and legacy liabilities with the reserve levels in each tranche tailored to individual risk assessments. The Commission discussed the initial findings and requested the following parameters be addressed in the next draft: that the Policy be sufficiently flexible to address changing circumstances and not be overly prescriptive; that reserve levels 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 that existing reserves will not, unless required to address emergency needs, be rebated to members until all legacy liabilities are satisfied. Mr. Hopper indicated he will continue to work with Member Staff and the Agency's Financial Advisor and will present a revised draft to the Commission at its July meeting and that the target for adopting a policy remains the September meeting.

The Commission then entered a recess at 12:39 PM and reconvened at 12:47 P.M.

The Commission then retired into Closed Session pursuant to Government Code Section 54956.9(d)(1) – Conference with Legal Counsel – Existing Litigation – 3 Cases (NM-PRC Case 19-00018-UT, NM-PRC Case 19-00195-UT, and BP-22-BPA) and pursuant to Government Code Section 54957 (a) – Threat To Public Services or Facilities at 12:48 P.M. Upon the conclusion of the Closed Session at 1:25 P.M., General Counsel indicated there were no reportable items.

The Chair then called for Member Reports and for Public Comment. There being none, the Chair announced that the next regular meeting of the Commission will be held on Wednesday, September 30, 2020 at 12:00 Noon, at Navigant's offices in Folsom, CA and that a webinar-based Special Meeting will be held Wednesday, July 22, 2020 at 12:00 Noon. The meeting was then adjourned by the Chair at 1:27 P.M.

Martin R Hopper
Assistant Secretary

**M-S-R PUBLIC POWER AGENCY
DRAFT MINUTES
SPECIAL MEETING OF THE COMMISSION
JULY 22, 2020**

The Commission of the M-S-R Public Power Agency (M-S-R PPA) met for a special meeting on July 22, 2020 via webinar for all representatives pursuant to Executive Orders signed by Governor Gavin Newsom related to the ongoing COVID-19 pandemic.

Present from Modesto Irrigation District were James McFall and Martin Caballero; present from Santa Clara were Teresa O'Neill and Ann Hatcher; and present from Redding was Dan Beans. Also present were General Manager Martin Hopper, and General Counsel Steve Gross.

Mr. Beans called the meeting to order at 12:11 PM. A quorum was attained with the voting representatives being Mr. McFall, Ms. O'Neill, and Mr. Beans.

The General Manager provided a report on his activities and those of the General and BPA Consultants for the past month.

Mr. Hopper then made a presentation regarding the July 2020 Outside Services Budget versus Actuals Report and Mid-Year Budget and Goals Review. He noted legal and consulting costs are expected to end the year at about 80% of the annual budget and noted various minor rebalancing of line items that would be handled administratively in accordance with previously expressed consensus of the Commission. Legacy Liability costs associated with San Juan Mine Reclamation and Plant Decommissioning are expected to end the year at about 87% of the annual budget

Mr. Hopper then reviewed the status of each of the performance goals previously established by the Commission and noted where appropriate the status of M-S-R Energy Authority corollary goals. The year-to-date and year-end expected hours by the General Manager, General Consultant and BPA Consultant were provided for each major work area. Mr. Hopper also noted where cost reductions due to the COVID-19 required switch

to virtual meetings have been achieved, and he indicated virtual attendance at meetings will continue where possible even after travel restrictions have been lifted.

Mr. Hopper then made a detailed presentation regarding the revised draft of the report on Agency Working Capital. The Commission's original assignment, peer reviews and best practices, Member policies and strengths, Strategic Reserve Structure and recommended criteria were reviewed.

The proposed Strategic Reserve will consist of five tranches comprising 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 would be managed as a collective sum and not as individual reservations. Mr. Hopper recommended that the Agency rely on the strength of Member credits and cash flows and set the Agency's working capital requirements at the lower-end of ranges suggested by best practices and rating agency criteria. The Commissioners requested that consideration be given to establishing minimum reserves requirements for each tranche, as appropriate, in addition to the recommended or target reserve levels recommended in this report. However, such minimums would not trigger cash call requests provided overall reserve levels are satisfactory.

Mr. Hopper did not recommend any new funding mechanisms for the Operating Fund as it will exceed the minimum thresholds recommended by the Agency's Financial Advisor and implied by peer group Rating Agency evaluations and will naturally grow from interest earnings. Furthermore, the reserve requirements will reduce through time as San Juan Project debt is retired and as contingencies for Legacy Liabilities reduce in parallel with performance of mine reclamation and plant decommissioning. It was the consensus of the Commission that Mr. Hopper, in consultation with the Financial Management Committee and the Agency's Financial Advisor, apply the Commission's input to the development of a final policy for Commission consideration at its next meeting.

The Chair then called for Member Reports and for Public Comment. There being none, the Chair announced that the next regular meeting of the Commission is scheduled to be held on Wednesday, September 30, 2020 at 12:00 Noon, at Navigant's offices in Folsom, CA, and that due to the ongoing COVID-19 pandemic, will likely be held virtually. The meeting was then adjourned by the Chair at 1:16 P.M.

Martin R Hopper
Assistant Secretary

DRAFT

**M-S-R Public Power Agency
Report of Summary Invoices Paid
May, June, July and August 2020**

Payee	Description	Period Covered	Amount
Duncan, Weinberg, Genzer & Pemb	Legal Services	Mar-20	\$ 12,972.00
Martin Hopper Energy	General Manager Services	Apr-20	\$ 20,139.11
Porter Simon	General Legal Services	Apr-20	\$ 2,750.00
S&P Global Ratings	Analytical Services for San Juan Project Bonds	May-20	\$ 17,500.00
WREGIS	Transfer Volume Fee	Apr-20	\$ 117.29
Westmoreland/San Juan Coal Com	Amended and Restated MRTFA	Apr-20	\$ 22,782.76
US Bank NA	Debt Service Series 2018R	Apr-20	\$ 2,283,600.92
Politico Group	State Legislative Services	Apr-20	\$ 2,000.00
Avangrid Big Horn Wind Project	Firm Energy	Apr-20	\$ 2,692,682.04
Avangrid Renewables	Shaping Fee	Apr-20	\$ 744,969.74
Avangrid Renewables	Big Horn 2 Contract Power	Apr-20	\$ 200,025.86
Avangrid Renewables	Big Horn 2 Contract Power-Managed	Apr-20	\$ 1,169,133.27
CMUA	Annual Dues FY 2020-2021	May-20	\$ 6,634.00
KBT, LLC	Consulting Services	Apr-20	\$ 8,754.00
Law Offices of Susie Berlin	Legal Services	Mar-20	\$ 2,935.50
MID	Accounting and Coordination	Mar-20	\$ 42,091.21
Martin Hopper Energy	General Manager Services	May-20	\$ 20,034.22
Law Offices of Susie Berlin	Legal Services	Apr-20	\$ 2,340.00
Porter Simon	General Legal Services	May-20	\$ 3,740.00
US Bank NA	Debt Service Series 2018R	May-20	\$ 2,283,600.92
Westmoreland/San Juan Coal Com	Amended and Restated MRTFA	May-20	\$ 61,559.53
Baker Tilly LLP	Services for 2019 Audit	Apr-20	\$ 18,886.00
Baker Tilly LLP	Services for 2019 Audit	May-20	\$ 2,278.00
Duncan, Weinberg, Genzer & Pemb	Legal Services	Apr-20	\$ 7,309.00
WREGIS	Transfer Volume Fee	May-20	\$ 292.43
Avangrid Big Horn Wind Project	Firm Energy	May-20	\$ 2,663,558.24
Avangrid Renewables	Shaping Fee	May-20	\$ 532,810.63
Avangrid Renewables	Big Horn 2 Contract Power	May-20	\$ 205,731.49
Avangrid Renewables	Big Horn 2 Contract Power-Managed	May-20	\$ 1,257,954.21
Bloomberg Finance	BGOV License	May-20	\$ 1,552.50
KBT, LLC	Consulting Services	May-20	\$ 9,816.00
MID	Accounting and Coordination	May-20	\$ 43,009.55
Law Offices of Susie Berlin	Legal Services	May-20	\$ 3,900.00
PNM	San Juan MRTFA O&M - A&G Statement	May-20	\$ 1,912.44
Martin Hopper Energy	General Manager Services	Jun-20	\$ 20,079.22
Duncan, Weinberg, Genzer & Pemb	Legal Services	May-20	\$ 12,618.00
Politico Group	State Legislative Services	May-20	\$ 2,000.00
WREGIS	Transfer Volume Fee	Jul-20	\$ 308.08
Porter Simon	General Legal Services	Jun-20	\$ 1,518.00
Westmoreland/San Juan Coal Com	Amended and Restated MRTFA	Jun-20	\$ 92,612.80
Law Offices of Susie Berlin	Legal Services	Jun-20	\$ 4,953.00
MID	Accounting and Coordination	Jun-20	\$ 43,336.28
KBT, LLC	Consulting Services	Jun-20	\$ 14,428.00
Avangrid Big Horn Wind Project	Firm Energy	Jun-20	\$ 2,536,414.58
Avangrid Renewables	Shaping Fee	Jun-20	\$ 666,233.54
PNM	San Juan MRTFA O&M - A&G Statement	Jun-20	\$ 5,144.05
PNM	Exiting Participant's Insurance Coverage	Jun-20	\$ 77,881.75
Avangrid Renewables	Big Horn 2 Contract Power	Jun-20	\$ 205,279.35
Avangrid Renewables	Big Horn 2 Contract Power-Managed	Jun-20	\$ 1,229,377.55

US Bank NA	Debt Service Series 2018R	Jun-20	\$	2,308,025.71
BLX	Arbitrage Report SJ Project Revenue Bonds, S	Jun-20	\$	2,000.00
BLX	Arbitrage Report SJ Project Revenue Bonds, S	Jun-20	\$	4,000.00
Modesto Irrigation District	Resolution 2016-02 Final DS Revolving Fund F	Jun-20	\$	1,650,000.00
City of Santa Calra	Resolution 2016-02 Final DS Revolving Fund F	Jun-20	\$	1,155,000.00
City of Redding	Resolution 2016-02 Final DS Revolving Fund F	Jun-20	\$	495,000.00
Arthur J. Gallagher & Co Insurance	Broker Services Fee	Jun-20	\$	7,500.00
Duncan, Weinberg, Genzer & Pemb	Legal Services	Jun-20	\$	28,829.00
Martin Hopper Energy	General Manager Services	Jul-20	\$	20,054.22
Porter Simon	General Legal Services	Jul-20	\$	1,914.00
WREGIS	Transfer Volume Fee	Jul-20	\$	293.15
Westmoreland/San Juan Coal Com	Amended and Restated MRTFA	Jul-20	\$	67,827.14
US Bank NA	Debt Service Series 2018R	Jul-20	\$	2,308,025.71
Montague DeRose	Financial Advisory Services	Jul-19	\$	867.50
Montague DeRose	Financial Advisory Services	Jan-20	\$	1,251.25
Avangrid Big Horn Wind Project	Firm Energy	Jul-20	\$	2,605,356.19
Avangrid Renewables	Shaping Fee	Jul-20	\$	590,718.83
Avangrid Renewables	Big Horn 2 Contract Power	Jul-20	\$	197,390.32
Avangrid Renewables	Big Horn 2 Contract Power-Managed	Jul-20	\$	959,476.14
KBT, LLC	Consulting Services	Jul-20	\$	14,425.00
Arthur J. Gallagher & Co Insurance	Excess Liability, D&O and Crime Insurance Re	Jun-20	\$	127,091.48
PNM	San Juan MRTFA O&M - A&G Statement	Jul-20	\$	6,477.35
PNM	Exiting Participant's Insurance Coverage	Jul-20	\$	251.43

To Commission September 20, 2020

\$31,813,331.48

The background features three blue circles of varying sizes, each with a white ring around its center. These circles are connected by thin lines: a light green line from the top left to the middle circle, a light grey line from the top left to the top circle, and a gold line from the top right to the bottom circle. The bottom circle is partially cut off by the right edge of the page.

Treasurer's Report

MAY 2020



**M-S-R Public Power Agency
Treasurer's Report
Index**

Treasurer's Report for the Month of May 2020

Investment Portfolio Pie Chart

MSR / LAIF / US Treasury 2-Year

Average Maturity Report

General Fund:

 Portfolio Summary

 Portfolio Details – Investments

 Portfolio Details – Cash

 Investment Status Report – Investments

 Investment Status Report – Cash

 Activity by Type

 Activity Report LAIF

Trust Funds:

 Portfolio Summary

 Portfolio Details – Investments

 Portfolio Details – Cash

 Investment Status Report – Investments

 Investment Status Report – Cash

 Activity by Type

 Received Interest

 Maturity Report

 Realized Gains and Losses

**MSR PUBLIC POWER AGENCY
TREASURER'S REPORT
FOR THE MONTH OF MAY 2020**

FUND BALANCES

	4/30/2020			5/31/2020	5/31/2020	5/31/2020	Unrealized Gain/Loss
	Cost Value	Receipts	Disbursements	Cost Value	Reserves: Mkt Value*	Mkt. Value*	
UNRESTRICTED FUNDS							
General Fund, net of MCCRA	38,672,942	0	0	39,741,192			
Member Cash Call Reserve Acct.	197,629	0	0	197,629			
Debt Service Coverage Revolving Fund	2,475,000	275,000	0	2,750,000			
	<u>41,345,571</u>	<u>8,495,657</u>	<u>7,152,407</u>	<u>42,688,821</u>		<u>42,688,821</u>	<u>0</u>
RESTRICTED FUNDS							
MSR 2018 Series R	21,535,667	4,571,123	2,283,601	23,823,189	0	23,823,189	0
MSR SJ Coal Reclamation Trust	17,599,761	5,301,667	5,292,783	17,599,645	0	17,722,514	122,869
MSR SJ Decommissioning Trust	2,191,607	441	0	2,192,048	0	2,192,048	0
	<u>41,318,034</u>	<u>9,873,231</u>	<u>7,576,384</u>	<u>43,614,881</u>	<u>0</u>	<u>43,737,750</u>	<u>122,869</u>
TOTAL FUNDS	<u>82,663,605</u>	<u>18,368,888</u>	<u>14,728,791</u>	<u>86,303,702</u>	<u>0</u>	<u>86,426,571</u>	<u>122,869</u>

CASH & INVESTMENTS

	Standard per Gov't Code	Actual	
DEMAND ACCOUNTS			205,479
Union Bank - General Fund			
INVESTMENTS (See Attached)			
Bankers Acceptances	40%	0.0%	0
Certificates of Deposit(Coll./Ins.)	No Limit	0.0%	0
Commercial Paper(A1/P1)	25%	0.0%	0
Corporate Notes-Medium Term	30%	0.0%	0
Federal Agencies	No Limit	7.7%	8,656,800
Local Agency Investment Fund	\$75,000,000	49.4%	42,512,226
Money Market Accounts	No Limit	42.9%	36,958,081
Repurchase Agreements	No Limit	0.0%	0
U.S. Treasury Instruments	No Limit	0.0%	0
TOTAL INVESTMENTS		<u>100.0%</u>	<u>86,127,107</u>
Add: Deposits in transit			0
Less: Outstanding checks			(28,864)
TOTAL CASH & INVESTMENTS			<u>86,303,702</u>

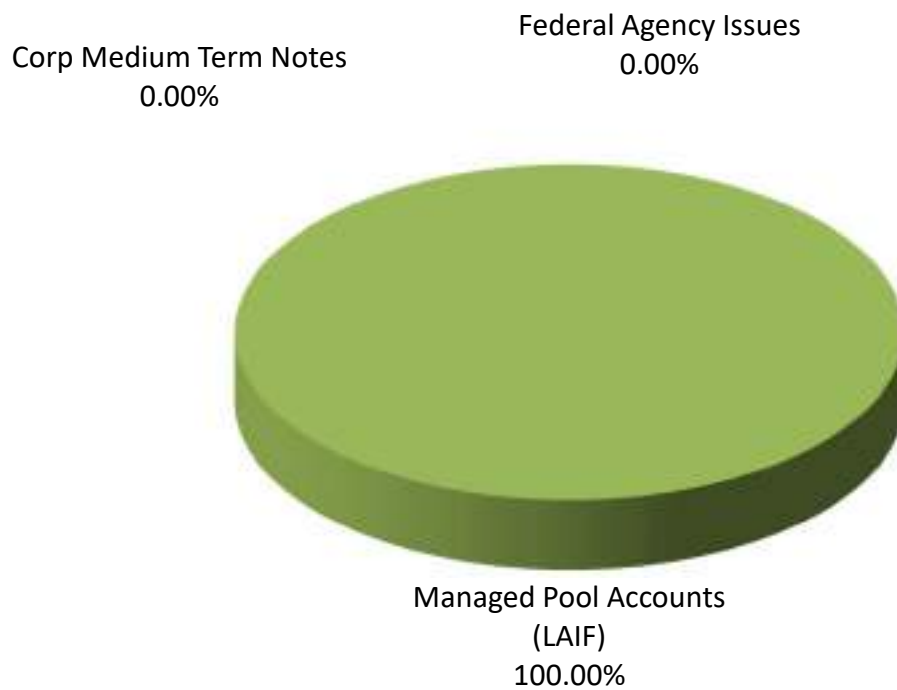
* Source of Market Value Information is US Bank, Union Bank, and Bloomberg Financial Systems

We certify that this statement is a true and correct record of transactions in the Treasury since the prior report. The agency has sufficient liquid assets on deposit to meet its obligations over the next 6 months. All investments are in compliance with the agency's investment policy guidelines.

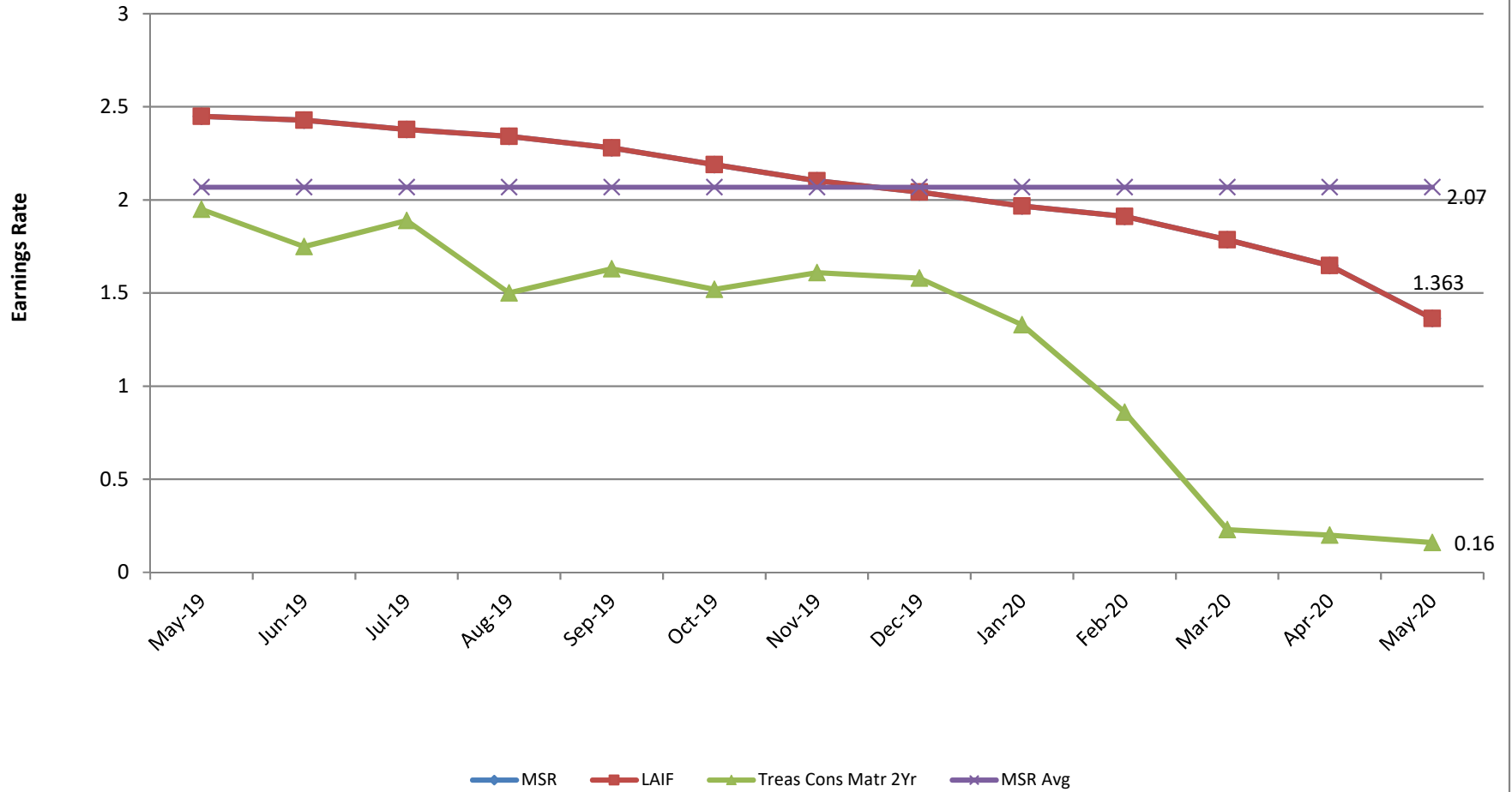

Scott Van Vuren -- Treasurer


Ana Vigil -- Assistant Treasurer

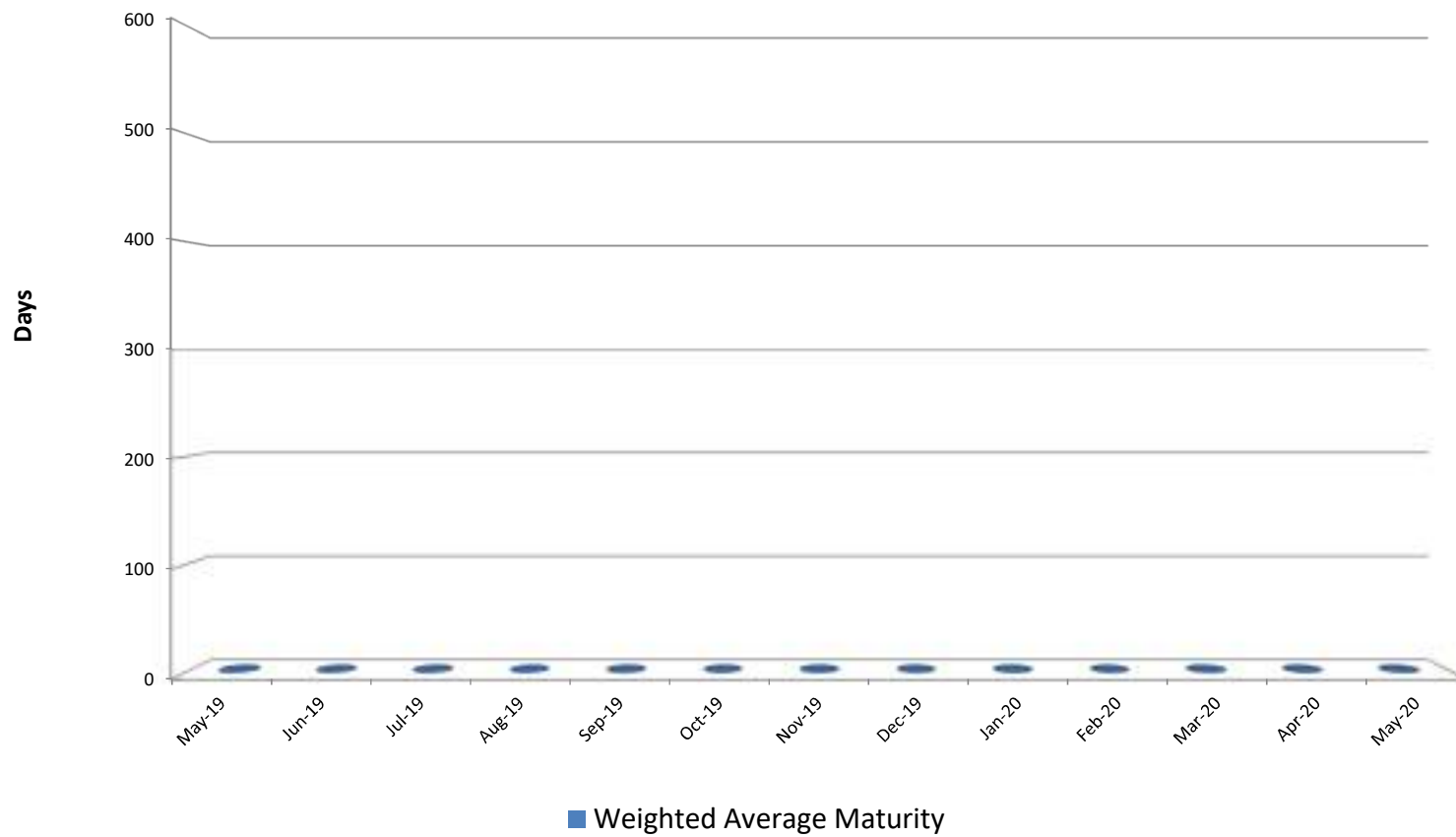
M-S-R Public Power Agency Investment Portfolio May 2020



MSR / LAIF / US Treasury 2-Year May 2020



General Fund Portfolio Average Maturity Report





**MSR Public Power Agency
Portfolio Management
Portfolio Summary
May 31, 2020**

Modesto Irrigation District
1221 - 11th St
Modesto, CA 95352
(209)526-7300

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 365 Equiv.
Managed Pool Accounts	42,512,226.30	42,512,226.30	42,512,226.30	100.00%	1	1	1.35%
Investments	42,512,226.30	42,512,226.30	42,512,226.30	100.00%	1	1	1.35%
Cash							
Passbook/Checking (not included in yield calculations)	176,594.88	176,594.88	176,594.88		1	1	0.00%
Total Cash and Investments	42,688,821.18	42,688,821.18	42,688,821.18		1	1	1.26%
Total Earnings	May 31	Month Ending					
Current Year	47,468.83						
Average Daily Balance	41,553,417.66						
Effective Rate of Return	1.35%						

Scott Van Vuren, Treasurer

**MSR Public Power Agency
Portfolio Management
Portfolio Details - Investments
May 31, 2020**

CUSIP	Investment #	Issuer	Average Maturity	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	USP	YTM 365	Days to Maturity	Maturity Date
Managed Pool Accounts												
BYSLAP	LAIF	Local Agency Investment Fund			42,512,226.30	42,512,226.30	42,512,226.30	1.353		1.363	1	
		Subtotal and Average	41,031,581.14		42,512,226.30	42,512,226.30	42,512,226.30			1.363	1	
		Total and Average	41,663,417.66		42,512,226.30	42,512,226.30	42,512,226.30			1.363	1	

**MSR Public Power Agency
Portfolio Management
Portfolio Details - Cash
May 31, 2020**

GUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM %	Days in Maturity
Passbook/Checking Accounts											
57000HFRM	0000001	Union Bank of California		01/01/1999	176,504.85	176,504.85	176,504.85			0.000	1
		Average Balance	0.00								1
Total Cash and Investments			41,551,417.65		42,688,821.18	42,688,821.18	42,688,821.18			1.063	1

**MSR Public Power Agency
Portfolio Management
Investment Status Report - Investments
May 31, 2020**

CySIP	Investment #	Issuer	Par Value	Stated Rate	Maturity Date	Purchase #	YTM 360	YTM 365	Payment Dates	Accrued Interest	Current Principal	Book Value
Managed Pool Accounts												
0Y3L4IF	L4IF	L4IF	42,512,226.30	1.351			1.344	1.350	01/15 - Quarterly		42,512,226.30	42,512,226.30
	Managed Pool Accounts Totals		42,512,226.30				1.344	1.350		0.00	42,512,226.30	42,512,226.30
	Investment Totals		42,512,226.30				1.344	1.350		0.00	42,512,226.30	42,512,226.30

**MSR Public Power Agency
Portfolio Management
Investment Status Report - Cash
May 31, 2020**

CUSIP	Investment #	Issuer	Par Value	Stated Rate	Maturity Date	Purchase P	YTM 300	YTM 365	Payment Dates	Accrued Interest	Current Principal	Book Value
Passbook/Checking Accounts												
NYSGENERAL_FUND	GENERAL	UBC	175,504.88		01/01/1999		0.00%	0.00%	1 - Monthly		175,504.88	176,504.88
Cash Totals			175,504.88							0.00	176,504.88	176,504.88
Total Cash and Investments			42,688,621.18				1.344	1.350		0.00	42,688,621.18	42,688,621.18

**MSR Public Power Agency
Portfolio Management
Activity By Type
May 1, 2020 through May 31, 2020**

CUSIP	Investment #	Issuer	Beginning Balance	Stated Rate	Transaction Date	Purchases or Deposits	Redemptions or Withdrawals	Ending Balance
Managed Pool Accounts (Monthly Summary)								
SWGLAIF	LAI	Local Agency Investment Fund		1.363		1,700,000.00	0.00	
		Subtotal	40,812,228.00			1,700,000.00	0.00	42,512,228.00
Passbook/Checking Accounts (Monthly Summary)								
SYSCENRALFUND	GENERAL	Union Bank of California				0.00	350,749.69	
		Subtotal	533,344.87			0.00	350,749.69	176,594.88
		Total	41,345,572.87			1,700,000.00	350,749.69	42,688,821.11



MSR Public Power Agency
Activity Report
Issuer: Local Agency Investment Fund
May 1, 2020 - May 31, 2020

Modesto Irrigation District
 1231 - 11th St.
 Modesto, CA 95350
 (209) 525-7309

CUSIP	Investment#	Issuer	Percent of Portfolio	Par Value Beginning Balance	Current Rate	Transaction Date	Purchases or Deposits	Par Value Redemptions or Withdrawals	Ending Balance
Issuer: Local Agency Investment Fund									
Managed Pool Accounts									
59561A	LAIF	Local Agency Investment Fund			1.33%		1,700,000.00	0.00	
		Subtotal and Balance		<u>40,812,226.30</u>			<u>1,700,000.00</u>	<u>0.00</u>	<u>42,512,226.30</u>
		Issuer Subtotal	99.986%	40,812,226.30			1,700,000.00	0.00	42,512,226.30
		Total		40,812,226.30			1,700,000.00	0.00	42,512,226.30



**MSR Public Power Agency Trust
Portfolio Management
Portfolio Summary
May 31, 2020**

Modesto Irrigation District
1231 - 11th St.
Modesto, CA 95352
(209) 526-7308

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 365 Equiv.
Receta Agency Issues - Coupon	6,700,000.00	6,775,669.00	6,656,800.00	100.00%	1,826	350	1.607
Investments	6,700,000.00	6,775,669.00	6,656,800.00	100.00%	1,826	350	1.607
Cash							
Passbook Checking (not included in yield calculations)	36,956,081.17	36,956,081.17	36,956,081.17		1	-	0.000
Total Cash and Investments	43,656,081.17	43,731,750.17	43,614,881.17		1,826	350	1.607
Total Earnings	May 31	Month Ending					
Current Year		14,657.48					
Average Daily Balance		41,762,862.68					
Effective Rate of Return		0.45%					

Scott Van Vuren, Treasurer

**MSR Public Power Agency Trust
Portfolio Management
Portfolio Details - Investments
May 31, 2020**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
Federal Agency Issues - Coupon												
310500779	17944	Federal Inv 1 Mtg Assoc		11/10/2015	3,010,000.00	3,019,470.00	2,950,700.00	1.500		1.802	112	11/03/2020
310573626	17314	Federal Inv 1 Mtg Assoc		06/29/2016	3,700,000.00	3,783,199.00	3,700,000.00	1.450		1.450	485	06/29/2021
		Subtotal and Average	16,579,051.06		6,760,000.00	6,779,669.00	6,656,700.00			1.607	350	
		Total and Average	41,762,862.65		6,700,000.00	6,779,669.00	6,656,700.00			1.607	350	

MSR Public Power Agency Trust
Portfolio Management
Portfolio Details - Cash
May 31, 2020

CUSIP	Investment A	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Spread Rate	SP P	YTM 365	Days to Maturity
Passbook/Checking Accounts											
94300000000000000000	000000000000000000	U.S. Bank Corporate Trust			17,942,844.85	17,942,844.85	17,942,844.85	0.00%		0.00%	-
94300000000000000000	000000000000000000	U.S. Bank Corporate Trust			0.00	0.00	0.00	0.00%		0.00%	-
94300000000000000000	000000000000000000	U.S. Bank Corporate Trust			67,844.05	67,844.05	67,844.05	0.00%		0.00%	-
94300000000000000000	000000000000000000	U.S. Bank Corporate Trust			1,400,762.41	1,400,762.41	1,400,762.41	0.00%		0.00%	-
94300000000000000000	000000000000000000	U.S. Bank Corporate Trust			22,258,082.39	22,258,082.39	22,258,082.39	0.00%		0.00%	-
94300000000000000000	000000000000000000	U.S. Bank Corporate Trust			0.00	0.00	0.00	0.00%		0.00%	-
94300000000000000000	000000000000000000	U.S. Bank Corporate Trust			0.00	0.00	0.00	0.00%		0.00%	-
94300000000000000000	000000000000000000	U.S. Bank Corporate Trust			2,192,047.67	2,192,047.67	2,192,047.67	0.00%		0.00%	-
		Average Balance	0.00								1
Total Cash and Investments			41,762,962.68		40,638,081.17	40,638,081.17	40,638,081.17			1.607	350

**MSR Public Power Agency Trust
Portfolio Management
Investment Status Report - Investments
May 31, 2020**

CUSIP	Investment #	Issuer	Par Value	Stated Rate	Maturity Date	Purchase v	YTM 360	YTM 365	Payment Dates	Accrued Interest	Current Principal	Book Value
Federal Agency Issues - Coupon												
313521F78	17314	FNMA	1,000,000.00	1.500	11/19/2022	11/30/2016	1.776	1.802	09/30 - 11/30		1,236,800.70	2,546,800.00
313573E19	17314	FNMA	1,700,000.00	1.450	03/29/2022	03/29/2016	1.430	1.456	03/29 - 03/29		2,700,000.00	5,730,000.00
Federal Agency Issues - Coupon Totals			6,700,000.00				1,585	1,607		0.00	6,656,800.00	6,856,800.00
Investment Totals			6,700,000.00				1,585	1,607		0.00	6,656,800.00	6,856,800.00

**MSR Public Power Agency Trust
Portfolio Management
Investment Status Report - Cash
May 31, 2020**

CUSIP	Instrument #	Issuer	Par Value	Stated Rate	Maturity Date	Purchase Price	YTM 360	YTM 365	Payment Dates	Accrued Interest	Current Principal	Book Value
Passbook Checking Accounts												
55833000MONEY	33000MONEY	USBANK	10,942,844.66	0.050			0.059	0.060	08/01 - Monthly		10,942,844.66	10,942,844.66
55870000MONEY	7000MONEY	USBANK	0.00	0.050			0.059	0.060	01/01 - Monthly	0.00	0.00	0.00
558775000MONEY	775000MONEY	USBANK	83,544.05	0.050			0.059	0.060	10/01 - Monthly		83,544.05	83,544.05
558775001MONEY	775001MONEY	USBANK	1,460,752.41	0.050			0.059	0.060	08/01 - Monthly		1,460,752.41	1,460,752.41
558775002MONEY	775002MONEY	USBANK	22,258,802.39	0.050			0.059	0.060	08/01 - Monthly		22,258,802.39	22,258,802.39
558775003MONEY	775003MONEY	USBANK	0.00	0.050			0.059	0.060	07/01 - Monthly	0.00	0.00	0.00
55880000MONEY	8000MONEY	USBANK	0.00	0.050			0.059	0.060	01/01 - Monthly	0.00	0.00	0.00
55880000MONEY	88000MONEY	USBANK	2,152,047.57	0.050			0.059	0.060	04/01 - Monthly		2,152,047.57	2,152,047.57
Cash Totals			36,958,081.17							0.00	36,958,081.17	36,958,081.17
Total Cash and Investments			43,658,081.17				1.58%	1.60%		0.00	43,614,881.17	43,614,881.17

**MSR Public Power Agency Trust
Portfolio Management
Activity By Type
May 1, 2020 through May 31, 2020**

CUSIP	Investment #	Issuer	Beginning Balance	Stated Rate	Transaction Date	Purchases or Deposits	Redemptions or Withdrawals	Ending Balance
Passbook/Checking Accounts (Monthly Summary)								
SYS19006MONEY	93000MONEY	U.S. Bank Corporate Trust		0.240		5,371,086.78	22,067.70	
SYS775000MONEY	776000MONEY	U.S. Bank Corporate Trust		0.240		2,283,617.72	1,253,637.92	
SYS775000MONEY	778000MONEY	U.S. Bank Corporate Trust		0.250		294,405.95	0.00	
SYS775000MONEY	778052MONEY	U.S. Bank Corporate Trust		0.250		1,593,618.43	0.00	
SYS880039MONEY	88000MONEY	U.S. Bank Corporate Trust		0.280		463.72	0.00	
		Subtotal	29,391,234.25			9,873,230.68	2,526,363.62	36,958,001.67
Federal Agency Issues - Coupon								
313503NGB	17281	Federal Natl Mtg Assoc		1.200	05/18/2021	0.00	1,270,000.00	
31345APL1	17311	Fed Home Loan Mortgage Corp		1.200	05/26/2021	0.00	4,970,000.00	
		Subtotal	11,526,800.00			0.00	6,240,000.00	6,656,800.00
		Total	41,318,034.25			9,873,230.68	7,576,363.62	43,614,691.17



MSR Public Power Agency Trust
Received Interest
 Sorted by Date Received
 Received May 1, 2020 - May 31, 2020

Modesto Irrigation District
 1234 - 11th St
 Modesto, CA 95362
 (209)578-7200

Date Received	CUSIP	Investment #	Security Type	Par Value	Current Rate	Date Due	Date Received	Interest		Variance
								Amount Due	Amount Received	
May 2020	1736G2N08	17283	F40	0.00	1.200	05/15/2025	05/15/2020	7,500.00	7,500.00	-
	1736G4H11	17213	F40	0.00	1.200	05/28/2025	05/28/2020	24,000.00	24,000.00	-
							Subtotal	31,500.00	31,500.00	
							Total	31,500.00	31,500.00	
							Total Cash Overpayment	0.00		
							Total Cash Shortfall	0.00		

MSR Public Power Agency Trust
 Received Interest
 Received May 1, 2020 - May 31, 2020

Date Received	CUSIP	Investment #	Security Type	Par Value	Current Rate	Date Received	Interest Amount Received
Cash Accounts							
May 2020	87030000 MONEY	800000 MONEY	PA1	10,942,644.85	0.00%	05/01/2020	45.76
	87037000 MONEY	770000 MONEY	PA1	83,544.00	0.00%	05/01/2020	16.50
	87037001 MONEY	770001 MONEY	PA1	1,480,752.41	0.00%	05/01/2020	191.70
	87037002 MONEY	770002 MONEY	PA1	22,252,852.35	0.00%	05/01/2020	1,718.57
	87039000 ONLY	050000 MONEY	PA1	2,192,047.57	0.00%	05/01/2020	440.72
						Subtotal	4,408.75
						Total	4,408.75



**MSR Public Power Agency Trust
Maturity Report**

Modesto Irrigation District
1231 - 11th St.
Modesto, CA 95352
(209)536-7558

Sorted by Maturity Date

Amounts due during **May 1, 2020 - May 31, 2020**

CUSIP	Investment #	Fund	Sec. Type	Issuer	Par Value	Maturity Date	Purchase Date	Rate at Maturity	Book Value at Maturity	Interest	Maturity Proceeds	Net Income
313527MFC	17282	32000	FAC	FOUMA	1,270,000.00	05/18/2020	05/05/2019	1.200	1,270,000.00	7,620.00	1,277,620.00	7,620.00
313527MFL	17212	32000	FAC	FREDMC	4,000,000.00	05/26/2020	04/07/2019	1.200	4,000,000.00	24,000.00	4,024,000.00	24,000.00
Total Maturities					5,270,000.00				5,270,000.00	31,620.00	5,301,620.00	31,620.00



MSR Public Power Agency Trust
Realized Gains and Losses
Sorted By Maturity/Sale/Call Date
Sales/Calls/Maturities: May 1, 2020 - May 31, 2020

Modesto Irrigation District
 1231 - 1st St
 Modesto, CA 95352
 (209)526-7338

Investment #	Inv. Type	Purchase Date	Par Value	Sale Date	Days Held	Book Value	Maturity/Sale Proceeds	Realized Gain/Loss	Total Earnings	Total Net Earnings	Total Yield %
Issuer			Current Rate	Maturity Date	Term						
17291	FAC	05/25/2016	1,270,000.00	05/18/2020	1,454	1,270,000.00	1,270,000.00	0.00	60,663.67	60,663.67	1.159
Federal Nat'l Mtg. Assoc.			1.200	05/18/2020	1,454						
17311	FAC	05/25/2016	4,000,000.00	05/20/2020	1,357	4,000,000.00	4,000,000.00	0.00	178,630.33	178,630.33	1.001
Fed Home Loan Mortgage Corp			1.200	05/20/2020	1,357						
Total Realized Gains/Losses						5,270,000.00	5,270,000.00	0.00	239,197.00	239,197.00	1.200

The background features three blue circles of varying sizes, each with a white ring around its center. These circles are connected by thin lines: a light green line from the top left to the middle circle, a light grey line from the top left to the top circle, and a gold line from the top right to the bottom circle. The bottom circle is partially cut off by the right edge of the page.

Treasurer's Report

JUNE 2020



**M-S-R Public Power Agency
Treasurer's Report
Index**

Treasurer's Report for the Month of June 2020

Investment Portfolio Pie Chart

MSR / LAIF / US Treasury 2-Year

Average Maturity Report

Quarterly Comparison – Second Quarter

General Fund:

 Portfolio Summary

 Portfolio Details – Investments

 Portfolio Details – Cash

 Investment Status Report – Investments

 Investment Status Report – Cash

 Activity by Type

 Activity Report LAIF

Trust Funds:

 Portfolio Summary

 Portfolio Details – Investments

 Portfolio Details – Cash

 Investment Status Report – Investments

 Investment Status Report – Cash

 Activity by Type

 Received Interest

 Realized Gains and Losses

**MSR PUBLIC POWER AGENCY
TREASURER'S REPORT
FOR THE MONTH OF JUNE 2020**

FUND BALANCES

	5/31/2020			6/30/2020	6/30/2020	6/30/2020	Unrealized Gain/Loss
	Cost Value	Receipts	Disbursements	Cost Value	Reserves: Mkt Value*	Mkt Value*	
UNRESTRICTED FUNDS							
General Fund, net of MCCRA	39,741,192	0	0	39,207,179			
Member Cash Call Reserve Acct.	197,629	0	0	197,629			
Debt Service Coverage Revolving Fund	2,750,000	275,000	0	3,025,000			
	42,688,821	6,847,798	7,106,811	42,429,808		42,429,808	0
RESTRICTED FUNDS							
MSR 2018 Series R	23,823,189	4,568,624	2,283,601	26,108,412	0	26,108,412	0
MSR SJ Coal Reclamation Trust	17,599,645	22,558	61,560	17,560,645	0	17,576,780	116,135
MSR SJ Decommissioning Trust	2,192,048	163	0	2,192,211	0	2,192,211	0
	43,614,881	4,591,547	2,345,160	45,861,268	0	45,977,403	116,135
TOTAL FUNDS	86,303,702	11,439,345	9,451,972	88,291,076	0	88,407,211	116,135

CASH & INVESTMENTS

DEMAND ACCOUNTS			
Union Bank - General Fund			153,770
INVESTMENTS (See Attached)			
	<u>Standard per Gov't Code</u>	<u>Actual</u>	
Bankers Acceptances	40%	0.0%	0
Certificates of Deposit(Coll./Ins.)	No Limit	0.0%	0
Commercial Paper(A1/P1)	25%	0.0%	0
Corporate Notes-Medium Term	30%	0.0%	0
Federal Agencies	No Limit	7.6%	6,656,800
Local Agency Investment Fund	\$75,000,000	48.0%	42,292,226
Money Market Accounts	No Limit	44.5%	39,204,468
Repurchase Agreements	No Limit	0.0%	0
U.S. Treasury Instruments	No Limit	0.0%	0
TOTAL INVESTMENTS		<u>100.0%</u>	<u>88,153,494</u>
Add: Deposits in transit			0
Less: Outstanding checks			(16,166)
TOTAL CASH & INVESTMENTS			<u><u>88,291,076</u></u>

* Source of Market Value Information is US Bank, Union Bank, and Bloomberg Financial Systems

We certify that this statement is a true and correct record of transactions in the Treasury since the prior report. The agency has sufficient liquid assets on deposit to meet its obligations over the next 6 months. All investments are in compliance with the agency's investment policy guidelines.

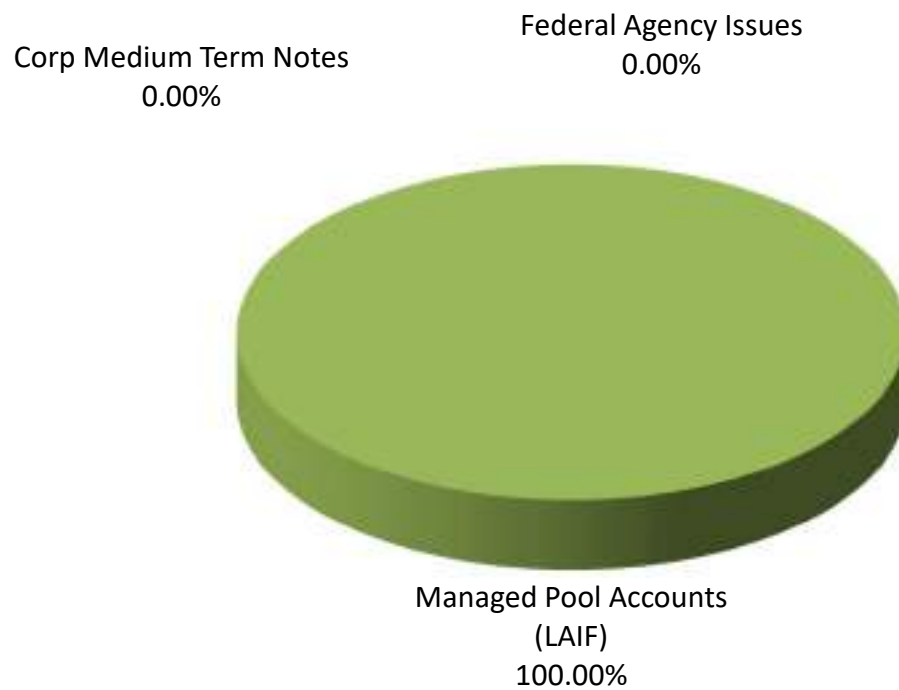


Scott Van Vuren -- Treasurer

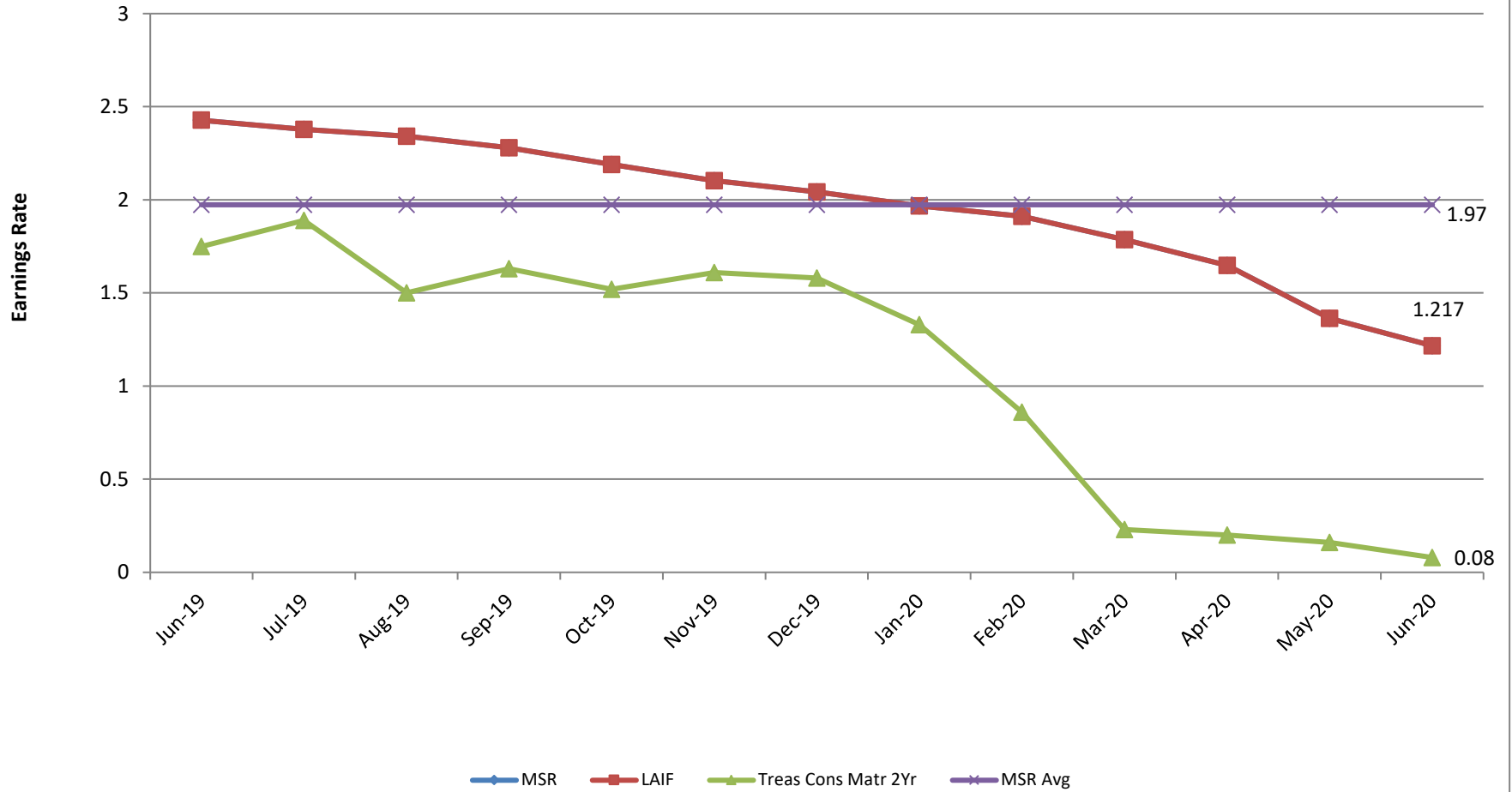


Ana Vigil -- Assistant Treasurer

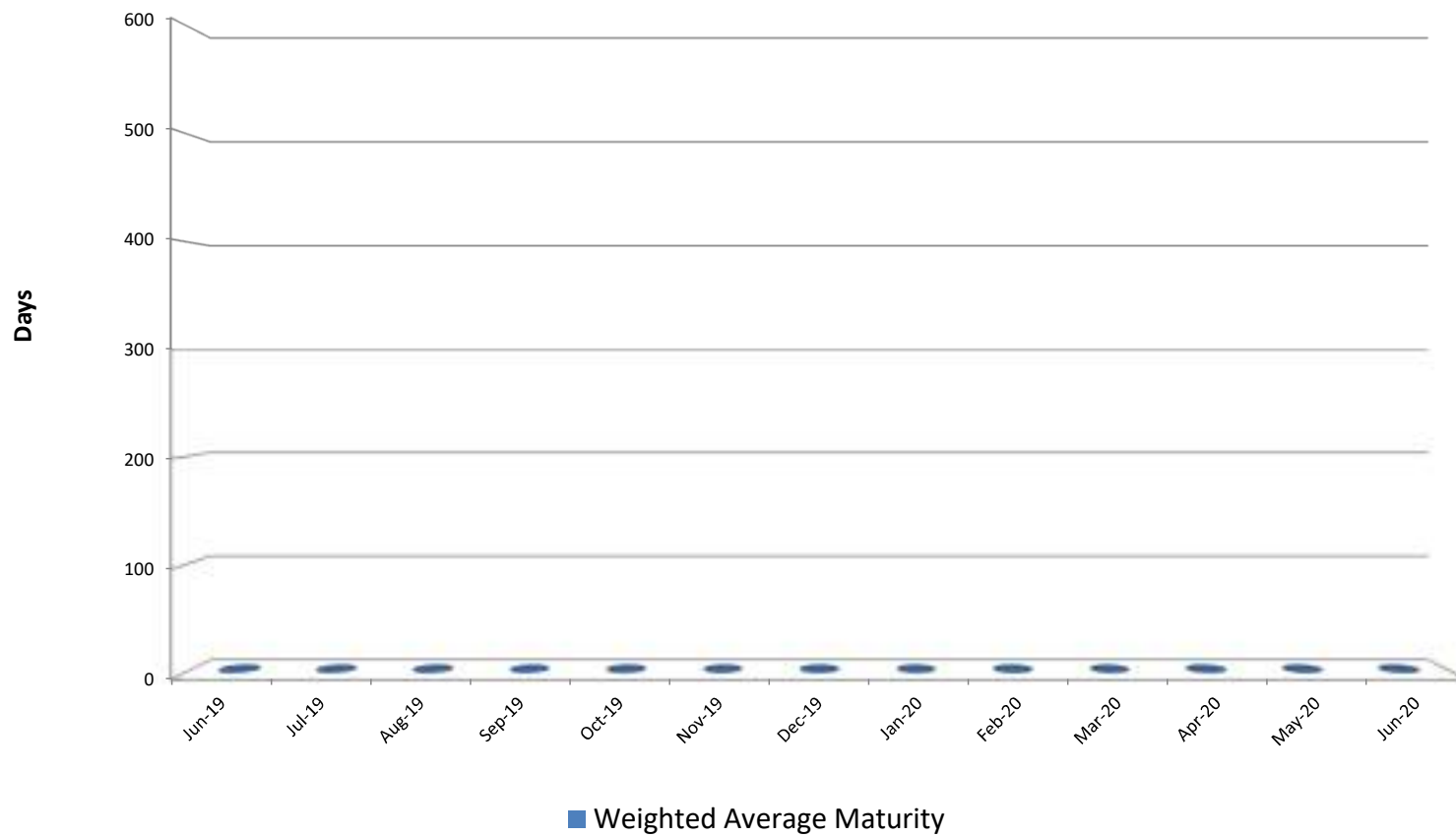
M-S-R Public Power Agency Investment Portfolio June 2020



MSR / LAIF / US Treasury 2-Year June 2020



General Fund Portfolio Average Maturity Report





**MSR Public Power Agency
Portfolio Management
Portfolio Summary
June 30, 2020**

Modesto Irrigation District
1331 - 11th St.
Modesto, CA 95352
(209)628-7308

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 365 Days
Managed Pool Accounts	42,292,226.30	42,292,226.30	42,292,226.30	100.00	1	1	1.217
Investments	42,292,226.30	42,292,226.30	42,292,226.30	100.00%			
Cash							
Fastbooks/Checking (not included in calculations)	117,581.53	117,581.53	117,581.53		1	1	0.000
Total Cash and Investments	42,429,808.13	42,429,808.13	42,429,808.13		1	1	1.217

Total Earnings	June 30 Month Ending	Fiscal Year To Date
Current Year	42,472.53	160,835.00
Average Daily Balance	42,636,187.41	
Effective Rate of Return	1.21%	

Scott Van Vuren, Treasurer

**MSR Public Power Agency
Portfolio Management
Portfolio Details - Investments
June 30, 2020**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM	Days to 365 Maturity	Maturity Date
Managed Pool Accounts												
5YSLAF	JAF	Local Agency Investment Fund			42,292,226.30	42,292,226.30	42,292,226.30	1.217		1.217	1	
		Subtotal and Average	42,460,652.97		42,292,226.30	42,292,226.30	42,292,226.30			1.217	1	
		Total and Average	42,626,147.41		42,292,226.30	42,292,226.30	42,292,226.30			1.217	1	

**MSR Public Power Agency
 Portfolio Management
 Portfolio Details - Cash
 June 30, 2020**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	SBP	YTM %	Days to Maturity
Passbook Checking Accounts											
315500000	GENERAL	Junior Bank of California		01/01/1969	137,581.83	137,581.83	137,581.83			0.700	1
		Average Balance	0.00								1
Total Cash and Investments			42,429,187.41		42,429,808.13	42,429,808.13	42,429,808.13			1.217	1

**MSR Public Power Agency
Portfolio Management
Investment Status Report - Investments
June 30, 2020**

CUSIP	Investment #	Issuer	Par Value	Stated Rate	Maturity Date	Purchase	YTM 360	YTM 365	Payment Dates	Accrued Interest	Current Principal	Book Value
Managed Pool Accounts												
975624R	LAIF	LAIF	42,292,225.30	1.217			1.200	1.217	3-15-Quarterly		42,292,225.30	42,292,225.30
	Managed Pool Accounts Totals		42,292,225.30				1.200	1.217		0.00	42,292,225.30	42,292,225.30
	Investment Totals		42,292,225.30				1.200	1.217		0.00	42,292,225.30	42,292,225.30

**MSR Public Power Agency
Portfolio Management
Investment Status Report - Cash
June 30, 2020**

CUSIP	Investment #	Issuer	Par Value	Stated Rate	Maturity Date	Purchase P	YTM 360	YTM 365	Payment Dates	Accrued Interest	Current Principal	Book Value
Passbook/Checking Accounts												
5330GENERAL FLND	GENERAL	HBC	137,561.83			01.07.1995	0.000	0.000	7 - Monthly		137,561.83	137,561.83
Cash Total			137,561.83							0.00	137,561.83	137,561.83
Total Cash and Investments			42,425,808.13				1.203	1.217		0.00	42,425,808.13	42,425,808.13

**MSR Public Power Agency
Portfolio Management
Activity By Type
June 1, 2020 through June 30, 2020**

CUSIP	Investment #	Issuer	Beginning Balance	Stated Rate	Transaction Date	Purchases or Deposits	Redemptions or Withdrawals	Ending Balance
Managed Pool Accounts (Monthly Summary)								
SYELAF	JAF	Local Agency Investment Fund		1.217		0.00	20,000.00	
		Subtotal	42,612,226.39			0.00	20,000.00	42,592,226.39
Passbook/Checking Accounts (Monthly Summary)								
BYSGENERAL FUND	GENERAL	First Bank of California				0.00	38,010.05	
		Subtotal	176,554.65			0.00	38,010.05	137,544.60
		Total	42,688,821.14			0.00	58,010.05	42,630,811.14



MSR Public Power Agency
Activity Report
Issuer: Local Agency Investment Fund
June 1, 2020 - June 30, 2020

Modesto Irrigation District
 123 E - 11th St
 Modesto, CA, 95352
 (209)526-7306

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value Beginning Balance	Current Rate	Transaction Date	Purchases or Deposits	Par Value Redemptions or Withdrawals	Ending Balance
Issuer: Local Agency Investment Fund									
Managed Pool Accounts									
SYSLAP	LAIF	Local Agency Investment Fund			1.217		0.00	220,000.00	
		Subtotal and Balance		42,512,226.30			0.00	220,000.00	42,732,226.30
		Issuer Subtotal	88.676%	42,512,226.30			0.00	220,000.00	42,732,226.30
		Total		42,512,226.30			0.00	220,000.00	42,732,226.30



**MSR Public Power Agency Trust
Portfolio Management
Portfolio Summary
June 30, 2020**

Modesto Irrigation District
1231 - 11th St.
Modesto, CA 95352
(209)528-7308

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 365 Equip.
Federal Agency Issues - Coupon	6,700,000.00	6,772,935.00	6,656,800.00	109.30%	1.825	326	1.607
Investments	6,700,000.00	6,772,935.00	6,656,800.00	100.00%	1.825	326	1.607
Cash							
Passbook/Checking [not included in yield calculations]	18,224,457.58	39,284,467.68	18,224,457.58				0.950
Total Cash and Investments	45,904,457.58	45,977,402.68	45,881,257.58		1.825	326	1.607
Total Earnings	June 30	Month Ending	Fiscal Year To Date				
Current Year		10,068.04	136,808.01				
Average Daily Balance	44,071,322.58						
Effective Rate of Return	0.28%						

Scott Van Vuren, Treasurer

MSR Public Power Agency Trust
Portfolio Management
Portfolio Details - Investments
June 30, 2020

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
Federal Agency Issues - Coupon												
01350uF73	17246	Federal Natl Mtg Assoc		11/06/2015	3,000,000.00	3,010,140.00	2,959,800.00	1.500		1.502	152	11/30/2020
0138735J0	17314	Federal Natl Mtg Assoc		09/26/2018	2,700,000.00	2,755,795.00	2,700,000.00	1.450		1.450	453	09/29/2024*
		Subtotal and Average	6,656,800.00		6,700,000.00	6,772,935.00	6,659,800.00			1.407	320	
		Total and Average	66,071,027.60		6,700,000.00	6,772,935.00	6,659,800.00			1.607	320	

MSR Public Power Agency Trust
Portfolio Management
Portfolio Details - Cash
June 30, 2020

USSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity
Passbook/Checking Accounts											
SY593000MONEY	3000MONEY	U.S. Bank Corporate Trust			10,900,044.50	10,900,044.50	10,900,144.30	0.060		0.060	1
SY571000MONEY	7000MONEY	U.S. Bank Corporate Trust			0.00	0.00	0.00	0.060		0.060	1
SY5776000MONEY	776000MONEY	U.S. Bank Corporate Trust			83,550.28	83,550.26	83,550.28	0.060		0.060	1
SY5776001MONEY	776001MONEY	U.S. Bank Corporate Trust			1,775,154.19	1,775,154.19	1,775,154.19	0.060		0.060	1
SY5776002MONEY	776002MONEY	U.S. Bank Corporate Trust			24,249,707.67	24,249,707.67	24,249,707.67	0.060		0.060	1
SY5776003MONEY	776003MONEY	U.S. Bank Corporate Trust			0.00	0.00	0.00	0.060		0.060	1
SY567000MONEY	6000MONEY	U.S. Bank Corporate Trust			0.00	0.00	0.00	0.060		0.060	1
SY567000MONEY	8000MONEY	U.S. Bank Corporate Trust			2,192,211.04	2,192,211.04	2,192,211.04	0.060		0.060	1
		Average Balance	0.00								1
Total Cash and Investments			44,074,342.66		45,904,467.68	45,977,402.68	45,861,267.68			1.507	320

MSR Public Power Agency Trust
Portfolio Management
Investment Status Report - Investments
June 30, 2020

CLSI#	Investment #	Issuer	Par Value	Stated Rate	Maturity Date	Purchase	YTM 360	YTM 365	Payment Dates	Accrued Interest	Current Principal	Book Value
Federal Agency Issues - Coupon												
313530173	17244	FYMA	3,000,000.00	1.300	11/30/202	11/30/2015	1.779	1.502	05/30 11/30		2,956,900.00	2,956,900.00
313530264	17314	FNMA	3,700,000.00	1.450	05/25/202	05/25/2015	1.430	1.450	03/29 05/29		3,700,000.00	3,700,000.00
Federal Agency Issues - Coupon Totals			6,700,000.00				1.585	1.607		0.00	6,656,900.00	6,656,900.00
Investment Totals			6,700,000.00				1.586	1.607		0.00	6,656,900.00	6,656,900.00

**MSR Public Power Agency Trust
Portfolio Management
Investment Status Report - Cash
June 30, 2020**

CUSIP	Investment #	Issuer	Par Value	Stated Rate	Maturity Date	Purchase Price	YTM 950	YTM 355	Payment Dates	Accrued Interest	Current Principal	Book Value
Passbook/Checking Accounts												
8Y53000MONEY	34000MONEY	USBANK	10,903,544.50	0.000		0.000	0.000	0.000	6/30 - Monthly		10,903,544.50	10,903,544.50
8Y57000MONEY	7000MONEY	USBANK	0.00	0.000		0.000	0.000	0.000	6/30 - Monthly		0.00	0.00
8Y5776000MONEY	77600MONEY	USBANK	83,163.28	0.000		0.000	0.000	0.000	6/30 - Monthly		83,163.28	83,163.28
8Y5776001MONEY	77601MONEY	USBANK	1,775,154.19	0.000		0.000	0.000	0.000	6/30 - Monthly		1,775,154.19	1,775,154.19
8Y5776002MONEY	77602MONEY	USBANK	24,249,707.67	0.000		0.000	0.000	0.000	6/30 - Monthly		24,249,707.67	24,249,707.67
8Y5776003MONEY	77603MONEY	USBANK	0.00	0.000		0.000	0.000	0.000	6/30 - Monthly		0.00	0.00
8Y5776004MONEY	77604MONEY	USBANK	0.00	0.000		0.000	0.000	0.000	6/30 - Monthly		0.00	0.00
8Y5776005MONEY	77605MONEY	USBANK	2,192,211.04	0.000		0.000	0.000	0.000	6/30 - Monthly		2,192,211.04	2,192,211.04
Cash Totals			39,204,467.68							0.00	39,204,467.68	39,204,467.68
Total Cash and Investments			45,861,257.88				1.585	1.607		0.00	45,861,257.88	45,861,257.88

MSR Public Power Agency Trust
Portfolio Management
Activity By Type
June 1, 2020 through June 30, 2020

CUSIP	Investment #	Issuer	Beginning Balance	Stated Rate	Transaction Date	Purchases or Deposits	Redemptions or Withdrawals	Ending Balance
Passbook/Checking Accounts (Monthly Summary)								
84530000000000000000	33000 MONEY	U.S. Bank Corporate Trust		0.000		22,559.28	61,659.83	
84570000000000000000	776000 MONEY	U.S. Bank Corporate Trust		0.060		2,183,607.15	2,212,800.97	
84577600100000000000	776001 MONEY	U.S. Bank Corporate Trust		0.000		284,291.78	0.00	
84577600200000000000	776002 MONEY	U.S. Bank Corporate Trust		0.000		1,353,275.20	0.00	
84598000000000000000	88000 MONEY	U.S. Bank Corporate Trust		0.050		163.07	0.00	
	Subtotal		86,958,081.17			4,301,546.28	2,345,160.45	39,204,467.66
Federal Agency Issues - Coupon								
	Subtotal		6,685,806.00					6,685,806.00
	Total		43,644,887.17			4,301,546.28	2,345,160.45	45,951,267.61



MSR Public Power Agency Trust
Received Interest
Sorted by Date Received
Received June 1, 2020 - June 30, 2020

Madera Irrigation District
 1231 - 11th St
 Madera, CA 95352
 (559)626-7308

Date Received	CUSIP	Investment #	Security Type	Par Value	Current Rate	Date Due	Date Received	Interest		Variance
								Amount Due	Amount Received	
June 2020	31350CPT3	17244	FAC	3,000,000.00	1.99%	05/10/2020	05/01/2020	22,500.00	22,500.00	.
							Subtotal	22,500.00	22,500.00	
							Total	22,500.00	22,500.00	
							Total Cash Overpayment	0.00		
							Total Cash Shortfall	0.00		

MSR Public Power Agency Trust
 Received Interest
 Received June 1, 2020 - June 30, 2020

Date Received	CUSIP	Investment #	Security Type	Par Value	Current Rate	Date Received	Interest Amount Received
Cash Accounts							
June 2020	5Y528200 MONEY	00500 MONEY	PA1	10,901,894.50	0.260	07/01/2020	59.35
	5Y577500 MONEY	77500 MONEY	PA1	30,500.00	0.260	06/01/2020	6.23
	5Y577500 MONEY	77500 MONEY	PA1	1,775,124.15	0.260	06/01/2020	46.62
	5Y577500 MONEY	77500 MONEY	PA1	4,248,307.57	0.160	06/01/2020	1,524.52
	5Y588200 MONEY	88200 MONEY	PA1	2,142,211.64	0.260	06/01/2020	180.07
						Subtotal	1,845.17
						Total	1,845.12



MSR Public Power Agency Trust
Realized Gains and Losses
 Sorted By Maturity/Sale/Call Date
 Sales/Calls/Maturities: June 1, 2020 - June 30, 2020

Modesto Irrigation District
 1231 - 11th St
 Modesto, CA 95352
 (209)525-7100

Investment #	Inv. Type	Purchase Date	Par Value	Sale Date	Days Held	Realized Gain/Loss	Total Earnings	Total Net Earnings	Total Yield %
Issuer			Current Rate	Maturity Date	Term	Book Value	Maturity/Sale Proceeds		
No Sales or Maturities			0.00		0	0.00	0.00	0.00	0.00

The background features three blue circles of varying sizes, each with a lighter blue ring around its center. These circles are connected by thin lines: a light green line from the top left to the middle circle, a light grey line from the top left to the top circle, and a light gold line from the top right to the bottom circle. The bottom circle is partially cut off by the right edge of the page.

