

AGENDA

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

A. Call to Order

1. Roll call
2. Pledge of Allegiance

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.

Pg. 1 1. Approve July 18, 2013, minutes.

Pg. 5 2. Receive and file Check Register 13-03 expenses disbursed.

Pg. 7 3. Receive and file Treasurer's Investment Report for the quarters ended September 30, 2013.

E. General Items

- Pg. 11 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
- Pg. 13 2. Approve the proposed Middle Fork Project Finance Authority General Financial Policy revisions. Take action as appropriate.
- Pg. 17 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.
- Pg. 23 4. Approve proposed 2014 Middle Fork Project Finance Authority Budget. Take action as appropriate
- Pg. 31 5. Report on Memorandum of Agreement between PCWA and the County of Placer to fund Middle Fork Project related services. Take action as appropriate

F. Remarks/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. Remarks/Reports by Legal Counsel

H. Remarks/Reports by Secretary

I. Remarks/Reports by Executive Director

J. Adjournment

THE NEXT RESOLUTION NUMBER IS 13-07

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 or before October 11, 2013.

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, January 16, 2014, 10:00 a.m.** – Regular Board of Directors' meeting at Placer County Water Agency Business Center, 144 Ferguson Road, Auburn, California.

MINUTES

**MIDDLE FORK PROJECT
FINANCE AUTHORITY**

**Thursday, July 18, 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; Janet Goldsmith, General Counsel;
David Boesch, Secretary; Joseph Parker, Treasurer

County of Placer Staff Present

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

Placer County Water Agency Staff Present

Einar Maisch, PCWA Director of Strategic Affairs; Andy Fecko, Director of Resource Development; Jay L'Estrange, Director of Power Generation Services; Michael Willihnganz, Director of Administrative Services; Ben Ransom, Environmental Scientist

A. Call to Order

1. Roll call: Beverly Roberts, Clerk
2. Pledge of Allegiance: Director Santini

B. Public Comment: None

C. Agenda Review and Changes: None

D. Consent Calendar:

1. Approve February 21, March 7, and April 25, 2013, minutes.

2. Receive and file Check Register 13-02 expenses disbursed.
3. Receive and file Treasurer's Investment Report for the quarters ended March 31, 2013, and June 30, 2013.

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

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 gave a report and powerpoint presentation on the 2013 Middle Fork Operations with the following overview:

- 2013 Hydrology
- 2013 Energy Prices
- Revised Revenue Estimate
- Market Operations
- Project Operations

Discussions by Directors and staff. No action needed.

2. Middle Fork Project Finance Authority year-to-date Budget and Actual Schedules through June 30, 2013. Take action as appropriate.
 - a. Approve Budget Amendments in Exhibits A & B.

Agency Treasurer gave a detailed briefing on the 2013 Budget and Actual schedules.

- Exhibit A – Schedule summarizes the MFP Finance Authority year-to-date budget and actual activity.
- Exhibit B – PCWA manages and administers these projects and are included because they are funded by the MFP Finance Authority. This schedule summarizes the Project budget and expense for 1) Relicensing 2) Power Resources Management and 3) Betterments, Improvements and Modernizations.

Multiple discussions by Directors and staff.

Motion by Director Weygandt to approve item E2a, motion second by Director Santini and unanimously approved by all Directors present.

3. Receive audited Middle Fork Project Finance Authority Statements dated December 31, 2012, and Memorandum on Internal Control and Required Communications.

Agency Treasurer gave a briefing on the 2012 audited Middle Fork Project Finance Authority financial statements.

Some discussion, no questions by Directors.

Motion by Director Holmes to approve item E3, motion second by Director Lee and unanimously approved by all Directors present.

F. Remarks/Reports by Directors:

Director Santini noted although there was a recent water rate increase in West Placer county by PCWA, it was the first increase in over 5 years.

No other comments or reports by other Directors present.

G. Remarks/Reports by Legal Counsel: None.

H. Remarks/Reports by Secretary: None.

I. Remarks/Reports by Executive Director:

Executive Director reported a new MFP FA logo was used on the various agenda reports and would be included in future documents.

J. Adjournment: 11:20 a.m.

Chairman Holmes moved to adjourn meeting, second by Director Santini and unanimously approved by all Directors present. Meeting adjourned at 11:20 a.m.

Next meeting tentatively scheduled for Thursday, October 17, 2013, 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

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CHECK REGISTER 13-03

MIDDLE FORK PROJECT FINANCE AUTHORITY

The Board of Directors of the Middle Fork Project Finance Authority as of this date 10/17/2013, do hereby receive and file the following check register listing for the period from 7/6/2013 to 10/4/2013 from the MFP Finance Authority Checking Account.

PAYEE	DESCRIPTION	AMOUNT
PLACER COUNTY WATER AGENCY	RELICENSING REIMBURSEMENT	1,060,914.06
PLACER COUNTY WATER AGENCY	RELICENSING REIMBURSEMENT	988,233.03
PLACER COUNTY WATER AGENCY	RELICENSING REIMBURSEMENT	809,777.31
PLACER COUNTY WATER AGENCY	RELICENSING REIMBURSEMENT	687,263.46
PLACER COUNTY WATER AGENCY	RELICENSING REIMBURSEMENT	532,916.03
PLACER COUNTY WATER AGENCY	RELICENSING REIMBURSEMENT	463,037.66
PLACER COUNTY WATER AGENCY	RELICENSING REIMBURSEMENT	313,758.59
PLACER COUNTY WATER AGENCY	RELICENSING REIMBURSEMENT	255,806.28
KRONICK MOSKOVITZ TIEDEMANN	LEGAL SERVICES	8,195.00
KRONICK MOSKOVITZ TIEDEMANN	LEGAL SERVICES	1,050.00
KRONICK MOSKOVITZ TIEDEMANN	LEGAL SERVICES	994.75
	TOTAL	<u>\$5,121,946.17</u>

