

## AGENDA

### BOARD OF DIRECTORS MIDDLE FORK PROJECT FINANCE AUTHORITY

**Thursday, January 16, 2014  
10:00 a.m., Regular Meeting**

American River Room  
Placer County Water Agency  
144 Ferguson Road  
Auburn, California

#### Members of the Board of Directors:

#### ***PLACER COUNTY WATER AGENCY***

Primo Santini, District 2  
Mike Lee, District 3, Vice-Chair

#### ***COUNTY OF PLACER***

Robert Weygandt, District 2  
Jim Holmes, District 3, Chair

#### A. Call to Order

1. Roll call
2. Pledge of Allegiance
3. Election of Chair and Vice-Chair for 2014

B. Public Comment: Any member of the public may address the Authority Board on any matter within the jurisdictional authority of the Authority Board, or on any item of this agenda before or during the Authority Board's consideration of that item. Public comment is limited to three minutes per person or spokesperson of any group or such other time limit as may be imposed by the Chair in order to enable the Authority Board to complete its agenda within a reasonable period of time.

#### C. Agenda Review and Changes

D. Consent Calendar: All items listed under the consent calendar are considered to be routine and will be approved by one motion. There will be no separate discussion of these items unless a member of the Board, audience, or staff requests a specific item be removed from the consent calendar for separate action. Any item so removed will be taken up following the motion to approve the consent calendar.

1. Approve October 17, 2013, minutes.
2. Receive and file Check Register 14-01 expenses disbursed.
3. Receive and file Treasurer's Investment Report for quarter ended December 31, 2013.

4. Adopt **Resolution 14-\_\_ Adopting the Annual Investment Policy.**
- E. General Items
1. Receive report on 2013 energy market and Middle Fork Project performance. Take action as appropriate.
  2. Approve contract with Maze & Associates to provide financial statement auditing services for the year ending December 31, 2013. Take action as appropriate.
  3. Receive and file year-to-date preliminary budget and actual schedules through December 31, 2013. Once the financial outcome for the year ending 2013 is determined, direct the Authority Treasurer to allocate net revenue over/under expenditure amounts to/from the Middle Fork Project Finance Authority Operating Reserve account. Take action as appropriate.
- F. Reports by Directors: In accordance with Government Code § 54954.2(a), Directors may make brief announcements or brief reports on their own activities. They may ask questions for clarification, make a referral to staff or take action to have staff place a matter of business on a future agenda.
- G. Reports by Legal Counsel
- H. Reports by Secretary
- I. Reports by Executive Director
- J. Adjournment

**THE NEXT RESOLUTION NUMBER IS 14-01**

The administrative affairs of the MFP Finance Authority are managed by PCWA. Inquiries regarding the MFP Finance Authority should be directed to the PCWA General Manager's office (530) 823-4860 for reply.

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact PCWA at (530) 823-4860. Notification by Friday noon preceding the meeting will enable the Authority to make reasonable arrangements to ensure accessibility to this meeting. [28 CFR 35.102-35.104 ADA Title II]

In accordance with Government Code Sec. 54954.2(a) this notice and agenda were posted in the Agency's outdoor bulletin board at the Placer County Water Agency Business Center at 144 Ferguson Road, Auburn, California, on January 10, 2014.

Any writing that is a public record under the Public Records Act that relates to an agenda item for an open session of the Board meeting that is distributed less than 72 hours prior to the meeting will be made available for public inspection at the time the writing is distributed to any Board members. Also, any such writing will be available for public inspection at the Agency's office located at 144 Ferguson Road, Auburn, California, during normal business hours.

**Tentative Schedule of Upcoming Middle Fork Project Finance Authority Board Meetings**

- **Thursday, April 17, 2014, 10:00 a.m.** – Regular MFP Finance Authority Board of Directors' meeting at Placer County Water Agency Business Center, 144 Ferguson Road, Auburn, California.

**MINUTES**

**MIDDLE FORK PROJECT  
FINANCE AUTHORITY**

**Thursday, October 17, 2013  
10:00 a.m., Regular Meeting**

Placer County Water Agency  
Business Center  
144 Ferguson Road  
Auburn, California

Members of the Board of Directors:

**PLACER COUNTY WATER AGENCY**

Primo Santini, District 2  
Mike Lee, District 3, Vice-Chair

**COUNTY OF PLACER**

Robert Weygandt, District 2  
Jim Holmes, District 3, Chair

Authority Personnel Present

David Breninger, Executive Director; Scott A. Morris, General Counsel; Einar Maisch, Agency Director;  
David Boesch, Secretary.

County of Placer Staff Present

Holly Heinzen, Chief Assistant CEO; Jenine Windeshausen, Treasurer; Gerald Carden, County Counsel;  
Andy Heath, Deputy CEO; Brett Storey, Sr. Management Analyst; Dean Tibbs, Consultant; Beverly  
Roberts, Clerk.

Placer County Water Agency Staff Present

Joseph Parker, Director of Financial Services/MFP Finance Authority Treasurer; Andy Fecko, Director of  
Resource Development; Jay L'Estrange, Director of Power Generation Services; Michael Willihnganz,  
Director of Administrative Services; Ben Ransom, Environmental Scientist; Monica Penney, Deputy  
Director of Financial Services

A. Call to Order

1. Roll call – All Directors present.
2. Pledge of Allegiance – Led by Director Jim Holmes.

B. Public Comment: None.

C. Agenda Review and Changes: No changes.

D. Consent Calendar:

1. Approve July 18, 2013, minutes.
2. Receive and file Check Register 13-03 expenses disbursed.
3. Receive and file Treasurer's Investment Report for the quarters ended September 30, 2013.

Motion by Director Lee to approve Consent Calendar, motion seconded by Director Weygandt and unanimously approved by all Directors.

E. General Items

1. Report on Middle Fork Project Operations; take action as appropriate.
  - a. Unit availability and performance
  - b. California market conditions
  - c. Middle Fork Project market operations

Director of Resource Development, Andy Fecko, gave a report and powerpoint presentation on the 2013 Middle Fork Project update with the following overview:

- 2013 Hydrology
- 2013 YTD Market Performance
- Markets and Strategic Initiatives
- 2014 Hydrology Forecast
- Operations and Maintenance

Discussions by Directors and staff. No action needed.

2. Approve the proposed Middle Fork Project Finance Authority General Financial Policy revisions. Take action as appropriate.

Authority Treasurer, Joseph Parker, gave a briefing on seven proposed General Financial Policy paragraphs with revisions as noted, stating overall these proposed changes will provide better guidance for financial transactions and, therefore, requests approval.

- Capital Budget budgetary control to the annual capital total and the 5-year project total amount.
- Project Budget increases – revision provides the Authority Executive Director or designee with project budget authorization, with advance written notification

of the Authority Secretary or designee, if such increase does not exceed the Budgetary Control.

- Revise the dates to align with the existing timeline, whereby “before October 1”, is revised to state “at the regular October meeting”. This revision covers two paragraphs.
- Add the Phrase “considered Major Projects” to define those projects greater than \$1 million as “Major Projects” which is consistent with the Capital Plan.
- Proposed to eliminated this additional budget authorization process which is not considered necessary. The Capital Plan with annual Capital Budget for projects, as well as the 5-year Capital Plan covers this matter.
- Capital Reserve Funding Target further defined to be based on the 5-year Capital Plan.

Motion by Director Weygandt to approve item E2, motion seconded by Director Santini and unanimously approved by all Directors.

3. Middle Fork Project Finance Authority year-to-date Budget and Actual Schedules through September 30, 2013. Take action as appropriate.
  - a. Approve the project level budget amendments;
  - b. Authorize net revenue amounts that are beyond the 2013 Budgeted Operating Reserve amount to be funded to the Operating Reserve for 2013; and
  - c. Receive and filing the remaining report.

Authority Treasurer, Joseph Parker, gave an overview of the Summary Schedule which he noted included for the first time the current year’s Capital Project Budget and Actual amounts with expenditures (Operating and Capital Project).

Motion by Director Santini to approve item E3 a, b, c; motion seconded by Director Weygandt and unanimously approved by all Directors.

4. Approve proposed 2014 Middle Fork Project Finance Authority Budget. Take action as appropriate.

Authority Treasurer, Joseph Parker gave an overview of four Exhibits (A, B, C, D):

- Proposed 2014 MFP Finance Authority Budget Schedule
- Proposed MFP Finance Authority Reserve Schedule
- Proposed MFP Finance Authority Five Year Capital Plan
- Proposed 2014 MFP Finance Authority Project Descriptions

Motion by Director Weygandt to approve item E4, motion seconded by Director Lee and unanimously approved by all Directors.