Treasurer's Report

JULY 2020



**M-S-R Public Power Agency
Treasurer's Report
Index**

Treasurer's Report for the Month of July 2020

Investment Portfolio Pie Chart

MSR / LAIF / US Treasury 2-Year

Average Maturity Report

General Fund:

 Portfolio Summary

 Portfolio Details – Investments

 Portfolio Details – Cash

 Investment Status Report – Investments

 Investment Status Report – Cash

 Activity by Type

 Activity Report LAIF

Trust Funds:

 Portfolio Summary

 Portfolio Details – Investments

 Portfolio Details – Cash

 Investment Status Report – Investments

 Investment Status Report – Cash

 Activity by Type

 Received Interest

 Realized Gains and Losses

**MSR PUBLIC POWER AGENCY
TREASURER'S REPORT
FOR THE MONTH OF JULY 2020**

FUND BALANCES

	6/30/2020			7/31/2020	7/31/2020	7/31/2020	Unrealized Gain/Loss
	Cost Value	Receipts	Disbursements	Cost Value	Reserves: Mkt Value*	Mkt. Value*	
UNRESTRICTED FUNDS							
General Fund, net of MCCRA	39,207,179	0	0	39,771,228			
Member Cash Call Reserve Acct.	197,629	0	0	197,629			
Debt Service Coverage Revolving Fund	3,025,000	275,000	3,300,000	0			
	42,429,808	11,252,091	13,713,042	39,968,857		39,968,857	0
RESTRICTED FUNDS							
MSR 2018 Series R	26,108,412	56,564,664	80,229,405	2,443,672	0	2,443,672	0
MSR SJ Coal Reclamation Trust	17,560,645	54	92,613	17,468,066	0	17,580,228	112,142
MSR SJ Decommissioning Trust	2,192,211	100	0	2,192,311	0	2,192,311	0
	45,861,268	56,564,818	80,322,018	22,104,068	0	22,216,210	112,142
TOTAL FUNDS	88,291,076	67,816,909	94,035,059	62,072,925	0	62,185,067	112,142

CASH & INVESTMENTS

DEMAND ACCOUNTS			829,657
Union Bank - General Fund			
INVESTMENTS (See Attached)		Standard per Gov't Code	Actual
Bankers Acceptances	40%	0.0%	0
Certificates of Deposit(Coll./Ins.)	No Limit	0.0%	0
Commercial Paper(A1/P1)	25%	0.0%	0
Corporate Notes-Medium Term	30%	0.0%	0
Federal Agencies	No Limit	10.8%	6,856,800
Local Agency Investment Fund	\$75,000,000	64.0%	39,293,399
Money Market Accounts	No Limit	25.2%	15,447,268
Repurchase Agreements	No Limit	0.0%	0
U.S. Treasury Instruments	No Limit	0.0%	0
TOTAL INVESTMENTS		100.0%	61,397,467
Add: Deposits in transit			0
Less: Outstanding checks			(154,199)
TOTAL CASH & INVESTMENTS			62,072,925

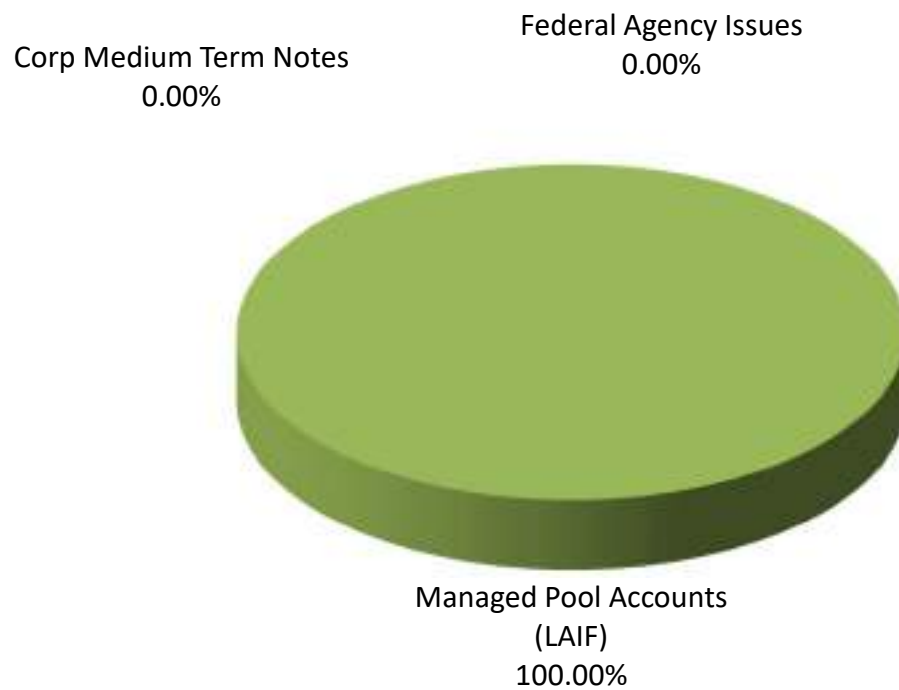
* Source of Market Value Information is US Bank, Union Bank, and Bloomberg Financial Systems

We certify that this statement is a true and correct record of transactions in the Treasury since the prior report. The agency has sufficient liquid assets on deposit to meet its obligations over the next 6 months. All investments are in compliance with the agency's investment policy guidelines.

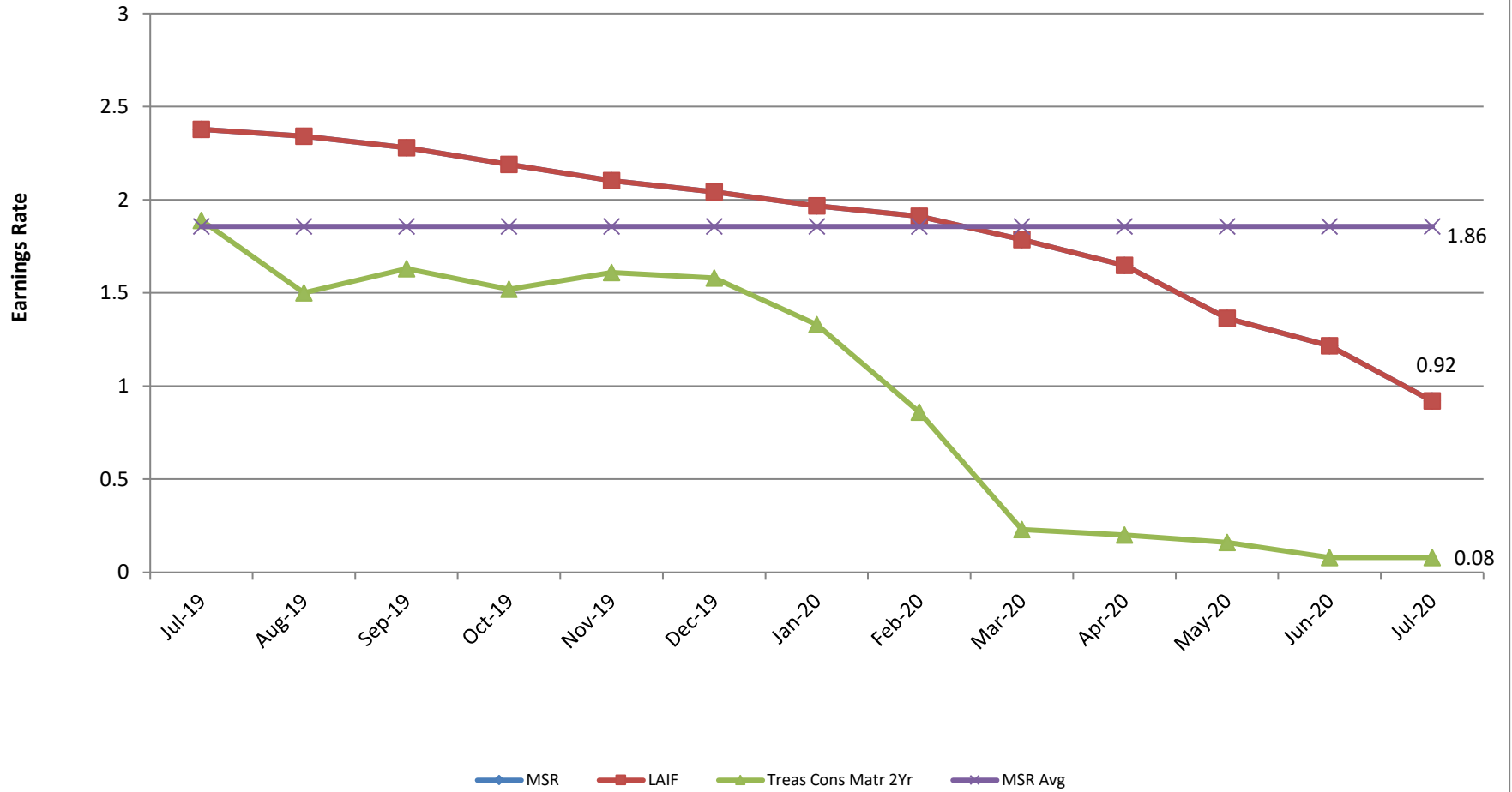

Scott Van Vuren -- Treasurer


Ana Vigil -- Assistant Treasurer

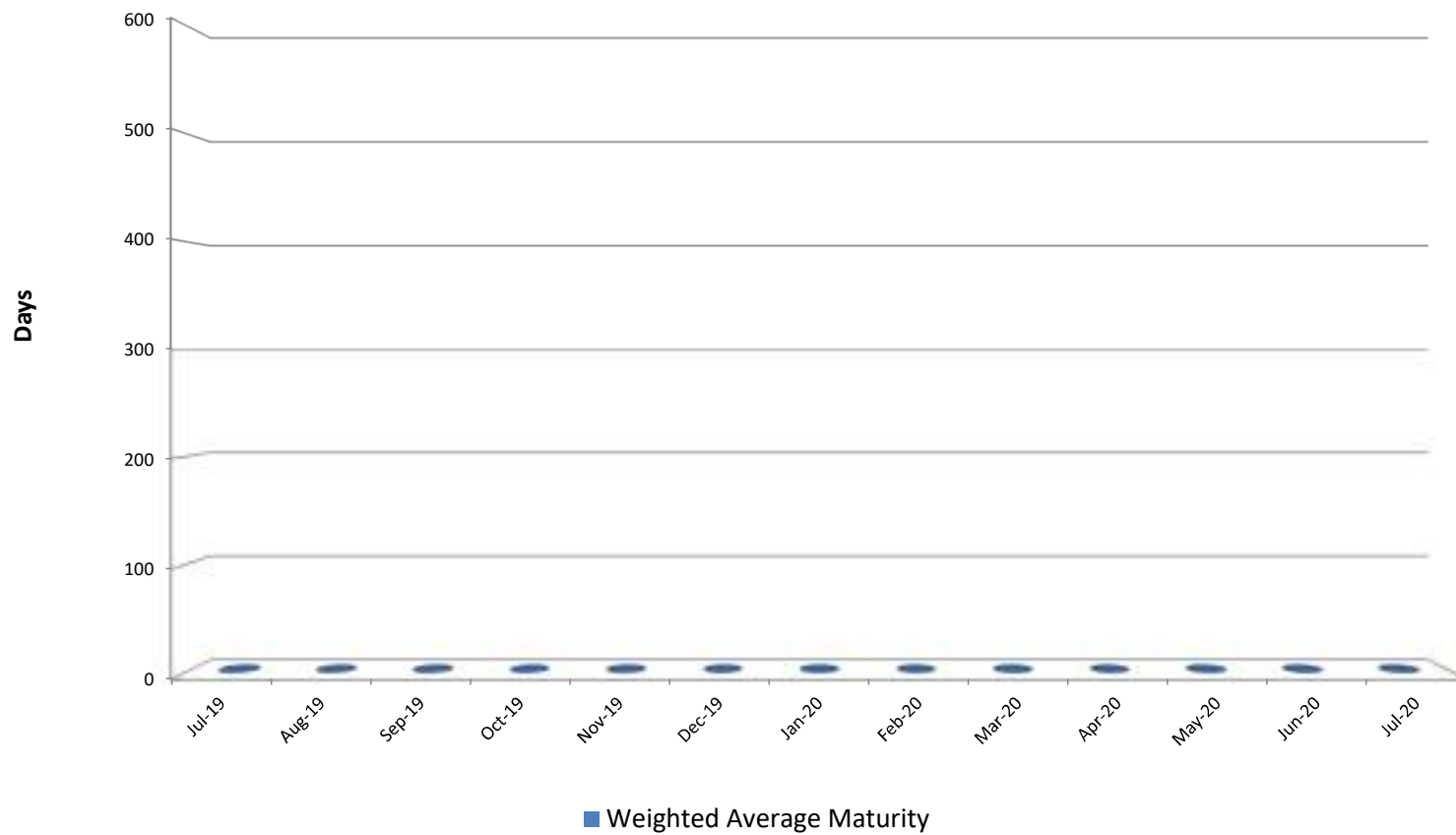
M-S-R Public Power Agency Investment Portfolio July 2020



MSR / LAIF / US Treasury 2-Year July 2020



General Fund Portfolio Average Maturity Report





**MSR Public Power Agency
Portfolio Management
Portfolio Summary
July 31, 2020**

Modesto Irrigation District
1231 - 11th St.
Modesto, CA 95352
(209)526-7308

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 365 Equiv.
Managed Port Accounts	39,293,398.96	39,293,398.96	39,293,398.96	100.00%	1	1	0.920
Investments	39,293,398.96	39,293,398.96	39,293,398.96	100.00%	1	1	0.920
Cash							
Passbook/Checkbook (not included in portfolio)	675,458.40	675,458.40	675,458.40		1	1	0.920
Total Cash and Investments	39,968,857.36	39,968,857.36	39,968,857.36		1	1	0.920
Total Earnings	July 31	Month Earning	Fiscal Year To Date				
Current Year		32,894.71	348,778.28				
Average Daily Balance		42,263,686.26					
Effective Rate of Return		0.92%					

Scott Van Wieren, Treasurer

**MSR Public Power Agency
Portfolio Management
Portfolio Details - Investments
July 31, 2020**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
Managed Pool Accounts												
SYSLAF	LAF	Local Agency Investment Fund			39,293,398.96	39,293,398.96	39,293,398.96	0.520		0.923	-	
		Subtotal and Average	42,098,753.67		39,293,398.96	39,293,398.96	39,293,398.96			0.923	1	
		Total and Average	42,251,684.26		39,293,398.96	39,293,398.96	39,293,398.96			0.923	1	

MSR Public Power Agency
Portfolio Management
Portfolio Details - Cash
July 31, 2020

GUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity
Passbook/Checking Accounts											
SYSGENERAL FUND	GENERAL	Univ Bank of California		01/01/1999	675,458.40	675,455.40	675,458.40			0.000	-
		Average Balance	0.00								1
Total Cash and Investments			42,253,888.26		39,968,857.06	39,968,857.06	39,968,857.06			0.990	1

**MSR Public Power Agency
Portfolio Management
Investment Status Report - Investments
July 31, 2020**

CUSIP	Investment #	Issuer	Par Value	Stated Rate	Maturity Date	Purchase	YTM 30	YTM 365	Payment Dates	Accrued Interest	Current Principal	Book Value
Managed Pool Accounts												
SYSLAF	LAF	LAF	39,293,398.96	0.920			0.907	0.920	2015 - Quarterly		39,293,398.96	39,293,398.96
Managed Pool Accounts Totals			39,293,398.96				0.907	0.920		0.00	39,293,398.96	39,293,398.96
Investment Totals			39,293,398.96				0.907	0.920		0.00	39,293,398.96	39,293,398.96

**MSR Public Power Agency
Portfolio Management
Investment Status Report - Cash
July 31, 2020**

CUSIP	Investment #	Issuer	Par Value	Stated Rate	Maturity Date	Purchase	YTM 360	YTM 365	Payment Dates	Accrued Interest	Current Principal	Book Value
Passbook/Checking Accounts												
055061HRA_FUND	GENLRSL	UBC	675,458.40			01/01/1999	0.000	0.000	1 - Monthly		675,458.40	675,458.40
Cash Totals			675,458.40							0.00	675,458.40	675,458.40
Total Cash and Investments			39,968,857.36				0.307	0.920		0.00	39,968,857.36	39,968,857.36

**MSR Public Power Agency
Portfolio Management
Activity By Type
July 1, 2020 through July 31, 2020**

CUSIP	Investment #	Issuer	Beginning Balance	Stated Rate	Transaction Date	Purchases or Deposits	Redemptions or Withdrawals	Ending Balance
Managed Pool Accounts (Monthly Summary)								
57521AF	LAIF	Local Agency Investment Fund		0.920		151,172.66	3,150,000.00	
		Subtotal	42,192,125.70			151,172.66	3,150,000.00	39,293,298.96
Passbook/Checking Accounts (Monthly Summary)								
5700GENERA.. FUND	GENEPH	Union Bank of California				337,876.57	0.00	
		Subtotal	137,581.85			337,876.57	0.00	675,458.40
		Total	42,425,808.15			689,049.23	1,150,000.00	39,968,857.16



MSR Public Power Agency
Received Interest
Sorted by Date Received
Received July 1, 2020 - July 31, 2020

Modesto Irrigation District
 1231 - 11th St
 Modesto, CA 95202
 (209)528-7000

Date Received	CUSIP	Investment #	Security Type	Par Value	Current Rate	Date Received	Interest	Amount Received
Cash Accounts								
July 2020	SYSLA F	LAP	CAF	38,293,780.00	0.420	07-15-2020		151,172.65
						Subtotal		151,172.65
						Total		151,172.65



MSR Public Power Agency
Activity Report
Issuer: Local Agency Investment Fund
July 1, 2020 - July 31, 2020

Modesto Irrigation District
 1231 - 17th St
 Modesto, CA 95357
 (209)526-7308

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value Beginning Balance	Current Rate	Transaction Date	Purchases or Deposits	Par Value Redemptions or Withdrawals	Ending Balance
Issuer: Local Agency Investment Fund									
Managed Pool Accounts									
SYS-AIF	LA F	Local Agency Investment Fund			0.0%		151,172.66	3,150,000.00	
		Subtotal and Balance		<u>42,292,226.20</u>			<u>151,172.66</u>	<u>3,150,000.00</u>	<u>39,293,398.96</u>
		Issuer Subtotal	98.110%	42,292,226.20			151,172.66	3,150,000.00	39,293,398.96
		Total		42,292,226.20			151,172.66	3,150,000.00	39,293,398.96



**MSR Public Power Agency Trust
Portfolio Management
Portfolio Summary
July 31, 2020**

Modesto Irrigation District
1231 - 11th St.
Modesto, CA 95352
(209) 525-7309

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 365 Equiv.
Federal Agency Issues - Coupon	6,700,000.00	6,768,942.00	6,696,800.00	100.00%	1,826	289	1.607
Investments	6,700,000.00	6,768,942.00	6,696,800.00	100.00%	1,826	289	1.607
Cash							
Debit/Chequing (not included in yield calculations)	15,447,268.10	15,447,268.10	15,447,268.10				0.000
Total Cash and Investments	22,147,268.10	22,216,210.10	22,104,068.10		1,826	289	1.607
Total Earnings	July 31	Month Ending	Fiscal Year To Date				
Current Year		8,912.25	145,135.67				
Average Daily Balance		20,225,067.29					
Effective Rate of Return		0.52%					

Scott Van Vuren, Treasurer

MSR Public Power Agency Trust
Portfolio Management
Portfolio Details - Investments
July 31, 2020

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 165	Days to Maturity	Maturity Date
Federal Agency Issues - Coupon												
31263272	1724	Federal Natl Mtg Assoc		11/01/2015	3,050,000.00	3,613,991.00	2,958,200.00	1.500		1.802	121	11/01/2020
31263281	17314	Federal Natl Mtg Assoc		09/29/2015	3,750,000.00	3,755,352.00	3,700,000.00	1.450		1.455	424	05/29/2021
		Subtotal and Average	6,854,800.00		6,700,000.00	6,768,942.00	6,605,000.00			1.607	288	
		Total and Average	26,225,067.29		6,700,000.00	6,768,942.00	6,656,900.00			1.607	288	

MSR Public Power Agency Trust
Portfolio Management
Portfolio Details - Cash
July 31, 2020

CUSIP	Investment	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity
Passbook/Checking Accounts											
95930000000000000000	95000000000000000000	U.S. Bank Corporate Trust			10,811,285.51	10,811,285.51	10,811,285.51	0.050		0.050	1
95970000000000000000	70000000000000000000	U.S. Bank Corporate Trust			0.00	0.00	0.00	0.050		0.050	1
95977500000000000000	70600000000000000000	U.S. Bank Corporate Trust			87,799.86	87,799.86	87,799.86	0.050		0.050	1
95977500000000000000	77600000000000000000	U.S. Bank Corporate Trust			216,100.84	216,100.84	216,100.84	0.050		0.050	1
95977600000000000000	77600000000000000000	U.S. Bank Corporate Trust			2,143,767.00	2,143,767.00	2,143,767.00	0.050		0.050	1
95977600000000000000	77600000000000000000	U.S. Bank Corporate Trust			0.00	0.00	0.00	0.050		0.050	1
95980000000000000000	80000000000000000000	U.S. Bank Corporate Trust			0.50	0.00	0.00	0.050		0.050	1
95980000000000000000	82000000000000000000	U.S. Bank Corporate Trust			2,192,310.90	2,192,310.90	2,192,310.90	0.050		0.050	1
Average Balance			5.00								1
Total Cash and Investments			20,225,057.29		22,147,268.10	22,216,210.10	22,104,068.10			1.507	285

**MSR Public Power Agency Trust
Portfolio Management
Investment Status Report - Investments
July 31, 2020**

CUSIP	Investment #	Issuer	Par Value	Stated Rate	Maturity Date	Purchase	YTM 360	YTM 365	Payment Dates	Accrued Interest	Current Principal	Book Value
Federal Agency Issues - Coupon												
013500FP3	17144	FNMA	3,000,000.00	1.500	11/30/2022	11/30/2019	1.570	1.652	05/05 - 11/30		2,956,000.00	2,956,000.00
013500HR	17114	FNMA	3,700,000.00	1.450	09/29/2022	09/29/2016	1.430	1.450	03/29 - 09/29		3,700,000.00	3,700,000.00
Federal Agency Issues - Coupon Totals			6,700,000.00				1.503	1.607		0.00	6,656,000.00	6,656,000.00
Investment Totals			6,700,000.00				1.503	1.607		0.00	6,656,000.00	6,656,000.00

MSR Public Power Agency Trust
Portfolio Management
Investment Status Report - Cash
July 31, 2020

CUSIP	Investment#	Issuer	Par Value	Stated Rate	Maturity Date	Purchase	YTM %0	YTM %5	Payment Dates	Accrued Interest	Current Principal	Book Value
Passbook/Checking Accounts												
SYS03000MONEY	03000MONEY	USBANK	10,511,285.51	0.000			0.059	0.060	03/01 - Monthly		10,511,285.51	10,511,285.51
SYS7000MONEY	7000MONEY	USBANK	0.00	0.000			0.059	0.060	01/01 - Monthly		0.00	0.00
SYS75000MONEY	75000MONEY	USBANK	83,799.96	0.000			0.059	0.060	05/01 - Monthly		83,799.96	83,799.96
SYS75001MONEY	75001MONEY	USBANK	218,103.54	0.000			0.059	0.060	05/01 - Monthly		218,103.54	218,103.54
SYS75002MONEY	75002MONEY	USBANK	2,143,767.90	0.000			0.059	0.060	01/01 - Monthly		2,143,767.90	2,143,767.90
SYS75003MONEY	75003MONEY	USBANK	0.00	0.000			0.059	0.060	07/01 - Monthly		0.00	0.00
SYS80000MONEY	8000MONEY	USBANK	0.00	0.000			0.059	0.060	01/01 - Monthly		0.00	0.00
SYS80000MONEY	80000MONEY	USBANK	2,452,110.94	0.000			0.059	0.060	04/01 - Monthly		2,452,110.94	2,452,110.94
Cash Totals			16,447,268.10							0.00	16,447,268.10	16,447,268.10
Total Cash and Investments			22,147,268.10				1.505	1.607		0.00	22,104,068.10	22,104,068.10

**MSR Public Power Agency Trust
Portfolio Management
Activity By Type
July 1, 2020 through July 31, 2020**

CUSIP	Investment #	Issuer	Beginning Balance	Stated Rate	Transaction Date	Purchases or Deposits	Redemptions or Withdrawals	Ending Balance
Passbook/Checking Accounts (Monthly Summary)								
51030000MONEY	02000MONEY	U.S. Bank Corporate Trust		0.060		60.01	82,612.00	
51037500MONEY	07000MONEY	U.S. Bank Corporate Trust		0.060		28,201,504.47	25,261,854.54	
510375001MONEY	070001MONEY	U.S. Bank Corporate Trust		0.060		1,900,699.05	3,547,750.00	
510375002MONEY	070002MONEY	U.S. Bank Corporate Trust		0.060		25,286,000.23	46,400,000.00	
510300000MONEY	00000MONEY	U.S. Bank Corporate Trust		0.060		99.95	0.00	
		Subtotal	39,204,467.68			66,064,014.16	70,322,017.74	15,447,266.10
Federal Agency Issues - Coupon								
		Subtotal	6,856,800.00					6,856,800.00
		Total	46,061,267.68			66,064,014.16	70,322,017.74	22,304,066.10



MSR Public Power Agency Trust
Received Interest
Sorted by Date Received
Received July 1, 2020 - July 31, 2020

Modesto Irrigation District
 1231 - 11th St.
 Modesto, CA 95352
 (209)526-7308

Date Received	CUSIP	Investment #	Security Type	Par Value	Current Rate	Date Received	Interest Amount Received
Cash Accounts							
July 2020	SYS22000X MONY	22000X MONY	PA1	10,811,255.51	0.050	07/01/2020	53.01
	SYS77600X MONY	77600X MONY	PA1	61,725.85	0.050	07/01/2020	3.01
	SYS77600Y MONY	77600Y MONY	PA1	215,133.84	0.050	07/01/2020	10.76
	SYS77600Z MONY	77600Z MONY	PA1	2,143,707.90	0.050	07/01/2020	1,071.82
	SYS77600A MONY	77600A MONY	PA1	2,192,010.99	0.050	07/01/2020	1,096.95
						Subtotal	1,281.55
						Total	1,281.55



MSR Public Power Agency Trust
Realized Gains and Losses
 Sorted By Maturity/Sale/Call Date
 Sales/Calls/Maturities: July 1, 2020 - July 31, 2020

Modesto Irrigation District
 1231 - 11th St.
 Modesto, CA 95222
 (209)528-7308

Investment #	Inv. Type	Purchase Date	Par Value	Sale Date	Days Held	Maturity/Sale Proceeds	Realized Gain/Loss	Total Earnings	Total Net Earnings	Total Yield %
Issuer			Current Rate	Maturity Date	Term	Book Value				
			1.00		0	0.00	0.00	0.00	0.00	0.00
No Sales or Maturities										

A decorative graphic on the right side of the page features three blue circles of varying sizes. The largest circle is at the top right, a medium one in the center, and another large one at the bottom right. Thin lines in light green, grey, and gold extend from the top left towards these circles.

Treasurer's Report

AUGUST 2020



**M-S-R Public Power Agency
Treasurer's Report
Index**

Treasurer's Report for the Month of August 2020

Investment Portfolio Pie Chart

MSR / LAIF / US Treasury 2-Year

Average Maturity Report

General Fund:

 Portfolio Summary

 Portfolio Details – Investments

 Portfolio Details – Cash

 Investment Status Report – Investments

 Investment Status Report – Cash

 Activity by Type

 Activity Report LAIF

Trust Funds:

 Portfolio Summary

 Portfolio Details – Investments

 Portfolio Details – Cash

 Investment Status Report – Investments

 Investment Status Report – Cash

 Activity by Type

 Received Interest

 Realized Gains and Losses

**MSR PUBLIC POWER AGENCY
TREASURER'S REPORT
FOR THE MONTH OF AUGUST 2020**

FUND BALANCES

	7/31/2020			8/31/2020	8/31/2020	8/31/2020	Unrealized Gain/Loss
	Cost Value	Receipts	Disbursements	Cost Value	Reserves: Mkt Value*	Mkt. Value*	
UNRESTRICTED FUNDS							
General Fund, net of MCCRA	39,771,228	0	0	39,952,784			
Member Cash Call Reserve Acct.	197,529	0	0	197,529			
Debt Service Coverage Revolving Fund	0	275,000	0	275,000			
	<u>39,968,857</u>	<u>7,248,722</u>	<u>6,792,168</u>	<u>40,425,413</u>		<u>40,425,413</u>	<u>0</u>
RESTRICTED FUNDS							
MSR 2018 Series R	2,443,672	4,615,832	2,307,780	4,751,723	0	4,751,723	0
MSR SJ Coal Reclamation Trust	17,468,086	50	67,827	17,400,309	0	17,504,512	104,203
MSR SJ Decommissioning Trust	2,192,311	1,112	1,000	2,192,423	0	2,192,423	0
	<u>22,104,068</u>	<u>4,616,994</u>	<u>2,376,607</u>	<u>24,344,455</u>	<u>0</u>	<u>24,448,658</u>	<u>104,203</u>
TOTAL FUNDS	<u>62,072,925</u>	<u>11,865,716</u>	<u>9,168,773</u>	<u>64,769,868</u>	<u>0</u>	<u>64,874,071</u>	<u>104,203</u>

CASH & INVESTMENTS

DEMAND ACCOUNTS

Union Bank - General Fund

1,148,545

INVESTMENTS (See Attached)

	Standard per Gov't Code	Actual	
Bankers Acceptances	40%	0.0%	0
Certificates of Deposit(Col.Ins.)	No Limit	0.0%	0
Commercial Paper(A1/P1)	25%	0.0%	0
Corporate Notes-Medium Term	30%	0.0%	0
Federal Agencies	No Limit	10.5%	6,656,800
Local Agency Investment Fund	\$75,000,000	61.8%	39,293,399
Money Market Accounts	No Limit	27.8%	17,687,655
Repurchase Agreements	No Limit	0.0%	0
U.S. Treasury Instruments	No Limit	0.0%	0
TOTAL INVESTMENTS		<u>100.0%</u>	<u>63,637,854</u>

Add: Deposits in transit

0

Less: Outstanding checks

(16,632)

TOTAL CASH & INVESTMENTS

64,769,868

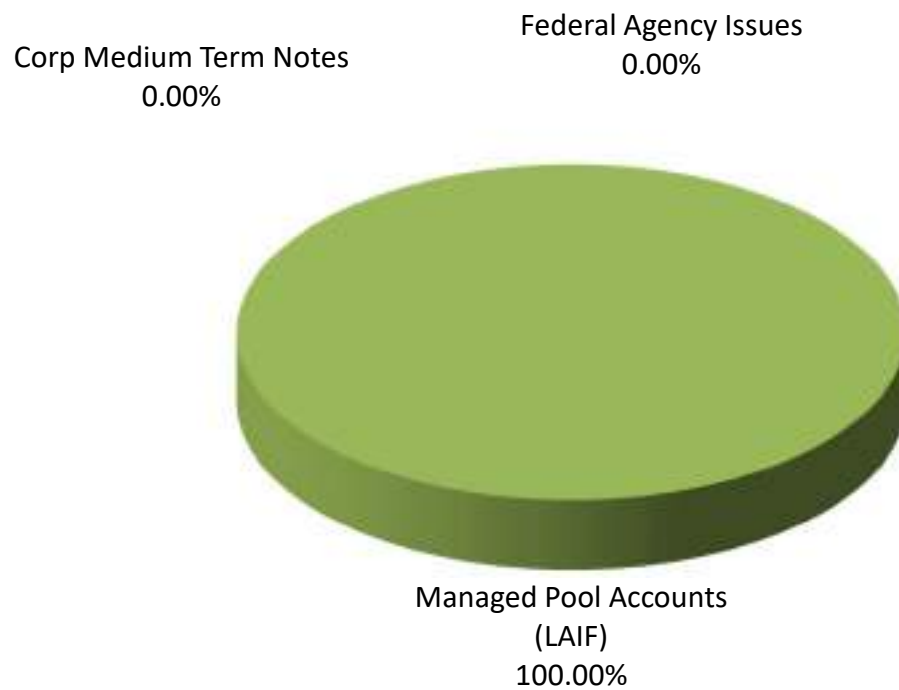
* Source of Market Value Information is US Bank, Union Bank, and Bloomberg Financial Systems

We certify that this statement is a true and correct record of transactions in the Treasury since the prior report. The agency has sufficient liquid assets on deposit to meet its obligations over the next 6 months. All investments are in compliance with the agency's investment policy guidelines.

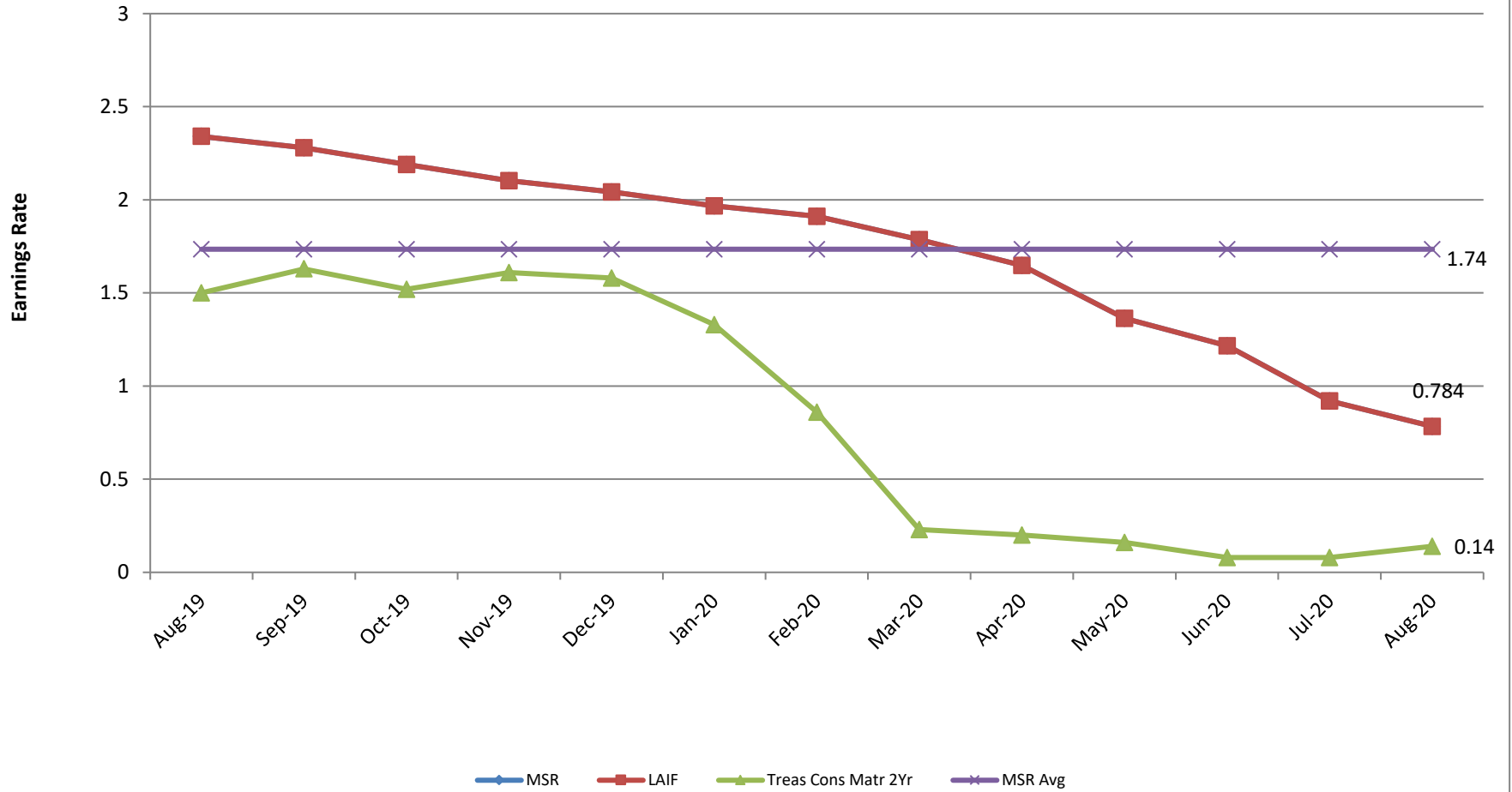

Scott Van Vuren -- Treasurer


Ana Vigil -- Assistant Treasurer

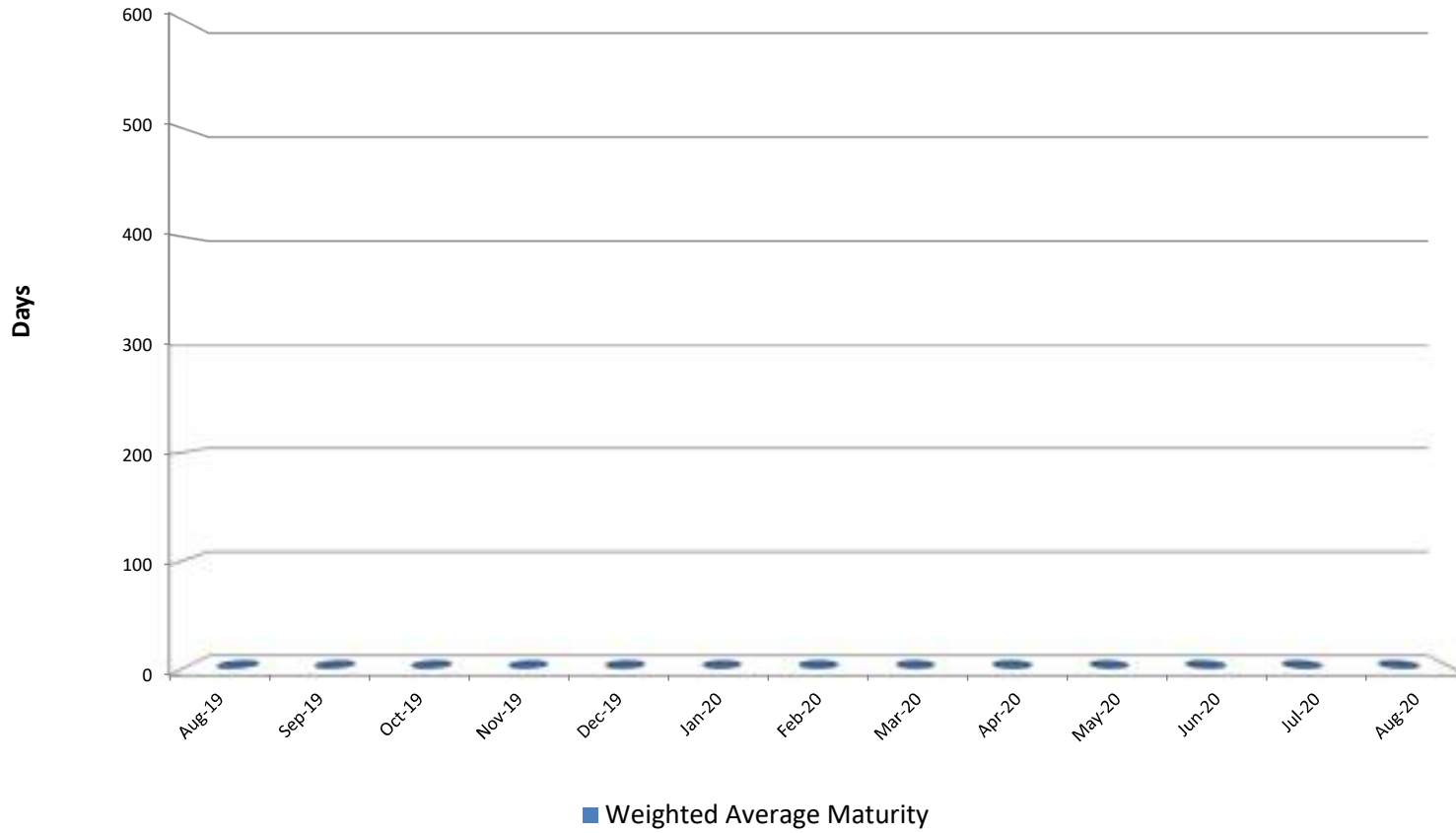
M-S-R Public Power Agency Investment Portfolio August 2020



MSR / LAIF / US Treasury 2-Year August 2020



General Fund Portfolio Average Maturity Report





**MSR Public Power Agency
Portfolio Management
Portfolio Summary
August 31, 2020**

Modesto Irrigation District
1231 - 11th St
Modesto, CA 95352
(209)528-7300

Investments	Par Value	Market Value	Book Value	% of Portfolio	Total	Days to Maturity	YTM 365 Equiv.
Managed Port Accounts	39,293,398.96	39,293,398.96	39,293,398.96	100.00	1	1	0.784
Investments	39,293,398.96	39,293,398.96	39,293,398.96	100.00%	1	1	0.784
Cash							
Passbook/Checking (not included in yield calculations)	1,132,013.70	1,132,013.70	1,132,013.70		1	1	0.000
Total Cash and Investments	40,425,412.66	40,425,412.66	40,425,412.66		1	1	0.784

Total Earnings	August 31 Month Ending	Fiscal Year To Date
Current Year	26,164.02	415,942.41
Average Daily Balance	39,963,594.05	
Effective Rate of Return	0.77%	

Scott Van Vuren, Treasurer

**MSR Public Power Agency
Portfolio Management
Portfolio Details - Investments
August 31, 2020**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM %	Days to Maturity	Maturity Date
Managed Pool Accounts												
000000	LAI	Local Agency Investment Fund			39,293,398.96	39,293,398.96	39,293,398.96	0.784		0.784	-	
		Subtotal and Average	39,293,398.96		39,293,398.96	39,293,398.96	39,293,398.96			0.784	1	
		Total and Average	39,293,398.96		39,293,398.96	39,293,398.96	39,293,398.96			0.784	1	

**MSR Public Power Agency
Portfolio Management
Portfolio Details - Cash
August 31, 2020**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Per Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity
Passbook/Checking Accounts											
SYSGENFUND FUND	GLNL 041	Union Bank of California		01/01/1999	1,132,013.70	1,132,013.70	1,132,013.70			0.000	1
		Average Balance	0.00								1
Total Cash and Investments			39,543,584.86		40,425,412.66	40,425,412.66	40,425,412.66			0.114	1

**MSR Public Power Agency
Portfolio Management
Investment Status Report - Investments
August 31, 2020**

CUSIP	Investment #	Issuer	Par Value	Stated Rate	Maturity Date	Purchase Price	YTM 360	YTM 365	Payment Dates	Accrued Interest	Current Principal	Book Value
Managed Pool Accounts												
SYS.AF	LAF	LAF	19,293,398.96	0.754			0.770	0.784	01/15 - Quarterly		19,293,398.96	19,293,398.96
Managed Pool Accounts Totals			19,293,398.96				0.770	0.784		0.00	19,293,398.96	19,293,398.96
Investment Totals			19,293,398.96				0.770	0.784		0.00	19,293,398.96	19,293,398.96

**MSR Public Power Agency
Portfolio Management
Investment Status Report - Cash
August 31, 2020**

CUSIP	Investment #	Issuer	Par Value	Stated Rate	Maturity Date	Purchase #	YTM 360	YTM 365	Payment Dates	Accrued Interest	Current Principal	Book Value
Passbook/Checking Accounts												
33535LNLRAL FUND	GENERAL	UBC	1,132,013.70			01/01/1995	0.000	0.000	1 - Monthly		1,132,013.70	1,132,013.70
Cash Totals			1,132,013.70							0.00	1,132,013.70	1,132,013.70
Total Cash and Investments			40,425,412.66				0.773	0.784		0.00	40,425,412.66	40,425,412.66

**MSR Public Power Agency
Portfolio Management
Activity By Type
August 1, 2020 through August 31, 2020**

CUSIP	Investment #	Issuer	Beginning Balance	Stated Rate	Transaction Date	Purchases or Deposits	Redemptions or Withdrawals	Ending Balance
Managed Pool Accounts (Monthly Summary)								
		Subtotal	39,291,393.96					39,291,393.96
Passbook/Checking Accounts (Monthly Summary)								
SYSTEM FUND	GENERAL	First Bank of California				456,555.30	0.50	
		Subtotal	676,466.42			456,555.30	0.50	1,132,013.70
		Total	39,967,860.38			456,555.30	0.50	40,424,413.66



MSR Public Power Agency
Activity Report
Issuer: Local Agency Investment Fund
August 1, 2020 - August 31, 2020

Modesto Irrigation District
 1731 - 17th St.
 Modesto, CA 95357
 (209)520-7300

CUSIP	Investment %	Issuer	Percent of Portfolio	Par Value Beginning Balance	Current Rate	Transaction Date	Purchases or Disposals	Par Value Redemptions or Withdrawals	Ending Balance
Issuer: Local Agency Investment Fund									
Managed Pool Accounts									
				<u>19,293,398.95</u>					<u>19,293,398.95</u>
			Issuer Subtotal	19,293,398.95			0.00	0.00	19,293,398.95
			Total	19,293,398.95			0.00	0.00	19,293,398.95



MSR Public Power Agency Trust
Portfolio Management
Portfolio Summary
August 31, 2020

Modesto Irrigation District
 1201 - 11th St
 Modesto, CA 95352
 (209)628-7006

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 165 Equiv.
Federal Agency Issues - Coupon	6,700,000.00	6,761,003.00	6,556,800.00	100.00%	1,826	258	1.607
Investments	6,700,000.00	6,761,003.00	6,556,800.00	100.00%	1,826	258	1.607
Cash							
Postbook/Checking (not included in yield calculations)	17,687,655.34	17,687,655.34	17,687,655.34				0.000
Total Cash and Investments	24,387,655.34	24,448,658.34	24,244,455.34		1,826	258	1.607

Total Earnings	August 31 Month Ending	Fiscal Year To Date
Current Year	8,097.04	150,000.70
Average Daily Balance	22,899,136.03	
Effective Rate of Return	0.46%	

Scott Van Vuren, Treasurer

**MSR Public Power Agency Trust
Portfolio Management
Portfolio Details - Investments
August 31, 2020**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM %	Days to Maturity	Maturity Date
Federal Agency Issues - Coupon												
31135CZF73	17244	Federal Natl Mfg. Assoc.		11/30/2015	3,000,000.00	3,010,350.00	2,950,000.00	1.500		1.822	90	11/30/2020
31135V1KJH	17214	Federal Natl Mfg. Assoc.		09/29/2015	3,700,000.00	3,750,851.00	3,700,000.00	1.450		1.450	103	09/29/2021
		Subtotal and Average	6,556,500.00		6,700,000.00	6,761,001.00	6,656,000.00			1.637	268	
		Total and Average	22,099,150.00		6,700,000.00	6,761,001.00	6,656,000.00			1.407	258	

MSR Public Power Agency Trust
Portfolio Management
Portfolio Details - Cash
August 31, 2020

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 30E	Days to Maturity
Passbook/Checking Accounts											
5Y323002MONEY	32000MONEY	U.S. Bank Corporate Trust			10,743,535.85	10,743,535.85	10,743,535.86	0.050		0.050	1
5Y570000MONEY	7000MONEY	U.S. Bank Corporate Trust			0.00	0.00	0.00	0.050		0.050	1
5Y87760000MONEY	760000MONEY	U.S. Bank Corporate Trust			84,049.91	84,049.91	84,049.91	0.050		0.050	1
5Y87780000MONEY	780000MONEY	U.S. Bank Corporate Trust			430,859.90	430,859.90	430,859.90	0.050		0.050	1
5Y87790000MONEY	790000MONEY	U.S. Bank Corporate Trust			4,200,010.41	4,200,010.41	4,200,010.41	0.050		0.050	1
5Y970000MONEY	70000MONEY	U.S. Bank Corporate Trust			0.00	0.00	0.00	0.050		0.050	1
5Y990000MONEY	9000MONEY	U.S. Bank Corporate Trust			0.00	0.00	0.00	0.050		0.050	1
5Y995000MONEY	88000MONEY	U.S. Bank Corporate Trust			2,122,423.28	2,122,423.28	2,122,423.28	0.050		0.050	1
		Average Balance	0.00								1
Total Cash and Investments			21,599,156.01		24,387,666.34	24,448,668.34	24,344,465.34			1.607	251

**MSR Public Power Agency Trust
Portfolio Management
Investment Status Report - Investments
August 31, 2020**

CUSIP	Investment #	Issuer	Par Value	Stated Rate	Maturity Date	Purchase Price	YTM 5/01	YTM 5/25	Payment Dates	Accrued Interest	Current Principal	Book Value
Federal Agency Issues - Coupon												
31059CF73	17244	FNMA	3,050,000.00	1.500	11/30/2022	11/30/2015	1.778	1.802	05/30 - 11/30		2,956,800.00	2,956,800.00
31059CF19	17214	FNMA	3,700,000.00	1.450	05/22/2022	02/22/2016	1.430	1.450	03/20 - 05/20		3,700,000.00	3,700,000.00
Federal Agency Issues - Coupon Totals			6,750,000.00				1.616	1.637		0.00	6,656,800.00	6,656,800.00
Investment Totals			6,750,000.00				1.565	1.637		0.00	6,656,800.00	6,656,800.00

**MSR Public Power Agency Trust
Portfolio Management
Investment Status Report - Cash
August 31, 2020**

CUSIP	Investment #	Issuer	Pgr Value	Stated Rate	Maturity Date	Purchase	YTM 360	YTM 365	Payment Dates	Accrued Interest	Current Principal	Book Value
Passbook/Checking Accounts												
575030000MONEY	330000MONEY	HSBANK	10,740,508.90	0.000			0.048	0.050	0001 - Monthly		10,740,508.90	10,740,508.90
575700000MONEY	30000MONEY	HSBANK	0.00	0.000			0.048	0.050	0111 - Monthly		0.00	0.00
575776000MONEY	776000MONEY	USBANK	84,045.91	0.050			0.045	0.050	0001 - Monthly		84,045.91	84,045.91
575776000MONEY	776001MONEY	USBANK	430,859.90	0.050			0.045	0.050	0001 - Monthly		430,859.90	430,859.90
575776000MONEY	776002MONEY	USBANK	4,230,613.41	0.050			0.045	0.050	0001 - Monthly		4,230,613.41	4,230,613.41
575776000MONEY	776003MONEY	USBANK	0.00	0.050			0.045	0.050	0701 - Monthly		0.00	0.00
575000000MONEY	8000MONEY	HSBANK	0.00	0.050			0.045	0.050	0101 - Monthly		0.00	0.00
575880000MONEY	88000MONEY	HSBANK	2,192,423.25	0.050			0.040	0.050	0401 - Monthly		2,192,423.25	2,192,423.25
Cash Totals			17,687,655.34							0.00	17,687,655.34	17,687,655.34
Total Cash and Investments			24,387,655.34				1.585	1.607		0.00	24,384,455.34	24,384,455.34

**MSR Public Power Agency Trust
Portfolio Management
Activity By Type
August 1, 2020 through August 31, 2020**

GUSIP	Investment #	Issuer	Beginning Balance	Stated Rate	Transaction Date	Purchases or Deposits	Redemptions or Withdrawals	Ending Balance
Passbook/Checking Accounts (Monthly Summary)								
SYS10000MONEY	50000MONEY	U.S. Bank Corporate Trust		0.050		50.15	67,027.14	
SYS775000MONEY	775000MONEY	U.S. Bank Corporate Trust		0.050		2,765,025.95	2,007,749.84	
SYS775001MONEY	775001MONEY	U.S. Bank Corporate Trust		0.050		214,756.06	0.00	
SYS775002MONEY	775002MONEY	U.S. Bank Corporate Trust		0.050		2,093,045.51	0.00	
SYS580000ONLY	00000MONEY	U.S. Bank Corporate Trust		0.050		112.27	0.00	
		Subtotal	18,447,263.10			4,815,954.32	2,375,607.08	17,687,655.34
Federal Agency Issues - Coupon								
		Subtotal	8,665,800.00					8,665,800.00
		Total	27,113,063.10			4,815,954.32	2,375,607.08	24,344,465.34



MSR Public Power Agency Trust
Received Interest
Sorted by Date Received
Received August 1, 2020 - August 31, 2020

Modesto Irrigation District
 1231 - 11th St
 Modesto, CA 95352
 (209) 525-7306

Date Received	CUSIP	Investment #	Security Type	Par Value	Current Rate	Date Received	Interest Amount Received
Cash Accounts							
August 2020	0Y533000MONEY	33000MONEY	PA1	10,743,509.06	0.000	08/01/2020	50.49
	5Y5776001 MONEY	776000 MONEY	PA1	84,645.91	0.010	08/01/2020	4.21
	5Y5776004 MONEY	776004 MONEY	PA1	430,855.00	0.010	08/01/2020	1.53
	5Y5776002 MONEY	776002 MONEY	PA1	4,296,811.41	0.050	08/01/2020	19.68
	0Y588000MONEY	88000 MONEY	PA1	2,100,423.25	0.050	08/01/2020	112.27
						Subtotal	188.67
						Total	188.67



MSR Public Power Agency Trust
Realized Gains and Losses
Sorted By Maturity/Sale/Call Date
Sales/Calls/Maturities: August 1, 2020 - August 31, 2020

Modesto Irrigation District
1231 - 11th St,
Modesto, CA 95352
(209)217-6300

Investment # Issuer	Inv. Type	Purchase Date	Par Value Current Rate	Sale Date Maturity Date	Days Held Term	Book Value	Maturity/Sale Proceeds	Realized Gain/Loss	Total Earnings	Total Net Earnings	Total Yield %
No Sales or Maturities											

M-S-R Public Power Agency Big Horn Operations

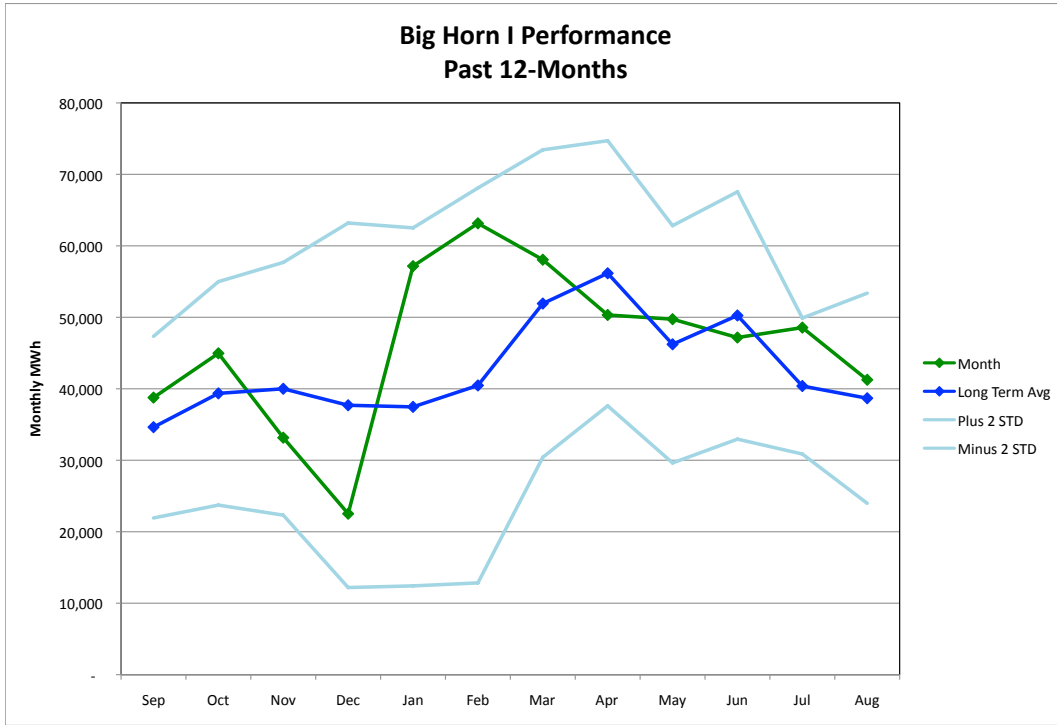
Date: September 11, 2020
From: Martin Hopper, General Manager
To: M-S-R PPA Technical Committee
Subject: Big Horn Operations Statistics

Energy Production Statistics for the Big Horn Wind Energy Project:

Big Horn I Operations	Production (MWh)	Monthly % of Forecast – Contract (5-Year)	Cumulative Wind Year Production (MWh)
June	47,170	100.2%	426,246
July	48,563	117.0%	474,809
August	41,257	119.0%	516,066
Annual Contract Forecast	N/A	N/A	478,779
Annual Budget Forecast	N/A	N/A	510,000
Life of Project Production	N/A	N/A	7,099,719

Big Horn II Operations	Production (MWh)	Monthly % of Forecast – Contract (5-Year)	Cumulative Wind Year Production (MWh)
June	11,664	123.0%	96,445
July	8,989	116.7%	105,434
August	7,748	115.4%	113,182
Annual Contract Forecast	N/A	N/A	116,651
Annual Budget Forecast	N/A	N/A	115,000
Life of Project Production	N/A	N/A	1,175,556

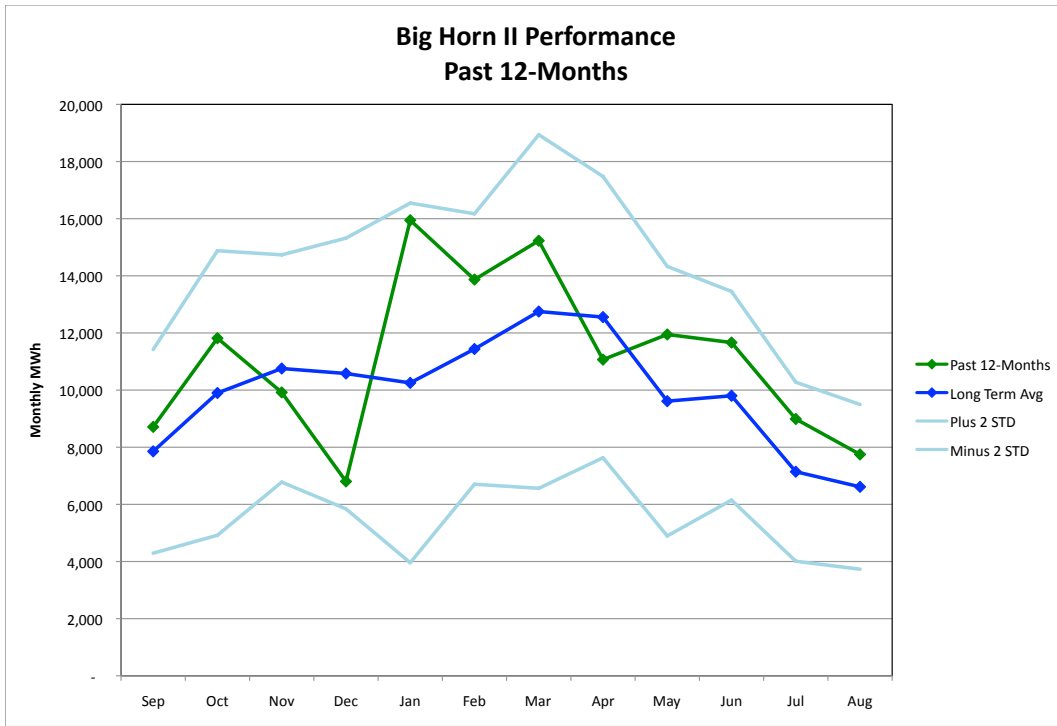
The Contract Year for Big Horn I begins in October of each year. The energy production through July (9 months) almost exceeded the expectation for the entire contract year. August marks the 8th month exceeding 100% of expectation with one month to go. The same can be said of Big Horn II with deliveries spanning November through the following October. With two months to go, the annual expected energy production will easily be surpassed.