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**MFP Finance Authority
Portfolio Management
Portfolio Details - Investments
September 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
Local Agency Investment Funds												
LAIF	10001	Local Agency Investment Fund			15,949,046.64	15,949,046.64	15,949,046.64	0.267			0.267	
Subtotal and Average			13,798,213.31		15,949,046.64	15,949,046.64	15,949,046.64				0.267	
Checking Accounts												
5616-OPERATIONS	10000	Union Bank of California			401,086.97	401,086.97	401,086.97	0.100			0.100	
Subtotal and Average			183,063.44		401,086.97	401,036.97	401,086.97				0.100	
Total and Average			13,981,276.75		16,350,133.61	16,350,133.61	16,350,133.61				0.263	

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

cusip	Instrument#	Issuer	Par Value	Average	Purchase	Market Value	Book Value	Stated Rate	Term	Days to Mat./Call	YTM
		Average Balance		0.00	Accrued Interest at Purchase	0.00	0.00			0	0
					Ending Accrued Interest	4,503.97	4,503.97				
					Total	4,503.97	4,503.97				
		Total Cash and Investment Value		13,981,276.75	16,350,133.61	16,354,637.58	16,354,637.58				0.263

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

CUSIP	Investment #	Issuer	Stated Rate	Transaction Date	Purchases or Deposits	Redemptions or Withdrawals	Balance
Local Agency Investment Funds (Monthly Summary)							
LAIF	10001	Local Agency Investment Fund	0.267		3,000,000.00	775,000.00	
		Subtotal			3,000,000.00	775,000.00	15,949,046.64
Checking Accounts (Monthly Summary)							
5616-OPERATIONS	10000	Union Bank of California	0.100		5,693,691.91	5,468,150.33	
		Subtot I			5,693,691.91	5,468,150.33	401,086.97
		Total			8,693,691.91	6,243,150.33	16,350,133.61



M E M O R A N D U M

TO: Middle Fork Project Finance Authority Board of Directors
FROM: Andrew Fecko, Director of Resource Development
DATE: October 8, 2013
RE: Update on Middle Fork Project Market Performance

RECOMMENDATION

No action required.

BACKGROUND

Staff will provide a presentation on 2013 Middle Fork Project market performance and discuss 2014 planning efforts.

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M E M O R A N D U M

TO: Board of Directors

FROM: Joseph H. Parker, CPA, Authority Treasurer

DATE: October 9, 2013

RE: **Proposed Revisions to certain the Middle Fork Project Finance Authority General Financial Policy Sections**

Recommended Action:

Approve the proposed MFP Finance Authority General Financial Policy revisions.

Background:

In April 2013, the Authority Board approved revisions to their General Financial Policies. Over the last several months, as we moved through the 2014 budgeting process and 2013 project funding, it was apparent certain clarifications and date revisions in the policy would be helpful to provide clarity and timing guidance.

Current Evaluation and Summary of Proposed Revisions:

Over the past month, I spearheaded a joint County/PCWA team to amend various General Financial Policy paragraphs to clarify, facilitate better understanding and an improved the timeline.

Attached are seven proposed General Financial Policy paragraphs with revisions with the changes summarized as follows:

- 3.2.4 Budgetary Control – revision details the Capital Budget budgetary control to the annual capital total and the 5-year project total amount, which should help streamline capital project funding.
- 3.2.5 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. Thus, if a project needs additional funds and funds are available in an existing appropriated project, those funds could be moved with the approval of the Project Manager, Treasurer and Executive Director, with written advanced notice to the Secretary.

- Paragraphs 3.3.2 (1) and 3.3.2 (3) revise the dates to align with the existing timeline, whereby “before October 1”, is revised to state “at the regular October meeting.”
- Paragraph 4.2.2 adds the phrase “considered Major Projects” to define those projects greater than \$1 million as “Major Projects” which is consistent with the Capital Plan.
- Paragraph 4.3.1 (2) is proposed to be eliminated as this additional budget authorization process is not considered necessary. The Capital Plan with annual Capital Budget for projects, as well as, the 5-year Capital Plan covers this matter.
- 5.2.2 (2) Funding Target - Capital Reserve Funding Target further defined to be based on the 5-year Capital Plan.

Overall these proposed changes will provide better guidance for financial transactions.

- 3.2.4 Budgetary Control: The Authority's budgetary control for the Operational Budget will be maintained at the total of the Operational Budget for each budget year. The Capital Budget will be maintained at both the 5-year total amount authorized for each project and the total appropriated Capital Budget amount for each budget year. Budget Revisions that require an increase to the annual Operational Budget, the Capital Budget, or for a Project Budget's authorized 5-year budget amount shall be authorized by the Authority Board prior to incurring the increased amount. The Authority Board may consider revisions to the Annual Budget at any time.
- 3.2.5 Based on urgent funding needs, the Authority Treasurer may request authorization from the Executive Director of the Authority or designee, with advanced written notice to the Authority Secretary or designee, to increase a Project Budget beyond the annual appropriated amount if such increase does not exceed the total appropriated Capital Budget for that year, and does not exceed a Project Budget's authorized 5-year budget amount. The Authority Board shall be notified of any such Project Budget increase at its next regularly scheduled Board meeting.
- 3.3.2 (1) Draft Budget: On or before August 1st PCWA will prepare a draft Annual Budget for the ensuing year and in consultation with the County, will work together to develop the Proposed Annual Budget to submit to the Authority Board annually on or before its regular October meeting.
- 3.3.2 (3) Annual Budget Approval: Included with the Authority Board's October agenda, PCWA shall submit the Proposed Annual Budget as developed above to the Finance Authority for approval at the October meeting preceding the fiscal year for which the budget is to take effect.
- 4.2.2 Except under emergency conditions, capital projects costing more than one million dollars (\$1,000,000), considered Major Projects, must be introduced and authorized through the Capital Plan.
- 4.3.1 (2) [Omit]
- 5.2.2 (2) Funding Target: Annual contributions to the Capital Reserve account will be based on funding needs of Authorized and Planned Projects as presented in the 5-year Capital Plan.

Dated: October 8, 2013

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M E M O R A N D U M

TO: Board of Directors

FROM: Joseph H. Parker, CPA, Authority Treasurer

DATE: October 9, 2013

RE: 2013 Budget and Actual Schedules

Attached for the Board's information are four year-to-date Budget and Actual schedules as follows:

Summary Schedule - Included for the first time is a Summary Schedule which presents the current year's Capital Project Budget and Actual amounts up with expenditures to have a total expenditure (Operating and Capital Project) amount.