- 5. Report on Memorandum of Agreement between PCWA and the County of Placer to fund Middle Fork Project related services. Take action as appropriate

Director of Resource Development, Andy Fecko, gave a detailed briefing on the Agreement with the County of Placer to pay for Middle Fork Project related services rendered in support of operations of the Agency's Middle Fork Project. He noted the amount to be paid to the County by the Agency for the services included in the Agreement for two-thirds of 2013 is \$1,093,775 noting there are sufficient funds in the 2013 budget for this cost.

He also noted for 2014, the first full year of commercial operation, the total is \$1,632,500, plus the ongoing administrative and other support costs related to the Project and are both included in the draft Proposed 2014 Budget.

Some discussion by Directors. No action needed.

F. Remarks/Reports by Directors: Director Lee thanked staff for their thoroughness in reporting out to the Board. All Directors agreed.

G. Remarks/Reports by Legal Counsel: None.

H. Remarks/Reports by Secretary: None.

I. Remarks/Reports by Executive Director: None

J. Adjournment

Chairman Holmes moved to adjourn meeting, seconded by Director Santini and unanimously approved by all Directors. Meeting adjourned at 11:05 a.m.

Next meeting scheduled for Thursday, January 16, 10:00 a.m. – Regular Board of Directors' meeting at Placer County Water Agency Business Center, 144 Ferguson Road, Auburn, California.

\_\_\_\_\_  
David Boesch, Secretary

\_\_\_\_\_  
Date

\_\_\_\_\_  
Beverly Roberts, Clerk

\_\_\_\_\_  
Date

## CHECK REGISTER 14-01

## MIDDLE FORK PROJECT FINANCE AUTHORITY

The Board of Directors of the Middle Fork Project Finance Authority as of this date 1/16/2014, do hereby receive and file the following check register listing for the period from 10/5/2013 to 1/3/2014 from the MFP Finance Authority Checking Account.

PAYEE	DESCRIPTION	AMOUNT
PLACER COUNTY WATER AGENCY	MFP REIMBURSEMENT	1,595,793.60
PLACER COUNTY WATER AGENCY	MFP REIMBURSEMENT	697,404.40
PLACER COUNTY WATER AGENCY	MFP REIMBURSEMENT	639,296.60
PLACER COUNTY WATER AGENCY	MFP REIMBURSEMENT	467,547.37
PLACER COUNTY WATER AGENCY	MFP REIMBURSEMENT	421,723.36
PLACER COUNTY WATER AGENCY	MFP REIMBURSEMENT	323,095.73
PLACER COUNTY WATER AGENCY	MFP REIMBURSEMENT	190,494.56
PLACER COUNTY WATER AGENCY	MFP REIMBURSEMENT	176,641.97
INTERNAL REVENUE SERVICE	PRIVATE RULING REQUEST	18,000.00
KRONICK MOSKOVITZ TIEDEMANN	LEGAL SERVICES	3,943.35
KRONICK MOSKOVITZ TIEDEMANN	LEGAL SERVICES	2,921.40
KRONICK MOSKOVITZ TIEDEMANN	LEGAL SERVICES	1,600.00
	<b>TOTAL</b>	<b><u>\$4,538,462.34</u></b>

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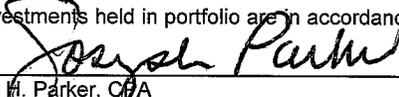
**MFP Finance Authority  
Portfolio Management  
Portfolio Summary  
December 31, 2013**

D.3.

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Mat./Call	YTM 365 Equiv.
Local Agency Investment Funds	19,505,916.02	19,505,916.02	19,505,916.02	99.93	1	1	0.263
Checking Accounts	13,728.63	13,728.63	13,728.63	0.07	1	1	0.100
<b>Investments</b>	<b>19,519,644.65</b>	<b>19,519,644.65</b>	<b>19,519,644.65</b>	<b>100.00%</b>	<b>1</b>	<b>1</b>	<b>0.263</b>
<b>Cash and Accrued Interest</b>							
Accrued Interest at Purchase		0.00	0.00				
Ending Accrued Interest		9,370.49	9,370.49				
Subtotal		9,370.49	9,370.49				
<b>Total Cash and Investments Value</b>	<b>19,519,644.65</b>	<b>19,529,015.14</b>	<b>19,529,015.14</b>		<b>1</b>	<b>1</b>	<b>0.263</b>

Total Earnings	December 31 Month Ending	Fiscal Year To Date	Fiscal Year Ending
Current Year	4,254.29	27,207.01	27,207.01
Average Daily Balance	20,346,880.27		
Effective Rate of Return	0.25%		

The investments held in portfolio are in accordance with the Investment Policy of the Middle Fork Project Finance Authority.

  
 \_\_\_\_\_ January 6, 2014  
 Joseph M. Parker, CFA

**MFP Finance Authority  
Portfolio Management  
Portfolio Details - Investments  
December 31, 2013**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Term	Days to Mat./Call	YTM 365	Maturity Date
<b>Local Agency Investment Funds</b>												
LAIF	10001	Local Agency Investment Fund			19,505,916.02	19,505,916.02	19,505,916.02	0.263	1	1	0.263	
		<b>Subtotal and Average</b>	<b>18,247,851.50</b>		<b>19,505,916.02</b>	<b>19,505,916.02</b>	<b>19,505,916.02</b>		<b>1</b>	<b>1</b>	<b>0.263</b>	
<b>Checking Accounts</b>												
5616-OPERATIONS	10000	Union Bank of California			13,728.63	13,728.63	13,728.63	0.100	1	1	0.100	
		<b>Subtotal and Average</b>	<b>2,099,028.77</b>		<b>13,728.63</b>	<b>13,728.63</b>	<b>13,728.63</b>		<b>1</b>	<b>1</b>	<b>0.100</b>	
		<b>Total and Average</b>	<b>20,346,880.27</b>		<b>19,519,644.65</b>	<b>19,519,644.65</b>	<b>19,519,644.65</b>		<b>1</b>	<b>1</b>	<b>0.263</b>	

**MFP Finance Authority  
Portfolio Management  
Portfolio Details - Cash  
December 31, 2013**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Term	Days to Mat./Call	YTM 365
<b>Average Balance</b>			<b>0.00</b>	Accrued Interest at Purchase		0.00	0.00		<b>0</b>	<b>0</b>	
				Ending Accrued Interest		9,370.49	9,370.49				
				Subtotal		9,370.49	9,370.49				
<b>Total Cash and Investment Value</b>			<b>20,346,880.27</b>		<b>19,519,644.65</b>	<b>19,529,015.14</b>	<b>19,529,015.14</b>		<b>1</b>	<b>1</b>	<b>0.263</b>

**MFP Finance Authority  
Portfolio Management  
Activity By Type  
December 1, 2013 through December 31, 2013**

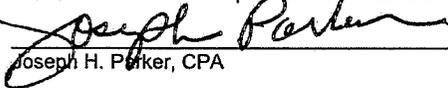
CUSIP	Investment #	Issuer	Stated Rate	Transaction Date	Purchases or Deposits	Redemptions or Withdrawals	Balance
<b>Local Agency Investment Funds (Monthly Summary)</b>							
LAIF	10001	Local Agency Investment Fund	0.263		2,000,000.00	700,000.00	
		<b>Subtotal</b>			<b>2,000,000.00</b>	<b>700,000.00</b>	<b>19,505,916.02</b>
<b>Checking Accounts (Monthly Summary)</b>							
5616-OPERATIONS	10000	Union Bank of California	0.100		2,783,364.86	4,938,175.00	
		<b>Subtotal</b>			<b>2,783,364.86</b>	<b>4,938,175.00</b>	<b>13,728.63</b>
		<b>Total</b>			<b>4,783,364.86</b>	<b>5,638,175.00</b>	<b>19,519,644.65</b>

**MFP Finance Authority  
Portfolio Management  
Portfolio Summary  
November 30, 2013**

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Mat./Call	YTM 365 Equiv.
Local Agency Investment Funds	18,205,916.02	18,205,916.02	18,205,916.02	89.36	1	1	0.266
Checking Accounts	2,168,538.77	2,168,538.77	2,168,538.77	10.64	1	1	0.100
<b>Investments</b>	<b>20,374,454.79</b>	<b>20,374,454.79</b>	<b>20,374,454.79</b>	<b>100.00%</b>	<b>1</b>	<b>1</b>	<b>0.248</b>
<b>Cash and Accrued Interest</b>							
Accrued Interest at Purchase		0.00	0.00				
Ending Accrued Interest		5,172.49	5,172.49				
Subtotal		5,172.49	5,172.49				
<b>Total Cash and Investments Value</b>	<b>20,374,454.79</b>	<b>20,379,627.28</b>	<b>20,379,627.28</b>		<b>1</b>	<b>1</b>	<b>0.248</b>

Total Earnings	November 30 Month Ending	Fiscal Year To Date
Current Year	4,193.66	22,893.89
Average Daily Balance	19,597,501.89	
Effective Rate of Return	0.26%	

The investments held in portfolio are in accordance with the Investment Policy of the Middle Fork Project Finance Authority.