9/11/20

Past 12 Thru Aug 2020

Big Horn I Projections 2020.xlsx



9/11/20

Past 12 Thru Aug 2020

Big Horn II Projections 2020.xlsx

Transmission Curtailments:

Curtailments	On-Peak (MWh)	Off-Peak (MWh)	Total (MWh)
June	240	51	291
July	450	9	459
August	72	26	88
Year To Date	932	546	1,478
Historic Annual Average	1,370	821	2,191

The cluster of on-peak curtailments were between June 26th and 29th due to reduced COI capability. The predominance of the June off-peak curtailments occurred during light load hours on a pair of Saturdays, the 6th and 27th. July curtailments were similarly concentrated in on-peak hours. August saw reduced curtailments; however, higher than normal curtailments could be expected as long as wildfires rage in Oregon and Northern California.

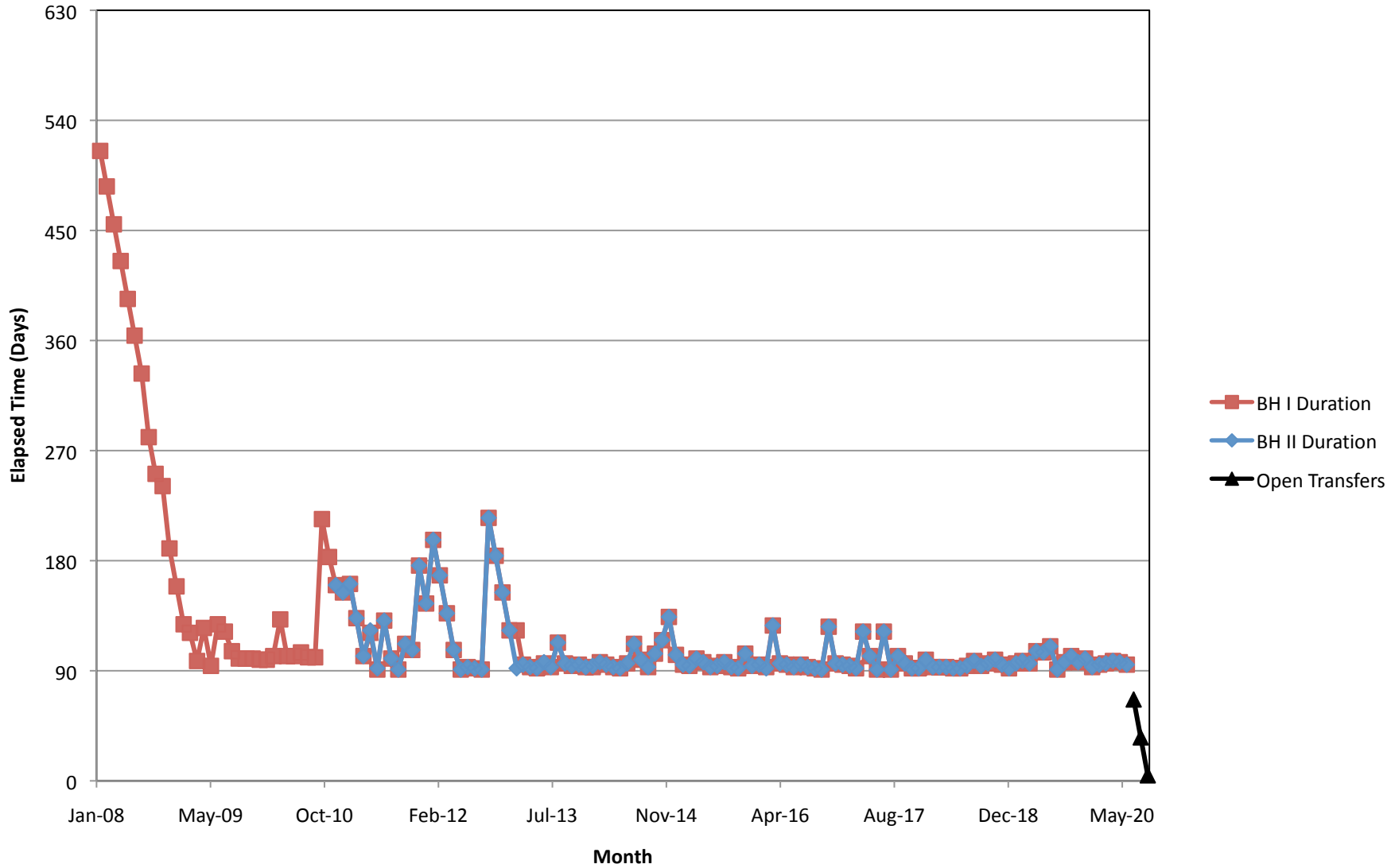
M-S-R Public Power Agency Staff Report

Date: September 14, 2020
From: Martin R. Hopper, General Manager
To: M-S-R PPA Commission
Subject: September 2020 WREGIS REC Transfers Status Report

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

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

Big Horn I & II REC Transfers



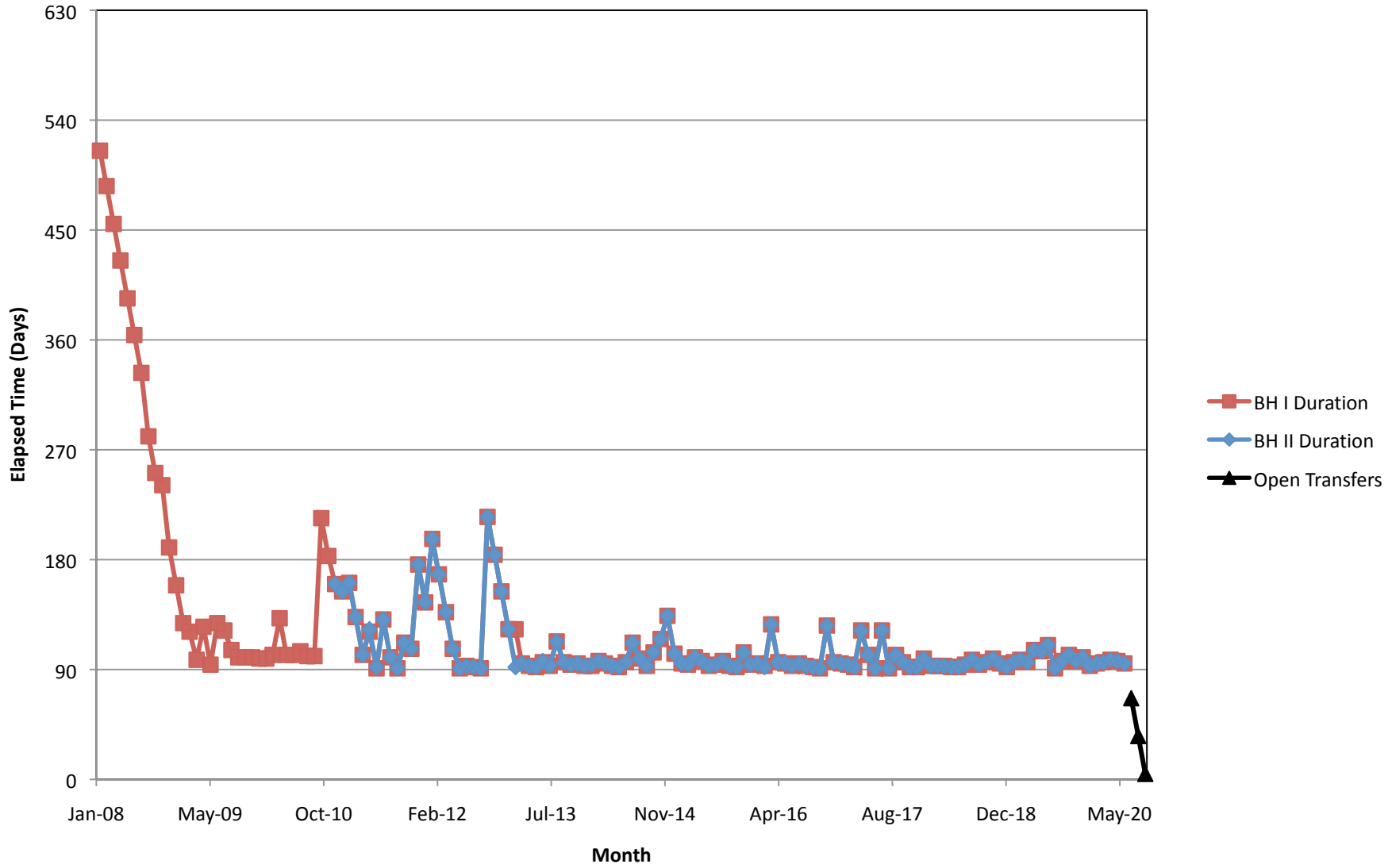
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I recommend the Commission note and file the September 2020 WREGIS REC Transfers Status Report.

Big Horn I & II REC Transfers



M-S-R Public Power Agency Staff Report

Date: September 21, 2020
From: Martin R. Hopper, General Manager
To: M-S-R PPA Technical Committee
Subject: September 2020 Outside Services Budget versus Actual Report

FISCAL YEAR 2020:

Major Legal Providers Reporting Are:

Duncan, Weinberg, Genzer, and Pembroke:	Through:	July 31, 2020
Law Offices of Susie Berlin:	Through:	July 31, 2020
Porter Simon:	Through:	August 31, 2020

Major Consulting Providers Reporting Are:

Navigant Consulting:	Through:	February 29, 2020
KBT LLC:	Through:	August 31, 2020

Legacy Liability Providers Reporting Are:

PNM – Reclamation Management:	Through:	August 31, 2020
Reclamation:	Through:	August 31, 2020
Decommissioning:	Through:	August 31, 2020

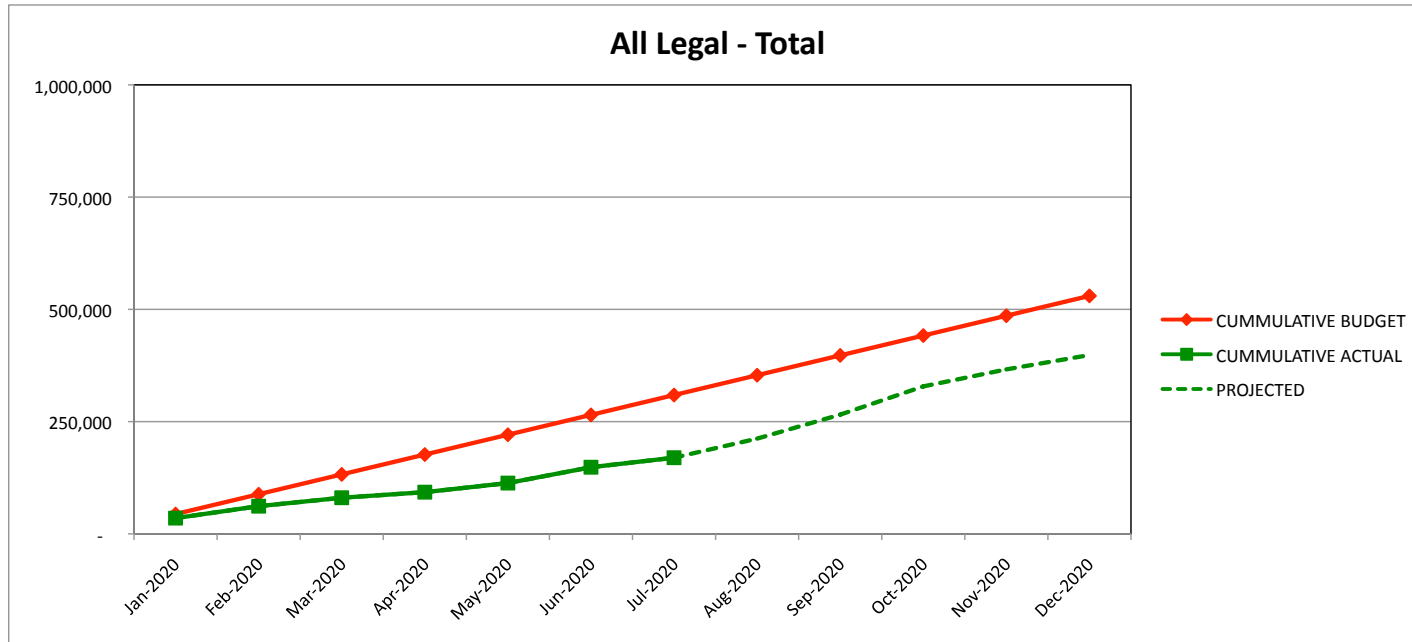
Detailed charts of monthly budget versus actual cost comparisons for each provider are attached. Pursuant to a request by Member Staff, the charts now include projected costs through year-end. Note: Any current period expenditures shown attachments printed in *bold italics* are estimates.

Recommendation:

I recommend the Committee note and file this report.

M-S-R PPA All Legal Summary

Month of: **Aug-2020**



CURRENT MONTH

By Function	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Generation	2,083	1,540	543	74%
Gen - Other	1,250	0	1,250	0%
Renewables	2,250	1,088	1,162	48%
Rens - Other	22,917	30,000	(7,083)	131%
Reg & Comp	14,667	9,000	5,667	61%
Administrative	1,000	880	120	88%
Total	44,167	42,508	1,659	96%

YEAR TO DATE

By Function	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Generation	16,667	14,850	1,817	89%
Gen - Other	10,000	14,917	(4,917)	149%
Renewables	18,000	14,244	3,756	79%
Rens - Other	183,333	96,597	86,736	53%
Reg & Comp	117,333	65,180	52,153	56%
Administrative	8,000	6,365	1,635	80%
Total	353,333	212,153	141,180	60%

By Provider	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Duncan	31,500	36,000	(4,500)	114%
Berlin	8,083	4,000	4,083	49%
Porter Simon	3,333	2,508	825	75%
Others	1,250	0	1,250	0%
Total	44,167	42,508	1,659	96%

By Provider	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Duncan	252,000	141,165	110,835	56%
Berlin	64,667	34,767	29,899	54%
Porter Simon	26,667	21,303	5,363	80%
Others	10,000	14,917	(4,917)	149%
Total	353,333	212,153	141,180	60%

M-S-R PPA Duncan Summary

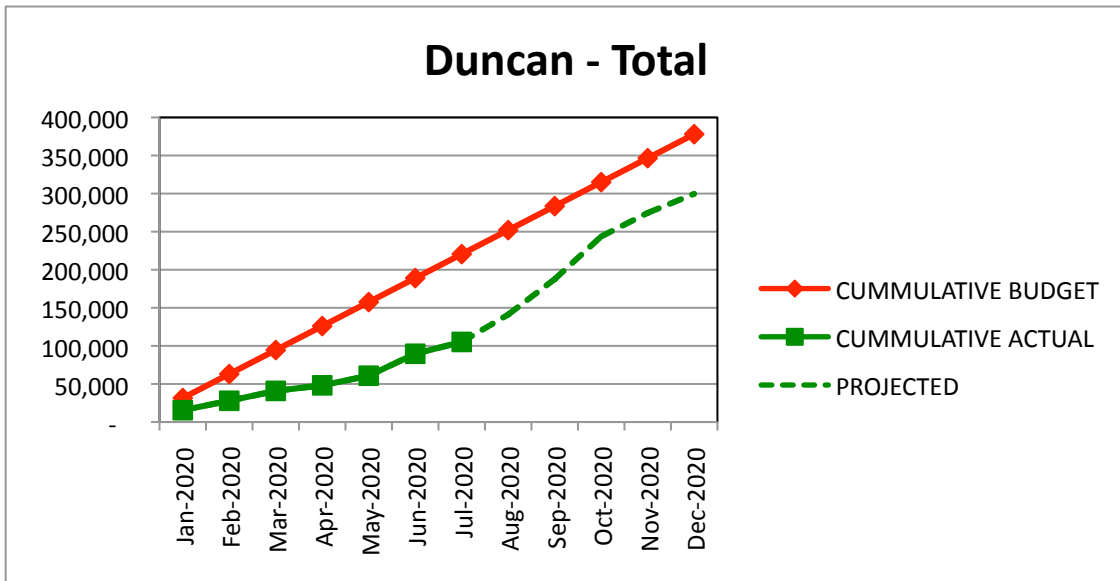
Month of: **Aug-2020**

CURRENT MONTH

	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Generation	0	0	0	0%
Gen - Other	0	0	0	0%
Renewables	250	0	250	0%
Rens - Other	22,917	30,000	(7,083)	131%
Reg & Comp	8,333	6,000	2,333	72%
Administrative	0	0	0	0%
Total	31,500	36,000	(4,500)	114%

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	2,000	0	2,000	0%
Rens - Other	183,333	96,597	86,736	53%
Reg & Comp	66,667	44,568	22,098	67%
Administrative	0	0	0	0%
Total	252,000	141,165	110,835	56%



M-S-R PPA Berlin Summary

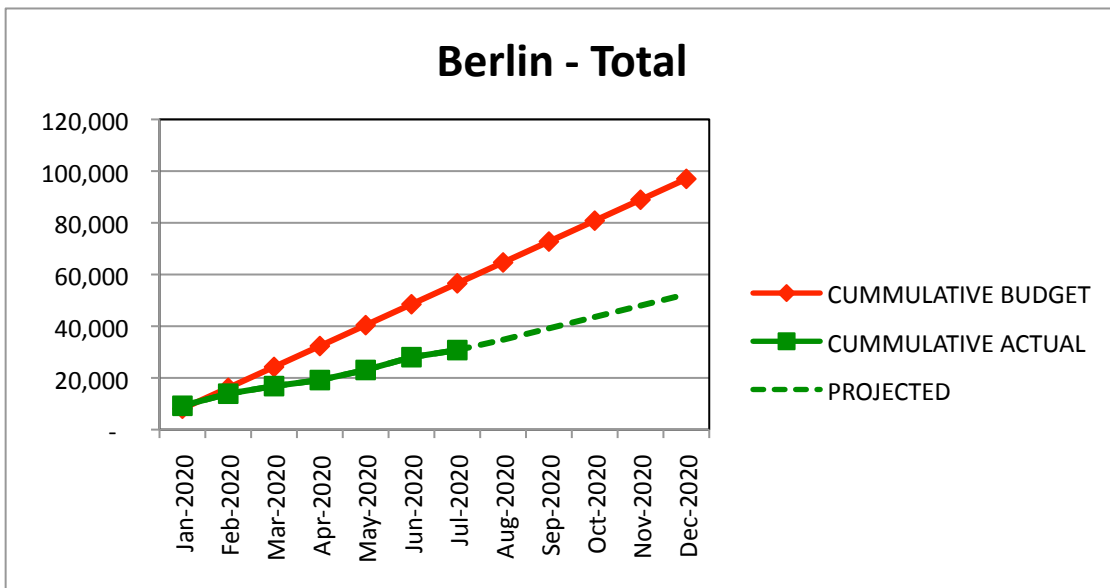
Month of: **Aug-2020**

CURRENT MONTH

	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Generation	0	0	0	0%
Gen - Other	0	0	0	0%
Renewables	1,833	1,000	833	55%
Rens - Other	0	0	0	0%
Reg & Comp	6,250	3,000	3,250	48%
Administrative	0	0	0	0%
Total	8,083	4,000	4,083	49%

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	14,667	14,156	511	97%
Rens - Other	0	0	0	0%
Reg & Comp	50,000	20,612	29,388	41%
Administrative	0	0	0	0%
Total	64,667	34,767	29,899	54%



M-S-R PPA Misc Legal Summary

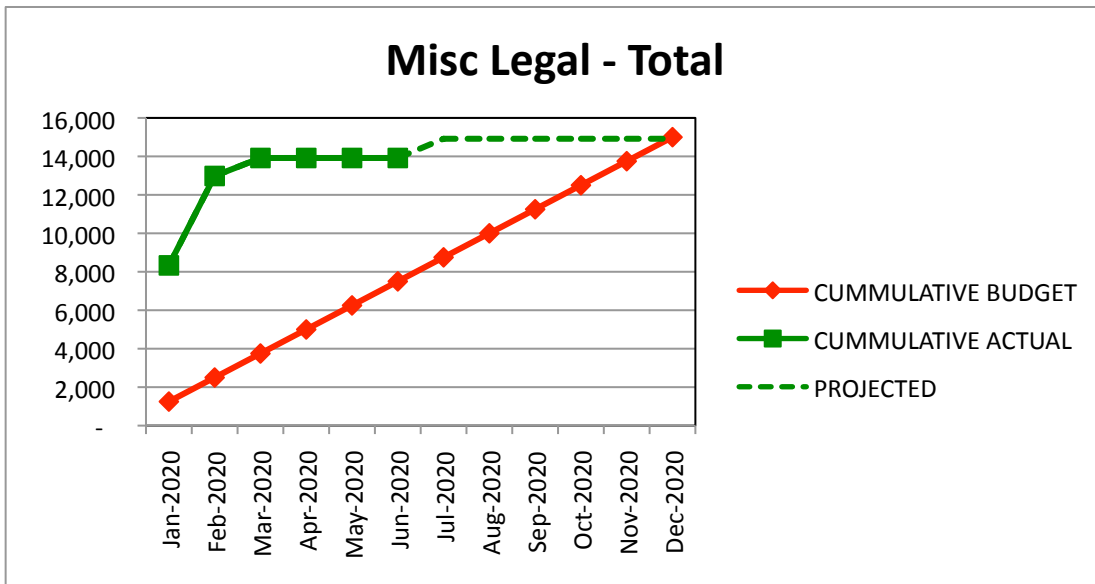
Month of: **Aug-2020**

CURRENT MONTH

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

YEAR TO DATE

	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Generation	0	0	0	0%
Gen - Other	10,000	14,917	(4,917)	149%
Renewables	0	0	0	0%
Rens - Other	0	0	0	0%
Reg & Comp	0	0	0	0%
Administrative	0	0	0	0%
Total	10,000	14,917	(4,917)	149%



M-S-R PPA Porter Simon Summary

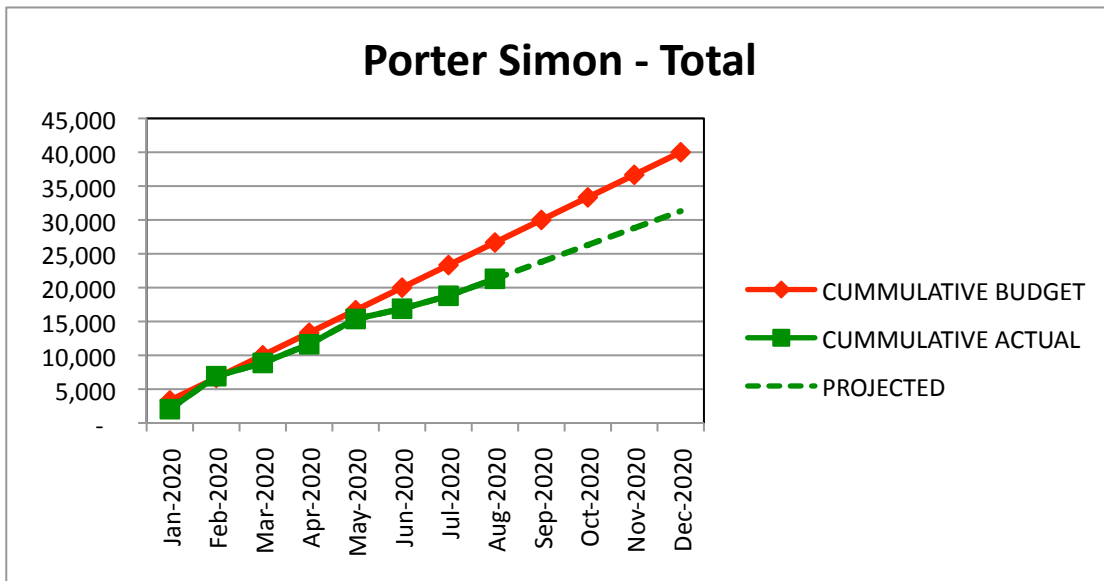
Month of: **Aug-2020**

CURRENT MONTH

	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Generation	2,083	1,540	543	74%
Gen - Other	0	0	0	0%
Renewables	167	88	79	53%
Rens - Other	0	0	0	0%
Reg & Comp	83	0	83	0%
Administrative	1,000	880	120	88%
Total	3,333	2,508	825	75%

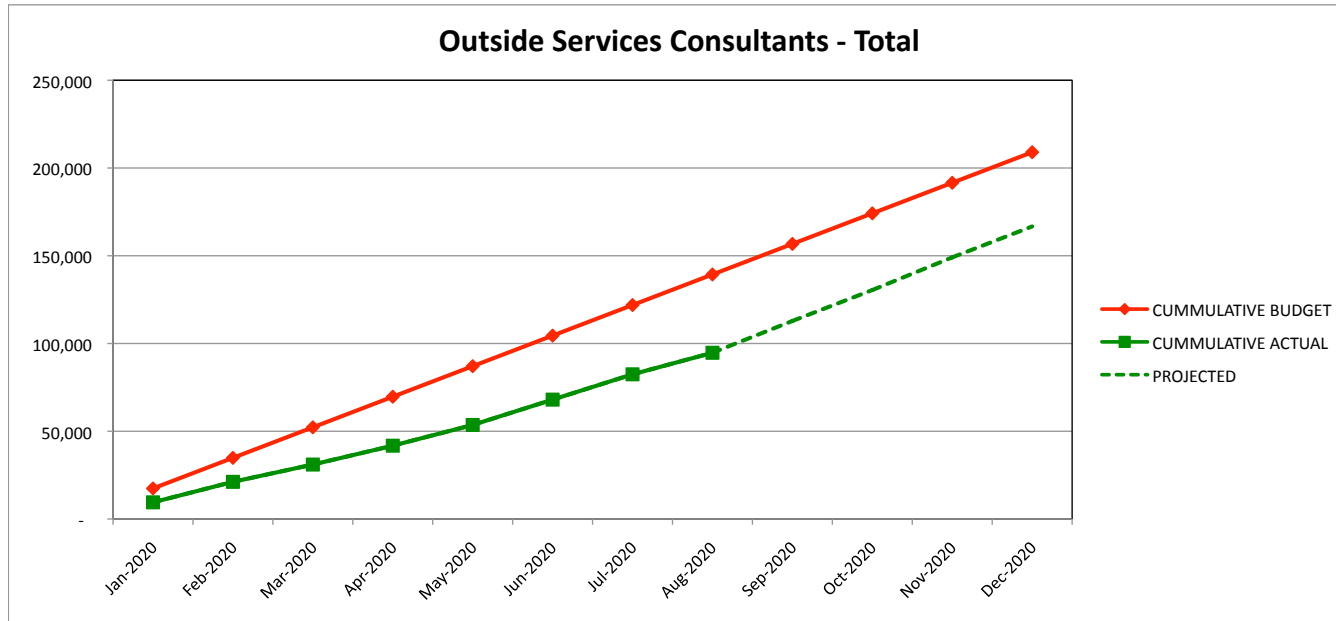
YEAR TO DATE

	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Generation	16,667	14,850	1,817	89%
Gen - Other	0	0	0	0%
Renewables	1,333	88	1,245	7%
Rens - Other	0	0	0	0%
Reg & Comp	667	0	667	0%
Administrative	8,000	6,365	1,635	80%
Total	26,667	21,303	5,363	80%



M-S-R PPA Total Outside Consult Summary

Month of: **Aug-2020**



By Function	CURRENT MONTH			
	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Generation	3,000	2,544	456	85%
Gen - Other	0	0	0	0%
Renewables	5,750	2,544	3,206	44%
Rens - Other	5,833	5,278	555	90%
Reg & Comp	1,583	0	1,583	0%
Administrative	1,250	1,908	(658)	153%
Total	17,417	12,274	5,143	70%

By Function	YEAR TO DATE			
	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Generation	24,000	22,684	1,316	95%
Gen - Other	0	0	0	0%
Renewables	46,000	31,810	14,191	69%
Rens - Other	46,667	24,752	21,915	53%
Reg & Comp	12,667	5,098	7,569	40%
Administrative	10,000	10,376	(376)	104%
Total	139,333	94,719	44,614	68%

By Provider	CURRENT MONTH			
	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Navigant	250	0	250	0%
KBT	14,000	12,274	1,726	88%
Others	3,167	0	3,167	0%
Total	17,417	12,274	5,143	70%

By Provider	YEAR TO DATE			
	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Navigant	2,000	412	1,588	21%
KBT	112,000	84,112	27,888	75%
Others	25,333	10,195	15,138	40%
Total	139,333	94,719	44,614	68%

M-S-R PPA Navigant Summary

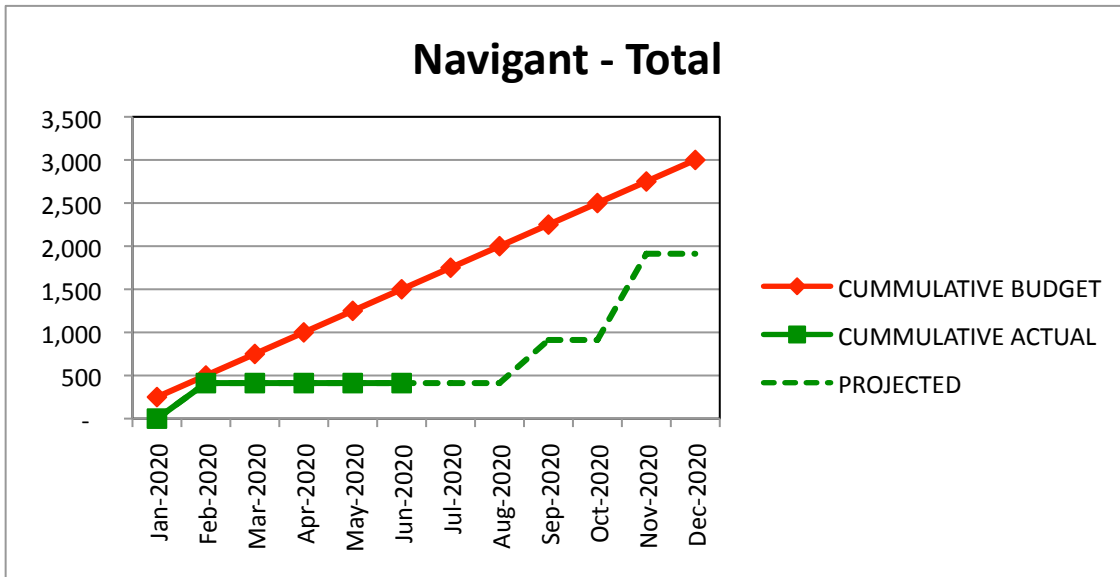
Month of: **Aug-2020**

CURRENT MONTH

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

YEAR TO DATE

	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Generation	0	0	0	0%
Gen - Other	0	0	0	0%
Renewables	0	0	0	0%
Rens - Other	0	0	0	0%
Reg & Comp	0	0	0	0%
Administrative	2,000	412	1,588	21%
Total	2,000	412	1,588	21%



M-S-R PPA KBT Summary

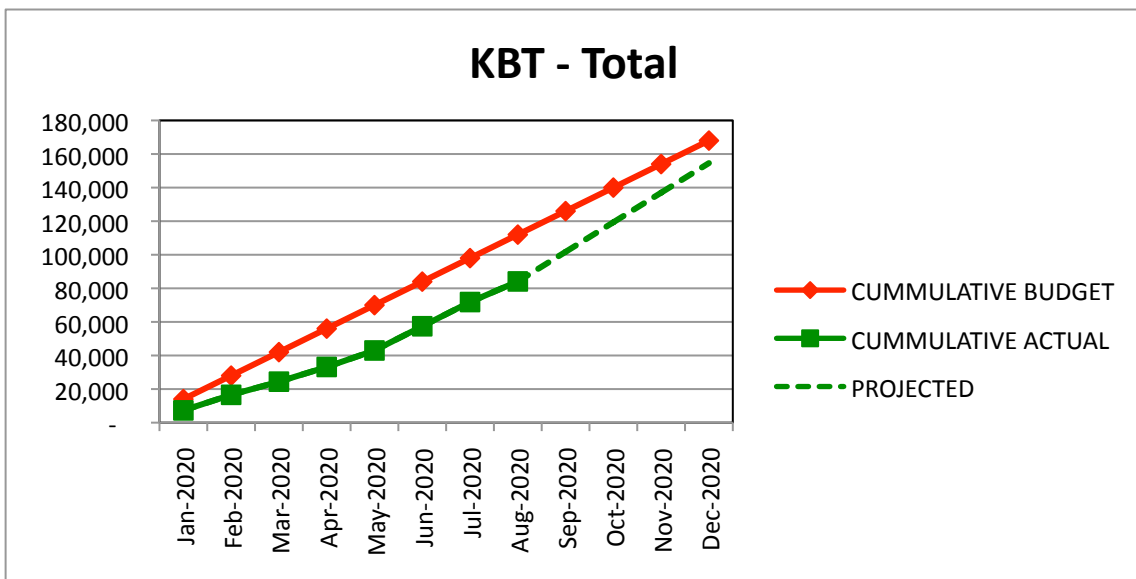
Month of: **Aug-2020**

CURRENT MONTH

	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Generation	3,000	2,544	456	85%
Gen - Other	0	0	0	0%
Renewables	4,167	2,544	1,623	61%
Rens - Other	5,833	5,278	555	90%
Reg & Comp	0	0	0	0%
Administrative	1,000	1,908	(908)	191%
Total	14,000	12,274	1,726	88%

YEAR TO DATE

	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Generation	24,000	22,684	1,316	95%
Gen - Other	0	0	0	0%
Renewables	33,333	26,712	6,621	80%
Rens - Other	46,667	24,752	21,915	53%
Reg & Comp	0	0	0	0%
Administrative	8,000	9,964	(1,964)	125%
Total	112,000	84,112	27,888	75%



M-S-R PPA

Misc Outside Services Summary

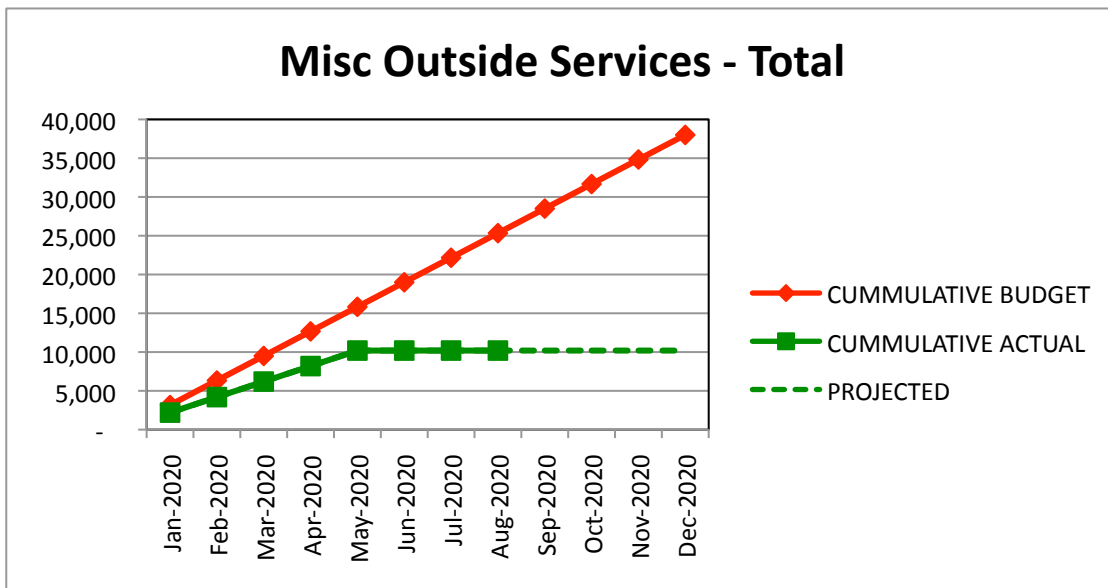
Month of: **Aug-2020**

CURRENT MONTH

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

YEAR TO DATE

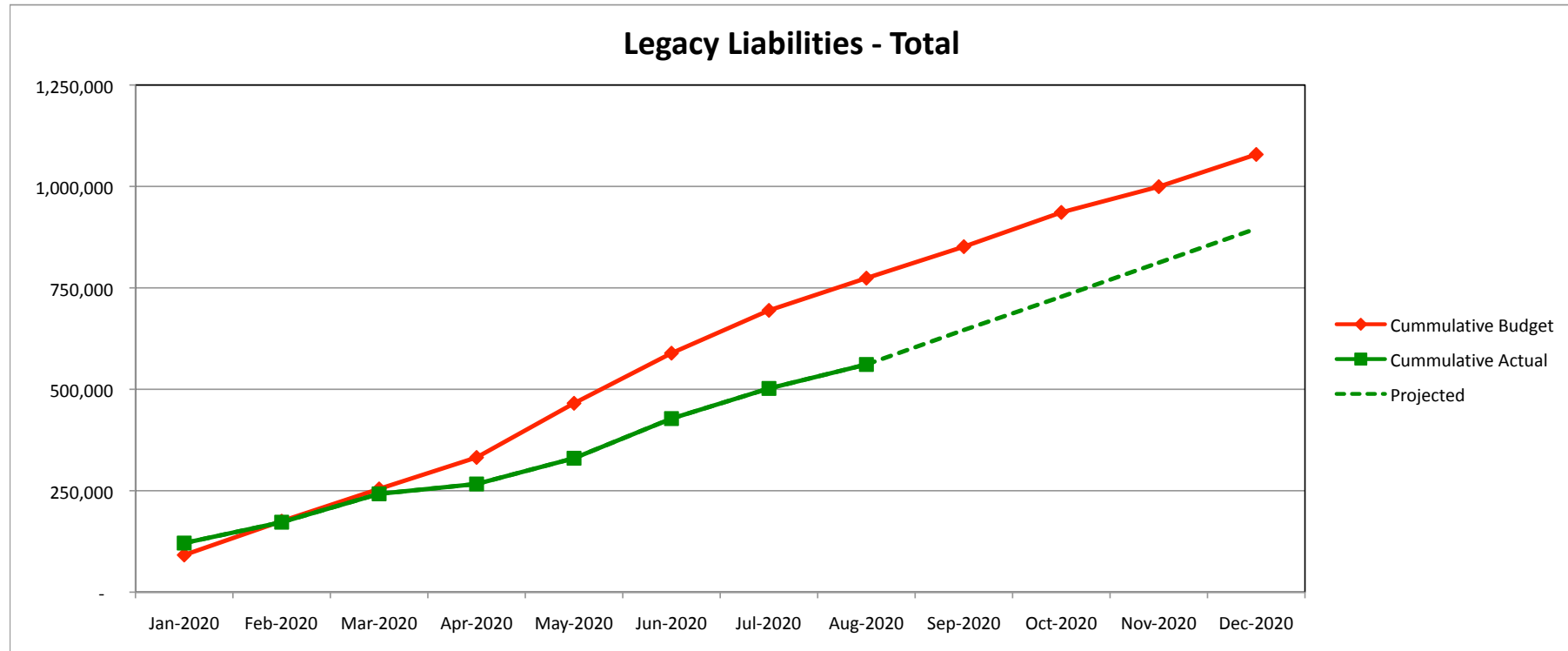
	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Generation	0	0	0	0%
Gen - Other	0	0	0	0%
Renewables	12,667	5,098	7,569	40%
Rens - Other	0	0	0	0%
Reg & Comp	12,667	5,098	7,569	40%
Administrative	0	0	0	0%
Total	25,333	10,195	15,138	40%



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	Notes
<i>Italics = Estimates</i>				8.33%	16.67%	25.00%	33.33%	41.67%	50.00%	58.33%	66.67%	75.00%	83.33%	91.67%	100.00%			Projection	
NAVIGANT																			
Generation																			
General	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Renewables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Regulatory & Comp																			
Administrative	5,000	3,000	-	412.14	-	-	-	-	-	-	-	500	-	1,000	-	1,912	174	2,086	
	5,000	3,000	-	412	-	-	-	-	-	-	-	500	-	1,000.00	-	1,912	174	2,086	
				0.00%	13.74%	13.74%	13.74%	13.74%	13.74%	13.74%	13.74%	30.40%	30.40%	63.74%	63.74%			70%	
KBT																			
Generation																			
General	21,000	36,000	2,120	3,180	3,392	2,120	3,816	3,816	3,816	1,696	2,544.00	2,800	2,800	2,800	2,800	33,884	2,824	33,884	
Gen - Other																			
SJGS Disposition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Renewables																			
General	50,000	50,000	3,604	3,604	2,968	3,816	3,180	2,544	4,452	2,544.00	3,000	3,000	3,000	3,000	38,712	3,226	38,712		
Rens - Other																			
BP-20 Rate Case	70,000	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	BP-20 Rate Case
KBT 2020-01			2,912	728	1,638	-	-	-	-	-	-	-	-	-	2,366	1,183	2,366	Jan - Feb	
KBT 2020-02			2,912	-	-	637	910	-	-	-	-	-	-	-	1,547	774	1,547	Mar - Apr	
KBT 2020-03			12,740	-	-	-	-	2,184	7,644	-	-	-	-	-	9,828	4,914	9,828	May - Jun	
KBT 2020-04			21,840	-	-	-	-	-	-	5,733	5,278.00	-	-	-	11,011	5,506	11,011	Jul - Aug	
KBT 2020-05			21,840	-	-	-	-	-	-	-	-	10,920	10,920	-	21,840	10,920	21,840	Sep - Oct	
KBT 2020-06			21,840	-	-	-	-	-	-	-	-	-	-	10,920	21,840	10,920	21,840	Nov - Dec	
Sum			84,084	-	-	-	-	-	-	-	-	-	-	-	68,432	68,432	68,432		
Regulatory & Comp																			
Administrative	15,000	12,000	848	848	848	1,908	636	424	2,544	1,908.00	900	900	900	900	13,564	1,130	13,564		
	156,000	168,000	84,084	7,300	9,270	7,845	8,754	9,816	14,428	14,425	12,274.00	17,620	17,620	17,620.00	17,620.00	154,592	41,396	154,592	
				4.35%	9.86%	14.53%	19.74%	25.59%	34.17%	42.76%	50.07%	60.55%	71.04%	81.53%	92.02%	154,592		92%	
SUBTOTAL	161,000	171,000	7,300	9,682	7,845	8,754	9,816	14,428	14,425	12,274	18,120	17,620	18,620	17,620	156,504	41,570	156,678		
				4.53%	10.55%	15.42%	20.86%	26.95%	35.92%	44.88%	52.50%	63.75%	74.70%	86.26%	97.21%			92%	
Outside Services																			
Generation																			
Renewables																			
Ferguson Group	5,000	5,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Politico Group	14,000	14,000	1,098	1,000	1,000	1,000	1,000	1,000	-	-	-	-	-	-	5,098	425	5,098		
Rens - Other																			
Ferguson Group	5,000	5,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Politico Group	14,000	14,000	1,098	1,000	1,000	1,000	1,000	1,000	-	-	-	-	-	-	5,098	425	5,098		
Regulatory & Comp																			
Administrative	38,000	38,000	2,195	2,000	2,000	2,000	2,000	2,000	-	-	-	-	-	-	10,195	850	10,195		
				5.78%	11.04%	16.30%	21.57%	26.83%	26.83%	26.83%	26.83%	26.83%	26.83%	26.83%	26.83%			27%	
GRAND TOTAL	199,000	209,000	9,495	11,682	9,845	10,754	11,816	14,428	14,425	12,274	18,120	17,620	18,620	17,620	166,699	42,419	166,873		
				4.77%	10.64%	15.59%	20.99%	26.93%	34.18%	41.43%	47.60%	56.70%	65.56%	74.91%	83.77%			80%	
	Original 2020 Budget	Revised 2020 Budget																	
G	21,000	36,000																	33,884
G - Other	-	-																	-
R	69,000	69,000																	43,810
R - Other	70,000	70,000																	68,432
R&C	19,000	19,000																	5,098
A	20,000	15,000																	15,650
	199,000	209,000																	166,873
50/35/15	41,000	51,000																	49,534
Renew	139,000	139,000																	112,242

Legacy Liability - Total

Month of: **Aug-2020**



CURRENT MONTH

By Function	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
PNM - Reclamation	3,500	4,574	(1,074)	131%
SJCC - Reclamation	76,000	54,039	21,961	71%
PNM - Decommission	0	429	(429)	#DIV/0!
Total	79,500	59,042	20,458	74%

YEAR TO DATE

By Function	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
PNM - Reclamation	28,000	21,540	6,460	77%
SJCC - Reclamation	746,000	502,410	243,590	67%
PNM - Decommission	0	37,197	(37,197)	#DIV/0!
Total	774,000	561,147	212,853	72%

PNM - Reclamation

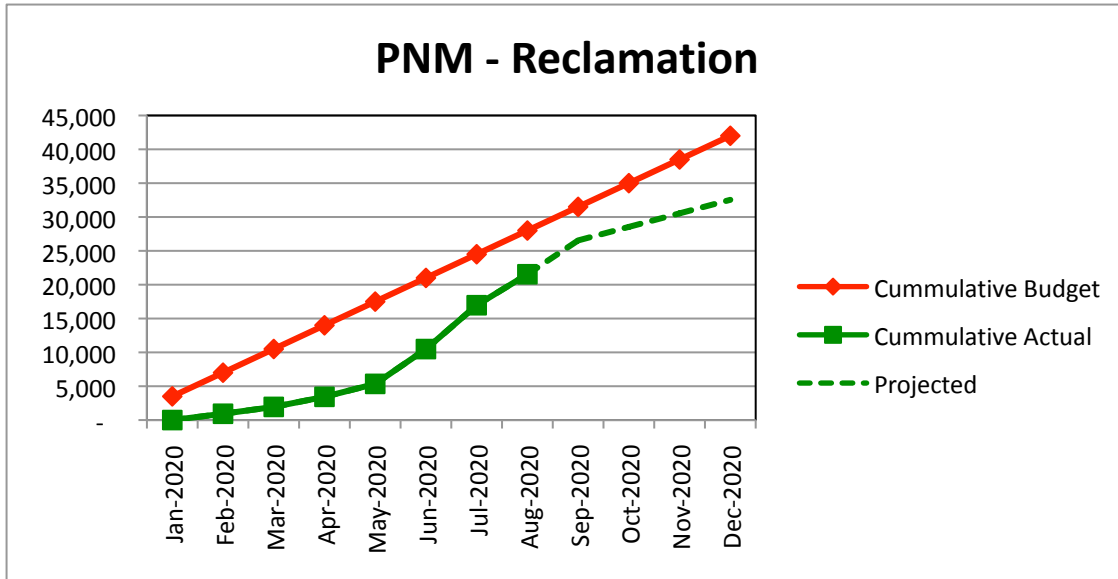
Month of: **Aug-2020**

CURRENT MONTH

	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Generation	3,500	4,574	(1,074)	131%
Total	3,500	4,574	(1,074)	131%

YEAR TO DATE

	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Generation	28,000	21,540	6,460	77%
Total	28,000	21,540	6,460	77%



SJCC - Reclamation

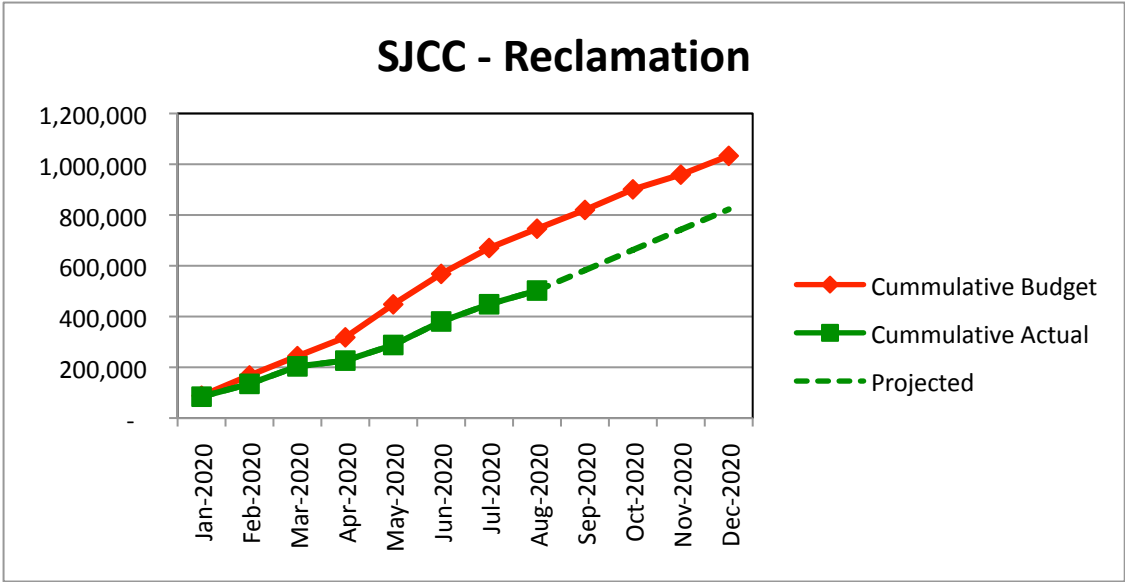
Month of: **Aug-2020**

CURRENT MONTH

	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Generation	76,000	54,039	21,961	71%
Total	76,000	54,039	21,961	71%

YEAR TO DATE

	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Generation	746,000	502,410	243,590	67%
Total	746,000	502,410	243,590	67%



PNM - Decommissioning

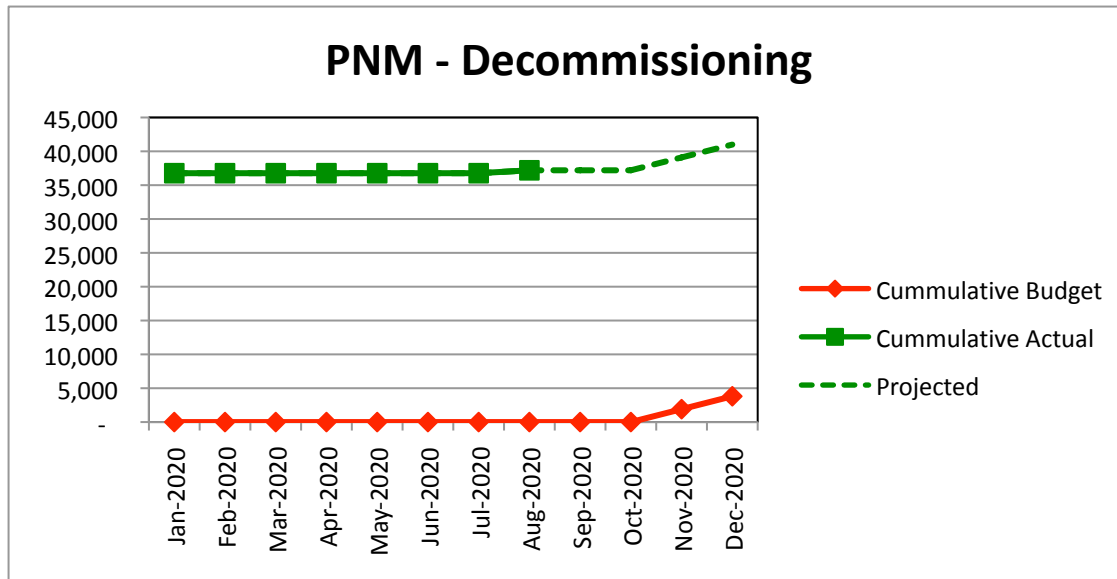
Month of: **Aug-2020**

CURRENT MONTH

	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Generation	0	429	(429)	#DIV/0!
Total	0	429	(429)	#DIV/0!

YEAR TO DATE

	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Generation	0	37,197	(37,197)	#DIV/0!
Total	0	37,197	(37,197)	#DIV/0!



Legacy Liability Costs - 2020	M-S-R 2020 Budget	Revised or A.O.P	Jan-2020 8.33%	Feb-2020 16.67%	Mar-2020 25.00%	Apr-2020 33.33%	May-2020 41.67%	Jun-2020 50.00%	Jul-2020 58.33%	Aug-2020 66.67%	Sep-2020 75.00%	Oct-2020 83.33%	Nov-2020 91.67%	Dec-2020 100.00%	Total	Average	Year-End Projection
PNM - Reclamation - Budget	42,000	42,000	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	42,000		
Cummulative Budget			3,500	7,000	10,500	14,000	17,500	21,000	24,500	28,000	31,500	35,000	38,500	42,000			
Reclamation Trust Funds Operating Agent			-	930	1,012	1,490	1,912	5,144	6,477	4,574.33	5,000	2,000	2,000	2,000	32,540	2,712	32,540
Cummulative Actual	42,000	42,000	-	930	1,012	1,490	1,912	5,144	6,477	4,574.33	5,000	2,000	2,000.00	2,000	32,540	2,712	32,540
			0.00%	2.22%	4.63%	8.17%	12.73%	24.97%	40.40%	51.29%	63.19%	67.95%	72.72%	77.48%			77%
SJCC - Reclamation - Budget			88,000	80,000	76,000	74,000	130,000	120,000	102,000	76,000	74,000	81,000	58,000	74,000	1,033,000		
Cummulative Budget			88,000	168,000	244,000	318,000	448,000	568,000	670,000	746,000	820,000	901,000	959,000	1,033,000			
			88,000	168,000	244,000	318,000	448,000	568,000	670,000	746,000	820,000	901,000	959,000	1,033,000			
San Juan - Surface	1,033,000	1,033,000	84,228	50,500	68,861	22,783	61,560	92,613	67,827	54,038.70	80,000	80,000	80,000	80,000	822,410	68,534	822,410
San Juan - Underground			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cummulative Actual	1,033,000	1,033,000	84,228	50,500	68,861	22,783	61,560	92,613	67,827	54,038.70	80,000	80,000	80,000.00	80,000	822,410	68,534	822,410
			8.15%	13.04%	19.71%	21.91%	27.87%	36.84%	43.40%	48.64%	56.38%	64.12%	71.87%	79.61%			80%
PNM - Decommissioning	-	3,812	-	-	-	-	-	-	-	-	-	-	1,906	1,906	3,812		
Cummulative Budget			-	-	-	-	-	-	-	-	-	-	1,906	3,812			
Initial Decommissioning			36,768	-	-	-	-	-	-	428.92	-	-	1,900	1,900	40,997	3,416	40,997
Cummulative Actual	-	3,812	36,768	-	-	-	-	-	-	428.92	-	-	1,900.00	1,900	40,997	3,416	40,997
			964.61%	964.61%	964.61%	964.61%	964.61%	964.61%	964.61%	975.86%	975.86%	975.86%	1025.71%	1075.55%			1075.55%
Total Legacy Liability		1,078,812	120,996	51,430	69,873	24,272	63,472	97,757	74,304	59,042	85,000	82,000	83,900	83,900	895,947	74,662	895,947
			120,996	172,426	242,299	266,572	330,044	427,800	502,105	561,147	646,147	728,147	812,047	895,947			
			11.22%	15.98%	22.46%	24.71%	30.59%	39.65%	46.54%	52.02%	59.89%	67.50%	75.27%	83.05%			83%
Cummulative Budget			91,500	175,000	254,500	332,000	465,500	589,000	694,500	774,000	851,500	936,000	999,406	1,078,812			
Cummulative Actual			120,996	172,426	242,299	266,572	330,044	427,800	502,105	561,147	646,147	728,147	812,047	895,947			

Italics = Estimated

M-S-R Public Power Agency Staff Report

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

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

Directors and Officers (D&O)

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

General Liability

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

Crime Policy

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

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

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

I recommend the Commission note and file this report.

M-S-R Public Power Agency Staff Report

Date: September 14, 2020
From: Martin R. Hopper, General Manager
To: M-S-R PPA Commission
Subject: 2021 M-S-R Coordinator Agreement Extension

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

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

"Cost Containment – M-S-R Coordinator:

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

Potential Actions:

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

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

The General Manager has also communicated with NCPA to benchmark these services and has learned that although NCPA has the capability to assume performing these services, it would not be possible to secure a bid and, if favorable, negotiate a successor contract prior to the next meeting of the Commission. This fact-finding effort will continue and further recommendations will be made as appropriate.

I recommend the Commission approve a one-year extension of the M-S-R Coordinator Services Agreement for the period March 1, 2021 through February 28, 2022.

M-S-R Public Power Agency Staff Report

Date: September 14, 2020
From: Martin R. Hopper, General Manager
To: M-S-R PPA Commission
Subject: Status Report Regarding Amendment to San Juan Reclamation Trust Agreement with US Bank

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

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

M-S-R PPA conformed the proposed Trustee Agreement amendment to the form of our agreement with US Bank and submitted it to the Trustee for execution. US Bank made some minor mark-ups to the amendment, which were acceptable to the General Manager and General Counsel and the amendment was executed by all parties effective August 12, 2020.

I recommend the Commission note and file this report.

M-S-R Public Power Agency Staff Report

Date: September 16, 2020
From: Martin R. Hopper, General Manager
To: M-S-R PPA Commission
Subject: Discussion and Possible Action Regarding Designation of Real Property Negotiator

Pursuant to the requirements of Government Code §54956.8 to hold a Closed Session to provide direction to its negotiators, the Agency must first in Open Session designate such negotiators. The relevant Real Property is described as “Lake and River Stations and connecting pipelines and rights-of-way, CR 6800 N, Waterflow, NM 87421” The negotiating parties are Public Service Company of New Mexico and United States Bureau of Reclamation. The items under negotiation are Purchase/Sale/Exchange/Lease of Real Property (provisions, price and terms of payment.)

I recommend the Commission designate Agency Negotiators as being General Counsel, Steve Gross, or his designee, and General Manager, Martin Hopper, or his designee.

M-S-R Public Power Agency Staff Report

Date: September 18, 2020
From: Martin R. Hopper, General Manager
To: M-S-R PPA Commission
Subject: September 2020 General Manager Report

Overview:

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

General Manager:

Administrative Activities – August 2020 (Approx. 97 hours)

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

Substantially completed draft report regarding PPA Working Capital Policy. Based on Committee and Commission feedback incorporated concepts regarding Target and Minimum differentiation and updated multi-tranche Strategic Reserve sample allocations. Updated and revised tranche modeling and forecasting spreadsheets. Prepared corollary M-S-R EA draft policy and drafted implementing resolutions for both entities.

Completed and implemented counterparty credit reporting procedure applicable to Big Horn and Natural Gas Projects.

Completed annual PPA & EA Strategic Plan and biennial Policy Manual draft updates – identified major goals and issues, and coordinated Member and Committee reviews.

Prepared PPA & EA Tech C'tee packages for September meetings.

Coordinated with MID re review of Coordinator Agreement extension task and cost bases. Informal discussions with NCPA as alternate provider of services.

Received Santa Clara updates to Commissioner and Committee representatives and updated COI reporting requirement database.

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 – August 2020 (Approx 24 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 re same. Reviewed final workscope for legal reviews regarding liabilities and CERCLA issues. Attended (telephonic) Reclamation Oversight Committee and negotiating team meetings re same.

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

Monitored NM-PRC meetings re SJGS status. Teleconf mtg w/ Adair and Crane re direction and status of Farmington/Enchant project.

Coordinated final amendments to incorporate US Bank comments and executed Amended Reclamation Trustee Agreement.

Big Horn – August 2020 (Approx 37 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.

Key Meetings – August 2020

Commission President, August 5, 2020. Key Issues: Working Capital Policy, Reclamation Liability Buyout & Farmington/Enchant status.

PPA & EA Technical Committee, Telephonic, August 6, 2020. Key Issues: Working Capital Policies, Natural Gas Project restructuring and M-S-R Coordinator Agreement extension.

BP-22 Workshops, Telephonic, August 25 – 26, 2020. Key Issues: Allocation of costs of EIM participation and impacts on transmission rates and availability. Real-time loss rate and measurement changes. Cost drivers and preliminary revenue requirements for BP-22 rates.

Farmington/Enchant Energy, Telephonic, August 27, 2020. Key Issues: Appointment of New CEO, CCS project status and next steps.

San Juan Decommissioning Committee, Telephonic, August 27, 2020. Key Issues: Lake & River Station potential sales and NMED Bonds re evaporation ponds and pits.

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 August 2020 report is attached regarding 33 hours of support in August regarding San Juan, Renewable, and Administrative issues.

BPA Consultant:

Our BPA Consultant, Dr. David Arthur, has provided an update on his activities through August 2020 and 29 hours of support. Note his detailed discussion regarding systemic over-allocation of costs to BPA Transmission functions and significant under-spending of transmission capital projects without true-up. Implications for BP-22 rates and decision process and upcoming workshops are also provided. Excessive transmission and ancillary service rates directly affect Big Horn 2 costs and indirectly effect Big Horn 1 costs through indexing of Firming & Shaping services.

M-S-R Public Power Agency Staff Report

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

During August, 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 (12 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 August 27, 2020 to provide decommissioning updates and the shared documentation associated with the Retirement Order (RO) for the disposition of the Lake and River Stations.

The Reclamation Oversight Committee held meetings on August 5 and 19, 2020 which included a number of topics. The Annual Operating Plan (AOP) was reviewed the offer (and extension) 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.

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

Administrative (9 hours) – The primary activity for August was the review, calculation validation, and recommended modifications to the draft Capital Working Policy documentations. This included a telephonic session with the General Manager on the 24th. Documentation from the September Technical Committee meeting was reviewed.

All meetings were attended telephonically.

M-S-R Public Power Agency Staff Report

Date: September 14, 2020
To: Martin R. Hopper, General Manager
From: David Arthur
Subject: September 2020 BPA Update Covering August Activities (29 hours)

August was an active month for BPA customer meetings. There was a customer led meeting regarding BP-22, TC-22, and EIM followed 2 weeks later by the monthly BPA led meetings on the same rate topics. There were 2 meetings regarding BPA's 3rd quarter financial results. Finally, there was a last minute meeting called to discuss an error BPA found in its modeling of Short-Term ATC along with the changes BPA made to correct the error.

Customer Led Meeting:

The primary topic for the customer led meeting regarding BP-22, TC-22, and EIM was the possible accounting treatment for various charge codes arising from BPA participation in the CAISO EIM. The meeting started with various examples offered by BPA. Subsequently, customers offered their feedback that focused on where the charges should go (sub-allocated vs. to transmission customers overall) rather than on the examples themselves. The customers want to know when charges will be "sub-allocated" to participants vs. "peanut-buttered" to TBL customers.

The primary customer concern is that BPA's proposed treatment of charges may result in one group of customers subsidizing other groups of customers. For example will participating resources subsidize or be subsidized by non-participating resources? A second concern was expressed regarding "wheel-thru" customers. Currently, they typically do not receive imbalance charges. Under EIM it is unclear whether they will or will not be exposed to one or more imbalance charges when actuals deviate from schedules.

Powerex indicated that BPA's proposed policy might over-charge Long-term transmission rights holders thereby undermining the value of long-term transmission. Powerex suggested that there needed to be a "credit mechanism" to ensure the value of long-term transmission. BPA staff indicated that they were willing to discuss the issue further.

A second topic discussed was the treatment of generation imbalance under the EIM. Certain preference customers were uncertain how generation imbalance would be treated in the “new world” (EIM) vs. the old world (BPA). BPA indicated it all depended on where the resource was located. More to come in future meetings.

BPA further clarified that EI/GI existing bands likely will be eliminated and replaced by EIM sub-allocation charges. BPA also indicated that under certain circumstance it may be possible to receive both EIM and GI charges-details were not provided.

Transmission Losses:

BPA has indicated that transmission losses will be assigned to the transmission rights holder including transmission “donated” for EIM. The PTP customers indicated strong disagreement with this approach unless there was an offsetting credit for capacity. They argued that there would be a disincentive to “donate” transmission if there was no upside but a measurable downside. BPA acknowledged that this could be a concern but did not offer an alternative.

The discussion then turned to 3 options for loss payment: 1. In-kind; 2. Concurrent; 3. 168-hour. Further discussion was deferred until the BP-22 discussion later in the month.

Leverage:

The final topic for the day was discussion of BPA changes in the methodology for calculating leverage. BPA indicated that they were changing the treatment of certain line items in the calculation to better reflect reality. The net result of these changes was to lower the calculated leverage for TBL with the consequence that it would likely eliminate or reduce the need for revenue financing in the next few years. The long-term implications of these changes are uncertain.

