

**M-S-R PUBLIC POWER AGENCY  
2022 STRATEGIC PLAN**



Effective January 1, 2022

COMMISSION REVIEW DRAFT  
SEPTEMBER 22, 2021

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

Effective January 1, 2022

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 2026.

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**M-S-R PPA STRATEGIC PLAN**  
Effective January 1, 2022

**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. The most recent update to the manual was completed in 2020.

### **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<sub>net</sub> 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 and to obtain clean-breaks where possible.

##### **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 project<sup>1</sup> 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, 2021, is about \$15.2 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.

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<sup>1</sup> 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.

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 is intended by PNM to be consummated in 2022 and would obviate the need for future decommissioning and demolition of these facilities.

A detailed decommissioning study performed in 2019 by Burns and McDonnell indicated 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. In August 2021 Burns and McDonnell was commissioned to perform a successor study utilizing a whole-life cost analysis basis as required under a stipulated settlement of the PNM-Avangrid merger case before the NM-PRC in Docket 20-00222. This study is expected to confirm that the least cost decommissioning alternative will be full demolition and site restoration suitable for future industrial re-use.

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 as a part of the decommissioning costs estimated by Burns and McDonnell.) 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.

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 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 Project<sup>2</sup>. 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-22 on July 28, 2021, which increased BPA transmission and ancillary services rates primarily applicable to the Big Horn projects by about 5.3%. 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. We also note BPA is collecting revenues for transmission capital projects significantly in excess of its actual expenditures and is applying short-term revenue financing to long-term projects.

### 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

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<sup>2</sup> 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.

Member resources. There are currently 15 active EIM participants<sup>3</sup> and 6 parties pending EIM participation in the near future<sup>4</sup>. Of particular concern to M-S-R PPA, BPA's participation in the EIM may affect costs of energy deliveries across the BPA system or the Pacific Northwest Interties. BPA's EIM implementation proposal indicates 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, 2022, deadline to notify Modesto of the third one-year extension of the current agreement.
2. Conduct competitive review of current and potential service providers prior to expiration of the current agreement and award of future contracts.

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<sup>3</sup> Active EIM participants as of January 1, 2022: Salt River Project, Seattle City Light, BANC, Idaho Power Company, PowerEx, Portland General Electric, Puget Sound Energy, Arizona Public Service, NV Energy, PacifiCorp, LADWP, PNM, Northwestern Energy, Turlock Irrigation District, and California ISO.

<sup>4</sup> EIM participation pending 2022: Avista, Tucson Electric Power Company, Tacoma Power, and Bonneville Power Administration. EIM participation pending 2023: Avangrid and El Paso Electric.

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:

<b>Member</b>	<b>Big Horn I Participation</b>	<b>Big Horn II Participation</b>	<b>Wind Energy (GWh) /*</b>
Modesto	12.5%	65%	146
Santa Clara	52.5%	35%	308
Redding	35.0%	-	172

\*Estimates are based on average annual Big Horn I & 2 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. In July 2021 the CARB initiated its 2022 Scoping Plan update.

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 April 30, 2021, Treasurer's Report, M-S-R PPA holds about \$84 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 made its final debt-service payments and retired all San Juan Project Revenue Bonds as of July 1, 2022. Other bonds previously issued by the Agency have also been retired or defeased.

### **Potential Actions:**

1. Make final debt service payments and file closing 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 Reserve tranches pertaining to Mine Reclamation and to San Juan Decommissioning.