  
Joseph H. Parker, CPA

12/10/2013

**MFP Finance Authority  
Portfolio Management  
Portfolio Details - Investments  
November 30, 2013**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Term	Days to Mat./Call	YTM 365	Maturity Date
<b>Local Agency Investment Funds</b>												
LAIF	10001	Local Agency Investment Fund			18,205,916.02	18,205,916.02	18,205,916.02	0.266	1	1	0.266	
		<b>Subtotal and Average</b>	<b>18,930,916.02</b>		<b>18,205,916.02</b>	<b>18,205,916.02</b>	<b>18,205,916.02</b>		<b>1</b>	<b>1</b>	<b>0.266</b>	
<b>Checking Accounts</b>												
5616-OPERATIONS	10000	Union Bank of California			2,168,538.77	2,168,538.77	2,168,538.77	0.100	1	1	0.100	
		<b>Subtotal and Average</b>	<b>666,585.87</b>		<b>2,168,538.77</b>	<b>2,168,538.77</b>	<b>2,168,538.77</b>		<b>1</b>	<b>1</b>	<b>0.100</b>	
		<b>Total and Average</b>	<b>19,597,501.89</b>		<b>20,374,454.79</b>	<b>20,374,454.79</b>	<b>20,374,454.79</b>		<b>1</b>	<b>1</b>	<b>0.248</b>	

**MFP Finance Authority  
Portfolio Management  
Portfolio Details - Cash  
November 30, 2013**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Term	Days to Mat./Call	YTM 365
		Average Balance	0.00	Accrued Interest at Purchase		0.00	0.00			0	0
				Ending Accrued Interest		5,172.49	5,172.49				
				Subtotal		5,172.49	5,172.49				
		<b>Total Cash and Investment Value</b>	<b>19,597,501.89</b>		<b>20,374,454.79</b>	<b>20,379,627.28</b>	<b>20,379,627.28</b>			<b>1</b>	<b>1 0.248</b>

**MFP Finance Authority  
Portfolio Management  
Activity By Type  
November 1, 2013 through November 30, 2013**

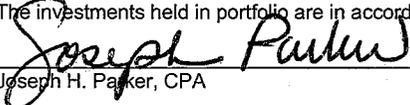
CUSIP	Investment #	Issuer	Stated Rate	Transaction Date	Purchases or Deposits	Redemptions or Withdrawals	Balance
<b>Local Agency Investment Funds (Monthly Summary)</b>							
LAIF	10001	Local Agency Investment Fund	0.266		0.00	750,000.00	
		Subtotal			0.00	750,000.00	18,205,916.02
<b>Checking Accounts (Monthly Summary)</b>							
5616-OPERATIONS	10000	Union Bank of California	0.100		2,496,205.35	942,460.97	
		Subtotal			2,496,205.35	942,460.97	2,168,538.77
		Total			2,496,205.35	1,692,460.97	20,374,454.79

**MFP Finance Authority  
Portfolio Management  
Portfolio Summary  
October 31, 2013**

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Mat./Call	YTM 365 Equiv.
Local Agency Investment Funds	18,955,916.02	18,955,916.02	18,955,916.02	96.86	1	1	0.266
Checking Accounts	614,794.39	614,794.39	614,794.39	3.14	1	1	0.100
<b>Investments</b>	<b>19,570,710.41</b>	<b>19,570,710.41</b>	<b>19,570,710.41</b>	<b>100.00%</b>	<b>1</b>	<b>1</b>	<b>0.261</b>
<b>Cash and Accrued Interest</b>							
Accrued Interest at Purchase		0.00	0.00				
Ending Accrued Interest		997.93	997.93				
Subtotal		997.93	997.93				
<b>Total Cash and Investments Value</b>	<b>19,570,710.41</b>	<b>19,571,708.34</b>	<b>19,571,708.34</b>		<b>1</b>	<b>1</b>	<b>0.261</b>

Total Earnings	October 31 Month Ending	Fiscal Year To Date
Current Year	3,566.32	18,660.89
<b>Average Daily Balance</b>	<b>16,457,568.67</b>	<b>9,507,705.22</b>
<b>Effective Rate of Return</b>	<b>0.26%</b>	<b>0.24%</b>

The investments held in portfolio are in accordance with the Investment Policy of the Middle Fork Project Finance Authority.

  
Joseph H. Parker, CPA

November 6, 2013

**MFP Finance Authority  
Portfolio Management  
Portfolio Details - Investments  
October 31, 2013**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Days to Term Mat./Call	YTM 365	Maturity Date
<b>Local Agency Investment Funds</b>											
LAIF	10001	Local Agency Investment Fund			18,955,916.02	18,955,916.02	18,955,916.02	0.266	1	1	0.266
<b>Subtotal and Average</b>			<b>16,049,587.91</b>		<b>18,955,916.02</b>	<b>18,955,916.02</b>	<b>18,955,916.02</b>		<b>1</b>	<b>1</b>	<b>0.266</b>
<b>Checking Accounts</b>											
5616-OPERATIONS	10000	Union Bank of California			614,794.39	614,794.39	614,794.39	0.100	1	1	0.100
<b>Subtotal and Average</b>			<b>407,980.76</b>		<b>614,794.39</b>	<b>614,794.39</b>	<b>614,794.39</b>		<b>1</b>	<b>1</b>	<b>0.100</b>
<b>Total and Average</b>			<b>16,457,568.67</b>		<b>19,570,710.41</b>	<b>19,570,710.41</b>	<b>19,570,710.41</b>		<b>1</b>	<b>1</b>	<b>0.261</b>

**MFP Finance Authority  
Portfolio Management  
Portfolio Details - Cash  
October 31, 2013**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Days to Term Mat./Call	YTM 365
		<b>Average Balance</b>	<b>0.00</b>							
				Accrued Interest at Purchase		0.00	0.00		0	0
				Ending Accrued Interest		997.93	997.93			
				Subtotal		997.93	997.93			
		<b>Total Cash and Investment Value</b>	<b>16,457,568.67</b>		<b>19,570,710.41</b>	<b>19,571,708.34</b>	<b>19,571,708.34</b>		<b>1</b>	<b>1 0.261</b>

**MFP Finance Authority  
Portfolio Management  
Activity By Type  
October 1, 2013 through October 31, 2013**

CUSIP	Investment #	Issuer	Stated Rate	Transaction Date	Purchases or Deposits	Redemptions or Withdrawals	Balance
<b>Local Agency Investment Funds (Monthly Summary)</b>							
LAIF	10001	Local Agency Investment Fund	0.266		3,506,869.38	500,000.00	
		<b>Subtotal</b>			<b>3,506,869.38</b>	<b>500,000.00</b>	<b>18,955,916.02</b>
<b>Checking Accounts (Monthly Summary)</b>							
5616-OPERATIONS	10000	Union Bank of California	0.100		4,371,848.40	4,158,140.98	
		<b>Subtotal</b>			<b>4,371,848.40</b>	<b>4,158,140.98</b>	<b>614,794.39</b>
		<b>Total</b>			<b>7,878,717.78</b>	<b>4,658,140.98</b>	<b>19,570,710.41</b>

**MFP Finance Authority  
Portfolio Management  
Activity By Type  
October 1, 2013 through October 31, 2013**

CUSIP	Investment #	Issuer	Stated Rate	Transaction Date	Purchases or Deposits	Redemptions or Withdrawals	Balance
<b>Local Agency Investment Funds (Monthly Summary)</b>							
LAIF	10001	Local Agency Investment Fund	0.266		3,506,869.38	500,000.00	
		<b>Subtotal</b>			<b>3,506,869.38</b>	<b>500,000.00</b>	<b>18,955,916.02</b>
<b>Checking Accounts (Monthly Summary)</b>							
5616-OPERATIONS	10000	Union Bank of California	0.100		4,371,848.40	4,158,140.98	
		<b>Subtotal</b>			<b>4,371,848.40</b>	<b>4,158,140.98</b>	<b>614,794.39</b>
		<b>Total</b>			<b>7,878,717.78</b>	<b>4,658,140.98</b>	<b>19,570,710.41</b>

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**M E M O R A N D U M**

**TO:** Middle Fork Project Finance Authority Board of Directors

**FROM:** Jay L'Estrange, Director of Power Generation Services  
Andrew Fecko, Director of Resource Development

**DATE:** January 7, 2014

**RE:** 2013 Energy Market Recap

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Staff will provide an oral report to the Board on the 2013 energy market and Middle Fork Project performance; as well as a prospective look at 2014.

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M E M O R A N D U M

**TO:** Middle Fork Project Finance Authority Board of Directors

**FROM:** Joseph H. Parker, Treasurer

**DATE:** December 26, 2013

**RE:** Financial Statement Audit Services for the year ending December 31, 2013

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Attached herewith is the engagement letter (contract) from Maze & Associates dated December 18, 2013 to provide the Authority with financial statement auditing services for the year ending December 31, 2013.