QBR Workshop:

At the workshop BPA discussed the under-spending in capital for FY. 2020. For TBL the under-spending is forecast to be \$177 million. This is attributed to Covid-19 and the associated cut-back(s) in project execution. When asked about the operational consequences of this BPA indicated that there were no consequences related to reliability or safety. (How a deferral of this magnitude can have no consequence is unclear, unless the work was not actually necessary.)

BPA also discussed reserves available for risk. TBL’s reserves for risk are forecast to end FY 2020 \$109 million over the value forecast in the BP-20 rate case, a 74% increase.

BPA was asked about the linkage between revenue financing of forecasted capital, actually not spent, and growth in financial reserves for risk. Their answer was there

is no linkage because revenue financing is the first source of capital used and then and only then is additional borrowing relied upon. This means that TBL customers may be charged in rates under the leverage policy for expenditures that otherwise could be financed by borrowing (with no adverse impact on the leverage ratio) given the under spending.

The issue of increasing TBL reserves for risk above the targeted threshold received further attention on the Reserve Distribution Clause (RDC) discussion. Based on BPA's Financial Reserves Policy the RDC cannot be triggered until both the upper threshold for the business line (120 days cash on hand) and the mid-point target for the agency (90 days cash on hand) are exceeded.

This has the practical consequence of tying one business line to the other. In the specific case PBL is approaching its minimum target (60 days cash on hand) but the agency is well below its mid-point target (90 days cash on hand). Thus even though TBL is well above 120 days cash on hand it is not eligible for RDC until PBL raises its days cash on hand closer to 90 days cash on hand.

At the QBR workshop it was made clear that there is no current protocol that will increase PBL's days cash on hand above 60 days. In fact the only mechanism in place to raise PBL's days cash on hand to the minimum target of 60 days was suspended for the remainder FY.2020 and FY 2021. Excess reserves available for risk (greater than 120 days) are for all practical purposes "captive" for the foreseeable future-pending a change in the Reserves Policy or a "windfall growth" in Power's reserves due to higher than rate case forecast secondary revenues.

BP-22, TC-22, EIM Workshop:

The first topic was EIM losses. PTP customers again raised the concern that under BPA's proposed policy PTP customers could be charged for losses if they "donate" transmission for EIM. They indicated that this would be a significant disincentive to "donate".

An additional concern was raised regarding "wheeling" customers. Under the current BPA Tariff wheeling customers have minimal exposure to EIM charges. Under the BPA proposal for EIM PTP customers have a concern that non-EIM transfers could receive EIM charges. This is a subset of the growing concern that non-EIM participants may be at risk if/when BPA joins the CAISO EIM. BPA does not dispute the concern but to date has not offered information that would alleviate the concerns.

A second major discussion occurred regarding the appropriate load forecast to be used for scheduling in the EIM. Currently, customers can use their own or BPA's forecast. Under the EIM there is also a third option, the CAISO forecast.

Currently, a customer who uses the BPA forecast can avoid certain charges for deviations of actuals from schedule. However, if their own forecast is more accurate they can avoid certain imbalance charges. Under the EIM certain EIM charges can be avoided by using the CAISO forecast but this may result in additional charges from BPA. Customers are seeking some guidance on how to select a forecast for scheduling purposes that does not subject them to undo risk.

The next topic focused on transmission losses. As discussed above this is a very intense subject. Currently, customers can return losses, physically, 168 hours after the operating hour. They are not charged a capacity payment.

BPA has taken the position that they would prefer losses be settled financially and that customers should be assessed a capacity charge for the capacity associated with the provision of losses by BPA. After much discussion BPA is willing to consider deferring imposition of financial settlement of losses until BP-24.

However, BPA does think that an imposition of a capacity charge and a modification to the "loss factors" is appropriate for BP-22. The proposed capacity charge is \$3.53 MWH to compensate for the reserves it claims it needs to hold to support the 168-hour delayed loss return. This is in addition to the associated energy charge if any.

BPA further indicated that it thinks that the aggregate charges (capacity plus energy) will be less than the current charges associated with the 168-hour return policy. (These are based on Mid-C Heavy load hours plus a 15% adder.) When additional information was requested by the PTP customers BPA indicated that it would need additional time to provide the additional material.

BPA also indicated that it would prefer concurrent return of losses but its systems could not accommodate this option prior to BP-24. PTP customers asked if there was a possibility of a time frame between concurrent and 168 hours. The BPA response was not a definitive no, but also was not encouraging, as it indicated it did not want to create a one-off system for an interim period.

The issue will be discussed further at the Sept. customer led meeting.

A related issue was the treatment of customers who failed to perform under the current 168-hour return policy. BPA acknowledged that one of its concerns was that some customers who said that they would return losses at 168 hours did not. PTP customers asked if there currently were consequences associated with that non-performance. BPA indicated that there were not consequences. Customers asked if there were consequences would BPA be more comfortable with the current return policy. BPA did not provide a firm response.

EIM Related Transmission Losses:

The discussion then shifted to losses associated with EIM. Currently BPA intends to assign EIM related costs to either transmission rates (peanut butter) or sub-allocate. The “benefits” to offset these costs will flow to participating resources. For at least the first 6 months (March 22-August-22) Only BPA resources will be permitted to “participate”. Thus PTP customers will be exposed to the EIM related charges but not be able to offset the charges with “benefits” from their participating resources, if any.

PTP customers suggested for the BP-22 rate period that cost be netted against benefits before the benefits are allocated. BPA indicated that the topic could be discussed in the future but did not indicate much enthusiasm.

During the discussion BPA made two comments of some note: 1. “The market doesn’t ensure reliability”; 2. “EIM price signals are not sufficient to assure reliability.” These two comments have become the basis for BPA to maintain the current IE/GI charges and to impose additional EIM charges and penalties on transmission customers when/if BPA joins the CAISO EIM market.

This will likely be a disputed topic for the upcoming rate case and possibly future rate cases as well. The issue is not that the statements are necessarily incorrect but rather that BPA seems to be seeking opportunities to generate revenues from new sources to replace lost revenues from declining secondary energy prices.

Grid Modernization:

BPA was asked about the segmentation of “Grid Modernization” charges to EIM related activities. BPA indicated that it was currently not segmenting the charges and it had no plans to do so. M-S-R suggested that it appeared that a majority of the costs were assigned to TBL and a majority of the benefits most likely were flowing to PBL. BPA did not directly dispute that statement but indicated that it likely would retain the current allocation protocols.

BPA indicated the issue could be the subject of comments and rate case discussions.

TPP Change:

BPA indicated that going forward it would calculate the Treasury Probability Payment (TPP) at the agency level only. (FERC requires that BPA have a 95% probability or higher of making the payment.) Previously the TPP was calculated for each business line. This has the practical consequence of greater reliance on the financial strength of TPL (with its excess reserves and lower operating risks) and less reliance on the financial strength of PBL (with its lower financial reserves and higher operating risks).

In previous rate cases BPA has “assigned” the \$750 million treasury line of credit to PBL in order to ensure that PBL could meet the TPP requirement.

Power Rates:

The last major issue discussed was PBL rates. At the meeting it was disclosed that BPA and its Preference customers had been in private discussions regarding a possible settlement of the Power rate case.

The draft proposal discussed at the August 26 customer meeting involved a modification to “included secondary revenues” in return for only a 1% increase in PBL rates in BP-22 and a one-year extension of the suspension of the Financial Reserves Policy and its associated surcharges. The modification to “included secondary revenues” is intended to reduce the likelihood that secondary revenues will be overstated, as has been the case for the past 8-10 years. At the request of the Preference customers BPA indicated that it would consider some delay in implementation of the modifications.

The proposed change should help reduce the reoccurring decline in PBL financial reserves. However, the limitation of the rate increase to 1% and the one-year suspension of the FRP, when combined with the possible delay in implementation of the modifications to the inclusion of secondary revenues, likely will delay further any possible RDC for transmission customers.

M-S-R Public Power Agency Staff Report

Date: September 16, 2020
From: Martin R. Hopper, General Manager
To: M-S-R PPA Commission
Subject: Biennial Review of Conflict of Interest Code

The California Political Reform Act requires multi-county agencies, such as the M-S-R Public Power Agency, to review and amend if necessary its conflict-of-interest code on a biennial basis. The Agency's current code was adopted by the Agency in 2016 and approved by the Fair Political Practices Commission ("FPPC") June 6, 2016 to become effective July 6, 2016.

The General Manager and General Counsel have reviewed the agency's code and noted there are no changes to those designated positions which make or participate in making governmental decisions and that there have been no changes in law which require amendment to the code.

A copy of the Agency's current conflict-of-interest code is attached.

I recommend the Commission find that upon its biennial review of its conflict-of-interest code effective July 6, 2016, no amendments to the code were required and to direct the General Manager to file a 2020 Multi-County Agency Biennial Notice with the FPPC certifying the same.

M-S-R Public Power Agency Staff Report

Date: September 7, 2020
From: Martin R. Hopper, General Manager
To: M-S-R PPA Commission
Subject: 2021 M-S-R PPA Strategic Plan

Each year the M-S-R PPA Commission considers an update to the M-S-R PPA Strategic Plan to provide guidance for the preparation of the M-S-R PPA Budget and for the operations of the Agency. The proposed update aims to more explicitly identify goals, possible actions, and recommendations for each major issue or responsibility of the Agency. Although the major policy directions are consistent with past plans, the tenor of the Agency evolves towards custodian rather than developer of projects.

Major work areas for the coming year focus on:

- San Juan Mine Reclamation “Clean-Break”:
 - Completion of negotiations for buyout of liabilities.
- San Juan Decommissioning “Clean-Break”:
 - Completion of negotiations for sale of Lake & River Station to USBR.
 - Approval of Demolition Plan or Sale to Farmington/Enchant for balance of facilities.
- Big Horn Wind Energy Projects:
 - Negotiation of conformed agreements and establishment/update of indices for Extension Period Operations.
 - Complete BPA Rate Case BP-22 processes and mitigate transmission rate impacts.
- Working Capital Policy
 - Implement new policies.
- Agency Web-Site
 - Update at reasonable cost (including e-mail and document-sharing portals).

The discussions and analysis of issues within the M-S-R PPA (and M-S-R EA) Strategic Plans have also been reviewed by General Counsel for conformity with disclosure requirements and applicable legislative and regulatory obligations of the Agency and the Authority. The M-S-R PPA Technical Committee reviewed the draft plans in workshops held September 3, 2020 and will further review and update detailed status reports and workplans pertaining to BPA activities in a workshop to be held October 15, 2020.

I recommend the Commission adopt the proposed 2021 M-S-R PPA Strategic Plan.

**M-S-R PUBLIC POWER AGENCY
2021 STRATEGIC PLAN**



Effective January 1, 2021

COMMISSION REVIEW DRAFT
SEPTEMBER 30, 2020

M-S-R PUBLIC POWER AGENCY STRATEGIC PLAN
 Effective January 1, 2021

In 1997 the M-S-R PPA Commission directed the annual development of a strategic plan to address the issues faced by the Agency in the ensuing five-year period. The plan is updated and reviewed by the M-S-R PPA Commission in September of each year prior to the development of the annual M-S-R PPA Budget. The issues of Organizational Structure and Philosophy; Managing and Maintaining Assets; Financial Matters; and Joint Action Opportunities presented below characterize M-S-R PPA’s strategic vision through 2025.

I. INTRODUCTION.....	3
II. ORGANIZATIONAL STRUCTURE AND PHILOSOPHY	4
Recommendations:.....	4
III. MANAGE AND MAINTAIN ASSETS.....	5
San Juan Project:.....	5
Project Description and History:.....	5
Goals:	5
On-Going Management:	6
Legacy Liabilities – Mine Reclamation:.....	6
Potential Actions:.....	6
Legacy Liabilities – Plant Decommissioning:.....	7
Potential Actions:.....	8
Legacy Liabilities – Potential Environmental Remediation:.....	8
Potential Actions:.....	8
Recommendations:.....	9
Pacific Northwest Project:	10
Big Horn Wind Energy Project:.....	10
Project Description and History:.....	10
Goals:	10
On-Going Management:	11
Cost Containment – BPA Proceedings:	11
Potential Actions:.....	11
Cost Containment – EIM Proceedings:	11
Potential Actions:.....	12
Cost Containment – M-S-R Coordinator:.....	12
Potential Actions:.....	12
RPS Compliance – Qualifications:	13
Potential Actions:.....	13
RPS Compliance – Reporting and Certification:.....	13
Potential Actions:.....	14
Recommendations.....	14
IV. FINANCIAL MATTERS.....	16
Goals:	16
Debt Management:.....	16
Potential Actions:.....	16
Funding of Legacy Liabilities:.....	16

Potential Actions:.....	18
Recommendations.....	18
V. JOINT ACTION OPPORTUNITIES	19
Background.....	19
Goals:	19
Regulatory Monitoring and Compliance Program.....	19
Goals:	20
Potential Actions:.....	20
Recommendations.....	20
Legislative and Regulatory Advocacy Program	20
Goals:	21
Potential Actions:.....	21
Recommendations.....	21
M-S-R Public Power Agency Organization Chart.....	22

M-S-R PPA STRATEGIC PLAN

Effective January 1, 2021

I. INTRODUCTION

The M-S-R Public Power Agency (M-S-R PPA or Agency) was created on April 29, 1980, through a Joint Exercise of Powers Agreement among Modesto Irrigation District (Modesto or MID), the City of Santa Clara (Santa Clara or SVP), and the City of Redding (Redding or REU) – individually “Member” or collectively “Members,” for the purposes of acquiring, constructing, operating and maintaining any Project for the purpose of providing electrical energy or other Project benefits for public or private uses.

M-S-R PPA’s activities span the Pacific Northwest Project, including the Big Horn Wind Energy Projects, and certain plant decommissioning, mine reclamation, or environmental remediation obligations related to its former interests in Unit No. 4 of the San Juan Generating Station (SJGS). Unless otherwise provided in separate agreements the Joint Powers Agreement specifies participation in M-S-R PPA Projects is Modesto 50%, Santa Clara 35%, and Redding 15%.

M-S-R PPA’s purpose is to maximize the value of its existing assets for the benefit of the Members and to respond to Member needs where joint action rather than individual action is deemed to be in the Member’s best interests. M-S-R PPA is also intended to provide more responsive services to its Members than may be possible from larger or state-wide agencies or associations.

II. ORGANIZATIONAL STRUCTURE AND PHILOSOPHY

Since its formation, M-S-R PPA has been a member-directed, member-supported organization. M-S-R PPA is governed by a three-member Commission appointed by and representing the governing bodies of Modesto, Santa Clara, and Redding. The General Manager and Commission are advised by the Technical Committee and the Financial Management Committee, each comprised of representatives of the technical and management staff of the Members. The Technical Committee's purview includes engineering, technical, and economic aspects of the Agency's Big Horn Wind Energy Projects, and San Juan Project Legacy Liabilities. The Financial Management Committee's purview includes the Agency's bonded debt and investments. Additionally, the Risk Management Committee was established by and administers the Agency's Risk Management Policy (pertaining to energy transactions) and reports to both the General Manager and the Financial Management Committee. A copy of the Agency's current organization chart is attached as Exhibit "A."

The organization of the Agency and descriptions of its authorities and delegations are documented in a comprehensive Policies and Procedures Manual. Key enabling documents and controls are appended to the manual to provide a one-stop operations and governance resource. The manual was completed in December 2013 and is reviewed on a biennial basis in even-numbered years in conjunction with the annual review of this strategic plan.

Recommendations:

1. No changes are recommended to the Agency's organization structure at this time.

III. MANAGE AND MAINTAIN ASSETS

San Juan Project:

Project Description and History:

M-S-R PPA held a 28.8% ownership interest (or about 146 MW) in the 507 MW_{net} SJGS Unit 4 (San Juan Unit 4) operated by the Public Service Company of New Mexico (PNM). These interests and related assets and liabilities are referred to as the San Juan Project.

M-S-R PPA purchased its interest in the San Juan Project on December 31, 1983, began taking direct deliveries of energy and capacity on May 1, 1995, and divested its interests on December 31, 2017. The Agency retains certain liabilities pertaining to its share of the costs of Mine Reclamation, Plant Decommissioning, and potential environmental contamination. Collectively these obligations are referred to as the “Legacy Liabilities.”

M-S-R PPA’s rights and obligations for this project are governed by the San Juan Project Restructuring Agreement (Restructuring Agreement), the Amended and Restated Mine Reclamation and Trust Funds Agreement (Reclamation Agreement), the San Juan Plant Decommissioning and Trust Funds Agreement (Decommissioning Agreement) and M-S-R PPA’s Bond Indentures (while any M-S-R PPA bonds remain in effect). The Members’ rights and obligations pertaining to the San Juan Project are specified in the Tucson/San Juan Project Power Sales Agreement.

The San Juan Project was purchased to provide baseload power and act as a hedge against rising costs of wholesale power purchases. The San Juan Project also played a critical role in meeting Member power needs through the California Energy Crisis (2000 – 2001).

Goals:

The Agency’s goals are to most efficiently and economically discharge Legacy Liabilities for the Members.

On-Going Management:

Legacy Liabilities – Mine Reclamation:

Pursuant to the Reclamation Agreement, M-S-R PPA retains liability for 8.7% of the pre-Exit Date Mine Reclamation costs until such time as the mine site is reclaimed and any Reclamation Bonds held by the State of New Mexico are released. The scope and timing of final reclamation is set by the Mine Permit and State and Federal law. If the Farmington/Enchant SJGS project¹ occurs, an additional 13-years of SJGS operations could generate about 10,000,000 cubic yards of coal combustion residuals for burial in the mine and correspondingly delay final mine closure.

The San Juan owners are exploring a potential transaction where through the payment of a fixed sum, they will extinguish their outstanding reclamation obligations without further recourse. This transaction would become effective at or before the anticipated June 30, 2022 termination of SJGS operations and may also be applicable if the Farmington/Enchant SJGS project proceeds.

M-S-R PPA pays its share of both ongoing and final reclamation from funds on deposit in its Mine Reclamation Trust. Pursuant to the Reclamation Agreement, the value of M-S-R PPA's Mine Reclamation Trust needs to be sufficient as of the end of each calendar year to make all future payments as projected pursuant to the Reclamation Agreement. M-S-R PPA's Mine Reclamation Trust value requirement as of December 31, 2020 is about \$17.7 million. As discussed below (Section 4. Financial Matters – Legacy Liability Funding) the Agency has sufficient funds available to make any necessary future deposits and additions to the Mine Reclamation Trust without additional cash calls on the Members.

Potential Actions:

1. Continue to manage reclamation liabilities pursuant to existing agreements.
2. Mitigate potential impacts of Farmington/Enchant SJGS project on reclamation liabilities.

3. Assign reclamation liabilities to third party at reasonable cost and without recourse to M-S-R PPA.

Legacy Liabilities – Plant Decommissioning:

Pursuant to the Decommissioning Agreement, M-S-R PPA retains liability for a share of the cost of SJGS decommissioning and demolition costs. This share started at 8.7% in 2018 and declines to about 7.6% given a 2022 SJGS shutdown. If Farmington/Enchant operates the SJGS for an additional 13-years, M-S-R PPA's share of SJGS decommissioning and demolition costs may decline pursuant to the Decommissioning Agreement and the scope of such liabilities may change.

The United States Bureau of Reclamation (USBR) has proposed purchasing certain SJGS water diversion facilities including the Lake and River Stations and associated pipelines to incorporate in the proposed Navajo Gallup Water Supply Project (NGWSP). This purchase would be consummated within the next two years and would obviate the need for future decommissioning and demolition of these facilities.

A detailed decommissioning study performed in 2019 by Burns and McDonnell indicates that unless it is presumed the SJGS is never demolished at any future time, the least cost alternative is to demolish the SJGS as soon as possible after final shut-down and that the highest cost alternatives are to retire the SJGS in-place and demolish at some future time.

Pursuant to the Decommissioning Agreement, the SJGS Participants are required to fund a share of \$30 million (M-S-R PPA's share at 7.6% is \$2.3 million – which has been deposited in its Decommissioning Trust) for an initial phase of asset removal and remediation activities (which are included in the above estimated costs.) At such time as the SJGS Participants reach agreement on a Decommissioning Plan, the funding requirements in the Decommissioning Agreement will be updated. As discussed below (Section 4. Financial Matters – Legacy Liability Funding) the Agency has sufficient funds available to fund the decommissioning and demolition scenarios studied by Burns and McDonnell without additional cash calls on the Members.

¹ Pursuant to a San Juan Project Extender Rights Transfer Agreement dated August 16, 2019, the City of Farmington, NM and Enchant Energy LLC propose to continue to operate the SJGS after June 30, 2022 for a 13-year period utilizing carbon capture technology.

Potential Actions:

1. Continue to manage liabilities pursuant to existing agreements.
2. Mitigate potential impacts of Farmington/Enchant SJGS project on decommissioning liabilities.
3. Consummate a sale of the Lake and River Station and related facilities to the USBR.
4. Promote immediate full decommissioning and demolition of SJGS upon cessation of generation activities and discourage retirement in place scenarios.
5. Assign liabilities to a third party at reasonable cost and without recourse to M-S-R PPA.

Legacy Liabilities – Potential Environmental Remediation:

Pursuant to the Restructuring Agreement, M-S-R PPA is liable for pre-Exit Date environmental conditions requiring remediation. M-S-R PPA would not have responsibility for any remediation required as a result of post-Exit Date operations. At this time it does not appear M-S-R PPA has any additional environmental remediation liabilities beyond those anticipated in the estimates for Decommissioning Liabilities. However, liability under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) although not currently identified, may exist. To mitigate environmental remediation risk, M-S-R PPA elected to maintain Continuing Coverage insurance regarding SJGS general and environmental liabilities pursuant to the Restructuring Agreement.

Potential Actions:

1. Continue to maintain Continuing Coverage insurance at reasonably allocated costs to mitigate potential environmental remediation liabilities.

Recommendations:

1. M-S-R PPA should continue to take all reasonable actions necessary to protect Members and bondholders from financial risk through final retirement of all San Juan Project bonds and through extinguishment of San Juan Legacy Liabilities, including cost reduction and mitigation of risk through insurance and assignments of liability.
2. M-S-R PPA should support efforts to transfer contractual liability for completion of mine reclamation requirements from the SJGS Participants to a responsible third party at a reasonable cost, provided such transfer can be made irrevocably and without recourse to M-S-R PPA.
3. M-S-R PPA should take all reasonable steps to advocate for adoption of contemporary rather than deferred demolition in the approved Decommissioning Plan for SJGS.
4. M-S-R PPA should support efforts to explore transfers of contractual liability for completion of SJGS decommissioning and demolition liability, including any potential environmental liabilities, or sale or transfer of salvageable assets, to qualified third parties at a reasonable cost, provided such transfers can be made irrevocably and without recourse to M-S-R PPA.
5. M-S-R PPA should take all reasonable steps to mitigate potential impacts of Farmington/Enchant SJGS project on reclamation and decommissioning legacy liabilities.

Pacific Northwest Project:

The Pacific Northwest Project initially consisted of contracts with the Bonneville Power Administration (BPA) for the delivery of power to the California-Oregon Border (COB) and thence via the California-Oregon Transmission Project (COTP.) The final agreement with BPA terminated on September 30, 2005. Currently the Pacific Northwest Project consists of the Big Horn Wind Energy Projects.

Big Horn Wind Energy Project:

Project Description and History:

On June 1, 2005, M-S-R PPA entered into a series of agreements (as subsequently amended) with PPM Energy, Inc. – now known as Avangrid Renewables, LLC (Avangrid) – to purchase wind power energy at a negotiated price, with a nominal installed capacity of approximately 199.5 MW and an expected annual capacity factor of about 35%, as firmed, shaped, and delivered to COB for an initial 20-year period. Power deliveries commenced on October 1, 2006. Pursuant to amendments to these agreements effective December 1, 2008, M-S-R PPA has the right and obligation to continue to take the same output through September 30, 2031, or if the Big Horn Wind Energy Project is repowered before September 30, 2026, M-S-R PPA will have a right of first offer to negotiate a long-term power purchase for such repowered project.

On December 2, 2009, M-S-R PPA entered into a further series of agreements with Avangrid to purchase wind power energy from the 50 MW Big Horn II Wind Energy Project for a 25-year term from November 1, 2010 through October 31, 2035.

Goals:

M-S-R PPA will continue to evaluate any options to reduce Big Horn Wind Energy Project costs and improve administrative efficiencies without placing the structure or benefits of the Firming and Shaping Agreement (Big Horn I) or Redelivery Agreement (Big Horn II) with Avangrid at risk.

The Agency also needs to maintain the significant benefits of the Big Horn Wind Energy Projects in meeting the Members Renewable Portfolio Standards (RPS) and carbon content requirements as laws and regulations evolve.

On-Going Management:

Cost Containment – BPA Proceedings:

BPA Transmission and Ancillary Service rates directly and indirectly affect the costs paid by M-S-R PPA to Avangrid for Firming and Shaping Services for the Big Horn Wind Energy Project and for pass-throughs by Avangrid of BPA Transmission and Ancillary Services charges for the Big Horn II Wind Energy Project². The annual costs paid for these services by M-S-R PPA are about \$13 million.

BPA issued its Final Record of Decision (ROD) in rate case BP-20 on July 25, 2019, which included modest increases in BPA transmission and ancillary services rates. The Agency remains concerned that rates charged for these services remain excessive and that BPA cost allocations remain biased to the benefit of power rather than transmission customers. Other issues including the misallocation of costs between BPA power and transmission business units, remain active in workshops and other proceedings. BPA began preparing its BP-22 rate case during 2020. Initial BP-22 proposals indicate power costs will be held flat, but transmission costs will continue to grow significantly.

Potential Actions:

1. Continue to participate in the workshops and filings related to BPA rate cases to ensure costs are not allocated in a discriminatory manner for transmission and ancillary services.
2. Prepare annual Priorities Matrix and Action Plans in conjunction with BPA Counsel and use to manage the efforts of Staff, Counsel, and Consultants in BPA Rate Cases.

Cost Containment – EIM Proceedings:

The California Independent System Operator (CAISO) has developed a market-based energy imbalance market (EIM) operating in the western interconnection. The operation of the EIM may affect the costs and deliverability of energy from the Big Horn Wind Energy Projects

and other Member resources. There are currently 11 active EIM participants³ and 10 parties pending EIM participation in the near future⁴. Of particular concern to M-S-R PPA, activities of the EIM may affect access to and pricing of energy deliveries across the BPA system or the Pacific Northwest Interties. BPA's initial EIM implementation proposals indicate allocation of EIM costs to transmission functions such as those used by Avangrid to effect Big Horn Wind Energy Project deliveries. Furthermore, to most efficiently accommodate EIM activities, various BPA grid modernization projects have been proposed, including but not limited to a new transmission control center to be built in Vancouver, WA.

Potential Actions:

1. Monitor EIM development activities, filings, and intervene in cases where EIM costs may be assigned to non-EIM participants especially regarding use of, or additions to, BPA transmission system.

Cost Containment – M-S-R Coordinator:

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

Potential Actions:

1. Continue to review cost efficacy of continued Modesto provision of M-S-R Coordinator services prior to the December 31, 2021 deadline to notify Modesto of the second one-year extension of the current agreement.

² The cost reimbursement provisions of Modesto's Star Point Wind Energy Project contract with Avangrid are essentially identical to those in the Big Horn II Wind Energy Project.

³ Active EIM participants as of January 1, 2021: Salt Rive Project, Seattle City Light, BANC (Phase 1), Idaho Power Company, PowerEx, Portland General Electric, Puget Sound Energy, Arizona Public Service, NV Energy, PacifiCorp, and California ISO.

⁴ EIM participation pending 2021: LADWP, PNM, Northwestern Energy, Turlock Irrigation District, and BANC (Phase2)

EIM participation pending 2022: Avista, Tucson Electric Power Company, Tacoma Power, Bonneville Power Administration, and Xcel Energy – Colorado.

RPS Compliance – Qualifications:

Over the past decade, California Law has imposed ever more stringent RPS and carbon content requirements on electrical energy trading and generation. The most recent law, SB 100 adopted in 2018, further modified the RPS to a 60% obligation by December 31, 2030, and set a target of a 100% carbon-free emissions portfolio by 2045. RPS laws also require renewable energy projects to be “certified” by the California Energy Commission (CEC). In addition, the CEC requires renewable projects to be tracked through the Western Renewable Energy Generation Information System (WREGIS). Both the Big Horn Wind Project and Big Horn II Wind Energy Project have been certified as eligible by the CEC. Avangrid/Big Horn Wind Project LLC/Big Horn II Wind Project LLC has registered the Projects with WREGIS as generators, BPA has registered as the qualified reporting entity for the Projects, and M-S-R PPA has adopted procedures for the verification, accounting, and distribution of WREGIS RECs for these and future projects.

The Big Horn Projects are significant elements in each Member’s renewable energy portfolio as tabulated below:

Member	Big Horn I Participation	Big Horn II Participation	Wind Energy (GWh) /5
Modesto	12.5%	65%	143
Santa Clara	52.5%	35%	308
Redding	35.0%	-	180

5

Estimates are based on average annual Big Horn I & II production.

Potential Actions:

1. Monitor regulatory/legislative changes to assure Big Horn Wind Energy Projects remain as eligible RPS Resources through at least their respective September 30, 2031 and October 30, 2035 contract maturities.

RPS Compliance – Reporting and Certification:

The qualifications and reporting of emissions under California Air Resources Board (CARB) and CEC regulations and the accounting of the RECs associated with the Big Horn (and Star Point) Wind Energy Projects represent the majority of the Agency’s benefits under these contracts. Specifically, the treatment of the RECs as being so-called Bucket “0” must be preserved, to avoid reducing the benefits and economic value of these projects in satisfying

Member RPS compliance requirements. Similarly, preservation of the RPS Adjustment under the CARB Mandatory Reporting Regulation (MRR) has substantial value to the Members. On April 13, 2018, M-S-R PPA entered into letter agreements with Avangrid for both the Big Horn and Big Horn II Wind Energy Projects regarding “Process for Addressing RECs and California Carbon Allowances” and accounting for RPS Adjustments under CARB’s MRR.

Potential Actions:

1. Continue to assure Big Horn Wind Energy Projects remain grandfathered as Bucket 0 RPS Resources.
2. Support potential regulatory/legislative changes to allow Big Horn Wind Energy Projects to be deemed Bucket 1 RPS Resources and that do not endanger grandfathered Bucket 0 RPS status.

Recommendations

1. M-S-R PPA should continue to administer the Big Horn I and II Wind Energy Project agreements to reduce costs and fees and maintain use of the Projects’ environmental attributes in satisfying the Members’ RPS or other requirements.
2. M-S-R should continue to examine any reasonable options to reduce costs regarding the Big Horn Wind Energy Projects, but not recommend further action upon such proposals until all economic, legislative, and regulatory risks and benefits can be appropriately quantified for consideration by the Members.
3. M-S-R PPA should actively monitor Avangrid Renewables’ obligations and performance under the current agreements with respect to changing rules and regulations. Additionally, M-S-R PPA should monitor Avangrid’s financial structure and capitalization.
4. M-S-R PPA should continue to follow and to actively participate (as directed by the M-S-R Commission) in BPA’s rate proceedings, and related Federal Energy Regulatory (FERC) and judicial hearings as long as such participation remains economically effective. Reports to Members and solicitation of direction regarding filings, positions, and meeting representation shall be timely and proactive. Periodic conference calls among Member staff will continue to solicit Member input and discuss the implications and appropriate responses to these

emerging threats. Priorities have been identified as follows, and will be periodically ranked in annual Priorities Matrix and Action Plans:

- a. M-S-R PPA will continue to work to minimize inappropriate cost shifts between BPA business units,
 - b. M-S-R PPA will advocate for cost causation principles with emphasis on transmission and ancillary services customers paying only for services they actually receive,
 - c. M-S-R PPA will support BPA initiatives to maintain the reliability of the transmission and hydro generation system.
5. M-S-R PPA should continue to track and allocate renewable energy production and associated WREGIS RECs from the Big Horn I and II Wind Energy Projects for the benefit of the Members and take all necessary steps to ensure that such generation and credits remain eligible to meet all applicable California renewable energy production requirements.
 6. M-S-R PPA should track and actively comment, as appropriate, upon proposed legislation and regulations as they may affect uses and benefits of M-S-R PPA wind contracts to meet California RPS requirements and carbon reporting regulations.

IV. FINANCIAL MATTERS

The Financial Management Committee monitors the financial markets and advises the General Manager regarding the issuance and management of the Agency's debt and similar liabilities. The activities of the Financial Management Committee are supported by an independent Financial Advisor, currently the firm of Montague, DeRose and Associates, LLC. M-S-R PPA maintains a Strategic Reserve as set forth in its Working Capital Policy to meet Bond Indenture requirements, to fund contingent liabilities, and to manage Member cash call requirements. As reported in the June 30, 2020, Treasurer's Report, M-S-R PPA holds about \$88 million in operating funds and restricted and un-restricted reserves.

Goals:

Maintain sufficient operating cash and reserves to meet the liquidity requirements of the Agency, fund current and contingent liabilities as they become due and to meet all requirements of Bond Indentures and State Law regarding debt issuances and investments while minimizing risk and cash calls upon Members and maximizing returns on invested funds.

Debt Management:

M-S-R PPA will have approximately \$26 million of outstanding debt on its San Juan Project Revenue Bonds as of July 1, 2021. Other bonds previously issued by the Agency have either been retired or defeased. Outstanding Series 2018R Bonds yield about 1.78% and are not callable before maturity.

Potential Actions:

1. Make all debt service payments and file reports as required by Continuing Disclosure Agreement.

Funding of Legacy Liabilities:

Pursuant to Resolution 2020-01, regarding Working Capital Policy, the Agency will fund the balance of the costs of San Juan Project Legacy Liabilities from its Strategic Reserves, including those specifically associated with the San Juan Project Legacy Liabilities Reserves pertaining to Mine Reclamation and to San Juan Decommissioning.

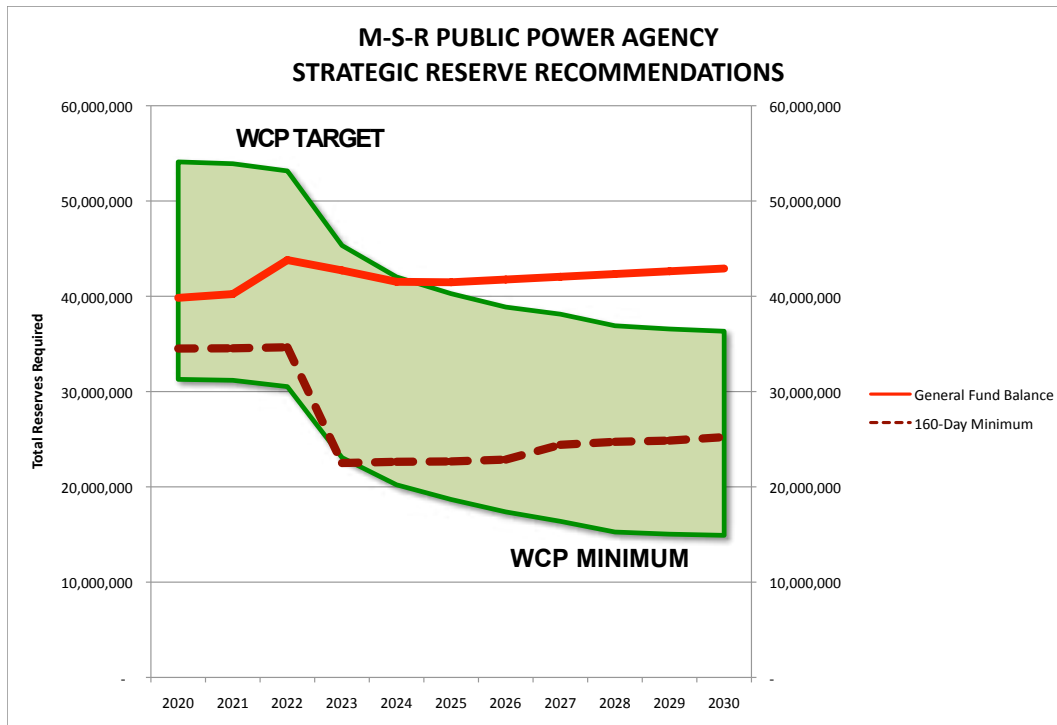
M-S-R PPA’s Mine Reclamation Trust value requirement as of December 31, 2020 is about \$17.7 million and is currently projected to end the year with a balance of \$17.0 million, which indicates the need for a Reclamation Recovery Deposit. The Working Capital Policy sets the objectives for the Mine Reclamation Contingency and Administration reserve tranche at target and minimum levels as shown below based on 2021 Budget projections.

Similarly, Decommissioning Costs have been estimated for various scenarios and reserve requirements computed based on the same assumption (Retire-In-Place followed by demolition in 25-years) used in the preparation of the Agency’s Financial Statements.

As illustrated below the estimated General Fund balances in 2021 are reasonably sufficient to satisfy minimum Reclamation and Decommissioning Cost Working Capital requirements (which are in addition to those amounts currently held in Trusts) without additional cash calls on the Members:

Year-End 2021	Target Working Capital	Minimum Working Capital
Net General Fund	\$40,234,000	\$40,234,000
Days of Working Capital Available	186	186
Financial Advisor Recommended Minimum Days	160	160
Working Capital Tranche 1 – Agency A&G	\$465,000	\$465,000
Working Capital Tranche 2 – Purchase Power	\$11,116,000	\$5,558,000
Working Capital Tranche 3 – San Juan Fixed	\$4,570,000	\$4,570,000
Working Capital Tranche 4 – Reclamation Legacy Liability Contingency	\$8,489,000	\$8,295,000
Working Capital Tranche 5 – Decommissioning Legacy Liability Cost	\$29,272,000	\$12,296,000
Sum of Tranches	\$53,912,000	\$31,184,000
Sum of Tranches in Days	250	144

These factors are also illustrated below for the next 10-years:



Potential Actions:

1. Satisfy any funding requirements for either the Reclamation Trust Fund or Decommissioning Trust Fund from reserves currently held by the Agency.
2. Consider disbursements to the Members or other use of funds accessible to the Agency that are greater in amount than the highest projected reserve requirements for Decommissioning or Reclamation activities consistent with the Working Capital Policy.

Recommendations

1. M-S-R PPA’s debt and investment structures should be periodically reviewed to maximize the benefits to M-S-R PPA and its members.
2. As required in Resolution 2020-01 regarding Working Capital Policy, M-S-R PPA should continue to reserve funds to cover future Legacy Liability payments.

V. JOINT ACTION OPPORTUNITIES

Background

Although M-S-R PPA has been instructed in the past by its Members to prefer individual pursuit of new projects rather than joint M-S-R PPA efforts, there are collective synergies between the Members for continuing and future joint action. The role of the Agency in managing Legacy Liabilities and the Big Horn Wind Energy Projects, as well as the role of the M-S-R Energy Authority in managing the Natural Gas Project, is expected to continue for at least two more decades.

Goals:

Utilize the organizational infrastructure of M-S-R PPA to efficiently and economically provide project management services to the Members.

Regulatory Monitoring and Compliance Program

On behalf of its Members the Agency has actively participated in regulatory forums before the FERC, the CEC, the CARB, the California Public Utilities Commission (CPUC). Proceedings before the CEC, CARB and CPUC regarding RPS compliance matters are included in the Agency's Pacific Northwest Project (Big Horn Wind Energy Projects) as described above. Proceedings before these same agencies regarding greenhouse gas controls, cap-and-trade programs, and CARB MRR have broad impact on the Agency and its Members and are allocated to the Regulatory and Compliance Program established pursuant to Resolution 2017-04.

To the extent possible, other entities such as TANC, BANC, or NCPA should take the lead role on activities such as PG&E, SCE, or SDG&E Transmission Revenue Requirement (TRR) filings. Only when specifically directed by the Members would M-S-R PPA support interventions before the FERC related to general or state-wide transmission cost issues. Remaining activities would typically only apply to issues potentially impacting deliveries of renewable wind energy beyond the BPA system.

Goals:

In harmony with the project-specific regulatory monitoring and compliance activities, participate in market-wide regulatory and compliance forums to safeguard the relevance of the Agency and Member's early action in renewable resource development and carbon reduction programs.

Potential Actions:

1. Monitor FERC filings regarding transmission rates and act in a clearinghouse role for the Members.
2. New interventions and protests before the FERC regarding transmission rates should only be entertained when the Members determine there is a common interest that can be more efficiently and effectively prosecuted by joint action.

Recommendations

1. Given that existing interventions and protests before the FERC regarding transmission rates have been completed, new interventions and protests regarding state-wide or specific transmission rate issues should only be entertained when the Members determine there is a common interest that can be more efficiently and effectively prosecuted by joint action.
2. M-S-R PPA should continue to participate in proceedings before the CEC, CARB and CPUC regarding greenhouse gas controls, cap-and-trade programs, and CARB MMRs and regarding SB 350, AB 398, and SB 100 implementation as directed by the Members.

Legislative and Regulatory Advocacy Program

M-S-R PPA has actively participated in the past nine California legislative sessions in the monitoring and amendment of renewable resources legislation and other bills affecting the operation of M-S-R PPA and Member resources. Legislative advocates were retained and an informal structure for obtaining Member positions has evolved. M-S-R PPA has also participated

as a non-voting member of the California Municipal Utilities Association (CMUA) Legislative and Regulatory Committee and CMUA Energy Policy Committee.

Goals:

Support legislative initiatives that preserve or enhance the value of early action renewable energy or carbon reduction projects, that simplify or streamline regulatory reporting requirements, and that respect the value of local control and decision-making.

Potential Actions:

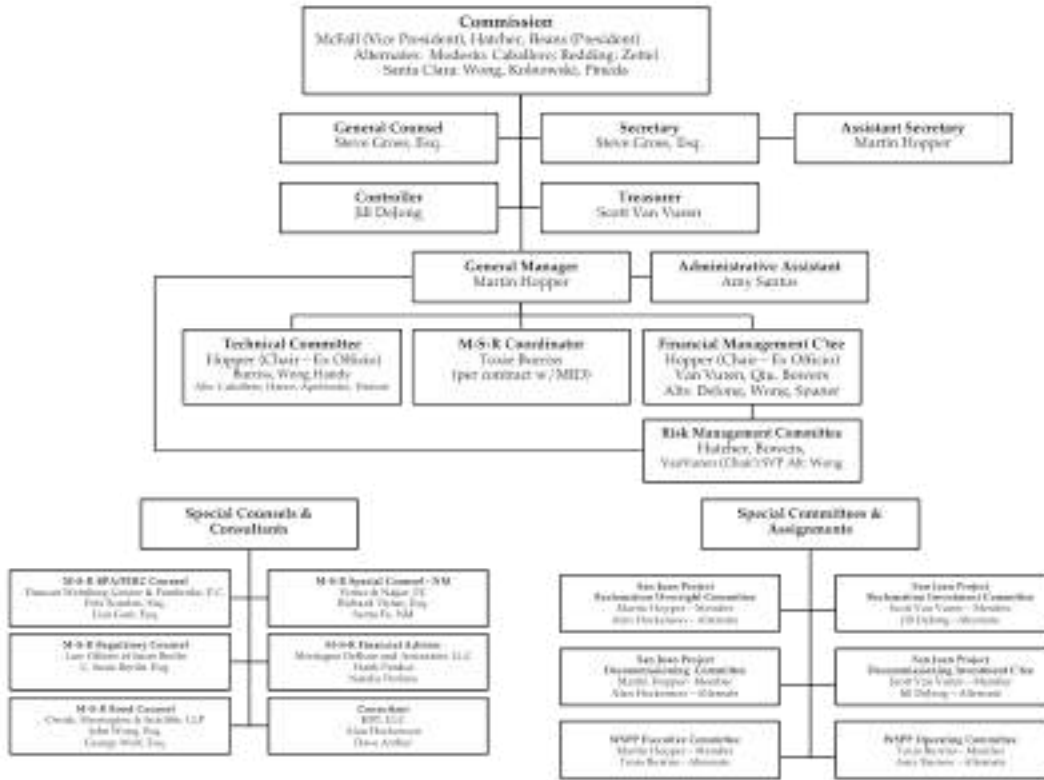
1. Develop annual California and Federal Legislative and Regulatory Representative Workplans.
2. Rely on Member coverage for California and Federal Legislative or Regulatory advocacy unless otherwise directed for specific issues, or as identified in annual Workplans.

Recommendations

1. M-S-R PPA will take positions on only those bills and regulatory matters directly affecting M-S-R PPA resources or M-S-R PPA's duties to its Members. M-S-R PPA may also, by request of the Members, take positions on bills of common interest to the entire M-S-R PPA membership.
2. The M-S-R PPA General Manager will regularly consult with the Members to coordinate Agency and Member positions on bills and regulatory matters and to develop annual work plans for State and Federal legislative advocacy.
3. M-S-R PPA will retain legislative and regulatory advocates as needed to support its positions on proposed bills and regulations and will coordinate with Members and like-positioned entities and trade associations to promote M-S-R PPA's interests.

Exhibit "A"
M-S-R Public Power Agency Organization Chart

M-S-R Public Power Agency Organization Chart



Revised: September 30, 2020

M-S-R PUBLIC POWER AGENCY
2021 STRATEGIC PLAN

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Effective January 1, 2021

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COMMISSION REVIEW DRAFT
SEPTEMBER 30, 2020

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M-S-R PUBLIC POWER AGENCY STRATEGIC PLAN
Effective January 1, 2021

In 1997 the M-S-R PPA Commission directed the annual development of a strategic plan to address the issues faced by the Agency in the ensuing five-year period. The plan is updated and reviewed by the M-S-R PPA Commission in September of each year prior to the development of the annual M-S-R PPA Budget. The issues of Organizational Structure and Philosophy; Managing and Maintaining Assets; Financial Matters; and Joint Action Opportunities presented below characterize M-S-R PPA's strategic vision through 2025.

I. INTRODUCTION 3

II. ORGANIZATIONAL STRUCTURE AND PHILOSOPHY 4

 Recommendations:..... 4

III. MANAGE AND MAINTAIN ASSETS..... 5

 San Juan Project:..... 5

 Project Description and History:..... 5

 Goals: 5

 On-Going Management: 6

 Legacy Liabilities – Mine Reclamation:..... 6

 Potential Actions:..... 6

 Legacy Liabilities – Plant Decommissioning:..... 7

 Potential Actions:..... 8

 Legacy Liabilities – Potential Environmental Remediation:..... 8

 Potential Actions:..... 8

 Recommendations:..... 9

 Pacific Northwest Project: 10

 Big Horn Wind Energy Project:..... 10

 Project Description and History:..... 10

 Goals: 10

 On-Going Management: 11

 Cost Containment – BPA Proceedings:..... 11

 Potential Actions:..... 11

 Cost Containment – EIM Proceedings: 11

 Potential Actions:..... 12

 Cost Containment – M-S-R Coordinator: 12

 Potential Actions:..... 12

 RPS Compliance – Qualifications: 13

 Potential Actions:..... 13

 RPS Compliance – Reporting and Certification:..... 13

 Potential Actions:..... 14

 Recommendations..... 14

IV. FINANCIAL MATTERS 16

 Goals: 16

 Debt Management:..... 16

 Potential Actions:..... 16

 Funding of Legacy Liabilities:..... 16

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Potential Actions:.....	18	Unknown
Recommendations.....	18	Field Code Changed
V. JOINT ACTION OPPORTUNITIES	19	Unknown
Background.....	19	Field Code Changed
Goals:.....	19	Unknown
Regulatory Monitoring and Compliance Program.....	19	Field Code Changed
Goals:.....	20	Unknown
Potential Actions:.....	20	Field Code Changed
Recommendations.....	20	Unknown
Legislative and Regulatory Advocacy Program	20	Field Code Changed
Goals:.....	21	Unknown
Potential Actions:.....	21	Field Code Changed
Recommendations.....	21	Unknown
M-S-R Public Power Agency Organization Chart.....	22	Field Code Changed
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M-S-R PPA STRATEGIC PLAN

Effective January 1, ~~2021~~

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I. INTRODUCTION

The M-S-R Public Power Agency (M-S-R PPA or Agency) was created on April 29, 1980, through a Joint Exercise of Powers Agreement among Modesto Irrigation District (Modesto or MID), the City of Santa Clara (Santa Clara or SVP), and the City of Redding (Redding or REU) – individually “Member” or collectively “Members,” for the purposes of acquiring, constructing, operating and maintaining any Project for the purpose of providing electrical energy or other Project benefits for public or private uses.

M-S-R PPA’s activities span the Pacific Northwest Project, including the Big Horn Wind Energy Projects, and certain plant decommissioning, mine reclamation, or environmental remediation obligations related to its former interests in Unit No. 4 of the San Juan Generating Station (SJGS). Unless otherwise provided in separate agreements the Joint Powers Agreement specifies participation in M-S-R PPA Projects is Modesto 50%, Santa Clara 35%, and Redding 15%.

M-S-R PPA’s purpose is to maximize the value of its existing assets for the benefit of the Members and to respond to Member needs where joint action rather than individual action is deemed to be in the Member’s best interests. M-S-R PPA is also intended to provide more responsive services to its Members than may be possible from larger or state-wide agencies or associations.

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II. ORGANIZATIONAL STRUCTURE AND PHILOSOPHY

Since its formation, M-S-R PPA has been a member-directed, member-supported organization. M-S-R PPA is governed by a three-member Commission appointed by and representing the governing bodies of Modesto, Santa Clara, and Redding. The General Manager and Commission are advised by the Technical Committee and the Financial Management Committee, each comprised of representatives of the technical and management staff of the Members. The Technical Committee's purview includes engineering, technical, and economic aspects of the Agency's Big Horn Wind Energy Projects, and San Juan Project Legacy Liabilities. The Financial Management Committee's purview includes the Agency's bonded debt and investments. Additionally, the Risk Management Committee was established by and administers the Agency's Risk Management Policy (pertaining to energy transactions) and reports to both the General Manager and the Financial Management Committee. A copy of the Agency's current organization chart is attached as Exhibit "A."

The organization of the Agency and descriptions of its authorities and delegations are documented in a comprehensive Policies and Procedures Manual. Key enabling documents and controls are appended to the manual to provide a one-stop operations and governance resource. The manual was completed in December 2013 and is reviewed on a biennial basis in even-numbered years in conjunction with the annual review of this strategic plan.

Recommendations:

1. No changes are recommended to the Agency's organization structure at this time.

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III. MANAGE AND MAINTAIN ASSETS

San Juan Project:

Project Description and History:

M-S-R PPA held a 28.8% ownership interest (or about 146 MW) in the 507 MW_{net} SJGS Unit 4 (San Juan Unit 4) operated by the Public Service Company of New Mexico (PNM). These interests and related assets and liabilities are referred to as the San Juan Project.

M-S-R PPA purchased its interest in the San Juan Project on December 31, 1983, began taking direct deliveries of energy and capacity on May 1, 1995, and divested its interests on December 31, 2017. The Agency retains certain liabilities pertaining to its share of the costs of Mine Reclamation, Plant Decommissioning, and potential environmental contamination. Collectively these obligations are referred to as the “Legacy Liabilities.”

M-S-R PPA’s rights and obligations for this project are governed by the San Juan Project Restructuring Agreement (Restructuring Agreement), the Amended and Restated Mine Reclamation and Trust Funds Agreement (Reclamation Agreement), the San Juan Plant Decommissioning and Trust Funds Agreement (Decommissioning Agreement) and M-S-R PPA’s Bond Indentures (while any M-S-R PPA bonds remain in effect). The Members’ rights and obligations pertaining to the San Juan Project are specified in the Tucson/San Juan Project Power Sales Agreement.

The San Juan Project was purchased to provide baseload power and act as a hedge against rising costs of wholesale power purchases. The San Juan Project also played a critical role in meeting Member power needs through the California Energy Crisis (2000 – 2001).

Goals:

The Agency’s goals are to most efficiently and economically discharge Legacy Liabilities for the Members.

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On-Going Management:

Legacy Liabilities – Mine Reclamation:

Pursuant to the Reclamation Agreement, M-S-R PPA retains liability for 8.7% of the pre-Exit Date Mine Reclamation costs until such time as the mine site is reclaimed and any Reclamation Bonds held by the State of New Mexico are released. The scope and timing of final reclamation is set by the Mine Permit and State and Federal law. If the Farmington/Enchant SJGS project¹ occurs, an additional 13-years of SJGS operations could generate about 10,000,000 cubic yards of coal combustion residuals for burial in the mine and correspondingly delay final mine closure.

The San Juan owners are exploring a potential transaction where through the payment of a fixed sum, they will extinguish their outstanding reclamation obligations without further recourse. This transaction would become effective at or before the anticipated June 30, 2022 termination of SJGS operations and may also be applicable if the Farmington/Enchant SJGS project proceeds.

M-S-R PPA pays its share of both ongoing and final reclamation from funds on deposit in its Mine Reclamation Trust. Pursuant to the Reclamation Agreement, the value of M-S-R PPA’s Mine Reclamation Trust needs to be sufficient as of the end of each calendar year to make all future payments as projected pursuant to the Reclamation Agreement. M-S-R PPA’s Mine Reclamation Trust value requirement as of December 31, 2020 is about \$17.7 million. As discussed below (Section 4. Financial Matters – Legacy Liability Funding) the Agency has sufficient funds available to make any necessary future deposits and additions to the Mine Reclamation Trust without additional cash calls on the Members.

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Potential Actions:

1. Continue to manage reclamation liabilities pursuant to existing agreements.
2. Mitigate potential impacts of Farmington/Enchant SJGS project on reclamation liabilities.

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3. Assign reclamation liabilities to third party at reasonable cost and without recourse to M-S-R PPA.

Legacy Liabilities – Plant Decommissioning:

Pursuant to the Decommissioning Agreement, M-S-R PPA retains liability for a share of the cost of SJGS decommissioning and demolition costs. This share started at 8.7% in 2018 and declines to about 7.6% given a 2022 SJGS shutdown. If Farmington/Enchant operates the SJGS for an additional 13-years, M-S-R PPA's share of SJGS decommissioning and demolition costs may decline pursuant to the Decommissioning Agreement and the scope of such liabilities may change.

The United States Bureau of Reclamation (USBR) has proposed purchasing certain SJGS water diversion facilities including the Lake and River Stations and associated pipelines to incorporate in the proposed Navajo Gallup Water Supply Project (NGWSP). This purchase would be consummated within the next two years and would obviate the need for future decommissioning and demolition of these facilities.

A detailed decommissioning study performed in 2019 by Burns and McDonnell indicates that unless it is presumed the SJGS is never demolished at any future time, the least cost alternative is to demolish the SJGS as soon as possible after final shut-down and that the highest cost alternatives are to retire the SJGS in-place and demolish at some future time.

Pursuant to the Decommissioning Agreement, the SJGS Participants are required to fund a share of \$30 million (M-S-R PPA's share at 7.6% is \$2.3 million – which has been deposited in its Decommissioning Trust) for an initial phase of asset removal and remediation activities (which are included in the above estimated costs.) At such time as the SJGS Participants reach agreement on a Decommissioning Plan, the funding requirements in the Decommissioning Agreement will be updated. As discussed below (Section 4. Financial Matters – Legacy Liability Funding) the Agency has sufficient funds available to fund the decommissioning and demolition scenarios studied by Burns and McDonnell without additional cash calls on the Members.

¹ Pursuant to a San Juan Project Extender Rights Transfer Agreement dated August 16, 2019, the City of Farmington, NM and Enchant Energy LLC propose to continue to operate the SJGS after June 30, 2022 for a 13-year period utilizing carbon capture technology.

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Potential Actions:

1. Continue to manage liabilities pursuant to existing agreements.
2. Mitigate potential impacts of Farmington/Enchant SJGS project on decommissioning liabilities.
3. Consummate a sale of the Lake and River Station and related facilities to the USBR.
4. Promote immediate full decommissioning and demolition of SJGS upon cessation of generation activities and discourage retirement in place scenarios.
5. Assign liabilities to a third party at reasonable cost and without recourse to M-S-R PPA.

Legacy Liabilities – Potential Environmental Remediation:

Pursuant to the Restructuring Agreement, M-S-R PPA is liable for pre-Exit Date environmental conditions requiring remediation. M-S-R PPA would not have responsibility for any remediation required as a result of post-Exit Date operations. At this time it does not appear M-S-R PPA has any additional environmental remediation liabilities beyond those anticipated in the estimates for Decommissioning Liabilities. However, liability under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) although not currently identified, may exist. To mitigate environmental remediation risk, M-S-R PPA elected to maintain Continuing Coverage insurance regarding SJGS general and environmental liabilities pursuant to the Restructuring Agreement.

Potential Actions:

1. Continue to maintain Continuing Coverage insurance at reasonably allocated costs to mitigate potential environmental remediation liabilities.

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Recommendations:

1. M-S-R PPA should continue to take all reasonable actions necessary to protect Members and bondholders from financial risk through final retirement of all San Juan Project bonds and through extinguishment of San Juan Legacy Liabilities, including cost reduction and mitigation of risk through insurance and assignments of liability.
2. M-S-R PPA should support efforts to transfer contractual liability for completion of mine reclamation requirements from the SJGS Participants to a responsible third party at a reasonable cost, provided such transfer can be made irrevocably and without recourse to M-S-R PPA.
3. M-S-R PPA should take all reasonable steps to advocate for adoption of contemporary rather than deferred demolition in the approved Decommissioning Plan for SJGS.
4. M-S-R PPA should support efforts to explore transfers of contractual liability for completion of SJGS decommissioning and demolition liability, including any potential environmental liabilities, or sale or transfer of salvageable assets, to qualified third parties at a reasonable cost, provided such transfers can be made irrevocably and without recourse to M-S-R PPA.
5. M-S-R PPA should take all reasonable steps to mitigate potential impacts of Farmington/Enchant SJGS project on reclamation and decommissioning legacy liabilities.

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Pacific Northwest Project:

The Pacific Northwest Project initially consisted of contracts with the Bonneville Power Administration (BPA) for the delivery of power to the California-Oregon Border (COB) and thence via the California-Oregon Transmission Project (COTP.) The final agreement with BPA terminated on September 30, 2005. Currently the Pacific Northwest Project consists of the Big Horn Wind Energy Projects.

Big Horn Wind Energy Project:

Project Description and History:

On June 1, 2005, M-S-R PPA entered into a series of agreements (as subsequently amended) with PPM Energy, Inc. – now known as Avangrid Renewables, LLC (Avangrid) – to purchase wind power energy at a negotiated price, with a nominal installed capacity of approximately 199.5 MW and an expected annual capacity factor of about 35%, as firm, shaped, and delivered to COB for an initial 20-year period. Power deliveries commenced on October 1, 2006. Pursuant to amendments to these agreements effective December 1, 2008, M-S-R PPA has the right and obligation to continue to take the same output through September 30, 2031, or if the Big Horn Wind Energy Project is repowered before September 30, 2026, M-S-R PPA will have a right of first offer to negotiate a long-term power purchase for such repowered project.

On December 2, 2009, M-S-R PPA entered into a further series of agreements with Avangrid to purchase wind power energy from the 50 MW Big Horn II Wind Energy Project for a 25-year term from November 1, 2010 through October 31, 2035.

Goals:

M-S-R PPA will continue to evaluate any options to reduce Big Horn Wind Energy Project costs and improve administrative efficiencies without placing the structure or benefits of the Firming and Shaping Agreement (Big Horn I) or Redelivery Agreement (Big Horn II) with Avangrid at risk.

The Agency also needs to maintain the significant benefits of the Big Horn Wind Energy Projects in meeting the Members Renewable Portfolio Standards (RPS) and carbon content requirements as laws and regulations evolve.

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On-Going Management:

Cost Containment – BPA Proceedings:

BPA Transmission and Ancillary Service rates directly and indirectly affect the costs paid by M-S-R PPA to Avangrid for Firming and Shaping Services for the Big Horn Wind Energy Project and for pass-throughs by Avangrid of BPA Transmission and Ancillary Services charges for the Big Horn II Wind Energy Project². The annual costs paid for these services by M-S-R PPA are about \$13 million.

BPA issued its Final Record of Decision (ROD) in rate case BP-20 on July 25, 2019, which included modest increases in BPA transmission and ancillary services rates. The Agency remains concerned that rates charged for these services remain excessive and that BPA cost allocations remain biased to the benefit of power rather than transmission customers. Other issues including the misallocation of costs between BPA power and transmission business units, remain active in workshops and other proceedings. BPA began preparing its BP-22 rate case during 2020. Initial BP-22 proposals indicate power costs will be held flat, but transmission costs will continue to grow significantly.

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Potential Actions:

1. Continue to participate in the workshops and filings related to BPA rate cases to ensure costs are not allocated in a discriminatory manner for transmission and ancillary services.
2. Prepare annual Priorities Matrix and Action Plans in conjunction with BPA Counsel and use to manage the efforts of Staff, Counsel, and Consultants in BPA Rate Cases.

Cost Containment – EIM Proceedings:

The California Independent System Operator (CAISO) has developed a market-based energy imbalance market (EIM) operating in the western interconnection. The operation of the EIM may affect the costs and deliverability of energy from the Big Horn Wind Energy Projects

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and other Member resources. There are currently 11 active EIM participants³ and 10 parties pending EIM participation in the near future⁴. Of particular concern to M-S-R PPA, activities of the EIM may affect access to and pricing of energy deliveries across the BPA system or the Pacific Northwest Interties. BPA's initial EIM implementation proposals indicate allocation of EIM costs to transmission functions such as those used by Avangrid to effect Big Horn Wind Energy Project deliveries. Furthermore, to most efficiently accommodate EIM activities, various BPA grid modernization projects have been proposed, including but not limited to a new transmission control center to be built in Vancouver, WA.

Potential Actions:

1. Monitor EIM development activities, filings, and intervene in cases where EIM costs may be assigned to non-EIM participants especially regarding use of, or additions to, BPA transmission system.

Cost Containment – M-S-R Coordinator:

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

Potential Actions:

1. Continue to review cost efficacy of continued Modesto provision of M-S-R Coordinator services prior to the December 31, 2021 deadline to notify Modesto of the second one-year extension of the current agreement.

² The cost reimbursement provisions of Modesto's Star Point Wind Energy Project contract with Avangrid are essentially identical to those in the Big Horn II Wind Energy Project.

³ Active EIM participants as of January 1, 2021: Salt Rive Project, Seattle City Light, BANC (Phase 1), Idaho Power Company, PowerEx, Portland General Electric, Puget Sound Energy, Arizona Public Service, NV Energy, PacifiCorp, and California ISO.

⁴ EIM participation pending 2021: LADWP, PNM, Northwestern Energy, Turlock Irrigation District, and BANC (Phase2)

EIM participation pending 2022: Avista, Tucson Electric Power Company, Tacoma Power, Bonneville Power Administration, and Xcel Energy – Colorado.

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RPS Compliance – Qualifications:

Over the past decade, California Law has imposed ever more stringent RPS and carbon content requirements on electrical energy trading and generation. The most recent law, SB 100 adopted in 2018, further modified the RPS to a 60% obligation by December 31, 2030, and set a target of a 100% carbon-free emissions portfolio by 2045. RPS laws also require renewable energy projects to be “certified” by the California Energy Commission (CEC). In addition, the CEC requires renewable projects to be tracked through the Western Renewable Energy Generation Information System (WREGIS). Both the Big Horn Wind Project and Big Horn II Wind Energy Project have been certified as eligible by the CEC. Avangrid/Big Horn Wind Project LLC/Big Horn II Wind Project LLC has registered the Projects with WREGIS as generators, BPA has registered as the qualified reporting entity for the Projects, and M-S-R PPA has adopted procedures for the verification, accounting, and distribution of WREGIS RECs for these and future projects.

The Big Horn Projects are significant elements in each Member’s renewable energy portfolio as tabulated below:

<u>Member</u>	<u>Big Horn I Participation</u>	<u>Big Horn II Participation</u>	<u>Wind Energy (GWh) /5</u>
<u>Modesto</u>	<u>12.5%</u>	<u>65%</u>	<u>143</u>
<u>Santa Clara</u>	<u>52.5%</u>	<u>35%</u>	<u>308</u>
<u>Redding</u>	<u>35.0%</u>	<u>-</u>	<u>180</u>

Estimates are based on average annual Big Horn I & II production.