Exhibit A – MFP Finance Authority Budget Schedule through September 30, 2013. This schedule summarizes the MFP Finance Authority year-to-date budget and actual activity.

Exhibit B – PCWA MFP Infrastructure Project-to-Date Budget and Expenses through September 30, 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 C – MFP Finance Authority Reserve Accounts through September 30, 2013. This schedule summarizes the MFP Finance Authority Reserve Accounts 2013 funding targets and year-to-date activity.

Recommended Action:

- Approve the project level budget amendments (Exhibit B);
- Authorize net revenue amounts that are beyond the 2013 Budgeted Operating Reserve amount to be funded to the Operating Reserve for 2013; and
- Receive and file the remaining report.

	2013 Adjusted Budget (June 30, 2013)	2013 Budget Amendments	2013 Adjusted Budget (Sept 30, 2013)	2013 Year-to-Date Actual (Sept 30, 2013)
Revenues and Other Financing Sources (Note 1):				
Power Sales	\$ 32,700,000	-	32,700,000	17,294,189
Bond Proceeds Including Interest Expense (New Draws)	5,388,471	-	5,388,471	4,476,776
Interest Income	200,000	(180,000)	20,000	8,153
Total Revenues and Other Financing Sources	38,288,471	(180,000)	38,108,471	21,779,118
Expenditures:				
Administration	3,280,471	-	3,280,471	2,349,711
PCWA Power Division Operating	15,228,277	-	15,228,277	6,617,371
Amount to Capital Reserve for Capital Projects (Note 2)	8,657,000	-	8,657,000	8,657,000
Total Expenditures and Capital Projects	27,165,748	-	27,165,748	17,624,082
Net Revenues and Other Financing Sources over Expenditures and Capital Project funding	11,122,723	(180,000)	10,942,723	4,155,036
Addition to Working Cash (Note 3)	1,934,584	-	1,934,584	1,934,584
Reserve Funding Other than Capital - Operating	9,188,139	(180,000)	9,008,139	-
Net Revenue (Note 4)	\$ -	-	-	2,220,452

Note 1: The MFP FA **Power Sales** includes the capacity amount 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.

Note 2: The **Amount to Capital Reserve for Capital Projects** of \$8.7 million will technically "flow through" the capital reserve account, as required by policy, yet most of this amount is anticipated to be funded directly to specific capital projects during 2013. Amounts appropriated to capital reserve account will remain in the reserve account designated for the specific project's allocation or re-allocated during the Annual Budget.

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.

	2013 Adjusted Budget (June 30, 2013)	2013 Budget Amendments	2013 Adjusted Budget (Sept 30, 2013)	2013 Year-to-Date Actual (Sept 30, 2013)
Revenues and Other Financing Sources:				
Power Sales	\$ 32,700,000	-	32,700,000	17,294,189
Bond Proceeds Including Interest Expense (New Draws)	5,388,471	-	5,388,471	4,476,776
Interest Income	<u>200,000</u>	<u>(180,000)</u>	<u>20,000</u>	<u>8,153</u>
Total Revenues and Other Financing Sources	<u>38,288,471</u>	<u>(180,000)</u>	<u>38,108,471</u>	<u>21,779,118</u>
Expenditures:				
Administration:				
Office Supplies	5,000	-	5,000	-
Professional Services	95,000	-	95,000	80,935
Bond Interest	<u>3,180,471</u>	<u>-</u>	<u>3,180,471</u>	<u>2,268,776</u>
Total Administration Expenditures	<u>3,280,471</u>	<u>-</u>	<u>3,280,471</u>	<u>2,349,711</u>
Appropriation - PCWA Power Division:				
Power Operations	11,026,141	-	11,026,141	5,384,331
Natural Resources Management	2,412,851	-	2,412,851	646,128
Power Resources Management	1,083,185	-	1,083,185	351,466
Routine Capital	<u>706,100</u>	<u>-</u>	<u>706,100</u>	<u>235,446</u>
Total Appropriation - PCWA Power Division	<u>15,228,277</u>	<u>-</u>	<u>15,228,277</u>	<u>6,617,371</u>
Total Expenditures	18,508,748	-	18,508,748	8,967,082
Addition to Working Cash (Note 2)	1,934,584	-	1,934,584	1,934,584
Reserve Funding				
Operating Reserves	9,188,139	(180,000)	9,008,139	-
Capital Reserves (Note 1)	<u>8,657,000</u>	<u>-</u>	<u>8,657,000</u>	<u>8,657,000</u>
Total Reserve Funding	<u>17,845,139</u>	<u>(180,000)</u>	<u>17,665,139</u>	<u>8,657,000</u>
Net Revenue (Note 3)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>2,220,452</u>

Note 1: The **Capital Reserve** budget of \$8.7 million will technically "flow through" the capital reserve account, per policy, yet most of this amount is anticipated to be funded directly to specific capital projects during 2013. Amounts appropriated to capital reserve account will remain in the reserve account designated for the specific project's allocation or re-allocated during the Annual Budget.

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**.