In 2008 PCWA formally bid for new audit services and Maze & Associates was selected to be the new auditors for Placer County Water Agency. Because PCWA maintains the books and records of the Authority it was determined that having PCWA's auditors audit the Authority's financial statements, would be the most effective and efficient. Maze & Associates performed the Authority's 2012 year-end financial statement audit.

The contract, engagement letter and referenced documents discuss more specifics regarding the scope of work Maze & Associates will perform during their financial statement audit. Accompanying their engagement letter and as required by *Government Auditing Standards*, Maze & Associates has provided the Authority with the a copy of their most recent quality control review report for the year ended May 31, 2011.

We are anticipating the 2013 financial statement audit to commence in March 2014 with the conclusion of the auditing, reporting and financial statements in May or June 2014. The audited financial statements will be submitted to the Board once the audit is completed.

**Fiscal Impact:**

The attached engagement letter sets forth a fixed fee totaling \$7,650 for the Authority's 2013 audit.

**Recommendation:**

Approve contract with Maze & Associates to provide financial statement auditing services for the year ending December 31, 2013.

December 18, 2013

Joseph Parker  
Treasurer  
Middle Fork Project Finance Authority  
144 Ferguson Road  
Auburn, CA 95603

Dear Joseph:

We are pleased to confirm our understanding of the services we are to provide for the Middle Fork Project Finance Authority for the year ended December 31, 2013. The services we have been engaged to provide are outlined below, but we are also available to provide additional services at your request:

- 1) Audit of the Basic Financial Statements of the Middle Fork Project Finance Authority and issuance of our report thereon.
- 2) Preparation of our Memorandum on Internal Control for the Authority.
- 3) Preparation of Annual Report of Financial Transactions for the Authority (Controller's Report)

Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis, to supplement the Authority's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the Authority's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

If the Authority's financial statements are accompanied by supplementary information other than RSI, we will subject the supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and will provide an opinion on it in relation to the financial statements as a whole.

Other information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and our auditor's report will not provide an opinion or any assurance on that information.

## **Audit Objectives**

The objective of our audit is to express opinions as to whether your financial statements are fairly presented in all material respects in conformity with generally accepted accounting principles in the United States of America and to report on the fairness of the accompanying supplementary information when considered in relation to the financial statements as a whole. Other accompanying information will not be audited by us and we will express no opinion on it. The objective also includes reporting on:

- Internal controls related to the financial statements and compliance with the provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.

Internal controls related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The reports on internal control and compliance will each include a paragraph that states the purpose of the report is solely to describe the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance, and that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over compliance. The paragraph will also state that the report is not suitable for any other purpose.

Our audit will be conducted in accordance with generally accepted auditing standards in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and will include tests of accounting records and other procedures we consider necessary to enable us to express such opinions and to render the required reports. If our opinion on the financial statements is other than unqualified (unmodified), we will discuss the reasons with management in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

## **Management Responsibilities**

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. As part of the audit, we will assist with the preparation of your financial statements, and related notes. You are responsible for making all management decisions and performing all management functions relating to the financial statements, and related notes and for accepting full responsibility for such decisions. You will be required to acknowledge in the written management representation letter our assistance with preparation of the financial statements and schedule of expenditures of federal awards and that you have reviewed and approved the financial statements, schedule of expenditures of federal awards, and related notes prior to their issuance and have accepted responsibility for them. Further, you are required to designate an individual with suitable skill, knowledge, or experience to oversee any nonaudit services we provide and for evaluating the adequacy and results of those services and accepting responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including internal controls over compliance and evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met and that there is reasonable assurance that government programs are administered in compliance with compliance requirements. You are also responsible for the selection and application of accounting principles; for the fair presentation in the financial statements of the financial position of the Authority's various activities, and changes in financial position and, cash flows in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is responsible for making all financial records and related information available to us and for ensuring that management is reliable and financial information is reliable and properly recorded, including any significant vendor relationships in which the vendor has the responsibility for program compliance and for the accuracy and completeness of that information. You are also responsible for providing us with access to all information of which you are aware is relevant to the preparation and fair presentation of the financial statements, additional information that we may request for the purpose of the audit, and unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence. We understand that the Authority will provide us with the Closing Checklist information required for our audit and that the Authority is responsible for the accuracy and completeness of that information. Management is responsible for adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud or illegal acts affecting the government involving (a) management, (b) employees who have significant roles in internal control, and (c) others where the fraud or illegal acts could have a material effect on the financial statements. The Authority is also responsible for informing us of its knowledge of any allegations of fraud or suspected fraud or illegal acts affecting it received in communications from employees, former employees, grantors, regulators, or others. In addition, the Authority is responsible for identifying and ensuring that it complies with applicable laws, regulations, contracts, agreements and grants.

You are also responsible for the preparation of the other supplementary information in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the representation letter that: you are responsible for presentation of supplementary information in accordance with GAAP; that you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining of a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objective section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits or other engagements or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

### **Audit Procedures - General**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations that are attributable to the Authority or to acts by management or employees acting on behalf of the Authority. Because the determination of abuse is subjective, *Governmental Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements, or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform the appropriate level of management of any material errors or any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of physical existence of inventories, and direct confirmation of cash, investments and certain other assets and liabilities by correspondence with selected customers, creditors and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill the Authority for responding to this inquiry. At the conclusion of our audit we will also require certain written representations from management about the financial statements and related matters.

### **Audit Procedures - Internal Controls**

Our audit will include obtaining an understanding of the Authority and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and the Board internal control related matters that are required to be communicated under AICPA professional standards, and *Government Auditing Standard*.

### **Audit Procedures - Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Authority's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

### **Agreed-Upon Procedures**

Our services to apply agreed-upon procedures will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described in the report either for the purpose for which the report had been requested or for any other purpose. If, for any reason, we are unable to complete the procedures, we will describe any restrictions on the performance of the procedures in our report, or will not issue a report as a result of this engagement. Because agreed-upon procedures do not constitute an examination, we will not express an opinion. In addition, we have no obligation to perform any procedures beyond those agreed to.

## **Audit Administration, Fees, and Other**

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

The audit documentation for this engagement is our property and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to a federal Authority providing oversight of direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Maze & Associates personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies. We will retain audit documentation for seven years pursuant to state regulations. If we are aware that a federal awarding Authority, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

We expect to begin our audit in December 2013 and to issue our reports no later than May, 2014. The name of the engagement partner is Tim Krisch who is responsible for supervising the engagement and signing the report.

Our fees for these services are billed based on our contract with the Authority. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if the Authority's account becomes thirty days or more overdue and may not be resumed until the Authority's account is paid in full.

These fees are based on anticipated cooperation from Authority personnel, the completion of schedules and data requested on our Checklists, and the assumption that there will be no unexpected increases in work scope, such as new Single Audit Act programs, new debt issues, etc., or delays which are beyond our control, as discussed on the Fees Attachment to this letter. If significant additional time is necessary, we will discuss it with Authority management and arrive at a new fee before we incur any additional costs.

We understand you will provide us with basic workspace sufficient to accommodate the audit team assigned to your audit. We understand the basic workspace will be equipped with a telephone and direct Internet access, preferably a temporary network outside of your network, a public IP address and a wired connection. We understand you will also provide us with access to a fax machine and read only access to your general ledger system.

*Government Auditing Standards* require that we provide the Authority with a copy of our most recent external peer review report and letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our most recent peer review report, the letter of comment and our responses accompany this letter.

We appreciate the opportunity to be of service to the Authority and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return the entire copy to us.



Maze & Associates

RESPONSE:

This letter correctly sets forth the understanding of the Authority.

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**Middle Fork Project Finance Authority Engagement Letter  
Fees Attachment**

Our fees for the work described in the attached engagement letter will be as follows, unless they are adjusted for one or more of the items below.

	Service	<u>2013</u>
1), 2)	Basic Financial Statements & Memorandum on Internal Control Structure (a)	\$7,650
3)	ARFT for the Authority	<u>Included</u>
Totals		<u><u>\$7,650</u></u>

**2013 Fees – (a)** Our recurring fees are firm fixed fees and have been adjusted only for the change in the services component of the Bay Area Cost of Living Index for the San Francisco Bay Area of 3.0%, except as noted below.

**PDF Copies of Reports** – scanned copies of the above reports are available upon request at no charge. These scanned copies (300 dpi) are not high quality and the file sizes may be large, depending on the length of the report. **If you intend to post the BFS to your website, we do not recommend using the scanned copies to do so – one of the options below should be used.** If you would like a higher quality PDF file, there are three options. The fees shown below are based on a Comprehensive Annual Financial Report. **Please contact us if you would like us to prepare one of the following three options** for your BFS, or if you’d like a quote for the preparation of a file for another type of report. In addition, should you decide on one of the following options, please let us know at least a week in advance.