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Potential Actions:

1. Monitor regulatory/legislative changes to assure Big Horn Wind Energy Projects remain as eligible RPS Resources through at least their respective September 30, 2031 and October 30, 2035 contract maturities.

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RPS Compliance – Reporting and Certification:

The qualifications and reporting of emissions under California Air Resources Board (CARB) and CEC regulations and the accounting of the RECs associated with the Big Horn (and Star Point) Wind Energy Projects represent the majority of the Agency’s benefits under these contracts. Specifically, the treatment of the RECs as being so-called Bucket “0” must be preserved, to avoid reducing the benefits and economic value of these projects in satisfying

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Member RPS compliance requirements. Similarly, preservation of the RPS Adjustment under the CARB Mandatory Reporting Regulation (MRR) has substantial value to the Members. On April 13, 2018, M-S-R PPA entered into letter agreements with Avangrid for both the Big Horn and Big Horn II Wind Energy Projects regarding “Process for Addressing RECs and California Carbon Allowances” and accounting for RPS Adjustments under CARB’s MRR.

Potential Actions:

1. Continue to assure Big Horn Wind Energy Projects remain grandfathered as Bucket 0 RPS Resources.
2. Support potential regulatory/legislative changes to allow Big Horn Wind Energy Projects to be deemed Bucket 1 RPS Resources and that do not endanger grandfathered Bucket 0 RPS status.

Recommendations

1. M-S-R PPA should continue to administer the Big Horn I and II Wind Energy Project agreements to reduce costs and fees and maintain use of the Projects’ environmental attributes in satisfying the Members’ RPS or other requirements.
2. M-S-R should continue to examine any reasonable options to reduce costs regarding the Big Horn Wind Energy Projects, but not recommend further action upon such proposals until all economic, legislative, and regulatory risks and benefits can be appropriately quantified for consideration by the Members.
3. M-S-R PPA should actively monitor Avangrid Renewables’ obligations and performance under the current agreements with respect to changing rules and regulations. Additionally, M-S-R PPA should monitor Avangrid’s financial structure and capitalization.
4. M-S-R PPA should continue to follow and to actively participate (as directed by the M-S-R Commission) in BPA’s rate proceedings, and related Federal Energy Regulatory (FERC) and judicial hearings as long as such participation remains economically effective. Reports to Members and solicitation of direction regarding filings, positions, and meeting representation shall be timely and proactive. Periodic conference calls among Member staff will continue to solicit Member input and discuss the implications and appropriate responses to these

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emerging threats. Priorities have been identified as follows, and will be periodically ranked in annual Priorities Matrix and Action Plans:

- a. M-S-R PPA will continue to work to minimize inappropriate cost shifts between BPA business units.
 - b. M-S-R PPA will advocate for cost causation principles with emphasis on transmission and ancillary services customers paying only for services they actually receive.
 - c. M-S-R PPA will support BPA initiatives to maintain the reliability of the transmission and hydro generation system.
5. M-S-R PPA should continue to track and allocate renewable energy production and associated WREGIS RECs from the Big Horn I and II Wind Energy Projects for the benefit of the Members and take all necessary steps to ensure that such generation and credits remain eligible to meet all applicable California renewable energy production requirements.
6. M-S-R PPA should track and actively comment, as appropriate, upon proposed legislation and regulations as they may affect uses and benefits of M-S-R PPA wind contracts to meet California RPS requirements and carbon reporting regulations.

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IV. FINANCIAL MATTERS

The Financial Management Committee monitors the financial markets and advises the General Manager regarding the issuance and management of the Agency's debt and similar liabilities. The activities of the Financial Management Committee are supported by an independent Financial Advisor, currently the firm of Montague, DeRose and Associates, LLC. M-S-R PPA maintains a Strategic Reserve as set forth in its Working Capital Policy to meet Bond Indenture requirements, to fund contingent liabilities, and to manage Member cash call requirements. As reported in the June 30, 2020, Treasurer's Report, M-S-R PPA holds about \$88 million in operating funds and restricted and un-restricted reserves.

Goals:

Maintain sufficient operating cash and reserves to meet the liquidity requirements of the Agency, fund current and contingent liabilities as they become due and to meet all requirements of Bond Indentures and State Law regarding debt issuances and investments while minimizing risk and cash calls upon Members and maximizing returns on invested funds.

Debt Management:

M-S-R PPA will have approximately \$26 million of outstanding debt on its San Juan Project Revenue Bonds as of July 1, 2021. Other bonds previously issued by the Agency have either been retired or defeased. Outstanding Series 2018R Bonds yield about 1.78% and are not callable before maturity.

Potential Actions:

1. Make all debt service payments and file reports as required by Continuing Disclosure Agreement.

Funding of Legacy Liabilities:

Pursuant to Resolution 2020-01, regarding Working Capital Policy, the Agency will fund the balance of the costs of San Juan Project Legacy Liabilities from its Strategic Reserves, including those specifically associated with the San Juan Project Legacy Liabilities Reserves pertaining to Mine Reclamation and to San Juan Decommissioning.

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M-S-R PPA's Mine Reclamation Trust value requirement as of December 31, 2020 is about \$17.7 million and is currently projected to end the year with a balance of \$17.0 million, which indicates the need for a Reclamation Recovery Deposit. The Working Capital Policy sets the objectives for the Mine Reclamation Contingency and Administration reserve tranche at target and minimum levels as shown below based on 2021 Budget projections.

Similarly, Decommissioning Costs have been estimated for various scenarios and reserve requirements computed based on the same assumption (Retire-In-Place followed by demolition in 25-years) used in the preparation of the Agency's Financial Statements.

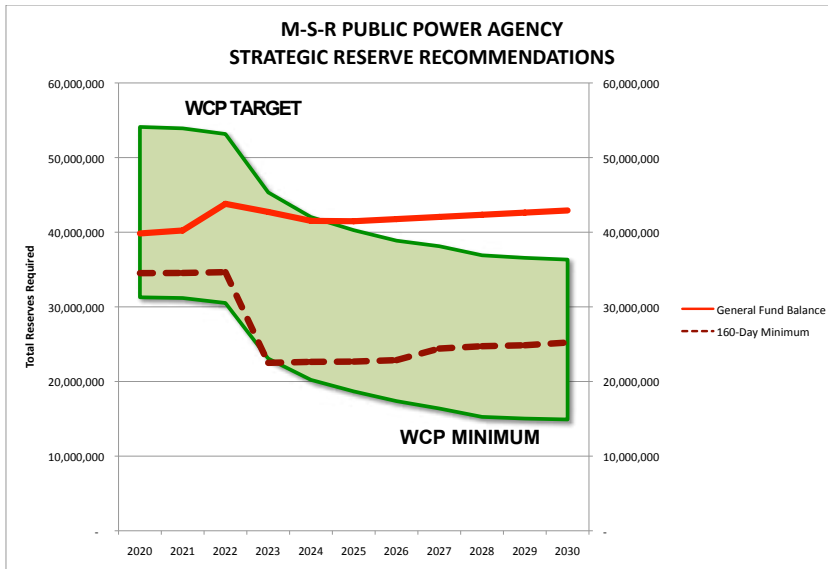
As illustrated below the estimated General Fund balances in 2021 are reasonably sufficient to satisfy minimum Reclamation and Decommissioning Cost Working Capital requirements (which are in addition to those amounts currently held in Trusts) without additional cash calls on the Members:

<u>Year-End 2021</u>	<u>Target Working Capital</u>	<u>Minimum Working Capital</u>
<u>Net General Fund</u>	<u>\$40,234,000</u>	<u>\$40,234,000</u>
<u>Days of Working Capital Available</u>	<u>186</u>	<u>186</u>
<u>Financial Advisor Recommended Minimum Days</u>	<u>160</u>	<u>160</u>
<u>Working Capital Tranche 1 – Agency A&G</u>	<u>-\$465,000</u>	<u>-\$465,000</u>
<u>Working Capital Tranche 2 – Purchase Power</u>	<u>\$11,116,000</u>	<u>\$5,558,000</u>
<u>Working Capital Tranche 3 – San Juan Fixed</u>	<u>-\$4,570,000</u>	<u>-\$4,570,000</u>
<u>Working Capital Tranche 4 – Reclamation Legacy Liability Contingency</u>	<u>-\$8,489,000</u>	<u>-\$8,295,000</u>
<u>Working Capital Tranche 5 – Decommissioning Legacy Liability Cost</u>	<u>\$29,272,000</u>	<u>\$12,296,000</u>
<u>Sum of Tranches</u>	<u>\$53,912,000</u>	<u>\$31,184,000</u>
<u>Sum of Tranches in Days</u>	<u>250</u>	<u>144</u>

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These factors are also illustrated below for the next 10-years:



Potential Actions:

1. Satisfy any funding requirements for either the Reclamation Trust Fund or Decommissioning Trust Fund from reserves currently held by the Agency.
2. Consider disbursements to the Members or other use of funds accessible to the Agency that are greater in amount than the highest projected reserve requirements for Decommissioning or Reclamation activities consistent with the Working Capital Policy.

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Recommendations

1. M-S-R PPA’s debt and investment structures should be periodically reviewed to maximize the benefits to M-S-R PPA and its members.
2. As required in Resolution 2020-01 regarding Working Capital Policy, M-S-R PPA should continue to reserve funds to cover future Legacy Liability payments.

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V. JOINT ACTION OPPORTUNITIES

Background

Although M-S-R PPA has been instructed in the past by its Members to prefer individual pursuit of new projects rather than joint M-S-R PPA efforts, there are collective synergies between the Members for continuing and future joint action. The role of the Agency in managing Legacy Liabilities and the Big Horn Wind Energy Projects, as well as the role of the M-S-R Energy Authority in managing the Natural Gas Project, is expected to continue for at least two more decades.

Goals:

Utilize the organizational infrastructure of M-S-R PPA to efficiently and economically provide project management services to the Members.

Regulatory Monitoring and Compliance Program

On behalf of its Members the Agency has actively participated in regulatory forums before the FERC, the CEC, the CARB, the California Public Utilities Commission (CPUC). Proceedings before the CEC, CARB and CPUC regarding RPS compliance matters are included in the Agency’s Pacific Northwest Project (Big Horn Wind Energy Projects) as described above. Proceedings before these same agencies regarding greenhouse gas controls, cap-and-trade programs, and CARB MRR have broad impact on the Agency and its Members and are allocated to the Regulatory and Compliance Program established pursuant to Resolution 2017-04.

To the extent possible, other entities such as TANC, BANC, or NCPA should take the lead role on activities such as PG&E, SCE, or SDG&E Transmission Revenue Requirement (TRR) filings. Only when specifically directed by the Members would M-S-R PPA support interventions before the FERC related to general or state-wide transmission cost issues. Remaining activities would typically only apply to issues potentially impacting deliveries of renewable wind energy beyond the BPA system.

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Goals:

In harmony with the project-specific regulatory monitoring and compliance activities, participate in market-wide regulatory and compliance forums to safeguard the relevance of the Agency and Member’s early action in renewable resource development and carbon reduction programs.

Potential Actions:

1. Monitor FERC filings regarding transmission rates and act in a clearinghouse role for the Members.
2. New interventions and protests before the FERC regarding transmission rates should only be entertained when the Members determine there is a common interest that can be more efficiently and effectively prosecuted by joint action.

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Recommendations

1. Given that existing interventions and protests before the FERC regarding transmission rates have been completed, new interventions and protests regarding state-wide or specific transmission rate issues should only be entertained when the Members determine there is a common interest that can be more efficiently and effectively prosecuted by joint action.
2. M-S-R PPA should continue to participate in proceedings before the CEC, CARB and CPUC regarding greenhouse gas controls, cap-and-trade programs, and CARB MMRs and regarding SB 350, AB 398, and SB 100 implementation as directed by the Members.

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Legislative and Regulatory Advocacy Program

M-S-R PPA has actively participated in the past nine California legislative sessions in the monitoring and amendment of renewable resources legislation and other bills affecting the operation of M-S-R PPA and Member resources. Legislative advocates were retained and an informal structure for obtaining Member positions has evolved. M-S-R PPA has also participated

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as a non-voting member of the California Municipal Utilities Association (CMUA) Legislative and Regulatory Committee and CMUA Energy Policy Committee.

Goals:

Support legislative initiatives that preserve or enhance the value of early action renewable energy or carbon reduction projects, that simplify or streamline regulatory reporting requirements, and that respect the value of local control and decision-making.

Potential Actions:

1. Develop annual California and Federal Legislative and Regulatory Representative Workplans.
2. Rely on Member coverage for California and Federal Legislative or Regulatory advocacy unless otherwise directed for specific issues, or as identified in annual Workplans.

Recommendations

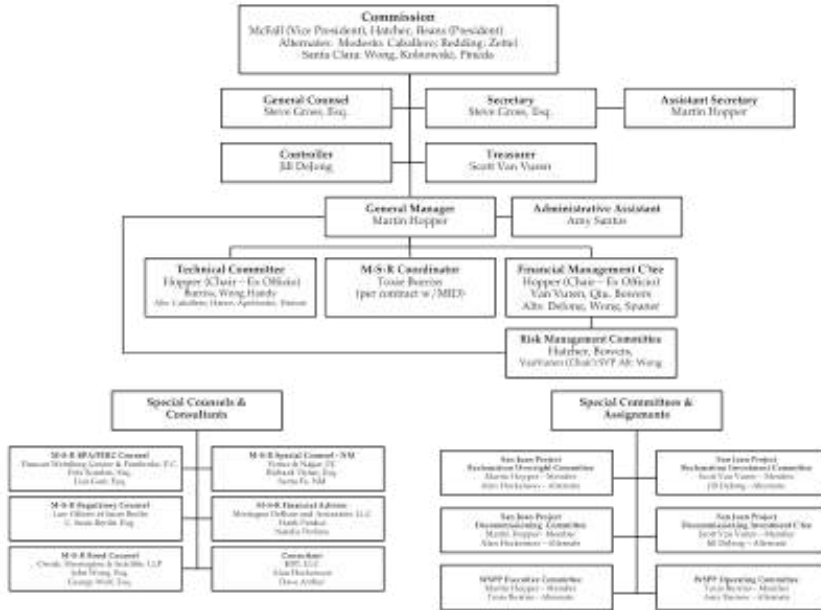
1. M-S-R PPA will take positions on only those bills and regulatory matters directly affecting M-S-R PPA resources or M-S-R PPA’s duties to its Members. M-S-R PPA may also, by request of the Members, take positions on bills of common interest to the entire M-S-R PPA membership.
2. The M-S-R PPA General Manager will regularly consult with the Members to coordinate Agency and Member positions on bills and regulatory matters and to develop annual work plans for State and Federal legislative advocacy.
3. M-S-R PPA will retain legislative and regulatory advocates as needed to support its positions on proposed bills and regulations and will coordinate with Members and like-positioned entities and trade associations to promote M-S-R PPA’s interests.

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Exhibit "A"

M-S-R Public Power Agency Organization Chart

M-S-R Public Power Agency Organization Chart



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Member	Big Horn I Participation	Big Horn II Participation	Wind Energy (GWh)	Fraction of 60% RPS ²
Modesto	12.5%	65%	143	8%
Santa Clara	52.5%	35%	308	12%
Redding	35.0%	-	180	42%
2 Member	Big Horn I Participation	Big Horn II Participation	Wind Energy (GWh) _/5	

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Decommissioning Cases	M-S-R Share of Estimated NPV
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	Costs (\$2018)
Retire in Place – Base Case	\$5,600,000
Retire in Place – Upper Bound	\$10,000,000
Full Demolition – Base Case	\$8,600,000
Full Demolition – Upper Bound	\$9,700,000
Demolition After 10-Years – Upper Bound	\$15,900,000
Demolition After 25-Years – Upper Bound	\$14,700,000

Funding Sources	Balance Held December 31, 2018
Held in Decommissioning Trust	\$2,234,515
Remaining Resolution 2016-04 Reservation	\$6,534,935
Debt/Service Coverage Revolving Fund (Available upon retirement of Bonds in 2022)	\$3,300,000
MCCRA & Other Agency Reserves/Operating Fund	\$14,900,000
Total Available/Applicable Funds	\$26,968,550

M-S-R Public Power Agency Staff Report

Date: September 23, 2020

From: Martin R. Hopper, General Manager

To: M-S-R PPA Commission

Subject: Discussion and Possible Action Regarding Agency Working Capital Policies

Executive Summary:

The Commission has requested the General Manager review the Agency's existing working capital policies and present recommended updates for consideration. This report surveys best practices, provides an overview of existing policies and available funds, and presents proposed new policies and an implementing resolution¹.

Application of the proposed policies would position the Agency as of the end of this year with an General Fund Balance of about \$39.8 million, which represents 185-days of reserves – about mid-way between the recommended Strategic Reserve Target of \$54.1 million (251-days) and Strategic Reserve Minimum of \$31.3 million (145-days.) Future projections of General Fund balances and Strategic Reserve requirements show Agency funds meeting either the proposed target or minimum criteria without need for future Member cash calls.

If the “Clean-Breaks” regarding Legacy Liabilities as described in the 2021 Strategic Plan are achieved, the proposed Strategic Reserve requirements proposed herein may be substantially reduced.

Goal:

Maintain sufficient operating cash and reserves to meet the liquidity requirements of the Agency, fund current and contingent liabilities as they become due and to meet all requirements of Bond Indentures and State Law regarding debt issuances and investments while minimizing risk and cash calls upon Members.

¹ Prior reviews of this report occurred at the May 7, 2020, August 6, 2020, and September 3, 2020 M-S-R PPA Technical Committee, May 20, 2020 and July 22, 2020 Commission, and June 11, 2020 M-S-R PPA Financial Management Committee (FMC) meetings. A summary of the directives provided by these bodies is attached as Appendix “A.”

Financial Advisor Survey of Best Practices and Rating Agency Criteria:

In summary, the Agency's Financial Advisor² found a wide range of reserves held by public power entities in California and as reported or required by the three major rating agencies on a "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: 9
- Minimum Reserve (Average): 117-days
- Target – Where Specified (Average): 147-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 (Average): 60-days
- Target – Where Specified (Average): 96-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 reserves³ 349-days

² The Agency's Financial Advisor, Montague DeRose and Associates, LLC's report dated June 12, 2020 is attached as Appendix "B." Survey results have been restated as "days" where needed for consistent presentation.

City of Redding/Redding Electric Utility:

- Unrestricted reserves - Minimum 75-days
- Unrestricted reserves – Target 150-days
- Unrestricted reserves – Upper Bound⁴ 180-days

Member Bond Ratings:

	Modesto Irrigation District		City of Santa Clara/Silicon Valley Power		City of Redding/Redding Electric Utility	
Fitch	AA-	Stable	AA-	Stable	AA-	Stable
Moody's	A2	Stable				

Qualitative Factors:

As enumerated above, M-S-R PPA’s Members are highly-rated⁵ and maintain significant working capital reserves. Although all Members 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 PPA expenses are highly prioritized. Therefore, it is reasonable to rely on the strength of Member credits and cash-flows and set M-S-R PPA’s working capital requirements at the lower-end of ranges suggested by best practices and rating agency criteria. Any future impairment of Member credits and reserves would be addressed in regular annual reviews of the Working Capital Policy.

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

³ Operating cash (minimum \$65 million) and wholesale revenue reserves, general reserve, strategic reserve, rate stabilization fund (minimum \$120 million), construction cash, and DVR power plant reserves as stated by Fitch.

⁴ Current balance as computed by Rating Agencies is 240-days including customer deposits and construction cash, which Redding excludes from its internal calculations.

⁵ Fitch states “AA’ ratings denote expectations of very low default risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.”

Operating Fund.⁶ 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.⁷ 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.⁸ In 2016, the Commission adopted a policy designating various uses and transfers of reserves and working capital related to the payment of existing and potential San Juan Project Legacy Liabilities.⁹”

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 General Fund.

Reconciliation of General Fund:

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

Description	Balance	Notes
General Fund (Gross)	\$41,200,000	Market Value
Member Cash Call Reserve Account (MCCRA)	\$200,000	
Debt Service Coverage Revolving Fund	\$2,200,000	Annual Funding Requirement of \$3,300,000 collected \$275,000 per month – Disbursed July 1 each year
San Juan Legacy Liability Designation per Resolution 2016-04 – Remaining Balance	\$6,000,000	Original Amount \$14,300,000 less disbursements of about \$8,300,000 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	General Fund less MCCRA, D/S Coverage Fund, Legacy Liability Designation, & R&C Fund.
Budgeted Expenses	\$82,300,000	
Days On-Hand	133	

⁶ Resolution No. 2013-07, Adopted October 16, 2013, Regarding Working Capital Policy.

⁷ Resolution No. 99-01, Adopted November 17, 1999 Establishing a Member Cash Call Reserve Account Policy and a Member Cash Call Reserve Account.

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

⁹ Resolution No. 2016-04, Adopted November 16, 2016, Regarding Use and Transfers of Reserves and Working Capital.

Proposed Working Capital Policy Recommendations:

The Agency's working capital shall be a Strategic Reserve 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. The Strategic Reserve shall be held within and considered a part of the Agency's General Fund. 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. For purposes of assessing Strategic Reserve compliance, all moneys held within the General Fund shall be considered available to meet reserve obligations. 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 the recommended Strategic Reserve allocations, the R&C Fund of about \$2.8 million is assumed to be subsumed within the San Juan Fixed Expenses tranche of the Strategic Reserve as discussed below. The Strategic Reserve San Juan Fixed Expenses tranche also subsumes the former Member Cash Call Reserve Account ("MCCRA") and the Legacy Liability funding plan established pursuant to Resolution 2016-04. Minimum reserve levels and target reserve levels are recommended for each tranche.

If the Agency is able to achieve the "Clean-Breaks" as discussed within the 2021 Strategic Plan, either or both of the proposed Strategic Reserve Tranches associated with Legacy Liabilities Reserves pertaining to Mine Reclamation and San Juan Decommissioning may qualify for reduction or elimination. Such changes in Strategic Reserve requirements would be implemented as directed by the Commission at the consummation of any "Clean-Break" or at a subsequent annual review.

Tranche 1: Operating Reserves – Administrative and Operations Budgets:

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

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

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

Tranche 2: Operating Reserves – Purchase Power:

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

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

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

Tranche 3: Operating Reserves – San Juan Fixed:

This category includes Agency Debt Administrative, Generation Plant 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-setting purposes.

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

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

Tranche 4: 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 on 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 from time-to-time 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.)

The purpose of this Strategic Reserve tranche is to off-set future Trust deposit requirements and related on-going expenses. Funds already held in the Reclamation Trust are not available to the Agency until all reclamation liabilities are extinguished (possibly as late as 2048), hence are not considered part of the Strategic Reserve.

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. Updated as of PNM’s July 31, 2020 forecast, the present value of these administrative costs has been computed to be \$418,000 and the nominal value was computed to be \$629,000 through the year 2038.

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

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

Tranche 5: 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, for the case identified as Retire-In-Place with full demolition completed 25-years after termination of operations.

The latest study of decommissioning and demolition 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, the Agency's reserve contingency can be set at the upper accuracy bound of the Class 3 estimate (i.e. Base Case + 30%).

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 \$1,987,000 and the nominal value was computed to be \$3,651,000 through the year 2049.

Target: For this category, the annual Strategic Reserve Target should be set at 130% of the nominal sum of the remaining decommissioning cost estimates plus the nominal sum of remaining annual insurance costs (without further contingency) less any amounts on deposit in the Decommissioning Trust. Please note that the General Fund balance will be reduced by any amounts transferred to the Decommissioning Trust or contemporaneously expended for decommissioning expense. Target is set on a nominal basis rather than present value as a present value expression of decommissioning costs does not incorporate discount and earnings rate risk.

Minimum: Same as Target except computed on a Net Present Value Basis. Escalation and earnings risk can be monitored as part of annual reviews and addressed if and when needed.

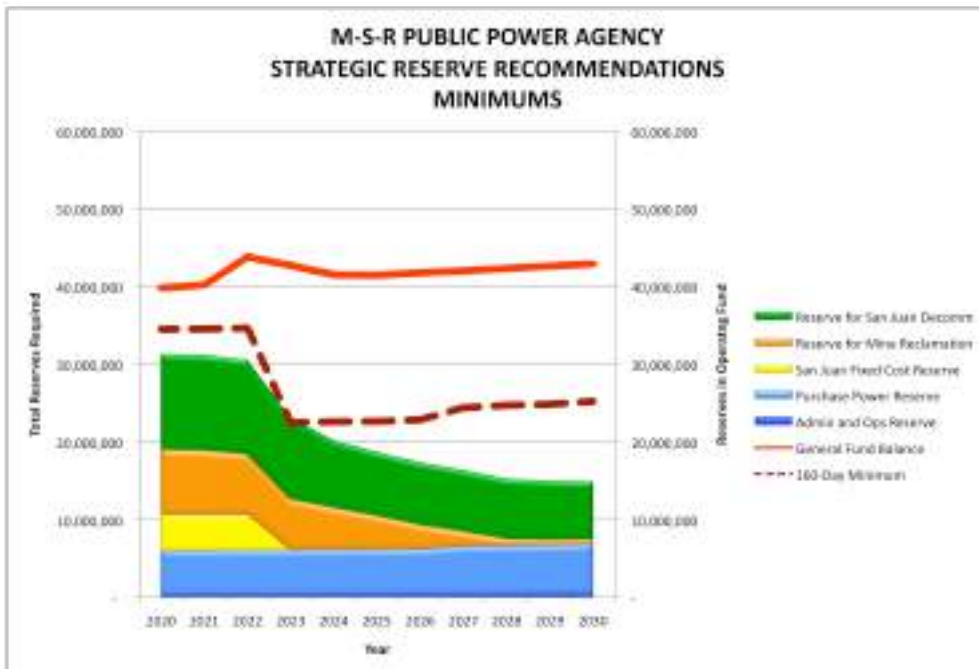
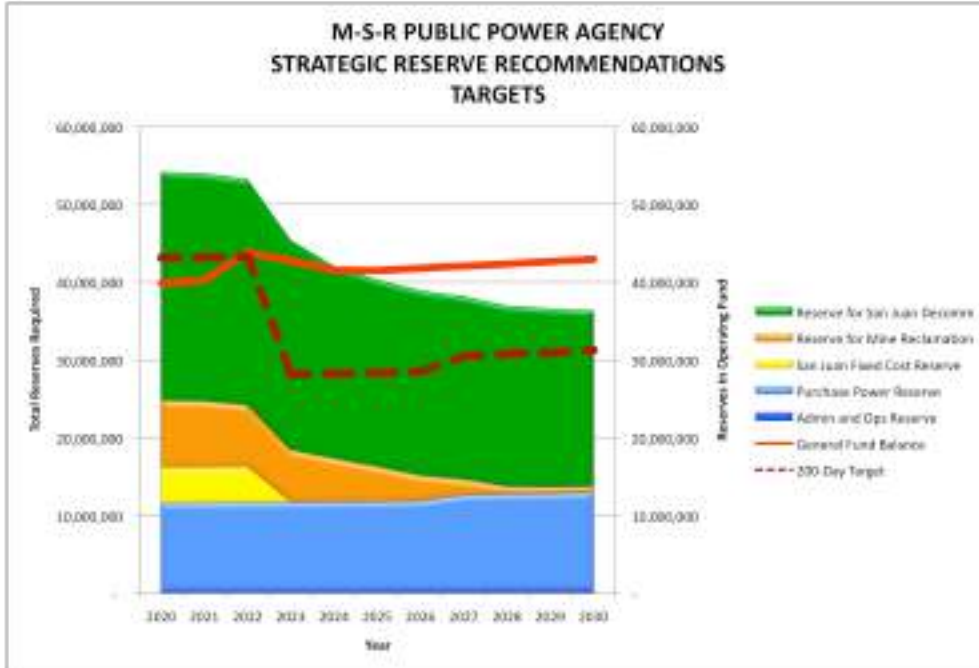
Total Strategic Reserve:

A tabulation of these Strategic Reserve tranche recommendations as applied to the Agency's 2020 Budget and 2023 and 2030 budget projections follows:

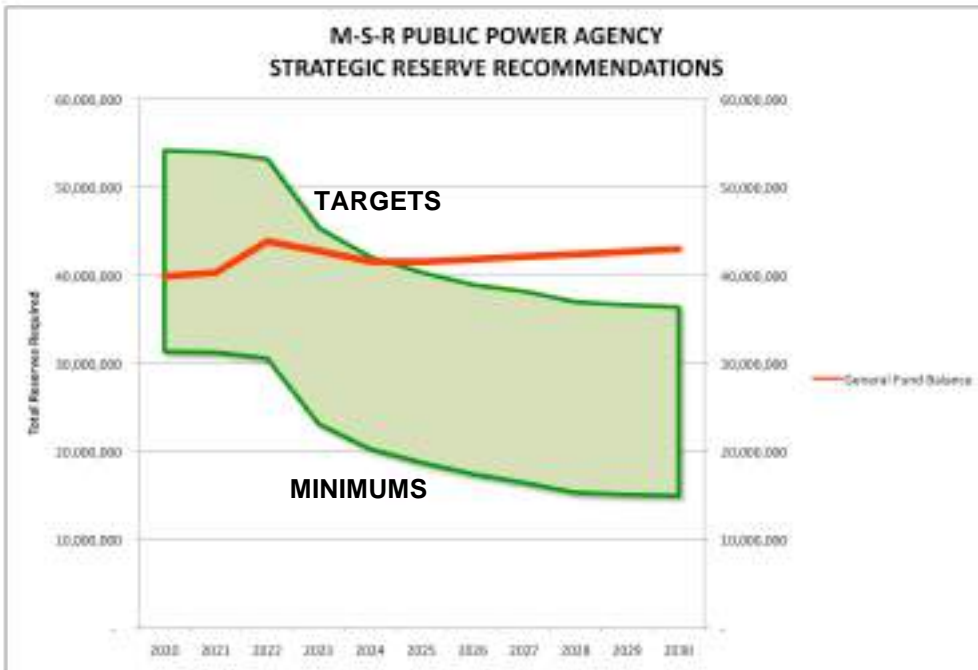
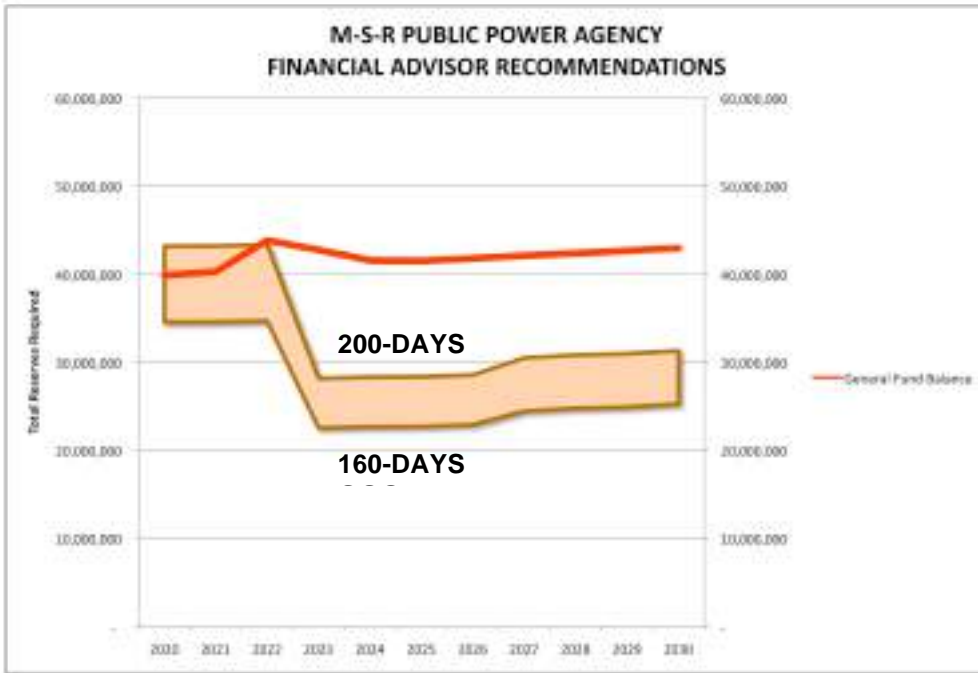
M-S-R PPA STRATEGIC RESERVE – TARGETS			
Category	2020 Budget	2023 Projection	2030 Projection
Net Annual Budget	78,741,000	51,331,000	57,035,000
General Fund Available	39,836,000	42,716,000	42,915,000
General Fund In Days	185	304	272
Financial Advisor Recommended Target in Days	200	200	200
Administrative & Operations Reserve Tranche	461,000	484,000	556,000
Purchase Power Reserve Tranche	11,106,000	11,175,000	12,377,000
San Juan Fixed Cost Reserve Tranche	4,570,000	0	0
Reserve for Mine Reclamation Tranche	8,605,000	6,743,000	763,000
Reserve for San Juan Decommissioning Tranche	29,362,000	26,929,000	22,635,000
Total Strategic Reserve Target	54,104,000	45,331,000	36,331,000
Potential Surplus Over General Fund	-14,268,000	-2,615,000	6,584,000
Reserve Target In Days	251	322	233

M-S-R PPA STRATEGIC RESERVE – MINIMUMS			
Category	2020 Budget	2023 Projection	2030 Projection
Net Annual Budget	78,741,000	51,331,000	57,035,000
General Fund Available	39,836,000	42,716,000	42,915,000
General Fund In Days	185	304	272
Financial Advisor Recommend Minimum in Days	160	160	160
Administrative & Operations Reserve Tranche	461,000	484,000	556,000
Purchase Power Reserve Tranche	5,553,000	5,587,000	6,243,000
San Juan Fixed Cost Reserve Tranche	4,570,000	0	0
Reserve for Mine Reclamation Tranche	8,394,000	6,580,000	690,000
Reserve for San Juan Decommissioning Tranche	12,305,000	10,421,000	7,423,000
Total Strategic Reserve Minimum	31,283,000	23,072,000	14,912,000
Potential Surplus Over General Fund	8,553,000	19,644,000	28,003,000
Reserve Minimum In Days	145	164	95

Represented Graphically with comparisons to Financial Advisor 200-day target and 160-day minimum criteria:



General Fund Balances are shown relative to the bands Between Minimums and Targets for Financial Advisor criteria and the recommended Strategic Reserve cases:



General Fund Assumptions:

The above summaries assume that all Agency revenues in excess of expenses continue to be retained in the General Fund and that the fund continues to be invested in LAIF garnering 1% per annum returns. The General 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 portion of the General Fund and would be held by the Agency until otherwise directed by the Commission. As graphically illustrated above, although the expected balance in the General Fund is less than the recommended Strategic Reserve Target through the middle of the decade, in most years it significantly exceeds the 200-day target recommended by the Agency's Financial Advisor and implied by peer group Rating Agency evaluations. After 2024, the balance in the General Fund would exceed the target and continue to grow at the rate of LAIF earnings less expenditures for certain San Juan Legacy Liability costs. Strategic Reserve requirements also decline in proportion to the completion of Mine Reclamation and San Juan Decommissioning activities.

During the period in which the General Fund Balance is less than the Strategic Reserve Target recommendation, the total General Fund Balance still exceeds the 160-day minimum threshold recommended by the Agency's Financial Advisor and implied by peer group Rating Agency evaluations. For the Strategic Reserve Minimum case, the total projected General Fund Balances satisfy the minimums in all years.

While the Financial Advisor's recommendations for reserve targets and minimums represent a narrower band than the ranges between the Strategic Reserve Targets and Minimums built-up from detailed reviews of each of the five reserve tranches, use of the detailed tranches will allow the Agency to more closely tailor future reserve levels as the Legacy Liability contingencies in particular are addressed or otherwise mitigated through potential "Clean-Breaks" as contemplated in the Agency's Strategic Plans.

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 General Fund will grow significantly larger than the required Strategic Reserve Amounts. Although final Legacy Liabilities may not yet be 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.

Reporting:

Semi-annual reports of the status of the Strategic Reserves will be made at the May and November M-S-R PPA Commission meetings at the times of the presentation of the Agency's Financial Statements and adoption of the Annual Budget. Additional reports on the status of the Strategic Reserves will be made from time to time at the request of the Commission.

Recommendation:

I recommend the Commission adopt Resolution 2020-01 Regarding Working Capital Policy which implements a Strategic Reserve comprised of five individual sub-reserves for Administration and Operations, Purchase Power, San Juan Fixed Costs, Reclamation, and Decommissioning and requires, within certain parameters, that the Agency's General Fund be maintained between the Strategic Reserve Target and Minimum levels.

Appendix “A”

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 Financial Management Committee provided an overview of the Member’s individual reserve policies and funding status and noted the following:

- The Members maintain substantial reserves supporting long-term credit ratings of Fitch AA- or greater.
- The Members treat their Joint Powers Agency obligations as operating expenses that are subject to their own internal reserve requirements.
- The Members’ Joint Powers Agency obligations and payment requirements are specified by contract and indentures as high priority and non-discretionary expenditures.
- The Committee suggested that the Agency should consider these forms of payment certainty in setting operating reserve requirements for Member-invoiced services.

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

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

Appendix “B”

Financial Advisor Report

Memorandum

To: Martin Hopper

From: Montague DeRose and Associates, LLC

Date: June 12, 2020

Subject: Reserve Policy Research and Recommendations

BACKGROUND AND PURPOSE

The Government Finance Officers Association (the “GFOA”), the three main rating agencies, and other governmental/industry organizations consider institutionalized financial and debt management policies as a best practice that supports fiscal discipline and a means by which an organization can protect its financial integrity. There are many fiscal policies that can be implemented by utilities to help ensure a strong financial position, however, strategic cash reserves are arguably one of the most important. Cash reserve (or liquidity) policies help utilities mitigate various types of current and future risks while maintaining financial and operational stability.

M-S-R Public Power Agency’s (“M-S-R” or the “Agency”) existing policies regarding cash reserves are described in the Policies and Procedures Manual adopted by the Agency’s Commission on September 19, 2018, and are 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.¹ 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.² 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 true-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.³ In 2016, the Commission adopted a policy designating various uses and transfers of reserves and working capital related to the payment of existing and potential San Juan Project Legacy Liabilities.⁴”

¹ Resolution No. 2013-07, Adopted October 16, 2013, Regarding Working Capital Policy.

² Resolution No. 99-01, Adopted November 17, 1999 Establishing a Member Cash Call Reserve Account Policy and a Member Cash Call Reserve Account.

³ M-S-R PPA Director’s administrative directive dated June 8, 2007.

⁴ Resolution No. 2016-04, Adopted November 16, 2016, Regarding Use and Transfers of Reserves and Working Capital.

M-S-R 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.

M-S-R has engaged Montague DeRose and Associates, LLC (“MDA”) to assist in the Agency’s review and potential revision of its existing reserve policies. As part of this effort, MDA has researched industry best practices and has surveyed peers to evaluate how the Agency’s policies compare and to provide guidance for any recommended revisions. This memorandum summarizes the preliminary research MDA has conducted to help M-S-R determine prudent and appropriate levels of cash reserves for the Agency’s risk profile.

The remaining sections of this memo include the following:

- Reconciliation of current Agency funds to existing policies
- Discussion of best practices and peer examples
- Suggested policy revisions for Agency consideration
- Reconciliation of current Agency funds to proposed new policies

EXISTING POLICY AND AMOUNTS

Cash reserves are typically classified into three categories:

- Restricted Reserves: Established and utilized for narrowly defined purposes as specified by legal restrictions, bond covenants, and other regulations or ordinances.
- Unrestricted- Designated Reserves: Unrestricted reserves that meet specific purposes established by the Commission.
- Unrestricted-Undesignated Reserves: Remaining unrestricted reserves that may be used for any lawful propose and have not been designated for specific capital/operational/other purposes.

It is MDA’s understanding that M-S-R has a reserve associated with the 2018 Series R Bonds which is restricted to pay debt service on the bonds until they mature in 2022. Aside from the 2018 Series R Bond Fund, MDA believes the below is an accurate depiction of the Agency’s other reserves currently on-hand (subject to confirmation by the Agency):

[see next page]

Restricted Reserves	Current Approx. Balance	Notes
SJ Reclamation Trust	\$17,700,000	
SJ Decommissioning Trust	\$2,200,000	
Unrestricted-Designated Reserves	Current Approx. Balance	Notes
Debt Service Coverage Revolving Fund	\$3,300,000	Becomes undesignated fund upon Series 2018 R Bonds maturing in 2022.
SJ 60-Day Working Capital/Resolution 2016-04 Fund	\$6,000,000	Becomes undesignated fund upon Series 2018 R Bonds maturing in 2022.
<i>Sub-total Unrestricted-Designated</i>	<i>\$9,300,000</i>	
Unrestricted-Undesignated Reserves	Current Approx. Balance	Notes
Member Cash Call Reserve Account	\$200,000	
Net General Fund	\$31,000,000	Debt Service Coverage Fund and 60-Day Working Capital Fund are sub-funds of the General Fund and have been netted out of the General Fund for these purposes.
<i>Sub-total Unrestricted-Undesignated</i>	<i>\$31,200,000</i>	
Estimated Budgeted Expenses	\$80,000,000	
Unrestricted-Undesignated Approx. Days Cash on Hand	140 days	Days cash on hand represents unrestricted and available cash on-hand, divided by annual expenses, multiplied by 365 days per year.

INDUSTRY AND PEER REVIEW

Cash reserve levels should be developed in the context of the operating environment and risks faced by each individual utility. Given operating environments and risks (and risk tolerance) vary from utility to utility, there is no “one size fits all” format or optimal amount recommended for cash reserve policies. It is MDA’s understanding that M-S-R would like to structure its reserve policies to offset risks associated with three main aspects of the Agency: 1. overall operational risks, 2. risks associated with purchased power costs, and 3. legacy liabilities associated with the Agency’s former interests in the coal-fired San Juan Generating Station (“San Juan”).

Maintaining adequate operating reserves enhances an organization’s ability to manage potential risks, fluctuations in cashflow and its ability to meet working capital needs. A purchased power reserve can be utilized to mitigate power cost uncertainties. And, while M-S-R has already established restricted trust funds that are sufficiently capitalized at present to meet current funding requirements for its San Juan legacy liabilities, M-S-R’s funding requirements for these liabilities have not been finalized and are currently under study. Establishing an additional legacy liability reserve to accumulate funds to help

mitigate the uncertainty associated with San Juan decommissioning/mine reclamation costs would be prudent.

As part of MDA’s research on best practices to help inform M-S-R’s policies, we reached out to analysts at the three main rating agencies to get their views on cash reserves and the best ways to structure policies. The rating analysts reiterated that there is no magic number or standard that they evaluate issuers against as it relates to reserves. As noted previously, this is due to the fact that each issuer is different in terms of their risk profile and risk tolerance. As such, when looking at an issuer’s reserves, the rating agencies are more concerned with understanding how issuers evaluated their risks and the exercises they went through to determine the appropriate level of reserves for their individual entity. They are interested in what kind of analysis has been done and want to understand the business intent behind reserves, and how the established reserves carve out the identified risks or account for contingencies.

While the rating agencies are primarily interested in the robustness of the analysis behind reserve policies and do not specify a specific amount or standard that issuers should follow, the GFOA and other industry groups recommend that utilities establish operating/working capital reserves with a baseline of 90 days operating expenses. Though the rating agencies do not recommend specific amounts for individual reserves, S&P, Moody’s and Fitch do note 90 days as the minimum to be rated in the “A” category under the liquidity credit metric in their respective rating methodologies. However, while 90 days is the minimum for the rating agencies, current median reports for the three agencies reflect the following:

- S&P A+ Rated Retail Electric and Gas Utilities Median: 220 days cash on hand
- Moody’s A-Rated Joint Action Agencies Median: 157 days cash on hand
- Fitch A+ Rated Public Power Median: 157 days cash on hand

Based on the medians reported above, it is apparent that many large electric utilities and similarly rated peers of the Agency maintain significantly larger reserves above the standard 90 day minimum to account for additional factors and risks bespoke to their operating profiles. Examples specifically related to operating reserves and purchased power costs are outlined below.

General Operating Reserve Policies Examples	
Modesto Irrigation District	Minimum of 120 days
Redding	Minimum of 75 days, target of 150 days
Sacramento Municipal Utility District	Minimum of 150 days
SFPUC Power	Minimum of 90 days or 25% O&M
SMUD	Minimum of 150 days
LADWP Power	Minimum 170 days
Los Alamos Public Utilities (New Mexico)	Minimum of 90 days, target of 180 days
Riverside Public Utilities- Electric	Minimum of 60 days, max. of 90 days
Alameda Municipal Power	Minimum of 145 days

Austin Energy	Minimum of 60 days
Anaheim Public Utilities- Electric	Minimum of 90 days

Purchased Power/Rate Stabilization Reserve Policies Examples	
Santa Clara (SVP)	Rate Stabilization Fund with minimum target balance of \$120 million
JEA	Fuel stabilization fund sized at 15% of the greater of (i) maximum FY fuel cost in the preceding five fiscal years or (ii) the projected fiscal year fuel cost.
Riverside Public Utilities- Electric	Minimum 10% of operating revenues, max. of 20% operating revenues
Austin Energy	Power Supply Stabilization Reserve sized to minimum of 90 days net power supply costs
SMUD	Hydro Rate Stabilization Fund sized to 6% of budgeted retail revenue
Anaheim Public Utilities- Electric	Rate Stabilization Account minimum of \$50 million

With regards to legacy liabilities, it appears that most issuers with comparable types of legacy liabilities structure their restricted trust funds to be roughly equal to the current estimates of their remaining liabilities, similarly to M-S-R. Based on MDA’s research, we’ve found it to be somewhat uncommon to establish specific additional reserves to mitigate the uncertainty of future costs associated with environmental/regulatory liabilities. Examples of funds of this nature that MDA was able to find are included below:

- **Riverside Public Utilities:** RPU established an “Additional Decommissioning Liability Reserve” to accumulate funds for the uncertainty of costs associated with certain nuclear decommissioning activities. These funds are in addition to RPU’s funded trust held by the trustee (restricted reserve). The amount of decommissioning funds held in the restricted reserve are equal to RPU’s proportionate share of the independent Decommissioning Cost Estimate (“DCE”). If the DCE is increased, RPU will need to fund additional monies for decommissioning. Annual funding currently is \$1.6M which equaled the amount contributed annually to meet RPU’s proportionate share of the restricted decommissioning trust. This amount can be evaluated and adjusted as needed.
- **JEA:** JEA established an “Environmental Liability Reserve” for JEA’s accrued and future environmental liabilities. JEA implemented an environmental surcharge that is applied to customers to build this cash reserve and is sized to equal the balance in JEA’s environmental liability account.
- **Omaha Public Power District:** OPPD established the Decommissioning and Benefits Reserve Account to reduce future decommissioning and benefits liabilities. The fund is intended to be

utilized to assist in funding future decommissioning expenses beyond what was established in the current decommissioning fund plan and future pension liabilities above the annual required contribution. There is no specified funding requirement which allows this fund to be used to provide additional liquidity for operations as necessary. The balance of the reserve was \$77 million for FY2019.

POLICY CONSIDERATIONS

As noted, M-S-R should design its reserve policies to reflect its operating and risk profile, as well as to represent the Agency’s and Members’ priorities. While the existing policy has been sufficient to maintain an A+ rating, MDA understands that it is the Agency’s goal to structure its reserve policy to maintain “after-the-fact” billings to members for operating expenses and purchased power as well as to prevent a cash-call on members in the future for unfunded legacy liability expenses. Further, MDA would recommend that the Agency establish a policy that is sufficiently flexible to address changing circumstances and not be overly prescriptive so that funds on-hand aren’t unnecessarily tied up but can be utilized as needed with direction and approval by the Commission.

Accordingly, MDA recommends that M-S-R consider establishing an overarching Strategic Reserve that consists of three sub-reserves that are structured to support 1. the Agency’s day to day operations, 2. purchased power fluctuations, and 3. legacy liabilities uncertainties. The Strategic Reserve could target a level of unrestricted reserves between 160 days to 200 days cash to be consistent with the medians for the A-rating category. The sub-reserves could then be “designated” or “earmarked” for General Working Capital, Purchased Power and Legacy Liabilities. However, to ensure the policy remains flexible, it could be written such that as long as the overall Strategic Reserve is at a minimum of 160 days, the amounts in each sub-reserve can be used as directed by the Commission, even if an expense doesn’t necessarily fall under a specific sub-reserve’s initial “designation.” That is to say, if the amount in the Purchased Power sub-reserve is insufficient for an unexpected power cost, the Agency would be able to draw on funds in the General Working Capital sub-reserve, if needed.

POLICY REALLOCATION

Given a minimum Strategic Reserve target of 160 days cash, MDA would recommend that the General Working Capital sub-reserve be sized to a minimum of 90 days cash to be in line with industry/rating agency standards. The Purchased Power sub-reserve could be sized at a minimum of 30 days or 1-month of O&M expenses. This would require the Legacy Liabilities sub-reserve to be sized to be at least 40 days to fill the additional amount of cash required to bring the total Strategic Reserve to its minimum of 160 days. If the Strategic Reserve is potentially sized at the maximum of 200 days, the sub-reserves could be broken into 100 days for Working Capital, 45 days for Purchased Power and 55 days for Legacy Liabilities. Outlined below is a sample approximate allocation:

Reserves Allocation	Min./Max. Requirement	Min. Allocation	Max. Allocation
Strategic Reserve	160 days/200 days	\$35,070,000	\$43,840,000
Working Capital Sub-Reserve	90 days/100 days	\$19,730,000	\$21,920,000
Purchased Power Sub-Reserve	30 days/45 days	\$6,580,000	\$9,860,000
Legacy Liabilities Sub-Reserve	40 days/55 days	\$8,770,000	\$12,050,000

**Sample allocation assuming Budgeted Expenses of \$80 million (rounded to nearest \$10,000)*

As stated previously, it is MDA’s understanding that the Agency currently has approximately \$31,200,000 on-hand in unrestricted-undesignated funds, made up of the Net General Fund and the

Member Cash Call Reserve Account (see table on page 3). Accordingly, the Agency does not currently have sufficient funds to meet the minimum Strategic Reserve requirement of 160 days O&M or approximately \$35 million. However, it should be noted that upon the amortization of the Series 2018 R Bonds in 2022, \$3.3 million in the Debt Service Coverage Rolling Fund and \$6 million in the 60-day/Resolution 2016-04 Fund will become undesignated and available to help meet the potential new policy minimum of 160 days.

Given the uncertainties associated with the San Juan legacy liabilities, M-S-R may be inclined to fund the Strategic Reserve at a higher level than the 160-day minimum. However, MDA believes further discussions with M-S-R staff will be required to gain a better understanding of the options available to the Agency in terms of investment opportunities and funding studies in order to evaluate the most effective way for the Agency to build its cash reserves.

MDA looks forward to the Agency's review of this preliminary research. If you have any questions, please contact Frank Perdue or Jo Miller at 925-256-9797.

RESOLUTION No. 2020 – 01

RESOLUTION OF THE COMMISSION OF THE
M-S-R PUBLIC POWER AGENCY
WORKING CAPITAL POLICY

WHEREAS, It is the goal of the Agency to maintain sufficient operating cash and reserves to meet its liquidity requirements, fund current and contingent liabilities as they become due and to meet all requirements of bond indentures and State Law regarding debt issuances and investments while minimizing risk and cash calls upon Members; and

WHEREAS, By covenant and contract, Member payments of M-S-R PPA expenses are highly prioritized; and

WHEREAS, All M-S-R PPA Member's maintain investment grade ratings by one or more nationally recognized Bond Rating Agencies and any future impairment of Member credits and reserves would be addressed in regular annual reviews of the Working Capital Policy; and

WHEREAS, The Agency has reviewed working capital policy best practices and Bond Rating Agency criteria; and

WHEREAS, It is reasonable to rely on the strength of Member credits and cash-flows and set M-S-R PPA's working capital requirements at the lower-end of ranges suggested by best practices and Bond Rating Agency criteria; and

WHEREAS, The Agency will establish a Strategic Reserve 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 to San Juan Decommissioning, to be held within and considered a part of the Agency's General Fund.

WHEREAS, The Agency will establish Target and Minimum amounts for each Strategic Reserve tranche based on their individually expected risks and exposures; and

WHEREAS, Although the five individual Strategic Reserve tranche requirements will be computed separately to establish a total Strategic Reserve requirement, such tranches will be managed as a collective sum and not as individual reservations; and

WHEREAS, For purposes of assessing Strategic Reserve compliance, all moneys held within the General Fund will be considered available to meet reserve obligations; and

WHEREAS, The Strategic Reserve will subsume or supersede the Agency's previously established Working Capital Policies, the Member Cash Call Reserve Account, Legacy Liability reservations established pursuant to Resolution 2016-04, and will include the Reserve and Contingency Fund element of the General Fund established pursuant to Section 4.03 (f) of the Indenture of Trust dated June 1, 1994.

NOW, THEREFORE, BE IT RESOLVED BY THE COMMISSION of the M-S-R PUBLIC POWER AGENCY that:

- A. The Working Capital Policy established pursuant to Resolution 2013-07 is hereby terminated.
- B. The M-S-R Public Power Agency hereby establishes a Strategic Reserve comprised of the following tranches:
 1. Operating Reserves – Administrative and Operations Budgets
 - This category includes Agency Administration & General, Generation Administration & General, Renewable Administrative, Coordinating Services, and Regulatory & Compliance Budget categories.
 2. Operating Reserves – Purchase Power
 - This category includes the Big Horn I and Big Horn II Wind Energy Projects Budget categories.
 3. Operating Reserves – San Juan Fixed
 - This category includes Agency Debt Administrative, Generation Plant Costs (excluding those associated with Legacy Liability administration), Interest Expense – Generation, and Principal Payments – Generation Budget categories.
 4. Legacy Liabilities – Mine Reclamation Contingency and Administration
 - The category includes future Reclamation Trust deposit requirements and related on-going expenses including reclamation administrative costs related to the duties of the Reclamation Agent (PNM) are funded from reserves and not invoiced to the Members.
 5. Legacy Liabilities – San Juan Decommissioning and Continuing Coverage Insurance Expense.
 - This category includes all future decommissioning costs related to the retire-in-place decommissioning case with final demolition 25-years after San Juan Project shutdown plus the nominal sum of remaining annual Continuing Coverage insurance costs through completion of demolition funded from reserves and not invoiced to the Members.

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C. The M-S-R Public Power Agency establishes the following targets and minimums for each of the Strategic Reserve tranches as follows:

1. Operating Reserves – Administrative and Operations Budgets:

- Target: The working capital target is 90-days computed on the sum of annual Budget line items.
- Minimum: Same as target.

2. Operating Reserves – Purchase Power

- Target: The working capital target is 60-days based on highest projected monthly average energy production plus two standard deviations.
- Minimum: The working capital minimum is 30-days based on highest projected monthly average energy production plus two standard deviations.

3. Operating Reserves – San Juan Fixed

- Target: The working capital target is 60-days with Debt Service Coverage Revolving Fund payments excluded from the calculation.
- Minimum: The working capital minimum is 60-days as computed for Target.

4. Legacy Liabilities – Mine Reclamation Contingency and Administration

- Target: The working capital target is 45% of the current year's Reclamation Trust year-end trust balance requirement plus the nominal sum of remaining annual administrative costs.
- Minimum: The working capital minimum is 45% of the current year's Reclamation Trust year-end trust balance requirement plus the present value of the sum of remaining annual administrative costs.

5. Legacy Liabilities – San Juan Decommissioning and Continuing Coverage Insurance Expense.

- Target: The working capital target is 130% of the nominal sum of the remaining decommissioning cost estimates plus the nominal sum of remaining annual insurance costs less any amounts on deposit in the Decommissioning Trust.

- Minimum: Same as Target except computed on a Net Present Value Basis.
- D. The Agency shall maintain moneys in the General Fund at a level no less than the sum of the Strategic Reserve Minimums for all five Strategic Reserve tranches as projected for the final day of the current Fiscal Year. For the purposes of this assessment, all moneys held within the General Fund shall be considered available to meet reserve obligations. If moneys in the General Fund are not projected to meet this minimum criteria prior to the conclusion of the subsequent fiscal year, the Commission shall take the following steps:
1. Review each Strategic Reserve tranche criteria and propose adjustments that do not unreasonably increase risk to the Agency's ability to meet its obligations on a timely basis.
 2. Waive compliance with the Working Capital Policy for a specified period of time.
 3. Call cash from the Members only if required to avoid default of any other obligation incurred by the Agency.
- E. If moneys in the General Fund are projected to exceed the sum of the Strategic Reserve Targets for all five Strategic Reserve tranches as projected for the final day of the current Fiscal Year and for the final day of the subsequent Fiscal Year, the Commission may direct disbursements to the Members or direct any other lawful use of such excess funds.
- F. The Member Cash Call Reserve Account is hereby terminated and absorbed into the General Fund. Any future deposits designated to be placed in the Member Cash Call Reserve Account shall be placed in the General Fund at time of receipt.
- G. The Reserve and Contingency Fund defined in Section 4.03 (f) of the Indenture of Trust dated June 1, 1994 shall be terminated and absorbed into the General Fund effective the date the Subordinate Lien Bond Indenture terminates.
- H. Any remaining Legacy Liability designations made within Resolution 2016-04, whether transferred to the Member Cash Call Reserve Account or not, are hereby terminated and absorbed into the General Fund.
- I. This Working Capital Policy shall be reviewed annually in conjunction with the preparation and adoption of the Agency's Annual Budget.

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PASSED AND ADOPTED this 30th day of September, 2020, upon the following vote of the Members:

Modesto Irrigation District
City of Santa Clara
City of Redding

ATTEST:

PRESIDENT

SECRETARY

M-S-R PUBLIC POWER AGENCY Staff Report

Date: September 8, 2020

From: Martin R. Hopper, General Manager

To: M-S-R PPA Commission

Subject: Annual Review of M-S-R PPA Policy and Procedures Manual – Resolution 2020-02

At its September 24, 2014 meeting, the M-S-R PPA Commission through the adoption of Resolution 2014-02 approved the Authority's first comprehensive Policies and Procedures Manual. Initially the Manual provided that the General Manager was to annually review the manual and recommend updates or amendments for consideration by the Commission at its September meeting. Subsequently the Commission directed the updates be performed biennially.

The proposed 2020 update includes general status updates, miscellaneous clarifications, and the addition of new policies pertaining to:

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

Exhibits to the Policy have also been re-ordered to match their appearance in the manual. The proposed updates were reviewed by the Technical Committee at its September 3, 2020 meeting.

The proposed 2020 updates to the Policies and Procedures Manual are attached in clear and in redline format to show the changes from the 2018 revision of the Policies and Procedures Manual.

I recommend the Commission adopt the proposed M-S-R Public Power Agency Resolution 2020-02 Regarding 2020 Annual Update of Policies and Procedures Manual.

RESOLUTION No. 2020 – 02

RESOLUTION OF THE COMMISSION OF THE
M-S-R PUBLIC POWER AGENCY
REGARDING 2020 BIENNIAL UPDATE TO
POLICIES AND PROCEDURES MANUAL

WHEREAS, To provide for the efficient administration of the Agency and to clearly delineate the basic authorities and relationships between and among the Agency, its Officers, Staff, and Members it is appropriate to set forth those authorities and relationships in a single document; and

WHEREAS, The latest revision of the Policies and Procedures Manual for the M-S-R Public Power Agency as adopted pursuant to Resolution 2018-03 documents such authorities and relationships; and

WHEREAS, in even-numbered years in conjunction with preparation of the Agency's Annual Strategic Plan, the M S-R Public Power Agency Policies and Procedures Manual is to be reviewed by the General Manager and Technical Committee and any proposed amendments are to be presented to the Commission for consideration; and

Whereas, such a review has been preformed and an updated Policies and Procedures Manual has been prepared.

NOW, THEREFORE, BE IT RESOLVED BY THE COMMISSION of the M-S-R PUBLIC POWER AGENCY that:

1. The attached updated M-S-R Public Power Agency Policies and Procedures Manual is hereby adopted and supersedes the M-S-R Public Power Agency Policies and Procedures Manual previously adopted September 19, 2018.

PASSED AND ADOPTED this 30th day of September, 2018 upon the following vote of the Members:

Modesto Irrigation District
City of Santa Clara
City of Redding

ATTEST:

PRESIDENT

SECRETARY



M-S-R PUBLIC POWER AGENCY

**ORGANIZATION, AUTHORIZATIONS, POLICIES, &
PROCEDURES
MANUAL**

Commission Review Draft
September 30, 2020
Resolution 2020-02

Table of Contents

I. INTRODUCTION	4
A. PURPOSE	4
B. RESPONSIBILITY	5
C. MANAGEMENT	5
D. M-S-R PPA ORGANIZATION CHART	9
II. ORGANIZATION AND AUTHORITIES	10
A. M-S-R PPA PRESIDENT	10
B. M-S-R PPA VICE PRESIDENT.	10
C. GENERAL MANAGER	10
D. SECRETARY	11
E. M-S-R PPA COMMITTEES	11
F. FISCAL AUTHORIZATION	13
G. CONFLICT OF INTEREST POLICY	14
III. TREASURER/CONTROLLER FUNCTIONS, BUDGET DEVELOPMENT, INVOICE APPROVAL PROCESS, REIMBURSEMENT AND INVESTMENT POLICIES	14
A. TREASURER AND CONTROLLER	14
B. WORKING CAPITAL AND MEMBER PAYMENTS	15
C. M-S-R PPA ANNUAL BUDGETS	17
D. PROCUREMENT POLICY	17
E. INVOICE APPROVAL PROCESS.	17
F. REIMBURSEMENT POLICIES	17
G. INVESTMENT POLICIES	18
H. DEBT MANAGEMENT POLICY.	18
I. COUNTERPARTY CREDIT REPORTING	18
IV. OTHER M-S-R PPA PROJECTS, POLICIES & PROCEDURES	20
A. M-S-R PPA PROJECTS AND RELATED OPERATING PROCEDURES	20
a. SAN JUAN PROJECT	20
b. PACIFIC NORTHWEST PROJECT	21
c. OPERATING AGREEMENT AND M-S-R COORDINATOR	21
i. Operating Agreement Service Schedule A – Big Horn Wind Energy Project	22

ii.	Operating Agreement Service Schedule B – Reserved	. . .	23
iii.	Operating Agreement Service Schedule C – Reserved	. . .	23
iv.	Operating Agreement Service Schedule D – Resource Agreements.	. . .	23
v.	Operating Agreement Service Schedule E – Reserved	. . .	23
vi.	Operating Agreement Service Schedule F – Reserved	. . .	23
vii.	Operating Agreement Service Schedule G – Reserved	. . .	23
viii.	Operating Agreement Service Schedule H – Reserved	. . .	23
ix.	Operating Agreement Service Schedule I – Reserved	. . .	23
x.	Operating Agreement Service Schedule J – Reserved	. . .	23
xi.	Operating Agreement Service Schedule K – Operating and Accounting Procedures For Big Horn II Wind Energy Project.	. . .	23
B.	ENVIRONMENTAL COMMODITIES	. . .	24
a.	RENEWABLE ENERGY CREDITS (WREGIS RECs)	. . .	24
b.	CLEAN AIR ACT ALLOWANCES	. . .	25
C.	WILDFIRE MITIGATION PLANS	. . .	25
D.	M-S-R PPA LEGISLATIVE PROGRAM	. . .	25
E.	WEBSITE ACCESS AND POSTING OF PUBLIC DOCUMENTS	. . .	26
F.	CYBER SECURITY POLICY	. . .	26
G.	DOCUMENT RETENTION POLICY, PUBLIC RECORDS REQUEST, AND PHOTOCOPY POLICY		27
H.	ADOPTION OF CEQA GUIDELINES	. . .	27
I.	ADOPTION OF GUIDELINES FOR THE ACQUISITION OF REAL PROPERTY	. . .	27
J.	M-S-R PPA ANNUAL STRATEGIC PLAN	. . .	27
K.	REVIEW OF POLICIES AND PROCEDURES MANUAL	. . .	28
V.	PAST PROJECTS AND OBLIGATIONS	. . .	29
A.	GEOHERMAL PROJECT	. . .	29
B.	ARIZONA NUCLEAR POWER PROJECT (ANPP)	. . .	29
C.	INTERCONNECTION/ECONOMY INTERCHANGE AGREEMENTS (VARIOUS)	. . .	29
D.	SOUTHWEST TRANSMISSION PROJECT	. . .	30
E.	PACIFIC NORTHWEST LETTER AGREEMENTS (BONNEVILLE CONTRACT)	. . .	32
F.	DEVERS-PALO VERDE NO. 2 TRANSMISSION PROJECT (DPV-2)	. . .	32
G.	ADELANTO-LUGO TRANSMISSION PROJECT	. . .	33
H.	CALIFORNIA-OREGON TRANSMISSION PROJECT AND SOUTH OF TESLA PRINCIPLES	. . .	34

I. EAST SIDE TIE	35
J. SAN JUAN GENERATING STATION (OPERATING PHASE)	36
VI. HISTORIC LEGAL AND REGULATORY ACTIONS	38
A. TUCSON ELECTRIC POWER COMPANY – BREACH OF CONTRACT.	38
B. STOLEN BEARER BONDS	38
C. SIERRA CLUB/GRAND CANYON TRUST CLEAN AIR ACT – SAN JUAN	39
D. SIERRA CLUB GROUND WATER – SAN JUAN	39
E. SOUTHERN CALIFORNIA EDISON TRANSMISSION RATE CASES	39
F. BONNEVILLE POWER ADMINISTRATION AGREEMENT AND OTHER LITIGATION	40
G. CALIFORNIA SENATE BILL 1368	42
VII. FINANCING HISTORY	44
ALPHABETICAL LIST OF EXHIBITS	48

I. INTRODUCTION

The M-S-R Public Power Agency (M-S-R PPA or Agency) is a joint powers agency created in 1980 pursuant to Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California and is governed by a Commission consisting of one representative from each M-S-R PPA Member.