Project No.	Project Description (Note 1)	Project-to-Date Adjusted Budget (June 30, 2013) (Note 2)	2013 Budget Amendments - Notification (Note 3)	2013 Budget Amendments - Approval (Note 4)	Project-to-Date Adjusted Budget (Note 2)	Project-to-Date Expenses (Sept 30, 2013)	Project-to-Date Available Budget
13003P	CMMS Implementation	\$ 62,500	81,500		144,000	23,038	120,963
12015A	Communications Upgrades	1,825,000		(625,000)	1,200,000	331,550	868,450
12006P	Dam Spillway Radial Gate Controls	120,000			120,000	4,652	115,348
12005P	French Meadows Fall Protection	100,000		75,000	175,000	865	174,135
	French Meadows Tunnel Intake Inspection	25,000			25,000	-	25,000
09009A	Hell Hole Seasonal Storage	685,000			685,000	322,899	362,101
12016P	Hell Hole Substation	300,000	(300,000)		-	-	-
12002P	L.L. Anderson Low Level Pipe Inlet Gate Modification	250,000			250,000	2,103	247,897
09023A	L.L. Anderson Spillway Modification (Note 5)	19,127,388			19,127,388	18,750,872	376,516
12017P	MFP Outlets Works Upgrades	390,000			390,000	104,295	285,705
	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	-	140,000
	Middle Fork Unit Breakers	500,000			500,000	-	500,000
	Multiple Site Fencing Project	-		350,000	350,000	-	350,000
	NERC/WECC Compliance Support	155,000			155,000	-	155,000
13010P	New Trails	95,000			95,000	10,328	84,672
	North Fork Long Canyon Intake Sediment Removal	50,000		(50,000)	-	-	-
	Oxbow Cooling Water Strainer Upgrades	100,000			100,000	-	100,000
13008P	Oxbow Governor Upgrade	387,500			387,500	-	387,500
	Oxbow RTU Replacement	125,000			125,000	-	125,000
12004P	Oxbow Tunnel Intake Stem Straightening and Guides Replacement	50,000			50,000	961	49,039
	PG&E Engineering and Estimating	57,000			57,000	-	57,000
12023A	PI Data Server	325,000			325,000	26,186	298,814
13018P	Ralston/Middle Fork Penstock Coating Inspection	100,000	40,000		140,000	-	140,000
12011P	Ralston Penstock Hillside Stability	150,000		450,000	600,000	325,706	274,294
	Ralston Transformer	1,500,000	(140,000)		1,360,000	-	1,360,000
	Ralston Tunnel Inspection (Brushy Canyon Adit) and Middle Fork Tunnel Rollout Section	150,000			150,000	-	150,000
	Recreation Facilities	45,000			45,000	-	45,000
12003P	Review Slope Stability Study Above Three Butterfly Valve Houses	50,000	362,000		412,000	230,157	181,843
12024A	RIG Installation	243,485		(100,000)	143,485	50,534	92,951
08006A	Risk Assessment and Management	435,000	(183,500)		251,500	96,990	154,510

Project No.	Project Description (Note 1)	Project-to-Date Adjusted Budget (June 30, 2013) (Note 2)	2013 Budget Amendments - Notification (Note 3)	2013 Budget Amendments - Approval (Note 4)	Project-to-Date Adjusted Budget (Note 2)	Project-to-Date Expenses (Sept 30, 2013)	Project-to-Date Available Budget
12029A	SCADA Reliability Upgrades	450,000		(100,000)	350,000	96	349,904
12018P	Small Diversion Upgrades (Duncan Creek, North Fork of Long Canyon and South Fork of Long Canyon)	1,105,000			1,105,000	407,079	697,921
08007A	Standard Operating Plan and Procedures	2,025,000			2,025,000	924,248	1,100,752
TOTAL MFP INFRASTRUCTURE PROJECTS		\$ 31,032,873	-	-	31,032,873	21,612,559	9,420,315

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.

Note 3: 2013 Budget Amendments requiring MFPFA Board notification are project-to-project transfers within the Minor Project category. These budget amendments have been approved by the PCWA Board.

Note 4: 2013 Budget Amendments requiring MFPFA Board approval are project-to-project transfers of Major Projects.

Note 5: The L.L. Anderson Dam Spillway Modification project is reported at 100%. Prior to April 30, 2013, it was funded by the Middle Fork Project Finance Authority and PG&E, 60% and 40% respectively.

	Adjusted Budget 2013*	2013 Actual		
		Beginning Balance May 1, 2013	Year-to-Date Activity Funded (Used) [Note 4]	Current Balance September 30, 2013
Operating Reserve (First Priority - Note 1) :				
Target Amounts:				
Full Funding Target (1 Year Ops Budget)	\$ 22,665,898			
Reserve, Beginning of Year	\$ -	\$ -	-	-
Contribution	9,008,139	-	-	-
Balance End of Year	\$ 9,008,139	\$ -	-	-
Amount Needed to Meet Target, if any	\$ (13,657,759)			
Emergency Reserve (Second Priority - Note 2):				
Target Amounts:				
Target Level of Reserve (Insurance/Debt/Cash)	\$ -			
Reserve, Beginning of Year	\$ -	\$ -	-	-
Contribution	-	-	-	-
Balance End of Year	\$ -	\$ -	-	-
Capital Reserve (Third Priority - Note 3) (sinking fund implemented in 2014):				
Target Amounts:				
Capital Reserve, Beginning of Year	\$ 2,392,027			
Target Contribution based on 5-year Capital Plan Funding Matrix	8,657,000			
Capital Plan Approved Projects - Current Year	(11,049,027)			
Target Ending Balance	\$ -			
Budget Amounts:				
Beginning Balance	\$ 2,392,027	\$ 2,392,027		\$ 2,392,027
Contribution	8,657,000	-	8,657,000	8,657,000
Use/Appropriated to Projects	(11,049,027)	(2,392,027)	(8,657,000)	(11,049,027)
Balance End of Year	\$ -	\$ -	-	-
Amount Needed to Meet Target, if any	\$ -			

* MFP FA Financial Policy adopted April 2013

- 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. The Operating Reserve account provides 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).
- 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. An initial funding amount of \$2,000,000 is planned for 2014. 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.
- 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 projects will be ensured the year prior to anticipated use.
- 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.

M E M O R A N D U M

TO: Board of Directors

FROM: Joseph H. Parker, CPA, Authority Treasurer

DATE: October 8, 2013

RE: Proposed Middle Fork Project Finance Authority 2014 Annual Budget

CC:

Exhibit A – Proposed 2014 MFP Finance Authority Budget Schedule. This Budget Schedule includes; (1) administration costs, (2) PCWA Power Division operating costs detailing power operations, natural resources management, power resources management and routine capital, (3) debt service, (4) reserve funding and (5) distributions and debt payment requirements for the proposed 2014 year, as well as, projected years 2015 through 2018.

Exhibit B – Proposed MFP Finance Authority Reserve Schedule. This Reserve Schedule includes full funding targets for operating, emergency and capital reserves and budget amounts for the proposed 2014 year, as well as, projected years 2015 through 2018.