1. INDIVIDUAL PDF BFS PAGES - \$200

Print words, numbers, and statistics to PDF, then scan anything not available digitally (letterhead, award certificates, etc). Use WinZIP to archive individual PDF prints “as is” and send them to you, and you will then compile report. This option requires that you have a full copy of Adobe Acrobat Standard or Professional, and knowledge about the program, as well as a way to “unzip” the files. This should be used if you are willing to assemble the PDF report, but still would like to have a high quality “printed to PDF” BFS.

Quality: Medium-High  
Time to Complete: 2-3 business days  
File size: 1-2MB (varies with number of pages scanned)

2. WEB PDF BFS - \$750

Print words, numbers, and statistics to PDF, then scan anything not available digitally (letterhead, award certificates, etc). Compile into one document with embedded page numbers, linked Table of Contents, and PDF bookmarks for easy document navigation. This option is ideal for placement on a website or distribution via e-mail.

Quality: Medium-High (depending on number of pages scanned)  
Time to Complete: 7-10 business days  
File size: ~ 2MB (varies with number of pages scanned)

### 3. CAMERA READY PDF BFS - \$1,000

Print words, numbers, and statistics to PDF and compile into one document with embedded page numbers. Insert available digital pages (letterhead, award certificates, etc) but \*no scanning\* as we do not have the facilities to scan documents at “camera ready” quality. This option could be sent to any print shop to generate an official bound copy, for placement on a website, or distribution via e-mail.

Quality: Very High

Time to Complete: 7-10 business days

File size: < 1MB

**Additional Services** - The above fees are for audit and assurance services described in the accompanying engagement letter. They do not include fees for assisting with closing the books nor providing other accounting services. Should the Authority require assistance beyond audit services we will provide a cost estimate before proceeding.

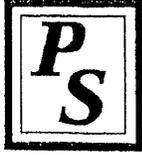
**Report Finalization** - Our fee is based on our understanding that all information and materials necessary to finalize all our reports will be provided to us before we complete our year-end fieldwork in your offices. In the case of BFSs, this includes all the materials and information required to print the BFS. As in the past, we will provide final drafts of all our reports before we leave your offices. We will schedule a Final Changes Meeting with you for a date no more than two weeks after we complete our fieldwork. At that meeting, we will finalize all reports for printing. After that date, report changes you make and changes required because information was not received timely will be billed at our normal hourly rates.

**Post-Closing Client Adjusting Entries** - The first step in our year-end audit is the preparation of financial statement drafts from your final closing trial balance. That means any entries you make after handing us your closing trial balance must be handled as audit adjustments, or in extreme cases, by re-inputting the entire trial balance, even if the amounts are immaterial. If you make such entries and the amounts are in fact immaterial, we will bill you for the costs of the adjustments or re-input at our normal hourly rates.

**Recurring Audit Adjustments** - Each year we include the prior year’s adjusting entries as new steps in our Closing Checklist, so that you can incorporate these entries in your closing. If we are required to continue to make these same adjustments as part of this year’s audit, we will bill for this service at our normal hourly rates.

**Grant Programs Requiring Separate Audit** - Grant programs requiring separate audits represent a significant increase in work scope, and fees for these audits vary based on the grant requirements. If you wish us to determine and identify which programs are subject to audit, we will bill you for that time at our normal hourly rates.

**Changes in Authority Personnel** - Our experience is that changes and /or reductions in Finance Department staff can have a pronounced impact on costs of performing the audit. If such changes occur, we will meet with you to assess their impact and arrive at a new fee before we begin the next phase of our work. However, we reserve the right to revisit this subject at the conclusion of the audit, based on your actual performance and our actual costs.



**P**OWELL & **S**PAFFORD, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

Jessie C. Powell, CPA  
Patrick D. Spafford, CPA

Licensed by the California Board of Accountancy  
Members: American Institute of Certified Public Accountants

### System Review Report

To the Shareholders  
Maze & Associates  
and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Maze & Associates (the firm) in effect for the year ended May 31, 2011. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*.

In our opinion, the system of quality control for the accounting and auditing practice of Maze & Associates in effect for the year ended May 31, 2011, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency (ies)* or *fail*. Maze & Associates has received a peer review rating of *pass*.

*Powell & Spafford, LLP*

October 5, 2011

## M E M O R A N D U M

**TO:** Board of Directors

**FROM:** Joseph H. Parker, CPA, Authority Treasurer

**DATE:** January 8, 2014

**RE:** 2013 Budget and Actual Schedules

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Attached for the Board's information are the 2013 Adjusted Budget and Preliminary Actual schedules as follows:

**Exhibit A – MFP Finance Authority Summary Budget and Actual Schedule** – This schedule presents the combined current year's Adjusted Operational and Capital Budgets with preliminary 2013 year to date actual amounts through the dated of this report (January 6, 2014).

**Exhibit B – MFP Finance Authority Budget Schedule with Variances & Explanations** - This schedule summarizes the MFP Finance Authority adjusted budget and year-to-date actual activity noting the variances between the adjusted budget and preliminary actual with explanations.

**Exhibit C – PCWA MFP Capital Projects** – This schedule summarizes the Project-to-Date Budget and Expenses through December 31, 2013. PCWA manages and administers these projects and are included here because they are funded by the MFP Finance Authority. As the scope of these activities is multi-year, the project-to-date budget and expense information is included.

**Exhibit D – MFP Finance Authority Reserve Accounts** – This schedule summarizes the MFP Finance Authority reserve account activity through December 31, 2013 and indicates the full funding target for each reserve account.

**Recommended Action:**

- Once the financial outcome for the year ending 2013 is determined, direct the Authority Treasurer to allocate net revenue over/under expenditure amounts to/from the MFP Finance Authority Operating Reserve account.
- Receive and file the report.

	<b>2013 Adjusted Budget (Sept 30, 2013)</b>	<b>2013 Quarter 4 Budget Amendments</b>	<b>2013 Adjusted Budget (Dec 31, 2013)</b>	<b>Preliminary 2013 Year-to-Date Actual (Dec 31, 2013)</b>
<b>Revenues and Other Financing Sources (Note 1):</b>				
Power Sales	\$ 32,700,000	-	32,700,000	26,595,230
Bond Proceeds Including Interest Expense (New Draws)	5,388,471	-	5,388,471	5,373,251
Interest Income	20,000	-	20,000	15,381
<b>Total Revenues and Other Financing Sources</b>	<b>38,108,471</b>	<b>-</b>	<b>38,108,471</b>	<b>31,983,862</b>
<b>Expenditures:</b>				
Administration	3,280,471	-	3,280,471	3,285,599
PCWA Power Division Operating	15,228,277	-	15,228,277	11,177,810
<b>Amount to Capital Reserve for Capital Projects (Note 2)</b>	<b>8,657,000</b>	<b>-</b>	<b>8,657,000</b>	<b>8,657,000</b>
<b>Total Expenditures and Capital Projects</b>	<b>27,165,748</b>	<b>-</b>	<b>27,165,748</b>	<b>23,120,409</b>
<b>Net Revenues and Other Financing Sources over Expenditures and Capital Project Funding</b>	<b>10,942,723</b>	<b>-</b>	<b>10,942,723</b>	<b>8,863,453</b>
<b>Addition to Working Cash (Note 3)</b>	<b>1,934,584</b>	<b>-</b>	<b>1,934,584</b>	<b>1,934,584</b>
<b>Reserve Funding Other than Capital - Operating</b>	<b>9,008,139</b>	<b>-</b>	<b>9,008,139</b>	<b>6,928,869</b>
<b>Net Revenue (Note 4)</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>

**General Note:** The **2013 Year-to-Date Actual** amounts are preliminary and do not reflect all year-end accruals. Expenses incurred in 2013 yet not paid as of January 6, 2014 (date of this report), will be accrued and added to the December 31, 2013 final balances and the Operating Reserve funding will be adjusted for any change in Net Revenues and Other Financing Sources over Expenditures and Capital Project Funding.

**Note 1:** The MFPFA **Power Sales** includes the monthly payment amounts and 80% of estimated energy for May 1 - December 31, 2013. **Bond Proceeds** is for interest expense that is capitalized (added to the debt obligation) and capital projects during the period January 1 - April 30, 2013 which totals \$2,208,000. The total amount of 2013 capital projects is \$8,657,000, which includes the amount funded by the bond proceeds for the first third of the year.

**Note 2:** The **Amount to Capital Reserve for Capital Projects** of \$8.7 million technically "flows through" the capital reserve account, as required by policy, and have been appropriated to specific capital projects during 2013. Amounts appropriated to the capital reserve account are designated for specific projects and could be re-allocated pursuant to policy.

**Note 3:** The **Working Cash** target balance is approximately \$5.7 million, which is approximately 25% of total operating expenditures. The Addition to Working Cash of \$1.9 million is to meet this target amount. This target may be revised as deemed necessary.