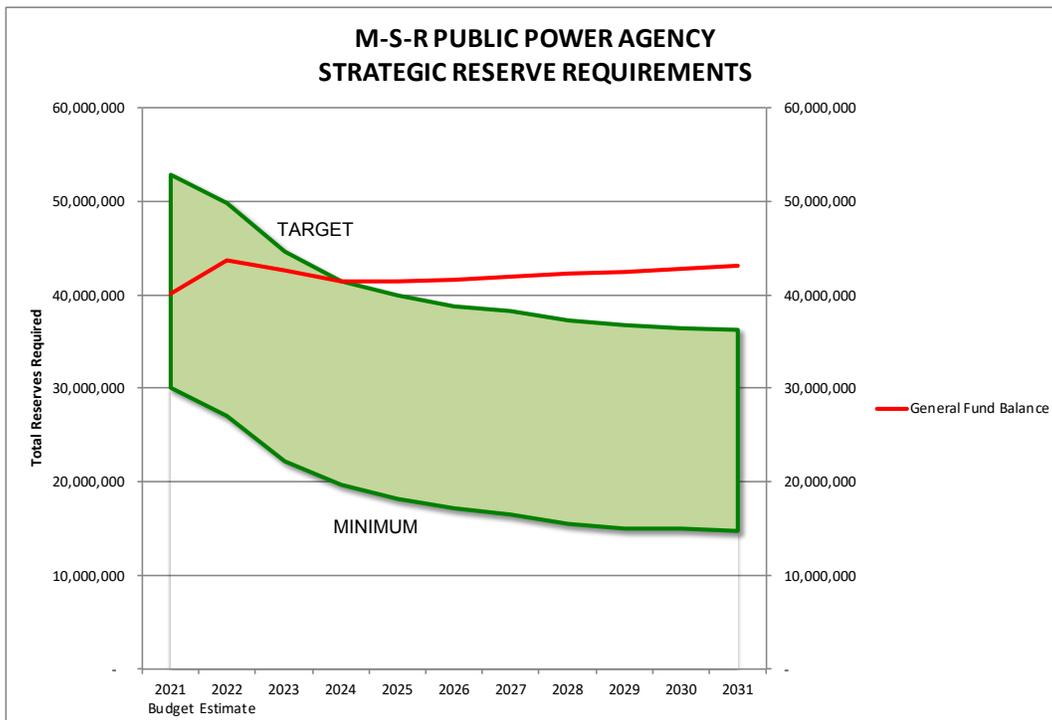
M-S-R PPA's Mine Reclamation Trust value requirement as of December 31, 2021, is about \$15.2 million and is currently projected to end the year with a balance of \$16.3 million. The Working Capital Policy sets the objectives for the Mine Reclamation Contingency and Administration reserve tranche at target and minimum levels as shown below based on the Mid-Year 2021 M-S-R Strategic Reserve Funding Status Report.

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. Updates to these cost estimates resulting from the 2021 Decommissioning Study are not yet available.

As tabulated below the estimated General Fund balances in 2022 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 2022	Target Working Capital	Minimum Working Capital
Net General Fund	\$43,685,000	\$43,685,000
Days of Working Capital Available	245	245
Working Capital Tranche 1 – Agency A&G	\$441,000	\$441,000
Working Capital Tranche 2 – Purchase Power	\$11,083,000	\$5,547,000
Working Capital Tranche 3 – San Juan Fixed	\$2,288,000	\$2,288,000
Working Capital Tranche 4 – Reclamation Legacy Liability Contingency	\$6,844,000	\$6,646,000
Working Capital Tranche 5 – Decommissioning Legacy Liability Cost	\$29,095,000	\$12,099,000
Sum of Tranches	\$49,752,000	\$27,021,000
Sum of Tranches in Days	279	152

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. Pursuant to Resolution 2020-01 Section E, the first such disbursement opportunity is projected to occur in 2026.

### **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 MANAGEMENT AND 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.

### **Agency Governance and Oversight**

The Agency's Commission and its Committees (Technical, Financial and Risk Management) are required to meet at least annually pursuant to either the Joint Powers Agreement or their bylaws. Over the course of the year the mandatory functions of the Commission include election of officers,

receipt of the audit, and approval of the budget. Discretionary functions of the Commission include a mid-year budget review and as prerequisites to the preparation of the annual budget, review and approval of an annual strategic plan, and biennial reviews of the Agency’s policy manual and conflict of interest code. The only specified annual action of the Technical Committee is its review of the Agency’s strategic plan. The Financial Management Committee has no time-triggered duties. The Risk Management Committee is to annually report on compliance with the Risk Management Policy. The duties of the Commission and Committees can be summarized as follows:

<b><u>Commission – Mandatory</u></b>	<b><u>Duty</u></b>	<b><u>Timing</u></b>
	Election of Officers	Annual – First Meeting of year
	Receipt of Audit	Annual – Prior to May 31
	Approval of Budget	Annual – Prior to November 30
	Receipt of Treasurer’s Reports (Funds and Disbursements)	Quarterly – Next Regular Meeting
	Strategic Plan	Annual – Prior to Budget Preparation
	Policy and Procedure Manual Update	Biennial per Resolution
	Approval of Conflict-of-Interest Code	Biennial (Even-Numbered Years) – Prior to October 1
<b><u>Commission – Discretionary</u></b>	<b><u>Duty</u></b>	<b><u>Timing</u></b>
	Mid-Year Budget Review	Mid-Year
	General Manager Performance	Annual
	Year-End Budget Review	After close of fiscal year
	Project and Legal Matters	As-Needed

<b><u>Technical Committee – Mandatory</u></b>	<b><u>Duty</u></b>	<b><u>Timing</u></b>
	Strategic Plan	Annual – Prior to Budget Preparation per Bylaws
<b><u>Technical Committee – Discretionary</u></b>	<b><u>Duty</u></b>	<b><u>Timing</u></b>
	Budget Workshop	Annual – Prior to Commission Budget Review
	Project and Legal Matters	As-Needed

The Commission and Technical Committee currently meet on a modified quarterly schedule with an additional meeting in July to address the Mid-Year Budget Review and other emergent matters. The Technical Committee also schedules a single-day review of BPA-related activities as an adjunct to its annual Strategic Plan review. The Financial Management and Risk Management Committees meet only on an as-needed basis.

**Goals:**

Balance oversight roles of Commission and Committees with economy of meetings.

Potential Actions:

1. Maintain modified quarterly meeting schedules for Commission and Technical Committee and eliminate mid-year meetings.
2. Maintain Commission meetings when scheduled to be consecutive with TANC Commission meetings to minimize Commissioner travel.

**Recommendations**

1. Given that recent mid-year Budget reviews have not resulted in budget amendments or augmentations, eliminate mid-year budget review meetings.
2. Upon achievement of San Juan Legacy Liability Clean-Breaks:
  - a. Consider modifying strategic plan and other reviews to biennial or quadrennial bases.
  - b. Consider disbanding Brown Act or standing advisory committees.

**Conflict of Interest Code**

Pursuant to California Law, the Agency has adopted a Conflict-of-Interest Code. The requirements of the code center around the disclosure of Commissioner and Committee Member financial interests that could be affected by the decisions made on behalf of the Agency and are reported on FPPC Form 700. The Agency's defined territory is broadly delineated as being all of Northern California. Although currently waived by the Governor's Executive Order pertaining to the COVID-19 pandemic and as will be temporarily amended by AB361, the Brown Act permits the Agency to meet anywhere in the State.

**Goals:**

Balance the need for financial interest disclosure with reporting burdens on Commissioners and Committee Members regarding interests in locations remote to the day-to-day activities of the Agency.

Potential Actions:

1. Eliminate remote locations from the Agency’s defined territory to simplify financial interest reporting.

**Recommendations**

1. Consider elimination of remote counties from Agency’s defined territory.

**Succession Planning**

The Agency’s Policy and Procedures Manual now includes a General Manager Succession Plan addressing circumstances of Temporary or Short-Term Absences, Unplanned Absences (Long-term), and Retirement of the General Manager. The plan addresses coverage for the General Manager’s roles in case of absence and outlines a process for the definition of future General Manager roles and for the recruitment of future General Managers.

**Goals:**

Implement the Succession Plan to avoid interruptions in the conduct of the Agency’s business and provide for a smooth transition to future management structures or roles.

Potential Actions:

1. Begin preparation of a revised strategic plan, General Manager job description, and General Manager recruitment process upon receipt of notice of General Manger’s intention to retire.