Exhibit C – Proposed MFP Finance Authority Five Year Capital Plan. The Five Year Capital Plan details MFP infrastructure projects for the proposed 2014 year, as well as, projected years 2015 through 2018.

Exhibit D – Proposed 2014 MFP Finance Authority Project Descriptions. The Project Descriptions provide details of the MFP infrastructure included in the 2014 Capital Budget.

Recommended Action:

Approve the Proposed 2014 MFP Finance Authority Annual Budget.

	Adjusted Budget 2013 (Note 1)	Proposed 2014	Projected 2015	Projected 2016	Projected 2017	Projected 2018
Revenues and Other Financing Sources:						
Power Sales (Note 2)	\$ 32,700,000	43,900,000	47,100,000	50,700,000	51,900,000	52,900,000
Bond Proceeds Including Interest Expense (New Draws) (Note 5)	5,388,471	3,495,600	885,190	-	-	-
Interest Income	20,000	20,000	20,000	20,000	20,000	20,000
Total Revenues and Other Financing Sources	38,108,471	47,415,600	48,005,190	50,720,000	51,920,000	52,920,000
Expenditures and Other Uses:						
Administration:						
Office Supplies	5,000	5,100	5,200	5,300	5,400	5,500
Administration	-	35,000	35,900	36,800	37,700	38,600
Professional Services	95,000	97,400	99,800	102,300	104,900	107,600
Bond Interest (capitalized) (Note 3)	3,180,471	3,495,600	885,190	-	-	-
Total Administration Expenditures	3,280,471	3,633,100	1,026,090	144,400	148,000	151,700
PCWA Power Division - Operating:						
Power Operations	11,026,141	16,234,664	16,884,100	17,559,500	18,961,900	19,720,400
Natural Resources Management	2,412,851	3,523,179	3,744,100	2,665,900	1,788,500	1,912,000
Power Resources Management	1,083,185	1,907,555	1,983,900	2,063,300	2,145,800	2,231,600
Routine Capital	706,100	1,000,500	1,040,500	1,082,100	1,125,400	1,170,400
Total PCWA Power Division - Operating	15,228,277	22,665,898	23,652,600	23,370,800	24,021,600	25,034,400
Debt Service (Note 3)	-	-	3,168,272	6,336,544	6,336,544	6,336,544
Total Operating Expenditures	18,508,748	26,298,998	27,846,962	29,851,744	30,506,144	31,522,644
Addition to Working Cash (Note 4)	1,934,584	-	-	-	-	-
Reserve Funding:						
Operating Reserves	9,008,139	8,475,602	7,550,659	-	-	-
Emergency Reserves	-	2,000,000	-	-	-	-
Capital Reserves	8,657,000	10,641,000	12,607,569	20,868,256	19,552,175	9,000,000
Total Reserve Funding	17,665,139	21,116,602	20,158,228	20,868,256	19,552,175	9,000,000
Net Revenue	-	-	-	-	1,861,681	12,397,356
Distributions and Debt Payment Requirement:						
County	-	-	-	-	465,420	3,099,339
PCWA	-	-	-	-	465,420	3,099,339
Additional Principal Payment	-	-	-	-	930,841	6,198,678
Total Distributions and Debt Payment Requirement	-	-	-	-	1,861,681	12,397,356
Net	\$ -	-	-	-	-	-

General Note: The amount encumbered for consulting and construction contracts that span more than one fiscal year totals approximately \$1.2 million.

Note 1: The 2013 Transition Year Adjusted Budget reflects Power Sales and PCWA Operating Expenditures for the period May 1 through December 31, 2013. Bond Proceeds and Administration Expenditures are for the entire 2013 year. Power Sales and Operating Expenditures for the period January 1 through April 30, 2013 were under the expired PG&E Power Purchase Contract, and, hence, not reflected in this MPPFA Budget Schedule. The 2013 Budget format has changed from the originally adopted format to be consistent with future budget formats.

Note 2: Power Sales are subject to significant fluctuation in both power values and hydrology. Revenue is projected based on 80% of the average hydrologic year, relying on operating reserves to cover short periods of drought or mechanical outages. Power sales are based on 100% capacity payment and 80% energy payment. Years 2015 - 2018 are based on information provided by Tibbs Consulting. The current energy sales contract with PG&E ends December 31, 2017.

Note 3: Total debt at December 31, 2013, December 31, 2014 and March 31, 2015 is projected to be approximately \$80 million, \$83.6 million and \$84.5 million, respectively. The additional \$3.5 million in 2014 and \$0.9 million in 2015 is bond interest expense capitalization. Beginning April 1, 2015, bond interest is no longer capitalized and debt service payments for principal and interest begin October 1, 2015. The actual interest rate varies quarterly until the conversion date, April 1, 2015, at which time the interest rate will become fixed.

Note 4: The Working Cash target balance is approximately \$5.7 million (25% of total operating expenditures). The Addition to Working Cash of \$1.9 million is to meet the Authority Treasurer's target amount during 2013. This target may be revised as deemed necessary.

Note 5: As provided for in the Bond documents, the Authority will continue to capitalize the interest up to the conversion date of April 1, 2015. There is no effect to the net for this amount.