**Note 4:** The reserve accounts will be funded in accordance with MFPFA General Financial Policies as resources are needed, at year-end or before any distributions of **Net Revenue**. Based on the policy's reserve funding priorities this Net Revenue amount will be allocated to the Operating reserve in 2013. Until the full funding target is met, budgeted expense amounts not realized are directed to the Operating reserve.

	2013 Adjusted Budget (Sept 30, 2013)	2013 Quarter 4 Budget Amendments	2013 Adjusted Budget (Dec 31, 2013)	Preliminary 2013 Year-to-Date Actual (Dec 31, 2013)	Variance Favorable/ (Unfavorable) (Note 4)
<b>Revenues and Other Financing Sources:</b>					
Power Sales	\$ 32,700,000	-	32,700,000	26,595,230	(6,104,770)
Bond Proceeds Including Interest Expense (New Draws)	5,388,471	-	5,388,471	5,373,251	(15,220)
Interest Income	20,000	-	20,000	15,381	(4,619)
<b>Total Revenues and Other Financing Sources</b>	<u>38,108,471</u>	<u>-</u>	<u>38,108,471</u>	<u>31,983,862</u>	<u>(6,124,609)</u>
<b>Expenditures:</b>					
<b>Administration:</b>					
Office Supplies	5,000	-	5,000	813	4,187
Professional Services	95,000	-	95,000	119,535	(24,535)
Bond Interest	3,180,471	-	3,180,471	3,165,251	15,220
<b>Total Administration Expenditures</b>	<u>3,280,471</u>	<u>-</u>	<u>3,280,471</u>	<u>3,285,599</u>	<u>(5,128)</u>
<b>Appropriation - PCWA Power Division:</b>					
Power Operations	11,026,141	(140,100)	10,886,041	8,884,140	2,001,901
Natural Resources Management	2,412,851	-	2,412,851	1,259,300	1,153,551
Power Resources Management	1,083,185	-	1,083,185	502,005	581,180
Routine Capital	706,100	140,100	846,200	532,365	313,835
<b>Total Appropriation - PCWA Power Division</b>	<u>15,228,277</u>	<u>-</u>	<u>15,228,277</u>	<u>11,177,810</u>	<u>4,050,467</u>
<b>Total Expenditures</b>	18,508,748	-	18,508,748	14,463,409	4,045,339
<b>Addition to Working Cash (Note 2)</b>	1,934,584	-	1,934,584	1,934,584	-
<b>Reserve Funding</b>					
Operating Reserves	9,008,139	-	9,008,139	6,928,869	(2,079,270)
Capital Reserves (Note 1)	8,657,000	-	8,657,000	8,657,000	-
<b>Total Reserve Funding</b>	<u>17,665,139</u>	<u>-</u>	<u>17,665,139</u>	<u>15,585,869</u>	<u>(2,079,270)</u>
<b>Net Revenue (Note 3)</b>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**Note 1:** The **Capital Reserve** budget of \$8.7 million technically "flows through" the capital reserve account, per policy, and most has been appropriated to specific capital projects during 2013. Amounts appropriated to capital reserve account are designated for specific projects and can be re-allocated pursuant to policy.

**Note 2:** The **Working Cash** target balance is approximately \$5.7 million which is approximately 25% of total operating expenditures. The Addition to Working Cash of \$1.9 million is to meet this target amount. This target may be revised as deemed necessary.

**Note 3:** The reserve accounts will be funded in accordance with MFPFA General Financial Policies as resources are needed, at year-end or before any distributions of **Net Revenue**.

**Note 4:** Discussion of **2013 year-end variances** are on the following page. As this is the first partial year of hydropower operations under the new license agreement, any variance will be directed to increase/decrease the Operating Reserve account in accordance with policy. The Reserves are to be funded to the full funding targets before any net revenue is distributed.

## Discussion of 2013 Year-end Variances

### Revenues and Other Financing Sources

#### **Power Sales Revenue:**

Power sales revenue is subject to significant volatility due to variations in hydrology, energy market prices and a variety of other factors, therefore the energy sales revenue budget is based on 80% of the average generation for the past ten years. During the mid-year budget review in July 2013, the power sales revenue budget was reduced by \$5.3 million based on the June snow survey, other hydrologic factors and energy market conditions. Following the July 2013 mid-year budget revision, 2013 continued to be historically dry, resulting in the preliminary 2013 actual year-end revenue amounts being \$6 million less than the adjusted budget.

### Expenditures

#### **Administration:**

The overall Administration expenditures are slightly over budget by \$5,000, which is primarily because of an unexpected \$18,000 amount paid to the Internal Revenue Service and legal fees associated with requesting a tax exempt status private ruling letter. Tax exempt status was not required prior to May 1, 2013 as the Authority was not receiving revenues.

#### **Appropriation - PCWA Power Division:**

The PCWA Power Division operating expense adjusted budget to actual variance is \$4 million under budget. As PCWA operations under the new Power Purchase Agreement commenced May 1, 2013, the 2013 transition year budget was conservative to provide sufficient resources, if needed, for a variety of functions pursuant to the new power purchase agreement, new license and NERC/WECC compliance.

This under budget situation is primarily a result of the following:

**Power Operations** is under budget by \$2 million, which is primarily due to the actual amounts paid for various cost share agreements being less than the estimated agreement amounts. In addition, labor and benefit costs were less because of unfilled positions.

**Natural Resources Management** is under budget by \$1.2 million, which is primarily because of FERC license implementation costs not occurring. The new FERC license has not been approved, and the Agency is operating under a temporary license, hence, until the license is approved, most of the expense for the new license conditions will not be incurred.

**Power Resources Management** is under budget by \$0.5 million, which is a result of 2013 transition year budgets for legal and regulatory needs being conservatively estimated compared to actual costs incurred in 2013.

**Routine Capital** is under budget by \$0.3 million, which is a result of various equipment purchases being encumbered but not yet received.

Project No.	Project Description (Note 1)	Project-to-Date Adjusted Budget (Sept 30, 2013) (Note 2)	2013 Budget Amendments - Notifications (Note 3)	Project-to-Date Adjusted Budget (Dec 31, 2013) (Note 2)	Preliminary Project-to-Date Expenses (Dec 31, 2013)	Preliminary Project-to-Date Available Budget
13003P	CMMS Implementation	\$ 144,000		144,000	24,235	119,766
12015A	Communications Upgrades	1,200,000		1,200,000	420,544	779,456
12006P	Dam Spillway Radial Gate Controls	120,000		120,000	30,058	89,942
12005P	French Meadows Fall Protection	175,000		175,000	12,518	162,482
13028P	French Meadows Tunnel Intake Inspection	25,000		25,000	-	25,000
09009A	Hell Hole Seasonal Storage	685,000	5,000	690,000	544,870	145,130
12002P	L.L. Anderson Low Level Pipe Inlet Gate Modification	250,000		250,000	50	249,950
09023A	L.L. Anderson Spillway Modification (Note 4)	19,127,388		19,127,388	18,795,747	331,641
12017P	MFP Outlets Works Upgrades	390,000		390,000	114,011	275,989
13027P	Middle Fork Powerhouse Cooling Water and Sump Pump Control Upgrades	50,000		50,000	-	50,000
13020P	Middle Fork Powerhouse Generator Protection Upgrade	140,000		140,000	51,705	88,295
13023P	Middle Fork Powerhouse Transformer Bushings Replacement		400,000	400,000	5,615	394,385
13025P	Middle Fork Unit Breakers	500,000		500,000	-	500,000
12031P	Multiple Site Fencing Project	350,000		350,000	63,992	286,008
13010P	New Trails	95,000		95,000	18,241	76,759
13024P	Oxbow Cooling Water Strainer Upgrades	100,000		100,000	-	100,000
13008P	Oxbow Governor Upgrade	387,500		387,500	4,008	383,492
13031P	Oxbow RTU Replacement	125,000		125,000	-	125,000
12004P	Oxbow Tunnel Intake Stem Straightening and Guides Replacement	50,000		50,000	1,175	48,825
12023A	PI Data Server	325,000		325,000	30,937	294,063
13018P	Ralston/Middle Fork Penstock Coating Inspection	140,000		140,000	22,593	117,407
12011P	Ralston Penstock Hillside Stability	600,000		600,000	192,216	407,784
13032P	Ralston Transformer	1,360,000	(400,000)	960,000	-	960,000
13030P	Ralston Tunnel Inspection (Brushy Canyon Adit) and Middle Fork Tunnel Rollout Section	150,000		150,000	-	150,000
13029P	Recreation Facilities	45,000		45,000	-	45,000
12003P	Review Slope Stability Study Above Three Butterfly Valve Houses	412,000		412,000	150,266	261,734
12024A	RIG Installation	143,485		143,485	51,568	91,917
08006A	Risk Assessment and Management	251,500	(5,000)	246,500	104,910	141,590

Project No.	Project Description (Note 1)	Project-to-Date Adjusted Budget (Sept 30, 2013) (Note 2)	2013 Budget Amendments - Notifications (Note 3)	Project-to-Date Adjusted Budget (Dec 31, 2013) (Note 2)	Preliminary Project-to-Date Expenses (Dec 31, 2013)	Preliminary Project-to-Date Available Budget
12029A	SCADA Reliability Upgrades	350,000		350,000	72,991	277,009
12018P	Small Diversion Upgrades (Duncan Creek, North Fork of Long Canyon and South Fork of Long Canyon)	1,105,000		1,105,000	541,182	563,818
08007A	Standard Operating Plan and Procedures	2,025,000		2,025,000	924,248	1,100,752
<b>TOTAL MFP CAPITAL PROJECTS</b>		<b>\$ 30,820,873</b>	<b>-</b>	<b>30,820,873</b>	<b>22,177,680</b>	<b>8,643,194</b>

**Note 1:** Projects reported on this schedule are current, active projects only.

**Note 2:** Project-to-Date Budget includes the 2013 full year as authorized by the Middle Fork Project Finance Authority Board.