**Recommendations**

1. Implement General Manager succession processes within timelines specified in the Succession Plan contained in Tab 15 of the Policies and Procedures Manual upon any applicable trigger event.

## **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, and 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 ten 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. Update California and Federal Legislative and Regulatory Representative Workplans only as-needed.
2. Rely on Member coverage for California and Federal Legislative or Regulatory advocacy unless otherwise directed for specific issues, or as identified in Workplans.

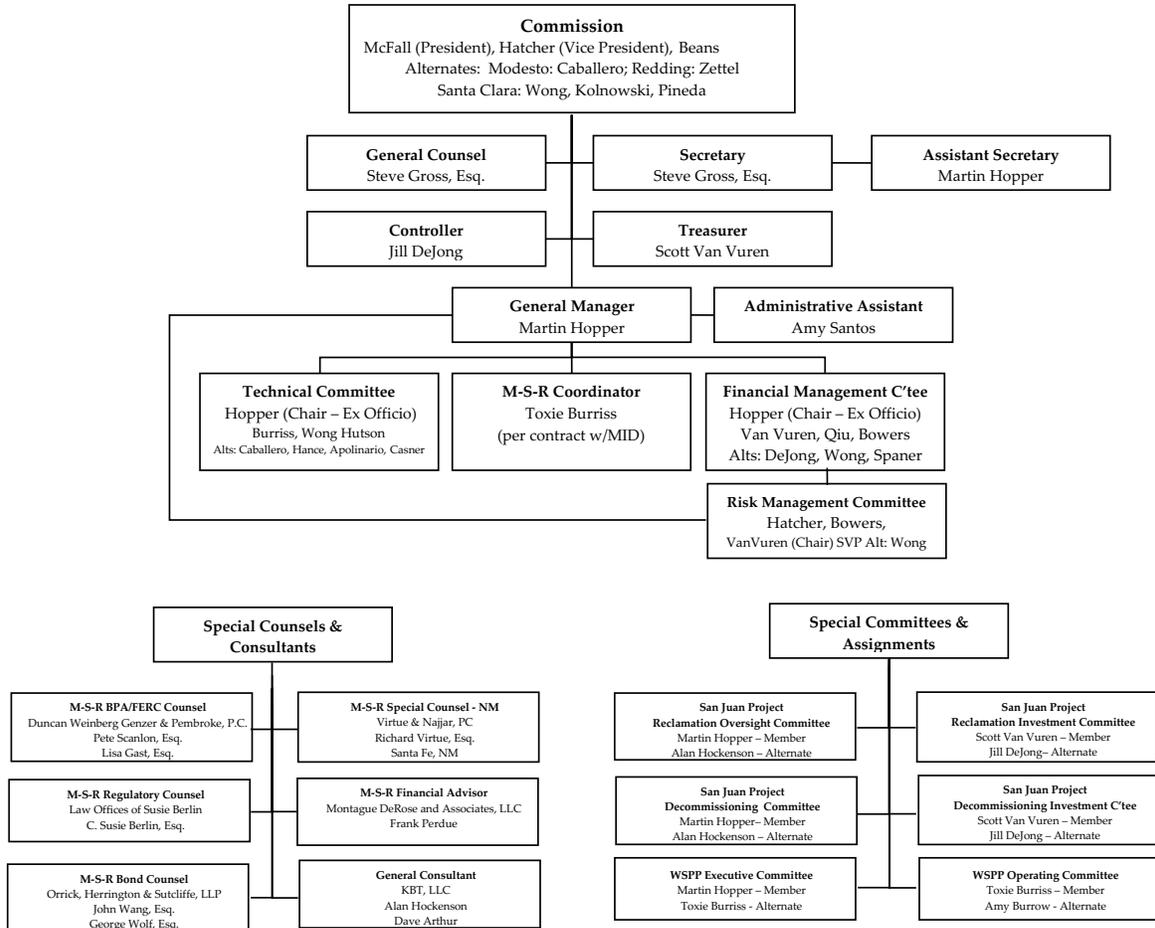
#### **Recommendations**

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



Revised: September 22, 2021