	Adjusted Budget 2013*	Proposed 2014	Projected 2015	Projected 2016	Projected 2017	Projected 2018
Operating Reserve [First Priority- (Note 1)]:						
Full Funding Target (1 Year Ops Budget)	\$ 22,665,898	25,034,400	25,034,400	25,034,400	25,034,400	25,034,400
Reserve, Beginning of Year	\$ -	9,008,139	17,483,741	25,034,400	25,034,400	25,034,400
Contribution	9,008,139	8,475,602	7,550,659	-	-	-
Balance End of Year	\$ 9,008,139	17,483,741	25,034,400	25,034,400	25,034,400	25,034,400
Amount Needed to Meet Target, if any	\$ (13,657,759)	(7,550,659)	-	-	-	-
Emergency Reserve [Second Priority -(Note 2)]:						
Target Level of Reserve (Insurance/Debt/Cash)	\$ -	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Reserve, Beginning of Year	\$ -	-	2,000,000	2,000,000	2,000,000	2,000,000
Contribution	-	2,000,000	-	-	-	-
Balance End of Year	\$ -	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Capital Reserve [Third Priority (Note 3-sinking fund implemented in 2014)]:						
Target Amounts:						
Capital Reserve, Beginning of Year	\$ 2,392,027	-	21,188,000	24,084,000	22,306,500	22,450,000
Target Contribution based on 5-year Capital Plan Funding Matrix	8,657,000	31,829,000	13,167,000	9,685,500	8,987,500	9,000,000
Capital Plan Approved Projects - Current Year	(11,049,027)	(10,641,000)	(10,271,000)	(11,463,000)	(8,844,000)	(8,950,000)
Target Ending Balance	\$ -	21,188,000	24,084,000	22,306,500	22,450,000	22,500,000
Budget Amounts:						
Beginning Balance	\$ 2,392,027	-	-	2,336,569	11,741,825	22,450,000
Contribution	8,657,000	10,641,000	12,607,569	20,868,256	19,552,175	9,000,000
Use/Appropriated to Projects	(11,049,027)	(10,641,000)	(10,271,000)	(11,463,000)	(8,844,000)	(8,950,000)
Balance End of Year	\$ -	-	2,336,569	11,741,825	22,450,000	22,500,000
Amount Needed to Meet Target, if any	\$ -	(21,188,000)	(21,747,431)	(10,564,675)	-	-

* MFP FA Financial Policy adopted April 2013

Note 1: The Operating Reserve is based on the largest projected operating budget in the next 5 years.

Note 2: The current **Emergency Reserve** strategy is to initially fund the reserve with \$2,000,000 to provide immediate and designated funds for deductible(s) and seed monies to commence any significant unforeseen capital expenditures, thus enabling PCWA to respond immediately to the emergency condition. PCWA will annually assess the level of Emergency Reserve, balancing the trade off between insurance emergency reserve funds and alternative funding, and propose recommended changes as needed.

Note 3: The **Capital Reserve Funding target** is based on the 5-year Capital Plan with the target amount determined by fully funding the current and subsequent year, and the remaining years (years 3-5) are funded over one-half, one-third, and one-quarter their annual amounts respectively.

Project No.	Project Description	Project Lead	Project Type	Total Estimated Project Cost (Based on 10 Year Plan)	Prior Funding	Proposed 2014			Projected 2015			Projected 2016			Projected 2017			Projected 2018			TOTAL 2014-2018	
						Planning & Design	Construct	Total	Planning & Design	Construct	Total	Planning & Design	Construct	Total	Planning & Design	Construct	Total	Planning & Design	Construct	Total		
MINOR PROJECTS - TOTAL						1,650,000	340,000	1,990,000	120,000	440,000	560,000	175,000	525,000	700,000	110,000	-	110,000	-	25,000	25,000	3,385,000	
MAJOR PROJECTS - AUTHORIZED:																						
	French Meadows Powerhouse Reliability Upgrades	PWR	Plant	\$ 5,082,000	100,000	162,000	430,000	592,000		40,000	40,000				-	40,000	270,000	310,000		100,000	100,000	1,042,000
	IBay Sediment Removal and Powerhouse Tailrace Rock Removal	PWR	Dam	2,145,000		100,000	300,000	400,000		30,000	30,000				-						-	430,000
09023A	LL Anderson Spillway Modification	PWR	Dam	19,327,388	19,127,388		200,000	200,000							-						-	200,000
	Middle Fork Powerhouse Reliability Upgrades	PWR	Plant	5,390,000	500,000	235,000	1,255,000	1,490,000	20,000	170,000	190,000				-	110,000		110,000		2,700,000	2,700,000	4,490,000
	Oxbow Powerhouse Reliability Upgrades	PWR	Plant	2,654,500	612,500	177,000	590,000	767,000		115,000	115,000				-	10,000		10,000		150,000	150,000	1,042,000
12015A	Project Wide Communications Upgrade	PWR	Communications	8,555,000	1,825,000	300,000		300,000	200,000	2,000,000	2,200,000	200,000	2,000,000	2,200,000			2,000,000	2,000,000		30,000	30,000	6,730,000
	Project Wide Joint Operations Control Room	PWR	Building	1,700,000		100,000		100,000		800,000	800,000		800,000	800,000							-	1,700,000
12029A	Project Wide SCADA Reliability Upgrades	PWR	SCADA	2,100,000	450,000	30,000		30,000	120,000	1,500,000	1,620,000				-						-	1,650,000
08007A	Project Wide Standard Operating Plan and Procedures	PWR	Planning	2,525,000	2,025,000	250,000		250,000	250,000		250,000				-						-	500,000
	Ralston Powerhouse Reliability Upgrades	PWR	Plant	4,507,000	1,950,000	585,000	1,020,000	1,605,000	42,000	610,000	652,000				-						-	2,257,000
	Relicensing - Project Infrastructure	PWR	Plant	22,838,000	796,890	1,712,000	525,000	2,237,000	830,000	2,380,000	3,210,000	315,000	6,844,000	7,159,000			3,366,000	3,366,000		2,860,000	2,860,000	18,832,000
	Relicensing - Project Recreation Facilities	PWR	Environmental	16,006,000	185,000	680,000		680,000	604,000		604,000	304,000		304,000	288,000	2,650,000	2,938,000	859,000	2,026,000	2,885,000		7,411,000
SUBTOTAL - MAJOR AUTHORIZED PROJECTS						4,331,000	4,320,000	8,651,000	2,066,000	7,645,000	9,711,000	819,000	9,644,000	10,463,000	448,000	8,286,000	8,734,000	859,000	7,866,000	8,725,000	46,284,000	
MAJOR PROJECTS - PLANNED:																						
	Abay Sediment Removal and Boat Launch Improvements	PWR	Dam	4,300,000				-			-	200,000	100,000	300,000							-	300,000
	Penstock Protection	PWR	Penstock	4,100,000				-			-			-				200,000		200,000		200,000
SUBTOTAL - MAJOR PLANNED PROJECTS						-	-	-	-	-	-	200,000	100,000	300,000	-	-	-	200,000	-	200,000	500,000	
TOTAL MAJOR PROJECTS						4,331,000	4,320,000	8,651,000	2,066,000	7,645,000	9,711,000	1,019,000	9,744,000	10,763,000	448,000	8,286,000	8,734,000	1,059,000	7,866,000	8,925,000	46,784,000	
TOTAL CAPITAL PROJECTS						\$ 5,981,000	4,660,000	10,641,000	2,186,000	8,085,000	10,271,000	1,194,000	10,269,000	11,463,000	558,000	8,286,000	8,844,000	1,059,000	7,891,000	8,950,000	50,169,000	