Members of M-S-R PPA include the Modesto Irrigation District and the Cities of Redding and Santa Clara, California. The Governing Bodies of the Members appoint M-S-R PPA Commissioners and any Alternates.¹

A. PURPOSE

M-S-R PPA is empowered to acquire, construct, manage, operate, maintain, and finance projects, including but not limited to the purchase, generation, transmission or distribution of energy.

M-S-R PPA's purpose is to maximize the value of its existing assets for the benefit of the Members and to respond to Member needs where joint action, rather than individual action, is deemed to be in the Members' best interests. M-S-R PPA is also intended to provide more responsive services to its Members than may be possible from larger or state-wide agencies or associations.

The initial project of M-S-R PPA was to develop a geothermal resource. In 1982, the Joint Exercise of Powers Agreement (JPA) was amended and restated to allow for the development of the San Juan Project (as further described in § IV (A) (a) of this manual) which was an undivided interest in an operating coal unit in New Mexico and supporting utility services from the Tucson Electric Power Company (TEP). In 1990, Amendment Number 1 to the JPA was approved to allow for the development of transmission assets for delivery of capacity and energy from the San Juan Project to California (Southwest Transmission Project or SWTP) beginning in 1995. In 2006, Amendment Number 2 to the JPA extended the term of the JPA indefinitely, and prohibited termination until all Agency obligations are satisfied. In 2016, the ownership interests in the SWTP were sold to the Southern California Public Power Authority (SCPPA) and the energy generating assets of the San

¹ Joint Exercise Of Powers Agreement of the M-S-R Public Power Agency By And Among the Modesto Irrigation District and the City Of Santa Clara and the City Of Redding, dated as of April 29, 1980, Amended and Restated as of November 17, 1982, as amended by Amendment Number 1 to the Amended and Restated Joint Powers Agreement, dated June 26, 1990, and by Amendment 2 to the Amended and Restated Joint Exercise of Powers Agreement, dated January 24, 2006.

Juan Project were sold to the Public Service Company of New Mexico (PNM) in 2017. M-S-R PPA's remaining obligations related to the San Juan Project include shares of plant decommissioning cost, mine reclamation cost, and potential environmental liabilities (referred to as "Legacy Liabilities" and as further described in § IV (A) (a) of this manual.

B. RESPONSIBILITY

The Agency is a California joint powers agency created pursuant to the California Government Code and is subject to California laws generally applicable to public agencies, including, but not limited to, the Ralph M. Brown Act, Public Records Act, Political Reform Act and other conflict of interest laws. The Agency and its officials must abide by the Conflict of Interest Code adopted by the California Fair Political Practices Commission for the Agency. M-S-R PPA is governed by its Commission. The M-S-R PPA Commission meetings are chaired by its President, a Commissioner who is subject to annual election by the Commission². Meetings of the M-S-R PPA Commission are normally held on the third Wednesday following the first Monday of the month, pursuant to a schedule adopted by the Commission prior to the close of the prior year³. Minutes of Commission meetings are taken by the Secretary, who is appointed by the Commission. The Commission may or may not choose to elect a Vice-President.

C. MANAGEMENT

M-S-R PPA's General Manager directs Agency activities and reports directly to the M-S-R PPA Commission. The General Manager oversees the contracts and performance of consultants and advisors, and coordinates the activities of M-S-R PPA's standing and any Ad Hoc Committees. The current M-S-R PPA standing committees are the Technical Committee, the Financial Management Committee, and the Risk Management Committee.

The office of the General Manager was originally created in 1980 to carry out delegated authorities assigned by the Commission and was first filled by Modesto Irrigation District (Modesto) staff members (Charles S. Viss (1980 – 1987) and Kenneth H. McKinney (1987 – 1996). In 1996 Dennis

² Resolution No. 2013 – 01 adopted March 20, 2013 Regarding Election and Duties of Officers.

³ Resolution No. 2013 – 05 adopted October 16, 2013 Regarding Meeting Schedules And Procedures For Posting Of Agendas For The M-S-R PPA Commission.

W. DeCuir was engaged as Interim General Manager and was directed to prepare a Strategic Plan for the Agency and to recruit an independent General Manager. Subsequent General Managers have been retained by the Commission pursuant to Professional Services Agreements specifying their duties and as codified in Resolution 2013 – 01 referenced above. The independent General Managers include William C. Walbridge (1997 – 2003), George F. Fraser (2004 – 2006) and Martin R. Hopper (2007 – 2008 as M-S-R Director, a position created by the Commission which temporarily had all the rights, obligations, and authorities of a General Manager and 2008 – Present as General Manager.)

Pursuant to the JPA, the Treasurer and Controller of Modesto are designated to the same positions for the Agency. The Modesto Board of Directors determines the charges made for such services, with concurrence of the Agency, as provided under California Law.

Legal services for the Agency are furnished by independent providers including General Counsel, Bond Counsel, FERC Counsel, California Regulatory Counsel, BPA Counsel and local counsel as required. Incumbent providers include:

- General Counsel: In August 1997, M-S-R PPA entered into an agreement with Porter Simon, Professional Corporation to provide independent General Counsel services to the Agency.⁴ This agreement may be terminated at-will by the Agency.
- Bond Counsel: In May 1997, M-S-R PPA entered into its current agreement with Orrick, Herrington & Sutcliffe, LLP for Bond Counsel services.⁵ This agreement may be terminated at-will by the Agency.
- FERC Counsel: In January 1986, M-S-R PPA entered into a legal services agreement with Duncan, Weinberg & Miller, PC, now known as Duncan, Weinberg, Genzer & Pembroke, PC, for FERC Counsel services.⁶ This agreement may be terminated at-will by the Agency.
- California Regulatory Counsel: In April 2013, M-S-R PPA entered into a Legal Services Agreement with Law Offices of Susie Berlin, as successor to McCarthy and Berlin LLP,

⁴ Agreement for Legal Representation between Porter Simon Professional Corporation and M-S-R Public Power Agency dated as of August 1, 1997.

⁵ Engagement Letter For Bond Counsel Services Outside a Specific Financing Program Between the M-S-R Public Power Agency And Orrick, Herrington & Sutcliffe LLP dated as of May 27, 1997.

⁶ Legal Services Agreement Between the M-S-R Public Power Agency and Duncan, Weinberg & Miller, PC dated as of January 17, 1986.

for California regulatory counsel services.⁷ This agreement may be terminated at-will by the Agency.

- BPA Counsel: BPA Counsel services are provided by Duncan, Weinberg, Genzer & Pembroke, PC, who also act as FERC Counsel pursuant to their existing Legal Services Agreement as referenced above.
- New Mexico Counsel: In April 2019, M-S-R PPA entered into an Engagement Letter with Virtue & Najjar, PC, for New Mexico counsel services.⁸ This agreement may be terminated at-will by the Agency.

Professional consulting, advisory and auditing services are furnished by independent providers including Financial Advisor, General Consultants, California Legislative Advocacy, and Financial Auditor as required. Incumbent providers include:

- Financial Advisor: In December 2009, M-S-R PPA entered into an agreement with Montague DeRose and Associates, LLC (Montague DeRose) for Financial Advisor Services. As amended and extended, the term of this agreement is through December 31, 2018 with three optional annual renewals available through December 31, 2021⁹. In July 2016 this agreement was further amended to add certain disclosures and acknowledgements as provided by law.
- General Consultant: In September 2010, M-S-R PPA entered into an agreement with KBT, LLC (KBT) for the purpose of securing General Consulting services¹⁰. M-S-R PPA has KBT available to perform specific tasks as assigned by the General Manager regarding generation, transmission, renewable energy, and administrative services. The term of this agreement is open-ended but can be terminated upon 30 days notice.
- General Consultant: In July 1999, M-S-R PPA entered into an agreement with Resource Management International, Inc, (nka Navigant, A Guidehouse Company) as

⁷ Legal Services Agreement By and Between Law Offices of Susie Berlin and the M-S-R Public Power Agency dated April 1, 2013.

⁸ Engagement Letter Between Virtue & Najjar, PC and the M-S-R Public Power Agency dated April 24, 2019.

⁹ Agreement For Professional Financial Advisor Services by and between M-S-R Public Power Agency, and Montague DeRose And Associates, LLC, effective January 1, 2010, as amended through Amendment No. 2.

¹⁰ Agreement for Professional Services by and between KBT, LLC and M-S-R Public Power Agency dated September 15, 2010.

amended¹¹, for the purpose of securing General Consulting services. M-S-R PPA has Navigant available to perform specific tasks as assigned by the General Manager regarding generation, transmission, renewable energy, and administrative services. The term of this agreement is open-ended but can be terminated upon 30 days notice.

- California Legislative Advocacy: In January 2013, M-S-R entered into a Professional Services Agreement with Politico Group for California legislative advocacy services as directed by the General Manager regarding generation, transmission, and renewable energy issues¹². This agreement may be terminated upon 30 days notice. Services under this agreement were suspended May 31, 2020 due to the COVID-19 pandemic and may be restarted in the future dependent on the Agency's needs.
- Financial Auditor: Effective November 18, 2015, M-S-R PPA entered into an agreement with Baker Tilly Virchow Krause KBT, LLP (BT-VK) for the purpose of securing Financial Audit services¹³. M-S-R PPA has BT-VK available to prepare financial statements and to perform annual audits under the review of the Commission. This agreement provides for a fixed price for audit services through the completion of the audit for the Agency's fiscal year ending December 31, 2019 and for two optional extensions through fiscal years ending December 31, 2021.

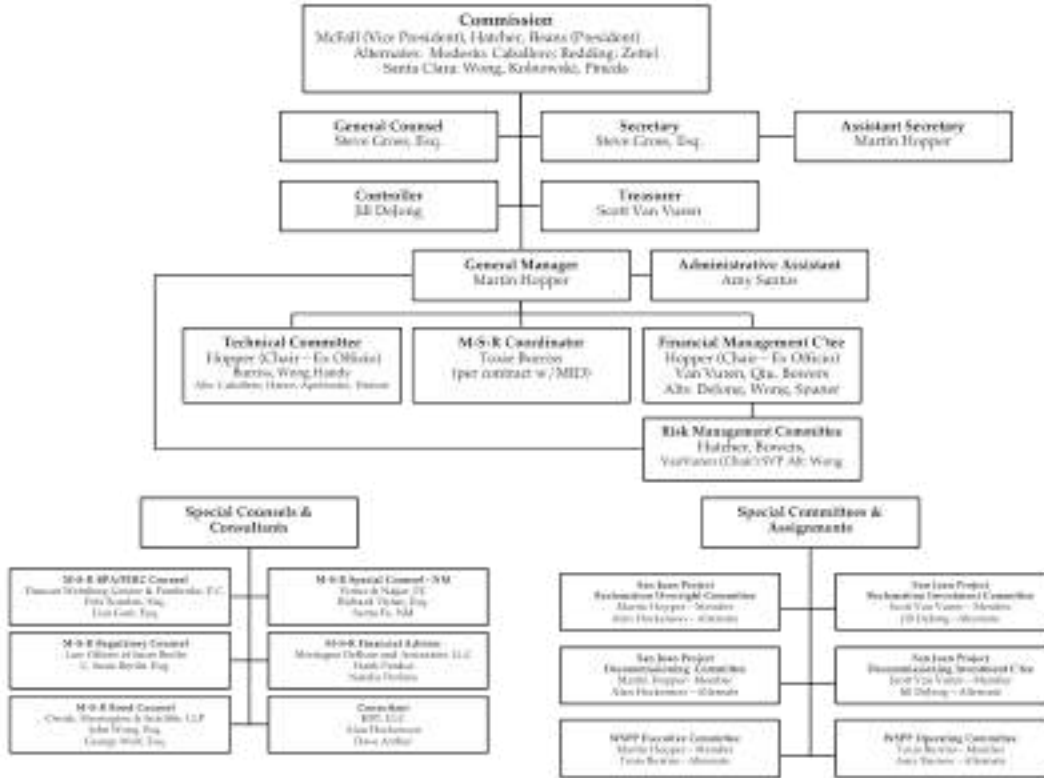
¹¹ Agreement for Professional Services by and between Resource Management International, Inc, (nka Navigant, A Guidehouse Company) dated July 22, 1999, as amended February 7, 2012.

¹² Agreement For Professional Services By And Between M-S-R Public Power Agency and Politico Group effective as of January 1, 2013.

¹³ Engagement of Baker Tilly Virchow Krause LLP as independent accountants dated September 25, 2015.

M-S-R PPA ORGANIZATION CHART (AS OF SEPTEMBER 30, 2020):

M-S-R Public Power Agency Organization Chart



Revised: September 30, 2020

II. ORGANIZATION AND AUTHORITIES

The JPA organizes the Agency as described in the previous section to provide for governance, management, and conduct of M-S-R PPA's activities. All financial decisions are made by the Commission, except for those specifically delegated to the General Manager. Policy direction is provided by the M-S-R PPA Commission. Policy is further provided in the Annual Strategic Plan, which is updated by the Technical Committee and adopted by the Commission on an annual basis.

A. M-S-R PPA PRESIDENT

The M-S-R PPA President, as specified in Resolution 2013 – 01, Election and Duties of Officers, shall preside at all meetings of the Commission when he or she is present, cause an agenda to be prepared and distributed by the General Manager in advance of the meeting, which shall list each item of business or correspondence to come before the meeting insofar as is known, may act as an official spokesman of the Agency at the direction of the Commission, make all appointments except as otherwise provided, execute contracts on behalf of the Agency when authorized by the Commission and perform such other duties as are assigned to him or her from time to time by the Commission.

B. M-S-R PPA VICE PRESIDENT

The Vice-President performs the duties of the President in the absence or disability of the President.

C. GENERAL MANAGER

The Commission has assigned the General Manager certain duties to carry out on behalf of the Agency as enumerated in Resolution 2013 - 01 and specified in the Management Services Agreement.¹⁴ The General Manager chairs certain standing committees. The General Manager maintains the authority to act within Commission direction and policy contained within the Annual Strategic Plan. The General Manager has also been designated as a Special Agent of the Agency.

¹⁴ Amended and Restated Management Services Agreement by and between M-S-R Public Power Agency and Martin R. Hopper dba Martin Hopper Energy Consulting effective as of, January 1, 2010, as amended.

The General Manager Succession Plan¹⁵ addresses continuity and secession options for all General Manager activities under three distinct circumstances:

1. Temporary or Short-Term Absence of General Manager
2. Unplanned Absence of General Manager
3. Retirement of General Manager.

D. SECRETARY

The Secretary keeps the minutes and files of the Agency, authenticates its acts and keeps a correct roll of each member of the Commission, and his or her alternate. The Assistant Secretary shall perform the clerical duties of the office, and shall act as Secretary in the absence or disability of the Secretary. The Commission appointed the General Counsel as Secretary and the General Manager or his or her designee as Assistant Secretary. Their respective duties are also set forth in Resolution 2013-01.

E. M-S-R PPA COMMITTEES

There are presently three active standing M-S-R PPA Committees:

- Technical Committee
- Financial Management Committee
- Risk Management Committee

In 2011, the Commission instructed the General Manager to abolish previous committees created by the General Manager and established the Technical and Financial Management Committees. These Committees are subject to and will comply with the Ralph M. Brown Act. The Commission adopted Rules of Procedures for both Committees that are structured similarly.^{16 17} Neither Committee shall have any officers. The General Manager shall preside over and cause minutes to be prepared of each meeting. The General Manager will coordinate the efforts of Members providing services to the Committees and shall oversee the support provided by General Counsel and any contractors also providing services to the Agency.

¹⁵ General Manager Succession Plan dated February 19, 2020

¹⁶ Resolution No. 2011-01 adopted January 19, 2011 Rules Of Procedure For The Technical Committee.

¹⁷ Resolution No. 2013-10 adopted October 16, 2013 Amended and Restated Rules Of Procedure For The Financial Management Committee.

The duties of the Technical Committee include, but are not limited to: 1) annually recommend a five-year strategic plan for the Agency; 2) review proposals for the acquisition or divestiture of resources; 3) recommend modifications of arrangements supporting the management or operation of resources; 4) review individual Member issues with the Agency brought to the attention of the Technical Committee for discussion and potential resolution; 5) review and develop strategies for complying with regulatory issues and other externalities; 6) review the technical aspects of legal action, whether current, pending, or under consideration; and 7) address other issues that may be specifically assigned by the Commission.

The duties of the Financial Management Committee include, but are not limited to: 1) review and consideration of candidates for Financial Advisor; 2) review and consideration of candidates for Bond Counsel; 3) coordinate with the Financial Advisor and Bond Counsel to the extent necessary; 4) review of proposals for the financial products that may be solicited or unsolicited that may be beneficial to the financial management of the Agency; 5) recommend modifications of arrangements supporting the financial management of assets; 6) implement the Risk Management Policy and communicate risk management issues to the Commission together with the General Manager, oversee the Risk Management Committee together with the General Manager, and oversee the activities of the Coordinator Services Coordinator together with the General Manager; 7) review individual Member issues with the Agency brought to the attention of the Financial Management Committee for discussion and potential resolution; 8) review and develop strategies for complying with financial management issues and other externalities; 9) review the financial aspects of legal action, whether current, pending, or under consideration; and 10) address other issues that may be specifically assigned by the Commission. These duties are reiterated in the Agency's Debt Management Policy adopted May 17, 2017 as referenced in Section III (H).

The Risk Management Committee was established by the Commission with the adoption of the Energy Risk Management Policy and Risk Management Committee Guidelines¹⁸. This Committee is subject to and will comply with the Ralph M. Brown Act. The duties of the Risk Management Committee include, but are not limited to: 1) establish the processes and frequency for measuring, monitoring, and reporting the business risks that are within the scope of the Risk Management Policy,

¹⁸ Resolution No. 2013-06 Adopted October 16, 2013 Regarding Energy Risk Management Policy and Risk Management Guidelines.

2) approve all methodologies used in risk measurement, 3) monitor the Coordinator Services Contractor (whose duties and authorities are described in Section IV (A) of this Policy Manual) compliance with the Risk Management Guidelines, 4) present reports to the General Manager and Financial Management Committee detailing risk management activity, 5) perform an annual review of the Risk Management Committee Guidelines to maintain procedures and limits appropriate with the business activities of the Agency, 6) establish Risk Management Committee meeting procedures, 7) meet no less frequently than annually, 8) review transaction and risk reports.

F. FISCAL AUTHORIZATION

The M-S-R PPA Commission approval of the annual budget and strategic plan for a fiscal year is the authorization for the conduct of all activities included in the annual budget. Pursuant to Section 2.2 of the Joint Exercise of Powers Agreement of the M-S-R Public Power Agency, the Members pay for the costs associated with the operation of the Agency and are entitled to all rights and property of the Agency in the following portions: Modesto 50%; Santa Clara 35%; and Redding 15%. Project Agreements or unanimously adopted resolutions may provide for differing allocations of costs. Typically, all work for the Agency is routine in nature. If additional outside assistance is required of legal counsel or consultants or can be provided by Member staff, particularly if such work is outside the annual budget limits, the General Manager will consult with the appropriate standing committee to assess support for a Task Order to complete such work and will seek authorization from the Commission if the level of effort is deemed by the General Manager to be of significant magnitude to warrant a budget modification or augmentation.

Work elements are defined in the annual strategic plan that informs the approved budget. Most activities are described, known ahead of time, and are repetitive (e.g. preparation for and support of the meetings of M-S-R PPA Committees and the Commission). Thus, no additional authorization is required to perform such activities.

The Agency has also covenanted to collect sufficient funds to meet all its obligations and to meet the debt service coverage requirements in its Bond Indentures and the annual budget must be so set by the M-S-R PPA Commission. Procedures for the calculation of debt service coverage have been reviewed

by Bond Counsel and adopted by the Commission.¹⁹ In 2016 the Agency created a Debt Service Coverage Revolving Fund to assure maintenance of debt service coverage through the remaining life of San Juan Project Bonds²⁰.

G. CONFLICT OF INTEREST POLICY

The Political Reform Act (Government Code Section 81000, et seq.) requires state and local government agencies to adopt and promulgate conflict of interest codes. The M-S-R PPA Conflict of Interest Code was most recently updated in 2016 and was approved by the California Fair Political Practices Commission effective July 6, 2016²¹.

¹⁹ Resolution No. 2014-07 adopted September 24, 2014 Regarding Calculation of Debt Service Coverage.

²⁰ Resolution No. 2016-02 adopted July 20, 2016 regarding Debt Service Coverage Revolving Fund Operating Procedures.

²¹ Conflict of Interest Code for M-S-R Public Power Agency effective July 6, 2016.

III. TREASURER/CONTROLLER FUNCTIONS, BUDGET DEVELOPMENT, THE INVOICE APPROVAL PROCESS, REIMBURSEMENT AND INVESTMENT POLICIES.

This section of the manual outlines various actions and activities undertaken by PPA's Treasurer/Controller. Also discussed herein are authorities related to the annual budget and strategic plan development processes, as well as invoice approval controls used by Controller staff and Agency expense policies.

A. TREASURER AND CONTROLLER

The positions of Treasurer and Controller are designated by the JPA as those persons responsible for the financial management of the Agency, as well as all other property the Agency may own or control. The Treasurer and Controller of the Modesto Irrigation District serve as Treasurer and Controller for the Agency. The Treasurer and Controller, and Assistant Treasurer(s) and Assistant Controller(s) remain until a future designation by the Modesto Irrigation District.

The Treasurer and Controller are responsible for the payment of Commission and/or General Manager-approved expenditures and payments in accordance with the Agency's Invoice Approval Procedure described below. The Treasurer and Controller are also authorized to withdraw moneys from the Agency's funds and accounts.²² The Treasurer and Controller cause the preparation of the Agency's accounts and records in accordance with the latest accounting rules promulgated by the Government Accounting Standards Board (GASB) for recording financial transactions by government agencies. In the absence of GASB accounting rules, the Agency is required to follow Financial Accounting Standards Board (FASB) accounting rules to record accounting transactions. An Asset Capitalization Policy has been adopted to provide guidance to the Controller in making determinations as to whether certain expenditures should be charged to utility plant or to expense.²³

Pursuant to Government Code Section 6505(e) and the directives of the General Manager, the Treasurer causes the preparation of monthly Treasurer's Reports for presentation to the Commission

²² Resolution No. 2012-03 adopted July 18, 2012 Approving Signatories Authorized to Invest M-S-R Public Power Agency Monies in the Local Agency Investment Fund and Other Permitted Investments.

²³ Resolution No. 2014-06 adopted August 20, 2014 Regarding Asset Capitalization Policy.

at each of its regular meetings²⁴. Pursuant to Government Code Sections 6505(b) and 26909(a)(2) and Section 17.2 of the M-S-R PPA Joint Power Agreement, the Controller shall cause the annual audits of the accounts and records of the Agency to be prepared and filed with the Bond Trustee, the State Controller and the Stanislaus County Auditor.

B. WORKING CAPITAL AND MEMBER PAYMENTS

The Agency maintains a 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. Minimum reserve levels and target reserve levels are recommended for each tranche.²⁵ The Strategic Reserve subsumes the former Member Cash Call Reserve Account (MCCRA) but maintains the Reserve and Contingency (R&C) Fund as required by the Indenture within the San Juan Fixed Expenses Operating Reserve. The Strategic Reserve also allows 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 Strategic Reserve may also provide funds for unexpected operation and maintenance expenses, repair costs, capital improvements, replacements, or betterments related to M-S-R Projects formerly addressed by the MCCRA. Status of the Strategic Reserve is reviewed on an annual basis as part of the preparation of the Annual Budget.

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. Member's invoice 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.²⁶ The Commission has adopted a policy specifying the procedures for payments made by a third party on behalf of a Member²⁷ and a policy harmonizing the late payment provisions of the Tucson/San Juan Project Power Sales Agreement and the Pacific Northwest Project Power Sales Agreement.²⁸

²⁴ Memorandum Dated November 23, 2015 Regarding Filing of Quarterly Treasurer's Reports and Annual Audits

²⁵ Resolution No. 2020-01, adopted September 30, 2020, regarding Working Capital Policy.

²⁶ M-S-R PPA Director's administrative directive dated June 8, 2007.

²⁷ Resolution No. 95-3 adopted April 19, 1995 Establishing A Policy For Payments By Third Parties On Behalf Of A Member To The Agency.

²⁸ Resolution No. 2018-02, Adopted September 19, 2018, Regarding Late Payment Policy.

C. M-S-R PPA ANNUAL BUDGETS

The fiscal year for both M-S-R PPA and Modesto budgets are January 1 through December 31. However, the fiscal year for both the Cities of Santa Clara and Redding budgets are July 1 through June 30. As requested by the Members, two-year rolling budgets for the Agency are prepared annually. The first-year budget is formally adopted and the second-year budget is advisory only. As discussed in Section II, the M-S-R PPA Annual Budget is the authorization for the conduct of all Agency activities.

D. PROCUREMENT POLICY

Although the Agency does not typically engage in public works or procure goods on behalf of its Members, as specified in Resolution 2013–08²⁹ it is the policy of the Agency to make competitive procurements and retain highly qualified professional service providers in the best interests of its Members.

E. INVOICE APPROVAL PROCESS

As specified in Resolution 2009–02,³⁰ all invoices, bills, demands, and claims upon the Agency are paid by the Treasurer on the recommendation of the General Manager or President or their respective designees and on the review of the Controller or his respective designees. At each regular meeting of the Commission of the M-S-R PPA, the Treasurer makes a report of all invoices, bills, demands, and claims paid since the prior regular meeting of the Commission.

F. REIMBURSEMENT POLICIES

As specified in Resolution 2013–09,³¹ M-S-R PPA adopted a policy by which the Agency reimburses its Members for actual costs incurred when they provide support services to the Agency at the

²⁹ Resolution No. 2013–08, adopted October 16, 2013, regarding Procurement Policy.

³⁰ Resolution No. 2009–02, adopted May 20, 2009, Regarding The Timely Payment Of Invoices And Making Certain Delegations Of Agency

³¹ Resolution No. 2013–09, adopted on October 16, 2013, Regarding Reimbursement of Costs of Support Services Provided By Member Agencies.

direction of the General Manager.

G. INVESTMENT POLICIES

M-S-R PPA maintains an Investment Policy pertaining to the funds of the Agency in conformance with Title 5, Division 2, Part 1, Chapter 4 of the California Government Code, commencing with Section 53600, which is annually reviewed and adopted by motion of the Commission.³²

H. DEBT MANAGEMENT POLICY

On May 17, 2017, the M-S-R PPA Commission established a Debt Management Policy³³ in compliance with Government Code Section 8855(i). The purpose of this policy is to:

- Maintain a sound financial position.
- Ensure flexibility to respond to changes in future service priorities, revenue levels, and operating expenses.
- Protect credit-worthiness.
- Ensure that all debt is structured in order to protect both current and future wholesale customers and ratepayers of M-S-R PPA's Members.
- Ensure that the debt is consistent with M-S-R PPA's planning goals and objectives, capital improvement program and/or budget, as applicable.

Due to the issuance of the San Juan Project Revenue Bonds Series 2018R on June 12, 2018, the Agency is required to issue an annual debt transparency report pursuant to Government Code Section 8855(k) commencing on or before January 31, 2019.

I. COUNTERPARTY CREDIT REPORTING

The Agency has counterparty risk associated with the Big Horn Wind Energy Projects. By directive of the General Manager dated August 8, 2020, the Authority has adopted jointly with M-S-R EA a

³² Investment Policy Guidelines of the M-S-R Public Power Agency 2020 (approved by Commission February 19, 2020.)

³³ Resolution No. 2017-01, adopted May 17, 2017, Regarding Debt Management Policy.

Counter Party Reporting Policy³⁴ whereby the M-S-R EA and M-S-R PPA Treasurer will provide quarterly credit updates to the Members and will report credit events as they may occur.

³⁴ M-S-R General Manager's administrative directive dated August 6, 2020 regarding Counterparty Credit Reporting Policy.

IV. OTHER M-S-R PPA PROJECTS, POLICIES & PROCEDURES

A. M-S-R PPA PROJECTS AND RELATED OPERATING PROCEDURES

a. SAN JUAN PROJECT:

The San Juan Project originally included a 28.8% Ownership Interest (approximately 146 MW) in Unit 4 of the San Juan Generating Station (SJGS) and related services provided by TEP. The Members' rights and obligations pertaining to the San Juan Project are specified in the Tucson/San Juan Project Power Sales Agreement.³⁵ Pursuant to the San Juan Project Restructuring Agreement³⁶ M-S-R PPA divested this Ownership Interest effective December 31, 2017 and no longer receives electric energy or capacity from the San Juan Generating Station. M-S-R PPA's remaining obligations related to the San Juan Project are described as "Legacy Liabilities" and in general are governed by the Restructuring Agreements. Particular obligations related to plant decommissioning expense are further addressed in the Decommissioning Agreement.³⁷ Particular obligations related to mine reclamation expense are further addressed in the Reclamation Agreement³⁸. Particular obligations related to potential environmental liabilities are addressed in the Restructuring Agreements. For a history of the operating phase of the San Juan Phase see Section V. (J) Past

³⁵ Tucson/San Juan Project Power Sales Agreement dated November 17, 1982, as amended August 30, 1999, between the M-S-R Public Power Agency and the Modesto Irrigation District, the City of Santa Clara, and the City of Redding.

³⁶ San Juan Project Restructuring Agreement Among Public Service Company Of New Mexico, Tucson Electric Power Company, The City Of Farmington, New Mexico, M-S-R Public Power Agency, The Incorporated County Of Los Alamos, New Mexico, Southern California Public Power Authority, City Of Anaheim, Utah Associated Municipal Power Systems, Tri-State Generation and Transmission Association, Inc. and PNMR Development and Management Corporation dated July 31, 2015.

³⁷ San Juan Decommissioning and Trust Funds Agreement Among Public Service Company of New Mexico, Tucson Electric Power Company, The City of Farmington, New Mexico, M-S-R Public Power Agency, The Incorporated County of Los Alamos, New Mexico, Southern California Public Power Authority, City of Anaheim, Utah Associated Municipal Power Systems, Tri-State Generation and Transmission Association, Inc., and PNMR Development and Management Corporation, dated July 31, 2015.

³⁸ Amended and Restated Mine Reclamation and Trust Funds Agreement Among Public Service Company of New Mexico, Tucson Electric Power Company, The City of Farmington, New Mexico, M-S-R Public Power Agency, The Incorporated County of Los Alamos, New Mexico, Southern California Public Power Authority, City of Anaheim, Utah Associated Municipal Power Systems, Tri-State Generation and Transmission Association, Inc., and PNMR Development and Management Corporation, dated July 31, 2015.

Projects, San Juan Generating Station (Operating Phase.)

The oversight committees established pursuant to these agreements and representatives assigned by the Agency are shown in the Organization Chart on page 9. An annual forecast of Agency expenditures for the San Juan Project is provided in the San Juan Ten-Year Forecast and Legacy Liability Funding Status Report, which is prepared by the Technical Committee and reviewed by the Commission.³⁹

b. PACIFIC NORTHWEST PROJECT

The Pacific Northwest Project currently consists of power sales agreements with subsidiaries of Avangrid Renewables, Inc. (Avangrid) for energy (249.5 MW installed capacity) and renewable energy credits (RECs) from the Big Horn I and Big Horn II Wind Energy Projects located near Bickelton, Washington as delivered to the Members at the California-Oregon Border. The Members rights and obligations pertaining to the Pacific Northwest Project are specified in the Pacific Northwest Project Power Sales Agreement.⁴⁰

c. OPERATING AGREEMENT AND M-S-R COORDINATOR

The Amended and Restated Operating Agreement⁴¹ (Operating Agreement) details how M-S-R PPA will perform the power scheduling, accounting, marketing, coordination and dispatching functions associated with M-S-R PPA resources on behalf of the Members and the Members' responsibilities to M-S-R PPA for the purposes of the foundational agreements for San Juan Project (including the Southwest Transmission Project) and Pacific Northwest Project. Management of the Service Schedules to the Operating Procedures is conducted by Member representatives pursuant to Section 25 of the Operating Agreement, such representatives constituting the M-S-R PPA Technical

³⁹ San Juan Ten-Year Forecast and Legacy Liability Funding Status Report, noted and filed by the M-S-R Commission February 19, 2020.

⁴⁰ Second Amended and Restated Pacific Northwest Project Power Sales Agreement dated May 24, 2005 between the M-S-R Public Power Agency and the Modesto Irrigation District, the City of Santa Clara, and the City of Redding.

⁴¹ Amended and Restated Operating Agreement Between The M-S-R Public Power Agency and the Modesto Irrigation District, The City of Santa Clara, California, and The City of Redding, California dated February 1, 1997 with service schedules that may be revised from time to time. This agreement superseded the "Principles for the Scheduling and Dispatch of the M-S-R Public Power Agency's San Juan Project Power," dated June 20, 1984.

Committee.

The Operating Agreement creates the position of M-S-R Coordinator, the functions of which were initially performed by Modesto. As the necessary functions of Coordinator expanded, the Members decided to formalize the duties through a services contract. After a competitive bid process, Modesto was awarded the initial contract and has served as Coordinator continuously ever since.⁴² The Coordinator is authorized to enter into transactions on behalf of M-S-R PPA, if requested by a Member for that Member's account, or to unilaterally enter into transactions on behalf of M-S-R PPA, in case a Member fails to meet its obligations.

Specific Service Schedules to the Operating Agreement apply to each of the Projects (or special aspects thereof) and are modified as necessary to accommodate the needs of the projects. Several of these Service Schedules became unnecessary with the divestiture of the San Juan assets as was the case with some Service Schedules associated with the SWTP.

i. Operating Agreement Service Schedule A – Big Horn Wind Energy Project.

Service Schedule A applies to the amended and restated accounting procedures for the Big Horn Energy Wind Project.⁴³ Big Horn is a 199.5 MW facility comprised of 133 1.5 MW wind machines with the output shared between the Members 12.5%/52.5%/35%. M-S-R PPA pays for two services: 1) the production of energy at the site, and 2) the shaping and firm delivery of energy to the California-Oregon Border. Because energy scheduling is performed in whole megawatts, Appendix A was developed to allocated energy based upon the actual deliveries to M-S-R PPA made by Avangrid. As this project was developed in two phases with different pricing structures, Appendix B develops the hybrid pricing algorithm for the sharing of energy costs. Appendix D provides the timing associated with the receipt and payment of monthly energy invoices. Appendix F provides the timing associated with the receipt and payment of the monthly firming and shaping invoice.

⁴² Agreements for M-S-R Coordinator Services by and between M-S-R Public Power Agency and the Modesto Irrigation District dated May 28, 1999, September 7, 2004, March 23, 2011 as amended March 18, 2015, and March 1, 2018.

⁴³ Amended and Restated Service Schedule A to the Operating Agreement, Big Horn Operating Procedures, adopted by the M-S-R PPA Commission November 18, 2006.

- ii. Operating Agreement Service Schedule B – Reserved.
Service Schedule B was terminated March 8, 2018.
- iii. Operating Agreement Service Schedule C – Reserved.
Service Schedule C was terminated August 4, 2016.
- iv. Operating Agreement Service Schedule D – Resource Agreements.
Service Schedule D listed various economy energy agreements held by M-S-R PPA with utilities in the Southwest.⁴⁴ As of September 2018, only the WSPP agreement remains.
- v. Operating Agreement Service Schedule E – Reserved.
Service Schedule E was terminated March 8, 2018.
- vi. Operating Agreement Service Schedule F – Reserved.
Service Schedule F was terminated March 8, 2018.
- vii. Operating Agreement Service Schedule G – Reserved.
Service Schedule G was terminated March 8, 2018.
- viii. Operating Agreement Service Schedule H – Reserved.
Service Schedule H was terminated August 4, 2016.
- ix. Operating Agreement Service Schedule I – Reserved.
Service Schedule I was terminated August 4, 2016.
- x. Operating Agreement Service Schedule J – Reserved.
Service Schedule J was terminated March 8, 2018.
- xi. Operating Agreement Service Schedule K – Operating and Accounting Procedures For Big Horn II Wind Energy Project.
Service Schedule K provides operating and accounting procedures for the Big Horn II Wind Project.⁴⁵ Big Horn II is a 50 MW facility comprised of 25 - 2.0 MW wind

⁴⁴ Service Schedule D to the Operating Agreement, Resource Agreements, adopted by the M-S-R PPA Technical Committee March 8, 2018.

⁴⁵ Operating Agreement Service Schedule K – Operating and Accounting Procedures For Big Horn II Wind Energy Project adopted by the M-S-R Commission May 18, 2011 pursuant to Resolution 2011-05.

machines with the output shared between the Members 65%/35%/0%. M-S-R PPA pays for two services: 1) the production of energy at the site, and 2) the redelivery of fixed and variable energy to the California-Oregon Border. Because energy scheduling is performed in whole megawatts, Appendix A was developed to allocated energy based upon the actual deliveries to M-S-R PPA made by Avangrid. Appendix B develops the pricing algorithm for the sharing of energy costs. Appendix C shows a computation of Member Pricing. Appendix D provides the timing associated with the receipt and payment of monthly firm energy invoices. Appendix E provides the timing associated with the receipt and payment of monthly variable energy invoices. Appendix F provides the timing associated with the receipt and payment of the monthly firming and shaping invoice.

B. ENVIRONMENTAL COMMODITIES

a. RENEWABLE ENERGY CREDITS (WREGIS RECs)

In addition to the wind energy received from the Avangrid subsidiaries operating the Big Horn and Big Horn II Wind Projects, M-S-R PPA also receives title to all associated environmental commodities including Renewable Energy Credits (RECs). One MW of eligible renewable energy created translates into one REC. RECs are used by the Members, among other purposes, to meet their Renewable Portfolio Standard (RPS) requirements pursuant to California Law. M-S-R PPA receives the RECs from Avangrid, M-S-R PPA then allocates these RECs to the Members in proportion to the energy produced from the wind projects. RECs are accounted for and tracked in the Western Renewable Energy Generation Information System (WREGIS) and retired according to the requirements of the California Air Resources Board and California Energy Commission. M-S-R PPA has created a special Policy and Procedure No. 2009-01 to formalize the accounting and distribution of WREGIS RECs.⁴⁶

⁴⁶ Policy and Procedure 2009-01, WREGIS REC Accounting and Distribution, dated August 31, 2009.

b. CLEAN AIR ACT ALLOWANCES

Consistent with the Clean Air Act of 1990, the U.S. Environmental Protection Agency (EPA) enacted a requirement that SO₂ emitting plants be limited in their emissions. In addition, for each emitting source, the owner or operator needed to specify a Designated Representative (DR) to fulfill reporting requirements and be liable for violations. PNM as San Juan Generating Station Operating Agent provided the DR and Alternative Designated Representative (ADR) pursuant to an agreement.

As part of the Clean Air Act program, the San Juan Generating Station was awarded with an annual base number of SO₂ allowances that, pursuant to formula, represent an average operating year. With the construction and operation of the Limestone-Forced Oxidation (LSFO) Project, SJGS greatly reduced its emissions of SO₂, leaving a growing balance of unretired allowances that could be sold on open market. Pursuant to a Policy adopted by motion of the M-S-R PPA Commission September 28, 2005,⁴⁷ M-S-R PPA sold a limited quantity of these allowances until the market for SO₂ allowances virtually collapsed. Allowances remaining in PNM's account after the divestiture of the Agency's operating interest in SJGS have been transferred to the Members for their future use.

C. WILDFIRE MITIGATION PLANS

On September 24, 2016, California Senate Bill (SB) 1028 was signed into law and requires electric utilities to annually publish a wildfire mitigation plan. On September 18, 2019, the M-S-R PPA Commission established a process to prepare a Wildfire Mitigation Plan⁴⁸ if and when the Agency owns or operates qualifying facilities under SB 1028.

D. M-S-R PPA LEGISLATIVE PROGRAM

The primary goal of M-S-R PPA's Legislative and Regulatory Program is to preserve and enhance the value of M-S-R PPA assets. These assets included the San Juan Project, the Southwest Transmission Project and include the Big Horn Wind Energy Projects. M-S-R PPA only takes positions on those bills and regulatory matters directly affecting M-S-R PPA resources or duties to its Members. M-S-R PPA may also, by request of the Members, take positions on bills of common interest to the entire M-

⁴⁷ M-S-R Clean Air Act SO₂ Allowance Policy Adopted by M-S-R Commission September 28, 2005.

⁴⁸ Resolution No. 2019-01, adopted September 18, 2019, Regarding Wildfire Mitigation Plans.

S-R PPA membership. Legislative and Regulatory Workplans, for both State and Federal levels, set forth the Agency's issues and objectives for the current year and are updated as needed.⁴⁹

E. WEBSITE ACCESS AND POSTING OF PUBLIC DOCUMENTS

M-S-R PPA maintains a website at www.msrrpower.org. Its purpose is to provide basic information on the Agency and its projects, provide contact information, and to post notices and information as required by the California Government Code and Agency Policy. On October 11, 2015, California SB 272 was signed into law and requires local agencies to publish a list of "enterprise" systems on their websites. By motions of the Commission, M-S-R PPA has adopted a Privacy Statement⁵⁰ and Terms of Use Agreement⁵¹ applicable to users of the website.

M-S-R PPA posts agendas and notices of public meetings at <http://msrrpower.org/Documents.aspx> as required in the California Government Code and the previously referenced Resolution 2013-04 Regarding Meeting Schedules And Procedures For Posting Of Agendas For The M-S-R PPA Commission. M-S-R PPA may other information relevant to the conduct of the Agency's business on its website, including, but not limited to the Annual Budget, the Annual Financial Reports, M-S-R PPA Commission meeting minutes, and various M-S-R PPA committee meeting minutes.

F. CYBER SECURITY POLICY

M-S-R PPA does not have any facilities designated as Critical Energy Infrastructure (CEI) and hence does not have a formal cyber security policy. At this time there are neither NERC Reliability Standards nor WECC Regional Reliability Standards applicable to M-S-R PPA. As a matter of course, ordinary and prudent precautions are taken to maintain the security of the Agency's email and website access. The M-S-R Coordinator maintains separate responsibility to maintain appropriate cyber security measures related to their duties to M-S-R PPA.

⁴⁹ California and Federal Legislative And Regulatory Representative Workplans 2020.

⁵⁰ M-S-R Public Power Agency Privacy Statement Revised: July 28, 2010.

⁵¹ Terms of Use Agreement Between User and M-S-R Public Power Agency Revised: July 28, 2010.

G. DOCUMENT RETENTION POLICY, PUBLIC RECORDS REQUEST, AND PHOTOCOPY POLICY,

As specified in Resolution 2013 – 02,⁵² M-S-R PPA adopted a document retention policy which sets forth administrative practices related to the retention, distribution, and disposition of public documents in accordance with the California Public Records Act.

Through adoption of this Policy and Procedure Manual, it is the policy of M-S-R PPA to comply with all requests for public records, as required by the California Public Records Act, in a reasonable and expeditious timeframe. For regular photocopies, M-S-R PPA will charge a rate of \$0.15 per page. For scanning and digitizing a document in PDF format, M-S-R PPA will charge a rate of \$0.10 per page. Existing PDF format documents responsive to a public records request, if provided electronically, will be made available at no charge to the requestor. If copies can be made at lesser cost by an outside service provider, M-S-R PPA will only charge actual fees of such service provider for duplication. These fees were determined based upon review of actual costs for paper, office equipment, and maintenance of said equipment.

H. ADOPTION OF CEQA GUIDELINES

As specified in Resolution 95 – 1,⁵³ the Agency has adopted the model State CEQA Guidelines prescribed by the Secretary of the Resources Agency in Title 14 of the California Code of Regulations, commencing at Section 15000, and as they may be subsequently amended.

I. ADOPTION OF GUIDELINES FOR THE ACQUISITION OF REAL PROPERTY

As specified in Resolution 95–2,⁵⁴ the Agency has adopted the model State Relocation Assistance and Real Property Acquisition Guidelines specified in Title 25 of the California Code of Regulations, commencing at Section 6000, and as they may be subsequently amended and the Federal Guidelines, Title 49 of the Code of Federal Regulations, Part 24, and as they may be subsequently amended.

⁵² Resolution 2013–02, adopted on May 22, 2013, Regarding Retention and/or Destruction of Records.

⁵³ Resolution 95–1, adopted February 22, 1995, Adopting Guidelines For The Implementation of the California Environmental Quality Act.

⁵⁴ Resolution 95–2, adopted February 22, 1995, Adopting Guidelines For The Acquisition Of Real Property.

J. M-S-R PPA ANNUAL STRATEGIC PLAN

Each year the Agency prepares a Strategic Plan for consideration by the Commission at its September meeting⁵⁵ and to provide input for the consideration and adoption of the M-S-R PPA Annual Budget in November of each year. The Strategic Plan is prepared by the General Manager pursuant to Sections 1 (c) and (e) of his Management Services Agreement.

K. REVIEW OF POLICIES AND PROCEDURES MANUAL

In 2013, the Commission directed the General Manager to review the Agency's policies and procedures and to coordinate with the Technical Committee in reviewing the authorities and responsibilities of the Agency. This document is intended to meet the Commission's directive. Commencing in 2014, in even-numbered years, the General Manager reviews the manual and recommends updates or amendments for consideration by the Commission at its September meeting.

⁵⁵ M-S-R Public Power Agency Strategic Plan effective January 1, 2020 (approved by Commission September 18, 2019.)

V. PAST PROJECTS

Since its founding, M-S-R PPA has participated in a number of projects which were subsequently terminated or did not reach fruition. In addition, M-S-R PPA acquired ownership interests in generating and transmission assets which have been either divested or retired. The following listing is intended to provide an overview of historic activities and provide context for past decisions by the Agency that subsequently influenced the development of its current projects, policies, and procedures.

A. GEOTHERMAL DEVELOPMENT

As its first project, M-S-R PPA bid, and was awarded in 1980, a lease running from January 1, 1981 through December 31, 1985, to develop geothermal resources on the Abril Leasehold in Sonoma County in the “Geysers Known Geothermal Resource Area” (KGRA) in the Coastal Range of mountains in Northern California. M-S-R PPA contracted with a drilling company and explored for geothermal steam. This effort did not yield sufficient steam for commercial use and the project was eventually abandoned. During the drilling effort, certain wastes were accumulated and deposited in a common repository with similar wastes from other projects by other developers. Due to the nature of the waste, there was an ongoing liability for disposal site remediation. Through negotiation, M-S-R PPA contracted with Pacific Gas and Electric Company (PG&E), the largest contributor of waste to the site, and paid for a release of liability for the waste deposited on behalf of M-S-R PPA. Further, M-S-R PPA took additional steps to release its rights in the Abril Leasehold back to the surface owners, including a Quitclaim Deed filed in Sonoma County June 9, 2010. To M-S-R PPA’s knowledge, it retains no ongoing liability for this Project.

B. ARIZONA NUCLEAR POWER PROJECT (ANPP)

The ANPP has been constructed and is currently known as the Palo Verde Nuclear Generating Station. However, when it was in the pre-operation stages, M-S-R PPA held negotiations with multiple owners regarding the potential purchase of an interest in the project. The negotiations that proceeded the farthest were with the Arizona Public Service Company (APS) and led to the development of a process by M-S-R PPA to purchase a 150 MW ownership interest in the project. Due to the environmental concerns associated with nuclear power projects, Modesto (125 MW) and

Redding (25 MW) chose to put advisory ballot measures before their constituents to assess their support for the transaction. Santa Clara elected not to participate in the process. Both advisory ballot measures failed to achieve 50% support. Negotiations were terminated, and M-S-R PPA took no further actions to enter the project.

C. INTERCONNECTION /ECONOMY INTERCHANGE AGREEMENTS

In conjunction with the San Juan Project, M-S-R PPA contacted a number of utilities in the Southwest for Interconnection and Economy Interchange Agreements. These agreements set forth protocols to be used if economy energy was ever bought and sold between the parties. These types of agreements were commonplace at the time but have since been rendered obsolete with the advent of the Western Systems Power Pool (WSPP) and its mechanisms for exchanging energy. Most of the Economy Interchange Agreements have been either terminated or allowed to expire upon their own terms. Those that remain in effect are with PNM and TEP, as there are other portions of those agreements that are used and useful as associated with the San Juan Project.

D. SOUTHWEST TRANSMISSION PROJECT

The Southwest Transmission Project included ownership interests in the Mead-Phoenix and Mead-Adelanto Transmission Projects and transmission service contracts from Los Angeles Department of Water and Power (LADWP) and Southern California Edison Company (SCE) which, when used in conjunction, was used to deliver San Juan generation from the TEP system to the Members in Northern California. More specifically, the Southwest Transmission Project consisted of the following components:

- Between the Mead Substation and Phoenix, M-S-R PPA had the following rights:
 - Component A: An 11.538% interest (221.9 MW transmission capability) in the Westwing-Mead 1923 MW transmission linear 246-mile transmission line from the Westwing Substation in southern Arizona to the Mead Substation near Las Vegas, Nevada (the “Mead-Phoenix Segment.”)
 - Component B: 0% interest in the Mead 500 kV – 230 kV transformer

- Component C: An 8.0993% interest (210.6 MW) in the 2600 MW linear 12-mile transmission line from Mead to Marketplace and including a proportionate 50% interest in the Marketplace substation and associated facilities (the “Mead-Marketplace Segment.”)
- A one-mile interconnection between McCullough and Marketplace Substations near Las Vegas, Nevada (the “McCullough Tie-Lines”), which is considered a common bus with Marketplace Substation.
- A 17.5% interest (225.9 MW transmission capability) in a 1291 MW linear 214-mile transmission line from the Marketplace Substation (and including a proportionate 50% interest in the Marketplace substation and associated facilities) near Las Vegas, Nevada to the Adelanto Substation near Los Angeles, California (the “Mead-Adelanto Segment”).
- Arrangements with LADWP for transmission service (225.9 MW transmission capability) from the Adelanto Substation near Los Angeles, California, to the midpoint of the Victorville-Lugo transmission line.
- The Firm Transmission Service Agreement (Rate Schedule No. 339) with SCE for transmission service (150 MW transmission capability) from the midpoint of the Victorville-Lugo transmission line to the Midway Substation in central California (SCE TSA). On January 1, 2014, the Agency perfected a partial termination of the SCE TSA to reduce the contract capability from 150 MW to 98 MW to reflect the more economic use of New Firm Use transmission service to be provided by the California Independent System Operator (CAISO) to Santa Clara in lieu of using this component of the SWTP. This agreement was terminated effective May 1, 2015.
- Transmission service from the Midway Substation (the terminus of the Southwest Transmission Project as described above) to the Members was provided through transmission arrangements between the Transmission Agency of Northern California (TANC) and PG&E (SOTP ETC).

On July 22, 2015, the M-S-R PPA adopted Resolution 2015-03 authorizing a number of actions including the proposed sale of its ownership interests in the Mead-Phoenix and Mead-Adelanto Projects to the Southern California Public Power Authority (SCPPA) for the sum of \$60 million. This transaction closed May 25, 2016.

E. PACIFIC NORTHWEST LETTER AGREEMENTS (BONNEVILLE CONTRACT)

During the planning stages of the California-Oregon Transmission Project (COTP), M-S-R PPA conducted an evaluation of available resources in the Pacific Northwest that could utilize the COTP when constructed. As each of the Members had rights on the COTP through their membership in the project developer, the Transmission Agency of Northern California (TANC), it was decided to conduct this investigation jointly. Over a dozen utilities were interviewed and the process led to three letter of intent agreements. The first was with Bonneville Power Administration (Bonneville or BPA) for a 20-year block of surplus energy which would convert to a seasonal exchange once the surplus energy was no longer available. The second was with PacifiCorp and would involve a block of energy supported by PacifiCorp's portfolio of coal-fired generating plants. The third was with Pacific Northwest Generating Company (PNGC) regarding its fractional interest in the Boardman Coal Plant.

Only the Bonneville letter agreement resulted in a contract. The other two letter agreements ultimately did not result in contracts. The Bonneville Contract was completed and energy deliveries began with the commercial operation of the COTP and was to run through April 30, 2013. After several years, key provisions of the agreement were renegotiated to M-S-R PPA's benefit. Bonneville subsequently exercised its right to effect a termination of the agreement on five-years notice and deliveries concluded September 30, 2005.

F. DEVERS-PALO VERDE NO. 2 TRANSMISSION PROJECT (DPV-2)

During the development of the Southwest Transmission Project to support deliveries of the San Juan Project, M-S-R PPA was faced with the task of securing transmission across the SCE service territory. SCE was sponsoring the second transmission line between Devers Substation and the Palo Verde Switchyard. SCE would provide the transmission service between Midway Substation and Devers Substation in exchange for M-S-R PPA's participation in the project planning process. This project was being developed concurrently with the development of the Mead-Phoenix and Mead-Adelanto Transmission Projects. Besides M-S-R PPA, many of the southern California municipal utilities were participating in both transmission paths because it was not clear which, if either, was going to be built. When it was clear Mead-Phoenix and Mead-Adelanto were moving forward, SCE agreed to provide M-S-R PPA with transmission service contract between Midway Substation and the

LADWP transmission system but was still interested in M-S-R PPA's participation in DPV-2 to complete the path through Mead. M-S-R PPA agreed to assign 60 MW of its transfer rights on the Mead-Adelanto Transmission for a 4-year term, during 1996 to 1999, in exchange for being released from its obligation to participate in DPV-2. M-S-R PPA's participation in DPV-2 was officially terminated several years later when SCE returned to M-S-R PPA the planning money it had contributed to the project.

G. ADELANTO-LUGO TRANSMISSION PROJECT

In the development of the Mead-Adelanto Transmission Project there was a disagreement over where to terminate the project in California. Certain Southern California municipal utilities participating in the project desired to have the project terminate in the LADWP system as they had transmission service contract rights through LADWP for delivery of generation to their individual systems. Other Southern California municipal utilities desired the project termination to be in the SCE transmission system, as they had contract transmission service rights through SCE for delivery of generation to their individual systems. M-S-R PPA also desired a SCE termination point. The proposed resolution was a termination of the project at Adelanto Switchyard with LADWP providing transmission service contracts between Adelanto and the SCE transmission system.

Once this plan was completed, the City of Anaheim (Anaheim) led the group of utilities desiring transmission service to the SCE transmission system in a study to add additional transmission facilities to replace the transmission service to be provided by LADWP. This effort became known as the Adelanto-Lugo Transmission Project. Environmental studies were completed and preliminary engineering commenced. Anaheim then convinced M-S-R PPA to assume the Project Management role for the project. Shortly after the transition of Project Management was completed, Anaheim announced it was withdrawing from the project. As there was insufficient interest in the project with Anaheim as the largest participant gone, M-S-R PPA chose to close out the contracts and terminate the project and rely on the aforementioned LADWP transmission service between Adelanto and the SCE system.

H. CALIFORNIA-OREGON TRANSMISSION PROJECT AND SOUTH OF TESLA PRINCIPLES

Since the 1960's when Pacific Gas and Electric Company (PG&E) had exclusive access to the AC portion of the Pacific Northwest-Pacific Southwest 500-KV transmission system from Northern California to the Pacific Northwest (Intertie) only three governmental entities had rights on this system, Western Area Power Administration (Western), California Department of Water Resources (CDWR), and Sacramento Municipal Utility District (SMUD). There had been discussions among other municipal utilities interested in securing access to the Intertie and requests for such access had failed to yield results. In the offices of Resource Management International, Inc. (RMI) on December 22, 1982, key representatives of M-S-R PPA met to discuss their options. During the course of that meeting, a PG&E transmission tower failure near Tracy, California plunged over 5 million people in Northern California into darkness. It was then resolved by the meeting participants that the Members needed to obtain reliable transmission independent of PG&E.

Preliminary studies were undertaken under the working group known as the Northwest Transmission Joint Venture (NTJV). The founders of this working group were the M-S-R PPA Members. Their initial efforts took the project to the point where additional participation shares could be allocated. Modesto suggested its neighboring irrigation district, Turlock Irrigation District, be asked to participate. Santa Clara suggested its joint members in the Northern California Power Agency (NCPA) be asked to participate. Finally, SMUD approached the group and suggested it also be allowed to participate. This group of 15 municipal entities formed a joint powers agency in December 1984 with the name of the Transmission Agency of Northern California (TANC) with the intent of constructing the COTP.

As the COTP project progressed, additional entities including the California Investor-Owned Utilities (IOUs) PG&E, SCE, San Diego Gas and Electric Company (SDG&E) expressed interest in participating in the COTP. Southern California municipal utilities also expressed interest in participation in the COTP and extending the project into Southern California. PG&E successfully argued that additional facilities did not need to be built south of Tesla Substation and that PG&E would grant transmission service to those requesting such service. The SOTP provided 300 MW of transmission service between Tesla Substation and Midway Substation (including 150 MW for M-S-R PPA) until additional upgrades was necessary. In that instance, SOTP Participants could pay for their portion of necessary upgrades.

With a proposed participation of almost half of the COTP capacity, the IOUs applied to the California Public Utilities Commission (CPUC) for Certificates of Public Convenience and Necessity (CPCN) for recovery of their investment in the COTP in rates. The CPUC rejected the applications of PG&E and SCE in the basis of lack of necessity and SDG&E was asked to provide additional documentation. None responded and all three IOUs withdrew from the COTP. In addition, PG&E refused to honor its commitments for SOTP transmission service but TANC successfully challenged PG&E at the Federal Energy Regulatory Commission (FERC) and the SOTP became a FERC approved rate schedule. The TANC Members had agreed to “step-up” their participation percentages in the COTP if, indeed, the CPUC took the action that it did. This step assured there was sufficient support for the project to move forward and TANC energized the COTP in 1993.

As part of the SOTP service, TANC and M-S-R PPA Members had committed to fund the costs of certain transmission system upgrades (Los Banos-Gates.) To cover such expenses, M-S-R PPA included an allocation \$4.2 million in its Series E Bonds to cover such expenses. Although PG&E subsequently performed the transmission upgrades, the costs were placed in Rate Base and reimbursements were not requested from either TANC or M-S-R PPA. In compliance with its Bond Indentures, M-S-R PPA used these funds to retire debt later in the 1990s.

I. EAST-SIDE TIE

Another project investigated by M-S-R PPA was a transmission line that would interconnect Tracy Substation and Adelanto Substation via a new line running down the east side of the Central Valley. This project known as the East Side Tie (and also referred to as the Central California Desert Southwest Transmission Project or CCDSW) would, if completed, in conjunction with the COTP, have created a municipal transmission path between Oregon through California to Arizona. This path would have eliminated the need for transmission service from the California IOUs for deliveries of capacity and energy from or between the Pacific Northwest and the Southwest. This project was studied by M-S-R PPA twice during the 1980s. The largest obstacle appeared to be the total cost, potentially \$1 billion. Although the project never evolved past the planning stage, the concept resurfaced in the late 2000s when TANC was planning numerous transmission projects around Northern California known as the TANC Transmission Project or TTP. One segment would have directly connected Santa Clara to the municipal utility transmission network. Another segment would

have expanded the transmission system around Modesto and Turlock, which would have reinforced connections between Adelanto Substation and the transmission system in Northern California. Ultimately, support for all segments failed and no elements of the TTP were constructed.

J. SAN JUAN GENERATING STATION (OPERATING PHASE)

The operation and maintenance of the San Juan Generating Station by the Public Service Company of New Mexico (PNM) as Operating Agent was governed by the San Juan Project Participation Agreement. The provision of reserve sharing and power exchange services was provided by two surviving Service Schedules (Service Schedules “E” and “D” respectively) to an Interconnection Agreement Between Tucson Electric Power Company and M-S-R Public Power Agency dated September 20, 1982.

On July 22, 2015, M-S-R PPA adopted Resolution 2015-02 approving the execution of the following agreements which allowed the divestiture of the Agency’s ownership interest in the San Juan Generating Station on December 31, 2017 with effective dates as noted:

- (1) San Juan Project Restructuring Agreement (Effective January 31, 2016),
- (2) Amended and Restated Mine Reclamation and Trust Funds Agreement (Effective January 31, 2016),
- (3) San Juan Decommissioning and Trust Funds Agreement (Effective December 31, 2017),
- (4) Restructuring Amendment Amending and Restating the Amended and Restated San Juan Project Participation Agreement (Effective January 31, 2016), and
- (5) Exit Date Amendment Amending the Amended and Restated San Juan Project Participation Agreement (Effective December 31, 2017).

On July 19, 2017, M-S-R PPA adopted Resolution 2017-03 approving the execution of the following agreements which administratively completed the divestiture of the Agency’s ownership interest in the San Juan Generating Station on December 31, 2017:

- (1) Assignment, Assumption, Termination and Release Agreement,
- (2) New Exit Date Amendment Amending and Restating the Amended and Restated San Juan Project Participation Agreement,
- (3) Termination Agreement – Capacity Option and Funding Agreement,
- (4) Amendment Agreement to San Juan Project Early Purchase and Participation Agreement.

- (5) Letter Agreement – Termination of Interconnection Agreement between PNM and M-S-R,
- (6) Termination Agreement – Amended and Restated Interconnection Agreement with Tucson Electric Power Company,
- (7) Amended and Restated NERC Delegation Agreement and Acknowledgment among Participants in San Juan Project,
- (8) Amended and Restated San Juan Project Designated Representative Agreement
- (9) Termination of San Juan Unit 4 Operating Procedure No. 1 Between PNM and M-S-R,
- (10) Instrument of Sale and Conveyance between M-S-R and PNM
- (11) Termination and Relinquishment by M-S-R.
- (12) Easement and Right of Entry.

The goals of the Agency in the divestiture of the San Juan Project were to relieve the Members from US EPA mandates to install uneconomic Clean Air Act Regional Haze station retrofits, to mitigate rapidly escalating Fuel and O&M costs, and to further comply with requirements of California Law including SB 1368 and AB 32. The benefits of the proposed restructuring of the San Juan Project were estimated to result in about \$6 million in immediate project operating cost savings, avoiding about \$28 million in station retrofit costs, allowing ongoing power cost savings valued at about \$200 million in a Navigant Consulting Inc. (NCI) 2014 study covering a 20-year period, and bounding current and future Agency liabilities. The Agency further caused the preparation of an Independent Consultant's Report as required under the Agency's Bond Indentures. In that report, the Independent Consultant found that through the seven-year period beginning in 2015 and continuing through the final retirement of the Agency's San Juan Project Revenue Bonds in July 2022, the Member's power supply costs would be reduced by \$81 million on a Net Present Value basis and that "it would be in accordance with sound utility practice to pursue a divestiture of the San Juan Unit No. 4 in accordance with the terms of the Restructuring Agreements and that such divestiture would not impair the ability of the Agency to comply with Bond Covenants nor would it hinder the Agency's ability to make debt service payments as prescribed in its financing documents."