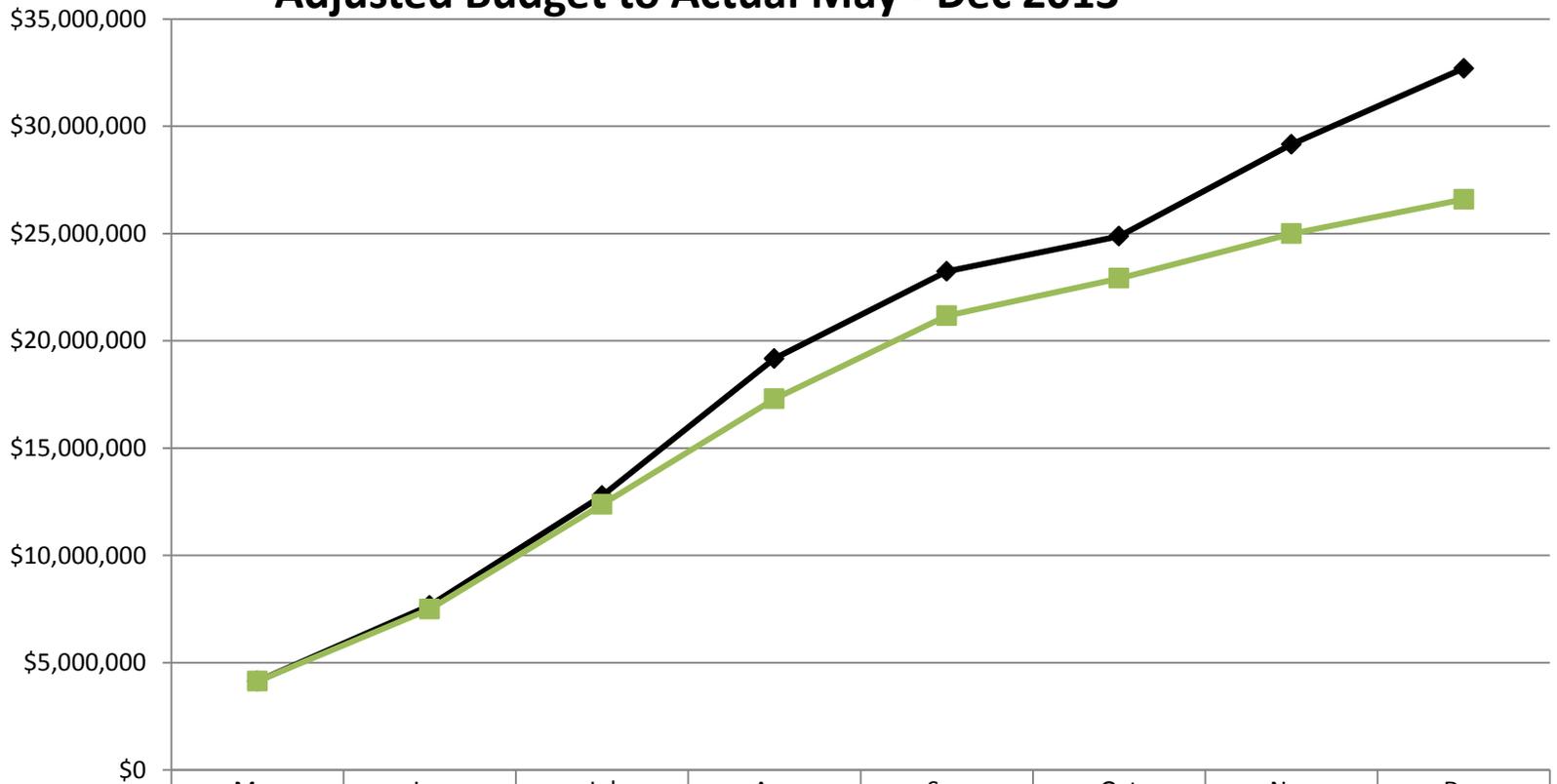
**Note 3:** 2013 Budget Amendments for MFPFA Board notification are project-to-project transfers and net to \$0 in the active project list. These budget amendments have been approved by the PCWA Board.

**Note 4:** The L.L. Anderson Dam Spillway Modification project is budgeted at 100% of project costs. Prior to April 30, 2013, it was funded by the Middle Fork Project Finance Authority and PG&E, 60% and 40%, respectively.

	Beginning Balance May 1, 2013	Year-to-Date Activity Funded (Used) [Note 4]	Preliminary Balance December 31, 2013	Full Funding Target
<b>Operating Reserve (First Priority - Note 1) :</b>				
Full Funding Target (1 Year Ops Budget)				\$ 25,034,000
Reserve, Beginning of Year	\$ -	-	-	
Contribution	-	6,928,869	6,928,869	
Transfer (Note 5)	-	777,000	777,000	
Balance End of Year	<u>\$ -</u>	<u>7,705,869</u>	<u>7,705,869</u>	
Amount Needed to Meet Target, if any			<u>\$ 17,328,131</u>	
<b>Emergency Reserve (Second Priority - Note 2) :</b>				
Target Level of Reserve (Insurance/Debt/Cash)				\$ 2,000,000
Reserve, Beginning of Year	\$ -	-	-	
Contribution	-	-	-	
Transfer	-	-	-	
Balance End of Year	<u>\$ -</u>	<u>-</u>	<u>-</u>	
Amount Needed to Meet Target, if any			<u>\$ 2,000,000</u>	
<b>Capital Reserve (Third Priority - Note 3) (sinking fund implemented in 2014):</b>				
Target Ending Balance				\$ 24,084,000
Beginning Balance	\$ 2,392,027	-	2,392,027	
Contribution	-	8,657,000	8,657,000	
Use	(1,628,833)	-	(1,628,833)	
Appropriated for Projects	(763,194)	(7,880,000)	(8,643,194)	
Transfer (Note 5)	-	(777,000)	(777,000)	
Balance End of Year	<u>\$ -</u>	<u>-</u>	<u>-</u>	
Amount Needed to Meet Target, if any			<u>\$ 24,084,000</u>	