Middle Fork Project Finance Authority 2014

Capital Budget Project Descriptions

The Middle Fork Project Finance Authority (MFPFA) reviews and approves the MFP Operational Budget, as well as the Capital Budget. The Capital Budget is the current year of the 5-year Capital Plan. Pursuant to MFPFA financial policy, the Capital Plan will be updated annually based on capital requirements of the MFP with the projects defined as Minor Projects, those with a total estimated project cost equal to or less than \$1 million dollars, and Major Projects those with project costs estimated at more than \$1 million.

MINOR PROJECTS

Minor Projects are included in the MFPFA Capital Plan as one total amount. This amount is comprised of a variety of sub-projects that will be allocated, administered and accounted as “Projects” through PCWA’s budget and accounting system, as PCWA is the lead entity for MFP projects.

MAJOR PROJECTS

Major Projects are project categories and are further defined, by MFPFA policy, as Potential, Planned or Authorized. Similar to the Minor Projects, the Major Projects are comprised of a variety of sub-projects that will be allocated, administered and accounted as separate “Projects” through PCWA’s budget and accounting system, as PCWA is the lead entity for MFP projects.

The following provides additional information about the 2014 Major Projects:

French Meadows Powerhouse Reliability Upgrades

Powerhouse reliability upgrades encompass projects that will sustain or increase generator availability (the percentage of time a generator is available to be synchronized to the grid and produce electricity) and projects that will improve employee safety.

1. Installation of fall protection around the penstock to allow safe exterior inspection.
2. Installation of fire detection and alarm in the powerhouse.
3. Replacement of site security fencing.
4. Upgrades to the switchyard grounding grid.
5. Replacement of the 125 VDC Station Battery bank.
6. Replacement of the powerhouse motor control centers.
7. Upgrades to the powerhouse control room.
8. Upgrades to the generating unit cooling water and station sump pump controls.
9. Replacement of the generator protection equipment.
10. Replacement of the turbine governor.

11. Underwater inspection of the French Meadows – Hell Hole tunnel intake.
12. Replacement of the generator excitation system.

Interbay Sediment Removal and Powerhouse Tailrace Rock Removal Project

This project will consist of a limited sediment removal from the upstream end of Middle Fork Powerhouse to several hundred feet downstream of the powerhouse. A ramp into the reservoir will need to be developed, the reservoir drained down over ten feet, submersible pumps, redundant generators and bypass pipes set up around the work area, excavation in the dewatered work area using excavators and rock trucks, and transport of the excavation debris to an upland disposal site to be determined. Bathymetric survey recommended in advance.

Alternatively, if Water Quality purchases the Multi-Function Dredge, and permits could be secured for use of this dredge, this could be a more economical solution.

LL Anderson Spillway Modification

This project consists of further gate instrumentation, inclinometers for position indication and dogging device lockout devices, propane heater and generator to maintain equipment headers (unless hydro or solar develop in FM Low Level Outlet project), new backup power generator.

Middle Fork Powerhouse Reliability Upgrades

Powerhouse reliability upgrades encompass projects that will sustain or increase generator availability (the percentage of time a generator is available to be synchronized to the grid and produce electricity) and projects that will improve employee safety.

1. Replacement of the generator excitation system for both units.
2. Replacement of unit and station annunciator equipment.
3. Upgrades to the switchyard grounding grid.
4. Replacement of the powerhouse motor control centers.
5. Upgrades to the powerhouse control room.
6. Upgrades to the generating unit cooling water and station sump pump controls.
7. Replacement of the generator protection equipment for both units.
8. Replacement of the high voltage generator circuit breakers for both units.
9. Penstock Maintenance.

Oxbow Powerhouse Reliability Upgrades

Powerhouse reliability upgrades encompass projects that will sustain or increase generator availability (the percentage of time a generator is available to be synchronized to the grid and produce electricity) and projects that will improve employee safety.

1. Replacement of the generator excitation system.
2. Installation of fire detection and alarm in the powerhouse.
3. Replacement of the 125 VDC Station Battery bank.
4. Replacement of the generator protection equipment.
5. Replacement of the turbine governor.
6. Upgrades to the switchyard grounding grid.
7. Replacement of the powerhouse motor control centers.
8. Upgrades to the powerhouse control room.
9. Upgrades to the generating unit cooling water and station sump pump controls.

10. Replacement of the SCADA system powerhouse RTU.
11. Upgrade the tunnel intake gate control system.

Project Wide Communications Upgrades

This project will add redundancy and increase the robustness of the power systems communications system that connects the powerhouses together. The Agency's Foresthill Facilities Center, the Auburn Business Center, and the California Independent System Operator (CAISO) would then be inter-linked.

Project Wide Joint Operations Control Center

This project includes design and construction of the physical structure for a Middle Fork Project control and data center to provide the functionality necessary to operate as a stand-alone Generator Operator (GOP) under NERC Reliability Standards and CAISO requirements. Control Center options will include an evaluation on whether the control center will be a joint Water and Power facility.

Project Wide SCADA Reliability Upgrades

This project will involve replacement or upgrade and installation of Supervisory Control And Data Acquisition (SCADA) network equipment such as: control system software, redundant servers, data historian storage servers, active directory servers, GPS based time services, and Domain Name Servers. It will also include upgraded workstations and a California Independent System Operator (CAISO) interface for Automatic Generation Control (AGC).