VI. HISTORIC LEGAL AND REGULATORY ACTIONS

Since its founding, M-S-R PPA has been party to a number of legal and regulatory actions. The following listing is intended to provide an overview of historic proceedings and provide context for past decisions by the Agency which subsequently influenced the development of its current projects, policies, and procedures.

A. TUCSON ELECTRIC POWER COMPANY – BREACH OF CONTRACT

Pursuant to Service Schedule B of the Interconnection Agreement between M-S-R PPA and TEP, M-S-R PPA was afforded access to system energy from the TEP system for use or sale to third parties. Under a formula mechanism, M-S-R PPA paid production cost plus 3 mills/kWh hour to TEP for their assistance in administering M-S-R PPA's transactions. Upon commencement of the arrangement in 1982, M-S-R PPA secured a sale to SCE that was renewed annually through 1984. In 1985, TEP changed management and chose to contract directly with SCE leaving M-S-R PPA without counterparty. M-S-R PPA executed short-term sales arrangements with El Paso Electric Company and Texas-New Mexico Power Company, but it was obvious that M-S-R PPA had been damaged by TEP. On April 1, 1986, M-S-R PPA filed suit against TEP for Breach of Contract in Federal District Court and on October 31, 1989, M-S-R PPA was awarded a judgment against TEP for \$5 million.

B. STOLEN BEARER BONDS

In the early 1980s, Bearer Bonds from two different series were reported to the Agency as being lost or stolen. M-S-R PPA obtained Surety Bonds to protect the Agency and replacement Bearer Bonds were issued. The original bonds were eventually purchased by a third party in Switzerland and under a Swiss doctrine of a good faith purchase were presented for payment. Suit was filed in the Supreme Court of the State of New York by the purported purchasers to perfect their claims. M-S-R PPA tendered defense of the claims to the issuers of the Surety Bonds and no further payments or action by the Agency were required. Similarly in 2018, documents related to the Series 2008M Bonds were reported missing by the direct placement bondholder, and the Trustee required the posting of a Surety

Bond by the bondholder before these Bonds could be paid.

C. SIERRA CLUB/GRAND CANYON TRUST – CLEAN AIR ACT – SAN JUAN

PNM, as Operating Agent and largest single owner of the San Juan Generating Station, was sued by Sierra Club/Grand Canyon Trust in 2002 over allegations of visibility/particulate violations. PNM subsequently negotiated a settlement (Consent Decree) in 2005 requiring retirement of the electrostatic precipitators used for particulate control on each of the four San Juan units and their replacement with baghouses, the installation of a mercury removal system, and the reduction of allowable limits for certain other emissions. Relying on PNM's estimate the total cost of the project of approximately \$110 Million, the San Juan Owners signed a Memorandum of Understanding to support PNM in its settlement with Sierra Club/Grand Canyon Trust. With this commitment, the project proceeded but ultimately cost in excess of \$320 million. M-S-R PPA's final share of the cost for Unit No. 4 was greater than \$24 million. The upgraded environmental systems were completed on Unit No. 4 in 2007. Ongoing environmental monitoring was required and continues in effect by the Remaining San Juan Participants.

D. SIERRA CLUB GROUND WATER – SAN JUAN

In December 2009, the San Juan Owners each received a notice of intent to sue under the Resources Conservation and Recovery Act (RCRA) from the Sierra Club alleging violations of ground and surface water contamination standards and improper placement of Coal Combustion Waste (CCW) in the San Juan mine. A settlement was eventually reached which resulted in a \$10 Million commitment by the San Juan Owners to construct a slurry wall to capture potential offsite transfer of groundwater water from the plant site and other related projects. The installation of the slurry wall has been delayed due to property rights issues and although approved for construction in 2014, was completed in 2018. Additional projects were completed at a cost limit established in the settlement by the Remaining San Juan Participants.

E. SOUTHERN CALIFORNIA EDISON TRANSMISSION RATE CASES

On November 21, 1991, SCE signed Negotiating Principles with M-S-R PPA regarding transmission

service from Victorville-Lugo to Midway. These principles were formalized in an Agreement dated May 1, 1995 (FERC Rate Schedule No. 339). This agreement came to be called an Existing Transmission Contract (ETC) after the California Independent System Operator (CAISO) took operational control of the IOU transmission systems in 1998.

Since the ETC was implemented, SCE has exercised its rights under the contract and applied to FERC to have the rates and charges for transmission service modified. Starting in 2008, SCE filed rate cases before the FERC that had the effect of increasing the costs of the transmission service provided to M-S-R PPA by orders of magnitude. M-S-R PPA vigorously contested these cases before FERC and, in adjudicated settlement processes, achieved and maintained rate-freezes with a transition to rolled-in rates. However, once the rate-freeze period ended on January 1, 2014, the stated rates under SCE's tariff increased to a level that rendered the transmission service uneconomic.

Each of the M-S-R PPA Members subsequently caused independent studies to be performed and to reach conclusions that alternate means of delivering San Juan Project Capacity and Energy was more economic and efficient than continuing to utilize the SCE TSA. Effective January 1, 2014 the M-S-R PPA Transmission Service was reduced from 150 MW to 98 MW on behalf of Santa Clara; effective January 1, 2015 reduced to 75 MW on behalf of Redding; and effective May 1, 2015 was terminated in its entirety on behalf of MID.

F. BONNEVILLE POWER ADMINISTRATION POWER SALES AGREEMENT AND OTHER LITIGATION

On September 30, 1997, Bonneville Power Administration (BPA or Bonneville) and M-S-R PPA executed a Firm Power Sales Agreement (BPA Agreement) which guaranteed that BPA would sell M-S-R PPA excess federal power through September 2004, and potentially until April 2013. The agreement required that BPA provide M-S-R PPA with an annual forecast of available excess federal power for the upcoming ten years and that BPA determine whether the anticipated amount of excess federal power would cover M-S-R PPA's energy needs for the sixth year beyond the current year. If Bonneville determined in any two consecutive years that it would have insufficient excess federal power to serve M-S-R PPA's needs and properly notified M-S-R PPA of this in writing, the Sales Agreement would of its own force terminate five years from the date shown on Bonneville's notice of termination.

In 1999 and 2000 BPA issued annual ten-year forecasts projecting that no excess federal power would be available in 2004 and 2005 and provided the two notices necessary to terminate the BPA Agreement effective September 30, 2005.

M-S-R PPA filed three petitions for review with the Ninth Circuit U.S. Court of Appeals challenging: (1) Bonneville's reliance on factors other than its "then current contracts" for its August 30, 1999 forecast of excess federal power, its determination of insufficient excess federal power to serve M-S-R's needs in 2005, and the timeliness of its October 20, 1999 notice of that determination; (2) Bonneville's reliance on factors other than its "then-current contracts" for its September 28, 2000 "preliminary forecast" of excess federal power, and the timeliness of its September 29, 2000 notice of that power determination; and (3) the timeliness of Bonneville's December 19, 2000 "final" excess federal power forecast. M-S-R PPA contended these "fatal flaws" rendered the 1999 and 2000 determinations of excess power "void and of no force or effect" and required the Court to enjoin the termination of the BPA Agreement.

The Court determined that although M-S-R PPA contended that Bonneville failed to abide by the requirements of the BPA Agreement when forecasting excess federal power, M-S-R PPA actually challenged a decision made pursuant to BPA's statutory authority to forecast excess federal power. The Court further found that Congress implicitly delegated to BPA the authority to develop the necessary procedures to implement the marketing of excess federal power and that it was eminently reasonable for Bonneville to ground its forecasts in the best information available at that time, *i.e.*, predictions of future energy demand derived from its subscription process. The Court found BPA's consideration of these factors was neither arbitrary nor capricious and further found that it saw nothing arbitrary or capricious about BPA accounting for its unconditional obligations before its conditional ones. Finally, the Court determined that M-S-R's Timeliness Claims sounded in contract, and dismissed them for lack of jurisdiction. (*M-S-R Public Power Agency v. Bonneville Power Admin.* 297 F.3d 833 (9th Cir. 2002))

In 2011 BPA adopted Dispatcher Standing Order-216 (DSO-216) and a subsequent Record of Decision (ROD) regarding Environmental Redispatch. Pacific Northwest parties filed complaints to the Federal Energy Regulatory Commission (FERC). The ROD was subsequently overturned, but not before there were significant curtailments in summer 2011. BPA then filed an Oversupply

Management Protocol (OMP) with FERC and unilaterally applied it during the 2012 runoff season resulting in similar curtailments. Subsequently, the FERC accepted the oversupply protocol as an interim remedy conditioned upon Bonneville's filing of a proposed methodology for allocating displacement costs "in a manner that results in comparability in the provision of transmission service for all resources." BPA filed a request asking the FERC to reconsider its condition that BPA file a cost allocation methodology before the Commission would fully accept the oversupply protocol and its directive to file a new cost allocation methodology within 90 days of the order. The OS-14 rate proceeding, which established rates to recover the costs incurred under BPA's Oversupply Management Protocol, was concluded on March 27, 2014.

On July 23, 2015, BPA concluded the BP-16 rate proceeding to set power and transmission rates for the FY 2016 to 2017 rate period by issuance of the final Record of Decision. The rate schedules continue to allocate oversupply costs to generators within the BPA Balancing Area Authorities (BAAs) in proportion to their transmission schedules compared to total schedules during the oversupply period. Issues currently being addressed in post-case workshops include: Agency level financial reserves policy, Southern Intertie value issues, secondary revenue projections, debt repayment model, Montana wind development issues, capital investment strategies, and cost containment. The BP-20 rate proceeding was completed and new rates took effect October 1, 2019.

G. CALIFORNIA SENATE BILL 1368

California Senate Bill 1368 (SB 1368 – Statutes of 2006) established an Emissions Performance Standard of and prohibited certain investments in non-compliant facilities. Regulations promulgated by the California Energy Commission pursuant (CEC) to SB 1368 (06-OIR-1) restrict investments in baseload generation that does not meet an Emissions Performance Standard of 1,100 pounds of CO₂ per MWh of electricity, with limited exceptions including but not limited to routine maintenance, requirements of pre-existing contractual commitments, system reliability, or threat of significant financial harm. The law and related regulations require ongoing review and determination as to whether investments at the San Juan Project are permitted or are proscribed "covered procurements." M-S-R PPA reviewed all prospective San Juan Project Capital Budget Items and made findings as to whether or not they constitute routine maintenance, are required by Prudent Utility Practice, or otherwise meet any of the exceptions or exemptions provided in the California Energy Commission's (CEC) regulations. Capital Budget Items that impermissibly extend the life of the San Juan Project or

otherwise fail to meet the requirements of the regulations may not be approved by the Agency. Through contractual arrangements with other San Juan owners, M-S-R PPA was relieved from the obligation of paying for Capital Budget Items effective July 1, 2014. Through the Restructuring Agreements, M-S-R PPA was relieved from requirements to vote on Capital Budget Items effective January 31, 2016. Therefore, M-S-R PPA no longer needs to make determinations pursuant to SB 1368 regulations.

On November 14, 2011, National Resources Defense Council (NRDC)/Sierra Club filed a petition with the CEC alleging California publicly owned utilities (POUs) are ignoring or violating the emission performance standards as they may be applicable to investments in coal-fired generating facilities such as the San Juan Project. In response, on January 12, 2012, the CEC issued an Order Instituting Rulemaking (12-OIR-01) to review the emission performance standard. On July 9, 2012, the CEC issued Tentative Conclusions and Requests for Additional Information followed by a Request for Reply Comments on August 31, 2012. As described in these requests, CEC considered amending their regulations to require the filing of additional information by POUs but did not propose any substantive changes in the emission performance standard. On March 19, 2014 the CEC in a Rulemaking concluded that the threshold for reporting capital projects under SB1368 should be set at \$2.5 million (or about 0.28 percent of annual capital expenditures for the San Juan Project). The CEC further required that Publicly Owned Utilities (POUs) provide an annual compliance plan with the Energy Commission for each non-EPS compliant facility, including for investments, capital expenditures, contractual changes, sales of interest or other activity; however, this requirement has an exemption for any facilities for which a POU has entered into a binding agreement to divest itself within five years; the exemption to remain for as long as the binding agreement is in place or the divestment has been completed. Given the execution of the Restructuring Agreements, M-S-R PPA believed it had met the requirements for this exemption. With the completion of the divestiture of the San Juan assets, this requirement and associated exemption is now moot.

VII. FINANCING HISTORY

In September 1982, M-S-R PPA purchased from TEP certain system rights and an option to purchase a 28.8 percent interest in San Juan Unit 4 from PNM by May 1995. M-S-R PPA issued a promissory note to TEP for the purchase price with the intent to replace the note with permanent financing. Before the permanent financing structure was completed, M-S-R PPA negotiated an early purchase of the ownership interest in San Juan Unit 4 from PNM effective December 31, 1983.

In June 1983, M-S-R PPA issued its \$215,000,000 San Juan Project Bond Anticipation Notes, Series A (Series A Notes) and \$232,000,000 San Juan Project Revenue Bonds, Series A (Series A Bonds) for the purpose of financing the portion of San Juan Project costs covering the payments to TEP and PNM. The decision to use the Series A Notes was to take advantage of the much lower short-term interest rates.

In October 1984, M-S-R PPA issued its \$220,600,000 San Juan Project Bond Anticipation Notes, Series B (Series B Notes) to provide funds to pay the Series A Notes. The Series B Notes did not mature until 1989, but a California initiative in 1985 would have, if approved by voters, limited municipal entities from securing long term financing. Facing the potential of having no means for meeting its obligations for the Series B Notes, M-S-R PPA issued its \$267,245,000 San Juan Project Revenue Bonds, Series B (Series B Bonds) to provide funds to pay the Series B Notes in August 1985. (The California initiative subsequently failed.)

In March 1987, M-S-R PPA issued its \$273,760,000 San Juan Project Revenue Bonds, Series C (Series C Bonds) to refund \$244,795,000 aggregate principal amount of Series B Bonds.

In January 1990, M-S-R PPA issued its \$86,000,000 San Juan Revenue Bonds, Series D (Series D Bonds) to refund \$76,675,000 aggregate principle of Series A Bonds.

M-S-R PPA issued its \$117,135,000 Series E Bonds in April 1991 to finance its ownership interest in the Southwest Transmission Project. The funds were used to construct a portion of the Mead-Phoenix Transmission Project, a portion of the Mead-Adelanto Transmission Project, and set aside \$5 Million for possible improvements on the PG&E Transmission system north of Midway Substation. PG&E improvements were ultimately completed without the need for funds from M-S-R PPA and

construction costs for the Southwest Transmission Project were less than projected. In February 1997, M-S-R PPA took the available cash (\$28.47 Million) and retired certain Series E Bonds.

In 1993, M-S-R PPA issued \$108,960,000 San Juan Project Bonds, Series F (Series F Bonds) – April 1993 to refund certain Series A Bonds.

M-S-R PPA has issued refunding bonds to take advantage of improved interest rates over the years. In 1995, M-S-R PPA neared its limit for outstanding bond debt under the original bond indentures and instituted a Subordinate Lien Indenture to complete refundings and to issue variable rate debt not permitted under the original bond indentures. In addition, Internal Revenue Service rules limit the number of refundings as being eligible for tax-exempt status. Therefore, certain refunding debt was issued as taxable debt.

In 1995, M-S-R PPA issued \$21.3 Million, San Juan Project Subordinate Lien Revenue Bonds, Series 1995B (Series 1995B Bonds) – December 1995 (Tax-Exempt) and \$22.45 Million, San Juan Project Subordinate Lien Revenue Bonds, Series 1995C (Series 1995C Bonds) – December 1995 (Taxable) to refund certain Series B Bonds.

In 1997, M-S-R PPA issued floating rate debt to refund certain Series C Bonds and Series D Bonds:

- \$97,515,000 San Juan Project Bonds, Series G (Series G Bonds) – March 1997
- \$86,700,000 San Juan Project Bonds, Series H (Series H Bonds) – March 1997
- \$65,000,000 San Juan Project Subordinate Lien Revenue Bonds, Series 1997D (Series 1997D Bonds) –March 1997 (Tax-Exempt)
- \$65,000,000 San Juan Project Subordinate Lien Revenue Bonds, Series 1997E (Series 1997E Bonds) –March 1997 (Taxable)

In 1998, M-S-R PPA issued debt that was the subject of an interest rate swap with Morgan Guarantee Trust Company of New York to refund certain Series A and Series C Bonds.

- \$62,500,000 San Juan Project Subordinate Lien Revenue Bonds, Series 1998F (Series 1998F Bonds) –November 1998 (Tax-Exempt)
- \$17,000,000 San Juan Project Subordinate Lien Revenue Bonds, Series 1998G (Series 1998G Bonds) –November 1998 (Taxable)

In 2001, M-S-R PPA issued \$64,320,000 San Juan Project Bonds, Series 2001I (Series I Bonds) – September 2001 to refund outstanding Series E transmission project bonds.

In 2003, M-S-R PPA issued \$54,435,000 San Juan Project Subordinate Lien Revenue Bonds, Series 2003I (Series 2003I Bonds) – May 2003 floating rate debt that was subject to an interest rate swap agreement from 2002 with Bear Sterns Capital Markets, Inc to refund certain Series F Bonds.

In 2004, M-S-R PPA issued \$50,330,000 San Juan Project Subordinate Lien Revenue Bonds, Series 2004J (Series 2004J Bonds) – March 2004 to refund certain Series H Bonds and the outstanding Series 1995C Bonds.

In 2007, M-S-R PPA issued \$48,305,000 San Juan Project Subordinate Lien Revenue Bonds, Series 2007K (Series 2007K Bonds) – December 2007 to refund the outstanding Series G Bonds.

In 2008, M-S-R PPA issued the following bonds to refund certain San Juan Project Subordinate Lien Revenue Bond from Series 1995B, Series 1997E, Series 1998F, Series 1998G and Series 2003I:

- \$118,865,000 San Juan Project Subordinate Lien Revenue Bonds, Series 2008L (Series 2008L Bonds) – July 2008
- \$62,500,000 San Juan Project Subordinate Lien Revenue Bonds, Series 2008M (Series 2008M Bonds) – July 2008
- \$17,000,000 San Juan Project Subordinate Lien Revenue Bonds, Series 2008N (Series 2008N Bonds) – July 2008

Also in 2008, interest rate swap agreements for the entire Series 2008M Bonds and Series 2008N Bonds were entered into with Morgan Guaranty Trust Company of New York.

In 2011, M-S-R PPA issued \$34,050,000 San Juan Project Subordinate Lien Revenue Bonds, Series 2011O (Series 2011O Bonds) – April 2011 to refund certain Series 2001I Bonds. Also in 2011, M-S-R PPA remarketed and reissued the Series 2008M Bonds and Series 2008N Bonds to Wells Fargo Bank, National Association pursuant to a Continuing Covenant Agreement.

In 2013, M-S-R PPA issued \$57,485,000 San Juan Project Subordinate Lien Revenue Bonds, Series 2013P (Series 2013P Bonds) – Fall 2013 (Taxable) which were replaced with \$55.600 Million, San

Juan Project Subordinate Lien Revenue Bonds Series 2014Q (Series 2014Q Bonds) – Spring 2014 (Tax-exempt) to refund certain Subordinate Lien Revenue Bonds Series 1997D.

In 2016 M-S-R PPA realized \$60 Million in cash from the sale of the Southwest Transmission Project. These funds were used to call and defease certain bonds and partially terminate swap arrangements at a total cost of \$51.7 million to reduce the remaining debt service payments by an amount of \$54.9 million. In addition, certain funds were used to partially fund a decommissioning trust fund, partially fund a mine reclamation trust fund, and to fund a debt service coverage revolving fund.

In 2018, M-S-R PPA issued \$98,850,000 San Juan Project Bonds, (Series 2018R Bonds) – Spring 2018 (Tax-exempt) which replace outstanding Series 2008L Bonds and refund outstanding Series 2008M Bonds and Series 2008N Bonds.

As of December 31, 2020, M-S-R PPA is scheduled to have the following outstanding debt:

Issue	Year of Issue	Maturity	Coupon Rates %	Amount of Issue	Principal Outstanding
San Juan Subordinate Lien Revenue Bonds Series 2018R	2018	2019-2022	4.00-5.00	\$98,850,000	\$51,195,000
Total				\$98,850,000	\$51,195,000

ALPHABETICAL LIST OF EXHIBITS:

EXHIBIT	TAB
<u>Asset Capitalization Policy</u> – Resolution No. 2014-06 Adopted August 20, 2014 Regarding Asset Capitalization Policy	23
<u>Baker Tilly Virchow Krause LLP</u> – Engagement of Baker Tilly Virchow Krause LLP as independent accountants dated September 25, 2015	13
<u>Big Horn Operating Procedures</u> – Service Schedule A to the Operating Agreement, Amended and Restated Big Horn Operating Procedures, adopted by the M-S-R PPA Commission November 23, 2012 per Resolution 2012-05	43
<u>Big Horn II Operating Procedures</u> – Operating Agreement Service Schedule K – Operating and Accounting Procedures For Big Horn II Wind Energy Project adopted by the M-S-R Commission May 18, 2011 pursuant to Resolution 2011-05	45
<u>CEQA Guidelines</u> – Resolution No. 95 – 1, Adopted February 22, 1995, Adopting Guidelines For The Implementation of the California Environmental Quality Act	53
<u>Clean Air Act Allowances</u> – M-S-R Clean Air Act SO2 Allowance Policy Adopted by M-S-R Commission September 28, 2005	47
<u>Conflict of Interest Code</u> – Conflict of Interest Code for M-S-R Public Power Agency effective July 6, 2016	21
<u>Coordinator Services</u> – Agreements for M-S-R Coordinator Services by and between M-S-R Public Power Agency and the Modesto Irrigation District, dated May 28, 1999, September 7, 2004, March 23, 2011 as amended March 18, 2015, and March 1, 2018.	42
<u>Counterparty Credit Reporting</u> – M-S-R General Manager’s administrative directive dated August 6, 2020 regarding Counterparty Credit Reporting.	34
<u>Decommissioning Agreement</u> – San Juan Decommissioning and Trust Funds Agreement Among Public Service Company of New Mexico, Tucson Electric Power Company, The City of Farmington, New Mexico, M-S-R Public Power Agency, The Incorporated County of Los Alamos, New Mexico, Southern California Public Power Authority, City of Anaheim, Utah Associated Municipal Power Systems, Tri-State Generation and Transmission Association, Inc., and PNMR Development and Management Corporation, dated July 31, 2015.	37
<u>Debt Management</u> – Resolution No. 2017-01, Adopted May 17, 2017, Regarding Debt Management Policy	33
<u>Debt Service Coverage</u> – Resolution No. 2014-07 Adopted September 24, 2014 Regarding Calculation of Debt Service Coverage	19
<u>Debt Service Coverage Revolving Fund</u> – Resolution No. 2016-02 Adopted July 20, 2016 Regarding Debt Service Coverage Revolving Fund	20

Operating Procedures.	
<u>Duncan, Weinberg, Genzer & Pembroke, PC</u> – Legal Services Agreement Between the M-S-R Public Power Agency and Duncan, Weinberg & Miller, PC dated as of January 17, 1986	6
<u>Election and Duties of Officers</u> – Resolution No. 2013 – 01 Adopted March 20, 2013 Regarding Election and Duties of Officers	2
<u>Energy Risk Management Policy</u> – Resolution No. 2013 – 06 Adopted October 16, 2013 Regarding Energy Risk Management Policy and Risk Management Guidelines	18
<u>Filing of Quarterly Treasurer’s Reports and Annual Audits</u> – Memorandum Dated November 23, 2015 Regarding Filing of Quarterly Treasurer’s Reports and Annual Audits	24
<u>Financial Management Committee Bylaws</u> – Resolution No. 2013 – 10 Adopted October 16, 2013 Amended and Restarted Rules Of Procedure For The Financial Management Committee	17
<u>General Manager Succession Plan</u> – General Manager Succession Plan dated February 19, 2020	15
<u>Investment Policy Guidelines</u> of the M-S-R Public Power Agency 2020 (approved by Commission February 19, 2020)	32
<u>Investment Signatories</u> – Resolution No. 2012 -03 Adopted July 18, 2012 Approving Signatories Authorized to Invest M-S-R Public Power Agency Monies in the Local Agency Investment Fund and Other Permitted Investments	22
<u>Joint Exercise Of Powers Agreement</u> – M-S-R Public Power Agency By And Among the Modesto Irrigation District and the City Of Santa Clara and the City Of Redding, dated as of April 29, 1980, Amended and Restated as of November 17, 1982, as amended by Amendment Number 1 to the Amended and Restated Joint Powers Agreement, dated June 26, 1990, and by Amendment 2 to the Amended and Restated Joint Exercise of Powers Agreement, dated January 24, 2006	1
<u>KBT, LLC</u> – Agreement for Professional Services by and between KBT, LLC and M-S-R Public Power Agency dated September 15, 2010	10
<u>L & R Workplan</u> – California and Federal Legislative And Regulatory Representative Workplans 2020	49
<u>Martin Hopper Energy Consulting</u> – Amended and Restated Management Services Agreement by and between M-S-R Public Power Agency and Martin R. Hopper dba Martin Hopper Energy Consulting effective as of, January 1, 2010 and most recent amendment (Amendment 8)	14
<u>Meeting Schedules And Posting Of Agendas</u> – Resolution No. 2013 – 05 Adopted October 16, 2013 Regarding Meeting Schedules And Procedures For Posting Of Agendas For The M-S-R PPA Commission	3
<u>Montague DeRose</u> – Agreement For Professional Financial Advisor Services by and between M-S-R Public Power Agency, and Montague DeRose And Associates, LLC, effective January 1, 2010, as amended	9

through Amendment No. 2.	
<u>Navigant Consulting, Inc.</u> – Agreement for Professional Services by and between Resource Management International, Inc, a wholly-owned subsidiary of Navigant Consulting, Inc, (nka Navigant, A Guidehouse Company) dated July 22, 1999, as amended February 7, 2012.	11
<u>Operating Agreement</u> – Amended and Restated Operating Agreement Between The M-S-R Public Power Agency and the Modesto Irrigation District, The City of Santa Clara, California, and The City of Redding, California dated February 1, 1997 with service schedules that may be revised from time to time. This agreement superseded the “Principles for the Scheduling and Dispatch of the M-S-R Public Power Agency’s San Juan Project Power,” dated June 20, 1984.	41
<u>Orrick, Herrington & Sutcliffe LLP</u> – Engagement Letter For Bond Counsel Services Outside a Specific Financing Program Between the M-S-R Public Power Agency And Orrick, Herrington & Sutcliffe LLP dated as of May 27, 1997	5
<u>Payments – Required Form</u> – M-S-R PPA Director’s administrative directive dated June 8, 2007	26
<u>Payments – Late</u> – Resolution No. 2018 - 02, Adopted September 19, 2018, Establishing a Policy Regarding Late Payment Policy	28
<u>Payments – Third Parties</u> – Resolution No. 95 - 3 Adopted April 19, 1995 Establishing A Policy For Payments By Third Parties On Behalf Of A Member To The Agency	27
<u>Payments – Timely</u> – Resolution No. 2009 – 02 Adopted May 20, 2009 Regarding The Timely Payment Of Invoices And Making Certain Delegations Of Agency	30
<u>PNW Power Sales Agreement</u> – Second Amended and Restated Pacific Northwest Project Power Sales Agreement dated May 24, 2005 between the M-S-R Public Power Agency and the Modesto Irrigation District, the City of Santa Clara, and the City of Redding	40
<u>Politico Group</u> – Agreement For Professional Services By And Between M-S-R Public Power Agency and Politico Group effective as of January 1, 2013	12
<u>Porter Simon Professional Corporation</u> – Agreement for Legal Representation between Porter Simon Professional Corporation and M-S-R Public Power Agency dated as of August 1, 1997	4
<u>Procurement Policy</u> – Resolution No. 2013 – 08 Adopted October 16, 2013 Regarding Procurement Policy	29
<u>Privacy Statement – Web Site</u> – M-S-R Public Power Agency Revised: July 28, 2010	50
<u>Real Property Acquisition</u> – Resolution No. 95 – 2, Adopted February 22, 1995, Adopting Guidelines For The Acquisition Of Real Property	54
<u>Reclamation Agreement</u> – Amended and Restated Mine Reclamation and Trust Funds Agreement Among Public Service Company of New Mexico, Tucson Electric Power Company, The City of Farmington, New Mexico,	38

M-S-R Public Power Agency, The Incorporated County of Los Alamos, New Mexico, Southern California Public Power Authority, City of Anaheim, Utah Associated Municipal Power Systems, Tri-State Generation and Transmission Association, Inc., and PNMR Development and Management Corporation, dated July 31, 2015.	
<u>Records Retention</u> – Resolution No. 2013 – 02, Adopted on May 22, 2013, Regarding Retention and/or Destruction of Records	52
<u>Reimbursement of Support Services</u> – Resolution No. 2013 – 09, Adopted on October 16, 2013, Regarding Reimbursement of Costs of Support Services Provided By Member Agencies.	31
<u>Reserves</u> – Resolution No. 2016-04, Adopted November 16, 2016, Regarding Use and Transfers of Reserves and Working Capital	27
<u>Resource Agreements</u> – Service Schedule D to the Operating Agreement, Resource Agreements, adopted by the M-S-R PPA Technical Committee August 4, 2016	44
<u>San Juan – Restructuring Amendment</u> – Restructuring Amendment Amending and Restating the Amended And Restated San Juan Project Participation Agreement Among Public Service Company Of New Mexico, Tucson Electric Power Company, The City Of Farmington, New Mexico, M-S-R Public Power Agency, The Incorporated County Of Los Alamos, New Mexico, Southern California Public Power Authority, City Of Anaheim, Utah Associated Municipal Power Systems, Tri-State Generation and Transmission Association, Inc. dated July 31, 2015	36
<u>Strategic Plan – Annual</u> – M-S-R Public Power Agency Strategic Plan effective January 1, 2021 (approved by Commission September 30, 2020)	55
<u>Susie Berlin</u> – Legal Services Agreement By and Between Law Offices of Susie Berlin and the M-S-R Public Power Agency dated April 1, 2013	7
<u>Technical Committee Bylaws</u> – Resolution 2011 – 01 Adopted January 19, 2011 Rules Of Procedure For The Technical Committee	16
<u>Ten-Year Forecast</u> – San Juan Ten-Year Forecast and Legacy Liability Funding Status Report, noted and filed by M-S-R Commission February 19, 2020.	39
<u>Terms of Use Agreement – Web Site</u> Between User and M-S-R Public Power Agency Revised: July 28, 2010	51
<u>Tucson/San Juan Project Power Sales Agreement</u> dated November 17, 1982, as amended August 30, 1999, between the M-S-R Public Power Agency and the Modesto Irrigation District, the City of Santa Clara, and the City of Redding	35
<u>Virtue & Najjar, PC</u> – Engagement Letter Between Virtue & Najjar, PC and the M-S-R Public Power Agency dated April 24, 2019.	8
<u>Wildfire Mitigation Plans</u> – Resolution 2019-01 Adopted September 18, 2019, Regarding Wildfire Mitigation Plans.	48
<u>Working Capital Policy</u> – Resolution No. 2020-01, Adopted September 30, 2020 Regarding Working Capital Policy	25

<u>WREGIS REC Accounting</u> – Policy and Procedure 2009-01, WREGIS REC Accounting and Distribution, dated August 31, 2009	46
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M-S-R PUBLIC POWER AGENCY

ORGANIZATION, AUTHORIZATIONS, POLICIES, & PROCEDURES MANUAL

Commission Review Draft

September 30, 2020

Resolution 2020-02

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Table of Contents

I. INTRODUCTION	4
A. PURPOSE	4
B. RESPONSIBILITY	5
C. MANAGEMENT	5
D. M-S-R PPA ORGANIZATION CHART	9
II. ORGANIZATION AND AUTHORITIES	10
A. M-S-R PPA PRESIDENT	10
B. M-S-R PPA VICE PRESIDENT.	10
C. GENERAL MANAGER	10
D. SECRETARY	11
E. M-S-R PPA COMMITTEES	11
F. FISCAL AUTHORIZATION	13
G. CONFLICT OF INTEREST POLICY	14
III. TREASURER/CONTROLLER FUNCTIONS, BUDGET DEVELOPMENT, INVOICE APPROVAL PROCESS, REIMBURSEMENT AND INVESTMENT POLICIES	14
A. TREASURER AND CONTROLLER	14
B. WORKING CAPITAL AND MEMBER PAYMENTS	15
C. M-S-R PPA ANNUAL BUDGETS	17
D. PROCUREMENT POLICY	17
E. INVOICE APPROVAL PROCESS.	17
F. REIMBURSEMENT POLICIES	17
G. INVESTMENT POLICIES	18
H. DEBT MANAGEMENT POLICY.	18
I. COUNTERPARTY CREDIT REPORTING	18
IV. OTHER M-S-R PPA PROJECTS, POLICIES & PROCEDURES	20
A. M-S-R PPA PROJECTS AND RELATED OPERATING PROCEDURES	20
a. SAN JUAN PROJECT	20
b. PACIFIC NORTHWEST PROJECT	21
c. OPERATING AGREEMENT AND M-S-R COORDINATOR	21
i. Operating Agreement Service Schedule A – Big Horn Wind Energy Project	22

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Operating Agreement Service Schedule B –
Reserved
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I. EAST SIDE TIE 35

J. SAN JUAN GENERATING STATION (OPERATING PHASE) 36

VI. HISTORIC LEGAL AND REGULATORY ACTIONS 38

 A. TUCSON ELECTRIC POWER COMPANY – BREACH OF CONTRACT. 38

 B. STOLEN BEARER BONDS 38

 C. SIERRA CLUB/GRAND CANYON TRUST CLEAN AIR ACT – SAN JUAN 39

 D. SIERRA CLUB GROUND WATER – SAN JUAN 39

 E. SOUTHERN CALIFORNIA EDISON TRANSMISSION RATE CASES 39

 F. BONNEVILLE POWER ADMINISTRATION AGREEMENT AND OTHER LITIGATION 40

 G. CALIFORNIA SENATE BILL 1368 42

VII. FINANCING HISTORY 44

ALPHABETICAL LIST OF EXHIBITS 48

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I. INTRODUCTION

The M-S-R Public Power Agency (M-S-R PPA or Agency) is a joint powers agency created in 1980 pursuant to Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California and is governed by a Commission consisting of one representative from each M-S-R PPA Member. Members of M-S-R PPA include the Modesto Irrigation District and the Cities of Redding and Santa Clara, California. The Governing Bodies of the Members appoint M-S-R PPA Commissioners and any Alternates.¹

A. PURPOSE

M-S-R PPA is empowered to acquire, construct, manage, operate, maintain, and finance projects, including but not limited to the purchase, generation, transmission or distribution of energy.

M-S-R PPA's purpose is to maximize the value of its existing assets for the benefit of the Members and to respond to Member needs where joint action, rather than individual action, is deemed to be in the Members' best interests. M-S-R PPA is also intended to provide more responsive services to its Members than may be possible from larger or state-wide agencies or associations.

The initial project of M-S-R PPA was to develop a geothermal resource. In 1982, the Joint Exercise of Powers Agreement (JPA) was amended and restated to allow for the development of the San Juan Project (as further described in § IV (A) (a) of this manual) which was an undivided interest in an operating coal unit in New Mexico and supporting utility services from the Tucson Electric Power Company (TEP). In 1990, Amendment Number 1 to the JPA was approved to allow for the development of transmission assets for delivery of capacity and energy from the San Juan Project to California (Southwest Transmission Project or SWTP) beginning in 1995. In 2006, Amendment Number 2 to the JPA extended the term of the JPA indefinitely, ~~and prohibited termination until all~~ Agency obligations are satisfied. In 2016, the ownership interests in the SWTP were sold to the Southern California Public Power Authority (SCPPA) and the energy generating assets of the San

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¹ Joint Exercise Of Powers Agreement of the M-S-R Public Power Agency By And Among the Modesto Irrigation District and the City Of Santa Clara and the City Of Redding, dated as of April 29, 1980, Amended and Restated as of November 17, 1982, as amended by Amendment Number 1 to the Amended and Restated Joint Powers Agreement, dated June 26, 1990, and by Amendment 2 to the Amended and Restated Joint Exercise of Powers Agreement, dated January 24, 2006.

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Juan Project were sold to the Public Service Company of New Mexico (PNM) in 2017. M-S-R PPA’s remaining obligations related to the San Juan Project include shares of plant decommissioning cost, mine reclamation cost, and potential environmental liabilities (referred to as “Legacy Liabilities” and as further described in § IV (A) (a) of this manual.

B. RESPONSIBILITY

The Agency is a California joint powers agency created pursuant to the California Government Code and is subject to California laws generally applicable to public agencies, including, but not limited to, the Ralph M. Brown Act, Public Records Act, Political Reform Act and other conflict of interest laws. The Agency and its officials must abide by the Conflict of Interest Code adopted by the California Fair Political Practices Commission for the Agency. M-S-R PPA is governed by its Commission. The M-S-R PPA Commission meetings are chaired by its President, a Commissioner who is subject to annual election by the Commission². Meetings of the M-S-R PPA Commission are normally held on the third Wednesday following the first Monday of the month, pursuant to a schedule adopted by the Commission prior to the close of the prior year³. Minutes of Commission meetings are taken by the Secretary, who is appointed by the Commission. The Commission may or may not choose to elect a Vice-President.

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C. MANAGEMENT

M-S-R PPA’s General Manager directs Agency activities and reports directly to the M-S-R PPA Commission. The General Manager oversees the contracts and performance of consultants and advisors, and coordinates the activities of M-S-R PPA’s standing and any Ad Hoc Committees. The current M-S-R PPA standing committees are the Technical Committee, the Financial Management Committee, and the Risk Management Committee.

The office of the General Manager was originally created in 1980 to carry out delegated authorities assigned by the Commission and was first filled by Modesto Irrigation District (Modesto) staff members (Charles S. Viss (1980 – 1987) and Kenneth H. McKinney (1987 – 1996). In 1996 Dennis

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² Resolution No. 2013 – 01 adopted March 20, 2013 Regarding Election and Duties of Officers.
³ Resolution No. 2013 – 05 adopted October 16, 2013 Regarding Meeting Schedules And Procedures For Posting Of Agendas For The M-S-R PPA Commission.

W. DeCuir was engaged as Interim General Manager and was directed to prepare a Strategic Plan for the Agency and to recruit an independent General Manager. Subsequent General Managers have been retained by the Commission pursuant to Professional Services Agreements specifying their duties and as codified in Resolution 2013 – 01 referenced above. The independent General Managers include William C. Walbridge (1997 – 2003), George F. Fraser (2004 – 2006) and Martin R. Hopper (2007 – 2008 as M-S-R Director, a position created by the Commission which temporarily had all the rights, obligations, and authorities of a General Manager and 2008 – Present as General Manager.)

Pursuant to the JPA, the Treasurer and Controller of Modesto are designated to the same positions for the Agency. The Modesto Board of Directors determines the charges made for such services, with concurrence of the Agency, as provided under California Law.

Legal services for the Agency are furnished by independent providers including General Counsel, Bond Counsel, FERC Counsel, California Regulatory Counsel, BPA Counsel and local counsel as required. Incumbent providers include:

- General Counsel: In August 1997, M-S-R PPA entered into an agreement with Porter Simon, Professional Corporation to provide independent General Counsel services to the Agency.⁴ This agreement may be terminated at-will by the Agency.
- Bond Counsel: In May 1997, M-S-R PPA entered into its current agreement with Orrick, Herrington & Sutcliffe, LLP for Bond Counsel services.⁵ This agreement may be terminated at-will by the Agency.
- FERC Counsel: In January 1986, M-S-R PPA entered into a legal services agreement with Duncan, Weinberg & Miller, PC, now known as Duncan, Weinberg, Genzer & Pembroke, PC, for FERC Counsel services.⁶ This agreement may be terminated at-will by the Agency.
- California Regulatory Counsel: In April 2013, M-S-R PPA entered into a Legal Services Agreement with Law Offices of Susie Berlin, as successor to McCarthy and Berlin LLP,

⁴ Agreement for Legal Representation between Porter Simon Professional Corporation and M-S-R Public Power Agency dated as of August 1, 1997.

⁵ Engagement Letter For Bond Counsel Services Outside a Specific Financing Program Between the M-S-R Public Power Agency And Orrick, Herrington & Sutcliffe LLP dated as of May 27, 1997.

⁶ Legal Services Agreement Between the M-S-R Public Power Agency and Duncan, Weinberg & Miller, PC dated as of January 17, 1986.

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for California regulatory counsel services.⁷ This agreement may be terminated at-will by the Agency.

- **BPA Counsel:** BPA Counsel services are provided by Duncan, Weinberg, Genzer & Pembroke, PC, who also act as FERC Counsel pursuant to their existing Legal Services Agreement as referenced above.
- **New Mexico Counsel:** In April 2019, M-S-R PPA entered into an Engagement Letter with Virtue & Najjar, PC, for New Mexico counsel services.⁸ This agreement may be terminated at-will by the Agency.

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Professional consulting, advisory and auditing services are furnished by independent providers including Financial Advisor, General Consultants, California Legislative Advocacy, and Financial Auditor as required. Incumbent providers include:

- **Financial Advisor:** In December 2009, M-S-R PPA entered into an agreement with Montague DeRose and Associates, LLC (Montague DeRose) for Financial Advisor Services. As amended and extended, the term of this agreement is through December 31, 2018 with three optional annual renewals available through December 31, 2021⁹. In July 2016 this agreement was further amended to add certain disclosures and acknowledgements as provided by law.
- **General Consultant:** In September 2010, M-S-R PPA entered into an agreement with KBT, LLC (KBT) for the purpose of securing General Consulting services¹⁰. M-S-R PPA has KBT available to perform specific tasks as assigned by the General Manager regarding generation, transmission, renewable energy, and administrative services. The term of this agreement is open-ended but can be terminated upon 30 days notice.
- **General Consultant:** In July 1999, M-S-R PPA entered into an agreement with Resource Management International, Inc, (nka Navigant, A Guidehouse Company) as

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⁷ Legal Services Agreement By and Between Law Offices of Susie Berlin and the M-S-R Public Power Agency dated April 1, 2013.

⁸ Engagement Letter Between Virtue & Najjar, PC and the M-S-R Public Power Agency dated April 24, 2019.

⁹ Agreement For Professional Financial Advisor Services by and between M-S-R Public Power Agency, and Montague DeRose And Associates, LLC, effective January 1, 2010, as amended through Amendment No. 2.

¹⁰ Agreement for Professional Services by and between KBT, LLC and M-S-R Public Power Agency dated September 15, 2010.

amended¹¹, for the purpose of securing General Consulting services. M-S-R PPA has Navigant available to perform specific tasks as assigned by the General Manager regarding generation, transmission, renewable energy, and administrative services. The term of this agreement is open-ended but can be terminated upon 30 days notice.

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- California Legislative Advocacy: In January 2013, M-S-R entered into a Professional Services Agreement with Politico Group for California legislative advocacy services as directed by the General Manager regarding generation, transmission, and renewable energy issues¹². This agreement may be terminated upon 30 days notice.

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Services under this agreement were suspended May 31, 2020 due to the COVID-19 pandemic and may be restarted in the future dependent on the Agency's needs.

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- Financial Auditor: Effective November 18, 2015, M-S-R PPA entered into an agreement with Baker Tilly Virchow Krause KBT, LLP (BT-VK) for the purpose of securing Financial Audit services¹³. M-S-R PPA has BT-VK available to prepare financial statements and to perform annual audits under the review of the Commission. This agreement provides for a fixed price for audit services through the completion of the audit for the Agency's fiscal year ending December 31, 2019 and for two optional extensions through fiscal years ending December 31, 2021.

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¹¹ Agreement for Professional Services by and between Resource Management International, Inc, (nka Navigant, A Guidehouse Company) dated July 22, 1999, as amended February 7, 2012.

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¹² Agreement For Professional Services By And Between M-S-R Public Power Agency and Politico Group effective as of January 1, 2013.

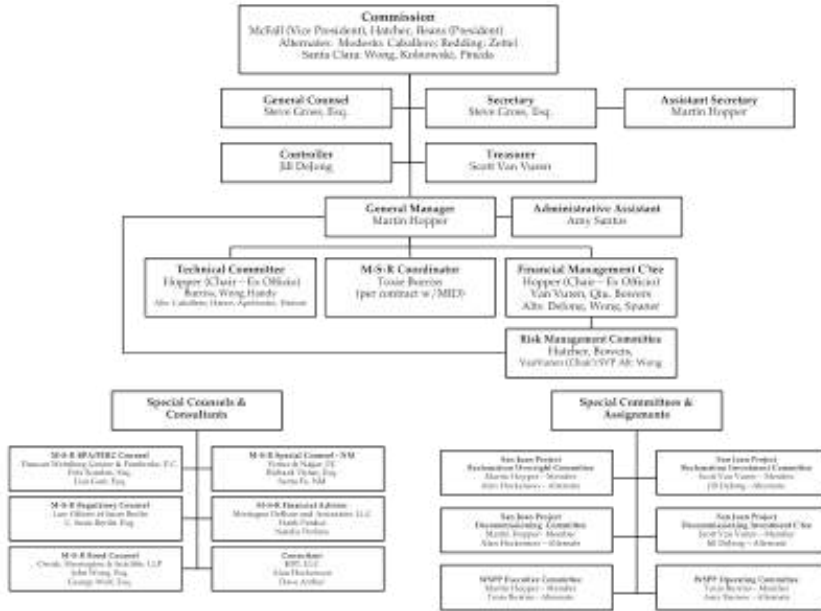
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¹³ Engagement of Baker Tilly Virchow Krause LLP as independent accountants dated September 25, 2015.

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M-S-R Public Power Agency Organization Chart



Revised: September 30, 2020

II. ORGANIZATION AND AUTHORITIES

The JPA organizes the Agency as described in the previous section to provide for governance, management, and conduct of M-S-R PPA's activities. All financial decisions are made by the Commission, except for those specifically delegated to the General Manager. Policy direction is provided by the M-S-R PPA Commission. Policy is further provided in the Annual Strategic Plan, which is updated by the Technical Committee and adopted by the Commission on an annual basis.

A. M-S-R PPA PRESIDENT

The M-S-R PPA President, as specified in Resolution 2013 – 01, Election and Duties of Officers, shall preside at all meetings of the Commission when he or she is present, cause an agenda to be prepared and distributed by the General Manager in advance of the meeting, which shall list each item of business or correspondence to come before the meeting insofar as is known, may act as an official spokesman of the Agency at the direction of the Commission, make all appointments except as otherwise provided, execute contracts on behalf of the Agency when authorized by the Commission and perform such other duties as are assigned to him or her from time to time by the Commission.

B. M-S-R PPA VICE PRESIDENT

The Vice-President performs the duties of the President in the absence or disability of the President.

C. GENERAL MANAGER

The Commission has assigned the General Manager certain duties to carry out on behalf of the Agency as enumerated in Resolution 2013 - 01 and specified in [the Management Services Agreement](#).¹⁴ The General Manager chairs certain standing committees. The General Manager maintains the authority to act within Commission direction and policy contained within the Annual Strategic Plan. The General Manager has also been designated as a Special Agent of the Agency.

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¹⁴ Amended and Restated Management Services Agreement by and between M-S-R Public Power Agency and Martin R. Hopper dba Martin Hopper Energy Consulting effective as of, January 1, 2010, as amended.

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The General Manager Succession Plan¹⁵ addresses continuity and secession options for all General Manager activities under three distinct circumstances:

1. Temporary or Short-Term Absence of General Manager
2. Unplanned Absence of General Manager
3. Retirement of General Manager.

D. SECRETARY

The Secretary keeps the minutes and files of the Agency, authenticates its acts and keeps a correct roll of each member of the Commission, and his or her alternate. The Assistant Secretary shall perform the clerical duties of the office, and shall act as Secretary in the absence or disability of the Secretary. The Commission appointed the General Counsel as Secretary and the General Manager or his or her designee as Assistant Secretary. Their respective duties are also set forth in Resolution 2013-01.

E. M-S-R PPA COMMITTEES

There are presently three active standing M-S-R PPA Committees:

- Technical Committee
- Financial Management Committee
- Risk Management Committee

In 2011, the Commission instructed the General Manager to abolish previous committees created by the General Manager and established the Technical and Financial Management Committees. These Committees are subject to and will comply with the Ralph M. Brown Act. The Commission adopted Rules of Procedures for both Committees that are structured similarly.^{16 17} Neither Committee shall have any officers. The General Manager shall preside over and cause minutes to be prepared of each meeting. The General Manager will coordinate the efforts of Members providing services to the Committees and shall oversee the support provided by General Counsel and any contractors also providing services to the Agency.

¹⁵ General Manager Succession Plan dated February 19, 2020

¹⁶ Resolution No. 2011-01 adopted January 19, 2011 Rules Of Procedure For The Technical Committee.

¹⁷ Resolution No. 2013-10 adopted October 16, 2013 Amended and Restated Rules Of Procedure For The Financial Management Committee.

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The duties of the Technical Committee include, but are not limited to: 1) annually recommend a five-year strategic plan for the Agency; 2) review proposals for the acquisition or divestiture of resources; 3) recommend modifications of arrangements supporting the management or operation of resources; 4) review individual Member issues with the Agency brought to the attention of the Technical Committee for discussion and potential resolution; 5) review and develop strategies for complying with regulatory issues and other externalities; 6) review the technical aspects of legal action, whether current, pending, or under consideration; and 7) address other issues that may be specifically assigned by the Commission.

The duties of the Financial Management Committee include, but are not limited to: 1) review and consideration of candidates for Financial Advisor; 2) review and consideration of candidates for Bond Counsel; 3) coordinate with the Financial Advisor and Bond Counsel to the extent necessary; 4) review of proposals for the financial products that may be solicited or unsolicited that may be beneficial to the financial management of the Agency; 5) recommend modifications of arrangements supporting the financial management of assets; 6) implement the Risk Management Policy and communicate risk management issues to the Commission together with the General Manager, oversee the Risk Management Committee together with the General Manager, and oversee the activities of the Coordinator Services Coordinator together with the General Manager; 7) review individual Member issues with the Agency brought to the attention of the Financial Management Committee for discussion and potential resolution; 8) review and develop strategies for complying with financial management issues and other externalities; 9) review the financial aspects of legal action, whether current, pending, or under consideration; and 10) address other issues that may be specifically assigned by the Commission. These duties are reiterated in the Agency's Debt Management Policy adopted May 17, 2017 as referenced in Section III (H).

The Risk Management Committee was established by the Commission with the adoption of the Energy Risk Management Policy and Risk Management Committee Guidelines¹⁸. This Committee is subject to and will comply with the Ralph M. Brown Act. The duties of the Risk Management Committee include, but are not limited to: 1) establish the processes and frequency for measuring, monitoring, and reporting the business risks that are within the scope of the Risk Management Policy,

¹⁸ Resolution No. 2013-06 Adopted October 16, 2013 Regarding Energy Risk Management Policy and Risk Management Guidelines.

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2) approve all methodologies used in risk measurement, 3) monitor the Coordinator Services Contractor (whose duties and authorities are described in Section IV (A) of this Policy Manual) compliance with the Risk Management Guidelines, 4) present reports to the General Manager and Financial Management Committee detailing risk management activity, 5) perform an annual review of the Risk Management Committee Guidelines to maintain procedures and limits appropriate with the business activities of the Agency, 6) establish Risk Management Committee meeting procedures, 7) meet no less frequently than annually, 8) review transaction and risk reports.

F. FISCAL AUTHORIZATION

The M-S-R PPA Commission approval of the annual budget and strategic plan for a fiscal year is the authorization for the conduct of all activities included in the annual budget. Pursuant to Section 2.2 of the Joint Exercise of Powers Agreement of the M-S-R Public Power Agency, the Members pay for the costs associated with the operation of the Agency and are entitled to all rights and property of the Agency in the following portions: Modesto 50%; Santa Clara 35%; and Redding 15%. Project Agreements or unanimously adopted resolutions may provide for differing allocations of costs. Typically, all work for the Agency is routine in nature. If additional outside assistance is required of legal counsel or consultants or can be provided by Member staff, particularly if such work is outside the annual budget limits, the General Manager will consult with the appropriate standing committee to assess support for a Task Order to complete such work and will seek authorization from the Commission if the level of effort is deemed by the General Manager to be of significant magnitude to warrant a budget modification or augmentation.

Work elements are defined in the annual strategic plan that informs the approved budget. Most activities are described, known ahead of time, and are repetitive (e.g. preparation for and support of the meetings of M-S-R PPA Committees and the Commission). Thus, no additional authorization is required to perform such activities.

The Agency has also covenanted to collect sufficient funds to meet all its obligations and to meet the debt service coverage requirements in its Bond Indentures and the annual budget must be so set by the M-S-R PPA Commission. Procedures for the calculation of debt service coverage have been reviewed

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by Bond Counsel and adopted by the Commission.¹⁹ In 2016 the Agency created a Debt Service Coverage Revolving Fund to assure maintenance of debt service coverage through the remaining life of San Juan Project Bonds²⁰.

G. CONFLICT OF INTEREST POLICY

The Political Reform Act (Government Code Section 81000, et seq.) requires state and local government agencies to adopt and promulgate conflict of interest codes. The M-S-R PPA Conflict of Interest Code was most recently updated in 2016 and was approved by the California Fair Political Practices Commission effective July 6, 2016²¹.

¹⁹ Resolution No. 2014-07 adopted September 24, 2014 Regarding Calculation of Debt Service Coverage.

²⁰ Resolution No. 2016-02 adopted July 20, 2016 regarding Debt Service Coverage Revolving Fund Operating Procedures.

²¹ Conflict of Interest Code for M-S-R Public Power Agency effective July 6, 2016.

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III. TREASURER/CONTROLLER FUNCTIONS, BUDGET DEVELOPMENT, THE INVOICE APPROVAL PROCESS, REIMBURSEMENT AND INVESTMENT POLICIES.

This section of the manual outlines various actions and activities undertaken by PPA's Treasurer/Controller. Also discussed herein are authorities related to the annual budget and strategic plan development processes, as well as invoice approval controls used by Controller staff and Agency expense policies.

A. TREASURER AND CONTROLLER

The positions of Treasurer and Controller are designated by the JPA as those persons responsible for the financial management of the Agency, as well as all other property the Agency may own or control. The Treasurer and Controller of the Modesto Irrigation District serve as Treasurer and Controller for the Agency. The Treasurer and Controller, and Assistant Treasurer(s) and Assistant Controller(s) remain until a future designation by the Modesto Irrigation District.

The Treasurer and Controller are responsible for the payment of Commission and/or General Manager-approved expenditures and payments in accordance with the Agency's Invoice Approval Procedure described below. The Treasurer and Controller are also authorized to withdraw moneys from the Agency's funds and accounts.²² The Treasurer and Controller cause the preparation of the Agency's accounts and records in accordance with the latest accounting rules promulgated by the Government Accounting Standards Board (GASB) for recording financial transactions by government agencies. In the absence of GASB accounting rules, the Agency is required to follow Financial Accounting Standards Board (FASB) accounting rules to record accounting transactions. An Asset Capitalization Policy has been adopted to provide guidance to the Controller in making determinations as to whether certain expenditures should be charged to utility plant or to expense.²³

Pursuant to Government Code Section 6505(e) and the directives of the General Manager, the Treasurer causes the preparation of monthly Treasurer's Reports for presentation to the Commission

²² Resolution No. 2012-03 adopted July 18, 2012 Approving Signatories Authorized to Invest M-S-R Public Power Agency Monies in the Local Agency Investment Fund and Other Permitted Investments.

²³ Resolution No. 2014-06 adopted August 20, 2014 Regarding Asset Capitalization Policy.

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at each of its regular meetings²⁴. Pursuant to Government Code Sections 6505(b) and 26909(a)(2) and Section 17.2 of the M-S-R PPA Joint Power Agreement, the Controller shall cause the annual audits of the accounts and records of the Agency to be prepared and filed with the Bond Trustee, the State Controller and the Stanislaus County Auditor.

B. WORKING CAPITAL AND MEMBER PAYMENTS

The Agency maintains a 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. Minimum reserve levels and target reserve levels are recommended for each tranche.²⁶ The Strategic Reserve subsumes the former Member Cash Call Reserve Account (MCCRA) but maintains the Reserve and Contingency (R&C) Fund as required by the Indenture within the San Juan Fixed Expenses Operating Reserve. The Strategic Reserve also allows 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 Strategic Reserve may also provide funds for unexpected operation and maintenance expenses, repair costs, capital improvements, replacements, or betterments related to M-S-R Projects, formerly addressed by the MCCRA. Status of the Strategic Reserve is reviewed on an annual basis as part of the preparation of the Annual Budget.

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 true-up after the close of the fiscal year.

Member's invoice 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.²⁸ The Commission has adopted a policy specifying the procedures for payments made by a third party on behalf of a Member³⁰ and a policy harmonizing the late payment provisions of the Tucson/San Juan Project Power Sales Agreement and the Pacific Northwest Project Power Sales Agreement.³¹

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²⁴ Memorandum Dated November 23, 2015 Regarding Filing of Quarterly Treasurer's Reports and Annual Audits

²⁶ Resolution No. 2020-01, adopted September 30, 2020, regarding Working Capital Policy.

²⁸ M-S-R PPA Director's administrative directive dated June 8, 2007.

³⁰ Resolution No. 95-3 adopted April 19, 1995 Establishing A Policy For Payments By Third Parties On Behalf Of A Member To The Agency.

³¹ Resolution No. 2018-02, Adopted September 19, 2018, Regarding Late Payment Policy.

C. M-S-R PPA ANNUAL BUDGETS

The fiscal year for both M-S-R PPA and Modesto budgets are January 1 through December 31. However, the fiscal year for both the Cities of Santa Clara and Redding budgets are July 1 through June 30. As requested by the Members, two-year rolling budgets for the Agency are prepared annually. The first-year budget is formally adopted and the second-year budget is advisory only. As discussed in Section II, the M-S-R PPA Annual Budget is the authorization for the conduct of all Agency activities.

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D. PROCUREMENT POLICY

Although the Agency does not typically engage in public works or procure goods on behalf of its Members, as specified in Resolution 2013-08³² it is the policy of the Agency to make competitive procurements and retain highly qualified professional service providers in the best interests of its Members.

E. INVOICE APPROVAL PROCESS

As specified in Resolution 2009-02,³³ all invoices, bills, demands, and claims upon the Agency are paid by the Treasurer on the recommendation of the General Manager or President or their respective designees and on the review of the Controller or his respective designees. At each regular meeting of the Commission of the M-S-R PPA, the Treasurer makes a report of all invoices, bills, demands, and claims paid since the prior regular meeting of the Commission.

F. REIMBURSEMENT POLICIES

As specified in Resolution 2013-09,³⁴ M-S-R PPA adopted a policy by which the Agency reimburses its Members for actual costs incurred when they provide support services to the Agency at the

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³² Resolution No. 2013-08, adopted October 16, 2013, regarding Procurement Policy.
³³ Resolution No. 2009-02, adopted May 20, 2009, Regarding The Timely Payment Of Invoices And Making Certain Delegations Of Agency
³⁴ Resolution No. 2013-09, adopted on October 16, 2013, Regarding Reimbursement of Costs of Support Services Provided By Member Agencies.

direction of the General Manager.

G. INVESTMENT POLICIES

M-S-R PPA maintains an Investment Policy pertaining to the funds of the Agency in conformance with Title 5, Division 2, Part 1, Chapter 4 of the California Government Code, commencing with Section 53600, which is annually reviewed and adopted by motion of the Commission.³⁵

H. DEBT MANAGEMENT POLICY

On May 17, 2017, the M-S-R PPA Commission established a Debt Management Policy³⁶ in compliance with Government Code Section 8855(i). The purpose of this policy is to:

- Maintain a sound financial position.
- Ensure flexibility to respond to changes in future service priorities, revenue levels, and operating expenses.
- Protect credit-worthiness.
- Ensure that all debt is structured in order to protect both current and future wholesale customers and ratepayers of M-S-R PPA’s Members.
- Ensure that the debt is consistent with M-S-R PPA’s planning goals and objectives, capital improvement program and/or budget, as applicable.

Due to the issuance of the San Juan Project Revenue Bonds Series 2018R on June 12, 2018, the Agency is required to issue an annual debt transparency report pursuant to Government Code Section 8855(k) commencing on or before January 31, 2019.

I. COUNTERPARTY CREDIT REPORTING

The Agency has counterparty risk associated with the Big Horn Wind Energy Projects. By directive of the General Manager dated August 8, 2020, the Authority has adopted jointly with M-S-R EA a

³⁵ Investment Policy Guidelines of the M-S-R Public Power Agency 2020 (approved by Commission February 19, 2020.)

³⁶ Resolution No. 2017-01, adopted May 17, 2017, Regarding Debt Management Policy.

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Counter Party Reporting Policy³⁷ whereby the M-S-R EA and M-S-R PPA Treasurer will provide quarterly credit updates to the Members and will report credit events as they may occur.

³⁷ M-S-R General Manager's administrative directive dated August 6, 2020 regarding Counterparty Credit Reporting Policy.

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IV. OTHER M-S-R PPA PROJECTS, POLICIES & PROCEDURES

A. M-S-R PPA PROJECTS AND RELATED OPERATING PROCEDURES

a. SAN JUAN PROJECT:

The San Juan Project originally included a 28.8% Ownership Interest (approximately 146 MW) in Unit 4 of the San Juan Generating Station (SJGS) and related services provided by TEP. The Members’ rights and obligations pertaining to the San Juan Project are specified in the Tucson/San Juan Project Power Sales Agreement.³⁸ Pursuant to the San Juan Project Restructuring Agreement³⁹ M-S-R PPA divested this Ownership Interest effective December 31, 2017 and no longer receives electric energy or capacity from the San Juan Generating Station. M-S-R PPA’s remaining obligations related to the San Juan Project are described as “Legacy Liabilities” and in general are governed by the Restructuring Agreements. Particular obligations related to plant decommissioning expense are further addressed in the Decommissioning Agreement.⁴⁰ Particular obligations related to mine reclamation expense are further addressed in the Reclamation Agreement⁴¹. Particular obligations related to potential environmental liabilities are addressed in the Restructuring Agreements. For a history of the operating phase of the San Juan Phase see Section V. (J) Past

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³⁸ Tucson/San Juan Project Power Sales Agreement dated November 17, 1982, as amended August 30, 1999, between the M-S-R Public Power Agency and the Modesto Irrigation District, the City of Santa Clara, and the City of Redding.

³⁹ San Juan Project Restructuring Agreement Among Public Service Company Of New Mexico, Tucson Electric Power Company, The City Of Farmington, New Mexico, M-S-R Public Power Agency, The Incorporated County Of Los Alamos, New Mexico, Southern California Public Power Authority, City Of Anaheim, Utah Associated Municipal Power Systems, Tri-State Generation and Transmission Association, Inc. and PNMR Development and Management Corporation dated July 31, 2015.

⁴⁰ San Juan Decommissioning and Trust Funds Agreement Among Public Service Company of New Mexico, Tucson Electric Power Company, The City of Farmington, New Mexico, M-S-R Public Power Agency, The Incorporated County of Los Alamos, New Mexico, Southern California Public Power Authority, City of Anaheim, Utah Associated Municipal Power Systems, Tri-State Generation and Transmission Association, Inc., and PNMR Development and Management Corporation, dated July 31, 2015.

⁴¹ Amended and Restated Mine Reclamation and Trust Funds Agreement Among Public Service Company of New Mexico, Tucson Electric Power Company, The City of Farmington, New Mexico, M-S-R Public Power Agency, The Incorporated County of Los Alamos, New Mexico, Southern California Public Power Authority, City of Anaheim, Utah Associated Municipal Power Systems, Tri-State Generation and Transmission Association, Inc., and PNMR Development and Management Corporation, dated July 31, 2015.