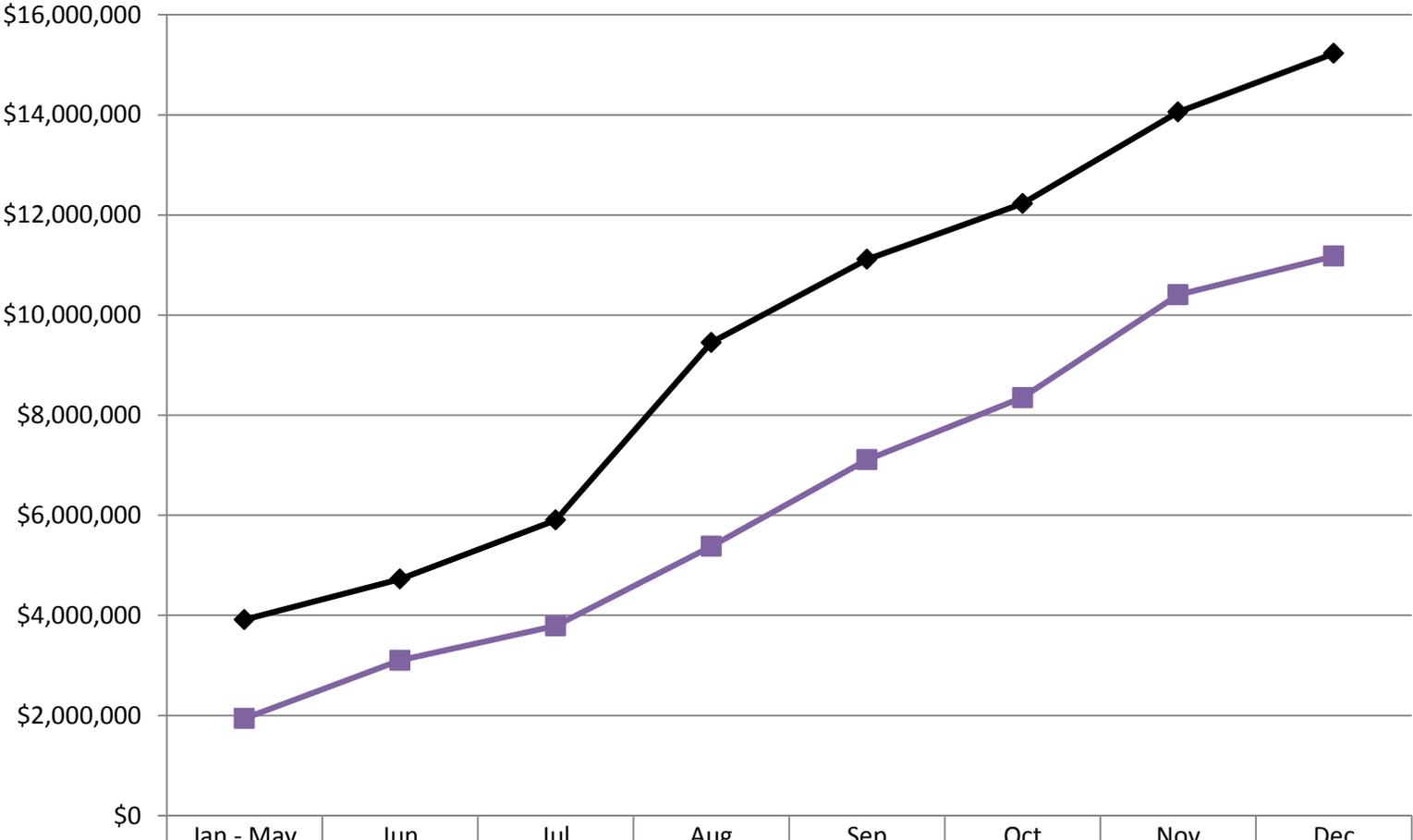
- Note 1:** The MFPFA General Financial Policies established an **Operating Reserve** with a funding target set at a minimum of one year of operating expenses, which is defined as the highest level of total operating expenses in the five year proposed/projected budget. When funded, the Operating Reserve account will provide readily available funds for the MFP operation under conditions of significantly reduced revenue (due to hydrology, energy prices and/or prolonged minor outages or unanticipated variations in expenses). The highest operating year of the next five years sets the full funding target for the Operating Reserve at \$25,034,000.
- Note 2:** The MFPFA General Financial Policies established an **Emergency Reserve** with a funding target set at an amount intended to provide for immediate use of funds for deductible(s) and seed monies to commence any significant unforeseen capital expenses, thus enabling PCWA to respond immediately to the emergency condition. Annually, the level of Emergency Reserve will be assessed to identify the trade-off between insurance (self-insurance and paid insurance), emergency reserve funds, and other financing, and propose recommended changes during the budget process. An initial funding amount of \$2,000,000 is planned for 2014.
- Note 3:** The MFPFA General Financial Policies established a **Capital Reserve** which serves as a "sinking fund" for the funding of projects with annual contributions based on the five year Capital Plan, such that full funding for capital projects is ensured the year prior to anticipated use. Based on the full funding capital project matrix, the highest five year Capital Reserve target funding amount is \$24,084,000.
- Note 4:** **Year-to-Date Activity Fund** - The reserve accounts will be funded in accordance with MFPFA General Financial Policies as resources are needed, at year-end or before any distributions of net revenue.
- Note 5:** **Transfer** - Any budgeted 2013 Capital Project/Reserve contributions which are not appropriated to projects will be transferred to the Operating Reserve at year-end in accordance with the MFPFA General Financial Policies which established the priority for funding reserves as follows: first priority - Operating Reserves, second priority - Emergency Reserve and third priority - Capital Reserves.

## Middle Fork Project Finance Authority Power Sales Revenue Adjusted Budget to Actual May - Dec 2013



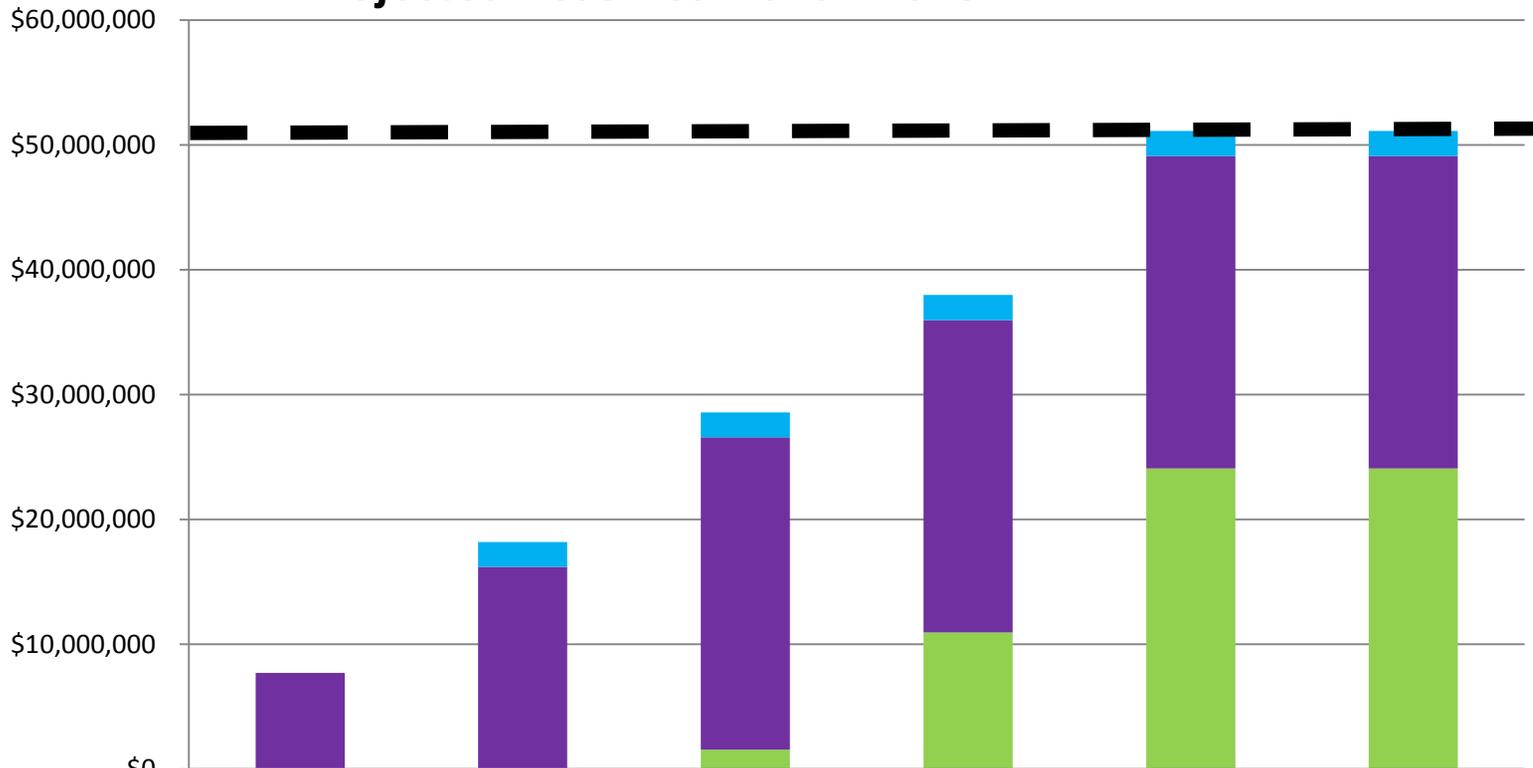
	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Adjusted Revenue Budget	\$4,130,092	\$7,659,593	\$12,777,661	\$19,174,953	\$23,238,546	\$24,873,448	\$29,153,293	\$32,700,000
Actual Revenue	\$4,130,092	\$7,495,659	\$12,375,579	\$17,294,188	\$21,165,935	\$22,912,081	\$24,996,419	\$26,595,230

## Middle Fork Project Finance Authority Power Operating Expenses Adjusted Budget to Actual 2013



## Middle Fork Project Finance Authority Projected Reserves 2013 - 2018

100% Target  
Funding



	Estimated 2013	Projected 2014	Projected 2015	Projected 2016	Projected 2017	Projected 2018
Emergency Reserve	\$0	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
Operating Reserve	\$7,705,869	\$16,181,471	\$25,034,400	\$25,034,400	\$25,034,400	\$25,034,400
Capital Reserve	\$0	\$0	\$1,534,299	\$10,939,555	\$24,084,000	\$24,084,000