Project Wide Standard Operating Plan and Procedures

This project will verify, validate, revise and implement the following:

1. Middle Fork Project Standard Operating Procedures (SOP).
2. OSHA required Lock Out and Tag Out (LOTO) procedures.
3. High Voltage Clearance procedures.
4. Preventive and Predictive Maintenance procedures for use in the Computerized Maintenance Management System (CMMS).
5. Power System Department administrative procedures.

Ralston Powerhouse Reliability Upgrades

Powerhouse reliability upgrades encompass projects that will sustain or increase generator availability (the percentage of time a generator is available to be synchronized to the grid and produce electricity) and projects that will improve employee safety.

1. Replacement of the generator excitation system.
2. Replacement of site security fencing.
3. Ralston Tunnel Adit Access road rebuild.
4. Replacement of the powerhouse motor control centers.
5. Upgrades to the powerhouse control room.
6. Penstock hillside stability and rockfall protection.

7. Replacement of the generator step up transformer, including refurbishment and placement of the original transformer as a spare.
8. Ralston access improvements.

Relicensing - Project Infrastructure

This project consists of capital infrastructure work required under the new FERC license. The work includes:

1. A group of dam outlet upgrades: The Afterbay Dam Outlet Works Upgrade, Interbay Outlet Works Upgrade and Stream Gage Installation, LL Anderson Dam Outlet Works Upgrade, and Hell Hole Dam Outlet Works Upgrade. These will improve the monitoring and control of stream maintenance releases.
2. A group of diversion upgrades: The Duncan Creek Diversion Dam Upgrade and Trail, North Fork Long Canyon Diversion Dam Upgrade, Stream Gage and Trail, and South Fork Long Canyon Diversion Dam Upgrade. These will improve diversion reduce maintenance, and improve sediment transport.
3. Hell Hole Seasonal Storage: This project will install moveable gates on the Hell Hole Dam Spillway that will allow Hell Hole Reservoir to capture and store more water.
4. Hell Hole Dam Access Road Stabilization: This will make improvements to the existing road to stabilize the slopes adjacent to it and protect the road and the new gates associated with the Hell Hole Seasonal Storage Project.
5. LL Anderson Dam Spillway Instrumentation Improvements: This will add instrumentation to the LL Anderson dam spillway to improve monitoring of the spillway structure.

Relicensing – Project Recreation Facilities

This project consists of work to rehabilitate recreational facilities that will be required by the new FERC license. The work includes:

1. Afterbay Picnic Area, Cartop Boat Ramp, MF Stream Gage Trail Improvements, and Indian Bar Access area: This work will construct or improve recreation facilities in the vicinity of Ralston Afterbay.
2. French Meadows Boat Ramp Extension and Picnic Area: This work will extend the boat ramp and improve the picnic area at French Meadows Reservoir.
3. French Meadows RV Dump Station and Campground: This work will rehabilitate an RV dump and improve the campground at French Meadows Reservoir.
4. French Meadows South Shore Water Supply: This project will develop a potable water supply for campgrounds to the south of French Meadows Reservoir.
5. Hell Hole Boat Ramp Extension and Parking, General Parking, and Potable Water: This work is at the Hell Hole boat launch area. It will upgrade the boat ramp and general parking areas, extend the boat ramp, and provide a potable water supply in the vicinity of the ramp.
6. Middle Fork Public Access Around Powerhouse: This work will develop public access to the Middle Fork American River around the Middle Fork Powerhouse.

M E M O R A N D U M

TO: Board of Directors and David Breninger, General Manager
FROM: Andrew Fecko, Director of Resource Development
Joseph Parker, Director of Financial Services
DATE: October 10, 2013
RE: Agreement with the County of Placer to pay for Middle Fork Project related services

ACTION REQUESTED

Approve an agreement with the County of Placer to pay the County for services rendered in support of operations of the Agency's Middle Fork Project.

BACKGROUND

As part of the Agency's relicensing effort of its Middle Fork Project, PCWA staff undertook several technical studies designed to evaluate public visitation and uses of recreation facilities affected by Project operations. The results of these studies are documented in various technical study reports filed with the Federal Energy Regulatory Commission (FERC) in February, 2011 as part of the Agency's Application for New License. One of the results of this study was an assessment of the County of Placer's level of effort to support recreation, public access and other project purposes.

Subsequent to the FERC studies, Agency and County staff cooperated on a more detailed analysis of the County's costs related to public safety, public accessibility and other project support services, as detailed below and in the attached Memorandum of Agreement.

Public Safety Services: Protection of the public, emergency response, arrest and incarceration and other law enforcement services, fire suppression and emergency communication and response and other fire protection services, prosecution, defense and other criminal justice services related to Project operations and activities.

Public Accessibility Services: Road repair, maintenance and rehabilitation and other services, fire risk reduction, fuels maintenance and other public safety services, telecommunications maintenance and development and other communications services in an around the Project area.

In-lieu property tax compensation: The Agency will compensate the County on an annual basis in lieu of possessory interest property taxes for revenue lost resulting from the removal of the Project from the County's property tax rolls at the conclusion of the 50 year Pacific Gas and Electric Company contract on May 1, 2013.

The Agreement will provide annual funds to cover these operations and includes an escalation factor to ensure the full support of the County in the future. PCWA is the owner and operator of the Project and this service agreement is an operating cost of the Project. The proceeds of the sale of energy of the Middle Fork Project will be the source of all funding. The Agreement will be provided to the Middle Fork Project Finance Authority Board as information and the associated cost will be placed annually into the PCWA operating budget for approval by the MFPFA. In addition, the Agency will continue to pay the County for its administrative, project management, power marketing oversight and other support services related to the Project. Funding for this Agreement was included in the MFP 2013 budget and approved by the Middle Fork Project Finance Authority Board on November 15, 2012.

Annual documentation of activities and services rendered to PCWA is included as a term of the Agreement. The Agreement will be reviewed every 5 years to assess costs and cost accounting methodologies.

FISCAL IMPACT

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 (the Agency began commercial operation of the Project on May 1, 2013.), as well as ongoing administrative and other support services related to the Project. There are sufficient funds in the 2013 budget for these costs.

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, which are both included in the draft Proposed 2014 Budget.

ATTACHMENTS:

Memorandum of Agreement between Placer County and Placer County Water Agency for Middle Fork costs