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Projects, San Juan Generating Station (Operating Phase.)

The oversight committees established pursuant to these agreements and representatives assigned by the Agency are shown in the Organization Chart on page 9. An annual forecast of Agency expenditures for the San Juan Project is provided in the San Juan Ten-Year Forecast and Legacy Liability Funding Status Report, which is prepared by the Technical Committee and reviewed by the Commission.⁴²

b. PACIFIC NORTHWEST PROJECT

The Pacific Northwest Project currently consists of power sales agreements with subsidiaries of Avangrid Renewables, Inc. (Avangrid) for energy (249.5 MW installed capacity) and renewable energy credits (RECs) from the Big Horn I and Big Horn II Wind Energy Projects located near Bickelton, Washington as delivered to the Members at the California-Oregon Border. The Members rights and obligations pertaining to the Pacific Northwest Project are specified in the Pacific Northwest Project Power Sales Agreement.⁴³

c. OPERATING AGREEMENT AND M-S-R COORDINATOR

The Amended and Restated Operating Agreement⁴⁴ (Operating Agreement) details how M-S-R PPA will perform the power scheduling, accounting, marketing, coordination and dispatching functions associated with M-S-R PPA resources on behalf of the Members and the Members' responsibilities to M-S-R PPA for the purposes of the foundational agreements for San Juan Project (including the Southwest Transmission Project) and Pacific Northwest Project. Management of the Service Schedules to the Operating Procedures is conducted by Member representatives pursuant to Section 25 of the Operating Agreement, such representatives constituting the M-S-R PPA Technical

⁴² San Juan Ten-Year Forecast and Legacy Liability Funding Status Report, noted and filed by the M-S-R Commission [February 19, 2020](#).

⁴³ Second Amended and Restated Pacific Northwest Project Power Sales Agreement dated May 24, 2005 between the M-S-R Public Power Agency and the Modesto Irrigation District, the City of Santa Clara, and the City of Redding.

⁴⁴ Amended and Restated Operating Agreement Between The M-S-R Public Power Agency and the Modesto Irrigation District, The City of Santa Clara, California, and The City of Redding, California dated February 1, 1997 with service schedules that may be revised from time to time. This agreement superseded the "Principles for the Scheduling and Dispatch of the M-S-R Public Power Agency's San Juan Project Power," dated June 20, 1984.

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Committee.

The Operating Agreement creates the position of M-S-R Coordinator, the functions of which were initially performed by Modesto. As the necessary functions of Coordinator expanded, the Members decided to formalize the duties through a services contract. After a competitive bid process, Modesto was awarded the initial contract and has served as Coordinator continuously ever since.⁴⁵ The Coordinator is authorized to enter into transactions on behalf of M-S-R PPA, if requested by a Member for that Member's account, or to unilaterally enter into transactions on behalf of M-S-R PPA, in case a Member fails to meet its obligations.

Specific Service Schedules to the Operating Agreement apply to each of the Projects (or special aspects thereof) and are modified as necessary to accommodate the needs of the projects. Several of these Service Schedules became unnecessary with the divestiture of the San Juan assets as was the case with some Service Schedules associated with the SWTP.

i. Operating Agreement Service Schedule A – Big Horn Wind Energy Project.

Service Schedule A applies to the amended and restated accounting procedures for the Big Horn Energy Wind Project.⁴⁶ Big Horn is a 199.5 MW facility comprised of 133 1.5 MW wind machines with the output shared between the Members 12.5%/~~52.5%~~/35%. M-S-R PPA pays for two services: 1) the production of energy at the site, and 2) the shaping and firm delivery of energy to the California-Oregon Border. Because energy scheduling is performed in whole megawatts, Appendix A was developed to allocated energy based upon the actual deliveries to M-S-R PPA made by Avangrid. As this project was developed in two phases with different pricing structures, Appendix B develops the hybrid pricing algorithm for the sharing of energy costs. Appendix D provides the timing associated with the receipt and payment of monthly energy invoices. Appendix F provides the timing associated with the receipt and payment of the monthly firming and shaping invoice.

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⁴⁵ Agreements for M-S-R Coordinator Services by and between M-S-R Public Power Agency and the Modesto Irrigation District, dated May 28, 1999, September 7, 2004, March 23, 2011 as amended March 18, 2015, and March 1, 2018.

⁴⁶ Amended and Restated Service Schedule A to the Operating Agreement, Big Horn Operating Procedures, adopted by the M-S-R PPA Commission November 18, 2006.

- ii. Operating Agreement Service Schedule B – Reserved.

Service Schedule B was terminated March 8, 2018.

- iii. Operating Agreement Service Schedule C – Reserved.

Service Schedule C was terminated August 4, 2016.

- iv. Operating Agreement Service Schedule D – Resource Agreements.

Service Schedule D listed various economy energy agreements held by M-S-R PPA with utilities in the Southwest.⁴⁷ As of September 2018, only the WSPP agreement remains.

- v. Operating Agreement Service Schedule E – Reserved.

Service Schedule E was terminated March 8, 2018.

- vi. Operating Agreement Service Schedule F – Reserved.

Service Schedule F was terminated March 8, 2018.

- vii. Operating Agreement Service Schedule G – Reserved.

Service Schedule G was terminated March 8, 2018.

- viii. Operating Agreement Service Schedule H – Reserved.

Service Schedule H was terminated August 4, 2016.

- ix. Operating Agreement Service Schedule I – Reserved.

Service Schedule I was terminated August 4, 2016.

- x. Operating Agreement Service Schedule J – Reserved.

Service Schedule J was terminated March 8, 2018.

- xi. Operating Agreement Service Schedule K – Operating and Accounting Procedures For Big Horn II Wind Energy Project.

Service Schedule K provides operating and accounting procedures for the Big Horn II Wind Project.⁴⁸ Big Horn II is a 50 MW facility comprised of 25 - 2.0 MW wind

⁴⁷ Service Schedule D to the Operating Agreement, Resource Agreements, adopted by the M-S-R PPA Technical Committee March 8, 2018.

⁴⁸ Operating Agreement Service Schedule K – Operating and Accounting Procedures For Big Horn II Wind Energy Project adopted by the M-S-R Commission May 18, 2011 pursuant to Resolution 2011-05.

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machines with the output shared between the Members 65%/35%/0%. M-S-R PPA pays for two services: 1) the production of energy at the site, and 2) the redelivery of fixed and variable energy to the California-Oregon Border. Because energy scheduling is performed in whole megawatts, Appendix A was developed to allocated energy based upon the actual deliveries to M-S-R PPA made by Avangrid. Appendix B develops the pricing algorithm for the sharing of energy costs. Appendix C shows a computation of Member Pricing. Appendix D provides the timing associated with the receipt and payment of monthly firm energy invoices. Appendix E provides the timing associated with the receipt and payment of monthly variable energy invoices. Appendix F provides the timing associated with the receipt and payment of the monthly firming and shaping invoice.

B. ENVIRONMENTAL COMMODITIES

a. RENEWABLE ENERGY CREDITS (WREGIS RECs)

In addition to the wind energy received from the Avangrid subsidiaries operating the Big Horn and Big Horn II Wind Projects, M-S-R PPA also receives title to all associated environmental commodities including Renewable Energy Credits (RECs). One MW of eligible renewable energy created translates into one REC. RECs are used by the Members, among other purposes, to meet their Renewable Portfolio Standard (RPS) requirements pursuant to California Law. M-S-R PPA receives the RECs from Avangrid, M-S-R PPA then allocates these RECs to the Members in proportion to the energy produced from the wind projects. RECs are accounted for and tracked in the Western Renewable Energy Generation Information System (WREGIS) and retired according to the requirements of the California Air Resources Board and California Energy Commission. M-S-R PPA has created a special Policy and Procedure No. 2009-01 to formalize the accounting and distribution of WREGIS RECs.⁴⁹

⁴⁹ Policy and Procedure 2009-01, WREGIS REC Accounting and Distribution, dated August 31, 2009.

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b. CLEAN AIR ACT ALLOWANCES

Consistent with the Clean Air Act of 1990, the U.S. Environmental Protection Agency (EPA) enacted a requirement that SO₂ emitting plants be limited in their emissions. In addition, for each emitting source, the owner or operator needed to specify a Designated Representative (DR) to fulfill reporting requirements and be liable for violations. PNM as San Juan Generating Station Operating Agent provided the DR and Alternative Designated Representative (ADR) pursuant to an agreement.

As part of the Clean Air Act program, the San Juan Generating Station was awarded with an annual base number of SO₂ allowances that, pursuant to formula, represent an average operating year. With the construction and operation of the Limestone-Forced Oxidation (LSFO) Project, SJGS greatly reduced its emissions of SO₂, leaving a growing balance of unretired allowances that could be sold on open market. Pursuant to a Policy adopted by motion of the M-S-R PPA Commission September 28, 2005,⁵⁰ M-S-R PPA sold a limited quantity of these allowances until the market for SO₂ allowances virtually collapsed. Allowances remaining in PNM's account after the divestiture of the Agency's operating interest in SJGS have been transferred to the Members for their future use.

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C. WILDFIRE MITIGATION PLANS

On September 24, 2016, California Senate Bill (SB) 1028 was signed into law and requires electric utilities to annually publish a wildfire mitigation plan. On September 18, 2019, the M-S-R PPA Commission established a process to prepare a Wildfire Mitigation Plan⁵¹ if and when the Agency owns or operates qualifying facilities under SB 1028.

D. M-S-R PPA LEGISLATIVE PROGRAM

The primary goal of M-S-R PPA's Legislative and Regulatory Program is to preserve and enhance the value of M-S-R PPA assets. These assets included the San Juan Project, the Southwest Transmission Project and include the Big Horn Wind Energy Projects. M-S-R PPA only takes positions on those bills and regulatory matters directly affecting M-S-R PPA resources or duties to its Members. M-S-R PPA may also, by request of the Members, take positions on bills of common interest to the entire M-

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⁵⁰ M-S-R Clean Air Act SO₂ Allowance Policy Adopted by M-S-R Commission September 28, 2005.

⁵¹ Resolution No. 2019-01, adopted September 18, 2019, Regarding Wildfire Mitigation Plans.

S-R PPA membership. Legislative and Regulatory Workplans, for both State and Federal levels, set forth the Agency's issues and objectives for the current year and are updated as needed.⁵²

E. WEBSITE ACCESS AND POSTING OF PUBLIC DOCUMENTS

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M-S-R PPA maintains a website at www.msrrpower.org. Its purpose is to provide basic information on the Agency and its projects, provide contact information, and to post notices and information as required by the California Government Code and Agency Policy. [On October 11, 2015, California SB 272 was signed into law and requires local agencies to publish a list of "enterprise" systems on their websites.](#) By motions of the Commission, M-S-R PPA has adopted a Privacy Statement⁵³ and Terms of Use Agreement⁵⁴ applicable to users of the website.

[M-S-R PPA posts agendas and notices of public meetings at <http://msrrpower.org/Documents.aspx> as required in the California Government Code and the previously referenced Resolution 2013-04 Regarding Meeting Schedules And Procedures For Posting Of Agendas For The M-S-R PPA Commission. M-S-R PPA may other information relevant to the conduct of the Agency's business on its website, including, but not limited to the Annual Budget, the Annual Financial Reports, M-S-R PPA Commission meeting minutes, and various M-S-R PPA committee meeting minutes.](#)

F. CYBER SECURITY POLICY

[M-S-R PPA does not have any facilities designated as Critical Energy Infrastructure \(CEI\) and hence does not have a formal cyber security policy. At this time there are neither NERC Reliability Standards nor WECC Regional Reliability Standards applicable to M-S-R PPA. As a matter of course, ordinary and prudent precautions are taken to maintain the security of the Agency's email and website access. The M-S-R Coordinator maintains separate responsibility to maintain appropriate cyber security measures related to their duties to M-S-R PPA.](#)

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⁵² California and Federal Legislative And Regulatory Representative Workplans [2020](#).
⁵³ M-S-R Public Power Agency Privacy Statement Revised: July 28, 2010.
⁵⁴ Terms of Use Agreement Between User and M-S-R Public Power Agency Revised: July 28, 2010.

G. DOCUMENT RETENTION POLICY, PUBLIC RECORDS REQUEST, AND PHOTOCOPY POLICY,

As specified in Resolution 2013 – 02,⁵⁵ M-S-R PPA adopted a document retention policy which sets forth administrative practices related to the retention, distribution, and disposition of public documents in accordance with the California Public Records Act.

Through adoption of this Policy and Procedure Manual, it is the policy of M-S-R PPA to comply with all requests for public records, as required by the California Public Records Act, in a reasonable and expeditious timeframe. For regular photocopies, M-S-R PPA will charge a rate of \$0.15 per page. For scanning and digitizing a document in PDF format, M-S-R PPA will charge a rate of \$0.10 per page. Existing PDF format documents responsive to a public records request, if provided electronically, will be made available at no charge to the requestor. If copies can be made at lesser cost by an outside service provider, M-S-R PPA will only charge actual fees of such service provider for duplication. These fees were determined based upon review of actual costs for paper, office equipment, and maintenance of said equipment.

H. ADOPTION OF CEQA GUIDELINES

As specified in Resolution 95 – 1,⁵⁷ the Agency has adopted the model State CEQA Guidelines prescribed by the Secretary of the Resources Agency in Title 14 of the California Code of Regulations, commencing at Section 15000, and as they may be subsequently amended.

I. ADOPTION OF GUIDELINES FOR THE ACQUISITION OF REAL PROPERTY

As specified in Resolution 95–2,⁵⁸ the Agency has adopted the model State Relocation Assistance and Real Property Acquisition Guidelines specified in Title 25 of the California Code of Regulations, commencing at Section 6000, and as they may be subsequently amended and the Federal Guidelines, Title 49 of the Code of Federal Regulations, Part 24, and as they may be subsequently amended.

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⁵⁵ Resolution 2013–02, adopted on May 22, 2013, Regarding Retention and/or Destruction of Records.

⁵⁷ Resolution 95–1, adopted February 22, 1995, Adopting Guidelines For The Implementation of the California Environmental Quality Act.

⁵⁸ Resolution 95–2, adopted February 22, 1995, Adopting Guidelines For The Acquisition Of Real Property.

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J. M-S-R PPA ANNUAL STRATEGIC PLAN

Each year the Agency prepares a Strategic Plan for consideration by the Commission at its September meeting⁵⁹ and to provide input for the consideration and adoption of the M-S-R PPA Annual Budget in November of each year. The Strategic Plan is prepared by the General Manager pursuant to Sections 1 (c) and (e) of his Management Services Agreement.

K. REVIEW OF POLICIES AND PROCEDURES MANUAL

In 2013, the Commission directed the General Manager to review the Agency’s policies and procedures and to coordinate with the Technical Committee in reviewing the authorities and responsibilities of the Agency. This document is intended to meet the Commission’s directive. Commencing in 2014, in even-numbered years, the General Manager reviews the manual and recommends updates or amendments for consideration by the Commission at its September meeting.

⁵⁹ M-S-R Public Power Agency Strategic Plan effective January 1, 2020 (approved by Commission September 18, 2019.)

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V. PAST PROJECTS

Since its founding, M-S-R PPA has participated in a number of projects which were subsequently terminated or did not reach fruition. In addition, M-S-R PPA acquired ownership interests in generating and transmission assets which have been either divested or retired. The following listing is intended to provide an overview of historic activities and provide context for past decisions by the Agency that subsequently influenced the development of its current projects, policies, and procedures.

A. GEOTHERMAL DEVELOPMENT

As its first project, M-S-R PPA bid, and was awarded in 1980, a lease running from January 1, 1981 through December 31, 1985, to develop geothermal resources on the Abril Leasehold in Sonoma County in the “Geysers Known Geothermal Resource Area” (KGRA) in the Coastal Range of mountains in Northern California. M-S-R PPA contracted with a drilling company and explored for geothermal steam. This effort did not yield sufficient steam for commercial use and the project was eventually abandoned. During the drilling effort, certain wastes were accumulated and deposited in a common repository with similar wastes from other projects by other developers. Due to the nature of the waste, there was an ongoing liability for disposal site remediation. Through negotiation, M-S-R PPA contracted with Pacific Gas and Electric Company (PG&E), the largest contributor of waste to the site, and paid for a release of liability for the waste deposited on behalf of M-S-R PPA. Further, M-S-R PPA took additional steps to release its rights in the Abril Leasehold back to the surface owners, including a Quitclaim Deed filed in Sonoma County June 9, 2010. To M-S-R PPA’s knowledge, it retains no ongoing liability for this Project.

B. ARIZONA NUCLEAR POWER PROJECT (ANPP)

The ANPP has been constructed and is currently known as the Palo Verde Nuclear Generating Station. However, when it was in the pre-operation stages, M-S-R PPA held negotiations with multiple owners regarding the potential purchase of an interest in the project. The negotiations that proceeded the farthest were with the Arizona Public Service Company (APS) and led to the development of a process by M-S-R PPA to purchase a 150 MW ownership interest in the project. Due to the environmental concerns associated with nuclear power projects, Modesto (125 MW) and

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Redding (25 MW) chose to put advisory ballot measures before their constituents to assess their support for the transaction. Santa Clara elected not to participate in the process. Both advisory ballot measures failed to achieve 50% support. Negotiations were terminated, and M-S-R PPA took no further actions to enter the project.

C. INTERCONNECTION /ECONOMY INTERCHANGE AGREEMENTS

In conjunction with the San Juan Project, M-S-R PPA contacted a number of utilities in the Southwest for Interconnection and Economy Interchange Agreements. These agreements set forth protocols to be used if economy energy was ever bought and sold between the parties. These types of agreements were commonplace at the time but have since been rendered obsolete with the advent of the Western Systems Power Pool (WSPP) and its mechanisms for exchanging energy. Most of the Economy Interchange Agreements have been either terminated or allowed to expire upon their own terms. Those that remain in effect are with PNM and TEP, as there are other portions of those agreements that are used and useful as associated with the San Juan Project.

D. SOUTHWEST TRANSMISSION PROJECT

The Southwest Transmission Project included ownership interests in the Mead-Phoenix and Mead-Adelanto Transmission Projects and transmission service contracts from Los Angeles Department of Water and Power (LADWP) and Southern California Edison Company (SCE) which, when used in conjunction, was used to deliver San Juan generation from the TEP system to the Members in Northern California. More specifically, the Southwest Transmission Project consisted of the following components:

- Between the Mead Substation and Phoenix, M-S-R PPA had the following rights:
 - Component A: An 11.538% interest (221.9 MW transmission capability) in the Westwing-Mead 1923 MW transmission linear 246-mile transmission line from the Westwing Substation in southern Arizona to the Mead Substation near Las Vegas, Nevada (the “Mead-Phoenix Segment.”)
 - Component B: 0% interest in the Mead 500 kV – 230 kV transformer

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- Component C: An 8.0993% interest (210.6 MW) in the 2600 MW linear 12-mile transmission line from Mead to Marketplace and including a proportionate 50% interest in the Marketplace substation and associated facilities (the “Mead-Marketplace Segment.”)
- A one-mile interconnection between McCullough and Marketplace Substations near Las Vegas, Nevada (the “McCullough Tie-Lines”), which is considered a common bus with Marketplace Substation.
- A 17.5% interest (225.9 MW transmission capability) in a 1291 MW linear 214-mile transmission line from the Marketplace Substation (and including a proportionate 50% interest in the Marketplace substation and associated facilities) near Las Vegas, Nevada to the Adelanto Substation near Los Angeles, California (the “Mead-Adelanto Segment”).
- Arrangements with LADWP for transmission service (225.9 MW transmission capability) from the Adelanto Substation near Los Angeles, California, to the midpoint of the Victorville-Lugo transmission line.
- The Firm Transmission Service Agreement (Rate Schedule No. 339) with SCE for transmission service (150 MW transmission capability) from the midpoint of the Victorville-Lugo transmission line to the Midway Substation in central California (SCE TSA). On January 1, 2014, the Agency perfected a partial termination of the SCE TSA to reduce the contract capability from 150 MW to 98 MW to reflect the more economic use of New Firm Use transmission service to be provided by the California Independent System Operator (CAISO) to Santa Clara in lieu of using this component of the SWTP. This agreement was terminated effective May 1, 2015.
- Transmission service from the Midway Substation (the terminus of the Southwest Transmission Project as described above) to the Members was provided through transmission arrangements between the Transmission Agency of Northern California (TANC) and PG&E (SOTP ETC).

On July 22, 2015, the M-S-R PPA adopted Resolution 2015-03 authorizing a number of actions including the proposed sale of its ownership interests in the Mead-Phoenix and Mead-Adelanto Projects to the Southern California Public Power Authority (SCPPA) for the sum of \$60 million. This transaction closed May 25, 2016.

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E. PACIFIC NORTHWEST LETTER AGREEMENTS (BONNEVILLE CONTRACT)

During the planning stages of the California-Oregon Transmission Project (COTP), M-S-R PPA conducted an evaluation of available resources in the Pacific Northwest that could utilize the COTP when constructed. As each of the Members had rights on the COTP through their membership in the project developer, the Transmission Agency of Northern California (TANC), it was decided to conduct this investigation jointly. Over a dozen utilities were interviewed and the process led to three letter of intent agreements. The first was with Bonneville Power Administration (Bonneville or BPA) for a 20-year block of surplus energy which would convert to a seasonal exchange once the surplus energy was no longer available. The second was with PacifiCorp and would involve a block of energy supported by PacifiCorp’s portfolio of coal-fired generating plants. The third was with Pacific Northwest Generating Company (PNGC) regarding its fractional interest in the Boardman Coal Plant.

Only the Bonneville letter agreement resulted in a contract. The other two letter agreements ultimately did not result in contracts. The Bonneville Contract was completed and energy deliveries began with the commercial operation of the COTP and was to run through April 30, 2013. After several years, key provisions of the agreement were renegotiated to M-S-R PPA’s benefit. Bonneville subsequently exercised its right to effect a termination of the agreement on five-years notice and deliveries concluded September 30, 2005.

F. DEVERS-PALO VERDE NO. 2 TRANSMISSION PROJECT (DPV-2)

During the development of the Southwest Transmission Project to support deliveries of the San Juan Project, M-S-R PPA was faced with the task of securing transmission across the SCE service territory. SCE was sponsoring the second transmission line between Devers Substation and the Palo Verde Switchyard. SCE would provide the transmission service between Midway Substation and Devers Substation in exchange for M-S-R PPA’s participation in the project planning process. This project was being developed concurrently with the development of the Mead-Phoenix and Mead-Adelanto Transmission Projects. Besides M-S-R PPA, many of the southern California municipal utilities were participating in both transmission paths because it was not clear which, if either, was going to be built. When it was clear Mead-Phoenix and Mead-Adelanto were moving forward, SCE agreed to provide M-S-R PPA with transmission service contract between Midway Substation and the

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LADWP transmission system but was still interested in M-S-R PPA's participation in DPV-2 to complete the path through Mead. M-S-R PPA agreed to assign 60 MW of its transfer rights on the Mead-Adelanto Transmission for a 4-year term, during 1996 to 1999, in exchange for being released from its obligation to participate in DPV-2. M-S-R PPA's participation in DPV-2 was officially terminated several years later when SCE returned to M-S-R PPA the planning money it had contributed to the project.

G. ADELANTO-LUGO TRANSMISSION PROJECT

In the development of the Mead-Adelanto Transmission Project there was a disagreement over where to terminate the project in California. Certain Southern California municipal utilities participating in the project desired to have the project terminate in the LADWP system as they had transmission service contract rights through LADWP for delivery of generation to their individual systems. Other Southern California municipal utilities desired the project termination to be in the SCE transmission system, as they had contract transmission service rights through SCE for delivery of generation to their individual systems. M-S-R PPA also desired a SCE termination point. The proposed resolution was a termination of the project at Adelanto Switchyard with LADWP providing transmission service contracts between Adelanto and the SCE transmission system.

Once this plan was completed, the City of Anaheim (Anaheim) led the group of utilities desiring transmission service to the SCE transmission system in a study to add additional transmission facilities to replace the transmission service to be provided by LADWP. This effort became known as the Adelanto-Lugo Transmission Project. Environmental studies were completed and preliminary engineering commenced. Anaheim then convinced M-S-R PPA to assume the Project Management role for the project. Shortly after the transition of Project Management was completed, Anaheim announced it was withdrawing from the project. As there was insufficient interest in the project with Anaheim as the largest participant gone, M-S-R PPA chose to close out the contracts and terminate the project and rely on the aforementioned LADWP transmission service between Adelanto and the SCE system.

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H. CALIFORNIA-OREGON TRANSMISSION PROJECT AND SOUTH OF TESLA PRINCIPLES

Since the 1960's when Pacific Gas and Electric Company (PG&E) had exclusive access to the AC portion of the Pacific Northwest-Pacific Southwest 500-KV transmission system from Northern California to the Pacific Northwest (Intertie) only three governmental entities had rights on this system, Western Area Power Administration (Western), California Department of Water Resources (CDWR), and Sacramento Municipal Utility District (SMUD). There had been discussions among other municipal utilities interested in securing access to the Intertie and requests for such access had failed to yield results. In the offices of Resource Management International, Inc. (RMI) on December 22, 1982, key representatives of M-S-R PPA met to discuss their options. During the course of that meeting, a PG&E transmission tower failure near Tracy, California plunged over 5 million people in Northern California into darkness. It was then resolved by the meeting participants that the Members needed to obtain reliable transmission independent of PG&E.

Preliminary studies were undertaken under the working group known as the Northwest Transmission Joint Venture (NTJV). The founders of this working group were the M-S-R PPA Members. Their initial efforts took the project to the point where additional participation shares could be allocated. Modesto suggested its neighboring irrigation district, Turlock Irrigation District, be asked to participate. Santa Clara suggested its joint members in the Northern California Power Agency (NCPA) be asked to participate. Finally, SMUD approached the group and suggested it also be allowed to participate. This group of 15 municipal entities formed a joint powers agency in December 1984 with the name of the Transmission Agency of Northern California (TANC) with the intent of constructing the COTP.

As the COTP project progressed, additional entities including the California Investor-Owned Utilities (IOUs) PG&E, SCE, San Diego Gas and Electric Company (SDG&E) expressed interest in participating in the COTP. Southern California municipal utilities also expressed interest in participation in the COTP and extending the project into Southern California. PG&E successfully argued that additional facilities did not need to be built south of Tesla Substation and that PG&E would grant transmission service to those requesting such service. The SOTP provided 300 MW of transmission service between Tesla Substation and Midway Substation (including 150 MW for M-S-R PPA) until additional upgrades was necessary. In that instance, SOTP Participants could pay for their portion of necessary upgrades.

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With a proposed participation of almost half of the COTP capacity, the IOUs applied to the California Public Utilities Commission (CPUC) for Certificates of Public Convenience and Necessity (CPCN) for recovery of their investment in the COTP in rates. The CPUC rejected the applications of PG&E and SCE in the basis of lack of necessity and SDG&E was asked to provide additional documentation. None responded and all three IOUs withdrew from the COTP. In addition, PG&E refused to honor its commitments for SOTP transmission service but TANC successfully challenged PG&E at the Federal Energy Regulatory Commission (FERC) and the SOTP became a FERC approved rate schedule. The TANC Members had agreed to “step-up” their participation percentages in the COTP if, indeed, the CPUC took the action that it did. This step assured there was sufficient support for the project to move forward and TANC energized the COTP in 1993.

As part of the SOTP service, TANC and M-S-R PPA Members had committed to fund the costs of certain transmission system upgrades (Los Banos-Gates.) To cover such expenses, M-S-R PPA included an allocation \$4.2 million in its Series E Bonds to cover such expenses. Although PG&E subsequently performed the transmission upgrades, the costs were placed in Rate Base and reimbursements were not requested from either TANC or M-S-R PPA. In compliance with its Bond Indentures, M-S-R PPA used these funds to retire debt later in the 1990s.

I. EAST-SIDE TIE

Another project investigated by M-S-R PPA was a transmission line that would interconnect Tracy Substation and Adelanto Substation via a new line running down the east side of the Central Valley. This project known as the East Side Tie (and also referred to as the Central California Desert Southwest Transmission Project or CCDSW) would, if completed, in conjunction with the COTP, have created a municipal transmission path between Oregon through California to Arizona. This path would have eliminated the need for transmission service from the California IOUs for deliveries of capacity and energy from or between the Pacific Northwest and the Southwest. This project was studied by M-S-R PPA twice during the 1980s. The largest obstacle appeared to be the total cost, potentially \$1 billion. Although the project never evolved past the planning stage, the concept resurfaced in the late 2000s when TANC was planning numerous transmission projects around Northern California known as the TANC Transmission Project or TTP. One segment would have directly connected Santa Clara to the municipal utility transmission network. Another segment would

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have expanded the transmission system around Modesto and Turlock, which would have reinforced connections between Adelanto Substation and the transmission system in Northern California. Ultimately, support for all segments failed and no elements of the TTP were constructed.

J. SAN JUAN GENERATING STATION (OPERATING PHASE)

The operation and maintenance of the San Juan Generating Station by the Public Service Company of New Mexico (PNM) as Operating Agent was governed by the San Juan Project Participation Agreement. The provision of reserve sharing and power exchange services was provided by two surviving Service Schedules (Service Schedules “E” and “D” respectively) to an Interconnection Agreement Between Tucson Electric Power Company and M-S-R Public Power Agency dated September 20, 1982.

On July 22, 2015, M-S-R PPA adopted Resolution 2015-02 approving the execution of the following agreements which allowed the divestiture of the Agency’s ownership interest in the San Juan Generating Station on December 31, 2017 with effective dates as noted:

- (1) San Juan Project Restructuring Agreement (Effective January 31, 2016),
- (2) Amended and Restated Mine Reclamation and Trust Funds Agreement (Effective January 31, 2016),
- (3) San Juan Decommissioning and Trust Funds Agreement (Effective December 31, 2017),
- (4) Restructuring Amendment Amending and Restating the Amended and Restated San Juan Project Participation Agreement (Effective January 31, 2016), and
- (5) Exit Date Amendment Amending the Amended and Restated San Juan Project Participation Agreement (Effective December 31, 2017).

On July 19, 2017, M-S-R PPA adopted Resolution 2017-03 approving the execution of the following agreements which administratively completed the divestiture of the Agency’s ownership interest in the San Juan Generating Station on December 31, 2017:

- (1) Assignment, Assumption, Termination and Release Agreement,
- (2) New Exit Date Amendment Amending and Restating the Amended and Restated San Juan Project Participation Agreement,
- (3) Termination Agreement – Capacity Option and Funding Agreement,
- (4) Amendment Agreement to San Juan Project Early Purchase and Participation Agreement.

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- (5) Letter Agreement – Termination of Interconnection Agreement between PNM and M-S-R,
- (6) Termination Agreement – Amended and Restated Interconnection Agreement with Tucson Electric Power Company,
- (7) Amended and Restated NERC Delegation Agreement and Acknowledgment among Participants in San Juan Project,
- (8) Amended and Restated San Juan Project Designated Representative Agreement
- (9) Termination of San Juan Unit 4 Operating Procedure No. 1 Between PNM and M-S-R,
- (10) Instrument of Sale and Conveyance between M-S-R and PNM
- (11) Termination and Relinquishment by M-S-R.
- (12) Easement and Right of Entry.

The goals of the Agency in the divestiture of the San Juan Project were to relieve the Members from US EPA mandates to install uneconomic Clean Air Act Regional Haze station retrofits, to mitigate rapidly escalating Fuel and O&M costs, and to further comply with requirements of California Law including SB 1368 and AB 32. The benefits of the proposed restructuring of the San Juan Project were estimated to result in about \$6 million in immediate project operating cost savings, avoiding about \$28 million in station retrofit costs, allowing ongoing power cost savings valued at about \$200 million in a Navigant Consulting Inc. (NCI) 2014 study covering a 20-year period, and bounding current and future Agency liabilities. The Agency further caused the preparation of an Independent Consultant’s Report as required under the Agency’s Bond Indentures. In that report, the Independent Consultant found that through the seven-year period beginning in 2015 and continuing through the final retirement of the Agency’s San Juan Project Revenue Bonds in July 2022, the Member’s power supply costs would be reduced by \$81 million on a Net Present Value basis and that “it would be in accordance with sound utility practice to pursue a divestiture of the San Juan Unit No. 4 in accordance with the terms of the Restructuring Agreements and that such divestiture would not impair the ability of the Agency to comply with Bond Covenants nor would it hinder the Agency’s ability to make debt service payments as prescribed in its financing documents.”

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VI. HISTORIC LEGAL AND REGULATORY ACTIONS

Since its founding, M-S-R PPA has been party to a number of legal and regulatory actions. The following listing is intended to provide an overview of historic proceedings and provide context for past decisions by the Agency which subsequently influenced the development of its current projects, policies, and procedures.

A. TUCSON ELECTRIC POWER COMPANY – BREACH OF CONTRACT

Pursuant to Service Schedule B of the Interconnection Agreement between M-S-R PPA and TEP, M-S-R PPA was afforded access to system energy from the TEP system for use or sale to third parties. Under a formula mechanism, M-S-R PPA paid production cost plus 3 mills/kWh hour to TEP for their assistance in administering M-S-R PPA’s transactions. Upon commencement of the arrangement in 1982, M-S-R PPA secured a sale to SCE that was renewed annually through 1984. In 1985, TEP changed management and chose to contract directly with SCE leaving M-S-R PPA without counterparty. M-S-R PPA executed short-term sales arrangements with El Paso Electric Company and Texas-New Mexico Power Company, but it was obvious that M-S-R PPA had been damaged by TEP. On April 1, 1986, M-S-R PPA filed suit against TEP for Breach of Contract in Federal District Court and on October 31, 1989, M-S-R PPA was awarded a judgment against TEP for \$5 million.

B. STOLEN BEARER BONDS

In the early 1980s, Bearer Bonds from two different series were reported to the Agency as being lost or stolen. M-S-R PPA obtained Surety Bonds to protect the Agency and replacement Bearer Bonds were issued. The original bonds were eventually purchased by a third party in Switzerland and under a Swiss doctrine of a good faith purchase were presented for payment. Suit was filed in the Supreme Court of the State of New York by the purported purchasers to perfect their claims. M-S-R PPA tendered defense of the claims to the issuers of the Surety Bonds and no further payments or action by the Agency were required. Similarly in 2018, documents related to the Series 2008M Bonds were reported missing by the direct placement bondholder, and the Trustee required the posting of a Surety

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Bond by the bondholder before these Bonds could be paid.

C. SIERRA CLUB/GRAND CANYON TRUST – CLEAN AIR ACT – SAN JUAN

PNM, as Operating Agent and largest single owner of the San Juan Generating Station, was sued by Sierra Club/Grand Canyon Trust in 2002 over allegations of visibility/particulate violations. PNM subsequently negotiated a settlement (Consent Decree) in 2005 requiring retirement of the electrostatic precipitators used for particulate control on each of the four San Juan units and their replacement with baghouses, the installation of a mercury removal system, and the reduction of allowable limits for certain other emissions. Relying on PNM’s estimate the total cost of the project of approximately \$110 Million, the San Juan Owners signed a Memorandum of Understanding to support PNM in its settlement with Sierra Club/Grand Canyon Trust. With this commitment, the project proceeded but ultimately cost in excess of \$320 million. M-S-R PPA’s final share of the cost for Unit No. 4 was greater than \$24 million. The upgraded environmental systems were completed on Unit No. 4 in 2007. Ongoing environmental monitoring was required and continues in effect by the Remaining San Juan Participants.

D. SIERRA CLUB GROUND WATER – SAN JUAN

In December 2009, the San Juan Owners each received a notice of intent to sue under the Resources Conservation and Recovery Act (RCRA) from the Sierra Club alleging violations of ground and surface water contamination standards and improper placement of Coal Combustion Waste (CCW) in the San Juan mine. A settlement was eventually reached which resulted in a \$10 Million commitment by the San Juan Owners to construct a slurry wall to capture potential offsite transfer of groundwater from the plant site and other related projects. The installation of the slurry wall has been delayed due to property rights issues and although approved for construction in 2014, was completed in 2018. Additional projects were completed at a cost limit established in the settlement by the Remaining San Juan Participants.

E. SOUTHERN CALIFORNIA EDISON TRANSMISSION RATE CASES

On November 21, 1991, SCE signed Negotiating Principles with M-S-R PPA regarding transmission

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service from Victorville-Lugo to Midway. These principles were formalized in an Agreement dated May 1, 1995 (FERC Rate Schedule No. 339). This agreement came to be called an Existing Transmission Contract (ETC) after the California Independent System Operator (CAISO) took operational control of the IOU transmission systems in 1998.

Since the ETC was implemented, SCE has exercised its rights under the contract and applied to FERC to have the rates and charges for transmission service modified. Starting in 2008, SCE filed rate cases before the FERC that had the effect of increasing the costs of the transmission service provided to M-S-R PPA by orders of magnitude. M-S-R PPA vigorously contested these cases before FERC and, in adjudicated settlement processes, achieved and maintained rate-freezes with a transition to rolled-in rates. However, once the rate-freeze period ended on January 1, 2014, the stated rates under SCE's tariff increased to a level that rendered the transmission service uneconomic.

Each of the M-S-R PPA Members subsequently caused independent studies to be performed and to reach conclusions that alternate means of delivering San Juan Project Capacity and Energy was more economic and efficient than continuing to utilize the SCE TSA. Effective January 1, 2014 the M-S-R PPA Transmission Service was reduced from 150 MW to 98 MW on behalf of Santa Clara; effective January 1, 2015 reduced to 75 MW on behalf of Redding; and effective May 1, 2015 was terminated in its entirety on behalf of MID.

F. BONNEVILLE POWER ADMINISTRATION POWER SALES AGREEMENT AND OTHER LITIGATION

On September 30, 1997, Bonneville Power Administration (BPA or Bonneville) and M-S-R PPA executed a Firm Power Sales Agreement (BPA Agreement) which guaranteed that BPA would sell M-S-R PPA excess federal power through September 2004, and potentially until April 2013. The agreement required that BPA provide M-S-R PPA with an annual forecast of available excess federal power for the upcoming ten years and that BPA determine whether the anticipated amount of excess federal power would cover M-S-R PPA's energy needs for the sixth year beyond the current year. If Bonneville determined in any two consecutive years that it would have insufficient excess federal power to serve M-S-R PPA's needs and properly notified M-S-R PPA of this in writing, the Sales Agreement would of its own force terminate five years from the date shown on Bonneville's notice of termination.

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In 1999 and 2000 BPA issued annual ten-year forecasts projecting that no excess federal power would be available in 2004 and 2005 and provided the two notices necessary to terminate the BPA Agreement effective September 30, 2005.

M-S-R PPA filed three petitions for review with the Ninth Circuit U.S. Court of Appeals challenging: (1) Bonneville's reliance on factors other than its "then current contracts" for its August 30, 1999 forecast of excess federal power, its determination of insufficient excess federal power to serve M-S-R's needs in 2005, and the timeliness of its October 20, 1999 notice of that determination; (2) Bonneville's reliance on factors other than its "then-current contracts" for its September 28, 2000 "preliminary forecast" of excess federal power, and the timeliness of its September 29, 2000 notice of that power determination; and (3) the timeliness of Bonneville's December 19, 2000 "final" excess federal power forecast. M-S-R PPA contended these "fatal flaws" rendered the 1999 and 2000 determinations of excess power "void and of no force or effect" and required the Court to enjoin the termination of the BPA Agreement.

The Court determined that although M-S-R PPA contended that Bonneville failed to abide by the requirements of the BPA Agreement when forecasting excess federal power, M-S-R PPA actually challenged a decision made pursuant to BPA's statutory authority to forecast excess federal power. The Court further found that Congress implicitly delegated to BPA the authority to develop the necessary procedures to implement the marketing of excess federal power and that it was eminently reasonable for Bonneville to ground its forecasts in the best information available at that time, *i.e.*, predictions of future energy demand derived from its subscription process. The Court found BPA's consideration of these factors was neither arbitrary nor capricious and further found that it saw nothing arbitrary or capricious about BPA accounting for its unconditional obligations before its conditional ones. Finally, the Court determined that M-S-R's Timeliness Claims sounded in contract, and dismissed them for lack of jurisdiction. (*M-S-R Public Power Agency v. Bonneville Power Admin.* 297 F.3d 833 (9th Cir. 2002))

In 2011 BPA adopted Dispatcher Standing Order-216 (DSO-216) and a subsequent Record of Decision (ROD) regarding Environmental Redispatch. Pacific Northwest parties filed complaints to the Federal Energy Regulatory Commission (FERC). The ROD was subsequently overturned, but not before there were significant curtailments in summer 2011. BPA then filed an Oversupply

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Management Protocol (OMP) with FERC and unilaterally applied it during the 2012 runoff season resulting in similar curtailments. Subsequently, the FERC accepted the oversupply protocol as an interim remedy conditioned upon Bonneville’s filing of a proposed methodology for allocating displacement costs “in a manner that results in comparability in the provision of transmission service for all resources.” BPA filed a request asking the FERC to reconsider its condition that BPA file a cost allocation methodology before the Commission would fully accept the oversupply protocol and its directive to file a new cost allocation methodology within 90 days of the order. The OS-14 rate proceeding, which established rates to recover the costs incurred under BPA’s Oversupply Management Protocol, was concluded on March 27, 2014.

On July 23, 2015, BPA concluded the BP-16 rate proceeding to set power and transmission rates for the FY 2016 to 2017 rate period by issuance of the final Record of Decision. The rate schedules continue to allocate oversupply costs to generators within the BPA Balancing Area Authorities (BAAs) in proportion to their transmission schedules compared to total schedules during the oversupply period. Issues currently being addressed in post-case workshops include: Agency level financial reserves policy, Southern Intertie value issues, secondary revenue projections, debt repayment model, Montana wind development issues, capital investment strategies, and cost containment. The BP-20 rate proceeding was completed and new rates took effect October 1, 2019.

G. CALIFORNIA SENATE BILL 1368

California Senate Bill 1368 (SB 1368 – Statutes of 2006) established an Emissions Performance Standard of and prohibited certain investments in non-compliant facilities. Regulations promulgated by the California Energy Commission pursuant (CEC) to SB 1368 (06-OIR-1) restrict investments in baseload generation that does not meet an Emissions Performance Standard of 1,100 pounds of CO₂ per MWh of electricity, with limited exceptions including but not limited to routine maintenance, requirements of pre-existing contractual commitments, system reliability, or threat of significant financial harm. The law and related regulations require ongoing review and determination as to whether investments at the San Juan Project are permitted or are proscribed “covered procurements.” M-S-R PPA reviewed all prospective San Juan Project Capital Budget Items and made findings as to whether or not they constitute routine maintenance, are required by Prudent Utility Practice, or otherwise meet any of the exceptions or exemptions provided in the California Energy Commission’s (CEC) regulations. Capital Budget Items that impermissibly extend the life of the San Juan Project or

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otherwise fail to meet the requirements of the regulations may not be approved by the Agency. Through contractual arrangements with other San Juan owners, M-S-R PPA was relieved from the obligation of paying for Capital Budget Items effective July 1, 2014. Through the Restructuring Agreements, M-S-R PPA was relieved from requirements to vote on Capital Budget Items effective January 31, 2016. Therefore, M-S-R PPA no longer needs to make determinations pursuant to SB 1368 regulations.

On November 14, 2011, National Resources Defense Council (NRDC)/Sierra Club filed a petition with the CEC alleging California publicly owned utilities (POUs) are ignoring or violating the emission performance standards as they may be applicable to investments in coal-fired generating facilities such as the San Juan Project. In response, on January 12, 2012, the CEC issued an Order Instituting Rulemaking (12-OIR-01) to review the emission performance standard. On July 9, 2012, the CEC issued Tentative Conclusions and Requests for Additional Information followed by a Request for Reply Comments on August 31, 2012. As described in these requests, CEC considered amending their regulations to require the filing of additional information by POUs but did not propose any substantive changes in the emission performance standard. On March 19, 2014 the CEC in a Rulemaking concluded that the threshold for reporting capital projects under SB1368 should be set at \$2.5 million (or about 0.28 percent of annual capital expenditures for the San Juan Project). The CEC further required that Publicly Owned Utilities (POUs) provide an annual compliance plan with the Energy Commission for each non-EPS compliant facility, including for investments, capital expenditures, contractual changes, sales of interest or other activity; however, this requirement has an exemption for any facilities for which a POU has entered into a binding agreement to divest itself within five years; the exemption to remain for as long as the binding agreement is in place or the divestment has been completed. Given the execution of the Restructuring Agreements, M-S-R PPA believed it had met the requirements for this exemption. With the completion of the divestiture of the San Juan assets, this requirement and associated exemption is now moot.

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VII. FINANCING HISTORY

In September 1982, M-S-R PPA purchased from TEP certain system rights and an option to purchase a 28.8 percent interest in San Juan Unit 4 from PNM by May 1995. M-S-R PPA issued a promissory note to TEP for the purchase price with the intent to replace the note with permanent financing.

Before the permanent financing structure was completed, M-S-R PPA negotiated an early purchase of the ownership interest in San Juan Unit 4 from PNM effective December 31, 1983.

In June 1983, M-S-R PPA issued its \$215,000,000 San Juan Project Bond Anticipation Notes, Series A (Series A Notes) and \$232,000,000 San Juan Project Revenue Bonds, Series A (Series A Bonds) for the purpose of financing the portion of San Juan Project costs covering the payments to TEP and PNM. The decision to use the Series A Notes was to take advantage of the much lower short-term interest rates.

In October 1984, M-S-R PPA issued its \$220,600,000 San Juan Project Bond Anticipation Notes, Series B (Series B Notes) to provide funds to pay the Series A Notes. The Series B Notes did not mature until 1989, but a California initiative in 1985 would have, if approved by voters, limited municipal entities from securing long term financing. Facing the potential of having no means for meeting its obligations for the Series B Notes, M-S-R PPA issued its \$267,245,000 San Juan Project Revenue Bonds, Series B (Series B Bonds) to provide funds to pay the Series B Notes in August 1985. (The California initiative subsequently failed.)

In March 1987, M-S-R PPA issued its \$273,760,000 San Juan Project Revenue Bonds, Series C (Series C Bonds) to refund \$244,795,000 aggregate principal amount of Series B Bonds.

In January 1990, M-S-R PPA issued its \$86,000,000 San Juan Revenue Bonds, Series D (Series D Bonds) to refund \$76,675,000 aggregate principle of Series A Bonds.

M-S-R PPA issued its \$117,135,000 Series E Bonds in April 1991 to finance its ownership interest in the Southwest Transmission Project. The funds were used to construct a portion of the Mead-Phoenix Transmission Project, a portion of the Mead-Adelanto Transmission Project, and set aside \$5 Million for possible improvements on the PG&E Transmission system north of Midway Substation. PG&E improvements were ultimately completed without the need for funds from M-S-R PPA and

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construction costs for the Southwest Transmission Project were less than projected. In February 1997, M-S-R PPA took the available cash (\$28.47 Million) and retired certain Series E Bonds.

In 1993, M-S-R PPA issued \$108,960,000 San Juan Project Bonds, Series F (Series F Bonds) – April 1993 to refund certain Series A Bonds.

M-S-R PPA has issued refunding bonds to take advantage of improved interest rates over the years. In 1995, M-S-R PPA neared its limit for outstanding bond debt under the original bond indentures and instituted a Subordinate Lien Indenture to complete refundings and to issue variable rate debt not permitted under the original bond indentures. In addition, Internal Revenue Service rules limit the number of refundings as being eligible for tax-exempt status. Therefore, certain refunding debt was issued as taxable debt.

In 1995, M-S-R PPA issued \$21.3 Million, San Juan Project Subordinate Lien Revenue Bonds, Series 1995B (Series 1995B Bonds) – December 1995 (Tax-Exempt) and \$22.45 Million, San Juan Project Subordinate Lien Revenue Bonds, Series 1995C (Series 1995C Bonds) – December 1995 (Taxable) to refund certain Series B Bonds.

In 1997, M-S-R PPA issued floating rate debt to refund certain Series C Bonds and Series D Bonds:

- \$97,515,000 San Juan Project Bonds, Series G (Series G Bonds) – March 1997
- \$86,700,000 San Juan Project Bonds, Series H (Series H Bonds) – March 1997
- \$65,000,000 San Juan Project Subordinate Lien Revenue Bonds, Series 1997D (Series 1997D Bonds) – March 1997 (Tax-Exempt)
- \$65,000,000 San Juan Project Subordinate Lien Revenue Bonds, Series 1997E (Series 1997E Bonds) – March 1997 (Taxable)

In 1998, M-S-R PPA issued debt that was the subject of an interest rate swap with Morgan Guarantee Trust Company of New York to refund certain Series A and Series C Bonds.

- \$62,500,000 San Juan Project Subordinate Lien Revenue Bonds, Series 1998F (Series 1998F Bonds) – November 1998 (Tax-Exempt)
- \$17,000,000 San Juan Project Subordinate Lien Revenue Bonds, Series 1998G (Series 1998G Bonds) – November 1998 (Taxable)

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In 2001, M-S-R PPA issued \$64,320,000 San Juan Project Bonds, Series 2001I (Series I Bonds) – September 2001 to refund outstanding Series E transmission project bonds.

In 2003, M-S-R PPA issued \$54,435,000 San Juan Project Subordinate Lien Revenue Bonds, Series 2003I (Series 2003I Bonds) – May 2003 floating rate debt that was subject to an interest rate swap agreement from 2002 with Bear Sterns Capital Markets, Inc to refund certain Series F Bonds.

In 2004, M-S-R PPA issued \$50,330,000 San Juan Project Subordinate Lien Revenue Bonds, Series 2004J (Series 2004J Bonds) – March 2004 to refund certain Series H Bonds and the outstanding Series 1995C Bonds.

In 2007, M-S-R PPA issued \$48,305,000 San Juan Project Subordinate Lien Revenue Bonds, Series 2007K (Series 2007K Bonds) – December 2007 to refund the outstanding Series G Bonds.

In 2008, M-S-R PPA issued the following bonds to refund certain San Juan Project Subordinate Lien Revenue Bond from Series 1995B, Series 1997E, Series 1998F, Series 1998G and Series 2003I:

- \$118,865,000 San Juan Project Subordinate Lien Revenue Bonds, Series 2008L (Series 2008L Bonds) – July 2008
- \$62,500,000 San Juan Project Subordinate Lien Revenue Bonds, Series 2008M (Series 2008M Bonds) – July 2008
- \$17,000,000 San Juan Project Subordinate Lien Revenue Bonds, Series 2008N (Series 2008N Bonds) – July 2008

Also in 2008, interest rate swap agreements for the entire Series 2008M Bonds and Series 2008N Bonds were entered into with Morgan Guaranty Trust Company of New York.

In 2011, M-S-R PPA issued \$34,050,000 San Juan Project Subordinate Lien Revenue Bonds, Series 2011O (Series 2011O Bonds) – April 2011 to refund certain Series 2001I Bonds. Also in 2011, M-S-R PPA remarketed and reissued the Series 2008M Bonds and Series 2008N Bonds to Wells Fargo Bank, National Association pursuant to a Continuing Covenant Agreement.

In 2013, M-S-R PPA issued \$57,485,000 San Juan Project Subordinate Lien Revenue Bonds, Series 2013P (Series 2013P Bonds) – Fall 2013 (Taxable) which were replaced with \$55.600 Million, San

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Juan Project Subordinate Lien Revenue Bonds Series 2014Q (Series 2014Q Bonds) – Spring 2014 (Tax-exempt) to refund certain Subordinate Lien Revenue Bonds Series 1997D.

In 2016 M-S-R PPA realized \$60 Million in cash from the sale of the Southwest Transmission Project. These funds were used to call and defease certain bonds and partially terminate swap arrangements at a total cost of \$51.7 million to reduce the remaining debt service payments by an amount of \$54.9 million. In addition, certain funds were used to partially fund a decommissioning trust fund, partially fund a mine reclamation trust fund, and to fund a debt service coverage revolving fund.

In 2018, M-S-R PPA issued \$98,850,000 San Juan Project Bonds, (Series 2018R Bonds) – Spring 2018 (Tax-exempt) which replace outstanding Series 2008L Bonds and refund outstanding Series 2008M Bonds and Series 2008N Bonds.

As of December 31, 2020, M-S-R PPA is scheduled to have the following outstanding debt:

Issue	Year of Issue	Maturity	Coupon Rates %	Amount of Issue	Principal Outstanding
San Juan Subordinate Lien Revenue Bonds Series 2018R	2018	2019-2022	4.00-5.00	\$98,850,000	\$51,195,000
Total				\$98,850,000	\$51,195,000

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ALPHABETICAL LIST OF EXHIBITS:

EXHIBIT	TAB
Asset Capitalization Policy – Resolution No. 2014-06 Adopted August 20, 2014 Regarding Asset Capitalization Policy	23
Baker Tilly Virchow Krause LLP – Engagement of Baker Tilly Virchow Krause LLP as independent accountants dated September 25, 2015	13
Big Horn Operating Procedures – Service Schedule A to the Operating Agreement, Amended and Restated Big Horn Operating Procedures, adopted by the M-S-R PPA Commission November 23, 2012 per Resolution 2012-05	43
Big Horn II Operating Procedures – Operating Agreement Service Schedule K – Operating and Accounting Procedures For Big Horn II Wind Energy Project adopted by the M-S-R Commission May 18, 2011 pursuant to Resolution 2011-05	45
CEQA Guidelines – Resolution No. 95 – 1, Adopted February 22, 1995, Adopting Guidelines For The Implementation of the California Environmental Quality Act	53
Clean Air Act Allowances – M-S-R Clean Air Act SO2 Allowance Policy Adopted by M-S-R Commission September 28, 2005	47
Conflict of Interest Code – Conflict of Interest Code for M-S-R Public Power Agency effective July 6, 2016	21
Coordinator Services – Agreements for M-S-R Coordinator Services by and between M-S-R Public Power Agency and the Modesto Irrigation District, dated May 28, 1999, September 7, 2004, March 23, 2011 as amended March 18, 2015, and March 1, 2018.	42
Counterparty Credit Reporting – M-S-R General Manager’s administrative directive dated August 6, 2020 regarding Counterparty Credit Reporting.	34
Decommissioning Agreement – San Juan Decommissioning and Trust Funds Agreement Among Public Service Company of New Mexico, Tucson Electric Power Company, The City of Farmington, New Mexico, M-S-R Public Power Agency, The Incorporated County of Los Alamos, New Mexico, Southern California Public Power Authority, City of Anaheim, Utah Associated Municipal Power Systems, Tri-State Generation and Transmission Association, Inc., and PNMR Development and Management Corporation, dated July 31, 2015.	37
Debt Management – Resolution No. 2017-01, Adopted May 17, 2017, Regarding Debt Management Policy	33
Debt Service Coverage – Resolution No. 2014-07 Adopted September 24, 2014 Regarding Calculation of Debt Service Coverage	19
Debt Service Coverage Revolving Fund – Resolution No. 2016-02 Adopted July 20, 2016 Regarding Debt Service Coverage Revolving Fund	20

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Operating Procedures.	
Duncan, Weinberg, Genzer & Pembroke, PC – Legal Services Agreement Between the M-S-R Public Power Agency and Duncan, Weinberg & Miller, PC dated as of January 17, 1986	6
Election and Duties of Officers – Resolution No. 2013 – 01 Adopted March 20, 2013 Regarding Election and Duties of Officers	2
Energy Risk Management Policy – Resolution No. 2013 – 06 Adopted October 16, 2013 Regarding Energy Risk Management Policy and Risk Management Guidelines	18
Filing of Quarterly Treasurer’s Reports and Annual Audits – Memorandum Dated November 23, 2015 Regarding Filing of Quarterly Treasurer’s Reports and Annual Audits	24
Financial Management Committee Bylaws – Resolution No. 2013 – 10 Adopted October 16, 2013 Amended and Restarted Rules Of Procedure For The Financial Management Committee	17
General Manager Succession Plan – General Manager Succession Plan dated February 19, 2020	15
Investment Policy Guidelines of the M-S-R Public Power Agency 2020 (approved by Commission February 19, 2020)	32
Investment Signatories – Resolution No. 2012 -03 Adopted July 18, 2012 Approving Signatories Authorized to Invest M-S-R Public Power Agency Monies in the Local Agency Investment Fund and Other Permitted Investments	22
Joint Exercise Of Powers Agreement – M-S-R Public Power Agency By And Among the Modesto Irrigation District and the City Of Santa Clara and the City Of Redding, dated as of April 29, 1980, Amended and Restated as of November 17, 1982, as amended by Amendment Number 1 to the Amended and Restated Joint Powers Agreement, dated June 26, 1990, and by Amendment 2 to the Amended and Restated Joint Exercise of Powers Agreement, dated January 24, 2006	1
KBT, LLC – Agreement for Professional Services by and between KBT, LLC and M-S-R Public Power Agency dated September 15, 2010	10
L & R Workplan – California and Federal Legislative And Regulatory Representative Workplans 2020	49
Martin Hopper Energy Consulting – Amended and Restated Management Services Agreement by and between M-S-R Public Power Agency and Martin R. Hopper dba Martin Hopper Energy Consulting effective as of, January 1, 2010 and most recent amendment (Amendment 8)	14
Meeting Schedules And Posting Of Agendas – Resolution No. 2013 – 05 Adopted October 16, 2013 Regarding Meeting Schedules And Procedures For Posting Of Agendas For The M-S-R PPA Commission	3
Montague DeRose – Agreement For Professional Financial Advisor Services by and between M-S-R Public Power Agency, and Montague DeRose And Associates, LLC, effective January 1, 2010, as amended	9

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through Amendment No. 2.	
Navigant Consulting, Inc. – Agreement for Professional Services by and between Resource Management International, Inc. a wholly-owned subsidiary of Navigant Consulting, Inc. (nka Navigant, A Guidehouse Company) dated July 22, 1999, as amended February 7, 2012.	11
Operating Agreement – Amended and Restated Operating Agreement Between The M-S-R Public Power Agency and the Modesto Irrigation District, The City of Santa Clara, California, and The City of Redding, California dated February 1, 1997 with service schedules that may be revised from time to time. This agreement superseded the “Principles for the Scheduling and Dispatch of the M-S-R Public Power Agency’s San Juan Project Power,” dated June 20, 1984.	41
Orrick, Herrington & Sutcliffe LLP – Engagement Letter For Bond Counsel Services Outside a Specific Financing Program Between the M-S-R Public Power Agency And Orrick, Herrington & Sutcliffe LLP dated as of May 27, 1997	5
Payments – Required Form – M-S-R PPA Director’s administrative directive dated June 8, 2007	26
Payments – Late – Resolution No. 2018 - 02, Adopted September 19, 2018, Establishing a Policy Regarding Late Payment Policy	28
Payments – Third Parties – Resolution No. 95 - 3 Adopted April 19, 1995 Establishing A Policy For Payments By Third Parties On Behalf Of A Member To The Agency	27
Payments – Timely – Resolution No. 2009 – 02 Adopted May 20, 2009 Regarding The Timely Payment Of Invoices And Making Certain Delegations Of Agency	30
PNW Power Sales Agreement – Second Amended and Restated Pacific Northwest Project Power Sales Agreement dated May 24, 2005 between the M-S-R Public Power Agency and the Modesto Irrigation District, the City of Santa Clara, and the City of Redding	40
Politico Group – Agreement For Professional Services By And Between M-S-R Public Power Agency and Politico Group effective as of January 1, 2013	12
Porter Simon Professional Corporation – Agreement for Legal Representation between Porter Simon Professional Corporation and M-S-R Public Power Agency dated as of August 1, 1997	4
Procurement Policy – Resolution No. 2013 – 08 Adopted October 16, 2013 Regarding Procurement Policy	29
Privacy Statement – Web Site – M-S-R Public Power Agency Revised: July 28, 2010	50
Real Property Acquisition – Resolution No. 95 – 2, Adopted February 22, 1995, Adopting Guidelines For The Acquisition Of Real Property	54
Reclamation Agreement – Amended and Restated Mine Reclamation and Trust Funds Agreement Among Public Service Company of New Mexico, Tucson Electric Power Company, The City of Farmington, New Mexico,	38

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M-S-R Public Power Agency, The Incorporated County of Los Alamos, New Mexico, Southern California Public Power Authority, City of Anaheim, Utah Associated Municipal Power Systems, Tri-State Generation and Transmission Association, Inc., and PNMR Development and Management Corporation, dated July 31, 2015.	
Records Retention – Resolution No. 2013 – 02, Adopted on May 22, 2013, Regarding Retention and/or Destruction of Records	<u>52</u>
Reimbursement of Support Services – Resolution No. 2013 – 09, Adopted on October 16, 2013, Regarding Reimbursement of Costs of Support Services Provided By Member Agencies.	<u>31</u>
Reserves – Resolution No. 2016-04, Adopted November 16, 2016, Regarding Use and Transfers of Reserves and Working Capital	27
Resource Agreements – Service Schedule D to the Operating Agreement, Resource Agreements, adopted by the M-S-R PPA Technical Committee August 4, 2016	44
San Juan – Restructuring Amendment – Restructuring Amendment Amending and Restating the Amended And Restated San Juan Project Participation Agreement Among Public Service Company Of New Mexico, Tucson Electric Power Company, The City Of Farmington, New Mexico, M-S-R Public Power Agency, The Incorporated County Of Los Alamos, New Mexico, Southern California Public Power Authority, City Of Anaheim, Utah Associated Municipal Power Systems, Tri-State Generation and Transmission Association, Inc. dated July 31, 2015	36
Strategic Plan – Annual – M-S-R Public Power Agency Strategic Plan effective January 1, <u>2021</u> (approved by Commission September <u>30, 2020</u>)	<u>55</u>
Susie Berlin – Legal Services Agreement By and Between Law Offices of Susie Berlin and the M-S-R Public Power Agency dated April 1, 2013	7
Technical Committee Bylaws – Resolution 2011 – 01 Adopted January 19, 2011 Rules Of Procedure For The Technical Committee	<u>16</u>
Ten-Year Forecast – San Juan Ten-Year Forecast and Legacy Liability Funding Status Report, noted and filed by M-S-R Commission <u>February 19, 2020.</u>	39
Terms of Use Agreement – Web Site Between User and M-S-R Public Power Agency Revised: July 28, 2010	<u>51</u>
Tucson/San Juan Project Power Sales Agreement dated November 17, 1982, as amended August 30, 1999, between the M-S-R Public Power Agency and the Modesto Irrigation District, the City of Santa Clara, and the City of Redding	35
Virtue & Najjar, PC – Engagement Letter Between Virtue & Najjar, PC and the M-S-R Public Power Agency dated April 24, 2019.	<u>8</u>
Wildfire Mitigation Plans – Resolution 2019-01 Adopted September 18, 2019, Regarding Wildfire Mitigation Plans.	<u>48</u>
Working Capital Policy – Resolution No. 2020-01, Adopted September 30, 2020 Regarding Working Capital Policy	<u>25</u>

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Page 49: [11] Deleted **Author** **9/6/20 4:13 PM**

<u>Member Cash Call Reserve Account</u> – Resolution No. 99-01, Adopted November 17, 1999 Establishing a Member Cash Call Reserve Account Policy and a Member Cash Call Reserve Account	25
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Page 50: [12] Deleted **Author** **9/6/20 4:13 PM**

<u>Navigant Consulting, Inc.</u> – Agreement for Professional Services by and between Resource Management International, Inc, a wholly-owned subsidiary of Navigant Consulting, Inc, dated July 22, 1999, as amended February 7, 2012.	11
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Page 51: [13] Deleted **Author** **9/6/20 4:13 PM**

<u>San Juan – Operating Procedure No. 1</u> to Service Schedules D and E between Tucson Electric Power Company and M-S-R Public Power Agency dated April 27, 1995	34
<u>San Juan – Power Exchange</u> – Interconnection Agreement Between Tucson Electric Power Company and M-S-R Public Power Agency Service Schedule D – Power Exchange Agreement, dated November 29, 1982	32
<u>San Juan – Reserve Sharing</u> – Interconnection Agreement Between Tucson Electric Power Company and M-S-R Public Power Agency Service Schedule E – Reserve Sharing, dated January 23, 1985	33